

## Corporate Governance Report 2008

Boliden is a Swedish limited company listed on the OMX Stockholm Stock Exchange, with a secondary listing on the Toronto Stock Exchange. Boliden, which has applied the Swedish Code of Corporate Governance since it was introduced in 2005, has no deviations from the Code to report in the following report for 2008. The report has not been subjected to review by the company's Auditors.

### Shareholders

Boliden has a share capital of SEK 578,914,338 divided between 273,511,169 shares with a nominal value of SEK 2.12. Just over 25 per cent of the total number of shares are held by foreign owners and there were a total of 102,450 shareholders at the end of 2008. The individually largest owners at the turn of the year were AFA Försäkring, Skagen Fonder and Swedbank Robur fonder.

### Annual General Meeting

The ordinary annual shareholders' meeting, known as the Annual General Meeting, elects Board Members and, where relevant, Auditors, determines fees payable to the Board of Directors and Auditors, and adopts the Income Statements and Balance Sheets for the Parent Company and the Group.

The 2008 Annual General Meeting was held on 8th May at the Garpenberg Mine in Garpenberg. 74,864,361 shares were represented at the Meeting, either by the shareholders in person or through their proxies. The Meeting resolved to re-elect Board Members Carl Bennet, Marie Berglund, Staffan Bohman, Ulla Litzén, Leif Rönnbäck, Matti Sundberg, Anders Sundström and Anders Ullberg. Boliden's new President & CEO, Lennart Evrell, was elected as a new Board Member and Anders Ullberg was re-elected as the Chairman of the Board.

### The Meeting further resolved:

- to pay a dividend of SEK 4 per share for 2007, in accordance with the proposal by the Board of Directors;
- as a consequence of a previous resolution regarding an adjustment to the company's capital structure through the purchase of the company's own shares, to now reduce the share capital by approximately SEK 32 million by means of the withdrawal of the bought-back share and to increase the share capital by the same amount by means of a bonus issue without the issue of new shares;
- that the Nomination Committee shall comprise a minimum of five and a maximum of seven members and that five of the members shall be elected at the Meeting. Of these five members, three shall represent the company's biggest shareholders and one shall be the Chairman of the Board. One of the five members should represent the smaller shareholders. The following persons were elected as members of the Nomination Committee: Anders Algotsson (AFA Försäkring), Lars-Erik Forsgårdh, Michael Gobitschek (Skagen Fonder), Åsa Nisell (Swedbank Robur fonder) 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 that a fee of SEK 150,000 shall also be payable to the Chairman of the Audit Committee and fees of SEK 75,000 shall be payable to each of the two members of the Audit Committee. No fee shall be payable to the members of the Remuneration Committee. 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

[www.boliden.com](http://www.boliden.com).

### **Nomination Committee**

In accordance with the resolution of the 2008 Annual General Meeting, 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 was appointed Chairman. The Nomination Committee has held five meetings in addition to telephone contacts between the members.

A work schedule for the Nomination Committee's preparation of proposals for submission to the Annual General Meeting was approved at the first meeting. 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 company's President presented the company's operations and future orientation in order to provide the Nomination Committee with source data for their assessment of the skills that the Board should possess during the impending period. The Chairman of the Board provided further source data in the form of the result of the evaluation of the Board's work during the past year and the Nomination Committee was also afforded the opportunity to meet the existing Board Members.

Deputy Chairman, Carl Bennet, who has been a Board Member since 2001, stated that he was not available for re-election. The Nomination Committee agreed to propose all of the for re-election and not to propose any new Member, which means that the number of Members elected by the Meeting will fall from nine to eight.

The Nomination Committee was also tasked this year with proposing Auditors. The company has conducted a procurement process, receiving quotes from major accounting firms, and an evaluation thereof has been conducted by the Audit Committee. After a presentation by the Audit Committee's Chairwoman, Ulla Litzén, the Nomination Committee proposed that the accounting firm of Ernst & Young be elected as Auditors for the coming four-year period.

Information on the way in which shareholders can submit proposals to the Nomination Committee has been published on the company'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 Composition**

The Board of Directors has comprised nine Members elected by the Annual General Meeting and three Members appointed by the trade union organisations since the 2008 Annual General Meeting. The Board Meetings are attended by both the ordinary Members and 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, with the exception of the President, to be regarded as independent in relation to the company and company management, and major shareholders.

The Members of the Board are presented on pages 86–87 in the Annual Report and on Boliden's website [www.boliden.com](http://www.boliden.com).

### **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 Group'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 of the Board in greater detail, together with the

responsibilities and special duties with which the Chairman of the Board is tasked. The division of labour between the Board of Directors and the President is, furthermore, clarified in the written Instructions to the President adopted by the Board at the same meeting. The Board has, as in the previous year, established an Audit Committee and a Remuneration Committee.

The Chairman of the Board guides the work of the Board and monitors the company's operations through an ongoing dialogue with the President. The Board receives information on the company'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 Chairman ensures that the work of the Board is evaluated annually and that the Nomination Committee receives the necessary information on the results of the evaluation.

### **The Board of Directors' work in 2008**

The Board of Directors held nine ordinary Board Meetings in 2008 and one Extraordinary Meeting. 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 2008, the Board visited Garpenberg and Tara. At the beginning of the year, the Board sets a number of themes that it particularly wishes to address during the year. Management skill pools, exploration and a number of strategic themes are among the issues that have been discussed in 2008. Other primary issues discussed, in addition to the Group's business plan and budget, include financial issues, energy supply, programmes of cost-cutting measures, and the work environment and health and safety work. The Board's resolutions during the year included a decision to raise new loans/credit facilities for approximately SEK 5 billion, to forward hedge the prices of copper and precious metals, to invest SEK 265 million in a new tailings pond in the Boliden Area, and to implement an action plan designed to enhance efficiency at the Irish zinc mine, Tara.

The company's Auditors have presented reports detailing their observations at two Board Meetings. The management was not present at one of these Meetings.

### **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 the company's financial reporting. This requires, among other things, that the company has a satisfactory organisation and appropriate processes. Boliden has established an internal review function whose work involves mapping risk areas and following up on work in identified areas.

In 2008, the Committee also carried out the preparatory work for the election of Auditors at the 2009 Annual General Meeting. Once the quotes received had been evaluated by the company's Treasury and Finance function, the Committee met with the audit teams from three of the accounting firms to whom requests for tender had been submitted. The Committee subsequently agreed to propose to the Nomination Committee that Ernst & Young be proposed as new Auditors, with Authorised Public Accountant, Lars Träff, as Auditor in charge, at the 2009 Annual General Meeting.

The Audit Committee works on the basis of the 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. The Audit Committee comprises Ulla Litzén (Chairwoman) Anders Sundström and Anders Ullberg. The Audit Committee met eight times in 2008.

### **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 also tasked with submitting proposals regarding remuneration principles etc. for the President and Group management, which proposals are submitted by the Board to the Annual General Meeting, which decides on the issue. Subjects

discussed by the Committee during the year include the Group management's variable salary model.

The Remuneration Committee works on the basis of the 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 one meeting during the year and the members have had extensive contact by telephone. The Remuneration Committee comprises Anders Ullberg (Chairman) and Carl Bennet.

See Note 1 on page 55 in the Annual Report for an account of the remuneration paid to the Group management.

### **Business Management**

Boliden works on the basis of the company's strategic platform, the New Boliden Way, which is updated annually. Boliden has an organisation in which responsibilities and authority are delegated within clear frameworks. The frameworks are defined by an annual budget which is broken down by unit, a strategic plan, and the Group's steering documents. Steering documents are available on Boliden's intranet and make up the internal framework required for efficient management. The company's steering documents include the financial policy, the communications policy, the environmental policy and the health and safety policy. Management by the Board goes through a chain of command from the President to the operating units.

### **The President and Group management**

Boliden's Group management comprises the President, the heads of the Group's three Business Areas, Mines, Smelters and Market, and the Senior Vice Presidents for the Group Treasury and Finance, Legal Affairs, Human Resources and Sustainable Development, and Strategy 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 Group's 100 or so senior managers and specialists meet annually to set important goals and strategies at management meetings, where they also have an opportunity for discussions aimed at establishing widespread support for the measures proposed.

See pages 88–89 in the Annual Report for a presentation of the Group management team.

### **Auditors**

Authorised Public Accountants, Hans Pihl and Björn Sundqvist, were elected at the 2005 Annual General Meeting to serve as the company's Auditors until the conclusion of the 2009 Annual General Meeting. Authorised Public Accountants, Jan-Hugo Nihlén and Richard Peters, were appointed to serve as Deputy Auditors. All are employees of the Deloitte accountancy firm. Hans Pihl's audit engagements also include Sigma and Industrifonden, in addition to Boliden. Björn Sundqvist has audit engagements on behalf of Green Cargo, Alimak Hek and A-Train. Remuneration is paid to the company's Auditors in accordance with invoices received as agreed. See Note 1 on page 55 for information on remuneration disbursed in 2008.

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### **Internal control**

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

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

### **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 the Group is characterised by the fact that Boliden is a corporate group with 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 has begun at both Business Area and Group level in 2008 on charting the financial transaction flows, identifying risks and documenting control activities in a uniform and standardised way.

### **Risk analysis**

The units conduct ongoing risk analyses with regard to financial reporting. All units shall, within the framework of the work that 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 processes has begun in 2008.

### **Information and communication**

Information on policies, guidelines and manuals is available on the 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 in accordance with the Group's communication policy. All information must be communicated in a discerning, open and transparent manner.

A review of all Group-wide steering documents was launched in the autumn of 2008. A review of the structure of the intranet is also in progress, and is designed to increase accessibility and the ability to find the right information quickly and easily.

### **Follow-ups**

Systems, processes and controls within the Group are followed up, improved and developed continuously. Risks in relation to the use of in-house developed applications have, for example, been followed up and analysed during the year within the framework of an all-embracing programme of IT security work.

The Board of Directors	Elected	Present	Committee work	Present	Remuneration, Board, SEK	Remuneration, Audit Committee, SEK	Independent of the company and the company management	Independent of major owners
Anders Ullberg (Chairman)	2005	100%	Remuneration Committee	100%	850,000	75,000	Yes	Yes
			Audit Committee	100%				
Carl Bennet	2001	100%	Remuneration Committee	100%	325,000		Yes	Yes
Marie Berglund	2003	100%			325,000		Yes	Yes
Staffan Bohman	2007	90%			325,000		Yes	Yes
Lennart Evrell	2008	100%			0		No	Yes
			Audit Committee	100%				
Ulla Litzén	2005	100%			325,000	150,000	Yes	Yes
Leif Rönnbäck	2005	100%			325,000		Yes	Yes
Matti Sundberg	2005	100%			325,000		Yes	Yes
			Audit Committee	100%				
Anders Sundström	2001	100%			325,000	75,000	Yes	Yes
Marie Holmberg	2008	90%						
Bo Karlsson	2001	100%						
Lars Sundström	2001	100%						