

# Good Neighbours Around the World

2011 Responsible Care and Social Responsibility Report





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Methanex Corporation is the global leader in methanol supply, distribution and marketing. As a Responsible Care® company, we are committed to the safe, ethical and environmentally sound management of the chemicals we make and use according to Codes of Practice established by the Chemistry Industry Association of Canada. Our Social Responsibility policies and principles are a natural evolution of this practice and are closely aligned with the company's core values and business strategy. Wherever we do business, the well-being of our stakeholders is a key priority.



Good neighbours the world over have some things in common, regardless of their country or culture. They value integrity, trust, respect and open communication. At Methanex, these are the values that guide the way we do business. Through our commitment to Responsible Care, we have built a reputation for being a good neighbour in communities around the world.



## President's Message

As an industry leader with operations around the world, Methanex's global community is a diverse one, from our employees and the people who live in our fenceline neighbourhoods to the governments and organizations with which we do business. We strive to be a good neighbour in all the communities where we have a presence through open, proactive engagement with our stakeholders.

2011 was a turbulent year on the world stage as government and business leaders wrestled with an uncertain global economy and unstable political climates, and citizens around the world took part in movements to protest against the status quo. Methanex was not immune to this civil unrest, some of which occurred in our own communities of Damietta, Egypt, and Punta Arenas, Chile. We increased our stakeholder engagement activities in 2011, as employees listened to community concerns and worked to help alleviate regional issues.

Despite these challenges, 2011 was a very good year for Methanex and the methanol industry. It was the company's third-best year ever in earnings per share with methanol prices increasing more than 20 per cent from 2010. The high energy price environment continued to support strong demand and growth for methanol into energy applications, and Methanex made significant inroads in developing these markets. We also substantially increased our production capacity, with new plants coming on stream in Egypt and Canada.

The opening of these facilities translated into a significant increase in the number of new employees and contractors on our sites. Unfortunately, this resulted in more employee recordable injuries across the global organization compared to 2010. However, I am pleased to report that this is the third consecutive year in which we have seen improved contractor safety performance over the 2008 peak.

We are disappointed to have experienced two environmental exceedance incidents at one of our plants in 2011. Fortunately, these were not serious in that they had no measurable negative impact on the environment. On a positive note, our new facility in Egypt is one of the most energy-efficient methanol plants in the world. We continuously strive to increase the energy efficiency of our plants and marine fleet, which not only reduces costs but also minimizes carbon dioxide emissions.

Our focus on engagement last year was not lost on one of our most important stakeholder groups: our employees, whose excellent work drives our competitive advantage. In 2011, we conducted our eighth global employee engagement survey, achieving our highest participation rate ever. We look forward to integrating our employees' feedback so that Methanex can continue to be a great place to work.

Looking ahead, the horizons for Methanex and methanol are bright. Methanex is well positioned to increase our production capacity in tandem with an ever-growing demand for methanol as an alternative energy and fuel source. Additionally, new commercial developments in renewable methanol are changing perceptions of alcohol fuels in a number of markets.

In today's political climate, engagement with stakeholders has never been more important. In the following pages, you will learn more about how our dialogue with communities and commitment to Responsible Care and Social Responsibility are woven throughout our global neighbourhood.

Bruce Aitken  
President & Chief Executive Officer



### Legend

- Production Facilities
- Head Office
- Marketing and Commercial Offices
- Distribution Terminals and Storage Facilities

## About Methanex

Methanex Corporation is the world's largest supplier of methanol to major international markets in North America, Asia Pacific, Europe and Latin America.

Methanol is an essential chemical building block that is used in countless industrial and consumer products. It has also become an important alternative resource for energy-related applications, such as fuel blending into gasoline and in the production of dimethyl ether (DME) and biodiesel.

Headquartered in Vancouver, Canada, Methanex has a global network of operating facilities that enables us to meet the increasing global demand for methanol. We currently operate methanol production sites in Canada, Chile, Egypt, New Zealand and Trinidad and Tobago. We plan to further enhance our production capacity by optimizing activity at existing plants and launching new growth initiatives, such as

restarting a second plant in New Zealand and relocating one of our Chile plants to Louisiana on the United States (U.S.) Gulf Coast.

Methanex's regional marketing offices in Belgium, Chile, China, Korea, Japan, the United Arab Emirates and the U.S. ensure we are able to meet the needs of customers around the globe.

Our operations are supported by the world's largest fleet of methanol ocean tankers, which are managed by Waterfront Shipping Limited, a wholly owned subsidiary of Methanex. These ships support an unparalleled global methanol supply chain that provides reliability and security of timely supply to customers.

Methanex also has distribution terminals and storage facilities strategically located throughout the world, with key distribution hubs on the U.S. Gulf Coast as well as in Northwest Europe, Korea, and East and South China.



In 2011 we increased our production capacity through the start-up of a new methanol plant in Damietta, Egypt (top) and the restart of a plant in Medicine Hat, Canada (bottom).



## About Methanol

Methanol ( $\text{CH}_3\text{OH}$ ) is a clear, colourless liquid petrochemical, also known as methyl alcohol or wood alcohol. Methanol is an essential building block for countless chemical components found in industrial applications and everyday home products. It is also used in the energy sector as a clean-burning and biodegradable fuel to power vehicles and heat homes.

Methanol can be produced from a variety of sources, including conventional energy sources such as natural gas and coal, as well as renewable sources such as municipal waste, landfill gas, biomass and recycled  $\text{CO}_2$ .

### How is methanol made?

Methanol is four parts hydrogen, one part oxygen and one part carbon. It is most commonly produced on an industrial scale by reforming natural gas with steam and then putting the resulting synthesized gas mixture through conversion and distillation processes to create pure methanol. The result is a clear, liquid, organic chemical that is water soluble and readily biodegradable.

### Methanol uses

Methanol is used to produce hundreds of industrial and consumer items. Methanex sells its product to many of the world's leading chemical manufacturers, who then transform methanol into other industrial chemicals. These, in turn, are used in a wide range of items, including plastics, paints,

building materials, CDs and DVDs, and various health and pharmaceutical products.

In 2011, the fastest-growing use of methanol was in the production of olefins, which are used to produce polymers, plastics and rubber. Olefins are manufactured primarily using petroleum-based products, such as naphtha. However, with oil price increases resulting in higher oil-refined product prices, olefin producers, particularly in China, are turning to methanol as a more cost-effective alternative.

### Methanol in energy applications

The global demand for energy continues to grow, as does the demand for methanol as an alternative energy and fuel source. Approximately one-third of global methanol production is used for energy-related applications. As a clean-burning fuel, methanol can be blended directly into gasoline to produce a high octane and efficient fuel with lower greenhouse gas emissions than conventional gasoline.

China currently leads the world in the use of methanol as a transportation fuel. This market has grown rapidly in recent years, and methanol now accounts for more than five per cent of the total Chinese gasoline fuel pool. Given the rising popularity of these fuels, leading Chinese automakers are working to commercialize methanol-compatible vehicles within the next few years. China has also started producing synthetic gasoline using methanol as a feedstock.

In addition, other countries, such as Trinidad and Tobago, the Netherlands, Pakistan, Korea, the United Kingdom and Iceland, are beginning to study and test or even use methanol in some way as a transportation fuel.



Methanol is also used to produce DME, a clean-burning fuel that has similar properties to propane. DME is increasingly used for cooking and heating in homes in developing countries, and it is also a direct fuel replacement for diesel.

Finally, methanol is a key component in the production of biodiesel, a renewable fuel that can be blended with conventional diesel or used on its own to power cars, trucks, buses and farm equipment.

#### Future horizons for methanol

The world depends almost entirely on crude oil that is then refined into gasoline and diesel to meet our increasing need for transportation fuel. Concerns over the supply and rising price of crude oil are leading many countries to seek alternative energy sources to meet the requirements of growing populations with ever-increasing demands for energy.

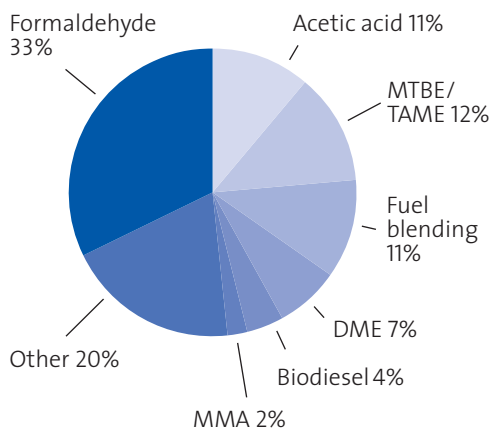
Alcohol-based fuels, such as methanol, are an attractive alternative that can provide fuel diversity and increase consumer choice. Methanol is most often produced commercially from natural gas feedstock. The price of natural gas in North America has been trending downwards over the past few years as new sources of gas are discovered. The impact of shale gas development has created today's low price natural gas environment in North America and a competitive environment to produce methanol. This is helping to make methanol an economic and affordable fuel option, one of the few liquid options that is lower cost than gasoline or diesel.

As a transportation fuel, methanol can be more readily incorporated into existing infrastructure and current car designs compared to other alternative fuels, such as hydrogen. Methanol blended into gasoline is more energy efficient and environmentally friendly than gasoline on its own. Biodegradable and water soluble, the methanol that is used in vehicles produces considerably fewer toxic emissions than gasoline.

We are working with numerous organizations to support their efforts to develop methanol as an alternative fuel. For example, we are partnering with Lotus Engineering, manufacturer of the high-performance Lotus cars, to prove the use of methanol as a vehicle fuel. This includes a methanol fuel blend program to test flex-fuel vehicles (originally designed to run on ethanol) using a varying blend of methanol, ethanol and gasoline. Lotus has also developed a tri-fuel vehicle that can run on gasoline, ethanol or methanol and, when operating on methanol, produces about 50 more horsepower than gasoline alone. In addition to producing fewer harmful emissions, these vehicles are at least five per cent more efficient than regular gasoline-powered vehicles.

Methanol is also a promising alternative fuel for ships. New environmental regulations require ships to decrease emissions, and the search is on for a cleaner shipping fuel. Methanex is working on the SPIRETH demonstration project with industry partners in the Nordic region to use methanol and DME as a marine fuel. The SPIRETH project takes its name from the fuels being used: spirits (methanol) and ethers (DME). In 2011, we worked with partners to complete the lab testing and pilot stage of the project, as well as the detailed planning to demonstrate the new technology on a ferry that travels between Sweden

**2011 Global Demand by Application and Derivative**





Top: Methanex is collaborating with Carbon Recycling International, an Icelandic company that is producing bio-methanol.

Left: Methanol is showing potential as an alternative fuel for ships.

and Denmark. In January 2012, we signed an agreement with our partners and government sponsors to proceed with a ferry demonstration as well as some lab testing on the engine of a methanol-fuelled ship based in Vaasa, Finland.

Years of use as a chemical and as a transportation fuel demonstrate that, when handled safely, methanol can be transported, distributed and stored securely. Like all transportation fuels, methanol requires safe-handling procedures; see our Marketplace section on pages 36–39 for more information about our product stewardship practices.

#### Bio-methanol: Producing methanol from renewable sources

In an effort to reduce their dependency on conventional fuels, governments across the world are supporting markets and initiatives for alternative and renewable fuels. Methanol is a viable and economic alternative fuel and, when produced from waste or renewable sources, it provides an important step towards broader acceptance of alcohol-based fuels.

Methanex is participating in many exciting initiatives worldwide to produce methanol from renewable energy sources. In the Netherlands, BioMCN is producing methanol from glycerine, a byproduct of biodiesel manufacturing. This is the largest second-generation biofuels plant in the world. Methanex has partnered with BioMCN to promote and market bio-methanol, which has identical performance and fuel characteristics as the natural gas-based methanol produced by Methanex.

In Iceland, we are collaborating with Carbon Recycling International (CRI), a methanol producer that is using water, waste CO<sub>2</sub> and electricity generated from a neighbouring geothermal power plant to produce methanol. CRI's process

results in an ultra low carbon fuel that is cost competitive with other forms of renewable fuel. In November 2011, the first fuel retail station began selling methanol-gasoline blends in Reykjavik, and gasoline containing three per cent renewable methanol (M3) is now being used in unmodified passenger cars by the general public.

In Canada, Methanex has entered into an off-take agreement with Enerkem, a company that converts abundantly available municipal solid waste (such as mixed textiles, plastics, fibres, wood and other non-recyclable waste materials) into chemical-grade synthesis gas, and then into bio-methanol, ethanol and other chemical intermediates. By using waste instead of fossil fuels, Enerkem addresses the growing demand for renewable energy sources and chemicals, while reducing landfill volumes and greenhouse gas emissions.

#### Outlook for methanol

The outlook for the global methanol industry has rarely looked as positive as it does today. Robust demand for energy applications and olefins production is significantly increasing demand for methanol, and limited new supply is expected to enter the market. As governments, corporations and consumers increasingly seek alternatives to conventional fuels and fuel sources, methanol will continue to be valued as a clean-burning and affordable alternative energy option.



## Governance

Sound corporate governance is the foundation of our long-term success and the sustainability of our operations. Our corporate governance policies ensure that all business decisions and practices are grounded in the highest values of accountability, ethical behaviour and Responsible Care.

Methanex's Responsible Care and Social Responsibility (RC/SR) policies and programs are based on the Chemistry Industry Association of Canada's (CIAC) Principles for Sustainability and RC Codes of Practice. As a signatory to the CIAC Principles for Sustainability, we dedicate ourselves, our technology and our business practices to sustainability and the betterment of society, the environment and the economy.

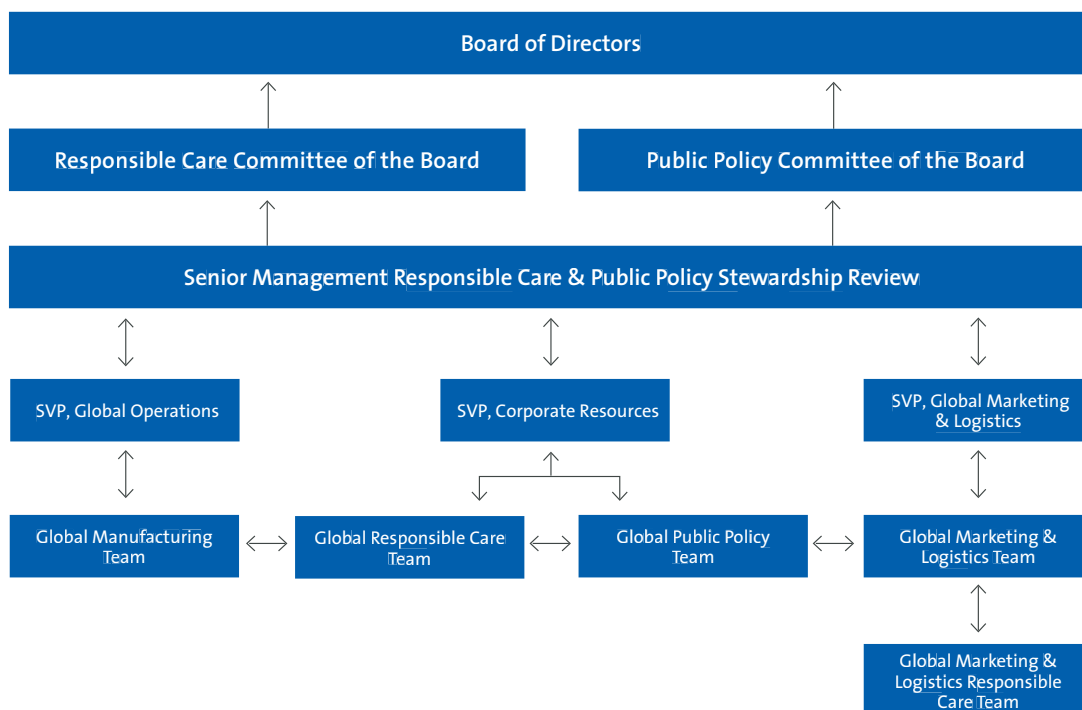
In mid-2010, CIAC released its new RC Codes of Practice, which reflect the increasing expectations of government, member companies and other stakeholders. In 2011, we reviewed our existing global and regional systems against the new RC Code requirements and then took action to close any identified

gaps between the two. These Codes were used during our 2011 CIAC-sponsored third-party verification assessment that we participate in every three years. The assessment team's report, which will be available in the first quarter of 2012, will provide further guidance on opportunities for improvement.

### Management and direction

Our RC/SR practices are established by our Board of Directors and Executive Leadership Team. The Board's Responsible Care Committee oversees RC program performance and issues at the policy level, while the Public Policy Committee focuses on our company's SR program. The two committees consider ethics, accountability, governance, business relationships, product stewardship, community involvement and the protection of people and the environment. The Senior Vice President of Corporate Resources has overall responsibility for Methanex's RC/SR policies and programs, ensuring that they align with the Board's requirements and the company's business strategy. These programs are directed and managed by the Director of Responsible Care and the Director of Government and Public Affairs, who lead the Global Responsible Care Team and the Global Public Policy Team, respectively.

### Responsible Care & Social Responsibility Governance Structure



### Management cycle drives continuous improvement

Methanex's RC/SR program is managed through a "Plan, Do, Check, Act" cycle, both corporate-wide through global teams and on a regional basis through local management. This management cycle is constantly evolving and contributing to the ongoing improvement of our RC/SR program on both a global and local level.

**PLAN:** In the planning stage of the cycle, we align company goals with CIAC RC Principles for Sustainability and Codes of Practice, and then develop detailed annual tactical plans and actions. These actions are assigned to individuals who are accountable for their successful completion. We developed an RC strategy and tactical plan for 2011 and 2012 at a strategic planning session in September 2010; we then adjusted the plan in late 2011 to ensure its continued alignment with company goals. This plan was subsequently endorsed by the company's senior management and Board of Directors.

**DO:** In the "do" stage of the cycle, employees and teams carry out their assigned actions from the global and regional tactical plans.

**CHECK:** During the "check" stage, our internal and third-party external verification and assessment programs evaluate the performance of the RC/SR management system both regionally and globally. The internal program includes ongoing, in-region self-audits as well as a global audit conducted by Methanex subject matter experts every three years. Third-party verification of the performance of Methanex's RC/SR program occurs every three years through the CIAC RC verification process.

**ACT:** Finally, during the "act" stage, we take action on the opportunities for improvement identified in the "check" stage of the cycle, either by developing them into actions for immediate attention or including them in the "plan" stage of the management cycle.

### Global Teams

The overall "Plan, Do, Check, Act" cycle is maintained by an internal reporting chain, whereby the function manager reports to a member of senior management who then reports to the Board's Responsible Care and Public Policy committees.

**GLOBAL MANUFACTURING TEAM:** Members include senior leadership from our manufacturing plants, with subject matter experts from Human Resources, Risk Management and Responsible Care providing subject matter expertise. The team's primary goal is to promote the world-class operation of Methanex's manufacturing plants and adherence to RC principles.

**GLOBAL RESPONSIBLE CARE TEAM:** Members consist of senior RC representatives from Responsible Care, Operations, Marketing & Logistics, Risk Management and Government and Public Affairs. The members are a collective resource on RC principles, practices and strategy.

**GLOBAL PUBLIC POLICY TEAM:** Members are drawn from senior regional Public Affairs leadership as well as from Government & Public Affairs, Responsible Care, Investor Relations and Marketing & Logistics. The team guides Methanex's global Government Relations, SR and Public Affairs strategy.

**GLOBAL MARKETING & LOGISTICS TEAM:** Members include senior leadership from each of the company's Marketing & Logistics regions. The team is responsible for delivering customer value, providing efficient logistics services and overseeing adherence to RC ethics, principles and environmental excellence in all of the company's Marketing & Logistics regions.

**GLOBAL MARKETING & LOGISTICS RESPONSIBLE CARE TEAM:** Members include RC practitioners from each Marketing & Logistics region as well as the corporate office. The team develops and manages the annual RC plan for Marketing & Logistics.

## Building a foundation of respect with our stakeholders

Stakeholder engagement is founded on respect. This means working alongside our neighbours in the communities where we operate to better understand the social, environmental and economic issues that matter to them the most.

The way we communicate and collaborate with our stakeholders is guided by the CIAC's Codes of Practice, which define expectations for a company's actions related to the principles of accountability. Methanex's Responsible Care policy commits the company to recognize and respond to community concerns about the manufacture, storage, handling, transportation and disposal of our products and promptly provide information concerning any potential health or environmental hazard to the appropriate authorities, employees and all stakeholders.

Our Social Responsibility policy further commits us to have an open, honest, proactive relationship in the communities where we have a significant presence; to be accountable and responsive to the public; to have effective processes to identify and respond to community concerns; and to inform the community of risks associated with our operations.

Some of the ways in which we consult and communicate with our stakeholders include customer surveys, investor surveys, product stewardship outreach efforts, public policy engagement initiatives, community advisory panel relations and reputation audits.

### Addressing stakeholder concerns in 2011

This past year was marked by significant civil and political unrest as citizens around the world voiced their frustration and dissatisfaction with governments and the status quo. Methanex experienced this first-hand when unrest occurred in our communities of Damietta, Egypt, and Punta Arenas, Chile.

Over the course of the year, the sweeping political change unfolding in Egypt resulted in ongoing demonstrations across that country. In mid-November, during the elections, protesters in Damietta, the site of our Egypt production facility, voiced concerns over the environmental impacts of the area's industrial activity. Although we were not the focus of the protests, we ultimately made the decision to temporarily suspend our operations in Egypt in order to protect the safety of our employees. The plant was restarted in early December and since that time has been operating at high rates.

This event underlines the importance of building and maintaining a positive, trusting and sustainable relationship between ourselves and our community neighbours. In late 2011 and early 2012, we launched several initiatives to enhance our relationships with the community in Damietta to help support our social licence to operate. (See the Community section on page 12 and the Environment section story on page 33 for more information on these initiatives.)

The natural gas situation in southern Chile has also created many challenges. After the state-owned energy company ENAP increased natural gas prices in the region by 17 per cent in early 2011, citizens in Punta Arenas participated in a large demonstration that led to the resignation of regional and national government officials. The protests also affected Methanex, as the company is the biggest consumer of natural gas in the region.

We have been working with different stakeholders over the year to share information and reinforce that Methanex is committed to being part of the solution to the regional energy challenge. Methanex has made significant investments to support natural gas exploration in southern Chile. The company is also contributing to the diversification of the regional energy matrix through its development of wind energy and study of coal gasification.

Please see the Community section of this report to learn more about our community outreach efforts in Egypt, Chile and other regions in 2011.

### Building our relationships with governments

As a global corporation, Methanex aims to build open lines of communication with governments and, to that end, we advocate to regulatory and legislative entities in the regions where we do business. We promote a broad and inclusive energy policy and advocate for legislation that would include methanol as a clean-burning alternative transportation fuel. We also encourage policy-makers to include options for incorporating methanol produced from renewable energy sources in the fuel pool.

Our advocacy initiatives focus on environmental and greenhouse gas policies, health and safety regulations, international trade and taxation issues. For example, Methanex continues to work with the U.S. Environmental Protection Agency via trade associations, as the organization evaluates the human health

effects of methanol as part of a standard review of chemicals under its Integrated Risk Information System.

Our advocacy to government officials in the U.S. and in Chile in 2011 also focused on laying the groundwork for a possible relocation of a plant from Chile to Louisiana.

In Canada, we worked closely throughout 2011 with the Government of Alberta to ensure our compliance with environmental and greenhouse gas regulations as we restarted our Medicine Hat plant.

In New Zealand, our advocacy to government officials focused on promoting methanol as a transportation fuel and on the economic benefits for the country that will result from the restart of our Motunui #1 plant.

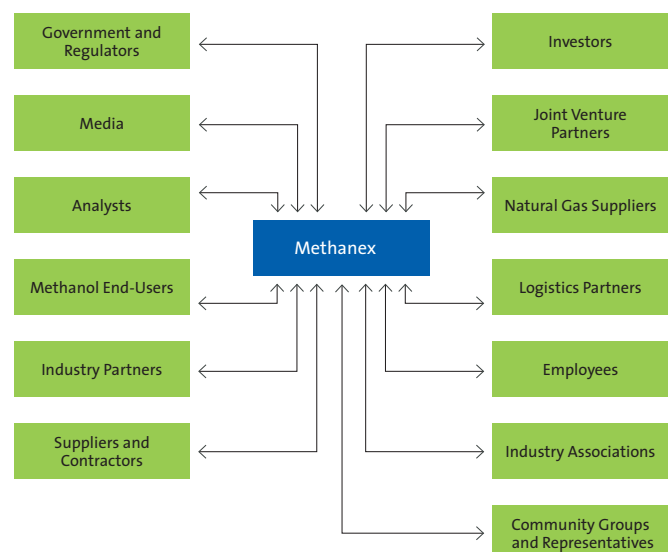
In Egypt, we ensured that government authorities were kept updated on our activities and that Methanex received all the information necessary to ensure the safety and well-being of our employees.

In all of our government outreach activities, Methanex Government Relations professionals abide by Methanex's Code of Business Conduct. This includes ensuring that our government advocacy efforts respect the legal framework of the regions where we operate. In Canada, for example, we abide by the *Lobbyists Registration Act* and the *Lobbyists' Code of Conduct*.

### Code of Business Conduct

Methanex's Code of Business Conduct outlines our expectations for the honest and ethical behaviour of all employees and directors while conducting company business. A confidential toll-free hotline is available for all employees to report any suspected code violations.

### Methanex's Stakeholders











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## ABOUT THIS REPORT

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Community



Workplace



Environment



Marketplace



Economic  
Performance

# Open communication makes good neighbours.

As part of our commitment to Responsible Care and Social Responsibility, we have been reporting annually to the public about our global activities in these areas since 1997.

The 2011 Responsible Care and Social Responsibility Report covers the period of January 1 to December 31, 2011, and focuses on our performance and impact in five key areas: community, workplace, environment, marketplace and economic performance.

Our reporting approach includes qualitative examples that highlight our activities in specific performance areas as well as quantitative measures called key performance indicators (KPIs). These KPIs measure the effectiveness of our policies, procedures and

systems. They also recognize trends and help us identify issues that require further action.

Performance measurement, data collection and analysis are carried out following the requirements of accepted global standards and best practices. Each region carries out quality checks of data before the information is forwarded to our corporate office for compilation in this report. Corporate office staff does its own quality checks to ensure the accuracy of the compiled figures.



## COMMUNITY

### **Good neighbours support one another.**

We strive to be a respected and valued corporate citizen by creating positive and sustainable impacts in the communities where we operate. This requires open dialogue and communication so that we can work alongside stakeholders to understand each community's specific needs.

#### **Meaningful engagement at the community level**

Our Responsible Care and Social Responsibility (RC/SR) policies define our goals and actions in support of:

- building open, honest, proactive relationships in the communities where we have a significant presence;
- being accountable and responsive to the public;
- maintaining effective processes to identify and respond to community concerns; and
- informing the community of any risks associated with our operations.

#### **Creating opportunities for meaningful dialogue**

Dialogue based on respect defines how we engage with our community neighbours. Our local Community Advisory Panels

(CAPs), which are established at our manufacturing locations, help facilitate communication between Methanex and fence-line communities. Composed of a cross-section of independent community representatives, CAPs provide an effective forum for frank communication. Both Methanex and stakeholder representatives benefit from learning about the community's key priorities and concerns, and we can then work together to collaborate and implement solutions.

In 2011, we started production at our site in Damietta, Egypt. As described in the Governance section of this report, the political revolution that swept Egypt was accompanied by regional protests in Damietta and other communities over concerns about local issues, including the environment. We are committed to responding to community concerns (please see



the environmental story on page 33) and are currently engaged in a number of community outreach efforts. Our goal is to build a bridge between us and the community, helping us establish respectful and collaborative working relationships with local stakeholders.

This past year we also successfully restarted our Medicine Hat plant in Alberta, Canada and are in the process of recruiting for our local CAP. Our CAP in Trinidad welcomed five new members in 2011, and in Chile, our CAP played an important role in our community dialogue process to strengthen our reputation within the local community.

Throughout the year, CAP members in Chile, New Zealand and Trinidad all played significant roles in supporting the third-party

CIAC Responsible Care verification process. At each site, a CAP member participated on the CIAC team; other CAP members were also available to provide feedback to the third-party auditors during the days they visited their respective site. See the Governance section on page 7 for more information about the RC verification process.

#### **Reaching out to communities**

In addition to reaching out to communities through our CAPs, we also engage with our community neighbours in other ways, responding to emerging issues or proactively laying the groundwork for stronger relationships.

As discussed in the Governance section, in January 2011 the people of Punta Arenas, Chile, faced a gas price increase



of 17 per cent, creating numerous challenges. As the largest consumer of natural gas in the region, Methanex came under scrutiny.

Methanex is deeply committed to being part of the energy solution for the region and has significantly invested in gas exploration efforts in southern Chile. Six international companies, in addition to ENAP, the state-owned oil and gas company, are presently exploring for natural gas in the region to satisfy Methanex's demand. If successful, this new gas supply will ultimately benefit the community. Methanex has taken a proactive role on the issue, including building a wind farm that provides a source of renewable energy for the area and supporting energy conservation programs in the region. The company is also exploring the feasibility of a coal gasification project to utilize the abundance of coal in the region.

In 2011, we met with Magallanes community members to share information about our community advocacy efforts and to strengthen relations with a wider group of stakeholders. Discussions were aimed at finding areas of common ground and working together to address the energy issue. As a large industrial employer, Methanex also brings economic prosperity to the region. In 2011, we met with community leaders, government officials and small business representatives to explore additional opportunities for small business development. (Please see the story on the next page for more details.)

We also adopt an open-door policy that encourages our neighbouring communities to learn more about us and the methanol industry. In New Zealand, close to 300 people visited our manufacturing facility on guided tours of our plant site, and nearly 2,500 visitors stopped at our Visitor Centre in 2011. In addition, we conducted an external survey of our neighbours to obtain

feedback on our communications with them and the topics they want to know more about. Results indicate that our SR and safety initiatives are very important to our local neighbours and we will continue to make those topics a high priority in our local outreach efforts.

For more information about our community outreach efforts across our regions, please see the Community Spotlight sections on the following pages.

### Investing in communities

We make ongoing investments of money and time to support healthy communities that are great places to live and work. Employee-run SR Committees at our global locations identify and develop community investment strategies that are aligned with business objectives and reflect the specific needs of each community.

Our SR investments target the following areas:

- partnering with employees through a matching grants program to encourage employee volunteerism and contributions to community fundraising initiatives;
- providing financial assistance for local community health, safety and environmental initiatives related to RC; and
- supporting regional educational development through education projects and scholarship programs.

Our community investments include financial contributions and in-kind gifts as well as countless hours of volunteer time that our employees generously donate to local community projects. See the tables on page 21 for a breakdown of investments by our SR focus areas.

## What Others Say



"When you ask about a company's corporate responsibility, actions speak louder than words. Methanex has done a lot to build the quality of life in Punta Arenas, supporting community events, business training and development, and environmental education in schools.

Methanex works closely with its Community Advisory Panel to learn what's important to the community and to identify opportunities where it can make a difference. The company also strives to keep residents and regional authorities informed about its activities and to respond to community concerns.

Methanex embraces Responsible Care in many ways, which is exemplified in its respectful conduct towards staff, the community and the environment."

**Iván Nikovic**  
Member, Methanex Chile Community Advisory Panel (CAP)

Iván Nikovic is an independent farmer and businessman in Punta Arenas. A long-standing CAP member, he participated in the company's 2011 RC verification.



## REGIONAL HIGHLIGHTS

### Chile Community Spotlight: Working with Stakeholders to Find Solutions

For the last 25 years, Methanex Chile has played an important socio-economic role in the Region of Magallanes, working closely with key stakeholders to strengthen local businesses, address regional concerns and respond to community needs. The company has a strong tradition of SR and giving back to the community, which is reflected in its range of education, business and charitable initiatives.

2011 was a very challenging time in Magallanes, as businesses and local residents grappled with energy shortages. Methanex is committed to help solve the regional energy problem. As part of its SR strategy, the company focused on strengthening its engagement with community leaders, local authorities and small business entrepreneurs through collaborative development ventures and employee-driven volunteer projects to support solutions to the energy challenge.

#### Supporting small businesses for future growth

Methanex has long been a strong supporter of regional business development, and throughout 2011 was involved in myriad initiatives to support economic development, both on a large scale and for small businesses closer to home. For example, in July, Methanex joined other regional industry leaders to sponsor and participate in a regional conference devoted to hydrocarbon exploration and the potential business opportunities for small entrepreneurs. More than 150 people attended the one-day event.

Methanex also participated in a conference about regional gas exploration that was held in San Gregorio, a small community around which there is currently a good deal of exploration. Delegates discussed the challenges and progress to date around sourcing new gas as well as the many new opportunities for small businesses as a result of Methanex's and other companies' exploration activity.

In August, the company invited a group of 70 small business representatives to visit our Cabo Negro site. As participants toured the facility, they gained a better understanding of our business and our efforts to find alternative sources of energy and gas supply. The visit was well received and many of these local entrepreneurs expressed interest in doing business with Methanex.

Looking ahead, Methanex will continue to focus on activities that strengthen its relationship with, and benefit, this important stakeholder group, such as training and new collaborative business opportunities.



Methanex Chile hosted an exhibit at a regional business conference to share information about its business procedures and opportunities for local entrepreneurs.

#### Supporting community through volunteerism

One of the most significant charitable initiatives in the Region of Magallanes is *Jornadas Magallánicas*, a regional telethon to raise funds for people with special needs. The funds support three rehabilitation centres that provide medical treatment and rehabilitation services for children and adults.

This event is very close to employees' hearts, and Methanex has enthusiastically supported the initiative for many years. 2011 was no exception: in addition to successful fundraising projects organized by the company's SR committees in Punta Arenas and Santiago, employees and contractors also co-ordinated smaller events to collect monies for the cause, such as lunches and friendly games.

As part of Methanex's SR policy, the company matches funds raised by employees for charitable initiatives. In 2011, the company donated more than US\$55,000 to *Jornadas Magallánicas*, the largest corporate contribution in the region.

#### Supporting energy efficiency through education

In addition to supporting large energy-efficiency efforts in the region, Methanex aims to demonstrate in a tangible way that conservation is possible on a local level.

In 2009, the company signed a co-operative agreement with the Contardi School in Punta Arenas to support two complementary initiatives: the school's environmental certification process, a national program for which organizations must meet specific sustainability criteria; and the development of an environmental

education program for students. Contardi is a public school located in one of the region's poorest neighbourhoods and serves approximately 1,500 students.

The two-year program, the first of its kind in Magallanes, incorporates environmental education into the school curriculum, enabling students to learn about conservation from kindergarten to high school. Students engage in various energy-efficiency activities, from awareness campaigns to measuring energy consumption levels in the school and in their homes.

Now that the project is nearing completion, its success is evident. Students have embraced energy

efficiency, becoming informal ambassadors for better conservation practices. Methanex employees have devoted much time to the project, helping with infrastructure improvements and providing ongoing support to students.

In December 2011, the Contardi School was one of eight organizations honoured with the Ministry of Energy's national Energy Efficiency Award.

Methanex plans to work with regional educational and environmental authorities to ensure that the lessons learned through this project can be shared with other schools.



Above left: Local contractor Electrival has worked for many years with Methanex in the Region of Magallanes.

Above right: Methanex regularly shares its RC practices with small business contractors in Chile's Magallanes Region.

Right: Methanex Chile is one of the longest and most enthusiastic supporters of *Jornadas Magallánicas*, a major regional charitable initiative.



## What Others Say



"Methanex is a company that builds trust and shares its high international standards and learnings with our community. The company has left an important legacy for small regional entrepreneurs in Punta Arenas, helping us develop safety practices that comply with international standards and improve our businesses.

As a businesswoman for more than 30 years, I recognize the contribution Methanex has made in generating a strong culture of Responsible Care in Magallanes, one in which self-care and people's safety are the responsibility of each and every one of us."

**Teresa Celedón Aguila**  
Manager  
Empresa Electrival

Empresa Electrival is one of Methanex's contractors at our Cabo Negro Site. Methanex supports small and medium-sized entrepreneurs in the Region of Magallanes through training and Responsible Care workshops. This support not only increases their knowledge, but can also stimulate additional job opportunities.

## Trinidad Community Spotlight: Strengthening Communities through Outreach

Using Methanex's SR pillars of education, RC and Partnership with Employees as its foundation, Methanex Trinidad built its 2011 outreach program on the needs of its fenceline communities. The organization supported a number of volunteer and community activities, spanning health and environmental care programs, literacy initiatives and conservation projects.

### Bringing safety closer to home

Emergency preparedness continues to be an issue of concern to local residents, given Trinidad and Tobago's island geography. In October, 100 residents drawn from Methanex's fenceline communities in the Couva, Trinidad region successfully completed a one-day workshop in First Aid and CPR techniques. The course equips participants with skills to assist in medical emergencies at home and in the workplace.

The workshop was facilitated by a TTD\$50,000 (US\$7,800) donation from Methanex to its CAP as part of the company's fifth anniversary celebrations. The CAP selected the First Aid/CPR program because of an expressed need in the community for training in emergency response. The program also provides knowledge that enhances residents' skill sets, thereby increasing their opportunities for future employment.

Coached by instructors from the Trinidad and Tobago Emergency and Safety Training Consultancy, participants learned and practiced the most up-to-date First Aid and CPR procedures, based on the U.S. National Safety Council's certified safety training course. Participating residents, who ranged from policemen and teachers to government employees and homemakers, all had high praise for the program, citing its informative value and practical application in a variety of settings.

### Powering safer roads

The promotion of safety was a key factor in Methanex's continued partnership with international drag race champion Sheldon Bissessar. For a second year, Methanex has helped to fuel the success of the Trinidad and Tobago national, signing on as the main sponsor of his 2011/2012 season.

Bissessar and Methanex share many of the same values, particularly with regard to safe methanol handling practices and road safety. For the past five out of his 22 years on the international drag racing circuit, Bissessar has used 100 per cent pure methanol to power his 5,000 horsepower engine. His many wins, accolades and three world records attest to methanol's efficacy as a clean and potent high octane fuel.

Methanex is currently conducting a local methanol fuel blending feasibility study to test the effectiveness of methanol in fuel blending. Given Trinidad and Tobago's status as the global export leader in methanol, fuel blending would not only give the country a potential economic advantage, but would also give residents an effective and cleaner-burning alternative to traditional gasoline.

Bissessar is also a strong promoter of safe methanol handling practices, which aligns with Methanex's commitment to RC. He and his crew were already seasoned practitioners of safe handling measures when they joined forces with Methanex and have since made a number of improvements to their safe handling and storage practices, based on recommendations from the company's Responsible Care team. The local hero, who makes his home in one of Methanex's fenceline communities, has become a strong positive role model for young people. He has joined Methanex in the fight for safer roads.

Methanex has partnered with the organization Arrive Alive! to promote the United Nation's 'Decade of Action for Road Safety' campaign, with Bissessar acting as an ambassador for responsible driving practices.



Left: Residents from Methanex's fenceline communities in the Couva, Trinidad region participate in First Aid/CPR training.

Right: Champion drag racer Sheldon Bissessar fuels his car with methanol and is a strong advocate for road safety.



## New Zealand Community Spotlight: Engaging with Our Community

Engaging with people was the underlying theme of Methanex New Zealand's 2011 community outreach program, inspiring a wide variety of environment, education, and health and safety initiatives. The driving goal was to strengthen the organization's engagement with employees by reflecting what was important to them, to the community and to the country.

In the aftermath of the devastating earthquakes around Christchurch in late 2010 and early 2011, Methanex matched its employees' generous donations on a 2:1 basis to help those affected by the disaster. In addition, the company donated funds to the Canterbury Business Recovery Trust, a business-to-business initiative to support the economic recovery of Christchurch businesses. In total, Methanex and its employees contributed more than NZ\$250,000 (approximately US\$200,000) to earthquake relief efforts, reflecting the company's commitment to New Zealand and the disaster's emotional impact on employees.

The company also lent its support to initiatives aimed at improving the quality of life for community residents, and continued its championing of future engineers through involvement with various education programs.

### Caring for New Zealand's beaches

New Zealand is well known for its beautiful beaches and residents take pride in maintaining their upkeep. In March 2011, a contingent of more than 30 volunteers participated in the Methanex Beach Clean-Up, a conservation initiative organized by the company's Social Responsibility Committee, in partnership with Waitara High School and Methanex's CAP. The event coincided with New Zealand Seaweed, a national event designed to encourage New Zealanders to renew their connection to the sea.

The section of beach selected for the clean-up extended from the local community of Waitara to an access point neighbouring the company's Motunui plant. Spirits were high as Waitara High School students, CAP members and Methanex staff covered approximately five kilometres of beachfront, collecting two truckloads of garbage. Given the success of the event, Methanex plans to co-ordinate another clean-up in 2012 or 2013 as business initiatives allow.

### Showcasing careers in energy

In June, Methanex participated in ENEX, New Zealand's oil and gas energy exposition, which was held at TSB stadium in New Plymouth. Designed to showcase the country's oil and gas sector, this year's event also included the Petroleum Skills Association Student Programme 2011. The program gives Grade 12 and 13 students from across New Zealand an opportunity to learn more about the country's oil and gas industry and the companies that drive it. The goal is to encourage young people to pursue a career in the sector through exposure to the field and its opportunities. Methanex representatives spoke to students about their career paths and also invited them to visit the Motunui site, where they learned more about the company's operations and toured the plant.

### Recognizing fellow employers

In 2011, Methanex sponsored the Westpac Taranaki Chamber of Commerce's annual Employer of Choice Award. The award recognizes local businesses that have superior and exemplary employee practices.

The winner was the South Taranaki District Council, whose dynamic vision for the organization has engaged employees and become an integral part of its corporate culture.

As the recipient of the award in 2010, Methanex was pleased to help another company benefit from the widespread recognition this honour affords.



Left: Methanex sponsored the Westpac Taranaki Chamber of Commerce's 2011 Employer of Choice Award.

Right: Taranaki high school students participate in ENEX, New Zealand's biannual oil and gas energy exposition.





Left: Community residents watch an exciting swim meet at the Methanex Bell Block Aquatic Centre in New Plymouth.

### Supporting tomorrow's engineers

Second-year engineering students at New Zealand's universities can now vie for two new Methanex-sponsored scholarships. In addition to financial support, the company is working to provide recipients with valuable hands-on practical experience and informal mentoring through on-site work placements.

Methanex has for many years endorsed the training of aspiring engineers as part of its RC ethic, by funding research projects and tuition and providing work opportunities. In sponsoring this scholarship program, Methanex also aims to develop relationships with third- and fourth-year students, enabling the company to use vacation work placements as an opportunity to recruit people for future graduate positions or internships.

The scholarship will be open to university applicants specializing in engineering disciplines that support Methanex's business needs. In December 2011, two candidates studying Mechanical and Chemical & Materials engineering were each granted a scholarship at the University of Auckland for the 2012 term.

### Taking the plunge

As members of a seaside community, residents of New Plymouth and its environs are big fans of swimming. Knowing how to swim and safely handle oneself in the water is not only a recreational choice, but also a vital skill.

In 2011, Methanex became the new naming sponsor for the Bell Block community pool, which is now known as the Methanex Bell Block Aquatic Centre. An integral part of the facility's mandate is to ensure its amenities are affordable to community members and to promote water safety skills, both of which underscore Methanex's commitment to health and safety.

Located on the outskirts of New Plymouth, Bell Block is a fast-growing community where many Methanex employees live. The aquatic centre is a popular neighbourhood facility whose 25-metre indoor swimming pool is enjoyed by Bell Block School, swim clubs, local residents, employees and their families.

## North America Community Spotlight: Giving Back through Volunteerism and Support

Methanex's North American operations include the company's global headquarters in Vancouver, British Columbia; a production plant in Medicine Hat, Alberta; and a Marketing & Logistics office in Dallas, Texas.

Despite their differences in size and function, all three locations share the common goals of contributing to the well-being of the communities in which our employees live and work.

In 2011, Methanex employees across the continent participated in a variety of events that helped to raise much-needed funds for charitable organizations.

### Canada

In Vancouver, the Social Responsibility Committee (SRC) is made up of employee volunteers, who evaluate community and employee investment proposals submitted by regional organizations.

Under the Partnering with Employees pillar, the SRC supports organizations that encourage employee volunteerism in the community, such as the United Way of the Lower Mainland. Methanex's 2011 United Way campaign in September focused on activities that improved the lives of children and seniors. In addition to fundraising events, the SRC organized several 'Days of Caring' to give employees an opportunity to volunteer at community organizations, including Crabtree Corner Family Resource Centre and the Greater Vancouver Food Bank Society.

With an employee participation rate of 88 per cent and the company's dollar-for-dollar match, employees raised almost CDN\$410,000 during the 2011 campaign. Methanex has a long

history of supporting the United Way, and since 1994 has contributed more than CDN\$4.3 million to the organization.

In June 2011, Waterfront Shipping Company Limited (Waterfront) teamed with the SRC to organize a special Seafarers Week for employees. The event, which coincided with the International Maritime Organization's inaugural "Day of the Seafarer," was designed to both heighten awareness about seafarers and raise funds for the Vancouver Mission to Seafarers.

Waterfront is focused on improving the lives of crew on board its fleet (see story on page 39) and has a special connection to the Mission to Seafarers. Founded in 1856, the Mission is a global network of centres offering a warm and hospitable "home away from home" for visiting seamen around the world. The Mission has two Vancouver locations that receive approximately 15,000 visits a year from seafarers.

Following a week of events, Waterfront and Methanex donated approximately CDN\$10,000 to the Mission, which will contribute to the urgent replacement of one of the Mission's two Vancouver facilities.

Each year, Methanex Vancouver also supports a number of educational programs and scholarships, an initiative that was started in 2003. In 2011, the SRC provided scholarships totalling approximately CDN\$10,000 to Simon Fraser University, the University of British Columbia and Lester B. Pearson United World College of the Pacific. To date, Methanex has donated more than CDN\$155,000 in scholarships.

In mid-2011, Methanex restarted a methanol plant in the community of Medicine Hat. With operations now in full swing, employees are excited about collaborating with the community and identifying initiatives that would benefit from Methanex's support. Conversations with various organizations are presently under way, with several community projects planned for 2012.



Left: Jone Hognestad, President, Waterfront Shipping (left) presents a donation to Vancouver's Mission to Seafarers.

Right: Employees in Vancouver volunteer at the Crabtree Corner Family Resource Centre as part of Methanex's 2011 United Way campaign

## United States

The North American Marketing & Logistics team in Methanex's Dallas office focuses its Social Responsibility efforts on charitable activities with social service organizations and employee participation in the community. Donations to any organization are matched with a donation of volunteer time from at least one employee, adding a personal dimension to these partnerships.

One of the organizations with which Dallas employees have a strong relationship is Camp Summit, an organization that provides barrier-free outdoor experiences for children and adults with special needs. For the last five years, employees have helped the organization get ready for its summer camping season, assisting with carpentry work, landscaping and painting. In addition to employees' time and effort, in 2011 Methanex donated US \$1,300 to sponsor a camper who would otherwise not have an opportunity to enjoy the Camp Summit experience.

The Family Place is the largest family violence service organization in the Dallas area, providing award-winning programs to help keep victims safe. 2011 marked the eighth year that Dallas employees have lent their support to Family Place by adopting families during the holiday season. Armed with Christmas wish lists from their three adopted families, last year employees purchased US \$2,100 in gifts for the mothers and their children. Dallas' Social Responsibility Committee coordinates the annual project, which has over the years become a favourite employee initiative.



Above: Each spring, employees in Methanex's Dallas office help the Camp Summit team get the grounds ready for the current year's campers.

## Key Performance Indicators

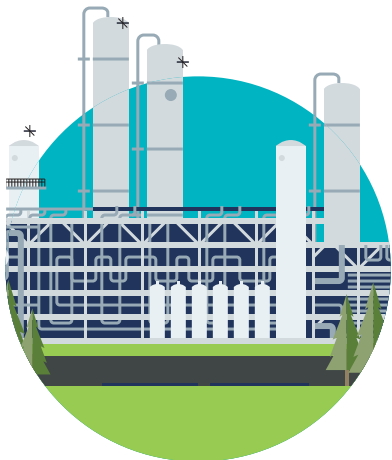
Spending by SR Focus Area	2009	2010	2011
Partnering with employees	41%	57%	32%
Education	34%	24%	25%
Responsible Care community outreach	8%	5%	31%
Other	17%	14%	12%

Who Benefits: Individuals	2009	2010	2011
Scholarships	32	28	40
Internships	37	56	50
Total Individuals	69	84	90

Who Benefits: Organizations by SR Focus Areas	2009	2010	2011
Partnering with employees	60	33	76
Education	36	40	94
Responsible Care community outreach	43	72	103
Other	75	66	52
Total Organizations	214	211	325

Note: We take both a qualitative and a quantitative approach to evaluating the success of our community investment initiatives. In 2011, we measured the number of organizations and individuals that have benefited from our programs.





## WORKPLACE

### **Good neighbours look out for one another.**

At Methanex, we're committed to providing a safe and healthy work environment for our employees and contractors. We're also dedicated to fostering a corporate culture that attracts and retains talented employees by focusing on continuous improvement, teamwork, ongoing learning and recognizing success.

#### **Health and Safety**

We consider employees and contractors as equals when managing risks in the workplace. We firmly believe that all work-related injuries and illnesses are avoidable, and it is on this basis that we design and manage our health and safety programs.

Quantitative health and safety data is measured, gathered and reviewed following internal requirements, which are based on accepted external standards and industry best practices. The internal standard for classification of injuries follows the United States Department of Labor's Occupational Safety and Health Administration – Bureau of Labor Statistics requirement. Data quality is monitored by regional RC leaders, regional managers

and the RC department at corporate head office. Data is gathered in a global database, from which it is then extracted, analyzed and reported to regional management, the company's Executive Leadership Team and the Responsible Care Committee of the Board.

Our goal is to achieve a zero-injury workplace, year after year. And while we have a decade-long trend of improving employee and contractor safety and health, in 2011 we experienced an increased number of injury-related incidents. While this is disappointing for us, we are working to deepen our understanding of why the injuries occurred and making the changes that will prevent them from happening again.





The addition of a significant number of new employees in Egypt and Canada, coupled with a decrease in qualified and experienced contractors, has had an impact on our safety performance.

To address the shortage of experienced contractors, we are working with technical education providers to establish programs that will equip workers with the skills and knowledge they need to succeed in this work environment. One example is the “Be Safe, Taranaki” program in New Zealand, where local industry, including Methanex, provides funding to support a health, safety and environment curriculum for prospective new workers.

The New Zealand Qualification Authority oversees the quality of the course materials and instruction.

Although these initiatives are still in the early stages, we are confident that they will improve contractors’ technical skills and job safety. We have also taken specific lessons learned from contractor-related incidents and changed how we manage contractors at our sites. These changes are now reflected in our Contractor Responsible Care Standard to ensure that this knowledge is embedded across the company.

With new workforces at our plants in Damietta, Egypt, and Medicine Hat, Canada, it is important that Methanex safety and health standards are clearly established and that our employees and contractors fully understand how they are to work within those standards. We are accomplishing this by building the RC program in a planned and progressive manner based on the CIAC RC Codes of Practice and Methanex's internal standards and procedures. We have also sent long-term Methanex employees to these locations on assignments and extended business trips to share their knowledge and experience with our employees and contractors. Finally, we hosted Egyptian employees at some of our operating plants so they can see our safety program in its mature state. There has been the added benefit of gaining cross-cultural fluency among our employees.

One of our big challenges in 2011 was ensuring the safety of our employees in Egypt during the political volatility that occurred throughout the year. Early in 2011, while in the process of starting up our new plant in Damietta, we decided that the external environment was becoming potentially unsafe for our employees. We temporarily shut down the plant, pared down to a minimum workforce and sent non-essential staff home. At the same time, we evacuated our small workforce of international expat employees. In November, during demonstrations in Damietta over environmental issues (see the environmental story on page 33), we became concerned once more for our employees' safety. We temporarily shut down plant operations and evacuated all personnel from the plant site to their homes. Throughout the turmoil we maintained employee safety as our first priority.

As part of our emphasis on continuous improvement, we implemented two safety and wellness programs in 2011. At our New Zealand and Chile manufacturing locations, we rolled out our Human Factors (HF) program, a significant enhancement of our existing Behavioural Safety program. The HF program lets us more fully understand the interaction between people, the operating plant and management systems. This gives us the opportunity to improve plant and management systems as well as train and educate workers before problems occur. When problems do occur, the use of HF to analyze the root causes of an incident gives us greater insight and more effective actions.

As part of the HF program, we track both leading and trailing indicators of safety (and not just key performance indicators), enabling us to identify and manage issues before they have a chance to escalate. We plan to expand this program to all of our manufacturing locations in the upcoming years.

As part of our commitment to health and wellness, we introduced the Global Corporate Challenge (GCC) in 2011. The GCC is a healthy exercise program where participants strive to increase their activity levels, while measuring their activity and progress using a pedometer. The program was enthusiastically embraced by the participating regions, and we expect to have all regions participating in 2012.

## Employee Practices

Our core values of integrity, trust, respect and professionalism guide everything we do, including how we manage and support employees. In every community where we operate, we strive to be an employer of choice, recognized for our commitment to communication and teamwork and our support of creativity and innovation. Our goal is to have our employment policies and practices remain in the top quartile of our competitors for talent. We regularly review these policies and practices to ensure they meet this goal, which enhances our ability to attract and retain outstanding employees.

### Developing internal talent

We want each of our employees to reach their full potential. To help employees build on their skills and strengths, each employee has a personal development plan to identify opportunities for professional growth. In 2011, we ran a full slate of development courses to provide support for employees and build the leadership skills of all participants.

To build a pool of internal talent, we identify employees with leadership potential based on their aspirations, engagement and ability. As a result of this practice, all eight members of our current Executive Leadership Team were promoted from within, as were a majority of the 39 members of our Global Leadership Council, a group of functional and site leaders who develop and implement our global strategy, policies and programs.

### Welcoming back Medicine Hat

In 2011, we restarted our Medicine Hat plant, which had been idled since 2001. We hired a management team made up of former Methanex Medicine Hat employees to start up the project, and then recruited to fill approximately 90 positions. Just under half of these positions were filled by people who had worked for us as employees or contractors prior to the plant closure.

### Balancing global and local cultures

We pride ourselves on our shared Methanex values and strong global culture that honours and respects the distinct local culture of each of our sites. Through consultation and collaboration, we develop global guidelines and policies, and we generally leave the specifics of implementation to each region.

For example, we prefer that in-country nationals lead each region, where possible, and we also create opportunities to learn about each other's cultures. In 2010, the Global Leadership Council generated ideas for increasing the cultural fluency of all employees. As a result, in 2011 we created a new cultural awareness section on our global intranet and incorporated cultural fluency questions in our recruitment practices. In 2012, we'll roll out additional actions designed to build the cultural fluency skills and competencies of our managers, including using new approaches to employee performance reviews, modifying our management development programs and sharing information and resources through our intranet and other online tools.



## REGIONAL HIGHLIGHTS

### Leveraging Best Practices

One hallmark of continuous improvement in an organization is its ability to develop and leverage best practices. Methanex strongly supports the development of employees' talent and encourages them to focus on a particular area of expertise. The end result in recent years has been the development of proprietary global systems developed by in-house global teams, whose members share their expertise with Methanex locations around the world.

One such example is Methanex's global Work Safety Control System (WSCS) for plant operations, a type of risk assessment and control process that evaluates the safety risks of a particular job. Developed in 2006 by members of production facilities in New Zealand, Trinidad and Chile, the WSCS has replaced older "permit to work" systems and been implemented in these locations. In mid-2011, it was installed at the company's facility in Egypt and is now being introduced at the plant in Medicine Hat, Canada.

There are numerous advantages to having a global operational system with enough flexibility to accommodate local rules and government legislation. It not only enables a company to leverage best practices across different regions, but also reinforces consistency, as procedures, forms and certificates are identical at each site. This allows employees from other regions to quickly integrate into the local Methanex workforce when providing support during peak workload periods, such as plant maintenance turnarounds.

The benefits of working with a standard operational process were evident during the Medicine Hat 2011 restart. Thanks in large part to the availability of in-house global experts, staff were able to fast-track the replacement of an outdated system with the WSCS. Medicine Hat staff have joined the global WSCS team and continue to work on system training and set-up alongside team members from New Zealand and Trinidad.



Our Medicine Hat plant is now fully operational, employing more than 90 highly skilled full-time employees.



## Checking in with Employees

At Methanex, we believe that a highly engaged and skilled workforce drives our continuous improvement and advances our competitive advantage. Research has shown that employers who can leverage employees' engagement achieve greater financial success, improved attraction and retention, and a happier and more productive workforce.

Our company-wide employee engagement survey (EES) is one way that we track our performance and measure employees' commitment to the business. The survey also allows employees to anonymously share new ideas as well as their views about what works and what needs improvement. Methanex presently conducts global engagement surveys every three years.

During the first quarter of 2011, Methanex conducted its seventh global EES, achieving a participation rate of 95 per cent. This was the company's highest participation rate ever and marked the first time that new employees in Egypt and Medicine Hat, Canada took part in the process.

Methanex's global engagement score climbed to 65 per cent, a two per cent increase from the previous survey in 2008. This achievement places the company among the "best employer" ranks according to Aon Hewitt's global benchmarking averages. The largest improvement was seen in Trinidad, where engagement levels rose by an impressive 36 per cent.

As in previous years, the survey's results revealed that the vast majority of employees believe Methanex is a great place to work. The feedback also highlighted opportunities for improvement in areas such as career development, performance management and recognition.

Regional teams have been established to develop and implement plans to increase employee engagement on a local level.

The Global Human Resources Team has developed an action plan to respond to global employee feedback in the areas of performance management and career development. Recommendations from past surveys have led to many positive changes in our workplace practices, including flexible work options and global employee development programs. For more information, please see the Employee Engagement Results table on page 29.

## Reinforcing Positive Behaviour in the Workplace

At Methanex Trinidad, continuous improvement in employee and contractor safety is integral to the site's RC performance. The goal is to achieve a high level of safe behaviour, leading to an injury-free work environment.

Methanex's Trinidad's Critical Observations Reduce Exposure (CORE) process is a big part of the effort to promote and reinforce positive behaviour around the prevention of incidents. CORE uses observed behaviour as the launch pad for improving the overall system in which people work. The process enhances the previous safety program by moving beyond simply observing and recording employees' work practices to emphasizing more interaction between the observer and the person being observed.

First introduced to the site in 2009, CORE's systemic approach has had a positive impact on the site's RC performance. In 2011, more than 4,200 observations were conducted. Monthly safety rates consistently averaged more than 95 per cent, along with a reduction in the number of on-site incidents.

CORE is based on the industry-leading Behavioural Accident Prevention Process, whose founding principle states that safe work is a complex interaction of factors, including working conditions, manage-

### What Others Say



"The introduction of the CORE program was a truly proactive step towards creating a safety culture at the Trinidad site. The process also involves our contractors, who appreciate the opportunity to learn more about their strengths and areas for improvement.

CORE is an excellent example of our commitment toward continuous improvement. The program has reduced the frequency of on-site injuries, increased greater interaction between people and, most of all, changed people's safety behaviours."

Rafi Mohammed  
Senior Responsible Care Advisor

ment systems and people's habits. Direct feedback helps employees recognize at-risk behaviours, reinforces safer options and also uncovers hidden barriers to safe behaviour, such as equipment problems.

An employee-driven Steering Committee leads the CORE process. CORE reporting trends are used to identify areas for improvement and the team hosts various initiatives to encourage safe practices among employees and contractors. These range from banners and electronic treasure hunts to safety stand-ups and interactive exhibitions, such as Eye and Hand Protection Week. This heightened awareness is an important step towards shifting RC thinking from compliance to a more proactive commitment to safety.

## Bringing Fitness to Work

Employees with physically demanding jobs face potential safety and health risks every day. At Methanex Chile's Punta Arenas plant, members of the Human Resources (HR) department have become increasingly aware of how a lack of physical fitness, coupled with a low level of activity, predisposes individuals to injuries and health challenges.

In 2011, the HR team began developing a holistic health program to bolster employees' well-being and help them get in shape. In addition to recognizing the cumulative strain of certain jobs, the team realized that age could be a factor. The median age of the plant's work teams is 44 years, with statistics suggesting a potential decline in productivity due to physical factors associated with aging. The team also knew from its own records that health care expenses tend to increase as work groups get older.

Working with the Responsible Care department and a multi-disciplinary group of fitness experts, the team designed an initiative entitled "Fitness to Work." The program focuses on three main areas:

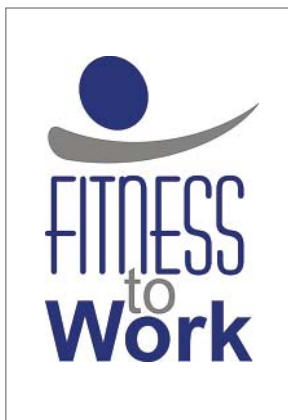
- Occupational health, which identifies people at high risk due to their physical state and/or exposure through the physically demanding nature of their work. Participants are coached on physical fitness and nutrition.
- Prevention practices for health conditions and personal care, such as doing more exercise and eating healthier food during work hours.
- Ergonomics, which highlights the adjustments the company must make to accommodate the physical changes that accompany aging.

The first phase of "Fitness to Work" was successfully implemented in mid-2011. Participating employees have already shown a 65 per cent improvement in their physical condition and an almost 50 per cent improvement in their nutrition habits. The goal is to further expand the scope of the program to mitigate future risks to employees' health and safety.



Top: Methanex Trinidad's CORE program uses videos to inform employees about safe behaviours, such as proper hand protection.

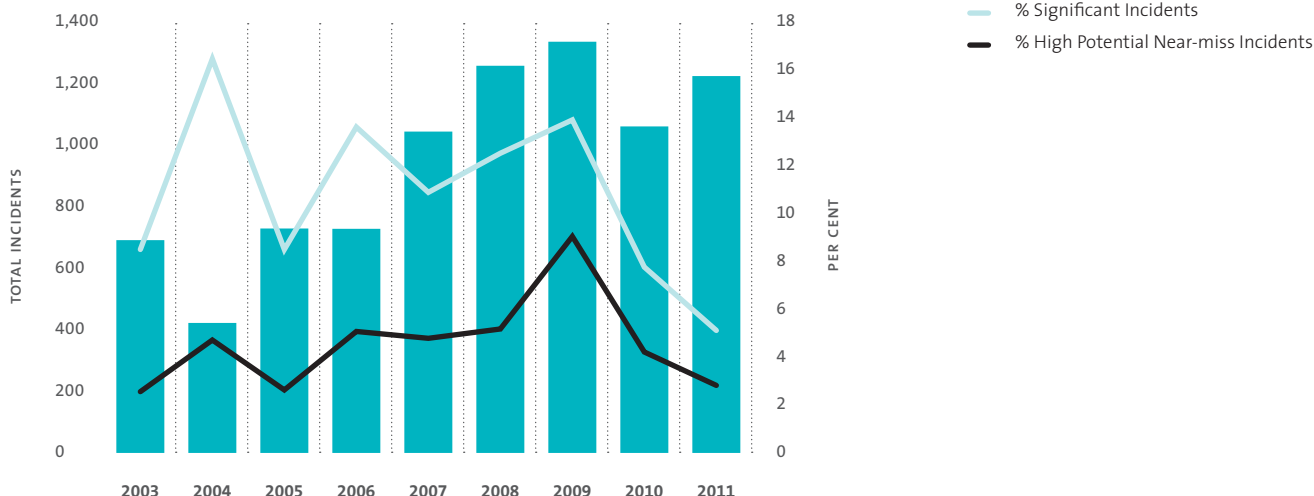
Right: A multi-disciplinary team of health and fitness experts worked with Methanex Chile employees to develop the innovative "Fitness to Work" initiative.



## Key Performance Indicators

### Incident Severity Ratio

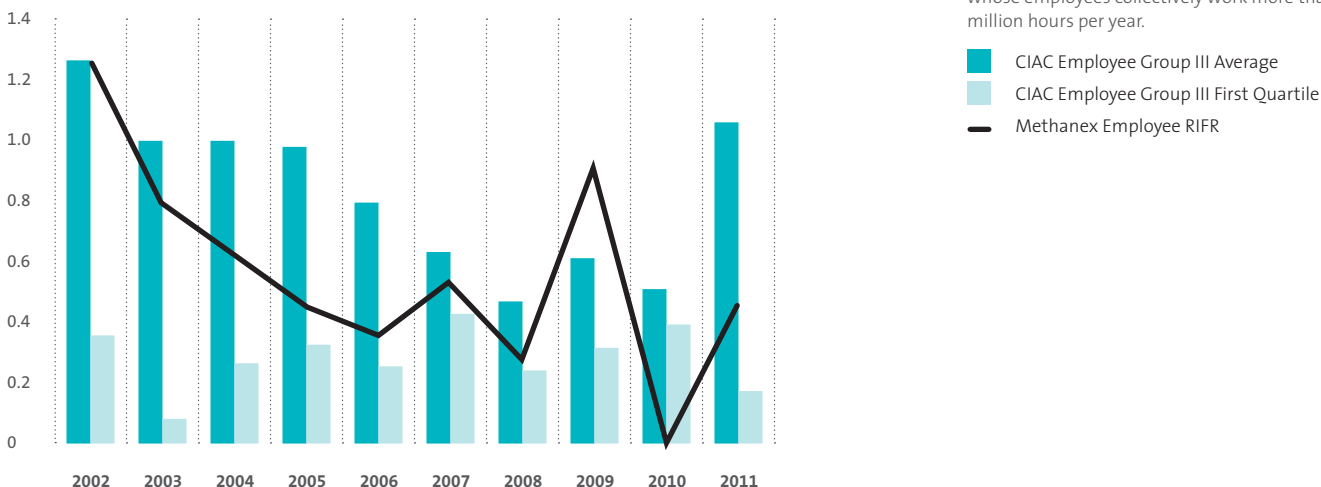
In 2009, we noted the increasing rate of significant incidents and near-miss incidents with high potential for loss over the prior five years. We took action to reverse this trend and have seen a step change improvement in performance. This was done while maintaining a high level of reporting as indicated by the total number of incidents reported.



The **incident severity ratio** describes the ratio of significant and near-miss incidents with high potential for loss being reported as compared to the total incidents reported. An increasing ratio number would indicate increasing job risk, while a decreasing ratio number would indicate decreasing job risk.

### Employee Recordable Injury Frequency Rate (RIFR) Comparison

In 2011, we added a significant number of new employees to our organization with the start-up of our Medicine Hat and Egypt facilities. This had the anticipated effect of an increase in employee injuries, which we expect to subside as the new employees adapt to Methanex's rigorous safety requirements.



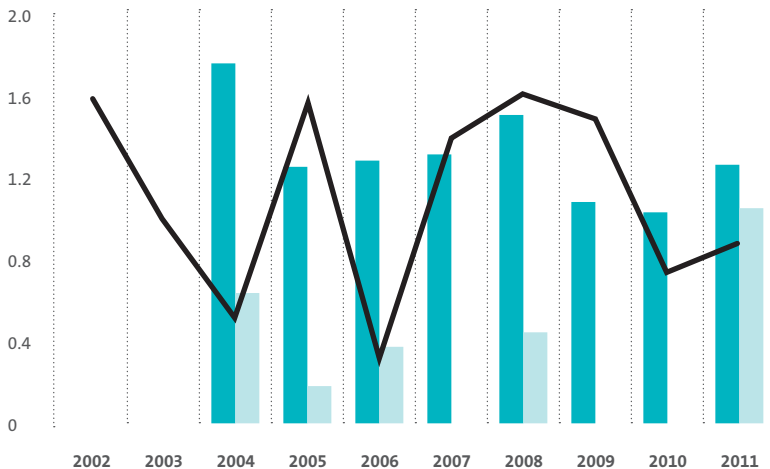
The **recordable injury frequency rate (RIFR)** is the number of recordable injuries per 200,000 hours worked. Recordable injuries are incidents that require medical attention or that result in restricted work or lost time. SHARE (Safety and Health Analysis, Recognition and Exchange) is a database compiled by the Chemistry Industry Association of Canada (CIAC). Methanex benchmarks against the average and first quartile Group III member companies of the CIAC whose employees collectively work more than one million hours per year.



## Contractor Recordable Injury Frequency Rate (RIFR) Comparison

In 2008, we recognized that we needed to change how we were managing contractors and implemented a contractor management improvement initiative. We are pleased that contractor safety has improved since then. However, the slight increase in injury frequency rate in 2011 is a concern for us. We have thoroughly investigated all contractor incidents and developed improvements to our management systems to help eliminate these injuries.

■ CIAC Group III Average  
■ CIAC Group III First Quartile  
— Contractor RIFR



## Global Employee Statistics in 2011

### Employees by Region

Region	Per Cent
Asia Pacific	4%
Chile	18%
Egypt	15%
Europe	3%
Kitimat	2%
Medicine Hat	9%
New Zealand	16%
Trinidad	18%
USA	3%
Vancouver	12%
Total	100%

### Employee Gender

Sex	Per Cent
Female	25%
Male	75%
Total	100%

### Length of Employee Service

Service Range	Per Cent
< 1 Year	11%
1–2 Years	22%
3–5 Years	23%
6–10 Years	18%
11–15 Years	10%
16–20 Years	5%
21–25 Years	7%
26+ Years	4%
Total	100%

### Employee Generations

Generation	Per Cent
Millennial (1981 or after)	15%
Generation X (1966–1980)	51%
Boomer (1946–1965)	33%
Mature (1945 or prior)	1%
Total	100%

## Employee Engagement Results

Employee Engagement Surveys are carried out every two years. For more information, see the story on page 26.

# 87%

of employees believe that Methanex is a socially and environmentally responsible organization

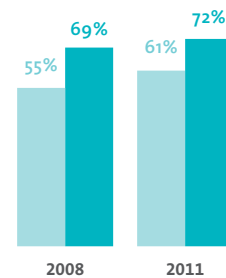
2011 survey results

### Overall Engagement Score



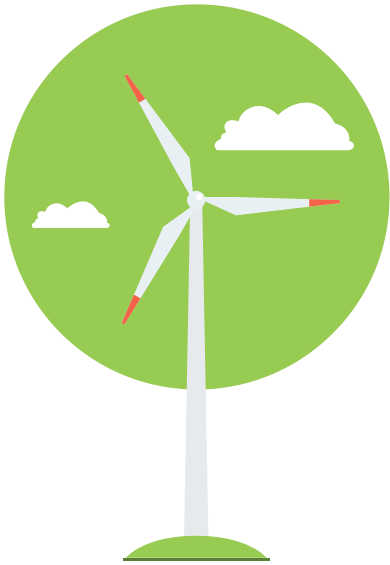
■ Global Hewitt Benchmark\*  
■ Methanex Employees

**“Given the opportunity, I tell others great things about working here.”**



■ Global Hewitt Benchmark\*  
■ Methanex Employees

\* Figure includes all organizations who have conducted an employee engagement survey with Hewitt in the past five years.



## ENVIRONMENT

### **Good neighbours take care of the environment.**

Our respect for the environment guides every operating decision, spurring us to minimize our use of natural resources and energy and to reduce our production of waste and harmful emissions.

As part of our commitment to Responsible Care, we go beyond complying with regulations – we follow best environmental practices in all aspects of methanol production and distribution at all our locations. We promote this ethic with our customers, distributors, partners, employees and other stakeholders.

In 2011, we started production at facilities in Medicine Hat, Canada, and Damietta, Egypt. While the technical start-up of the two plants was generally a smooth process, we did experience some challenges. Prior to 2011, Methanex had a strong track record of nearly five straight years without an environmental exceedance at any of our sites. Last year, unfortunately, we had two permit exceedances in Medicine

Hat. Although these incidents were not severe and did not cause any environmental damage, we are using them as an opportunity to review the underlying causes and take action to ensure they will not occur again.

A significant portion of the \$50 million we spent to resume production at our Medicine Hat plant was allocated to environmental upgrades to protect soil and groundwater, reduce methanol emissions and conserve water. We always strive to improve our environmental performance, and we are analyzing additional opportunities to improve efficiency and reduce resource use.



Our newest facility in Egypt is one of the most energy-efficient methanol plants in the world. We will be minimizing our environmental footprint at the plant even further when we complete a zero-liquid discharge project that will allow the facility to operate without discharging wastewater into the Mediterranean Sea. To learn more about our 2011 environmental efforts at our Egypt plant, please see the story on page 33.

#### **Managing greenhouse gas emissions**

Managing carbon dioxide (CO<sub>2</sub>) emissions is a significant and challenging part of the methanol production process. We aim to minimize emissions from our operations, knowing that this benefits both the environment and our business.

Methanex has manufacturing facilities in New Zealand and Alberta, Canada, two jurisdictions that have legislation requiring industrial producers to reduce greenhouse gas (GHG) emissions. We also voluntarily participate in efforts to reduce GHG emissions in countries where we do not have legal obligations to do so. Between 1994 and 2011, we reduced the CO<sub>2</sub> emission intensity of our manufacturing operations by 30 per cent through asset turnover, improved plant reliability and energy efficiency and emissions management. Because our overall CO<sub>2</sub> emission intensity depends on the efficiency of each methanol facility, it may vary from year to year depending on the asset mix we have in operation.



In 2011, we emitted 2,282,700 metric tonnes of CO<sub>2</sub> directly from the methanol production process, compared to 2,079,000 metric tonnes in 2010. The emission intensity rate was 0.62 metric tonnes of CO<sub>2</sub> per metric tonne of methanol produced, which represents a slight increase over the 2010 emission intensity rate of 0.59. This increase in emission intensity resulted from unscheduled shutdowns at our Trinidad and Egypt plants, as well as reduced efficiencies because of restricted operating rates at our Trinidad and Chile plants.

Our two new production facilities are strategically located much closer to some of our methanol markets, resulting in an opportunity to reduce our use of shipping fuel and thereby decrease emissions associated with transporting and shipping methanol to our global customers. For example, we can now ship methanol to our customers in Europe from our Egypt facility rather than our Trinidad plant, and we can ship product to our customers in Canada from Medicine Hat rather than Chile. The use of more efficient shipping routes has translated into a five per cent reduction in CO<sub>2</sub> emission intensity in 2011 compared to 2010, as shown on page 34.

As a result of these ongoing improvements, our Waterfront Shipping marine operations have successfully improved efficiencies and reduced CO<sub>2</sub> emission intensity (tonnes of CO<sub>2</sub> produced from fuel burned per tonne of product moved) by over 21 per cent since 2002. In 2011, we emitted 422,600 metric tonnes of carbon dioxide from the consumption of bunker fuel, at an emission intensity of 71 kg carbon dioxide emitted per metric tonne product shipped. See the graph on page 34 for more information.

These and other initiatives reflect our corporate-wide focus on managing emissions. Our GHG Management Policy formalizes our commitment to manage all aspects of emissions, and the associated GHG Management Program supports our global effort to manage emissions by capitalizing on opportunities and mitigating risks related to regional and international climate change policies and regulations.

Some elements of our GHG Management Program include:

- evaluating all new investments in terms of carbon utilization and GHG emissions;
- operating our facilities and shipping networks to improve reliability and utilization performance;
- evaluating energy-efficiency improvement opportunities, practical renewable energy sources and new technology, and adopting these if they are economically feasible to reduce GHG emissions; and
- maintaining records of energy consumption and GHG emissions.

## REGIONAL HIGHLIGHTS

### Protecting New Zealand's Coastline

Methanex strives to go beyond mere regulatory compliance to follow best environmental practices in all aspects of our operations.

In 2011, Methanex New Zealand installed a new sewage treatment plant at its Waitara Valley site that transforms waste to a quality that can be disposed of directly on site. Previously, sewage from the Waitara Valley site, along with plant wastewater, was emptied directly to the ocean outfall, consistent with local regulations.

Although Methanex's waste was an extremely small part of the area's overall discharge, the company opted to proactively install a sewage treatment system that prevents the need to put any waste in local waters. The other primary source of local treated sewage comes from the Waitara township. The district council is presently working to dispose of this waste in a more sustainable way. Once this occurs, there will no longer be any sewage disposed of on the Waitara coastline.

Methanex's environmental efforts have been a true community success story, one that the company hopes will inspire other organizations in the region. In recognition of its initiative, the Taranaki Regional Council has nominated Methanex for a 2012 Taranaki Regional Council Environmental Award. The award honours initiatives that maintain and enhance the region's high-quality environment.



## Moving Towards Zero Liquid Discharge in Egypt

The state-of-the-art EMethanex facility in Damietta, Egypt, has been in production since March 2011 and is among the most energy efficient in the world.

As the only plant in Egypt that produces methanol, EMethanex offers numerous benefits to both the country and Damietta. For example, up to 15 per cent of the plant's methanol production is reserved for the local Egyptian market, displacing foreign imports and resulting in a net savings for the country. The facility is also a source of jobs for local residents, currently employing 450 Egyptian full-time employees and contractors.

Egypt's political revolution in January 2011 was accompanied by regional protests in Damietta. These protests, primarily about local environmental issues, focused attention on Damietta's port area industrial facilities. In response, the Environment Minister established a special committee to conduct an environmental assessment of Damietta's petrochemical industry, including the EMethanex plant.

The committee presented its recommendations in October 2011. In late 2011, EMethanex informed the committee that a majority of its recommendations were be-

ing or had already been implemented as part of our normal course of business.

One of the committee's recommendations was to ensure that no industrial effluent water was discharged to the Mediterranean Sea. Although EMethanex's effluent discharge had been permitted by the Egyptian Environmental Affairs Agency (EEAA) and consistently met parameters set out in the Environmental Impact Assessment, EMethanex decided prior to the committee's report to pursue a zero liquid discharge (ZLD) solution that will eliminate liquid discharge into the sea.

This technology will also reduce the plant's consumption of water, which is drawn from the Nile River a few kilometres from where it flows into the Mediterranean Sea. Despite the high investment cost, EMethanex is pursuing ZLD largely because it aligns with the local community's and company's interests. This will be our first ZLD plant, and we expect the project to be operational in Q1 2013.

The EEAA has approved EMethanex's response to the committee, and we remain dedicated to working with our government partners and the local community to address environmental and other concerns. For more information about our community engagement efforts in Damietta, please see pages 12–13.

### What Others Say



"The Taranaki Regional Council has worked with Methanex since 1993. Methanex routinely places in the Council's highest category of compliance and environmental performance, going well beyond minimum consent requirements.

In 2011, in addition to being in full compliance with water discharge requirements, the company proactively constructed an on-site sewage treatment facility at its Waitara Valley plant. This is an example of how Methanex continually seeks to minimize its environmental footprint on the local community."

Gary Bedford  
Director, Environment Quality  
Taranaki Regional Council



Left: We are implementing technology at our EMethanex facility that will help reduce the consumption of water and eliminate liquid discharge into the Mediterranean Sea.

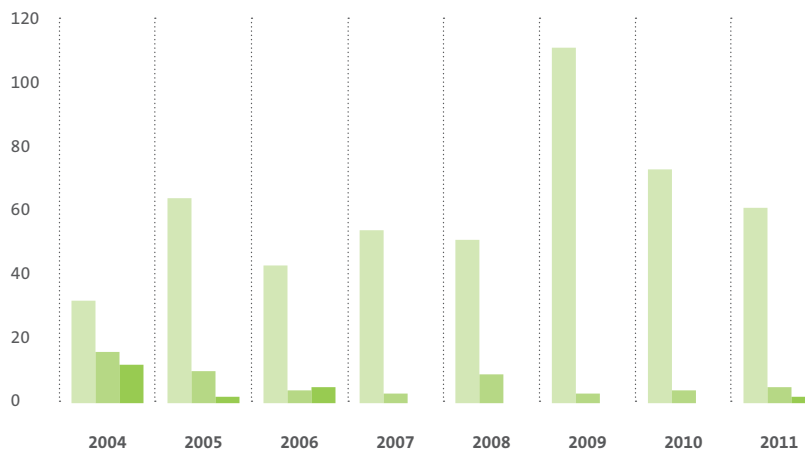
Opposite Page: The newly installed sewage treatment plant at Methanex New Zealand's Waitara Valley site prevents any waste disposal into local ocean waters.

## Key Performance Indicators

### Environmental Incidents

In 2011 there were five environmental incidents categorized as serious. These included: spills of sulfuric acid and process liquid to grade; a neighbour noise complaint due to a planned pipeline depressure; release of a non-ozone-depleting refrigerant; and discovery of a potential effluent line leakage. There were no known environmental impacts from these incidents. Two permit exceedances were due to a pH and an organic substance excursion at one site. The effluent from the site is treated in a municipal wastewater treatment plant, so there were no environmental impacts.

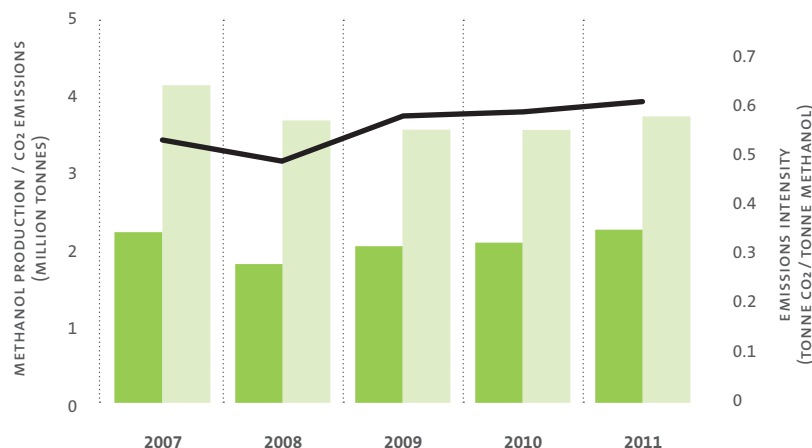
- Non-Reportable Incidents (Minor)
- Reportable Incidents (Serious)
- Permit Exceedances (Major)



### CO<sub>2</sub> Emissions vs. Methanol Production

In 2011 there was a small increase in CO<sub>2</sub> emission intensity resulting from unscheduled plant shutdowns in Trinidad and Egypt, and reduced efficiencies due to restricted operating rates at our Trinidad and Chile plants. New production from Egypt and Canada had a net improvement on the corporate emissions rate and we anticipate their impact to be even greater in 2012.

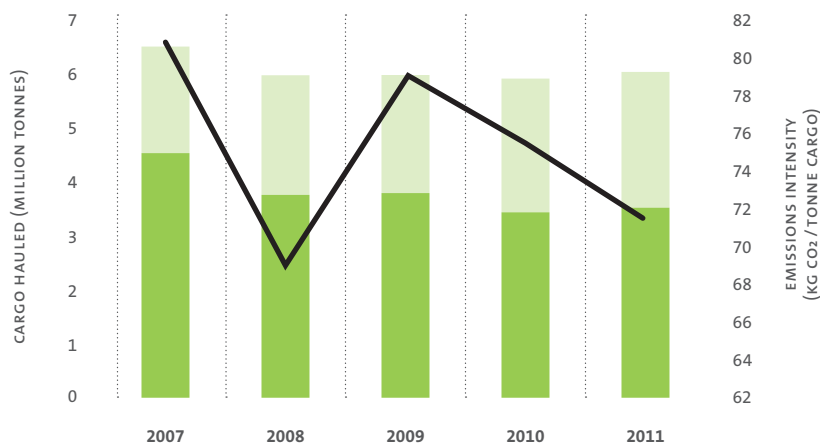
- CO<sub>2</sub> Emissions (million tonnes)
- Total Production (million tonnes)
- CO<sub>2</sub> Emissions Intensity (tonne CO<sub>2</sub>/tonne methanol)



### Waterfront Shipping CO<sub>2</sub> Emissions

Our two new production facilities in Egypt and Canada are strategically located closer to some methanol markets, which results in an opportunity to reduce our use of shipping fuel. The use of more efficient shipping routes has translated into a five per cent reduction in CO<sub>2</sub> emission intensity compared to 2010.

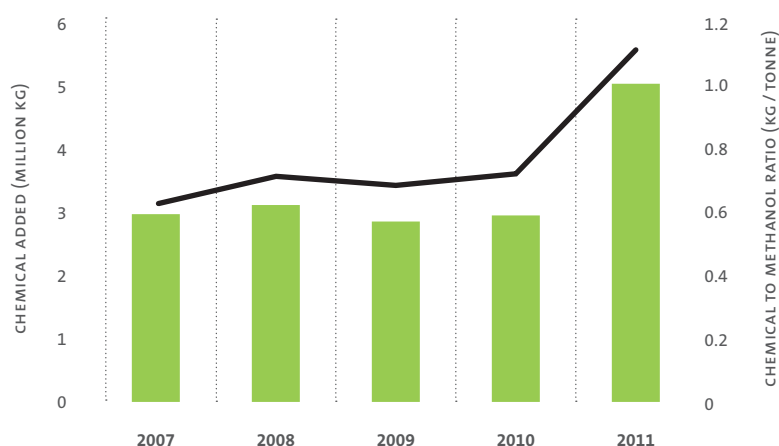
- Methanol Cargo (million tonnes)
- Backhaul Cargo (million tonnes)
- CO<sub>2</sub> Emissions Intensity (kg CO<sub>2</sub>/tonne cargo)





## Global Chemical Consumption

Though Methanex saw a reduction in chemical usage between 2000 and 2005, the 2011 chemical consumption intensity showed a 64 per cent increase over 2010 levels due to two main factors. First, there was a large increase in purchased sodium hypochlorite in our Trinidad and Tobago site resulting from a breakdown in on-site generation equipment. This equipment has now been repaired. Second, our restarted plant in Medicine Hat has a higher usage rate of acid and caustic used in the production of demineralized water, impacting the corporate average.



Data refers to consumption of chemicals used for pH control and for water treatment.

- Chemical Added (million kg)
- Chemical to Methanol Ratio (kg/tonne)

## Other Environmental Performance Measures

		2006	2007	2008	2009	2010	2011
Total energy use (excluding electricity)	GJ	235,251,100	174,886,469	158,239,191	151,885,462	153,692,088	184,541,565
Total electricity use	MWHR	241,008	210,751	154,684	170,259	186,568	235,074
Electricity self-generated – non-renewable	%	63%	57.60%	41.64%	36.44%	36.30%	36.23%
Electricity self-generated – renewable	%	0%	0.00%	0.00%	0.00%	0.49%	2.55%
Electricity purchased – non-renewable	%	32%	37.00%	49.24%	47.32%	44.39%	46.89%
Electricity purchased – renewable	%	5%	5.40%	9.12%	16.24%	18.82%	14.33%
Total freshwater consumed	m <sup>3</sup>	5,511,010	4,448,292	3,402,579	5,630,082	5,992,468	7,437,688
Ozone-depleting substance emissions	kg	0	0	0	0	0	0
Impacts on protected areas (World Heritage sites etc.)		none	none	none	none	none	none
Magnitude and nature of penalties for non-compliance (environment, safety)	USD	none	none	none	none	none	none



## MARKETPLACE

### **Good neighbours share information and learn from one another.**

We are dedicated to minimizing risks at each stage of methanol production, transportation, distribution, storage and use. With the increased demand for methanol as a clean energy fuel, we are also reaching out to stakeholders, governments and industry organizations to offer guidance on the safe handling of methanol in energy applications.

#### **A complete journey approach to product stewardship**

Product stewardship continues to be a major global focus for Methanex. We strive to maintain the highest safety standards, protect the environment and share methanol safe-handling knowledge with stakeholders, ranging from our customers and their downstream end-users to emergency responders, industry associations and governments. This approach has resulted in effective stakeholder partnerships, enabling us to work together to raise awareness of safe practices and minimize risks in product transport, distribution, storage and use at critical points of the methanol value chain.

Our product stewardship program continues to focus on the key areas of logistics, outreach and dialogue.

#### **Logistics: Minimizing risks through training and support**

##### **Shipping**

Our shipping subsidiary, Waterfront Shipping Ltd. (Waterfront), offers a customized safety training program on methanol safe handling and nitrogen awareness that now reaches over 500 vessel crew members a year. All ocean-going ships are required to complete an annual inspection based on the Chemical Distribution Institute's Marine (CDI-M) protocol, and our internal safety audit program also regularly spot-checks selected ships. For more information about Waterfront's industry-leading efforts to promote safety, please see the story on page 39.

We also ensure adherence to Responsible Care (RC) for our in-region barging operations. For example, all contracted barge



companies have successfully passed either a selection or audit process to assess their RC performance when transporting methanol along inland rivers. In April 2011, our North American operations received the Marine Environmental Stewardship Award from the American Commercial Lines Barge Company for moving over one billion gallons of chemicals without an incident in 2009–2010. Please see our Awards section on page 42 for further information.

#### **Terminal**

All of Methanex's owned or contracted methanol storage terminals have been audited using a third-party protocol. At the end of 2011, over three-quarters of the terminals and customer locations where we deliver methanol had completed an audit based on either the Chemical Distribution Institute's Terminal

(CDI-T) protocol, the Oil Companies International Marine Forum protocol, or a CDI-T approved Methanex terminal pre-screening assessment protocol that highlights the highest CDI-T priorities for methanol handling and Methanex expectations. Since starting our terminal program in 1997, we have worked closely with customers and terminal operators in all regions to adopt these international standards. We are encouraged by the ongoing improvement of regional RC performance.

#### **Road and rail**

In 2011, we held trucking-focused methanol safety seminars in China, Korea and Egypt that brought together our customers, distributors, end-user customers (and their truck carriers), terminal staff and emergency responders to share their experiences.



In Chile, we are working with our customers, their carrier companies, the local chemical association ASIQUIM and a surveyor company on a road spot-test program to assess the performance of truck drivers. The second phase of the program, which began in late October 2011, will spot-check approximately 180 trucks that load from the Cattalini Terminal in Brazil, covering some 12,000 customer truckloads that trans-ship from the terminal.

Our railcar program, which includes training and maintenance management in North America, is widely respected by external organizations, leading to three railcar-specific awards in 2011, three in 2010 and two in 2009. For more information, see the Awards section on page 42.

### **Outreach: Sharing knowledge on the safe handling of methanol**

Reaching out to stakeholders to share safety messages is an important part of our product stewardship program. Each year, we communicate with more than 2,000 individuals worldwide, and we reach many more, thanks to our train-the-trainer model. Program events include seminars, conference presentations, tailored training sessions, visits and partnership programs.

In 2011, we delivered 45 RC and methanol safety seminars, training sessions and presentations to global stakeholder groups that included customers, logistics providers and carriers, terminal staff, local communities and emergency responders, industry associations and governments. Thirty of these sessions were delivered for traditional chemical uses of our product, and we tailored 15 sessions for emerging energy market uses, in particular, biodiesel and methanol fuels. For an in-depth look at some of these regional initiatives, please see the New Zealand story on page 39.

This year we also invited our biodiesel customers from Brazil to join our yearly four-day intensive fire brigade training camp in Chile, which is held in partnership with the Punta Arenas fire brigade and our plant operators. Our customers have repeatedly told us that this training session is extremely valuable, and we therefore doubled the number of training slots to meet future demand.

In April 2011, we produced a Responsible Care & Social Responsibility brochure in Chinese to communicate our program and initiatives, and to promote product stewardship. We have distributed the brochure to industry partners, associations, governments and universities to help other organizations in China better understand RC and SR, whether they are partnering with us or starting their own program and initiatives.

### **Dialogue: Sharing information and perspectives with our stakeholders**

We participated in numerous national and international initiatives in 2011 to promote methanol as a clean fuel and to ensure the safe handling of methanol in markets around the globe.

In 2011, we continued to share our RC and product stewardship experience and progress with the Responsible Care Committee of the Gulf Petrochemicals & Chemicals Association (GPCA) in the Middle East. As a founding member of the GPCA's Responsible Care Committee, we are committed to building a strong RC culture in the region.

In July 2011, we hosted a delegation from the China National Petroleum and Chemical Planning Institute that visited our Vancouver and Medicine Hat sites and shared ideas about our approach to RC. We also promoted the RC ethic at the China Petroleum and Chemical Industry Conference held in Tianjin in September, which was attended by 1,000 participants

from around the world, including 60 to 70 senior management executives from leading companies.

These and our many other product stewardship initiatives demonstrate our commitment to fostering the responsible growth of methanol markets worldwide.

### **What Others Say**



"We were pleased to visit Methanex's methanol plant in Medicine Hat in 2011 and learn more about your Responsible Care efforts. What you have done in this field not only contributes to the industry, but also lays a solid foundation for your future business opportunities in China. Your company is an example of what many Chinese companies look for in a foreign partner: a company that is responsible for industry development and cares for the community."

**Mr. Gu Zongqin**  
President, China National Petroleum and Chemical Planning Institute (NPCPI)

In July 2011, a delegation from the NPCPI visited Methanex's Vancouver and Medicine Hat sites. Its objective was to meet with major petrochemical producers to better understand the North American industry. As the governmental body that oversees regulations for the petrochemical industry, the NPCPI is an important partner in Methanex's business development in China.

## REGIONAL HIGHLIGHTS

### Responsible Care in Action

As part of its ongoing Marketing and Logistics (M&L) Responsible Care program, Methanex New Zealand supports customers by equipping their employees with the training tools they need to safely handle and store methanol.

In 2011, members of the New Zealand Responsible Care department and Transportation and Distribution team partnered with Methanex Asia Pacific's M&L group to bring safe methanol handling seminars and terminal assessments to six locations in New Zealand (Auckland, Christchurch, Mount Manganui and Nelson) and Australia (Brisbane and Melbourne).

Approximately 200 customers and their local fire service attended these free Methanex-led safe methanol handling seminars. In addition to learning about the potential hazards of working with methanol, participants were coached on safety rules and specific procedures to follow when handling and/or storing methanol.

Staff also conducted terminal assessments at five of these locations to verify that customers' shipping terminals and storage facilities met or exceeded industry standards, thereby encouraging a focus on environmental protection and the health and safety of terminal operators and neighbouring communities. The assessment is based on the industry CDI-T audit protocol and tailored by Methanex to cover specific methanol requirements.

Judging by the positive feedback received, Methanex's educational efforts achieved their objectives. Many of the facilities' management and staff reported that they hadn't fully realized the potential dangers associated with mishandling methanol and were appreciative of Methanex's visit to their sites.

### Improving Safety on the High Seas

Waterfront Shipping Company Limited (Waterfront) is a wholly owned subsidiary of Methanex that specializes in the marine transport of bulk chemicals and petroleum products. As an industry leader for its proactive stance on safety, the company has taken a number of steps to improve its practices and those of shipping partners around the globe.

#### Working with shipping partners: The Methanol Group

In 2010, Waterfront invited 30 representatives of shipping companies to get together to explore ways to improve safety on board vessels. This was the first time competing ship owners in the Waterfront fleet met to openly share information about their on-board practices and proved to be the start of the Methanol Group.



Left: As part of Methanex's goal to share safety best practices with stakeholders, employees conduct terminal assessments with customers.

Below: Waterfront Shipping is leading the way in developing and introducing safer procedures on board its vessels and those of its global shipping partners.



The group will next meet in June 2012 to discuss safety and, in particular, how to eliminate the need for crews to enter storage tanks while on board the vessels.

#### Safer onboard procedures

When a vessel arrives at a loading port to take on methanol cargo, surveyors must first check the cleanliness of the vessel's storage tanks. The Wall Wash Test (WWT) has long been the industry practice used to survey tanks. In 2007, Waterfront began questioning this process, which requires surveyors to enter tanks and risk potential exposure to methanol vapours. Waterfront has since implemented the safer, more efficient First Foot Test on its ships, with other methanol producers following its example.

However, while eliminating the WWT has decreased the number of tank entries, crew are still required to go inside tanks during the final cleaning phase. Waterfront has again led the search for a safer option and is championing methanol butterworth as a viable alternative. Butterworth is a process in which existing mechanical systems, rather than a person, clean tanks with methanol. Due to technical challenges around butterworth's safety, the Methanol Group is working together to find solutions.

Waterfront's efforts around this industry change have led to a growing acceptance of the process, and some stakeholders, including major classification societies, have endorsed the use of butterworth on Waterfront's ships. Waterfront remains committed to eliminating the need for crews to enter tanks at any time. Its next major goal is to have butterworth implemented by all Methanol Group members.



## ECONOMIC PERFORMANCE

### **Good neighbours mind their business.**

Methanex's business growth and financial performance are essential to its continued sustainability. As the global methanol leader, we are dedicated to creating long-term value for our shareholders.

2011 was a very good year for the methanol industry and Methanex. Despite continuing weak economic conditions in many developed economies, the demand for methanol grew by approximately seven per cent in 2011. Much of this demand growth came from China, where high industrial production rates increased demand for traditional methanol derivatives. There was also significant growth in demand for methanol in energy applications, such as fuel blending and DME. In this environment of high demand, methanol prices were up over 20 per cent from last year.

In 2011, we grew our production base by 35 per cent with the start-up of new plants in Egypt and Canada, helping us achieve record sales volumes of 7.5 million tonnes and our highest level of production since 2007. These factors contributed to more than a doubling of net income compared to 2010.

We are pursuing several initiatives to add new capacity and value to our company. These include bringing some of our idle assets on stream in New Zealand, and relocating a Chilean plant

to Louisiana. As a result of these and other growth initiatives, we have the potential to double our production levels over the next few years and with significantly less capital than by developing greenfield methanol projects.

Looking ahead, the outlook for the global methanol industry is very bright. There is strong and growing demand for traditional uses of methanol, as well as newer uses, including energy applications. However, there is little new capacity coming on stream to meet this growing demand, and we therefore expect a strong methanol price environment over the next few years. Methanex is ideally positioned to benefit from the healthy price environment and continue to grow as the global methanol industry leader.

For a full account of Methanex's financial performance, please see the 2011 Methanex Annual Report posted in the Investor Relations section of our website at [www.methanex.com/investor](http://www.methanex.com/investor).





Left: Methanex officially opened the Nasdaq Stock Exchange in New York City in November 2010.

## 2011 Financial Highlights

(us\$millions except where noted)

	2007 <sup>6</sup>	2008 <sup>6</sup>	2009 <sup>6</sup>	2010 <sup>6</sup>	2011 <sup>6</sup>
<b>Operations</b>					
Revenue	2,266	2,314	1,198	1,967	<b>2,608</b>
Net income attributable to Methanex shareholders	373	169	1	96	<b>201</b>
Income before unusual item (after-tax) <sup>1</sup>	373	169	1	74	<b>201</b>
Adjusted EBITDA <sup>1</sup>	653	313	143	291	<b>427</b>
Adjusted cash flows from operating activities <sup>1</sup>	491	235	129	303	<b>392</b>
Modified Return on Capital Employed (ROCE) <sup>2</sup>	25.4%	13.6%	1.2%	8.0%	<b>13.8%</b>
<b>Diluted per share amounts (us\$ per share)</b>					
Net income attributable to Methanex shareholders	3.65	1.78	0.01	1.03	<b>2.06</b>
Income before unusual item (after-tax) <sup>1</sup>	3.65	1.78	0.01	0.79	<b>2.06</b>
<b>Financial position</b>					
Cash and cash equivalents	488	328	170	194	<b>351</b>
Total assets	2,862	2,799	2,923	3,141	<b>3,394</b>
Long-term debt, including current portion	597	782	914	947	<b>903</b>
Debt to capitalization <sup>3</sup>	30%	36%	40%	40%	<b>36%</b>
Net debt to capitalization <sup>4</sup>	7%	25%	35%	35%	<b>26%</b>
<b>Other information</b>					
Average realized price (US\$ per tonne) <sup>5</sup>	375	424	225	306	<b>374</b>
Total sales volume (000s tonnes)	6,612	6,054	5,948	6,929	<b>7,514</b>
Sales of Methanex-produced product (000s tonnes)	4,569	3,363	3,764	3,540	<b>3,853</b>

1. Adjusted EBITDA, adjusted cash flows from operating activities, income before unusual item (after-tax) and diluted income before unusual item (after-tax) per share are non-GAAP measures. Refer to page 41 of the 2011 Methanex Annual Report for a reconciliation of these amounts to the most directly comparable GAAP measures.

2. Modified ROCE is defined as income before unusual items and finance costs (after-tax) divided by average productive capital employed. Average productive capital employed is the sum of average total assets (excluding plants under construction) less the average of current non-interest-bearing liabilities. Average total assets exclude cash held in excess of us\$50 million. We use an estimated mid-life depreciated cost base for calculating our average assets in use during the period. The calculation of Modified ROCE includes our 60% share of income, assets and liabilities in the Egypt methanol facility.

3. Defined as total debt divided by total equity and total debt (including 100% of debt related to the Egypt methanol facility).

4. Defined as total debt less cash and cash equivalents divided by total equity and total debt less cash and cash equivalents (including 100% of debt related to the Egypt methanol facility).

5. Average realized price is calculated as revenue, excluding commissions earned and the Egypt non-controlling interest share of revenue, divided by the total sales volumes of Methanex-produced methanol (attributable to Methanex shareholders) and purchased methanol.

6. The 2011 and 2010 figures are reported in accordance with IFRS as the company's date of transition from Canadian GAAP to IFRS was January 1, 2010. The 2009, 2008 and 2007 figures have not been restated in accordance with IFRS and are reported in accordance with Canadian GAAP.

For additional highlights and additional information about Methanex, refer to our 2011 Factbook available at [www.methanex.com](http://www.methanex.com).

## Awards

Methanex is recognized globally as a leader in Responsible Care (RC) and Social Responsibility. In 2011, the company was honoured with numerous awards for its strong track record in safe handling and its ongoing commitment and contribution to RC practices.

### **American Chemistry Council (ACC) 2010 Responsible Care Performance Award**

Methanex was one of several chemical shippers to be awarded the 2010 ACC Responsible Care Performance Award. This award recognizes member companies that are making progress towards achieving the ACC Board's approved set of goals and targets.

### **American Commercial Lines (ACL) Marine Environmental Stewardship Award**

Methanex was recognized for safely handling more than one billion gallons of chemicals without incident in 2010. The award also acknowledges customers that share ACL's commitment to safety and environmental stewardship.

### **Burlington Northern Sante Fe (BNSF) 2010 Stewardship Award**

Methanex was among several chemical shippers to receive the BNSF Stewardship Award for the safe transportation of

hazardous materials by rail. The award recognizes companies that have successfully implemented Product Stewardship practices according to the American Chemistry Council's Responsible Care guidelines.

In 2010, Methanex transported more than 500 shipments with zero non-accidental releases while in transit.

### **Chemical Industry Association of Canada (CIAC) 2010 Award for Excellence in Safety**

CIAC has recognized Methanex's Canadian operations for continued excellence in safety. The award is given to member organizations for outstanding performance in safety over a five-year period. Methanex has received this award seven times in the last eight years.

This recognition largely reflects the excellent safety record at our Kitimat terminal, and also includes the strong safety performance in Methanex's Vancouver office.

### **Canadian National (CN) 2010 Silver Safe Handling Award**

Methanex was awarded CN's 2010 Silver Safe Handling Award, which is given to companies that have shipped in the previous year more than 5,000 shipments with CN, with only one Non-Accident Release.

The majority of Methanex's CN shipments in 2010 were loaded at Kitimat, BC; others originated from terminals in Montreal, Quebec, and St. Rose, Louisiana.



Above: Employees in Methanex's Dallas office showcase awards that recognize the company's long-standing safe handling and transport of methanol.

## Caution Regarding Forward-Looking Statements

This document contains forward-looking statements with respect to us and our industry. These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words “believes,” “expects,” “may,” “will,” “strives,” “should,” “aim,” “goal” or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

More particularly and without limitation, any statements regarding the following are forward-looking statements:

- expected demand for methanol and its derivatives,
- expected new methanol supply and timing for start-up of the same,
- expected methanol and energy prices,
- expected levels, timing and availability of economically-priced natural gas supply to each of our plants, including, without limitation, levels of natural gas supply from investments in natural gas exploration and development in Chile and New Zealand,
- commitments, capital or otherwise, of third parties to future natural gas exploration and development in the vicinity of our plants,
- expected capital expenditures, including, without limitation, those to support natural gas exploration and development for our plants and the restart of our idled methanol facilities,
- anticipated production rates of our plants, including, without limitation, our Chilean facilities and the planned restart of the Motunui 1 facility in New Zealand,
- expected operating costs, including natural gas feedstock costs and logistics costs,
- ability to reduce CO<sub>2</sub> emissions and other greenhouse gases from our operations,
- commercial viability of, or ability to execute, future projects, plant restarts, capacity expansions, plant relocations or other business initiatives or opportunities, including the planned relocation of one of our idle Chile methanol plants to the United States Gulf Coast,
- expected global or regional economic activity (including industrial production levels),
- expected impact of regulatory actions, including assessments of carcinogenicity of methanol, formaldehyde and MTBE, the imposition of formaldehyde emission limits and legislation related to CO<sub>2</sub> emissions, and
- expected actions of governments, government agencies, gas suppliers, courts, tribunals or other third parties.

We believe that we have a reasonable basis for making such forward-looking statements. The forward-looking statements in this document are based on our experience, our perception of trends, current conditions and expected future developments

as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements, including, without limitation, future expectations and assumptions concerning the following:

- supply of, demand for, and price of, methanol, methanol derivatives, natural gas, oil and oil derivatives,
- success of natural gas exploration in Chile and New Zealand and our ability to procure economically priced natural gas in Chile, New Zealand and Canada,
- production rates of our facilities,
- operating costs including natural gas feedstock and logistics costs, capital costs, tax rates, cash flows, foreign exchange rates and interest rates,
- timing of completion and cost of our Motunui 1 restart project in New Zealand, and
- global and regional economic activity (including industrial production levels).

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with producing and marketing methanol and successfully carrying out major capital expenditure projects in various jurisdictions, including, without limitation:

- conditions in the methanol and other industries, including fluctuations in supply, demand and price for methanol and its derivatives, including demand for methanol for energy uses,
- the price of natural gas, oil and oil derivatives,
- the success of natural gas exploration and development activities in southern Chile and New Zealand and our ability to obtain any additional gas in Chile, New Zealand and Canada on commercially acceptable terms,
- the ability to successfully carry out corporate initiatives and strategies,
- actions of competitors, suppliers and financial institutions,
- actions of governments and governmental authorities including, without limitation, implementation of policies or other measures that could impact the supply or demand for methanol or its derivatives,
- changes in laws or regulations, and
- other risks described in the 2011 Management’s Discussion and Analysis.

Having in mind these and other factors, investors and other readers are cautioned not to place undue reliance on forward-looking statements. They are not a substitute for the exercise of one’s own due diligence and judgment. The outcomes anticipated in forward-looking statements may not occur and we do not undertake to update forward-looking statements except as required by applicable securities laws.

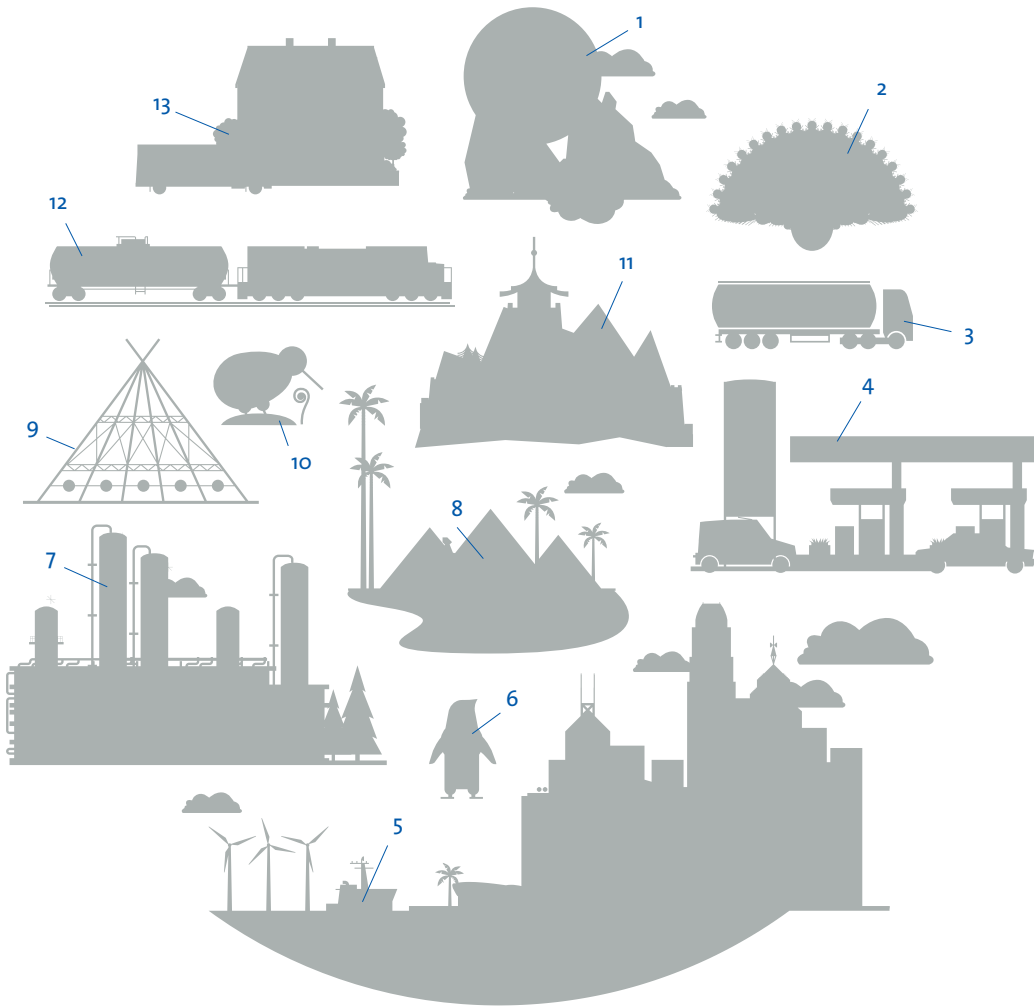


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## On the Cover: The World of Methanex

The symbols below represent the operations and the communities around the globe where Methanex does business.

1. Methanex is a strong supporter of the community in the Region of Magallanes, Chile, where we operate a methanol plant.
2. Trinidad and Tobago, known for its colourful Carnival festivities, is the world's leading exporter of methanol.
3. As part of our commitment to Responsible Care, we conduct seminars on transporting methanol safely by truck.
4. Methanol can be blended with gasoline to produce fuel that is energy efficient and more environmentally friendly than gasoline alone.
5. Methanex's shipping subsidiary, Waterfront Shipping, operates the world's largest fleet of methanol ocean tankers.
6. This Magellanic penguin is native to the Region of Magallanes in Chile.
7. Methanex's global production plants are strategically located to supply every major global market.
8. Our state-of-the-art methanol production facility in Damietta, Egypt is among the most energy efficient in the world.
9. This teepee is a recognized symbol of welcome in Medicine Hat, Canada, where Methanex recently restarted a methanol production plant.
10. The kiwi bird and Maori koru are national symbols of New Zealand, where Methanex has production facilities in North Taranaki.
11. China currently leads the world in the use of methanol as a transportation fuel.
12. Methanex's North American railcar safety program is annually recognized for methanol safe handling and safety performance.
13. Methanex contributes to local communities by supporting regional education and scholarship programs.



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