

Mining and Metals Sector Policy

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Introduction

The mining and metals sector is a diverse and important industry, which supplies the minerals and metals that underpin economic growth globally. Its activities can be complex and varied, ranging from the mining of copper and diamonds to the smelting of aluminium and zinc. If not managed responsibly, these activities can have potentially significant impacts on the environment and on local communities, particularly where governance is weak.

HSBC's Mining and Metals Sector Policy provides guidance to its offices on sustainability standards applicable to the Group's involvement with this sector. The standards are based on those accepted by the industry and by other stakeholders as representing best practice, and are consistent with HSBC's long-standing commitment to sustainable development.

This is the fifth sector policy following those on the Forest Land and Forest Products, Freshwater Infrastructure, Chemicals Industry and Energy sectors.

Scope

The financial services covered by the Mining and Metals Sector Policy include all lending and other forms of financial assistance, debt capital markets activities, project finance and advisory work. The policy applies to equity capital markets and asset management where practical, recognising the lower degree of influence the bank may have in these circumstances.

The mining and metals activities within the scope of the policy are: exploration; mine development; mineral extraction and mine operation; mine closure and reclamation; and primary processing of minerals.

Policy

The policy is consistent with, and builds on, HSBC's Sustainability Risk Standard and its adoption of the Equator Principles – voluntary guidelines which apply to project finance activities – as well as the existing sector risk policies. In particular, HSBC will not provide financial services to the mining and metals sector which directly support:

- Operations in UNESCO World Heritage Sites, unless the activities pre-date the UNESCO designation;
- The mining, processing and/or sale of uranium for weapons purposes;
- The mining or trading of rough diamonds not certified under the Kimberley Process Certification Scheme;
- Artisanal mining;
- Operations in wetlands on the Ramsar List (the Register of Wetlands of International Importance of the Ramsar Convention on Wetlands); and
- Operations in Primary Tropical Moist Forests, High Conservation Value Forests or Critical Natural Habitats, where there is significant degradation or conversion – unless legacy assets are involved (see below).

Support where the disposal of tailings is in a river or shallow sea-water environment will only be considered exceptionally where alternative options are not feasible and the benefits to local communities are significant.

HSBC has a restricted appetite for supporting individual operating sites where:

- Tailings storage facilities and waste rock dumps represent a material threat to human life or groundwater (for example, from tailings dam failure or acid mine drainage);
- Mines are in an area of high seismic activity or exceptionally high rainfall, without adequate accident and contingency planning in place;

- Mines have no credible closure plan; and
- Mines or metals operations are in areas where there are credible allegations of human rights violations.

Standards

HSBC looks to its clients to operate in accordance with relevant global, regional and national laws, and the policy makes express reference to the following standards.

- International Cyanide Management Code: HSBC requires clients using cyanide in the mining of gold to observe this Code or its equivalent.
- International Atomic Energy Agency: HSBC has a restricted appetite for financing uranium for the power sector where IAEA standards are not met.
- European Union Emissions Trading Scheme: HSBC expects clients covered by the scheme to comply with their allowances to restrict greenhouse gas emissions.
- International Finance Corporation (IFC): in jurisdictions where appropriate standards do not exist and potential client impacts are high, the IFC's Performance Standards, and Environmental Health and Safety Guidelines are used as a benchmark of internationally accepted standards. This is especially important for social and safety risks, which can arise frequently in the sector and where there are a limited number of internationally accepted standards.

HSBC is keen to work with clients in the sector who meet these standards. As part of its commitment to engage with clients and assist them towards higher standards of sustainable development, it will also work with clients who may not currently meet these standards due to legacy assets. These assets will typically be ones which pre-date this policy and clients should have a credible, documented and time-bound plan to meet our standards.

Best practice

Clients are encouraged to move towards best practice on the management of sustainability risks and may be required to do so in certain high impact situations. The following initiatives are referenced:

- Extractive Industries Transparency Initiative: supporting the publication of company payments and revenues from oil, gas and mining in countries where governance is poor.
- UN Global Compact: providing a set of core values on human rights, labour standards, the environment and anti-corruption.
- Voluntary Principles on Security and Human Rights: providing guidance on the risks relating to the use of public and private security forces.
- International Industry Associations – the International Council on Mining and Metals and the Council for Responsible Jewellery Practices provide sustainable development principles and are working towards independent verification of those commitments.

Summary

HSBC is committed to supporting the mining and metals sector. It will work with clients who meet its sustainability standards and those who are making credible progress towards meeting them. In this way, the Mining and Metals Sector Policy will reinforce HSBC's commitment to sustainable development and the attainment of a balance between environmental, social and economic factors.