

# Corporate Governance Report

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 and the Swedish Annual Accounts Act, the regulations of the NASDAQ OMX Stockholm Stock Exchange, the Swedish Code of Corporate Governance, the Articles of Association and other relevant regulations.

## GOVERNANCE OF THE BOLIDEN GROUP

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 and the Chairman of the Board are appointed by the Annual General Meeting and the 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 members to a Nomination Committee which 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), and policies in such areas as financial reporting and control, the environment, energy, health and safety, and communication.

## SHAREHOLDERS

Boliden has a share capital of SEK 578,914,338 divided between 273,511,169 shares and the same number of votes. There were a total of 95,034 shareholders at the end of 2011, and the individually largest owners were Nordea fonder, Swedbank Robur fonder, AMF Försäkring, AFA Försäkring and Handelsbanken fonder. Approximately 40 per cent of the total number of shares was held by foreign owners.

For further information on the shareholder structure within Boliden, see pages 48–49 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 and the Nomination Committee, 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 Members of the Board and to the auditors and the principles governing conditions of employment and remuneration for the President and senior executives and, where relevant, the amending of Articles of Association and the election of auditors.

The 2011 Annual General Meeting was held on 3rd May in Aitik. 79,533,115 shares were represented at the Meeting by 610 shareholders, either in person or through their proxies. The shares represented comprised 29 per cent of the total number of shares in Boliden. The Meeting resolved to re-elect Board Members Marie Berglund, Staffan Bohman, Lennart Evrell, Michael G:son Löw, Ulla Litzén, Leif Rönnbäck, Matti Sundberg and Anders Ullberg. Anders Ullberg was re-elected as the Chairman of the Board.

The Meeting further resolved:

- to pay a dividend of SEK 5 per share, in accordance with the proposal by the Board of Directors;
- that the following persons shall be appointed as members of the Nomination Committee: Jan Andersson (Swedbank Robur

fonder), Thomas Ehlin (Nordeas Fonder), Lars-Erik Forsgårdh, Anders Oscarsson (AMF), Caroline af Ugglas (Skandia Liv) and Anders Ullberg (Chairman of the Board);

- that the Directors' fees payable shall comprise payments of SEK 1,000,000 to the Chairman of the Board and of SEK 400,000 to Members who are not Boliden employees, that the fees payable to the Chairman of the Audit Committee and to each of the two members of the Audit Committee shall be SEK 150,000 and SEK 75,000, respectively, and that the fees payable to each of the Remuneration Committee's two members shall be SEK 50,000;
- 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 at 60 per cent of the fixed salary for the President and maximised at 50 per cent of the fixed salary for other senior executives and shall be based on results in relation to targets set. 10 per cent of the variable remuneration shall be used to acquire shares in the company. The variable remuneration shall not comprise pensionable income;
- to amend the company's Articles of Association in line with the provisions of the Swedish Companies Act that came into force on 1st January 2011 such that, inter alia, Notices convening General Meetings shall be issued by means of advertisements in the Official Swedish Gazette and on the company's website, together with a notice in the Svenska Dagbladet daily newspaper that the Notice has been issued, and that Notices convening Extraordinary General Meetings shall be issued no later than three weeks before any such Meeting;
- to publish the Minutes of the 2011 Annual General Meeting 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 2011 Annual General Meeting, comprise a minimum of six and a maximum of seven members. Six members shall be elected at the Annual General Meeting, of whom four 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 October, the Chairman of the Board convened the members elected by the Meeting, at which time Jan Andersson (Swedbank Robur fonder), was appointed Chairman. Anders Algotsson also joined the Nomination Committee as a representative of AFA Försäkring.

### 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 number and 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 and to the process and the criteria that shall govern the appointment of the members of the Nomination Committee ahead of next Annual General Meeting.

The Nomination Committee has met a total of four times in 2011 and 2012 and has also had telephone contact and held one meeting with the Members of the Board. Information on the way in which shareholders can submit proposals to the Nomination Committee have been published on Boliden's website.

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. This is why the Chairman of the Board presents the Nomination Committee with 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 Company President also presents Boliden's operations and future orientation. The Nomination Committee is also afforded the opportunity to meet the Members of the Board.

### 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 2011 Annual General Meeting. The Board Meetings are attended both by the ordinary Members and by the union Members' three Deputy Members. The Senior Vice President of Legal Affairs is the Board's Secretary.

Boliden's Senior Vice President for the Group Treasury and Finance also usually attends 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 the company and the Group management.

The Members of the Board are presented on pages 104–105 and on Boliden's website. For more detailed information on attendance at Meetings and independence, among other things, 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 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. The source data for the Board's discussion of the issues is sent to the Members approximately one week before each Board Meeting. 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 Board meeting following election. In 2011, the Board has, as in previous years, established an Audit Committee and a Remuneration Committee.

#### The Board of Directors' work in 2011

The Board of Directors held seven ordinary Board meetings in 2011. 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 2011, the Board visited Aitik and Bergsöe.

## THE 2011 BOARD OF DIRECTORS

Board of Directors as of the 2011 Annual General Meeting	Elected	Present, 2011	Committee work	Present, 2011	Director's fee, SEK	Fee, Audit Committee, SEK	Fee, Remuneration Committee, SEK	Independent of the company and the company management	Independent of major shareholders
Anders Ullberg, Chairman	2005	7 of 7	Audit Committee, Remuneration Committee	5 of 5 2 of 2	1,000,000	75,000	50,000	Yes	Yes
Marie Berglund	2003	7 of 7			400,000			Yes	Yes
Staffan Bohman	2007	7 of 7	Remuneration Committee	2 of 2	400,000		50,000	Yes	Yes
Lennart Evrell, President	2008	7 of 7						No	Yes
Ulla Litzén	2005	7 of 7	Audit Committee	5 of 5	400,000	150,000		Yes	Yes
Michael G:son Löw	2010	7 of 7			400,000			Yes	Yes
Leif Rönnbäck	2005	7 of 7	Audit Committee	5 of 5	400,000	75,000		Yes	Yes
Matti Sundberg	2005	7 of 7			400,000			Yes	Yes
Hans-Göran Ölvebo (ER)	2001	7 of 7							
Bo Karlsson (ER)	2001	7 of 7							
Marie Holmberg (ER)	2008	7 of 7							
Mikael Andersson (ER)	2008	3 of 3							
Roland Antonsson (ER)	2009	6 of 7							
Osmo Hoisionaho (ER)	2010	6 of 7							
Marie Lundberg (ER)	2011	4 of 4							

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 issues during the year, in addition to the operational review conducted at every Board Meeting were:

- January: a SEK 3.9 billion investment in the expansion of the Garpenberg mine from 1.4 to 2.5 Mtonnes of ore per year.
- February: Year-end Report, Audit Report, investment in the Kankberg gold and tellurium mine, other current investment issues, remuneration issues, the Annual Report and matters to be discussed at the Annual General Meeting. Boliden's auditors presented reports detailing their observations from the audit of the company at the Board Meeting. The Board had, at this time, the opportunity to meet the auditors without the presence of the Group management.
- May: Q1 Interim Report, follow-up on the Aitik expansion, emissions rights issues, comparisons with competitors, structural changes in the industry and long-term borrowing.
- July: Q2 Interim Report, Auditors' report, energy issues, global metals market trends, pricing and economic climate analyses.
- October: Q3 Interim Report, exploration, risks and risk management, Corporate Social Responsibility (CSR) and evaluation of the Board.
- December: Strategy, budget and business plan, New Boliden Way follow-up work, management supply pools and managerial development.

#### 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 2011 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, during which the Board discussed the conclusions drawn from the evaluation.

#### Audit Committee

The Audit Committee meets before the publication of every financial report, and as necessary. The Committee prepares a number of issues for consideration by the Board and thereby supports the Board in its endeavours to fulfil its responsibilities within the areas of auditing and internal control and with assuring the quality of Boliden's financial reporting. This requires, among other things, that the company has a satisfactory organisation and appropriate

processes to this end. Boliden has an internal control function whose work involves mapping risk areas and following up on work in identified areas. The Committee also works with the procurement of services from the company's auditors over and above the actual auditing services and, when so tasked by the Nomination Committee, with the procurement of auditing services.

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 2011 to industry-related accounting issues and changes to IFRS, and to following up on internal controls. The Audit Committee comprises Ulla Litzén (Chairwoman), Leif Rönnbäck and Anders Ullberg, and met five times in 2011. The Committee members have specialist competence, experience of and interest in financial and accounting issues.

#### Remuneration Committee

The Remuneration Committee submits proposals for resolution by the Board regarding salary and other terms of employment for the President and follows up on and evaluates programmes for variable remuneration for the management. 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 for resolution. The application of the guidelines and applicable remuneration structures and levels within the company is also followed up by the Committee and the results of this evaluation are published on the company's website.

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 two meetings during the year and had telephone contact on a number of occasions. The Remuneration Committee comprises Anders Ullberg (Chairman), and Staffan Bohman.

See Note 1 on pages 65–66 for an account of the remuneration paid to the Group management.

#### 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, NBW, which is updated annually. Boliden has an organisation in which

## BOLIDEN'S CORPORATE GOVERNANCE STRUCTURE



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, which are available on Boliden's intranet, include the Financial Policy, the Communications Policy, the Environmental Policy and the Health and Safety Policy.

#### GROUP MANAGEMENT

Boliden's Group management comprises the President, the heads of the Group's two Business Areas, the Senior Vice President for the Group Treasury and Finance, and the Senior Vice President for Human Resources and Sustainable Development. The Group management team meets once a month to monitor operations and discuss issues that concern the Group as a whole, and to generate proposals for strategic plans, business plans and budgets that the President will submit to the Board of Directors for a decision.

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

See page 106 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 66 for information on remuneration disbursed in 2011.

#### 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 ensure 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 internal control 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, 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 2011 on charting the financial transaction flows, identifying risks and documenting control activities in a uniform and standardised way.

#### Risk analysis

The operating units conduct ongoing risk analyses with regard to financial reporting. All units shall, within the framework of this work, which began in 2008, 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 2011, and testing of all of these control activities, including general IT controls, was conducted during the summer.

#### 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 via the intranet 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 and quality of the information on the intranet has been improved further still in 2011, increasing accessibility and the ability to find the right information quickly. Group-wide steering documents are updated and communicated on a continuous basis.

#### 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.

#### AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders of Boliden AB, corporate identity number 556051-4142

It is the board of directors who is responsible for the corporate governance statement for the year 2011 on pages 100–105 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 13th February 2012

Ernst & Young AB

Lars Träff  
Authorised Public Accountant