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Mining & Money policy assessment methodology

Chithira Rajeevan

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Introduction

This document describes the Mining & Money Policy Assessment Methodology used by the Forests & Finance Coalition (FFC) to assess the financing and investment policies of financial institutions involved in financing or investing in the mining sector. This assessment will focus on the mining of minerals and metals critical for the energy transition. It is important to note that the coal policies of the financial institutions are not within the scope of this assessment.

1 Overview of the policy assessment methodology

1.1 Assessment criteria

Table 1 lists the criteria selected in the Mining & Money Policy Assessment Methodology for each of these three categories.

Table 1 Mining & Money policy assessment criteria grouped by category

No.	Category	Criteria
1	**Environment**	Companies and their suppliers must commit to zero deforestation and no-conversion of natural landscapes.
2		Companies and their suppliers must identify and minimise the biodiversity impacts, including the protection of endangered species habitats, associated with the construction of access roads and other mining-related infrastructure activities.
3		Companies and their suppliers must minimise their impacts on water levels and quality
4		Companies and their suppliers must disclose targets and credible transition plans to mitigate their GHG emissions.
5		Companies and their suppliers have systems in place to assess the impacts of their operations on air quality and maintain a management plan that documents measures to avoid or minimise adverse impacts on air quality
6		Companies and their suppliers reduce extractive waste and manage and process it responsibly by adequately tracking, reviewing, and acting to improve their tailings risk management and by adopting a zero-failure objective for tailings storage facilities
7		Companies and their suppliers prepare a reclamation and closure plan that is compatible with the protection of human health, the environment and the existing biodiversity in the region, and that demonstrates how affected areas will be returned to a stable landscape with an agreed post-mining end-use
8		Companies mitigate the chance of accidents by making use of the best available techniques and have a solid road map for crisis situations (a ‘contingency plan’).

No.	Category	Criteria
9		Companies and their suppliers do not engage in deep sea mining.
10	**Social**	Companies and their suppliers must respect the right of indigenous peoples and communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations.
11		Companies and their suppliers may not operate on, or source any materials from, the territories of uncontacted Indigenous peoples (also known as Indigenous peoples in voluntary isolation)
12		Companies and their suppliers must establish human rights due diligence processes and monitoring systems
13		Companies and their suppliers must commit to the resolution of complaints and disputes through an open and transparent process using consultation and mediation methods
14		Companies and their suppliers must maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders
15		Companies and their suppliers only operate in weak governance zones or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses
16		Companies and their suppliers do not engage in forced labour or child labour
17		Companies and their suppliers must uphold the rights to freedom of association, collective bargaining and freedom from discrimination
18		Companies and their suppliers must pay at least a living wage
19		Companies and their suppliers must protect the safety and health of workers Companies must periodically provide reports on human and environmental health in the region of direct and indirect impact, using the river basin and wind direction as the basis for analysis.
20		Companies and their suppliers must have a gender-sensitive zero-tolerance policy towards all forms of gender-based discrimination and violence
21		Companies and their suppliers respect small-scale and artisanal mining and improve sustainable economic and social development on a local level
22	**Governance (of the financial institution)**	The financial institution has integrated sustainability objectives in its governance structure
23		The financial institution is transparent on the actions through which its ESG policies are implemented and enforced
24		The financial institution applies its ESG policies to the entire corporate group to which its client or investee company belongs to
25		The financial institution is transparent on its investments and financings in the mining sector
26		The financial institution discloses its financed GHG emissions related to the mining sector
27		The financial institution discloses targets and a credible transition plan to mitigate GHG emissions by mining sector companies in its portfolio
28		The financial institution is transparent on its engagements with companies in the mining sector
29		The financial institution commits to a transparent and effective grievance mechanism regarding its financing of, or investments in, companies in the mining sector

No.	Category	Criteria
30	**Governance (of companies)**	Companies and their suppliers must provide proof of legality of their operations and commodity supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation
31		Companies and their suppliers must ensure supply chain transparency and traceability
32		Companies and their suppliers are not engaged in corruption, bribery and financial crimes
33		Companies and their suppliers must comply with the letter and the spirit of the tax laws and regulations in the countries where they operate, publish their group structure and country-by-country data, and not set up international corporate structures solely for tax avoidance purposes
34		Companies and their suppliers publish a sustainability report that is set up in accordance with recognised sustainability reporting frameworks.

1.2 Scoring model

To assess a financial institution against the criteria listed in Table 1, the policy documents and other relevant publications, such as sustainability reports, of the financial institution are researched. For each of the *Environmental*, *Social* and *Governance* criteria the financial institution is assigned 0 to 10 points. The general scoring model of the F&F Policy Assessment Methodology for the ESG criteria is clarified in Table 2.

Table 2 General scoring model F&F Policy Assessment Methodology

Points	Assessment
0	The financial institution does not commit to the criteria
3	The financial institution makes a general commitment to the criteria, but this commitment is not very specific on what is expected of companies
5	The financial institution makes a general commitment to the criteria and formulates requirements for companies, but these do not include all elements covered by the criteria or include other exceptions
7	The financial institution commits unequivocally to the criteria and formulates all necessary requirements, but applies it only to its clients or investees and not to their suppliers
10	The financial institution commits unequivocally to the criteria and formulates all necessary requirements, and applies it to its clients or investees and their suppliers

Note: Suppliers are companies and smallholders from which clients or investee companies source materials for trading or processing.

Table 2 provides the general scoring model. More specific scoring guidelines for each of the ESG criteria are defined in section 2. After all criteria are assessed, the scores of each financial institution are added up.

1.3 Weighting factors and normalizing scores

1.3.1 Weighting factors for financings and investments

As some financial institutions might be providing different forms of financing and investments, to which in some cases different policies apply, it is important that the financial institution's policies cover all types of financing and investment activities, through which the financial institution is active in the mining sector. **Financing** includes all forms of credits, corporate finance, project finance, trade finance and underwritings. **Investments** include asset management for own account and asset management for the account of clients.

As the scope of a financial institution's policies affects the scoring of all individual criteria as listed in Table 1, this aspect is addressed by weighting factors. The score of the financial institution on a specific criteria is multiplied by a weighting factor which depends on the ratio between financings and investments found for this financial institution in the Mining & Money (M&M) database. For instance, if 60% of all financings and investments found for a certain financial institution in the M&M database consists of loans and credits, and only one of the policies of the financial institution covers its lending activities, a weighting factor of 60% is used for this policy. If the financial institution also has a separate policy for its investments, a weighting factor of 40% is used for that policy. If a certain criterion is covered in both policies, the scores assigned to both policies for this criteria are first multiplied by the respective weighting factors and then added up.

1.3.2 Normalizing the scores

Adding up the scores per criteria results in the total scores. Combining these with the weighting factors for financial services yields a total score for the entire bank or investor. However, the total scores of different financial institutions are not directly comparable as the number of criteria is not necessarily the same for each financial institution because some criteria can be deemed not to be applicable to a specific financial institution. Therefore, the score of each financial institution is normalized to a score on a scale of 0 to 10 by dividing the score of the financial institution by the maximum score that this financial institution could achieve (maximum 10 points for each relevant criterion) and then multiplying by 10.

2 Scoring Guidance

The M&M Policy Assessment Methodology includes the following 32 criteria to assess how financial institutions deal with ESG issues.

2.1 Environmental criteria

1. **Companies and their suppliers must commit to zero deforestation and no conversion of natural landscapes, both directly and indirectly.**

   The financial institution should require that the companies it finances or invests in do not engage in activities that degrade or convert natural ecosystems, including natural forests. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers and should include a credible cut-off date or no cut-off date at all.

   This is in line with the 1992 UN Convention on Biological Diversity (CBD), which demands that each member state establishes a system to preserve the biodiversity in protected areas, or ensure the protection of ecosystems in other ways. Virtually all countries in the world have signed the convention.[1] The CBD is complemented by the 1982 UN Convention on the Law of the Sea (UNCLOS) [2] that obliges all signatory countries to protect and preserve the biodiversity in ocean areas and the Ramsar Convention on Wetlands[3] which ensures protection and proper management of wetlands.

   One of the Sustainable Development Goals of the United Nations, number 15 of Life on Land, requires: "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss."[4] The International Finance Corporation's (IFC) Performance Standard 6 concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources determines how companies must operate in order to avoid negative consequences on areas of high biodiversity value, including impact on natural habitats as well as endangered and endemic species.[5]

In this respect, (sectoral) cut-off dates are important: "The date after which deforestation or conversion renders a given production area non-compliant with no-deforestation or no-conversion commitments." This means that companies are not only expected not to be involved in deforestation or conversion themselves, but they are also expected not to undertake any activity in areas which were deforested or converted (by others) after the cut-off date. In its policy, the financial institution should define a credible cut-off date or no cut-off date at all. A cut-off date is credible when it is in line with existing sectoral cut-off dates, not later than 2020 (for no-deforestation) and as early as possible and pre-dating the date on which the commitment was made (for no-conversion).[6]

Table 3 Scoring table criteria 1

Points	Assessment
0	The financial institution has no policy on deforestation and the conversion of natural landscapes
3	The financial institution makes a general commitment to the protection of natural landscapes, but this commitment is not very specific on what is expected from companies
5	The financial institution explicitly requires companies to commit to zero deforestation and no conversion of natural landscapes. At least 3 of the following categories are explicitly mentioned – wetlands, peatlands, categories I-IV of the IUCN, HCS forest areas or HCV areas.
7	The financial institution explicitly requires companies to commit to zero deforestation and no conversion of wetlands, peatlands, categories I-IV of the IUCN, HCS forest areas, and HCV areas (after a credible cutoff date)
10	The financial institution explicitly requires companies and their direct and indirect suppliers to commit to zero deforestation and no conversion of wetlands, peatlands, categories I-IV of the IUCN, HCS forest areas, and HCV areas (after a credible cutoff date)

2. **Companies and their suppliers must identify and minimise the biodiversity impacts, including the protection of endangered species habitats, associated with the construction of access roads and other mining-related infrastructure activities.**

The financial institution should require that companies it finances or invests in prevent negative impacts on endangered flora and fauna species. Companies must not harvest, or trade in, endangered species and must protect the habitats of endangered species. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

The leading inventory of which flora and fauna species can be considered endangered is the IUCN Red List of Threatened Species.[7] The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) sets stringent conditions for the international trade in all endangered species.[8]

Mining companies have the potential to directly affect biodiversity, for example through the clearing of vegetation for roads, removal of primary forests and soils to access ore bodies, the conversion of land, wetlands or water-bodies into waste disposal sites, and planned or unplanned discharges of waste products to the environment. There may also be indirect impacts on biodiversity and ecosystem services from mining, such as increased pressures on wildlife for trade or bushmeat when mining roads are built in previously inaccessible areas, or intensified clearing of land as a result of the in-migration of mine workers or others seeking economic opportunities.[9]

Table 4 Scoring table criteria 2

Points	Assessment
0	The financial institution has no policy on limiting biodiversity impacts
3	The financial institution makes a general commitment to protect biodiversity, but this commitment is not very specific on what is expected from companies
5	The financial institution requires companies to identify and minimise biodiversity impacts associated with its operations
7	The financial institution explicitly requires companies to identify and minimise biodiversity impacts of their operations, including the protection of endangered species habitats, associated with the construction of access roads and other mining-related infrastructure activities.
10	The financial institution explicitly requires companies and their direct and indirect suppliers to identify and minimise biodiversity impacts of their operations, including the protection of endangered species habitats, associated with the construction of access roads and other mining-related infrastructure activities.

3. Companies and their suppliers must minimise their impacts on water levels and quality

If the existing climate change scenario becomes a reality, almost half the world's population will be living in areas of high water stress by 2030. Furthermore, water scarcity in some arid and semi-arid places will cause the displacement of between 24 million and 700 million people.[10] The Pantanal region in Brazil, Paraguay and Bolivia for instance, the world's largest area of tropical wetlands, is reportedly starting to wither. Over the past 15 years, about 2.25 million hectares have been altered under the influence of soy farms and cattle ranches.[11]

The financial institution should require that companies it finances or invests in do minimise their impacts on water levels (surface and groundwater) and water quality through irrigation systems, draining, pesticides, fertilizers, erosion or other sources. When starting or expanding their operations, companies are expected to conduct water scarcity impact assessments in water scarce regions and - when necessary - put comprehensive mitigation measures in place to address community and ecosystem water requirements. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

The urgency of the issue of water scarcity is recently being acknowledged more clearly in the corporate world, among others through the establishment of the UN Global Compact's CEO Water Mandate: a public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. Together with the United Nations Environment Programme (UNEP), the CEO Water Mandate has published a Guidance on Corporate Water Accounting.[12]

Table 5 Scoring table criteria 3

Points	Assessment
0	The financial institution has no policy on water scarcity and quality.
3	The financial institution makes a general commitment to preserve water levels and/or water quality, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy on water scarcity or water quality
7	The financial institution makes clear that companies must take concrete steps to minimise their impacts on water levels and water quality

Points	Assessment
10	The financial institution makes clear that companies and their direct and indirect suppliers must take concrete steps to minimise their impacts on water levels and water quality

4. Companies and their suppliers must disclose targets and credible transition plans to mitigate their GHG emissions

The 6th assessment report of the Intergovernmental Panel on Climate Change (IPCC) finds that the *Agriculture, Forestry and Other Land Use (AFOLU)* sector on average accounted for 13-21% of global total anthropogenic GHG emissions in the period 2010-2019.[13] Deforestation is responsible for 45% of total AFOLU emissions, while methane emissions caused by enteric fermentation by livestock animals are also an important source.[14] The financial institution should require that companies it finances or invests in measure their GHG emissions and develop targets and a credible transition plan to mitigate their GHG emissions

To measure GHG emissions, the standards of the Greenhouse Gas Protocol (scope 1-3) are relevant.[15] The targets the company sets for its GHG emissions should align with a 1.5 °C global warming scenario under the Paris Climate Agreement, which requires a reduction of around 50% by 2030. The Expert Peer Review Group (EPRG) of the UN Race to Zero campaign notes that this reduction target implies average annual reductions of approximately 7 per cent following the 'Carbon Law' as a rapid roadmap for global decarbonisation. However, the EPRG also recognises that change may not be linear, in particular for hard-to-abate sectors and that 7% per year may be more/less ambitious depending on baseline, sector and geography.[16]

The United Nation's High-Level Expert Group recommends: "Company transition plans must: [...] disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets."[17] The targets and pathways to net zero should be generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party "for example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), the Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO), among others".[18]

Table 6 Scoring table criteria 4

Points	Assessment
0	The financial institution has no policy on the GHG emissions of the companies it finances or invests in
3	The financial institution makes a general commitment that the companies it finances or invests in should mitigate their GHG emissions, but the policy is not very specific on what is expected of companies
5	The financial institution requires the companies it finances or invests in to measure and mitigate their GHG emissions, but the financial institution does not require a 1.5 °C degrees-aligned transition plan with short-term, medium-term and long-term targets based on a credible methodology
7	The financial institution requires the companies it finances or invests in to measure and mitigate their GHG emissions and develop a 1.5 °C degrees-aligned transition plan with short-term, medium-term and long-term targets based on a credible methodology, or requires adherence to international standards which include this requirement
10	The financial institution requires the companies it finances or invests in, as well as their direct and indirect suppliers, to measure and mitigate their GHG emissions and develop a

Points	Assessment
	1.5 °C degrees-aligned transition plan with short-term, medium-term and long-term targets based on a credible methodology

5. **Companies and their suppliers have systems in place to assess the impacts of their operations on air quality and maintain a management plan that documents measures to avoid or minimise adverse impacts on air quality**

Air pollution is a major health problem, with data from the World Health Organisation (WHO) showing that air pollution kills an estimated seven million people worldwide every year.[19] Mine sites can release significant quantities of air contaminants. By volume, the great majority of air contaminants are particulate matter, such as dust from blasting, large truck and equipment traffic, conveyors, and ore crushing.[20]

The financial institution should require the mining company to carry out air quality screening to determine if there may be significant air quality impacts associated with the mining project and its operations. The company must also develop, maintain, and implement an air quality management plan that documents measures to avoid and/or minimise adverse impacts. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

Table 7 Scoring table criteria 5

Points	Assessment
0	The financial institution has no policy on maintaining air quality
3	The financial institution makes a general commitment to maintaining air quality, but this commitment is not very specific on what is expected from companies
5	The financial institution requires companies to assess the impacts of their operations on air quality
7	The financial institution explicitly requires companies to assess the impacts of their operations on air quality and maintain a management plan that documents measures to avoid or minimise adverse impacts on air quality
10	The financial institution explicitly requires companies and their direct and indirect suppliers to assess the impacts of their operations on air quality and maintain a management plan that documents measures to avoid or minimise adverse impacts on air quality

6. **Companies and their suppliers reduce extractive waste and manage and process it responsibly by adequately tracking, reviewing, and acting to improve their tailings risk management and by adopting a zero-failure objective for tailings storage facilities**

Many environmental problems in the extractive industry concern the way extractive waste is dealt with. In this respect, the management of tailings storage systems is especially relevant. According to the Responsible Mining Foundation, the increasing number of failures in tailings storage facilities in recent years highlights that mining companies still insufficiently monitor and address the risks associated with tailings dams.[21] The Church of England Pensions Board and Swedish Council on Ethics partnered with GRID Arendal to develop the Global Tailings Portal, which was launched in January 2020. It is a free, searchable database with detailed information on more than 1,800 mine tailings dams around the world.

The Global Tailings Review is an initiative by the ICMM, UNEP, and PRI, convened to develop an international standard to prevent catastrophic damage from failures at tailings storage facilities. The standard is to become an ICMM company member commitment. The Global Industry Standard on Tailings Management was published in August 2020.

The financial institution should require companies, their subsidiaries, and suppliers to have a responsible waste management policy that is explicit about reducing extractive waste. The financier must also require a policy that monitors the risks associated with tailings storage and has a zero-failure objective to tailings storage facilities.

Table 8 Scoring table criteria 6

Points	Assessment
0	The financial institution has no policy on the disposal of hazardous materials such as mine tailing
3	The financial institution makes a general commitment to responsibly dispose of hazardous materials, such as not practising riverine and sub-marine disposal of mine tailings
5	The financial institution requires companies to reduce extractive waste and manage and process it in a responsible way
7	The financial institution explicitly requires companies to reduce extractive waste, manage and process it responsibly by adequately tracking, reviewing, and acting to improve their tailings risk management and by adopting a zero-failure objective for tailings storage facilities
10	The financial institution explicitly requires companies and their direct and indirect suppliers to reduce extractive waste, manage and process it responsibly by adequately tracking, reviewing, and acting to improve their tailings risk management and by adopting a zero-failure objective for tailings storage facilities

7. **Companies and their suppliers prepare a reclamation and closure plan that is compatible with the protection of human health, the environment and the existing biodiversity in the region, and that demonstrates how affected areas will be returned to a stable landscape with an agreed post-mining end-use.**

The condition in which exhausted mines are left behind has large consequences for the populations and ecosystems in the vicinity. Negative environmental and health effects can have an impact for years - perhaps even centuries. The Mining, Minerals and Sustainable Development (MMSD) project asks companies to take the environment and health effects after closing mines into consideration in the plans for the development of the mine and in the assessment of the effects on local communities. This means the future destination of the mine, the provisions to be made and the responsibilities of the mining company need to be taken into account.[22]

The financial institution should require companies to prepare a reclamation and closure plan before beginning the mine construction activities. This expectation should cover the company's subsidiaries and its suppliers.

Table 9 Scoring table criteria 7

Points	Assessment
0	The financial institution has no policy on mine reclamation and closure
3	The financial institution makes a general commitment towards mine reclamation and closure, but this commitment is not very specific on what is expected from companies

Points	Assessment
5	The financial institution requires companies to prepare a reclamation and closure plan that is compatible with the protection of human health, the environment, and existing biodiviersity
7	The financial institution explicitly requires companies to prepare a reclamation and closure plan that is compatible with the protection of human health, the environment, and the existing biodiversity and demonstrates how affected areas will be returned to a stable landscape with an agreed post-mining end-use
10	The financial institution explicitly requires companies and their direct and indirect suppliers to prepare a reclamation and closure plan that is compatible with the human health, the environment, and the existing biodiversity, and demonstrates how affected areas will be returned to a stable landscape with an agreed post-mining end-use

8. **Companies mitigate the chance of accidents by using the best available techniques and having a solid road map for crisis situations (a 'contingency plan')**

The International Council on Mining and Metals (ICMM) Principle 4 requires companies to "develop, maintain and test effective emergency response procedures in collaboration with potentially affected parties." International Finance Corporation's (IFC) Performance Standard 1 also requires companies to have a solid roadmap for crisis situations and develop a contingency plan.[23]

The financial institution should expect companies to work towards best practices in health and safety management and to operate a response plan for emergencies (contingency plan, crisis plan, etc). This requirement is equivalent to the mining company committing to follow the IFC Environmental, Health, and Safety Guidelines or the IFC Performance Standards.

Table 10 Scoring table criteria 8

Points	Assessment
0	The financial institution has no policy on emergency response planning
3	The financial institution makes a general commitment to preventing accidents through sound risk management, but this commitment is not very specific on what is expected from companies
5	The financial institution requires companies to adopt emergency response or crisis management planning
7	The financial institution requires companies to work towards best practices in health and safety management, or to operate a contingency plan for emergencies
10	The financial institution explicitly requires companies to work towards best practices in health and safety management and to operate a contingency plan for emergencies

9. **Companies and their suppliers do not engage in deep-sea mining.**

Deep seabed mining is a mining practice in which mineral deposits are extracted and excavated from the deep seabed, which is at ocean depths greater than 200 meters, and covering about two-thirds of the total seafloor. Deep seabed mining has potentially devastating effects on ocean ecosystems and livelihoods dependent on a healthy ocean.[24] Since the exact negative environmental and social risks of deep seabed mining are not yet properly understood, various NGOs, including WWF and the Deep Sea Conservation Coalition, have spearheaded a campaign calling for a moratorium on seabed mining until, amongst others, it is clearly demonstrated that "demonstrated that such activities can be managed in a way that ensures the effective protection of the marine environment."

Table 11 Scoring table criteria 9

Points	Assessment
0	The financial institution has no policy on protecting the oceans or deep-sea mining.
3	The financial institution makes a general commitment towards the protection of the oceans, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to have policies for protecting oceans but does not provide further details.
7	The financial institution requires companies to not engage in deep-sea mining
10	The financial institution requires companies and their direct and indirect suppliers to not engage in deep-sea mining

2.2 Social criteria

10. Companies and their suppliers must respect the right of indigenous peoples and communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations

The financial institution should require that companies it finances or invests in adhere to the principle of Free, Prior and Informed Consent (FPIC) for Indigenous peoples and communities with customary land rights that could be affected by their planned operations. FPIC should be sought when operations are planned on, or in the vicinity of, indigenous lands. Companies must not cause resettlement of people who are dependent for their livelihoods on land affected by the company's operations, whether full or partial, permanent or temporary, physical or economical, without their Free, Prior and Informed Consent. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers. Well before any activity starts, indigenous communities need to be given all information related to the planned operation, including names of the operation's proponents and contractors, size and boundaries, maps etc.

Table 12 Scoring table criteria 10

Points	Assessment
0	The financial institution has no policy on the principle of Free, Prior and Informed Consent (FPIC)
3	The financial institution makes a general commitment to the principle of Free, Prior and Informed Consent (FPIC), but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to respect the right of indigenous peoples and communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations, or it requires adherence to international standards, which include this requirement, but the financial institution does not provide any details on the procedures to be followed
7	The financial institution requires companies to respect the right of indigenous peoples and communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by planned operations. The financial institution also clarifies how companies should fulfil FPIC rights, how they should co-design and document the FPIC procedures, and what best practices must be adhered to in the mining sector
10	The financial institution requires companies and their direct and indirect suppliers to respect the right of indigenous peoples and communities with customary land rights to give or withhold Free, Prior and Informed Consent (FPIC) if they could be affected by

Points	Assessment
	planned operations. The financial institution also clarifies how companies should fulfil FPIC rights, how they should co-design and document the FPIC procedures, and what best practices must be adhered to in the mining sector

11. Companies and their suppliers may not operate on, or source any materials from, the territories of uncontacted Indigenous peoples (also known as Indigenous peoples in voluntary isolation)

Companies and their suppliers must respect the rights of uncontacted Indigenous peoples (also known as Indigenous peoples in Voluntary Isolation). Uncontacted Indigenous peoples cannot give Free, Prior and Informed Consent (FPIC). Contacting them or entering their territories for any reason, including asking for their FPIC, violates their right to self-determination and risks wiping them out through diseases to which they have no immunity. Hence, no companies should be operating on the territories of uncontacted peoples. Therefore, the financial institution should explicitly require that companies it finances, and their direct and indirect suppliers, do not operate on or source materials from the territories of uncontacted Indigenous peoples, or from companies operating on their territories.

Table 13 Scoring table criteria 11

Points	Assessment
0	The financial institution has no policy on uncontacted Indigenous peoples (also known as Indigenous peoples in voluntary isolation)
3	The financial institution makes a general commitment to protecting the rights of uncontacted Indigenous peoples, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies not to operate on or source materials from the territories of uncontacted Indigenous peoples
7	The financial institution explicitly requires companies and their direct and indirect suppliers not to operate on or source materials from the territories of uncontacted Indigenous peoples
10	The financial institution explicitly requires companies and their direct and indirect suppliers not to operate on or source materials from the territories of uncontacted Indigenous peoples

12. Companies and their suppliers must establish human rights due diligence processes and monitoring systems

The financial institution should require that companies it finances or invests in fully comply with the UN Guiding Principles on Business and Human Rights, which means that companies establish human rights due-diligence processes and monitoring systems. The aim of human rights due diligence and monitoring systems is to assess how the human rights of individuals and communities are affected by their present operations and how they could be affected by their expansion plans. These (potential) impacts should also address health impacts. The requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

This obligation is grounded in the 2011 United Nations Guiding Principles on Business and Human Rights (UNGPs) which clarify that the responsibility to respect human rights is a global standard of expected conduct for all companies, wherever they operate. It exists independently of states' abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. Furthermore, this responsibility exists over and above compliance with national laws and regulations protecting human rights.

The responsibility to respect human rights requires that companies:[25]

- Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; and
- Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

According to Guiding Principle 15 of the UNGPs, in order to meet the responsibility to respect human rights, companies must have in place a *policy commitment* to meet their responsibility to respect human rights and establish a *human rights due-diligence process* to identify, prevent, mitigate and account for how they address their impacts on human rights. Guiding Principles 16 to 24 of the UNGPs provide operational guidance on how the required policies and processes should be put into practice.

The UNGPs are broadly supported, among others the OECD Guidelines for Multinational Enterprises[26] and the Equator Principles[27] have aligned their human rights recommendations with the UNGPs.

Table 14 Scoring table criteria 12

Points	Assessment
0	The financial institution has no policy on the protection of human rights by the companies it finances or invests in.
3	The financial institution makes a general commitment to the protection of human rights, but the policy is not very specific on what is expected of companies
5	The financial institution formulates requirements for companies to protect human rights, without explicitly requiring that companies establish human rights due-diligence processes and monitoring systems.
7	The financial institution has a policy which explicitly requires companies to establish human rights due-diligence processes and monitoring systems, or requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to establish human rights due-diligence processes and monitoring systems

13. Companies and their suppliers must commit to the resolution of complaints and disputes through an open and transparent process using consultation and mediation methods

The financial institution should require that companies it finances or invests in fully comply with the UN Guiding Principles on Business and Human Rights (UNGPs), which also means that companies must offer individuals and communities affected by their operations access to remedy. In practice this means that companies must commit to the resolution of complaints, and disputes through an open, transparent and consultative process. This requirement should also apply to the company’s subsidiaries and direct and indirect suppliers.

This obligation is grounded in the 2011 United Nations Guiding Principles on Business and Human Rights (UNGPs) which clarify that the responsibility to respect human rights requires that companies seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

According to Guiding Principle 15 of the UNGPs companies must have processes to enable the *remediation* of any adverse human rights impacts in place.[28] Guiding Principle 29 therefore recommends companies to establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted. Guiding Principle 31 details the criteria to ensure the effectiveness of grievance mechanisms. It also includes expectation that mechanisms must be:[29]

- Legitimate;
- Accessible;
- Predictable;
- Equitable;
- Transparent;
- Rights-compatible;
- A source of continuous learning, and
- Based on engagement and dialogue.

The UNGPs are broadly supported, among others the OECD Guidelines for Multinational Enterprises[30] and the Equator Principles[31] have aligned their human rights recommendations with the UNGPs.

Table 15 Scoring table criteria 13

Points	Assessment
0	The financial institution has no policy on access to remedy
3	The financial institution makes a general commitment to access to remedy, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy which requires companies to provide access to remedy, without explicitly requiring that companies commit to the resolution of complaints and disputes through an open, transparent and consultative process
7	The financial institution has a policy which explicitly requires companies to commit to the resolution of complaints and disputes through an open, transparent and consultative process, or requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to commit to the resolution of complaints and disputes through an open, transparent and consultative process

14. Companies and their suppliers must maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders

Land, environmental, and human rights defenders active in mining sectors are often threatened, repressed, de-legitimised, criminalised, unrecognised, kidnapped and even killed because of their activities mobilising as individuals, communities, peoples and organisations to protect their lands, territories and the environment. They are named and shamed as ‘enemies’ of development, and they are falsely labelled as terrorists and criminals.

The financial institution should require that companies it finances or invests in maintain zero tolerance towards threats, violence and the criminalization of land, environmental, and human rights defenders. This requirement should also apply to the company’s subsidiaries and direct and indirect suppliers.

The often difficult position of human rights defenders received international recognition by the adoption of the Declaration on Human Rights Defenders by the United Nations in 1998 and the appointment of the UN Special Rapporteur on the situation of human rights defenders in 2000.[32] In November 2019, the Zero Tolerance Initiative released the Geneva Declaration, demanding zero tolerance towards violence and the criminalization of land, environmental, and human rights defenders. This is a global coalition led by indigenous peoples, local community representatives and supportive NGOs working collectively to address the root causes of killings and violence against human rights defenders linked to global supply chains.[33]

Table 16 Scoring table criteria 14

Points	Assessment
0	The financial institution has no policy on land, environmental, and human rights defenders.
3	The financial institution makes a general commitment to protect land, environmental, and human rights defenders, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to protect land, environmental, and human rights defenders, without explicitly requiring zero tolerance
7	The financial institution has a policy which explicitly requires companies to maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders, or requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to maintain zero tolerance towards violence and the criminalisation of land, environmental, and human rights defenders

15. **Companies and their suppliers only operate in weak governance zones or conflict-affected areas if they are able to demonstrate that they are not causing or contributing to human rights abuses**

In order to minimise the negative consequences of the resource curse, it is important that the development of the extractive industry is combined with the development of capable and reliable governance. The World Bank Extractive Industries Review (EIR) advises against stimulating private investments in the extractive industry in countries where governance is ineffective. It also states that the quality of governance has to meet explicit conditions before an extractive industry project can be financed by the World Bank. The United Nations Guiding Principles on Business and Human Rights (UNGP) highlights the heightened risks of involvement in gross human rights abuses in conflict-affected areas. A company should manage its own impact in order to prevent involvement in human rights violations.[34]

The OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones could be helpful in detecting areas where strong governance is needed to avoid human rights abuses or to refrain from doing business.[35]

The Natural Resource Charter of the Natural Resource Governance Institute is a set of "principles to guide governments' and societies' use of natural resources so these economic opportunities result in maximum and sustained returns for a country's citizens. It outlines tools and policy options designed to avoid the mismanagement of diminishing natural riches, and ensure their ongoing benefits".[36] Although the Charter is primarily aimed at governments and societies, the document also describes the responsibilities of state-owned extractive companies and private companies.

Table 17 Scoring table criteria 15

Points	Assessment
0	The financial institution has no policy on operating in weak governance zones or conflict-affected areas
3	The financial institution makes a general commitment to be mindful of (potential) human rights abuses while operating in weak governance zones or conflict-affected areas, but this commitment is not very specific on what is expected of companies
5	The financial institution requires companies to adhere to the Voluntary Principles on Security and Human Rights
7	The financial institution requires companies to either not operate in weak governance zones or conflict areas, or to only operate if they demonstrate that they are not contributing to human rights abuses, or adhere to the Voluntary Principles on Security and Human Rights
10	The financial institution requires companies and their direct and indirect suppliers to either not operate in weak governance zones or conflict areas, or to only operate if they demonstrate that they are not contributing to human rights abuses, or adhere to the Voluntary Principles on Security and Human Rights

16. Companies and their suppliers do not not engage in forced labour or child labour

The financial institution should require that companies it finances or invests in do not make use of forced labour (including bonded labour) or child labour in any way. This requirement should also apply to the company's subsidiaries and affiliates, as well as to the smallholders and other direct and indirect suppliers it is sourcing from.

Companies should be expected to take pro-active steps to assess if forced labour (including bonded labour) and/or child labour is occurring in any way in their operations and their supply chains. For companies operating in or sourcing form Brazil, the starting point for this assessment should be the official government list of companies found to be involved in slave labour and debt bondage.[37] Special attention should be given to (illegal) migrants and refugees, who have a high vulnerability to become victims of human trafficking, modern slavery and forced labour.[38] On the basis of this assessment of the occurrence of forced labour and child labour in their operations and supply chain, companies should detail steps they will take (with their direct and indirect suppliers if relevant) to abolish these practices.

These principles are firmly grounded in the 1998 ILO Declaration on Fundamental Principles and Rights at Work[39] in which the International Labour Organisation (ILO) identified ten of its conventions as "fundamental" conventions. [40] These ten conventions cover five crucial topics, including the elimination of all forms of forced and compulsory labour[41] and the effective abolition of child labour.[42]

The commitment to abolish all forms of forced labour, bonded labour and child labour is supported by many other ESG standards, such as the OECD Guidelines for Multinational Enterprises[43], the International Finance Corporation's (IFC) Performance Standard 2 concerning Labor and Working Conditions[44] and the UN Global Compact.[45]

Table 18 Scoring table criteria 16

Points	Assessment
0	The financial institution has no policy on forced labour and child labour.
3	The financial institution makes a general commitment against forced labour and child labour, but the policy is not very specific on what is expected of companies

Points	Assessment
5	The financial institution has a policy which requires companies not to make use of either forced labour or of child labour
7	The financial institution has a policy which requires companies not to make use of forced labour and child labour, or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which requires companies and their direct and indirect suppliers not to make use of forced labour and child labour, in their operations and in their supply chains.

17. Companies and their suppliers must uphold the rights to freedom of association, collective bargaining and freedom from discrimination

The financial institution requires companies it finances or invests in to uphold fundamental labour rights as stipulated by the ILO including: the right to freedom of association and the effective recognition of the right to collective bargaining, and the elimination of discrimination in respect of employment and occupation. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

These principles are firmly grounded in the 1998 ILO Declaration on Fundamental Principles and Rights at Work[46] in which the International Labour Organisation (ILO) identified ten of its conventions as "fundamental" conventions. [47] These ten conventions cover five crucial topics, including the freedom of association and the effective recognition of the right to collective bargaining[48] and the elimination of discrimination in respect of employment and occupation.[49]

The commitment to uphold the rights to freedom of association, collective bargaining and freedom from discrimination is supported by many other ESG standards, such as the OECD Guidelines for Multinational Enterprises[50], the International Finance Corporation's (IFC) Performance Standard 2 concerning Labor and Working Conditions[51] and the UN Global Compact.[52]

Table 19 Scoring table criteria 17

Points	Assessment
0	The financial institution has no policy on rights to freedom of association, collective bargaining and freedom from discrimination
3	The financial institution makes a general commitment to the rights to freedom of association, collective bargaining and freedom from discrimination, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to respect labour rights, but this policy does not mention explicitly the right to freedom of association, and/or the right to collective bargaining and/or the right to freedom from discrimination
7	The financial institution has a policy which explicitly requires companies to uphold the rights to freedom of association, collective bargaining and freedom from discrimination, or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to uphold the rights to freedom of association, collective bargaining and freedom from discrimination

18. Companies and their suppliers must pay at least a living wage

The financial institution should require that companies it finances or invests in pay a living wage to their employees and ensure that their suppliers pay a living wage to their employees. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

Workers in many countries are not paid enough to support themselves and their families. While some of these countries do have a legal minimum wage, it is often much lower than a living wage. A living wage is a family income earned within a standard working week, which should be sufficient to meet basic needs, usually conceived of as the ability to obtain adequate food, clean water, shelter, clothes, education, healthcare, transport and energy, and provide some discretionary income.[53] WageIndicator publishes living wage estimates for 173 countries, as well as for regions within these countries.[54]

Declarations of the International Labour Organization (ILO) referring to living wage include the 2017 ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy[55] and the 2008 ILO Declaration on Social Justice for a Fair Globalization.[56] The Universal Declaration of Human Rights (UDHR) states that "everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity".[57] In addition, the 2011 OECD Guidelines for Multinational Enterprises recommend paying a wage that "should be at least adequate to satisfy the basic needs of the workers and their families".[58]

Table 20 Scoring table criteria 18

Points	Assessment
0	The financial institution has no policy on living wages
3	The financial institution makes a general commitment to living wages, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to pay living wages, but does not clarify that this needs to be earned in a standard working week or the financial institution makes other exceptions
7	The financial institution has a policy which explicitly requires companies to pay a living wage within a standard working week, or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to pay a living wage within a standard working week

19. Companies and their suppliers must protect the safety and health of workers

The financial institution should require that companies it finances or invests in will implement all reasonable precautions to protect the health and safety of workers. This requirement should also apply to the company's subsidiaries and affiliates, as well as to the smallholders and other third party suppliers it is sourcing from.

These principles are firmly grounded in the 1998 ILO Declaration on Fundamental Principles and Rights at Work[59] in which the International Labour Organisation (ILO) identified ten of its conventions as "fundamental" conventions. [60] These ten conventions cover five crucial topics, including a safe and healthy work environment.[61] The International Finance Corporation (IFC) has covered occupational safety and health in Performance Standard 2 concerning Labor and Working Conditions.[62]

Table 21 Scoring table criteria 19

Points	Assessment
0	The financial institution has no policy on occupational safety and health at the companies it finances or invests in
3	The financial institution makes a general commitment to occupational safety and health, but the policy is not very specific on what is expected of companies
5	The financial institution does require companies to ensure occupational safety and health but focuses on a specific area of occupational safety and health or makes certain exceptions
7	The financial institution has a policy which explicitly requires companies to protect the safety and health of their workers in all aspects, or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to protect the safety and health of their workers in all aspects

20. Companies and their suppliers must have a gender-sensitive zero-tolerance policy towards all forms of gender-based discrimination and violence.

The financial institution should require that companies it finances or invests in have a gender-sensitive zero tolerance policy towards all forms of gender-based discrimination, including psychological harm and verbal, physical and sexual harassment and violence. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

This requirement is based, among others, on the UN Convention on the Elimination of all forms of Discrimination against Women (CEDAW) , various standards of the International Labour Organization (ILO) on gender equality and the UN Beijing Declaration and Platform for Action which states that "removing all the obstacles to women's active participation in all spheres of public and private life through a full and equal share in economic, social, cultural and political decision-making" is fundamental for the achievement of gender equality. The International Finance Corporation (IFC) has covered gender equality in Performance Standard 2 concerning Labor and Working Conditions.

Table 22 Scoring table criteria 20

Points	Assessment
0	The financial institution has no policy on gender-based discrimination
3	The financial institution makes a general commitment against gender-based discrimination, but the policy is not very specific on what is expected of companies
5	The financial institution requires companies to abstain from gender-based discrimination, but this policy does not include all types of gender-based discrimination
7	The financial institution has a policy which explicitly requires companies to have a gendersensitive zero tolerance policy towards all forms of gender-based discrimination, including psychological harm and verbal, physical and sexual harassment and violence. Or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to have a gender-sensitive zero tolerance policy towards all forms of gender-based discrimination, including psychological harm and verbal, physical and sexual harassment and violence

21. Companies and their suppliers respect small-scale and artisanal mining and improve sustainable economic and social development on a local level

Small-scale and artisanal extractive industry projects - provided they are well managed - can enhance sustainable economic and social development on a local level. The Alliance for Responsible Mining (ARM) is an independent multi-stakeholder initiative that aims to enhance social justice and wellbeing in the small scale extractive industry by improving social, environmental and working conditions, solid management of the mines and conducting repair work for the ecosystem. In November 2013 the ARM started cooperation with the Swiss Institute for Market Ecology in order to develop an independent certification and auditing system for the Fairmined Standard. In 2014 the Fairmined Standard for Gold and Associated Precious Metals was launched.[63]

While investment in mining activities may not include direct investment in artisanal or small-scale mining, investment in industrial mining operations does still have consequences for small-scale and artisanal mining. As the International Council on Mining and Metals (ICMM) Principle 9 states, companies should contribute to the social, economic and institutional development of the communities in which they operate.[64] This includes the communities of artisanal and small-scale miners, who often live and work around or near large-scale mines. Large-scale mining operations already engage with artisanal miners and their dependents through community development programs, but certain issues, such as security and human rights, still require attention.[65]

Table 23 Scoring table criteria 21

Points	Assessment
0	The financial institution has no policy on small-scale and artisanal mining
3	The financial institution makes a general commitment to respect small-scale and artisanal mining, but this commitment is not very specific on what is expected from companies
5	The financial institution requires companies to engage with small-scale and artisanal miners in and around the communities in which companies operate
7	The financial institution explicitly requires companies to improve sustainable economic and social development of small-scale and artisanal mining
10	The financial institution explicitly requires companies and their direct and indirect suppliers to improve sustainable economic and social development of small-scale and artisanal mining

2.3 Governance criteria

2.3.1 Governance of the financial institution

22. The financial institution has integrated sustainability objectives in its governance structure

To ensure that all employees of the financial institution take deforestation and related sustainability seriously and implement and enforce the ESG policies of the financial institution in a rigorous way, the financial institution needs to integrate sustainability objectives in its governance structure. This means inter alia that the financial institution has formulated strategic sustainability objectives, has assigned responsibility for oversight of sustainability objectives and risks to a Board member and has integrated clear sustainability targets and incentives in the remuneration structure of the financial institution's employees.

Table 24 Scoring table criteria 22

Points	Assessment
0	The financial institution has no sustainability objectives
3	The financial institution has sustainability objectives, but does not make clear how these objectives are integrated in its governance structure
5	The financial institution has made at least one of the following three steps: it has formulated strategic sustainability objectives, and/or it has assigned responsibility for oversight of sustainability objectives and risks to a Board member and/or it has integrated clear sustainability targets and incentives in the remuneration structure of its employees.
7	The financial institution has made two of the following three steps: it has formulated strategic sustainability objectives, and it has assigned responsibility for oversight of sustainability objectives and risks to a Board member and it has integrated clear sustainability targets and incentives in the remuneration structure of its employees.
10	The financial institution has made all of the following three steps: it has formulated strategic sustainability objectives, and it has assigned responsibility for oversight of sustainability objectives and risks to a Board member and it has integrated clear sustainability targets and incentives in the remuneration structure of its employees

23. The financial institution is transparent on the actions through which its ESG policies are implemented and enforced

A financial institution's sustainability policies are worthless if not implemented and enforced rigorously. The financial institution therefore needs to be transparent on the actions through which its policies are implemented and enforced. Such actions need to include:[66]

- clearly communicating their sustainability expectations to mining companies and the general public;
- screening of all mining companies on a regular basis via a credible, transparent natural ecosystem monitoring system;
- excluding companies from financings and investments if they or their direct and indirect suppliers are systematically involved in deforestation and related harmful impacts and prospects for improvement are low;
- engaging with mining companies to conclude time-bound corrective action plans banning the conversion and degradation of forests from their operations and supply chains, to which the companies commit;
- formalizing agreements made with mining companies in clauses in loan contracts;
- monitoring the companies' progress with implementing the agreed action plans via credible independent verification systems;
- encouraging further steps by providing sustainability performance linked loans;
- voting on deforestation-related shareholder resolutions and voting against board members that refuse to act; and
- taking collective initiatives with peers, with NGOs, national and local governments and other stakeholders to collectively call upon corporate actors and governments to prevent, cease and remediate deforestation and its effects.

Table 25 Scoring table criteria 23

Points	Assessment
0	The financial institution does not disclose how its ESG policies are implemented.

Points	Assessment
3	The financial institution discloses a general description of the implementation of its ESG policies, but does not elaborate on any of the important actions (as mentioned above)
5	The financial institution discloses a description of the implementation of its ESG policies, in which it elaborates on one to three important actions (as mentioned above)
7	The financial institution discloses a description of the implementation of its ESG policies, in which it elaborates on at least four important actions (as mentioned above)
10	The financial institution discloses a description of the implementation of its ESG policies, in which it elaborates on at least four important actions (as mentioned above) and provides details on how these actions influence companies in the mining sector

24. The financial institution applies its ESG policies to the entire corporate group to which its client or investee company belongs to

To be able to attract financing from financial institutions which have adopted sound ESG policies, a company or corporate group active in mining sectors might only look for financings or investments from these financial institutions for specific subsidiaries or projects which meet the criteria of the financial institution. Meanwhile, the companies looking for finance might have other subsidiaries, sister companies or related companies (ultimately owned by the same owners) which do not meet the criteria of the financial institution. The financings or investments by the financial institution will then provide extra capital to the complete corporate group, part of which is not meeting the criteria in the ESG policies of the financial institution.

Strong ESG policies should deal with this threat to their credibility and effectiveness, by increasing the scope of their policies to the entire corporate group to which the specific company belongs that they are financing or investing in. This would mean that not only the client or investee company should meet the criteria in the financial institution's ESG policy, but also its subsidiaries and parent companies, its sister companies and the companies owned or controlled by the same ultimate beneficial owners (UBOs).

Table 26 Scoring table criteria 24

Points	Assessment
0	The financial institution does not have ESG policies
3	The financial institution does have ESG policies, but does not specify what the policies mean for the entire corporate group to which the client or investee company belongs
5	The financial institution mentions in one of its ESG policies that the policy also applies to the entire corporate group to which the client or investee company belongs
7	The financial institution clarifies that all its ESG policies also apply to the entire corporate group to which the client or investee company belongs
10	The financial institution clarifies that all its ESG policies also apply to the entire corporate group to which the client or investee company belongs, clarifying how this corporate group is identified

25. The financial institution is transparent on its investments and financings in the mining sector

The financial institution should publish on its website which mining companies it is providing financing or in which it is investing. This transparency should preferably include the name of the company, the country and region it operates in and the size of the investment or financing.

As a second-best option, the financial institution can provide an overview in its annual report or on its website of the sectoral and regional breakdown of its financings and investments. Such information is required in indicator FS6 of the Global Reporting Initiative's G4 Financial Services Sector Disclosure (FSSD). If the sector breakdown is sufficiently detailed, for example based on the first four digits of NACE or ISIC, this would give a good indication of the financial institution's exposure to mining commodity sectors.

The Global Reporting Initiative recommends financial institutions to continue using this G4 Financial Services Sector Disclosure together with the new GRI Universal Standard, as long as the three new Sector Standards for the financial sector are under development.

Table 27 Scoring table criteria 25

Points	Assessment
0	The financial institution does not publish a sectoral break-down of its investments and financings
3	The financial institution does publish a sectoral break-down of its investments and financings, but this break-down is not detailed enough to get a good indication of the exposure to the mining sector
5	The financial institution publishes a breakdown of its portfolio by region, size and industry which is detailed enough to get a good indication of the exposure to the mining sector
7	The financial institution publishes the names of companies active in the mining sector to which it is providing financing or in which it is investing
10	The financial institution publishes the names of companies active in the mining sector to which it is providing financing or in which it is investing, together with assessments of how these companies live up to the ESG policies of the financial institution

26. The financial institution discloses its financed GHG emissions related to the mining sector

The mining sector is largely energy-intensive, having long-lasting impacts on the environment and depends on the exploitation of finite resources. A 2010 estimation of the mining industry's contribution to global emissions calculated it to be close to 1Gt carbon dioxide equivalent ($CO2$ e) per year, corresponding to about two percent of total global emissions. Approximately half of the sector's emissions derive from the use of fuel in mining and processing operations and from fugitive methane (CH_4) emissions at coal mines, while the other half comes from electricity use, primarily in refining and smelting operations. [67] Financial institutions contribute to these emissions through their financing and investment activities and must account for these financed emissions in their GHG inventories.

To do so, the standards of the Greenhouse Gas Protocol (scope 1-3)[68] and the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) are relevant.[69] Various methodologies to measure the financed emissions of a financial institution are developed, for instance the Platform Carbon Accounting Financials (PCAF)[70] and the Paris Agreement Climate Transition Assessment (PACTA) project.[71]

Table 28 Scoring table criteria 26

Points	Assessment
0	The financial institution does not disclose any data on its financed emissions
3	The financial institution discloses data on its financed emissions but does not provide disaggregated figures for emissions related to the mining sector

Points	Assessment
5	The financial institution discloses data on its financed emissions from the mining sector, but these are not based on a credible methodology or use emissions per invested amount as metric
7	The financial institution discloses data on its financed emissions from the mining sector which use absolute emission volumes or emissions per revenue unit or comparable metrics
10	The financial institution discloses data on its financed emissions from the mining sector which use absolute emission volumes or emissions per revenue unit or comparable metrics and which include the scope 1, 2 and 3 emissions of the mining companies

27. The financial institution discloses targets and a credible transition plan to mitigate GHG emissions by mining sector companies in its portfolio.

The financial institution should publish targets for its financed emissions, including targets for the mining sector emissions and should develop specific transition plans.

The targets should align with a 1.5 °C global warming scenario under the Paris Climate Agreement, which requires a reduction of around 50% by 2030. The Expert Peer Review Group (EPRG) of the UN Race to Zero campaign notes that this reduction target implies average annual reductions of approximately 7 per cent following the 'Carbon Law' as a rapid roadmap for global decarbonisation. However, the EPRG also recognises that change may not be linear, in particular for hard-to-abate sectors and that 7% per year may be more/less ambitious depending on baseline, sector and geography.[72]

The UN Race to Zero also stipulates that the financial institution's climate change targets should include a specific target for methane reduction of at least 34% by 2030. Transition plans should cover what actions will be taken each year, within 2-3 years and by 2030 and demonstrate how the FI will achieve its decarbonisation targets. [73]

The United Nation's High-Level Expert Group recommends: "Company transition plans must: [...] disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets."[74] The targets and pathways to net zero should be generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot verified by a third party "for example by the Science Based Targets Initiative (SBTi), the Partnership for Carbon Accounting Financials (PCAF), The Paris Agreement Capital Transition Assessment (PACTA), the Transition Pathway Initiative (TPI), the International Organization for Standardization (ISO), among others".[75]

Table 29 Scoring table criteria 27

Points	Assessment
0	The financial institution does not disclose targets nor transition plans to reduce its financed emissions
3	The financial institution does disclose targets to reduce its financed emissions but has no disaggregated target for emissions from the mining sector
5	The financial institution does disclose a specific target to reduce its emissions from the mining sector, but this target is not further elaborated in a transition plan with short-term, medium-term and long-term goals, and with a clear description of instruments and actions
7	The financial institution does disclose a transition plan with short-term, medium-term and long-term goals to reduce its emissions from the mining sector, but this transition plan

Points	Assessment
	relies partly on carbon offsets to reduce financed emissions or does not cover scope 3 emissions
10	The financial institution does disclose a transition plan with short-term, medium-term and long-term goals to reduce its emissions from the mining sector. This transition plan does not rely on carbon offsets to reduce financed emissions and covers scope 3 emissions

28. The financial institution is transparent on its engagements with companies in the mining sector

The financial institution should publish on its website how it interacts with companies active in the mining sector, to make sure that these companies meet the policy requirements of the financial institutions and address problems that might occur.

This is in line with the *G4 Financial Services Sector Disclosure (FSSD)* of the Global Reporting Initiative (GRI). These require the financial institution to provide information on its voting practices and on how a financial institution deals with investments that do not (or no longer) meet the policy, the norms, or the contract conditions of the financial institution is now explicitly requested. Financial institutions have to report which action they have taken in these situations (for example engagement or exclusion), whether these actions have been successful and what further steps will be taken.[76]

The Global Reporting Initiative recommends financial institutions to continue using this *G4 Financial Services Sector Disclosure* together with the new *GRI Universal Standard*, as long as the three new Sector Standards for the financial sector are under development.[77]

Table 30 Scoring table criteria 28

Points	Assessment
0	The financial institution is not transparent on its engagements with companies
3	The financial institution provides some information on its engagements with companies, but this does not include any information on any company operating in the mining sector
5	The financial institution provides some information on its engagements with one or two companies operating in the mining sector
7	The financial institution provides detailed information on its engagements with one or two companies operating in the mining sector, such as names of companies, topics, or results
10	The financial institution provides detailed information on its engagements with at least five companies operating in the mining sector, such as names of companies, topics, or results

29. The financial institution commits to a transparent and independent grievance mechanism regarding its financing of, or investments in, companies in the mining sector

The financial institution should establish or participate in transparent and independent operational-level grievance mechanisms for individuals and communities that may be adversely impacted by the activities of mining companies that it has financed or invested in. Where state-based non-judicial and judicial grievance mechanisms exist, such as the OECD National Contact Points, the financial

institution should commit to respect and cooperate in good faith with these grievance mechanisms when cases that it is connected to are brought to such a mechanism.

According to the Office of the High Commissioner for Human Rights, Guiding Principle 29 of the UN Guiding Principles on Business and Human Rights (UNGPs) expects banks to have grievance mechanisms in place: their own, or grievance mechanisms they participate in or cooperate with. Furthermore, in line with the Guiding Principle, banks, too, are expected to take responsibility for enabling remediation to communities and individuals that have been adversely impacted by the activities of companies that are financed by the bank. While operational level grievance mechanisms (either of the bank itself or established by other entities) are one means through which remediation can be provided, some impacts may be best remediated through other legitimate mechanisms, including State-based judicial and non-judicial mechanisms. Banks should respect stakeholder preferences with respect to use of a grievance mechanism or other legitimate processes, and "engage with the latter in good faith".[78]

The OECD National Contact Points can be considered a State-based non-judicial grievance mechanism. Financial institutions should, therefore, cooperate with OECD National Contact Points if stakeholders prefer to use them as a grievance mechanism.

Table 31 Scoring table criteria 29

Points	Assessment
0	The financial institution does not have, or does not participate in, a grievance mechanism which is open for communities and individuals adversely impacted by the activities of companies that are financed by the financial institution
3	The financial institution has an internal complaint mechanism, which is open for communities and individuals adversely impacted by the activities of companies that are financed by the financial institution
5	The financial institution has an internal grievance mechanism, described as such, which is open for communities and individuals adversely impacted by the activities of companies that are financed by the financial institution
7	The financial institution has an internal grievance mechanism, described as such, which is open for communities and individuals adversely impacted by the activities of companies that are financed by the financial institution, and has clearly committed to respect and cooperate in good faith with all State-based grievance mechanisms
10	The financial institution has established a transparent and independent grievance mechanism, which is open for communities and individuals adversely impacted by the activities of companies that are financed by the financial institution, and has committed to respect and cooperate in good faith with all State-based grievance mechanisms

2.3.2 Governance of companies

30. Companies and their suppliers must provide proof of legality of their operations and supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation

The financial institution should require companies it finances or invests in to (preferably publicly) provide proof of legality of their operations and commodity supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation. All prospective clients must be in full compliance with all local, national and international norms, regulations, laws and conventions related to acquisition, harvesting, sourcing or use of land, concessions, forest products or production materials as well as for the implementation of pulp and paper mills and other related infrastructure. Main international norms are ILO core conventions and the Universal Declaration of human rights. Regarding their own operations and those of their subsidiaries and affiliates, they should be able to show all the permits which are legally required according to the laws and regulations of the countries they operate in. They should also be able to prove that their commodity suppliers have all the necessary permits and other legal documents related to the commodities they produce and sell.

Table 32 Scoring table criteria 30

Points	Assessment
0	The financial institution has no policy on the legality of operations and commodity supplies of the companies it is financing or investing in
3	The financial institution makes a general commitment on the legality of operations and commodity supplies of the companies it is financing or investing in, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy on the legality of operations and commodity supplies of the companies it is financing or investing in but does not make clear how companies are screened for their adherence to this policy
7	The financial institution has a policy which explicitly requires companies to provide proof of legality of their operations and commodity supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation. Or the financial institution requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to provide proof of legality of their operations and commodity supplies, in particular proof of compliance with all prevailing laws and regulations on land acquisition and land operation

31. Companies must integrate ESG compliance criteria in their procurement contracts, requiring supply chain transparency and traceability

The financial institution should require that the companies it finances or invests oblige their suppliers to meet important ESG-criteria, as discussed in other elements of this methodology. This would also require companies and their suppliers to be transparent on their supply chains and to have a time-bound plan to ensure that all the ores, metals and minerals they buy, process and/or sell can be traced back to a specific mine of one of their suppliers. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

Table 33 Scoring table criteria 31

Points	Assessment
0	The financial institution has no policy on procurement and supply chain transparency and traceability
3	The financial institution makes a general commitment to supply chain transparency and traceability, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy on ESG compliance and supply chain transparency by the suppliers of companies, but the policy does not explicitly require companies to include such criteria in procurement contracts
7	The financial institution has a policy which explicitly requires companies to have ESG compliance policies in place for their suppliers and to publicly disclose their first-tier supply chain, ensuring full traceability to their direct suppliers' operations.
10	The financial institution requires the company to integrate ESG compliance criteria in procurement contracts and to be able to publicly trace the ores, minerals or metals it buys, processes and/or sells back to a specific operation of one of its (indirect) suppliers

32. Companies and their suppliers are not engaged in corruption, bribery and financial crimes.

Corruption has significant negative political, social and environmental consequences. Politically, corruption forms a large obstacle to developing the rule of law. Government representatives lose their legitimacy when many abuse their office for personal gain. Bribery and corruption undermine the trust of the people in the political system, which leads to frustration and apathy. It clears the way for leaders, whether chosen democratically or not, to appropriate national assets for themselves without supervision. And if corruption is the norm, honest and capable civilians will leave the country.[79] In mining sectors, corruption can serve to obtain concessions, permits and licences, or to avoid government control on relevant laws and regulation. Corruption therefore undermines law enforcement and the protection of social and environmental interests.

The financial institution should require companies it finances or invests in to implement clear anti-corruption and anti-bribery policies which ensure that the company will not get engaged in corruption, bribery and financial crimes. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

The main international standards on corruption are the 2004 UN Convention against Corruption (UNCAC) which contains minimum standards in order to prevent corruption as well as money laundering and is signed by 140 nations[80] and the 1999 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, which obliges countries to make paying bribes to foreign public officials a criminal offence.[81] These standards are further supported by, among others, the OECD Guidelines for Multinational Enterprises[82], the UN Global Compact[83] and Sustainable Development Goal (SDG) 16: Peace, Justice and Strong Institutions. One of the targets of this goal is to substantially reduce corruption and bribery in all their forms. Another target is to develop effective, accountable and transparent institutions at all levels, which also underpins the importance of corruption-free institutions.[84]

Table 34 Scoring table criteria 32

Points	Assessment
0	The financial institution has no policy on corruption and bribery, or its policies on corruption and bribery do not cover the companies it is financing or investing in.
3	The financial institution makes a general commitment on corruption and bribery by the companies it is financing or investing in, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy on corruption and bribery by the companies it is financing or investing in, but this policy only states that the financial institution does not want to be involved in any financial transaction related to corruption, bribery and financial crimes
7	The financial institution has a policy which explicitly requires companies to implement clear anti-corruption policies which ensure that the company is not get engaged in corruption, bribery and financial crimes, or it requires adherence to international standards which include this requirement
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to implement clear anti-corruption policies which ensure that the company is not get engaged in corruption, bribery and financial crimes, or it requires adherence to international standards which include this requirement

33. Companies and their suppliers must comply with the letter and the spirit of the tax laws and regulations in the countries where they operate, publish their group structure and country-by-

country data, and not set up international corporate structures solely for tax avoidance purposes

For each democratic society, tax revenues are essential to finance public provisions such as health care, education, infrastructure and social security. Research shows that a fair system of taxation contributes more to the development of a healthy, democratic society than revenues from development aid or from the export of raw materials. After all, in order to raise taxes, the development of a capable and reliable public administration is required, while conversely civilians that have to pay tax expect a lot more of, and are more involved with, the public administration. Following the adage "No taxation without representation", a development towards more democracy is often closely related to the striving for higher tax revenues.[85]

The financial institution should require companies it finances or invests in to comply with both the letter and spirit of the tax laws and regulations in the countries in which they operate. Companies should not set up subsidiaries, branches or associates in jurisdictions with no or zero corporate tax or in jurisdictions with harmful corporate tax practices, unless they have substance and their profits are generated from local economic activities. This requirement should also apply to the company's subsidiaries and direct and indirect suppliers.

Important standards on tax issues are the OECD Action Plan on Base Erosion and Profit Shifting (BEPS), which strives to modernise tax systems and to prevent tax avoidance by multinationals[86], the OECD Guidelines for Multinational Enterprises[87] and the Engagement Guidance on Corporate Tax Responsibility of the Principles for Responsible Investment, providing guidance to investors on why and how to engage with investee companies involved in tax planning.[88]

Table 35 Scoring table criteria 33

Points	Assessment
0	The financial institution has no tax policy or its tax policy does not cover the tax behaviour of the companies it is financing or investing in
3	The financial institution makes a general commitment on tax evasion and tax avoidance, but the policy is not very specific on what is expected of companies
5	The financial institution has a policy on the tax behaviour of the companies it is financing or investing in, but this policy does not cover tax avoidance or it only specifies that the financial institution does not want to be involved in financial deals which have the purpose of tax avoidance or tax evasion
7	The financial institution has a policy which explicitly requires companies to comply with the letter and spirit of the tax laws and regulations in the countries in which they operate, or it requires adherence to international standards which include this requirement.
10	The financial institution has a policy which explicitly requires companies and their direct and indirect suppliers to comply with the letter and spirit of the tax laws and regulations in the countries in which they operate.

34. Companies publish a sustainability report that is set up in accordance with recognised sustainability reporting frameworks

The best-known guidelines for sustainability reporting in general are the Global Reporting Initiative (GRI) Standards. The new GRI Universal Standard was released in 2021, which will be complemented by various Sector and Topic Standards.[89] In February 2024, the Sector Standard for Mining was released.[90]

The financial institution should require companies to publish sustainability reports aligned with international standards such as the GRI Standards.

Table 36 Scoring table criteria 34

Points	Assessment
0	The financial institution has no policy on sustainability reporting
3	The financial institution makes a general commitment to transparency in sustainability reporting, but this commitment is not very specific on what is expected of companies
5	The financial institution requires companies to publish a sustainability report
7	The financial institution explicitly requires companies to publish a sustainability report that covers the environmental, social and governance-related performance of the company
10	The financial institution explicitly requires companies to follow international standards for sustainability reporting, such as the GRI Sustainability Reporting Standards (GRI Standards) and the International Sustainability Standards Board.

3 Checklist

Table 37 provides a checklist on whether a financial institution, being a signatory to the Equator Principles, and consequently applying the IFC Performance Standards and the IFC Environmental, Health, and Safety (EHS) Guidelines, could be eligible for a score. The maximum eligible score of 7 points is only applicable if the financial institution applies the IFC standard to both project finance and general corporate credit. When the financial institution states that it applies the IFC standard to project finance only, with no additional policies covering the content of the criterion assessed for other types of financing, a score of 3 is given.

Table 37 Checklist of applicability of IFC standards for 7 points

Criteria	IFC PS	IFC EHS
1	Applicable	
2	Applicable	
3	Applicable	
4		
5	Applicable	
6	Applicable for max 5pt	Applicable
7		
8	Applicable	Applicable
9		
10	Applicable for max 3pt	
11		
12	Applicable	
13	Applicable	
14		
15		
16	Applicable	
17	Applicable	

Criteria	IFC PS	IFC EHS
18		
19	Applicable	Applicable
20		
21		
22		
23		
24		
25		
26		
27		
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