

Refiners report, LBMA responsible Gold Guidance

The *LBMA Responsible Gold Guidance* 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 Guidance*.

Table 1. Refiner's details

Refiner's name	Boliden Commercial AB, hereafter referred to as Boliden
Location	Skelleftehamn and Stockholm, Sweden
Reporting year-end	2017
Date of Report	2018-03-31
Senior management responsible for this report	Kerstin Konradsson, President Boliden Smelters

Boliden's CR evaluation of business partners

During 2017 Boliden have further developed the process of evaluating business partners. The EHSQ organization that supports and coordinates the CR evaluation of business partners have been extended with more resources.

The Self-Assessment Questionnaire (SAQ) that all suppliers and customers submit have been complemented with a guide containing follow up-questions in order to ensure validity of answers in the SAQ and also obtain a consistent view of the evaluations within Boliden.

For cases that are identified as high-risk, an instruction has been developed in order to ensure that one individual person within Boliden do not initiate/continue a business relationships with a business partner identified as high-risk without a decision from Senior Management. The process for high-risk business partners has been used on two high risk cases during end of 2017.

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

A workspace that handles escalation cases has been established in order to make information material available for all relevant personnel at the units within Boliden Smelters that are purchasing and selling secondary and primary raw materials.

An implementation during 2017 in the IT-systems used for all deliveries of secondary and primary gold containing raw material, makes it impossible to register a delivery without entering Country of Origin. The systems also identifies if the material originates from a country identified as high-risk, and thus makes it mandatory to escalate the case for further evaluation.

Purchase staff have completed training in the due diligence process and Boliden Business partners Code of Conduct.

Rönnskär's evaluation

Gold production at Rönnskär (Rönnskär is the only refinery listed as good delivery by LBMA within Boliden), amounts to approximately 13 tons per year. The main sources of gold are copper concentrates originating from mined ore with a gold content in the order of grams per ton and electronic scrap with a higher gold content but still low. 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 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 and other external gold concentrates producing mine with relatively low gold content in same region. In May 2017 our lot receipts process was improved with registration of country of origin for all deliveries. In addition an automatic control function was implemented with an automatic redflag alert to ensure no deliveries from any listed conflict affected areas¹ are accepted or processed. For all gold containing raw materials received, as gold concentrates and low value gold Cu-concentrates, the country of origin is well known. During 2017 no gold containing raw materials have been sourced from conflict affected areas¹.

Step 1: Establish strong company management systems

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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 (previously called EBP) 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

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

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 and OHSAS18001 for all smelters including Rönnskär.

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 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, Corrective Action Plans (CAP) etc. The process includes at minimum risk assessments and a self-assessment questionnaire (SAQ). The evaluation of the SAQ from business partners are from now on supported with a guide which ensures a consistent way of interpret the answers with an objective view. 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. We have also developed a process for cases that is identified as high-risk and must thus be escalated to a remittance group and further moved on to Boliden Management Team for 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?

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. During 2017 we have reviewed and updated the Boliden Business Partner Code of Conduct that have been published during 2017. The updated Business Partner Code of Conduct is in line with the UN Global Compact 10 principles as well as reference to OECD Due Diligence guideline. Purchase and sales staff have completed training in due diligence process that is based on Boliden Business Partner Code of Conduct. Boliden Business Partner Code of Conduct have 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 define the governance, roles and responsibilities. This is visualized in our due diligence process for

evaluating business partners based on our Business partner Code of Conduct. Each purchase manager are responsible for initiating the CR evaluation of business partners process. 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 the case 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. During 2017 an internal CR specialist, operating as CR Officer has been established 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 process for cases that require escalation, identified as high-risk, has during 2017 been developed in an instruction for High-Risk business partners. The instruction has not yet been published, but the process described in the instruction has been used in two cases during 2017. When the instruction is published during 2018 it will be controlled by senior management.

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

Comments and Demonstration of Compliance:

We have a robust 'lot' receipts process, and specific documents must be received and transactional details entered before we process the gold-bearing material. The process is described in detail with flow sheet and instructions in our certified ISO 9001:2015 quality management system.

Each delivery of gold 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 partners due diligence process. From May 2017, new improved controls to recognize country of origin was implemented. All deliveries of raw material to our refineries including Rönnskär, must register country of origin. In case the country is listed as a sanction or conflict affected country¹, an automatic redflag alert appears and prevent the user from registering the delivery. Suppliers can not deliver any material until the delivery is registered in the system. More improvements regarding required documentation of country of origin for suppliers are planned to be implemented during 2018.

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

Comments and Demonstration of Compliance:

During 2017 we have published our Boliden Business Partner Code of Conduct on our external webpage. We communicate our Business Partner Code of Conduct to our business partners in the SAQ, during site-visits and in supplier meetings. We continuously strengthen our demands on the supply chain and how we communicate these. A Corporate Social Responsibility clause based on our Business Partner Code of Conduct is incorporated in all new contracts since 2016.

During 2017 one third-party audit have been carried out with a potential supplier. The conclusion from the audit was that to not continue the negotiations due to serous breach to our Business Partners Code of Conduct.

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:**

We have, as part of our internally and externally communicated Business Partner Code of Conduct, a whistle blower function. Legal department is responsible for monitoring this and alert our Compliance officer when needed. No cases have been reported related to our Business Partner Code of Conduct and responsible gold criteria's during 2017.

[https://www.boliden.com/sustainability/our-responsibilities/Business partner Code of Conduct/](https://www.boliden.com/sustainability/our-responsibilities/Business%20partner%20Code%20of%20Conduct/)

<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, which is potential breaches to our Business Partner Code of Conduct, the business partner being listed as a sanctioned country or company and/or legal requirements.

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 therefore 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 is performed before a new contract is signed. Once the sanction risk screening is performed once, notifications are sent whenever there is an update on that certain entity regarding sanctions.

Our 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 on the basis of 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, that was established during end of 2017 and ensures consistency in the interpretation of the results. The SAQ guide has been developed together with the independent third-party consultant Ethos.</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. The workspace for CR evaluation of business partners has been rolled out during 2017.</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 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 our business. The due diligence process named “CR Evaluation of Business Partners” is performed before entering into a business relationship with any gold supplying counterparty. When purchasing any raw material, including gold, which originates from or transits via a conflict-affected or human rights abuse high-risk area, our due diligence process clearly shows an enhanced due diligence. In addition, we conduct appropriate monitoring of transactions undertaken through the course of the relationship. There has been no sourcing of mined gold outside Sweden during 2017.

Boliden use the Dow Jones Risk analysis for control. This database enables sanctions and compliance related issues to be discovered when searching for the business partner of interest. Depending on the outcome of the search it is decided if further information is required. The search is performed by one designated administrator at the raw materials department. Support is provided by Group Legal and the CR Officer.

Dow Jones Risk analysis is continuously followed up by Group Legal for all existing suppliers in case of updates in the Dow Jones Risk analysis tool.

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.

Does the Refiner report risk assessment to the designated manager?

Comments and Demonstration of Compliance:

Any non-compliance to our CR evaluation of business partners in line with LBMA and OECD requirements are reported by the CR officer to the department manager for raw material supply or raw material handling in our deviation management system, depending on the nature of the non-compliance. The compliance officer assemble the non-compliances in the management system and report them to Smelters Management Team. Further escalation procedure is described in the CR evaluation of business partners process.

During 2017 an instruction for the governance structure to handle cases that require escalation for further decision has been developed with an independent party. All non-compliances will be reported in the deviation system, in accordance with the management system procedures. The Compliance officer will gather the reports and provide a commentary report to the chief executive, representing the senior management team on a quarterly basis. 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 conveying 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 supply chain, and thus makes the final decision in case of a high-risk business partners.

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 or mined gold outside Sweden. At this moment, we do not deem ourselves to have the resources available in order to do responsible sourcing in a high-risk areas and therefore the supply of raw materials to Boliden is on a low risk level. The CR Evaluation of Business Partners process is supported with system and templates to ensure an efficient evaluation process in practice including Risk evaluation, Self-Assessment Questions(SAQ), On-Site audits and Corrective Action Plans (CAP). In escalation cases support is organized from internal expert group and/or external partner with expertise knowledge in the Corporate Responsibility (CR) area.

During 2017 Boliden can show example of enhancing one supplier of secondary rawmaterial' supply chain due diligence process. In dialogue with Boliden the supplier have signed a Policy for business practice which is added into all their contracts with other counterparties. This was a result of a CAP that was established between Boliden and the supplier during 2017.

During 2017 there are examples when negotiations that has been terminated due to the business partners governance were in breach with Boliden Business Partner Code of conduct.

Does the Refiner report findings to designated Senior Management?

Comments and Demonstration of Compliance:

Findings in the risk-assesment identified as high-risk are escalated to the Boliden 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:

The current raw material supply situation is perceived as low-risk since there have been no sourcing from conflict affected areas¹ or mined gold outside Sweden. At this moment, we do not deem ourselves to have the resources available nor the need for supply in order to do sourcing in a high-risk area and therefor the supply of raw materials to Boliden is on a low risk level.

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 described in the SAQ guide which explains how to view the response of the supplier assessment based on OECD Guidelines for Multinational Enterprises, UK Bribery act, UN global compact, ILO, Transparency international, SA 8000, Boliden Business Partner Code of Conduct. The risk assessment are sent to the CR remittance group.

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 supply chain, and hold the final decision for cases identified as high-risk in the risk assessment process. Senior management are responsible for any CAP and follow-up assessments for the high-risk business partners.

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. Audits are carried out when necessary and the audit report is the basis for action plans. Action plans, follow up reports and results are regularly reported to senior management.

During 2017, Boliden has in dialogue with one supplier that were in breach with Boliden Business Partner Code of Conduct, managed to agree upon a CAP that was successfully completed. The business partner added a clause to all their contracts which prevented any of their suppliers to deliver from conflict-areas. Before this clause was entered, containers with electronic scrap from unacceptable areas were sent to the port in Helsingborg, country of origin were identified by

Boliden authorities and the containers was sent back. This case confirms Bolidens due diligence process to be effective. The concerned supplier will be continuously monitored.

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 twice a year 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 fifth 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 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 1: Management conclusion

Is the Refiner in compliance with the requirements of the *LBMA Responsible Gold 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 Guidance*, as explained above in Table 2, for the reporting year ended 31 December 2017.

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 1: Other report comments

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



Kerstin Konradsson

President BA Smelters