

# EARNING THE RIGHT TO GROW

# CHIEF EXECUTIVE OFFICER'S MESSAGE



## SUSTAINABLE DEVELOPMENT

We are committed to responsibly identifying and managing the social and environmental impacts of our mining activities – from exploration through to post-closure rehabilitation. At all stages of our operations, we consult with our communities, invest in their development and business initiatives, and provide education, training, sponsorships and donations.

In this, our fifth annual sustainability report, we present to our stakeholders the issues of most importance to them in relation to our business, along with our successes and challenges in addressing those issues.

Above: Community engagement at Kinsevere.

Cover: Visiting Yalgoo Primary School near Golden Grove.

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### ADDITIONAL ONLINE INFORMATION

Additional online information is published for each chapter with the 2013 Sustainability Report at [www.mmgs.com](http://www.mmgs.com)

## Operating an international mining company involves thousands of daily decisions that contribute to social, environmental and economic performance.

How we balance those decisions, and associated judgements, trade-offs and commitments, defines the performance and reputation of our Company.

There is one area we focus on above all others – safety.

In our commitment to zero harm, there are no trade-offs or compromises. It is simply the pursuit of an injury-free workplace and healthy employees and communities. We track our safety and health performance by measures represented in this report. On many of these we are showing sustained, long-term improvement.

On the ultimate test – the elimination of workplace fatalities – we did not meet our commitment.

On 10 June 2013, Mr Daola Phoumixay passed away in Savannakhet Hospital, following injuries suffered earlier in the day while tree clearing near the Western Tailings Storage Facility at Sepon mine in Laos.

Our deepest sympathy goes out to his family, relatives and friends and, as a management team, our resolve remains that this must be the last fatality at MMG.

This report describes the way we approach our safety commitment, our overall sustainability performance in 2013, and covers how we manage our business to the broader expectations, and for the benefit, of our many stakeholders.

It is structured around the issues most important to our business as raised by you, our stakeholders.

The discussion for 2013 is also framed around the introduction across our business of a new Operating Model. We have commenced consolidating and simplifying our standards and business processes, clarified our accountabilities and set the framework for improved business performance.

The year in review was one of consolidation and building a platform for growth. We delivered strong operating performance and production. This was critical during a period where prices for our major commodities fell, but our commitments to communities remained in place.

In partnership with the Government of Laos, we celebrated ten years of production at our LXML Sepon mine and over US\$1 billion in contribution to the Lao people. We successfully increased production at Kinsevere to 'nameplate' levels while continuing strong contribution to local communities surrounding the mine in the southern part of the Democratic Republic of the Congo.

We completed a Stakeholder Impact Assessment and 15-year review of the Gulf Communities Agreement that governs many aspects of Century mine's presence in the Gulf region of north-west Queensland. We also continued to consult stakeholders on the implications and stages of the completion of open-pit mining at Century, now planned for mid-2015.

Also in north-west Queensland, near Cloncurry, we worked toward the development of the Dugald River project – an underground zinc mine, with a dedicated trial stoping plan for 2014 to be completed before we make a final development decision on the mine.

We also continued to drive our belief – we mine for progress – through every aspect of our approach to employees, communities and stakeholder partnerships. From our joint initiative with The United Nations Children's Fund (UNICEF) and the Lao Ministry of Health to distribute zinc micronutrients in the provinces surrounding Sepon mine, to the strong, ongoing support from major shareholder, China Minmetals Corporation, we base our success on collaboration and partnership.

Partnership is also behind the recently announced US\$5.85 billion offer for the Las Bambas project in the Apurimac region of Peru. This acquisition, in joint venture with Guoxin International Investment Corporation Limited and CITIC Metal Co. Ltd, will be transformational for MMG. Las Bambas is the largest development project in Peru and will become one of the world's largest copper mines. A close development partnership with all stakeholders will be critical to its success.

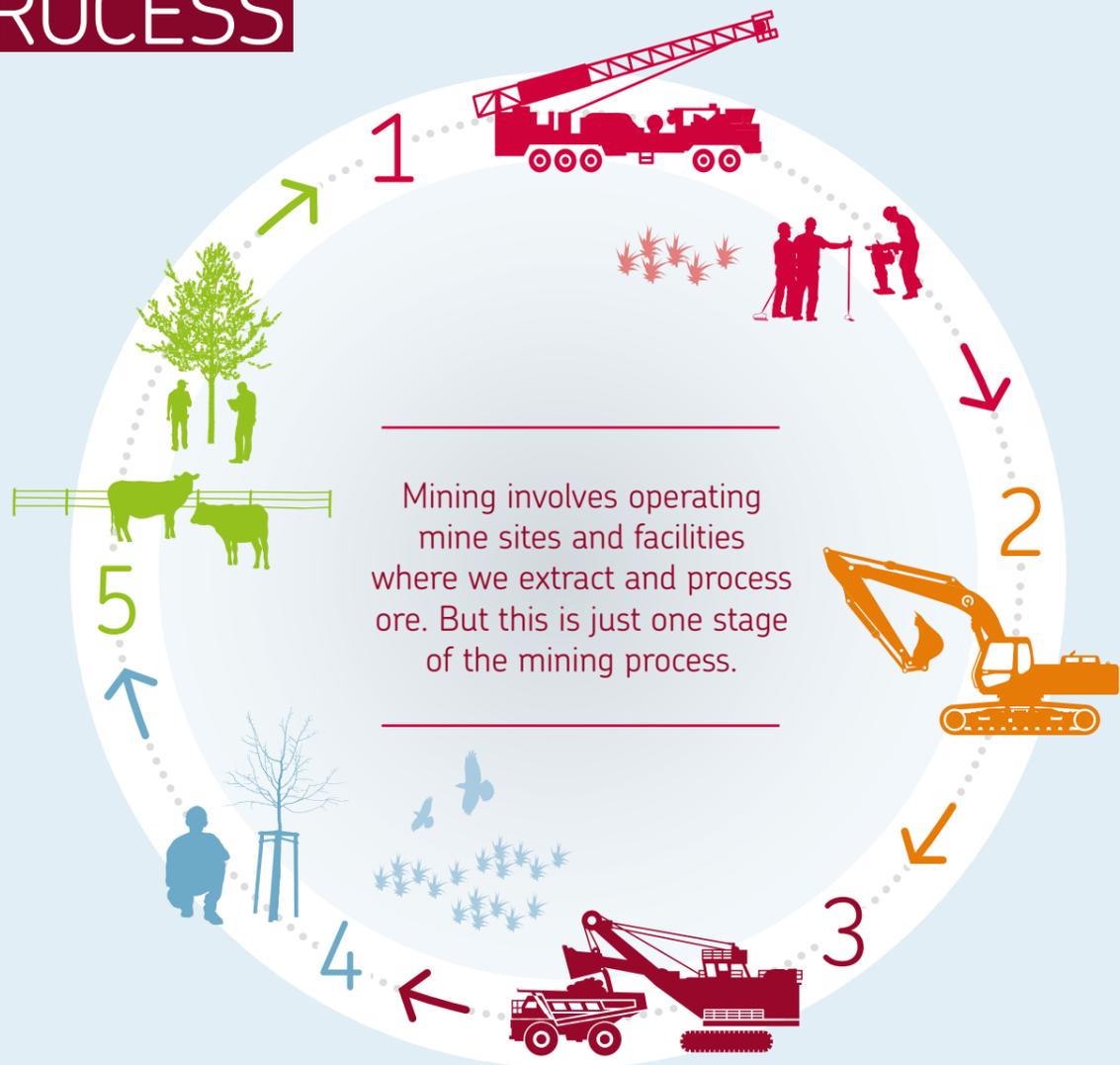
This 2013 report describes a company working hard to earn the right to grow, sustainably and responsibly. It presents a clear acknowledgement that we will only be successful if the benefits of that growth are shared.

On behalf of MMG, I thank our workforce, our shareholders and the communities in which we operate for their ongoing support.



**Andrew Michelmore**  
Chief Executive Officer

# THE MINING PROCESS



## 1. EXPLORATION

Exploration involves mine district exploration, new discovery programs and project generation. Aimed at extending mine life, our exploration program is currently focused on sites at Sepon, Century, Golden Grove, Rosebery and Kinsevere. New discovery programs in Australia, the Americas and Africa are actively pursuing new venture opportunities. Project generation identifies new projects for potential inclusion in the exploration portfolio.

## 2. PROJECT DEVELOPMENT

Project development involves studying exploration results, mine design and environmental, social and economic impacts to determine the feasibility of developing a mineral deposit into an operating mine. Our two key development projects are Dugald River in Australia (large, high-grade lead-zinc-silver deposits) and Nunavut in the Izok Corridor, Canada (at proposal stage – zinc and copper deposits).

## 3. OPERATIONS

MMG has five operational mines: Century, Golden Grove, Rosebery, Sepon and Kinsevere. Each mine extracts, crushes and processes mineral deposits to create a saleable product.

## 4. ACTIVE CLOSURE

During the life of the mine we prepare for the end of mining activity. This phase includes stakeholder engagement, rehabilitation, revegetation, decommissioning, decontamination, demolition and more. We are currently making appropriate preparations for the closure of Century Ore Reserve in 2015.

## 5. PASSIVE CLOSURE

This phase includes establishing sequential use agreed with stakeholders and maintenance and monitoring of environmental and social aspects. We then seek regulatory authority approval that the mine has satisfactorily met the completion criteria of the authority and stakeholders.

# ABOUT OUR REPORT

At MMG we mine for progress – proud of mining and the wealth it generates. Our vision is to build an international mining company for the next generation, creating and sharing benefits with our employees, host communities and shareholders. In partnership with our major shareholder, China Minmetals Corporation, we take a long-term view.

## MATERIAL ISSUES

This report summarises for our stakeholders (see page 30) our annual reporting on MMG's 'material sustainability issues' (the environmental, social and economic issues of most importance to us and our stakeholders – see page 4). We also report on our approach to managing these issues and our performance in addressing them. The 2013 MMG Limited Annual Report provides complementary financial statements and further details on economic and operating information. Our Sustainability and Annual Reports can also be found on our website: [www.mmg.com](http://www.mmg.com). We publish a printed summary of our annual Sustainability Report in English, which is translated into French and Lao.

## SCOPE

The MMG group of companies is headquartered in Melbourne, Australia, and MMG Limited, the parent company, is listed on the Stock Exchange of Hong Kong Limited (Stock Code: 1208) with its registered office in Hong Kong. In this report, unless the context otherwise requires, the term 'MMG' means MMG Limited and its subsidiaries, with MMG Limited individually referred to as the 'Company'. Our report covers MMG's group office operations in Australia and all MMG mining and associated activities. This includes Century (Queensland), Golden Grove (Western Australia), Rosebery – including South Hercules and Avebury (Tasmania), LXML Sepon<sup>1</sup> (Laos), Kinsevere (Democratic Republic of the Congo (DRC)) and worldwide mining exploration and development activity (including the Dugald River (Queensland) and Izok Corridor (Canada) projects). Avebury remained on care and maintenance in 2013 but became the subject of a sale agreement on 15 April 2014. Our Hong Kong office is excluded from reporting, as it has immaterial impacts.

## DATA

Data are reported for the period 1 January to 31 December 2013. We have included information relating to prior or subsequent periods, where necessary, for context on the material issues. Both leading and lagging performance indicators are reported on.

## GLOBAL REPORTING INITIATIVE APPLICATION LEVEL AND ICMM 10 SUSTAINABLE DEVELOPMENT PRINCIPLES

The report is prepared in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines and Mining and Minerals Sector Supplement to an A+ level. We also report to the requirements of the International Council on Mining & Metals (ICMM). MMG has begun our transition to reporting in accordance with the GRI G4 Guidelines.

The GRI confirmed our A+ application level through its independent checking process.

We are a full council member of the ICMM and continue to align our approach, activities and performance to the ICMM Sustainable Development Principles. Please refer to the ICMM Index and GRI Index that accompany the report on our website at [www.mmg.com](http://www.mmg.com).

## ASSURANCE

EY conducted independent limited assurance<sup>2</sup> over elements of this report, guided by the ICMM Assurance Procedure (see pages 56–57). This assurance process focused on six material issues, as agreed with EY, from the 27 issues identified through our materiality determination process (see page 4). These were:

- » Significant and high fatality-potential incidents
- » Health of employees
- » Community support for MMG
- » Contribution to local and regional economies
- » Employing local people
- » Closure and life of mine planning

Sustainability consultants, Beca, assisted us to prepare this report.

<sup>1</sup> Hereafter LXML Sepon is referred to as 'Sepon'.

<sup>2</sup> A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. EY relies on these procedures to form a conclusion as to whether anything has come to their attention to suggest that the agreed subject matter has not been reported in accordance with the published criteria.

# 2013 MATERIAL SUSTAINABILITY ISSUES

Material sustainability issues are economic, social or environmental risks and opportunities that potentially have a significant negative or positive impact on our business and our stakeholders.

Each year, we assess and rank our material sustainability issues with stakeholders to guide business planning and reporting. A description of the process can be found on page 5.

The material sustainability issues identified below represent this year's subjects of most importance to a broad sample of our stakeholders (see page 30 for a table of our key stakeholders).



“Calibrating our sustainability and business strategy to those issues with potentially material impact on MMG and our stakeholders is a core part of ensuring our business performs successfully.”

Andrew Michelmore,  
Chief Executive Officer MMG Limited.



## OUR PEOPLE

- 1 Employing local people
- 2 Quality staff attraction and retention
- 3 Local staff management capability development
- 4 Staff training and development **(online)**

## HEALTH AND SAFETY

- 1 Significant and high fatality-potential incidents
- 2 Safety of our people
- 3 Health of employees
- 4 Public interaction with operations (safety and security)
- 5 Road safety in near-mine communities

## WORKING WITH OUR STAKEHOLDERS

- 1 Community support for MMG
- 2 Stakeholder engagement and relations
- 3 Managing life of mine/closure and post-closure planning
- 4 Local community and regional development
- 5 Managing human rights issues
- 6 Managing community cultural heritage around MMG mines **(online)**

## RESPECTING OUR ENVIRONMENT

- 1 Environmental incidents (spills, exceedences)
- 2 Water outputs (including tailings and acid rock drainage)
- 3 Environmental impacts left over after mining **(online)**
- 4 Energy uses, sources and carbon emissions **(online)**
- 5 Land access denied/delayed **(online)**
- 6 Biodiversity management **(online)**

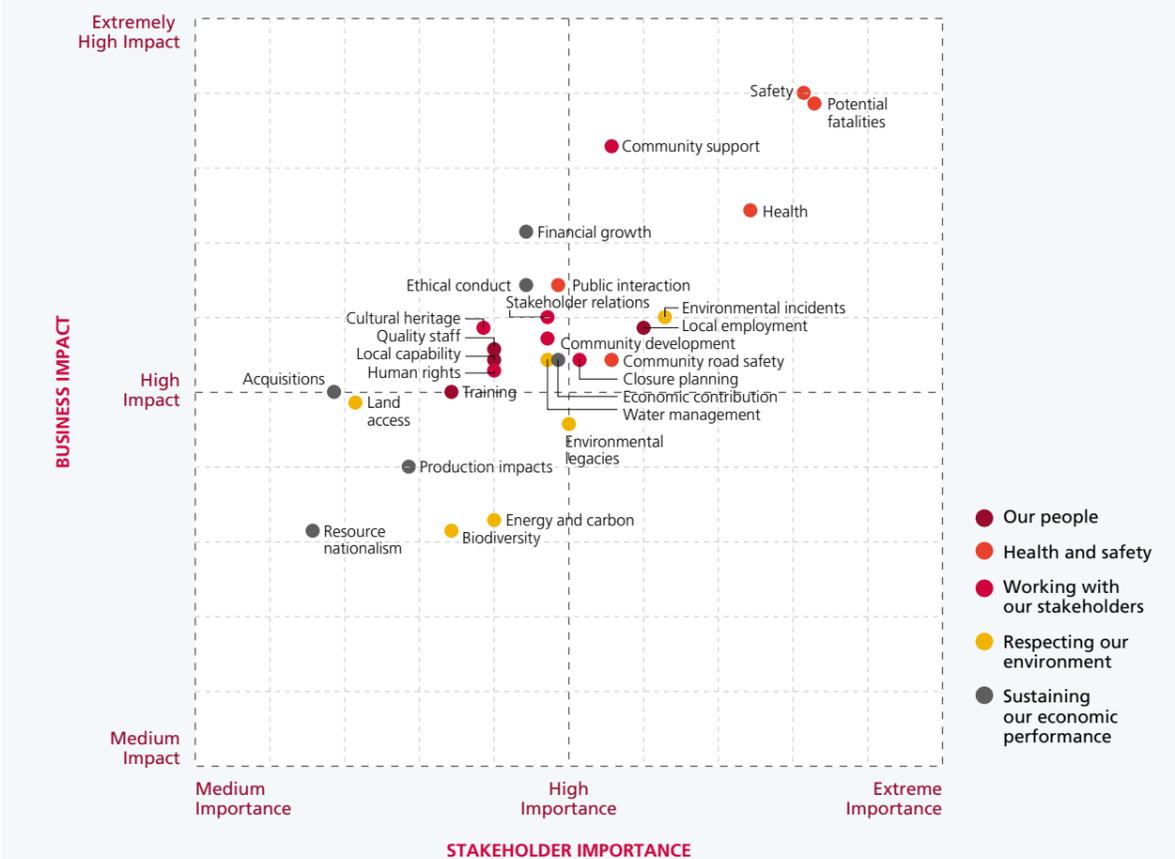
## SUSTAINING OUR ECONOMIC PERFORMANCE

- 1 Company growth and financial performance
- 2 Ethics, anti-corruption and business conduct
- 3 Contribution to local and regional economies
- 4 Production levels impacted by plant failure, major disruptive event and ore extraction issues **(online)**
- 5 Investment in new acquisitions and projects **(online)**
- 6 Resource nationalism/legislative change **(online)**

## MATERIAL ISSUE SYMBOL (MI)

This symbol identifies our material issue topics as they appear throughout the report's relevant chapters.

MMG 2013 materiality matrix – ranked issues, medium to extreme impact and importance



## MATERIALITY DETERMINATION

In line with ICMM and GRI requirements, our materiality determination process identified a list of 27 material sustainability issues from a review of MMG's 2012 issues against key references for 2013. These references included: MMG's updated risk registers; Three-year Business Plan; Board Safety, Health, Environment and Community (SHEC) Committee papers; survey results relating to people, workplace culture and brand equity; community perception and social impact assessments; annual media coverage reports; industry reports and peer sustainability reports.

A representative sample of 36 stakeholders (18 internal – including some MMG Board and Executive Committee members, and 18 external) was then engaged to rank the 27 material issues and identify their 'top three'. They were then engaged via one-on-one interviews and group workshops. The stakeholders also provided constructive feedback on our previous report.

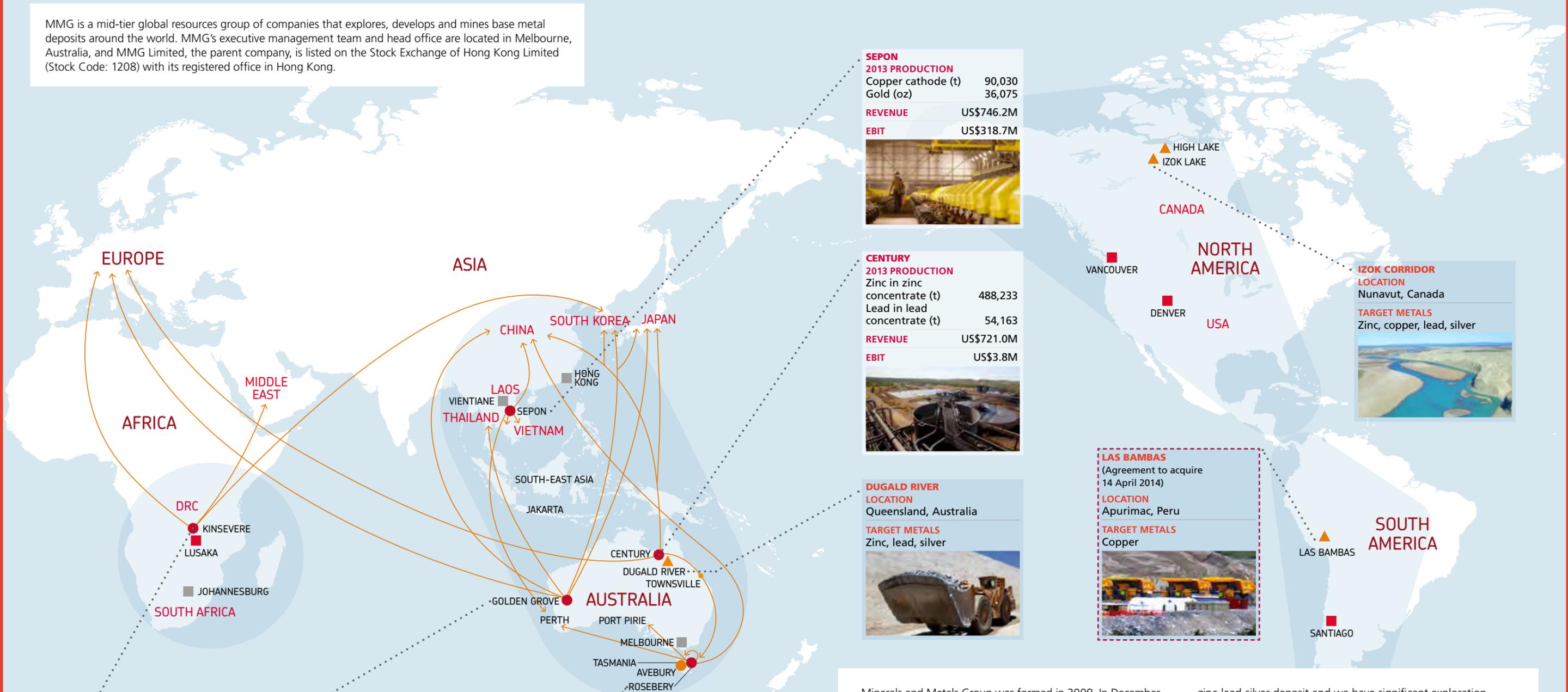
Following the ranking process, the issues were plotted according to their potential business impact and importance to stakeholders. The MMG Board SHEC Committee, which has responsibility for our reporting process, reviewed and approved the ranked material issues list, which was then used to determine the structure and content of this report. While information and data are available on all 27 ranked material issues, our report focuses on the top 18 issues – those ranked above a threshold score – in the high to extreme quadrants of the materiality matrix. We present these issues in this report.

Our focus on the top-ranked issues reflects our commitment to a more succinct report as part of the transition to GRI G4 reporting guidelines in 2015. Those material issues that fell below the top issues threshold, along with other relevant information, are reported online at [www.mmg.com](http://www.mmg.com).

# ABOUT MMG

MMG is a mid-tier global resources group of companies that explores, develops and mines base metal deposits around the world. MMG's executive management team and head office are located in Melbourne, Australia, and MMG Limited, the parent company, is listed on the Stock Exchange of Hong Kong Limited (Stock Code: 1208) with its registered office in Hong Kong.

- OPERATIONS
- ▲ DEVELOPMENT PROJECTS
- SUSPENDED OPERATION
- ACTIVE EXPLORATION REGION
- CORPORATE OFFICES
- EXPLORATION OFFICES
- SALES ROUTES



**SEPON**  
2013 PRODUCTION

Copper cathode (t)	90,030
Gold (oz)	36,075
<b>REVENUE</b>	US\$746.2M
<b>EBIT</b>	US\$318.7M



**CENTURY**  
2013 PRODUCTION

Zinc in zinc concentrate (t)	488,233
Lead in lead concentrate (t)	54,163
<b>REVENUE</b>	US\$721.0M
<b>EBIT</b>	US\$3.8M



**DUGALD RIVER**  
LOCATION  
Queensland, Australia

**TARGET METALS**  
Zinc, lead, silver



**IZOK CORRIDOR**  
LOCATION  
Nunavut, Canada

**TARGET METALS**  
Zinc, copper, lead, silver

**LAS BAMBAS**  
(Agreement to acquire 14 April 2014)

**LOCATION**  
Apurimac, Peru

**TARGET METALS**  
Copper

**KINSEVERE**  
2013 PRODUCTION

Copper cathode (t)	62,076
<b>REVENUE</b>	US\$455.3M
<b>EBIT</b>	US\$71.9M



**GOLDEN GROVE**  
2013 PRODUCTION

Copper in copper concentrate (t)	33,780
Zinc in zinc concentrate (t)	23,619
Lead in lead concentrate (HPM)(t)	2,382
<b>REVENUE</b>	US\$294.0M
<b>EBIT</b>	US\$10.2M



**ROSEBERY**  
2013 PRODUCTION

Copper in copper concentrate (t)	1,852
Zinc in zinc concentrate (t)	88,369
Lead in lead concentrate (HPM)(t)	24,865
<b>REVENUE</b>	US\$253.3M
<b>EBIT</b>	US\$58.4M



Minerals and Metals Group was formed in 2009. In December 2010, Minerals and Metals Group was acquired by Minmetals Resources Limited (Minmetals Resources), a subsidiary of China Minmetals Corporation (CMC) and listed on the Stock Exchange of Hong Kong Limited. In September 2012 Minmetals Resources changed its registered English company name to MMG Limited.

Our majority shareholder, with approximately 74% of shares, is CMC through its subsidiary company China Minmetals Non-Ferrous Metals Company Limited (CMN).

MMG is one of the world's largest producers of zinc and produces significant amounts of copper, lead, gold and silver. We own and operate the Century, Golden Grove and Rosebery mines in Australia; the Kinsevere mine in the Democratic Republic of the Congo (DRC); and together with the Government of Laos, own and operate the LXML Sepon mine. At Dugald River in Queensland, Australia, we are developing a high-grade

zinc-lead-silver deposit and we have significant exploration, prospects and partnerships in Australia, Africa and the Americas. On 14 April 2014 we entered an agreement to buy the Las Bambas copper project in the Apurimac region, Peru.

We are committed to progress – to achieving long-term sustainable growth and shareholder value as development partners in our local communities, responsibly contributing to improved living standards and opportunities. We align ourselves with international best practice in sustainability and, as an ICMM member, benchmark our performance against the sustainability criteria of the ICMM's Sustainable Development Framework.

MMG is also a member of the Minerals Council of Australia, the Mining Association of Canada, the Chamber of Mines of the DRC and other regional industry organisations.

# SUSTAINABILITY HIGHLIGHTS AND CHALLENGES

HIGHLIGHTS	CHALLENGES
<b>OVERALL</b>	
Implementation of a new organisational design framework called the Operating Model to simplify business processes and standards. This achieved further alignment to the ICMM's Sustainable Development Framework.	Management of the shut-down of Sepon's gold production process.
Significant progress in the implementation of new group-wide business management software platforms.	Further embedding and extending our brand and culture program related to our belief.
<b>OUR PEOPLE</b>	
Increased traction with workforce localisation programs, including 100 Lao nationals promoted to management roles and 26 DRC nationals achieving management certifications.	Improving workforce diversity, including female representation in mine and senior management roles.
New online modules for MMG's performance management and induction programs, improving efficiency and engagement.	Finding suitably qualified Congolese and Lao citizens for management roles.
<b>HEALTH AND SAFETY</b>	
A 20% reduction in the total recordable injury frequency rate (TRIFR) (per million hours worked) from 3.0 to 2.4.	Preventing further fatalities after a fatality occurred at Sepon.
A 29% reduction in the total lost time injury frequency rate (LTIFR) from 0.7 to 0.5.	Preventing repeat significant and high fatality-potential incidents and reducing incidents overall.
<b>WORKING WITH OUR STAKEHOLDERS</b>	
Social investment of US \$17.9 million benefiting communities in and around our sites.	Engagement with community stakeholders about changes to operations that potentially impact them, and reducing their concerns.
Implementation of Community Standards and management systems, including for human rights management.	Ensuring that community programs and investments schemes that we support deliver long-term livelihood outcomes.
<b>RESPECTING OUR ENVIRONMENT</b>	
Implementation of 14 energy efficiency projects, realising cost, process, energy use and emissions improvements.	Increased environmental licence exceedences and significant environmental incidents.
Formation of a dedicated team of mine closure technical experts to drive excellence in closure activities.	Managing excess water held on active tailings facilities.
<b>SUSTAINING OUR ECONOMIC PERFORMANCE</b>	
Record production at Kinsevere and Sepon and excellent cost management in difficult conditions.	Underlying profit of US\$122.5 million, down 48% from the full year 2012, with share price down 54%, amid commodity price and industry cost pressures.
Board endorsement of the Dugald River project, which also received Final Environmental Authority. Development feasibility study commenced for the Izok and High Lake copper-zinc deposits.	Geological and geotechnical assessment at our Dugald River project. Value engineering work at the Izok Corridor projects.



## CASE STUDY

### STRENGTHENING OUR HUMAN RIGHTS COMMITMENTS

#### Relevant material issue: Managing human rights issues

In 2011 MMG commissioned an independent analysis of our policies, standards and management against the ICMM 10 Sustainable Development Principles. The results revealed that we needed to better align with the principles, particularly in the area of community relations and, more specifically, human rights.

A three-year plan was developed against the ICMM principles with Principle 3 emerging as one of our top alignment priorities: "Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities".

Formalising our commitment to human rights within our Sustainability Policy involved internal and external stakeholder engagement. We also reviewed the United Nations Guiding Principles recommendations for implementing the United Nations 'Protect, Respect and Remedy' Framework.

In 2012 independent consultants helped us to design an inclusive and consultative approach to developing a Community Relations Management System (CRMS) that would align our operations to best practice. Working closely with our sites, our community relations team gained an understanding of each site's priorities and needs around community relations and human rights-related issues.

The specific social and human rights issues most likely to be impacted by our operations included Cultural Heritage, Land Access and Acquisition, Resettlement, Community Development, Stakeholder Management and Security.

Through site visits we worked to build a practical CRMS that would align with local needs and also enable a consistent approach to managing and responding to community-related issues, risks and opportunities across all sites. The process allowed us to nominate areas for capacity building to manage human rights, understand assumptions about existing human rights issues and identify potential shortcomings around human rights due diligence.

The work culminated in our own Human Rights Standard (now incorporated into the new Community Standard) as a means of putting into practice our commitment to respect internationally recognised human rights. The standard includes:

- » identifying and assessing human rights risks;
- » preventing and mitigating identified risks and potential human rights impacts; and
- » developing a process for reporting and investigating allegations of breaches.

We are pleased to now have a strengthened global approach to managing our community relations and human rights performance.

#### Supporting the Children's Rights and Business Principles

In early 2013 MMG accepted an invitation from UNICEF to represent the mining sector in a pilot program to develop a due diligence process framework for assessment and management of the rights of children under the Children's Rights and Business Principles. Developed by UNICEF, the UN Global Compact and Save the Children, these principles are the first comprehensive set of guidelines for companies on the full range of actions they can take in the workplace, marketplace and community to respect and support children's rights. While the business and human rights agenda has evolved significantly in recent years, a perspective for children's rights has not yet been formally addressed. The project relates to UNICEF's work, under the UN Convention on the Rights of the Child, to elevate the importance of the management of the rights of children as a specific part of organisations' human rights management settings.

#### Supporting business engagement with the rights of Indigenous peoples

MMG's majority shareholder, CMC, is a member and strong supporter of the UN Global Compact, an initiative for companies wishing to align their practices with ten broadly accepted principles relating to human rights, labour, the environment and anti-corruption.

Through this participation, during 2013 MMG was asked to participate in the development of a reference guide to assist businesses to respect and support the United Nations Declaration of the Rights of Indigenous Peoples. MMG's track record of working closely with Traditional Owners of the lands on which it operates to provide employment, training and business opportunities, was cited as a reason for the invitation.

Led by Century mine, during the exposure period for the draft reference guide, MMG encouraged stakeholders to review and provide their feedback on how companies can best support and respect the rights of Indigenous peoples. The Business Reference Guide to the UN Declaration on the Rights of Indigenous Peoples can be downloaded from the UN Global Compact website.

MMG is pleased to now have a strengthened global approach to managing community relations and human rights.

# SUSTAINABILITY PERFORMANCE

## THREE-YEAR GOALS 2012-2014

The goals and targets in the table below are taken from MMG's three-year business planning process. They are programmed to our strategic drivers (Growth, Transformation, People, Reputation) and are coordinated by MMG's Operating Model. For preceding years' performance, refer to our 2012 Sustainability Report. More detail is provided in each chapter of the report and on page 54.

THREE-YEAR GOALS	THREE-YEAR TARGETS	2013 PROGRESS
<b>OUR PEOPLE</b>		
Develop workforce plans building capability and diversity.	90% close-out of actions from staff development plans.	Continued uptake of My Development process across MMG.
	A capability matrix for all operational staff.	Capability profiles stored to allow Training Needs Analysis.
	100% implementation of diversity actions.	Unconscious bias sessions conducted across MMG. 2013 People and Culture Survey resulted in 77% baseline diversity index.
Cultivate leadership-inspired teamwork, innovation and discretionary effort.	5% increase on employee perception survey engagement index rating.	People and Culture Survey: Group-wide engagement index of 66%, down from 69% in 2012 (2013 survey took place at all sites).
	90% close-out on previous year employee perception action plan.	Percentage close-out rate not recorded. Fed into departmental/site plans and included on the Quarterly Business Reporting agenda.
	Innovation rewarded through MMG innovation awards.	Continual Improvement Awareness at Sepon, Century and Rosebery.
Embrace the 'MMG way'.	Code of Conduct breaches actioned to agreed plan.	Code of Conduct briefings and handbook in English, Lao and French. Inductions and training delivered. Code of Conduct Committee established.
<b>HEALTH AND SAFETY</b>		
Achieve a step improvement in health and safety performance.	< 3.4 total recordable injury frequency rate (TRIFR).	2.4 TRIFR.
	No repeat significant incidents.	Repeat incidents occurred during 2013.
	100% close-out of high fatality-potential incidents.	95% of actions closed out by due date.
<b>WORKING WITH OUR STAKEHOLDERS</b>		
Social practices consistent with ICMM principles.	Close-out of top 3 social risk register actions identified.	Top three social risk register actions were merged into 'MMG loses Social Licence to Operate', and managed through MMG's risk management framework.
	5% annual increase in MMG community perception survey Community Trust Index (% level of local community trust).	Perception surveys held at Century (10% decline), Rosebery (8% decline) and Golden Grove (8% improvement).
	Social investment of 1% of net profit after tax.	14.6% social investment of net profit after tax.
<b>RESPECTING OUR ENVIRONMENT</b>		
Environmental practices consistent with ICMM principles.	100% close-out of top 3 environmental register actions identified in the 2012 plan.	Estimated 80% progress on these risks.
	Zero ISO 14001 (international standard for environmental management systems) major non-conformances in 2012.	2 non-conformances for 2013 (before ISO 14001 certification stopped under Operating Model implementation).
	20% reduction of environmental non-compliances with operating licences in 2012.	41 environmental non-compliances in 2013 compared to 19 in the baseline year of 2011.
<b>SUSTAINING OUR ECONOMIC PERFORMANCE</b>		
Deliver consistent and sustainable earnings growth.	Earnings per share increase year on year.	Diluted earnings per share of US1.95 cents (US3.68 cents in 2012).
Be recognised as an industry leader delivering strong financial outcomes.	Total shareholder return comparative to the HSBC Global Base Metals Index.	The Index ended the year 12% lower and MMG Limited's share price 52% lower.
Be valued for the unique combination of international management and the support of CMC.	Maintain a minimum 5% of the free float uptake by institutional investors.	21% of free float held by institutional investors.



## CASE STUDY

### SEPON CELEBRATES A DECADE OF CONTRIBUTION TO LAOS

#### Relevant material issues: Local community and regional development, stakeholder engagement and relations

From September to December 2013, Sepon had much to celebrate: 10 years of successful production and continuing commitment to growing the operation as a development partner in local communities and the country in general.

CEO Andrew Michelmore, who travelled to Laos for the celebration, said, "The team is extremely proud of its ongoing contribution to economic development and poverty alleviation, particularly in the communities close to the mine."

"At MMG, our belief that 'we mine for progress' is about drawing from the benefits of mining to enable people to lead better lives. Nowhere is this more apparent than in the province and villages hosting our Sepon mine."

MMG has put this belief into action. Since production started in 2003, Sepon has generated more than US\$1 billion in royalties and taxes, and hundreds of millions of dollars in indirect benefits to the Lao economy through local procurement, job creation, community development and training.

Director and Manager, Stakeholder Relations, Saman Aneka, who has played a pivotal role in Sepon's development, said, "Not only have we made a significant contribution to the growth of the Lao economy, we have also established a lasting legacy by sharing the benefits of the mine with local communities."

"Sepon has helped to develop the next generation of Lao mining professionals, and we have demonstrated our commitment to international standards in terms of safety and environmental management," he said. "The mine has also donated life-saving emergency equipment to Savannkhet Provincial Hospital, which services Sepon employees and their families."

Somchanh Keomanivong, who holds the position of Superintendent Geology, recalls that when he joined the company in 1991, access to the area was very difficult because there were no roads.

"Most local communities were very poor at that time. There was only one wooden house with a zinc roof in Vilabouly town," he said. "Now many people have motorcycles, there are paved roads, some beautiful houses, local businesses, a bank and a district hospital. Most of this development is because of the Sepon mine."

During the celebrations, Sepon officially opened the Vilabouly Culture Hall, funded by the mine to preserve the rich cultural heritage of the district. The hall features a giant replica ancient walk-in mining shaft, and has a range of displays aimed at improving community awareness of the significant heritage of the district and encouraging participation in its preservation.

"Protection of cultural heritage provides communities with a link to their past, and enables certain values to be handed on to future generations," said Cultural Heritage Program Coordinator Viengkham Khamvene. "Our country is changing rapidly and knowing and valuing one's roots can help communities to maintain their identities."



MMG CEO Andrew Michelmore officially opening the Vilabouly Culture Hall.

Above: Tenth anniversary celebrations at Sepon.



# OUR PEOPLE

**MI MATERIAL ISSUES:**  
 Employing local people  
 Quality staff attraction and retention  
 Local staff management capability development

We aspire to form a partnership with each person at MMG. This motivates them to contribute towards achieving our vision and values, as well as developing personally.

### OUR APPROACH

Our aspiration is that our people are:

- » employed under terms and conditions that are fair, and as a minimum, meet all relevant legal requirements;
- » provided with safe and healthy conditions of work, and where feasible, assisted to return to work following injury or illness;
- » treated fairly in a workplace that values diversity and inclusion in terms of gender, age, cultural and ethnic background, religion, sexual orientation or disability;
- » provided with a workplace that is free from harassment;
- » provided with challenging and rewarding work;
- » given access to information and knowledge needed to perform well;
- » provided with training and development opportunities consistent with the needs of the business;
- » involved in open communication and regular feedback on work performance and major changes;
- » recognised when their actions support our vision and values; and
- » confident to raise concerns that will be addressed in a timely and fair manner.

MMG delivers on each of these principles through our core human resources activities and programs.

In addition to our Principles, the foundation of our success is how well our people embrace the 'MMG way'. This defines the way that we work at MMG – our workplace behaviour, our connections to one another and MMG stakeholders, our collaborative approach to work and our identification of how we can maximise value from our diverse backgrounds and experience.

We utilise the Success Through Every Person (STEP) program to engage and develop our people so that they can evolve personally and contribute to our vision and mission. STEP tools provide a common MMG language to ensure clarity on task planning, identification of critical issues and solutions, and awareness of how diversity contributes to high-performing teams. Our overarching employee work management program is called My Performance.

Under our renewed organisational design framework, the Operating Model, there has been some recalibration of departmental and site responsibilities and functions, with related changes to employee roles. This is in line with the model's requirement for sites to adopt a centralised services approach, including the provision of governance and excellence expertise from Group functions. We understand the advantage of remaining nimble as we grow, and work in partnership with our people to align organisational structures and individual roles as necessary to achieve the best results.

In 2013 MMG employed 8,951 employees and contractors, a 4.5% decrease from 9,376 people in 2012 (see our *Workforce composition* table and charts on this page).

Sepon employed 3,943 employees, or 44% of our total workforce, which was a 20% reduction from 2012. In November 2013 the difficult decision was taken to cease gold production at Sepon due to depleting ore reserves and lower margins. The gold plant was placed on care and maintenance in December 2013, which accounts for a significant portion of reduced employee numbers at Sepon.

We invest in national (local<sup>3</sup>) and Indigenous employment. In 2013 Indigenous Australian employees (based on employees' self-nomination) made up approximately 17% of the workforce at Century, 2% across Golden Grove, Rosebery and Dugald River, and a smaller proportion at our corporate head office.

Lao nationals made up approximately 91% of the workforce at Sepon, with the remaining 9% being expatriates. The Kinsevere workforce decreased its percentage of DRC nationals to approximately 95%.

Throughout 2013 MMG continued efforts to increase the percentage of local employees at our operations from the countries in which we operate (see *Employing local people* on page 14).

### THREE-YEAR GOALS AND TARGETS

For details on our performance refer to pages 10 and 54–55.

THREE-YEAR TARGETS	2013 PROGRESS
90% close-out of actions from staff development plans	Achieved
A capability matrix for all operational staff	Achieved
100% implementation of diversity actions	Achieved
5% increase on employee perception survey engagement index rating	Achieved
90% close-out on previous year's employee perception action plan	In progress
Innovation rewarded through MMG innovation awards	Achieved
Code of Conduct breaches actioned to agreed plan	Achieved

<sup>3</sup> 'Local' employees refers to employees living within the district-level vicinity of the operation. These are predominately 'national' employees, citizens of the country of the MMG operation. Expatriates (expats) are non-national employees.

### 2013 TOTAL WORKFORCE COMPOSITION

FULL-TIME EQUIVALENT (FTE) EMPLOYEES AND CONTRACTORS	CENTURY	DUGALD RIVER	EXPLORATION	GOLDEN GROVE	KINSEVERE	ROSEBERY	SEPON	CORPORATE	2013
<b>2013</b>	1,018	165	232	558	1,912	487	3,943	636	8,951
<b>Full-time</b>	752	41	76	368	725	277	2,272	372	4,883
<b>Part-time</b>	1	0	6	1	0	1	0	27	36
<b>Casual</b>	10	0	120	7	29	5	57	16	244
<b>Contractors</b>	255	124	30	182	1,158	204	1,614	221	3,788
<b>Female ratio (%)</b>	20.60%	58.54%	14.84%	22.36%	14.59%	15.88%	17.48%	57.63%	21.15%
<b>Indigenous ratio (%)</b>	17.49%	1.82%	0%	2.15%	N/A	2.26%	N/A	0.31%	2.30%
<b>National employee (vs. expat) ratio (%)</b>	N/A	N/A	96.54%	N/A	94.56%	N/A	91.37%	N/A	92.42%
<b>Turnover (%) (Jan-Dec 2013)</b>	15.81%	26.83%	21.90%	7.32%	6.07%	15.80%	13.47%	20.82%	13.26%

Female ratio has been calculated excluding contractors.

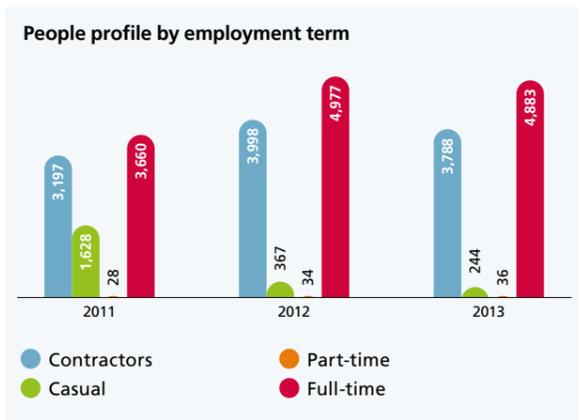
Indigenous employees are self-identified as Indigenous Australian.

National to expatriate (expat) workforce ratio (excluding contractors) is for Kinsevere, Sepon and Exploration. Contractors were included in 2012.

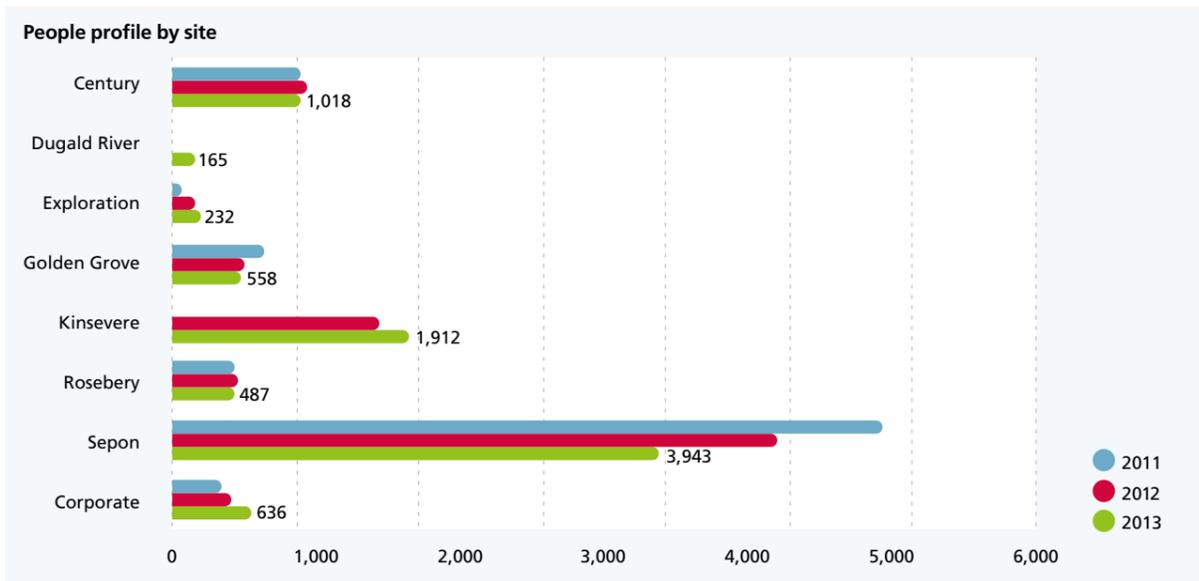
Turnover ratio does not include casuals or contractors.



Copper cathode extraction at Kinsevere.



Local community members engaged at Century.



The Corporate category reflects the number of group roles performing service and support to our sites at global off-site locations (e.g. Shared Business Services in Vientiane) – not all ‘corporate’ employees are necessarily based at Group head office in Melbourne.

#### Employing local people MI

Assisting local people to transition into mining careers, as well as recruiting from nearby communities to our significant operations, remains a prime focus for MMG. We have invested substantially in training and education (see this chapter’s online information) and have developed pathways for local community recruitment into MMG (see the case studies on pages 16 and 20).

While a portion of our workforce is classified as fly-in fly-out (FIFO), this method of engagement has not been at the expense of prioritising local employment or communities. Given the remote location of some of our operations, such as Century, Golden Grove and Dugald River, FIFO arrangements are used where the workforce is housed in on-site village accommodation. In 2013 we contributed to the Minerals Council of Australia’s research into the impacts of FIFO rosters and their economic and community contribution.

We have programs to build and support the employment capacity of our mines’ host communities. They include numeracy and literacy support, community engagement, training and development assistance and targeted employment opportunities. The programs have contributed significantly to the increased local Lao and Congolese workforces at Sepon and Kinsevere respectively, local Indigenous participation at Century and Golden Grove and the number of young local people joining the Rosebery workforce.

Programs must be a life-of-mine commitment due to limited education and training opportunities available in some host communities, in particular in Laos and the DRC. Over time, these programs will reduce the dependency on expatriates by establishing and developing capability within the local workforce, as well as building broader community socio-economic resilience. MMG benefits from workforce diversity and partnership with our communities. Some of our partnerships for human development are summarised below.

#### Sepon

Localisation efforts continued at Sepon during 2013, with the site recording a 91% Lao workforce. New potential employees from the local community were trained through the following programs:

- » *Trainee Data Entry Clerk*: Ten local students graduated in 2013, nine of whom were employed at Sepon. Eight new students started the program;
- » *Trade Traineeships*: 18 new trainees started this two-year program in 2013, in trades such as electrical, mechanical, fabrication and automotive;
- » *Apprenticeships*: 12 local students started in December 2013 and were joined by 12 Sepon employees in January 2014. They will also study at the Lao-German Technical College; and
- » *Scholarships*: The scholarship program continued, involving four staff studying internally and 11 externally.

Also during 2013 our goal of transitioning line management responsibilities to the Lao workforce continued with the ongoing appointments of 100 Lao employees into supervisory and superintendent roles. This approach was delivered through formal training activities and with support and coaching from expatriate technical experts. Programs and initiatives to evolve currently employed locals included:

- » *Supervisor Development Program*: 42 Lao employees graduated, with the next intake under way;
- » *Superintendent Development Program*: 25 Lao employees undertook this program; and
- » *‘Doer’ to Coach initiative*: to facilitate expatriates coaching Lao nationals into specialist, technical, supervisory and superintendent roles.

#### Kinsevere

At Kinsevere, a comprehensive technical training program continued to develop new skills in Congolese employees and prepare local Congolese for positions at the mine (see *Local staff management and capability development* on page 19).

In July 2013 the site officially launched a scholarship program at the University of Lubumbashi (UNILU), providing ten students from the Faculty of Engineering, the Engineering College and the Faculty of Sciences, with a US\$1,000 scholarship each to cover academic and research fees (see the case study *Building local professional skills* on page 16.)

#### Century

In 2013 the 15-year Century Gulf Communities Agreement (GCA) Review Report was released by The Centre for Social Responsibility in Mining (CSRSM) (see page 32 of *Working with our Stakeholders*). The GCA, signed in 1997, is an agreement about land use and benefit sharing between four Native Title Groups, Century and the State of Queensland. As such, the review considered localisation of employment at the mine in terms of economic participation and improvements in overall community and social welfare, throughout the life of the mine.

During 2013 Century ran forward-looking prevocational and job placement programs. Eleven young Indigenous and non-Indigenous people from around the Gulf of Carpentaria undertook the Century Work Ready, Job Ready Program (run by training organisation, Myuma), which provides pre-employment training opportunities for local people. Six Indigenous participants from the program have transitioned into traineeships and apprenticeships at the mine. Five other graduates have taken up apprenticeships or traineeships in workplaces in surrounding communities and Townsville: with a major vehicle retailer; a child care centre; in Myuma’s administration and traffic control departments, and with a regional miner, CopperChem (see the case study *Building local professional skills* on page 16). Century also provides support for locals to achieve heavy equipment operator certifications.

#### Golden Grove

Golden Grove ran prevocational programs in 2013, resulting in six Indigenous graduates being employed. The mine again supported a local student to undertake a Chemical Engineering degree at the University of Western Australia under the Geraldton Mining Scholarship. This program commenced in 2011 to encourage and support local Geraldton students to complete a university degree in a mining and resources-related field. Two more scholarships will be awarded in 2014.



Observing pit operations at Golden Grove.

## CASE STUDY

### BUILDING LOCAL PROFESSIONAL SKILLS

MMG prevocational and scholarship programs underline our commitment to employing and developing diverse skills in local people, and attracting and retaining quality members of the workforce.

#### Century's Work Ready, Job Ready Program

Century is looking beyond mining to deliver on its commitment to provide training and employment opportunities for local people.

For the first time since the Work Ready, Job Ready prevocational program began, five of the 11 recent graduates from the operation are undertaking traineeships and apprenticeships with other businesses and organisations.

One graduate has been employed as an automotive apprentice with a major vehicle retailer in Townsville while another participant is now undertaking a childcare traineeship in Normanton.

Two of the graduates are working in administration and traffic control at Myuma, the training organisation which conducts the Work Ready, Job Ready program, while another has been employed by mining company CopperChem in Cloncurry.

General Manager Queensland Operations Mark Adams said that Century was taking a more creative approach as it approaches the end of open-cut zinc production.

"For many years, Century has invested in training to give young locals greater choices in life. But as we progress to the end of Century open-pit production, we need to take a different approach.

"This means working to reduce reliance on the mine for employment while still providing opportunities for young people in areas that appeal to their individual strengths. Seeing them grab these diverse training opportunities is, in our view, what success looks like.

During the 13-week Work Ready, Job Ready program, participants are trained in a range of areas from machinery operation to safety and health. The Myuma facility provides pre-employment training for a number of companies, including MMG.



Century's Work Ready, Job Ready participants at the Myuma training facility near Camooweal in Queensland.

### MI Employing local people

#### Scholarships for the University of Lubumbashi

In 2013 Kinsevere began funding a scholarship program at the University of Lubumbashi designed to help local students develop expertise for a potential career in mining. The US\$1,000 bursaries support ten students from the Faculty of Engineering, the Engineering College and the Faculty of Sciences, with academic and research fees.

Although education fees are quite low in the DRC, paying them remains a headache for Congolese students, making the scholarships a great opportunity.

The launch of the partnership was attended by Kinsevere General Manager Miles Naude and the University Rector Professor Chabu Mumba. "MMG is proud to work with this tertiary education institution; education means a lot to our company," Miles said.

"This is a message of hope," said Kinsevere Training Supervisor Serge Mukanya, himself a former student at the University of Lubumbashi. "It is imperative to maintain the values, such as education, on which Kinsevere has always counted."

New scholarships will be awarded each year.



The launch of MMG's scholarship program at the University of Lubumbashi was attended by Kinsevere General Manager Miles Naude (centre left) and the University Rector Professor Chabu Mumba (centre right).

### Quality staff attraction and retention MI

Attracting, employing and retaining high-quality and competent staff are fundamental to MMG's business performance. Our success at this reflects our progress toward our vision of becoming a leading mining company for the next generation. To attract, employ and retain people with great skills and experience we are:

- » developing a positive corporate culture and articulating our brand positioning and corporate value proposition;
- » providing competitive employee benefits and remuneration;
- » offering flexible work arrangements where possible;
- » offering training and development tailored to individual employees' needs;
- » training our leaders in effective people management;
- » responding to employee perception survey results; and
- » involving employees in issues that concern them.

MMG hires diverse employees across its operating regions. We have recruitment programs aimed at graduates, expatriates and local candidates. We recruit skilled employees from the broader employment market and invest in skills development in local people and communities adjacent to our mines. Through partnerships for human development we directly support the mining education sector – in particular in Laos, the region around Century mine and through the Mine Engineering School at Monash University in Melbourne.

#### Graduate Program

MMG's Graduate Program aims to provide a pipeline of talent into MMG and the industry. It is designed to introduce graduates to professional and technical development opportunities through a residential workshop and experience across multiple mine sites early in their career. At the 2013 workshop, graduates had the opportunity to work on technical tasks assigned to them by MMG managers. Presentations were made on the last day of the workshop to senior managers, including Executive Committee program sponsor MMG's Chief Operating Officer.

#### Working with the Minerals Council of Australia

The Minerals Council of Australia (MCA) is working with MMG, Engineers Australia and universities to establish associate degrees for Mining and Geotechnical Engineering. MMG Group Recruitment Manager, Robert Papworth, is on the MCA Working Committee for this program and recently hosted a workshop at MMG. "We hope to roll out this program to the broader market in the next year or so. It will ideally suit an underground or open-pit operator who wants to step up into a technical services area like Drill and Blast," said Robert.

In March 2014, the Australian Association of Graduate Employers (AAGE) released its annual survey results for 2014, ranking MMG as the number one graduate employer among Australian mining companies and 26th graduate employer in Australia overall.



Inspecting core samples at Rosebery.

#### Importance of workforce diversity in hiring

Workforce diversity is an important issue to MMG and our stakeholders. It delivers better performance and culture in the workplace and underpins staff attraction and retention. Reporting mechanisms were established in 2013 to put diversity front of mind during the recruitment process, including the tracking of female applicants shortlisted for roles as well as subsequent female appointments. Completion of MMG's Diversity and Inclusion Strategy and roll-out to the business will take place in 2014. See page 54 for further discussion of our program to develop workforce diversity.

#### Gender diversity

The female percentage by site in the 2013 total workforce composition table (see page 13) and the female percentage by workgroup in the 2013 roles and remuneration by gender table (see page 19) show the gender diversity achieved at MMG. The female percentage of the workforce rose to 21% in 2013 from 16% in 2012. However, increasing the representation of women in all workgroups across MMG remains an important focus, as is exemplified by the Board Diversity Standard, implemented in 2013. See the case study *Supporting gender diversity* on page 18.

Remuneration balance continues to be reviewed and addressed on an ongoing basis. While in the categories of the 2013 roles and remuneration by gender table (page 19), the average salaries for women suggest that they are below those of average salaries for men across all workgroup categories. This is generally not the case on a like-job for like-job comparison. Gender pay analysis conducted during the annual salary review (and overseen by executive levels) indicates that women achieve the same salary review adjustments as men. Our My Performance review process is gender neutral and focuses on market-rate remuneration for like-for-like roles and experience. MMG remains focused on addressing remuneration balance through our diversity approach.

## CASE STUDY

### SUPPORTING GENDER DIVERSITY

#### Women in Resources Networks

MMG has been an annual sponsor of Australian state-based Women in Resources Networks, which support career and networking opportunities for women in the industry.

In July 2013 MMG Group office sponsored a Women in Resources Victoria networking lunch in Melbourne, which drew women and men from across the local mining industry to hear speakers discuss current industry trends.

In December 2013, at Century mine, a Women in Resources Queensland Forum attracted 60 women and men from the mining and related sectors. It emphasised that building resilience and career development in an industry where women have historically been under represented, is good for business.

Forum organiser and Century Human Resources Superintendent, Rebecca Stevenson, said "men and women each bring different qualities to the workplace and research tells us that successful organisations aim for that balance."

MMG's Queensland operations are working with the Queensland Resources Council and Women in Mining Resources Queensland to increase female participation in the resources sector.

#### Lao Freight Forwarders recruits female drivers

Lao Freight Forwarders, Sepon's subcontractor for freight, is in the process of training four female employees as 18-wheel truck drivers. The drivers join the 43 female drivers who are already employed by Sepon.

"There are not many companies which provide the same opportunities for women as for men. I feel very happy to work here, and I am proud of myself," said Latsamy Vongvichit, one of the new drivers.



MMG's table at the WiRV lunch event. Photo: Julian Choo/WiRV.



Employees at Sepon.

#### 2013 ROLES AND REMUNERATION BY GENDER

WORK GROUP	PERCENTAGE FEMALE/MALE		AVERAGE SALARY (A\$)		AVERAGE AGE
	FEMALE	MALE	FEMALE	MALE	
Executives and General Managers	14.29%	85.71%	\$354,775	\$516,993	50
Managers	16.81%	83.19%	\$206,892	\$246,605	46
Superintendents	6.02%	93.98%	\$187,249	\$190,407	46
Specialists/Supervisors (Level 1 or 2)	21.14%	78.86%	\$145,126	\$171,784	43
Support Roles	36.19%	63.81%	\$94,777	\$128,961	38
Mill/Mining/Trade	4.78%	95.22%	\$103,868	\$121,146	41
<b>Total MMG</b>	<b>17.79%</b>	<b>82.21%</b>	<b>\$113,776</b>	<b>\$145,731</b>	<b>41</b>

Includes employees paid in A\$ only.

Total MMG is an average of the total divided by the specific category (i.e. 1,996 total employees divided by 355 female employees = 17.79%).

CEO remuneration is not included. For further details of executive remuneration, refer to our 2013 Annual Report, www.mmg.com, pages 90, 134, 136. Casual employees and contractors are not included.

#### Recruitment agreement

The MMG Recruitment Framework was rolled out to our Group Office team in 2013. This framework sits above the day-to-day recruitment process to drive quality, timeliness and cost efficiency. A key component of the framework is the Recruitment Agreement, outlining the selection criteria of a position, candidate-sourcing strategies, and the candidate-selection process, meaning all parties are aligned from the outset. As a result of having this alignment, we have seen a decline in the rate of roles that are open for 90 days or more and an improvement in the job fill rate.

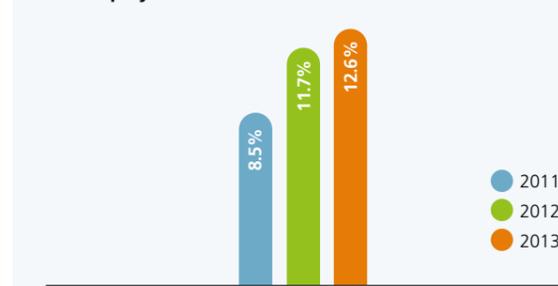
#### Turnover

MMG has further developed its recruitment and selection practices and has positive hiring outcomes. In 2013 the time taken to fill job vacancies (excluding graduate and vacation positions) averaged 51 days (49 days in 2012). Our annual total employee turnover rate increased to 12.6%, up from 11.7% in 2012 (voluntary turnover across our Australian sites and expatriates reduced to 9.1% in 2013 from 13.3% in 2012). While this suggests that a greater percentage of employees left MMG in 2013 than 2012, it is the same as the Australian mining industry average in 2013 of 12.6%, according to the Mackie Employer Solutions' survey. This is the lowest level recorded for the industry since the survey began in 2005, having fallen by 2% in the six months to October 2013.

Helping our people to manage career endings is also important to MMG. The following support is provided to those who have, due to change in business circumstances, accepted a redundancy from MMG:

- » outplacement support programs designed to impart essential job search skills, such as review of career direction, preparation of a resume and other written materials and interview techniques; and
- » sessions with the employee assistance program for the impacted employee and their immediate family.

#### Total employee turnover



#### Local staff management capability development <sup>MI</sup>

A central part of MMG's long-term employment localisation programs is a process for building management capacity, skills and experience among national employees. This maximises localisation through all levels of our operations, supports the development of national employees, and builds regional employment capability so that it continues beyond the life of the mine.

#### Sepon

In 2013 a program was implemented to fast-track the appointment of Lao nationals into leadership roles. This resulted in the appointment of 100 Lao employees in supervisory, management and technical positions. Supporting initiatives developed during the year included the Superintendent Development Program, the 'Doer' to Coach Program and the Supervisor Development Program, all designed to give Lao staff the skills required to be successful in leadership and complex technical roles (see *Sepon locals progress through coaching* on page 20).

### 'Doer' to Coach Program

This program established a formal process for expatriates to coach and develop Lao employees into technical and senior roles. Relevant skills and knowledge are transferred by the coaches to the Lao employees and recorded to allow competency development to be tracked. More than 90% of all Lao supervisors and superintendents have completed the program and are now in active learning relationships with their expatriate coaches. A survey conducted after the changes identified that more than 80% of employees saw the program as positive but that approximately 50% of expatriates were concerned about their skills and capability to implement the coaching process. We are therefore further supporting expatriate coaching skills.

### Supervisor Development Program

On 7 November 2013, 42 employees graduated with increased leadership skills as frontline Lao supervisors. A further 48

employees are already enrolled in the next intake of the 14-month program. "I found the course very useful because I gained essential knowledge and skills about being a good leader and working well with others," said Xaysavath Xayalath, promoted to Superintendent after completing the training course. "Our objective is to continually raise skill levels in the Lao workforce to build the next generation of Lao leaders," said Rick Watsford, Sepon General Manager.

### Kinsevere

At Kinsevere, 26 national employees have graduated from the mine's English-speaking certification for Frontline Management. Some have progressed to the next step, the Diploma of Management, with three DRC nationals having since attained their diploma. There are now 35 DRC nationals enrolled in the French-speaking versions of these courses. A series of supervisor/management activities and training programs supports these management courses.



Kinsevere runs an extensive training program to support workforce localisation.

## CASE STUDY

### SEPON LOCALS PROGRESS THROUGH COACHING

#### MI Local staff management capability development

A Supervisor Development Program at Sepon called 'Doer' to Coach involves shifting line management responsibility to Lao employees from expatriate line managers. The expatriates coach the Lao staff in the necessary skills for the higher roles. With the program almost complete, around half of Sepon's superintendent (Level 2) roles and around two-thirds the supervisor (Level 1) roles have been filled by Lao employees.

The aim of the program is to achieve clarity regarding the differences between the roles of supervisor, superintendent and manager, as well as effect the transition to a more localised workforce. Potential coaching relationships, task lists and levels of competency across the site were identified during a one-day workshop and recorded by the program. Management can now monitor the progress of staff being coached against these agreed task lists. MMG provides ongoing support to Lao trainees and the expatriate coaches.

'Doer' to Coach has now been integrated into the My Performance system at MMG and is part of the way we do business at Sepon. The successes of the program will be shared among teams into the future. With clear lines

of responsibility across roles, backed by support from expatriates, the initiative promises to assist in the safe and successful transition to a localised workforce.



Two of Sepon's Lao employees who have been promoted to supervisor level over the last year. From left to right: Electrical Supervisor Khammonh Saengvilay and Instrumentation Supervisor Soukthalaphone Xaysouliyo.

### 2014 PRIORITIES FOR THE TARGETS UNDER OUR THREE-YEAR GOALS ARE:

- » 60% close-out of actions from staff development plans;
- » continued improvement on the 77% 2013 baseline diversity index;
- » continued improvement on the 66% engagement index achieved in 2013;
- » continued reporting of People and Culture Survey action close-out through Quarterly Business Reporting agenda;
- » supporting the Code of Conduct Committee to ensure ongoing awareness and compliance; and
- » providing Code of Conduct training via inductions and refreshers.

### PROGRESS AGAINST 2013 PRIORITIES

2013 PRIORITIES	PERFORMANCE	DETAILS
Measure the success of employment localisation across our sites	Achieved	Sepon: <ul style="list-style-type: none"> <li>» 91% Lao workforce – 100 promotions to management, supervisory or technical positions</li> <li>» Trade apprenticeships (15) and trade traineeships (18)</li> <li>» Data entry clerk traineeships (10 graduates, 8 new participants)</li> <li>» New Superintendent Development Program (25)</li> <li>» 'Doer' to Coach Program</li> </ul> Century: Work Ready, Job Ready Program (11) Golden Grove: Geraldton Mining Scholarship Kinsevere: 95% DRC workforce – capability development program including 29 graduates in Frontline Management and Diploma of Management
Consolidate our central human resources processes and software systems	Achieved	HR policies, standards and guidelines reviewed/standardised –16 standards released Standards to be further simplified in 2014 HR team continued work with IBM on processes and software system development Online Training Centre development progressed
Improve support for the mobility of our employees between operations	Achieved	Global mobility specialist appointed to focus on mobility and expatriate services Reviewed relocation and transfer standards and guidelines to support employees moving between MMG operations
Deliver inclusion training to support the diversity strategy	Achieved	Data gathering continued on perceptions of diversity and inclusion initiatives at MMG, through 2013 People and Culture Survey Established overall diversity and inclusion index for MMG and per operation Delivered unconscious bias sessions across the Group
Develop multiple indices in our People and Culture Survey, including diversity and inclusion	Achieved	2013 People and Culture Survey indices developed for safety, community and environment, values and behaviours, inclusiveness and diversity, leadership, communication, working environment and trust
Standardise inductions for new employees and contractors	Achieved	Standardised material established for inductions Inductions and onboarding materials refreshed to align with MMG's new branding and changes to our core messages Progressed development of our Welcome to MMG online induction
Extend our graduate program to all sites	In progress	Framework completed for expansion

### ADDITIONAL INFORMATION ONLINE

**MATERIAL ISSUES**  
Staff training and development

**OTHER ISSUES**  
Workplace and corporate culture



# HEALTH AND SAFETY

## MI MATERIAL ISSUES:

- Significant and high fatality-potential incidents
- Safety of our people
- Health of employees
- Public interaction with operations (safety and security)
- Road safety in near-mine communities

MMG strives for a 'zero harm and fatality-free' business by focusing on providing clear direction for line management to create and maintain a safe workplace.

### OUR APPROACH

Detail of our approach to health and safety is set out under the issue *Safety of our people*, below. During 2013 we simplified our Safety, Health, Environment and Community (SHEC) Standards to clarify line management accountabilities.

The SHEC Standards were revised in line with the new Operating Model, which now defines the integrated management system for continually improving and sustaining our business performance.

A fatality occurred at Sepon mine on 10 June 2013. A 29-year-old male employee, Mr Daola Phoumixay, was struck by a falling branch during tree-felling activities at the Western Tailings Storage Facility. The accident was investigated and actions implemented to prevent a recurrence of a similar incident (see *Significant and high fatality-potential incidents* on page 24).

Performance against other safety performance indicators was mixed, although importantly the rate at which employees and contractors sustained serious injuries at work reduced significantly as a result of improved safety management processes at all of our sites.

### THREE-YEAR GOALS AND TARGETS

For details on our performance against health and safety targets refer to pages 10 and 54–55.

THREE-YEAR TARGETS	2013 PROGRESS
Achieve a < 3.4 total recordable injury frequency rate (TRIFR)	Achieved
No repeat significant incidents	Not achieved
100% close-out of corrective actions for high fatality-potential incidents by due date	Not achieved

### Safety of our people MI

People are MMG's most important asset, and safety is our first value. As a result, we are committed to empowering our workforce – through line management leadership and effective health and safety processes – to avoid safety risks and incidents in the workplace.

There are five Safety Health Environment and Community Standards directly guiding our health and safety performance. These include the Fatal Risk Standard, the Safe Task Management Standard, the Occupational Health and Hygiene Standard, the Asset and People Protection Standard and the Reporting Standard. A significant focus of 2013 was simplifying the existing suite of SHEC Standards to ensure that they are easily understood and adopted at our sites, and that they focus on material SHEC issues.

The updated Fatal Risk Standard focuses on actively managing fatality risks, including:

- » Aviation
- » Clearance to work
- » Isolations and permits
- » Explosives and blasting
- » Ground control
- » Guarding
- » Hazardous materials
- » Lifting operations
- » Vehicles and mobile equipment
- » Work at height

Aviation is a significant risk to the business and MMG has transitioned to Basic Aviation Risk Standard (BARS) audits for charter flights. This standard incorporates a risk-based model developed by the Flight Safety Foundation in consultation with a representative number of extractive industry companies, including MMG. The ICMM endorses its use to improve aviation safety.

The new Safe Task Management Standard outlines how tasks are assigned and managed to ensure that work can be conducted safely. This includes hazard identification and control.

The new combined Occupational Health and Hygiene Standard defines requirements for the management of exposure to potentially harmful agents, and fitness for work.

The new Asset and People Protection Standard defines security requirements in line with the Voluntary Principles on Security and Human Rights. It also provides direction for emergency preparedness and response.

The Reporting Standard supports the new, simplified SHEC Standards. It defines the collection and recording of meaningful SHEC data to meet internal and external obligations, evaluate SHEC performance and report and investigate significant incidents to prevent recurrence.

### Injury rates and safety incidents

In 2013 our total recordable injury frequency rate (TRIFR) (per million hours worked) was 2.4, representing a reduction of 20% from 2012 (3.0) and surpassing both our MMG-wide 2013 year-end target of <3.2 and our three-year target from 2012 to 2014 of <3.4. This result reflects our line management efforts in influencing our workforce to consistently adopt safe work practices and behaviours.

Our lost time injury frequency rate (LTIFR) was 0.5, a reduction of 29% from 2012 (0.7).

## CASE STUDY

### GOLDEN GROVE'S BENCHMARK SAFETY PERFORMANCE

#### MI Safety of our people

At the beginning of 2013 Golden Grove set a safety target to achieve a total recordable injury frequency rate (TRIFR) of less than 7.5 by year end. The target was ambitious and, if achieved, would equal a 25% year-on-year improvement and become the first time Golden Grove had achieved a TRIFR of less than ten.

From the beginning of 2013, Golden Grove recorded two recordable injuries in January, one in March and two in April taking the TRIFR to 11.4. However, the site achieved no recordable injuries from May until August leading to Golden Grove's longest recordable injury-free run in history of 114 days.

This extended run laid the foundation for continued performance improvement, demonstrating to all on site that Golden Grove can operate without recordable injuries.

Keeping up this momentum, the site is working hard to improve safety performance further and not become complacent.

With a reduction in recordable injuries in the latter part of the year, Golden Grove achieved an end-of-year TRIFR of 5.8. This result represents a 42% year-on-year improvement on safety performance of which all employees and contractors working at Golden Grove are proud.

How did Golden Grove reduce recordable injuries?

- » commitment to the safety performance target made by all employees;
- » improved reporting of incidents, near misses and hazards with improved action derivation;
- » considered learnings from previous incidents across MMG and implemented actions;
- » improved quantity of safety observations, supervisor and management field time;
- » increased positive reinforcement to those staff performing safe acts and maintaining safe conditions;
- » improved procedures, management plans and communication of the improvements;
- » incorporated a risk-based approach to safety, tasks and Stop & Think principles;

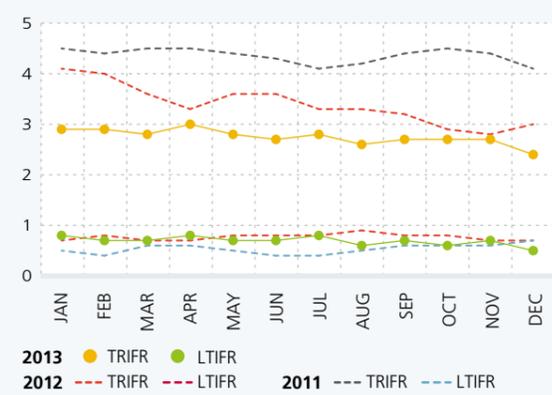
- » undertook internal auditing of processes and functions, identified gaps and implemented improvement actions; and
- » encouraged of all employees and contractors to report and act on hazard identification and rectification.

Golden Grove has also instigated a musculoskeletal program on site to improve flexibility and range of movement, functional lifting capacity, cardiovascular fitness and muscle strength, to combat an elevated number of related injuries in high-risk jobs. This has resulted in a significant reduction in musculoskeletal injuries, and contributed to improved safety performance for one of Golden Grove's contracting companies.

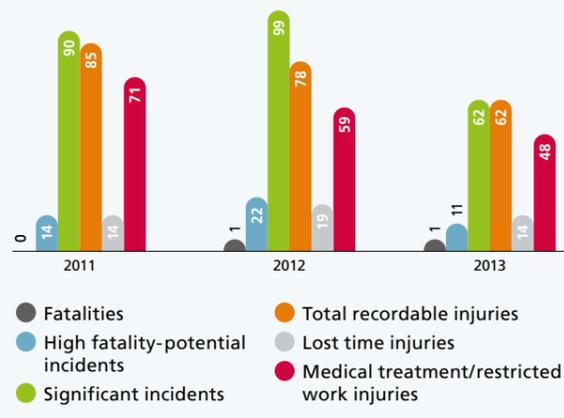


An assessment at Golden Grove's medical centre.

**Injury frequency rates**  
(12-month moving average per million hours)



**Safety incidents by type**



**Significant and high fatality-potential incidents MI**

Preventing significant and high fatality-potential incidents is critical to meeting our safety commitment to our people and stakeholders. While this is MMG's highest-ranking material sustainability issue, we place the discussion after 'safety of our people' in this report to ensure that the critical context of safety is understood before providing the specific details on our management of high fatality-potential incidents.

The number of significant and high fatality-potential incidents at our sites has decreased by 39% over the past year. In 2013, 74 significant and high fatality-potential incidents occurred, compared to 121 in 2012, and 104 in 2011. Of the 74 incidents in 2013, 29 occurred at Kinsevere, the only site to show an increase on 2012 (20 incidents). Following the acquisition of Kinsevere in February 2012, MMG began integrating the operation, including implementation of our safety management systems in the second half of the year. We expect that an improved reporting culture on-site contributed to the increased incidents recorded at Kinsevere in 2013.

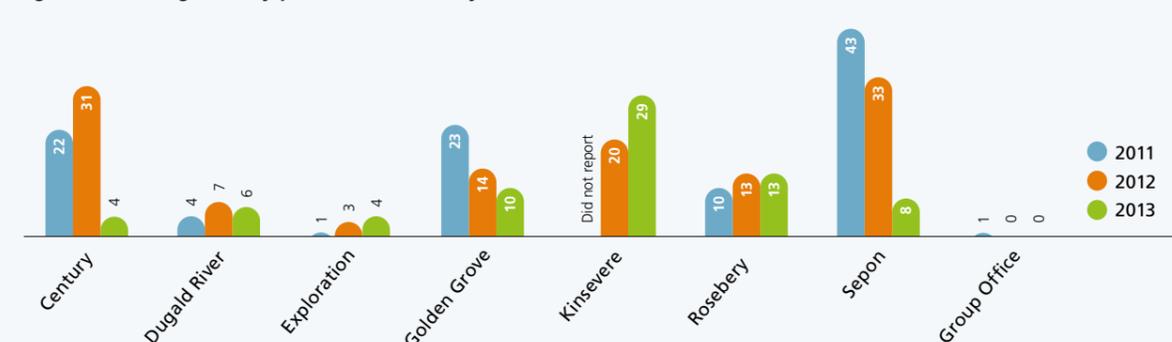
Century and Sepon achieved reductions in significant and high fatality-potential incidents of 87% and 76% respectively. Century's reduction was partially due to improved incident classification processes, and Sepon's decrease was mostly attributable to a suite of safety programs implemented on site.

Overall these results were achieved by improving how we learn from incidents across the business, and improving material risk identification and mitigation processes.

Thirteen repeat significant incidents occurred across our operations, which were predominantly associated with breaches of isolation and permit to work requirements. In 2013 we undertook a review of health and safety standards and processes, including controls and guidance for managing fatal risks. This review identified that vehicle incidents and departures from safety rules for ensuring both isolation from high-energy risks and obtaining a permit to work in a high-risk scenario, continue to be the leading high fatality-potential incident types. They account for 64% of significant incidents. Simplified standards, consistent management processes and clear line accountabilities under the new Operating Model are central to negating these incidents.

Contractors constitute a large part of MMG's workforce. In 2013 MMG's supplier management process began to incorporate our Supplier Management Standard and associated processes. This will enable improved contractor management and performance across MMG through a robust assessment and selection process, applying our SHEC Standards (see *Sustainability supply chain* on page 52).

**Significant and high fatality-potential incidents by site**



In 2013 a review identified weaknesses in the use of our Incident Cause Analysis Methodology (ICAM) investigation process to prevent recurrences. ICAM champions were identified and trained across our operations to facilitate improvements to the quality of investigations and support site management sign-off for effective accident investigations that prevent recurrence. Senior executives were also provided with an awareness session on how to use the ICAM tool to improve the visibility and underline the importance of the investigation process.

**Health of employees MI**

Health and fitness for work at MMG is a material SHEC risk that is managed through our Occupational Health and Hygiene Standard. There are two elements to this standard, namely fitness for work and occupational exposure management.

The fitness of all employees and contractors to safely conduct their work is assessed through a pre-employment medical. These requirements are reinforced during daily activities through site management plans for fatigue and drugs and alcohol.

We conduct drug and alcohol testing of all employees, contractors and visitors at our sites and offices. Employees must have a blood alcohol content of 0.00 and be free of illicit drugs at all times. Positive readings are assessed and may result in disciplinary consequences. At Sepon, where a high background community incidence of alcohol and illicit drug consumption is reflected in a disproportionate number of positive site readings, we have conducted an education program to drive reduced infringements and support healthier living.

We encourage our people to maintain healthy lifestyles. Initiatives in 2013 included personal health assessments, flu vaccinations and skin cancer checks. Gym and other sporting facilities are provided at FIFO sites, and corporate gym memberships are offered to Melbourne-based employees. A 24-hour employee assistance program is in place, providing confidential counselling services to employees and their families.

The second element to our new Occupational Health and Hygiene Standard is occupational exposure management. We undertake qualitative health risk assessments to assess and manage potential exposures to health hazards such as noise, lead, cadmium and respirable dust and crystalline silica. Screening results for heavy metals in 2013 are provided in the *2013 heavy metals biological screening table* (lead) on page 26 along with the current lead action and transfer levels for MMG.

In 2013 we implemented improvement plans at Rosebery, to reduce underground diesel particulate matter (DPM), and at Kinsevere, to reduce sulphuric acid mist in the copper electro-winning tank houses. These improvement programs demonstrated significant reductions in DPM and sulphuric acid mist emissions respectively and therefore reduced the exposure of our people.

**CASE STUDY**

**CLEARANCE TO WORK, ISOLATIONS AND PERMITS**

**MI Significant and high-fatality potential incidents**

Isolation and Permit to Work procedures are designed to isolate and protect workers from high-energy and potentially fatal risks before they start a task. During 2013 MMG's Operations Leadership team identified that a number of recent significant safety incidents related to these procedures. Further investigation revealed that our sites had different Isolation and Permit to Work processes, with varying degrees of effectiveness.

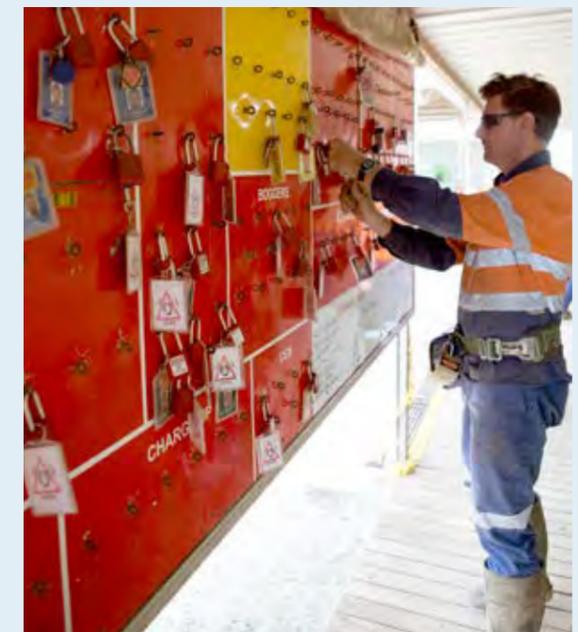
We therefore undertook a review of our Fatal Risk Standard stipulations for Isolation and Permit to Work aiming for consistency and effectiveness. We checked that the Standard captured and clearly communicated all critical requirements. Our aim is to effectively identify and manage known risks around our sites' Isolation and Permit to Work scenarios.

Managed by Group SHEC, the review involved the General Manager SHEC and other relevant senior managers. This team developed a basic performance framework under the Fatal Risk Standard requirements relating to newly named Clearance to Work, Isolation and Permits, for further endorsement and approval.

How current site procedures compared with the new performance requirements was then reviewed, as well as how compliance could be most effectively achieved.

The updated performance requirements were finalised as part of the new Fatal Risk Standard in February 2014. 'Site Champions' were then appointed to lead their implementation. The next phase will be to develop a Group-wide procedure to meet the new requirements.

Since these procedures are critical to minimising significant and high-fatality potential incidents, all sites' input is important to ensure that the procedure is effective.



A job isolation tag board at Golden Grove.

2013 HEAVY METALS BIOLOGICAL SCREENING – LEAD

SITE	NUMBER OF TESTS CONDUCTED	NUMBER ABOVE ACTION LEVEL (µg/dL)	NUMBER ABOVE TRANSFER LEVEL (µg/dL)
Century	834	6	15
Dugald River	185	0	0
Golden Grove	373	0	0
Kinsevere	–	–	–
Rosebery	841	10	2
Sepon	142	2	0
<b>Total MMG</b>	<b>2,375</b>	<b>18</b>	<b>17</b>

– = Did not report  
 Action levels for lead: male ≥ 25µg/dL; female ≥ 8µg/dL. Transfer levels for lead: male ≥ 30µg/dL; female ≥ 10µg/dL  
 The testing data includes the total number of tests conducted on site, inclusive of MMG and non-MMG personnel, non-reproductive females and re-tests associated with those readings above the relevant action and transfer levels.

Malaria is a recognised health risk at Kinsevere. MMG continues to reduce malaria infection risk in the local district through a targeted program, first deployed in 2012. The malaria control program includes an awareness campaign on malaria prevention, distribution of treated bed nets, an insecticide fogging program and increased health staffing and diagnosis resources.

In 2013 both Dugald River and Golden Grove continued a musculoskeletal injury prevention program, which has contributed to the significant reduction in recordable injuries. This performance improvement was achieved by improving flexibility and range of movement, targeting functional lifting capacity, cardiovascular fitness and muscle strength. Golden Grove's facilities contractor embraced the program and introduced job rotation within and between departments, contributing to an exceptional end result. The contractor achieved 365 days recordable injury free.



Golden Grove worked with trucking contractor Giacci on community road safety awareness.

**Public interaction with operations** MI

Public interaction with our mining operations poses safety risks to local community members, employees and contractors. The risks mostly stem from the co-use of mining land and roads by the community and MMG. Security risks also exist at some of our sites, such as theft and civil unrest, in particular at Kinsevere and Sepon.

We are conscious of properly managing security risks and their overlap with human rights management. In 2013 we incorporated the Security Standard into the Asset and People Protection Standard to reflect our commitment to align our sites with the Voluntary Principles on Security and Human Rights. A gap closure plan against this new standard will be completed for all sites in 2014. During 2013 an independent human rights risk assessment was completed at Kinsevere against the Voluntary Principles on Security and Human Rights (see the feature case study *Strengthening our human rights commitments* on page 9).

In 2014 the Kinsevere team will focus attention on further training for private security personnel against the Voluntary Principles.

**Road safety in near-mine communities** MI

The roads in and around some of our mines present significant safety risks for employees, contractors and community members. Controls to manage this risk vary between sites; however, in all cases safer alternatives for the community to using haul roads are provided. Local public road maintenance, road safety awareness programs and Company-provided transport to work are also in place at some sites such as Sepon and Kinsevere.

**2014 PRIORITIES AGAINST THE TARGETS UNDER OUR THREE-YEAR GOALS ARE TO:**

- » train people in their role in achieving safety;
- » develop and implement a common approach to planned task observations;
- » review and make improvements to the significant SHEC incident investigation process;
- » complete gap closure plans on the Fatal Risk Control Standard at sites, and begin addressing gaps; and
- » design and implement a material SHEC risk critical control verification program.

**CASE STUDY**

**A NEW OCCUPATIONAL HYGIENE PROGRAM AT SEPON**

**MI Health of employees**

In line with developing a more structured approach to occupational health and hygiene, in 2013 we conducted site health surveillance reviews against MMG's Occupational Health and Hygiene Standard. These reviews and qualitative health assessments identified high-risk areas of exposure such as heavy metals and dust at Sepon, as well as a need to strengthen the site's expertise to manage occupational health and hygiene.

To address these immediate priorities, and as part of our commitment to workforce localisation and capability development, MMG sent Group Occupational Hygienist, Alex Smith, through a role transfer to Sepon in March 2013. Working to establish both control measures for the exposures and a self-sufficient Occupational Hygiene Delivery program, Alex also worked on building a robust system to undertake baseline occupational hygiene monitoring, managing the health surveillance program and assisting with onsite exposure controls. In doing this, he also aimed to train and establish local Lao employee expertise and capacity at Sepon to manage the program (previously the site had relied on external consultants).

Early program development focused on creating bilingual standard operating procedures, according to Group Standards and relevant international standards. Creating a basic administration system and initiating the Sepon occupational hygiene baseline monitoring program followed.

Focus then moved to managing Sepon's Health Surveillance program in conjunction with the Sepon Medical Centre.

During 2013 on-the-job training and professional development opportunities were provided by Alex Smith

to Hygiene Officers Ekkaphon Choumphavanh and Somphonesay Kalavong. This enabled them to operate without direct supervision when undertaking their primary baseline monitoring tasks. It also provided them with the skills and knowledge to identify core hygiene hazards and potential exposures of concern around the site.

In late 2013 the program's day-to-day management was transferred from the Group Occupational Hygiene resource to Vilayluck Onphanmany, Sepon's Supervisor Hygiene Delivery. This signalled the beginning of a self-managed foundation Occupational Hygiene Delivery program at Sepon.



Ekkaphon Choumphavanh recording data during an Occupational Hygiene monitoring session.

**PROGRESS MADE AGAINST 2013 PRIORITIES**

2013 PRIORITIES	PERFORMANCE	DETAILS
Improving and implementing safety and health standards	Achieved	» SHEC Standards revised in line with the new MMG Operating Model
Embedding MMG processes and culture into newly acquired operations	Achieved	» No new operations acquired. Remaining Kinsevere integration work completed
Reducing repeat incidents: improving the investigation of significant incidents to prevent recurrence	Not achieved	» Reducing repeat incidents was not achieved » ICAM process reviewed and improvement plan instigated. ICAM champions trained
Strengthening our contractor management program	Achieved	» Supplier Management Standard reviewed and updated to improve our process for selecting, inducting and managing contractors
Improving hazard identification and awareness	Achieved	» Safety leadership focus at sites » ICAM process improvement » Introduction of a Safe Task Management Standard
Implementing the Occupational Health Standard	Achieved	» Occupational Health Standard consolidated into a combined Occupational Health and Hygiene Standard » Qualitative health risk assessments completed at all sites
Increasing the occupational health and hygiene capability in our developing country operations	Achieved	» Occupational health and hygiene training and resourcing advanced at Sepon and Kinsevere
Reducing fatality risk, implementing and validating the Fatal Risk Standard and implementing the MMG Life Saving Rules	Achieved	» Isolation and permit-to-work enforcements and ICAM reviewed – action plans developed » Recalibrated Fatal Risk Standard » Life Saving Rules integrated across all sites



# WORKING WITH OUR STAKEHOLDERS

## MI MATERIAL ISSUES:

- Community support for MMG
- Stakeholder engagement and relations
- Managing life of mine/closure and post-closure planning
- Local community and regional development
- Managing human rights issues

We aim to secure community support for our operations through strong and constructive relationships.

### OUR APPROACH

'We mine for progress' is a clear statement of intent for MMG. Through partnerships, engagement and participation at a local, regional and national level, MMG invests in healthy, educated and self-sufficient communities. Our approach is built on active engagement as well as open and trusted relationships. We strive to understand community and other stakeholder expectations and reflect their priorities in our programs.

We manage our relationships on many levels and through each employee, operational site and functional manager. In 2013 our corporate Stakeholder Relations function was elevated to MMG's Executive Committee level, reflecting a strengthened approach to delivering our commitments to stakeholders. Stakeholder Relations managers have core responsibility for management and improvement of relationships across all operating regions.

During 2013 our site-based community management process was guided, initially, under our Community Relations Management System by nine specific standards and guidelines. However, with the implementation of the new MMG Operating Model in the third quarter 2013, the scope of the original standards was consolidated into one Community Standard. This standard sets out commitments to host communities and manage community risks. It encompasses community stakeholder engagement and investment; cultural heritage management; and land access, resettlement and human rights.

Our People and Asset Protection Standard supports human rights management and is aligned to the requirements of the Voluntary Principles on Security and Human Rights.

MMG's other SHEC Standards provide performance guidance in relation to our internal stakeholders.

### THREE-YEAR GOALS AND TARGETS

For details on our performance refer to pages 10 and 54–55.

THREE-YEAR TARGETS	2013 PROGRESS
Close-out top 3 social risk register actions (2012)	Achieved
5% annual increase in the Community Trust Index (% level of local community trust)	Not achieved
Social investment of at least 1% of net profit after tax	Achieved

### Community support for MMG MI

Stakeholder support for and partnership in MMG's work are critical to our business success.

MMG acknowledges that a 'social licence to operate' is only a starting point for our business. We seek a deeper partnership with our host countries and communities with 'progress' being our shared goal.

Proactive consultation, in-depth Social Impact Assessments (SIAs), community perception surveys, and engagement and participation in community fora, all enable us to effectively manage our community impacts and to create opportunities.

Surveys of opinion leaders and the community present an important opportunity to understand community views. While MMG targets ongoing improvements in perception, the surveys are a key management tool for local teams. In 2013 community surveys were independently conducted at Rosebery, Golden Grove and Century (site surveys are rotated in consecutive years). Century and Rosebery recorded declines of 10% and 8% respectively on the previous 2011 Community Trust Index.

Golden Grove recorded an 8% improvement by engaging the community in a Social Impact Assessment and improved alignment to the previous Community Relations Standards.

Century's 10% decline in score was influenced by an increased and more diverse stakeholder sample, this time including employees and contractors, across a wider local community area. The previous survey was limited to the community of Karumba. Respondents in the 2013 survey included representatives from parties to the Gulf Communities Agreement.

The 8% reduction in Rosebery's score was partially due to the achievement of a very high index in 2011 and subsequent changes to the stakeholder sample. Both Century and Rosebery have developed action plans to address survey findings and will undertake programs to improve the underlying issues.

Following the completion of SIAs at Rosebery and Golden Grove in 2012, Social Impact Management Plans (SIMPs) were prepared in 2013 to address the priority findings.

To prepare for mine closure, an SIA was conducted at Century in conjunction with a 15-year review of Century's Gulf Communities Agreement by Queensland's Centre for Social Responsibility in Mining. The findings of both processes are being addressed in a detailed Social Impact Management Plan for the site.

### Managing complaints and grievances

All sites conduct, monitor and record stakeholder complaints and grievances as part of relationship management activities. MMG's formal grievance management system requires sites to register/record, investigate and resolve all community complaints and grievances. In 2013, 136 grievances were recorded, compared to 82 in 2012, an increase of 54. The difference is mainly attributable to an enhanced complaints reporting culture resulting from the continued rollout of MMG's grievance program and related training on how to classify and record

complaints. There were 21 complaints at Rosebery, mostly concerning persistent noise from the mine batch plant,<sup>4</sup> 12 at Century for an unresponsive community hotline; and 94 complaints at Sepon for operational impact on farming land (including dirty water, blast noise and compensation arrangements).

We tailor our grievance management process to the communities at each site. Local systems include trained village-level grievance committees, Community Liaison Offices that provide information and respond to communication, telephone 'hotlines' and email contact avenues. Proactive, timely and personal responses are given to any concerns. Century has a new protocol for its Freecall enquiries line to ensure appropriate logging and quick follow-up of enquiries and requests.

<sup>4</sup> The batch plant mixes concrete for the site. The noise has been addressed with community engagement and a noise attenuation barrier.

### Stakeholder engagement and relations MI

Stakeholder engagement and relations, fundamental to achieving our success as a trusted community and national partner, was elevated to the executive level of MMG. The Executive General Manager of Stakeholder Relations now manages Investor Relations and Communication, Stakeholder Relations, International Development and Sustainability. Our values, Group Reputation Management Plan and our Code of Conduct and SHEC Standards underpin our engagement with our stakeholders.

On pages 30 and 31 we provide a matrix of our current broad stakeholder groups, their areas of interest and our engagement processes.

## CASE STUDY GOLD PLANT CLOSURE AT SEPON

### MI Community support for MMG; Stakeholder engagement and relations

As a result of falling gold prices, rising costs and dwindling gold oxide reserves, MMG took the difficult decision to close the Sepon gold plant in late 2013. Gold production ceased in December and the Sepon mine restructured operations to maximise its already strong copper production. The business continues to deliver strong returns to the local community and the Lao Government. One of Laos' largest employers, Sepon produced a record 90,000 tonnes of copper in 2013.

MMG recognises the challenges that come with supporting and engaging the community in the closure of the gold plant, involving a reduction of the workforce. Efforts continue to look after the local community and pave the way for long-term benefits. These efforts included reducing the expatriate workforce by 30% to enhance the capacity of the Lao workforce and improving the mine's competitiveness to meet global economic conditions.

Prior to the plant closure and mine restructure, the Sepon team kept the local community informed. Rick Watsford, General Manager Sepon, said: "We visited surrounding villages to ensure the reasons for the restructure were well understood. Sepon has made every effort to limit the impact on families and the local community, including mitigating loss of income through several enhanced development programs in Vilabouly District. We acknowledge the importance of Sepon to local families, our employees

and the community. We are making these changes now to ensure Sepon can continue to grow in the future."

The team at Sepon is ensuring that Lao employees receive all relevant benefits, as well as job search and financial training. In addition, Sepon's development initiatives to assist the local community with employment and improved livelihoods include an expanded village development and poverty alleviation fund, agriculture projects and a Millennium Education project to encourage school participation.



Pouring gold at Sepon.

STAKEHOLDER	STAKEHOLDER GROUPS	AREAS OF INTEREST	ENGAGEMENT STRATEGIES
<b>Employees</b>	MMG employees and contractors at: » Mine sites » Development projects » Exploration projects » All offices including Group head office in Melbourne	Staff safety and wellbeing – safety management and performance Sustaining our economic performance – business strategy Talent attraction and retention – values and behaviours, working conditions, work plans, remuneration and benefits, career opportunities Diversity – equal opportunity	» Safety meetings » Shift change meetings » Management and CEO presentations » Emailed and written updates » Corporate and individual site intranets » Quarterly employee magazine » Cultural and people development programs and training » Annual employee perception surveys and consultative fora
<b>Communities</b>	» Host and regional communities » Local villages and towns near our operations	Post-closure community expectations and community and regional development – impacts on local communities, community investment and development, local amenity and housing Stakeholder relationships – local business support Environmental management and compliance – environmental impacts and management Public interaction with operations – health and safety impacts Economic sustainability – future financial viability Community and regional development – sustainable employment post mine life	» Community investment projects » Quarterly and monthly newsletters » Meetings » Written communications » Local media » Community Perception Surveys » Social Impact Assessment
<b>Suppliers</b>	» Businesses from which to purchase products and services	Sustaining our economic performance – economic security of the business, supply opportunities, payment processes Contractor selection – health and safety, contractor management procedures, supplier contractual conditions	» Tender and contract documents » Direct communications » Induction and training
<b>Government</b>	» Regulators and government authorities with responsibilities for the areas where we operate » Local, state and federal government in countries including Australia, Laos, DRC and Canada	Government relations – compliance with permits and licences, social policy and fiscal regimes applicable to the resources sector Community and regional development – engagement with host and local communities, community investment and development, market access Environmental management and compliance – environmental impact management, product stewardship	» Statutory and licence reporting, regular meetings » Written communication

STAKEHOLDER	STAKEHOLDER GROUPS	AREAS OF INTEREST	ENGAGEMENT STRATEGIES
<b>For investors</b>	» Retail investors in Hong Kong » Global institutional investors » Analysts and brokers » Stock commentators » China Minmetals Corporation (majority shareholder)	Company performance Growth strategy including acquisitions, projects and exploration Commodity and market outlook Board and governance Corporate responsibility and sustainable development	» Announcements to the Stock Exchange of Hong Kong in accordance with the Listing Rules » Quarterly production reports, interim and annual reports » Investor roadshows, meetings, teleconferences and site visits » Attendance at major global mining conferences » Shareholder communications » Monthly and quarterly shareholder reports to the Board
<b>Non-government organisations</b>	» Non-government organisations » Special interest groups	Community and regional development – impacts on local communities, community investment and development, community health, local infrastructure development and investment Public interaction with operations – interactions with local communities Human rights Bribery and facilitation payments Workforce localisation Environmental management and compliance – environmental impacts and management Post-closure community expectations Management decision-making – governance, risk management, Board composition and operation	» Sustainability report » Meetings » Media releases » Website content » Site visits
<b>Media</b>	» Local and regional media in the areas of our operations » Finance and resources media internationally	Potential for interest in all material issues, particularly those of current interest to other stakeholders	» Media releases » Website content » Media tours, interviews
<b>Industry</b>	» Other mining businesses » Industry associations » University and technical training providers	MMG share price – earnings and production results, share price performance against industry peers Acquisition investment – project announcements, merger and acquisition programs Management decision-making – governance, risk management, Board composition and operation Stakeholder relationships and government relations – support for industry initiatives, involvement in industry fora, support for industry-specific training and development	» Membership of international, national and regional industry groups » Representation on executive and working group committees » Sustainability reporting against GRI and ICMM benchmarks » Sponsorship and support of technical training institutions and organisations

## Government relations

We develop and maintain relationships with the governments of the countries, states and provinces in which we operate. We aim to understand local issues, demonstrate contribution to regional, social, institutional and economic development and support compliance. Host governments are a critical partner in company programs. Understanding the priorities of governments is critical to sustainable business success, in particular when moving into a new jurisdiction.

MMG provides clear representation and strives for open and transparent relationships with national governments. The Company supports revenue transparency through engagement in the Extractive Industry Transparency Initiative (EITI) in the DRC and Australia. MMG is an active participant on industry and government fora and works to develop mining sector capabilities.

In Queensland, we have a tripartite agreement, dating back to 1997, with the Queensland Government and local Native Title holders of the Lower Gulf, called the Gulf Communities Agreement, under which Century mine operates. Every five years there is a review of the provisions of the GCA and how it is being implemented (see *Employing local people* on page 14).

During 2013 we conducted a 15-year review of this agreement, resulting in recommendations and commitments to ensure that Century leaves a lasting legacy in the communities following the end of zinc production in 2015. These relate to strengthening relationships with stakeholders, assisting Native Title groups with rehabilitation and environmental programs, cultural heritage management, and realigning education and training programs to benefit the Gulf communities.

MMG is also in ongoing dialogue with the Queensland Government regarding the development of Dugald River.

In Laos, we are joint owners of the Sepon mine with the Government of Laos, which holds a 10% equity investment in the operation. MMG also partners with the Lao Government on social and infrastructure development.

Each of our mines has a Stakeholder Engagement and Government Relations Plan that aims to build awareness of operations and recognition of the site's economic and social contributions at a local, state and national level.

## Growing our reputation

Our approach to reputation management has three key elements: our Reputation Management Plan, Code of Conduct and our work culture program. Our Reputation Management Plan is part of our Business Plan. It incorporates government, investor and external stakeholder-relations strategies, as well as brand management and corporate positioning. Code of Conduct training and integration occurred under the plan in 2013. The code encompasses employees, contractors and suppliers. We also continued cross-functional planning to consolidate our belief 'We mine for progress' into our work culture program. This project extends into 2014.

## Working with shareholders

MMG's shareholders include individuals, institutional investment funds and corporate shareholders, including our majority shareholder, China Minmetals Non-ferrous Metals Company Ltd (CMN), a subsidiary of CMC. Beyond compliance requirements, we aim to maintain effective communication and provide equal and timely access to clear and balanced information about MMG (including our financial performance, strategic plans, material developments, governance and risk profile) to shareholders to enable them to exercise their rights in an informed manner.

The relationship with CMN is a source of significant value and a critical strategic asset for MMG. While respecting the rights of independent shareholders, we cooperate closely with our major shareholder to share technologies, inform strategy, raise finance for business activities and promote sustainable business practices. Three CMN employees occupy non-executive positions on the MMG Limited Board of Directors, offering counsel and insight to strategic direction and business governance. In 2013 MMG also appointed Mr Xu Jiqing, formerly Chief Financial Officer of CMN, to the Executive Committee as Executive General Manager – Strategic Planning.

Our unique position with respect to Chinese state ownership of our major shareholder allows MMG to more freely access finance in the Chinese market with the support of CMC and State-controlled banks.

We also maintain an active briefing and conference program involving senior management and Investor Relations team members to inform all shareholders of business strategy and performance. MMG publications, website and stock exchange releases offer an opportunity for shareholders to further understand our business.

## Managing life of mine/closure and post-closure planning MI

Mine closure continues to be a significant concern of governments and communities across MMG operations. These concerns focus on sustainable livelihoods beyond mine operations and environmental impacts left over after mining.

In relation to sustainable livelihoods beyond mine operations, we recognise that our investment in the future sustainability of a region is critically linked to positive community partnerships and our business success. We are now focusing on incorporating community investment into our life-of-asset (LOA) plans to ensure that community development plans target the progress of local and regional economies and livelihoods beyond mine closure.

In 2013 closure planning was transferred to the Group LOA team, whose responsibility is to ensure that our sites have consistent and adequate closure plans that incorporate stakeholder expectations. All sites now have LOA plans setting out project deliverables across the full mine life cycle.

With Century's closure imminent (zinc production in the open-cut pit will cease in 2015), MMG is focusing on specific steps in the mine closure plan through the Century Mine Closure Working Group. This group is supported by the Group Closure Steering Committee, chaired by the Chief Operating Officer, which met four times in 2013, focusing on:

- » progressing the Century Closure Work Plan for 2014 and sharing learning across MMG;
- » formalising Sepon, Rosebery and Kinsevere Closure Work Programs;
- » completing the first assessment against the Closure Standard across MMG to understand the level of alignment; and
- » communicating internal costs to ensure adequate provision for closure.

In relation to environmental impacts left over after mining, the use of LOA planning to establish annual targets for progressive rehabilitation is a new requirement of the MMG Environment Standard.

The MMG Legacy Risk Advisory Committee meets bi-annually to identify, prioritise, manage and close-out legacy risks across our business, assets and entities. Legacy risks in Tasmania, adjacent to Rosebery, were a key focus of the committee in 2013, in particular the decommissioning and rehabilitation of the old

Hercules mine site. Stage 1 of the Hercules project was completed in 2012 and included development of a closure concept for the site. The concept was presented to the Legacy Risk Advisory Committee in the first quarter of 2014. Stage 2 of the project, during 2014, will involve external stakeholder engagement, seeking endorsement of the closure concept and agreement of closure completion criteria. Once agreed, the concept will progress through prefeasibility, feasibility and design.

## Century open-pit production cessation

Approximately A\$7 million of rehabilitation and closure-related works were conducted at Century in 2013. These included the construction of three cover systems as part of a medium-term trial to determine which is most suitable for encapsulation of the Century tailings storage facility (TSF). In-house remediation of the bulk sample waste rock dump, which was constructed during early mine development, was also undertaken. This work enabled some of the mine's mobile equipment operators to gain valuable rehabilitation experience. Other environmental works included the ongoing revegetation of available areas through aerial reseedling, remediation of disturbed land and installation of permanent drainage features to prevent acid mine drainage on the south-west waste rock dump.

## Local community and regional development MI

Local and regional financial and social benefits are a common expectation of a major mining development. Our social investment activity must both understand and respond to this expectation. It must consist of transparent, targeted, measurable and sustainable contributions, through direct investment, sponsorships, donations or in-kind contributions. These are often facilitated through partnerships with government and non-governmental organisations to support local business development and educational, employment and health programs.

Our Community Standard sets out a framework for a consistent approach to social investment initiatives, relying on three things:

1. Baseline studies and social impact assessments and management.
2. Understanding quality-of-life factors, such as health and education standards, income levels, employment opportunity, and community infrastructure measures. Other regional influences are also important to us, such as corruption, security, conflict, revenue transparency, and human rights management.

3. Assessing direct social benefits and opportunities for local communities and broader society from operations. These include jobs and local businesses, infrastructure developments, spend in the local economy, taxes and royalties.

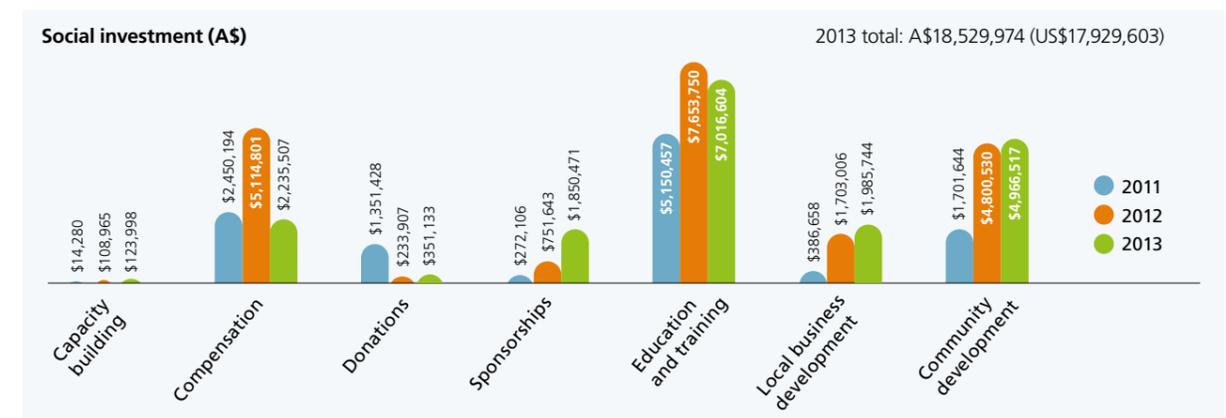
We define community development in line with the ICMM as the process of contributing to stronger communities, improved quality of life and greater resilience. Community sustainability is supported by mining practices that help convert non-renewable natural resources into sustainable human and social capital.

We tailor our social investment to the needs of the communities around our sites and their quality of life. This supports sustainable growth initiatives, the development of local businesses, stronger relationships with our stakeholders and enables greater participation of local communities in their own development. Our business succeeds through community partnerships that facilitate investment in projects of lasting local value.

The graph below provides a breakdown of our social investment across local host communities in various investment areas. In 2013 a total of US\$17.9 million (A\$18.5 million) – approximately 14.6% of net profit after tax<sup>5</sup> – was invested in our local host communities. This is a decrease of approximately 9% on 2012 investment reported (A\$20.3 million)<sup>6</sup> (taking into account under-reporting of compensation in 2012 that occurred at Dugald River). However substantial increases occurred for sponsorship (146%) and donations (50%). Sponsorship increased primarily due to reclassification of community flights contributions at Century (classed as community development in 2012 rather than sponsorship). Donations increased with community support pledges, primarily at Sepon. Local business development and community development contributions increased in accordance with our program commitments at Century, Sepon and Kinsevere.

<sup>5</sup> The percentage investment of net profit after tax has increased significantly in large part due to a 48% reduction in MMG's profit.

<sup>6</sup> Data re-statement: MMG's 2012 Social Investment total has been corrected to A\$20.3 million due to under reporting of A\$2.5 million compensation paid at Dugald River to a local land-holder for land access.



Compensation is included in social investment as required by the GRI.

## CASE STUDY

### BUILDING COMMUNITY FOUNDATIONS IN VILABOULY, LAOS

#### MI Local community and regional development; Local staff management capability development

Sepon has successfully invested in the development and self-sufficiency of the communities surrounding the mine in Vilabouly District for over ten years. In this time, as one measure of progress, household incomes have risen seven-fold. Sepon's commitment to building the sustainability of surrounding communities continues under life-of-asset planning as the operation approaches closure in 2020.

In addition to the flow-down benefits from Sepon's extensive workforce and procurement localisation process, the development program has invested in targeted projects. These projects relate to community infrastructure and facilities, agriculture, health care, financial support, and education and training, including for governance and management capacities.

In late 2013 Sepon commenced a new three-pronged approach to community capacity building:

- Poverty Alleviation Fund** – an expanded Village Development Fund with increased total budget to include 30% more villages, identified by the district as the poorest.
- Millennium education project** – currently being designed to improve literacy and quality of education for school-aged children, as well as use of health and dietary practices in school.
- Sustainable incomes project** – generating local high-value agriculture linked to an international market.

More than US\$3.3 million was allocated to community development projects or initiatives, including:

- » **Village Development Funds** – 32 villages have now successfully identified, designed and implemented small projects;
- » **Trust Fund** – 57 projects completed;
- » **Microfinance project** – access to microfinance for poor Vilabouly residents in 41 villages;
- » **Houay Kong Training Centre** – 915 trainees in poultry, animal vaccination, fishery, home garden, mushroom growing, nutrition, sewing, advanced tailoring, advanced weaving and first aid;

- » **Local business support** – five new businesses, more locals employed and 13% increase in income;
- » **Rice milling project** – pilot program for three rice millers and more than 500 farmers in 13 villages;
- » **Health project** – potential health program designed and Mother and Child Health (MCH) work continued;
- » **Scholarships** – four Sepon scholarships and 11 external scholarships with Sepon support;
- » **Traineeships and apprenticeships** – data entry clerk traineeships (ten graduates and eight new students), trade traineeships (18) and apprenticeships (12) for local students;
- » **Sponsorships** – for the annual conference of Lao paediatricians, Lao Youth Union Child Campaign meeting and the Lao National Chamber of Commerce and Industry; and
- » **Donations** – made towards Savannakhet University research, hospital medical equipment, tropical storm assistance, Boungkham temple hut, Sepon District Handicraft Centre, Vilabouly administration office car park and for local Buddha images.

In addition, in 2013 community needs assessments were conducted:

- » **Health** – Burnet Institute (Australia) conducted a rapid health assessment with community focus groups, and district and site stakeholders;
- » **Village Development Funds** – community members again identified their own development needs and implemented small projects; and
- » **WOLAS** – a pre-feasibility study into a Whole of Operations Land Acquisition Strategy (WOLAS). This builds understanding of the cumulative impacts of cohabitation with local communities since mining began. It considers impact mitigation for new growth projects including a new airfield, primary gold, primary copper, a tailings facility and gold oxide expansion.



Microfinance and community banking schemes are now benefiting 41 villages around Sepon mine.



Kifita village school, one of four local schools built by MMG near Kinsevere.

#### Health and education

MMG's support of community development includes investment in health and education initiatives focusing on facilities and maternal and child health needs. During 2013, in addition to health infrastructure investment at Kinsevere and Sepon, we continued to support both the International Zinc Association and UNICEF's contribution to combatting childhood malnutrition through zinc-based micronutrient distribution and education programs. Work progressed in Laos under the tripartite 1000 Day Project in conjunction with the Lao Ministry of Health. The project involved detailed field trials and community testing of a micronutrient distribution and feeding education program designed to reach approximately 180,000 children in three southern provinces around Sepon mine. The program also builds the capacity of government and local agencies to extend and run such initiatives.

#### Local business development and procurement

Facilitating sustainable local business development and procurement is central to our ultimate aim to contribute to prosperous and self-sufficient communities. Each of our sites has commitments to support local business development and procurement, guided by our Procurement Management Standard (see *Sustainable supply chain* on page 52).

In 2013 more than US\$1.92 million (A\$1.98 million) was invested directly into the development of local businesses and market demand that can endure beyond the life of our mines. The investment process includes technical and business management training.

In terms of direct revenue to local suppliers, Century spent A\$14.6 million with 21 local businesses. Sepon spent approximately A\$3 million on goods and services from local businesses, directly supporting 23 small Lao enterprises providing around 301 jobs. Since the program at began in 2005, the combined total income of these local businesses as a result of local procurement by the mine is more than US\$14.4 million. Kinsevere contributed approximately US\$2.7 million to local suppliers.

#### Managing human rights issues MI

MMG respects fundamental human rights and the diversity of cultures, customs and values in our dealings with employees and others involved in our activities. We address human rights issues through our Values and the Community Standard.

Managing the impacts of our activities on host communities, their homes and land through effective land management, open

consultation processes and, where appropriate, resettlement, is an important element of our human rights management. MMG consults landholders – or where relevant, obtains free, prior and informed consent – before any land use. No resettlements occurred in relation to our sites in 2013.

In 2013 there were two complaints recorded that were human rights related: a family felt that they were being criticised in a meeting; and a complaint was lodged with MMG regarding an alleged sexual assault by a local contractor's truck driver. Both these incidents were fully investigated and resolved for the stakeholders under MMG's site grievance management processes.

Under our program to align with ICMM Principle 3 ("Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities"), we identified the need to reinforce our human rights management approach. As a result, during 2013 a Human Rights Standard, Guidelines and Internal Assessment Tool were used before being replaced in the fourth quarter of 2013 by the consolidated Community Standard. The People and Asset Protection Standard stipulates our management of human rights where it is relevant to security management, in line with the UN Global Compact Voluntary Principles on Security and Human Rights.

We implemented a capacity-building human rights education and risk-assessment program at Kinsevere. Sepon commenced preliminary assessments around MMG's human rights settings to understand their overlay on site operations and plans. Both of these sites have a higher likelihood of local community conflict than our other sites due to the countries in which they are located.

We also established a schedule for conformance to the Voluntary Principles on Security and Human Rights in 2013–14. Using Kinsevere as a profile site, in early 2013 an independent audit was conducted of MMG's baseline human rights alignment against the Voluntary Principles and MMG Standard. The outcomes led to a strengthened approach to managing community relations and the more robust Community Standard that now holds MMG to an international standard of human rights management (see the case study *Strengthening our human rights commitments* on page 9).

During 2013, on behalf of China Minmetals Corporation, MMG provided input to the Global Compact's Business Reference Guide to the UN Declaration on the Rights of Indigenous Peoples. In late 2013 we began participating with UNICEF in a pilot project to help develop an industry due diligence assessment framework around the management of children's rights.

## CASE STUDY

### NEW RESOURCES, NEW STAKEHOLDERS IN MEXICO

We understand that successful community partnerships allow us to invest in the long-term future of a region.

MMG's commitment to building strong relationships with our stakeholders and sharing tangible benefits was put into practice when a field team undertook exploration work in the State of Sonora, north-west of Mexico. Through the Seri Project (named after the local Seri people) we reached agreement with a private tenement holder to explore around 3,600 hectares for minerals. In late 2012 we initiated a diamond drilling program.

The local Ejido people of Fructuoso Mendez were among the project's principal stakeholders with five of them operating cattle ranches on the site and identified as affected surface users.

We ensured that the local community benefited from our presence by providing opportunities for local unskilled labour and purchasing local water for drilling. Local ranchers benefited from our road maintenance and rehabilitation work and enjoyed the use of our heavy equipment to create entrapments for water conservation and culvert installation.

Other efforts to improve the quality of life of the community included repairing the local school's basketball and soccer court to provide a safe environment for children to play in and erecting cattle gates on drill access roads to prevent

#### MI Stakeholder engagement and relations

injury to grazing animals. In keeping with our rehabilitation and reforestation responsibilities, MMG planted 70 trees on 20 drill sites during the year.

The Seri Project has enabled MMG to once again, through responsive stakeholder engagement, uphold our corporate vision of assisting and strengthening the life quality of our local stakeholders.



Children playing safely again on the basketball and soccer court refurbished by MMG.

## CASE STUDY

### RESPECT FOR WOMEN AND CHILDREN'S RIGHTS

Many communities surrounding the Kinsevere mine in southern DRC lack the basic education and capacity to tackle the important issues of respect for women and children's rights.

To help address this, during 2013, interactive educational sessions were held by MMG's Department of Social Development at Kinsevere for women and children of the local villages. Led by women from government and non-government agencies, the sessions aimed primarily to inform the participants about their rights and ways to communicate issues.

For the women, the sessions also covered a range of related areas including marriage, education and leadership guidance, as well as key health issues in the DRC, such as uterus and breast cancer awareness.

Where children's rights are concerned, the topics included supporting children's desire to go to school, their requirements for a proper diet, and the challenge of the exploitation of children by adults. A total of 765 students from five primary schools participated in the sessions across the program.

Kinsevere Community Development Coordinator Elise Manku hoped that the sessions would eventually see an end to early marriage in the villages.

"Eventually the girls will be encouraged by their parents, and especially by their mothers, to carry on with studies before getting married," she said.

#### MI Managing human rights issues

The women participants asked MMG to expand the awareness sessions to husbands and young men of the villages. Work on new sessions to achieve this commenced in May 2014.

This educational and awareness program, initiated in 2011, is supporting the gradual empowerment of rural women in the province as key development agents.



Women in the villages surrounding Kinsevere mine have attended interactive educational sessions, aimed at providing them with information about their rights.

#### 2014 PRIORITIES AGAINST TARGETS UNDER OUR THREE-YEAR GOALS:

- » complete human rights education and risk assessments at priority sites and identify steps required to align and join the Voluntary Principles for Security and Human Rights;
- » audit sites against applicable standards and develop and implement action plans to obtain standard compliance;
- » implement actions and plans from the Century Social Impact Assessment to progress the Closure Plan;
- » implement action plans to address issues arising from the 2013 Community Perception Surveys; and
- » complete the Stakeholder Relations and Communications Standard.

#### PROGRESS AGAINST 2013 PRIORITIES

2013 PRIORITIES	PERFORMANCE	DETAILS
Advance our ICMM alignment project consistent with our three-year plan	Achieved	Further alignment achieved (see page 51): refined standards and human rights assessment and commitments
Embed reputation management structures and supporting systems and reporting	Achieved	Stakeholder Relations elevated to executive level. A new regional and international structure (roles) and reporting process and system developed under our three-year business plan. This coordinates with our site community stakeholder engagement and reporting process
Complete human rights education and risk assessments at priority sites and identify steps required to align and join the Voluntary Principles for Security and Human Rights	Achieved	Human rights education and risk assessments completed at Kinsevere and Sepon. Plan to align to the Principles developed
Gain Executive Committee endorsement for the final three community relations standards, guidelines and internal assessment tools	Achieved	Standards were endorsed and then incorporated under the Operating Model
Complete the External Communications Standard	In progress	Now being incorporated into the Stakeholder Relations and Communication Standard under the Operating Model
Continue site-based internal assessments against applicable standards and the development and implementation of action plans to close identified gaps	Achieved	Prior to implementation of the Operating Model these assessments were conducted. Reassessments occurring for the consolidated standards
Implement a comprehensive Community Perception Survey for each site delivering a 5% increase on our established index	Not achieved	The survey was implemented at Century, Rosebery and Golden Grove. Only Golden Grove delivered an increase on the previous index
Act on the findings of the assessment of social impacts from the closure of Century's open-pit zinc production, and progress the closure plan	In progress	Assessment completed later than expected in 2013 Findings formed into an action plan in early 2014
Assess the impact of the Company-wide branding, positioning and reputation project	In progress	Assessment commenced with a cross-functional planning process and will continue in 2014

#### ADDITIONAL INFORMATION ONLINE

##### MATERIAL ISSUES

Managing cultural heritage around MMG sites



# RESPECTING OUR ENVIRONMENT

**MI MATERIAL ISSUES:**  
 Environmental incidents (including spills and exceedences)  
 Water outputs (including tailings and acid rock drainage)

We aim to minimise our adverse impacts on the environment, manage material risks and comply with legal requirements. We actively focus on minimising MMG's footprint by integrating environmental management requirements into our sites' life-of-asset plans.

## OUR APPROACH

Our priorities are based on preventing adverse environmental impacts with respect to:

- » water management;
- » mineral waste management;
- » land and biodiversity management; and
- » energy efficiency and greenhouse gas emissions.

These priorities are managed across our operations under the Environment Standard. During the third quarter of 2013, as part of our Operating Model implementation, three existing environmental standards were revised and consolidated into one overall Environment Standard, with the intent of simplifying requirements and achieving integration with LOA planning. Our Environment Standard addresses material environmental risks and their management and is aligned with relevant ICMM Principles.

All established MMG sites, with the exception of Kinsevere and Avebury, operated an environmental management system (EMS) to the international standard for EMS, ISO 14001, for the whole of 2013. With the introduction of the Operating Model, ISO 14001 compliance is no longer mandated. The 'plan, do, act, check' principles associated with ISO 14001 certification are inherent in our new Operating Model. The new simplified, risk-based SHEC Standards and a rigorous SHEC assurance program will ensure that our sites continue to meet stakeholder expectations and other external obligations. The Operating Model provides a continual improvement platform aligned with ICMM Principle 6 ("Seek continual improvement of environmental performance"). In 2014 there will be a phase-out of ISO14001 accreditation across all sites.

## THREE-YEAR GOALS AND TARGETS

For more details on our performance refer to pages 10 and 54–55.

THREE-YEAR TARGETS	PROGRESS
100% close-out of top 3 environmental register actions identified in the 2012 plan	Achieved
Zero ISO 14001 (international standard for environmental management systems) major non-conformances	Achieved
20% reduction of environmental non-compliances with operating licences	Not achieved

## Environmental incidents (including spills and exceedences) MI

Environmental management, compliance with regulatory and community expectations and respect for the integrity of local water, flora, fauna and natural systems are core to effective operations.

In 2013 the total number of recordable environmental incidents decreased by approximately 30% (69).<sup>7</sup> Of these, 41 represented a non-compliance<sup>8</sup> (exceedence) with site licence conditions, double the number in 2012 (see *Environmental incidents* table below). None of these incidents was considered by the relevant Regulator to have caused significant environmental harm. Of the 41 licence exceedences, 22 occurred at Century relating primarily to the detection of heavy metals in wastewater above licensed discharge levels.

We plan to undertake a licence review in 2014 with the Regulator and the Queensland Department of Environmental and Heritage Protection (DEHP). The licence review will assess the suitability of the current heavy metals limits and determine whether or not they warrant revision to reflect the process, while still minimising risk to the environment.

Site licence exceedences recorded at Dugald River increased from zero in 2012 to 11 in 2013 as a result of a greater focus on environmental incident reporting (See *Managing environmental exceedences at Dugald River* case study on page 42).

For each of the past two years Avebury reported 12 licence condition exceedences. In response, new water discharge limits were agreed with the Tasmanian Environmental Protection Authority in 2013. Discharge limits are now aligned with background environmental water-quality parameters. The amended licence, effective from 30 January 2014, is anticipated to significantly reduce the number of Avebury licence condition exceedences in 2014.

Sepon and Kinsevere reported significant reductions in environmental incidents. This is largely attributed to the reclassification of the recordable incidents to align with the rest of MMG.

All sites continue to report incidents via their internal reporting system and conduct investigations to prevent recurrence.

7 A recordable incident is any incident that is low-level or high-level (triggers site licence conditions) and is reported to a government department/regulator.

8 A non-compliance is a higher-level incident that breaches our licence conditions threshold (an exceedence) with potential to cause environmental harm, and that is reported to a government department/regulator for assessment.



Air quality monitoring for Golden Grove at Port of Geraldton.

## ENVIRONMENTAL INCIDENTS

SITE	TOTAL NUMBER OF RECORDABLE INCIDENTS			NUMBER OF INCIDENTS BREACHING LICENCE CONDITIONS			ENVIRONMENTAL FINES (A\$ 1000S) 2011–2013
	2011	2012	2013	2011	2012	2013	2012
Century	32	5	33	5	2	22	40
Dugald River	0	0	11	0	0	5	–
Izok Corridor	0	3	0	0	1	0	–
Exploration	0	0	0	0	0	0	–
Golden Grove	1	4	1	0	3	1	–
Kinsevere	–	34	0	–	0	0	–
Rosebery	6	9	10	2	0	1	–
Avebury	0	0	12	12	12	12	–
Sepon	0	42	2	0	0	0	–
<b>MMG Total</b>	<b>39</b>	<b>97</b>	<b>69</b>	<b>19</b>	<b>18</b>	<b>41</b>	<b>40</b>

– = Did not report

## Water management

Mining creates mineral waste residues, typically stored in tailings storage facilities. Heavy metals and other contaminant levels in water associated with mining facilities are monitored and managed through water treatment and discharge controls to ensure that all water discharges comply with relevant water-quality guidelines.

Water management planning is essential to achieving positive environmental, social and production outcomes. Water use and discharge are managed to maintain our licence to operate, prevent ecosystem impacts and ensure that long-term mine water availability is not compromised.

During 2013 the Water Management Standard was consolidated and simplified into the Environmental Standard. This standard focuses on developing effective programs to manage water resources to protect human health and the environment and maintain the water supply for our operation. Key requirements of the Environmental Standard include understanding baseline data, preparing and using site water balances and groundwater models and implementing water management plans.

We report our water inputs, outputs and diversions in line with the Minerals Council of Australia (MCA) Water Accounting Framework (WAF).

As shown in the *Annual average rainfall* table on this page, during 2013 all sites except Rosebery and Avebury experienced below average annual rainfall, compared to the high rainfall year that many sites experienced in 2012.

### ANNUAL AVERAGE RAINFALL

SITE	ANNUAL RAINFALL (MM)		
	LONG TERM AVERAGE	2012	2013
Century	513	624	198
Dugald River	514	779	128
Izok Corridor	-	-	-
Golden Grove	259	222	211
Kinsevere	1252	1488	746
Rosebery	2240	2294	2549
Avebury	2163	2157	2228
Sepon	2175	1881	2080

- = Did not report



Water sampling at Golden Grove.

The lower rainfall did not affect water supply for our operations, as groundwater is the main source of water for Century, Kinsevere and Golden Grove. Dugald River sources its water from Lake Julius.

While there has been a drier wet season in 2013 across most of the Australian sites and at Sepon, some of the operations have had to work through challenges relating to excess water held at their active tailings facilities. Accumulation of water at the Golden Grove tailings facility prompted a management program, which began in 2012, continuing into 2013. By increasing the reuse of tailings decant water, while increasing the treatment and release of raw water, Golden Grove achieved a stable water balance. This was done primarily by maintaining water levels in storage facilities and maintaining underground dewatering rates.

Sepon's Western Tailings Storage Facility (WTSF) continues to hold excess water. During 2013 MMG succeeded in preventing a further increase in water inventory in the WTSF by increasing the efficiency and maximising the use of the treatment capacity in the existing water treatment plant. Refer to the case study – *Investing in water treatment technology at Sepon's Western Tailings Storage Facility* on page 43.

Century's evaporation dam still holds a substantial volume of water resulting from the 2010–11 wet season. In 2013 Century conducted a successful plant (pump) trial to reuse wastewater in the process. The high evaporation typical of the site and low rainfall over the past two years have substantially reduced the water inventory in the dam.

Our site water balance models are reviewed annually with a focus on improved integration into LOA plans to make structured investment decisions regarding infrastructure.

### 2013 water inputs

In 2013 our mine operations managed a total of 31,787 mega litres (ML) of water, significantly less than the 2012 total of 44,007 ML, primarily due to reduced rainfall. A new reporting structure has been implemented to align reporting with the MCA WAF.

Our sites with the largest water inputs are Century, Kinsevere and Sepon. These sites largely source their water from bore field extraction, precipitation and/or run-off. More specifically, most of the water managed by Century and Kinsevere in 2013 came from increased bore field extraction, approximately 75% and 70% respectively, and through precipitation and run-off at Sepon, approximately 46%.

### Water outputs (including tailings and acid rock drainage) (ML)

Managing mine area water outputs to the environment so that they are benign is a critical part of a mining operation. Water management, treatment processes and infrastructure are in place at all of our operational sites. We are working to effectively manage our output water quality in line with local licence conditions. As the output data in the *Water outputs by destination* chart on this page show, most of our water outputs, 50% (19,783 ML), are lost via evaporation, with significant surface water discharges (more than 20%) and entrainment<sup>9</sup> losses (more than 18%). Approximately 52% of our water outputs (20,586 ML) are classified as category 1 (high-quality water close to drinking standard), with 23% (9,206 ML) of category 2 (medium-quality water suitable for some purposes) and 25% (9,769 ML) of category 3 (unsuitable for most purposes).

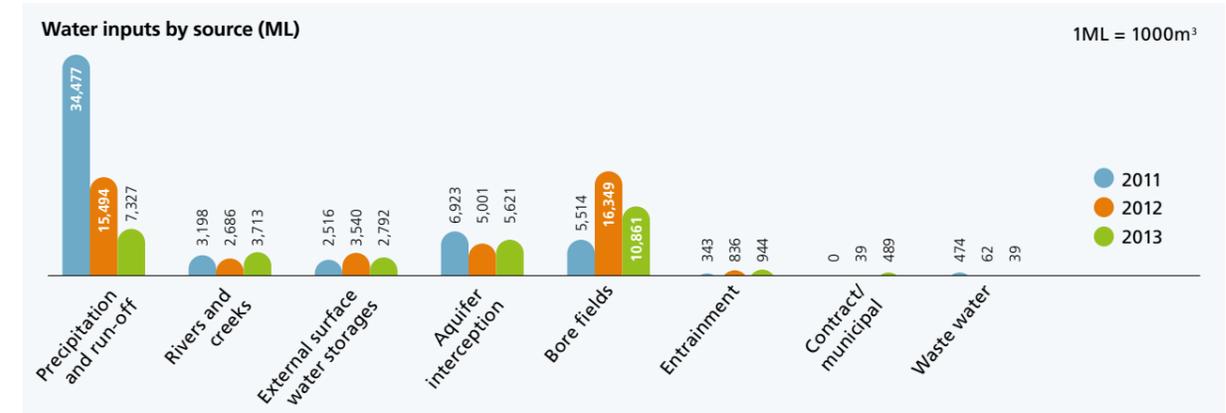
### 2013 water diversions

Diversions<sup>10</sup> include water that is diverted away from extraction operations and not used for any operational purpose. Most of the water diversion inputs came from precipitation and run-off or aquifer interception. Diversion outputs were primarily via surface water discharge.

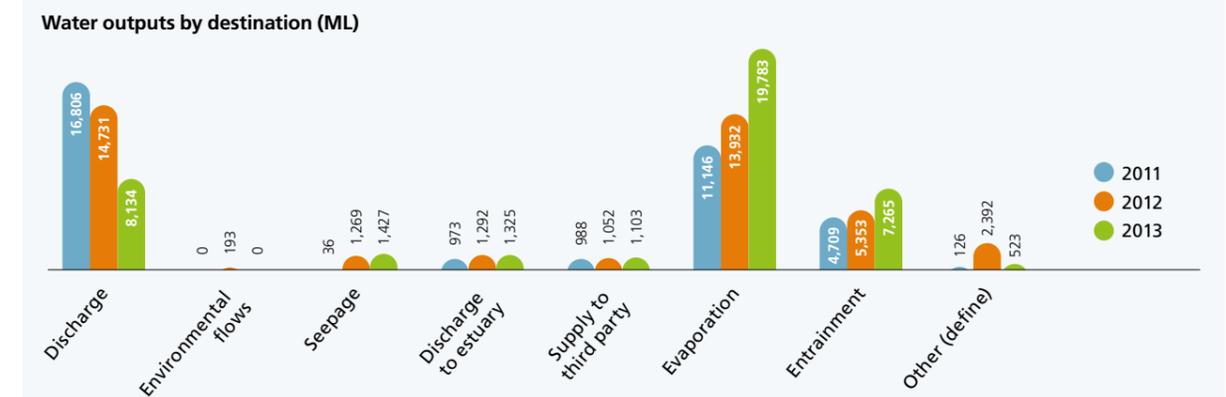
In 2013 MMG had 23,768ML water diversion inputs and 23,166ML water diversion outputs, with significant diversions at Sepon, Rosebery and Kinsevere accounting for more than 94% of the total. There is a 2.5% difference between diversion inputs and outputs, as input run-offs are estimated but outputs are measured (pumping).

<sup>9</sup> Entrainment: water removed from the operational facility contained in product or waste streams. The water in the tailings that cannot be recovered is entrained water.

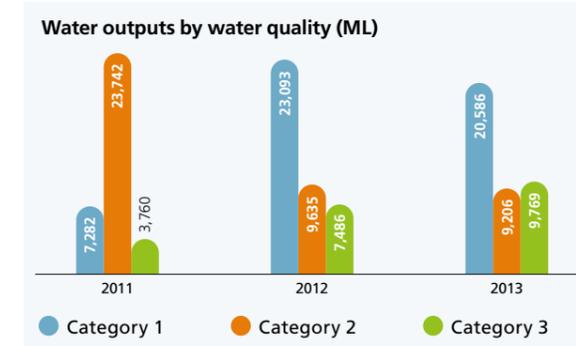
<sup>10</sup> MMG defines diversions in line with the MCA WAF as flow that is not stored with the intention of being used in a task or treated.



No water inputs were sourced from estuaries and/or sea/ocean.



No water outputs were discharged to sea/ocean or through reinjection.



Stream water testing at Rosebery.

## CASE STUDY

### MANAGING ENVIRONMENTAL EXCEEDENCES AT DUGALD RIVER

#### MI Environmental incidents (including spills and exceedences)

During 2013 Dugald River experienced environmental incidents related to elevated contaminant concentrations in air quality and groundwater. Investigations were undertaken.

#### High air quality readings

Dugald River has a requirement in its Environmental Authority (EA) to perform air quality monitoring at seven established sites around the mining area. During 2013, elevated copper concentrations were reported on seven occasions, with sufficiently high levels to exceed the EA limit (an annual average) at two of the sites.

A third-party review was commissioned to identify possible causes of these exceedences and to validate the wider air quality monitoring program. Existing air quality data, soil chemistry data and weather observations for the site were examined, as well as potential industrial and natural sources of airborne copper in the wider region.

The review found no likely cause for the elevated copper levels at the site or regional level. A laboratory comparison experiment is still under way to investigate the potential for laboratory error.

In addition, as dust deposition is measured in order to provide an indication of ecosystem health, the results, coupled with the soil assay (chemical testing) data, indicate that copper levels around the Dugald River site are within the permissible range of the relevant National Guideline indicating no adverse impact on the surrounding environment.

#### High groundwater contaminant concentrations

In accordance with the site Groundwater Management Plan and Environmental Authority, Dugald River monitors

groundwater conditions including water chemistry across operations. During 2013 multiple analytical results from sampling undertaken at all bores were not in accordance with conditions of the EA. Relevant contaminants included total dissolved solids, sulphate, fluoride and assorted metals. One bore in particular exhibited highly elevated contaminant concentrations unique among the network. Dugald River commenced an investigation into the elevated concentrations which included trying to ascertain the source, cause and extent of the contaminants, the local hydrogeological conditions, and the potential impacts on environmental values (defined as aquatic ecosystems and agriculture).

This investigation identified that:

- » in respect to the bore exhibiting uniquely elevated contaminant concentrations, the source is inferred to be local to the bore, with low potential for migration or discharge, given the low hydraulic conductivity;
- » all other 'elevated' contaminant concentrations are consistent with background regional data and no influence from the mine facilities can be inferred; and
- » no negative environmental impacts have been observed as a result of the reported contaminant concentrations.

In summary, the source of contaminants detected could not be attributed to mine activities. Rather, the water chemistry reflects naturally occurring background concentrations. A further process is now being determined collaboratively with the Department of Environment and Heritage Protection to better understand the analytical results of 2013 and to adjust the site's environmental protection measures. This will also recalibrate the monitoring programs at the site.



Roadworks at the Dugald River project.

## CASE STUDY

### INVESTING IN WATER TREATMENT TECHNOLOGY AT SEPON'S WESTERN TAILINGS STORAGE FACILITY

#### MI Water outputs (including tailings and acid rock drainage)

The Sepon mine is located in an area that has much higher rainfall than evaporation, resulting in a positive water balance (more input than output) at the site's western tailings storage facility (WTSF). This means excess water in the facility needs to be appropriately treated and released to the environment. The existing water treatment plant is capable of removing metals from the tailings water to achieve discharge water-quality guidelines prior to release into the environment.

From 2011 onwards the sulphate concentration in the tailings water started to increase. This was linked to higher levels of magnesium in the dolomite ore feed to the processing plant. This in turn required greater use of sulphuric acid in the processing circuit to create the right metal extraction conditions.

As the existing water treatment plant was not designed to efficiently remove sulphate, the water discharge throughput of the plant was reduced. Hence, the amount of water held in the tailings dam increased. The excess water took up capacity for tailings storage and impacted on consolidation of the tailings.

In 2012 MMG conducted an options study and a prefeasibility study for a major water treatment plant upgrade and expansion to remove the sulphates. We then developed preliminary designs for a water treatment plant that uses ion exchange technology for sulphate removal.

Additional investigations, water balance and solute modelling were conducted during 2013. These aimed to optimise the size of the plant. They took into account water treatment requirements of future ore feed characteristics and reduction of tailings water input into the WTSF due to gold operations in care and maintenance. In the meantime, additional work in 2013 to increase efficiency and maximise the use of treatment capacity in the existing water treatment plant succeeded in preventing a further increase in water inventory in the WTSF.

Investment in the ion exchange plant is significant for Sepon in terms of both financial commitment and the leading technology infrastructure the plant represents. Detailed engineering will be completed in 2014, with commissioning in the second half of 2015. This will progressively bring the water inventory down.



Water testing at Sepon.

## CASE STUDY

### EMISSIONS REDUCTIONS WITH OPERATIONAL EFFICIENCY

Managing our energy use and carbon footprint is integral to ensuring that we operate efficiently.

While MMG is a major energy user, we have a relatively low emission profile. This is for two main reasons: our sites use a significant proportion of renewable energy (hydro); and our focus on base metals mining inherently reduces our emissions profile compared to other types of mining.

Even so, we have a commitment to improve our energy efficiency through our participation in the Australian Government's Energy Efficiencies Opportunities (EEO) program, and as part of our ICMM membership and Sustainability Policy.

An energy efficiency and climate change study was conducted over 2010–12 to help us better understand our emissions profile. This study also facilitated site energy assessments and the capture of opportunities to improve energy use, reduce greenhouse gas emissions and look at better asset utilisation efficiency.

From this platform we ranked potential greenhouse gas reduction projects and considered voluntary emission reduction targets.

However, the study identified that rather than setting a voluntary emission target, we should instead focus on optimising the way our sites use energy. Increasing asset utilisation and mining productivity generally makes a greater contribution to improving our energy and emissions profile.

#### MI Energy uses, sources and carbon emissions

As part of the EEO program 14 projects were implemented in 2012/13, including:

- » a series of mining productivity improvement projects at Century;
- » increasing truck payloads at Sepon;
- » installation of a new cone ore crusher and compressed air upgrade at Rosebery; and
- » underground lighting upgrades at Golden Grove.



Increasing truck payloads at Sepon is one of 14 projects aiming to improve both energy and operational efficiency.



The rehabilitation plant nursery at Sepon.

#### 2014 PRIORITIES AGAINST TARGETS UNDER OUR THREE-YEAR GOALS:

- » complete gap closure plans on the simplified Environment Standard at sites, and begin addressing gaps;
- » improve the level of detail in closure plans;
- » work with regulators to reduce the number of licence exceedances;
- » continue to identify and deliver improvement projects for water, land, biodiversity, mineral waste and energy management; and
- » design and implement a material SHEC risk critical control verification program.

#### PROGRESS AGAINST 2013 PRIORITIES

2013 PRIORITIES	PERFORMANCE	DETAILS
Embed the new standards and track gap closure against them, and develop remaining environmental standards as part of the SHEC three-year strategy	Achieved	Operational sites continued to progress implementation of the Water Management Standard, Mineral Waste Management Standard, Biodiversity Management Standard and Closure Standard
Focus on environmental reporting and closure planning within MMG's Operational Model	Achieved	Water Management Standard, Mineral Waste Management Standard, Biodiversity Management Standard and Closure Standards were consolidated and simplified into the Environmental Standard
Identify and roll out MMG performance targets focusing on key environmental issues to drive performance improvements and increase efficiencies	Achieved	Each site completed internal assessments and tracked actions within the MMG Incident and Event Module (IEM) Sites continued to report incidents via their internal reporting system and conduct investigations using the ICAM tool to prevent recurrence
Deliver continual improvements in water and mineral waste management across MMG to reduce long-term risks and capitalise on opportunities through efficiencies and improved operating performance	Achieved	Water Management Standard, Mineral Waste Standard and the Non-mineral Waste Standard were consolidated and simplified into the Environment Standard
Strengthen capability on site, through the integration process, to meet MMG requirements at Kinsevere	Achieved	Kinsevere was more fully integrated into MMG's systems
Continue the deployment of the Environmental Reporting Information and Knowledge (ERIK) system and site support	Achieved	Continue ERIK support and refinement in 2014

#### ADDITIONAL INFORMATION ONLINE

##### MATERIAL ISSUES

Environmental impacts left over after mining  
Land access denied/delayed  
Biodiversity management  
Energy uses, sources and carbon emissions

##### OTHER ISSUES

Air quality, emissions and dust  
Mineral waste management



# SUSTAINING OUR ECONOMIC PERFORMANCE

- MI MATERIAL ISSUES:**
- Company growth and financial performance
  - Ethics, anti-corruption and business conduct
  - Contribution to local and regional economies

The creation of wealth, for the benefit of shareholders, governments and communities, is at the centre of MMG's commitment to 'mine for progress'. Financial performance is the foundation on which MMG's social and environmental investment is based.

## OUR APPROACH

We operate and develop our upstream, diversified minerals and metals assets. We grow through organic opportunities, exploration, discovery and acquisition. Our growth strategy aims to meet the following objectives:

- » commit to leading practices in corporate governance, production standards, safety, operational excellence and environmental protection;
- » support our social licence to operate through ensuring that local economies and communities continue to receive tangible benefits from our operations;

- » continue to leverage the expertise and experience of our major shareholder, China Minmetals Corporation;
- » pursue available organic growth opportunities through our project pipeline and exploration strategy; and
- » target value-focused acquisitions.

## THREE-YEAR GOALS AND TARGETS

For more details on our performance refer to pages 10 and 54–55, and our 2013 Annual Report.

THREE-YEAR TARGETS	PROGRESS
Earnings per share increase year-on-year	Not achieved
Total shareholder return comparative to the HSBC Global Base Metals Index	Not achieved
Maintain a minimum 5% of the free float uptake by institutional investors	Achieved

MMG reported financial performance for the full year 2013 with an underlying profit of US\$122.5 million, down 48% from the full year 2012, as shown in the table on the next page. The MMG Board recommended a dividend of US1.0 cent per share.

YEAR ENDED 31 DECEMBER 2013	2013 US\$ MILLION	2012 US\$ MILLION (RESTATED)	CHANGE %
Revenue	2,469.8	2,499.4	(1)
EBITDA	750.9	737.9	2
EBIT	278.3	429.2	(35)
Profit	122.5	234.1	(48)
EBITDA margin	30.4%	29.5%	
Net cash generated from operating activities	554.5	557.9	(1)
Dividend per share	US1.00 cent	–	100
Basic and diluted earnings per share	US1.95 cents	US3.95 cents	(51)

## Company growth and financial performance **MI**

Our economic sustainability and ability to contribute to communities are directly determined by meeting our financial performance objectives.

A core focus of our growth strategy is extracting the maximum value from our current assets and in 2013 all our sites delivered on this objective. We remain dedicated to a long-term sustainable business model and sustainable economic performance is critical to our ongoing success as an organisation. In 2013 our production was particularly strong, with annual records achieved at our Sepon, Rosebery and Kinsevere operations.

Operationally, all sites reported excellent cost performance in a year where production volumes were outstanding. Despite these higher volumes, total operating costs were flat compared to 2012, demonstrating MMG's sharp focus on extracting value.

We produced a total of 187,738 tonnes of copper, a 23% increase from 2012, which was in part due to the first full year

of operation at Kinsevere since the Anvil acquisition. Although energy costs continued to be high at Kinsevere due to the need for diesel-generated electricity, the team produced an extra 36,048 tonnes of copper cathode compared to 2012. Sepon achieved record annual production through a combination of high levels of equipment availability and efficiency improvements. The new annual high of 90,030 tonnes of copper cathode is an increase of 4% on 2012 at Sepon.

Total zinc production for 2013 was 600,221 tonnes, which included a strong performance at Rosebery where record production represented a 26% increase on 2012. Zinc sales were 9% lower for the year due to lower grades at Century and the mine plan at Golden Grove, which favoured copper production in 2013. Zinc sales contributed 30% of total Group revenue during the year.

In December 2013 we announced that according to the current mine plan for Century, the last production from the open pit is expected to occur in mid-2015. A key focus for this operation is planning, community consultation and progressive rehabilitation in preparation for closure.

## CASE STUDY

### WORKING WITH GOVERNMENT ON TRANSPARENCY

### **MI Ethics, anti-corruption and business conduct**

We recognise the importance of maintaining good governance and transparency.

Good governance was the key theme of a training session that took place at Kinsevere. In partnership with the administrative authorities of the Kipushi territory and a local non-government organisation, Kinsevere informed the village authorities of 26 neighbouring villages about local governance issues.

Discussions centred on leaders' responsibilities to their people and how to maintain sustainable development. Kinsevere Social Development Coordinator, Damien Kahambwe, said, "It is through these types of training that we have real leaders and trained officials, committed to their communities and able to handle city and public affairs responsibly".

A consultation association for village leaders was established, which will enable the group to discuss their views and submit them to us, as a partner in community development.

MMG also sponsored a Lao Government delegation to attend an AusAID Mining in Development Conference and the Extractive Industries Transparency Initiative (EITI) conference in Sydney, Australia, in May 2013.

EITI is a global coalition of governments, companies and civil society working to improve openness and accountable management of revenues from natural resources.

The purpose of the visit was to enhance capacity within the Lao Government, raise awareness on industry standards particularly around sustainability, governance and transparency, and encourage participation in the EITI.



The consultative committee of village chiefs.

We also announced in November 2013 that gold production at Sepon would cease in December due to depleting ore reserves and lower margins. The decision to place the gold plant on care and maintenance and the corresponding restructure resulted in a one-off unfavourable impact to EBIT of US\$21.6 million (see case study *Gold plant closure at Sepon* on page 29).

During the year, we undertook additional geotechnical and geological test work to better understand the Dugald River ore body. The findings of this work prompted a review of the planned mining method, optimum production volumes and surface infrastructure requirements. The Board approved an additional A\$57.0 million for a trial stoping program during 2014. The program will provide practical mining experience, enabling optimisation of the underground mine design. A change in project parameters arising from the 2014 work program could impact the future direction of the project.

**Ethics, anti-corruption and business conduct** MI

Integrity is one of MMG's four core values. We can only perform successfully as an organisation and contribute to progress in

communities if we behave ethically, with integrity, and maintain sound levels of corporate governance.

Our corporate social responsibility performance in the countries in which we operate is guided by our Code of Conduct, which sets out the expected behaviour of our people, including anti-corruption and ethical business conduct. The MMG Code of Conduct extends to contractors we engage. Our alignment to the ICMM Sustainable Development Framework includes a focus on the first principle: "Implement and maintain ethical business practices and sound systems of corporate governance".

Through our membership of the ICMM, we continue to support the Extractive Industries Transparency Initiative (EITI) ([www.eiti.org](http://www.eiti.org)) to which we also contribute financially. The EITI aims to set a global standard for transparency in oil, gas and mining (the extractives sector). MMG supports the principle that natural resource wealth should be an important driver of a nation's economic growth, sustainable development and poverty reduction. As well as supporting the EITI processes in the countries in which we operate, we are a participant in the Australian EITI pilot.

**CASE STUDY**

**SEPON LOCAL BUSINESSES STEP UP FOR THE LONG TERM**

**MI Contribution to local and regional economies**

MMG is investing in sustainable local businesses to develop self-sufficient communities beyond the life of our mines. At Sepon mine we support 23 small businesses, involving 301 jobs, with an annual income of around A\$3 million.

One of our major projects, in collaboration with non-profit international development organisation SNV, is the Enhancing Milled Rice Production Project in Vilabouly (EMRIP-V). Funded by MMG, the project aims to realise the potential of the land around the mine as a rice-growing area that could ultimately supply the 150 tonnes of rice required annually by the mine. Currently most rice is brought in from other areas and does not contribute to the local economy.

The project is working to build the capacity of the 1,300 smallholder households in Vilabouly, Savannakhet Province, one of Laos' poorest districts. It encourages market-oriented rice production and market-based solutions to address key constraints in the rice value chain. This includes promoting the use of a high-yield variety of fresh rice seed and improved production methods.

The project aims to ensure that supply becomes more local through working with the local Rice Business Group – a cooperative which already supplies rice to the mining operation from outside the district, and selected local rice mills. The millers, who are located close to smallholder farmers in the village, could potentially benefit by linking the farmers to the markets inside and outside the province. Both the Rice Business Group and the millers have the greatest leverage in the rice value chain. They can unlock the potential of the rice sector in Vilabouly, remove the systemic constraints and increase productivity in the district.

**Hydroponic greenhouses for vegetable growing**

There's nothing quite like eating locally grown vegetables – and so it is that MMG now buys 75% of all fresh produce for Sepon directly from Vilabouly. As recently as 2010 the mine sourced only 15% of fruit and vegetables locally due to low and limited quality, and lack of consistent delivery. Today, the farmers in a local vegetable group are investing

in their business, focusing on quality products with a market beyond the mine.

When one farmer, Mrs Oi Phetkongma, returned from an exposure visit out of Vilabouly to see a hydroponics farm in action, she contacted MMG's Community Relations team. Her vision was to build a hydroponics farm with MMG's assistance. She and her family invested money and resources into building a greenhouse; MMG provided materials and hired a Lao hydroponics expert to train interested farmers.

Mrs Oi has now built two large greenhouses and is able to produce 100% of MMG's required 60kg per week of high-quality green lettuce. While her son is researching and implementing improved hydroponics farming online, Mrs Oi is actively pursuing alternative markets. The advantage of a hydroponic lettuce is that it can be transported over greater distances, staying fresh as the roots remain intact.

The success of this project is attributed to Mrs Oi's vision of producing food of quality, quantity and consistency, and her determination in making it happen. MMG is pleased to have been part of the process, contributing the inputs and technical expertise she did not have access to.



Mrs Oi Phetkongma tending chilli, one of four crops her enterprise grows for Sepon mine's kitchens. Photo: Phoonsab Thevongsa.

We are also involved in the ICMM's research programs on mining industry contributions to developing economies. MMG is supporting a multi-year research study at the Crawford School at the Australian National University, in conjunction with the Australian Government, to better understand the benefits and challenges of Chinese foreign direct investment.

We are working toward comprehensive disclosure of public payments, such as taxes and royalties, across the business. In 2013 we contributed over US\$220 million and US\$33 million in taxes and royalties, respectively, in the countries in which we operate (see our 2013 Annual Report at [www.mmg.com](http://www.mmg.com), pages 131, 132). MMG does not make donations to political parties.

**Contribution to local and regional economies** MI

Operating mine sites in developing economies and communities presents many challenges. A range of demands follow the acquisition of another operation and when developing new projects. In every place that MMG has a presence, our business strategy and plans are driven by a commitment to make meaningful contributions to their economies locally, regionally and nationally.

We balance reputational and financial risks through a clearly implemented and communicated strategy to provide targeted contributions wherever we operate.

Mining businesses return operating cash flows to local and regional economies and communities through taxes, investment

and exploration. The contribution from taxes includes company taxes, royalties and other government imposts and charges. In 2013 the total amount of taxes contributed by MMG in the countries in which we operate was over US\$220 million.

Sponsorships, donations and in-kind support for community activities provide further direct community benefit. We also accord economic benefits indirectly through supply chain and procurement revenues, and the flow-on effects to local employment and services. For example, the communities around Sepon and Kinsevere are receiving financial and other secondary benefits from the mines' operations, which contribute to greater self-sufficiency. Our workforce localisation and local procurement practices (see pages 14 and 52 respectively), which align to the ICMM Sustainable Development Framework, directly drive this distributed benefit.

We must strike an effective balance between bringing benefits to external stakeholders and local communities, and providing a long-term economic return on investment to debt providers and shareholders. This is an increasingly challenging balance as governments around the world assess their expectations of the minerals industry. Getting this balance right and making an effective economic and social contribution is important to us and our stakeholders and will continue to be a focus for future development.

During 2013 MMG invested approximately US\$17.9 million in our host communities, in a range of targeted social programs. This reflects our ongoing commitment to making a positive local impact.

**2014 PRIORITIES AGAINST TARGETS UNDER OUR THREE-YEAR GOALS ARE TO:**

- » pursue external growth through value-focused acquisitions;
- » extend and apply MMG processes and standards to achieve measurable community economic contribution;
- » focus on operational productivity improvements through asset utilisation programs; and
- » pursue organic growth opportunities through our projects and exploration pipeline.

**PROGRESS AGAINST 2013 PRIORITIES**

2013 PRIORITIES	PERFORMANCE	DETAILS
Development and construction of the Dugald River project	In progress	Development proceeded but a geological and geotechnical assessment of underground mining commenced and is continuing prior to a construction decision
The continuing transition and integration of Anvil's business processes, systems and standards into MMG	Achieved	Further progress occurred with alignment of MMG's SHEC, HR, Business Services, IT, Financial and Exploration Systems at Kinsevere
Continuing the feasibility study of the Izok Corridor project	Achieved	Project assessment work continued
Pursuing external growth through value-focused acquisitions	In progress	A range of potential acquisitions were considered
Extending and applying MMG processes and standards to achieve measurable community economic contribution	Achieved	Our processes and standards evolved and were applied at our sites to help achieve substantial economic contributions (particularly at Century, Sepon and Kinsevere)

**ADDITIONAL INFORMATION ONLINE**

**MATERIAL ISSUES**

Production levels impacted by plant failure, major disruptive events or ore extraction issues  
Investment in new acquisitions and projects  
Resource nationalism/legislative change

**OTHER ISSUES**

Product shipping and logistics  
Customer economic sustainability  
Management reporting and decision making

# OUR APPROACH TO SUSTAINABILITY

Our mission is to maximise returns by sustainably discovering, acquiring, developing and operating resource projects around the world. We do this while demonstrating our values of safety, integrity, action and results in all our activities and behaviours.

Our strategic drivers are Growth, Transformation, People and Reputation. These drivers are founded in the recognition that our business success depends on community partnerships that build the platform for community and national development.

## OUR SUSTAINABILITY OBJECTIVES

We understand that the following objectives are critical to achieving our vision of becoming a respected international diversified base metals company:

- » ensure that the communities in which we operate receive real benefit from our activities;
- » protect the health, safety and wellbeing of our employees and contractors;
- » minimise our impact on the environment; and
- » be known for our integrity.

## OUR STRATEGY FOR SUSTAINABILITY

The interests of our stakeholders and the environment are of the utmost importance. Their careful management is integrated throughout our business.

Our Sustainability Policy and objectives guide the behaviour of all employees and contractors and are central to our management approach.

## OUR SUSTAINABILITY POLICY SUMMARY

We will achieve our Sustainability Objectives by:

- » implementing and maintaining ethical and transparent business practices and sound systems of corporate governance;
- » integrating our sustainability objectives with all LOA business-planning and decision-making processes;
- » further developing and implementing sound enterprise-wide risk management processes;
- » seeking continual improvement in safety, health and environmental performance through robust management systems and effective assurance processes;
- » understanding, respecting and promoting fundamental human rights within our sphere of influence;
- » respecting traditional rights and cultural heritage;
- » contributing to the long-term economic, social and institutional development of our communities, including Indigenous peoples;
- » building trusting relationships by engaging clearly, openly and honestly with our host communities and other key stakeholders;

- » contributing to the conservation of biodiversity and adopting integrated approaches to land use planning in areas where we operate;
- » ensuring the responsible handling and transport of our materials and products from mine site to customer; and
- » integrating early closure planning into LOA planning and ensuring that adequate financial provisions have been made to achieve closure goals.

## OPERATING MODEL

In 2013 MMG developed and commenced implementation of a revised Operating Model. It clearly defines organisational design requirements and accountabilities across all parts of the business. The aim is to ensure that all important business functions are understood and resourced, while avoiding duplication and maximising the efficiency and effectiveness of internal processes. It allows the business to deliver its Sustainability Objectives uniformly across all parts of the business. It defines clearer lines of accountability, role authorities and positive service provider-service receiver relationships.

The systematic management of sustainability issues is guided by the Operating Model and supported by other components of the Management System, including but not limited to our Policies, Standards and Procedures. The Operating Model breaks down major business functions, for example SHEC, into one or more of the following sub-functions:

- » Governance: Develops and ensures compliance to standards and processes, thus providing assurance to internal and external stakeholders;
- » Excellence: Analyses performance, provides expert advice and guidance and shapes and improves the fundamentals of the business;
- » Delivery: Executes work defined in management system documents or systems;
- » Improvement: Develops and authorises procedures, builds competence of delivery teams, improves function performance across safety, volume and cost outcomes and verifies critical controls; and
- » Planning: Plans and schedules all work in accordance with core processes.

The Operating Model provides for a robust management system approach to effective identification, management and governance of sustainability risks and opportunities that are material to the business.

## ALIGNMENT WITH THE ICMM SUSTAINABLE DEVELOPMENT PRINCIPLES

As members of the ICMM, we are committed to aligning our practices with the ICMM Sustainable Development Framework. This includes integrating a set of ten principles and seven supporting position statements on sustainability into our company policies and standards and assessing our performance against them.

In 2013 we commenced the final stage of our program of work to benchmark these principles across our business by 2014. The first phase conducted in 2011 identified areas of responsibility, alignment gaps and action required to achieve alignments.

In 2013 we completed the Safety, Health, Environment, Community (SHEC) policy and standard refinement process to achieve alignment with the ICMM Framework and reflect the business process prescribed in our new Operating Model. In 2014 we will complete adjustments to our alignment with the framework guidelines. The following table outlines ICMM's 10 Sustainable Development Principles and our current alignment levels.

ICMM'S 10 SUSTAINABLE DEVELOPMENT PRINCIPLES	2012 ALIGNMENT	2013 ALIGNMENT
1 Implement and maintain ethical business practices and sound systems of corporate governance. (Position statement: Transparency of mineral revenues.)		
2 Integrate sustainable development considerations within the corporate decision-making process.		
3 Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities. (Position statement: Mining and Indigenous people issues.)		
4 Implement risk management strategies based on valid data and sound science. (Position statements: Policy on climate change, Mercury risk management.)		
5 Seek continual improvement of our health and safety performance.		
6 Seek continual improvement of our environmental performance.		
7 Contribute to conservation of biodiversity and integrated approaches to land-use planning.		
8 Facilitate and encourage responsible product design, use, reuse, recycling and disposal of our products. (Position statement: Mercury risk management.)		
9 Contribute to the social, economic and institutional development of the communities in which we operate. (Position statement: Mining partnership for development.)		
10 Implement effective and transparent engagement, communication and independently verified reporting arrangements with our stakeholders.		

## OUR PRIORITIES FOR 2014 ARE TO:

- » complete our residual work on alignment;
- » transition to reporting against the 'core' GRI G4 reporting framework;
- » continue to drive efficiency from the integration of the ICMM Framework under our Operating Model; and
- » derive full business improvement and value from our sustainability reporting process.

# OUR MANAGEMENT PROCESSES

MMG's Executive Management team applies our strategic drivers of Growth, Transformation, People and Reputation to develop three-year and one-year business plans that align with MMG's sustainability objectives. We assess our performance against the goals and targets in these plans so that risks and opportunities to deliver on them can be routinely identified.

## SUSTAINABILITY PERFORMANCE AND REPORTING

Our sustainability performance and reporting process coordinate with MMG's business planning process and are overseen and approved by the MMG Board SHEC Committee. Chaired by Independent Non-executive Director, Dr Peter Cassidy, the committee is made up of representatives from the MMG Board and Executive Committee, including the Chief Executive Officer. Quarterly meetings are attended by senior representatives of business areas relevant to MMG's SHEC performance and sustainability program. The committee governs how the outcomes of our sustainability reporting process are integrated into our management (including risk register) and business planning.

Each MMG employee's annual work performance undertakings contain commitments to our Values. A component of employees' short-term incentive (STI) payments is linked to performance against these values as well as to the Company's performance overall in safety. Group Office roles at General Manager level and above have 50% of their STI contingent on Company performance of which 30% is specifically attuned to zero significant SHEC incidents. At our sites, General Managers' STIs are contingent on both site SHEC performance and overall Group annual SHEC performance (6% and 15% of annual STI respectively).

## COMMITMENTS

Our commitments are influenced by stakeholder expectations, regulatory requirements, internal policies, standards and procedures and other external factors that relate to our business success. We benchmark our performance against sustainability criteria provided by the ICMM (Sustainable Development Framework), the Minerals Council of Australia (MCA) (Enduring Value), the Mining Association of Canada and Australian state-based organisations.

We are committed to public reporting to meet our obligations under the Australian Government's National Greenhouse and Energy Reporting Scheme (NGERS), the Energy Efficiency Opportunities (EEO) Assessment Program and the National Pollutant Inventory (NPI). Our commitments to sustainability are also reflected in our SHEC standards, which cover the management of our material issues. We have reviewed these standards to ensure that they align with the ICMM's 10 Sustainable Development Principles.

## PRODUCT STEWARDSHIP

Through MMG policies and standards, including our Quality and Materials Stewardship Policy, and under our membership of the ICMM, we seek to promote the responsible stewardship of our products from mineral extraction through to customer receipt of metal and concentrate. We ensure that our own activities do not include minerals produced through forced labour or other human rights abuses and strive to ensure that the same applies in dealings with parties involved in such activities. Our policies and standards also extend to process inputs from supply chain engagement through to usage at our sites.

## SUSTAINABLE SUPPLY CHAIN

MMG's supply chain includes procurement and transport of goods and services, to and from sites that are located across four continents.

The MMG strategy for procurement, which includes the Procurement Management Standard, was reviewed in 2013 to examine opportunities around the use of local, sustainable supply options to build capacity in our host communities, while ensuring we also meet cost objectives. The selection of local supply options in developing countries is often accompanied by an MMG-led support program that aims to build viable businesses beyond the life of the mine that they service.

Our Supplier Management Standard applies to all supplier and contract procurements. We are striving to ensure that our suppliers operate to the same standards we do. Enhancements were made in 2013 to ensure that suppliers meet MMG SHEC and human rights requirements both on and off site. Specific improvements include the process that governs the initial risk-based assessment of suppliers prior to engagement, management of suppliers during the contract period, and participation by MMG in supporting the contractors to meet the requirements. We also worked to identify and implement preferred supply options for various goods and services, to improve cost management and management objectives, including alignment with our community relations standards.

## BUSINESS ETHICS AND GOVERNANCE

Sound governance systems seek to protect the interests of investors and ensure that we are a well-managed business. They guide our people on performance expectations and ethical decision making. Hence they are essential to the preservation of trust in our business and to upholding our value of integrity.

Our Code of Conduct and supporting training provides guidance to our people on matters including conflict of interest, anti-corruption and transparency, compliance with laws and management of gifts, entertainment and gratuities.

## Anti-corruption and transparency

Our Anti-Bribery and Anti-Corruption Standard sets out the expected behaviour of our people in relation to anti-corruption and ethical business conduct. Code of Conduct training, provided to all employees and contractors, includes anti-corruption guidance.

MMG actively supports and contributes to the Extractive Industries Transparency Initiative (EITI) ([www.eiti.org](http://www.eiti.org)) through membership of the ICMM (see page 48). We are working toward comprehensive disclosure of public payments, such as taxes and royalties, across the business.

Details of the taxation and royalty payments we made to governments are available in our 2013 Annual Report at [www.mmg.com](http://www.mmg.com) (pages 116, 117). MMG does not make donations to political parties.

## Human rights management

Under our alignment to the ICMM 10 Principles (and particularly Principle 3: "Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by our activities"), MMG's former Human Rights Standard's requirements have been incorporated into the new Community Standard. Our People and Asset Protection Standard sets out human rights management for security provisions. Site-level assessments of human rights management against these standards commenced in 2013 (at Kinsevere, see page 35) and will continue in 2014 to ensure consistent implementation across MMG. We are also engaged in a pilot program with UNICEF to help determine an industry methodology for assessing and progressing child rights management.

## Public policy initiatives

In 2013 MMG was involved indirectly, through our membership of and participation in various industry groups, in several public policy initiatives related to our business. These included:

- » ICMM's involvement in developing leading practice in the areas of environment and climate change, health and safety, resource endowment, human rights and industry contribution. MMG Chief Executive Officer Andrew Michelmore is deputy chair of the ICMM Governing Council;
- » Minerals Council of Australia's (MCA) research into the economic contribution of mining, the impacts of fly-in fly-out rosters and community contribution. MMG CEO Andrew Michelmore is also current chair of the Sustainable Development Committee and a member of the MCA Board;
- » Business Council of Australia's support for greater economic integration with Asian economies via membership of the Global Engagement and Asian Capability Taskforces;
- » The Chamber of Mines, Congolese Employers' Federation promotion of power and supporting infrastructure in the DRC;
- » Queensland Resources Council, Tasmanian Minerals Council and the Chamber of Minerals and Energy of Western Australia, Mining Association of Canada, Australian-Laos Business Association; and
- » International Zinc Association and their partnership with UNICEF's Zinc Saves Kids health initiative, with MMG CEO Andrew Michelmore as chair.

## Corporate governance

We are committed to maintaining high levels of corporate governance practices through our Board of Directors, internal controls, transparency and accountability to our shareholders. Our Board-level Audit, Remuneration, SHEC and Disclosure Committees oversee their respective areas under our Corporate Governance Standard. Our Code of Conduct Committee is chaired by the Chief Operating Officer.

Our major shareholder is China Minmetals Corporation (approximately 74%), a significant Chinese metals and minerals company. Public shareholders include global resources and investment funds. To maintain fair and ethical market transactions, sales and agreements between MMG and CMC entities are conducted on an 'arm's-length' basis, under the Hong Kong Stock Exchange (HKSE) Connected Party Transactions laws. Further information can be found in the Corporate Governance statement of our 2013 Annual Report available at [www.mmg.com](http://www.mmg.com) (see page 86).

The Company adheres to the listing rules of the HKSE, which provide clear governance processes and aim to protect the rights of minority and independent shareholders. Listing requirements include:

- » ensuring an appropriate balance between the number of representatives of majority shareholders appointed to Board positions and independent Non-executive Directors;
- » the rules relating to connected party transactions; and
- » the requirements for disclosure of material information. Our governance structure oversees our compliance with our environmental, social and economic commitments.

We are guided by our Corporate Governance Policy, Disclosure Policy, Shareholder Communication Policy, Whistleblower Policy, Connected Transactions Standard, Disclosure Standard and Whistleblower Standard.

## Internal audit

Governance sub-functions were developed in 2013 as part of the implementation of the Operating Model. One of their core responsibilities is conducting internal assurance activities designed to identify gaps against internal and external commitments and performance requirements and identify improvement opportunities.

An annual Internal Audit Plan is developed with MMG's senior management and approved by the MMG Audit Committee. The internal Audit Committee reviews the outcomes of audits at each committee meeting.

## Risk management

Effective management of risk is central to the ultimate success of MMG. Our risk management process is based on the international standard for risk management, ISO 3100:2009, and is managed under our Risk Management Standard. It involves achieving an appropriate balance between realising opportunities for gains while minimising adverse enterprise-level impacts, and is an integral part of our management practice and corporate governance.

The process consists of steps that, when undertaken in sequence, enable continual improvement in both decision making and performance. These steps include establishing the context, identifying, analysing and evaluating the risks and controlling effectiveness, and developing a risk response plan to improve risk control.

Throughout the risk management process there is communication and consultation with stakeholders as well as monitoring and review for any changes in risks, controls and response plans.

In 2013 we reviewed and updated our Enterprise Risks register and assigned management accountability and response plans across our assets. The Enterprise Risks register, reported to our Audit Committee on an annual basis, formed a key part of the material issues determination process for 2013 as described in this report (page 5).

# PERFORMANCE AGAINST THREE-YEAR GOALS – DETAILS

The three-year goals and targets are described on page 10, with more detail provided in each relevant chapter of the report. The information below more fully describes our performance against our goals.

## OUR PEOPLE

### Develop workforce plans building capability and diversity

In 2013 we advanced towards achieving this goal, with continued uptake across the business of our employee development process – My Development. Employee capability profiles were identified for a number of sites and loaded into our Training Events Management System (TEMS), which supports the management of employee training. These capability profiles allow Training Needs Analyses (TNA) to be run for each site.

In our drive to increase workforce diversity, unconscious bias<sup>14</sup> sessions continued throughout the business and our annual People and Culture Survey included a diversity and inclusiveness index for the first time. More than 3,000 people from across the Company completed the survey giving a baseline diversity index for MMG of 77% (a favourable response against external benchmarks).<sup>15</sup> Functional departments and operations also received individual diversity index scores and have developed action plans addressing priority diversity issues that emerged.

### Cultivating leadership-inspired teamwork, innovation and discretionary effort

The People and Culture Survey in 2013 (see online information, 2013 People and culture survey results table) indicated a high degree of pride in our company and teams, but a wish to work better together. We also want others to do what they say they will do. The Group-wide engagement index was 66% in 2013, incorporating all nine sites/regions, compared to 69% in 2012, incorporating only three sites/regions. The 2013 result is therefore more representative of the business as a whole. Sixty-six per cent indicates a healthy culture and demonstrates that employees are satisfied, committed and motivated, and would advocate working at MMG. Priorities for each operation/office were also identified, and these now feed into local planning and our Quarterly Business Reporting agenda.

Our continual improvement program to support awareness of innovation and encourage discretionary effort was implemented at Rosebery, Century and Sepon in the first half of 2013. Our Operational Excellence team will drive further engagement with the program in 2014.

### Embrace the 'MMG way'

Our third goal resulted in Code of Conduct training at all sites in 2013. Our Code of Conduct handbook was translated into both Lao and French Congolese. The Code of Conduct and our equitable treatment and workplace behaviour training are now included in all MMG inductions.

## HEALTH AND SAFETY

### Achieve a step improvement in health and safety performance

Working towards our goal, the first of our three 2013 targets to achieve a <3.4 total recordable injury frequency rate (TRIFR), was achieved with a TRIFR of 2.4 (compared with 3.0 in 2012). The second target of no repeat significant incidents was not achieved after there was a recurrence of 13 significant incidents. In achieving 95% of actions completed within the allocated timeframe for high fatality-potential incidents, we did not meet our third target of 100%. Two actions were closed within seven days of the due date.<sup>16</sup> Actions associated with significant incidents are verified for effectiveness and closure to prevent recurrence.

During 2013 we delivered the following improvements:

- » simplified the new risk-based SHEC standards;
- » aligned Group and site SHEC organisational structures and processes to the Operating Model;
- » self-assessment and validation against the previous Occupational Hygiene Standard at all sites, with a combined Occupational Health and Hygiene Standard developed. Site gap closure will continue in 2014;
- » site self-assessments and validation against the Fatal Risk Standard at Golden Grove, Century and Sepon;
- » external aviation specialists completed 45 aviation audits; and
- » qualitative health risk assessments at all sites.

## WORKING WITH OUR STAKEHOLDERS

### Social practices consistent with the ICMM Principles

In 2013 we further refined our approach to stakeholder relations, community development and social investment, more fully aligning to ICMM Principle 9 ("Contribute to the social, economic and institutional development of the communities in which we operate").

We had three targets:

1. Close-out of top 3 social risk register actions identified.
2. 5% annual increase in MMG community perception survey Community Trust Index (% level of local community trust).
3. Social investment of 1% of net profit after tax.

We met the first of our three-year targets by: setting up a system to manage commitments; implementing a Community Relations Management System; and incorporating the criteria of our former Human Rights Standard into the new Community and Asset and People Protection Standards.

Our second target was not met (see *Community support for MMG*, page 28), with an increase at only one site (Golden Grove).

Our third three-year target was met with investment equivalent to 14.6% of net profit: US\$17.9 million (A\$18.5 million), a decrease of 9% on 2012 (see *Local community and regional development* on page 33).

The Community Relations Management System, now incorporated into the Operating Model, was further embedded via gap closure plans.

## RESPECTING OUR ENVIRONMENT

### Environmental practices consistent with ICMM Principles

Under our three-year goal, the first of three targets, 100% close-out of the top 3 environmental register actions identified in the 2012 plan, was 80% achieved. The process was managed through the new Environment Standard, gap closure plans and audit program.

Our second target was achieved, although MMG's site-based ISO 14001 management process began phase-out under implementation of the new Environment Standard. This encompasses the equivalent requirements and associated auditing.

Our third target was not met, as there were 41 non-compliances, an increase from 18 in 2012.

During early 2013 operational sites progressed implementation of the Water Management Standard, Mineral Waste Management Standard, Biodiversity Management Standard and Closure Standard. Each site completed internal assessments and tracked actions within the MMG Incident and Event Module (IEM).

## SUSTAINING OUR ECONOMIC PERFORMANCE

### Deliver consistent and sustainable earnings growth

The price of metals, such as copper, gold, lead and zinc, fluctuates on the market as a result of changes in demand and currency exchange rates. This directly affects the profit attainable from our products and our ability to invest in organic growth. It can also impact the financial viability of operating individual mines, the ability to retain key employees and, ultimately, the economic sustainability of our business.

We did not meet our first three-year target as our diluted earnings per share were US1.95 cents.

Earnings before interest and tax (EBIT) from continuing operations were US\$278.3 million, down 35% from the full year 2012. Underlying earnings before interest, taxes, depreciation and amortisation (EBITDA) for the Company's continuing operations, excluding one-off items, were US\$750.9 million, a 2% increase on 2012.

Operating costs remain a focus across our business and were once again well managed, with excellent results on costs performance.

In 2013 there was an increased focus on asset utilisation and productivity improvements aimed at maximising the efficiency of our operations.

Commodity markets remained volatile in 2013. With the exception of lead, all commodity prices were lower in 2013 than in 2012. The market outlook and context for copper and zinc, the commodities of most interest to MMG, are discussed in the 2013 Annual Report (page 21).

### Be recognised as an industry leader delivering strong financial outcomes

Our second target was not achieved. The Index was down 12% and in 2013 the MMG share price (HKEx 1208) underperformed against the HSBC Global Base Metals Index, down 52% over the year. The share price of MMG Limited follows the movements of global commodity prices, particularly copper and zinc, our major products. MMG has a relatively low level of liquidity (trading volume of shares) due to a significant presence of major shareholder, CMN.

### Be valued for the unique combination of international management and the support of China MinMetals Corporation

We continue to proactively communicate with the financial community to improve the understanding and subsequent market valuation of our Company.

Our third target was achieved, with 21% held by institutional investors in 2013.

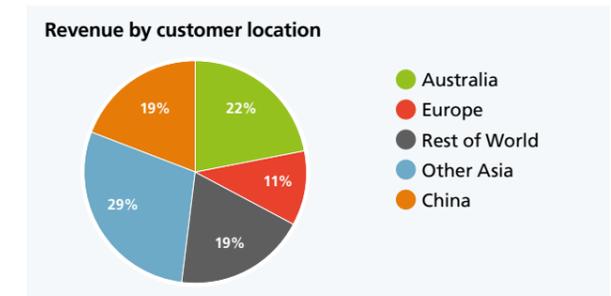
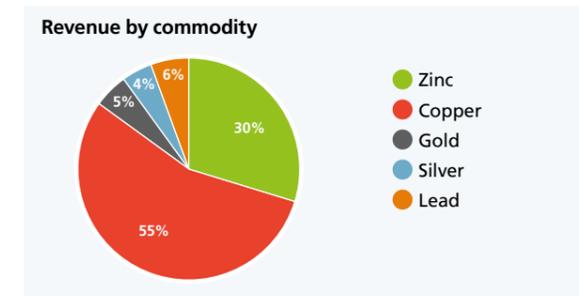
Most of the Company's revenue was received from sales of copper and zinc, accounting for 85% of sales revenue. Copper sales were 26% higher and zinc sales 9% lower than the previous year.

Our largest customer region, by revenue, continues to be Asia (namely Thailand and Vietnam) with most of our copper sales from Sepon, followed by Australia. Sales to China continue to account for approximately 19% of our revenue. Of this, approximately 6% of sales were to our majority shareholder China Minmetals Corporation, on arms-length agreements with commercial terms.

<sup>14</sup> 'Unconscious bias' describes attitudinal biases subconsciously held about diversity in terms of gender, age, race, religion, sexual orientation, or disability. Inequities in the workplace can develop from these biases.

<sup>15</sup> The benchmarks for these four engagement criteria were compared to MMG's results by Measured Insights, who conducted our survey. Favourable: greater than 60% engagement; Unfavourable: less than 3%.

<sup>16</sup> Not all corrective actions can be closed within a defined period as completion of corrective actions can depend on the provision of external support and equipment.



## Independent Limited Assurance Report to the Directors of MMG

We have performed a limited assurance engagement in relation to selected Subject Matter contained in MMG's 2013 Sustainability Report ('the Report') in order to state whether anything has come to our attention that would cause us to believe that the Subject Matter has not been performed or presented in accordance with the Criteria described below, including the application of elements of International Council on Mining and Metals ('ICMM') *Sustainable Development ('SD') Framework*.

### Subject Matter and Criteria

The Subject Matter and Criteria for our assurance engagement for the year ended 31 December 2013 for the reported boundary included:

- ▶ Whether MMG has disclosed its material sustainability risks and opportunities within the Report in line with the AA1000 Principles Standard ('AA1000 APS') definition of materiality
- ▶ ICMM Subject Matters 1 to 4, as described in the table below

For the purposes of this engagement, the specific Subject Matter and Criteria were defined as follows:

Area	Subject Matter	Criteria
ICMM Subject Matter 1	The alignment of MMG's sustainability policies to ICMM's 10 SD Principles and mandatory requirements set out in ICMM Position Statements	MMG's reported alignment of its sustainability policies to ICMM's 10 SD Principles and mandatory requirements set out in ICMM Position Statements (p51)
ICMM Subject Matter 2	MMG's material sustainability risks and opportunities based on its own review of the business and the views and expectations of stakeholders	MMG's description of its process for identifying material issues and the Global Reporting Initiative ('GRI') definition of completeness as per the G3 Sustainability Reporting Framework and AA1000 APS definition of materiality (pp4-5)
ICMM Subject Matter 3	The existence and status of implementation of systems and approaches used by MMG to manage a selection of material sustainability risks and opportunities (selected by MMG) including: <ul style="list-style-type: none"> <li>▶ Significant and potentially fatal incidents at MMG sites (number of Significant and High Fatality Potential Incidents) (pp24-25)</li> <li>▶ Health of employees (heavy metals biological screening) (pp25-26)</li> <li>▶ Community support for MMG (number of community complaints and grievances) (pp28-29)</li> <li>▶ Contribution to local and regional economies (p50) and total Social Investment (\$) (p33)</li> <li>▶ Employing local people (national employee vs ex-patriate ratio) (pp14-16)</li> <li>▶ Managing life of mine/closure and post-closure planning (qualitative disclosures) (pp32-33).</li> </ul> MMG's process for identifying the material sustainability risks and opportunities selected for review is recorded in the 'Materiality Determination' section of the Report.	MMG's description of the systems and approaches to manage the selected material sustainability risks and opportunities
ICMM Subject Matter 4	MMG's reported performance during the 1 January to December 31 2013 reporting period for the material sustainability risks and opportunities identified in Subject Matter 3 above	Performance information criteria disclosed by MMG for each indicator including: <ul style="list-style-type: none"> <li>▶ Significant and potentially fatal incidents at MMG sites (number of Significant and High Fatality Potential Incidents) (p24)</li> <li>▶ Health of employees (biological screening data at site) (p26)</li> <li>▶ Community support for MMG (number of community complaints and grievances) (p29)</li> <li>▶ Contribution to local and regional economies (total Social Investment (\$)) (p33)</li> <li>▶ Employing local people (national employee vs ex-patriate ratio) (p13)</li> <li>▶ Managing life of mine/closure and post-closure planning (qualitative disclosures) (pp32-33).</li> </ul>

The scope of our work did not include:

- ▶ Any assessment of MMG's management's process for selecting the areas for our limited assurance engagement or the materiality or relative significance of the Subject Matter
- ▶ Assessing the accuracy, fairness or balance of data sets, statements, information, systems or approaches relating to areas other than the Subject Matter
- ▶ Management's forward looking statements
- ▶ Any comparisons made against historical data

### Management Responsibility

The management of MMG ('Management') is responsible for the preparation and presentation of the Subject Matter in accordance with the above Criteria, and is also responsible for selecting the methods used in the Criteria. No conclusion is expressed as to whether the selected methods used are appropriate for the purpose described above. Further, MMG's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that it is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

### Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter, based on our assurance engagement which is conducted in accordance with the International Federation of Accountants' *International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000')*, with regard to ICMM's *SD Framework: Assurance Procedure*.

### Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. Our procedures were designed to obtain a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Work performed

Our procedures performed included, but were not limited to:

- ▶ Interviewing a selection of MMG staff and management at both a site and corporate level responsible for the Subject Matter and the preparation of the Report
- ▶ Determining whether material topics and performance issues relevant to the Subject Matter identified during our procedures had been adequately disclosed
- ▶ Sample testing of reported data, performance statements, claims and case studies included in the Subject Matter against supporting source information, MMG's reported boundary and GRI's G3 Sustainability Reporting Framework principles of balance and completeness
- ▶ Sample testing as to whether the methods used for calculating data were aligned with the stated Criteria
- ▶ Reading selected management information and documentation supporting assertions made in the Subject Matter
- ▶ Reading selected MMG policies and standards and assessing alignment with ICMM's 10 Sustainable Development Principles and other mandatory requirements as set out in ICMM's Position Statements

### Use of Our Report

We disclaim any assumption of responsibility for any reliance on this assurance statement or on the Subject Matter to which it relates, to any person other than management and directors of MMG, or for any purpose other than that for which it was prepared.

### Independence, Competence and Experience

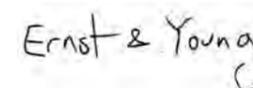
In conducting our assurance engagement we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.

### Matters relating to electronic presentation of the Sustainability Report

Our review was of the web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

### Limited assurance conclusion

On the basis of our procedures for this limited assurance engagement, nothing has come to our attention that causes us to believe that the Subject Matter has not been reported and presented fairly, in all material aspects, in accordance with the Criteria above.



Ernst & Young  
Melbourne  
26 May 2014



## Statement GRI Application Level Check

GRI hereby states that **MMG** has presented its report "2013 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see [www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf](http://www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf)

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 19 May 2014

A handwritten signature in black ink, appearing to read "Ásthildur Hjaltadóttir".

Ásthildur Hjaltadóttir  
Director Services  
Global Reporting Initiative



The "+" has been added to this Application Level because MMG has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

*The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. [www.globalreporting.org](http://www.globalreporting.org)*

**Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 12 May 2014. GRI explicitly excludes the statement being applied to any later changes to such material.

# GLOSSARY

## REGULARLY OCCURRING ACRONYMS

<b>CEO</b>	Chief Executive Officer	<b>LXML</b>	Lane Xang Minerals Limited Sepon
<b>CMC</b>	China Minmetals Corporation	<b>MCA</b>	Minerals Council of Australia
<b>CMN</b>	China Minmetals Non-Ferrous Metals Company Limited	<b>MMG</b>	MMG Limited
<b>DRC</b>	Democratic Republic of the Congo	<b>SHEC</b>	Safety health environment and community
<b>EBIT</b>	Earnings before interest and tax	<b>SIA</b>	Social Impact Management Plans
<b>EBITDA</b>	Earnings before interest, tax depreciation and amortisation	<b>STI</b>	Short Term Incentive
<b>EEO</b>	Energy Efficiency Opportunity	<b>TRIFR</b>	Total Recordable Injury Frequency Rate
<b>EITI</b>	Extractive Industries Transparency Initiative	<b>TSF</b>	Tailings Storage Facility
<b>ERIK</b>	Environmental Reporting Information and Knowledge database	<b>UN</b>	United Nations
<b>EY</b>	Global consulting firm or member firms of Ernst & Young Global Limited	<b>UNICEF</b>	United Nations Children's Fund
<b>FIFO</b>	"Fly-In, fly-Out"	<b>WAF</b>	Water Accounting Framework
<b>GCA</b>	Century Gulf Communities Agreement	<b>WTSF</b>	Western Tailings Storage Facility
<b>GRI</b>	Global Reporting Initiative		
<b>ICAM</b>	Incident Cause Analysis Methodology		
<b>ICMM</b>	International Council on Mining & Metals		
<b>ISO</b>	International Standards Organisation		
<b>LOA</b>	Life-of-asset		
<b>LTIFR</b>	Lost Time Injury Frequency Rate		

## REGULARLY OCCURRING UNITS OF MEASURE

<b>A\$</b>	Australian dollar(s)
<b>US\$</b>	US dollar(s)
<b>GJ</b>	Gigajoules (of energy)
<b>ML</b>	Megalitre (of water or other liquid)
<b>m<sup>3</sup></b>	Cubic Meters (of water or other liquid)
<b>T</b>	Tonnes
<b>µg/dL</b>	Micrograms of lead per deciliter of blood

# KEY CONTACTS

We welcome your comments on this report. Please contact James Porteous, Senior Advisor, Sustainability via [james.porteous@mmg.com](mailto:james.porteous@mmg.com) with your feedback or suggestions.

## HEAD OFFICE

Level 23  
28 Freshwater Place  
Southbank Victoria 3006  
Australia  
T +61 3 9288 0888  
[www.mmg.com](http://www.mmg.com)

## STAKEHOLDER RELATIONS

Troy Hey  
Executive General Manager – Stakeholder Relations  
[troy.hey@mmg.com](mailto:troy.hey@mmg.com)

## INVESTOR RELATIONS

Colette Campbell  
Group Manager – Investor Relations & Communications  
[colette.campbell@mmg.com](mailto:colette.campbell@mmg.com)

## MEDIA RELATIONS

Kathleen Kawecki  
Senior Group Communications Advisor  
[kathleen.kawecki@mmg.com](mailto:kathleen.kawecki@mmg.com)

## SHARE LISTING

Hong Kong Stock Exchange  
1208 – MMG Limited



WE MINE FOR  
PROGRESS

[MMG.COM](http://MMG.COM)