

Refiners report, LBMA responsible Gold and Silver Guidance

The *LBMA Responsible Gold and Silver Guidance's* has been established for Good Delivery Refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid contributing to conflict, to comply with high standards of anti-money laundering and combating terrorist financing practice.

This report summarizes how Boliden have complied with the requirements of the *LBMA Responsible Gold and Silver Guidance*.

Table 2 Refiner's details

Refiner's name	Boliden Mineral AB and Boliden Commercial AB, hereafter referred to as Boliden
Location	Skelleftehamn and Stockholm, Sweden
Reporting year-end	2018
Date of Report	2019-03-29
Senior management responsible for this report	Kerstin Konradsson, President Boliden Smelters

Boliden's CR Evaluation of Business Partners

The focus of 2018 for Boliden's CR Evaluation of Business Partners process has been set on implementation, training and review.

Implementation and training of the process itself, since it was developed with an extended section for high-risk business partners. Training in supporting tools has also been carried out for all concerned employees within Boliden.

A focused training in risk countries at the units where silver- and gold containing materials are received has been carried out.

The Group Instruction for High-Risk Business Partners was published in April 2018, and a guide (named SAQ Guide) for the self-assessment questionnaire (SAQ) replies was published in September 2018.

The Business Partner Code of Conduct is published on the external webpage.

Rönnskär's evaluation

Gold production at Rönnskär was 13 tons, and silver production to 472 tons during 2018. The main sources of gold and silver are copper concentrates originating from mined ore with a gold and silver content in the order of grams per ton and electronic scrap with a higher gold and silver content. Concentrate and electronic scrap are treated in the copper smelter and the precious metals finally ends up in the precious metal plant where high-grade gold and silver are produced. A small portion of the gold and silver raw material consists of metallic scrap such as coins or jewelry from Swedish suppliers, or gold concentrates from own mines in Sweden with higher gold content.

All deliveries to Rönnskär are registered with country of origin by the lot receipts process. The system automatically detects whether the advised delivery comes from a sanctioned or high-risk country. Such deliveries are stopped immediately to ensure no deliveries from any listed conflict affected areas¹ are accepted or processed. For all gold and silver containing raw materials received, as gold concentrates and low value gold Cu-concentrates, the country of origin is well known. During 2018, no gold- or silver containing raw materials have been sourced from conflict-affected areas¹.

¹ As defined under Section 1502 of the United States' Dodd-Frank Wall Street Reform and Consumer Protection Act.

Table 2: Summary of activities undertaken to demonstrate compliance

Step 1: Establish strong company management systems

Compliance Statement with Requirement:

We fully comply with Step 1: Establish strong management systems.

We have a process in place to evaluate business partners called CR Evaluation of Business Partners, which is included in our management system. The CR Evaluation of Business Partners clarifies organizational responsibilities and activities such as supplier assessments, risk-based due diligence, screening and monitoring of transactions and governance structures to ensure compliance with standards and policies. The effectiveness of the system is evaluated through internal and external audits performed regularly. The management system is third party certified in accordance to our multisite certificate in ISO9001, ISO14001, OHSAS18001 and ISO50001 for all Boliden smelters.

Boliden Business Partner Code of Conduct lays down the principles and norms for responsible business. CR Evaluation of Business Partners is a formal requirement before entering any business relationship, including gold and silver supplying counterparties. The business partners are evaluated with regard to commercial and sustainability aspects based on the 10 principles of the UN's Global Compact and on ILO and ISO standards. The CR Evaluation of Business Partners process is well-defined with tools and templates to support an efficient evaluation process in practice including Risk evaluation, Self-Assessment Questions (SAQ), interpretation guide of the SAQ, On-Site audits, Desk-top research, Corrective Action Plans (CAP). The process includes at minimum risk assessments and a self-assessment questionnaire (SAQ). Dialogues are held with business partners when needed based on the results of the CR Evaluation of Business Partners and decisions are made based on the requirements. High-risk cases, as outlined in Boliden Group Instruction for High-Risk Business Partners, must be escalated to a remittance group and further moved on to Boliden Management Team for final decision. The CR Evaluation of Business Partners is recurring and existing suppliers are evaluated every 5th year.

Has the Refiner adopted a company policy regarding due diligence for supply chains of gold and silver?

Comments and Demonstration of Compliance:

Boliden have an internal Code of Conduct, which all employees must be familiar, and in accordance with and a defined Business Partner Code of Conduct that apply for all business partners. Boliden Business Partner Code of Conduct is based upon the UN Global Compact 10 principles. The Code of Conduct do also refer to OECD Due Diligence guideline. During 2018

Boliden, purchase staff have completed training in due diligence process that is based on Boliden Business Partner Code of Conduct.

Boliden Business Partner Code of Conduct has been communicated with our business partners and is easily accessible at our external website.

[https://www.boliden.com/sustainability/our-responsibilities/Business partner Code of Conduct/](https://www.boliden.com/sustainability/our-responsibilities/Business_partner_Code_of_Conduct/)

Has the Refiner set up an internal management structure to support supply chain due diligence?

Comments and Demonstration of Compliance:

The management system includes a management structure for responsible sourcing, which defines the governance, roles and responsibilities. This is visualized in Boliden's due diligence process for evaluating business partners based on the Business Partner Code of Conduct. Each purchase manager are responsible for planning and initiating the CR Evaluation of Business Partners. Any identified risks must be communicated to Director Raw Material, who holds the responsibility for any decision on continuing or initiating partnership with a business partner if not escalated to Boliden Internal CR Analysis Group, further explained below.

Internal audits, communication and senior management review of the process have been performed in accordance with the certified management system. A compliance officer is assigned and has a direct line of reporting to the management team. The CR Officer is assigned as a support function to the due diligence process for purchasing and supplying of materials. The CR Officer is placed within an internal CR analysis group, which is established as part of the governance structure to handle cases that require escalation for further decision. The internal CR analysis group consists at minimum of the responsible purchase manager, the director for Raw Materials and the CR officer. If the group require competence within any of the areas covered in the Business Partners Code of Conduct, external or internal expertise personnel are utilized and takes part in the internal CR analysis group. The compliance offices is involved in case of non-compliances to the due diligence process. The CR Officer reports to the assigned Compliance Officer.

The due diligence is described in the Group Instruction for High-Risk Business Partners. This instruction was published in April 2018. During 2018, the Purchase and Sales staff has been trained in the instruction.

Has the Refiner established a strong internal system of due diligence, controls and transparency over gold and silver supply chain, including traceability and identification of other supply chain actors?

Comments and Demonstration of Compliance:

Boliden have a robust 'lot' receipts process, and specific documents must be received and transactional details entered before acceptance of incoming raw materials including, gold- and silver bearing material. The process is described in detail with flow sheet and instructions in Boliden's certified ISO 9001:2015 quality management system.

Each delivery of gold- and silver containing material are recorded with information about country of origin, quality, weights, assay details, date of arrival. All new suppliers must submit a Self-Assessment Questionnaire (SAQ), which includes information about the business partner's performance in relation to Boliden Business Partner Code of Conduct.

All deliveries of raw material to Boliden's refineries including Rönnskär, must register country of origin. In case the country is listed as a sanction or conflict affected country¹, an automatic red flag alert appears and prevent the user from registering the delivery without approval. Suppliers cannot deliver any material until the delivery is registered in the system.

During 2018 focused training in the system and importance of controlling country of origin, has been performed for relevant staff at Rönnskär..

Has the Refiner strengthened company engagement with gold and silver supplying counterparties, and where possible, assisted gold and silver supplying counterparties in building due diligence capabilities?

Comments and Demonstration of Compliance:

Boliden communicate the Business Partner Code of Conduct to business partners in the invitation to the SAQ, during site-visits and in supplier meetings. Boliden continuously strengthen demands on the supply chain and communication. A Corporate Social Responsibility clause based on the Business Partner Code of Conduct is incorporated in all new contracts since 2016.

During 2018, Boliden can show example of close partnership with one supplier of electronic material in order to develop due diligence capabilities together. The focus has mainly been on reviewing current procedures and investigate where Boliden and the supplier together can improve the due diligence capabilities.

Has the Refiner established a confidential grievance mechanism / (company-wide communication mechanism) to promote broad-based employee participation and risk identification to management?**Comments and Demonstration of Compliance:**

As part of Boliden's internally and externally communicated Business Partner Code of Conduct, a whistle blower function is in place. Legal department is responsible for monitoring this and alert the Compliance officer when needed. No cases have been reported related to the Business Partner Code of Conduct and responsible gold and silver criteria's during 2018.

[https://www.boliden.com/sustainability/our-responsibilities/Business partner Code of Conduct/](https://www.boliden.com/sustainability/our-responsibilities/Business_partner_Code_of_Conduct/)

<https://www.boliden.com/sustainability/our-responsibilities/whistleblower2/>

Step 2: Identify and assess risks in the supply chain

Compliance Statement with Requirement: We comply with Step 2: Identify and assess risks in the supply chain. We identify and assess risks within the supply chain.

Does the Refiner have a process to identify risks in the supply chain?**Comments and Demonstration of Compliance:**

The CR Evaluation of Business Partners process starts with two mandatory steps for all business partners, which identifies risks. A risk is a potential breach to the Business Partner Code of Conduct. Business relationships between parties may in addition to risks related to breaches of our Business Partner Code of Conduct be subject to different restrictions such as international or national sanctions or restrictions ("sanction"). This is described by Group Legal Affairs in Boliden Group Trade Sanctions Policy.

The first step in the CR Evaluation of Business Partners process is a risk screening of potential sanctions, using a sanction control function. This function is developed and kept up to date by Group Legal Affairs. A sanction risk screening should be performed before a new contract is signed. Once the sanction risk screening is performed and registered to the periodical screening, notifications are sent whenever there is an update related to listed business partners.

The process to identify all non-financial risks in the supply chain is part of the CR Evaluation of Business Partners process and is described in 3 steps in the table below.

Steps within the CR Evaluation of Business Partners process	
1. Identify risks	<p>Risk assessments shall be made every year for all new business partners and all suppliers must undergo annual internal follow-up. Risk assessments shall always be made in connection to new business partners; significant changes in business or circumstances and at any deviations from normal business procedures or standards.</p> <p>Potential Business Partner - Every new supplier should undergo supplier assessment and SAQ (Self-Assessment Questionnaire) screening in Raw Material purchase phase and if necessary follow-up process after.</p> <p>Existing Business Partner - All existing suppliers should undergo the CR Evaluation of Business Partners process every fifth year. All suppliers must undergo annual internal follow-up on CAP and other contractual agreements.</p>
2. Gain knowledge	<p>In order to gain updated knowledge about the performance of our business partners, we use the Self-Assessment questionnaire in the eSAT system and audits.</p> <p>2.1 Self-Assessment</p> <p>All business partners shall be asked to submit a SAQ on a regular basis in accordance to the CR Evaluation of Business Partners process plan. The frequency is decided based on risk and importance to our business, but with a minimum time range of every fifth year. Each SAQ are evaluated with the basis of a SAQ guide, which ensures consistency in the interpretation of the results.</p> <p>2.2 Business Partner Audit</p> <p>Based on the risk assessment and the responses in the Self-Assessment Questionnaire business partners to be audited are identified. The purpose of an audit is to gather evidence of the business partner's performance. An audit is not an ordinary visit or contact between the sales/purchase representatives. Audits shall include site visit and interviews with employees.</p>
3. Documentation	<p>All documentation concerning the CR Evaluation of Business Partners shall be stored and made available internally to relevant personnel on the Boliden Intranet Workspace.</p>

Does the Refiner assess risks in light of the standards of their due diligence system?

Comments and Demonstration of Compliance:

Our supply chain due diligence comprises the measures required by the LBMA Responsible Gold and Silver Guidance and is developed using OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and additional requirements connected to other guiding principles relevant to Boliden's business. The due diligence process named "CR Evaluation of Business Partners" is performed before entering into a business

relationship with any gold and silver supplying counterparty. When purchasing any raw material, including gold and silver, which originates from or transits via a conflict-affected or human rights abuse high-risk area, the due diligence process clearly shows an enhanced due diligence. In addition, appropriate monitoring of transactions undertaken through the course of the relationship are conducted. There has been no sourcing of mined gold or silver outside Scandinavia during 2018.

Boliden has in place a sanctions compliance programme to mitigate sanctions risks. Among other things, this programme comprises a policy and procedure with which all Boliden Group entities and its employees must comply. As part of its sanctions mitigation, Boliden uses the Dow Jones Risk tool to screen prospective and existing business partners to help identify sanctions and compliance-related issues. In the raw materials department, this Dow Jones Risk tool-screening search is conducted by one designated administrator. Support is provided by and identified concerns are escalated to Group Legal and the CR Officer. Boliden's contracting business partners should be regularly monitored and are subject to monthly re-screening within the Dow Jones Risk tool to identify any changes to their risk profile (including in respect of sanctions). In 2018, Boliden engaged Norton Rose Fulbright to review and enhance the company's sanctions compliance programme: work on this programme enhancement is ongoing and is expected to be rolled out across the Boliden Group later in 2019.

Training is a core element of Boliden's sanctions compliance programme. When Boliden's sanctions compliance programme was introduced in 2016, external law firm Steptoe and Johnson conducted a series of training sessions in connection with sanctions. In 2018, training on the use of the Dow Jones Risk tool was delivered to contract administrators. More recently, in conjunction with the programme enhancement led by Norton Rose Fulbright, sanctions awareness training has been delivered to individuals across core business areas and other functions, including Commercial, Procurement, Treasury, Group Legal and Group Management. Additional sanctions awareness training and tailored training on specific elements of the sanctions compliance programme is scheduled to be delivered throughout 2019.

An enhanced due diligence process is performed for cases identified as potential high-risk business partners. This is described in the Instruction for High-Risk Business Partners. Depending on risk assessment carried out as part of the CR Evaluation of Business Partners, on-site audits are performed on the business partner with internal or external CR-auditors. The results from the On-site audits are summarized in a standard audit report together with an agreed correction action plan. The on-site audit reports are used as input in the risk assessment report and when making decision on whether to continue with the negotiations or not. No on-site audits has been carried out at suppliers of gold- or silver bearing material during 2018.

Does the Refiner report risk assessment to the designated manager?**Comments and Demonstration of Compliance:**

All risk-assessments are performed as is described in the Group Instruction for High-risk business partners.

It is the Director for Raw Materials responsibility to escalate suppliers classified as high risk to the CR remittance group. The CR remittance group consists of the President for Boliden Smelters, the Vice President for Corporate Responsibility for Boliden Group, the General Counsel for Legal Affairs and the Director for Raw Material is convening and the CR Officer is rapporteur in the group. The purpose of the CR remittance group is to review the documented risk assessment and send it for final decision to Boliden Group Management. Group management retains the ultimate control and responsibility for the gold and silver supply chain, and thus makes the final decision in case of a high-risk business partners.

Any non-compliance to the CR Evaluation of Business Partners, in line with LBMA and OECD requirements, shall be reported in our deviation management system, depending on the nature of the non-compliance. The Compliance Officer is responsible for assembling the non-compliances in the management system and report them to Smelters Management Team.

Step 3: Design and implement a management system to respond to identified risks

Compliance Statement with Requirement: We comply with Step 3

A management system that responds to identified risks is in place with internal and external audits to verify the effectiveness of the system. The current raw material supply situation is perceived as low-risk since there have been no sourcing from conflict-affected areas² during 2018. The CR Evaluation of Business Partners process is supported with system and templates to ensure an efficient evaluation process in practice. The management system responds to risks with built in functions prohibiting high-risk sources to deliver without including designated managers in the decision process. The CR evaluation of business partner process is configured so that the four-eyes principle always must apply in case of any uncertainty as to whether the business partner are in breach to the Business Partner Code of Conduct. The process is complemented with supporting tools in the risk evaluation.

The focus in general for Boliden during 2018 has been on communication and training in the new tools and instructions that was developed during 2017 but implemented 2018. The Group Instruction for High-Risk Business Partners explains the governance model and alignment with the management system.

During 2018, Boliden can show example of close communication with suppliers in regards of discussing and improving each other's work with non-financial improvements.

Does the Refiner report findings to designated Senior Management?

Comments and Demonstration of Compliance:

Findings in the risk-assessment identified as high-risk are escalated from the Boliden internal CR analysis group to a CR remittance group, which has a direct link via Senior VP Corporate Responsibility to Senior Management.

Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?

Comments and Demonstration of Compliance:

In case a supplier is deemed as higher risk, a risk management strategy is in place. Identified risks are escalated to the internal CR analysis group, which is established as part of the governance structure as described above.

The risks are defined in Group Instruction for High-Risk Business Partners. These risks are identified in the process in the SAQ with support from the SAQ guide. The SAQ is the Self-Assessment Questionnaire all supplier must submit and the SAQ guide explains how to view the response of the SAQ. The SAQ is formed on the basis of Boliden Business Partner Code of Conduct and mentioned Group Instruction for High-Risk Business Partners.

When a red flag is identified in the SAQ, it is send to the internal CR analysis group for further analysis. If the internal CR analysis group perceive the supplier as high-risk, they prepare documentation, which is sent to the CR remittance group. The CR remittance group decides if risk assessment should be extended or if case is ready for final decision by Boliden Group Management team. Boliden Group Management Team retains the ultimate control and responsibility for the gold and silver supply chain, and hold the final decision for cases identified as high-risk in the risk assessment process. Senior management decides upon corrective actions if continuous trade with the business partner is approved.

Where a management strategy of risk mitigation is undertaken, it should include measureable steps to be taken and achieved, monitoring of performance, periodic reassessment of risk and regular reporting to designated senior management.

Comments and Demonstration of Compliance:

The CR Evaluation of Business Partners process includes risk mitigation and escalation. In case of identified risks of Business Partners in serious breach of Boliden Business Partner Code of Conduct, a corrective action plan (CAP) are agreed upon together with the supplier. On-site audits are carried out when necessary. The escalation report is the basis for action plans. Action plans, follow up reports and results are regularly reported to senior management.

Undertake additional fact and risk assessments for risk requiring mitigation, or after a change of circumstances

Comments and Demonstration of Compliance:

The due diligence process is continuously repeated for existing business partners. The Dow Jones Risk Analysis is updated monthly for all existing business partners. The SAQ must be submitted by existing business partners every 5th year in case of a supplier. If any relevant risk of breach on Boliden Business Partner Code of Conduct is acknowledged in the Dow Jones Risk Analysis or elsewhere, the SAQ is required more frequently.

In case of potential risk of breach against Boliden Business Partner Code of Conduct further risk assessment tools are applied, following are the tools at disposal for escalated cases: Country risk by OECD country risk classification, Sustainability Desktop Due Diligence, Sanction Control – Dow Jones Risk Analysis, Owner Structure Analysis, Site visit performed by competent Boliden Staff, Inspection by third party auditor, enhanced SAQ referred to as Corrective Action Plan (CAP). The corrective action plan could be both in direct correcting actions (ACAP), but also just a clarification on a process (QCAP).

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

Compliance Statement with Requirement: We have complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

Comments and Demonstration of Compliance:

The Boliden Refiners Compliance Report has been independently assured by KPMG for the sixth time, an LBMA approved assurance provider. The limited assurance report based on the ISAE 3000 standard is found in the same document as this Compliance Report.

Step 5: Report on supply chain due diligence

Compliance Statement with Requirement: We have complied with Step 5: Report on supply chain due diligence

With this Refiners Compliance Report we have complied with Step 5: Report on supply chain due diligence. Further information and specific details of how Boliden's systems, procedures, processes and controls have been implemented to align to the specific requirements in the LBMA Responsible Gold and Silver Guidance have been set out in our CR Evaluation of Business Partners process.

<http://www.boliden.com/Investor-Relations/Reports-and-Presentations/Annual-reports/>

Table 3: Management conclusion

Is the Refiner in compliance with the requirements of the *LBMA Responsible Gold and Silver Guidance* for the reporting period? Yes

In conclusion, Boliden implemented effective management systems, procedures, processes and practices to conform to the requirements of the *LBMA Responsible Gold and Silver Guidance*, as explained above in Table 2, for the reporting year ended 31 December 2018.

Boliden is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis. The CR Evaluation of Business Partners process will be further developed together with and external expertise knowledge in the Corporate Responsibility (CR) area.

Table 4: Other report comments

If users of this report wish to provide any feedback to Boliden Commercial AB with respect to this report, they can contact corporate relations on sustainability@boliden.com.

Signature: 

Kerstin Konradsson

President BA Smelters