

# *Mining and metals*

Position statement  
Danske Bank

September 2019





# Introduction

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## About Danske Bank Group

Danske Bank is a Nordic universal bank with strong regional roots and close ties to the rest of the world. For more than 145 years, we have helped people and businesses in the Nordic countries realise their ambitions. Today, we serve more than 3.3 million personal, business and institutional customers in 16 countries. In addition to banking services, we offer life insurance, pension, mortgage credit, wealth management, real estate and leasing services and products. Our vision is to be recognised as the most trusted financial partner.

## Societal impact and sustainability at Danske Bank Group

As one of the largest Nordic financial institutions, Danske Bank Group has a responsibility and sizeable societal impact. By being solid, balanced and predictable, we aim to conduct our business in a responsible, accountable and transparent manner that supports financial stability. We are driven by an ambition to create value for all our stakeholders, and we use our expertise to drive sustainable progress and make a positive impact in the societies we are part of.

We have committed to respecting human and labour rights, mitigating adverse environmental impacts and eliminating corruption in all of its forms throughout our business. Internationally recognised principles dealing with environmental, social and governance (ESG) aspects of business lay the foundation for how we conduct our business in a responsible and transparent manner. Furthermore, these provide a shared framework for our relations and dialogue with stakeholders.

Danske Bank Group observes and supports the following international agreements, guidelines and voluntary standards:

- 2030 Agenda and the UN Sustainable Development Goals<sup>1</sup>
- UN Global Compact<sup>2</sup>
- OECD Guidelines for Multinational Enterprises<sup>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- UN-supported Principles for Responsible Investment (PRI)<sup>5</sup>
- Principles for Responsible Banking<sup>6</sup>
- Task Force on Climate-related Financial Disclosures<sup>7</sup>
- The Universal Declaration of Human Rights<sup>8</sup>
- UN Environment Programme Finance Initiative (UNEPFI)<sup>9</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>10</sup>

## Purpose and scope of position statements

Danske Bank Group works continually to improve its sustainable business practices, and we expect the companies we work with to do the same by integrating ESG in their business practices.

Our position statements clarify how Danske Bank Group operates and also outline the expectations we have for our business partners, our customers and companies

we actively invest in. These position statements establish a shared framework for a constructive and forward-looking dialogue about risks and opportunities. The statements apply to all of the markets we operate in and encompass all the operations of Danske Bank Group.

#### **Existing policies and position statements**

The internationally recognised principles that Danske Bank Group has endorsed lay the foundation for several of our policies and procedures. We have sector-specific position statements on agriculture, arms & defence, fossil fuel, mining & metals, and forestry. These position statements are complemented by cross-sector position statements on climate change and human rights.

In addition to the position statements, we have a Societal Impact & Sustainability Policy, Code of Conduct Policy, Whistleblower Policy, Sustainable Investment Policy, Supplier Code of Conduct and Credit Policy as well as Credit Directives on ESG risks in specific industries. We also publish an annual statement of carbon neutrality and annual statement on the steps taken over the course of the past financial year to eradicate and prevent modern slavery in the supply chain and any other parts of our business.

#### **Engagement, feedback and contact**

For more information about how we work in this area, please visit our website at [danskebank.com/sustainability](https://danskebank.com/sustainability). Please contact us at [sustainability@danskebank.com](mailto:sustainability@danskebank.com) if you have any questions or comments.

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- 1) <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>
  - 2) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 3) <http://www.oecd.org/>
  - 4) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
  - 5) <https://www.unpri.org/about/the-six-principles>
  - 6) <https://www.unepfi.org/wordpress/wp-content/uploads/2019/06/PRB-Consultation-Document-12-Web-june-2019.pdf>
  - 7) <https://www.fsb-tcfd.org/>
  - 8) <http://www.un.org/en/universal-declaration-human-rights/>
  - 9) <http://www.unepfi.org/about/unep-fi-statement/>
  - 10) [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)

# Mining and metals

POSITION STATEMENT  
DANSKE BANK

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## 1. Introduction

The mining and metals industry provides raw materials that are used every day around the world. According to the United Nations, mining and extraction, when managed effectively and properly, offers an opportunity to stimulate broad-based economic development and reduce poverty<sup>1</sup>.

By its very nature, mining is environmentally invasive. It causes substantial changes to the landscape, consumes large amounts of energy and water, and produces large quantities of waste in the form of waste rock and tailings<sup>2</sup>. These environmental aspects are reflected in the identified ESG risks in the mining and metals industry. These risks concern water and chemical use, biodiversity, mineral waste, and emissions. The governance and social risks concern bribery, corruption, indigenous people's rights, employee health and safety, and employment terms.

At Danske Bank, we acknowledge the need for sustainable mining practices as these can contribute to sustaining natural resources and reducing poverty around the world. When working with portfolio companies, business partners and customers in the mining and metals industry, we aim to minimise potential adverse environmental and social effects and aim to support good governance by promoting recognised international principles whenever relevant.

## 2. Our approach

At Danske Bank, we refrain from providing direct finance for the establishment of new coal mines. Furthermore, we do not invest in or grant new loans to companies that obtain 30% or more of their revenue from thermal coal mining or the extraction of oil from tar sands. However, we take into consideration the ambition of these companies to transition to renewable energy sources, and we monitor their progress.

For all other companies with activities in mining and metals industry that Danske Bank invests in and lend to, we observe a number of international principles in order to minimise potential risks. We expect our business partners and the companies we lend to and invest in to operate in accordance with relevant international norms, as well as with regional and national laws, regulations and permits.

As set forth in our Sustainable Investment Policy, Supplier Code of Conduct and Credit Policy, we consider ESG risks based on international standards and principles in our investment, procurement and lending practices.

### 3. Implementation

To ensure that we manage our investments, business activities and lending associated with ESG risks on the basis of the international principles we endorse, we have implemented processes that have a risk-based approach and that are structured around two phases: 1) Screening and ESG risk analysis and 2) Dialogue and engagement. We also regularly monitor and assess our efforts in order to meet the needs and expectations of our customers and stakeholders in the best possible manner.

#### Screening and ESG risk analysis

- We integrate ESG considerations in investment and lending practices and monitor the development of ESG risks on an ongoing basis.
- When investing in listed companies in the mining and metal industry, we conduct an ESG screening of the portfolio companies in collaboration with our screening and research partners to ensure that their conduct is in accordance with our Sustainable Investment Policy and the international principles we endorse.
- When investing in unlisted companies in the mining and metal industry, we screen for possible ESG risks as part of the due diligence process. If the ESG risks are assessed to be of significant importance, the results will be examined with the Sustainability & Impact Investment team in Danske Bank.
- When lending and renewing credit to the mining and metal industry, we conduct an ESG assessment in order to ensure that our customers' conduct is in accordance with our Credit Policy, Societal Impact & Sustainability Policy and the international agreements we endorse.

#### Dialogue and engagement

- We seek to influence the companies we invest in through on-going dialogue, voting at general meetings and participation in nomination committees when we believe it will have a substantial impact.
- If there are allegations of potential breaches of international agreements, identified ESG issues or if the customer is not compliant with our Credit Policy or our Societal Impact & Sustainability Policy, we initiate a dialogue in order to determine a solution together with the customer. The aim is to clarify the circumstances, to recommend that they follow a set of international standards and principles (as set forth in section 4), and to determine whether the company plans to change its behaviour.
- We prefer to engage with the companies and encourage the development of higher standards of responsibility instead of excluding them from our portfolio or terminating the credit relationship. However, if the company fails to demonstrate sufficient commitment towards improvement, we reserve the right to terminate the relationship whenever possible and in a controlled manner.

### 4. Standards and principles

Whenever relevant, we expect the companies we lend to an invest in to operate in accordance with the following sets of international agreements and frameworks:

- UN Global Compact<sup>3</sup>
- UN Guiding Principles on Business and Human Rights<sup>4</sup>
- The Universal Declaration of Human Rights<sup>5</sup>
- The ILO Declaration of Fundamental Principles of Rights at Work<sup>6</sup>
- OECD Guidelines for Multinational Enterprises<sup>7</sup>

### Industry-specific

We expect the companies we invest in and lend to in the mining and metal industry to follow the guidelines listed below:

- Reduce extractive waste and implement responsible disposal processes
- Ensure the recovery of ecosystems after commercial activities have been completed
- Include the environmental and health effects of a mine after its closure in plans for the development of new mines
- Do not have a negative impact on the cultural and natural sites on the UNESCO World Heritage List<sup>9</sup>
- Do not have a negative impact on the wetlands covered by the Ramsar convention<sup>9</sup>
- Do not have a negative impact on the protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN)<sup>10</sup>
- Have policy commitments on health and safety
- Mitigate the possibility for accidents and have contingency plans in place
- Work with relevant standards to ensure an adequate level of security for their employees e.g. the Voluntary Principles on Human Rights<sup>11 12</sup>
- Have management systems or processes that deal with employee complaints, labour law violations and conflicts, and monitor and ensure compliance with labour laws
- Ensure equal treatment and working conditions for all employees, including women and migrant workers
- Respect the rights of children and not use exploitative forms of child labour, such as labour that damages children's physical or mental health or prevents them from going to school as stated in the Minimum Age Convention<sup>13</sup> and Worst Forms of Child Labour Convention<sup>14</sup>
- Respect the indigenous people and their right to customary lands by obtaining acceptance when entering such land as described in the principles of Free, Prior and Informed Consent (FPIC)<sup>15</sup>
- Work with and adopt relevant standards and certifications for handling certain materials, e.g. OECD Due Diligence for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas<sup>12 16</sup>
- Understand their material responsibility and risks regarding the environmental and social consequences of their business operations, e.g. supply chain and contracts with subcontractors - especially among the large-sized companies we finance

For the listed companies we invest in, we perform a screening in collaboration with our screening and research partners to make sure that they act in line with the following international principles and conventions:

- UNESCO World Heritage List<sup>17</sup>
- Ramsar convention<sup>18</sup>
- International Union for Conservation of Nature (IUCN)<sup>19</sup>
- Minimum Age Convention<sup>20</sup>
- Worst Forms of Child Labour Convention<sup>21</sup>
- Free, Prior and Informed Consent (FPIC) as covered in the ILO Convention 169<sup>22</sup> and the UN Declaration on the Rights of Indigenous Peoples<sup>23</sup>
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal<sup>24</sup>
- Rio Declaration on Environment and Development<sup>25</sup>

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- 1) <https://sustainabledevelopment.un.org/index.php?menu=1259>
  - 2) <http://www.unep.fr/shared/publications/pdf/3124-FinancialMineral.pdf>
  - 3) <https://www.unglobalcompact.org/what-is-gc/mission/principles>
  - 4) [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf)
  - 5) <http://www.un.org/en/universal-declaration-human-rights/>
  - 6) [http://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---declaration/documents/publication/wcms\\_467653.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf)
  - 7) <http://www.oecd.org/>
  - 8) <http://whc.unesco.org/en/list/stat>
  - 9) <http://www.ramsar.org/sites/default/files/documents/library/sitelist.pdf>
  - 10) <https://www.iucn.org/theme/protected-areas/about>
  - 11) [https://docs.wixstatic.com/ugd/f623ce\\_808340b074b041e8b5ec7d441f768012.pdf](https://docs.wixstatic.com/ugd/f623ce_808340b074b041e8b5ec7d441f768012.pdf)
  - 12) *This is especially applicable for the companies that we invest in*
  - 13) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)
  - 14) [https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C182](https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C182)
  - 15) *Covered in the ILO Convention 169:* [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312314:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO) *and the UN Declaration on the Rights of Indigenous People:* [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 16) <https://www.oecd.org/daf/inv/mne/OECD-Due-Diligence-Guidance-Minerals-Edition3.pdf>
  - 17) <http://whc.unesco.org/en/list/stat>
  - 18) [http://www.ramsar.org/sites/default/files/documents/library/scan\\_certified\\_e.pdf](http://www.ramsar.org/sites/default/files/documents/library/scan_certified_e.pdf)
  - 19) <https://www.iucn.org/theme/protected-areas/about>
  - 20) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:C138](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C138)
  - 21) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100\\_ILO\\_CODE:C182:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100::NO:12100:P12100_ILO_CODE:C182:NO)
  - 22) [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100\\_INSTRUMENT\\_ID:312314:NO](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312314:NO)
  - 23) [http://www.un.org/esa/socdev/unpfii/documents/DRIPS\\_en.pdf](http://www.un.org/esa/socdev/unpfii/documents/DRIPS_en.pdf)
  - 24) <http://www.basel.int/Portals/4/Basel%20Convention/docs/text/BaselConventionText-e.pdf>
  - 25) <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>