



GRI APPENDIX
TO ANNUAL AND
SUSTAINABILITY REPORT
2014

LKAB SUSTAINABILITY REPORT

2014 – GRI APPENDIX

For 2014, LKAB reports its sustainability efforts in accordance with Global Reporting Initiative's (GRI) updated guidelines, G4. The following appendix contains additions and clarifications to LKAB's Annual and Sustainability Report. The sustainability aspects included in the report are based on LKAB's material issues.

ABOUT LKAB'S REPORTING 2014 AND GRI APPENDIX

LKAB's Annual and Sustainability Report contains descriptions of targets, strategies and the operation's performance, both from a financial and non-financial perspective. The report has been prepared in accordance with the principles of the framework for sustainability reporting, G4 issued by GRI, Global Reporting Initiative.

LKAB's reporting provides information to many different stakeholders, which places demands on accessibility and clarity. The issues defined as material for LKAB, in the context of sustainable development, are reported in the sustainability report in the form of descriptions and reporting of data. LKAB reports GRI indicators that require detailed descriptions of accounting principles and processes, in this GRI appendix.

This GRI appendix reports standard disclosures according to GRI as well as disclosure on management approach for material aspects. A GRI index is available in the Annual and Sustainability Report, as well as at the end of the appendix. Any deviation from GRI's indicators are specified in the GRI index and are described in this appendix. The GRI index refers to both the Annual and Sustainability Reports and to the appendix.

STANDARD DISCLOSURES

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, and is supplemented in the appendix on employment contracts and types, as well as the coverage of collective bargaining agreements.

At year-end, LKAB had 4,361 permanent employees, of which 3,515 men and 846 women. Of the employees, 1,527 were white-collar employees and 3,189 were blue-collar employees. In total, 48 people were part-time employees, of which 21 women. 355 people were temporary employees, of which 231 were men and 124 women. Employees with young children are able to choose between full-time and part-time employment. The number of employees (on average), including part-time and temporary employees was 4,539 individuals.

All employees in LKAB in Sweden and Norway are covered by collective bargaining agreements, with the exception of Group management. This represents 92.5 percent of the workforce.

G4-14 Application of the precautionary principle

As part of the 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.

G4-15 External charters, principles and initiatives

United Nations Global Compact – LKAB is not formally associated with 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, as well as in the Supplier Code of Conduct.

GRI (Global Reporting Initiative) – Since the reporting year 2008, LKAB applies GRI's sustainability reporting guidelines in accordance with the directive from the owner. As of the reporting year 2014, LKAB applies the new version G4.

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.

UNICEF's Children's Rights and Business Principles – LKAB requires compliance with the international children's rights principles 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 Swedish mining sector, which also includes the Mining Employers Association (Gruvornas Arbetsgivareförening (GAF))

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

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-18 Process for defining report content

During 2014, LKAB has been working on a materiality analysis based on earlier work that has been reviewed, calibrated and updated. Within LKAB, the materiality analysis constitutes decision support for the sustainable development strategy, and sets the boundaries for the content of the sustainability report. The report is in accordance with GRI's principles and requirements for the Core option.

Background

LKAB has long been working to integrate sustainability issues in its operations and, in so doing, contributes to sustainable development. In 2012, LKAB's Board of Directors approved the first group-wide strategy termed "strategy for sustainable development". The strategy was based on a previously conducted materiality analysis and reflected the economic, social and environmental responsibility. The strategy defined four focus areas – attractive LKAB, attractive communities, responsible operations and resource-efficient production. The work within the focus areas was conducted with the ambition to achieve the agreed objectives. The targets are reported on page 5 in the Annual and Sustainability Report.

Principles of materiality analysis

The definition of material issues uses GRI's principles of sustainability context, stakeholder inclusiveness, materiality and completeness.

Identification of material aspects

The process of identifying the material aspects comprises three steps: business intelligence, stakeholder analysis and internal identification.

Business intelligence – Sustainability issues that are essential to 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 international initiatives and management systems
- 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 our stakeholders to identify issues and expectations, as well as to validate the ongoing work and priorities. In January 2013, LKAB conducted a focused stakeholder dialogue with about 15 representatives of various stakeholder groups regarding LKAB's responsibility. Read more in Stakeholder relations.

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: 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 estimates that management, procedures and monitoring are in place.

The bases for prioritisation based on the internal perspective are:

- LKAB's customer promise, Performance in Ironmaking.
- LKAB's corporate strategy that 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.
- LKAB's ambition to create wealth by being one of the most innovative and resource-efficient mining companies in the world.

Validation of the materiality analysis

LKAB validates the prioritised aspects annually 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

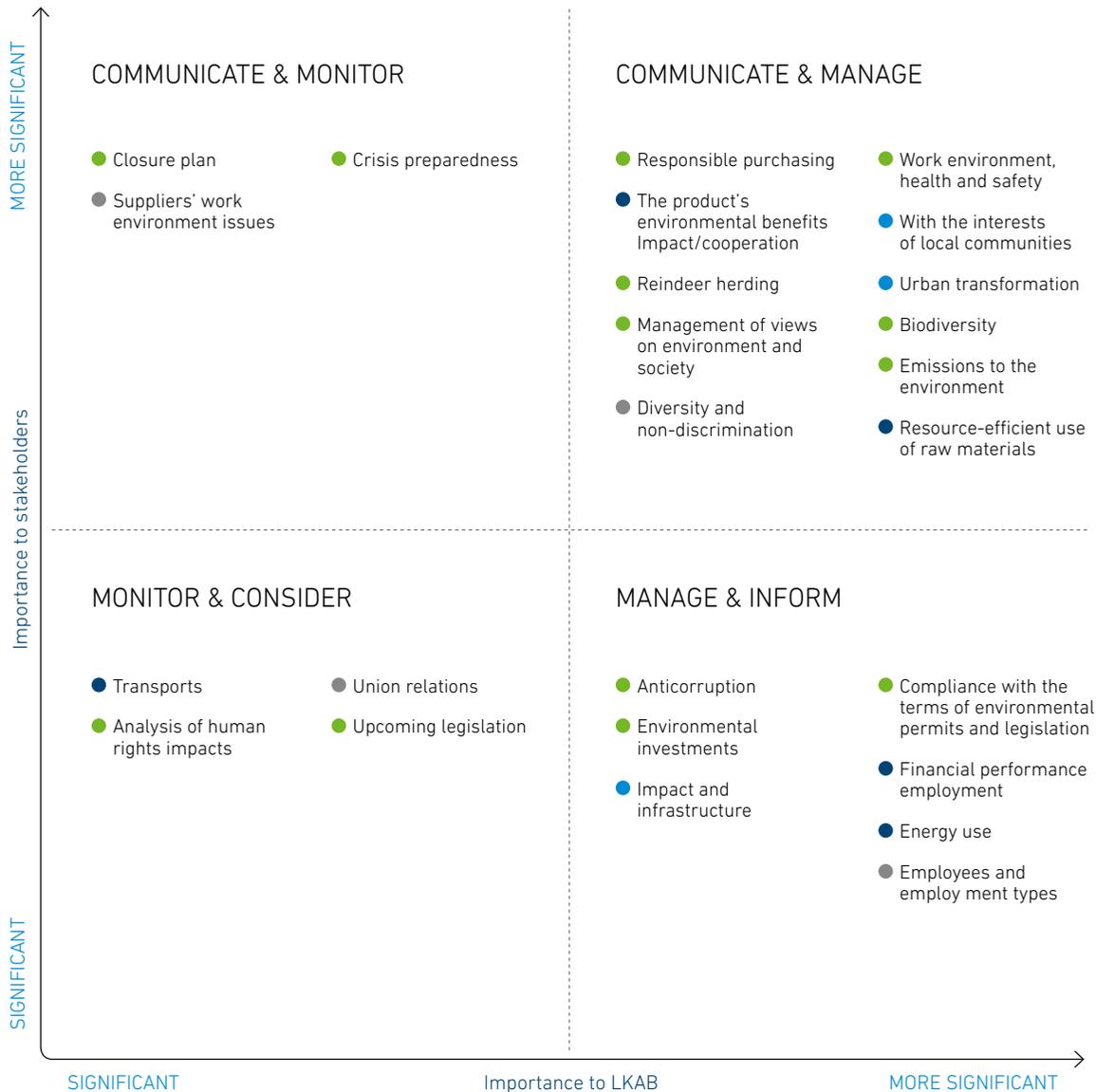
The boundaries for LKAB's responsibility are described for each material aspect in the GRI appendix in the section Specific standard disclosures. There, it is specified if the aspect is material within the organisation (LKAB Group) or outside it (any part of our value chain).

Results: LKAB's materiality analysis

The results of the materiality analysis are shown in a schematic illustration. It 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.
- **Watch and consider:** The aspects are essential, but not prioritised at the moment. They may be emerging issues and need further observation or internal monitoring.



Impact on sustainability reporting

The Annual and Sustainability Report deals with the aspects deemed to be material based on dialogue with stakeholders and has 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 is seen as a recurring task. The reason for updating it may include the 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.

Responsibility for the materiality analysis

LKAB's Department for Sustainable development 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's units and subsidiaries.

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

G4-19 Material aspects

For material aspects, see the illustration of the matrix on the previous page. The table below can be used for cross-reference between the aspects that LKAB has identified as material and the GRI aspects, as well as the indicators that LKAB chose to report as a result of the analysis.

IDENTIFIED MATERIAL ASPECT	ISSUE, GRI	G4-INDICATOR
Economic performance	Economic performance	G4-EC1 G4-EC3
Impact employment and infrastructure	Indirect economic performance	G4-EC8
Resource-efficient use of raw materials	Materials	G4-EN1
Energy use	Energy	G4-EN3 G4-EN5 G4-EN6
Biodiversity	Biodiversity	G4-EN11 G4-EN12 G4-EN13 MM2
Emissions to the environment	Emissions	G4-EN15 G4-EN16 G4-EN21
	Emissions to water, spills and waste	G4-EN24 MM3
Environmental benefits of products	Products and services	G4-EN27
Compliance with the terms of environmental permits and legislation	Compliance	G4-EN29
Environmental investments	General, environment	G4-EN31
Handling of views environment and society	Grievance mechanism environment	G4-EN34
	Grievance mechanism labour conditions	G4-LA16
	Grievance mechanism human rights	G4-HR12
	Grievance mechanism impacts on society	G4-SO11
Employees and employment types	Employment	G4-LA1 G4-LA2
Working conditions, health and safety	Health and safety	G4-LA6
Diversity and non-discrimination	Diversity and equal opportunity	G4-LA12
Suppliers' labour practices	Supplier screening labour practices	G4-LA14
Responsible purchasing	Supplier screening labour practices	G4-LA14
	Supplier screening human rights	G4-HR10
Interests of reindeer herding	Rights of indigenous peoples	G4-HR8 MM5
Urban transformation	Local community	G4-SO2 MM6
	Resettlement (settlements)	MM9
Anti-corruption	Anti-corruption	G4-SO4 G4-SO5
Emergency preparedness	Emergency preparedness planning	MM G4-DMA
Closure plan	Closure plan	MM10

G4-20 Boundaries for material aspects within the organisation

The boundaries for material aspects are described under Specific standard disclosures for each aspect, in connection with DMA.

G4-21 Boundaries for material aspects outside the organisation

The boundaries for material aspects are described under Specific standard disclosures for each aspect, in connection with DMA.

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

Data on discharges to water in Malmberget have been corrected retroactively for the years 2010-2013 due to a measurement error. For information on discharges to water, see the Annual and Sustainability Report, page 43.

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

In the process of transition to G4, LKAB has conducted a review of the materiality analysis, see the description of the process in G4-18-19. One consequence of this is that the responsibility for supply chain, anti-corruption and human rights assessments has been clarified in the report. Another consequence is that industrial waste and sorting grade are not reported.

The boundaries for reporting on energy and carbon dioxide have been changed, since rail transport has been included in the energy and carbon reporting for 2014. As of 2014, the carbon dioxide reporting also includes emissions from places of operation, including Narvik and Luleå. Changes in the method for calculating the volume of tailings in Kiruna have been implemented, and the calculation method for Svappavaara has been improved.

STAKEHOLDER ENGAGEMENT**G4-24 Stakeholder groups,****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, neighbours, interest groups, as well as reindeer husbandry and tourism. Read more on page 13 in the Annual and Sustainability Report.

G4-26 Approach to stakeholder engagement, G4-27 Key topics raised through stakeholder engagement

To get access to new land, to be able to mine more iron ore and continue to refine our products, we need our stakeholders' trust and acceptance of our operations. We meet and communicate with our stakeholders in various ways and we are working more actively to deal with the issues that arise.

Customers: LKAB has close relationships with customers and – through regular customer meetings, collaboration projects and conferences, we have an ongoing dialogue about the issues that are most material from the customer perspective: financial stability, quality and price, security of supply, climate-smart products, complaints management, ethics and anti-corruption, climate and environment.

Employees: We meet our employees at workplace meetings, performance reviews, strategy days, safety representative meetings and in regular employee surveys. Here, important issues are captured: profitability, health and safety, remuneration and professional development, values, collective agreements, attractive local community, diversity and equality and the value of nature.

Suppliers and contractors: The dialogue is maintained in regular meetings and supplier days when we secure consensus on how the company relates to the issues highlighted as essential: profitability, cooperation issues, safety and work environment, climate and environment.

Neighbours: Our presence and impact is most evident in our operating locations. Here, the need for communication channels and dialogue is paramount and we must be accessible and close. To facilitate more meetings and dialogue occasions we have information offices. Incoming comments, complaints and questions regarding the operations are managed continuously. We publish an information magazine, LKAB Future, which is distributed to all neighbours. We are also active on the web and in social media. Important topics are urban transformation, collaboration, attractive community, new housing, climate and environment, value of nature, mobility and infrastructure.

Reindeer herding industry: LKAB's ambition is to sign cooperation agreements with the reindeer herding affected by our operations. Currently it covers cooperation agreements with two Sami villages. Individual and public meetings are held within the scope of the collaboration agreements, but also in other contexts, in order to find common solutions that minimise disturbance to the reindeer herding industry.

Tourism industry: LKAB collaborates with other important industries in the region through individual and public meetings where important issues are raised such as, cooperation and understanding, attractive local community, value of nature, hunting and fishing.

Interest groups: Consultation meetings and other meetings are held with interest groups around specific issues such as environment, value of nature and urban transformation. To drive and encourage debate around various key issues we are members of Euromines, the environmental committee of Jernkontoret and the industry association SveMin, of which the Mining Employers Association (Gruvornas Arbetsgivareförening, GAF) is also a part.

Authorities and legislators: We have dedicated roles/functions within LKAB that hold a closer dialogue with authorities, policy-makers and political representatives at the national and the EU level. Regular individual and public meetings are held with affected authorities, county councils and municipal authorities on issues related to urban transformation, climate and environment, permits, land and planning issues.

Owner: LKAB's owner is the Swedish state, which is represented on the Board at the Annual General Meeting. Apart from this, individual meetings are held with representatives of the owner. From an owner's perspective, the most significant issues are: profitability, growth, equality and diversity, ethics and corruption, labour standards, human rights, climate and environment, and urban transformation.

As part of our sustainability efforts we also conduct specific dialogues with a smaller, strategic selection of stakeholders. In these, we focus on our role as a responsible company and on social and environmental issues. The results from this year's meetings were the basis for the continuous process of assessing the sustainability strategy and for developing the Sustainability Report by affecting the assessment of material issues.

REPORT PROFILE

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

LKAB annually reports its sustainability work in accordance with GRI, per calendar year and the report is issued in March. The most recent report was published in March 2014.

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. Page 1 of the Annual and Sustainability Report specifies which pages are subject to external review. 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

OVERALL SUSTAINABILITY MANAGEMENT APPROACH

LKAB's sustainability work is managed on the basis of the values "Committed – Innovative – Responsible", the sustainability strategy and the Code of Conduct. Sustainability targets are set by the Board in order to ensure that LKAB fulfils the owner's requirements with regard to the company's development into a model of sustainability.

LKAB's sustainability strategy is the basis for the improvement. The four focus areas bring together the work, and all material aspects for the sustainability work are part of a focus area.

The overall responsibility lies with LKAB's Board; read more in the Corporate Governance Report in the Annual and Sustainability Report. Operational responsibility for the sustainability work lies with the President. Since 2013, there is a special unit, the Department for Sustainable Development, which is represented in Group Management team by a Senior Vice President of Sustainable Development. The unit is responsible for developing LKAB's position as a sustainable company and will support the Group's sustainability work.

In 2013, an ethics committee was established with a mandate to monitor and handle violations of the Code of Conduct. The chair of the ethics committee is the Senior Vice President of Sustainable Development, and the committee also includes the Senior Vice President Human Resources, the Senior Vice President of Group Control and the Legal Director. During 2014, the ethics committee has handled corruption and discrimination issues, and the implementation of a reporting system for anonymous reporting of Code of Conduct violations. The system is being set up and implementation commenced in 2014. The work will continue in 2015.

MONITORING AND EVALUATION

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

LKAB reports outcomes of sustainability information through Credit360, with the exception of HR data that is 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.

The internal quality auditors, as well as the external review of the Sustainability Report, evaluate data collection and the quality of processes. The Senior Vice President Human Resources is responsible for strategic HR activities and the operational work is decentralized. Personnel matters are handled in 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.

ECONOMIC (DMA)

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 are substantial. 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

ENVIRONMENT (DMA)

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, the 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. In addition to regular follow-up by ensuring permission levels based on 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 event 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 Sustainable Development has the overall responsibility for environmental aspects, except for energy and climate, for which the Senior Vice President of Energy and Climate is 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 Malmfälten in northern Sweden, and also uses feedstock for the

production of iron ore pellets. The mining requires environmental permits; see also the section Compliance with the terms of environmental permits and legislation.

For long-term operations, LKAB needs to secure a new ore base and has a volume target until the year 2020. Read more about the process and the volumes in the section Growth, pages 44–48 in the Annual and Sustainability Report, about the ore base and extraction on page 136 and about the value chain from exploration, mining, processing and transportation to customers on page 12. See also the report in this appendix, page 9, 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 keep both costs down and to limit the impact on the environment. LKAB is one of Sweden's biggest energy users.

The environment and energy policy sets the direction and energy use is one of the sustainability targets. LKAB is certified according to the energy management system ISO 50001. 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, and Life Cycle Cost calculations are required in projects. Energy use is followed up on an increasingly detailed level. LKAB has no own production, but delivers residual heat to nearby communities in Kiruna.

Boundary: Within LKAB

Biodiversity

LKAB's operations affect the landscape in several ways, for example by the construction of overburden stockpile or open-pit mining. This is why LKAB has the responsibility and obligation to restore the area through planned remediation measures and to create new environments that become a natural part of the surroundings.

In connection with the remediation work, which can be done gradually and/or after operations have ceased, safety, environmental, economic and aesthetic aspects are to be taken into account. In this work, LKAB interacts with the supervisory authorities. The efforts are governed more specifically by guidelines for land use, waste management plans, permits and remediation plans. These are followed up in consultation with authorities.

Boundary: Within LKAB

Emissions (air, water) and waste

LKAB's carbon dioxide emissions, mainly from pellet production and heating of air to the mine ventilation, are significant from a national perspective, even if they are lower than for corresponding 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 make up the framework for ambitions and also constitute a tool for follow up. LKAB is part of the EU Emissions Trading System (EU ETS), which has the aim 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.

The mining operations result in large quantities of waste in the form of surrounding rock and tailings. The surrounding rock is stockpiled in mining industry areas 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 minimize impact. Possible impacts are continuously monitored through self-monitoring programmes within the constraints of the permits and conditions imposed on LKAB's operations. Read more in the section Compliance with the terms of environmental permits and legislation.

Boundary: Within LKAB

Products with environmental benefits

Development of smart 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 smart 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 Energy and Climate and the Senior Vice President of Research and 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 Mining Division. Operations cannot run without environmental permits. The most important environmental permits refer to large-scale mining and processing plants for iron ore products in Malmfälten, 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 next 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 im-

portant, both regarding daily operations and unforeseen events. In LKAB, environmental events are continuously filed, addressed and reported back. Follow-up takes place primarily in the concerned departments, but also via the 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

Environmental investments

Investments in treatment facilities and research in order to reduce environmental impact and develop products with environmental benefits are important to the operations, partly to be able to contribute to national and company-specific environmental targets, but also to keep ahead of anticipated future legislation.

LKAB's investments are governed by sustainability targets and are conducted in the budget and business planning work. They are followed up within the objectives and plan work and are partly reported in the Sustainability Report or within specific research projects. The work is conducted within the focus area Resource-efficient production.

The responsibility is shared between the CFO, the Senior Vice President of Energy and Environment, the Senior Vice President of Sustainability, the Senior Vice President of Research and Development and the Senior Vice President of Production and Logistics.

Boundary: Within LKAB and outside LKAB's operations

SOCIAL (DMA)

General

LKAB has a great responsibility for employees and others who work on our behalf. Social responsibility also extends to the purchasing phase and the customer phase. The vast impacts that the operations have locally on the operating locations and that the urban transformation entails involve additional responsibility for LKAB.

The Code of Conduct, the Supplier Code of Conduct, the work environment and personnel policy, and the sustainability strategy and sustainability targets govern operations. The targets are followed up on a quarterly basis, so that they can be reported to the the Board. 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 Human Resources is responsible for strategic personnel issues including competency supply issues. LKAB's purchasing organisation is responsible for cooperation with suppliers and subcontractors.

The Director of Urban Transformation is responsible for the implementation of the action plan for the urban transformation.

During 2014 approximately 500 people completed Code of Conduct training and further efforts are planned.

Employees and employment types

LKAB has many employees and has had major recruitment needs. This must now be adapted to the organisation in response to a new market situation. The responsibility for employees and for the working conditions of contractors is significant. LKAB is a major employer in the locations of operation in Malmfälten. The work is governed by the Code of Conduct, Supplier Code of Conduct, personnel policy and manual, work environment policy and information policy. The work is conducted within the focus area Attractive LKAB.

The President has overall responsibility and delegates it through the line of operations. Senior Vice President Human Resources is responsible for strategic HR activities, including skills-supply 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 representatives of personnel and trade unions. The work is monitored by assessing the performance of established targets and the reporting is done using the HR department's systems.

In recent years there has been a major focus on recruitment and there are targets to ensure competent employees for each role. 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 last employee survey was done in 2013. In 2014 the organisation worked with the results. LKAB views internal information as an important success factor and the intranet and supplier portal are sources of information.

Boundary: Within LKAB and outside LKAB's operations

Work environment, health and safety

LKAB's operations are associated with work environment 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, 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, which aims 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 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 good psychosocial work environment. The Mining Division has introduced a model called the Leader's Framework, which provides a framework for sound leadership and a sound psychosocial work environment in the workplaces.

Boundary: Within LKAB and outside LKAB's operations

Diversity and non-discrimination

Given the imbalance of gender diversity, 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. The work is conducted within the focus area Attractive LKAB and is part of LKAB's sustainability targets, both in terms of number of women and also recruitment targets.

The Senior Vice President Human Resources is responsible for the strategic HR activities and the operative work is decentralised. Personnel issues related to diversity are handled in 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 representatives of personnel and trade unions.

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 where in certain geographical areas and segments that 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 32-34 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. LKAB's buyers have undergone sustainability training.

The Director of Purchasing is responsible for supplier assessments and responsible purchasing.

Boundary: Within LKAB and outside LKAB's operations

Supplier monitoring – working conditions

See Health, safety and work environment and Responsible purchasing.

Boundary: Within LKAB and outside LKAB's operations

Interests of the reindeer herding industry

LKAB's operations affect other industries such as reindeer herding. Respect for the reindeer herding industry and ample scope for the Sami to engage in 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. For certain larger projects, social consequence 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 Sustainable Development is responsible.

Boundary: Within LKAB

Impact/interaction with local communities

LKAB has a significant impact on local communities as a major employer and business actor, given the character of operations, and through initiatives for developing the local community.

Collaboration takes place within mutual interests such as infrastructure to create attractive communities. Consultation is undertaken around the areas of operations that affect the local community. Sustainability targets and guidelines for land use and compensation direct the efforts. The work is conducted within the focus area Attractive communities. Read more in the Annual and Sustainability Report on pages 13 and 44-54 (Stakeholders, the sections on Growth and Urban transformation). See also Handling of comments – environment and society.

The Director of Urban Transformation, the Senior Vice President Human Resources and the Senior Vice President of Production and Logistics are 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, business and neighbours. The sustainability targets, as well as land use guidelines governing the work are found within the focus area Attractive communities. The operational work is described in the operational planning and is followed up as part of the planning.

The Director of Urban Transformation is responsible.

Boundary: Within LKAB and outside LKAB's operations

Anti-corruption

LKAB's risks of corruption and improper behaviour 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 conducted within the focus area Responsible operations.

Employees are continuously trained in the Code of Conduct through interactive discussions and the Code is part of the induction for new employees.

A reporting system for anonymous reporting of deviations from the Code of Conduct for LKAB employees is being set up and implementation began in 2014. The work will continue in 2015.

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

Boundary: Within LKAB and outside LKAB's operations

Handling of comments – society

See Handling of comments – environment and society

Boundary: Within LKAB

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 for managing various types of crises are in place, as are crisis organisation and training activities, which take place regularly. The risk committee in LKAB is responsible for the structure and for ensuring that training is conducted. Training programmes and events are followed up and improvements are implemented in the procedures efforts are conducted within the focus area Responsible operations.

Each manager is responsible for the local crisis organisation. The Senior Vice President of Production and Logistics is responsible for emergency preparedness in the production, and the 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, which is why plans for this are very important. Since the operations also affect the surrounding environment, remediation plans are also legally mandated already in the permit application. 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 page 42 and 49-54, the paragraph Remediation and the section Urban transformation.

The Senior Vice President of Sustainable Development is responsible.

Boundary: Within LKAB

INDICATORS

All material indicators shall, as far as possible, be reported in the main document LKAB's Annual and Sustainability Report 2014. For 2014, LKAB makes a few omissions from the information requirements that GRI indicators involve, and these are clarified in the appendix. A few indicators are reported in their entirety, which is indicated in the index, for instance LA1, LA2 and SO11 and, in some cases, additions or clarifications are made in the appendix.

G4-EN11 Land use in or adjacent to protected areas and areas of high biodiversity value

Omissions: Currently, the degree of detail required by the indicator is only reported for Mertainen, which has been actualised with the opening of the mine.

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 pellet 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.

G4-EN21 NO_x, SO_x and other significant air emissions

Determination of emissions to air and discharges to water is based on samplings regulated in self-monitoring programmes and measured water and, in some cases, calculations based on volumes of spent fuel and emission factors or mass balance calculations. Mass balance calculations are made for SO₂, F and HCl.

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

LKAB has not received any fines or sanctions related to environmental matters in 2014. Non-compliances and permit matters are reported in the administration report on pages 85-86.

G4-EN31 Total environmental protection expenditures and investments

Omissions: Investments in flue gas scrubbing plants and decontamination are shown in LKAB's Annual and Sustainability Report. Currently, LKAB does not separately report costs for preventive measures such as research and development and environmental management systems as required by the GRI.

G4 EN34 Reported grievances about environmental impacts received and addressed

Both internal and external stakeholders are able to submit comments or complaints on our operations. The comments can refer to aspects such as environment, work environment and labour, rights issues and issues concerning community and supplier relations. The comments reach the company through many different channels, for example, via telephone, email and mail. During 2015, LKAB will examine the opportunity to simplify the process and improve follow-up through the use of grievance mechanisms for handling incoming comments.

G4-LA1 Total number of employees and personnel turnover

The number of newly recruited permanent employees during the year was 313, of whom 30 percent were women.

The share of external resignations in relation to permanent employees as of December 31 amounted to 4.35 percent. The number of permanently employed women who left during the year is 32; the corresponding figure for men is 152.

G4 LA2 Employee benefits

Laser eye surgery and dentistry via FlexPay only covers employees in Sweden and does not apply to temporary employees.

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

The number of accidents with absenteeism among women was 9 during 2014; the corresponding figure for men was 46.

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

Omissions: LKAB does not report employees by age categories.

G4-LA14 Percentage of new suppliers that were screened regarding labour practices, G4-HR10 Percentage of new suppliers that were screened regarding human rights

Omissions: During 2014, LKAB has systematised the process for sustainable purchasing and, among other things, developed a Supplier Code of Conduct. In 2015 a selection of LKAB's suppliers will be requested to conduct a self-assessment based on the Code. Subsequently, LKAB will follow up a portion of the self-assessments. Both working conditions and human rights will be included in the follow-up. LKAB intends to report according to the indicator for the reporting year 2015.

G4-LA16 Reported grievances about labour practices received and addressed, G4-HR12 Reported grievances about human rights received and addressed

Omissions: Previously, the deviation reporting for environment and society was deemed to be able to capture these types of cases. LKAB is now considering the possibility of using the existing deviation reporting mechanism Synergi in order to systematise grievance management, as well as for external and internal reporting of matters relating to working conditions and human rights. This will continue in 2015, and LKAB's goal is to test a pilot version during the year to evaluate the results.

G4-HR8 Violations of the rights of indigenous peoples

LKAB refers to the reporting of MM5 regarding operations adjacent to areas of indigenous peoples, and MM6 regarding land disputes, which are reported in LKAB's Annual and Sustainability Report.

G4-S04 Employees that have received anti-corruption training

Omissions: LKAB is considering the possibility of reporting the proportion of employees per category specified by GRI.

G4-S011 Reported cases regarding community impact received and addressed

No cases were received and addressed during the year, beyond those reported in connection with G4-EN34; see reference to the report in the GRI Index.

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

LKAB has signed agreements with two out of the five Sami villages affected by the operations.

