



COMMUNICATION ON PROGRESS

United Nations Global Compact

January 1 – December 31, 2016

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To our stakeholders,

I am pleased to reaffirm Lundin Mining Corporation's support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe actions the Corporation is taking to integrate the principles of the Global Compact into our business strategy, culture and daily operations. We provide further information within our annual Sustainability Report which is publicly available.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Paul Conibear", with a long horizontal line extending to the right.

Paul Conibear
President & Chief Executive Officer

Lundin Mining Corporation

Lundin Mining Corporation is a diversified, Canadian base metals mining company with operations in Chile, Portugal, Sweden and the United States. Lundin's principal products and sources of sales are copper, nickel and zinc concentrates. The Company's headquarters are in Toronto, Canada, with an operations and project support office in Haywards Heath, UK.

Our Mission is to develop and continuously upgrade a base metals mineral resource and mining portfolio which provides leading returns to shareholders and upholds our strong commitment to Responsible Mining through the following priority business objectives:

- Responsible and profitable development of mineral resources and operations while generating shared value with host communities and other stakeholders.
- Generation of a steady pipeline of high potential development opportunities while maximizing value from our existing operations and maintaining a strong corporate balance sheet.
- Development of a high performance culture across all operations, being an employer and partner of choice.

Our Mission and commitment to Responsible Mining, summarized below, are aligned with the UN Global Compact's Ten Principles:

- We are committed to achieving a safe, productive and healthy work environment wherever we operate. The health and safety of our employees and contractors is first and foremost in everything that we do.
- We engage in open and inclusive dialogue with local communities and our stakeholders in a spirit of transparency, cooperation and good faith. We recognize every community as unique and respect the cultural and historical perspectives and rights of those affected by our operations. We work to improve the long term well-being of those affected by our activities.
- We foster the provision of lasting benefits to local communities, aligned with their priorities.
- We are vigilant and collaborative in our protection of the environment and in seeking ways to minimize our environmental impacts.
- We conduct our activities in accordance with recognized standards for respect of Indigenous and human rights.
- We maintain high standards of ethics, corporate governance and honesty in all aspects of our business.

To support our commitment to these guiding principles, we engage with our industry peers, associations, governments, non-governmental organizations, and civil society to communicate on our performance and to contribute to best practice development. We meet or surpass applicable legal requirements wherever we work and we seek to continuously improve our performance.

Lundin Mining Values

What we believe in and how we operate		
Stewardship	Value Creation	Culture
<p>Safety and well-being of our people, communities, contractors, and the environment, leading to increasing stakeholder support.</p>	<p>Delivery of strong returns on invested capital. Growth through strategic exploration, value added projects and acquisitions.</p>	<p>Our Style is entrepreneurial. Our people are motivated to achieve superior results, aligning interests with shareholders.</p>
<p>Our Reputation is built and maintained through transparency, ethical behavior, consistency, and integrity.</p>	<p>High Performance is achieved through superior execution of our exploration, projects, and operations. A continuous cost/benefit focus in everything we do.</p>	<p>Trust is demonstrated through mutual respect and teamwork, embracing our diverse workforce and the communities where we operate.</p>

In 2016, Lundin Mining joined the UN Global Compact. Our corporate values and guiding principles align well with the Global Compact’s ten principles on human rights, labour, the environment and anti-corruption. We are working to continue to integrate these principles into our business strategy, day to day operations, and ultimately our organizational culture.

Description of Actions

HUMAN RIGHTS



Principle 1: Support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure the organization is not complicit in human rights abuses

Lundin respects human rights as set forth in the United Nations Universal Declaration of Human Rights and integrates human rights into its business practices and processes. The Company also fosters a work environment free from discrimination against gender, age, race, national origin, marital status, sexual orientation, religious beliefs, disability, or any other personal characteristics protected by international human rights law.

Assessment, policy and goals

Lundin’s position on and approach to the protection of human rights is guided by the following Lundin Mining corporate policies, principles, standards and/or commitments:

- **Code of Conduct, Ethical Values and Anti-Corruption (the “Code”)**

The recognition of, and respect for, human rights is an essential component of the Company's conduct and ethical values and underlies our commitment to ethical business conduct and corporate social responsibility wherever we operate

- **Responsible Mining Policy**

Our Policy includes commitments to: conduct our business activities ethically and transparently; treat people with dignity and respect human rights as set forth in the United Nations Universal Declaration of Human Rights; and respect and take into consideration the rights, interests, concerns, traditional land uses and cultural activities of Indigenous peoples within our sphere of influence.

- **Responsible Mining Framework**

Responsible Mining is dependent on conducting activities in accordance with recognized standards for respect of Indigenous & human rights. One of the five Responsible Mining Framework elements – social – ensures that formal systems are in place to uphold fundamental human rights.

- **Social Impact Management Standard**

This standard ensures that formal systems are in place to ensure we consistently demonstrate respect for human rights

In addition to the UN Global Compact, Lundin demonstrates its commitment to support human rights through voluntary alignment with the following international principles/standards:

- **OECD Guidelines for Multinational Enterprises (MNEs)**
- **United Nations (UN) Guiding Principles on Business and Human Rights**
- **Voluntary Principles on Security and Human Rights (VPs)**

Implementation

Concrete actions taken by Lundin to implement human rights policies, address human rights risks and respond to human rights violations include:

- Training on policy/procedures including ethics and harassment
- A line of communication (i.e. 24 hour hotline, independent website, and courier service) for the confidential reporting and investigation of any behavior which violates policies identified in the Code, including human rights
- Processes in place at each operation to receive and address questions, concerns and formal grievances from third parties. The characteristics of these grievance mechanisms varies across our operations, and all ensure that our stakeholders have a formal avenue to voice concerns and can expect a fair process where their feedback is heard and complaints are addressed. We receive, document, track, and respond to questions or concerns raised by stakeholders both informally and formally, and are working to align these processes with international standards.

Measurement of outcomes

Lundin monitors and evaluates performance on the issue of human rights by way of:

- Employee performance reviews conducted annually or in some offices and operations on a twice yearly or quarterly basis at the supervisory, management, and executive positions. Reviews focus on corporate goals and individual objectives, including human rights.
- We have systems in place at all of our sites where communities can provide feedback, comments or complaints on any area of interest or concern to them, including human rights-related issues. Data and information on grievances filed and resolved within the reporting period can be found in our sustainability report. No human rights-related grievances were filed in 2016.

LABOUR



Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment and occupation

Lundin is committed to achieving a safe, productive and healthy work environment across all operations. The Company supports freedom of association and collective bargaining, does not tolerate any form of harassment and fosters a work environment free from discrimination. We support the elimination of all forms of forced and compulsory labour, and child labour; based on our internal assessment, none of our operations are at risk for incidents of child labour, or forced or compulsory labour.

Assessment, policy and goals

Lundin's position on labour is guided by the following policies, principles, standards and/or commitments:

- **Code of Conduct, Ethical Values and Anti-Corruption**
Lundin does not engage in or condone forced, compulsory, or child labour of any kind and works to ensure these conditions are not present in our workforce.
- **Diversity Policy**
Lundin's Diversity Policy provides a framework for Lundin to achieve workplaces that are free from all forms of discrimination and harassment, and an environment which promotes work place diversity.
- **Freedom of Association**

Lundin supports the unencumbered right to freedom of association and collective bargaining at all its operations and engages with union leaders regularly on matters of local labour laws, business changes, and the negotiation of terms and conditions.

- **Proof of Age Requirements**

Lundin has strict proof of age requirements for its workforce upon hiring at all sites, preventing anyone under the legal industrial working age of 18 from obtaining employment at any of our sites or operations.

- **Social Impact Management Plans**

Each operation has an integrated plan which focuses in part on human resources and seeks to enhance benefits in areas such as local labour and workforce planning, population and worker influx management and resettlement and relocation and compensation.

In addition to the UN Global Compact, Lundin is committed to supporting labour through voluntary alignment with the **International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability**.

Implementation

Through implementation of these policies, and regular work force training, we ensure that all operations consistently meet these commitments.

Measurement of outcomes

- Lundin launches an internal investigation as soon as a complaint related to labour is filed. Once the investigation has been concluded there are recommendations and actions that are taken by the company. If necessary, external legal counsel is asked to advise the company on the appropriate response. No grievances about labour practices were filed through formal grievance mechanisms in 2016.
- There have been no recorded incidents of discrimination at our operations during the reporting period.
- No operations are at risk for incidents of child labour or young workers exposed to hazardous or industrial conditions. Similarly, our operations are not at risk for incidents of forced or compulsory labour. There were no reported or known incidents of forced or child labour practices at our operations in 2016.
- In 2016, our workforce included 2814 (89%) male employees and 355 (11%) female employees. At corporate offices, our workforce included 23 (45%) males and 28 (55%) females.
- In 2016, 89% of employees across the Company had union representation (as compared to 73% in 2015).
- Four out of ten (40%) of our Executive Team are female.
- Lundin Mining is an active member of a CEO forum led by Deloitte promoting Women in Mining and the Company has an active initiative whereby all offices and mine sites are encouraged to hire at least 50% female for seasonal internships and new graduate hires.

ENVIRONMENT



Principle 7: Support a precautionary approach to environmental challenges
Principle 8: Undertake initiatives to promote greater environmental responsibility
Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Lundin Mining aims to design, develop and operate our facilities to minimize their overall environmental impact and take into account their eventual closure. Our material environmental issues include Water, Mine Closure Planning, Energy Consumption, Reduction and Efficiency, Effluents and Waste, Air Emissions and Permitting.

Assessment, policy and goals

Lundin's environmental practices are guided by the following policies, principles, standards and/or commitments:

- **Code of Conduct, Ethical Values and Anti-Corruption**
Lundin Mining Corporation shall: undertake exploration with care for the environment; design and construct facilities with the aim of achieving long-term stability and the highest possible security against disturbances; strive to economize the use and re-use of energy from sustainable sources; and, develop and implement plans for land use and reclamation that, as far as practical, returns the land to its former condition or to a state that conforms to accepted industry practice and meets local regulatory approvals.
- **Responsible Mining Policy**
We aim to design, develop and operate our facilities to minimize their overall environmental impact and take into account their eventual closure. We efficiently use water, energy and other resources, and responsibly manage wastes. The Company contributes to the conservation of biodiversity by promoting research, partnerships and responsible land management practices. We also assess the risks and impacts of our operations and integrate these considerations into our planning and operational decision-making processes. The Company strives for continuous improvement in our health, safety, environmental and community performance.
- **Responsible Mining Framework**
One of the five Responsible Mining Framework elements – environmental stewardship – focuses on avoiding, minimizing or mitigating environmental impacts of operations and ensuring that appropriate management and monitoring systems are in place at all times.

In addition to the UN Global Compact, Lundin's environmental practices align with the **IFC's Performance Standards on Social and Environmental Sustainability**, and the **OECD Guidelines for Multinational Enterprises (MNEs)**.

Implementation

Lundin has developed a series of corporate environmental standards which it is implementing across the company. Specific actions taken during the reporting period include:

- Assessing environmental management practices at each operating site relative to the Responsible Mining Management System (RMMS) requirements
- Ensuring consistent application of our project and operational environmental assessment methodologies
- Reviewing and strengthening our environmental permitting and compliance practices across all projects and operating sites
- Continued implementation of the tailings management standard, including independent, third-party reviews at all operating sites
- Reviewing and strengthening our closure planning practices
- Implementing energy management plans to reduce energy consumption and associated greenhouse gas emissions
- Implementing comprehensive water management plans at each operating site
- Aligning the biodiversity management plans at each operation with the requirements of the Group Procedure for Biodiversity Management and enhancing monitoring programs

Measurement of outcomes

Through site level and corporate management systems and the completion of annual third-party audits, the Company monitors and evaluates environmental performance on a regular basis. Formal preventive and corrective action processes are in place at all sites, and environmental performance is regularly reported to site level and corporate senior management. We track a wide range of environmental performance metrics, and detailed environmental performance data can be found in our externally-assured annual Sustainability Report at <http://www.lundinmining.com/s/CorpResponsibility.asp>.

ANTI-CORRUPTION



Principle 10: Work against corruption in all its forms, including extortion and bribery

Lundin Mining has a zero tolerance policy for bribery and corruption by employees, officers, directors, consultants, and contractors of the Company, with even the appearance of impropriety deemed unacceptable. The Company is committed to meeting or exceeding legal requirements wherever we operate.

Assessment, policy and goals

Lundin's position on Anti-Corruption is guided by the following policies, principles and commitments:

- **Company's Code of Conduct, Ethical Values and Anti-Corruption Policy**
Lundin's anti-corruption and anti-bribery requirements are in accordance with the Corruption of Foreign Public Officials Act (Canada) and the guidelines on combating bribery of the Organization for Economic Co-operation and Development (OECD) for Multinational Enterprises. We revised our Code of Conduct, Ethical Values and Anti-Corruption Policy in early 2016 to further enhance existing anti-corruption and human rights policies. It is available on our corporate website at www.lundinmining.com. All of our directors, officers, employees, consultants, contractors and subsidiaries are expected to conduct business activities ethically and transparently and in accordance with the Code.
- **Gifts and Entertainment**
Employees will not accept gratuities, favors or gifts of any sort having more than a nominal and limited value. Employees should neither seek nor accept gifts, payments, services, fees, strictly leisure trips or accommodations, special valuable privileges, or loans from any person (except from persons in the business of lending and then on conventional terms) or from any organization or group that does, or is seeking to do, business with the Corporation or any of its affiliates, or from a competitor of the Corporation or any of its affiliates.
- **Conflicts of Interest**
Employees must avoid all situations in which their personal interests conflict or might conflict with their duties to the Corporation or with the economic interest of the Corporation.
- **Political Contributions and Activities**
Lundin prohibits the direct or indirect use of the Corporation's funds, goods or services as contributions to political parties, campaigns or candidates for election to any level of government.

Implementation

Concrete actions taken by the Company to implement anti-corruption policies, address anti-corruption risks and respond to incidents include:

- Dissemination of the Code at each of our operational sites, ensuring it is readily accessible in key locations
- Requiring that each employee reviews the Code during the induction process, and again on an annual basis
- Distributing our Code to contractors, suppliers, and service providers to ensure they understand the Company's expectations and conduct their activities in accordance with these standards

- Enacting internal financial controls for monitoring and oversight with respect to the financial aspects of operations that could be affected by bribery or corruption, including the rigorous adoption of the Extractive Sector Transparency Measures Act with reporting commencing in 2017.
- Training has been conducted at the Board and operational level including past foreign exploration team anti-corruption training to increase awareness and to advance anti-corruption practices. Additional anti-corruption training is planned for 2017.
- Operating a line of communication (i.e. 24-hour hotline, independent website, and courier service) for the confidential reporting and investigation of any behavior which violates policies identified in the Code, including anti-corruption.

Measurement of outcomes

Lundin monitors and evaluates anti-corruption performance through internal risk assessments and audits. In 2016, there were no reported or known incidents of corruption.

For Further Information

For further information on our management practices and performances in each of these areas, please consult our annual Sustainability Report, available on our website: www.lundinmining.com, or contact:

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