

Nordea

Nordea Sector Guideline for the Mining Industry

September 2020



1. 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.

This is Nordea's Sector Guideline for the Mining Industry applicable to mining companies involved in exploration, mineral extraction and mine operation, operation of processing facilities at or adjacent to mine sites as well as mine closure and reclamation. This sector guideline was approved by the Business Ethics and Values Committee on 2020-09-14.

2. Commitment

Nordea is committed to conducting business responsibly and to integrating environmental, social and governance (ESG) criteria into our decision-making process. Nordea is a signatory to:

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

Nordea performs ongoing due diligence (ODD) on all customers and enhanced due diligence (EDD) with regards to customers that are assessed to have a higher risk.

Nordea's Policy for Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risk management sets the framework and minimum standards for Anti-Money Laundering and Counter Terrorist Financing risk management. According to the policy the Know-Your-Customer process is a key element in all AML/CTF activities.

Nordea does not facilitate business with individuals, corporations or countries that are subject to relevant sanctions. Nordea has detailed processes for capturing potential violations of sanctions to ensure that transactions do not breach relevant sanctions imposed by UN, EU, the USA and applicable local regulators. Nordea has dedicated task groups and regular training in place.

3. Mining and ESG

Mining is important to society and can provide positive, long-term economic and social benefits for local communities and wider society. Mined minerals provide goods and services important to society and support the promotion of sustainable growth by enabling innovations needed to address climate change. From 1970 to 2017, the annual global mining industry tripled and it continues to grow. At the same time, the industry is associated with extensive environmental and social impacts.

Mining waste, such as waste rocks and tailings, can have negative environmental and social impacts and needs to be disposed of and stored responsibly to prevent water or soil pollution. Pollution impacts eco-systems, bio-diversity and human health and safety, even after closure, which is why these facilities require careful and long-term management. Mining is generally water and energy intensive. Carbon dioxide emissions vary depending on

factors such as the type of operations and the substance being extracted. Depending on the situation, a mining company may be part of a high carbon intensity value chain.

Other concerns associated with the mining industry are hazardous working conditions potentially leading to accidents and fatalities, and challenges in other labour matters. Mining can also fuel conflicts through trade of minerals and competition of resources and land in conflict-affected or high-risk areas.

The European Green Deal and EU Action Plan for a circular economy together with the industrial strategy, aspire to a more circular economy where we no longer are dependent on the extraction of new materials. The share of recycled metal is already high in the case of certain metals, recognising that the industry is a key enabler of the digital transformation which is making an important contribution towards reaching climate neutrality by 2050.

4. Expectations on the Mining Industry

Nordea recognises the responsibility to work towards a just transition to a sustainable society. Nordea expects clients and portfolio companies to acknowledge the IPCC scientific consensus on the influence of human activities on inducing climate change and commit to the fulfilment of the objectives of the Paris Agreement. Nordea recognises that mining activities involve the risk of potential negative environmental and social impacts and expects clients and investee companies to meet high standards with regards to the management of such risks.

This sector guideline provides direction on best practice and international conventions and standards used in the mining industry. In addition to the adherence to na-

tional laws and regulations such as in the EU the directive on mining waste 2006/21/EC and conflict minerals 2017/821, we expect companies in the mining sector to follow or live up to internationally recognized and frequently applied norms and standards for the relevant areas and jurisdictions of their operations. Examples of such standards may include:

- having a Code of Conduct, and a Supplier Code of Conduct ensuring ethical business practices and striving for best practices as well as a compliance function including whistleblower and grievance mechanisms,
- having environmental-, health-, and safety (EHS) management systems meeting industry standards such as ISO 14001, 45001 or OHSAS 18001,
- preventing the pollution of air, water and soil by applying the best available techniques for reducing and managing extractive waste,
- regularly disclosing and reporting 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),
- reporting to the CDP Program for Metals and Mining (if requested by CDP),
- reporting according to the Extractives Industry Transparency Initiative (EITI),
- following the expectations set out by IGCC,
- including clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors, customers and suppliers.

Nordea expects clients and portfolio companies to meet high standards with regards to their sustainability management.

This includes for example undertaking environmental baseline studies, assessing environmental impacts of operations and integrating mine closure planning into their environmental management systems and decision-making processes.

For specific minerals Nordea expects the following:

Conflict minerals

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. Nordea expects companies to assess how their operations may directly or indirectly impact an on-going conflict and how it may impact the company and its stakeholders, and enable stakeholders to safely report any human rights violations in such situations. Companies are expected to take special care when trading and processing minerals coming from red flag locations of mineral origin or transit and refrain from conflict minerals. When relevant, companies are encouraged to adopt relevant certification schemes such as the ICGLR Mineral Tracking and Certification Scheme.

Thermal coal

Nordea does not start any new banking relationships with mining companies that are pre-dominantly dependent on thermal coal. Nordea does not invest in companies with large and sustained exposure to coal mining, with a 10% revenue threshold on thermal coal and a 30% revenue threshold on total coal (including metallurgical coal).

Nordea expects companies throughout the supply chain to refrain from involvement in operations in areas protected by international conventions and respect the objectives and rights with regards to children, indigenous people, workers, modern

slavery, environment, biological diversity and wildlife as expressed in;

Environment

- the International Union for Conservation of Nature and Natural Resources (IUCN) with regards to protected areas defined therein,
- the United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Convention with regards to sites listed therein and,
- the Ramsar Convention on Wetlands of International Importance especially as Waterfowl Habitat (RAMSAR).

Human Rights

- the United Nations "Protect, Respect and Remedy" framework set out in the UN Guiding Principles for Business and Human Rights,
- the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk areas,
- the Voluntary Principles on Security and Human Rights,
- the United Nations Convention on the Rights of the Child,
- the Children's Rights and Business Principles.

ILO Fundamental Conventions and Principles

- the ILO Minimum Age Convention (no 138)
- the ILO Worst Forms of Child Labour Convention (no 182)
- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol)

- Abolition of Forced Labour Convention, 1957 (No. 105)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

Nordea is committed to engage in a dialogue with our stakeholders, clients and portfolio companies to fulfil the objectives of this sector guideline. The purpose of our sector guidelines is to establish a common framework for a dialogue with the clients and portfolio companies we work with. This includes both business opportunities and risk reduction.

Sector guidelines provide direction on best practice as well as on the international conventions and standards that we encourage and expect companies to follow. We are committed to engage and work with our clients and portfolio companies towards improved business practices.

