

## Corporate Governance Report 2009

Boliden is a Swedish limited company listed on the Nasdaq omx Stockholm Stock Exchange, with a secondary listing on the Toronto Stock Exchange. Boliden's corporate governance is based on the Swedish Companies Act, the regulations of the Nasdaq omx Stockholm Stock Exchange, and the Swedish Code of Corporate Governance (the Code). At the time when the third quarterly report for 2009 was published, only the date of the 2010 Annual General Meeting had been determined. The location at which it will be held will be determined and announced at a later date and Boliden accordingly reports a deviation from rule 1.1 of the Code regarding the announcement of the time and place for the Annual General Meeting. Boliden has otherwise not deviated from the Code. The Corporate Governance Report has not been subjected to review by the company's Auditors.

### **Governance of the Boliden Group**

Corporate Governance is designed to ensure that Boliden is governed in line with the owners' interests. Increased transparency gives different groups of owners a good insight into the company's operations, thereby contributing to efficient governance.

The shareholders exercise their right of decision at the Annual General Meeting (and at any Extraordinary General Meeting), which is the company's supreme decision-making body. The Board of Directors is appointed at the Annual General Meeting and the company's President is appointed by the Board of Directors. The company's accounting and the administration of the company by the Board of Directors and the President are reviewed by auditors appointed by the Annual General Meeting. The Annual General Meeting also appoints five members to a Nomination Committee and authorises the Committee to appoint one or two additional members, if necessary. The Nomination Committee drafts proposals that are put to the Annual General Meeting with regard to, among other things, elections of and the fees payable to the Board of Directors and auditors.

Over and above its compliance with legislative provisions, regulations and the Code, Boliden also applies internal governance instruments, such as the Group's organisational and operational philosophy, the New Boliden Way (NBW), the Code of Conduct, and policies in such areas as the environment, energy, health, safety and communication.

### **Shareholders**

Boliden has a share capital of Sek 578,914,338 million divided between 273,511,169 shares.

Approximately 40 per cent of the total number of shares are held by foreign owners and there was a total of 96,155 shareholders at the end of 2009. The individually largest owners at the turn of the year were Swedbank Robur fonder, AFA Försäkring, Handelsbanken fonder, Andra AP-fonden and Skandia fonder. For further information on the shareholder structure within Boliden, see page 40 of the Annual Report.

### **Annual General Meeting**

The duties of the Annual General Meeting include the election of Members of the Board and the Chairman of the Board, the adoption of the Income Statement and Balance Sheet, resolutions on appropriation of profits and discharge from liability for the Members of the Board and the President of the company, the determination of fees payable to the auditors and the principles governing conditions of employment and remuneration for the President and senior executives and, where relevant, the adoption of Articles of Association, the election of auditors, and resolutions on matters relating to the Nomination Committee.

The 2009 Annual General Meeting was held on 29th April at the Rönnskär plant in Skelleftehamn. 60,802,166 shares were represented at the Meeting by 312 shareholders, either in person or through their proxies. The shares represented comprised 22.2 per cent of the total number of shares in Boliden. The Meeting resolved to re-elect Board Members Marie Berglund, Staffan Bohman, Lennart Evrell, Ulla Litzén, Leif Rönnbäck, Matti Sundberg, Anders Sundström and Anders Ullberg. Carl Bennet, who had been a Board Member since 2001, declined re-election. Anders Ullberg was re-elected as the Chairman of the Board.

#### **The Meeting further resolved:**

- to pay a dividend of Sek 1 per share for the 2008 financial year, in accordance with the proposal by the Board of Directors;
- that the following persons shall be appointed as members of the Nomination Committee: Anders Algotsson (AFA Försäkring), Lars-Erik -Forsgårdh, Åsa Nisell (Swedbank Robur fonder), Carl Rosén (Andra AP-fonden) and Anders Ullberg (Chairman of the Board);

- that the Directors' fees payable shall remain unchanged with SEK 850,000 payable to the Chairman and SEK 325,000 payable to Members who are not Boliden employees, and the fees payable to the Chairman of the Audit Committee and to each of the two members of the Audit Committee shall also remain unchanged at SEK 150,000 and SEK 75,000, respectively;
- that no fee shall be payable to the members of the Remuneration Committee;
- that auditors' fees shall be payable in accordance with the approved invoices received;
- that remuneration payable to the members of the Group management shall comprise a fixed salary, any variable remuneration, other benefits and pensions. The variable remuneration shall be maximised to 50 per cent of the fixed salary and shall be based on results in relation to targets set. The variable remuneration shall not comprise pensionable income.

The Minutes of the Annual General Meeting can be viewed on Boliden's website.

### **Nomination Committee**

The Annual General Meeting passes resolutions on the principles governing the appointment and duties of the Nomination Committee. The Nomination Committee shall, in accordance with the *Instructions for the Nomination Committee* adopted by the Annual General Meeting, comprise a minimum of five and a maximum of seven members. Five members shall be elected at the Annual General Meeting, of whom three shall represent the biggest shareholders and one the smaller shareholders, and one of whom shall be the Chairman of the Board. The Nomination Committee appoints its own Chairman and works in the best interests of all shareholders. The Nomination Committee may, in order better to reflect the shareholder structure in the event of changes in ownership, offer places on the Committee to other larger shareholders.

### **Composition of the Nomination Committee**

In September, the Chairman of the Board convened the members elected by the Meeting for the election of the Chairman of the Nomination Committee, at which time Anders Algotsson (AFA Försäkring) was appointed Chairman. Eva Halvarsson replaced Carl Rosén as the representative of Andra AP-fonden and Caroline af Ugglas also joined the Nomination Committee as a representative of Skandia, which has become one of the three biggest shareholders. The composition of the Nomination Committee was announced on Boliden's website and through a press release dated 29th April 2009.

### **Duties of the Nomination Committee**

The Nomination Committee is tasked with drafting proposals for resolution by Boliden's Annual General Meeting. The proposals relate to, among other things, the election of Members of the Board, the Chairman of the Board, fees payable to the Board and its committees, and fees payable to the company's auditors. The focus of the Nomination Committee's work is on ensuring that the company's Board of Directors comprises Members who, collectively, possess the knowledge and experience that corresponds to the requirements made of the company's most senior governing body by the shareholders. The Chairman of the Board presented the evaluation conducted of the work of the Board and the individual Members during the past year as part of the process of drafting proposals for Board Members. The President presented the company's operations and future orientation. The Nomination Committee was also afforded the opportunity to meet the Members of the Board. The evaluation of the Board and the assessment of the competencies that the Board should possess during the coming period resulted in the Nomination Committee agreeing to propose the re-election of all Members.

Information on the way in which shareholders can submit proposals to the Nomination Committee has been published on Boliden's website. Full details of the Nomination Committee's proposals will be presented in the Notice convening the Annual General Meeting and in information provided on the company's website.

### **The Board of Directors**

Boliden's Board of Directors shall, under the provisions of the Articles of Association, comprise a minimum of three and a maximum of ten Members, without Deputy Members, elected by the Annual General Meeting. The company's employees have a statutory entitlement to appoint three Members and three Deputy Members to the Board.

### **The composition of the Board**

The Board of Directors has comprised eight Members elected by the Annual General Meeting and three Members appointed by the trade union organisations since the 2009 Annual General Meeting. The Board Meetings are attended both by the ordinary Members and by the union Members' three Deputy Members.

Boliden's CFO and Senior Vice President of Legal Affairs (the latter is also the Board's Secretary) also attend the meetings on behalf of the Group management. Other members of the Group management and other executives also attend and present reports on individual issues as required.

The Board Members elected by the Annual General Meeting are all to be regarded as independent in relation to major shareholders, and all, with the exception of the President, to be regarded as independent in relation to Boliden and the Group management.

The Members of the Board are presented on page 90–91 of the Annual Report and on Boliden's website. For more detailed information on attendance at the Meetings and independence, see the table below.

### **The responsibilities of the Board of Directors and the Chairman**

The Board of Directors is appointed by Boliden's owners to bear ultimate responsibility for the organisation and management of the company's affairs. The Board adopts a Formal Work Plan every year at the Board Meeting following the election, held after the Annual General Meeting. The Formal Work Plan regulates the work and the responsibilities of the Board in greater detail, together with the special duties with which the Chairman of the Board is tasked. The division of labour between the Board of Directors and the President is clarified in the written Instructions to the President adopted by the Board at the same meeting. In 2009, the Board has, as in previous years, established an Audit Committee and a Remuneration Committee.

The Chairman of the Board guides the work of the Board and monitors Boliden's operations through an ongoing dialogue with the President. The Board receives information on Boliden's economic and financial position through monthly reports and at Board Meetings. Prior to every Board Meeting, the Chairman and the President review the issues to be discussed at the Meeting and the source data for the Board's discussion of the issues is sent to the Members approximately one week before each Board Meeting.

### **The Board of Directors' work in 2009**

The Board of Directors held seven ordinary Board Meetings in 2009. A number of the Board Meetings are regularly held at the company's operating units in order to give the Members an increased insight into the operations. In 2009, the Board visited the Rönnskär copper smelter and the Kokkola zinc smelter.

At the beginning of every year, the Board sets a number of themes that it particularly wishes to address during the year. Some of the main issues during the year, in addition to the operational review conducted at every Board Meeting, were:

- No. 1 (February): 2008 Year End Report, investment issues, acquisition issues, auditors' report, energy supply, developments at Tara, -currency hedging
- No. 2 (March): Matters for the Annual General Meeting
- No. 3 (April): Q1 Interim Report, market analysis, capital structure, delegation organisation, currency hedging, organisational changes
- No. 4 (April): Board Meeting following election after the Annual General Meeting, authority to sign for the company, resolution on the Board's Formal Work Plan and Instructions for the President, resolutions on Audit Committee and Remuneration Committee
- No. 5 (July): Q2 Interim Report, the global metals market, acquisition issues, the Boliden Area, investment in pumping station at Aitik
- No. 6 (October): Q3 Interim Report, exploration, the New Boliden Way, action programme for Tara, nuclear power project
- No. 7 (December): Business plan and budget, auditors' report, management skill pools and management development, the market for sulphuric acid.

At the Board Meetings held in February and December, Boliden's auditors presented reports detailing their observations from the audit of the company. The Board has had the opportunity to meet the auditors without the presence of the Group management on two occasions.

### **Evaluation of the Board's work**

The Chairman ensures that the Board and its work are evaluated annually and that the results of the evaluation are conveyed to the Nomination Committee. The evaluation is carried out by the Board itself under the guidance of the Chairman or, at regular intervals, with the help of an independent consultant. The 2009 evaluation was a self-evaluation during which the Members answered a number of questions in writing on a range of different subjects and held one-on-one discussions with the Chairman of the Board, followed by a joint discussion.

### **Audit Committee**

The Audit Committee meets before the publication of every financial report, and as necessary. The Committee is tasked with assuring the quality of Boliden's financial reporting. This requires, among other things, that the company has a satisfactory organisation and appropriate processes. Boliden has an

internal control function whose work involves mapping risk areas and following up on work in identified areas.

The Audit Committee works on the basis of a set of Instructions for the Audit Committee adopted every year by the Board of Directors and reports back to the Board on the results of its work. Special attention was paid in 2009 to accounting issues, with particular reference to impairment tests, and to the valuation of process inventory, loan terms, IT security and following up on internal controls. The Audit Committee comprises Ulla Litzén (Chairwoman), Anders Sundström and Anders Ullberg. The Audit Committee met five times in 2009.

### **Remuneration Committee**

The Remuneration Committee submits proposals for resolution by the Board regarding salaries and other terms of employment for the President. The Committee also approves proposals regarding salaries and other terms of employment for the Group management, as proposed by the President. The Remuneration Committee is, furthermore, tasked with submitting proposals regarding remuneration principles etc. for the President and Group management, which proposals are then submitted by the Board to the Annual General Meeting, which decides on the issue. The Remuneration Committee works on the basis of a set of Instructions for the Remuneration Committee adopted every year by the Board of Directors and reports back to the Board on the results of its work. The Committee has held three meetings during the year and the members have had extensive contact by telephone. The Remuneration Committee comprises Anders Ullberg (Chairman), and Staffan Bohman.

See Note 1 for an account of the remuneration paid to the Group management on pages 57–58 of the Annual Report.

### **Business Management**

Management by the Board goes through a chain of command from the President to the operating units. Boliden works on the basis of the company's organisational and operational philosophy, the New Boliden Way (NBW), which is updated annually. Boliden has an organisation in which responsibilities and authority are delegated within clear frameworks. These frameworks are defined by an annual budget which is broken down by unit, a strategic plan, and Boliden's steering documents. The steering documents are available on Boliden's intranet and make up the internal framework required for efficient management. These documents include the Financial Policy, the Communications Policy, the Environmental Policy and the Health and Safety Policy.

### **The President and Group Management**

Boliden's Group management comprises the President, the heads of the Group's two Business Areas, Mines and Smelters, and the Senior Vice Presidents for the Group Treasury and Finance, Legal Affairs, Human Resources and Sustainable Development staff functions. The Group management prepares proposals regarding strategic plans, business plans and budgets, which are submitted to the Board for approval by the President. The President leads the work of the Group management, which holds regular monthly meetings to review operations.

The company's 150 or so senior managers and specialists meet annually to set important goals and strategies at management meetings, where they also have the opportunity for discussions aimed at establishing widespread support for the measures proposed.

See page 92 of the Annual Report for a presentation of the Group management team.

### **Auditors**

The accounting firm of Ernst & Young AB was elected at the 2009 Annual General Meeting to serve as the company's auditors until the conclusion of the 2013 Annual General Meeting. Authorised Public Accountant Lars Träff is the senior auditor.

Lars Träff's audit engagements, in addition to Boliden, include Avanza, Lantmännen, Posten, Scania, ÅF and Investment AB Öresund.

Remuneration is paid to the company's auditors in accordance with invoices received as agreed. See Note 2 on page 58 of the Annual Report for information on remuneration disbursed in 2009.

### **Internal control report by the Board of Directors**

The purpose of internal control with regard to financial reporting is to provide reasonable assurance with regard to the reliability of the external financial reporting and to ensure that the reports are produced in accordance with generally accepted accounting principles, applicable legislation and statutes, and with other requirements imposed on listed companies.

The Board of Directors has overall responsibility for ensuring that an efficient internal control system exists within the Boliden Group. The President is responsible for the existence of a process and organisation that ensures internal control and the quality of the internal and external financial reporting.

**Internal control function**

Boliden has an internal control function responsible for implementing processes and frameworks that secure internal control and ensure the quality of the financial reporting.

The function reports to the Head of the Treasury and Finance function and presents reports on issues relating to internal control at the Audit Committee's meetings.

**Control environment**

The control environment within Boliden is characterised by the fact that the Group has relatively few but large operating units that have carried out their operations for many years, using well-established processes and control activities.

A structure of steering documents in the form of binding policies and guidelines for the organisation's delegated responsibilities has been established to ensure a collective attitude and methodology within the Group.

The starting point is the New Boliden Way (NBW), together with associated steering documents which include the Code of Conduct, decision-making and authorisation instructions, and a financial manual covering financial policy, accounting and reporting instructions.

Local management systems with more detailed instructions and descriptions of important processes have also been set up.

Work continued at both Business Area and Group level in 2009 on charting the financial transaction flows, identifying risks and documenting control activities in a uniform and standardised way.

**Risk analyses**

The operating units conduct ongoing risk analyses with regard to financial reporting. All units shall, within the framework of the work that began in 2008 and continued in 2009, map and evaluate risks in the various accounting and reporting processes.

**Control activities**

Various types of control activities are carried out within the Group and within every different aspect of the accounting and reporting process on an ongoing basis. The control activities are carried out in order to manage known risks and to detect and rectify any errors and discrepancies in the financial reporting. Documentation of significant control activities within the accounting and reporting process continued in 2009.

**Information and communication**

Information on policies, guidelines and manuals is available on Boliden's intranet. Information on updates and changes to reporting and accounting principles is issued by e-mail and at the regular treasury and controller meetings.

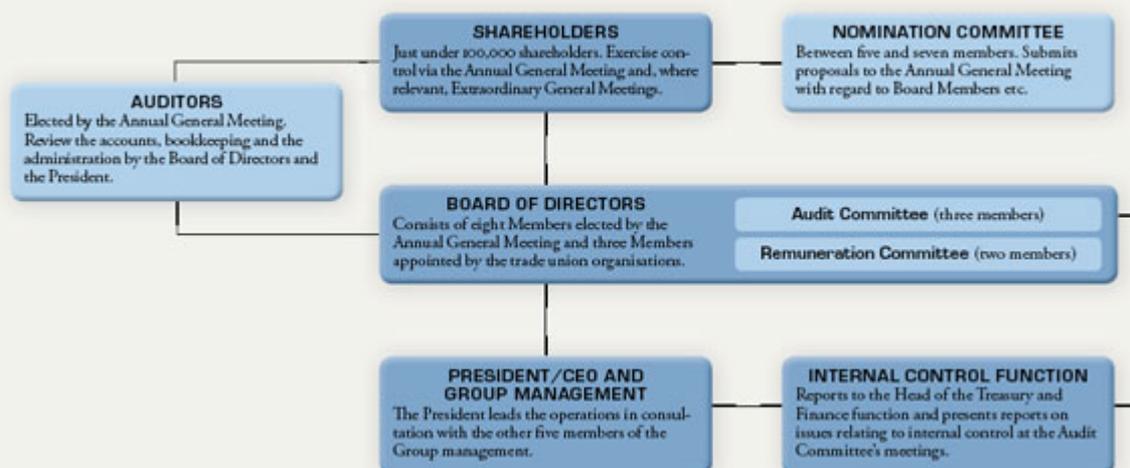
External information is provided and communication conducted in accordance with the Group's Communications Policy. All information must be communicated in a discerning, open and transparent manner.

The structure of the intranet has been improved in 2009, increasing accessibility and the ability to find the right information quickly. All Group-wide steering documents were updated and communicated during the year.

**Follow-ups**

Systems, processes and controls within the Group are followed up, improved and developed continuously. Areas where scope for improvement is identified in conjunction with audits are documented, analysed and actioned.

## BOLIDEN'S CORPORATE GOVERNANCE STRUCTURE



## THE 2009 BOARD OF DIRECTORS

Name	Elected	Present	Committee work	Present	Remuneration, Board, SEK	Remuneration, Audit Committee, SEK	Independent of the company and the company management	Independent of major shareholders
Anders Ullberg, (Chairman)	2005	7 of 7	Remuneration Committee	3 of 3	850,000	75 000	Yes	Yes
Marie Berglund	2003	7 of 7	Audit Committee	5 of 5	325,000		Yes	Yes
Staffan Bohman	2007	6 of 7	Remuneration Committee	3 of 3	325,000		Yes	Yes
Lennart Evrell	2008	7 of 7			0		No	Yes
Ulla Litzén	2005	7 of 7	Audit Committee	5 of 5	325,000	150 000	Yes	Yes
Leif Rönnbäck	2005	7 of 7			325,000		Yes	Yes
Matti Sundberg	2005	7 of 7			325,000		Yes	Yes
Anders Sundström	2001	6 of 7	Audit Committee	5 of 5	325,000	75 000	Yes	Yes
Marie Holmberg	2008	7 of 7						
Bo Karlsson	2001	7 of 7						
Hans-Göran Övebo	2001	7 of 7						