Sustainability
REPORT 2013
our vision
To be a world class minerals enterprise.

our mission
Champion the responsible development of the mining sector as the third pillar of Saudi industry by maximizing the value of the mineral resources for our stakeholders and adopting best-in-class practices.

our values

INTEGRITY
Honesty, integrity and highest ethical standards in our relationships with all our stakeholders.

CARE
Sustained care and fairness for our people, the communities we touch and the environments we operate in.

TEAMWORK
Communication and collaboration with each other across the company and with partners to achieve success.

OWNERSHIP & ACCOUNTABILITY
Personal ownership and accountability for quality results in pursuit of our collective goals.
ABOUT MA’ADEN
2013 at a glance
Our strategy

OUR APPROACH TO SUSTAINABILITY
Sustainability strategy
Risks and opportunities
Governance

OUR PEOPLE
Employee development
Saudization

ENVIRONMENT, HEALTH, SAFETY AND SECURITY
Environment
Health, safety and security

COMMUNITY
Local economic contribution
Community relations

ETHICS
Setting our ethical standards
Influencing the supply chain
Whistleblowing
ABOUT THIS REPORT

This is the first Sustainability Report from the Saudi Arabian Mining Company (Ma’aden). We have been reporting on our social and environmental initiatives via our Annual Report since 2011.

The report covers Ma’aden’s operations and those of our affiliate companies, for our financial year 2013 (January to December). We intend to produce a Sustainability Report annually to update stakeholders on our progress.

Our sustainability reporting will increase in quality and completeness alongside our progress on sustainability. This report contains Standard Disclosures from the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, but in future years we aim to produce a report in accordance with GRI. The data in this first report has not been independently verified or assured, but we intend to seek external assurance in the future.


We welcome feedback and comments on this report, and on our sustainability strategy as a whole. To get in touch, email sustainability@maaden.com.sa.

MATERIALITY

Our materiality process is led by our CEO and the senior manager responsible for sustainability (Senior Vice-President, Human Resources & Sustainability) and senior representatives of other relevant departments.

It begins with the identification of sustainability-related risks and opportunities, carried out in conjunction with the Corporate Sustainability Division and the Corporate Risk Department. We then work with key internal stakeholders to identify our sustainability goals, targets and initiatives for the year ahead.

The issues considered material to Ma’aden are disclosed in this report and in the Sustainability section of our 2013 Annual Report.

STAKEHOLDER ENGAGEMENT

Our Corporate Communications Department, Government Affairs Department and Crisis Management Department have good relationships with their key external stakeholders. We have not yet carried out a formal external stakeholder engagement consultation for our sustainability strategy or reporting.

At our mines and plants, stakeholder engagement is largely carried out through official channels, focused on local and regional authorities. Effective engagement with representatives of the local community is a priority of the new community management system that is being rolled out in 2014. The system also includes formal processes for concerns and grievances.

“Effective engagement with representatives of the local community is a priority of the new community management system.”
Mining and its related industries play an important role in Saudi Arabia’s industrial growth. As the Kingdom’s pre-eminent mining company, we recognize our responsibility to invest in skills development, ensure local communities benefit from our success, protect the environment, and maintain the highest ethical standards in all our activities.

In 2013, we embarked upon a change program that will help Ma’aden to set the standard for sustainability in Saudi Arabia.

Ma’aden’s relationships with local communities are crucial to our success as a business. For a fast-expanding company like Ma’aden, meeting the challenges of working with our communities (i.e., our “social license to operate”) is critical to our future because the support of local communities is what gives us our license to grow.

We have developed a local engagement strategy for the King Abdullah project for Wa’ad Al Shamal city development that is being developed to promote economic city development in the Northern Border Region of Saudi Arabia.

We have also improved our strategy and processes for community engagement. We are learning from experiences such as Mahd Ad Dhahab, where an unfounded allegation of environmental contamination affected our relationship with the community. Our new community engagement framework provides a starting point for maintaining excellent relationships with communities at all our facilities.

Our Saudization program continues to provide training and employment opportunities for Saudi nationals. The flagship Saudi Mining Polytechnic, co-founded by Ma’aden, admitted 215 students in 2014. We launched our first Employee Engagement Survey in 2013, achieving an impressive participation rate, and finalized a Whistleblowing Policy to ensure the integrity of our high ethical standards.

The first wave of Ma’aden’s Environment, Health & Safety Integrated Management System (EHS-IMS), was launched in 2013, and we achieved an overall score of 97.3 percent on Ma’aden’s Environment Index. We also commissioned an external specialist to calculate our environmental footprint, in preparation for setting long-term goals and annual targets on key environmental issues.

Ma’aden is in an excellent position to lead our industry’s sustainability efforts in Saudi Arabia. Sustainability is embedded into our strategic plans for 2022, and Ma’aden management and the Board of Directors are fully committed to realizing our vision.

Nabil A. Al Fraih
Senior Vice-President, Human Resources & Sustainability
## 2013 SUSTAINABILITY PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Performance indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Our People</strong></td>
<td>Total Employees</td>
</tr>
<tr>
<td></td>
<td>(% ) Saudization</td>
</tr>
<tr>
<td></td>
<td>Employees trained</td>
</tr>
<tr>
<td></td>
<td>Investment in Saudi Mining Polytechnic (SAR)</td>
</tr>
<tr>
<td></td>
<td>(% ) Participation in Employee Engagement Survey</td>
</tr>
<tr>
<td></td>
<td>(% ) Survey respondents who feel proud to work for Ma’aden</td>
</tr>
<tr>
<td><strong>Environment, Health and Safety</strong></td>
<td>(% ) Ma’aden Environment Index</td>
</tr>
<tr>
<td></td>
<td>Reportable environmental incidents</td>
</tr>
<tr>
<td></td>
<td>Environmental penalties incurred</td>
</tr>
<tr>
<td></td>
<td>Scheduled and unscheduled environmental audit visits</td>
</tr>
<tr>
<td></td>
<td>Lost time injury frequency rate (LTIFR)</td>
</tr>
<tr>
<td></td>
<td>Fatalities among Ma’aden employees</td>
</tr>
<tr>
<td></td>
<td>Reportable health and safety incidents</td>
</tr>
<tr>
<td></td>
<td>Training sessions conducted on health and safety</td>
</tr>
<tr>
<td><strong>Community</strong></td>
<td>Community engagement level</td>
</tr>
<tr>
<td></td>
<td>Employees from local mine communities (% of Saudi employees)</td>
</tr>
<tr>
<td></td>
<td>Spend with Saudi suppliers (SAR)</td>
</tr>
<tr>
<td></td>
<td>Investment in local community initiatives (SAR)</td>
</tr>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>----------------------</td>
<td>--------</td>
</tr>
<tr>
<td>total employees</td>
<td>3,020</td>
</tr>
<tr>
<td>(%) Saudization</td>
<td>63</td>
</tr>
<tr>
<td>employees trained</td>
<td>1,955</td>
</tr>
<tr>
<td>Investment in</td>
<td>N/A</td>
</tr>
<tr>
<td>Saudi Mining</td>
<td>(USD 9m)</td>
</tr>
<tr>
<td>(%) participation in</td>
<td>N/A</td>
</tr>
<tr>
<td>employee engagement</td>
<td>N/A</td>
</tr>
<tr>
<td>(%) who feel proud to work for Ma'aden</td>
<td>N/A</td>
</tr>
<tr>
<td>environment, Health and Safety</td>
<td>90</td>
</tr>
<tr>
<td>% Ma'aden environment Index</td>
<td>90</td>
</tr>
<tr>
<td>Reportable environmental incidents</td>
<td>0</td>
</tr>
<tr>
<td>Reportable health and safety incidents</td>
<td>Not reported</td>
</tr>
<tr>
<td>training sessions conducted on health and safety</td>
<td>Not reported</td>
</tr>
<tr>
<td>Community engagement level</td>
<td>N/A</td>
</tr>
<tr>
<td>(%) employees from local mine communities</td>
<td>Not reported</td>
</tr>
<tr>
<td>Spend with Saudi suppliers (SAR)</td>
<td>Not reported</td>
</tr>
</tbody>
</table>
ABOUT MA’ADEN

Ma’aden is the leading mining and metals company in Saudi Arabia. We are building a minerals-based industry in Saudi Arabia to add value to the Kingdom’s gold, phosphate, bauxite and other mineral resources by producing a broad range of commodities for domestic and global markets.

Our vision is to be a world-class minerals enterprise. Our mission is to help develop mining into the third pillar of industrialization in the country, besides oil and petrochemicals. In the process, Ma’aden is helping build industrial cities, create jobs and enable communities to prosper.

As we continue to explore the Kingdom’s natural resources and assess growth and diversification opportunities, we are committed to deliver that promise by upholding our values and adopting best practice across everything we do.

OUR HISTORY

Ma’aden was formed by Royal Decree in 1997 with a mission to develop the Kingdom’s mineral resources. We floated 50 percent of our shares in 2008 on the Saudi Stock Exchange, the Tadawul.

In our early days we focused exclusively
on gold, and today we operate four gold mines. Our gold operations are managed by wholly owned affiliate Ma’aden Gold and Base Metals Company (MGBM). In 2013 we produced 133,677 ounces of gold, which is small compared to other leading producers. Our plans are to more than triple that to 500,000 in 2017.

Our phosphates business is growing significantly, largely because of two major mining and production operations. We created the Ma’aden Phosphate Company (MPC) – a joint venture with SABIC, the Saudi-based global chemicals leader – in 2007.

Our aluminium business is at an exciting stage in its development. As well as growing substantially, it offers Saudi Arabia exciting opportunities for the development of downstream industries. We partnered with leading global aluminium company Alcoa in 2009 to create three subsidiaries that make up our aluminium business: Ma’aden Aluminium Company, Ma’aden Bauxite and Alumina Company and Ma’aden Rolling Company.

### MA’ADEN’S SITES

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Mining Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>Mahd Ad Dhahab</td>
</tr>
<tr>
<td></td>
<td>Al Hajar</td>
</tr>
<tr>
<td></td>
<td>Sukhaybarat</td>
</tr>
<tr>
<td></td>
<td>Bulgah</td>
</tr>
<tr>
<td></td>
<td>Al Amar</td>
</tr>
<tr>
<td></td>
<td>As Suq (under construction)</td>
</tr>
<tr>
<td></td>
<td>Ad Duwayhi (under construction)</td>
</tr>
<tr>
<td>Phosphate</td>
<td>Al Jalamid</td>
</tr>
<tr>
<td>Aluminium</td>
<td>Al Ba’itha</td>
</tr>
<tr>
<td>Industrial Minerals</td>
<td>Al Ghazalah</td>
</tr>
<tr>
<td></td>
<td>Az Zabirah</td>
</tr>
</tbody>
</table>

As of 31 December 2013

| Sales in million Saudi Riyals | 6,047 |
| Net profit in million Saudi Riyals | 1,682 |
| Assets in million Saudi Riyals | 63,951 |

As of 31 December 2013
## 2013 AT A GLANCE

### OUR GLOBAL CUSTOMERS

<table>
<thead>
<tr>
<th>OUR PRODUCTS</th>
<th>OUR CUSTOMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>Switzerland</td>
</tr>
<tr>
<td>DAP</td>
<td>India/Bangladesh/Indonesia/China/Ethiopia/Kenya/Turkey/Thailand/Pakistan</td>
</tr>
<tr>
<td>Ammonia</td>
<td>India/North America/East Asia and South East Asia/Morocco</td>
</tr>
<tr>
<td>Aluminium</td>
<td>KSA/Kuwait/Japan/China/South Korea/Malaysia/Taiwan/Thailand/Indonesia</td>
</tr>
<tr>
<td>Low Grade Bauxite</td>
<td>KSA</td>
</tr>
<tr>
<td>Kaolin</td>
<td>KSA</td>
</tr>
<tr>
<td>Caustic Magnesia</td>
<td>KSA/Holland/Belgium/South Africa/Japan/Egypt/India/Germany/France/Hong Kong/UAE</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>KSA</td>
</tr>
</tbody>
</table>
OUR BUSINESS

% OF TOTAL SALES REVENUE IN 2013

- DAP: 51%
- Ammonia: 18%
- Aluminium: 17%
- Gold: 12%
- Industrial Minerals: 2%

SALES REVENUE % 2012 AND 2013

<table>
<thead>
<tr>
<th>Product</th>
<th>Revenue 2012</th>
<th>Revenue 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>DAP</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>Ammonia</td>
<td>28</td>
<td>2</td>
</tr>
<tr>
<td>Aluminium</td>
<td>51</td>
<td>2</td>
</tr>
<tr>
<td>Industrial Minerals</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

OUR PEOPLE*

- Direct employees at the end of 2013: 5,763
- New recruits in 2013: 1,476
- Staff are Saudi nationals: 66%

* As of 31 December 2013

OUR SUSTAINABILITY

- EHS Integrated Management System
- Ecological Footprint Analysis
- 10-Year Strategy
- Ma’aden Environment Index
- Local procurement strategy
- Community engagement framework
- Local engagement strategy
OUR APPROACH TO SUSTAINABILITY

Our commitment to sustainability is central to Ma’aden’s vision of becoming a world class minerals enterprise. It is fundamental to who we are and how we do business.

As mining is a fast-growing industry and forms the third pillar of industrialization in Saudi Arabia, we have a clear responsibility to set the standard in mining sustainability for the Kingdom, and to use our influence to foster more sustainable practices throughout our supply chain.

FOUR PILLARS

Our sustainability approach is built on four pillars:

• **Our People** – investing in our people to attract and retain a skilled workforce, and promoting Saudization within Ma’aden and throughout our supply chain.

• **Environment, Health and Safety** – achieving best practice environmental management and ensuring a safe and secure workplace for our employees.

• **Community** – fostering excellent community relations and ensuring that local people benefit from our economic activities.

• **Ethics** – maintaining the highest standards of ethical behavior in all our activities.

Our sustainability credentials are built on a strong history of high ethical standards, environmental stewardship, contributions to the local communities around our mines, and investment in the skills needed to support the development of the minerals sector. During 2013, we formalized these initiatives into a company-wide sustainability strategy and began to embed sustainability into our business at the corporate level.

We are working on a 10-year sustainability strategy, setting clear goals and annual targets for each of the four pillars.

The strategy will enable us to fulfill our long-term responsibility as the leader of the mining and minerals sector in Saudi Arabia and to help set the sustainability standard for the sector in the Kingdom. It will also enable us to foster more and better sustainable practices throughout our supply chain.
SUSTAINABILITY STRATEGY

Sustainability is central to Ma’aden’s vision of becoming a world class minerals enterprise. Our approach to sustainability is to embed it into our Ma’aden 2022 vision because this vision is central to our business.

Sustainability is also embedded into the ETGAN program, which was launched in 2012. ETGAN, an Arabic word meaning “aiming for perfection”, is a transformation initiative that will deliver knowledge and capabilities that are essential to take Ma’aden forward as we grow and diversify our business.

During 2013, we benefited from nine ETGAN initiatives implemented across the organization, covering strategy, business planning and budgeting, capital productivity, procurement, human resources, management, operations, Environment, Health and Safety (EHS), and IT.

OUR FOCUS FOR 2013/14

Although Ma’aden has been active on social and environmental issues for many years, we have only recently formalized our initiatives into a sustainability strategy.

In 2013, we focused on two main activities:
• Creating a dedicated Corporate Sustainability Division within Ma’aden to implement best practice community engagement across the business, increase local employment and procurement, and consolidate our community investment activities.
• Embedding sustainability within key departments – for example, Risk Management and Procurement – to ensure that senior managers know that sustainability is critical to our business, and understand their role in delivering our goals.

2014 AND BEYOND

Building on our success in 2013, we will continue to strengthen the Corporate Sustainability Division and embed sustainability within key departments.

We will establish a working group to review Ma’aden’s procurement policies and recommend how the company’s local economic contribution can be improved. We will also look to consolidate our community investment activities, and put in place clear guidelines to ensure that our investments have the greatest impact possible on local communities.

Once these activities are completed, we will be in a position to initiate wider-ranging sustainability efforts at Ma’aden. We will develop a 10-year sustainability strategy, setting clear goals and annual targets for each of our four pillars.
Ma’aden sees a clear business case for sustainability: investing in our people, maintaining the highest standards of ethical behaviour, fostering excellent community relations and achieving best practice environmental management. Our sustainability strategy helps us to mitigate key strategic risks to the company, and realize opportunities for growth.

RISK MANAGEMENT
Effective and integrated risk management sits at the heart of true business sustainability. Ma’aden has a well-established risk management process, which not only covers strategic and operational risks, but also our environmental, social, health and safety risks. Our risk management process is aligned with the ISO 31000 international standard on risk management.

Risk assessment and management are the responsibility of corporate management. Our Board oversees risk management with a focus on the most significant risks facing the company. Throughout the year, the Board and the committees to which it has delegated responsibility hold dedicated meetings to review and discuss specific risk topics in greater detail.

For further details of risk management at Ma’aden, see page 95 of our 2013 Annual Report.

CORPORATE-LEVEL SUSTAINABILITY RISKS
The Group Risk Policy and Standard dictates the management of governance, environmental, community and social risks. This process is reflected at affiliate level. Ma’aden has identified three strategic risks areas that are related to sustainability:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills shortage</td>
<td>Inability to hire and/or retain suitable qualified and experienced individuals, achieve and maintain Saudization targets, train, develop and retain talent.</td>
<td>Our People, page 21 onwards</td>
</tr>
<tr>
<td>Environment</td>
<td>Poor environmental management; damage to reputation resulting from bad publicity due to major environmental incidents.</td>
<td>Environment, Health and Safety, page 25 onwards</td>
</tr>
<tr>
<td>Social license to operate</td>
<td>Social license implies community support for our operations, which is critical. Failure to meet community expectations, and possible local community complaints against Ma’aden or its affiliates will have negative impact on our business and reputation.</td>
<td>Community, page 31 onwards</td>
</tr>
</tbody>
</table>
SITE-LEVEL SUSTAINABILITY RISKS
At our mines and plants, formal systems of sustainability-related risk management are not as advanced as at the corporate and affiliate levels. In 2014, we will focus on the development of sustainability risk systems and training at site level.

The Ma’aden-Alcoa aluminium complex at Ras al Khair is leading the way in this area, employing a sustainability specialist to address social risk management at the site. Backed by the President and CEO, the specialist has already introduced an e-learning package for all managers and will extend this work during 2014.

A thorough review of sustainability risks at both corporate and site levels will be completed by the end of 2014.

SUSTAINABILITY OPPORTUNITIES
Ma’aden recognizes several strategic opportunities linked to our sustainability performance. For example:

• Support for the Saudization of our workforce, and a clear program of personal development for employees, means that we can attract and retain highly skilled local people for our company.
• The development of local supplier networks not only supports the Saudi economy, but also provides a robust and supportive supply base for Ma’aden and its affiliates.
• Excellent environmental management demonstrates to local authorities that Ma’aden is committed to best practice in this area, and allows us to secure exploration licenses to grow our business.
• Embedding social and environmental considerations at every stage of the mining lifecycle allows us to meet the high expectations of our stakeholders, even after a mine is closed.

Our sustainability performance will help us build a strong reputation, both locally and globally, and set the standard for the Kingdom’s mining industry.

Ma’aden has ambitious plans for growth, and the opportunities presented to us by a strong sustainability strategy will play a key part in realizing these ambitions.

“...

Our sustainability performance will help us build a strong reputation, both locally and globally, and set the standard for the Kingdom’s mining industry.

”
GOVERNANCE

We have a well-established governance structure that strives to ensure full compliance to rules, high ethical standards that go beyond regulations, efficient risk management and adherence to international mining industry best practice.

Our commitment to the highest standards of integrity and transparency has helped shape Ma’aden’s corporate governance and processes. They have also been inspired by the leading practice guidelines of the International Council of Mining and Metals (ICMM).

We have built a strong internal control mechanism to make every Ma’aden employee contribute to governance practices and strengthen the governance regime. The Corporate Governance Framework, which outlines our system of governance, is designed to harmonize the interests of our stakeholders including shareholders, management, employees, clients and the communities in which we operate. The framework goes beyond ensuring compliance with laws and regulations. It extends to risk management, business conduct standards and policy compliance.

For further details of Ma’aden’s corporate governance structure, see page 85 of our 2013 Annual Report.

SUSTAINABILITY GOVERNANCE

Our President and CEO, Engr. Khalid bin Saleh Al-Mudaiifer, sets and owns key performance indicators (KPIs) in the areas of Our People, Community, and Environment, Health and Safety. We do not yet measure compliance against our ethical policies.

At a corporate level, issues and programs are discussed by senior management and reflect the wider risk management process. Ma’aden’s Senior Vice-President of Human Resources & Sustainability has responsibility for our progress on sustainability issues, and reports monthly to senior management. Recent meetings have focused on how to allocate revenue for social investment funds, and on local employment and procurement programs.

Environmental KPIs are reported monthly to senior management as part of the corporate environmental scorecard (see page 27). We will implement a parallel system for site-level social and community activities in 2014.

DELIVERING OUR GOALS

From 2014 onwards, our affiliate companies will report on sustainability-related KPIs within their business plans.

At the next level down, the President of each of our affiliates oversees the company’s performance against the KPIs. The affiliates report regularly on their performance to the Management Committee.

Finally, the manager of each of our sites is responsible for managing and reporting safety and environment data. From 2014 onwards, site managers will also be asked to report key information on community relations and Saudization.

MA’ADEN SUSTAINABILITY KPIs

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Current status</th>
<th>2018 goal</th>
<th>Further information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our People</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saudization rate</td>
<td>66 %</td>
<td>85 %</td>
<td>Page 23</td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community engagement level</td>
<td>Level 1</td>
<td>Level 3</td>
<td>Page 38</td>
</tr>
<tr>
<td>Environment, Health &amp; Safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reportable environmental incidents</td>
<td>2</td>
<td>Zero</td>
<td>Page 25</td>
</tr>
<tr>
<td>EHS Excellence Level</td>
<td>N/A</td>
<td>3.5</td>
<td>Page 25</td>
</tr>
<tr>
<td>Lost time injury frequency rate (LTIFR)</td>
<td>0.05</td>
<td>N/A</td>
<td>Page 30</td>
</tr>
<tr>
<td>Fatalities among Ma’aden employees</td>
<td>Zero</td>
<td>Zero</td>
<td>Page 26</td>
</tr>
<tr>
<td>Ethics</td>
<td>metrics to be defined in 2014</td>
<td></td>
<td>Page 41</td>
</tr>
</tbody>
</table>

For further details, please refer to pages 23, 25, 26, 27, 30, and 41.
OUR PEOPLE

We recognize that our long-term success depends on our people. Our human resource programs aim to attract, develop, motivate and retain highly competent and engaged employees.

Ma’aden is pioneering the modern mining industry in Saudi Arabia, and we have only just begun to create the educational and training infrastructure to support the sector. Many aspects of our operations are new to the country and are highly technical.

We are meeting this challenge head-on by partnering with national and international institutions to train Saudi nationals for careers in mining. We have made significant investments in training programs for current employees and to prepare a new generation of young Saudi nationals.

Our employee strength has increased from 1,000 in 2008 to 5,763 at the end of 2013, excluding contractors’ employees on sites. During 2013, we recruited 1,476 people, and according to current projections, our workforce will be 14,000 by 2022.

It is important to note that jobs in the mining industry also lead to indirect employment in supporting industries. As we develop the minerals sector further, the multiplier impact on the Saudi economy and society will continue to grow.

We completed our first Employee Engagement Survey in 2013, achieving an 85 percent participation rate. We are pleased that 90 percent of respondents said that they were proud to work for Ma’aden.

2013 ACHIEVEMENTS
• Identified 64 senior personnel to take part in the Senior Leadership Development Program (SLDP) which is being undertaken in partnership with the INSEAD Business School (one of the world’s leading business schools).
• Optimized Ma’aden’s Performance Management System in line with best practice, including measurement of behaviours, career discussions and Individual Development Plans (IDPs).

2014 GOALS
• Develop a Strategic Workforce Planning system and process to ensure pro-active identification of Ma’aden’s workforce needs.
• Implement a Management Development Program for all managerial levels, to allow high-performing employees to progress to the next level of the company.
• Design and implement interventions to improve overall employee engagement at Ma’aden.
EMPLOYEE DEVELOPMENT

Ma’aden invests significantly in training to enhance our employees’ skills, knowledge and competencies. This allows us to attract and retain highly qualified Saudi nationals and to support improvements in their performance so that they can meet the requirements of their current (and future) roles.

In 2013, 4,315 employees received training, including in English as a second language, a critical skill for employees in Saudi Arabia.

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>555</td>
</tr>
<tr>
<td>Phosphate</td>
<td>734</td>
</tr>
<tr>
<td>Aluminium</td>
<td>2,809</td>
</tr>
<tr>
<td>Head office</td>
<td>217</td>
</tr>
<tr>
<td>Total Ma’aden</td>
<td>4,315</td>
</tr>
</tbody>
</table>

IDENTIFYING AND NURTURING TALENT
In 2013, we reviewed our talent acquisition process to ensure we secure high-level talent for our company. In order to support all employees in reaching their career goals, we have optimized our Performance Management System in line with best practice, including the measurement of behaviours, career discussions and Individual Development Plans (IDPs).

In 2014, we will implement a Management Development Program for all managerial levels, to allow high-performing employees to progress to the next level of the company.

SENIOR LEADERSHIP DEVELOPMENT PROGRAM
The Senior Leadership Development Program (SDLP) is Ma’aden’s succession planning process. The program focuses on director-level employees, strengthening our pool of high-level talent. Leadership development is based on coaching and mentoring, experiential learning (such as on-the-job training and special assignments), formal training and self-development.

The first group of candidates began the program in January 2014, and new groups will be added throughout the year.

EMPLOYEE ENGAGEMENT SURVEY
We conducted Ma’aden’s first Employee Engagement Survey in 2013, achieving an 85 percent participation rate. We are pleased that 90 percent of respondents said they were proud to work for Ma’aden. In 2014, we will design and implement interventions to improve overall employee engagement with Ma’aden.

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>6,949,386</td>
<td>40,208,860</td>
<td>36,491,276</td>
</tr>
<tr>
<td>Phosphate</td>
<td>2,778,138</td>
<td>5,179,989</td>
<td>26,438,856</td>
</tr>
<tr>
<td>Aluminium</td>
<td>6,419,355</td>
<td>10,478,934</td>
<td>19,093,900</td>
</tr>
<tr>
<td>Industrial Minerals</td>
<td>80,737</td>
<td>104,214</td>
<td>100,417</td>
</tr>
<tr>
<td>Head office</td>
<td>9,778,815</td>
<td>4,934,484</td>
<td>7,448,482</td>
</tr>
<tr>
<td>Total</td>
<td>26,006,431</td>
<td>60,906,481</td>
<td>89,572,931</td>
</tr>
</tbody>
</table>
Historically, the private sector has looked outside Saudi Arabia for the skills it needs for growth. Saudization is the national policy of the Kingdom, aiming to encourage the employment of Saudi nationals in sectors that have high levels of expatriate workers. The target Saudization rate, set by the Ministry of Labour, is a minimum 30 percent across similar businesses.

Many aspects of Ma’aden’s business are new to Saudi Arabia and are highly technical. We recognize the importance of training Saudi nationals for careers in mining, in order to secure the country’s skills base for the future. Saudization of the Ma’aden workforce is one of the main priorities of our Human Resources Department, and in 2011 we conducted a thorough audit of Ma’aden’s workforce needs, mapping the skills we needed with those available locally.

Ma’aden’s target for Saudization is 85 percent by the end of 2018. At the end of 2013, Ma’aden’s overall Saudization rate was 66 percent.

This goal is among the KPIs set and owned by our President and CEO.

### MA’ADEN’S SAUDIZATION

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Saudi %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>58</td>
</tr>
<tr>
<td>Phosphate</td>
<td>74</td>
</tr>
<tr>
<td>Aluminium</td>
<td>66</td>
</tr>
<tr>
<td>Industrial Minerals</td>
<td>65</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>65</td>
</tr>
<tr>
<td>Head office</td>
<td>68</td>
</tr>
<tr>
<td>Overall</td>
<td>66</td>
</tr>
</tbody>
</table>

In line with our goal of strengthening opportunities for local communities, we have been making special efforts to recruit from the communities located close to our mines. 69 percent of our Saudi mine employees are from local communities.

We also require our suppliers to promote Saudization within their own companies. Please see page 35 for further details.

### PROFESSIONAL DEVELOPMENT PROGRAM

The Professional Development Program (PDP) trains university graduates to become the next generation of professionals at Ma’aden, and is a key element of our Saudization program.

The initial training takes place at the Al-Khalij training center in Jubail. Candidates are then mentored through the program by experienced Ma’aden professionals. The PDP was launched in 2012 with 62 students. In 2013, we appointed 47 additional students to the program, most of whom were engineering graduates.

### PROFESSIONAL DEVELOPMENT PROGRAM 2013

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Participants 2012</th>
<th>Participants 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Phosphate</td>
<td>17</td>
<td>29</td>
</tr>
<tr>
<td>Aluminium</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>Head office</td>
<td>20</td>
<td>1</td>
</tr>
<tr>
<td>Total Ma’aden</td>
<td>62</td>
<td>47</td>
</tr>
</tbody>
</table>

In May 2013, we held our first PDP recruitment event at the Saudi/American Cultural Mission’s Careers Fair held in Washington DC, USA. Our aim was to seek out the best and brightest Saudis who are studying abroad on the King Abdullah Scholarship, give them the opportunity to see what Ma’aden can offer, and invite them to join our company. We also held a recruitment event at the King Fahd University for Petroleum and Minerals, repeating the success of a similar event in 2012. (Although our recruitment efforts are focused on these two events, all Saudis are eligible for the PDP, irrespective of where they have studied.)
The Saudi Mining Polytechnic (SMP) is a key Ma’aden initiative that will serve the Kingdom’s mining and minerals sector for a long time to come.

We partnered with the Technical and Vocational Training Corporation of Saudi Arabia and the Missouri University of Science and Technology to launch the SMP in 2012. Located in Arar in the north of the Kingdom, the SMP has the capacity to enrol 500 students for a two-year academic and on-the-job training course to prepare technically qualified miners and operators. The first group of 150 students will graduate in July 2014.

This year, 215 new students were admitted to the SMP, an investment of over SAR 22 million (around USD 5 million). The table below shows Ma’aden’s investment in the SMP by business unit.

### Investing in Local Skills

In addition to our flagship training at the Saudi Mining Polytechnic, we offer particular support to students from the local communities around our mines.

Selected students now spend a year at a technical college in Yanbu or Jubail where they learn English, safety, security, and are introduced to life at the polytechnic.

After their year at technical college, they are eligible to attend the SMP or another university.

In 2013, we identified 10 high school students and 15 graduates studying mining-related disciplines, supported them financially (including university tuition where appropriate), and offered them employment with Ma’aden once their studies were completed.

In the Northern Region, the Mubadrah programme helps to prepare high school graduates with the skills they need to apply to the Saudi Mining Polytechnic.

### Ma’aden Training Programs (No. of Students)

<table>
<thead>
<tr>
<th>Institution</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jubail Industrial College</td>
<td>133</td>
<td>230</td>
<td>163</td>
<td>145</td>
<td>180</td>
</tr>
<tr>
<td>Jubail Technical Institute</td>
<td>68</td>
<td>21</td>
<td>35</td>
<td>124</td>
<td>20</td>
</tr>
<tr>
<td>Mubadrah</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>185</td>
</tr>
</tbody>
</table>

* Excluding Saudi Mining Polytechnic (SMP)

### Saudi Mining Polytechnic (SMP) Investment

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Training cost (SAR)</th>
<th>Number of students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>12,750,000</td>
<td>115</td>
</tr>
<tr>
<td>Aluminium</td>
<td>4,998,000</td>
<td>49</td>
</tr>
<tr>
<td>Phosphate</td>
<td>3,162,000</td>
<td>31</td>
</tr>
<tr>
<td>Wa’ad Al Shamal</td>
<td>18,768,000</td>
<td>165</td>
</tr>
<tr>
<td>Total</td>
<td>39,678,000</td>
<td>360</td>
</tr>
</tbody>
</table>
ENVIRONMENT, HEALTH, SAFETY AND SECURITY

Ma’aden recognizes that mining can have a significant effect on the environment. We are committed to minimizing the negative environmental impact of our activities, from concept to closure, and to providing a safe and secure workplace at all our sites.

We aim to perform all of our activities in accordance with international environmental standards. In 2013, we started to measure Ma’aden’s first full environmental footprint, which will allow us to set a baseline of our current impacts and define targets for improvement.

Our Environment, Health and Safety (EHS) Policy was updated in 2013 and outlines the actions we will take to ensure a safe environment within our operations. This policy is in operation at our head office and our affiliates have EHS policies based closely on this template. The full EHS Policy can be found at: http://www.maaden.com.sa/en/sustainability/ehs

Our suppliers are also required to manage their own Environment, Health and Safety issues. This requirement is incorporated into all contracts through the Ma’aden Suppliers Code of Conduct and Ethics. The full Code can be found here: http://www.maaden.com.sa/download/Ethics.pdf

2013 ACHIEVEMENTS
- Finalized the first wave of Ma’aden’s Environment, Health & Safety Integrated Management System (EHS-IMS) at our head office, focusing on water quality and waste management.
- Commissioned an external specialist to calculate Ma’aden’s environmental footprint and completed the scoping phase of the project.
- Managed an unusually high number of security projects – 10 simultaneously – to match Ma’aden’s rate of expansion.

2014 GOALS
- Roll out the EHS-IMS across our affiliates and functional departments.
- Complete our environmental footprint and set targets against key environmental issues such as energy consumption, emissions, water and waste.
- Achieve a score of 97.5 percent on Ma’aden’s Environment Index.
- Implement five security projects in line with Ma’aden’s project schedule and maintain 100 percent compliance with security and safety regulations.

HIGHLIGHTS

97.3
Percentage score on Ma’aden’s Environment Index

25
Percent reduction in recordable injuries since 2012

407
Training sessions conducted on health and safety in 2013

0
Environmental penalties
IMPROVING OUR MANAGEMENT SYSTEMS

As part of Ma’aden’s change management program ETGAN, and in partnership with Alcoa, we are implementing an Environment, Health & Safety Integrated Management System (EHS-IMS), across our affiliates and functional departments.

To develop EHS-IMS, we have been working closely with experts from Alcoa, our aluminium joint venture partner. The system comprises 96 standards and is being implemented in phases.

The first wave of the EHS-IMS governs water quality and waste management, and has been finalized and signed off by the President and CEO. It will be completed in 2014. The second wave began in the second half of 2013, and concerns air emissions management and environmental emergency preparedness.

The EHS-IMS is geared toward the requirements of ISO 14001, OHSAS 18001, EN 16001, ISO 50001, and Responsible Care (the voluntary health, safety and environment standard of the global chemical industry). Once the rollout is complete, Ma’aden will be in a position to apply for certification under ISO 14001.

ENVIRONMENTAL KPIs

- **Number of reportable environmental incidents**
  - Goal: Zero every year
  - Current performance: 2

- **EHS Excellence Level**
  - Goal: 3.5 by 2018
  - Current performance: N/A

- **Lost time injury frequency rate (LTIFR)**
  - Goal: 0.17 in 2014
  - Current performance: 0.05 injuries per person-hour

- **Number of fatalities among Ma’aden employees**
  - Goal: Zero every year
  - Current performance: Zero fatalities in 2013
We recognize that no minerals enterprise can achieve rapid growth without affecting the environment. Our growth aspirations are supported by a commitment to protect the environment and to minimize the negative environmental impact of our activities.

Our Corporate Environment Department (CED) aims to go beyond regulatory compliance to ensure that Ma’aden’s operations and business perform in accordance with international environmental standards. We aim to continually improve our environmental performance, and are investing in specialist research, pioneering technologies and robust systems to ensure that we deliver on this commitment.

Before a new site is developed, we undertake an Environmental Baseline Study (EBS), which records major environmental parameters at the site and allows us to track the impact of our operations once the site is developed. This is followed by an Environmental Impact Assessment (EIA), prepared by an independent specialist, which covers issues such as air and water quality, waste management and noise pollution. New sites covered in 2013 include the Wa’ad Al Shamal project, the expansion of phosphate production at Ras Al Khair, and site assessments for new gold mines at As Suq and Ad Duwayhi.

Ma’aden’s head office and Gold & Base Metals affiliate both achieved ISO 14001 and OHSAS 18001 certifications. They join a growing list of Ma’aden sites that are certified under internationally-recognized environmental standards.

**REDDUCING OUR ENVIRONMENTAL IMPACT**

Ma’aden launched its corporate environmental scorecard and environmental key performance indicators (KPIs) in 2010. The CED uses the scorecard and KPIs to measure the environmental performance of our sites and to drive improvement.

**INVESTIGATING ALLEGATIONS OF CONTAMINATION**

Working with Saudi Arabia’s environmental regulator, the Presidency of Meteorology and the Environment (PME), Ma’aden commissioned an independent specialist to investigate allegations made by a local academic that dust from the Mahd Ad Dhahab mine was causing heavy metal contamination to local water supplies. (See page 40 for further details of the community engagement aspects of this story.)

The environmental investigation found that the local academic’s study was based on flawed methodology and that the mine was meeting the required environmental standards. The independent specialist study was supported by reliable and verifiable data on air and water quality, which we reported quarterly to the PME to reassure them of Ma’aden’s commitment to environmental best practice.

We are proud that this detailed investigation cleared the Mahd Ad Dhahab mining operations of any suspicion of causing environmental contamination to the full satisfaction of the PME and the Al-Madina Al-Munawarh Regional government.

These KPIs are reported monthly to senior management. (See page 20 for more information on the governance of sustainability issues).

Our mines operate under strict environmental monitoring programs, which include underground water and air quality analyses. The CED carried out 22 scheduled and unscheduled environmental audit visits in 2013, and ran training and awareness initiatives across the company.
Mine managers are accountable for their site’s environmental KPIs and are provided with monthly updates so that they can manage their progress. We compile the results for compliance, performance, awareness and training into an overall Environment Index, giving a score for each site and for Ma’aden as a whole.

We achieved a 97.3 percent score on Ma’aden’s Environment Index, exceeding the target of 97 percent set by Ma’aden Management and our President and CEO. Our goal for 2014 is 97.5 percent.

**MEASURING OUR ENVIRONMENTAL FOOTPRINT**

An Ecological Footprint Analysis (EFA) of Ma’aden’s operations is currently underway, which will measure the demand placed on the biosphere by our business. The footprint will produce a baseline of resource consumption and emissions and allow us to set targets for improvement on key environmental issues such as energy consumption, emissions, water and waste. The project will be complete by the end of 2014.

**ENVIRONMENTAL NON-COMPLIANCE**

Although there were no major complaints, legal issues or financial environmental penalties incurred in 2013, two small environmental incidents were recorded at Ras Al Khair. Both incidents incurred a notice of violation by the regulatory authority, the Royal Commission of Jubail and Yanbu, of Category 0 (the lowest class, indicating negligible impact).

Ma’aden incurred zero environmental penalties in 2013.

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**CLEANING WASTEWATER**

In May 2013, we announced the completion of Saudi Arabia’s first engineered wetlands wastewater management system at our aluminium project in Ras Al Khair. This unique system, designed and engineered by Alcoa to replicate the physical, chemical and biological processes of natural wetlands, collects and cleans sanitary and industrial wastewater without using chemicals, and eliminates odors.

This groundbreaking system will reduce water demand by nearly two million gallons or 7.5 million liters per day, saving more than SAR 26 million (USD 7 million) in fresh water supplies annually. The cleaned water is reused in the manufacturing process and for irrigation at Ras Al Khair. The complex includes a refinery, smelter and rolling mill.

In addition to its environmental benefits, the new system has also eliminated the need for an estimated 1,000 tonnes of steel for piping and tanks.

We are delighted that this technology is now being considered for other applications across Saudi Arabia.
Ma’aden is committed to providing a safe and secure workplace at all our sites. Our health and safety policy is set by the Corporate Industrial Safety and Security Department, and the senior management teams of our affiliates are responsible for maintaining full compliance with health and safety standards and company policy at their sites.

Working closely with the Higher Commission of Industrial Security (HCIS), Saudi Arabia’s safety and industrial security regulatory body, we have streamlined site approval processes. This has helped us reduce the average security review and clearance time for our projects by 60 percent. In 2013, we managed 10 security projects to facilitate expansion.

Ma’aden sponsored the 16th annual International Fire and Security Exhibition and Conference, allowing us to access expertise, contractors and suppliers in this field and demonstrating Ma’aden’s wealth of experience.

ENSURING A SAFE WORKING ENVIRONMENT
Ma’aden’s primary security objective is the protection of people and physical assets. Our security policy requires our affiliates to plan and implement the day-to-day activities necessary to provide a secure environment. Our Industrial Safety and Security department provides technical support to all Ma’aden affiliates.

At our mines, safety management committees meet monthly to review safety performance. Daily safety meetings are held to discuss recent incidents, accidents, near
misses, issues with contractors and issues emerging from inspections.

We also carry out regular safety campaigns focusing on specific health and safety issues, which include lectures and other training activities. In 2013, we conducted 407 safety training sessions across all Ma’aden sites, covering job safety analysis (JSA), root cause analysis (RCA), hazard recognition, safe behavior and defensive driving.

Our security teams play an important role in building relationships with local people, because they are on-site from the very beginning of a project.

**INCIDENTS AND RESPONSE**

In 2013, our lost time injury frequency rate (LTIFR, or number of injuries per person-hour) improved to 0.05 from 0.20 in 2012. In line with industry standards, our LTIFR performance improvement indicator is calculated as the average of the last three years, minus 10 percent.

There were no fatalities among Ma’aden employees in 2013.

Both of these goals are among the KPIs set and owned by our President and CEO (see page 20).

There were nine recordable health and safety incidents: two lost time injury cases and seven medical treatment cases. Our teams have worked very hard to mitigate the impact of the incidents, and we are making sure that lessons are learned and corrective measures are taken.

We are also taking new measures to strengthen our emergency response capability. Emergency response plans anticipate natural and accidental disasters which result in emergency situations. They serve to assure Ma’aden’s business continuity before, during and after a major emergency. Corporate emergency plans define the framework for identifying potential emergency situations and accidents, involving significant security, health and safety risks, and provide direction on how to respond to them.

In 2013, we conducted 407 safety training sessions across all Ma’aden sites.

“Ma’aden’s HS&E policy is an important part of our governance framework.”
Ma’aden’s community activities are designed to ensure that our contribution to the Saudi economy brings real opportunities to the communities in and around our mining and manufacturing locations. In each area we are operating we consider the specific needs of the community but overall we are focusing on developing youth in remote areas.

We believe that our relationships with local communities are crucial in our mission of supporting development. The trust and approval of local communities are vitally important as they define Ma’aden’s social license to operate and grow.

Our community policy, which outlines our responsibility to the local communities and the actions we will take to ensure good relations with them, is currently being updated.

2013 ACHIEVEMENTS
• SAR3.5 million invested in the local communities near our operations
• Embedded local procurement criteria into supplier contracts.
• Developed a local engagement strategy for the King Abdullah Wa’ad Al Shammal City Development, a new industrial city in the north of Saudi Arabia.
• Finalized our community engagement framework and assessed 10 sites against its criteria, developing important relationships with key Ma’aden stakeholders.
• Developed local community engagement plans for Ma’aden sites, outlining the areas for improvement.

2014 GOALS
• Establish a working group to review Ma’aden’s procurement policies and recommend how the company’s local economic contribution can be improved.
• Deliver the key tasks in the local community engagement plans, moving our sites toward Level 3 (Involve) of Ma’aden’s community engagement framework.
• Finalize our community management system, which provides the basis for improving our social performance.
• Develop reporting and monitoring systems for procurement at the King Abdullah Wa’ad Al Shammal City Development, and give practical support to our suppliers to help them fulfil the conditions we have set for local procurement and employment.

HIGHLIGHTS
87
Percent Saudization at Al Ba‘itha mine

5.4
SAR billion spent with local suppliers in 2013

2
SAR billion to be spent on local procurement at Wa’ad Al Shamal
PROMOTING ECONOMIC DEVELOPMENT IN THE NORTHERN REGION

The King Abdullah Project for Wa’ad Al Shamal City Development is a new industrial city in the Northern Border Region of Saudi Arabia.

Ma’aden will play a leading role in the city’s development, which will include the Al Khabra phosphate mine, nine phosphate processing plants, supporting industries and a full residential community.

The primary purpose of the new city is to promote economic development in the northern region. This provides an important opportunity for Ma’aden to pilot new strategies to increase our local economic impact. If these strategies are successful, they will be rolled out across our operations.

Ma’aden’s contracts with suppliers at Wa’ad Al Shamal specify that:
• 12 percent of the supplier’s employees should be from the region (in addition to our Saudization requirements)
• 10 percent of the contract price should be spent on goods and services from the region, around SAR 2 billion (about USD 500 million) in total
• one percent of the contract price should be ringfenced for local community development programs (e.g. small business development, scholarships, recycling, restoration, local community infrastructure and ecological projects)

We also require that over 40 specific products (for example, food, fuel and uniforms) must be sourced from the region. We have made a special effort to bring local businesses on board with Ma’aden’s
procurement process by inviting them to register with us, and temporarily relaxing our requirements for new suppliers. We are supporting them with training on safety, proposal preparation, warehouse management and other skills to help them meet our strict procurement requirements.

As the capabilities and economic strength of the region grow, we will continue to raise local procurement and employment requirements.

However, in order to realize the government’s objectives for regional economic development, we have to look further than Ma’aden’s own contracts. The existing capacity of the local labor force in the Northern Border Province area is insufficient to meet the full needs of the new city, which means we need to address the systemic issues of the region – infrastructure, skills and supply chain – in parallel with our own efforts.

Ma’aden’s local engagement strategy, developed with our construction partner Bechtel, is a plan to lay the foundations for a sustainable and inclusive local supply chain. The activities include capacity building, community engagement, sustainable environmental planning and management, local economic development and investment promotion.

In 2014, we will develop reporting and monitoring systems for procurement the King Abdullah Wa’ad Al Shamal City Development, and give practical support to our suppliers to help them fulfil the conditions we have set for local procurement and employment.
LOCAL ECONOMIC CONTRIBUTION

Mining is a capital-intensive industry that does not generate large volumes of direct employment, so we often need to work through our supply chain to make sure our local communities feel the benefit of living near a Ma’aden site. We have put in place a number of policies and programs to support this goal.

LOCAL EMPLOYMENT
Many of Ma’aden’s mines have impressive Saudization rates – for example, 51 percent of employees at Mahd Ad Dhahab are Saudi nationals, and Al Jalamid has set a goal of 84 percent Saudization by 2014.

Where possible, we employ people from the communities around our sites. 69 percent of our Saudi mine employees are from local communities.

In many cases, hiring locally can be challenging because the technical skills and experience needed for Ma’aden’s operations do not always exist within our local communities. However, we recognize that employing locally not only provides economic opportunities for people who live near our mines, but also fosters better relations with our local communities.

Ma’aden also supports longer-term solutions that will increase our ability to employ locally.

Our local engagement strategy for the new industrial city at the King Abdullah Wa’ad Al Shammal City Development includes the development of local skills that are needed for the city’s supply chain.

Ma’aden was instrumental in establishing the Saudi Mining Polytechnic in Arar (see page 24), which provides vocational training for mining and its related industries.

We also support high school and university students from the communities around our sites to study mining-related disciplines.

LOCAL EMPLOYMENT AT MA’ADEN MINE SITES IN 2013

<table>
<thead>
<tr>
<th>Strategic Business Unit (SBU)</th>
<th>Mine</th>
<th>Total workforce</th>
<th>% Saudi</th>
<th>% locals from total Saudis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold &amp; Base Metals</td>
<td>Mahd Ad Dhahab</td>
<td>259</td>
<td>51</td>
<td>62</td>
</tr>
<tr>
<td></td>
<td>Al Hajar</td>
<td>15</td>
<td>87</td>
<td>85</td>
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<tr>
<td></td>
<td>Sukhaybarat</td>
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<td>45</td>
<td>78</td>
</tr>
<tr>
<td></td>
<td>Bulghah</td>
<td>127</td>
<td>45</td>
<td>51</td>
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<tr>
<td></td>
<td>Al Amar</td>
<td>213</td>
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<td></td>
<td>As Souq</td>
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<td></td>
<td>Ad Duwayhi</td>
<td>10</td>
<td>60</td>
<td>33</td>
</tr>
<tr>
<td>Aluminium</td>
<td>Al Bai’tha</td>
<td>86</td>
<td>27</td>
<td>57</td>
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<td>Phosphate</td>
<td>Al Jalamid</td>
<td>295</td>
<td>65</td>
<td>96</td>
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<tr>
<td>Industrial Minerals</td>
<td>Al Ghazalah</td>
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<td>100</td>
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<td></td>
<td>Az Zabirah</td>
<td>31</td>
<td>65</td>
<td>70</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>1,231</td>
<td>52</td>
<td>69</td>
</tr>
</tbody>
</table>
SAUDIZATION IN THE SUPPLY CHAIN

The Saudization of Ma’aden’s direct employees, including those in our affiliate-run mines and plants, is 66 percent.

Building on this success, Ma’aden is committed to influencing investment in Saudi nationals beyond our direct employees. We want to ensure that Saudis are being trained for roles throughout our supply chain.

In 2013, we updated our contracting policy to specify that all suppliers to Ma’aden have achieved a minimum Green classification under the Nitaqat program. This program, introduced in 2011 by the Ministry of Labor, classifies businesses into five categories (Platinum, Gold, Green, Yellow and Red) according to their rates of Saudization. The introduction of this new requirement in our contracts means that all suppliers to Ma’aden must have a Saudization rate of 40 percent or higher.

At our flagship project at the King Abdullah Wa’ad Al Shammal City Development, we also specify that suppliers should ensure at least 12 percent of their employees are from the local region.

LOCAL PROCUREMENT

Ma’aden is also committed to supporting local suppliers where possible by giving them priority over other competitors. We define local suppliers as those registered in Saudi Arabia.

About 67 percent of our current procurement budget is spent on purchasing products and services from Saudi providers. In 2013, we had contracts with 935 local suppliers, spending nearly SAR 5.4 billion (about USD 1.44 billion) compared with SAR 3.2 billion (USD 0.86 billion) in 2012.

We are trialling a requirement in our contracts at the King Abdullah Wa’ad Al Shammal City Development for 10 percent of the contract price to be spent with local suppliers, ringfencing specific goods and services – for example, food, fuel and uniforms – for this purpose. If this effort is successful, we will look to roll it out across Ma’aden.

At site level, we procure locally wherever possible, and often invest in the development of local suppliers. For example, at Sukhaybarat mine we have been supporting the local haulage contractor for several years. When we first awarded them the contract, the company’s work was of a high standard, but they did not have the capabilities needed to work with a large company like Ma’aden. We supported them with training in these capabilities, and the company is now a highly reliable and competent service provider, and their contract means that a significant amount of money is channeled into the local economy near Sukhaybarat.
In 2014, we will establish a working group to review Ma’aden’s procurement policies and recommend how the company’s local economic contribution can be improved.

**INVESTING IN SKILLS DEVELOPMENT**

In partnership with the Technical and Vocational Training Corporation (TVTC), Ma’aden established the Saudi Mining Polytechnic (SMP) in Arar with the goal of providing vocational training for mining and related industries.

Suppliers to Ma’aden at the King Abdullah Wa’ad Al Shammal City Development are required to spend at least one percent of the contract price on local community development programs, building capacity and skills within the Northern Region.

Community development programs are also carried out at many of our sites. For example, at Al Ba’itha mine, we have invested SAR 1.5 million (USD 400,000) to help people from the local communities learn English, which is often an entry requirement for further education and jobs in Saudi Arabia. The program targeted local people in the Qassim Region, where the Al Ba’itha mine is located, and 10 classes were run in three locations.

A total of 139 people have graduated from the program with basic English, and in many cases have achieved more advanced language skills. The program has made a real difference to the ability of local people to pursue education or careers. The Al Ba’itha mine itself has recruited 35 employees from the course; 12 graduates are studying at the Jubail Technical Institute before taking up employment at the Ras Al Khair plant; and some have progressed to the Saudi Mining Polytechnic to study mining and related disciplines.

**INVESTING IN COMMUNITY NEEDS**

An important element of developing good relationships with local communities is to identify their specific needs where our investment and support would make a difference. We encourage our affiliates to make community investment a key part of their engagement strategies.

In 2013, Ma’aden and its affiliates invested a total of SAR 3.5 million (about USD 1 million) in the local communities near our operations.

Our site managers implement programs that are most suited to the locality. For example, our mines at Al Jalamid, Sukhaybarat and Bulgah provide water to local villages – a vital resource for people in these regions. Al Amar mine invested a total of SAR 750,000 (USD 200,000) on community engagement, including the establishment of a health clinic, the promotion of sport in schools and cultural awareness courses for local people.

Ma’aden will consolidate its community investment activities during 2014, and put in place clear guidelines to ensure that our investments have the greatest impact possible on local communities.
COMMUNITY RELATIONS

The visible nature of mining and the wealth it generates – along with the fact that, in some remote communities, Ma’aden is the largest private sector investor – means that local communities have significant expectations of us. Understandably, local communities feel that they should benefit from having a Ma’aden mine in their region, through jobs, training, economic development, a thriving community and a healthy local environment.

It takes time to gain the trust of local communities, and real effort and responsiveness to maintain good relationships. Ma’aden recognizes that community engagement is a long-term undertaking, and we are committed to improving our performance in this area.

Our newly established Corporate Sustainability Division will manage flagship projects at a national level, in support of Government development plans and Ma’aden policy, while allowing mines to fund innovative local solutions to community issues on the ground.

LONG-TERM ENGAGEMENT

Ma’aden has embedded social and environmental considerations throughout the mining lifecycle, from concept through to operation, and after the mine has closed. We manage social and environmental risks throughout this process, and begin building positive relationships with local communities from the beginning.

Our security teams play an important role in building relationships with local people, because they are on-site from the very beginning of a project. Over 90 percent of security personnel at our sites are from the adjacent communities, so they know both the company and the local area well.

As a relatively new mining company, we have not yet had the opportunity to assess impacts in the ‘after’ stage of operations. However, Ma’aden is committed to the International Council on Mining and Metals (ICMM) sustainable development principles, which include specific references to mine closure, biodiversity and land use planning.

“Over 90 percent of security personnel at our sites are from the adjacent communities.”
Ma’aden is in the process of establishing a management system for community and social performance, closely aligned to international best practice approaches including the AA 1000 Stakeholder Engagement Standard, the International Finance Corporation Performance Standards and others. It is currently in a year-long pilot phase and will be implemented in 2014.

**MEASURING OUR PROGRESS**

Our sites are managed by affiliates who share our commitment to community relations. Our community engagement framework, formalized in 2013, guides our businesses to adopt an integrated approach to engaging with local communities. It sets out Ma’aden’s expectations of the affiliates, providing guidance on community engagement initiatives that will also help improve business performance.

The framework identifies five distinct levels of community engagement, based on 27 criteria from the International Association for Public Participation. Each level has a series of performance indicators so that we can measure our progress. For illustration three of these indicators are included in the table below.

<table>
<thead>
<tr>
<th>Community engagement goal</th>
<th>Level 1: Inform</th>
<th>Level 2: Consult</th>
<th>Level 3: Involve</th>
<th>Level 4: Collaborate</th>
<th>Level 5: Empower</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide the community with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and / or solutions.</td>
<td>To obtain community feedback on analysis, alternatives and / or decisions.</td>
<td>To work directly throughout the process to ensure that community concerns and aspirations are consistently understood and considered.</td>
<td>To partner with community in each aspect of the decision including the development of alternatives and the identification of the preferred solution.</td>
<td>To place final decision making in the hands of the community.</td>
<td></td>
</tr>
</tbody>
</table>

**Promise to the community**

- We will keep you informed.
- We will keep you informed, listen to and acknowledge concerns, and provide feedback on how community input influenced the decision.
- We will work with you to ensure that your concerns and aspirations are directly reflected in the alternatives developed and provide feedback on how community input influenced the decision.
- We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.
- We will implement what you decide.

**Example techniques**

- Fact Sheets
- Website
- Newsletters
- Letters
- Advertisements
- Public displays
- Public submissions
- Focus groups
- Surveys
- Public meetings
- Environmental Effects Statement (EES) process
- Informal interactions
- Workshops
- Environmental Review Committees
- Brainstorming
- Face-to-face meetings
- Representation at events
- Advisory Committees
- Consensus building
- Participatory decision making
- Community activities
- Citizen juries
- Ballots/vote
- Delegated decision
- Community development initiatives
SITE ASSESSMENTS
In April and May 2013, we carried out assessments against the community engagement framework at 10 mines, spending two to three days at each site to understand first-hand the systems and activities in place. We assessed each mine’s current position against the framework and carried out a risk and impact assessment for key issues, including the local community’s access to land, local employment, supply chain and labor issues, infrastructure and community investment.

All the sites in our assessment scored between Level 1 (Inform) and Level 2 (Consult) in the community engagement framework. Our goal is for all Ma’aden’s operations to achieve Level 3 (Involve) by the end of 2017. Of course, we want as many of our business units as possible to exceed this level, and will support them to achieve the highest possible standards.

This goal is among the KPIs set and owned by our President and CEO. At a local level, mine managers will be accountable for their site’s maturity level. This indicator forms part of their performance assessment.

The reviews also identified gaps in site-level knowledge and capacity to manage social issues. Each site now has a local community engagement plan that requires them to set baselines for their community activities, and outlines areas for improvement between now and 2017, when we expect them to achieve Level 3 (Involve). For example:

• Al Ghazala and Al Zabira mines will arrange a site visit for key local stakeholders, and for local pupils and their teachers.
• Al Jalamid mine will implement a complaints management system, and support the delivery of a high school refurbishment in the local village.
• Mahd ad Dhahab mine will complete the development of a community center for local people.

We will carry out follow-up site assessments in 2014 to ensure that progress is being made against the local community engagement plans.

“Each site has a local community engagement plan that outlines areas for improvement.”

COMMUNITY ENGAGEMENT FRAMEWORK SITE ASSESSMENTS 2014
LEARNING FROM OUR EXPERIENCES
We work hard to maintain good relationships with our local communities. We have learned from experience that failing to engage with the community on issues that are important to them can lead to difficulties in the relationship.

COMMUNITY RELATIONS AT MAHD AD DHAHAB

Ma’aden’s gold mine is the single biggest source of employment and wealth creation in the town of Mahd Ad Dhahab, generating both direct and indirect economic benefits. Local people have always been supportive of the mine. But the situation changed in 2007 when a local academic released a report alleging that dust from the mine was causing heavy metal contamination to local soil and water supplies.

We commissioned an independent investigation, which found that the local academic’s study was based on flawed methodology and that the mine was, in fact, meeting environmental standards. Nevertheless, local people believed that the pollution existed, and a small group of concerned stakeholders began a media campaign targeting Ma’aden. Eventually, the local population of Mahd town escalated their concerns to the Governor of Al-Madina Al-Munawarh Province, and five new exploration licenses were rejected.

Our experience at Mahd Ad Dhahab shows the vital importance of engaging openly and honestly with the communities around our sites. The Ma’aden community engagement framework will help us to ensure that excellent community relations become the standard for all our field operations.
We believe that compliance and ethics go hand-in-hand with outstanding business performance. Integrity is one of our four core values, committing all our employees to “honesty, integrity and the highest ethical standards in our relationships with all our stakeholders.”

We take this commitment seriously, ensuring that our people understand the standards of behaviour expected of them from the moment they take up their position at Ma’aden. We also extend these expectations to our suppliers, contractors and consultants.

The compliance culture at Ma’aden starts at the top of the organization and is supported by a compliance team that is empowered and responsible for successfully implementing relevant policies, procedures, training and monitoring that are aligned with sound ethics and business strategy.

Ma’aden’s compliance function assists senior management in identifying, evaluating, controlling and monitoring on an on-going basis, the compliance risks affecting the Company. Where weaknesses have been found through its reviews, the compliance function recommends appropriate controls and remedial actions.

**2013 ACHIEVEMENTS**

- Introduced a Whistleblowing Policy on matters related to financial corruption or any policy violation, and introduced mechanisms to support whistleblowers.
- Promoted understanding and acceptance of Ma’aden’s core values across the company.

**2014 GOALS**

- Develop a full Code of Conduct that is tailored to the industrial sector and incorporates Ma’aden’s core policies and procedures.
- Train Ma’aden employees on ethical conduct, including conflicts of interest and whistleblowing.
- Work with our partners to ensure adherence to international ethical standards.

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All our employees are committed to honesty, integrity and the highest ethical standards.
SETTING OUR ETHICAL STANDARDS

The Conflict of Interest Policy requires Board members, executive management and employees to disclose actual or potential conflicts of interest and provides a mechanism for addressing potential conflicts of interest. Potential conflicts of interest arise where an individual’s private interests, financial or otherwise, may interfere with the interests of Ma’aden.

The Business Conduct Guidelines form the basic principles that steer Ma’aden’s dealings with all our constituencies, particularly our customers, suppliers and communities. Employees are assured that continued strict observance of these standards, even at the risk of adverse business consequences, will be supported by the senior management of Ma’aden. Deviation from them, on the other hand, will be grounds for appropriate disciplinary or other action, which action may include termination of employment and referral of such conduct to the concerned authorities.


Since Ma’aden has diverse and dynamic business interests, the Conflict of Interest and Business Conduct Guidelines are reviewed regularly to ensure they continue to align with company strategy. The next review is planned for 2014, when we will develop a full Code of Conduct that is tailored to the industrial sector and incorporates Ma’aden’s core policies and procedures. We will develop metrics to measure compliance with the laws and regulations of Saudi Arabia, and work with our partners to ensure adherence to international ethical standards.

All relevant industry leading practices and standards will be integrated into our Code of Conduct. We are also planning to install new communication tools, including a hotline and a dedicated intranet site, to enable staff to comment on relevant issues and behavior of managers and fellow employees on anonymous basis.

INFLUENCING THE SUPPLY CHAIN

Our ethical guidelines are incorporated into all contracts through the Ma’aden Suppliers Code of Conduct and Ethics. The Code covers Ma’aden’s core values and requires full compliance with Saudi rules and regulations in areas such as discrimination, harassment, minimum wages and child labor.


WHISTLEBLOWING

One of the 2013 highlights in governance is the finalization of our Whistleblowing Policy, which was welcomed by the National Anti-corruption Commission (Nazaha) as the first such policy in Saudi Arabia. The policy aims to ensure the integrity of our policies and all applicable law, by providing a facility for employees to report violations or possible violations.


The Whistleblowing Policy aims to encourage staff to provide any information that will help management detect, correct and report irregularities, unethical behavior and actions that may be illegal and violate the company’s policies, procedures and ethical standards. The policy is consistent with Article 10 of the Corporate Governance Regulation issued by the Capital Markets Authority (CMA).

We have also launched a series of mechanisms to offer assistance to whistleblowers, such as a dedicated email address and the availability of a representative to collate information answer employees’ questions confidentially.