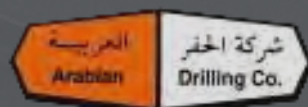


**Achieving Excellence.  
Growing Responsibly.  
Empowering Our People.**

**2017** Arabian Drilling Company  
Sustainability Report

Arabian Drilling Company  
P.O. Box 4110, Al-Khobar 31952  
Kingdom of Saudi Arabia  
+966 13 8297003

[arabdrill.com](http://arabdrill.com)





**King Salman Bin Abdulaziz Al Saud**  
Custodian of the Two Holy Mosques



**Prince Mohammed Bin Salman Bin Abdulaziz Al Saud**  
Crown Prince and Deputy Prime Minister  
and Minister of Defense

# Contents

## Our Approach to Sustainability 5

A Message from Our Managing Directors	5
Vision, Mission, Values and Strategy	7
Governance	11
Stakeholder Engagement	15
Material Issues	17

## Performance: Achieving Excellence in Operations 19

Company Growth	19
Service Quality	23
Local Suppliers	25

## Planet: Growing Responsibly 27

Environmental Compliance	27
Focus on Facilities	27
Energy, Water & Waste	29

## People: Empowering Our People 33

Our Employees	33
Saudi Communities	41

## Additional Facts & Figures 47

## GRI Index 50

### About This Report

This is the Arabian Drilling Company's (ADC) first annual sustainability report. It details the company's economic, environmental and social performance, and presents ADC's sustainability objectives as a critical component of our growth strategy.

ADC owns and operates onshore and offshore drilling rigs across the Kingdom of Saudi Arabia and the Partitioned Zone with Kuwait, and in the past we operated in Yemen and the United Arab Emirates. As we plan to grow in new markets and territories, disclosing our sustainability strategy, initiatives and progress is the next step in our decades-long corporate social responsibility journey. With this report we are establishing a benchmark for future performance and communicating our priorities to ADC employees, customers and shareholders, and to local and global communities.

We are proud of the considerable strides we made in 2017, highlighted in this report, and we are passionate about building on our progress. This report covers all of ADC's operations during 2017, including rigs and corporate offices. A summary of our alignment with the Core option of the Global Reporting Initiative (GRI) Standards can be found in the GRI Index on page 50.

## 2017 SUSTAINABILITY AT-A-GLANCE

In 2017, we strengthened our corporate governance and made significant progress in our sustainability areas of focus — Performance, Planet and People. The awards and recognition received for our efforts are a testament to the hard work of our people and our long-standing commitment to corporate responsibility. We are extremely proud of these achievements, which would not have been possible without the dedication of all ADC staff. Together we will continue to raise the bar of sustainability excellence as we grow in 2018 and the years to come.

### AWARDS & RECOGNITION



**King Khalid Responsible Competitiveness Award**  
First Place Winner:  
Best Overall Performance



**2030 Vision Check**  
Gold Status  
(2nd Consecutive Year)



**IKTVA Excellence Award**  
Best in Training & Development  
(2nd Consecutive IKTVA Award)

**GOVERNANCE**

- Established new departments, functions, policies, procedures and other governance initiatives
- Conducted comprehensive risk assessment of internal functions
- Launched Finance Transformation Project
- Created Code of Conduct to consolidate all guidelines
- Established Ethics Line
- 2030 Vision Check: High scores in *Commitment to Good Governance* and *Ethics & Risk Management*

**PERFORMANCE**

- Raised Service Quality Assessment (SQA) and Customer Satisfaction scores
- Set goal to increase market share to 20%
- Acquired the leading regional rig-moving company
- Implemented SAP management systems for:
  - 20% increase in assets under management (SAR)
  - 22% increase in asset productivity
  - 50%–60% increase in purchase order efficiency
  - 40% reduction of supply chain planning costs
- Increased spending on local suppliers
- Advanced supply chain management

**PLANET**

- Fuel efficiency\* **↑ 10%**
- Water efficiency\* **↑ 4%**
- Waste efficiency\* **↑ 12%**
- Recycled 100% of rig-site waste oil for 5th consecutive year
- Reduced e-waste with laptop donation program

**PEOPLE**

**Employees**

- Achieved best health and safety performance of the past five years
- Reached highest-ever Saudization level: 75%
- Added innovative training and development programs for support staff and managers
- Enhanced employee engagement and communications efforts
- Partnered to enhance drilling competencies
- Improved QHSE performance, with a drop in our injury rate from 2.51 in 2016 to 1.68 in 2017
- Achieved over 38% improvement on HSE lagging indicators (injuries and accident indicators) compared to 2016

**Communities**

- Sponsored technical education for >400 Saudis
- Supported disabled children and school safety initiatives
- Significant improvement in community contributions; strengthened position as a leader in institutional philanthropy

\*Efficiencies are calculated as a function of total facilities & rigs. See page 49 for detailed figures.

# OUR APPROACH TO SUSTAINABILITY

## A MESSAGE FROM OUR MANAGING DIRECTORS

Welcome to a new era in sustainability performance and communications for the Arabian Drilling Company.

With this 2017 Sustainability Report, we are taking our sustainability and corporate social responsibility (CSR) agenda to a new level. In embarking on what will be a series of annual reports, we are committing to a more rigorous and public sustainability journey than ever before.

Since our inception in 1964, we have been committed to excellence in performance within the oil and gas drilling services industry. We have also nurtured a culture that puts people first and values responsibility. We now aim to become a sustainability leader within our industry, working to set, disclose and achieve goals designed to benefit our business, local communities and nation, as well as society at large.

This report establishes a baseline against which we will measure our future sustainability performance. It also states our sustainability priorities and strategies. And it is written in alignment with the gold standard of international reporting frameworks, the GRI Standards, requiring ADC to collect and monitor key performance data, launch initiatives, enhance governance and much more. These requirements both challenge and inspire us to continue learning and achieving. This report itself was once a recommendation of how we could advance our

sustainability performance. Now, in turn, it is propelling us into new territory.

Putting people first has been at the heart of our success. After more than five decades in business, we are still growing. It is our exceptional people who have made our growth as well as our accelerated progress in sustainability possible. In 2017, we established an Internal Audit function to oversee and safeguard the sustainability of our business as we continue to grow.

As you will see in the following pages, 2017 was a defining year in our journey.

We elevated our service quality and customer satisfaction scores while implementing new supply chain efficiencies. To strengthen governance, we created targeted oversight, functions, policies and procedures. We achieved our best employee safety performance of the past five years, added state-of-the-art training resources for rig staff and sponsored technical training for more Saudi youth from across the Kingdom. In environmental management, we increased our energy, water and waste efficiencies. Altogether, we made unprecedented progress, expanding our path forward and setting the stage for future achievement.



We received prestigious recognition for our efforts in 2017:

- We are humbled to have been named, from among hundreds of Saudi-based companies, First Place Winner: Best Overall Performance by the King Khalid Responsible Competitiveness Award.
- We are honored and grateful to HRH Prince Saud bin Nayef, Amir of Eastern Province, and to H.E. Khalid Al Falih, Minister of Energy, Industry, and Mineral Resources and the CEO of Saudi Aramco, for being awarded the 2017 IKTVA Excellence Award for Best in Training & Development, in recognition of our efforts to train and develop a highly competent workforce.
- And in an assessment of our alignment with the Kingdom's Vision 2030, we were awarded Gold status for the second consecutive year, and have demonstrated improvement in several categories.

As we expand our operations and grow our rig fleet and workforce in 2018, Quality, Health, Safety and Environment (QHSE) will remain our top priorities. And as we continue to align our sustainability efforts with Vision 2030 and implement our agenda, we will also continue to rely on the collective focus and engagement of our people. In your passion and commitment, we have no doubt.

On behalf of ADC, please allow us to extend our genuine appreciation to every member of the ADC family for your hard work and dedication to our shared sustainability vision. We are confident we can accomplish even more in 2018, and we are eager to continue the journey together.

**ADC's history of industry innovation, experience and growth is bound by a strong ethos, robust policies and procedures, and a sustainable corporate strategy, governed by our Board of Directors.**

**VISION**

Our vision is to be the leading drilling services provider in the markets where we operate, with best-in-class management of our performance, our workforce and our local impact.

**MISSION**

ADC's mission is to continually enhance our economic, environmental and social performance, through the following objectives:

- Maintain, as the cornerstone of our business, the health and safety of our employees and the responsible management of scarce natural resources beyond mandatory industry requirements
- Be recognized as an industry leader in the area of quality, promote a culture of outstanding service quality, and actively listen and respond to our customers in order to exceed expectations
- Prioritize the needs of our employees with a people-first approach to business
- Adapt quickly and appropriately to changing business conditions and market opportunities.
- Develop social wealth for the communities with which we engage

**VALUES**

ADC is committed to achieving excellence in performance and quality, empowering our employees, suppliers and communities, and responsibly managing the impacts of our growing business.

We strive to integrate all aspects of sustainability into our mainstream operations, to maximize the efficiency and productivity of resources and to minimize practices that may adversely affect the environment, local communities and society at large.

We are committed to supporting our employees and the local communities where we operate, through our hiring and development practices, as well as our support for community groups, educational institutions, humanitarian and charitable organizations, national initiatives and other entities.



**We put our people first.**

**STRATEGY**

Our sustainability strategy, designed to establish ADC as a leader within our sector, rests on four pillars:

- Driving growth
- Improving or maintaining quality, health, safety and environmental (QHSE) performance
- Investing in our employees
- Supporting national programs

As such, our sustainability strategy complements our corporate strategy, which prioritizes:

- Growing local and regional market share
- Mastering customer satisfaction
- Developing a world-class workforce
- Optimizing cost





## 2030 VISION CHECK

### Gold Status—2nd Consecutive Year

#### Sustainable Cities

- Upgraded facilities to 100% LED lighting

#### Active Lifestyle

- Opened new gym and recreational facilities at all locations

#### Family Health

- Offered new healthcare services for staff, families and community members
- Launched new Tebtom healthcare program

#### Equal Opportunity

- Increased female employment and established future targets
- Expanded recruitment throughout the Kingdom

#### Energy Sourcing

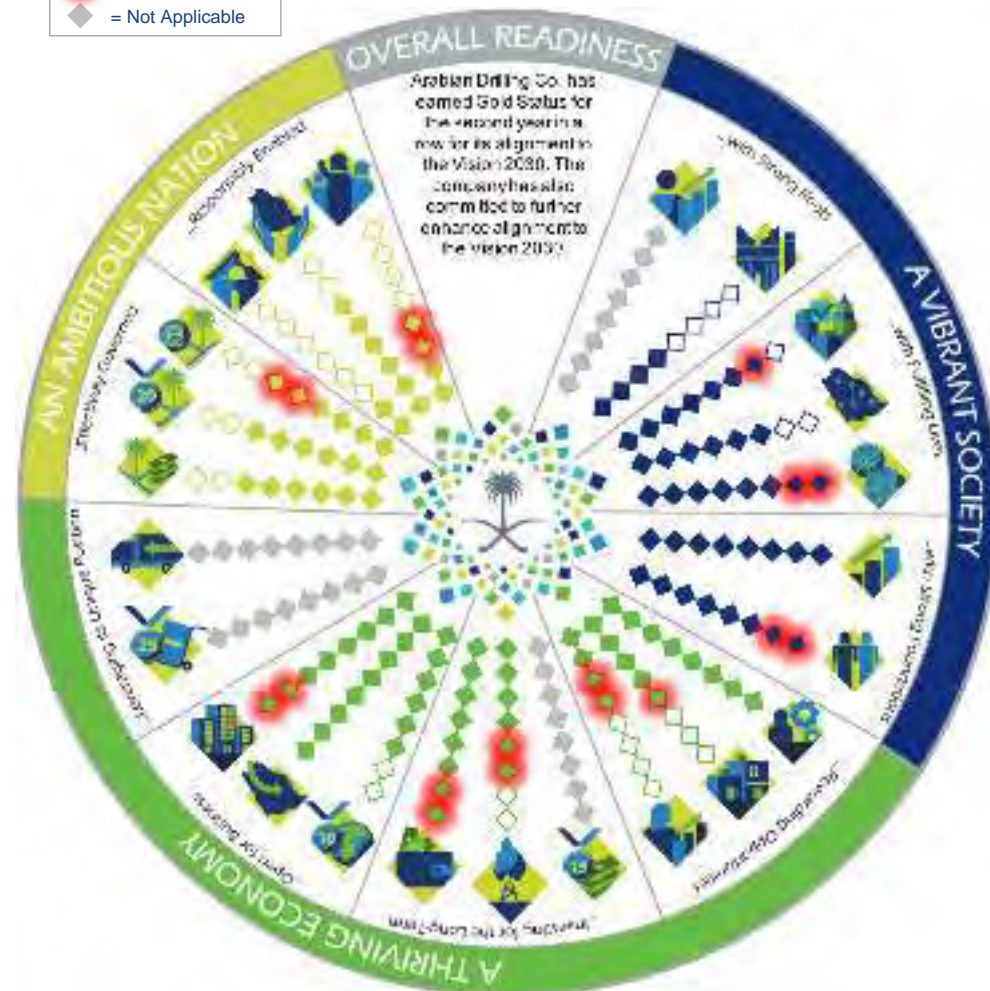
- Planned installation of about 10,000 m<sup>2</sup> of rooftop solar panels on new buildings

#### Local Investment

- Invested in local supply chain with new procurement policies, targets and achievements

#### Infrastructure Development

- Grew our market share and infrastructure support by adding new rigs to our fleet and acquiring a leading rig-moving company



2017

### ADC year-over-year improvements:

#### 2016 to 2017

- Overall alignment with Vision 2030: ↑11%
- Improvement in 10 out of 20 KPIs
- Most improved area: *Investing for the long term*
- 7 fulfilled KPIs (vs. 3 in 2016): 133% improvement



## KING KHALID RESPONSIBLE COMPETITIVENESS AWARD



جائزة الملك خالد  
King Khalid Award  
بناء الإنسان .. تنمية المجتمع

### First Place Winner—Best Overall Performance

ADC was selected by the King Khalid Foundation as the First Place Winner in recognition of outstanding contributions and commitment to corporate social responsibility (CSR), as well as its contributions to the Kingdom's development goals.

ADC earned top marks for accomplishments in aligning corporate practices to:

- Promote community and domestic economic growth
- Develop the Saudi workforce
- Practice good governance
- Manage social and environmental matters through business activities

### Awarded by:

King Khalid Foundation under the auspices of the Custodian of the Two Holy Mosques King Salman Bin Abdulaziz Al Saud



His Majesty King Salman presented this prestigious award to ADC on the 11th of December 2017, a testament to our continuous efforts to integrate CSR into every aspect of our business.

The Responsible Competitiveness Award recognizes the work of companies that are excelling in building a nationally competitive workforce, innovating solutions for social development, empowering local suppliers, achieving good governance and quality management, and demonstrating responsible environmental management.

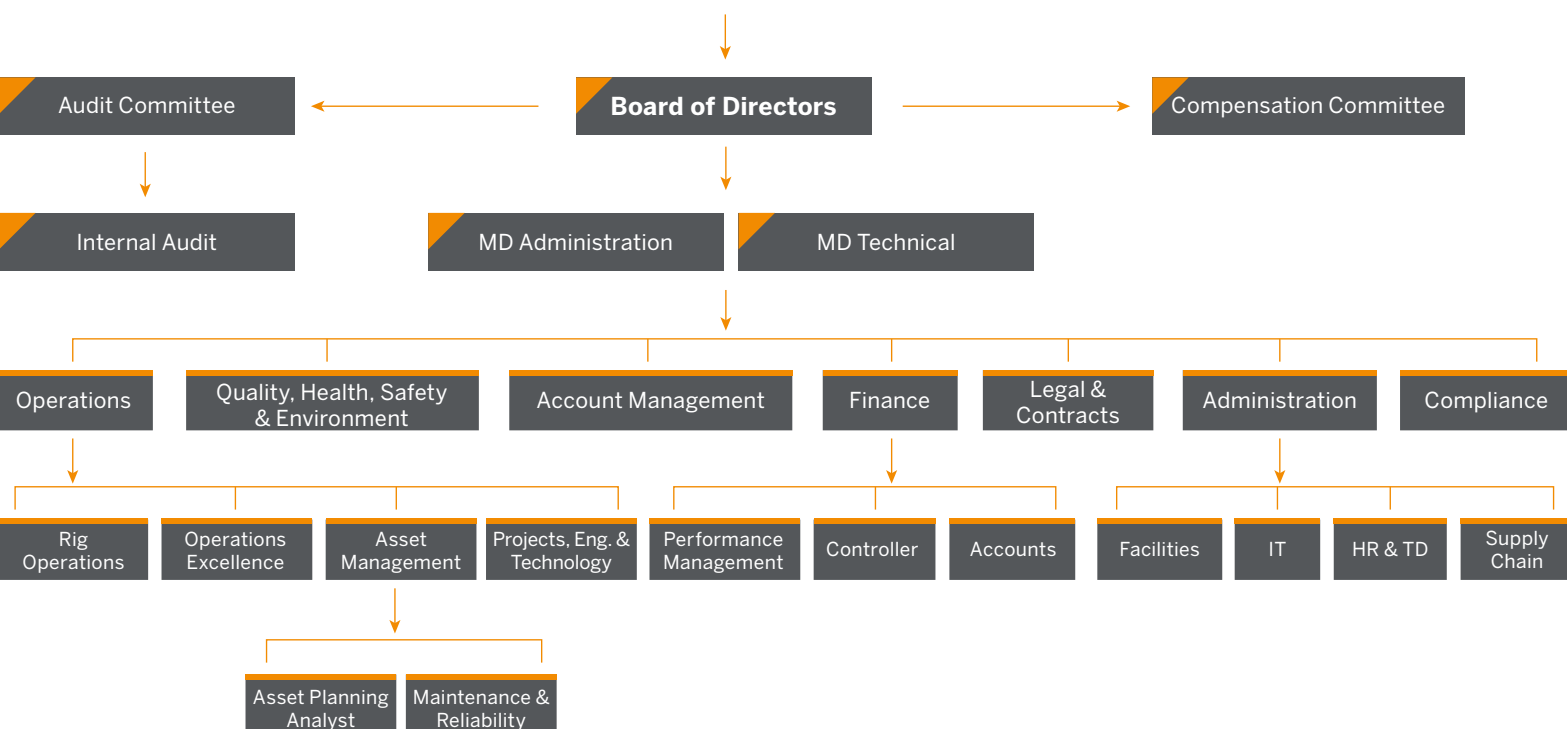


## GOVERNANCE

Good corporate governance supports the delivery of responsible, ethical and sustainable business outcomes. Through effective corporate governance, we continue to grow our market share, meet our customers' needs, develop our people and optimize cost. Our Board of Directors oversees our corporate governance, corporate social responsibility, corporate ethics and overall performance. As sustainability is at the center of our business and integrated throughout our operations, sustainability topics are governed by our Board of Directors and managed by core corporate functions.



### GENERAL ASSEMBLY



## 2017 Governance Highlights

We have focused on strengthening our internal functions and governance processes over the past two years. We made substantial progress in this area last year through parallel initiatives and achievements.

### 2017

#### NEW DEPARTMENTS

- Operations Excellence
- Performance Management
- Marketing & Business Development
- Compliance

#### NEW FUNCTIONS

- Internal Audit (IA), reporting directly to the Board Audit Committee
- Projects and Rigs Move, under ADC Operations
- Talent Development, under Human Resources (HR)
- Contracts, under Legal Affairs

#### NEW INITIATIVES

- Comprehensive Risk Assessment
  - Our newly formed IA function conducted a comprehensive risk assessment of all ADC functions
  - IA developed a risk-based strategic audit plan designed to add value and improve all ADC activities

#### NEW PROCEDURES, POLICIES AND PUBLICATIONS

- Enterprise Business Systems: "FAJR" SAP went live in May 2017, transforming internal processes
- Overhaul of Human Resources (HR) and Supply Chain (SC) policies and procedures
- New Operational and Rig Move manuals
- A comprehensive Code of Conduct that consolidated all ADC guidelines
- An Ethics Line developed by the new AI function and supervised by the Board Audit Committee

- FARES Career Development Program
- Brand new career ladder for our support function employees
- Finance Transformation Project
  - We are restructuring our Finance department to align with world-class practices and strengthen corporate governance, including:
    - Adopting International Financial Reporting Standards (IFRS)
    - Implementing VAT

**GOVERNANCE** (continued)

**Ensuring Compliance**

Compliance with laws and regulations is paramount at ADC. We have well-established policies and procedures to operate our business effectively. We update our policies, regulations and guidelines to better achieve our business objectives, follow best practices and comply with regulations imposed by the various jurisdictions in which we operate.

All ADC employees must abide by the laws and regulations to which ADC is subject, with personal commitment to honesty, loyalty and transparency.

Our Compliance department, developed and launched in 2016, ensures that ADC business transactions and processes are executed according to the relevant rules, regulations and company-established policies and procedures. The Compliance department also makes sure that the Internal Control System (ICS) is functioning efficiently and effectively by driving sustainable improvements. Further, the independent Internal Audit function, established in 2017, reflects management's commitment to strengthening the ICS.

Our Compliance department ensures the effectiveness and efficiency of ADC's corporate governance by:

- reviewing, enhancing and developing ADC policies and procedures;
- ensuring relevant internal control processes are adequately built into those policies and procedures;
- reviewing implementation of policies and procedures to ensure their effectiveness and efficiency;
- ensuring the Code of Conduct is appropriately adhered to in all business activities and that instances of conflict of interest, if any, are properly identified and addressed for appropriate management action;
- ensuring all business transactions are executed as per the approved authority matrix; and
- ensuring that ADC complies with all statutory requirements as per local laws and regulations.



**Promoting Ethics & Transparency**

We are committed to the highest ethical and legal standards in the conduct of our business. We maintain effective controls and clear rules in order to ensure appropriate business conduct.

Building a corporate culture of transparency and integrity based on ethical behavior and compliance with the law is essential to the long-term sustainability of our business in a competitive market. The reputation of our business is the result of the actions each of us takes every day. Our reputation is also a source of value for our customers and the communities in which we operate. It is one of our greatest assets. We count on each of our employees to proactively join us in promoting and implementing best practices throughout our operations and reinforcing the sustainability of our company.

**Code of Conduct**

Our Code of Conduct defines guidelines and standards of integrity and transparency that must be complied with by all employees at all levels of our company. Its guidelines also apply to our contractors, subcontractors, commercial intermediaries, suppliers and anyone else who performs services for or on behalf of ADC and who might be capable of engaging in unethical behavior on ADC's behalf.

ADC's Audit Committee is the top-level decision-making body for the implementation of our Code of Conduct. Our Internal Audit (IA) function, under the supervision of the Audit Committee, resolves inquiries relating to the implementation or interpretation of the Code. Our IA function and HR department implement the rules and procedures to ensure full compliance with the Code. Bribery is strictly prohibited.

Management ensures that Code of Conduct training is provided to all employees in order to ensure that all parties know and understand the Code and how its provisions apply to the workplace environment.



**To strengthen ethics and transparency in 2017, we:**

- Created a comprehensive, clearly defined **grievance redressal process**
- Established an **Ethics Line**, available to all employees by phone or email
  - Callers to the Ethics Line may request anonymity.
  - Management takes necessary measures to ensure confidentiality of all information and fair treatment for all employees.

## STAKEHOLDER ENGAGEMENT

We actively engage with our stakeholders to understand the needs and priorities of the groups and individuals that are involved in, that impact and/or that are impacted by our business. Stakeholder engagement is critical to shaping our business priorities and sustainability strategy.

### Identifying Key Stakeholders

To determine ADC's key stakeholders, management conducts meetings and workshops at the Board and other levels within the company. This process includes identifying organizations and individuals who have an interest in ADC; can have a fundamental impact on ADC; can have a dynamic relationship with ADC; and/or are important to the existence and continuity of ADC's business.

We track the following information for identified internal and external stakeholders:

- Interests
- Level of involvement with ADC
- Expectations
- Importance, influence and impact
- Communication requirements

Management then assesses the collected data to rank stakeholder issues, understand expectations and ultimately create shared value for both ADC and our stakeholders.

### Formalizing Ongoing Engagement

Our stakeholders, including our shareholders, employees and customers, as well as government partners, suppliers and local communities, represent a wide range of interests. We maintain ongoing engagement with each group in ways that aim to meet and exceed their expectations.

We share our sustainability initiatives and thinking with employees and other stakeholders through our publicly available, quarterly online magazine, *Al Majilis*. Printed copies of *Al Majilis* are also distributed to key stakeholders.

We have recently expanded our engagement efforts with our most important stakeholders. We proactively seek input by conducting satisfaction surveys of employees, customers and vendors; workshops for the Board of Directors and managers; in-person meetings with clients; and local student trainings. The table below details our



methods of engagement, stakeholder expectations and our responses. Through a process of ongoing engagement, we seek to better understand expectations and incorporate what we learn into our business plans and actions.

### Listening & Responding

PRIMARY STAKEHOLDER GROUPS		ENGAGEMENT METHODS	STAKEHOLDER EXPECTATIONS	ADC RESPONSE
<b>Employees</b>	ADC has over <b>3,500 employees</b> : <ul style="list-style-type: none"> <li>• 75% Saudi</li> <li>• 25% Expat</li> <li>• 92% Rig staff</li> <li>• 8% Corporate staff</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction survey</li> <li>• Employee engagement workshops</li> <li>• Regular meetings</li> <li>• Quarterly and annual performance reviews</li> <li>• Objective planning meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Equal opportunity and fair treatment</li> <li>• Health and safety</li> <li>• Clear career path</li> <li>• Learning and development</li> <li>• Motivation and appreciation</li> <li>• Recognition and award programs</li> <li>• Transparent management</li> </ul>	<ul style="list-style-type: none"> <li>• Employee satisfaction review</li> <li>• Thank You Habit</li> <li>• Competitive compensation and incentives</li> <li>• Retention policy</li> <li>• Health insurance</li> <li>• Safety awards</li> <li>• Code of Conduct</li> <li>• Career ladder initiative</li> <li>• Training and development programs</li> </ul>
<b>Customers</b>	ADC's primary customers include <b>Saudi Aramco, Schlumberger and Al Khafji Joint Operations</b>	<ul style="list-style-type: none"> <li>• Website</li> <li>• Quarterly service quality appraisal</li> <li>• Monthly drilling health, safety and environmental leadership initiative meetings</li> <li>• Daily and weekly meetings</li> <li>• Quarterly Safe Operations Committee meetings</li> <li>• Daily reports</li> <li>• Drilling operational excellence and compliance division alerts</li> </ul>	<ul style="list-style-type: none"> <li>• High-quality services</li> <li>• Health, safety and environment protection</li> <li>• Security</li> <li>• Confidentiality and data protection</li> <li>• Compliance with ethical and regulatory standards</li> <li>• Use of modern technology</li> <li>• Competent local workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Professional workforce</li> <li>• Time-bound delivery</li> <li>• Health, safety and environment training</li> <li>• Code of Conduct</li> <li>• Confidentiality and Privacy Policy</li> <li>• Well-trained local workforce</li> <li>• Security Policy</li> <li>• Implementation of ERP system</li> <li>• Acquiring latest technology</li> </ul>
<b>Shareholders</b>	ADC is a <b>limited liability partnership</b> between the Industrialization & Energy Services Company (TAQA), a Saudi joint stock company that owns 51%, and Services Petroliers Schlumberger S.A., a global leader in oilfield services that owns the remaining 49%.	<ul style="list-style-type: none"> <li>• Annual General Assembly</li> <li>• Board of Directors meetings</li> <li>• Annual, quarterly and monthly reports</li> <li>• Board of Directors workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Profitability and sustainable growth</li> <li>• Corporate governance</li> <li>• Minimized risk</li> <li>• Excellent reputation</li> <li>• Transparent communication</li> <li>• Compliance with laws and regulations</li> <li>• Support for local programs</li> </ul>	<ul style="list-style-type: none"> <li>• Net income profit</li> <li>• Continuous growth</li> <li>• Effective and enhanced corporate governance framework</li> <li>• Innovative training programs</li> <li>• Effective communication</li> <li>• Culture of excellence and continuous improvement</li> <li>• Reputation risk management</li> <li>• Code of Conduct</li> </ul>

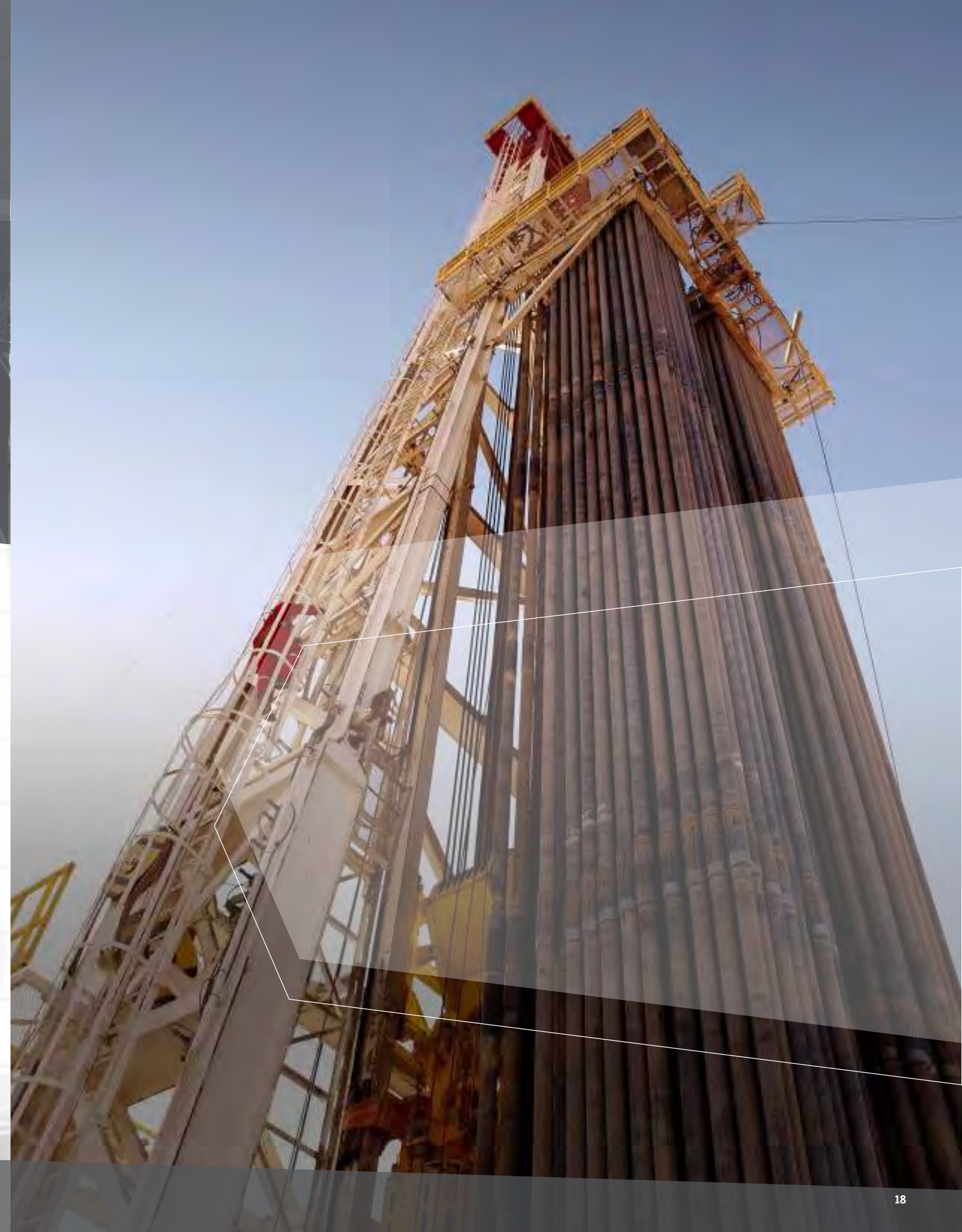
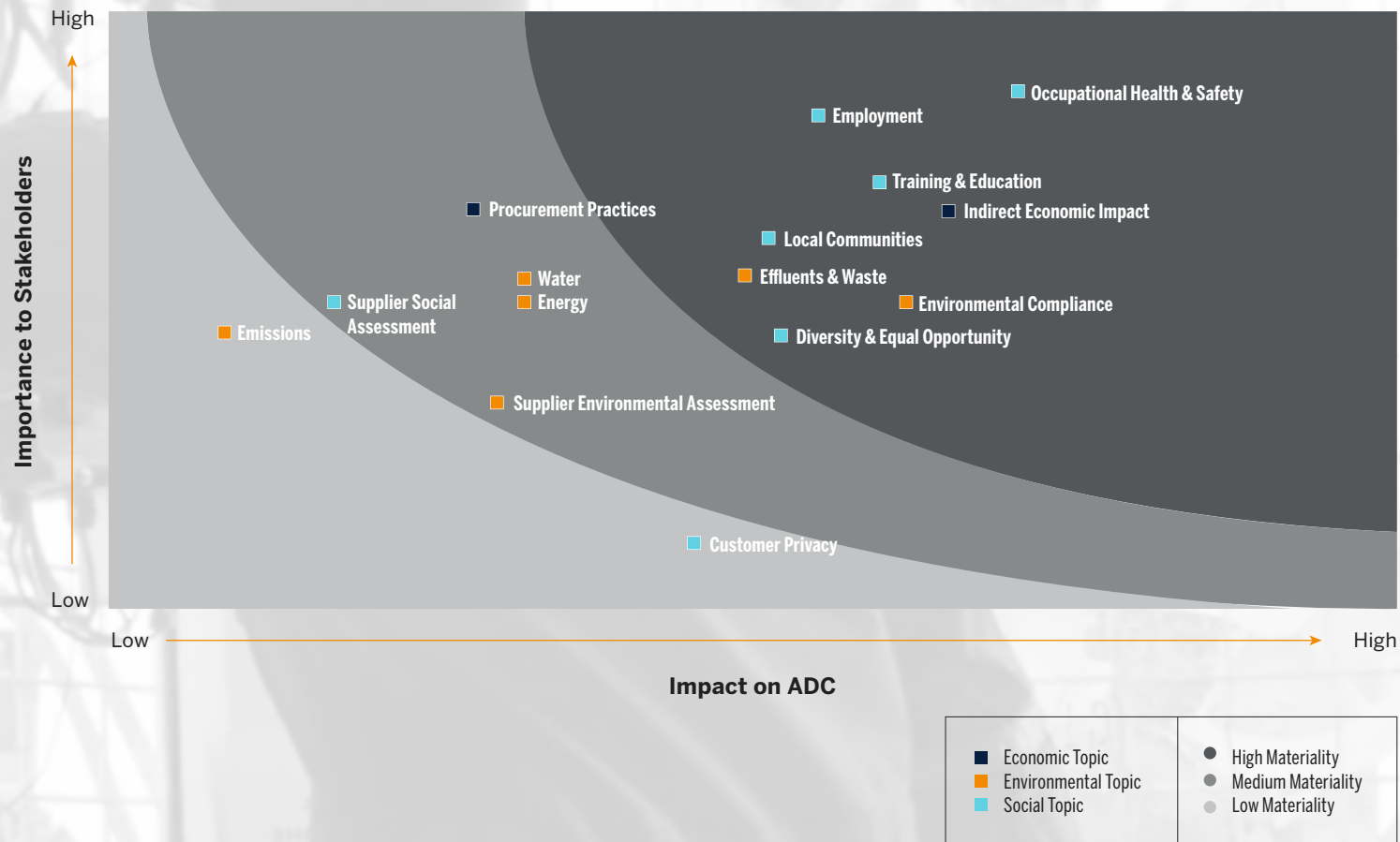
## MATERIAL ISSUES

Ongoing stakeholder engagement enables ADC to strategically prioritize the issues that are most relevant to our business and of greatest importance to our stakeholders.

In 2017, ADC engaged AccountAbility, a global consulting and standards firm, to conduct an independent, formal materiality assessment underpinned by the GRI Reporting Principles of Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness.

The process included surveys of internal stakeholders from across ADC's functions and departments, validation interviews with senior leadership, and calibration to industry standards and external stakeholder priorities.

The matrix below displays the issues that were deemed material, as defined by the GRI, plotted according to their impact on ADC's business performance and importance to our stakeholders. The issues found to have a medium or high level of materiality, as well as others, are addressed throughout the body of this report. More details regarding specific disclosures can be found in the GRI Index on page 50.



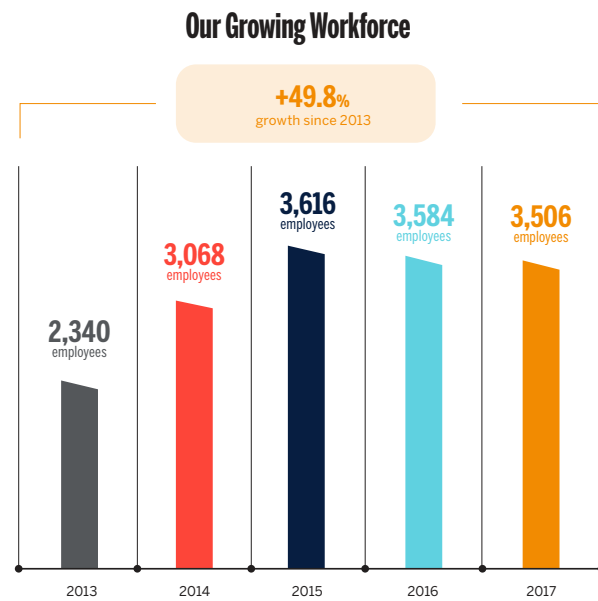
# ACHIEVING EXCELLENCE IN OPERATIONS

Our drilling services are backed by 50 years of operational experience and a history of innovation that has brought considerable safety and efficiency gains to the drilling process, even in the most challenging programs and harsh climatic conditions. We aspire to be the leading drilling services provider in our areas of operation.

## COMPANY GROWTH

Having grown from a single rig in 1964 to 35 rigs today, we believe 2018 will be a year of historic growth for ADC. We are planning to continue to increase both our fleet size and our employee headcount, as we expand into new markets and geographies.

In recent years, we've substantially increased our workforce:



As part of our corporate growth strategy, over the coming years we will strive to:

**20%**  
Increase **market share** to 20%

  
Continue to grow our **workforce**

  
Expand our **fleet** to 60 rigs

  
Complete the acquisition of the leading regional rig-moving company to **grow our infrastructure and streamline operations**

### New Developments

In recent years, we have transitioned from an operations-driven to a business-oriented company managed by **key performance indicators** (KPIs).

Our **Performance Management** (PM) department reviews performance on a monthly basis against well-established KPIs, individualized by department in order to monitor performance at the most granular level. This provides senior management with a complete picture of ADC's performance, and enables timely action plans to steer us toward our goals.

Our **Operational Excellence** (OPX) department was launched in August 2016 to build upon our vision of being recognized and admired by our clients, shareholders and our employees as the preferred and leading drilling contractor in the Kingdom. To achieve this, the OPX team has put in place a suite of systems, tools and resources to monitor and improve our processes, procedures, asset reliability and efficiency to achieve world-class performance.



### Assets Integrity

Delivering the highest-quality service starts with maintaining our assets in top condition, sourcing out the right assets and tailoring their functionality to customer expectations. We use proven standards and cutting-edge technology to coordinate contractors, suppliers and equipment maintenance:

- **Contractor and Supplier Management:** Our Supply Chain department follows international standards while sourcing out assets and equipment and ensuring every contractor and supplier can provide us with needed resources.
- **Project Management System:** Our robust systematic approach and tools for project management allow us to budget, track and capitalize our asset procurement for rig building and refurbishment projects.
- **InTouch Support and Rig Maintenance Reference Page:** This online reference tool, backed by our 24x7 support team from Schlumberger, InTouch, located in Houston, provides access to guidance on a wide range of maintenance issues, including best practices, case histories and lessons learned, solutions, technical alerts, documentation, software, references and links, and operations trainings.
- **SAP Plant Maintenance System:** ADC has implemented and is currently using one of the world's best Enterprise Resource Planning (ERP) software applications, SAP Plant Maintenance System, to manage and maintain assets and equipment. The system is designed to optimize preventive, corrective and breakdown maintenance for all ADC assets, equipment and facilities, and replaces our previous maintenance system, CAMM, as part of our Business Transformation project.
- **SAP inventory control system:** This computerized system assists in stock control of equipment and spare parts and materials. It helps to ensure optimal stock management and the uninterrupted availability of equipment and spare parts.
- **Asset Management:** We have clearly defined responsibilities, processes and systems to manage our assets throughout their life cycles, including: assigned maintenance activities; linked assets and equipment; RFID tags; asset relocation tracking; and phasing in and phasing out of every asset.



## SERVICE QUALITY

ADC management and employees are committed to providing the highest-quality services to our customers and exceeding their expectations. Our success is measured not only by customers' perception of our technical execution, but also by our readiness, safety, communications and service.

### Delivering Quality

We aim to exceed our customers' expectations by involving and empowering all employees in our Quality, Health, Safety & Environment (QHSE) programs. Our culture is one of continuous improvement in which environmental protection plays an integral role, as articulated in our QHSE Policy.

The QHSE Policy and our Quality Management System (QMS) are communicated to all employees, customers, contractors and third parties associated with our business.

### Audits

We regularly assess compliance with our day-to-day standards and procedures as well as with our management system, and make modifications as needed.

*Group Audits:* The Internal Audit department of TAQA, our shareholder, conducts corporate audits of all ADC functions in line with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA).

*Internal Audits:* ADC's Internal Audit function carries out its responsibilities in line with IPPF and IIA standards.

*Service Quality Audits:* Our OE team conducts two routine audits (well control and operational audits) to help improve overall operational performance and ensure the functionality, safety and reliability of rig equipment for our drilling rigs.

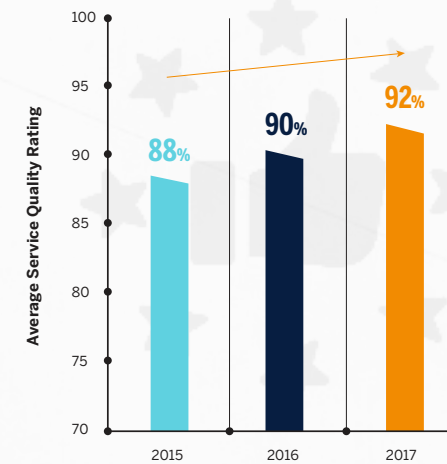
*HSE Audits:* These audits verify the minimum acceptable level of HSE performance through standardized internal audits and inspection programs and checklists, including self-assessments, internal audits and HSE management system audits. To learn more about ADC's Health & Safety initiatives and achievements, please see pages 33-35.

### Improving Customer Satisfaction

We regularly engage with our customers to learn their level of satisfaction and how we might improve their experience.

We measure our customers' satisfaction with our products and services through regular Customer Satisfaction Surveys and rig evaluations. Our average service quality rating is steadily increasing from an already-high baseline.

#### CUSTOMER SATISFACTION



“

I would like to congratulate the team of ADC-47 for **completing** HRDH-1285 well **8.18 days ahead** [of schedule]. This is a great feat for HRDH Minimum Stress Well. Please continue to work safe and working together as a team.

“

Excellent work, gentlemen. A gas well in **less than 45 days** is impressive, and actually is a **field record**.

“

The drill time [speaks for] itself. We thank you for the **great job** done so far. We will have **lessons learned** to share.

“

On behalf of Schlumberger Ghawar Gas Project Team, we wish to convey our sincere appreciation to the entire team of rig AD-46 and also ADC Management for **successfully completing** and delivering the well **ahead of plan** without any incident.

“

On behalf of KJO Management, my **deepest thanks and pride** to recognize the outstanding achievement on the **successful and safe operation** of well Hout-10. This was a **joint operation** performed in cooperation with Saudi Aramco, ADC and all other service companies.

We believe that QHSE performance, operational efficiency, personal motivation, financial success and overall quality are interrelated. ADC's safety record ranks among the top in our industry.



Named a Top 3 Drilling Contractor by Saudi Aramco

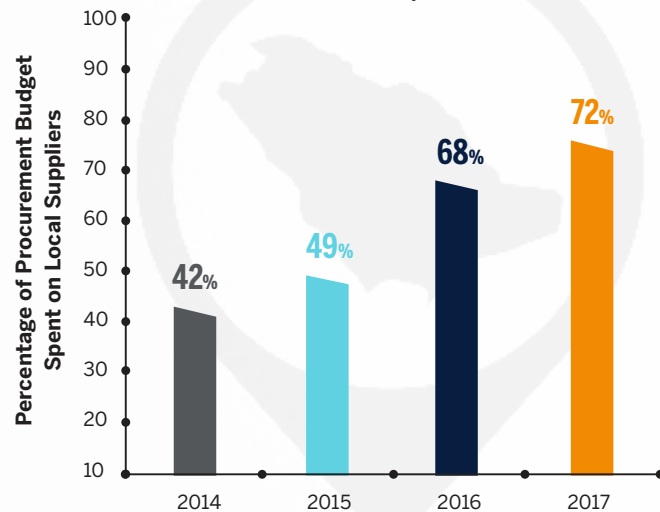
## LOCAL SUPPLIERS

**We have overhauled our supply chain policies and procedures to prioritize local suppliers when possible. By helping build capacity among local suppliers and increasing our local spending, we support our own drilling services while investing in the development of the Saudi economy, in line with Vision 2030.**

When revising our Procurement Policy in 2016, we committed to working with more local suppliers, many of which are small to medium-size enterprises (SMEs) and manufacturers. In 2017, we spent 72% of our procurement budget on local suppliers. Using IKTVA metrics, we set targets to increase the share of local companies in our supply chain by 15% by 2018 and by 39% by 2021.

### LOCAL PROCUREMENT

**ADC has increased the localization of its supply chain annually, supporting local economic growth and development.**



In 2017, we also followed through on a 2016 commitment to actively support local vendors through education, training, metrics and site visits, setting IKTVA targets for these initiatives. As we help build the capacity of local suppliers to meet standards and procurement levels, we also reduce our shipping and import fees from imported supplies.

**By prioritizing KSA-based suppliers, we have nearly doubled our local spending budget since 2014.**

## Optimizing Procurement

As part of our commitment to continuous improvement, we aim to purchase the right materials and services at the right time, in the right place, and at optimal cost — informed by our quality, delivery and service policies.

Our Procurement Policy applies to all our suppliers. Vendor registration and prequalification are required to ensure that approved ADC vendors are reputable, commercially and technically accepted suppliers that meet our stated ethics, responsible purchasing, Saudization and quality standards.

## Compliance Audits

We audit our suppliers to assess their compliance with our Procurement Policy. Our audit teams are drawn from our Operations, QHSE and Supply Chain (SC) departments. Our SC team conducts regular supplier audits and site visits to assess their:

- On-premise quality control procedures
- HSE practices
- Manufacturing conditions and capacity
- Equipment maintenance and conditions
- Materials storage
- Compliance with the Saudi Labor Code, Saudization requirements and plans for increasing Saudization
- Compliance with the ADC Procurement Policy

At a minimum, we conduct audits every three years for our top 30 vendors (based on procurement spend value). Our SC team works with suppliers to assess their performance against expectations and address any gaps.

Any vendor not meeting the Saudization requirement must develop an implementation plan for the following two to three years to reach the required level of Saudis in its workforce. ADC will stop doing business with any vendor that fails to meet Saudization requirements.

## Assessing Supplier Environmental Performance

One of the most important areas of our Environmental Management Plan (EMP) is assessing vendors' environmental performance to ensure it meets national and international requirements. We do this by conducting: prequalification for 100% of new subcontractors, including an environmental assessment; and annual audits for existing, high-risk subcontractors to measure compliance with ADC requirements as stated in contracts and our QHSE Manual.

In 2017, we also:

- Updated the subcontractor prequalification checklist
- Conducted a full assessment of our waste management subcontractor to ensure it is managing ADC waste per national and client regulations and as agreed with ADC using the approved facility

**100% of ADC's suppliers are screened using environmental, social and quality criteria:**

<b>Environmental Standards</b>	<ul style="list-style-type: none"> <li>• ISO 14000: Environmental Management</li> <li>• ADC's Responsible Purchasing Policy</li> <li>• ADC's Environmental Policies</li> </ul>
<b>Social Standards</b>	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Assessment Standards (OHSAS) 18001</li> <li>• External safety audits</li> <li>• Manufacturing conditions and capacity</li> <li>• Saudization</li> <li>• Zakat</li> <li>• IKTVA</li> <li>• Employee training records</li> <li>• ADC's Human Resources Policy</li> </ul>
<b>Quality Standards</b>	<ul style="list-style-type: none"> <li>• ISO 9001: Quality Management</li> <li>• ADC's quality standards and quality control requirements</li> </ul>

## Increasing Supplier Satisfaction

We administer a Supplier Satisfaction Survey annually to help gauge the performance of our Supply Chain department and identify any areas for improvement. These formal feedback mechanisms, in place since 2015, reach between 50% to 74% of our supplier base. Satisfaction scores have improved since 2015, when they already averaged a high of 91%. Prior to 2015, we measured supplier satisfaction through informal meetings.

**91%**  
2015

**95%**  
2016

In response to supplier feedback, in 2017 we began transforming our Finance department and implementing the SAP ERP system for vendor payments. This system captures each invoice and triggers automatic payments for verified invoices, helping streamline the payment process.

Note: 2017 Supplier Satisfaction Survey in process at time of report publication.

# GROWING RESPONSIBLY

We aim to continually improve our environmental performance even as we increase market share, mindful that our growth should not affect our sustainability progress. We focus our environmental efforts on areas of greatest potential impact at our rigs, base compounds and offices.

## ENVIRONMENTAL COMPLIANCE

We seek to comply and expect all employees to comply with the spirit and letter of applicable environmental laws and regulations where we operate. Where none exists, employees are expected to set appropriately high standards. Our well-defined environmental policy emphasizes compliance, risk mitigation and accountability for responsible environmental practices on the part of all our employees, suppliers and contractors.

To manage our company's environmental impacts and improve our performance in this area, we have a dedicated Environmental Management Standard (EMS) in place. Our well-established EMS has been reviewed and approved by our main client, Saudi Aramco, and assured by ERM Certification and Verification Services Ltd. for compliance with the ISO 14000:2015 Environmental Standard. To minimize environmental impacts from our activities, our EMS covers a wide range of areas, including:

- Resource optimization
- Waste segregation, reduction and recycling
- Spill prevention and mitigation

We also implement the Schlumberger Environmental Management Standard SLB QHSE 008 and the Environmental Basis of Organisation Knowledge (Environmental B.O.O.K.).

## FOCUS ON FACILITIES

At ADC, we are making a concerted effort to minimize the negative environmental impacts of our buildings through equipment upgrades, lighting retrofits, strategic space use and design, as well as an automated Building Management System (BMS) to maximize efficiency and reduce our consumption. We also plan to install rooftop solar panels on our new buildings this year.

In 2017, we addressed the environmental impacts of our buildings by:

- Launching our multi-year Facilities Sustainability Vision and Execution Plan for upgrades and new buildings
- Installing 100% LED lighting in all facilities
- Designing renovation and new construction around energy efficiency
- Pursuing LEED certification for new construction
- Planning for installation of about 10,000 m<sup>2</sup> of solar panels on new buildings



### Upgrades & New Construction

2017

#### PHASE 1

##### SCOPE

- Head Office
- Two floors in Al-Khobar corporate office
- Open office design for 105 workspaces

##### FEATURES

- 100% LED lighting
- Occupancy sensors for lighting and air conditioning
- Automated Building Management System for control and efficiency

2018–2019

#### PHASE 2

##### SCOPE

- Head Office
- Ground and mezzanine floors, parking lot
- Open office design for 83 workspaces

##### FEATURES

- 100% LED lighting
- Occupancy sensors for lighting and air conditioning
- Automated Building Management System for control and efficiency

#### PHASE 3

##### SCOPE

- Dhahran Site
- 2,500 m<sup>2</sup> plot
- State-of-the-art drilling training center with immersive simulator technology
- Capacity for 200 trainees daily
- Riyadh New Road Site
- 250,000 m<sup>2</sup> plot
- New operational base

##### FEATURES

- Silver LEED certification
- 10,000 m<sup>2</sup> of rooftop solar panels
- Water recycling plant for irrigation and equipment washing reuse
- Training center (13 classrooms + 4 simulator labs)
- Centralized warehouse with industry-leading storage management systems
- LEAN maintenance workshops that enable in-house OEM recertification
- Accommodation for approximately 400 staff
- Indoor and outdoor recreational facilities

## ENERGY, WATER & WASTE

### Energy & Emissions

Our impact management strategy in this area is focused on three main priorities:

- Energy efficiency
- Resource conservation
- Emissions reduction

Making progress in these areas is good for the environment as well as good for our business. As we manage our impact on natural ecosystems and reduce our dependence on a limited fossil fuel supply, we also strengthen our license to operate, better manage risk, lower costs and support company growth.

We are committed to reducing our use of non-renewable energy at our facilities — across our rigs, base camps, compounds and offices — through adherence to our policies and procedures, through new technologies, and by raising awareness among our workforce of the need to save energy. Our Technical and Operations departments oversee our efforts in these areas.

Energy management is the key to saving energy at ADC. We review monthly energy consumption data, execute a scheduled inspection and maintenance program, and keep fuel consumption records to monitor for inconsistencies and improvement opportunities.

### Focus on Rigs

Running diesel-powered engines at rig sites accounts for the majority of carbon emissions in the drilling industry. Operational requirements for each rig demand six to eight diesel engines 24/7 to provide power to the rig and camp. Smaller engines, such as fire pump engines or emergency power generators, also contribute to operational emissions. ADC is taking advantage of the latest technology to maximize rig efficiency and reduce the release of greenhouse gases.



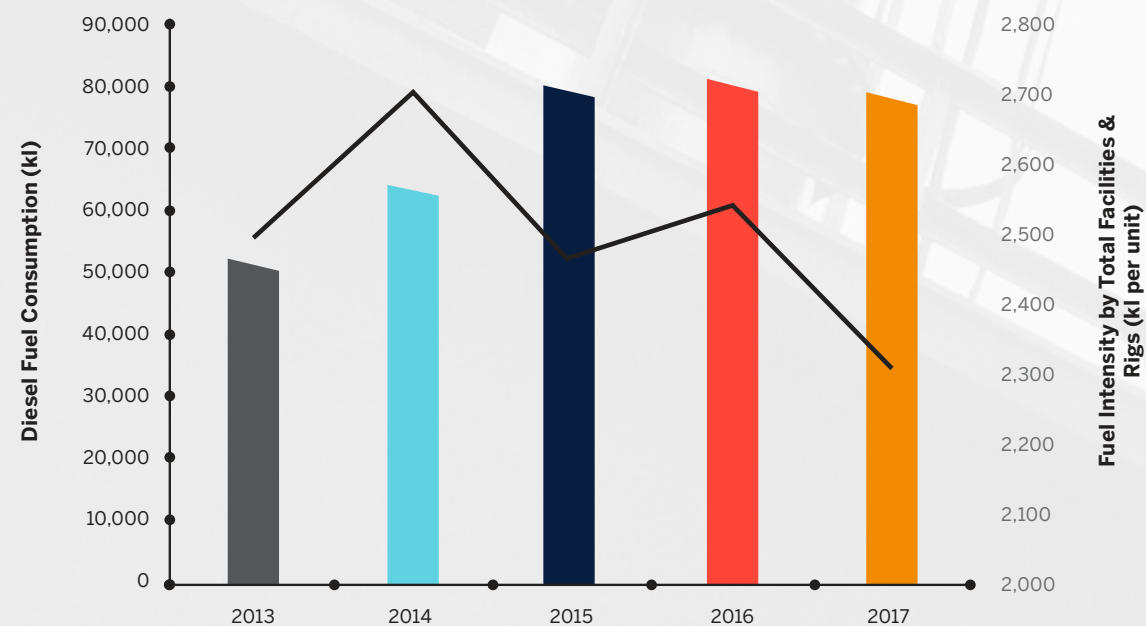
**ADC's SAP Plant Maintenance System optimizes the maintenance of all ADC assets, equipment and facilities, resulting in engine efficiency and reduced emissions and operating costs.**



## Monitoring, controlling and reducing our energy consumption enables ADC to:

- Reduce costs, as energy prices continue to rise
- Reduce carbon emissions and environmental damage
- Reduce risk related to potential energy price increases, legislation or supply shortages that could seriously affect profitability

### DIESEL FUEL USE & EFFICIENCY



We have also put in place energy-saving lights in new project rigs; auto-switch devices in offices and buildings to save electricity; preventive maintenance for generators and other equipment; and roof and wall isolations, to minimize cooling and heating demands.



**ENERGY, WATER & WASTE** (continued)

**Water**

As a company headquartered in one of the driest regions of the world, we recognize the pressing global challenges around water availability. Demand for potable water is increasing globally, and the current rate of freshwater consumption is not sustainable. At ADC, we have the opportunity and responsibility to help manage this crisis and save water for future generations.

**Our HSE, Technical and Operations departments oversee our water-conservation objectives:**



Minimize water use through water-saving low-flow technologies, routine inspections for water leaks and employee awareness campaigns



Reduce consumption of potable water by tracking our daily consumption and reviewing data on a regular basis, and through employee awareness campaigns

**272.5** m<sup>3</sup> per hour, per rig

Save and reuse wastewater using a centrifuge pump, resulting in savings of at least 272.5 cubic meters of utility water per hour, per rig

Conservation initiatives have led to tremendous efficiencies and water savings.

**1** Average daily water savings per rig: **up to 13,824 liters**

**1.26** Average annual water savings per rig: **up to 1.26 million liters**

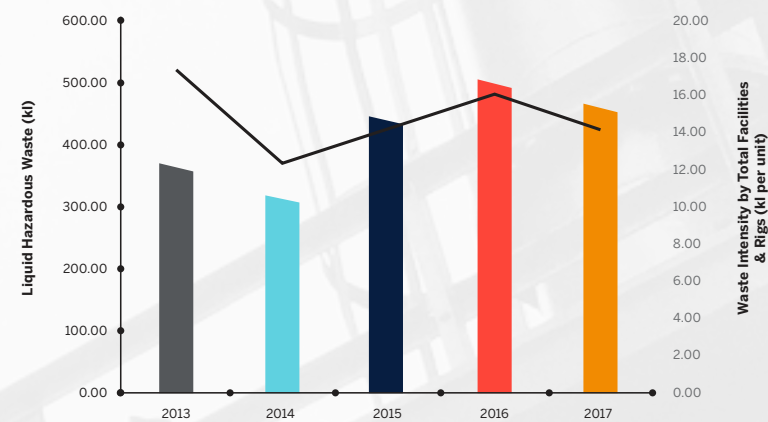
We also seek to minimize harmful discharges to the environment from offshore rigs using separators and treatment units regularly maintained through our Preventive Maintenance System. Certified third-party laboratories analyze offshore samples, and those reports are then reviewed by ADC.

**Waste**

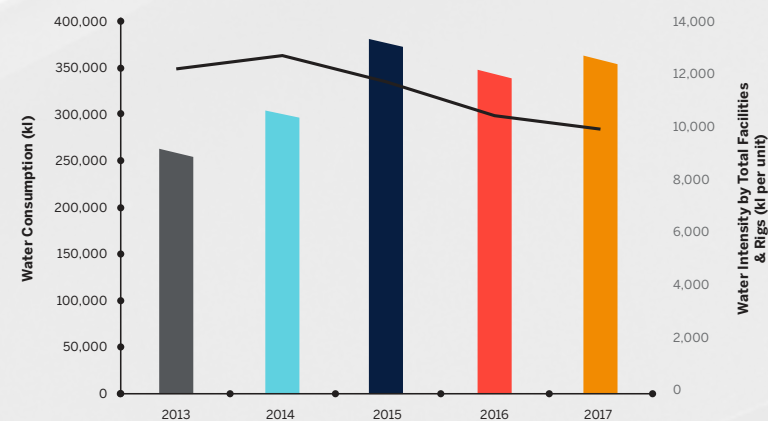
Inadequate solid waste collection, storage and disposal is hazardous to human health and harmful to the environment. This is why we launched a waste management program to establish rules for proper waste collection, storage and disposal in compliance with national regulations and international standards, as well as the requirements of the Aramco Environmental Standards.

We are committed to reducing, segregating and recycling waste, and using approved and licensed waste management contractors to responsibly manage waste generated from our activities and operations.

**WASTE GENERATION & EFFICIENCY**



**WATER USE & EFFICIENCY**



**Our HSE, Operations and Facility departments oversee and measure the effectiveness of our waste management program by:**



Capturing and reviewing data on waste generation and disposal



Monitoring our waste management disposal scheme



Performing regular internal environmental audits at all locations

**7** **30**

Conducting weekly and monthly inspections

**100%**

100% of waste oil recycled for the past 5 years

**0**

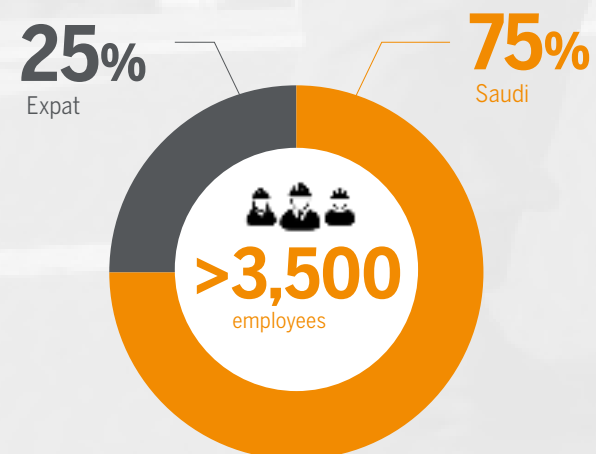
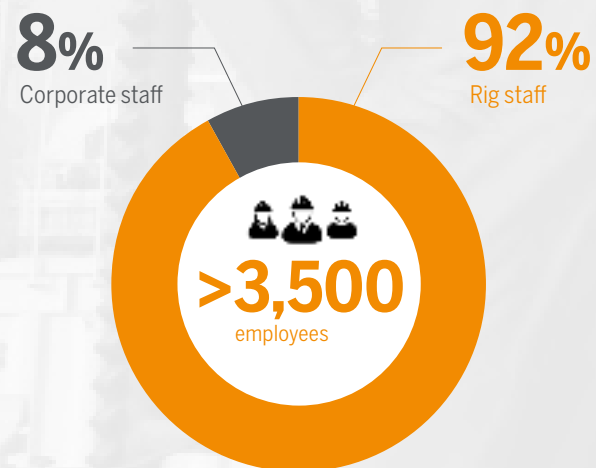
0 hazardous waste spills in the last 5 years

## EMPOWERING OUR PEOPLE

At ADC, we treasure our people-first culture. We know it to be a source of both our operational success and our advancing sustainability performance. Putting people first means building capacity in our own employees and in our communities, understanding that these investments contribute to a vibrant society, a thriving economy and an ambitious nation. As well as a valued workplace.

### OUR EMPLOYEES

Our people are truly our greatest asset. We have prioritized the development and care of our employees through industry-leading training and benefits programs, and through our commitment to continually improving service quality and safety.



### Supporting Occupational Health & Safety

We believe it is our responsibility to provide a safe environment for our people by managing occupational health and safety in our operations.

We are committed to:

- Establishing and continuously enhancing clear systems, standards and processes to support quality, health, safety and environmental (QHSE) objectives across our business
- Providing the necessary training and coaching that employees need to meet these standards and to follow processes
- Giving all employees the absolute authority to stop a job if necessary and respecting their right to do so
- Providing managers with the resources needed to support staff compliance with QHSE standards
- Dealing with any QHSE issues fairly and transparently; rewarding positive behavior and addressing problematic behavior appropriately
- Encouraging a culture of openness and continuous improvement

### Health and Safety Risks

Though we are a drilling services company, our employees drive a significant number of miles, exposing them to driving-related risks. Mechanical lifting, using cranes, forklifts and other machinery, is also widespread across our operations. And the physical work done by our rig staff – the vast majority of our workforce – involves everyday physical movement and manual lifting that has inherent risk.

We employ a robust suite of standards, training and digital tools to help prevent or mitigate our main health and safety risks:



#### DRIVING

- A 24/7 Journey Management Center (JMC) and E-Journey software
- Vehicle tracking
- “Drive SMARRT” defensive driving training



#### MECHANICAL LIFTING

- Risk-mitigating lift procedures
- An ADC Lifting Standard and body of organizational knowledge (B.O.O.K.)



#### STEPPING, HANDLING AND MANUAL LIFTING

- A Basic Injury Prevention Program
- A Rig Injury Prevention Program (RIPP) that trains junior rig crews to apply injury prevention techniques at rig sites

### Rig Risks

We also offer important training to manage serious risks associated with rig functions.



#### WELL CONTROL TRAINING

- To prevent rig blowouts and their damages



#### HYDROGEN SULFIDE TRAINING

- To understand, detect and avoid dangerous gas exposure

## Best QHSE performance of past 5 years

Automotive accidents:



Work-related injury frequency:



Major improvements in HSE adherence

### New Initiatives

We introduce new initiatives to improve our safety culture on a yearly basis. Those launched in 2017 include:



**AHSANT**, a behavior-based safety program providing hands-on training for junior crews in high-risk jobs

- Uses an “Observe, Coach, Re-Observe and Assess” process to correct at-risk behaviors
- Has proven to be a successful tool in the field, helping ADC reduce injury incidents by more than 38% in 2017, including a drastic decrease in hand and finger injuries on the rig floor



**MANAGEMENT VISITS TO RIG SITES**

- To support crews and demonstrate management commitment to employee safety

We evaluate the effectiveness of our safety program by reviewing relevant indicators on a monthly and quarterly basis with top management. And all ADC employees have access to a comprehensive QHSE reporting system to record any accidents or incidents.



### Supporting Occupational Health & Safety *(continued)*

#### Health & Wellness

In 2017, we also strengthened our health and wellness offerings for employees and their families.



• We launched the Tebtom program, which raises awareness of health risks and increases access to healthcare professionals and services for our employees and their families through:

- Regular health checkups
- A direct phone number for doctors
- Information on heat risks and how to find help
- Vaccinations
- Access to medical supplies and support
- General family health information



• We opened new on-site gyms at all locations.



• And we partnered to provide discounts for external gym memberships.

Some of our health campaigns included:

#### Breast Cancer Prevention Campaign

The ADC Human Resources department ran a Breast Cancer Prevention event to share important information with ADC family members. The event included a detailed one-hour course about breast cancer, symptoms and causes, as well as clinical breast exams by a specialist for female employees and family members.

#### Vaccination for Seasonal Flu

We also held a vaccination campaign for staff and families, providing important information about the seasonal flu, treatment and prevention. A specialist on-site administered flu vaccinations.



**Employees in our Al-Khobar and Dhahran locations were treated to an on-site Tebtom Health Lounge last year, sponsored by Tebtom and Bupa Arabia. A variety of health and wellness offerings were available, including blood sugar and blood pressure testing, vision screenings and dental checkups. A qualified nurse answered questions and provided useful healthcare information to employees.**

## SAUDI ARAMCO IKTVA EXCELLENCE AWARD



### 2017 IKTVA Excellence Award—Best in Training & Development

ADC earned the 2017 IKTVA Excellence Award for Best in Training and Development, acknowledging the company's ongoing efforts to train and develop a highly competent workforce.

This is the second consecutive year that we have won Aramco's IKTVA Excellence Award. In 2016, we were named Best in Employee Recognition.

#### Awarded by:

HRH Prince Saud bin Nayef, Amir of Eastern Province, and H.E. Khalid Al Falih, Minister of Energy, Industry, and Mineral Resources and the CEO of Saudi Aramco

### IKTVA TARGETS

Founded by Saudi Aramco, the In-Kingdom Total Value Add (IKTVA) program aims to drive value creation and maximize long-term economic growth in Saudi Arabia by increasing: the sale of local goods and services; Saudi salaries; training and development of Saudi nationals; and spending on local suppliers and manufacturers.

#### Incorporating IKTVA

We are integrating IKTVA objectives into our growth and sustainability plans while upholding our long-standing commitments to cost, quality, delivery and safety. Following through on a 2016 commitment, in 2017 we began to set specific IKTVA targets designed to contribute to long-term, tangible benefits, such as:

- Quality jobs for a growing Saudi population
- Innovation within and diversification of our industry
- Increased global competitiveness

#### ADC's IKTVA Targets



Specifically, we set targets in three critical areas:

- **Procurement of Localized Goods and Services:** 2017: 15%, 2018: 20%
- **Salaries Paid to Saudis:** 2017: 15%, 2018: 18%
- **Training and Development of Saudis:** 2017: 4%, 2018: 5%

Our Supply Chain and Contracts teams will play a critical role in supporting ADC and our stakeholders in achieving these targets, specifically in evaluating bids and drawing up agreements with our main contractors. Our HR team will play an important role in managing the salary and training and development targets.

#### Training Local Suppliers

To help meet our IKTVA goals, we participate in awareness workshops with our vendors in which we share our five-year goals and invite them to become partners in our efforts. As a result of these engagements, we have been able to work closely with suppliers to help them build their own capacity to meet our needs. We are proud to be contributing to local economic development in the Kingdom through vendor training and coaching, and we have already seen an immediate return on this investment as engagements led to new contracts with local suppliers in 2017.

## Training & Development

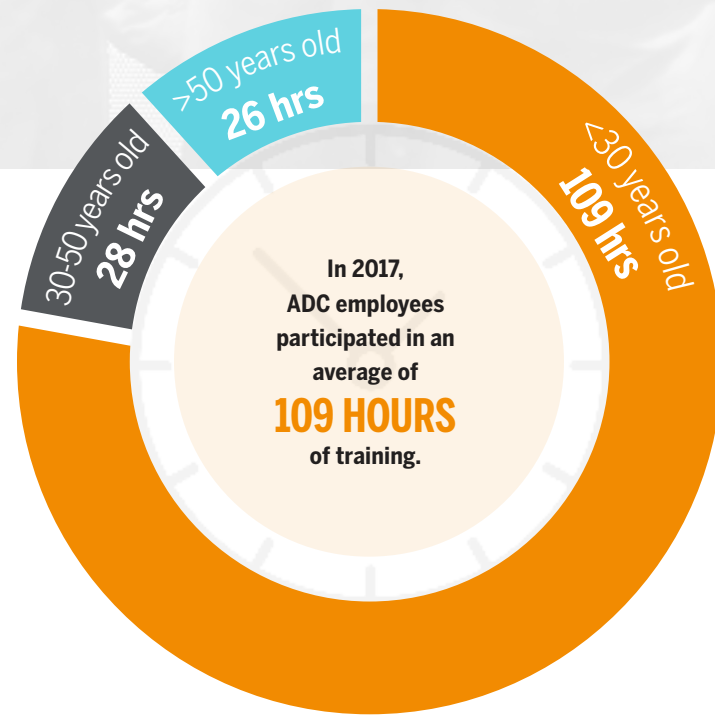
We invest heavily in the training and development of our staff to build a qualified workforce able to deliver at high standards and contribute to our culture of excellence. Our training and development programs, enhanced over decades, are an integral part of our strategy to create a pipeline of trained and highly qualified candidates to feed ADC operational and managerial needs for years to come.

### Developing Our People

Meeting customer requirements is an essential component of delivering world-class service that is safe, efficient and effective. We ensure that all crew members have the required competencies, training and certifications. Our targeted, fit-for-purpose, in-house training and development programs include:

- Structured programs aimed at developing **newly hired graduates** from universities, colleges and technical schools
- Accelerated training programs for **experienced employees**, to prepare them for senior positions
- Modular training programs to develop competencies at **each job level on the rigs**
- Technical and HSE training modules to comply with client and ADC **certification/training requirements**

### EMPLOYEE TRAINING HOURS (ANNUAL AVERAGE)



### Selected employee development and training investments include:

#### Rig Simulation Training

Our **Dhahran Training Centre (DTC)**, established in 1995 in association with Schlumberger Sedco Forex Ltd., aims to provide rig crews with all necessary and required trainings.

- Supported by 11 qualified, certified instructors with a capacity to train 70 candidates per day
- Equipped with several well control simulators and other purpose training simulators and equipment
- Supports the Saudi Aramco drilling operations and Khafji Joint Operation (KJO), and develops local Saudis as supervisors and managers

#### Leadership Training for Management

Launched in 2017, this **three-day interactive program** is designed to equip ADC managers with the right tools to properly lead their teams and inspire high performance.

- Presented in partnership with Dale Carnegie Training
- Aims to teach positive communication, collaboration, leadership, coaching and mentoring skills
- 84 ADC managers/supervisors trained in 2017; extending to field supervisors in 2018

#### Fares Career Development Program

Launched in 2017, Fares is designed to assist **support function employees** in developing the necessary skills and competencies to progress in their careers and help meet ADC's long-term staffing needs.

- Provides a structured development plan, a clear career roadmap, training requirements and revised support function titles
- Training for all functions beginning in Q1 2018

#### Project Noor

The Noor project is an investment in next-generation training that features new simulation technology, programs, processes and competency courses.

- **State-of-the-art simulators** — a DS600 cyber simulator, a DS5000 HMI Simulator and a DS20 Classroom Suite — were purchased in partnership with Drilling Systems, as part of our commitment to maintaining our position as the leading drilling contractor in Saudi Arabia and ensuring preparation for future industry challenges and opportunities.

We also recruit and sponsor trainees from across the Kingdom for enrollment in the **Saudi Arabia Drilling Academy** and **Saudi Petroleum Services Polytechnic**. Learn more on page 43.

### Managing Employment

With ADC's recent and expected continued business growth, we are managing a corresponding expansion of our workforce.

As always, we aim to recruit, hire and train Saudis, an integral part of our joint venture agreement and an important national objective. In 2017, we reached 75% Saudization, our highest level yet, with an attrition rate of less than 10% across all functions.

In 2017, ADC recruited **275 new employees**, even as the business environment presented challenges.

In 2017, ADC participated in two salary surveys (office & field), which both highlighted that ADC offers **very competitive compensation packages**.

### ADC'S EMPLOYEE BENEFITS PACKAGE

To attract and retain top talent, we offer competitive salaries and comprehensive employee benefits.

Life insurance	Attendance awards for rig staff
Healthcare programs and coverage	Offshore staff bonuses
Disability and invalidity coverage	Remote area staff bonuses
Parental leave	Seniority awards
Retirement provision	Allowances: tuition, travel, mobile, food, car and on-call
13th month salary	Cost-of-living premium bonuses
Objectives bonuses for leaders and above	Bonuses for all employees

### Bridging Generations

ADC takes great pride in the loyalty of its employees and their families. We are honored that sons, and increasingly daughters, of a number of long-time ADC employees have chosen to follow in their parents' footsteps, and pursued careers at ADC for themselves. This speaks to the people-first culture we are proud to have created at ADC, where our people have a sense of belonging that gets passed on from generation to generation.

ADC has employed **multiple generations** over the last 50 years. We are honored to be part of your families, and grateful to have you as part of ours!

### Fostering Diversity & Equality

We value diversity and promote equality among our employees. ADC taps into all reservoirs of talent in Saudi Arabia, regardless of gender or region, to recruit the best and contribute to the development of local communities across all regions of the Kingdom.

#### Regional Diversity

Historically, populations outside of Saudi Arabia's Eastern province had little exposure to the oil & gas industry, and there were high attrition rates among those who did originate from those regions.

In recent years, however, ADC has been able to increase the number of new hires from outer regions. Offering these workers the necessary training and development, in addition to attractive rotation schemes and covered travel expenses, has resulted in greater retention rates.

We also collaborate with TAQAT, which works to further sustain and develop the labor force in the Kingdom. Coordinating with TAQAT to identify candidates across all regions, our recruiting team traveled to several regions to conduct interviews and select candidates, resulting in the pre-selection of 185 candidates during 2016 for on-boarding in 2017.



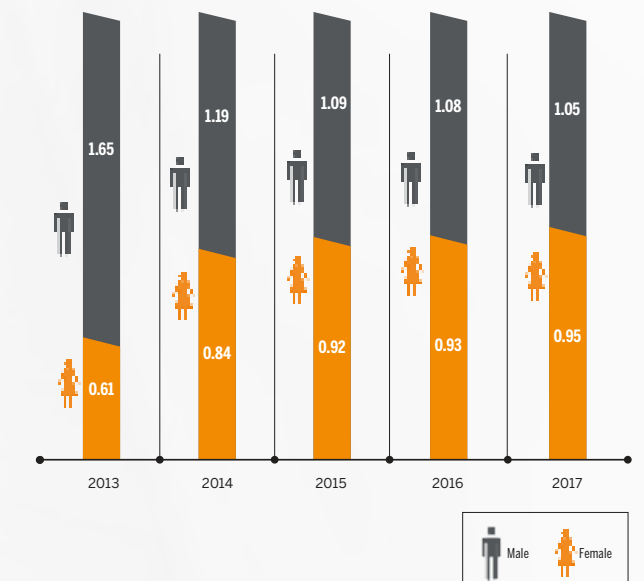
#### Gender Diversity

Due in large part to its harsh work environment, the drilling industry has always been male-dominated. The entry of women in this industry is very recent, even in Western countries.

ADC recognizes the need to recruit women, and we have begun by gradually hiring women in our office support workforce. Our HR Recruitment Policy states that ADC does not discriminate based on gender.

We have made necessary office arrangements for women to feel at ease and in accordance with the labor law requirements, and we gather feedback from women employees on their experience. Current female employees act as "ambassadors" for new recruits and hires, and we have found that women are adapting well to working at ADC.

#### AVERAGE PAY RATIO



First female team leader appointed in 2017

**21** Women working in our support functions in 2017

**>20%** Women working in our support functions by 2020 (goal)

**50%** New open positions in support functions reserved for women going forward

## SAUDI COMMUNITIES

We aim to contribute to the economic and social well-being of our fellow Saudis through local job creation, capacity building, education and charitable actions.

### Investing Locally

We engage in community investment programs as a means of promoting local sustainable development and further engaging with our stakeholders. Our Community Investment Strategy, aligned with our Policy for Sustainability & Corporate Social Responsibility, focuses on three priorities:

- Contributing to Saudi youth training and development
- Supporting vulnerable families
- Providing safety education for the public

As we implement this strategy over a three-year period (2016–2019), we are building a system that allows us to continuously improve the results we achieve for vulnerable communities. Specifically, we aim to better align funding with populations experiencing the greatest need in the Kingdom, and with programs and providers that can concretely demonstrate they are meeting those needs.



## Creating Indirect Benefits

Our business creates a range of indirect economic and social benefits for local communities.



### ECONOMIC

- Economic development and poverty reduction
  - We actively recruit and retain Saudi talent in our workforce.
  - Recent Saudi graduates can follow our career development program, which includes regular assessments, salary adjustments and promotions.
- Capacity building and employment
  - In training Saudis to work in the drilling industry, we help reduce national unemployment. We invest in training programs for Saudi nationals and run an in-house training center accredited by international authorities as well as on-the-job, long-term training programs.
  - ADC also participates in all governmental and nongovernmental programs to improve the skills of unemployed Saudis, such as TAQAT, Saudi Arabia Drilling Academy (SADA) and Saudi Petroleum Services Polytechnic (SPSP).
- Support for SMEs and the Saudi economy
  - By working to increase our spending with local suppliers and encouraging small and medium-size enterprises (SMEs) to grow and earn profits, we help to create and retain profits within Saudi Arabia.



### HEALTH & SAFETY

- Safety awareness and training
  - Safety is essential to our business. We share our knowledge of effective safety procedures through safety awareness and training programs for employees, their families, the community and subcontractors. Our Defensive Driving training, for example, helps not only our employees, but also their families and communities.
  - We share our fire safety knowledge with local schools.
- Emission reductions and groundwater protections
  - We are reducing emissions in ADC's new construction. These reductions lower costs, enhance risk and waste management, help protect groundwater and reduce toxins transported by dust or wind, which in turn enhances human health and protects the natural environment.
- Environmental management
  - We promote environmental stewardship through our well-established Environmental Management System, which also applies to our suppliers.



**SAUDI COMMUNITIES** *(continued)*

**Building Saudi Capacity**

ADC is the major player in the oil & gas drilling sector in the Kingdom and plays an active role in the regional economy. We operate in a challenging work environment for which recruiting Saudi nationals has not always been an easy task. Beginning 25 years ago, however, and with no government incentives, nor a desire of our own to win awards, we adopted a strategy of localizing our workforce. In the spirit of social responsibility, and our own business interest, we set out to attract Saudi nationals and give them an opportunity to succeed in this work environment, thus reducing our dependency on expats.

As a service provider, our business model depends on competent people. Developing Saudi talent is a key enabler of the long-term continuity of our line of business. We therefore have ambitious initiatives around recruiting, developing and retaining key Saudi talent. And we have established relationships with local universities, technical colleges and local communities to identify candidates suitable for working in the challenging drilling domain.

**SAUDI RECRUITMENT & TRAINING EFFORTS**

ADC recruits and sponsors training for non-graduate Saudi talent, and we recruit graduate Saudi talent at area universities. We also place job advertisements in domestic newspapers (*Al-Madenah, Al Riyadh, Al Waseet, Al Youm* and *Okaz*) to ensure reaching a Saudi audience.

**TAQAT**

In partnership with TAQAT, we have organized recruiting campaigns in diverse locations and pre-selected nearly 200 candidates for training since 2016.

**Saudi Petroleum Services Polytechnic (SPSP)**

Since 2016, we have sponsored more than 350 Saudi youth for a two-year training program at SPSP. The institute conducts placement testing, markets its programs, and facilitates online applications to attract high-quality Saudi talent from various regions across the Kingdom.

More than 100 sponsored SPSP graduates, trained in drilling, welding, electricity and mechanics, joined ADC in December 2017, where they will continue their training as part of our in-house development program for recent graduates. We have also hired 150 new trainees for 2018.

**Saudi Arabia Drilling Academy (SADA)**

As part of our commitment to develop the Saudi workforce, ADC continues to actively contribute to SADA by sponsoring more than 90 of our employees for an 18-month program that includes training on simulators and rigs. We invested and played a major role in the establishment of this academy, which launched in 2016, and contributed to the development of its curriculum.

**RECRUITMENT FAIRS**

We regularly participate in recruiting fairs at several universities and technical colleges across the Kingdom, including:

- King Fahd University for Petroleum and Minerals
- University College of Jubail
- Jubail Industrial and Jubail Technical Colleges
- Hafr Al-batin Community College
- Dammam Community College
- Yanbu Industrial College
- Institute of Public Administration

We also conduct recruiting campaigns, with the help of well-known charitable organizations, aimed at hiring field staff from communities in need.



**SAUDI COMMUNITIES** *(continued)*

**Helping Children & Families**

# 2017



**JANUARY**



**Philanthropic Giving**

ADC donated to the Disabled Children's Association, a nongovernmental charitable organization founded in 1403 AH, which provides support for disabled children in Saudi Arabia. The Association is one of the largest charities specialized in the care of children with disabilities in the Middle East. These initial donations provided free integrated care for young children with disabilities.

**MAY**



**Prisoner Reentry Support**

ADC donated to TRAHUM, a national charitable giving committee dedicated to social development through prisoner rehabilitation and reentry support services. TRAHUM provides care and support to prisoners and their families, and advocates for social awareness around ex-convict reentry into society.

**SEPTEMBER**



**Long-Term Partnership**

We are proud to support the Disabled Children's Association to aid disabled children and their families. Last September, we discussed the potential and means of a continuing partnership with DSA and were presented with a Certificate of Appreciation from the association.

**OCTOBER**



**DCA Sponsorship Honor**

ADC joined 70 major Saudi companies from the private sector at the King Fahd Center of the Disabled Children's Association, where we were honored as a main sponsor. We are proud to support this important organization in helping disabled Saudi youth.

**DECEMBER**



**School Safety Support**

And in December, in partnership with the Ministry of Education, we sponsored the School First Aid Kits initiative, through which we provided high-quality emergency supplies for 40 schools throughout Al-Khobar. This initiative is part of our ongoing commitment to educating the public about safety matters. We periodically send our fire and other hazard-qualified trainers to survey local school premises, provide guidance, and train school staff and students in proper firefighting and evacuation techniques.



We can't thank you enough for all the **support** you've given us.

– Disabled Children's Association

# ADDITIONAL FACTS & FIGURES

Operations					
	2013	2014	2015	2016	2017
Total Assets (million SAR)	4,290	5,115	6,126	6,061	5,885
Total Facilities + Rigs	21	24	32	32	35

Employee Headcount										
	2013		2014		2015		2016		2017	
Total Employees	2,340		3,068		3,616		3,584		3,506	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Managers and above	32	0	39	0	46	0	49	0	51	0
Under 30 years old	0	0	0	0	0	0	0	0	2	0
30-50 years old	17	0	26	0	25	0	28	0	33	0
Over 50 years old	15	0	13	0	21	0	21	0	16	0
Saudi	14	0	16	0	19	0	20	0	22	0
Non-Saudi	18	0	23	0	27	0	29	0	29	0
Non-rig Employees	276	1	341	2	362	14	204	16	273	21
Under 30 years old	8	1	24	1	30	4	24	6	37	12
30-50 years old	202	0	245	1	250	10	137	10	190	9
Over 50 years old	66	0	72	0	82	0	43	0	46	0
Saudi	175	1	207	1	221	14	130	16	160	21
Non-Saudi	101	0	134	1	141	0	74	0	113	0
Rig Employees	2,063	0	2,725	0	3,240	0	3,364	0	3,212	0
Under 30 years old	591	0	948	0	1,277	0	1,357	0	1,456	0
30-50 years old	1,213	0	1,518	0	1,693	0	1,743	0	1,553	0
Over 50 years old	259	0	259	0	270	0	264	0	203	0
Saudi	1,419	0	1,855	0	2,247	0	2,390	0	2,448	0
Non-Saudi	644	0	870	0	993	0	974	0	764	0
Employees Hired	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total	821	0	1,146	1	1,029	14	300	2	283	6
Under 30 years old	408	0	600	0	636	4	178	2	194	6
30-50 years old	382	0	509	1	333	10	92	0	72	0
Over 50 years old	31	0	37	0	60	0	30	0	17	0
Employee Turnover (includes termination, resignation, retirement, death and redundancy)	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total	277	0	419	0	493	2	449	0	436	1
Under 30 years old	132	0	260	0	274	1	219	0	153	0
30-50 years old	121	0	133	1	176	1	155	0	208	1
Over 50 years old	24	0	26	0	43	0	75	0	75	0

Training & Development										
	2013		2014		2015		2016		2017	
Average Hours of Training	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total	33.45	8.00	38.23	8.00	37.70	8.00	111.00	15.00	110.00	22.00
Under 30 years old	21.00	8.00	39.00	8.00	37.00	8.00	41.00	14.00	110.00	25.00
30-50 years old	48.00	0.00	38.00	8.00	29.00	8.00	61.00	16.00	28.00	19.00
Over 50 years old	11.00	0.00	39.00	0.00	39.00	0.00	10.00	0.00	26.00	0.00
Saudi	13.63	8.00	41.65	8.00	39.77	8.00	104.00	15.00	136.00	22.00
Non-Saudi	75.84	0.00	31.21	0.00	33.20	0.00	6.96	0.00	42.00	0.00
Percentage of Employees Who Received Regular Performance and Career Development Review	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Total	N/A	N/A	84%	0%	88%	85%	91%	75%	92%	92%
Under 30 years old	N/A	N/A	93%	0%	79%	67%	96%	44%	96%	90%
30-50 years old	N/A	N/A	80%	0%	96%	93%	89%	93%	93%	93%
Over 50 years old	N/A	N/A	76%	0%	79%	0%	72%	0%	73%	0%
Saudi	N/A	N/A	89%	0%	88%	85%	96%	75%	96%	90%
Non-Saudi	N/A	N/A	72%	0%	88%	0%	77%	0%	80%	0%

Health & Safety					
Incident Rates for Employees	2013	2014	2015	2016	2017
Injury Rate (IR)	2.71	1.84	2.13	2.51	1.54
Occupational Disease Rate (ODR)	0.43	0.17	0.46	0.15	0.00
Lost Day Rate (LDR)	0.14	0.23	0.80	0.35	0.27
Absentee Rate (AR)	0.0001	0.0002	0.0002	0.0004	0.0003
Work-Related Fatalities	0	0	0	0	0
Incident Rates for Workers (contractors, etc.)	2013	2014	2015	2016	2017
Injury Rate (IR)	0.86	0	0	0.42	0
Occupational Disease Rate (ODR)	0	0	0	0	0
Lost Day Rate (LDR)	0	0	0	0	0
Absentee Rate (AR)	0	0	0	0	0
Work-Related Fatalities	0	0	0	0	0

## ADDITIONAL FACTS & FIGURES *(continued)*

Resource Consumption					
Energy	2013	2014	2015	2016	2017
Fuel (kl of diesel)	52,322	65,192	2.13	80,315	79,239
Fuel Intensity by Total Facilities + Rigs (kl per unit)	2,492	2,716	2,479	2,510	2,264
Water	2013	2014	2015	2016	2017
Water from Municipal Utility (kl)	260,956	309,299	368,356	336,595	352,782
Water Intensity by Total Facilities + Rigs (kl per unit)	12,426	12,887	11,511	10,519	10,079
Waste	2013	2014	2015	2016	2017
Liquid Hazardous Waste (kl)	364.00	313.60	465.34	501.72	481.48
Liquid Hazardous Waste Intensity by Total Facilities + Rigs (kl per unit)	17.33	13.07	14.54	15.68	13.76
Recycled Liquid Hazardous Waste (kl)	364.00	313.60	465.34	501.72	481.48
% Recycled	100%	100%	100%	100%	100%
Solid Non-Hazardous Waste (tonnes)	231.19	163.95	486.82	1,114.63	1,084.05
Solid Non-Hazardous Waste Intensity by Total Facilities + Rigs (tonnes per unit)	11.01	6.83	15.21	34.83	30.97
Landfill (tonnes)	231.19	163.95	486.82	1,114.63	1,084.05

Supply Chain Management					
Percentage of New Suppliers Assessed	2013	2014	2015	2016	2017
Environmental Criteria	100%	100%	100%	100%	100%
Social Criteria	100%	100%	100%	100%	100%
Local Procurement	2013	2014	2015	2016	2017
Percentage of Procurement Budget Spent on Local Vendors	N/A	42%	49%	68%	72%
Supplier Satisfaction	N/A	N/A	91%	95%	Not yet available.

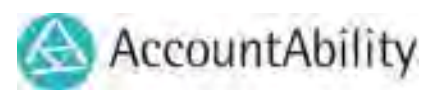
Customer Satisfaction					
Service Quality Appraisal Rating	2013	2014	2015	2016	2017
Service Quality Appraisal Rating	N/A	N/A	88%	90%	92%

## GRI INDEX

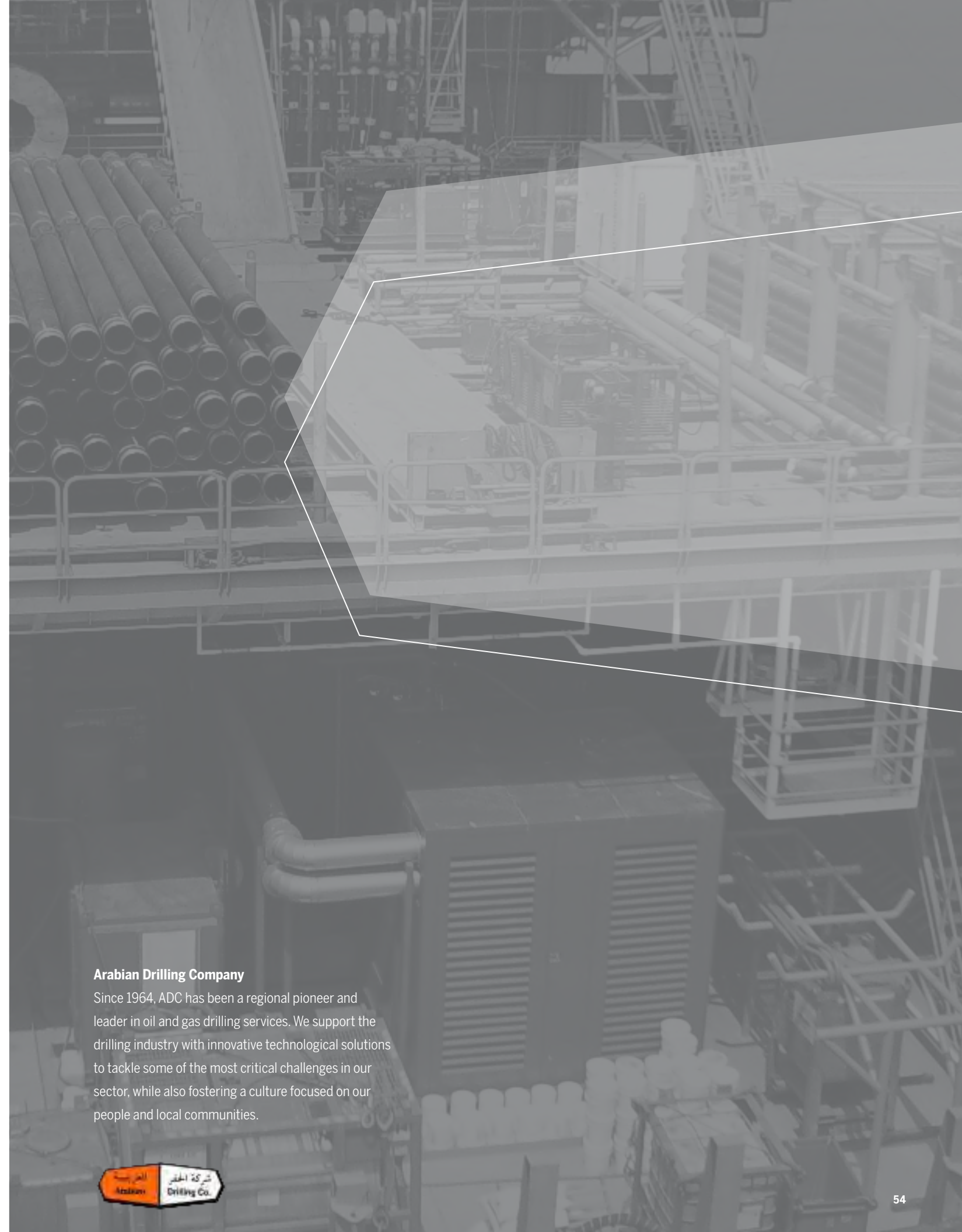
GRI Standard Disclosure Number	Disclosure Title	Information	Page Number
102-01	Name of the organization	The Arabian Drilling Company, LLC (ADC)	
102-02	Activities, brands, products, and services		3
102-03	Location of headquarters	Al-Khobar, Saudi Arabia	
102-04	Location of operations	Kingdom of Saudi Arabia (KSA) and greater Gulf Cooperation Council (GCC) region	3
102-05	Ownership and legal form	Limited Liability Partnership	15
102-06	Markets served		3, 19
102-07	Scale of the organization	Scale is expressed in terms of Assets Under Ownership, Total Facilities & Rigs and Employee Headcount, as these are standard metrics for ADC's industry.	47
102-08	Information on employees and other workers	All employee data has been tracked and compiled by ADC's Human Resources department.	47
102-09	Supply chain		25-26, 36, 49
102-10	Significant changes to the organization and its supply chain	ADC acquired a rig-moving company, called OFSAT Arabia. Changes to facilities are described on the pages indicated, with no other significant changes to the organization or its supply chain.	27-28
102-11	Precautionary Principle or approach	ADC does not formally commit to the Precautionary Principle, though the company aims to use the best available technology to mitigate environmental impact of its equipment and operations wherever possible, as soon as technologically available and provided that safety standards are met.	30
102-12	External initiatives	Vision 2030, Saudi Aramco IKTVA Excellence Award, King Khalid Foundation Responsible Competitiveness Award, ISO Standards	4, 9-10, 25, 26
102-13	Membership of associations	None	
102-14	Statement from senior decision-maker		5-6
102-16	Values, principles, standards, and norms of behavior		4-7, 13-14
102-18	Governance structure		11-13
102-40	List of stakeholder groups		15-16
102-41	Collective bargaining agreements	Not applicable for Saudi Arabia.	
102-42	Identifying and selecting stakeholders		15-16
102-43	Approach to stakeholder engagement		15-16
102-44	Key topics and concerns raised		15-16
102-45	Entities included in the consolidated financial statements	OFSAT Arabia	
102-46	Defining report content and topic Boundaries		15-17
102-47	List of material topics	High: Occupational Health & Safety, Employment, Training & Education, Indirect Economic Impact, Local Communities, Environmental Compliance, Effluents & Waste, Diversity & Equal Opportunity; Medium: Procurement Practices, Water, Energy, Supplier Environmental Assessment, Supplier Social Assessment; Low: Emissions, Customer Privacy. Disclosures for GRI Topics of High and Medium Materiality to ADC have been included in this report, in accordance with Core reporting requirements, as indicated in the GRI Index.	17
102-48	Restatements of information	Not applicable. This is ADC's first sustainability report.	
102-49	Changes in reporting	Not applicable. This is ADC's first sustainability report.	
102-50	Reporting period	1 January 2017 – 31 December 2017	3
102-51	Date of most recent report	Not applicable. This is ADC's first sustainability report.	
102-52	Reporting cycle	Annual	3

GRI Standard Disclosure Number	Disclosure Title	Information	Page Number
102-53	Contact point for questions regarding the report	Mr. Tawfeeq Ibrahim Al-Halal	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option.	3
102-55	GRI content index	GRI content is provided here.	
102-56	External assurance	This report did not undergo external assurance.	
103 (203)	Management Approach: Indirect Economic Impacts		11-17, 41-46
103 (204)	Management Approach: Procurement Practices		11-17, 22, 25, 26
103 (302)	Management Approach: Energy		11-17, 27-30
103 (303)	Management Approach: Water		11-17, 27-28, 31-32
103 (306)	Management Approach: Effluents & Waste		11-17, 31-32
103 (307)	Management Approach: Environmental Compliance		11-17, 27
103 (308)	Management Approach: Supplier Environmental Assessment		11-17, 25-26
103 (401)	Management Approach: Employment		11-17, 37-39
103 (403)	Management Approach: Occupational Health and Safety		11-17, 33-39
103 (404)	Management Approach: Training and Education		11-17, 36-38
103 (405)	Management Approach: Diversity and Equal Opportunity		11-17, 36, 39-40
103 (413)	Management Approach: Local Communities		11-17, 41-43
103 (414)	Management Approach: Supplier Social Assessment		11-17, 25-26
203-2	Significant indirect economic impacts		25, 35-36, 41-43
204-1	Proportion of spending on local suppliers	ADC defines "local" as within the Kingdom of Saudi Arabia. The topic includes all locations of operation.	25, 36, 49
302-01	Energy consumption within the organization	ADC's significant source of energy consumption is diesel fuel, which has been reported in kl. No other energy consumption type has been deemed material for disclosure.	29-30, 49
302-03	Energy intensity	Energy intensity is reported as kl of diesel fuel used per facility/rig, as this is most applicable to ADC's industry and operations.	29, 49
303-1	Water withdrawal by source	All water use data reported is sourced from municipal water supplies or other public or private water utilities.	4, 31-32, 49
306-02	Waste by type and disposal method	All waste generation and disposal data reported has been provided by clients and disposal contractors.	4, 26, 32, 49
306-03	Significant spills		32

GRI Standard Disclosure Number	Disclosure Title	Information	Page Number
307-1	Non-compliance with environmental laws and regulations	ADC has not incurred any fines or non-monetary sanctions for non-compliance with environmental laws or regulations.	27
308-1	New suppliers that were screened using environmental criteria		26-27, 42, 49
401-1	New employee hires and employee turnover	Hiring and turnover data is currently tracked by age group and gender, and will be disclosed by region in future reports.	19, 40, 47
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	This includes all ADC employees in all locations of operation.	39
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		4, 34, 48
404-1	Average hours of training per year per employee		37-38, 48
404-2	Programs for upgrading employee skills and transition assistance programs	Hard and soft skills training programs are detailed on the corresponding report pages. To help manage career endings from retirement or termination, severance pay is provided to full-time employees, and is calculated according to the years of continuous service with ADC. Pre-retirement planning is a one-month process.	37-38
404-3	Percentage of employees receiving regular performance and career development reviews		48
405-1	Diversity of governance bodies and employees		15, 33, 36, 39-40, 47
405-2	Ratio of basic salary and remuneration of women to men	Ratio of basic salary and remuneration of women to men includes corporate positions as these are the only positions currently held by women at ADC. It includes all locations of operation where women are employed by ADC.	40
413-2	Operations with significant actual and potential negative impacts on local communities	By nature of ADC's business, the operational locations of rigs are not fixed. They are either located in remote areas onshore, or are located offshore. ADC's potential negative environmental and social impacts and management initiatives for all facilities and rigs are described on the indicated pages.	21-22, 27-35, 41-42
414-1	New suppliers that were screened using social criteria		26, 49



This report was produced in consultation with AccountAbility, a global consulting and standards firm that works with business, governments and multilateral organizations to advance sustainable business practices and improve long-term performance.



#### Arabian Drilling Company

Since 1964, ADC has been a regional pioneer and leader in oil and gas drilling services. We support the drilling industry with innovative technological solutions to tackle some of the most critical challenges in our sector, while also fostering a culture focused on our people and local communities.

