Metals and Mining

Sector Policy

Introduction

While the metals and mining industry is an important driver of economic growth through its role in the global supply chain, it can have significant environmental and social impacts if not managed responsibly. Environmental degradation can arise from habitat and biodiversity loss at mining sites, soil erosion, air, soil and water pollution from the release of toxic amounts of minerals and heavy metals, as well as dust and noise pollution. The high water use intensity in mining also exacerbates water scarcity. Potential social impacts include community displacement, weak health and safety management, and poor labour and working conditions.

Scope

UOB's Metals and Mining Policy applies to the exploration, extraction, processing, manufacturing, refining and smelting of all metals, minerals and precious stones. The policy also covers the wholesale distribution and trading of minerals, metals and precious stones.

Principles

UOB will not knowingly provide financing to companies:

- in the thermal coal mining sector, other than anchor clients approved by the Bank with well-established diversification strategies, as well as their subsidiaries, affiliates, suppliers, contractors and traders;
- for the development of greenfield thermal coal mines or thermal coal mine expansion projects;
- for the purpose of asbestos mining;
- that are involved in the mining, processing or sale of metals used in weapons manufacturing such as uranium (please refer to our Defence Sector Policy for further details);
- that are involved in the illegal mining or trade of rough diamonds and other precious stones, including conflict diamonds;
- where their operations or projects threaten the outstanding universal value or special characteristics of UNESCO World Heritage sites, RAMSAR wetlands, forests of high conservation value or sites with critical natural habitats;

- whose site locations, storage facilities and waste disposal activities (including tailings disposals in riverine or shallow sea environments) pose threats to community health and safety;
- without a responsible closure plan for mines;
- without measures in place to manage or to mitigate the risk of air, soil and water pollution;
- involved in the exploitation of labour (including forced labour and child labour);
- in violation of the rights of local communities or without measures in place to avoid or to manage adverse impact on local communities; and
- without measures in place to manage material occupational health and safety risks.

We require that our customers:

- comply fully with local environmental, social and governance related laws and regulations;
- obtain the requisite permits and/or certifications in the respective countries in which they operate;
- demonstrate proper diversification efforts towards less carbon-intensive business activities (applicable to borrowers in the thermal coal sector);
- put in place emergency response and preparedness plans which are appropriate to the nature of their operating activities and in accordance with the requirements of local regulations;
- implement or work towards implementing an appropriate Environmental and Social Management System (ESMS) to address key environmental and social risks in their operations and/or projects; and
- commit to implementing a sustainable sourcing policy and/or processes to exclude purchases from sources that generate significant negative environmental and social impact.

Thermal coal mining

Thermal coal mines contribute to adverse climate-related impact, with thermal coal accounting for approximately 73 per cent of carbon dioxide emissions from power generation. In view of this, we have ceased project financing of greenfield thermal coal mines and thermal coal mine expansion. We will only support coal mines that have calorific values corresponding to sub-bituminous or higher-grade coal within selected anchor client groups. In addition, we require all customers to commit to a diversification strategy towards less carbon-intensive business activities. UOB also commits to reducing our exposure progressively to the thermal coal sector, and to exit financing for this sector by 2039.

We also recommend that customers:

- adopt relevant established industry standards such as the International Council on Mining and Metals (ICMM), the International Finance Corporation (IFC) Performance Standards, or the World Bank Group Environmental, Health and Safety (EHS) Guidelines pertaining to mining;
- improve traceability in their supply chains by purchasing products with and/or obtaining internationally-recognised certifications such as the Kimberly Process Certification Scheme for diamonds or the International Cyanide Management Code for gold;
- implement the Free, Prior and Informed Consent (FPIC) process in their engagement with affected local communities, where applicable; and
- adopt best environmental practices in relation to:

- reducing greenhouse gas emissions;
- proper waste management which includes tailing management;
- efficient water management and/or water stewardship, particularly for projects that are located in water stressed areas; and
- adapting to and managing climate-related risks which may include developing a strategy to assess the potential financial impact of climate-related risks through climate scenario analysis and adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Where we deem that our customers are unable or unwilling to manage the potential adverse impact of their operations, the Bank may choose to exit the relationship.