



Sector Policy on Mining and Metals for Skandinaviska Enskilda Banken AB

adopted by the Board's Risk and Capital Committee of
Skandinaviska Enskilda Banken AB (publ)
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Sustainable Banking

Sector Policy on Mining and Metals

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Sector Policy on Mining and Metals

1 Introduction

The Mining and metals industry plays a fundamental role in the development of our economy and society. Many metals are key inputs for the economic transformation towards a low carbon society. However, the industry can also have some potentially significant negative environmental and human rights impacts, if not addressed correctly.

Skandinaviska Enskilda Banken AB, SEB, has exposure to the Mining and metals industry through lending and investments. This policy has been developed to ensure that lending and investment decisions contribute towards fulfilling SEB's overall sustainability ambitions, as expressed in SEB's Corporate Sustainability Policy.

The policy covers the areas of the thematic Environmental policy and the Human Rights policy, which are part of the overall Sustainability policy framework in SEB. Sustainability related policies in SEB are reviewed annually.

2 Definitions

Circular economy: An economy that aims to maintain the value of products, materials and resources for as long as possible by returning them into the product cycle at the end of their use, while minimizing the generation of waste.¹

Client: A Company with which SEB has a business relationship.

Companies: Legal entities, irrespective of form, conducting business.

Conflict-sensitive areas: Areas in a state of armed conflict or fragile post-conflict as well as areas witnessing weak or non-existent governance and security, such as failed states, and widespread and systematic violations of international law, including human rights abuses².

Exempt activities: Activities listed in 4 below.

Existing operations: Existing undertaking that is undergoing no material change in output or function.

GHG emissions: Emissions of Carbon dioxide (CO₂), Methane(CH₄), Nitrous oxide(N₂O), and Fluorinated gases.

Investment: Where SEB, directly or indirectly through investment products, managed by SEB or its subsidiaries, invests in equities and fixed income securities.

Mining and metals industry: All companies directly involved in prospecting and exploration, mine construction, mineral extraction and mine operation as owner or on-site operating service provider, processing of minerals, mine closure and reclamation, manufacture of basic metals.³

Mountain top removal: Mountain top removal mining (MTR), also known as mountain top mining (MTM), is a practice where the tops of mountains are removed. The earth from the mountaintop is then moved into neighboring valleys.

¹ Eurostat

² List is under assessment and will be added soon. [EUR-Lex - 32017R0821 - EN - EUR-Lex \(europa.eu\)](#)

³ Subsectors under the following SNI sector codes: 07 – Mining of Metal Ores; 08 – Other mining and quarrying; 099 – Support activities for other mining and quarrying; 24 – Manufacture of basic metals;

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New Projects and capacity expansion: An identified location where any new commercial, industrial or infrastructure undertaking is taking place or any existing undertaking that is undergoing material change in output or function, which may result in environmental or social impacts.

Portfolio Company: Company where SEB Group has an equity ownership.

Scope 1 -3: Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling. Scope 3 includes all other indirect emissions that occur in a company's value chain.

SEB Group: Skandinaviska Enskilda Banken AB (publ) and its affiliates, such as subsidiaries, branches and representative offices.

3 Purpose

The purpose of this policy is to clarify SEB's expectations for and restrictions on providing financial services to and making Investments in Companies involved in Mining and metals activities.

4 Scope

This Sector Policy is applicable to SEB. SEB's intention is that all operating legal entities in the SEB Group shall adopt this or a similar policy in relation to the sector.

The Policy covers all Companies in the Mining and metals industry, except for mining of thermal coal, thermal peat and unconventional oil as these are covered by SEB's Sector Policy on Fossil Fuel.

The Risk and Capital Committee (RCC) mandates the Group Risk Committee(GRC) to make deviations from this policy. Any such decisions by GRC shall be reported back to the RCC.

Exempt activities:

- 1) Intermediation services such as provision of investment opportunities and thereto related research activities;
- 2) Securities financing activities;
- 3) Funds managed outside SEB Group;
- 4) Financial products where the employees in companies in scope are the beneficiaries, e.g. Occupational Pension;;
- 5) Companies with a turnover below EUR 0.5 million or where SEB's credit exposure is below EUR 1 million;
- 6) Any activity that the SEB Group is obliged under law or regulation to provide.

5 Internal governance model

Internal adherence and follow-up

This policy is implemented according to SEB's governance model for all sustainability related policies:

- The relevant first-line business divisions are responsible for ensuring adherence to the policy;

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- The CRO function is responsible for follow-up and control of first-line adherence to the commitments regarding sustainability risks in the Policy;
- There will be a yearly review of the credit portfolios covered by this Policy.

Implementation with Clients and Portfolio Companies

The following implementation levels are used in this document:

Expectation: SEB expects Clients and Portfolio Companies to adhere to this policy. Non-adherence requires actions that over time will ensure adherence to the policy.

Restriction: SEB restricts financial services to Clients and Investments in Companies that are in breach of the part of the policy defined as *Restrictions*.

6 Company alignment with SEB's long term strategy in the sector

SEB is committed to support its Clients and Portfolio Companies in meeting their environmental, social and governance goals and thereby contributing to a more sustainable society. The Paris Agreement and the EU Taxonomy provide operational guidance on sustainable mining and metals practices. SEB expects Clients and Portfolio Companies in the Mining and metals industry to:

- Develop a transition plan for scope 1,2 and 3 GHG emissions in line with the Paris Agreement;
- Develop a plan to identify and address negative impacts in the area of water, biodiversity, pollution and where applicable, include circular economy and social aspects;
- Have public or non-public policy positions reflecting those plans;

A Company that does not commit to producing such plans within a reasonable time frame represents an outlier.

7 Mining and metals

7.1 Key sector risks

Mining

Key concerns include the following risk areas:

- Marine and terrestrial habitat alteration with impacts on ecosystems and biodiversity;
- Contamination of soils and water reserves (including stress and scarcity);
- Emissions, including GHG⁴ and other pollutants⁵;
- Toxic mine waste and chemical leakages caused by tailings and waste rock;
- Tailings dam failures;
- Health and safety of workers and nearby residents;

⁴ CO₂, CH₄, N₂O, SF₆, HFCs and PFCs

⁵ Fine or coarse particulate matter (PM_{2.5}, PM₁₀), volatile organic compounds (VOCs), NO_x, SO₂ or CO

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- Negative human rights impact from, for example, physical resettlement or using customary land from indigenous people etc.;
- Fueling conflict in Conflict-sensitive areas;
- Bribery and corruption.

Metals – ferrous and non-ferrous

The main cause of environmental impacts from the metals industry comes through the processing of ferrous and non-ferrous metals in order to obtain elemental state or to create alloys with favorable production characteristics. Key concerns include the following risk areas:

- Emissions, including GHG and other pollutants;
- Hazardous and solid wastes;
- Water stress;
- Health and safety of workers and residents

7.2 Environmental expectations and restrictions

7.2.1 Mining

Restrictions

SEB will avoid providing financial services to Clients, or make Investments in Portfolio Companies or projects with material negative impact on:

- UNESCO World Heritage sites;
- Wetlands covered by the Ramsar Convention;
- Land-based Natura 2000 areas;
- National parks and nature reserves;
- High conservation value forests (HCVF)⁶
- International Union for the Conservation of Nature Red Listed Species.

SEB will avoid providing financial services to, or make Investments in Companies or projects that are involved in any of the following:

- Activities in violation of EU Conflict Mineral regulation;
- Mountain top removal;
- Riverine tailings disposal (rivers and streams used for disposal activities) or submarine tailings disposal (submerged pipes used for disposal in the sea);

General expectations

SEB expects its Clients and Portfolio Companies to operate in accordance with relevant international, regional and national laws, regulations and permits. In addition, SEB encourages its Clients and Portfolio Companies to adopt and follow internationally accepted voluntary sector initiatives and standards wherever they are applicable, such as:

- Kimberley Process Certification Scheme for diamond mining;
- International Cyanide Management Code for gold mining;
- Extractive Industries Transparency Initiative;

⁶ <https://fsc.org/en/deforestation-hcv-ifl>

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- The member requirements of the International Council on Mining and Metals framework (ICMM).

Existing operations

In addition to the expectations set out in section 6, SEB expects Clients and Portfolio Companies to:

- Have an appropriate water use and quality management in place, in and around mine sites (including the recycling, reuse and treatment of process water);
- Manage mining waste disposal according to waste hierarchy⁷, including tailings, waste rock dumps and hazardous waste (prioritizing recycling over disposal)⁸
- Develop responsible and risk-based management practices for tailings disposal and storage facilities (dams) according to international standards⁹;
- Have policies for the following areas:
 - No Net Loss of biodiversity;
 - Deforestation;
 - Land conversion policy/statement;
- Minimize visual, noise and vibration impacts from vehicle engines and power generation as well as air emissions such as dust or gaseous emissions;
- Promote renewable energies in e.g. the production or transportation process;
- Have an emergency response plan and corresponding insurances in case of environmental or social accidents and crises situations;
- Have a financially secure closure and reclamation plan.

Additional expectations on New projects and capacity expansion

SEB expects its Clients and Portfolio Companies to provide a plan that includes:

- Performing an environmental (and social) impact assessment (ESIA) when applicable¹⁰;
- Addressing biodiversity according to the EU taxonomy¹¹
- Conducting a public consultation during the authorization process;
- Demonstrating the project's benefits and risks for local communities¹²
- Actively engaging in constructive partnerships with affected stakeholders.

7.2.2 Metals

Existing operations

In addition to the expectations set out in section 6, SEB expects Clients and Portfolio Companies to:

- Have appropriate water use and quality management in place, in and around production sites (including the recycling, reuse and treatment of process water);

⁷ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal (OECD - <https://www.oecd-ilibrary.org/sites/f5670a8d-en/index.html?itemId=/content/component/f5670a8d-en>)

⁸ DIRECTIVE 2006/21/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 March 2006 on the management of waste from extractive industries and amending Directive 2004/35/EC

⁹ The Global Tailings Review "Global Industry Standard on Tailings Management" (2020) [global-industry-standard_EN.pdf \(globaltailingsreview.org\)](https://www.global-tailings-review.org/global-industry-standard-EN.pdf)

¹⁰ EU Directive 2011/92/EU

¹¹ Identify biodiversity values before every activity; demonstrate "no environmental damage"; adapt all mitigation, compensatory measures and management plans; monitor activity's impact on ecosystem

¹² E.g. employment programs or infrastructure development

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- Manage waste disposal according to waste hierarchy¹³, including slags and hazardous waste (prioritizing recycling over disposal);
- Have policies or similar, aimed at the prevention of deforestation, loss of biodiversity as well as land conversion in supply chains;
- Minimize visual, noise and vibration impacts from vehicle engines and power generation as well as air emissions such as dust or gaseous emissions;
- Have a robust emergency response plan and corresponding insurances in case of environmental or social accidents and crises situations;
- Apply the Best Available Techniques (BAT)¹⁴.

Additional expectations for New projects and capacity expansion

General

SEB expects Clients and Portfolio companies to provide a plan that includes:

- Performing an environmental (and social) impact assessment (ESIA) when applicable¹⁵;
- Conducting a public consultation during the authorization process;
- Demonstrating the project's benefits and risks for local communities
- Actively engaging in constructive partnerships with affected stakeholders.

Aluminium

SEB expects Clients and Portfolio Companies to:

- Invest in secondary/recycled aluminum production if technically, economically and geographically feasible or
- Invest in primary/new aluminum production aligned with the EU Taxonomy criteria¹⁶

Iron and Steel

SEB expects Clients and Portfolio Companies to provide a plan demonstrating that:

- For Blast Ore Furnace steel making, relevant low carbon technology alternatives have been assessed, e.g. green hydrogen, CCS etc.;
- For Electric Arc Furnace (EAF) steel making, have a minimum of 70% steel scrap input relative to EAF high alloy steel¹⁷ and a minimum of 90% steel scrap input relative to EAF carbon steel¹⁸;
- GHG emission values for their manufacturing process steps are not exceeding those stated in the latest EU Taxonomy¹⁹.

¹³ Prevention, Preparation for Reuse, Recycling, Recovery and Disposal (OECD - <https://www.oecd-ilibrary.org/sites/f5670a8d-en/index.html?itemId=/content/component/f5670a8d-en>)

¹⁴ Best Available Techniques (BAT) Reference Document for the Non-Ferrous Metals Industries; Reference Document on Best Available Techniques for Energy Efficiency; Best Available Techniques (BAT) Reference Document for Iron and Steel Production; Integrated Pollution Prevention and Control (IPPC) - Reference Document on Best Available Techniques in the Ferrous Metals Processing Industry

¹⁵ EU Directive 2011/92/EU

¹⁶ GHG emissions not exceeding 1,484 tCO₂/t Al; average carbon intensity from indirect greenhouse gas emissions not exceeding 100g CO₂e/kWh; electricity consumption not exceeding 15.5 MWh/t Al

¹⁷ as defined in Commission Delegated Regulation (EU) 2019/331

¹⁸ as defined in Commission Delegated Regulation (EU) 2019/331

¹⁹ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

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7.3 Social expectations

SEB expects its Clients and Portfolio Companies to respect human rights as expressed in the United Nations Guiding Principles on Business and Human Rights through the implementation of:

- Human rights and labour rights policies in line with the UN Guiding Principles on Business and Human Rights;
- Human Rights Due Diligence processes (HRDD) applying to own operations, suppliers and contractors as well as to mergers, acquisitions and disposal
- Established whistle blower mechanism;
- Established Grievance mechanism;
- Appropriate compensation plans in order to acknowledge and respond to community priorities in cases of physical or economic resettlement²⁰;
- Free, prior and informed consent (FPIC) principles to ensure the rights of indigenous people as well as transparent and culturally adapted communication;
- Measures to reduce the impact of job losses and industry phase-out on workers and communities when transitioning out of an industry/site;

7.4 Governance expectations

SEB expects its Clients and Portfolio Companies to maintain high standards of accountability and integrity regarding their business supported by:

- A sustainability report (annually published) or similar comprising information about sustainability due diligence and impact in their operations and supply chain;
- Anti-corruption policy;
- Tax reporting according to country-by-country principle²¹;
- Commitment to EITI (Extractive Industries Transparency Initiative) disclosure principles.

²⁰ E.g. according to ICMM's [Land acquisition and resettlement: lessons learned](#) document or the International Finance Corporation's Performance Standard [on Land Acquisition and Involuntary Resettlement](#).

²¹ <https://www.oecd.org/tax/beps/beps-actions/action13/>