

Nordea sector guidelines for the mining industry

**Approved by Nordea Bank's Sustainability and Ethics Committee
December 2022**

1 Contents

2	Introduction.....	3
2.1	Nordea’s sustainability targets.....	3
3	Scope of the sector guideline.....	3
3.1	Definitions.....	4
4	Governance.....	4
4.1	Due Diligence and sanctions	4
5	Mining and its risks in relation to sustainability.....	5
6	Requirements.....	5
7	Expectations.....	6

2 Introduction

The Board of Directors of Nordea Bank has adopted a Code of Conduct for Nordea Bank Abp and its subsidiaries, including branches and representative offices. It applies to all people working for Nordea.

The Code of Conduct is primarily based on the ten principles of the UN Global Compact and sets out the general principles for how we aspire to work at Nordea and guides us in our business relationships. The Code of Conduct is supplemented by more detailed internal rules, policies and guidelines.

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into our processes. Nordea is a signatory to the:

- UN Global Compact,
- the Principles for Responsible Investments (PRI),
- the Principles for Responsible Banking (PRB),
- the Glasgow Financial Alliance for Net Zero and
- the Equator Principles.

2.1 Nordea's sustainability targets

Sustainability is at the core of our strategy.¹ We have an important responsibility in the transition towards net zero. Sustainability is an integrated part of our value proposition to customers, how we run the bank, organise our internal operations and manage our risks. We want to make a difference together with our customers and support them in making sustainable choices, contributing to a sustainable society.

To reach this goal Nordea has set the objective to become a bank with net-zero emissions by 2050 at the latest. Nordea was also the first Nordic bank with a tangible mid-term target by 2030 to reduce GHG emissions from our lending and investment portfolios by 40-50%, based on the 1,5 C pathway as set out in the IPCC SR15.

Nordea will ensure that 90% of our lending exposure to large corporates in climate-vulnerable sectors is covered by transition plans. To read more about these sustainability targets, including more detailed 2025 targets, please visit [Nordea.com](https://www.nordea.com).

3 Scope of the sector guideline

This sector guideline applies to Nordea's procurement, investments and financing and is applicable to mining companies where Nordea's credit exposure exceeds EUR 1 million.²

Please note that restrictions on business models based on the mining of thermal coal, thermal peat and unconventional oil are as specified in Nordea's Fossil Fuel Industry sector guideline.³

¹ <https://www.nordea.com/en/news/new-sustainability-targets-for-2025>

² The threshold captures the absolute majority of loans from Nordea to the mining sector, as well as the majority of financed emissions and risks in the sector.

³ <https://www.nordea.com/en/doc/nordea-sector-guideline-for-fossil-fuel-based-industries.pdf>

3.1 Definitions

Mining company: Directly involved in exploration, mineral extraction and mine operation as well as mine closure and reclamation.

Mountain top removal: The practice of removing tops of mountains (“mountaintop mining”) is defined as the practice of allowing for almost complete recovery of coal seams to reduce the number of workers required to a fraction of what conventional methods require. Mountaintop mining can involve removing 500 feet or more of the summit to get at the buried seams of coal. The earth from the mountaintop is then moved into neighbouring valleys.

Asbestos: Asbestos is a natural mineral extracted from the earth to make building materials and other products. All forms of Asbestos are known carcinogens, causing mainly (but not only) mesothelioma and lung cancer.⁴ Despite being banned since 2005, exposure to asbestos continues to happen and cancer cases due to asbestos exposure in the past will continue to be detected.

Requirement: Nordea restricts financial services to customers and investments in companies that are in breach of these requirements.

Expectation: Nordea expects customers within the scope of this guideline to adhere to the expectations and engage to encourage customers to take concrete remediating actions.

4 Governance

Sector guidelines are approved by the Sustainability and Ethics Committee. The relevant 1st line of defence is responsible for implementing the guideline into their processes, such as risk, credit and investment decisions. The control function in the 2nd line of defence is responsible for the oversight of the application of the guideline.

This guideline should apply to all new financing, investment and procurement activities. Existing customers' adherence to the requirements is verified through ongoing active engagement and may require the collection of documents such as policies, permits or certificates. Controls of adherence are implemented according to a risk proportionality approach.

4.1 Due Diligence and sanctions

Nordea performs ongoing due diligence (ODD) on all customers and enhanced due diligence (EDD) with regards to customers that are deemed to have a higher risk or are active in an industry with a higher risk.

Nordea is committed to ensuring that it complies with all relevant sanctions laws and regulations globally. Therefore Nordea applies the EU Sanctions Regime, UN Sanctions Regime and adheres to UK and US Sanctions Regimes on a Group-wide basis. In addition to the sanctions that are applied on a Groupwide basis, all Nordea entities are required to comply with sanctions that are applicable within their jurisdiction. Nordea may also consider the application of such local sanctions regimes on a Group-wide basis where needed for Nordea’s risk management objectives. Nordea may also set

⁴ European Environmental Agency. <https://www.eea.europa.eu/publications/environmental-burden-of-cancer/asbestos>

requirements for sanctions compliance and risk management that exceed the regulatory or legislative obligations set forth by sanctions.⁵

5 Mining and its risks in relation to sustainability

Mining and metals are critical to our modern economies and can provide positive, long-term economic and social benefits for local communities and wider society. Mined metals and minerals are needed for basic infrastructure, goods and services. Because of their importance, many mineral-based raw materials have been labelled as “critical raw materials” by the EU. Metals will support sustainable growth by enabling technology and innovation needed for the net zero transition. Clean energy technologies are set to emerge as a major force in driving demand growth for critical minerals. The total demand for minerals is projected to increase sixfold by 2040 under International Energy Agency’s (“IEA”) scenario that achieves net zero by 2050.

The recycling of metals will increase in importance as economies move towards net zero. The European Green Deal and EU Action Plan for a circular economy together with the industrial strategy aspire to a more circular economy, i.e. one in which the economy is less dependent on the extraction of new materials. The share of recycling is already high for certain metals but more will be needed.

The mining industry is comprised of different segments with different risk profiles and there are several sustainability challenges that need to be managed prudently. Mining is generally water- and energy-intensive and 50% of today’s lithium and copper production is concentrated in areas with high water stress levels. The mining sector emissions currently amount to 4-7% of the global GHG gas emissions. Mining waste, such as waste rocks and tailings, needs to be disposed of and stored responsibly to prevent water and soil pollution and to avoid impacts on eco-systems, biodiversity and human health and safety. Other concerns associated with the mining industry are hazardous working conditions potentially leading to accidents and fatalities and diseases. Mining can also fuel conflicts through the trade of minerals and the competition of resources and land in conflict-affected or high-risk areas. In conflict-affected or high risk areas, mineral trade can be used to finance armed groups, corruption, money laundering and/or severe human rights abuses.

6 Requirements

Nordea does not finance new or existing customers actively engaging in:

- Asbestos mining
- Mountaintop removal mining

For the financing of customers’ mining projects, Nordea requires adherence to protecting:

- the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Convention with regards to sites listed therein.⁶

⁵ <https://www.nordea.com/en/about-us/sanctions>

⁶ <https://whc.unesco.org/>

- the Ramsar Convention on Wetlands of International Importance especially as Waterfowl Habitat (RAMSAR).⁷
- Land based Natura 2000 Areas and linked National processes, that is significantly contributing to achieving the EU Biodiversity strategy.⁸

7 Expectations

In addition to the adherence to national laws and regulations such as the EU directive on mining waste 2006/21/ EC and conflict minerals 2017/821, we expect companies in the mining sector to live up to internationally recognized and frequently applied norms and standards for the relevant areas and jurisdictions of their operations.

Nordea expects existing and new customers and portfolio companies to refrain from involvement in operations, throughout the supply chain, in areas protected by law, international conventions and to respect the objectives and rights pertaining to children, indigenous people, workers, modern slavery, environment, biological diversity and wildlife. To fulfil these expectations, the following standards, legal requirements, guidelines and principles should be considered:

ENVIRONMENT

Laws & Regulations

- take special care when trading and processing minerals coming from red flag locations of mineral origin or transit and refrain from conflict minerals.
- prevent the pollution of air, water and soil by applying the best available techniques for reducing and managing extractive waste.
- have a plan to identify and address negative impacts in the area of water, biodiversity, pollution and social aspect.
- conduct water scarcity impact assessments in water scarce regions.
- undertake environmental baseline studies, assessing environmental impacts of operations and integrating mine closure planning into their environmental management systems and decision-making processes.
- have mitigation measures in place to protect community and ecosystem water requirements in areas where environmental impact assessments identify that significant impacts to water resources are likely.
- adhere to the International Union for Conservation of Nature and Natural Resources (IUCN) with regards to protected areas defined therein.⁹
- adhere to the Extractive Industries Transparency Initiative.

⁷ <https://www.ramsar.org/>

⁸ <https://natura2000.eea.europa.eu/>

⁹ <https://www.iucn.org/our-union/members/iucn-members>

Standards & Norms

- adopt relevant certification schemes such as the International Conference on the Great Lakes Region (ICGLR) Mineral Tracking and Certification Scheme.
- not to operate in locations where the consequences of an accident for the environment are irreversible.
- commit to the Initiative for Responsible Mining Assurance IRMA.¹⁰
- adhere to International Cyanide Management Code for gold mining.
- commit to the International Council on Mining and Metals framework on net zero by 2050 or sooner (ICMM).¹¹

HUMAN RIGHTS

Laws & Regulations

- assess how their operations may, directly or indirectly, impact an on-going conflict and how the conflict may impact the company and its stakeholders, enabling stakeholders to safely report any human rights violations in such situations.
- operate in weak governance zone or conflict-affected areas only if they are able to demonstrate that they are not causing or contributing to human rights violation.
- adhere to the UN Guiding Principles for Business and Human Rights.¹²
- adhere to the United Nations Convention on the Rights of the Child.¹³
- adhere to the Children's Rights and Business Principles.¹⁴
- adhere to the Free, Prior and Informed Consent (FPIC) principles to ensure indigenous people rights.¹⁵
- adhere to ILO Fundamental Conventions and Principles and the Voluntary Principles on Security and Human Rights.
- adhere to the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) .
- adhere to the Right to Organise and Collective Bargaining Convention, 1949 (No. 98).
- adhere to the Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol).
- adhere to the Abolition of Forced Labour Convention, 1957 (No. 105).
- adhere to the Equal Remuneration Convention, 1951 (No. 100).
- adhere to the Discrimination (Employment and Occupation) Convention, 1958 (No. 111).

¹⁰ <https://responsiblemining.net/about/facts/>

¹¹ <https://www.icmm.com/en-gb/our-work/environmental-resilience/climate-change/net-zero-commitment>

¹² <https://www.business-humanrights.org/en/big-issues/un-guiding-principles-on-business-human-rights/>

¹³ <https://www.unicef.org/child-rights-convention>

¹⁴ <https://www.unicef.org/media/96136/file/Childrens-Rights-Business-Principles-2012.pdf>

¹⁵ <https://www.fao.org/indigenous-peoples/our-pillars/fpic/en/>

GOVERNANCE

Laws & Regulations

- have an emergency plan in case of an environmental or social crisis situation.
- acknowledge and commit to the fulfilment of the objectives of the Paris Agreement.
- mitigate the risk of accidents by making use of the best available techniques and have a solid road map for crisis situations (a 'contingency plan').
- adhere to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk areas.¹⁶

Standards & Norms

- have a Code of Conduct and a Supplier Code of Conduct, ensuring ethical business practices and striving for best practices, alongside a compliance function supporting whistle blowing and grievance mechanisms.
- have environmental-, health-, and safety (EHS) management systems meeting industry standards such as ISO 14001, 45001 or OHSAS 1800.
- regularly disclose and report on material sustainability matters in line with established standards, such as the GRI standards or SASB (applied to companies required to report according to Directive 2014/95/EU).
- report to the CDP Program for Metals and Mining (if requested by CDP).
- report according to the Extractives Industry Transparency Initiative (EITI).
- follow the expectations set out by IGCC, including clauses on the compliance with social, economic and environmental criteria in contracts with subcontractors, customers and suppliers.

¹⁶ <https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>