

## Finance, Mining & Sustainability

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## **Storebrand**

***A leading Scandinavian financial services company: investment management, pensions, life insurance and banking. Euros 20 billion in assets under management.***

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*One of the largest SRI (Socially Responsible Investments) specialists with €4.5 billion Euro under SRI Management*

- Offices in Oslo, Stockholm, London, and Paris
- Pioneer of Best in Class SRI funds
- Co-founder and Chair of UNEP Insurance Industry Initiative
- WBCSD member
- NGO Cooperation with Amnesty Int. UK Business Group, Norwegian People's aid etc.
- Mutual fund venture with WWF Sweden



# The Importance of the Mining Industry

- Society is heavily dependant on minerals and metals provided by the mining industry.
- From enironmental and social perspectives, the industry has caused numerous problems. Especially mining of diamonds, gold and uranium has caused concern.



# The Importance of the Mining Industry

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- From a global investor's perspective, the mining industry is small:

- The mining companies represent a small portion of the total investable universe.

- Most mining companies are relatively "small"

- For example, in the Morgan Stanley Capital International World Index (MSCI-WI) the mining companies constitute 0,7% of the index's total market capitalization. (32 companies in all, only 8 are above 0,02%)



# Investment Decision Processes

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- Traditionally, investment decision processes have been influenced by factors such as
  - Short term speculation in metals and raw materials
  - Currency fluctuations
  - Economic trends (Changes in demand, production capacity etc.)
- Storebrand Investments typically takes relatively short term positions in mining companies to take advantage of the above



## Investment Decision Processes - the importance of objective information

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- Traditional investment analysts normally take very limited environmental, social and political considerations into account.
- Most investors – including Storebrand – generally assume that the companies' environmental, social and political risks are managed (and are reflected in the stocks' prices).
- At the same time, many investors want to stay away from questionable mining companies because the risks are too great.

However, when risk related issues arise, (our) portfolio managers tend to be "jumpy" and sell stocks quickly.



## Development of the industry

### - Some current trends

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- The mining industry is complex and has operations in many developing economies.
- Mining companies consolidate and become more international.
- Increased focus on the role of multinational corporations in sustainability is one of the driving forces for improved reporting on environmental and social issues in the mining industry.



## Storebrand's approach to Social Responsible Investments (SRI)

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- Storebrand is a pioneer in Best in Class SRI Funds.
- Where some environmental / socially responsible funds may exclude "problematic sectors" such as mining, Storebrand has taken a different approach:

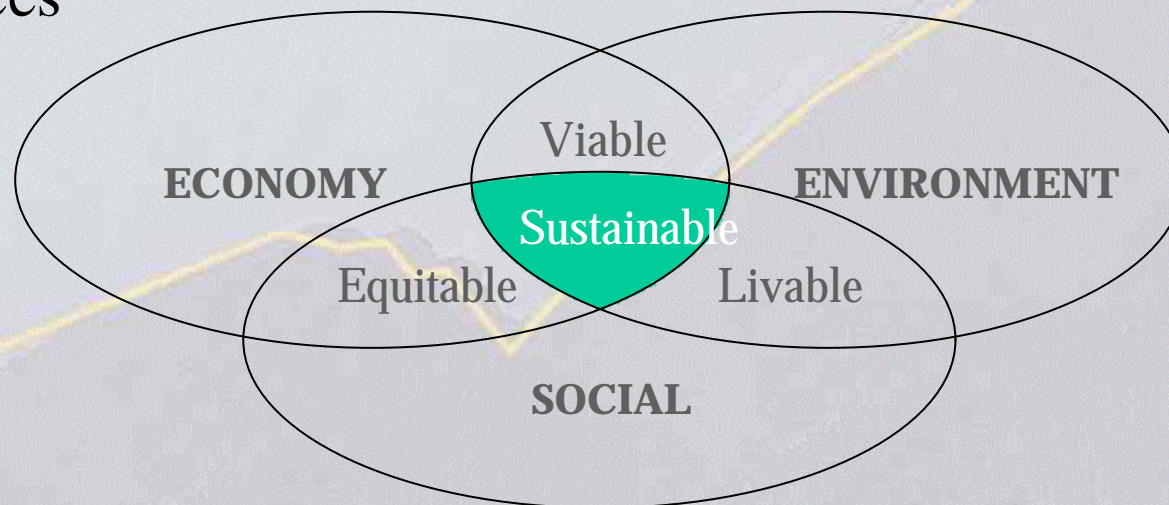
Recognizing the need for products from the mining industry, Storebrand's SRI funds invest in mining companies that rank among the top 30% in our analysis of environmental and social criteria.



## Storebrand Triple Return™

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- Financial, environmental and social reporting of portfolio investment performance
- Mirrors concept of triple bottom line at individual company level
- Based on rigorous analysis of data from companies and other sources





# Data Collection and Analysis

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## Corporate Information

- Data from Storebrand's customized questionnaires
- Dialogue with Management
- Corporate Visits
- Published environmental & social corporate information

## Information from Outside Sources

- NGOs
- Consulting Firms
- Information Sources (ex. IRRC)
- Industry Organizations
- Media (including Internet)
- Others

## Triple Return™ Rating System

- Input of Information
- Data Verification
- Compilation of Benchmarks

Selection of Indicator Weights  
by sector

Internal/External Audits

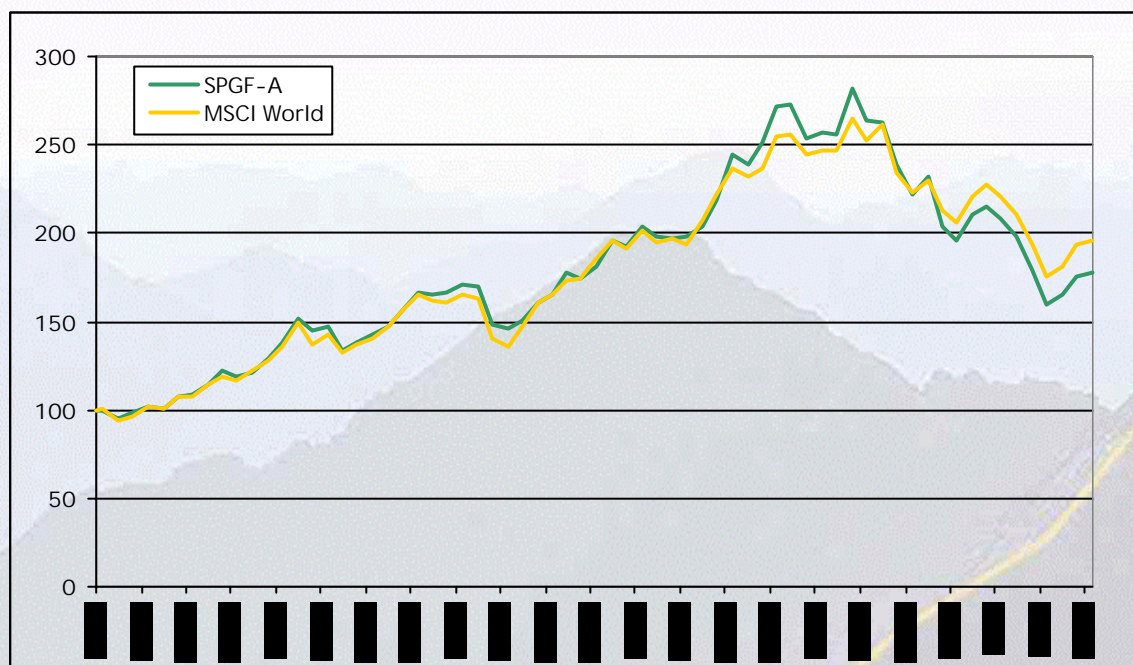
## Sustainability Index

Environmental Return™

Social Return™



## Performance comparison Principle Global vs MSCI World (Euro)



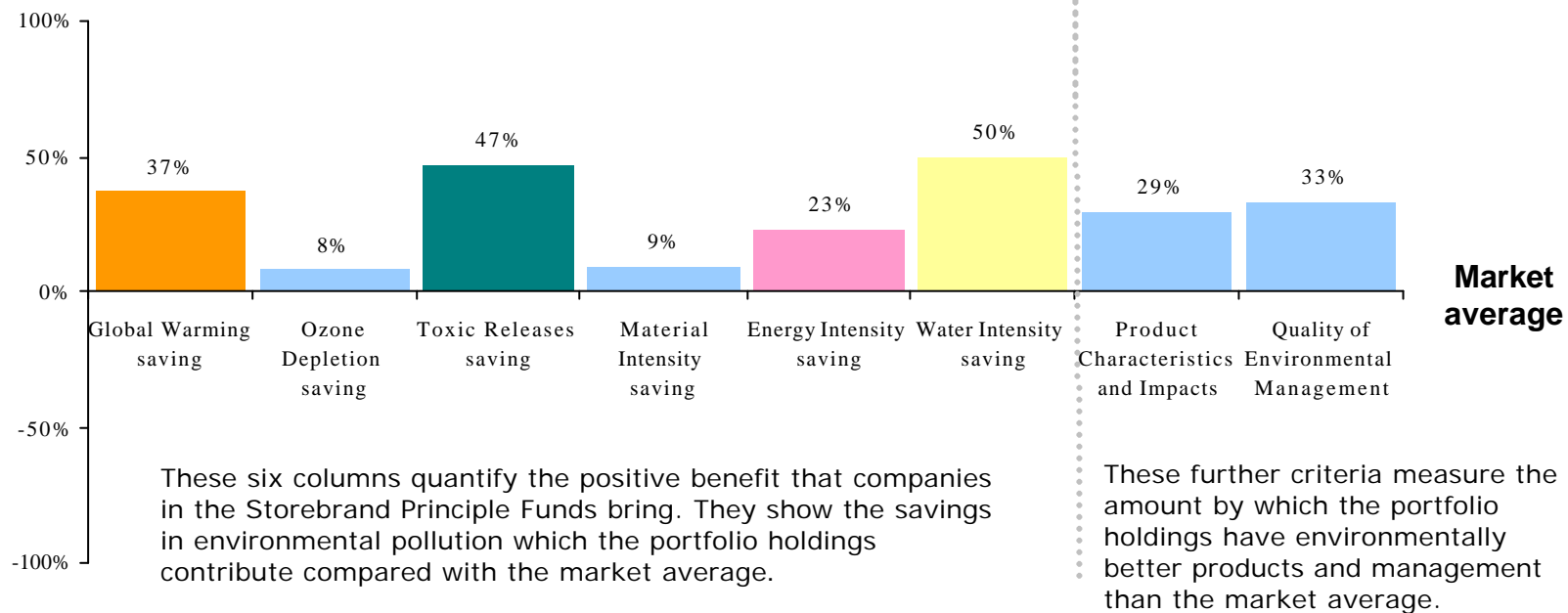
Performance calculation is done net of all fees (Mgmt fee: 1,25%).

	Since inception excluding fees	Since inception including fees	Figures inclusive of all fees					
			1996	1997	1998	1999	2000	YTD 2001
<b>Principle Global</b>	10,51%	9,26%	9,14%	30,22%	15,92%	48,16%	-9,13%	-28,02%
MSCI World	11,28%	11,28%	7,08%	31,04%	17,75%	43,28%	-5,88%	-21,03%
Relative performance	-0,78%	-2,03%	2,06%	-0,82%	-1,84%	4,88%	-3,25%	-6,98%



# Environmental Returns™ 2000

## Storebrand Principle Global Fund

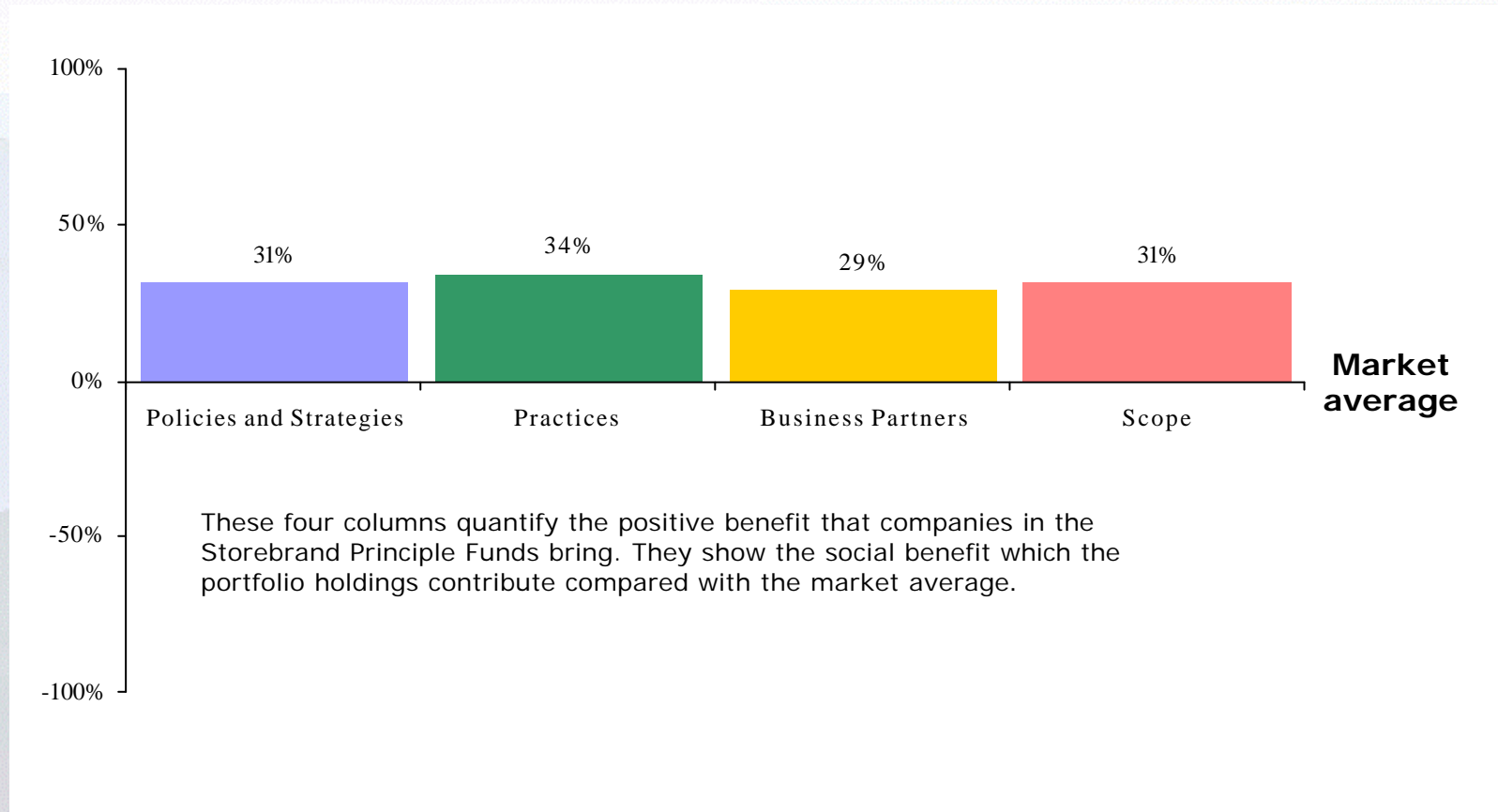




# Social Returns™ 2000

## Storebrand Principle Global Fund

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## Storebrand's Environmental analysis of companies in the mining industry

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- Due to the heterogeneity of mining sector, it is difficult to find a broad range of environmental criteria by which the sector can be gauged.
- Storebrand's environmental analysis of the mining companies is based on one indicator: Environmental Management.



## **Storebrand's Environmental analysis of companies in the mining industry: Environmental Management**

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Storebrand's EM indicator covers:

- Environmental strategy and policy;
- Environmental reporting;
- Environmental management systems; and
- Production and processes.

Storebrand's analysis emphasizes the total system, including the documented results, implemented by a mining company to handle environmental challenges.



## Storebrand's Environmental analysis of companies in the mining industry: Environmental Management

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- One factor influencing the development of the companies' own environmental standard is the lack of stringent laws, regulations or enforcement mechanisms in some operating countries.
- In many cases, company standard exceeds country standards.
- Homestake and Noranda are examples of companies with very good environmental reporting policies
- BHP Billiton is also very good in this area, but the company is excluded from Storebrand Principle Funds because of involvement in uranium mining



## Storebrand's Environmental analysis of 12 companies in the mining industry: Some findings 2001

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- **Environmental policy and strategy:** Almost all mining companies analyzed by Storebrand have realized the importance of establishing a policy framework.
- **Environmental management systems (EMS):** All analyzed companies have implemented a form of EMS. Approximately 50 percent of which are based on--or consistent with--ISO 14001.



## Storebrand's Environmental analysis of 12 companies in the mining industry: Some findings 2001

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- Environmental reporting:** The average mining company produces satisfactory environmental reports. Most reports contain clear descriptions of environmental policies, targets and site examples. However, few reports show trends on quantitative data.
- Production and processes:** The Storebrand analysis favors companies that have indicated a serious commitment to both impact assessments before operations start and rehabilitation after site closure.



## Storebrand's Social analysis of 12 companies in the mining industry: Some findings 2001

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- The level of engagement in social issues is highly dependent on geographical factors. Companies operating solely in Europe or North America tend not to mention this explicitly, but incorporate human rights and social elements into their codes of conduct.
- For companies active in less developed countries, the situation is different. The effects of establishing a mine can be substantial, and country legislation does not necessarily cover all human rights and social aspects. A human rights policy should both secure employees and the populations living in areas affected by its operations.



## Storebrand's Social analysis of 12 companies in the mining industry: Some findings 2001

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- **Policy and strategy:** The majority of companies analyzed has developed policies that to varying degrees cover human rights issues.
- **Scope:** None of the analyzed companies have third party certified management systems covering social or human rights issues. One company has a system in preparation and some other companies refer to their code of conduct or community relations' activities. None of the companies produce separate human rights reports.



## Storebrand's Social analysis of 12 companies in the mining industry: Some findings 2001

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•**Practices** : Human rights or social assessments are not well established in the mining industry. Only two companies reported that they cover some social or human rights issues within a broader assessment.

•**Business partners, suppliers, contractors and sub-contractors (BP)**: None of the companies report having human rights-related standards governing supplier and contractor activities, but the best in class encourage these groups to uphold the spirit of company policies.



## Summary

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- Storebrand has found that reporting from mining companies on environmental issues is much stronger than reporting on social issues.
- Despite large risks, social policies and specific human rights assessments are not fully developed, and human rights issues have not yet found their natural place in the corporate reporting structure.
- ‘Best in class’ environmental performance and considerations, however, have been far reaching -- the proactive companies have policies, programs, environmental management systems in place.



## Conclusion / Recommendations

- The demand for SRI is increasing. Because of this, investment companies will require more information on environmental and social issues.
- Use of a third party certified management system for social and human rights issues could improve reporting and credibility in this area.



## Conclusion / Recommendations

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- Increased reporting of quantitative environmental data (energy use, emissions, discharges etc) would make it easier to identify trends and quantify improvements.
- Environmental and social reporting in the mining sector have come further than in many other industry sectors, but given the potential impacts and risks, there is still much room for improvement.