

# 2016

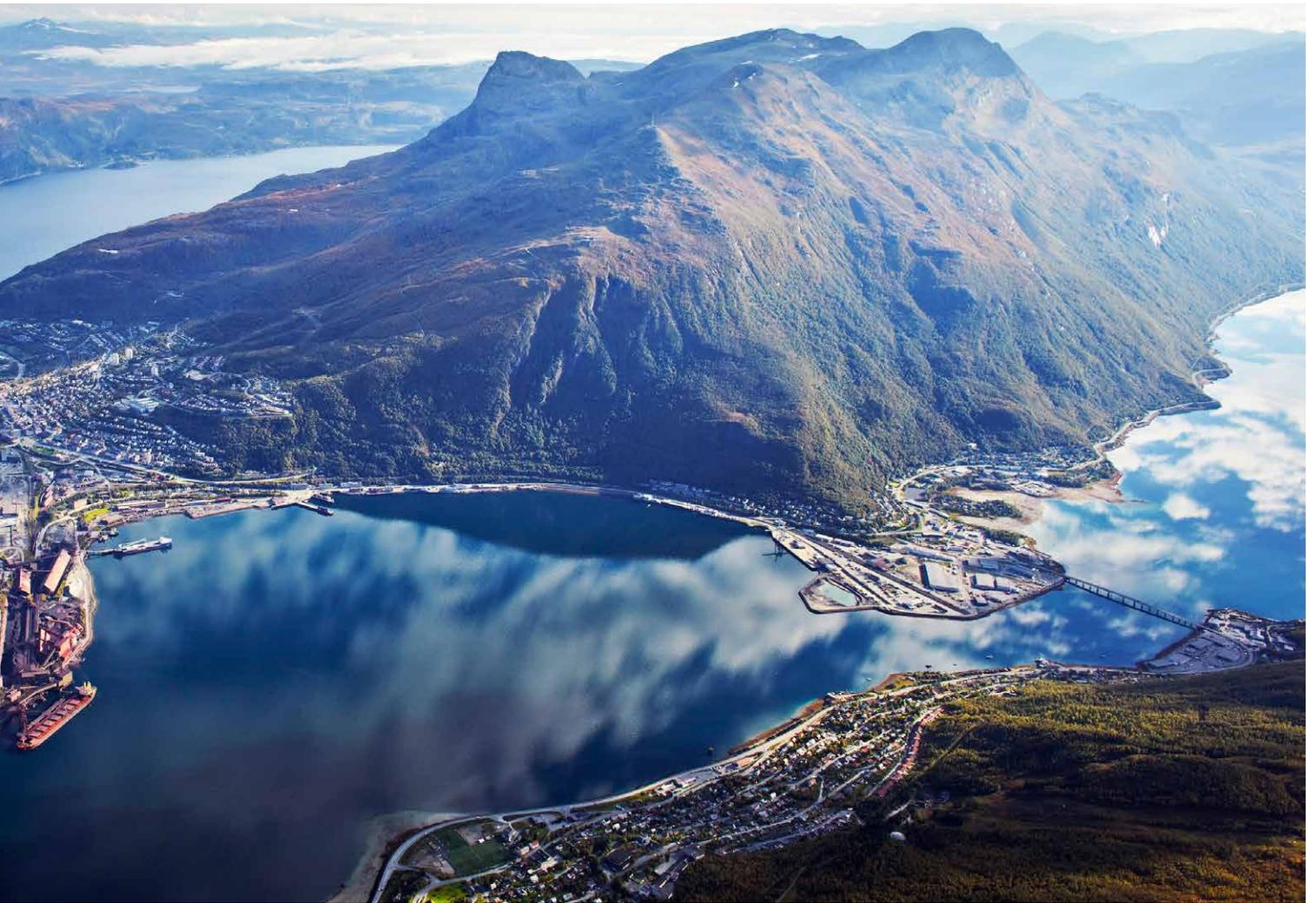
## GRI APPENDIX TO ANNUAL AND SUSTAINABILITY REPORT



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# GRI APPENDIX TO ANNUAL AND SUSTAINABILITY REPORT 2016

LKAB is a high-tech mining- and minerals group that has been mining and upgrading the iron ore of northern Sweden for the global steel market since 1890. LKAB is a resource-intensive business with a strong local presence and role in society. We are a major employer and contractor and as such, sustainability and responsibility is a given for us. Our ambition is to be one of the most innovative, resource-efficient and responsible companies in the world.

## ABOUT LKAB'S REPORTING AND GRI APPENDIX

LKAB's Annual and Sustainability Report includes a description of the Group's accounts and management, as well as information on how LKAB has worked with material sustainability issues important during the past year.

Since 2008, LKAB prepares its sustainability reports in accordance with the framework for sustainability reporting issued by

Global Reporting Initiative. For 2016, LKAB applies GRI G4.

The issues defined as material for LKAB are reported in the Annual and Sustainability Report. Some of the GRI indicators require more detailed reporting of accounting principles and processes than just description of strategies and results. LKAB reports on these GRI indicators in this GRI appendix.



Björn Åström – General manager, Projects.

## STAKEHOLDER DIALOGUE AND MATERIALITY

Stakeholder inclusiveness and materiality are two central GRI principles that form the basis for how companies are expected to identify sustainability aspects and issues to report on. LKAB enjoys an active and ongoing dialogue with many different stakeholders in order to encourage the kind of cooperation required to

pursue sustainable mining operations. Our business requires a long-term approach and collaboration on numerous levels and we place considerable emphasis on being accessible, responsive and transparent.

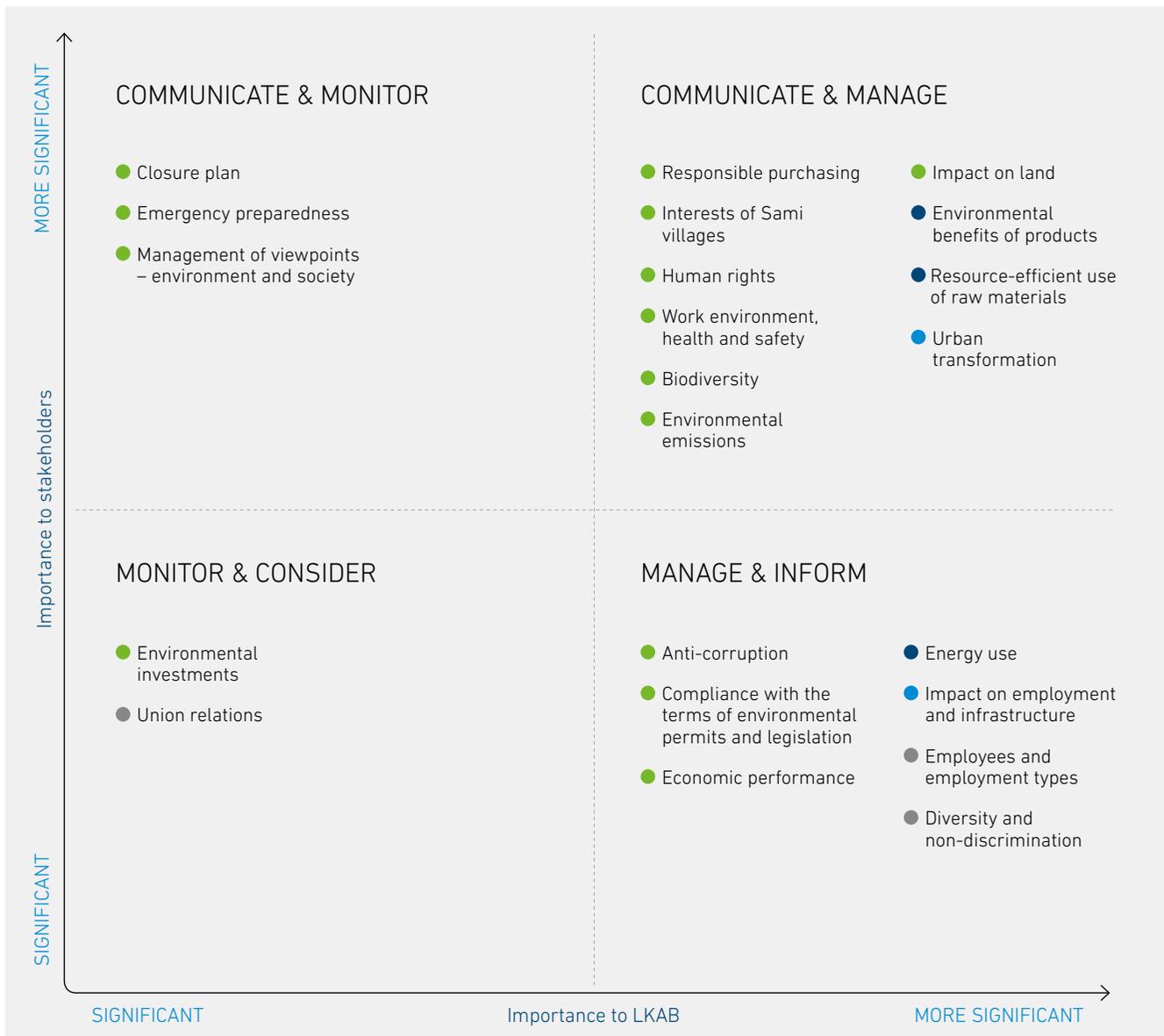
	FORM OF DIALOGUE	KEY ISSUES	RESULTS
<b>CUSTOMERS</b>	Continuous dialogue via various forums and collaborative projects.	<ul style="list-style-type: none"> <li>● Stimulating partnerships</li> <li>● Research and development</li> </ul>	Collaborative projects to develop more energy-efficient processes and improve pellet quality.
<b>EMPLOYEES</b>	Informal and formal in the form of workplace meetings, performance reviews, strategy days, safety officer meetings and employee surveys.	<ul style="list-style-type: none"> <li>● Health and safety</li> <li>● Non-discrimination</li> <li>● Recruitment and competence management</li> </ul>	Objectives and activities to reduce absence due to workplace accidents and to promote equality, diversity in the company and in managerial positions.
<b>SUPPLIERS AND CONTRACTORS</b>	Regular meetings and supplier days to achieve consensus on key issues.	<ul style="list-style-type: none"> <li>● Supplier management</li> <li>● Stimulating partnerships</li> <li>● Health and safety</li> <li>● Human rights</li> </ul>	As part of efforts to implement the Code of Conduct for suppliers (suppliers' programme), work has been initiated on monitoring.
<b>LOCAL RESIDENTS</b>	A number of different contact and dialogue channels ensure accessibility and a presence – for example, information offices, consultations and the publication of magazines.	<ul style="list-style-type: none"> <li>● Urban transformation</li> <li>● Local environment</li> <li>● Dusting</li> <li>● Land issues</li> </ul>	Proactive information about procedures and guidelines for LKAB's work within various areas. Stakeholder analysis with representatives from the communities in which we operated in 2015.
<b>INTERESTS OF SAMI VILLAGES</b>	Dialogue and a number of cooperation agreements with Sami villages affected by operations.	<ul style="list-style-type: none"> <li>● Land use</li> <li>● Interaction</li> <li>● Compensation principles</li> <li>● Urban transformation</li> </ul>	Collaborative work is pursued based on the premise that it should be possible for LKAB's mining operations and Sami traditions such as reindeer herding to coexist. Examples of results include a tool for reindeer herding analysis based on the principle of Free Prior and Informed Consent (FPIC).
<b>HOSPITALITY INDUSTRY</b>	Individual and public meetings with other significant industries in the region.	<ul style="list-style-type: none"> <li>● Interaction</li> <li>● Land use</li> </ul>	Offering alternatives and promoting the development of recreational areas. Collaboration/agreements with local representatives from the hospitality industry.
<b>TRADE ASSOCIATIONS</b>	Dialogue and consultation meetings with trade associations representing the environment, nature conservation and urban transformation. Sector cooperation via membership of organisations such as Euromines and SveMin.	<ul style="list-style-type: none"> <li>● Biodiversity</li> <li>● Human rights</li> <li>● Land use</li> </ul>	Consultation on environmental assessments and collaborative projects with various trade associations to minimise the negative impact of our operations. Stakeholder analysis during the year, in which several trade associations took part.
<b>OWNER</b>	LKAB's owner, the Swedish State, is represented on the Board of Directors and at the Annual General Meeting.	<ul style="list-style-type: none"> <li>● Financial return</li> <li>● Sustainable products</li> <li>● Business ethics/anti-corruption</li> <li>● Customer management</li> <li>● Supplier management</li> <li>● Interaction</li> </ul>	Quarterly reports to the owner. Continuous dialogue through Board representation, owner analysis, visits and meetings.
<b>AUTHORITIES AND LEGISLATORS</b>	Regular public and private meetings with the relevant domestic authorities, the County Administrative Board and municipalities, as well as international authorities.	<ul style="list-style-type: none"> <li>● Environmental responsibility</li> <li>● Interaction with the local community</li> <li>● Development in our growth regions</li> <li>● Conflicts of interest with other industries</li> <li>● Working environment responsibility</li> </ul>	Internal control and compliance monitoring with conditions set by environmental courts and authorities. Consultation, inspections, reporting and improvement work are part of day-to-day operations. Annual reports and sustainability reports in accordance with guidelines.
<b>SCHOOLS, UNIVERSITIES AND COLLEGES</b>	Ongoing dialogue and project-based collaboration with schools and courses in the communities in which we operate, as well as with colleges and universities.	<ul style="list-style-type: none"> <li>● Recruitment and competency management</li> <li>● Research and development</li> </ul>	Collaboration and financing of events/courses to encourage interest in engineering and mining-related research.

## MATERIALITY ANALYSIS

Since LKAB operates in an industry with long cycles, with core business concentrated in the same geographic areas, LKAB has decided to conduct a more comprehensive materiality analysis every second year. Such an analysis was conducted in 2015, and included business intelligence, in-depth interviews, workshops and surveys, in which various representatives both outside and within the company conveyed which sustainability aspects they perceive to be the most important.

This formed the basis for the Sustainability Report, and indicates which aspects LKAB has the best prospects and greatest responsibility to monitor, govern, inform itself about and communicate in terms of risks and opportunities.

A shorter version of the materiality analysis is presented in the Annual and Sustainability Report, page 69. The material aspects presented in the materiality analysis below, are described in more detail under LKAB's focus areas for sustainability on the next page.



## LKAB'S FOCUS AREAS FOR SUSTAINABILITY

LKAB has grouped material aspects within focus areas for sustainability, thereby linking them to different aspects of LKAB's business and clarifying how the aspects are interdependent and affect different parts of our operations and value chain. Often, different aspects intersect and are difficult to differentiate between.

### ● RESPONSIBLE OPERATIONS

#### **Economic performance**

Secure the short- and long-term profitability of the business so as to be able to pay salaries and suppliers, issue dividends, pay taxes and make investments. This includes future planning, to secure access to iron ore through exploration and reporting of mineral reserves.

#### **Closure plan**

When a new mine is planned, a plan for remediation of the land must be established. The closure plan also includes plans for managing the consequences of closure for the community.

#### **Emergency preparedness**

Emergency preparedness is a matter of preparing for and managing the unexpected. This includes preparation and exercises for major accidents such as mine collapse, fire or dam failure.

#### **Responsible purchasing**

Requirements and follow-up of sustainability issues for suppliers. By ensuring responsible purchasing, human and labour rights are respected and negative impact on the environment and society is reduced both in our global value chain and for contractors in our local projects.

#### **Work environment, health and safety**

Ongoing and preventive work to ensure a safe work environment and the health of co-workers. This aspect has a long-term impact on ability to recruit and maintain competencies.

#### **Interests of Sami villages**

Respect for other industries and ample scope for dialogue forms the basis of LKAB's principles for collaboration and understanding. The principles include mutual respect and willingness to negotiate, open dialogue and access to information at an early stage.

#### **Management of viewpoints – environment and society**

Open, systematic and active management of comments and viewpoints received relating to the operations' impact on the environment and the community.

#### **Emissions to the environment**

Minimisation of negative impact on our environment and surroundings due to emissions to air and discharges to water. This aspect includes e.g., greenhouse gases, NOx, SOx, surrounding rock, tailings and environmental incidents such as oil spills and chemical management.

#### **Biodiversity**

LKAB works proactively to prevent any loss of biodiversity and ecosystem services in the course of operations. The mitigation hierarchy's four steps govern the work: avoid, minimise, remediate and compensate harm with consideration for the landscape and habitat type.

#### **Human rights**

Identification, management and follow-up of the operations' direct and indirect impact on human rights, in order to take action to address such impact.

#### **Anti-corruption**

Work to prevent corruption in business, via preventive measures, transparent systems and follow-up.

#### **Compliance with the terms of environmental permits and legislation**

Mining operations are regulated and permits are required. Impact on communities and the environment must be kept within the limits stipulated in the permits. Changes in legislation must be monitored in order to be prepared to adapt to new requirements.

#### **Impact on land**

LKAB affects society, in among other ways, through exploration, mining, processing, transport and remediation. Since mining requires access to land, continuous work with focus on corporate responsibility to minimize our impact is performed.

### ● RESOURCE-EFFICIENT PRODUCTION

#### **Resource-efficient use of raw materials**

Mining of the natural resources of iron ore and minerals. Additives are used in production processes and in rock reinforcement. Resource-efficient use requires future planning in order to ensure adequate mineral reserves through exploration.

#### **Environmental benefits of products**

The products bring environmental benefits when used in customers' processes because of the low level of impurities in the raw material and, consequently, low carbon dioxide emissions. High iron content minimises relative mining waste for landfill.

#### **Energy use**

Efficient use of energy in production and other operations reduces costs from a financial and environmental perspective, specifically considering the need for energy expansion and use of fossil fuels.

#### **Environmental investments**

Investment in emissions-treatment facilities and research to reduce environmental impact. Additional environmental benefits for LKAB and customers are promoted through strategic partnerships and technical development.

### ● ATTRACTIVE LKAB

#### **Union relations**

Active and constructive dialogue with labour union representatives to ensure co-determination and that co-workers' interests are taken into consideration.

#### **Diversity and non-discrimination**

Promotion of diversity and equality of opportunity, and zero tolerance of discrimination on the basis of gender, age, religion, sexual orientation or for other reasons. Social aspects and workplace culture contribute to a healthy work environment and LKAB's attractiveness as an employer.

#### **Employees and employment types**

Assuming responsibility as an employer for working conditions that ensure good, safe employment. This aspect has a long-term impact on ability to recruit, maintain competencies, the work environment, and on health and safety.

### ● ATTRACTIVE COMMUNITIES

#### **Urban transformation**

Gradual and responsible relocation of communities due to deformation or other factors enables continued mining and is a prerequisite for LKAB's operations. Transparency, planning, dialogue and collaboration with the communities, authorities, business community and local residents are imperative.

#### **Impact on employment and infrastructure**

Jobs are created by the company's operations, both directly and indirectly via suppliers. Other economic benefit accrues to the local community and other businesses.

## AGENDA 2030

LKAB has mapped its material sustainability issues against the UN Sustainable Development Goals (SDG), also referred to as Agenda 2030.

For LKAB, an important part of working with the SDGs is to clarify how the mineral and steel industry creates value for society and for business in the areas where the SDGs are pointing out the direction. LKAB contributes to the transformation towards a sustainable society through its internal sustainability work, by placing requirements on, for example, the supply chain, and by enabling the necessary societal changes in which iron and minerals are the basis for the development of sustainable communities.

During 2016 SveMin, which LKAB is part of, and Jernkontoret (the Swedish Steel Producers' Association) and Industriarbetstgivarna (the Swedish Association of Industrial Employers) established a sustainability network to actively work with the SDGs. The industry associations, with representation from the constituent companies, have conducted a mapping of the most important sustainability aspects. Part of the work focuses on demonstrating how the aspects are already part of the companies' operations and where the companies can create more value by conducting additional work. The efforts will be completed in 2017 with a statement for the iron and steel industry, where the industries will explain how they jointly contribute to the SDGs.

## STANDARD DISCLOSURES

The company information required by the GRI framework is of both general and specific character. The general information, which provides a comprehensive background to the company and its operations, is referred to as 'standard disclosures' in the GRI guidelines. The following section presents standard disclosures that are not included in the LKAB Annual and Sustainability Report.

The disclosures are presented in the order suggested by the GRI guidelines. A list of all disclosures can be found in the GRI index on page 22–23.

### ORGANISATIONAL PROFILE

#### G4-10 Description of total workforce, G4-11 Percentage of workforce covered by collective bargaining agreements

General information about LKAB's employees is available in the Annual and Sustainability Report, page 38–41. The report is supplemented in the appendix on the coverage of collective bargaining agreements. LKAB had 4,224 (4,463) employees on average during the year, including part-time and temporary employees. In total, 20.6 percent of the Group are female employees. LKAB's permanent employees are primarily located in Sweden with 3,927 employees, 894 are female. In Norway, 178 employees of which 19 are female, and in the United Kingdom, 154 employees, of which 34 are female. All employees in Sweden and Norway are covered by collective bargaining agreements, with the exception of Group management.

#### G-14 Application of precautionary principle

Compliant with Swedish environmental legislation and as part of LKAB's environmental management system, and with the purpose of identifying and preventing adverse environmental consequences, LKAB performs mandatory risk analyses that take the precautionary principle into account. The environmental management system is certified according to the environmental management standard ISO 14001. Parts of the Group is also certified according to ISO 9001, ISO 50001 och OHSAS 18001.

HOLDER OF CERTIFICATION	ISO 14001	ISO 9001	ISO 50001	OHSAS 18001
LKAB	•	•	•	
LKAB Berg & Betong AB	•	•		
LKAB Mekaniska AB	•	•		
LKAB Kimit AB	•	•		
LKAB Fastigheter AB				
LKAB Nät AB				
LKAB Malmtrafik AB	•	•	•	
LKAB Malmtrafik AS	•	•	•	
LKAB Norge AS	•	•	•	
LKAB Minerals AB	•	•		
LKAB Minerals Ltd	•	•		•
LKAB Minerals Oy	•	•		•
LKAB Minerals BV	•	•		•
LKAB Minerals GmbH	•	•		
LKAB Minerals AP	•	•		
LKAB Minerals Tianjin	•	•		
LKAB Minerals Inc		•		
Likya Minerals	•	•		•
LKAB Wassara				

#### **G4-15 External charters, principles and initiatives**

In addition to the management systems listed above, LKAB has also undertaken to follow:

**United Nations Global Compact** – LKAB is not a formal signatory to the Global Compact, but strives to act in accordance with the ten principles of the Global Compact. This is expressed, for instance, in the Group's Code of Conduct and the Supplier Code of Conduct.

#### **UN Guiding Principles on Business and Human Rights**

– LKAB strives to comply with the international guidelines, which are expressed in the Group's Code of Conduct, Human rights policy as well as in the Supplier Code of Conduct.

**GRI (Global Reporting Initiative)** – Since the reporting year 2008, LKAB has applied GRI's sustainability reporting guidelines in accordance with the directive from the owner. As of the reporting year 2014, LKAB has applied the new version G4 complemented with the Mining and Metals Sector Supplement.

**GruvRIDAS** – LKAB works with dam safety in accordance with the (Swedish) industry association SveMin's guidelines for dam safety, GruvRIDAS. The guidelines regulate the scope and range of supervision and control of dams.

**OECD's Guidelines for Multinational Enterprises** – LKAB strives to comply with the international guidelines that are expressed in the Group's Code of Conduct, as well as in the Supplier Code of Conduct.

#### **REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)**

– LKAB is covered by the EU regulation that regulates chemical substances. The majority of the products LKAB manufactures, those that are chemically modified, were registered before November 2010. Other products that LKAB sells are naturally occurring minerals that are exempt from registration under REACH. Before products are acquired by LKAB, they are approved via the Chemicals Inspectorate which, among other things, performs a check against REACH. Each department manager is responsible for making regular legal compliance checks and thereby ensuring that chemicals legislation is being observed.

**UNICEFs "Children's Rights and Business Principles"** – LKAB's commitment to the international children's rights principles is reflected in the Group's Code of Conduct, as well as in the Supplier Code of Conduct.

#### **G4-16 Memberships in associations**

**Euromines** – The European association for the mining industry.

**Jernkontoret** – The industry association of the Swedish steel sector, where LKAB participates actively in the environmental committee.

**SveMin** – The industry association of the mining sector in Sweden. Employer issues are dealt with in the Mining Employers Association Gruvornas Arbetsgivareförening (GAF).

**SNS (Studieförbundet Näringsliv och Samhälle)** – Network for sustainable development.

## **IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES**

In this section, the process of materiality analysis is described as well as how different materiality aspects are linked together in the GRI framework, and a description of different indicators at a more detailed level is given.

#### **G4-18 Process for defining report content**

The materiality analysis from 2015 provides decision support for the sustainable development strategy and sets the boundaries for the content of the sustainability report. The report is in accordance with the GRI's principles and requirements, version G4 and the Core option. LKAB has long been working to integrate sustainability issues into its operations and, in so doing, contributes to sustainable development. In 2016 LKAB's Board of Directors approved a new group-wide strategy titled "LKAB Strategy 2017–2021". LKAB's main strategic direction is to create long-term sustainability through operational excellence and growth. Leadership and teamwork, expertise and technological development are the cornerstones of the strategic direction. The sustainability targets are reported in the Annual and Sustainability Report, page 12–13.

#### **Principles of materiality analysis**

The definition of material issues uses GRI's principles of:

- sustainability context
- stakeholder inclusiveness
- materiality and
- completeness.

LKAB is facing a number of challenges and the internal stakeholders, with deeper insight into LKAB's operations, consider the general sustainability aspects from this perspective. Access to land is one example of a significant sustainability issue for LKAB that is not directly captured by the GRI aspects. In line with the GRI principles, LKAB has decided to consider access to land as an aspect and describe the challenges for the company, even if there are no corresponding GRI indicators.

#### **Identification of material aspects**

The process of identifying the material aspects comprises three steps: business intelligence, stakeholder analysis and internal identification. Based on the results of the materiality analysis, certain issues, such as 'access to land' and 'human rights', have gained more weight in the analysis and in the sustainability report. Other issues such as 'transport' and 'environmental investments' are not requested by internal nor external stakeholders and are therefore not reported on. Such issues are addressed in the category of 'monitor and consider' as defined below, or removed as material aspects in the report. The internal work with issues related to aspects that are no longer actively communicated in the report continues. Since the information has not been requested and LKAB considers the governance of the issues to work well, other issues have been prioritised.

IDENTIFIED MATERIAL ASPECT	GRI ASPECT	G4 INDICATOR	DESCRIPTION OF INDICATOR
Responsible purchasing	Supplier environmental assessment	G4-EN33	Environmental impacts in the supply chain
Responsible purchasing	Supplier human rights assessment	G4-HR11	Human rights impacts in the supply chain
Responsible purchasing	Supplier assessment for labour practices	G4-LA15	Impacts for labour practices in the supply chain
Biodiversity	Biodiversity	MM2	Sites requiring biodiversity management plan
Economic/financial performance	Economic performance	G4-EC1 + MM	Direct economic value generated and distributed + compliance with EITI
Economic/financial performance	Economic performance	G4-EC3	Coverage of the organisation's defined benefit plan obligations
Energy use	Energy	G4-EN3	Energy consumption within the organisation
Energy use	Energy	G4-EN5	Energy intensity
Compliance with the terms of environmental permits and legislation	Compliance, environment	G4-EN29	Significant fines and other sanctions due to non-compliance with environmental laws and regulations
Management of views on environment and society	Environmental grievance mechanisms	G4-EN34	Reported grievances about environmental impacts received and addressed
Management of views on environment and society	Human rights grievance mechanisms	G4-HR12	Reported grievances about human rights received and addressed
Management of views on environment and society	Labour practices grievance mechanisms	G4-LA16	Reported grievances about labour practices received and addressed
Management of views on environment and society	Grievance mechanisms for impacts on society	G4-SO11	Reported cases regarding community impact received and addressed
Emergency Preparedness	Emergency Preparedness	MM G4-DMA	Emergency preparedness
Employees and employment types	Employment	G4-LA1	Total number of employees and employee turnover
Environmental emissions	Emissions	G4-EN15	Direct carbon dioxide emissions
Environmental emissions	Emissions	G4-EN16	Indirect carbon dioxide emissions
Environmental emissions	Emissions	G4-EN21 + MM	NOx, SOx, and other significant air emissions
Environmental emissions	Effluents and waste	G4-EN24 + MM	Total number and volume of significant spills
Environmental emissions	Effluents and waste	MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks
Diversity and non-discrimination	Non-discrimination	G4-HR3	Incidents of discrimination
Diversity and non-discrimination	Diversity and equal opportunity	G4-LA12	Diversity among the Board, Group management and workforce
Human Rights	Human rights assessment	G4-HR9	Operations that have been subject to human rights reviews or impact assessments
Closure plan	Closure plan	MM10	Number and percentage of operations with closure plans
The product's environmental benefits	Products and services	G4-EN27	Environmental impact mitigation of products and services
Impact employment and infrastructure	Indirect economic impact	G4-EC8	Significant indirect economic impacts
Resource-efficient use of raw materials	Materials	G4-EN1	Materials used by weight or volume
Interest of Sami villages	Indigenous rights	G4-HR8	Incidents of violations of indigenous peoples rights
Interest of Sami villages	Indigenous rights	MM5	Total number of operations taking place in or adjacent to Indigenous peoples' territories
Urban transformation	Local communities	G4-SO2	Operations with significant actual or potential negative impacts on local communities
Urban transformation	Grievance mechanisms for impacts on society	MM9	Households resettled, and effect on livelihoods
Urban transformation/ Interest of Sami villages	Local communities	MM6	Land use disputes with local communities and indigenous peoples

<sup>1</sup> For more information about each aspect, see pages 22-23.

**Business intelligence** – Sustainability issues that are essential for stakeholder trust and the company's ability to contribute to sustainable business are identified through broad and continuous business intelligence. It is based on:

- Identification of best practices for sustainable business in general, and for the industry in particular.
- Benchmarks, including issues identified as material by competitors and industry colleagues, in Sweden and globally.
- Standards based on international initiatives, management systems and the SDGs.
- Areas and issues raised by the media, related to LKAB and the industry.

**Stakeholder dialogue** – Based on observations and conclusions from LKAB's business intelligence, continuous dialogues are held with LKAB's stakeholders to identify issues and expectations, as well as to validate the ongoing work and priorities.

**Internal identification** – The identification of material issues or aspects; the internal risk management process considers the continuous process of evaluation and follow-up against our targets and our corporate strategies.

#### **Prioritisation of material aspects**

LKAB applies an external and an internal perspective to prioritise material aspects:

**External:** The perspective is based on the issues that stakeholders in various dialogue forums highlight as prioritised. The dialogues also validate the ongoing work and priorities. They form the basis for an internal assessment of stakeholder priorities.

**Internal:** The perspective is based on the issues that constitute LKAB's impact on sustainable development. LKAB also considers the manner in which the company can influence the issue; the importance for the business model to be sustainable; and for the business model to create value. One aspect that poses a major impact on sustainable development can get a lower materiality classification if LKAB's procedures and governance are adequate. For example, the external perspective indicates the notion that LKAB has a strong performance in energy issues, while LKAB has identified clear potential for improvement in energy. Correspondingly, stakeholders believe that LKAB's work on biodiversity can be improved, while LKAB's assessment is that management, procedures and monitoring are in place.

- The basis for prioritisation from the internal perspective is LKAB's customer promise, Performance in Ironmaking.
- LKAB's corporate strategy governs how resources are distributed, processed and managed – the mineral resources LKAB depends on, human capital, innovations and capital assets, financial capital and relations with the world around.

#### **Validation of the materiality analysis**

LKAB validates the prioritised aspects every second year with internal stakeholders, and checks them against any surveys conducted, such as SIFO surveys and employee surveys. Stakeholder feedback on the Sustainability Report can take place at any time during the year and is used in the internal validation process.

#### **Boundaries**

The boundaries for LKAB's responsibility are described for each material aspect in the GRI appendix in the section Specific standard disclosures. There, it is specified if the aspect is material within the organisation (LKAB Group) or outside it (any part of our value chain).

#### **Results: LKAB's materiality analysis**

The results of the materiality analysis are shown in a schematic illustration that includes the aspects that are material for LKAB's sustainable development efforts. The issues that are not currently considered as equally material have not been included in the illustration. The aspects have been divided into four categories depending on the strategy for managing:

- **Communicate and monitor**  
LKAB needs to continuously communicate about the issues that stakeholders deem essential.
- **Communicate and manage:**  
Both LKAB and the stakeholders indicate the aspects as top priorities for sustainable development. The aspects require clear management and communication.
- **Manage and inform:**  
LKAB considers the aspects as very important for sustainable development, and will proactively inform stakeholders about their governance and management.
- **Monitor and consider:**  
The aspects are essential, but not prioritised at the moment. They may be emerging issues and need further observation or internal monitoring. LKAB does not report on indicators related to these aspects.

#### **Impact on sustainability reporting**

The Annual and Sustainability Report includes the aspects deemed to be material based on dialogue with stakeholders and that have been validated by LKAB. This means that material aspects, in the first three categories described above, are reported in the Sustainability Report. Aspects in the Communicate and manage category, which both stakeholders and LKAB deemed important for sustainable development, are given the most attention in the report.

#### **Update of materiality analysis**

The materiality analysis is updated when necessary and the work with identifying material sustainability issues is seen as a recurring task. The reason for updating it may include external changes, access to new knowledge, new focus among stakeholders, or that LKAB's business changes and, consequently, the conditions of stakeholders and their expectations of LKAB change.

#### **Responsibility for the materiality analysis**

LKAB's Department for HR and Sustainability is responsible for keeping a current materiality analysis. A working group for sustainable development participates in the prioritisation of aspects and also the validation of the analysis. The working group includes representatives from LKAB and subsidiaries.

The analysis is decided by the Senior Vice President of HR and Sustainability and is presented to Group management.

#### G4-19 Material aspects

LKAB reports on the aspects that have been identified as material as well as the GRI aspects and indicators chosen for reporting as a result of the analysis. For material aspects, see the diagram and table on pages 6-7.

#### G4-20 Boundaries for material aspects within the organisation

The boundaries for material aspects are described under the section Specific standard disclosures in this appendix. LKAB's systematic work with governance (DMA according to GRI terminology) for each aspect is also described.

#### G4-21 Boundaries for material aspects outside the organisation

The boundaries for material aspects are described under the section Specific standard disclosures in this appendix. LKAB's systematic work with governance (DMA according to GRI terminology) for each aspect is also described.

#### G4-22 Explanation of corrections of information provided in previous reports

**Huntite:** LKAB regularly reports preliminary data for mined huntite. The preliminary figure for 2016 was 20 thousand tonnes. The actual figure will be reported in the Annual and Sustainability report for 2017. The confirmed figure for 2015 is 21 thousand tonnes. Read more on page 49 in the Annual and Sustainability report.

#### G4-23 Significant changes in the scope, boundaries or measurement methods compared with previous years' reports

LKAB has previously reported all cases, which are now defined as arbitrary conduct, as corruption. No distinction was made between corruption; corresponding to, for example, sponsorship, bribes and favouritism, and that what we now define as arbitrary decision; for example, to sleep at work, false time tracking or not performing work assignments.

In the Annual and Sustainability Report from 2015, amounts of mined crude ore, magnetite and hematite are reported on page 11 and partly on page 39. The mined amount on page 11 is reported including waste rock/barren rock and on page 39, reported excluding waste rock/barren rock.

No other significant changes in the scope, boundary or measurement methods have been made compared to previous years' reports.

## STAKEHOLDER ENGAGEMENT

### G4-24 Stakeholder groups

The below listed stakeholders were part of the 2015 stakeholder dialogue. Additional stakeholders were asked to contribute but refrained from participating.

STAKEHOLDER GROUP	ORGANISATION
Authority	Näringsdepartementet, Länsstyrelsen i Norrbottens Län
Government agency	Naturvårdsverket, Trafikverket
Municipality	Kiruna kommun, Gällivare kommun
Supplier	PEAB Sverige, Outotec
Customers	SSAB
Academia	Luleå tekniska Universitet
Industry association	SweMin
Local community	Laevas sameby, Gabna sameby, Hyresgästföreningen
NGO	Naturskyddsforeningen, Amnesty, Swedwatch

### G4-25 Identification and selection of stakeholders

LKAB defines stakeholders as groups of people that directly or indirectly may affect or be affected by the decisions made by LKAB. The selection of prioritised stakeholders is based on the definition and the mutual influence. LKAB's prioritised stakeholders for dialogue and communication are: customers, employees, authorities and legislators, owners, suppliers and contractors, local residents, interest groups, as well as reindeer husbandry and tourism.

## REPORT PROFILE

### G4-28 Reporting period, G4-29 Most recent report, G4-30 Reporting cycle

LKAB reports its sustainability work in accordance with the GRI framework for sustainability reporting (Global Reporting Initiative Principles) per calendar year. The report is part of the Annual and Sustainability Report, which is published on 31 March according to the State's Ownership Policy. The last report was published on 31 March 2016.

### G4-33 Policy and practice with regard to external assurance

LKAB's Sustainability Report is reviewed by an external party in accordance with the owner's directive. The table of contents of the Annual and Sustainability Report specifies which pages are subject to external review. The auditing firm Deloitte is regarded as independent in relation to LKAB. LKAB's Board of Directors issues and signs the Annual and Sustainability Report in its entirety.

## SPECIFIC STANDARD DISCLOSURES

The GRI framework provides support for transparent reporting of how an organisation systematically works and monitors material issues. The issues identified as material in LKAB's materiality analysis are matched with the corresponding GRI aspects. Based on these aspects, LKAB has chosen to report on a number of indicators that make it possible to follow up results in a consistent manner over time.

Within the GRI framework, this part of the report is referred to as 'specific standard disclosures', as they are selected based on the company's specific issues. Initially, this section describes how LKAB's systematic work within the material aspects is conducted. Managing sustainability efforts is referred to as Disclosure of Management Approach (DMA) within GRI.

### OVERALL SUSTAINABILITY MANAGEMENT APPROACH

LKAB's sustainability work is managed on the basis of the values "Committed – Innovative – Responsible", the strategy and the Code of Conduct. The sustainability targets have been set by the Board of Directors to ensure that LKAB fulfils the owner's requirements that state-owned companies are to act as role models for sustainable business.

The overall responsibility lies with LKAB's Board of Directors; read more in the Corporate Governance Report in the Annual and Sustainability Report.

The operational responsibility for the sustainability work lies with the President. Since 2013, a special unit, Sustainable Development, has been represented in the Group Management team by the Senior Vice President of HR and Sustainability. The unit is responsible for developing LKAB's position as a sustainable company and supporting the Group's sustainability work.

LKAB has developed a new strategy and sustainability objectives during the year. These are presented on pages 12–13 in the Annual and Sustainability Report.

### MONITORING AND EVALUATION

The Board has the overall responsibility for ensuring that the sustainability objectives are met. Reports are provided to the owner and to the Board of Directors on a quarterly basis.

LKAB reports outcomes of the sustainability work through the system Credit360, with the exception of HR data, which are reported in a specific system. LKAB's energy and environmental management system is certified according to the standards ISO14001 and ISO50001. Since LKAB conducts licensable operations, many key performance indicators are being followed up continuously to ensure compliance with permits and terms. Results are sent to the authorities for external review.

In addition to the external review of the Sustainability Report, the internal quality auditors evaluate data collection and the quality of processes.

The Senior Vice President of HR and Sustainability is responsible for strategic HR activities and the operational work is decentralised. Personnel matters are handled by the remuneration committee and the diversity committee. Work environment and health-related issues are handled by local work environment groups, as well as central work environment, safety and rehabilitation committees. All these groups include representatives of personnel and trade unions.

## DISCLOSURE ON MANAGEMENT APPROACH

### Economic

#### *Economic impact – value creation and impact on employment and infrastructure*

LKAB has significant economic impact. By being a profitable business, we create job opportunities for employees, contractors and subcontractors. The dividend to the Swedish state and taxes in Sweden, Norway and other countries have been significant over the past decade. Investments in research and development, infrastructure and sponsorship are additional effects of our economic value creation.

LKAB is governed by financial targets and policies for dividends, currency, credit and finance. The activities are conducted within the focus area Resource-efficient production and Attractive communities.

The President and the CFO are responsible for the financial result, as reported in Annual and Interim Reports. The organisation's management and the Board's overall responsibilities are described in the Corporate Governance Report.

*Boundary: within LKAB and outside LKAB's operations.*

### Environmental

#### *General*

LKAB's operations give rise to significant environmental impact. The landscape is affected by mining operations. Communities and the environment are also affected by emissions to air and discharges to water, noise and vibrations from ore processing and other operations. When we open new mines and claim new land, pristine environments are sometimes affected. Furthermore, pellet production requires large amounts of water and energy.

The environment and energy policy forms the basis for the governance of the environmental work. The environmental management system is certified according to ISO 14001. One element of the environmental certification is the risk analyses that take into account the precautionary principle, in order to prevent negative environmental consequences. The sustainability targets guide the direction and improvement work, where energy use, emissions to air and climate-smart products are included. The work is conducted within the focus area Resource-efficient production and Responsible operations.

To ensure permit levels, regular follow-ups are conducted using self-monitoring programmes.

LKAB also conducts follow-up in connection with the reporting of sustainability targets to the Board and the Sustainability Report, as well as in the annual environmental reports compiled for regulatory authorities. In Sweden, LKAB has an incident reporting system where all environmental events are to be reported.

LKAB has licensed operations; read more in the section Compliance with the terms of environmental permits and legislation.

The Senior Vice President of HR and Sustainability has the overall responsibility for environmental aspects, except for energy and climate, for which the Senior Vice Presidents for Northern Division and Southern Division are responsible. The operational responsibility for all environmental aspects is delegated to the organisation's departments and subsidiaries.

### **Resource-efficient use of raw materials**

LKAB mines the natural resource of iron ore from deposits in the orefields of northern Sweden, in accordance with environmental permits. The Group also uses feedstock, for example, additives such as dolomite and bentonite, for the production of iron ore pellets. Additionally, LKAB mines and sells huntite. The Group also uses different energy sources such as coal, oil and diesel.

For long-term operations, LKAB must secure new mineral reserves and mineral resources. Read more about the value chain, from exploration, mining, processing and transportation to customers, on pages 24–35 in the Annual and Sustainability Report. See also the report in this appendix, Products with environmental benefits.

By means of the Supplier Code of Conduct, LKAB ensures that the production and delivery of feedstock achieve sustainability aspects requirements and that the origin can be traced. This is followed up by basic requirements for suppliers and supplier audits; read more under Responsible purchasing.

*Boundary: Within LKAB and outside LKAB's operations.*

### **Energy use**

LKAB's operations are highly energy-intensive, and to make energy use more efficient it is important to keep costs down and to limit the impact on the environment. LKAB is one of Sweden's biggest energy users. LKAB has an environment and energy policy and the Group is certified according to the energy management system ISO 50001. Reducing energy consumption and reducing carbon emissions is a group-wide objective.

Energy in the form of coal, oil and electricity is purchased from external suppliers according to established procedures. The most energy-efficient option is to be chosen as far as possible. LKAB has no own production, but delivers residual heat to nearby communities in Kiruna. Lifecycle cost calculations are required in projects. Energy use is followed up on an increasingly detailed level.

*Boundary: Within LKAB.*

### **Biodiversity**

LKAB's operations are located in a part of Sweden where the percentage of protected areas, for example, by National Park status, Natura 2000 and the like are high. This means that the industrial and mining areas often are relatively close to areas with high biological status. Mines, industrial areas and urban transformation require land. This affects biodiversity, since natural land disappears as a result of the expansion of operations and infrastructure. Air emissions from the refining process and dust from industrial areas can also have marginal local impact on biodiversity. It is mainly emissions of SO<sub>2</sub> and NO<sub>x</sub> from the refining process that can have a regional impact on sulphur and nitrogen balances, which may affect biodiversity and our carbon footprint. This in turn ultimately results in global impact on biodiversity by contributing to the greenhouse effect and the consequent effects that this implies.

Limited local impact also occurs in the operations' recipients, mainly by the increase of nitrogen supply and occasional cloudiness which may imply a certain impact on biodiversity.

LKAB's facilities also create natural environments that have a positive impact on biodiversity. Examples include open-cast slopes and stockpiles that add structures in the landscape that correspond to scree and wetlands. Such structures have a positive impact for certain bird species such as the peregrine falcon. In the work with ecological compensation, LKAB interacts with the supervisory authorities. The efforts are governed more specifically by our guidelines for land use, which emanates from the Mitigation hierarchy. We are also complying with waste management plans, permits and remediation plans. These are followed up in consultation with authorities.

*Boundary: Within LKAB and outside LKAB's operations.*

### **Emissions (air, water) and waste**

LKAB's carbon dioxide emissions, mainly from pellet production and heating of air for the mine ventilation, are significant from a domestic perspective, despite being lower than for similar operations internationally. Given the significant impact, LKAB also has a great responsibility to limit emissions and thereby contribute to the achievement of Sweden's national environmental objectives. The work is guided by the environment and energy policy and the sustainability targets that set the ambitions and constitute a tool for follow up. LKAB is part of the EU Emissions Trading System (EU ETS), of which the aim is to reduce carbon dioxide and other emissions.

LKAB's operations also affect other emissions to air, such as emissions of, for example, sulphur dioxide from pellet production and by pollution dusting in the form of falling dust in the communities. These are also covered by the sustainability targets and are being followed up on a quarterly basis in accordance with applicable permit requirements. In addition, LKAB's operations result in noise and vibrations that are monitored in accordance with permits, and reported to the supervisory authority. See pages 36–39 of the Annual and Sustainability Report for more information.

The mining operations result in large quantities of waste in the form of barren rock and tailings. The barren rock is stockpiled on industrial sites and is not considered to be associated with major environmental risks. Tailings are stored in ponds where excess water is discharged into the recipient waters. The impact of the production on the surroundings and the environment is managed by environmental consequence and environmental risk assessments as well as systematic efforts to minimise impact. Possible impacts are continuously monitored through self-monitoring programmes within the constraints of the permits and conditions imposed on LKAB's operations.

*Boundary: Within LKAB.*

### **Products with environmental benefits**

Development of products with environmental benefits, such as less need for energy in the production process, is important because it provides competitive advantages and is a good option for the customer. LKAB's pellets have documented environmental advantages compared to similar products. LKAB's ambition is to develop more products with environmental benefits. The responsibility lies with the Senior Vice President of Operational Support and Business Development.

*Boundary: Within LKAB and outside LKAB's operations.*

### **Compliance with the terms of environmental permits and legislation**

The Group conducts licensable operations as described by the Environmental Code via the parent company LKAB and the Swedish subsidiaries. Most of these activities are conducted within the production of iron ore products. Operations cannot run without environmental permits. The most important environmental permits refer to large-scale mining and processing plants for iron ore products in the orefields, tailings ponds and depositing waste rock. Additionally, permits are required for removing gravel and moraine and harbour operations. Any deviations from environmental permits during the year are described in the administration report.

The permits are continuously followed up via self-monitoring programmes and outcomes are reported to the authorities and discussed in dialogues with representatives of the authorities. A summary of the year is provided through the environmental report submitted to the supervisory authority by March 31 of the following year.

*Boundary: Within LKAB.*

### **Handling of comments on environment and society**

LKAB's operations affect the surrounding environment and society; therefore, dialogue with and comments from stakeholders are important, both regarding daily operations and unforeseen events. LKAB reports environmental and community-related views and complaints via email, telephone and LKAB's incident reporting system Synergi. The incidents are continuously addressed and reported on. Follow-up takes place primarily in the concerned departments, for example, through the environmental department or the department for urban transformation, but also via management's review of environmental issues, which takes place twice a year. Depending on the nature of the events, they are reported to the supervisory authority and followed up through formal information exchange. In the coming years, the plan is to further develop the system to make it easier for external stakeholders to report comments and events, and for LKAB to follow up on cases.

*Boundary: Within LKAB.*

## **SOCIAL**

### **General**

LKAB has a great responsibility for employees and others who work on our behalf. Social responsibility also extends to the supply chain and customers. The vast impacts that the operations have locally on the production sites, and that are brought by the urban transformation require LKAB to take additional responsibility.

A human rights policy has been developed and approved by the Board of Directors to support the work of effectively identifying, respecting and handling risks associated with direct or indirect negative impacts on human rights.

The Code of Conduct, the Supplier Code of Conduct, the work environment and personnel policy, and LKAB's strategy and sustainability targets govern operations. The targets are followed up on a quarterly basis, so that they can be reported to the Board of Directors. In addition, other key performance indicators are monitored to ensure that the work is proceeding according to plans and business objectives. The work is conducted within the focus areas Responsible operations, Attractive LKAB and Attractive communities.

The President has delegated the employer responsibility to department, section and production managers. The Senior Vice President of HR and Sustainability is responsible for strategic personnel

issues, including competency provision plans. LKAB's purchasing organisation is responsible for cooperation with suppliers and subcontractors together with LKAB subsidiaries. The Senior Vice President of Urban Transformation is responsible for the implementation of the action plan for the urban transformation.

### **Employees and employment types**

LKAB is a major employer in the region. The responsibility for employees and for the working conditions of contractors is significant. The work is governed by the Code of Conduct, Supplier Code of Conduct, personnel policy and manual, work environment policy and information policy. Employees as well as suppliers must complete an interactive safety-training programme in order to get access to LKAB's industrial areas. The work is conducted within the focus area Attractive LKAB.

The President has overall responsibility and delegates it through the line of operations. The Senior Vice President of HR and Sustainability is responsible for strategic HR activities, including competency provision issues, and delegates the operational responsibility to managers with staff liability. Employees are represented on the Board by union representatives. Personnel matters are handled by the remuneration committee and the diversity committee. Work environment and health-related issues are handled by local work environment groups and the work environment, safety and rehabilitation committees. All these groups include personnel and trade union representatives. The work is monitored by assessing the performance of established targets and the reporting is done using the HR department's systems. Contractors are also covered by this system, and statistics include contractor accidents.

In recent years there has been a major focus on ensuring qualified employees for each position in the company. Training of new managers is conducted on an ongoing basis and individual meetings are held with new managers. Teamwork is discussed and individual development is planned in connection with the annual meetings with the immediate supervisor.

The most recent employee survey was conducted in 2016. In 2017 the organisation will work with the results. LKAB views internal communication as an important success factor and the intranet and supplier portal are sources of information.

*Boundary: Within LKAB and outside LKAB's operations.*

### **Occupational health and safety**

LKAB's operations are associated with occupational risks for employees and suppliers. We have significant responsibility for the work environment, health and safety. The work is governed by the Code of Conduct, Supplier Code of Conduct and manual, personnel policy and manual, and work environment policy. The work is conducted within the focus area Attractive LKAB and an important element is the "Safety first!" programme, of which the aim is to strengthen the safety culture and reduce the number of accidents. Reduction of accidents and long-term sick leave is included in LKAB's sustainability targets.

The assessment of LKAB's occupational health concludes that LKAB lives up to the requirements of Article 6-14 of the ILO Convention 176. This is a result of LKAB's systematic work related to occupational health and safety, based on the safety policy, work environment targets and safety management systems. Collaboration between employees, safety representatives, managers, leaders, support organisations, clients and external suppliers makes up the

foundation that is LKAB's strength when it comes to preventing and eliminating occupational health and safety risks, creating safe mining conditions, and managing work-related injuries and unsafe situations.

The work environment is an overall responsibility that ultimately lies with the President. It is delegated to managers; however, a work environment free from accidents can only be achieved through everyone's active participation. In addition to managing risks in the work environment, LKAB strives to achieve a stimulating and sound psychosocial work environment.

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Diversity and non-discrimination**

Given the imbalance of gender diversity in the organisation, gender equality and non-discrimination are important issues. The work is governed by the Code of Conduct, Supplier Code of Conduct, personnel policy and manual and the diversity plan. These were updated during 2016/2017. The update began with the compilation of a baseline; a survey in which LKAB employees answered questions on how they experience diversity and equality in the workplace. The organisation will work with the results during 2017. The sustainability targets for diversity in the strategy reflect LKAB's focus on the matter.

The Senior Vice President of HR and Sustainability is responsible for the strategic HR activities and the operative work is decentralised. Personnel issues related to diversity are handled by the remuneration committee and the diversity committee. Work environment and health-related issues are handled by local Work environment groups and central Work environment, Safety and Rehabilitation committees. All these groups include personnel and trade union representatives.

The work is followed up through target fulfilment by managers in the annual performance reviews, in the employee survey, in the salary assessment, as well as through reporting of non-compliance with the Code of Conduct and policies.

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Responsible purchasing**

LKAB is a major buyer of goods and services that in certain geographical areas and segments are subject to greater sustainability risks, mainly in terms of environmental impact, labour and human rights. LKAB manages the work through risk-based assessment, requirements in the form of a Supplier Code of Conduct, dialogue, training and monitoring. The work is conducted within the focus area Responsible operations. Read more about supplier assessments on pages 36-37 in the Annual and Sustainability Report.

LKAB's Supplier Code of Conduct applies to all suppliers and includes a number of basic requirements. Among these are anti-corruption, child labour, forced labour, working conditions and emissions/discharges to soil, water or air. Based on the risk assessment, suppliers are urged to conduct a self-assessment against the requirements.

The Director of Purchasing is responsible for supplier assessments and responsible purchasing. LKAB subsidiaries that make own purchases are continuously working with their own value chains. LKAB's sustainability department is responsible for developing common guidelines, follow-up and support the work that is undertaken.

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Interests of Sami villages**

LKAB's operations affect other activities such as reindeer herding. Respect for the reindeer herding and the Sami people's conditions to conduct such activities are the basis for LKAB's principles for collaboration and consent.

The principles include mutual respect and willingness to negotiate, open dialogue and access to information at an early stage. For certain larger projects, social impact assessments are performed. LKAB's Code of Conduct and guidelines for land use govern the work within the focus area Responsible operations.

Collaboration agreements with the Sami villages directly affected by the operations are a means of ensuring respect. Under these agreements measures and development efforts are planned and implemented, and principles for compensation for disturbances are discussed. The Senior Vice President of HR and Sustainability is responsible.

*Boundary: Within LKAB.*

#### **Urban transformation**

The location of LKAB's ore deposits requires communities to be moved to allow continued mining operations. This entails extensive consultation with municipalities, authorities, businesses and local residents.

LKAB has a significant impact on local communities as a major employer and business in the region, both because of the nature of the operations and through initiatives for local community development. Examples of collaboration include shared interests such as infrastructure to create attractive communities. Consultations are carried out related to the parts of the business that affect the local community.

The sustainability targets, as well as guidelines for land use and a remuneration model for real estate, published in 2015, governing the work are included in the focus area Attractive communities.

Read more on pages 29 and 42-45 in the Annual and Sustainability Report. See also 'Management of views on environment and society' in this appendix. The Senior Vice President of Urban Transformation, the Senior Vice President of HR and Sustainability together with the Senior Vice Presidents of Northern and Southern Division, and Market and Logistics are responsible.

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Anti-corruption**

LKAB's risks of corruption and inappropriate conduct are assessed in the Group's overall risk management. LKAB's values "Committed – Innovative – Responsible" and Code of Conduct direct the desired behaviour within the organisation and, for suppliers, there is a particular Supplier Code of Conduct. The work is carried out within the focus area Responsible Operations.

During 2016, the Code of Conduct was updated by highlighting the company's policies, but also by adapting it for more practical use. It has also been translated into Norwegian, English, German, Dutch and Chinese to meet employees' needs. Continuous training in the Code of Conduct has taken place through interactive discussions and the Code is now also part of the introduction of new employees. During 2016, work to develop a new interactive Code of Conduct training took place.

The reporting system for anonymous reporting of code violations for employees in LKAB was implemented in January 2016. LKAB's Ethics Committee is responsible for ethics and anti-corruption is-

sues. The Council includes the General Counsel, Director of Human Resources and Sustainability and the CFO.

Cases of corruption and arbitrary conduct are reported in the annual and sustainability report.

The ethics committee, which includes the Senior Vice President of HR and Sustainability, the Senior Vice President of Group Control and the Legal Director, is responsible for ethics and anti-corruption issues.

**Corruption:** Cases where employees use their position in the company for personal gain.

**Arbitrary conduct:** Cases where employees are subject to employment law consequences due to violations of the employment contract.

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Emergency preparedness**

The nature of the operations means that LKAB has a responsibility to prepare to deal with the unexpected. In particular, this applies to the parent company and production facilities. Plans and organisation for managing various types of crises are in place, as are training activities, which take place regularly. The risk committee and the Chief Risk Officer (CRO) in LKAB are responsible for structure and for ensuring that training is conducted. Training programmes and events are followed up and improvements are implemented in the procedures. These efforts are conducted within the focus area Responsible operations.

Each manager is responsible for the local crisis organisation. The Senior Vice Presidents of the Northern Division and Southern Division, are responsible for emergency preparedness in the production, and President is ultimately responsible for the Group. A special Group-wide risk management function is established with a Chief Risk Officer (CRO).

*Boundary: Within LKAB and outside LKAB's operations.*

#### **Closure plan**

LKAB is a major employer and generates employment outside the direct operations. Closure would mean significant change for the local community. Since the operations also affect the surrounding environment, remediation plans are legally required already in the permit application process. In addition to plans, there is a budget to manage long-term consequences of mine decommissioning. The efforts are conducted within the focus area Responsible operations.

LKAB's remediation plans are governed by laws and requirements from supervisory authorities and aim to remediate the landscape, so that it can again function as a nature area. In addition to statutory measures, LKAB strives to implement so-called ecological remediation. The remediation plan is an integral part of operating plans and is communicated with the permit granting authority. Read more in the Annual and Sustainability Report on pages 46–47, the paragraph Remediation and the section Urban transformation. The Senior Vice President of HR and Sustainability is responsible.  
*Avgränsning: inom LKAB*

#### **Human Rights**

LKAB's social responsibility extends to our local communities, our supply chain and our customers. During 2016, LKAB adopted a policy for human rights. The project team consisted of members from different parts of LKAB as well as subsidiaries. The policy

was also reviewed by a third party before being approved. A short description of the policy has been included in the Code of Conduct and in the related interactive training. Read more under Responsible purchasing, Interests of Sami villages and Urban Transformation.  
*Boundary: Within LKAB and outside LKAB's operations.*

## **INDICATORS**

The indicators of the GRI framework can be of both descriptive and quantitative nature. All material indicators shall, as far as possible, be reported in the main document, LKAB's Annual and Sustainability Report 2016. A few indicators are reported in their entirety in the appendix, which is indicated in the index, and in several cases, additions or clarifications are made in the appendix.

## **ECONOMIC**

### **G4-EC1 Direct economic value generated and distributed + Mining and Metals Sector Supplement**

LKAB has no operations in countries included in the EITI (Extractive Industries Transparency Initiative). Extraction occurs only in Sweden and Turkey.

## **ENVIRONMENTAL**

### **G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas**

No new natural areas with known high biodiversity have been utilised in 2016, in a way that could imply that certain species would be affected negatively either locally or regionally, or in such a way that the survival of a species is threatened. Read more on existing activities under the description of DMA for Biodiversity.

### **G4-EN15 Direct carbon dioxide emissions**

LKAB reports on the greenhouse gas carbon dioxide. The calculation methods are linked to national legislation and the EU Emissions Trading System.

The emissions are caused by fuels and additives used for pellets production. The emission factors used for each fuel and additive are regulated through permits for carbon dioxide emissions.

### **G4-EN16 Indirect carbon dioxide emissions**

The indirect emissions are caused by electricity and are calculated using the electricity supplier's emission factors. In 2016, parts of the purchased electricity originated from fossil-free sources.

### **G4-EN21 NO<sub>x</sub>, SO<sub>x</sub> and other significant air emissions + Mining and Metals Sector Supplement**

Determination of emissions to air and discharges to water is based on samplings regulated in self-monitoring programmes and measured water resources and, in some cases, calculations based on volumes of consumed fuel and emission factors or mass balance calculations. Mass balance calculations are made for the pellets production for SO<sub>2</sub>, F and HCl. Both mobile and stationary sources are covered by environmental permits and included in the reported data. More information on data measurement points and measurement techniques are available in LKAB's annual environmental reports and self-monitoring program submitted to supervisory authorities.

**G4-EN24 Total number and volume of significant spills + Mining and Metals Sector Supplement**

LKAB is working continuously to identify and address unsafe situations or facilities where spills may occur through risk and incident reporting and risk analyses. The table below is included

in the supervision and statistics. No spills during the year have qualified for inclusion in the financial statements (defined as penalty or other damage that has significant impact on the financial assets, such as a dam failure or the like). See table below.

G4-EN24 SPILL	KIRUNA	MALMBERGET	SVAPPAVAARA	NARVIK	LULEÅ
Number of significant spills (reported to authority)	7	5	3	0	2
Volume (m <sup>3</sup> )	1,345	1,000	1,300	n/a	8,000
Description of spill reported to authority	Spills have occurred within the industrial area. The spills has been sanitised and no effect have been identified.	During 2016, a number of significant spills occurred in Malmberget, but these have according to LKAB not caused any harm to human health or the environment since decontamination measures have been taken.	In 2016, three significant spills occurred in the industrial area Svappavaara. All spills fell on hard surface and could be decontaminated immediately. These have according to LKAB not caused any damage to human health or the environment.		In 2016, two major spills occurred at Uddebo, Lulea. The spills have not caused any damage to human health or the environment as decontamination measures have been taken.

**G4-EN29 Significant fines and other sanctions due to non-compliance with environmental laws and regulations**

LKAB has not been subject to any fines or sanctions related to environmental matters in 2016.



**G4-EN33 Significant actual and potential negative environmental impacts in the supply chain and actions taken**

Since combined audits are carried out within LKAB and its subsidiaries, all reported data from the corresponding G4-EN33, LA15 and HR11 are reported under this item. Audits are performed by the

Purchasing and Quality department as well as by the subsidiary LKAB Minerals. A total of 42 audits were conducted with regard to demands in the Supplier Code of Conduct related to indicators G4-EN33, LA15 and HR11. Results are reported in the table below for the respective indicator and department.

	LKAB MINERALS	LKAB	TOTAL
<b>Number of suppliers audited with regards to:</b>			
G4-LA15 Labour practices	26	17	43
G4-HR11 Human rights	26	16	42
G4-EN33 Environment	26	17	43
<b>Number of suppliers identified as having actual and significant impact on:</b>			
G4-LA15 Labour practices	24	8	32
G4-HR11 Human rights	24	7	31
G4-EN33 Environment	24	7	31
<b>Significant actual and potential negative impacts identified in the supply chain:</b>			
G4-LA15 Labour practices	Deficiencies regarding employment contracts and labour conditions, health and security. Identified at the supplier and in its value chain.	Deficiencies regarding employment contracts and labour conditions, health and security. Identified at the supplier and in its value chain.	
G4-HR11 Human rights	Limited proceedings in the handling of grievances. No preventive work on child labour.	Deficiencies regarding forced labour. No preventive work on child labour.	
G4-EN33 Environment	Deficiencies regarding both internal and external work environment.	Deficiencies regarding both internal and external work environment.	
<b>Percentage of suppliers identified as having significant actual and potential negative impacts with which improvements were agreed upon:</b>			
G4-LA15 Labour practices	100%	100%	
G4-HR11 Human rights	100%	100%	
G4-EN33 Environment	100%	100%	
<b>Percentage of suppliers identified as having significant actual and potential negative impacts with which relationships were terminated as a result of assessment and why:</b>			
G4-LA15 Labour practices G4-HR11 Human rights G4-EN33 Environment	Improvement plans for all 26 suppliers have been developed.	Improvement plans for all 17 suppliers have been developed.	

**G4-EN34 Number of grievances about environmental impacts filed and addressed, G4-LA16 Number of grievances about labour practices filed and addressed, G4-HR12 Number of grievances about human rights filed and addressed, G4-SO11 Number of grievances about impacts on society filed and addressed**

No cases of negative impacts on human rights have been reported during 2016. Both internal and external stakeholders are able to submit comments or complaints related to our operations. The comments may refer to the environment, the work environment and labour rights issues or issues concerning community and supplier relations. The comments reach the company through many different channels; for example, via telephone, email and mail.

*Omission:* The omission regards G4-LA16 as LKAB is evaluating the reporting mechanism. The objective is to systematise grievance management, by using the existing incident reporting mechanism Synergi to handle all reporting matters regarding LKAB's operations. The objective is to launch the new system in 2017.

#### LKAB 2016 - KIRUNA, MALMBERGET, SVAPPAVAARA, NARVIK

Reported environmental matters	
Total number of complaints concerning environmental impact	82
Identified complaints that were addressed during the period	77
Identified complaints concluded during the period	77
Number of previous complaints completed during the period	0
Reported societal matters	
Total number of accident reports received during the period	15
Injury reports that were addressed during the period	15
Injury reports approved during the period	0
Number of reported losses that were rejected during the period	0
Number of previous damage claims granted during the period	0
Number of previous damage claims that were rejected during the period	20

## SOCIAL RESPONSIBILITY - LABOUR PRACTICES AND DECENT WORK

**G4-LA1 Total number of employees and employee turnover**

METRICS	RESULT 2016
Number of newly recruited permanent employees	148
Women's proportion of newly recruited permanent employees, in percent	30%
Number of external recruitments in relation to permanent employees as of 31 December previous year	3.42%
Number of external departures in relation to permanent employees as of 31 December previous year	7.59%
Number of permanently employed women who left during the year	45
Number of permanently employed women aged <30 who left during the year in the region Sweden/Norway	10
Number of permanently employed women aged 30-50 who left during the year in the region Sweden/Norway	21
Number of permanently employed women aged >50 who left during the year in the region Sweden/Norway	12
Number of permanently employed men who left during the year	280
Number of permanently employed men aged <30 who left during the year in the region Sweden/Norway	33
Number of permanently employed men aged 30-50 who left during the year in the region Sweden/Norway	54
Number of permanently employed men aged >50 who left during the year in the region Sweden/Norway	176

#### G4-LA6 Injuries, occupational diseases, lost days, absenteeism and work-related fatalities

METRICS	RESULT 2016	COMMENT	BOUNDARY
Reported occupational diseases per 1,000 employees	3.0	12 reported accidents in total	Sweden
Number of accidents leading to absence, employees	49	47 of reported accidents involved LKAB employees. 2 incidents involved temporary hired staff and an intern	Group-wide
Number of accidents leading to absence, women	5	Gender of injured is only indicated in Sweden and Norway. Not mandatory to report for temporary hired staff	Sweden/Norway
Number of accidents leading to absence, men	41	Gender of injured is only indicated in Sweden and Norway. Not mandatory to report for temporary hired staff	Sweden/Norway
Number of accidents leading to absence, Sweden/Norway	48		Sweden/Norway
Number of accidents leading to absence, other countries	1		Other countries
Number of accidents leading to absence, contractors	19		Sweden including LKAB Minerals
Fatalities due occupational accidents, employees	0		Group-wide
Fatalities due occupational accidents, contractors	0		Group-wide
Accident frequency for employees, based on the number of accidents with following absence per million hours worked	6.9	The 2021 target is maximum 3,5	Group-wide
Accident frequency for entrepreneurs (calculation as above)	4.1	Number of reported accidents is 19	Group-wide
Most common type of injury		Hand and wrist injuries are the most common	Group-wide
Number of working days lost due to accidents	605		Group-wide excluding LKAB Minerals

#### G4-LA12 Diversity among the Board, Group management and workforce

METRICS	2016	2015
Percentage of women in LKAB's management team	22	30
Percentage of women in LKAB's Board of Directors	27	27
Average age, LKAB's management team	52	51
Average age, LKAB's Board of Directors	60	61

*Omission:* Ethnic diversity (individuals born abroad) is only reported for Swedish operations.

#### PERMANENT EMPLOYEES IN SWEDEN

AGE	2016	2015
- 24	191	215
25-29	455	503
30-34	428	432
35-39	377	360
40-44	428	484
45-49	561	572
50-54	560	578
55-59	460	452
60-	225	296

#### SOCIAL RESPONSIBILITY – HUMAN RIGHTS

##### G4-HR8 Violations of the rights of indigenous peoples

No violations of indigenous rights were reported in 2016.

##### G4-HR9 Operations that have been subject to human rights reviews or impact assessments

A method for a Group-wide way of working is being developed, and is planned to be completed and implemented during 2017.

#### ADDITIONAL SECTOR DISCLOSURES MINING AND METALS

##### G4-MM2 Biodiversity management plans

LKAB conducts operations at six sites relatively close to protected areas or areas with high biological status. The operations are located in Kiruna, MalMBERGET, Svappavaara (Gruvberget/Leveäniemi have the same landfill area as Svappavaara, and are considered part of the same site), Mertainen, Masugnsbyn and a site in Turkey. All areas, apart from the site in Turkey, are covered by Swedish environmental legislation. The Swedish sites, which account for 83 percent of LKAB's production, are within the scope of the Group's guidelines for land use. The guidelines state that the operation method to be used to the extent possible is the so-called Mitigation hierarchy.

In addition, there are management and compensation plans for Mertainen and parts of Svappavaara (new landfill area Svappavaara).

As for LKAB Minerals quarry in Turkey, there is no separate management plan for biodiversity. The site is located on forest land owned by the Turkish government. To receive permits and the necessary licenses to operate in this area, environmental reports must be compiled. In the environmental report, there is a section on Fauna & Flora. It specifies which species are in the license area, and that these species are not affected by LKAB Minerals' activity. After LKAB Minerals' completion of quarrying, the area will be designed so that it is suitable for replanting of trees, which is executed by the Ministry for Forestry. The cost for this part of replantation is part of the original license.

##### G4-MM5 Activities adjacent to traditional areas of indigenous peoples, and agreements with indigenous peoples

LKAB has signed agreements with the three Sami villages affected by LKAB's operations.

##### MM10 – Plan for closure

LKAB has six operations with closing/remediation plans in accordance with environmental permits; five in Sweden and one in Turkey. LKAB has thus plans for 100 percent of its operations in response to such requirements. LKAB has allocated a total of 1,276 million kronor for remediation.

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MM = Metals and Mining Sector Specific Disclosures

● = Incomplete information. See GRI appendix for information.

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