

Saudi Arabian Mining Company (Ma'aden)

Corporate Governance Framework

TABLE OF CONTENTS

1	INTRODUCTION.....	4
2	CORPORATE GOVERNANCE.....	5
3	CORPORATE GOVERNANCE.....	7
4	SHAREHOLDERS' ROLE.....	8
5	THE BOARD OF DIRECTORS.....	9
6	BOARD AND MANAGEMENT COMMITTEES.....	10
7	MANAGEMENT'S ROLE.....	12
8	CONFLICT OF INTEREST AND BUSINESS CONDUCT GUIDELINES.....	13
9	INTERNAL CONTROL FRAMEWORK.....	14
10	RISK MANAGEMENT.....	15
11	COMPLIANCE.....	16
12	CORPORATE SOCIAL RESPONSIBILITY (CSR).....	17
13	MONITORING - INTERNAL AND EXTERNAL AUDIT.....	18
14	INFORMATION, COMMUNICATION AND DISCLOSURE.....	19
15	MEASUREMENT AND ACCOUNTABILITY.....	20
16	APPROVAL.....	21

The Board of Directors (the Board) may amend this Corporate Governance Framework or grant waivers in exceptional circumstances, provided that any such modification or waiver does not violate any applicable law, rule, regulation or the Company's Authority Matrix and further provided that any such modification or waiver is appropriately disclosed.

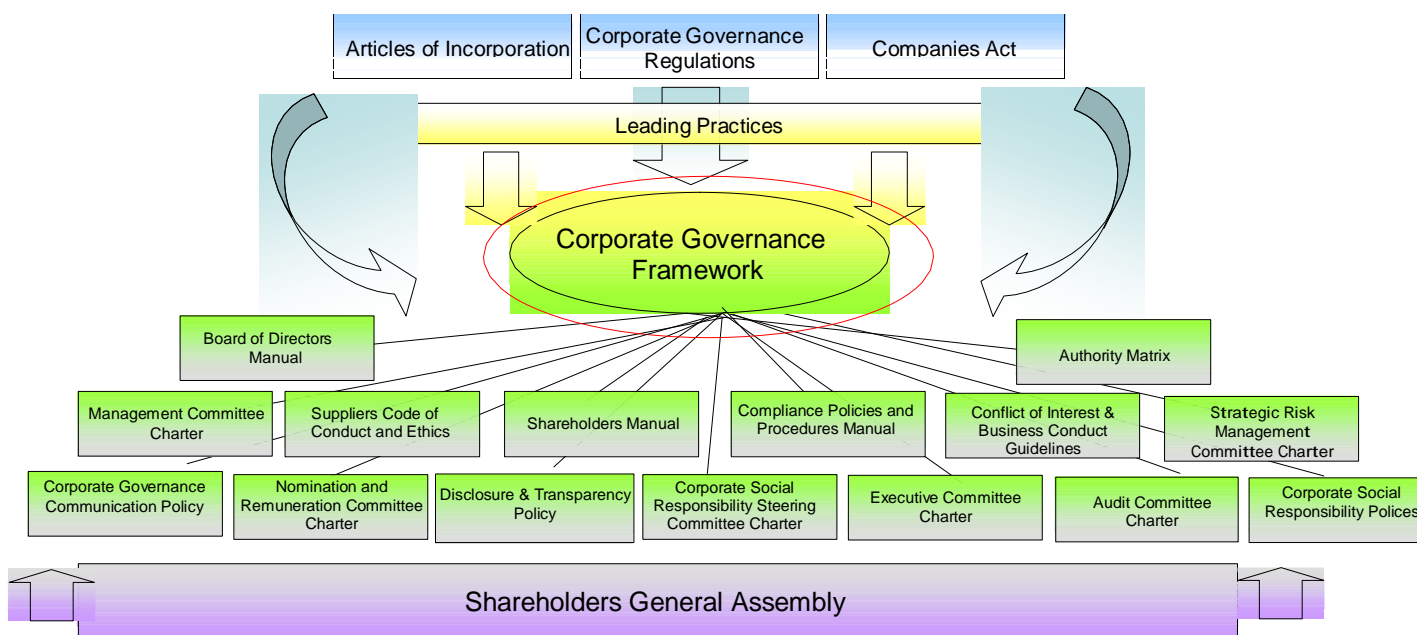
- The changes to the document shall be consecutively numbered and dated.
- The following log shall be used and signed off for all updates.

VERSION NO.	DATE	NAME AND INITIAL

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1 INTRODUCTION

- 1.1 The Board of Directors of the Saudi Arabian Mining Company (hereinafter also referred to as “Ma’aden” or ‘the Company’) in its attempt to adopt a Corporate Governance Framework in line with the Corporate Governance Regulations issued by the Capital Market Authority (CMA) of the Kingdom of Saudi Arabia, and in order to ensure it remains aligned with leading practices in terms of corporate governance, has prepared its Corporate Governance Framework.
- 1.2 The Corporate Governance Framework of Ma’aden has been established with a view to providing its Board, management and stakeholders with a structure along with clear policies and guidelines to ensure that the Company’s objectives are realised, its stakeholder expectations are managed and the requirements of the Corporate Governance Regulations issued by the CMA are met.
- 1.3 The Board of Ma’aden is responsible for overseeing the Company’s management and business affairs and makes all major policy decisions of the Company. This Framework, together with the Company’s Articles of Incorporation and the Charters of the Board Committees listed in this document and Companies Act, provide the authority and practices for governance of Ma’aden.
- 1.4 The Board shall review its Corporate Governance Framework and all related policies from time to time and shall make such changes as it deems necessary at its sole discretion and to the extent required under any Laws and Regulations. The Board shall ensure through such reviews that its Corporate Governance Framework remains in line with leading practices and regulations in Saudi Arabia.



2 CORPORATE GOVERNANCE

- 2.1 Corporate Governance is a system of "checks and balances" designed to find a careful balance between the interests of the different stakeholders (Shareholders, management, employees, customers and society at large) of the organisation. As such, corporate governance is not only limited to legalistic matters, respect of regulations or risk management. Rather, corporate governance is pervasive throughout the Company.
- 2.2 Using the phrase "Corporate Governance" literally means applying the concept in its broadest sense to the direction and management of the Company and the creation of value for its Shareholders. Corporate Governance may also be seen as the implementation of control systems to prevent conflicts of interest and other improper conduct.
- 2.3 Corporate Governance is about developing, maintaining, monitoring and controlling corporate structures and procedures to ensure that accountability, transparency, fairness and responsibility are embedded in the corporate decision making process. These elements combine to provide a level of comfort to the stakeholders, thereby giving the organization a competitive advantage when it looks for investors, suppliers and business partners.
- 2.4 Corporate Governance is not simply about avoidance of financial shocks; nor should the emphasis be on the negative impacts of poor governance. Rather, the positive benefits of good governance should be the primary concern of the Company.
- 2.5 Corporate Governance in the legal context is about the system(s) by which the organisation is controlled and, consequently, by which the role of the Board, its members and their relationships are defined. This manual covers these areas in detail.
- 2.6 The basic principles of Corporate Governance at the Company include:
- 2.6.1 Well informed Shareholders provided with an accurate and timely information to exercise their full rights.
 - 2.6.2 An effective, independent Board clearly committed to representing the interests of Shareholders.
 - 2.6.3 Establishment of Board's committees to ensure that adequately skilled and qualified members of the Board provide high quality advice to management. These Committees are as follows:
 - A. A proactive and independent Audit Committee responsible for the Company's internal control structure, for details please refer to the Audit Committee Charter.

- B. A Nomination and Remuneration Committee aligning executive compensation to shareholder value and ensuring effective governance of the Board, for details please refer to the Nomination and Remuneration Committee Charter.
 - C. An Executive Committee that assists the Board in carrying out its duties by delegating some of its authorities, for details please refer to the Executive Committee Charter.
- 2.6.4 Guidance to management from the Board and monitoring of the effectiveness of management's policies and decisions, including the execution of its strategies.
 - 2.6.5 An effective leadership role played by the President & Chief Executive Officer (CEO) so as to ensure that the organization as a whole works together.
 - 2.6.6 Enforcement of clearly communicated policies and procedures.
 - 2.6.7 Clear delegation of authority and responsibilities.
 - 2.6.8 Accountability and control so as to minimize the risk of fraud and mismanagement.
 - 2.6.9 Transparency and communication of information and adequate disclosures in line with legal requirements and leading practices.
 - 2.6.10 An objective and well resourced Internal Audit function reporting to the Board either directly or through the Audit Committee.
 - 2.6.11 An independent annual audit performed by External Auditors.
 - 2.6.12 Adequate number and structure of Management committees to manage and monitor various functions and operations of the Company and advise the President & CEO to ensure effective management of the Company.
 - 2.6.13 A high level of transparency, accountability and fairness will have a strong and sustained momentum to perform well and create value in the long term.

3 CORPORATE GOVERNANCE

Organizations with established Corporate Governance Framework can reap many benefits, such as:

3.1 Mitigating risks:

- 3.1.1 Effective Board oversight reduces risk of mismanagement and fraud.
- 3.1.2 Effective risk management to manage and mitigate all types of risks associated with the Company's operations.
- 3.1.3 Strong internal controls improve integrity of financials.
- 3.1.4 Instils culture of compliance.

3.2 Winning confidence of the market:

- 3.2.1 Enhanced market trust from corporate governance leads to higher share price/lower cost of capital and access to wider pool of capital.
- 3.2.2 Improved corporate governance attracts prominent global investors.

3.3 Improving competitiveness:

- 3.3.1 A highly qualified and well informed Board can go beyond oversight and make value added contributions to strategy and provide effective directions to management.
- 3.3.2 Board oversight of President & CEO succession/talent management processes ensures that the right people will be available to fill the right places at the right time.
- 3.3.3 Accurate information derived from strong internal controls can also contribute to better management decisions.

4 SHAREHOLDERS' ROLE

- 4.1 An effective Corporate Governance Framework examines the many factors that influence and are, in turn, influenced by effective governance. The stakeholders, ranging from Shareholders, employees, government and regulatory authorities, financial community and the community at large, all have their own interests and increasingly companies are being challenged to find a balance in the way they interact with and satisfy the divergent interests of the various stakeholders.
- 4.2 The Company will ensure that the rights of all Shareholders are respected. Clear policies will be established and reviewed regularly so as to ensure that as a minimum, the legal rights of Shareholders are not infringed. The Shareholders Manual, which sets out clear policies in terms of Shareholders rights in greater details, should be approved by the Board. For their part, Shareholders will be expected to play a greater role by exercising their full rights in the running of the Company. The Shareholders Manual details the rights of shareholders as conferred upon them by laws and regulations as well as the Company's commitment to adhere to these.
- 4.3 The Company acknowledges the importance of effective communications in underpinning the relationship of trust among the Shareholders, Board and management. It also recognises that clear disclosure guidelines are necessary and should be operating effectively to promote transparency and accuracy of all communications to all stakeholders.
- 4.4 The Corporate Governance Communication Policy and the Disclosure and Transparency Policy detail the Company's commitment to transparency and its corporate governance communications in greater depth.

5 THE BOARD OF DIRECTORS

- 5.1 The primary responsibility of the Board is to provide effective oversight over the Company's affairs for the benefit of its Shareholders and to balance the interests of its stakeholders, such as its customers, employees, suppliers and local communities. The Board is responsible for reviewing the development and execution of strategies, reviewing the selection, performance and compensation of the Board members, Senior Management (President & CEO, VPs and Executive Directors) and ensuring transparency of communication and disclosure of financial and non-financial information, including establishing an effective internal and external audit processes.
- 5.2 In all actions taken by the Board, the Directors are expected to exercise their business and professional judgment in what they reasonably believe to be in the best interests of the Company. In discharging that obligation, Directors may rely on the honesty and integrity of the Company's executives and its outside advisors and auditors.
- 5.3 In discharging its oversight role, the Board is empowered to investigate any matter, brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors or consultants, or incur other expenses for this purpose, which the Company shall pay.
- 5.4 The Board should have the necessary competence, adequate experience and sufficient information so as to play a meaningful role in the development and review of the business strategy and for overseeing its implementation. The Board will have access to sufficient developmental resources to ensure that their personal skills are well aligned with the needs of the Company as well as the evolving regulations and standards.
- 5.5 The Board of Directors Manual details areas such as the Board's composition, role, responsibilities, functioning, compensation, etc in greater depth.

6 BOARD AND MANAGEMENT COMMITTEES

6.1 The committees of the Board are:

- ① Executive Committee
- ① Audit Committee
- ① Nomination and Remuneration Committee

6.2 Other committees may be established from time to time by an affirmative vote of the majority of the Board. Committee chairs and members may be removed by the Board at their discretion. Members of the Committees shall observe the independence as required by the CMA Regulations.

6.3 Each committee has its own written charter, which complies with the applicable corporate governance regulations and leading corporate governance practices. The charters set forth the mission and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and reporting to the Board.

6.4 Details of these committees, their functions and tasks along with the number of meetings held will be disclosed in the Board of Directors Report to Shareholders. The Chairman of each respective committee must report the highlights of their meetings to the Board following each meeting of the respective committees.

6.5 A committee appointed by the Board may meet and adjourn as it thinks proper taking into consideration the minimum number of meetings as outlined in the respective committee's charter. Questions arising at any meeting may be determined by a majority of votes of the committee members present.

6.6 In line with the requirements of the Corporate Governance Regulations issued by the CMA, the Board shall propose the Charters of Audit Committee and Nomination and Remuneration Committees to the General Assembly for its approval.

6.7 In addition to the Board Committees, Management Committees may also be established to support the decision making process regarding the day-to-day management and conduct of the Company's business.

6.8 The current Management Committees established by the Company are:

- a. Management Committee
- b. Strategic Risk Management Committee
- c. Tactical Risk Management Committee
- d. Corporate Social Responsibility Steering Committee

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- e. Investment Committee
 - f. Procurement Council
 - g. Safety and Security Committee

7 MANAGEMENT'S ROLE

- 7.1 The importance of management's role in achieving effective Corporate Governance should not be understated. The Company recognises that global and local business is more competitive than ever and the fundamental economic and competitive forces are relentless. To ensure that the Company can take full advantage of the resources at its disposal, it is vitally important that it finds a way to properly balance the need to address these competitive forces with the need to consistently "do the right thing". The President & CEO has a vitally important and crucial role to play in achieving and maintaining this difficult balance.
- 7.2 Factors such as resolution of differing points of view, communicating within the Company, dealing with failed initiatives or missed opportunities and results and incentivising right behaviour amongst employees become important issues which, if dealt with in the appropriate manner can lead to greater benefits in the long term.
- 7.3 The role of Senior Management includes setting in place the broad principles under which the Company operates, including setting clear objectives and an appropriate ethical framework operating in the public interest; establishing due process; defining the duty of care to the Company's customer group; providing for transparency and clear lines of responsibility and accountability; implementing sound business planning; integrating business risk management throughout the Company; having the right people with the right skills for the job; having sound communication, both internal and external; establishing clear boundaries for acceptable behavior; evaluating performance; recognizing individual and group contributions and establishing and maintaining adequate internal controls.
- 7.4 Management will also be involved with certain Board Committees and this sharing of knowledge and pooling of expertise can lead to great benefit for the Company. The Board, in approving the charters for the various committees, recognises the important role management has to play and has given the various committees sufficient authority to involve management in their meetings and discussions to the extent the committee members feel this will prove beneficial to the quality of recommendations and the decision making process. The respective charters of the various committees listed in Section 6 of this document provide more details on the scope, responsibility and functioning of the individual committees.

8 CONFLICT OF INTEREST AND BUSINESS CONDUCT GUIDELINES

- 8.1 The Conflict of Interest and Business Conduct Guidelines outline what the Company considers right and wrong. Management define the “tone” from the top through these Guidelines which then provide a critical foundation for effective internal controls and apply not just within the organization but across its trading and value stream.
- 8.2 Management of the Company shall communicate the Conflict of Interest and Business Conduct Guidelines to all existing and new employees and Officers.
- 8.3 The Conflict of Interest and Business Conduct Guidelines details in greater depth the behaviour and conduct expected from the Company’s employees, customers & suppliers.

9 INTERNAL CONTROL FRAMEWORK

- 9.1 Management is responsible for maintaining multi-faceted internal control framework that is effective in ensuring compliance with all applicable laws and regulations.
- 9.2 Management also ensures that sufficient controls are in place to ensure that all assets are safeguarded against improper and unauthorised use and that all transactions are properly accounted for to allow for proper preparation of financial statements.
- 9.3 The Internal Control Framework is multi-faceted, it includes:
- ① Risk Management Function
 - ① Compliance Function
 - ① Monitoring – Internal and External Audit
 - ① Information, Communication and Disclosure

10 RISK MANAGEMENT

- 10.1 Risks will be proactively and diligently managed within the Company. Diligent monitoring of risks and the effectiveness of mitigation strategies shall include processes to assess the delivery of outputs and quality of control systems enabling the identification of corrective actions for continuous improvement. Quality assurance, benchmarking and other continuous improvement tools shall be used as part of the monitoring process in the course of normal operations, as these will prove more effective than focusing on detection of problems after they have occurred.
- 10.2 The Risk Management Function is embedded within the various functions within the Company and shall remain flexible enough to incorporate any new businesses the Company undertakes. The Company shall ensure that sufficient management resources are allocated to the identification, assessment and appropriate treatment of business risks.
- 10.3 The Company shall also ensure that adequate disclosures are made in relation to Risk Management in the Board of Directors report to Shareholders of the Company after ensuring that these have been approved by the Board.
- 10.4 An Enterprise Risk Management (ERM) Governance Manual has been established by Ma'aden to ensure an effective system is in place to manage risk exposures. The manual outlines the ongoing process that the Company will follow to ensure risks are known, understood and managed. Management of Ma'aden has formed the Strategic Risk Management Committee and Tactical Risk Management Committee which are charged to integrate and support the decision making process relevant to risk management. The ERM Governance Manual details the role and responsibilities of these two committees in greater depth.

11 COMPLIANCE

- 11.1 The Compliance Function is an independent and permanent department of the Company and is primarily tasked with the following:
- ① Assisting the Company in managing its Compliance risks.
 - ① Assisting the Company in managing the consequent risks of non-compliance.
- 11.2 The Compliance Function shall assist 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 shall recommend appropriate controls and remedial actions.
- 11.3 The Compliance Policies and Procedures Manual details in greater depth the role of the compliance function in Ma'aden, the compliance policy, statutory compliance, compliance function relationship with others, etc.

12 CORPORATE SOCIAL RESPONSIBILITY (CSR)

- 12.1 CSR enfolds a comprehensive array of social and environmental issues that is becoming an integral part of Ma'aden business processes and contributing to sustainable business development. Through CSR, Ma'aden affirms its principles and values internally and through its interaction with the stakeholders.
- 12.2 Ma'aden is committed to CSR allowing it to contribute positively to the well being of people, environment, economy and society. Therefore, management of Ma'aden has developed CSR Policies which outlines in greater depth the Company's CSR pillars & principles.
- 12.3 A CSR Steering Committee has been established by the Company to effectively monitor the CSR implementation at Ma'aden. The roles and responsibilities of the CSR Steering Committee is further detailed in its Charter.

13 MONITORING – INTERNAL AND EXTERNAL AUDIT

- 13.1 One of the fundamental components of the Corporate Governance Framework is the audit function within the Company. The Board will ensure that an adequately resourced and suitably qualified Internal Audit Function is in place which will play a critical role in providing Senior Management with an objective and comprehensive view of the Company's system of internal controls.
- 13.2 The objectives and competence of the Internal Audit Function along with appropriate management insight, will determine the Company's ability to assess the strengths and weaknesses of its critical processes and help it better evaluate its internal controls and risk management practices.
- 13.3 The Internal Audit Function will understand and document the business processes, identify risks and controls and validate that the controls are effective in mitigating risks. The Internal Audit Function will also confirm adherence to policies and standards of conduct.
- 13.4 The External Auditors shall express an opinion on the fairness with which the Company presents its financial position, results of operations and cash flow. The Board and Audit Committee will ensure that the External Auditors devote sufficient time, resources and skill to understand the business processes and transactions as part of the procedures for the audit of the financial statements. The Board and Audit Committee will also ensure that all points reported in the independent auditor's management letter or equivalent, are properly addressed by Management.

14 INFORMATION, COMMUNICATION AND DISCLOSURE

- 14.1 The Board of the Company is determined to create consistent and credible communications practices to comply with applicable Saudi Arabian regulatory rules and requirements, particularly Ministry of Commerce and Industry (MOC&I), CMA and Tadawul. It views such practices as a key towards promoting the Company within the investment community.
- 14.2 The Company will ensure that an effective and efficient corporate governance communication system is in place so as to allow dissemination of governance principles throughout the Company and the free flow of all relevant and required information to the Company's stakeholders. The Corporate Governance Communications Policy details this in greater depth.
- 14.3 The Disclosure and Transparency Policy details the Company's commitment to transparency and disclosure in greater depth.

15 MEASUREMENT AND ACCOUNTABILITY

- 15.1 The Board of the Company shall ensure that it operates an effective management system where the roles and responsibilities are clearly established. The Board sets out its expectations and will measure and reward successful attainment of the goals, whilst also holding individuals responsible for the non-attainment of the set goals.

16 APPROVAL

- 16.1 This Corporate Governance Framework has been approved by the Board of Directors at their meeting held on 23/02/2010.
- 16.2 This Corporate Governance Framework was proposed by the Board of Directors and approved by the General Assembly Meeting held on 24/04/2010.

Chairman of the Board

Board Secretary

