CSR/environmental, social and corporate governance (ESG) sector guidance note – metals and mining

DNB's governing document on CSR/ESG "Group Guidelines for Corporate Social Responsibility – Credit Activities" contains all common information valid for all sectors in DNB.

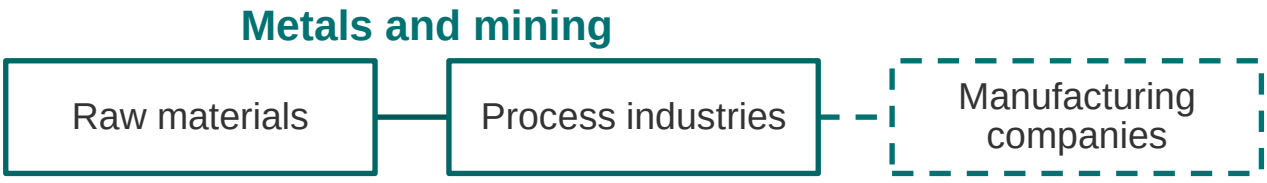
Purpose

The purpose of the sector-specific ESG guidance for metals and mining is to

- highlight key elements of our sector strategy
- describe important environmental, social and governance risks in the sector
- point to DNB's encouragement to have its clients work for continuous improvement of environmental, health and safety management and best practice in the industry
- document activities that are excluded by DNB
- document activities that require an elevated credit decision
- document thresholds that we have imposed with regard to our customers' degree of involvement in activities where an enhanced CSR/ESG risk assessment is required.

The CSR/ESG sector guidance note – metals and mining industries applies to credit services offered by DNB to companies operating in these industries.

Metals and mining industry related activities within the scope of the guidance note are:



Environmental and social risks in metals and mining

The metals and mining industry sector is delivering a wide range of raw materials and input factors used by the manufacturing industries. The extraction and processing of these materials can entail certain risks with negative social and environmental impact. We believe most of such impact can either be avoided or reduced to an acceptable level if companies follow well-established international industry standards and use the best available technologies. DNB is committed to addressing social and environmental risks when providing financing to this sector and making sure that our clients manage and mitigate negative effects of their activities in a responsible way.

Raw materials: Raw material mining operations affect the environment. If managed correctly, the impact can be minimal, but if not, these operations can cause significant, and sometimes irreversible, social and environmental damage to local communities and ecology. Key environmental and social risks can include:

- Impacts on legally protected areas, critical natural habitats or ecosystems due to land conversion;
- A hazardous work environment, compromising the health and safety of workers ;
- Contamination of soil or ground water;
- Leakage of chemicals polluting the environment and the local population;
- Precious metals mining operations in unstable regimes with a poor social infrastructure and legal system may have adverse effects on the population and the environment.

Process industries: Metals are processed by mixing metals with other substances at high temperatures. This process creates pollutants and waste which, however, can be reduced to a minimum if available state-of-the-art technology is used. Key environmental and social risks can include:

- Large amounts of CO_2 and heavy metals into the atmosphere due inefficient smelting processes, poor filtering systems, or fossil fuelled power sources;
- Water pollution;
- Waste in areas without established recycling routines.

Industry standards in the metals and mining industry

DNB encourages clients in the metals and mining sector to seek continuous improvement in environmental, health and safety management and to follow best practices, which include:

- The UN Global Compact
- The International Council on Mining & Metals
- The Extractive Industries Transparency Initiative (EITI)[1]

Excluded activities

In addition to excluded activities defined in the Group Guidelines for Corporate Social Responsibility, DNB does not finance the following activities within the metals & mining sector:

- Uranium mining
- Mountain top removal[2]

Escalated credit decision

In addition to activities in the metals and mining industry included in the Group Guidelines for Corporate Social Responsibility – Credit Activities chapter, 7.1, DNB will escalate credit decisions if customers are involved in activities as described below:

Activity	Escalation to	Reference
Corporations with operations close to legally protected areas or rain forest areas	Level 1	Corporate Banking Credit Manual, chapters 3.8.3 and 3.8.4
Corporations with operations in a weak governance zone[3] or conflict-affected areas	Level 1	Corporate Banking Credit Manual, chapters 3.8.3 and 3.8.4
Corporations that have been targeted by governmental agencies or NGOs for excessive pollution	Level 1	Corporate Banking Credit Manual, chapters 3.8.3 and 3.8.4

Enhanced ESG/CSR assessment

In addition to activities in the metals and mining industry included in the Group Guidelines for Corporate Social Responsibility – Credit Activities, chapter 7.2, DNB applies the following thresholds with regard to our customers' degree of involvement in activities as described below:

Enhanced CSR/ESG risk assessment	Threshold	Consequence
Emissions to air, water and sea	All new customers or projects.	Perform CSR/ESG risk assessment as described in the Group CSR Guidelines, chapter 8.0

[1] https://eiti.org/

[2] ***Mountaintop removal mining*** ***(MTR)***, *also known as* ***mountaintop mining*** ***(MTM)***, *is a form of surface mining that involves the mining of the summit or summit ridge of a mountain. Coal seams are extracted from a mountain by removing the land, or overburden, above the seams. This method of coal mining is conducted in the Appalachian Mountains in the eastern United States. Explosives are used to remove up to 400 vertical feet (120 m) of mountain to expose underlying coal seams. Excess rock and soil is dumped into nearby valleys, in what are called "holler fills" or "valley fills."[1][2][3] Less expensive to execute and requiring fewer employees, mountaintop removal mining began in Appalachia in the 1970s as an extension of conventional strip mining techniques. It is primarily occurring in Kentucky, West Virginia, Virginia, and Tennessee.*

[3] A weak governance zone is defined as an investment environment in which governments are unable or unwilling to assume their responsibilities. (http://www.oecd.org/daf/inv/corporateresponsibility/36885821.pdf)