

# Harjavalta 2022 Compliance report



Compliance report regarding responsible sourcing of gold and silver in accordance with:

- LBMA Responsible Gold Guidance, Version 9
- LBMA Responsible Silver Guidance Version 1

With the objective of being compliant to Conflict Minerals Act (EU) 2017/821

## OVERVIEW BOLIDEN HARJAVALTA

<b>Company name</b>	Boliden Commercial AB, Klarabergsviadukten 90A SWE-101 35 Stockholm Sweden
<b>Smelter</b>	Boliden Harjavalta Teollisuuskatu 1, FIN-29200 Harjavalta
<b>Materials in scope</b>	Gold and silver production
<b>Reporting period</b>	1 January - 31 December 2022
<b>Date of report</b>	23 March 2023
<b>Senior management responsible for this report</b>	Daniel Peltonen, President Boliden Smelters & Boliden Commercial AB
<b>Total gold and silver production in reporting period</b>	Gold: 9,19 Metric Tonnes Silver: 85,1 Metric Tonnes
<b>Total number of suppliers for gold and silver in reporting period</b>	Gold: 52 suppliers Silver: 55 suppliers
<b>General introduction / Background</b>	Boliden Harjavalta is the only nickel smelter in Europe. Harjavalta is located in southwest Finland, close to the port on the Baltic Sea. The smelter's main products are copper, nickel, gold and silver, as well as by-products such as sulphuric acid.

## COMPANY MANAGEMENT SYSTEM

Boliden’s vision is to be the most climate-friendly and respected metal provider in the world. To achieve this, Boliden strives to ensure that the value chain of its products is responsible. Boliden expects everyone it conducts business with to comply with applicable laws, regulations and internationally recognised principles and to act in accordance with high ethical standards and with integrity.

### **Supply chain policy – Business Partner Code of Conduct**

Boliden sets out the principles and expectations for its business partners in the Business Partner Code of Conduct. The Business Partner Code of Conduct is available online (<https://www.boliden.com/operations/about-boliden/business-partner-code-of-conduct>) and addresses issues including human rights, labor rights, health and safety, environment, responsible value chain and business ethics. It is based on the principles of the UN Global Compact, the ILO fundamental conventions, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and other international industry standards.

Boliden’s Business Partner Code of Conduct is applicable to all suppliers of minerals and metals and was last updated in 2022.

### **Management structures**

To implement the Business Partner Code of Conduct, Boliden has developed the Boliden Smelters ESG Evaluation of Business Partners Program, with clearly assigned roles and responsibilities, as illustrated in Annex I. The Program is defined in Boliden’s Management System and has been approved by the Responsible Business and Sustainability Manager.

The responsibility to develop and implement the Program is assigned to Boliden’s Manager for Responsible Business and Sustainability, who reports to Harjavalta’s management team quarterly, and to Harjavalta’s business board annually. The ultimate accountability for the mineral supply chain for production at Harjavalta lies with the smelter’s business board.

### **Traceability system**

Boliden has established a strong due diligence control system. Prior to signing a contract, each prospective business partner is subject to an ESG evaluation. The evaluation process includes compliance screening, conducted using the Dow Jones Risk and Compliance system, and a detailed questionnaire (referred to as “self-assessment questionnaire” or “SAQ”). Boliden is currently updating the SAQ to capture developments and new requirements in industry standards.

The ESG evaluation process is managed in an online tool, named Evaluate.

Boliden also has a robust ‘lot’ receipts process and supporting system, named EKA. Each delivery of material is recorded with information about country of origin and country of loading, raw material quality, weights, assay details and date of arrival. The system has been designed with an automatic red flag alert if the country of origin or loading is listed in Boliden Smelter’s list of country risks as “Critical Risk”.

*During the audit period the following transactions were recorded between Harjavalta and its business partners (Please note that some transactions contained multiple materials):*

- 632 transactions contained silver.
- 494 transactions contained gold.

### **Engagement with suppliers (business partners)**

The Business Partner Code of Conduct is communicated to all suppliers of raw materials to the smelters.

For “High Risk” and “Critical Risk” business partners, Boliden conducts a formalized ESG dialogue to set out Boliden’s expectations and to understand the business partner’s ability to manage ESG risks. The ESG dialogue is an important platform to communicate good practice and to enshrine ESG aspects in the relationship with the business partner. Both commercial staff and subject matter experts can participate in ESG dialogues.

Boliden further engages with its business partners during business partner audits (including site assessments, see figure 1 below.)

### **Grievance mechanism**

Boliden is committed to the highest standards of ethical business conduct. Boliden’s whistleblower system is provided by an external partner to ensure anonymity and confidentiality. The whistleblower system is available for both internal and external stakeholders on Boliden’s webpage.<sup>1</sup>

Whistleblowing can be used to inform about a concern about serious wrongdoings within the Boliden group regarding accounting, internal accounting controls, auditing matters, bribery and corruption, other banking and financial crime, or other serious improprieties concerning the company’s or the group’s vital interests or the life or health of individual persons, such as for instance serious environmental crimes, major deficiencies as regards the safety at the place of work and very serious forms of discrimination or harassment.

*During the audit period no grievance related to the mineral supply chain has been received.*

**In conclusion**, Boliden complies with Step 1: to establish strong company management systems.

## **RISK IDENTIFICATION AND ASSESSMENT**

### **Conducting supply chain due diligence**

All prospective raw material suppliers who wish to enter any contractual arrangements undergo a risk assessment to determine the appropriate level of due diligence and risk mitigation activities consisting of:

- 1) A compliance screening
- 2) A KYC process with questionnaires sent out to business partners (SAQ)
- 3) A check for red flags

Further risk identification, assessment and mitigation measures as shown in figure 1 will be triggered based on the findings and risk level determined during the risk analysis.

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<sup>1</sup> <https://report.whistleb.com/en/boliden>

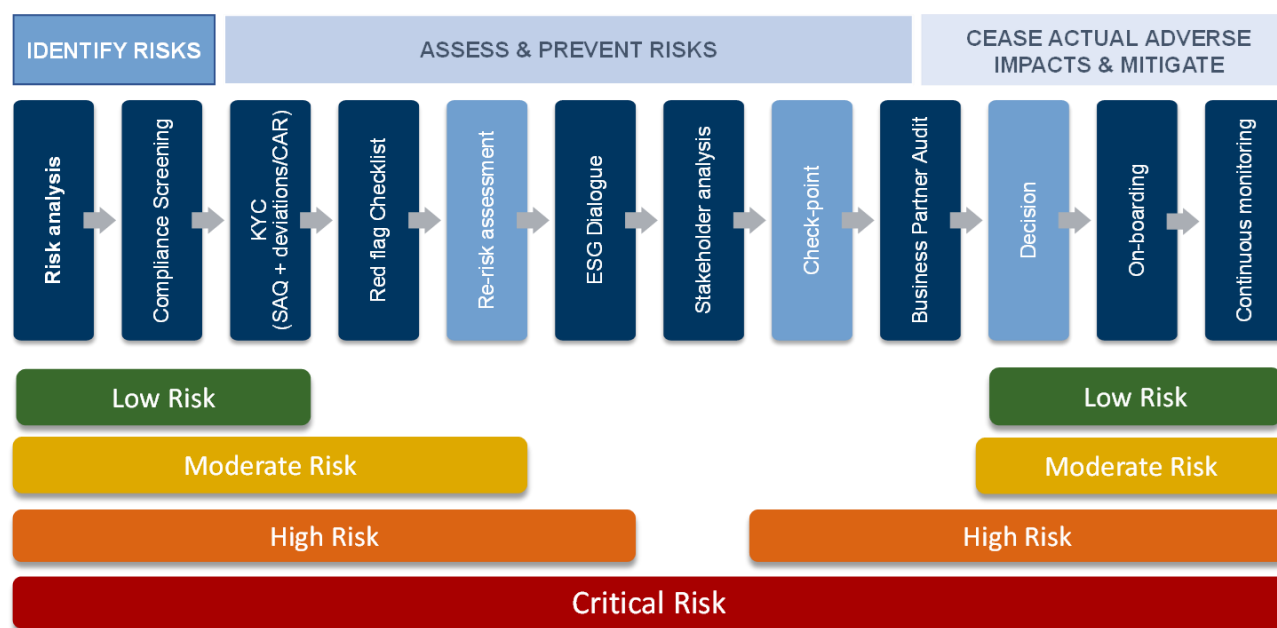


Figure 1 – Boliden’s business partner evaluation process

### Risk profiles in the supply chain

Boliden has established a risk matrix in which likelihood and consequence are assessed based on predetermined criteria, going from “1 - Insignificant risk” to “5 - Severe risk” for the consequence and similar for likelihood going from “1 – Rare” to “5 - Almost certain”. The consequence and likelihood scores are multiplied: a score of 20-25 is deemed a critical risk and a score of 12-19 is deemed a high risk.

Boliden has also developed a BA Smelters list of country risks which serves as an input to the Program. Boliden uses a variety of data sources to establish country risk level. Boliden updates its BA Smelters list of country risks annually.

### Enhanced due diligence

Boliden has established an escalation process, known as re-risk assessment, for when (i) a red flag is identified, or (ii) a sanction or adverse media event is identified during the compliance screening, or (iii) the risk level is deemed high or critical after the initial risk analysis. Evaluate automatically triggers a re-risk assessment if a red flag is identified.

A re-risk assessment can include additional assessments, ESG dialogues and business partner audits (including on-site assessments). The purpose of escalation activities is to gather evidence of the business partner’s performance to the extent necessary.

Boliden has developed an ESG on-site assessment procedure to set out the minimum requirements for the business partner audit. The ESG assessment team needs to be independent and free of any conflict of interest with the business partner. Results from the business partner audit are summarized in the ESG on-site assessment report template and integrated into the ESG Risk Assessment Report.

*During the audit period Boliden sourced silver or gold from ten critical or high-risk countries (Ecuador, Mongolia, Montenegro, Morocco, Papua New Guinea, Peru, Serbia, Tanzania, Turkey and Zambia).*

<i>Material</i>	<i>Quantity sourced (in kilograms)</i>	<i>Quantity sourced from critical or high-risk countries</i>
<i>Silver</i>	<i>101,913 kg</i>	<i>46,375 kg (45.5%)</i>
<i>Gold</i>	<i>11,645 kg</i>	<i>6,755 kg (58%)</i>

*Boliden has had 17 cases of enhanced Due Diligence and held ESG dialogues with 10 suppliers, two of which gold and/or silver is sourced from.*

Non-conformities identified during third the third-party included that all risk assessment criteria were not fully aligned to the LBMA Gold Guidance (v9.0) and that there was no formal procedure to cross check transaction systems and the system for evaluation of suppliers. Improvements to the risk identification and assessment process will be made during 2023, that includes parts of the steps in the risk identification process, will be updated to be fully aligned to the LBMA Gold Guidance (v9.0). A formal procedure will be developed for cross-checking information between our system for evaluation of raw material suppliers and our system, where all raw materials transactions are documented. Two suppliers, that supplied raw material during 2022, were found not to be included in the system for evaluation of raw material suppliers. The internal control program will be updated to include more parts of the due diligence process to decrease the risk suppliers missing in the system for evaluation of raw material suppliers.

**In conclusion**, Boliden partially complies with step 2: risk identification and assessment.

## **RISK MANAGEMENT**

### **Risk management strategies for identified risks**

For new high to critical risk business partners, Boliden establishes a risk management plan. As a minimum, the risk management plan includes (i) corrective actions to mitigate the most important risks, (ii) schedule for regular dialogues with the business partner to follow-up on implementation of corrective actions, and (iii) contract clauses with possibility to eliminate materials in a contract in case of a serious OECD Annex II breach.

### **Monitoring**

Boliden sets up ESG dialogues to ensure implementation of risk management plans. If necessary, Boliden undertakes business partner audits or other necessary assessments.

### **Reporting to Board**

The ESG team reports the findings of risks assessments as well as the risk management plans to the remittance committee. The composition of the remittance committee and the competent members differ depending on the level of risk. For critical risks, the remittance committee consists of Executive Vice President and CFO, Executive Vice President People and Sustainability, General Counsel Legal Affairs, Director Group Sustainability, Chief Ethics and Compliance Officer. The remittance committee makes a recommendation and may suggest additional mitigating activities. Ultimately, the case is presented to the Business area Smelters board, consisting of the CEO, Executive Vice President and CFO, Executive Vice President People and Sustainability and Business area Smelters President, which may approve or reject the counterpart as a business partner.

*During the audit period Boliden has worked actively with 4 different suppliers on their risk management plans.*

**In conclusion**, Boliden partially complies with step 3: risk management.

## AUDIT

RCS Global has independently reviewed Boliden's responsible sourcing program and determined Boliden's conformance with the LBMA Responsible Gold Guidance v9 and the LBMA Responsible Silver Guidance v1.

The reasonable assurance report based on the ISAE 3000 standard is found attached to this Compliance Report.

The audit has taken place remotely with Boliden Commercial office located in Stockholm, Sweden on the 31st of January – 1<sup>st</sup> of February 2023 and on-site at Boliden Harjavalta in Finland on 6th February 2023.

**In conclusion**, Boliden complies with step 4: independent third-party audit.

## REPORTING

Boliden reports annually on its due diligence activities. For 2022 Boliden's due diligence report is an integrated part of Boliden Sustainability Index report for the first time.

Boliden's due diligence report is available online:

[Annual reports - Boliden](#)

The compliance reports for Harjavalta is available online:

[Business Partner Code of Conduct - Boliden](#)

### **Management conclusion statement on compliance with this guide:**

In conclusion, Boliden implemented effective management systems, procedures, processes and practices to conform to the requirements of the *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, the LBMA Responsible Gold Guidance v9, the LBMA Responsible Silver Guidance v1 for the supply of gold and silver, for the audit period 1 January 2022-31 December 2022.

Boliden is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis. The ESG Program and related policies and processes will be further developed together with internal and external expertise on the ESG issues.

Signature: \_\_\_\_\_

Daniel Peltonen

*President BA Smelters*

## ANNEX I: BOLIDEN'S GOVERNANCE STRUCTURE FOR ESG EVALUATION OF BUSINESS PARTNERS

