

Section 03

Governance, risk and compliance



Ma'aden's approach to governance, risk and compliance (GRC) has grown ever stronger and more comprehensive, led by our commitment to comply with the local regulatory guidelines and new and emerging international industry standards.

Growing commitment to the highest standards

Ma'aden's corporate governance framework is based on the provisions of regulations issued by the Capital Market Authority (CMA) of the Kingdom of Saudi Arabia, the Companies Law and Ma'aden's Articles of Association. Our vision of becoming a world-class minerals enterprise guides us in continually strengthening our governance, risk and compliance (GRC) framework.

Under this framework, Ma'aden's Board of Directors holds the ultimate authority and responsibility to establish an effective GRC regime. Overall risk management efforts and internal control measures that are aimed at protecting the rights of shareholders and other stakeholders are integral to GRC.

Corporate governance in Ma'aden has two major components:

- **strategic direction**
- **oversight.**

Strategic direction determines the business model, business objectives, risk management methodology (including risk appetite) and control of business conduct. The prime objectives of oversight are risk management and internal and external assurance activities.

The most important operating principles of corporate governance at Ma'aden are:

- **keep shareholders well-informed by providing them accurate and timely information;**
- **maintain an effective Board committed to represent and safeguard the interest of shareholders;**
- **deliver executive leadership led by the President and CEO ensuring that the organization works hard to achieve common goals and objectives;**
- **implement strong risk management measures and internal controls to help Ma'aden achieve its strategic and operational objectives and**
- **maintain total compliance with applicable laws and regulations.**

Company structure

The Ma'aden organization today includes three wholly owned subsidiaries and seven joint venture companies (*Figure 1, overleaf*). All of our subsidiaries except one - the Ma'aden Infrastructure Company (MIC), an internal services company supporting the requirements of other operating companies - are engaged in mining or manufacturing operations.

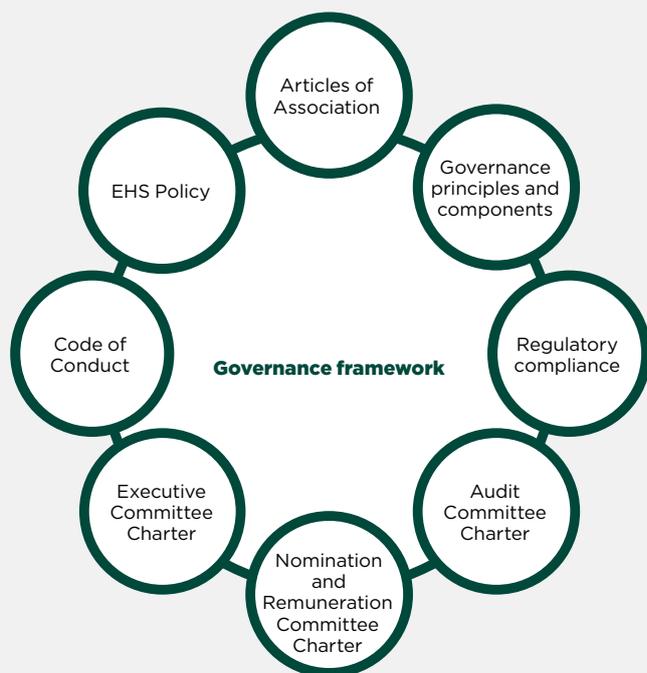


The Ma'aden Board of Directors

Figure.1 Ma'aden operational structure: subsidiaries and jointly controlled entities

Business segment	Company name	Type of company	Shareholders	Products	HQ Location
Holding					
Investment holding	Saudi Arabian Mining Company (Ma'aden)	Joint stock company	Publicly listed	Projects	Riyadh
Subsidiaries (Consolidated accounting)					
Gold	Ma'aden Gold and Base Metals Company (MGBM)	Limited liability company	Ma'aden 100%	Gold, zinc, copper, silver and lead	Jeddah
Infrastructure	Ma'aden Infrastructure Company (MIC)	Limited liability company	Ma'aden 100%	Infrastructure services and housing	Riyadh
Industrial minerals	Industrial Minerals Company (IMC)	Limited liability company	Ma'aden 100%	Bauxite, kaolin, and caustic calcined magnesia	Riyadh
Aluminium	Ma'aden Aluminium Company (MAC)	Limited liability company	Ma'aden 74.9% Alcoa 25.1%	Aluminium ingots, T-bars, slabs	Ras Al Khair
Aluminium	Ma'aden Rolling Company (MRC)	Limited liability company	Ma'aden 74.9% Alcoa 25.1%	Billets and aluminium sheets	Ras Al Khair
Aluminium	Ma'aden Bauxite and Alumina Company (MBAC)	Limited liability company	Ma'aden 74.9% Alcoa 25.1%	Aluminium ingots	Ras Al Khair
Phosphate	Ma'aden Phosphate Company (MPC)	Limited liability company	Ma'aden 70% SABIC 30%	DAP fertilizer, MAP fertilizer, sulphuric acid, phosphoric acid, and ammonia	Ras Al Khair
Phosphate	Ma'aden Wa'ad Al-Shamal Phosphate Company (MWASPC)	Limited liability company	Ma'aden 60% Mosaic 25% SABIC 15%	DAP fertilizer, MAP fertilizer, sulphuric acid, phosphoric acid, and ammonia (including downstream products)	Wa'ad Al Shamal
Jointly controlled entities (Equity accounted)					
Petrochemical	Sahara and Ma'aden Petrochemical Company (SAMAPCO)	Limited liability company	Ma'aden 50% Sahara 50%	Ethylene dichloride chlorine and caustic soda	Jubail
Copper	Ma'aden Barrick Copper Company (MBCC)	Limited liability company	Ma'aden 50% Barrick ME 50%	Copper, silver, zinc, nickel, gold, lead, sulphur and cobalt	Al Madinah Al Munawarah

Figure.2 Key governance components



The four main bodies overseeing the GRC framework are supported by the executive management, subsidiaries and staff to ensure effective implementation of its elements.



The Board and the Management Committee

GRC framework

Our GRC framework consists of four main bodies:

- Shareholders
- Board of Directors and supporting sub-committees
- President and CEO
- Management Committee.

As shown in the management structure chart (*Figure 3, overleaf*), the four main bodies overseeing the GRC framework are supported by the executive management, subsidiaries, affiliates and staff to ensure effective implementation of its elements, as shown under 'key governance components' (*Figure 2*).

Role of shareholders

Our General Assembly is the platform where shareholders exercise their voting rights. Shareholder consent is required for key decisions such as the approval of the annual financial statements, the Board of Directors' report on the group's activities, the review and approval of the Board of Directors' recommendations on dividend payments, the election of board members, amendments to the Articles of Association, appointment of external auditors and the raising of capital. Each shareholder owning more than 20 shares has the right to attend the General Assembly, where they are entitled to one vote per share as per the company's Article of Association. We hold the General Assembly of shareholders during the first three months following the end of the fiscal year. Extraordinary General Assembly meetings are held when necessary.

Board composition

In accordance with the Companies Law and Ma'aden's Article of Association, our Board of Directors consists of nine members, including the Chairman and the CEO.

The General Assembly of shareholders appoints the directors for a term of three years. The PIF, which represents the government and holds 50 percent of the company's shares, appoints four of the nine members. Eight of the current Board

members were appointed during the meeting of the Extraordinary General Assembly held on September 25, 2014, and the ninth member was appointed at the meeting of the Extraordinary General Assembly held on November 13, 2014.

As an independent director Soliman Bin Saad Al-Humyayed tendered his resignation on December 9, 2014, the Board of Directors appointed Abdulaziz Bin Abdallah Al-Suqair as independent director on January 20, 2015. His appointment was approved by the General Assembly meeting on March 2, 2015. Independent directors do not have a material or pecuniary relationship with the company or related persons, except sitting fees and they do not own shares in the company.

Board meetings and attendance

The Board of Directors held seven meetings during the year, and the details of attendance are presented in *Figure 4 (overleaf)*.

Board of Directors' role

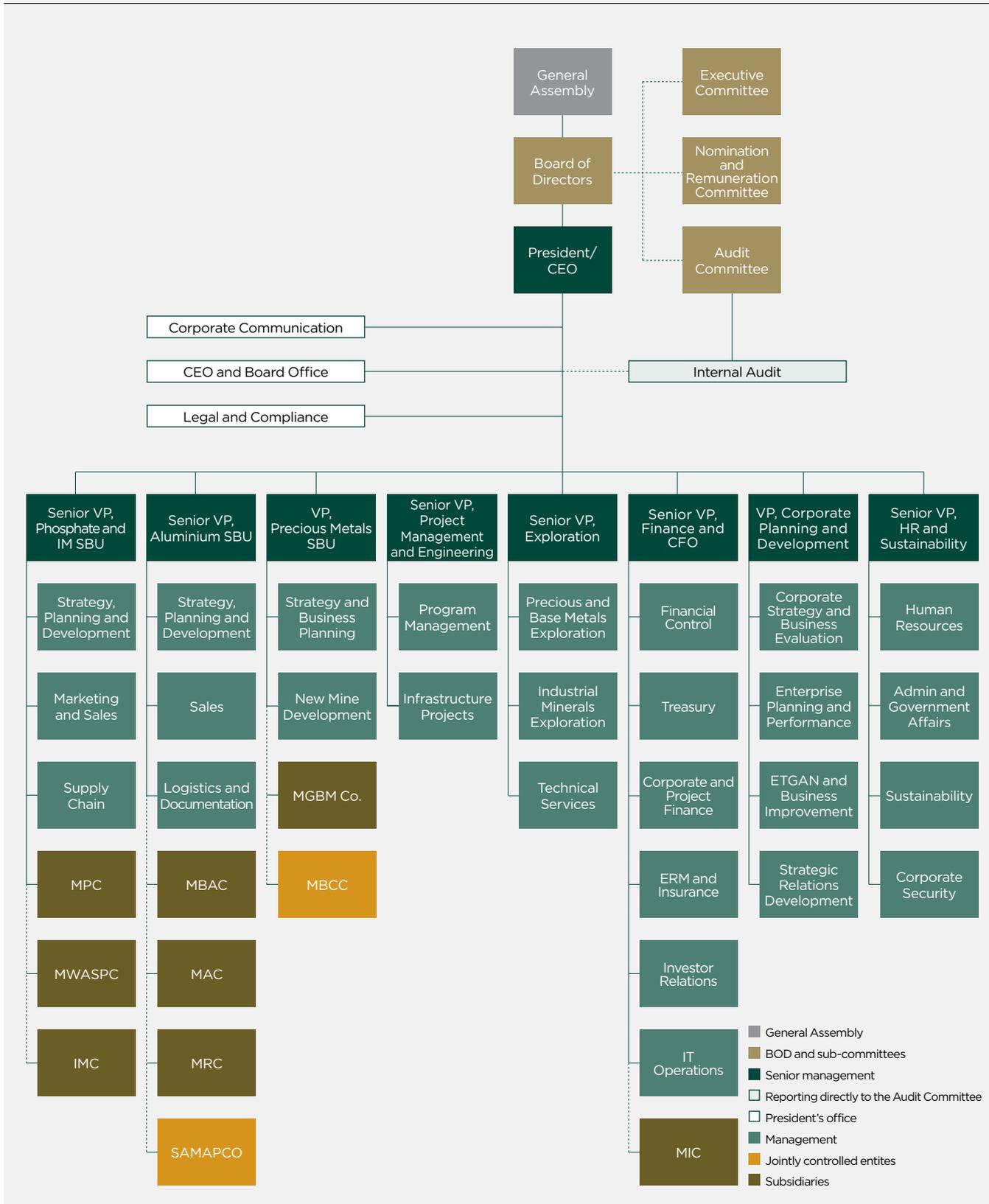
The Board holds key responsibilities related to governance, risk management and internal control. They include:

- the approval of Ma'aden strategy, business plans and objectives of the Group;
- establish authority matrices across the Group to ensure consistency in decision-making;
- the general evaluation of performance against approved strategic goals;
- the approval of quarterly and annual financial statements;
- the establishment of the policies and guidelines related to internal control systems;
- the approval of policies and procedures to ensure compliance with laws and regulations and
- the appointment of the Chief Executive Officer and President.

The Board exercises its responsibilities through several strategic tools:

- the Board's sub-committees;
- a robust internal audit function;

Figure.3 Ma'aden's organizational structure



The three Board sub-committees meet separately several times during the year. The Board has specified the roles and responsibilities of each committee.



- independent annual audits performed by external auditors and
- an effective whistle blower program to enable staff and others to report wrongdoings and fraud-related risks.

In order to help carry out its duties and responsibilities effectively, the Board has delegated important matters to its three sub-committees:

- the Executive Committee;
- the Audit Committee;
- the Nomination and Remuneration Committee.

Committee meetings

The three Board sub-committees meet separately several times during the year. The Board has specified the roles and responsibilities of each committee. The minutes of each Board committee meeting are reviewed and approved by the Board of Directors. Details of the functioning of each committee are given below.

Executive Committee

The Executive Committee comprises at least six members appointed by the Board (Figure 5). The Executive Committee meets on a quarterly basis, and additional meetings are held if required. The quorum for the meeting is a majority of its members.

The main duties and responsibilities of the Executive Committee include, but are not limited to, the following:

- review Ma'aden's strategies, business plans and make recommendations to the Board;
- review the workforce budget and operational and capital expenditure budgets;
- review proposed long-term (more than three years) business, operations and financial plans and provide recommendations to the Board;
- review all core projects and business

Figure.4 Board meetings and attendance

Name	Title	Status	Attendance of meeting						
			20/01 2015	01/03 2015	22/05 2015	23/05 2015	30/08 2015	15/10 2015	20/12 2015
Abdullah Bin Saif Al-Saif	Chairman	Independent Director	✓	✓	✓	✓	✓	✓	✓
HE Mohammed Bin Abdullah Al-Kharashi	Director	Non-executive Director representing PIF	✓	✓	-	-	✓	✓	✓
HE Suleiman Bin Abdulrahman Al-Gwaiz	Director	Non-executive Director representing GOSI	✓	✓	✓	✓	✓	-	✓
Mansour Bin Saleh Al-Maiman	Director	Non-executive Director representing PIF	-	✓	✓	✓	✓	✓	✓
Khalid Bin Hamad Al-Sanani	Director	Non-executive Director, representing PIF	✓	✓	✓	✓	✓	✓	✓
Sultan Bin Jamal Shawli	Director	Non-executive Director representing PIF	-	✓	✓	✓	✓	-	✓
Dr Ziyad Bin Abdulrahman Al-Sudairy	Director	Independent Director	✓	✓	✓	✓	✓	✓	-
Abdulaziz Bin Abdullah Al-Suqair*	Director	Independent Director			✓	✓	✓	✓	✓
Khalid Bin Saleh Al-Mudaifer	President and CEO	Executive Director	✓	✓	✓	✓	✓	✓	✓
Baker Abdullatif Al-Haboob	Board Secretary	-	✓	✓	✓	✓	✓	✓	✓

*The Board recommended to appoint the ninth member on 20/01/2015 and the General Assembly approved this on 01/03/2015

The Audit Committee has the right, without any restrictions, to access all information, data, reports, records, correspondence, and other matters as the Committee deems appropriate. The Audit Committee is also entitled to engage consultants, accountants or any other independent third parties.

Figure.5 Members of the Executive Committee, meetings and attendance (2015)

Name	Title	Attendance of meeting			
		22/02 2015	01/07 2015	14/09 2015	29/11 2015
Abdullah Bin Saif Al-Saif	Chairman	✓	✓	✓	✓
HE Suleiman Bin Abdulrahman Al-Gwaiz	Non-executive Director	✓	✓	✓	✓
Sultan Bin Jamal Shawli	Independent Director	✓	✓	✓	✓
Khalid Bin Saleh Al-Mudaifer	Executive Director	✓	✓	✓	✓
Abdulaziz Bin Abdullah Al-Suqair*	Non-executive Director	✓	✓	-	✓
Prof Richard T. O'Brien**	Member	New appointment			✓

*Was appointed as an Executive Committee member on 15/10/2015
 **Non Board member was appointed as an Executive Committee member on 15/10/2015

expansions according to the approved strategies, business plans, operations and long-term financial plans and make recommendations to the Board and • oversee and monitor the implementation of Ma’aden and subsidiary expansion projects.

The current Executive Committee was established in 2014. A new member – Professor Richard O’Brien – was appointed to the committee effective October 15, 2015.

All members of the Executive Committee, except O’Brien, sit on the Board of Directors. O’Brien is an accomplished executive with 30 years of experience at CEO, COO and CFO level with significant financial and operational experience in mining and mining services, energy and power and the electric and gas utility businesses. He has extensive experience with NYSE and Australian Stock Exchange listed companies in leadership positions covering strategic and business planning, finance and accounting, safety, domestic and international business mergers, acquisitions and divestitures and in identifying and mentoring “next generation” leaders. O’Brien has demonstrated leadership and communication capabilities and has experience as an independent non-executive director of public companies.

Audit Committee

The Audit Committee consists of five members who are appointed by the Board (Figure 6). The Audit Committee met several times during the year and the quorum for the meeting is a majority of its members. The Audit Committee has the right, without any restrictions, to access

all information, data, reports, records, correspondence, and other matters as the Committee deems appropriate. The Audit Committee is also entitled to engage consultants, accountants or any other independent third parties.

The duties and responsibilities of the Audit Committee include the following:

- review Ma’aden’s proposed financial policies and procedures and recommend their adoption and approval to the Board;
- review the interim and annual standalone and consolidated financial statements of the company and all its subsidiaries;
- oversee the Group’s internal audit department to ensure efficiency in performing its activities and tasks assigned by the Board;
- review and approve the internal audit plan for the ensuing year, procedures and recommendations to the Board on the appointment or termination of services and the fees of external auditors, taking their independence into account;
- review the procedures for the request for proposal for the external audit appointment and recommendations and
- conduct or authorize investigations related to any matter in the company’s interest.

Abdullah Bin Mohammed Al-Fayez was appointed to the Audit Committee in 2014. Al-Fayez joined the Arabian Oil Company in as an assistant supervisor of maintenance work in 1974. He moved to the Saudi Industrial Development Fund (SIDF) later, where he held various positions in project and portfolio management before his appointment as Director of Marketing.

Figure.6 **Members of the Audit Committee, meetings and attendance (2015)**

Name	Title	Attendance of meeting				
		18/01 2015	16/04 2015	14/07 2015	18/10 2015	14/12 2015
HE Mohammed Bin Abdullah Al-Kharashi	Chairman	✓	✓	✓	✓	✓
Khalid Bin Hamad Al-Sanani	Non-executive Director	✓	✓	✓	✓	✓
Abdullah Bin Mohammed Al-Fayez**	Member	✓	✓	✓	✓	✓
Dr Abdullah Bin Hassan Al-Abdulqader*	Member	✓	✓		Resigned	
Mazen Bin Abdullah Al-Furaih**	Member	✓	✓	✓	✓	✓
Walid Bin Ibrahim Shukri**	Member	✓	✓	-	✓	✓

*The member resigned on 30/04/2015
**Non Board member

In 1981 he joined the Saudi-Spanish Bank in Madrid as an assistant to the general manager prior to joining the United States-Saudi Arabian Joint Commission. From year 2000 to 2006, he served as the CEO of the Saudi Public Transport Company (SAPTCO).

Dr Abdullah Bin Hassan Al-Abdulqader was appointed to the Committee in 2011. He was a member of the CMA Board from the time it was formed in July 2004 for a period of five years. He was Provost of Graduate Studies and Research at King Fahd University of Petroleum and Minerals (KFUPM) from 1998 to 2003. Dr Al-Abdulqader provides consultation on corporate governance and business administration for a number of companies and organizations in Saudi Arabia and the Gulf region. He resigned from the Audit Committee on April 30, 2015.

Mazen Al-Furaih was appointed to the Committee in 2014. Since 2011, he has served as a Financial Analyst at the PIF, where he reviews commercial loan applications, prepares project

appraisals, reviews financial statements and evaluates new investment opportunities.

Walid Bin Ibrahim Shukri was appointed to the Committee in 2014. He holds a bachelor's degree with honors in industrial management from KFUPM and is a US and Saudi Certified Public Accountant. He specializes in audit assurance, risk, compliance, corporate governance and financial reporting, with an academic and professional career spanning over 25 years. Shukri worked as an independent advisor to the Ernst and Young Oil and Gas Centre of Excellence in Bahrain and for over 12 years, he was with PricewaterhouseCoopers (PwC), where he spent four years as the country senior partner for the Saudi Arabian practice and was part of the Middle East Leadership Team. Prior to this he worked with Deloitte Touche Tohmatsu in both the United States of America and Saudi Arabia.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of four members who are appointed by the Board (Figure 7). The committee meets on a

Figure.7 **Members of the Nomination and Remuneration Committee, meetings and attendance (2015)**

Name	Title	Attendance of meeting			
		22/02 2015	31/05 2015	14/09 2015	19/12 2015
Abdallah Bin Saif Al-Saif	Chairman	✓	✓	✓	✓
Mansour Bin Saleh Al-Maiman	Non-executive Director	✓	✓	✓	✓
Ziyad Abdulrahman Al-Sudairy	Non-executive Director	✓	-	-	-
Khalid Bin Saleh Al-Mudaifer	Executive Director	✓	✓	✓	✓

In line with the requirement of Article 10 (a) of the Capital Market Authority's corporate governance regulations, the Ma'aden Board takes full responsibility for the governance of risk.

Figure.8 **Summary of Board and committee meetings (2015)**

Member	Board	Attendance of meeting		
		Executive Committee	Audit Committee	Nomination and Remuneration Committee
Independent Directors				
Abdullah Bin Saif Al-Saif	7/7	4/4	-	4/4
Abdulaziz Bin Abdullah Al-Suqair*	5/7	3/4	-	-
Dr Ziyad Bin Abdulrahman Al-Sudairy	6/7	-	-	1/4
Non-executive Directors				
HE Mohammed Bin Abdullah Al-Kharashi	5/7	-	5/5	-
HE Suleiman Bin Abdulrahman Al-Gwaiz	6/7	4/4	-	-
Mansour Bin Saleh Al-Maiman	6/7	-	-	4/4
Sultan Bin Jamal Shawli	5/7	4/4	-	-
Khalid Bin Hamad Al-Sanani	7/7	-	5/5	-
Executive Directors				
Khalid Bin Saleh Al-Mudaifer	7/7	4/4	-	4/4
Other committees members				
Prof Richard T. O'Brien**	-	1/4	-	-
Abdullah Bin Mohammed Al-Fayez**	-	-	5/5	-
Dr Abdullah Bin Hassan Al-Abdulqader***	-	-	2/5	-
Mazen Al-Furaih**	-	-	5/5	-
Walid Bin Ibrahim Shukri	-	-	4/5	-

*Was appointed as an Executive Committee member on 15/10/2015
 **Non Board member
 ***The member resigned on 30/04/2015

quarterly basis and the quorum for the meeting is a majority of its members. The duties and responsibilities of the committee include the following:

- annual review and recommendations of the skills, competencies and work experience needed to strengthen the capacity of the Board and make suitable recommendations;
- annual verification of independent members' credentials and to determine if there are any conflicts of interest if the member serves on the Board of another company;
- evaluation of candidates for Board membership, while bearing in mind factors including, but not limited to, integrity, credibility and responsibility; successful leadership experience; strong business acumen; independence and absence of any conflict of interest; and the ability to devote the time necessary to carry out their responsibilities as member;
- assist the Board in preparation of a long-term succession plan when necessary;
- identify strengths and weaknesses in the Board and propose methods to address gaps if any;
- review and approve all compensation (salaries, allowances, shares) for all executives (CEO, deputies and executive directors) on an annual basis;
- review and approve human resources policies and procedures, administrative development programs and plans for succession of executives, evaluate objectives (including key performance indicators) to be achieved within the reward and incentive programs and
- consult with the CEO to review the succession plan and ensure the availability of a resource pool with sufficient qualifications, skills and experience to fill senior and leadership positions; identify opportunities and shortcomings in performance and subsequent steps as part of succession planning, including development of executive competencies.

More details of the roles and responsibilities of the three committees are explained in their respective charters, which are available on our website: www.maaden.com.sa/en/investor/governance



Management Committee

Our senior management is comprised of qualified and experienced senior executives with the knowledge and expertise necessary to lead Ma'aden's business. We have been largely successful in retaining our senior management team and in developing qualified employees and promoting them to senior positions in the company. The Management Committee performs a number of key functions. These include:

- the setting of clear business objectives within an appropriate ethical framework;
- establishing efficient processes and mechanisms to ensure transparency and clear lines of responsibility and accountability;
- implementing sound business planning and integrating business risk management throughout the group;
- establishing clear boundaries for acceptable behavior and
- evaluating and driving performance.

The President and CEO leads Ma'aden's Management Committee.

Risk management

Effective risk management is essential to ensure that Ma'aden remains a focused, high performance mining company. Risk is an integral and unavoidable component of Ma'aden's business and comprises both threats and opportunities. All employees across the company are responsible for the management of risks in accordance with our ISO 31000-based risk management framework, policies and procedures.

Board supervision

We are committed to the effective management of risks through proactive, competent risk management policy and practice. In line with the requirement of Article 10 (a) of the Capital Market Authority's corporate governance regulations, the Ma'aden Board takes full responsibility for the governance of risk. The Board achieves this by ensuring that an effective risk

management process is embedded across all the operations and at all levels of management through the design, implementation and monitoring of a risk management strategy and plan. The Board has delegated the responsibility of developing and continually updating the risk management strategy and plan to the executive management.

Our strategy and plan are designed to take advantage of opportunities and protect capital, assets and income by mitigating the adverse impacts of risk. Ma'aden's Board of Directors and executive management conduct regular risk assessments relating to various dimensions and aspects of operations to verify that adequate risk management systems are in place.

Key business risks

We acknowledge that all risks cannot be eliminated. Ma'aden takes a comprehensive approach to understanding potential risks so that appropriate mitigation processes are put in place. The following were some of the key business risks reported in 2015:

- Capital project execution
- Commodity price volatility
- Cyber security
- Skills shortage
- Access to infrastructure/water
- Interruptions in supply of power
- Social license to operate
- Environment
- Marketing
- Cost inflation
- Health and safety

Risk monitoring

All the identified risks are monitored appropriately and adequate mitigation plans are in place to tackle the identified risks. A formal process to report on the implementation status of the mitigation plans against identified risks has also been designed and implemented. The Board is satisfied that Ma'aden has adopted an ongoing process to identify, evaluate and manage significant risks.

Behavior forum in progress at one of our operational sites, left, and a weekly operational meeting at Ad Duwayhi mine

We acknowledge that all risks cannot be eliminated. Ma'aden takes a comprehensive approach to understanding potential risks so that appropriate responses are put in place.



Financial risk management

Please refer to the consolidated financial statements for information on financial risk management.

Compliance and ethics

The idea of regulatory compliance is central to our GRC framework. Our Board of Directors and senior management are fully committed and keen to promote a compliance and ethics culture within Ma'aden. We believe that compliance is closely related to ethics, which is one of the central pillars of our sustainability strategy. Ethics in turn closely reflects our values of:

- integrity
- care
- teamwork
- ownership.

It is this combination of compliance, ethics and values that led to Ma'aden's Board approving a new Code of Conduct in early 2015.

We work hard to ensure that Ma'aden puts in place proper culture, policies and procedures to ensure compliance. We provide our people with necessary awareness and training to meet our compliance standards, which ensures that our emphasis on following regulations, ethical considerations and values become an integral part of business strategies.

We continually identify, evaluate, control and monitor compliance risks and recommend appropriate controls and remedial actions when needed. Whenever there are changes in the laws and regulations, or when there are new laws, we ensure that corporate and all subsidiaries are briefed thoroughly to ensure compliance. During 2015, there were changes in Saudi Arabia's labor law that required Ma'aden to make policy adjustments to ensure compliance. We are also abreast of the comprehensive updates to Saudi Arabia's Companies Law.



Our emphasis on compliance, ethics and our values help entrench a value system within Ma'aden and its subsidiaries, creating awareness and commitment to 'do things right'. Our emphasis on compliance, ethics and values will continue to grow stronger as Ma'aden grows further as a business supplying valuable products to the domestic, regional and international markets.

New Code of Conduct

The enhanced Code of Conduct covers a wide range of activities such as:

- employment practices;
- employee, customer and vendor information;
- communications;
- conflict of interest;
- relationship with business partners;
- EHS issues;
- ethical management practices.

The Code is intended to guide our actions in conducting business in a socially responsible and ethical manner and distinguish Ma'aden in the eyes of our stakeholders. It reflects our commitment as a group and as individuals, in respecting the law, striving for a world-class

Ma'aden has adopted a process to identify, evaluate and manage significant risks faced by the Group



workplace environment, protecting the environment, achieving operational excellence and benefiting the communities where we work. The Code has led to new policy initiatives within Ma'aden, such as an anti-corruption policy that complements our whistleblowing policy.

The corporate compliance team conducted a major campaign across Ma'aden to create awareness about the new Code of Conduct and its objectives, as well as the consequences of violating its provisions. The campaign, strongly supported by the CEO, enabled the compliance team to engage with subsidiary boards and managements and employees across Ma'aden. In 2015 we conducted 31 bilingual awareness sessions attended by a total of 1,087 staff, representing 18 percent of our employees. We have also issued an employee handbook on the Code in Arabic and English. The awareness campaign will continue in 2016.

The compliance team conducted a Ma'aden-wide employee survey to assess the impact of the Code and ethics, and to measure staff commitment to the five components of our compliance and ethics culture:

- **knowledge**
- **courage**
- **decision-making**
- **trust**
- **belief.**

At the end of 2015 all employees were required to complete an annual confirmation form that covers most of Ma'aden policies. The form enables staff to examine and assess their activities to ensure they are in line with the company's compliance, ethics and code of conduct.

ETGAN, Ma'aden's transformational initiative, launched a culture and values program in late 2014 that gathered momentum in 2015. Identifying four critical behaviors that will help embed our values across Ma'aden, the program is designed to enable staff to 'live' the values of integrity, care, ownership

and teamwork. The campaign has already covered several operations sites and will strive to make an impact across the Group in 2016.

Internal audit

Internal audit plays a key role in governance as an independent, objective assurance and consulting function. Its mandate and centralized position helps Ma'aden to implement a systematic, disciplined approach to evaluate and improve the effectiveness of internal controls. During 2015, we completed 103 internal audits across Ma'aden. In 2015, we invited the External Quality Assessment (EQA) team of the Institute of Internal Auditors (IIA), the global association of internal audit professionals, to conduct an independent EQA review and benchmark us against global best practice. The outcome of the EQA validated our commitment towards quality by awarding us the highest ratings on conformance with the International Professional Practices Framework (IPPF) of the IIA.

Using IIA's Global Audit Information (GAIN) database, our internal audit function was benchmarked against 327 major global companies, and the results showed that Ma'aden's audit and risk assessment processes and systems are extensive, well-defined and ahead of others in many areas.

We maintained our focus on aligning audit and organizational strategies that have helped us and our subsidiaries improve the level of corporate governance. As a result, the Group continued to achieve considerable financial reporting stability and full compliance with the local regulatory framework, the lenders' requirements and the International Financial Reporting Standards (IFRS) recommended by the Saudi Organization of Certified Public Accountants (SOCPA).

Board members with staff at aluminium plant in Ras Al Khair

In 2015, we invited the External Quality Assessment (EQA) team of the Institute of Internal Auditors (IIA), the global association of internal audit professionals, to conduct an independent EQA review and benchmark us with global best practice

*Our **Code of Conduct** reflects our **commitment** as a group and as individuals, in respecting the law, striving for a world-class workplace environment, protecting the environment, achieving operational excellence and benefiting the communities where we work.*

The scope of our activities represents a wide spectrum of key business dimensions, such as:

- **evaluating the reliability and integrity of financial information including the sources used to identify, measure, classify and report such information in quarterly and annual financial statements;**
- **evaluating the established systems of internal controls to ensure compliance with organizational policies, strategic plans, procedures, laws and regulations;**
- **assessing means to safeguarding Ma'aden's assets and verifying their existence;**
- **evaluating the effectiveness and efficient use of available resources;**
- **evaluating operations and strategic projects to ascertain whether results are consistent with established objectives and goals and whether they are being managed as intended in the overall Ma'aden strategy;**
- **evaluating specific areas of operations and strategic projects at the request of the Audit Committee or Management;**
- **monitoring and evaluating the effectiveness of the risk management process and**
- **evaluating the quality of performance of external auditors and calibrating the degree of coordination with internal audit to achieve maximum audit coverage.**

The 103 audit engagements represent 97 percent of our approved annual audit plan and covered a significant proportion of Ma'aden's risk universe. In addition, we supported Ma'aden's efficiency and effectiveness in financial reporting which has earned the company a place among the five percent of companies listed on Tadawul that manage to make early announcement of audited financial results. This has enabled Ma'aden to hold our annual General Assembly of shareholders before the end of the first quarter every year.

We have effectively moved from conventional auditing practice to modern risk-based audit methodology. Our current practice is aligned with the International Professional Practices Framework (IPPF), enabling internal audit to work closely with ERM and SBUs.

Our risk-based methodology allows the assessment of organizational performance along the lines of risk-rating criterion and our understanding of the different risk profiles for each of Ma'aden's businesses enables us to tailor our audit plans that best suits the company's risk environment. The outcome of this process is a risk-based internal audit plan for every year, which is presented to the Audit Committee for approval.



Environment, Health and Safety is a key component of Ma'aden's governance framework



Khalid Al-Mudaifer accepting the Top CEO Award 2015

Looking beyond the conventional internal audit role, we endeavor to build our capability and insights on key business issues related to risk management, cost optimization opportunities and assisting with deployment of new systems by reviewing relevant policies, procedures and plans before implementation.

The efficiency of our internal audit function will continue to improve, maintaining a constant vigil and by adopting emerging leading practices, upholding highest professional values with a focus on the control environment and business processes. We believe that effective and constantly improving governance will drive shareholder value while improving the risk management processes across all of Ma'aden to achieve our common goal to become a world-class minerals enterprise.

Investor relations

Over the years, Ma'aden has gained an excellent reputation as a reliable, responsible and transparent information resource for the financial community. Following the opening of the Saudi Stock Exchange (Tadawul) to foreign investors in the second half of 2015, we extended our approach to promote Ma'aden to international investors and respond to their enquiries.

Ma'aden Investor Relations (IR) participated in an investment summit organized by the Saudi Stock Exchange in London, where we organized a non-deal roadshow to present Ma'aden's strength and potential. We also attended several other conferences in Saudi Arabia to promote the company to foreign investors. Foreign investor interest in Ma'aden has been growing gradually over the year.

We conducted quarterly earnings conference calls, which proved very popular and successful. We also organized an Investor Day, including an operations site tour, enabling interested shareholders to grasp a better understanding of our business and our aluminium and fertilizer production facilities.

Our investor relations program ensures transparency in all communications while complying fully with the continuous and consistent disclosure obligations stipulated by the Kingdom's Capital Market Authority. We ensure timely flow of information through various channels such as the website, Tadawul announcements, and conference attendance. At the same time, we are reinforcing our IR function by introducing KPIs aimed at strengthening our services for investors and analysts.

Our IR website (part of our corporate website) was nominated for the Middle East Investor Relations Society (MEIRS) award in 2015. Though much appreciated, we are now in the process of revamping the site to make it more user-friendly and informative.

Corporate Governance disclosures

Dividend policy: As per the Company Articles of Association, Article 44 says that the company's annual net profits shall be distributed after deduction of all general expenditures and other costs as follows:

- **The Company shall annually withhold 10 percent of the net profits to build up the statutory reserve. The General Assembly may stop such withholding when the said reserve reaches half of the Company's capital. Preference shareholders shall receive the percentages allocated for such shares.**
- **Based on the Board of Directors' recommendation, the General Assembly may withhold a percentage of the company's annual profits to build up an additional agreed statutory reserve that shall be allocated for a certain purpose(s) as determined by the General Assembly.**
- **The first payment, out of the balance, equivalent to five percent of the paid capital shall then be distributed to the shareholders.**
- **The remunerations of Board members shall then be allocated.**
- **The balance shall be distributed to the shareholders as an additional dividend.**

Our investor relations program ensures transparency in all communications while complying fully with the continuous and consistent disclosure obligations stipulated by the Kingdom's Capital Market Authority.

We are migrating to the **International Financial Reporting Standards (IFRS)** issued by the International Accounting Standards Board (IASB) effective from January 1, 2017.

Ma'aden may, after satisfying the established controls made by the authorized agencies, distribute quarterly and half-yearly profits.

Ma'aden is in the process of developing and financing a number of major projects. There is no guarantee that the company will distribute dividends to shareholders in future fiscal years. The payment of any dividend will depend, amongst other things, on future profits, financial position, capital requirements, distributable reserves and available credit of the company, general economic conditions and other factors that the Directors of the Company may deem significant from time to time.

Accounting policy: Ma'aden reports its financial accounts according to the standards set by the Saudi Organization for Certified Public Accountants (SOCPA). However, considering the changing landscape of international financial reporting, we are migrating to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) effective from January 1, 2017.

Related parties transaction: In line with the requirements of the CMA, Ma'aden declares that:

- **There is no interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) that have notified Ma'aden of their holdings pursuant to Article 45 of these Rules, together with any change to such interests during the last financial year.**
- **There are no interests, contractually based securities and subscription rights of Ma'aden's Directors, senior executives and their relatives in the shares or debt instruments of Ma'aden or any of its subsidiaries, together with any change to such interest or rights during the last financial year.**
- **There are no convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by Ma'aden**

during the financial year, together with the consideration received by Ma'aden in return.

- **There are no conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by Ma'aden.**
- **There are no redemptions, purchases or cancellations by Ma'aden of any redeemable debt instruments and the value of such securities outstanding, distinguishing between those listed securities purchased by Ma'aden and those purchased by its subsidiaries.**
- **There are no transactions between the issuer and any related party.**
- **There is no business or contract to which Ma'aden is a party and in which a Director of Ma'aden, the CEO, the CFO or any person related to any of them is or was interested.**
- **There is no arrangement or agreement under which a Director or a senior executive of Ma'aden has waived any salary or compensation.**
- **There is no arrangement or agreement under which a shareholder of Ma'aden has waived any rights to dividends.**

Remuneration: Members of our Board and sub-committees of the Board are entitled to a payment for each committee meeting that they have attended, besides an annual compensation.

Board members who are resident outside Riyadh are entitled to all out of pocket expenses incurred by them to attend meetings. Such expenses include a return air ticket from their place of residence to the Company's head office or to the place where the meeting is held, as well as any accommodation and transportation expenses incurred.

The Board of Directors' report presented to the General Assembly states the remunerations and other payments made to Board members during the financial year.

Sa'afah transparency and integrity award



Non-compliance fines: In 2015, Ma'aden incurred two fines from the CMA.

- On May 6, 2015 the CMA Board imposed a penalty of SAR20,000 on Ma'aden alleging violation of clause (40)(a) of the Listing Rules and clause (8) of the Instructions for Companies' Announcements regarding their financial results. The CMA alleged that Ma'aden's announcement of its interim financial results for the three months ended March 31, 2014, which was published on the Saudi Stock Exchange website on April 14, 2014, was not clear as it did not mention all the reasons for the net profit increase in the quarter compared to the previous quarter. Ma'aden has paid the fine, but has submitted a grievance memorandum to the CMA Board as per the Capital Market Law (CML) process as we believe that the announcement did indeed include all material elements that helped the increase in profit.
- On June 2015, the CMA Board imposed a fine of SAR100,000 on Ma'aden alleging violation of clause (45)(c) of the Capital Market Law as

the news about raising the company's capital was considered to have been leaked on March 15, 2014, before announcing the Ma'aden Board of Directors' recommendation to increase its share capital by way of a rights issue on the Saudi Stock Exchange (Tadawul) website. Ma'aden has paid the fine, but has submitted a grievance memorandum to the CMA Board as per the CML process as we believe that the company has fulfilled its lawful obligations by applying appropriate protective measures to control leaks.

At Ma'aden, we are fully committed to the principles of disclosure and transparency. We have implemented all mandatory provisions that are part of the CMA's list of corporate governance regulations and the Articles of Association. The only exception is the guideline relating to the method of cumulative voting to elect the Board members, which Ma'aden aims to comply with in the future.

Figure.9 Remuneration and compensation paid to the Board of Directors and Senior Executives

	Executive member of the Board of Directors	Non-executive/independent Directors of the Board of Directors	Five highest earning senior executives including the CEO and the CFO
Salaries and compensation	--	--	10,479,825
Allowances	245,000	2,063,000	3,518,299
Regular and annual remunerations	--	--	765,800
Incentive plans	--	--	3,919,750
Any compensation or benefits in kind paid monthly or annually	--	--	236,925
Total	245,000	2,063,000	18,920,599

All numbers in Saudi Riyals

Major shareholders in Ma'aden and percentage change in shareholding as of December 31, 2015

Shareholder	January 1, 2015	% of ownership	December 31, 2015	% of ownership	Net change	% change
Public Investment Fund	584,239,128	50	584,239,128	50	-	-
General Organization for Social Insurance	112,209,414	9.6	93,342,010	7.99	(18,867,404)	(1.61)
Public Pension Agency	87,061,315	7.45	87,061,315	7.45	-	-
Total	783,509,857	67.05	764,642,453	65.44	(18,867,404)	(1.61)

Note: The remaining shares are held by the public.

Shares held by Ma'aden's Board members and their relatives in fiscal year ended on December 31, 2015

Beneficiary	January 1, 2015	December 31, 2015	Net change	% change
Abdullah Bin Saif Al-Saif	1,263	1,263	-	-
HE Mohammed Bin Abdullah Al-Kharashi	-	-	-	-
HE Suleiman Abdulrahman Al-Gwaiz	-	-	-	-
Dr Ziyad Bin Abdulrahman Al-Sudairy	30,596	9,333	(21,263)	(69)
Mansour Bin Saleh Al-Maiman	291	291	-	-
Sultan Bin Jamal Shawli	-	-	-	-
Khalid Bin Hamad Al-Sanani	-	-	-	-
Abdulaziz Bin Abdullah Al-Suqair	1,050	1,050	-	-
Khalid Bin Saleh Al-Mudaifer	7,579	7,579	-	-
Total	40,779	19,516	(21,263)	(52)

Shares held by Ma'aden's senior executives and their relatives in fiscal year ended on December 31, 2015

Beneficiary	January 1, 2015	December 31, 2015	Net change	% change
Khalid S. Al-Rowais	45,781	-	(45,781)	(100)
Nabil A. Al-Fraih	63,160	63,160	-	-
Bruce Kirk	-	-	-	-
Majid Y. Al-Mugla	-	-	-	-
Thomas Walpole	-	-	-	-
Khaled S. Alohali	-	-	-	-
Khalil Al-Watban	-	-	-	-
Total	108,941	63,160	(45,781)	(42)

All numbers in Saudi Riyals