



MINING LOCAL PROCUREMENT REPORTING MECHANISM



PARTNERS



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

The Extractives and Development sector programme of GIZ supports developing countries to improve resource governance and to establish their extractive sector to benefit sustainable development, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). One of its strategic fields of intervention in this regard is to help use the mineral sector as a vehicle to promote local economic development.

Find out more about the Extractives and Development sector programme at www.bmz.de/rue/en.



Mining Shared Value, an initiative of Engineers Without Borders Canada

Mining Shared Value (MSV) supports economic and social development in the countries that choose to host mineral extraction by working with the mining sector, suppliers, host governments, and other stakeholders to maximize local procurement of goods and services. Started in 2012 by Engineers Without Borders Canada (EWB), MSV is a non-profit resource, hub, and champion for the issue of local procurement by the global mining sector. Find out more at www.miningsharedvalue.org.

ACKNOWLEDGEMENTS

Beginning as an idea between Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Mining Shared Value (MSV) initiative of Engineers Without Borders Canada, the development of the Mining Local Procurement Reporting Mechanism (LPRM) has been supported by the insights of a multitude of individuals from the global mining industry and its stakeholders. These people from a wide variety of institutions contributed significant time, expertise, and feedback, without which this work would not have been possible. The financial support of GIZ and BMZ, guided by their goals of improved development outcomes from mining activity, allowed this important work to go forward. The creation of the LPRM was advised by a Global Steering Committee of 11 senior officials including representation from mining companies, mining industry associations, external assurance providers, suppliers, government, international government organisations, financial institutions, and civil society. The significant contributions of these individuals were invaluable to the development of the LPRM. Finally, extended country consultations in Albania (2016), Mongolia (2016), and Mali (2017) would not have been possible without the significant support from GIZ country offices in Mongolia and Mali, as well as the EITI office in Albania. We would like to extend a sincere thank you to all the individuals and organisations who contributed to the completion of this mechanism.

LPRM development: Jeff Geipel, Emily Nickerson, John Kielty, and Thérèse Regenstreif.

Special thanks to Kristian Lempa, Kim Rahel Schultze, Janne Kaiser, and the GIZ team for their ongoing support and guidance.

July 2017

TABLE OF CONTENTS

Acknowledgements	04
List of abbreviations and acronyms	06
Part 1 – Introduction to the Mining Local Procurement Reporting Mechanism (LPRM)	07
1.1 – Introducing the Mining LPRM	07
1.2 – Importance of the Mining LPRM	09
1.3 – How the Mining LPRM can be used by mine sites and stakeholders to create value	11
1.4 – Methodology and Global Steering Committee	14
Part 2 – Disclosures on mining local procurement	16
2.1 – Mining LPRM reporting requirements – What is expected?	16
2.2 – The Mining LPRM disclosures	18
LPRM 100: Context for local procurement disclosures	20
LPRM 200: Procurement systems	20
LPRM 300: Local procurement spending by category	20
LPRM 400: Local procurement due diligence	21
LPRM 500: Methods to incentivise local procurement	21
LPRM 600: External commitments and obligations	21
Part 3 – Institutional use of the Mining LPRM	22
3.1 – Host country LPRM uptake and use	22
3.2 – International promotion of increased mining local procurement through use of the Mining LPRM	24
Concluding Remarks	26
LPRM Glossary	27
Annex A – Supporting resources, examples of how companies are reporting LPRM disclosures, and links to existing frameworks	30
Supporting resources for local procurement and associated reporting	30
Examples of how companies are reporting LPRM disclosures and links to existing frameworks	31
LPRM 200: Procurement systems	32
LPRM 300: Local procurement spending by category	42
LPRM 400: Local procurement due diligence	48
LPRM 500: Methods to incentivise local procurement	54
LPRM 600: External commitments and obligations	66
Annex B: Overlap of existing sustainability frameworks with the Mining LPRM	70

LIST OF ABBREVIATIONS AND ACRONYMS



AMDC

African Minerals Development Centre

BMZ

German Federal Ministry for Economic Cooperation and Development

CSR

corporate social responsibility

EITI

Extractive Industries Transparency Initiative

EPC

engineering, procurement, and construction

EPCM

engineering, procurement, and construction management

EWB

Engineers Without Borders Canada

GIZ

Gesellschaft für Internationale Zusammenarbeit

GRI

Global Reporting Initiative

IBA

impact benefit agreement

IFC

International Finance Corporation

ICMM

International Council on Mining and Metals

KPI

key performance indicator

LPRM

Local Procurement Reporting Mechanism

MAC

Mining Association of Canada

MDGs

Millennium Development Goals

MSV

Mining Shared Value

NGO

non-governmental organisation

ODA

official development assistance

OECD

Organisation for Economic Co-operation and Development

PDAC

Prospectors & Developers Association of Canada

SDGs

Sustainable Development Goals

SME

small and medium enterprises

PART 1: INTRODUCTION TO THE MINING LOCAL PROCUREMENT REPORTING MECHANISM (LPRM)

1.1 – INTRODUCING THE MINING LPRM

In the countries that host mining, local procurement offers significant opportunities for economic development and industrialisation. Purchasing goods and services in host countries and communities also helps mining companies strengthen their social licence to operate, and in the long run lowers procurement costs. However, despite increasing attention to local procurement as a central component of responsible mining and new regulations, industry approaches to the issue remain relatively underdeveloped.

To determine the potential for increasing local procurement in communities and countries that host mineral extraction, it is necessary to have data and practical information available for a mine site and its stakeholders to use in collaboration. While local procurement is included in the Global Reporting Initiative (GRI), as well as various sustainability systems used by mining companies, the approaches to reporting and the level of detail provided by companies drastically differs across the industry. Importantly, few mining companies report at the level of individual mine sites. As such, the level of detail provided in most existing reporting is not yet at the level necessary to help mining companies better manage their impacts, nor does it provide sufficient information for host country suppliers, governments, and other stakeholders to optimize economic benefits.

The **Mining Local Procurement Reporting Mechanism (LPRM)** is a set of disclosures on local procurement that are to be reported by organisations who report on mine sites. The LPRM addresses the gaps in current reporting frameworks and sustainability systems, and to help standardise the way the sector and host countries talk about these issues. It facilitates comprehensive reporting on local procurement spending at the site level, as well as practical details on mining company procurement processes and programmes that support better informed stakeholders.

The objectives of increasing and standardising the way in which the mining industry reports on local procurement are to:

1. Improve internal management in mining companies to create more benefits for host countries and to strengthen their social licence to operate.
2. Empower suppliers, host governments, and other stakeholders with practical information that will help them collaborate with mine sites.
3. Increase transparency in the procurement process to deter problematic practices, such as corruption.

THE MINING LOCAL PROCUREMENT REPORTING MECHANISM (LPRM)...

...is a set of disclosures on local procurement by the mining industry. It seeks to address the gaps in current reporting frameworks and sustainability systems, and to help standardise the way the sector and host countries talk about these issues.



AT A GLANCE: USING THE MINING LPRM

Who reports?

Reporting organisation (mining companies and other actors reporting on mine site activity)

What data do they report? Quantitative and qualitative data regarding local procurement during mining activity at the individual site level.

To whom do they report?

Mining company stakeholders and rights holders (stakeholders are case-specific and decided through consultation), but any reported data must be openly accessible to the public.

Where do they report?

This is not strictly prescribed and can take various forms, including dissemination through existing annual reporting mechanisms, company websites, emailed documents or physical reports shared with communities, governments, and other relevant stakeholders. To be in accordance with the LPRM, data must be publicly accessible. Along with the disclosures, this LPRM document is complemented by resources and examples to support companies reporting on the disclosures.

LPRM does:

- ✓ **Increase local procurement reporting, particularly at mine site level:** In the simplest form, the reporting framework presents a number of mining company disclosures related to local procurement at a site level.
- ✓ **Encourage integration of the disclosures into existing reporting structures:** Information can be disclosed in a variety of ways, but most importantly, it must be accessible to, and usable by, a company's stakeholders in host countries. Example structures include: annual sustainability reports, submissions to host country governments, presentation at in-country forums, and GRI reports.
- ✓ **Include supporting resources and examples:** Along with the disclosures, the LPRM is complemented by resources and examples to support companies reporting on the disclosures.

LPRM does not:

- ✗ **Create a standardised definition of "local":** The definition of "local" is context-specific and thus will vary based on the relevant stakeholders for each mine site – this is why site-level reporting is a key pillar of the LPRM. Best practice indicates that any definition of "local" should address the level of participation, level of value addition, and geographic location.¹
- ✗ **Create a standardised reporting format:** The LPRM does not require companies to produce their information in a specific template, nor does it provide or suggest a specific software to collect information and report on the disclosures.
- ✗ **Create a separate and independent reporting structure:** The LPRM does not seek to develop an entity similar to the Extractive Industries Transparency Initiative, to which companies also report. However, existing organisations that, for example, validate company reporting or rank company performance may decide (and are encouraged) to include LPRM disclosures in their assessments or standards.

¹ See guidance on the risks and opportunities of different definitions of "local": (1) World Bank and Kaiser Economic Development Partners, *A practical guide to increasing mining local procurement in West Africa, 2015*. and (2) Kaiser Economic Development Partners, *An approach to defining, measuring, and monitoring local procurement by the mining industry, 2013*.

1.2 – IMPORTANCE OF THE MINING LPRM

As it is usually the largest single expenditure during mining activity, procurement spending has the potential to have the most significant economic impact. There is increasing sector-wide recognition that local procurement offers benefits to mining companies, as well as the countries and communities that host them. Over the last decade, the mining conversation has shifted from *whether* increased local procurement should be a target, to *how* such an increase can be accomplished. In addition, host country governments are increasingly turning to regulation, which may include the use of quantitative targets to encourage mining companies to purchase more local goods and services.

Measuring and reporting on local procurement is a necessary step in any broader strategy for increasing local procurement by mining companies in host countries, as the resulting data is what facilitates an evidence-based dialogue. However, relative to other types of impacts that mineral extraction creates, such as energy-use and tax payments, there are shortcomings in how most mining companies currently report on local procurement. Most companies do not provide detailed statistics on their goods and services spending, and only a small minority do so in a way that allows stakeholders from individual mine sites to easily access the necessary information.²

This relative lack of reporting on local procurement exists despite the fact that, in most cases, mine sites spend more on the procurement of goods and services than they do in their combined spending on tax payments to governments, payments in labour and wages, and community investment *combined*, as is highlighted in the World Gold Council's 2013 and 2014 studies and other reporting from mining operations (Figure 1).³ While standardised measurement and reporting has accomplished demonstrable performance improvements across other mining industry issues, such as occupational safety, this has not yet been accomplished for the issue of local procurement, despite it having, in the majority of cases, the potential for the most economic impact.

Beneficiaries within host countries

Local suppliers of goods and services are the biggest recipients of host country investment, accounting for 71% of in-country expenditure of \$37,402m.

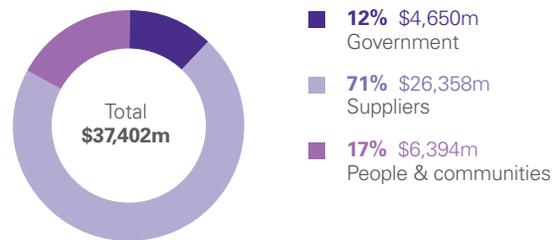


FIGURE 1: BREAKDOWN OF HOST COUNTRY SPENDING BY WORLD GOLD COUNCIL MEMBER COMPANIES IN 2013

(Reprinted from: World Gold Council, 2013, *Responsible gold mining and value distribution: 2013 report and Responsible gold mining and value distribution, 2013 data: A global assessment of the economic value created and distributed by members of the World Gold Council*)

The Mining LPRM and the GRI

The GRI has achieved significant progress in positively influencing corporate behaviour by providing a framework that outlines the key corporate social responsibility (CSR) issues that should be reported.⁴ With regards to the issue of mining local procurement, it is clear that companies that utilize the GRI in their reporting provide more detail on the issue than those who do not.⁵

However, while use of the GRI to structure reporting is common among the world's largest mining companies, most companies do not provide detail on local

procurement that is in line with the spirit of the GRI's indicators. Importantly, the GRI is used mostly for company-wide reporting – not for reporting across individual sites.

The Mining LPRM enhances GRI reporting by providing additional and more specific disclosures related to local procurement that reflect best practices. This is both to help companies report in a way that delivers more value for themselves, as well as to create information on a site-by-site basis that suppliers and other stakeholders in each host country can utilize.

1. Improving company performance on local procurement

Internally, benefits of reporting include better management (since measurement improves accountability and attention to key issues), improved internal evaluation and goal-setting, and a fostered culture of transparency.⁶ For companies that are only at the beginning of their efforts to increase their local procurement, reporting frameworks can help provide a list of key issues to guide their strategy. For companies with more advanced local procurement systems, increasing their reporting helps fine tune strategies to ensure no issues are being ignored.

In addition, creating a common set of disclosures prevents individual mining companies from having to “re-create the wheel” when setting up their own measurement and reporting systems. The LPRM was created with input from representatives from all the key stakeholder groups in the global mining industry, and its disclosures were assessed by mine sites and stakeholders in three in-depth country pilots. Because of this, it represents a combination of best practices in local procurement and reporting, with support from the various parts of the global mining system that the LPRM is seeking to support. For time-stretched procurement and CSR management staff, the LPRM provides a set of reliable disclosures created in consultation with industry stakeholders to ensure that they produce information that creates value for the mining company, its suppliers, and host country economies.

2. Empowering host country suppliers, governments, and other stakeholders

Increasing the level of reporting on local procurement and easing the process by creating a consistent set of disclosures helps mining companies collaborate with host country stakeholders. In providing increased information on procurement processes and their results, host country suppliers, governments, and other actors are empowered to make better decisions in their efforts to supply goods and services to mine sites. This also has the effect of reducing research and transaction times for host country actors, and reduces the amount of information requests placed with mine site managers. In addition, through

comprehensive reporting, companies often can bring in partners and resources for programming to increase local spending, such as supplier development programmes funded through official development assistance (ODA). Through comprehensive reporting, all actors in a host country mining system are better informed, which facilitates increased local procurement through collaboration.

As with companies, having a common set of disclosures also helps various stakeholder groups, including host country governments, in creating a data collection system that is in line with industry best practices, which they can use as a foundation for their own respective monitoring and evaluation systems. This also avoids duplication among various stakeholder groups in setting up systems for collecting information from mining companies.

3. Increasing transparency in procurement to improve governance

There are significant risks for corruption that arise during the procurement process in any sector, in both developing and advanced economies. Given the scale of procurement in the mining sector, corruption has the potential to greatly harm the economic development of host countries, as well as cause operational risk for mining companies. The OECD’s *Corruption in the Extractive Value Chain Typology of Risks, Mitigation Measures and Incentives* outlines the various ways that corruption, which may include the misuse of local content⁷ requirements, can occur at each stage of the mining life cycle.

By increasing the level of reporting about mining company procurement practices and results, the LPRM increases transparency in a way that helps deter problematic practices. Mine sites reporting in accordance with the LPRM allow host country suppliers and stakeholders to understand who is responsible for procurement processes, where information on tendering and supplier opportunities is available, and other information that helps prevent abuse resulting from opaqueness and information asymmetries between players.

2. For recent coverage on how the world’s largest mining companies report on local procurement, see Mining Shared Value, *Local Procurement and Public Reporting Trends Across the Global Mining Industry: An Analysis of Company Reporting, 2012-2013 - Canadian Mining Supplementary Edition*. Engineers Without Borders Canada. Toronto: 2015.

3. During 2012 and 2013 the member companies of the World Gold Council spent 63% and 71% of all in-country payments on procurement respectively. See *Responsible gold mining and value distribution: 2013 report* as well as *Responsible gold mining and value distribution, 2013 data: A global assessment of the economic value created and distributed by members of the World Gold Council*.

4. For the purposes of this document, “corporate social responsibility” (CSR) refers to “companies taking responsibility for their impact on society” which is the European Union Commission’s definition. It should not be taken to mean charity, community investment, or philanthropy programming as it is sometimes used. See: European Commission, *Growth - Corporate Social Responsibility*, 2017. Retrieved from: http://ec.europa.eu/growth/industry/corporate-social-responsibility_en

5. See: Mining Shared Value, *Local Procurement and Public Reporting Trends Across the Global Mining Industry: An Analysis of Company Reporting, 2012-2013 - Canadian Mining Supplementary Edition*. Engineers Without Borders Canada. Toronto: 2015.

6. Lloyd, Julie, “The True Benefits of Reporting”, *Centre for Social Value Creation*. 2010. Retrieved from <http://blogs.rhsmith.umd.edu/creatingvalue/uncategorized/the-true-benefits-of-reporting/>

7. The term “local content” has different meanings to different actors. It is generally used to refer to local participation in the value chains of investing companies. The OECD provides a helpful definition: “Local content (also referred to as ‘National Content’ or ‘Name of country or other geographic area Content’) is generally understood to be the local resources a project or business utilises or develops along its value chain while investing in a host country. This may include employment or inputs, goods and services procured from local sources, locally hired workforces, operations carried out in partnership with local entities, development of enabling infrastructure, the improvement of domestic capacity, or the improvement of local technological capabilities”. However, many actors, particularly mining companies, tend to use local content to mean different things. For some, local content may include both local procurement and local hiring, or only local procurement on its own. For the purposes of this LPRM document, “local content” will be used to refer to the kind of broader local participation explained in the OECD definition. Purchasing goods and services locally will always be referred to as “local procurement”.



1.3 – HOW THE MINING LPRM CAN BE USED BY MINE SITES AND STAKEHOLDERS TO CREATE VALUE

Similar to how companies report in accordance with the GRI, when a mine site reports on all of the required disclosures of the LPRM, the reporting is considered to be “in accordance” with the LPRM. While reporting organisations for the mine site do the actual reporting, the purpose of the LPRM is to create information that empowers all actors of a host country’s mining system to make better decisions that will improve outcomes. The LPRM was created with private sector concerns in mind, such as “reporting for the sake of reporting”, and includes guidance on how mine site stakeholders can utilize LPRM reporting to work with mining companies to create mutual benefits via increased local procurement (see Part 3).

The LPRM creates a common framework for a multitude of actors to use in their efforts to improve the impacts of mining in host countries. Over the past decade, many national and international institutions have sought to improve the economic and social development outcomes of mineral extraction. This has led to a variety of frameworks, systems, and guidance pieces that seek to promote increased local procurement. However, few of these broad plans for action have included guidance on reporting. The LPRM helps turn these initiatives into practical action plans by providing a set of disclosures to guide and measure activity. For example, the Mining LPRM:

- Lays out disclosures that guide mining companies to actions they can take to contribute to the Sustainable Development Goals (SDGs) in partnership with host country governments, rights-holders, and stakeholders.
- Provides a reporting mechanism for the local content-focused components and recommendations of the recently released OECD *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*.

- Supplements the International Council on Mining and Metals (ICMM) Sustainable Development Framework and its components on design of supplier development programmes by providing a reporting mechanism that documents the progress and results of programmes being undertaken at each site.
- Provides a system of disclosures to guide the adoption of best practices in mining local procurement laid out in existing toolkits, such as Ana Maria Esteves’s (et al.) *Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors* (2010) and the International Finance Corporation’s *A Guide to Getting Started in Local Procurement: For Companies Seeking the Benefits of Linkages with Local SMEs* (2011).
- Promotes increased transparency regarding procurement processes in a way that buttresses efforts, such as the Extractive Industries Transparency Initiative, that focus only on taxes and royalties.

The quantitative and qualitative data created by the LPRM provides practical information that can be used by various stakeholders of mine sites to help the local economy supply the goods and services required during mining activity. Figure 2 shows how the reporting for the mine site enables suppliers, host country, and international stakeholders to make better-informed decisions in their respective efforts that affect local procurement outcomes.

Figure 3 and Figure 4 then provide example systems maps that illustrate more detailed scenarios that show how reporting in accordance with the LPRM can empower different stakeholders to work together. Figure 3 is an in-country scenario, and Figure 4 is an international one.

FIGURE 2: HOW REPORTING FOR THE MINE SITE ENABLES SUPPLIERS, HOST COUNTRY, AND INTERNATIONAL STAKEHOLDERS TO MAKE BETTER-INFORMED DECISIONS IN THEIR RESPECTIVE EFFORTS THAT AFFECT LOCAL PROCUREMENT OUTCOMES

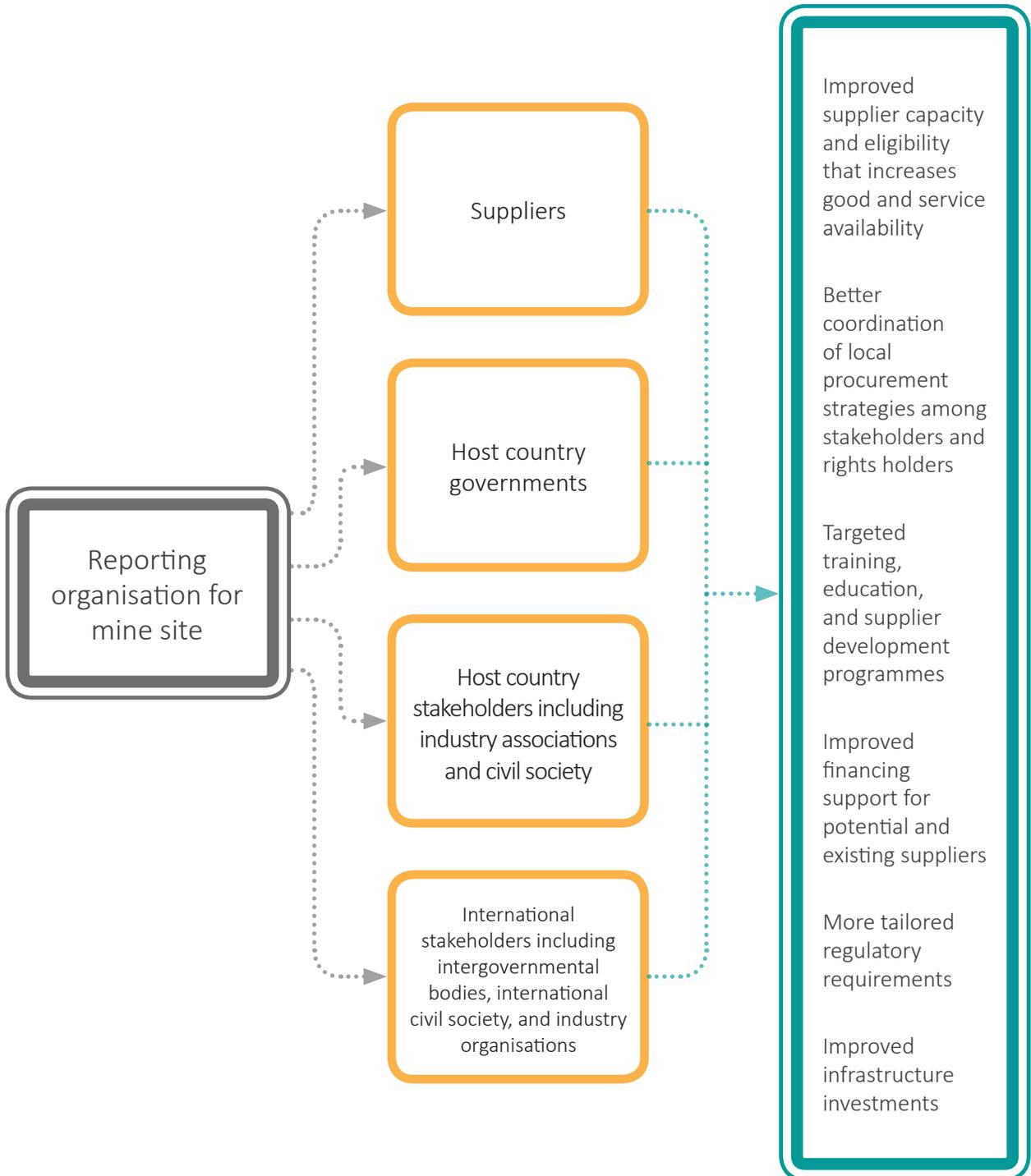


FIGURE 3: POTENTIAL OF REPORTING TO INFORM DECISION-MAKING AND INCREASE COLLABORATION BETWEEN SELECT LOCAL ACTORS

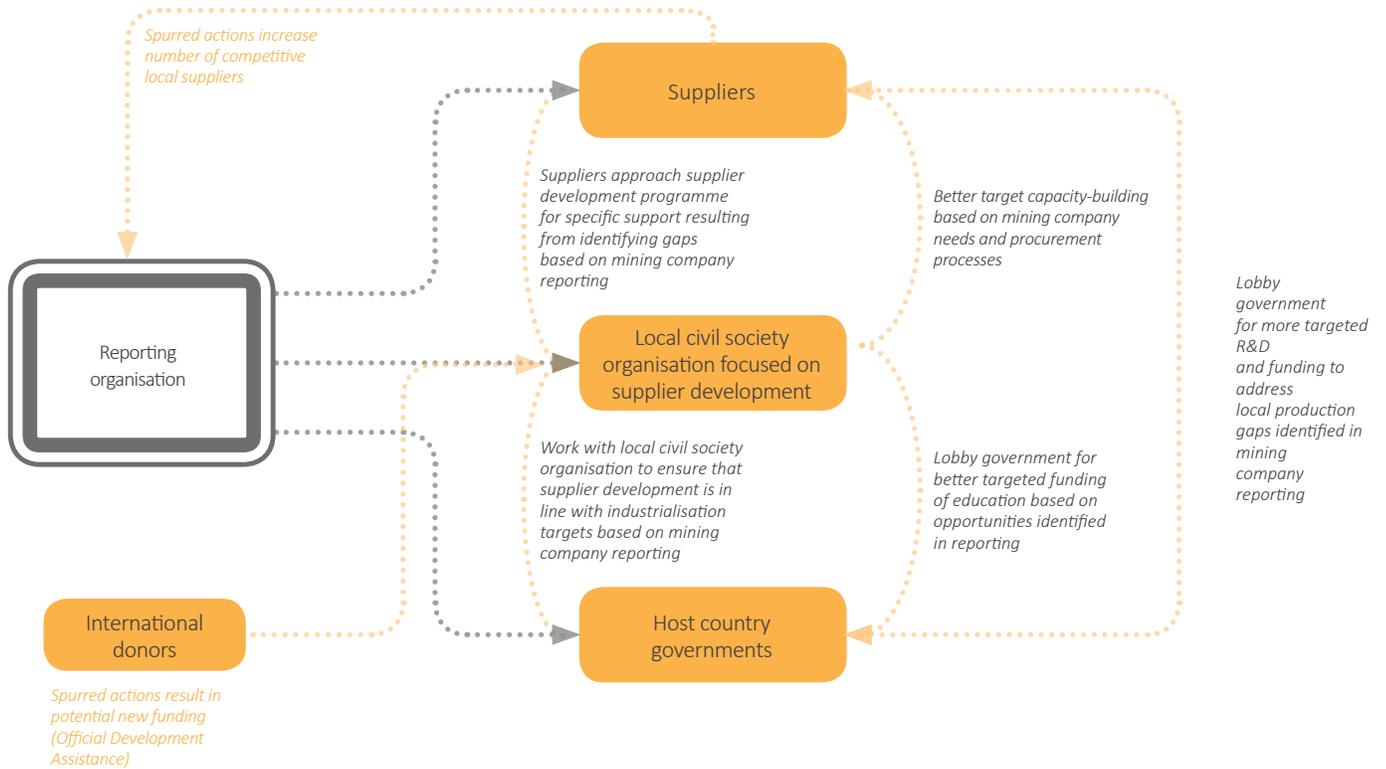
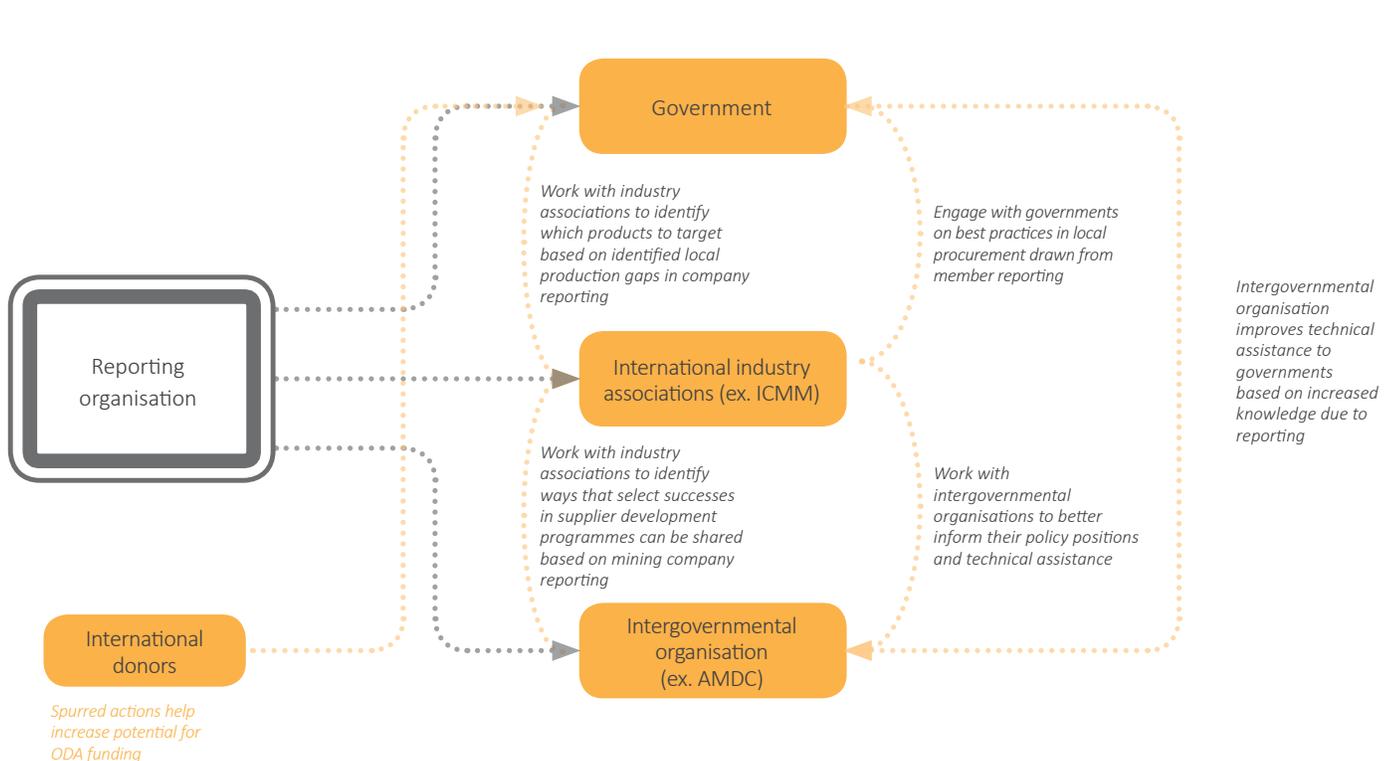


FIGURE 4: POTENTIAL OF REPORTING TO INFORM DECISION-MAKING AND INCREASE COLLABORATION BETWEEN SELECT INTERNATIONAL ACTORS



1.4 – METHODOLOGY AND GLOBAL STEERING COMMITTEE

To ensure broad and inclusive engagement of the global mining industry and its stakeholders in the creation of this set of disclosures, MSV began an extensive consultation process to incorporate the insights of mining companies, host country suppliers, governments, civil society, and other institutions. This consultation process began in February 2016 and extended to May 2017. Consultations took place through phone and in-person interviews, and included sessions that brought many stakeholders together at the same time.

To further elicit guidance, MSV created a Global Steering Committee of senior officials representing different stakeholder groups. The committee consists of members that include representation from mining companies, mining industry associations, external assurance providers, suppliers, government, international government organisations, financial institutions, and civil society.

Mining and the SDGs: The role of local procurement

One of the key improvements made to the SDGs over their preceding Millennium Development Goals (MDGs) is the increased recognition, and emphasis, on private sector roles that are necessary in achieving them. The global institutions that put together the SDGs realized that there was no way for these economic and social development goals to be met if the private sector did not support them.

The SDGs provide a series of goals and accompanying targets. In 2016 the World Economic Forum, Columbia University and the United Nations Development Programme helped show all the ways in which mining activity can affect SDG outcomes in their report, *Mapping Mining to the Sustainable Development Goals: An Atlas*.(2016). The study outlines how local procurement of goods and services is a means to achieving a number of SDGs, most significantly SDG 8: Mining, Decent Work, and Economic Growth (Figure 5).

FIGURE 5: HOW MINING CAN CONTRIBUTE TO SDG 8

Reprinted from: CCSI, WEF, and UNDP, 2016, Mapping Mining to the Sustainable Development Goals: An Atlas, p. 39



The LPRM provides a way in which mining companies can monitor and report how they are maximizing their contributions to the SDGs through local procurement.

The members of this Global Steering Committee are as follows:

1. **Charles Akong**, Linkages and Diversification Expert, African Minerals Development Centre (AMDC)
2. **Luke Balleny**, Senior Program Officer, ICMM
3. **Jerry Asp**, Co-founder of Global Indigenous Development Trust and Chair of the Board
4. **Gillian Davidson**, (Outgoing) Director, Head, Mining and Metals Industry at World Economic Forum
5. **Max George-Wagner**, Governance Associate, Natural Resource Governance Institute
6. **Neema Lugangira**, (Outgoing) Ag. Director of Local Content in Investments at National Economic Empowerment Council, Prime Minister's Office, Tanzania
7. **Gosia Nowakowska-Miller**, Local Supplier Development and Community Investment Specialist, International Finance Corporation
8. **Ashlin Ramlochan**, Senior Manager of Sustainable and Responsible Supply Chain, Anglo American
9. **Georg Schaefer**, Sector Project Sustainable Economic Development, GIZ
10. **Kristina Svensson**, (Outgoing) Senior Operations Officer, Energy and Extractives Global Practice, World Bank
11. **Edward Thomas**, Manager of Sustainability, Deloitte

Finally, in order to test each version of the LPRM and to assess the practicality and usefulness of the information requested by the disclosures, three pilot processes were carried out in countries hosting mineral extraction. In each country, these pilots engaged several mining companies, their suppliers, host government institutions, civil society, and other actors working on extractive industry issues. The pilots included:

- Albania, June 13 – June 24, 2016
- Mongolia, July 31 – August 11, 2016
- Mali, January 23 – February 3, 2017

The outcome of this consultation and piloting process is a set of disclosures representing local procurement reporting that are in line with best practices and with relative consensus on what kinds of information are useful to help increase local procurement. One of the main reasons for creating this common set of disclosures is that mining companies and their stakeholders do not have to recreate the wheel in setting up disclosures in the future. While any mine site can go beyond the level of detail required by the LPRM, this ideal set of local procurement disclosures sets a minimum threshold that will create value for both mining companies and the countries and communities that host mining activity.



PART 2: DISCLOSURES ON MINING LOCAL PROCUREMENT

2.1 – MINING LPRM REPORTING REQUIREMENTS – WHAT IS EXPECTED?

To be in accordance with the Mining LPRM, a **reporting organisation must report the required disclosures on behalf of the mine site**. Reported information must be published in a way that allows for all relevant suppliers and stakeholders of the mine site to access and utilize the information.

What is a “mine site”? For the purpose of reporting in accordance with the LPRM, and to align with best practices in extractive industry disclosures, the default definition for a “mine site” is a single operation and its linked infrastructure. In some cases, a mining company will have more than one active extraction site in a very small area. In such cases, it may be appropriate for these two sites to report as one unit, especially if, for example, the same team manages procurement for both points. However, if a company operates two mine sites in the same country that are entirely distinct, separate reporting shall be provided for both. This aligns with the movement towards project-level reporting as part of the Extractive Industries Transparency Initiative (EITI).

For the LPRM, a mine site can refer to a location with activity at any stage of the mining life cycle, from exploration to closure.

What is a “reporting organisation”? For the purpose of the LPRM, a reporting organisation is an entity that reports on the local procurement of a mine site. In most cases this will be the operating mining company that manages the mine site. However, this can also include engineering, procurement, and construction management (EPCM) and/or engineering, procurement, and construction (EPC) firms building a mine, or an expansion to an existing mine for example. The mining company who operates a mine site

may require its contracted EPCM or EPC to report on the local procurement activities it is undertaking. A company who owns a mine site that contracts out the bulk of the mining process may also require that contractor to report in accordance with the LPRM. Because major suppliers / contractors can also report using the LPRM, it is an option for the mining company to collect and present the data of its EPCM, for example.

What are “stakeholders”? For the purpose of reporting in accordance with the Mining LPRM, a reporting organisation can use the definition of stakeholders provided by the GRI:

“Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the organisation’s activities, products, and services; and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives. This includes entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organisation” (GRI, 2016).

Within this definition, it is important to recognize that certain individuals and groups may have specific rights that require particular actions and accommodations by the mining company, that are distinct from other types of stakeholders.

Disclosures are presented in line with the GRI, which includes required disclosures that are mandatory and recommended disclosures that are *encouraged*.

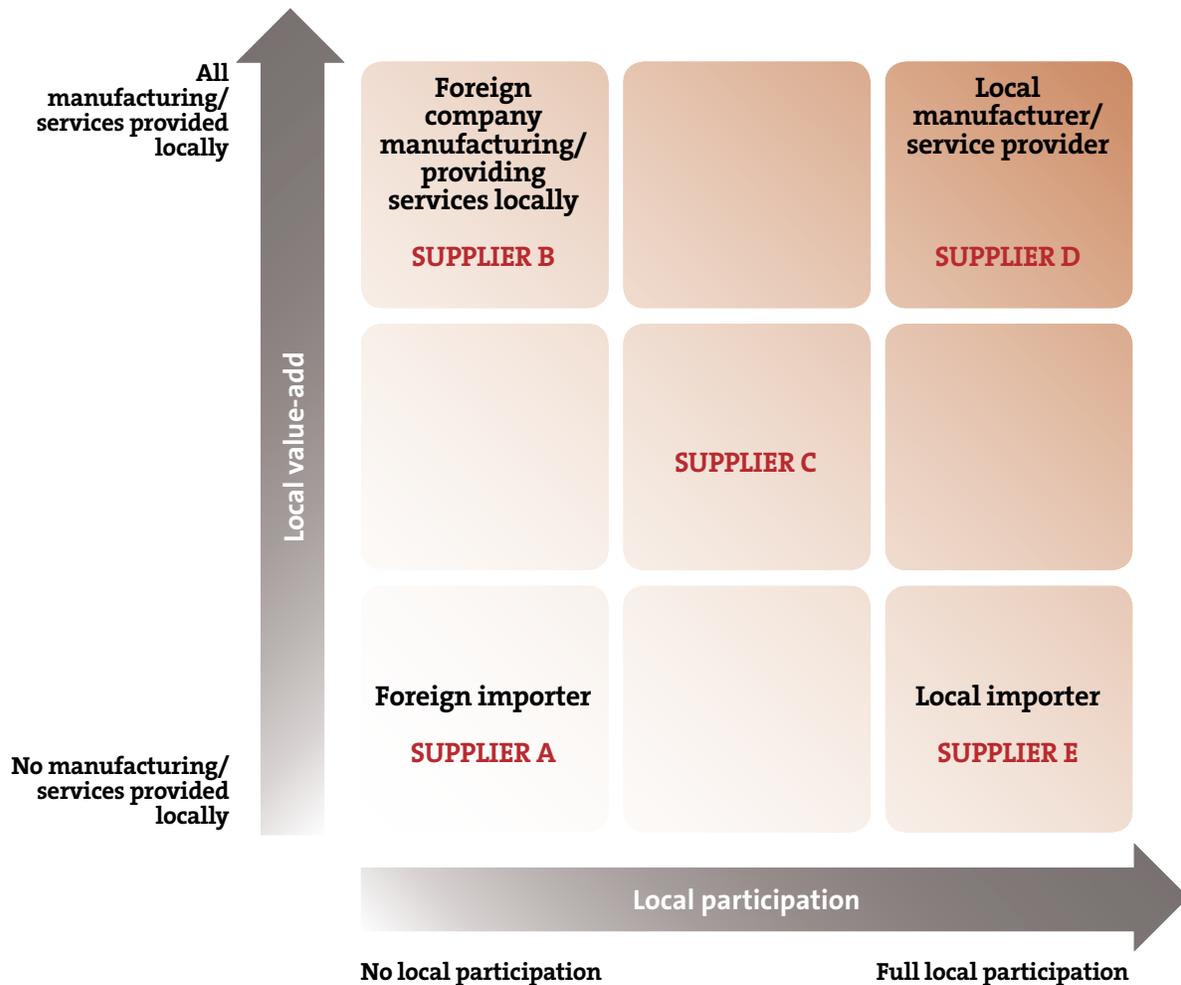
*“Requirements: These are mandatory instructions. In the text, requirements are ... indicated with the word ‘shall’. Requirements are to be read in the context of recommendations and guidance; however, an organisation is not required to comply with recommendations or guidance in order to claim that a report has been prepared in accordance with the Standards”.*⁸



FIGURE 6: A FRAMEWORK FOR CATEGORIZING SUPPLIERS

Reprinted from World Bank and Kaiser Economic Development Partners, *A practical guide to increasing mining local procurement in West Africa*, p. 24. 2015.

FRAMEWORK FOR CATEGORISING SUPPLIERS



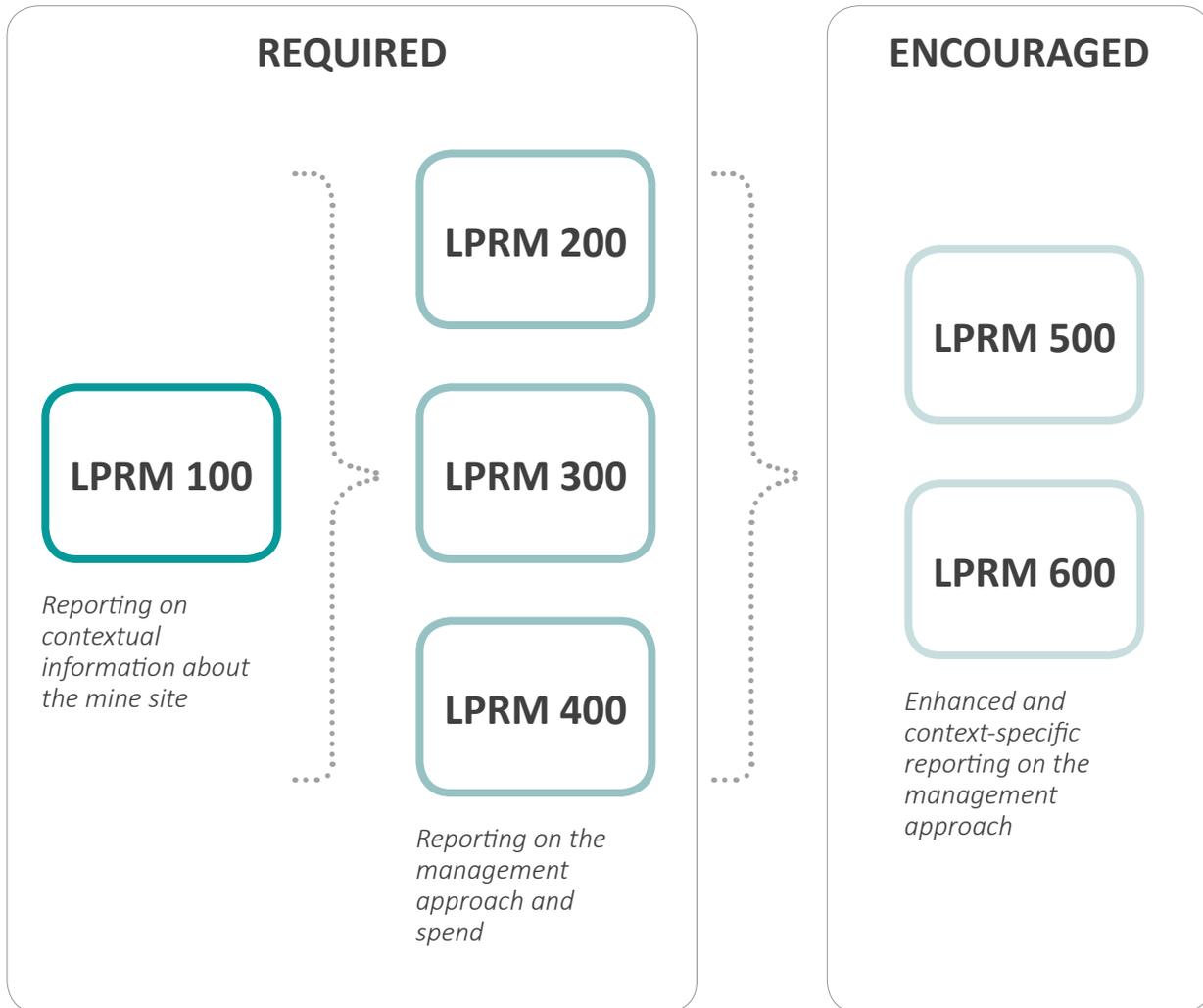
The World Bank and Kaiser EDP's *A practical guide to increasing mining local procurement in West Africa* provides a useful framework that shows how different types of suppliers create various levels of local value and participation (Figure 6). It is a useful tool for guiding mining companies towards more sophisticated measurement systems that can be used while reporting with the Mining LPRM, which can then be used to continuously improve value creation.

For resources on the best practices in defining "local", see Annex A – *Supporting resources, examples of how companies are reporting LPRM disclosures, and links to existing frameworks*.

2.2 – THE MINING LPRM DISCLOSURES

The Mining LPRM contains six aspects of local procurement disclosures, with thirteen required disclosures and nine encouraged disclosures (Figure 7). In total, the Mining LPRM contains 22 disclosures.

FIGURE 7: THE DISCLOSURE CATEGORIES OF THE MINING LPRM



9. Ibid.

8. Global Reporting Initiative, GRI 204: Procurement Practices 2016, p. 5. 2016. Retrieved from <https://www.globalreporting.org/standards/gri-standards-download-center/gri-204-procurement-practices/?g=575e0041-59e8-4bd2-bb36-c8c5f5b5a903>

Note: Any underlined terms in the disclosures represent terms that are defined in the glossary (pp. 27 to 29). The majority of definitions in the glossary are drawn from the GRI.

LPRM 100: Context for local procurement disclosures

These disclosures provide the context necessary for understanding subsequent disclosures. For example, reporting the number of workers at a mine site provides the context necessary for external stakeholders, such as a garments supplier, to better understand the scale of business opportunity. For the mining company, these disclosures are a starting point for managing external expectations around the scale and duration of the mining project.

DISCLOSURE 101: CONTEXT

The reporting organisation shall report the following:

- Mining company name.
- Mine site name.
- Reporting period.
- Stage of the asset, including any significant expansion development under way.
- Estimated year of mine closure (if producing) or estimated mine-life for a mine under development (if not producing).
- Average number of workers on the mine site at once during the reporting period.

LPRM 200: Procurement systems

These disclosures focus on processes related to local procurement and require companies to report on policies and systems that support procurement from local suppliers. For external actors, this information discloses the company priorities, procedures, and points of contact related to local procurement.

DISCLOSURE 201: POLICY ON LOCAL SUPPLIERS

The reporting organisation shall report the existence of any mine site-specific local procurement policy and / or other company policies or company standards that include local procurement.

Note: Other company policies or standards could include, but are not limited to, a supply chain policy, a stakeholder engagement policy, or a CSR policy.

DISCLOSURE 202: ACCOUNTABILITY ON LOCAL SUPPLIERS

The reporting organisation shall report the name of the mine site departments responsible for local procurement.

DISCLOSURE 203: MAJOR CONTRACTORS AND LOCAL SUPPLIERS

The reporting organisation shall report if and how the mine site requires major suppliers / major contractors at the mine site to prioritize local suppliers. Explain how the reporting organization evaluates its major suppliers / major contractors on their local procurement.

Note: Major suppliers / major contractors can include engineering, procurement, and construction management (EPCM) and / or engineering, procurement, and construction (EPC) firms, or other major service providers.

DISCLOSURE 204: PROCUREMENT PROCESS

- **Disclosure 204 A**
The reporting organisation shall provide contact information (address or phone number) for the publicly available supplier contact persons or point of contact for suppliers, such as information offices.
- **Disclosure 204 B**
The reporting organisation shall provide information on any internal or external supplier procurement portals, databases, or registries (if applicable, provide URLs).
- **Disclosure 204 C**
The reporting organisation shall provide information on requirements and support for prequalification (if applicable, provide phone numbers, emails, or URLs).
- **Disclosure 204 D**
The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).

LPRM 300: Local procurement spending by category

These disclosures allow companies to measure and monitor how much is being spent on local procurement from one reporting period to the next. For external actors, this information provides a better understanding of what the mining company buys, where there are opportunities for potential and existing suppliers, and supports an informed dialogue with the mine site regarding how to increase local procurement.

DISCLOSURE 301: CATEGORISING SUPPLIERS

The reporting organisation shall report how the mine site categorises suppliers based on:

- Geographic location, such as proximity to the site.
- Level of participation, including level of ownership and / or employment by local individuals or particular groups (Indigenous people, vulnerable groups, etc.).
- Level of value addition.

DISCLOSURE 302: BREAKDOWN OF PROCUREMENT SPEND

The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in *Disclosure 301: Categorising suppliers*, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend (see Note 1). In addition, if possible, reporting shall provide a breakdown of spending by major spend families (see Note 2).

Note 1: The reporting organisation should report total procurement spend as defined in the GRI 204-1 recommendations (below). If another approach is used to define total procurement spend, the reporting organisation shall detail this approach.

GRI 204-1: "When compiling the information specified in *Disclosure 204-1*, the reporting organisation should calculate the percentages based on invoices or commitments made during the reporting period, i.e., using accruals accounting" (GRI, 2016).

Note 2: Reporting organisations should broadly define each spend family provided, such as consumables, logistics, and construction spending.

LPRM 400: Local procurement due diligence

The purpose of these disclosures is to encourage mine sites to create and demonstrate systems that ensure they are not inadvertently supporting problematic processes (such as corruption, child labour, forced labour, and human rights abuses) among their suppliers.

DISCLOSURE 401: DUE DILIGENCE PROCESSES

The reporting organisation shall report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour.

DISCLOSURE 402: ANTI-CORRUPTION POLICY

The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.

DISCLOSURE 403: TRAINING AND GUIDANCE FOR SUPPLIERS

The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.

LPRM 500: Methods to incentivise local procurement

These disclosures cover various methods that mine sites may use to provide additional support to suppliers, but that are not advisable in every context. When companies use the methods below it is advisable to be as transparent as possible in these processes to help suppliers and other host country stakeholders navigate the procurement process.

DISCLOSURE 501: COMMITMENTS

The reporting organisation should provide time-bound commitments that the mine site has made to increase local procurement.

Note: Commitments could include, but are not limited to, annual or mid-term targets for local procurement spending, supplier development programmes, local procurement plans, local procurement key performance indicators (KPIs) for procurement staff, and other local procurement objectives.

DISCLOSURE 502: PREFERENCE IN SCORING OF BIDS

The reporting organisation should, in as much detail as possible, explain if and how the scoring of bids provides preference for local suppliers.

DISCLOSURE 503: PREFERENCE IN SCORING OF BIDS FOR SIGNIFICANT LOCAL CONTRIBUTIONS

The reporting organisation should describe if additional scoring preference is given to suppliers that demonstrate significant local economic contributions.

Note: Additional preference could include, but is not limited to, suppliers with significant levels or a specific percentage of local staff, or suppliers who buy components from local suppliers, etc.

DISCLOSURE 504: NON-SCORING METHODS TO INCENTIVISE LOCAL PURCHASING

The reporting organisation should explain non-scoring methods that are used at the mine site to be inclusive of local suppliers.

Note: Non-scoring methods include, but are not limited to, unbundling contracts to allow smaller suppliers to bid on tenders appropriate to the size of their business, or efforts to help more than one small supplier form a larger co-operative or cluster.

DISCLOSURE 505: SUPPORTING SUPPLIERS TO UNDERSTAND THE TENDER PROCESS

The reporting organisation should describe activities or support that the mine site provides to local suppliers navigating the tendering and prequalification processes.

Note: The types of activities that support suppliers navigating the tender and prequalification process include but are not limited to: information sessions, training, information handouts, and communications that explain reasons for rejected bids.

DISCLOSURE 506: SPECIAL PAYMENT PROCEDURES FOR LOCAL SUPPLIERS

The reporting organisation should describe special payment procedures that the mine site uses to assist local suppliers.

Note: Special payment procedures include, but are not limited to: paying upfront, partially in advance, within a shorter period of time than international suppliers, or any other type of payment accommodation that is made.

DISCLOSURE 507: ENCOURAGING PROCUREMENT FROM PARTICULAR GROUPS

The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.

LPRM 600: External commitments and obligations

The use of these disclosures is encouraged at the mine sites that are subject to particular legal or agreement-based requirements regarding local procurement and processes to increase local procurement. Providing information on these requirements helps suppliers and other stakeholders understand the context for a mine site's efforts on local procurement, and increases transparency.

DISCLOSURE 601: REGULATIONS

The reporting organisation should detail regulations for local procurement or procurement from specific types of local suppliers, or any specific contract provisions between the mine site and the host country government.

DISCLOSURE 602: OTHER AGREEMENTS AND CONTRACTS

The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.

PART 3: INSTITUTIONAL USE OF THE MINING LPRM

3.1 – HOST COUNTRY LPRM UPTAKE AND USE

The objective of the Mining LPRM is to create information that empowers host country suppliers, governments and other stakeholders to make better informed decisions when setting goals for increasing local procurement. Sensitive to the reporting burden that many mining companies and their sites feel, and amidst fears of initiatives “sitting on the shelf”, the LPRM is designed to be central to the local procurement approaches undertaken by all actors who are part of a host country’s mining system. In supporting host country organisations to request and utilize information created by the disclosures of the LPRM, the goal is to create local ownership over efforts to increase local procurement, and to draw in additional financial and human resources for these efforts.

This section describes the various ways that each host country actor can utilize the data created from the LPRM, as well as ways that LPRM use can be standardised into their respective strategies, policies, and regulations.

Host country governments

Host country governments have an interest in identifying which local goods and services represent the best opportunities for supplying the mining industry and for contributing to sustainable development. By helping firms enter global value chains through supplying the sector, governments help achieve progress in economic and social development goals, including those that are part of the SDGs. Mine site-level data facilitates information that supports targeted policy development and investments to help this process. To understand what all mine sites are doing in terms of local procurement policies and programming, as well as the statistical results of those efforts, governments can:

- Identify goods and services with sufficient mining sector demand to support suppliers.
- Tailor their education programmes so that they help develop the skills required for the creation of particular goods and services.
- Target infrastructure spending to facilitate more competitive suppliers. For example, this may involve building new transportation links where shipping costs are preventing competitive prices from suppliers.
- Better understand what kind of ODA they should seek from multilateral and bilateral aid organisations in order to support particular supply industries.
- Better target any quantitative local procurement regulations under consideration, helping to avoid problematic and unrealistic requirements.
- Track and demonstrate progress on the SDG Agenda 2030 that can be attributed to mining local procurement.

Any government interventions that incentivise or require mine sites to procure locally will be most effective when based on consistent engagement with the mining industry and on detailed data, such as that provided by the LPRM. Requirements for mine site-level reporting can be integrated into existing government data collection efforts that mining companies are subject to on an ongoing basis, which may include annual mine site planning, social and environment impact management planning, etc.

Currently there are several countries where, rather than forcing companies to purchase a target percentage of domestic goods and services, host county governments require mine sites to submit annual local procurement plans. By requiring mine sites to have reporting done on all the disclosures of the LPRM, host governments will obtain the necessary information required to create better regulations, infrastructure provision, and funding for methods of capacity-building, such as vocational institutes. In addition, by standardising these disclosures across all government requests for local procurement information, this will help to lower the number of conflicting reporting requirements that exist between different countries for the same mining company.

It is important to note that in requiring hosted mine sites to use the LPRM’s disclosures in their annual reporting, governments are not prevented from requiring additional information that is beyond the scope of the LPRM. However, by starting with a standardised set of disclosures agreed upon by a large and diverse set of stakeholders, the LPRM allows governments to avoid

having to start from the beginning in setting out the key local procurement information pieces required for reporting.

Subnational governments (provincial and municipal)

Where subnational governments have jurisdiction over mining regulations and reporting, use of the LPRM can also be incorporated into reporting requirements put in place by those governments.

Where subnational governments do not have any authority over such legally required reporting requirements, which is generally the case with municipal governments for example, these government entities can still encourage use of the LPRM at hosted mine sites. Because vocational training and infrastructure spending are often under the jurisdiction of subnational governments, the LPRM offers a value proposition for companies looking to inform local government investment in programmes that support capacity-building for suppliers.

National mining associations (domestic industry focus)

In many countries, membership or affiliation with the national mining association is a basic requirement for any major player in the industry. The profile and advocacy opportunities, as well as the benefits from connections throughout the industry, are tangible. Associations continuously look for ways to deliver value to their members and often champion emerging issues that will serve the interests of the industry. Given the many benefits and goodwill that local procurement generates within local economies, communities, and governments, mining associations have good incentive to introduce the LPRM to domestic member companies. In addition, by collecting data created by the LPRM, mining associations are better informed to measure how the industry is contributing to the national economy.

Options for implementation through a mining industry association could include:

- Requirement to use the LPRM as a condition for membership.
- Incorporation of the LPRM into the association's required CSR standards, systems, and reporting requirements.

Mining industry associations can also act as supporting bodies that empower the industry to both share best practices internally, and to engage government in developing reasonable regulations on local procurement based on the informed discussions resulting from the use of the LPRM.

Local chambers of commerce and business associations

In areas where mining occurs, individual businesses often lack the information needed to develop local procurement opportunities. Chambers of commerce can use LPRM-created information from mining companies to identify opportunities, as well as capacity-building needs, for its member businesses.

In many mining jurisdictions, there are also business associations focused specifically on mining industry suppliers. Having qualitative and quantitative data on how mine sites are conducting their local procurement can help business associations in the following ways:

- Align support services for member firms with the supplier capacity-building efforts being reported by mine sites.
- Work with mine sites to identify current and future businesses that could competitively supply particular goods and services.
- Effectively engage with the mining sector to identify and overcome challenges commonly faced by their members. For example, challenges may include site procurement processes that inadvertently disadvantage local suppliers.

Because business associations and supplier organisations do not have any ability to directly regulate mining company behaviour, demonstrating value is their best recourse for encouraging mining companies to use the LPRM. For example, mining supplier organisations can create a business case for the use of the LPRM by demonstrating how they will use the data created by the LPRM to better target support for suppliers in a way that lowers time and / or costs for mine site procurement management.

Economic development NGOs, impact investors, and other forms of private sector support

Currently in developing countries, as well as in many economically depressed areas in advanced countries, a large number of activities run by non-governmental organisations (NGOs) seek to support small and medium enterprises (SMEs). In many cases, however, support for SMEs in the form of training, impact investing, and other forms of assistance do not account for the actions and spending of large mine sites. In some cases, NGO activities can inadvertently duplicate efforts, such as supplier development programmes, conducted by mining companies and other actors. In other cases, NGOs may target support for SMEs producing goods and services that lack the demand necessary for ensuring that those businesses are competitive and sustainable.

The LPRM creates information that local NGOs, impact investors, and other institutions can use to steer SME support strategies, and effectively direct their resources. It also greatly reduces research and transaction times by creating public information that does not have to be requested from mining companies. Having the information created when mine sites report in accordance with the LPRM allows for:

- Better monitoring and evaluation of SME support programmes based on reliable data that shows procurement from local businesses.

- NGOs and impact investors to better understand which goods and services are realistic products to target in their capacity-building efforts.
- All organisations working on SME support to know what programmes are already in place, which helps avoid duplication of supplier support programming.
- Qualitative and quantitative data that can be used to inform project proposals to bilateral and multilateral donors, foundations, and other sources of funding for the organisations who work on SME development.

NGOs and other organisations seeking to support suppliers of the mining sector can play a role by asking a mine site to report publicly to them and other organisations in accordance with the LPRM. Like supplier associations, these types of organisations can best encourage mining companies to use the LPRM by demonstrating the value it creates. For example, if an NGO can use LPRM-created data to attract a bilateral donor to fund a SME support facility that helps the suppliers of a mine site, this provides an incentive for a mining company to report.

3.2 – INTERNATIONAL PROMOTION OF INCREASED MINING LOCAL PROCUREMENT WITH THE MINING LPRM

Internationally, there are a multitude of organisations that influence and guide the behaviour of mining companies and the governments who host mining investment. These actors who help steer global trends in natural resource governance can also act to promote increased mining local procurement via promoting use of the LPRM among mining companies. By standardising the way in which mine sites report on local procurement, and by avoiding conflicting systems, these international organisations can deliver value to the stakeholder groups they represent, and save time for the organisations they influence.

This section lays out the various ways to incorporate the LPRM into the many global principles, standards, and systems that steer the behaviour of mining companies and host country stakeholders.

International industry associations

The international mining organisations that influence mining company behaviour, such as the ICMM and the various commodity-specific organisations (the World Gold Council, for example) can all serve their member efforts to increase local procurement by promoting use of the LPRM. In using a standardised framework, these mining associations are able to reduce the workload of their members, who can avoid having to create entirely new systems that may conflict with each other. This is also true of several key national mining organisations, such as the Mining Association of Canada (MAC) and the Prospectors & Developers Association of Canada

(PDAC), that influence mining outside of their own borders through their members that work abroad.

Below are ways in which these global industry associations can promote use of the LPRM to create value for their member companies, as well as the host countries where they operate:

- Distribution and promotion of the LPRM through membership communication channels that may include newsletters, social media, and regular meetings.
- Hosting sessions on the LPRM at industry organisation events such as the PDAC Convention.
- Hosting training workshops and seminars for member companies on use of the LPRM.
- Incorporation of the LPRM into the CSR principles, standards, and management systems in use by the association. MAC's Towards Sustainable Mining (management system) and the Minerals Council of Australia's Enduring Value (principles) are good examples.
- Requiring use of the LPRM as a condition of membership in the organisation.

International CSR and reporting systems

There are a multitude of CSR systems in use at mine sites that guide their behavior. Some of these are very specific in focus (the International Cyanide Management Code, for example), while others cover a multitude of topics, such as the GRI. While not all of these systems include procurement as an issue area, the ones that do can promote local procurement in countries that host mining activity by including the LPRM in their guidance, systems, and requirements. If all of these various systems reference the LPRM in the same way, it will greatly reduce the confusion inherent to mine sites that engage with many different frameworks. Incorporating the LPRM into these systems also provides a way for these systems to translate their principles and guidelines into action by providing a means to report and monitor aspects of local procurement. For example, many of these systems can have very broad components and indicators that refer to general ideas, such as improved "socioeconomic impacts" or "increased local livelihoods", and the LPRM provides a detailed way to measure the local procurement aspects of these issues.

International and regional government organisations

On the government side, international and regional government organisations have a great deal of influence on how the countries that host mineral extraction govern themselves. While not able to directly regulate mining activity in their member states, these institutions set principles for governance, provide technical assistance to member states, and otherwise act as thought leaders. There are many ways these institutions can promote use of the LPRM:

- Incorporating use of the Mining LPRM into the broad policy visions—such as the *African Mining Vision* and its execution by the AMDC, or the OECD and its *Framework for Extractive Projects on Collaborative Strategies for In-Country Shared Value Creation*—that are intended to guide member country governance.
- Including use of the LPRM in guidance documents specific to local content and mining-led economic diversification. The upcoming guidance on mining local content from the Intergovernmental Forum on Mining, Minerals, Metals, and Sustainable Development (being finalized in late 2017) is a good example.
- Using the Mining LPRM to collect statistics on local procurement by hosted mining companies for regional measurement of economic activity.
- Providing technical assistance to member states of regional government organisations through trainings and workshops for mining ministry representatives.
- Requesting reports that are in accordance with the LPRM as a means of gauging responsible mining behaviour, and in doing so, helping to determine risk.
- Requiring use of the LPRM as a condition of investment.
- Issuing shareholder resolutions that request mining company management to adopt use of the LPRM.

Financing institutions

Those who provide capital for mining companies yield considerable influence over the practices of individual mine sites. The efforts to promote responsible mining practices on behalf of financing institutions may be borne not only out of a concern for ethical behaviour, but also as a central risk mitigation tool for their investments. Mine sites that do not demonstrate a reasonable level of economic benefit for host countries and their communities are prone to conflicts, delays, and even the prevention of mine construction – all of which greatly hurt the returns for investors. As such, financial institutions that encourage use of the LPRM as a condition of investment not only help support practices that create more economic benefits for host economies, they also help mitigate risks for their investment. This is particularly the case for proposed mining projects with underdeveloped CSR and local procurement systems, where requiring use of the LPRM gives mining companies a roadmap to guide the setup of their local procurement strategy.

Financing institutions can thus promote use of the Mining LPRM by:

- Including use of the LPRM in their sustainability frameworks that guide CSR practices of invested companies. The International Finance Corporation's (IFC) Performance Standards of the African Development Bank's *An ANRC step-by-step guide for local content policy formulation and implementation* are good examples.
- Including use of the LPRM in sustainability frameworks that inform conduct of the financing institutions themselves. The Equator Principles are a good example.

CONCLUDING REMARKS

The Mining Local Procurement Reporting Mechanism (LPRM) is a set of disclosures on local procurement by the mining industry. It seeks to address the gaps in current reporting frameworks and sustainability systems, and to help standardise the way the sector and host countries talk about these issues. As detailed in this report, it facilitates comprehensive reporting on local procurement spending at the site level, as well as practical details on mining company procurement processes and programmes that support better informed stakeholders.

If mining companies and other reporting organisations that provide information on mine site activity and impacts use the LPRM to structure their reporting, benefits will be created for both the countries that host mineral extraction and for the mining companies themselves. Use of the Mining LRPM will:

1. Improve internal management in mining companies to create more benefits for host countries and to strengthen their social licence to operate.
2. Empower suppliers, host governments, and other stakeholders with practical information that helps them to collaborate with mine sites.
3. Increase transparency in the procurement process to deter problematic practices such as corruption.

It is hoped that the mining industry and host countries that choose to host mineral extraction can use the Mining LPRM to work together to ultimately increase economic development. While procurement is only one among many components of effective mineral resource management, adoption of the Mining LPRM by the global mining industry will make a significant contribution to improved outcomes from mining activity.

LPRM GLOSSARY

- **corporate social responsibility (CSR).** “Companies taking responsibility for their impact on society” which is the European Union Commission’s definition.¹⁰
- **corruption.** In the context of the GRI standards, the definition of corruption is drawn from that of Transparency International and refers to “abuse of entrusted power for private gain, which can be instigated by individuals or organisations”. Note: In the GRI Standards, “corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise’s business. This can include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage, or that can result in moral pressure to receive such an advantage”.¹¹
- **due diligence.** “In the context of the GRI Standards, ‘due diligence’ refers to a process to identify, prevent, mitigate and account for how an organisation addresses its actual and potential negative impacts.
 - Note: This definition is based on the Organisation for Economic Co-operation and Development (OECD), *OECD Guidelines for Multinational Enterprises*, 2011, and the United Nations (UN), ‘Guiding Principles on Business and Human Rights, Implementing the United Nations “Protect, Respect and Remedy” Framework’, 2011”¹²
- **local supplier.** An “organisation or person that provides a product or service to the reporting organisation, and that is based in the same geographic market as the reporting organisation (that is, no trans-national payments are made to a local supplier)”. See *Part 2* for guidance on specifications of this definition as well as Disclosure 301 in which reporting organisations are required to provide their exact definition of a “local” supplier.
- **local procurement.** Procurement from local suppliers (see definition of local supplier).
- **mine-life, life of mine.** “The time in which, through the employment of the available capital, the ore reserves – or such reasonable extension of the ore reserves as conservative geological analysis may justify – will be extracted”.¹³
 - Note: The estimated mine life should be based on the most up-to-date assessment, either from the approved mine feasibility study or approved subsequent revisions.
- **mine site, mine.** The operational unit of a mineral extraction project (see *Part 2* for more information on how this is defined in the context of the LPRM).
- **producing, production [of a mine site].** “That which is produced or made; any tangible result of industrial or other labour. The yield or output of a mine, metallurgical plant, or quarry”.¹⁴
- **reporting period.** The “specific time span covered by the information reported.
 - Note: Unless otherwise stated, the GRI Standards require information from the organisation’s chosen reporting period”.¹⁵
- **service.** The “action of an organisation to meet a demand or need”.¹⁶
- **stakeholder.** An “entity or individual that can reasonably be expected to be significantly affected by the reporting organisation’s activities, products and services, or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives”.¹⁷
 - Note 1: Stakeholders include entities or individuals whose rights under law or international conventions provide them with legitimate claims vis-à-vis the organization.
 - Note 2: Stakeholders can include those who are invested in the organization (such as employees and shareholders), as well as those who have other relationships to the organization (such as other workers who are not employees, suppliers, vulnerable groups, local communities, and NGOs or other civil society organizations, among others).
- **supplier.** An “organisation or person that provides a product or service used in the supply chain of the reporting organisation.

- Note 1: A supplier is further characterized by a genuine direct or indirect commercial relationship with the organisation.
- Note 2: Examples of suppliers can include, but are not limited to:
 - Brokers: Persons or organisations that buy and sell products, services, or assets for others, including contracting agencies that supply labour.
 - Consultants: Persons or organisations that provide expert advice and services on a legally recognized professional and commercial basis. Consultants are legally recognized as self-employed or are legally recognized as employees of another organisation.
 - Contractors: Persons or organisations working onsite or offsite on behalf of an organisation. A contractor can contract their own workers directly, or contract sub-contractors or independent contractors.
 - Distributors: Persons or organisations that supply products to others.
 - Franchisees or licensees: Persons or organisations that are granted a franchise or license by the reporting organisation. Franchises and licenses permit specified commercial activities, such as the production and sale of a product.
 - Home workers: Persons at home or in other premises of their choice, other than the workplace of the employer, who perform work for remuneration and which results in a product or service as specified by the employer, irrespective of who provides the equipment, materials or other inputs used.
 - Independent contractors: Persons or organisations working for an organisation, a contractor, or a sub-contractor.
 - Manufacturers: Persons or organisations that make products for sale.
 - Primary producers: Persons or organisations that grow, harvest, or extract raw materials.
 - Sub-contractors: Persons or organisations working onsite or offsite on behalf of an organisation that have a direct contractual relationship with a contractor or sub-contractor, but not necessarily with the organisation. A sub-contractor can contract their own workers directly or contract independent contractors.
- Wholesalers: Persons or organisations that sell products in large quantities to be retailed by others".¹⁸
- **supplier development programme.** A programme dedicated to providing "mentoring, training and access to finance for local [suppliers]".¹⁹
- **supply chain.** A "sequence of activities or parties that provides products or services to an organisation".²⁰
- **sustainable development, sustainability.** "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
 - Note 1: Sustainable development encompasses three dimensions: economic, environmental and social.
 - Note 2: Sustainable development refers to broader environmental and societal interests, rather than to the interests of specific organisations.
 - Note 3: In the GRI Standards, the terms 'sustainability' and 'sustainable development' are used interchangeably".²¹
- **value addition.** "Gross valued added is an unduplicated measure of output in which the value of the goods and services used as intermediate inputs are eliminated from the value of output".²² For example, in the context of mining local procurement, this refers to local suppliers ranging from local manufacturers or service providers to foreign importers, manufacturers, or service providers (World Bank and Kaiser EDP, 2015).
- **vulnerable group.** A "set or subset of persons with some specific physical, social, political, or economic condition or characteristic that places the group at a higher risk of suffering a burden, or at a risk of suffering a disproportionate burden of the social, economic or environmental impacts of the organisation's operations.
 - Note 1: Vulnerable groups can include children and youth, the elderly, people with disabilities, ex-combatants, the internally displaced, refugees or

returning refugees, HIV/AIDS-affected households, indigenous peoples, and ethnic minorities.

- Note 2: Vulnerabilities and impacts can differ by gender”.²³
- **worker.** A “person that performs work.
 - Note 1: The term ‘workers’ includes, but is not limited to, employees.
 - Note 2: Further examples of workers include interns, apprentices, self-employed persons, and persons working for organisations other than the reporting organisation, e.g., for suppliers.
 - Note 3: In the context of the GRI Standards, in some cases it is specified whether a particular subset of workers is to be used”.²⁴

10. European Commission, *Growth - Corporate Social Responsibility*, 2017. Retrieved from: http://ec.europa.eu/growth/industry/corporate-social-responsibility_en

11. Global Reporting Initiative, *GRI Standards Glossary 2016*, p. 5. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

12. Ibid

13. InfoMine, *Life of Mine*, 2017. Retrieved from: <http://dictionary.infomine.com/default.aspx?term=life+of+mine>

14. US Bureau of Mines via InfoMine, *Producing*, n.d. Retrieved from: <http://dictionary.infomine.com>

15. Global Reporting Initiative, *GRI Standards Glossary 2016*, p. 14. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1035/gri-standards-glossary-2016.pdf>

16. Ibid, p. 15.

17. Ibid, p. 16.

18. Ibid

19. Based on IFC's definition for SME development in *A Guide of Getting Started on Local Procurement*, p. 25. 2011. Retrieved from: http://www.ifc.org/wps/wcm/connect/03e40880488553ccb09cf26a6515bb18/IFC_LPPGuide_PDF20110708.pdf?MOD=AJPERES

20. Global Reporting Initiative, *GRI Standards Glossary 2016*, p. 17. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1035/gri-standards-glossary-2016.pdf>

21. Ibid

22. United Nations, *The System of National Accounts*, para 6.222- 6.223. 1993. Retrieved from: <http://unctad.org/en/Pages/DIAE/World%20Investment%20Forum/Value-Added.aspx>.

23. Global Reporting Initiative, *GRI Standards Glossary 2016*, p. 18. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1035/gri-standards-glossary-2016.pdf>

24. Ibid, p. 19.

ANNEX A: SUPPORTING RESOURCES, EXAMPLES OF HOW COMPANIES ARE REPORTING LPRM DISCLOSURES, AND LINKS TO EXISTING FRAMEWORKS

This section provides guidance on how each disclosure aligns with other relevant CSR and reporting systems. Also, this section covers illustrative examples of current mining company reporting that are in line with each of the individual LPRM disclosures. The purpose of this guidance is to provide further clarity on how each mine site can report in accordance with the LPRM, and to provide models drawn from existing industry practice.

SUPPORTING RESOURCES FOR LOCAL PROCUREMENT AND ASSOCIATED REPORTING

One of the central objectives of the LPRM is to help companies implement the best practices in local procurement, as described in various toolkits and other existing guidance documents. For the most part, all of the underlying best practices that informed the selection of the LPRM's disclosures are in some way addressed in the following toolkits:

- International Finance Corporation. *A guide to getting started on local procurement*. 2011.
- Esteves, Ana Maria, David Brereton, Daniel Samson and Mary-Anne Barclay. *Procuring from SMEs in local communities: A good practice guide for the Australian mining, oil and gas sectors*. 2010.
- World Bank Group and Kaiser Economic Development Partners. *A practical guide to increasing mining local procurement in West Africa*. 2015.

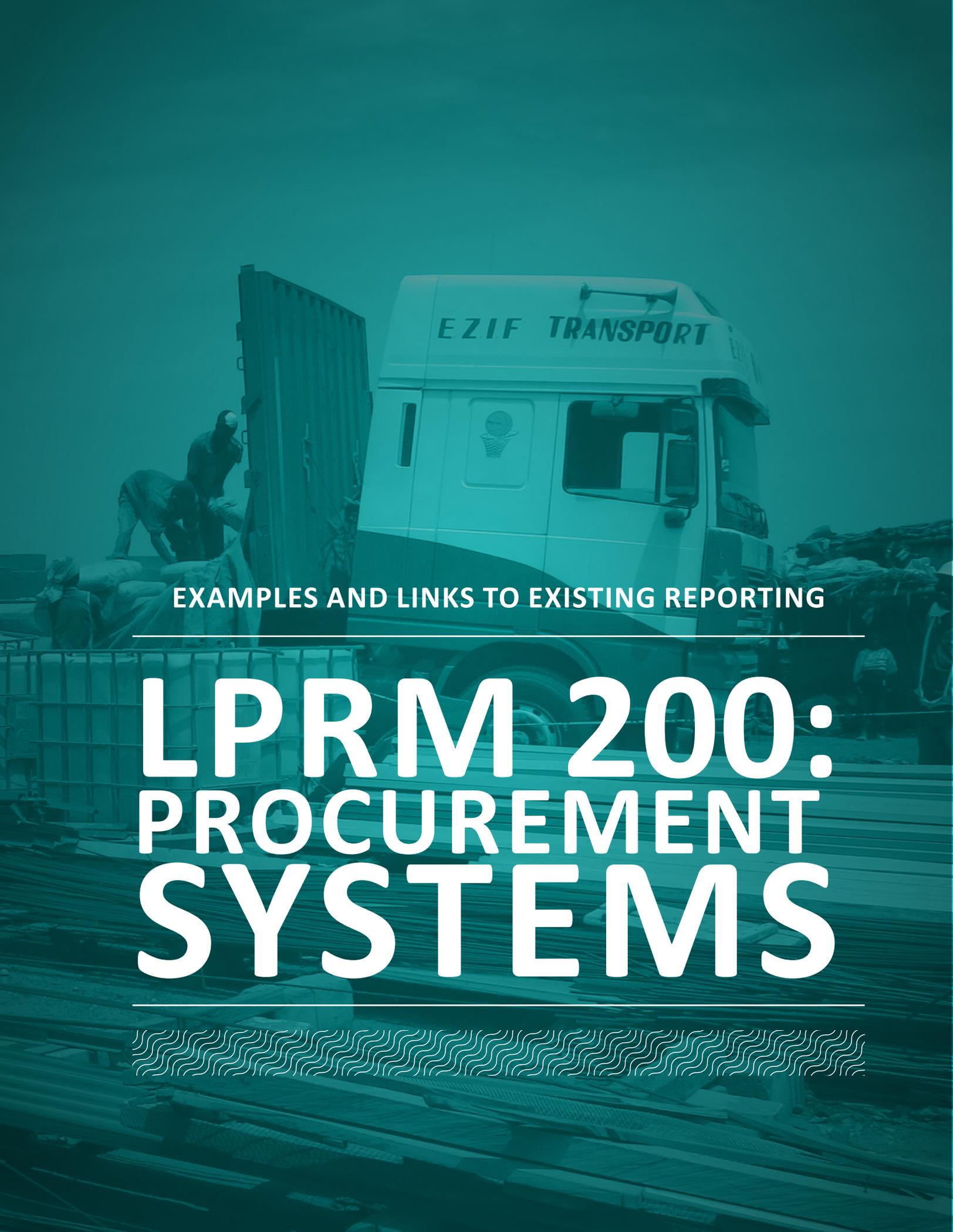
In addition, the following case studies provide insights on how various companies have worked to increase local procurement, and what the results were for some of these programmes:

- African Development Bank. "Anglo American Corporation's Zimele Enterprise Program: A Case Study". 2016.
- Blewitt, Chad, Kirk Wilks and Cece Noramou. "Local Content Policy for the Simandou Integrated Mining and Infrastructure Project". 2015.
- Mining Shared Value Venture of Engineers Without Borders Canada. "Local Procurement Case Study of Kumtor". 2014.
- Mozal Aluminum and IFC. "Developing SMEs Through Business Linkages". 2008.
- Newmont and IFC. "Creating the Foundations for a Linkage Program in a Rural Setting". 2009.
- Sturman, Kathryn and Ola Bello. "Opportunities and Challenges for Local Food Procurement by Mining Companies in Tanzania and Mozambique". 2014.

- World Business Council for Sustainable Development. “Supporting Local Economic Growth in Ghana”. 2009.

EXAMPLES OF HOW COMPANIES ARE REPORTING LPRM DISCLOSURES AND LINKS TO EXISTING FRAMEWORKS

The following examples of company reporting do not represent a comprehensive analysis of local procurement reporting across the entire mining industry, but rather a select set of examples to provide clarity on the different ways companies are already reporting specific disclosures of the LPRM. This information was sourced from mining company websites and annual CSR reports. While these examples are drawn from information that is currently public, the information as a whole may not entirely meet the expectations of the LPRM which emphasizes that information be accessible to *all* relevant stakeholders (refer to *Part 2* for more information on the format of reporting).



EXAMPLES AND LINKS TO EXISTING REPORTING

LPRM 200: PROCUREMENT SYSTEMS



DISCLOSURE 201: POLICY ON LOCAL SUPPLIERS

The reporting organisation shall report the existence of any mine site-specific local procurement policy and / or other company policies or company standards that include local procurement.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 encourages reporting organisations to report the following as part of their management approach for procurement practices reporting:
 - “describe policies and practices used to select locally-based suppliers, either organisation-wide or for specific locations”²⁵
 - “describe policies and practices used to promote economic inclusion when selecting suppliers”
- PDAC *e3 Plus* (2009) advises exploration companies to adopt and make public policies and procedures for use of local suppliers and services.²⁶

EXAMPLES OF PUBLIC REPORTING

Anglo American plc describes their local procurement policy, which applies to all of their mine sites, within their *Sustainable Development Report 2014*. They also disclose their local procurement policy on their website.

All our operations adhere to our leading Group-wide local procurement policy and are implementing local procurement strategies and reporting against targets. Operational efforts are supported by a comprehensive local procurement toolkit and summary guide.

SOURCE: Anglo American, *Focus: Effective Partnerships*, p. 49. 2014. Retrieved from: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/report-builder-2014/sdr/sdr14-interactive-version.pdf>

Anglo American plc's local procurement policy can be accessed using the following links:

<http://www.angloamerican.com/suppliers/local-procurement> or <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/supplier/supply-chain-LPP-english-190314.pdf>

Randgold Resources describes their local procurement policy within their *Sustainability Report 2016*.

DEVELOPING SUSTAINABLE LOCAL SUPPLY CHAINS

Our policies

Our suppliers are critical to the efficient functioning of all our operations and we have a network of 890 suppliers around the globe that we procure goods and services from. We follow a local first procurement policy, and wherever possible seek to use local suppliers and contractors to meet our needs. By contracting with local suppliers we are able to create additional employment opportunities, raise household income levels, improve skills and to diversify local economies.

SOURCE: Randgold Resources, *Sustainability Report 2016*, p. 33. 2016. Retrieved from: <http://www.randgoldresources.com/sites/randgoldresources/files/Sustainability%20report%20extra%20low%20res.pdf>

All our suppliers must respect our sustainability policies and we include mandatory clauses in supplier contracts to ensure they adopt our environmental, human rights, and anti-corruption policies. These terms extend to their sub-contractors whenever practical. Where local suppliers do not meet our standards or are lacking some elements of appropriate environmental and safety standards we try to facilitate skills training and mentoring support from leading international companies to help build local capacity.

Newmont Mining Corporation's *Sustainability and External Relations Standard: Local Procurement and Employment* sets minimum requirements across their mine sites for local business opportunities and employment. The full standard can be found at:

http://s1.q4cdn.com/259923520/files/doc_downloads/newmont_socialandenvironmentalstandards/Local-Procurement-and-Employment-Standard_Web.pdf

25. Global Reporting Initiative, *GRI 204: Procurement Practices 2016*, p. 6. 2016. Retrieved from <https://www.globalreporting.org/standards/gri-standards-download-center/gri-204-procurement-practices/?g=575e0041-59e8-4bd2-bb36-c8c5f5b5a903>

26. PDAC. *e3 Plus: A Framework for Responsible Exploration Principles and Guidelines*, p. 52. 2014. Retrieved from: <http://www.pdac.ca/pdf-viewer?doc=/docs/default-source/e3-plus---principles/contribute-to-community-development-and-wellbeing.pdf>

DISCLOSURE 202: ACCOUNTABILITY ON LOCAL SUPPLIERS

The reporting organisation shall report the name of the mine site departments responsible for local procurement.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

GRI 204 requires that “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify who is responsible for managing the procurement practices related to local suppliers.²⁷

EXAMPLES OF PUBLIC REPORTING

Dundee Precious Metals outlines that the Tender Committee at their Tsumeb mine is ultimately responsible for implementing the local procurement policy, procedures, and practices.

PREFERENTIAL PROCUREMENT AT TSUMEB

In 2014 we began developing a site policy and procedure for local procurement at Tsumeb to specifically include previously disadvantaged Namibians into our tendering process. Our Preferential Procurement Policy and Procedure will be finalized in 2015.

The policy and procedure will provide our Tender Committee at Tsumeb with strategic guidance, particularly on how to identify and include this stakeholder group more completely in our procurement practices.

SOURCE: Dundee Precious Metals, *2014 Sustainability report: We Succeed Because We Care*, p. 37. 2014. Retrieved from: https://s21.q4cdn.com/589145389/files/doc_financials/English/2014/SustainabilityReport/2014_DPM_SustReport_v001_z57i6f.pdf

DISCLOSURE 203: MAJOR CONTRACTORS AND LOCAL SUPPLIERS

The reporting organisation shall report if and how the mine site requires major suppliers / major contractors at the mine site to prioritize local suppliers. Explain how the reporting organization evaluates its major suppliers / major contractors on their local procurement.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

GRI 204 requires that “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify policies, commitments, goals and targets, and specific actions related to local procurement which could include major contractors / suppliers.²⁸

EXAMPLES OF PUBLIC REPORTING

As part of **Newmont Mining Corporation’s** *Sustainability and External Relations Standard: Local Procurement and Employment*, contractors are required to participate in and support activities that optimize local procurement.

- 2.2.8 Sites will develop and maintain protocols to require contractors to participate in and support activities to optimize local procurement and employment relative to changing business needs.

SOURCE: Newmont, *Sustainability and External Relations Standard: Local Procurement and Employment*, p. 2. 2014 retrieved from: http://s1.q4cdn.com/259923520/files/doc_downloads/newmont_socialandenvironmentalstandards/Local-Procurement-and-Employment-Standard_Web.pdf

As part of **Teck Resources Ltd.’s** *Expectations for Suppliers and Contractors*, contractors are instructed to enable procurement and contracting opportunities from Indigenous peoples and other communities that host Teck Resources Ltd.’s mining activity.

Suppliers should be willing to engage and work with Teck, Indigenous peoples and other communities in order to contribute to the well-being of the communities in which they are active, including minimizing their environmental impacts and enabling capacity building, procurement, employment and contracting opportunities.

SOURCE: Teck Resources Ltd., *Teck’s Expectations for Suppliers and Contractors*, p. 3. 2016. Retrieved from: <http://www.teck.com/media/Tecks-Supplier-Expectations.pdf>

DISCLOSURE 204: PROCUREMENT PROCESS

Disclosure 204 A

The reporting organisation shall provide contact information (address or phone number) for the publicly available supplier contact persons or point of contact for suppliers, such as information offices.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

GRI 204 requires that “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify who is responsible for managing the procurement practices related to local suppliers. This could include providing the mining company contact person for suppliers.²⁹

EXAMPLES OF PUBLIC REPORTING

Rio Tinto Group’s Oyu Tolgoi mine in Mongolia provides the following information that can be accessed on the *Supplier* tab of the mine’s website: <https://www.ot.mn/register-as-a-suppliers/>

If you have further questions please feel free to contact Achilles oyu.tolgoi@achilles.com or OT Procurement team SupplierRegistration@ot.mn

SOURCE: Rio Tinto Group. Retrieved from: <http://ot.mn/register-as-a-supplier-en/>

Centerra Gold Inc.’s Kumtor mine in the Kyrgyz Republic provides the following information that can be accessed on the *Procurement and Logistics* tab of the mine’s website: http://www.kumtor.kg/en/procurement_logistics/

CONTACTS:

Kumtor Gold Company
720031, 24, Ibraimov Street, 10th floor
Bishkek, Kyrgyz Republic

Tel.: (+996 312) 90-07-07, 90-08-08
Fax for local suppliers: (+996 312) 59-20-50, 59-15-26
Fax for international suppliers: (+996 312) 59-15-26

Commercial offers and requests for local suppliers can be sent to:
Kumtor_Localbuyer@kumtor.com

Commercial offers and requests for international suppliers can be sent to:
Kgc_Interbuyer@kumtor.com

SOURCE: Centerra Gold Inc. Retrieved from: http://www.kumtor.kg/en/procurement_logistics/

As part of the information provided on **SEMAFO's** website *Supplier* tab, a contact number and name is provided for suppliers.

Useful Links for Suppliers

Shipping Guide for SEMAFO Burkina Faso

For information regarding our supply chain, please contact Richard Boisvert, Procurement Manager, at:

Toll-free: 1-888-744-4408

Telephone: 514 744-4408

E-mail: info@semafo.com

SOURCE: SEMAFO, *Suppliers*. Retrieved from: <http://www.semafo.com/English/suppliers/default.aspx>

Disclosure 204 B

The reporting organisation shall provide information on any internal or external supplier procurement portals, databases, or registries (if applicable, provide URLs).

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

GRI 204 requires “the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach”. GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.³⁰

EXAMPLES OF PUBLIC REPORTING

Rio Tinto Group’s Oyu Tolgoi mine in Mongolia has a *Supplier Qualification and Management* system that consists of a three-stage registration process that is based on the type of products offered by the supplier. The first step of registration is free and encourages suppliers to register in order to be part of Oyu Tolgoi’s *Master Supplier Database*. Suppliers can register using the following link:

■ <https://www.ot.mn/register-as-a-suppliers/>

Vale Canada Ltd. has a vendor portal that helps integrate procurement processes for suppliers. Information about the portal, as well as training guides, can be found using the following link:

■ <http://www.vale.com/canada/EN/suppliers/new-supplier-portal/Pages/default.aspx>

Kinross Gold provides a *Supplier Training Manual* that describes their supplier portal system, quick tips, and explains how to register. The manual can be found using the following link:

■ <https://suppliers.kinross.com/suppliers/pages/help/Supplier%20Portal%20registration%20training.pdf>

Disclosure 204 C

The reporting organisation shall provide information on requirements and support for prequalification (if applicable, provide phone numbers, emails, or URLs).

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 requires that “the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.³¹
- OECD’s *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) highlights that extractive industries should clearly articulate the success factors for participation in extractive sector value chains and conformance to international standards.³²

EXAMPLES OF PUBLIC REPORTING

PotashCorp has a *Supplier Qualification and Engagement Policy* (2015) that details how a supplier qualifies to work with PotashCorp. The document can be found under *Policy Manuals* on their online library using the following link:

http://www.potashcorp.com/library/policy_manuals/ or <http://www.potashcorp.com/media/PR%2002%20Supplier%20Qualification%20and%20Engagement%20Policy.pdf>

Rio Tinto Group describes on their website how to become a supplier under “Procurement” > “How to Become a Supplier”, and provides a sample prequalification letter that indicates the areas in which potential suppliers will be audited.

Supplier pre-qualification

What it is

The Pre-qualification audit will be completed before a supplier is engaged, and the process includes an onsite pre-qualification assessment and a background investigation supported by an online database.

Why we do it

Supplier pre-qualification processes are important for Rio Tinto because they help us identify possible risks and allow us to take mitigation measures as necessary. Prospective suppliers will receive a pre-qualification letter that outlines our expectations and highlights our engagement process.

[Download example pre-qualification letter](#)

Supplier support

- Health, Safety & Environment (HSE) Support: HSE Audit, HSE Development & Action Plan, HSE Training, HSE Awareness Tool & PPE, HSE Supervision, HSE Forum
- Rio Tinto Procurement Emerging Markets Supplier Recognition Program

SOURCE: Rio Tinto Group, *Becoming a Supplier*. Retrieved from: <http://www.riotinto.com/procurement/becoming-a-supplier-17811.aspx>

31. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

32. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from: https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

Disclosure 204 D

The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- ICMM (2003) advises that to support social, economic, and institutional development in communities where companies operate, partnerships should be encouraged to ensure that programmes, such as local business development, are well designed and effectively delivered.³³
- GRI 204 (2016) requires “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.³⁴
- OECD’s *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.³⁵ As well, it indicates that supplier development return-on-investment should be evaluated by assessing short-term costs of supplier capacity building, as investments will reduce operating costs in the long-term.³⁶
- EITI (2007) requires that both material and in-kind social benefits by extractive companies be disclosed. This could potentially relate to reporting on items such as supplier development programmes.³⁷

EXAMPLES OF PUBLIC REPORTING

Information about **BHP Billiton’s** supplier development programme in Chile can be found on their website under “Community” > “Case Studies”.

Supported by our Copper Business in Chile, the World Class Supplier Program develops new solutions to operational and environmental challenges faced by our Chilean business, while giving our suppliers the capacity to operate on an international or ‘world class’ basis.

Five areas – water, energy, HSEC (health, safety, environment and community), human capital and operational efficiency – were defined as priorities for the program. As of December 2012, the program was working with 36 suppliers that employed more than 5,000 people on a total of 43 projects with combined sales of US\$400 million. The program has led to significant developments from the suppliers involved, including Tesra and their technology partner Sixth Sense Processware, which reduced electricity consumption per tonne of copper by two per cent through an automatic scanning system detecting shorts and helping operators fix them in Spence’s electrowinning plant.

SOURCE: BHP Billiton, *World Class Supplier Development Programme*. Retrieved from: <http://www.bhpbilliton.com/community/case-studies/world-class-supplier-program>

33. ICMM, *Sustainable Development Framework: Principle 2*, 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

34. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

35. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from: https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

36. Ibid

37. EITI International Secretariat, *The EITI Standard 2016*, pp. 28-29. 2016. Retrieved from <https://eiti.org/document/standard>

The **Anglo American plc** website describes their supplier development programme, Promova, in Brazil.

WHAT IS THE PROMOVA PROGRAMME?

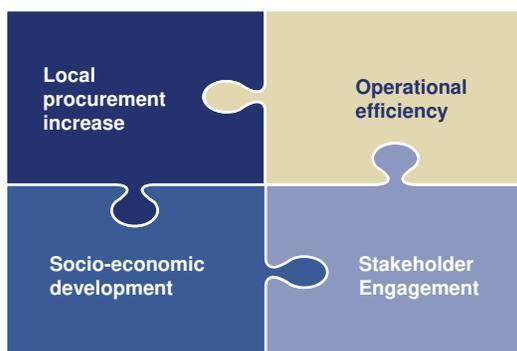


General Goal



Develop small and medium size local suppliers, in a responsible and sustainable way, building a competitive supply chain and promoting the economic and social development to the communities where we operate

Focus



- Increase operational efficiency and improve supply chain performance
- Lower costs over the life-cycle of purchasing - long term
- Contribute to our social license to operate
- Reduce transport and logistical costs

5

SOURCE: Anglo American, *Change in Mindset: Local Procurement not a Necessary Cost but a Driver of Strategic Business Value*. Retrieved from: <http://pubdocs.worldbank.org/en/238091455303955627/Anglo-American-Promova-Presentation-ELLED-Mexico-jan-27th-2016-Final.pdf>

EXAMPLES AND LINKS TO EXISTING REPORTING

LPRM 300: PROCUREMENT SPENDING BY CATEGORY



DISCLOSURE 301: CATEGORIZING SUPPLIERS

The reporting organisation shall report how the mine site categorises suppliers based on:

- Geographic location, such as proximity to the site.
- Level of participation, including level of ownership and/or employment by local individuals or particular groups (Indigenous people, vulnerable groups, etc.)
- Level of value addition.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 requires companies to report on “the organisation’s geographical definition of ‘local’”.³⁸

EXAMPLES OF PUBLIC REPORTING

The Centerra Gold Inc.’s Kumtor mine describes their categorization of “local” in their CSR report, which provides details on the geographic location of their suppliers.

Kumtor prefers dealing with local goods manufacturers vs. importing from abroad when possible.



SOURCE: Centerra Gold Inc and Kumtor, *Environment and Sustainability Report 2014*, p. 26. 2014. Retrieved from: http://www.kumtor.kg/wp-content/uploads/2015/09/Report2014_en.pdf

IAMGOLD Corporation describes their categorization of “local” in their CSR report, which provides details on the geographic location of their suppliers.

ASPECT: PROCUREMENT PRACTICES			
Disclosure of Management Approach	IAMGOLD is committed to providing opportunities for communities associated with our operations and to sharing in the benefits which flow from our activities. Our company-wide policy on the purchase of goods and services encourages mine sites to give priority to local suppliers, provided they are competitive. “Competitive” refers to the total cost, delivery, and quality of the good or service. Where two suppliers are considered equal, the local supplier should prevail.		
	Formalized local procurement and business development programs are being developed at sites in an effort to maximize the shared economic benefits of company-wide local procurement practices.		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation		CLOSE –
Disclosure Required	2015 Rosebel	2015 Essakane	2015 Westwood
Total annual procurement spending for the site	\$240,412,735.5 US	\$205,000,000 US	\$100,000,000 CDN
Percentage of total procurement spent on local suppliers (community/local vendors)	1%	2%	53% Abitibi-Témiscamingue
Percentage of total procurement spent on national vendors (i.e., vendors based in Ouaga or Paramaribo)	59%	98%	98% Ontario and Quebec
Where are the “local” suppliers located? What regions/villages/towns?	In the district of Brokopondo: Nieuw Koffiekamp, Brownsweg, Klaaskreek and Brokopondo Centrum	In the Sahel area: Dori, Falagountou, Gorom-Gorom and Essakane site	Abitibi-Témiscamingue
What types of programs/policies/activities are in place to support local suppliers or prioritize local procurement?	An active practice of supporting local income generation by outsourcing certain types of work to local suppliers only and through a program designed to support local suppliers with entrepreneurial training, etc. The aim is to give preferential treatment to local entrepreneurs for certain goods and services, which will in turn stimulate fair competition amongst local businesses.	Governance development program, quality process development program, reduction of payment terms for local suppliers, and bonus for construction companies.	Priority is given to local suppliers.

SOURCE: IAMGOLD Corporation, “GRI Index: Economic Indicators”, 2015 *Health, Safety, and Sustainability Report*, 2015. Retrieved from: <http://www.iamgold-hssreport.com/2015/economic.php>

While it does not provide a comprehensive set of categories (i.e., definitions for all types of suppliers, including international) for each site, **Cameco** shows how local suppliers are defined at their different sites, including descriptions of participation from particular groups, ownership by particular groups, and the geographic location of particular suppliers.

Definitions

Local supplier – Is defined differently for each of Cameco’s operating locations as follows:

Northern Saskatchewan local supplier – A company or joint venture that is at least 50% owned by people or communities from the Northern Administrative District.

Ontario local supplier – One located in the province of Ontario.

Kazakhstan local supplier – A Kazakhstan producer of works and services and Kazakhstan producers of goods which is determined by the Republic of Kazakhstan (RK) Law on subsoil and subsoil usage. A Kazakhstan producer of works and services is defined as citizens of the RK and/or legal entities established in accordance with laws of the RK which are located within the territory of the RK and engage no less than 95% of citizens of the RK of the total number of employees.

U.S. local supplier – A supplier located in the same state as the U.S. mine operations. For Crow Butte operations a local supplier is considered to be a supplier located in the state of Nebraska. For Smith Ranch-Highland operations a local supplier is considered to be a supplier located in the state of Wyoming.

Note

Northern Saskatchewan procurement spend includes services only.

SOURCE: Cameco, “GRI Index: Economic; EC9 Local Spending”, *Cameco 2016 Sustainability Report*, 2016. Retrieved from: https://www.cameco.com/sustainable_development/2016/gri-index/

DISCLOSURE 302: BREAKDOWN OF PROCUREMENT SPEND

The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in Disclosure 301: Categorising suppliers, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend (see Note 1 in page 20). In addition, if possible, reporting shall provide a breakdown of spending by major spend families (see Note 2, in page 20).

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 (2016) requires companies to report on the “percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation (such as percentage of products and services purchased locally)”.³⁹
- OECD’s *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) highlights that companies and governments should publish estimated demand for suppliers of goods and services at each stage or a project.⁴⁰ Although not specifically projecting at demand each stage or project, Disclosure 302 aims to create a breakdown of procurement spend for each reporting period and works to create a better understanding for suppliers of the demand for different goods and services.
- EITI (2007) requires that both material and in-kind social benefits by extractive companies be disclosed. This could potentially relate to reporting on items such as quantifying the procurement spend in local economies.⁴¹

EXAMPLES OF PUBLIC REPORTING

Rio Tinto Group’s Diavik mine reports local spend by priority groups for each spending category.

Spending by category and priority group*					
Category	Northern Indigenous	Other Northern	Total Northern	Southern	Total
Community relations	\$5.1	\$0.2	\$5.3	\$0.3	\$5.6
Construction	\$7.1	\$15.1	\$22.2	\$6.9	\$29.1
Consumables	\$15.0	\$71.2	\$86.2	\$51.3	\$137.5
Financial	\$0.0	\$11.8	\$11.8	\$9.3	\$21.1
Freight, cargo, transport	\$21.6	\$27.1	\$48.6	\$1.8	\$50.4
Human resources	\$0.1	\$0.9	\$0.9	\$3.4	\$4.3
Other	\$0.0	\$0.7	\$0.7	\$1.0	\$1.7
Outsourced labour	\$68.1	\$5.8	\$73.9	\$68.9	\$142.8
Passenger transport	\$6.6	\$0.4	\$7.0	\$0.0	\$7.0
Professional services	\$0.3	\$3.5	\$3.7	\$24.5	\$28.2
Telecommunications	\$0.0	\$1.2	\$1.2	\$1.1	\$2.3
Total spend	\$123.7	\$137.9	\$261.6	\$168.5	\$430.1

SOURCE: Rio Tinto Group, Diavik Diamond Mine 2016 Sustainable Development Report, p. 9. 2016. Retrieved from: http://www.riotinto.com/documents/Diavik_2016_Sustainable_Development_Report.pdf

39. Global Reporting Initiative, *GRI 204: Procurement Practices 2016*, p. 7. 2016. Retrieved from <https://www.globalreporting.org/standards/gri-standards-download-center/gri-204-procurement-practices/?g=575e0041-59e8-4bd2-bb36-c8c5f5b5a903>

40. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 9. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

41. EITI International Secretariat, *The EITI Standard 2016*, pp. 28-29. 2016. Retrieved from <https://eiti.org/document/standard>

IAMGOLD Corporation categorises local spend to indicate proximity to the mine, which is represented by a percentage, and provides total spend so that local procurement can be easily determined.

ASPECT: PROCUREMENT PRACTICES			
Disclosure of Management Approach	IAMGOLD is committed to providing opportunities for communities associated with our operations and to sharing in the benefits which flow from our activities. Our company-wide policy on the purchase of goods and services encourages mine sites to give priority to local suppliers, provided they are competitive. "Competitive" refers to the total cost, delivery, and quality of the good or service. Where two suppliers are considered equal, the local supplier should prevail.		
	Formalized local procurement and business development programs are being developed at sites in an effort to maximize the shared economic benefits of company-wide local procurement practices.		
G4-EC9	Proportion of spending on local suppliers at significant locations of operation		CLOSE –
Disclosure Required	2015 Rosebel	2015 Essakane	2015 Westwood
Total annual procurement spending for the site	\$240,412,735.5 US	\$205,000,000 US	\$100,000,000 CDN
Percentage of total procurement spent on local suppliers (community/local vendors)	1%	2%	53% Abitibi-Témiscamingue
Percentage of total procurement spent on national vendors (i.e., vendors based in Ouaga or Paramaribo)	59%	98%	98% Ontario and Quebec
Where are the "local" suppliers located? What regions/villages/towns?	In the district of Brokopondo: Nieuw Koffiekamp, Brownsweg, Klaaskreek and Brokopondo Centrum	In the Sahel area: Dori, Falagountou, Gorom-Gorom and Essakane site	Abitibi-Témiscamingue
What types of programs/policies/activities are in place to support local suppliers or prioritize local procurement?	An active practice of supporting local income generation by outsourcing certain types of work to local suppliers only and through a program designed to support local suppliers with entrepreneurial training, etc. The aim is to give preferential treatment to local entrepreneurs for certain goods and services, which will in turn stimulate fair competition amongst local businesses.	Governance development program, quality process development program, reduction of payment terms for local suppliers, and bonus for construction companies.	Priority is given to local suppliers.

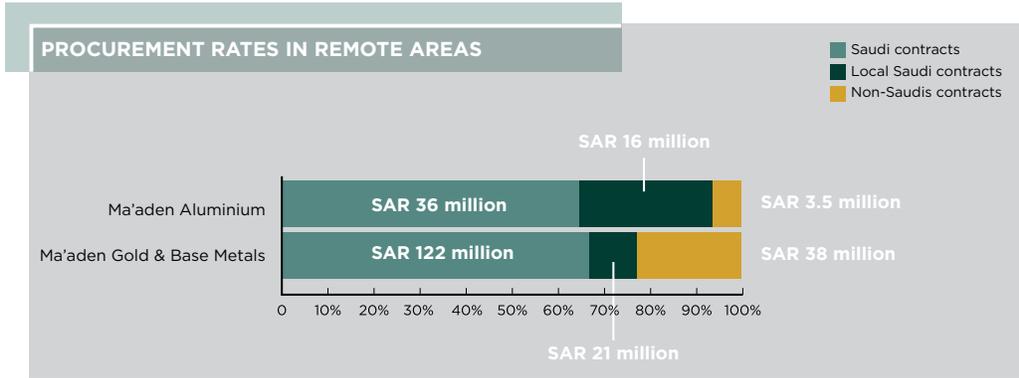
SOURCE: IAMGOLD Corporation, "GRI Index: Economic Indicators", 2015 Health, Safety, and Sustainability Report. 2015. Retrieved from: <http://www.iamgold-hssreport.com/2015/economic.php>

Agnico Eagle Mines Ltd. categorises local spend by proximity to the mine, which is represented by a percentage, and amount spent.

EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation			
	LaRonde	Goldex	Lapa	Kittila
Proportion of mine spending (%) on supplies that goes to local suppliers – where local is defined as the geographic or economic region in which the mine is located, such as northern Quebec for the Abitibi, Chihuahua State for Pinos Altos, Lapland for Kittila, and Nunavut for Meadowbank (all amounts are represented in local currencies)	60%	62%	79%	19%
Total purchases for division	\$219,121,282.93	\$82,912,492.23	\$51,949,647.54	€129,568,744.55
Total purchases for division in local region	\$132,246,437.36	\$51,448,090.28	\$41,166,423.31	€24,514,999.44
	Pinos Altos	La India	Meadowbank	Average
Proportion of mine spending (%) on supplies that goes to local suppliers – where local is defined as the geographic or economic region in which the mine is located, such as northern Quebec for the Abitibi, Chihuahua State for Pinos Altos, Lapland for Kittila, and Nunavut for Meadowbank (all amounts are represented in local currencies)	81%	88%	58%	64%
Total purchases for division	MXN\$139,237,209.84	MXN\$540,319,104.00	\$230,404,685.00	
Total purchases for division in local region	MXN\$112,782,139.97	MXN\$473,600,252.00	\$132,635,147.66	

SOURCE: Agnico Eagle Mines Ltd., *The Future is Mine: 2014 Sustainable Development Report*, p. 76. 2014. Retrieved from: https://s21.q4cdn.com/374334112/files/doc_downloads/sd_reports/2014English-Full.pdf

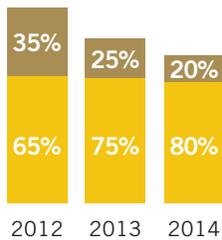
Ma'aden provides local spend by amount and percentage of total spend for priority groups.



SOURCE: Ma'aden, *Integrating Responsibility on the Road from Mine to Market: Sustainability report 2014*, p. 51. 2014. Retrieved from: <http://www.maaden.com.sa/download/2014-Sustainability-Report-En.pdf>

Teranga Gold Corporation provides local spend by amount and percentage of total spend. Local supplier spend is provided as a function of registration in Senegal and Senegalese ownership.

SUPPLIERS BY ORIGIN
(US \$000s)



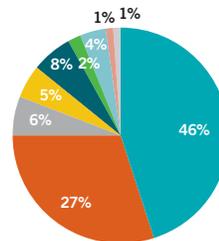
■ Foreign suppliers
■ Senegalese suppliers

LOCAL SUPPLIERS PER CAPITAL ORIGIN
(US \$000s)



■ Subsidiaries of foreign companies
■ Suppliers with more than 50% capital from Senegal

LOCAL PROCUREMENT 2014 PER SECTOR



■ Utilities
■ Mining Services and Mining Equipment
■ General Trade
■ Transport and Logistics
■ Staffing
■ Other B2B Services
■ Industrial Equipment, Spare Parts and Maintenance
■ Vehicles: Rental, Spare Parts and Maintenance
■ Construction

THEME	INDICATOR	UNITS	2014	2013	2012
Procurement*	Foreign suppliers	\$000s	32,498	43,212	66,699
	Local suppliers (registered in Senegal) total:	\$000s	124,041	125,543	122,882
	• Including subsidiaries of foreign companies	\$000s	96,514	97,563	94,969
	• Including suppliers with more than 50% capital from Senegal	\$000s	27,527	27,981	27,913

SOURCE: Teranga Gold Corporation, *Committed: 2014 Responsibility Report*, pp. 25-54. 2014. Retrieved from: http://s1.q4cdn.com/851853033/files/doc_downloads/2015/02710-Exodus-Teranga-LowRes.pdf

EXAMPLES AND LINKS TO EXISTING REPORTING

LPRM 400: LOCAL PROCUREMENT DUE DILIGENCE



DISCLOSURE 401: DUE DILIGENCE PROCESSES

The reporting organisation shall report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- ICMM (2003) suggests that, in order for a company to integrate sustainable development considerations into their corporate decision-making process, they should encourage suppliers of goods and services to adopt similar principles and practices.⁴²
- GRI (2016) states “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁴³
- Center for Science in Public Participation (CSP) and the World Resources Institute (WRI)’s *Framework for Responsible Mining* (2005) outlines that companies should review contractor practices to ensure compliance with sustainability principles.⁴⁴

EXAMPLES OF PUBLIC REPORTING

Lundin Mining Corporation outlines their due diligence processes, which includes their *Code of Conduct, Responsible Mining Policy, and Responsible Mining Framework*.

In early 2016, we provided our Code of Conduct, Responsible Mining Policy, and Responsible Mining Framework to our contractors, suppliers, customers and service providers with the expectation that they understand our business ethics and related commitments, and that they conduct their activities in accordance with these standards. (Lundin Mining Corporation)

SOURCE: Lundin Mining Corporation, *Local procurement*. Retrieved from: http://www.lundinmining.com/new/CSR_LocalProcurement.asp

Barrick Gold Corporation outlines their due diligence processes, which includes their *Supplier Code of Business Conduct and Ethics*.

Local Procurement

We believe that responsible economic development can and should improve the lives of stakeholders in the regions where we operate. When done responsibly, economic development is a contributor to a broad spectrum of positive impacts. Through local procurement, for example, the presence of our operations can directly help host communities and individuals enjoy the rights to work, to food and property, and to an adequate standard of living. We developed a Local Procurement Standard in 2013. The Standard was implemented in 2014 under the direction of the Community Relations group. For more information on our activities regarding local procurement practices, see the Social and Economic Development section.

Along with buying locally when possible, we often work with regional government economic development committees, where they exist, to help our suppliers diversify so that the eventual

SOURCE: Barrick Gold Corporation, *Responsible Mining: 2014 Responsibility Report*, p. 11. 2014. Retrieved from: <http://www.barrick.com/files/responsibility/2014-Responsibility-Report.pdf>

closure of a mine will not impose undue hardships on local businesses. See the Mine Closure section for more information.

Our Performance

- The Supplier Code of Business Conduct and Ethics was revised in 2014, enhancing our approach to anti-corruption and human rights considerations.
- We updated and revised our Contract Administration Standard in 2013 to enhance anti-corruption and human rights considerations. After development of training and certification materials, the revised Standard will be implemented in 2015.
- We developed and approved our Vendor Onboarding Standard in 2014.

Teck Resources Ltd. describes on their website how they manage their supply chain.

We established our Recommended Protocols for Suppliers and Service Providers in 2012, communicated the expectations contained within these Protocols to major suppliers, and integrated the Protocols into our procurement and contract processes. The Protocols include expectations to address issues relating to ethics, health and safety, environmental stewardship, and human rights, including numerous labour law requirements. To strengthen the utility and impact of the Protocols, as well as inform the development of our Supply Chain Risk Management Strategy, we have begun deeper engagement with a selection of our major suppliers to create greater mutual understanding of expectations and performance.

Our Supply Chain Risk Management Strategy seeks to better integrate supply chain risks into our established risk management processes, which will provide a framework for making decisions to mitigate or avoid sustainability risks in, and impacts to, our supply chain. A subset of our suppliers was selected to work with us to ensure conformance with the Protocols. As a first step, these suppliers were asked to self-assess their performance against the focus areas set out in the Protocols. The objective of this request was to help us understand each company's sustainability management, to determine how it aligned with our guidelines, and to identify specific areas for improvement. Our intention is to continue to work in partnership with each company to address the areas that may require improvement. In 2015, we plan to complete a Supply Chain Risk Assessment at each operation, with the outcomes feeding into operational risk registers.

SOURCE: Teck Resources Ltd., *Managing our Supply Chain*. Retrieved from: <http://www.teck.com/staging-area/management-approach/materials-stewardship/managing-our-supply-chain/>

42. ICMM, *Sustainable Development Framework: Principle 2*. 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

43. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

44. Miranda, M., Chamber, D. & Coumans, C., *Framework for Responsible Mining: A Guide to Evolving Standards*, p. 106. 2005. Retrieved from <http://www.acee.gc.ca/B4777C6B-docs/WP-1785-034.pdf>

DISCLOSURE 402: ANTI-CORRUPTION POLICY

The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- ICMM (2003) suggests that, in order for a company to integrate sustainable development considerations into their corporate decision-making process, they should encourage suppliers of goods and services to adopt similar principles and practices.⁴⁵
- GRI (2016) requires “the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach”. GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁴⁶
- Center for Science in Public Participation (CSP) and the World Resources Institute (WRI)’s *Framework for Responsible Mining* (2005) outlines that companies should review contractor practices to ensure compliance with sustainability principles.⁴⁷
- PDAC e3 Plus (2009) advises exploration companies to adopt and publicly disclose the policies and procedures local suppliers and services should be using.⁴⁸

EXAMPLES OF PUBLIC REPORTING

Anglo American plc has developed a *Business Integrity policy* that applies to both themselves and their suppliers. They also have a *Code of Conduct* that more holistically outlines their policies and expectations across issues of health and safety, corruption, and care and respect. Both policies can be found on their website as part of their company policies, which outline expectations for suppliers. These policies can be accessed using the following links:

- <http://www.angloamerican.com/suppliers/our-expectations>
- Business Integrity Policy: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/social/businessintegritypolicy-may2014-english.pdf>
- Code of Conduct: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/documents/approach-and-policies/sustainability/our-code-of-conduct-english.pdf>

Goldcorp Inc. has developed *Code of Conduct and Corporate Social Responsibility* policies that apply to suppliers. A summary of these policies can be found in their annual CSR report (p. 67):

- http://s1.q4cdn.com/038672619/files/docs_sustainability/2016/Goldcorp_CSR_2015_Report.pdf

45. ICMM, *Sustainable Development Framework: Principle 2*, 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

46. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

47. Miranda, M., Chamber, D. & Coumans, C., *Framework for Responsible Mining: A Guide to Evolving Standards*, p. 106. 2005. Retrieved from <http://www.acee.gc.ca/B4777C6B-docs/WP-1785-34.pdf>

48. PDAC, *e3 Plus: A Framework for Responsible Exploration Principles and Guidelines*, p. 52. 2014. Retrieved from: <http://www.pdac.ca/pdf-viewer?doc=/docs/default-source/e3-plus---principles/contribute-to-community-development-and-wellbeing.pdf>

DISCLOSURE 403: TRAINING AND GUIDANCE FOR SUPPLIERS

The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- ICMM (2003) suggests that, in order for a company to integrate sustainable development considerations into their corporate decision-making process, they should encourage suppliers of goods and services to adopt similar principles and practices.⁴⁹
- GRI (2016) states “the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach”. GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁵⁰
- Center for Science in Public Participation (CSP) and the World Resources Institute (WRI)’s *Framework for Responsible Mining* (2005) outlines that companies should review contractor practices to ensure compliance with sustainability principles.⁵¹
- OECD’s *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) indicates that local firms should be supported in complying with international standards.⁵² As well, it outlines specific actions that companies can take, including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.⁵³

EXAMPLES OF PUBLIC REPORTING

Barrick Gold Corporation provides reporting channels that include a compliance hotline that should be used when suppliers suspect any violations to Barrick’s *Code of Conduct and Ethics*.

For concerns that fall or which may fall into these categories, employees and suppliers are expected to use one of the following formal reporting channels:

- To the General Counsel or any Barrick In-House Legal Counsel, in person or by telephone, through the contact information posted on Barrick’s Intranet;
- Through the Compliance Hotline which can be accessed by telephone or through an Internet portal. To contact the Compliance Hotline, follow the instructions set out in the next section and posted on Barrick’s Intranet;
- For matters regarding accounting, internal accounting controls and other auditing matters, to the Audit Committee, through the Procedures for Reporting Auditing, Internal Accounting Controls and Audit Related Complaints, which are posted on Barrick’s website at barrick.com and on Barrick’s Intranet (and to the General Counsel, any Barrick In-House Legal Counsel and the Compliance Hotline);
- For matters involving the President or any other senior executive or financial officer of Barrick, to the Executive Chairman of the Board or any other member of the Board of Directors (and to the General Counsel, any Barrick In-House Legal Counsel and the Compliance Hotline).

SOURCE: Barrick Gold Corporation, *Code of Business Conduct and Ethics*, p. 23. 2017. Retrieved from: <http://www.barrick.com/files/governance/Barrick-Code-of-Business-Conduct-and-Ethics.pdf>

49. ICMM, *Sustainable Development Framework: Principle 2*, 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

50. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

51. Miranda, M., Chamber, D. & Coumans, C., *Framework for Responsible Mining: A Guide to Evolving Standards*, p. 106. 2005. Retrieved from <http://www.acee.gc.ca/B4777C6B-docs/WP-1785-034.pdf>

52. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from [https://www.oecd.org/dev/Framework_Public-](https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf)

[Private_Collaboration_FINAL.pdf](https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf)

53. Ibid

Barrick Gold Corporation provides training to certain suppliers in order to help them meet their *Supplier Code of Conduct and Ethics*.

Our Approach

Barrick's approach to working with suppliers is based on the principle of partnership: we believe that, by engaging with our supply chain partners, we can create mutual and lasting value. To this end, we work closely with our supply chain to pursue fair-minded competition, continuous improvement and a mutual focus on ethical conduct.

As part of this approach, we have adopted a [Supplier Code of Business Conduct and Ethics](#). The Code is designed to create value for both our stakeholders and for Barrick by governing the conduct of suppliers and contractors doing business with us. It covers important issues such as anti-bribery, anti-corruption, and human rights – principles Barrick holds dear and expects our partners to share. It is our intent to deal with suppliers who have accepted and self-certified against the Code.

Once Barrick agrees to do business with a supplier, relevant contracts will contain human rights compliance provisions; we may also provide focused training to certain suppliers. Under our Human Rights Policy, suppliers are expected to report human rights issues if and when they become aware of them. We will also ask relevant suppliers to periodically provide certifications that they are not aware of any unreported human rights allegations. Where appropriate, we will investigate the behavior of existing suppliers and contractors related to human rights issues.

SOURCE: Barrick Gold Corporation, *Supply Chain*, 2015. Retrieved from: <http://www.barrick.com/responsibility/society/supply-chain/default.aspx?LanguageId=1>

Randgold Resources describes the tailored training they provide to suppliers, which is based on best practices related to due diligence processes.

Case study: FUELLING HIGHER QUALITY STANDARDS AT KLENZI

Gold mining is an energy intensive business and we tend to need large amounts of fuel delivered to the often remote areas where our mines and projects are based. Where possible we try to use local suppliers for this job.

Klenzi is a specialist petroleum distribution company in Côte d'Ivoire, which has supplied our Tongon mine with fuel since 2010. We initially found that their distribution trucks did not meet our standards, often sporting damaged tyres, leaking fuel and being mechanically unreliable. Given the volatile nature of petroleum, this caused real safety concerns, particularly given the poor roads in sub-Saharan Africa.

Our approach, in line with a policy of mentoring and supporting local companies to reach world-class standards, has been to work with **Klenzi** to improve all the sub-standard aspects of their business.

In particular, we have worked with **Klenzi** to improve the quality of their trucks and to improve driver protocols. Every truck is now subject to daily mechanical inspection to ensure safety and reliability and they are inspected for cleanliness prior to loading. Trucks that were found to be in very poor condition have been replaced with new ones. We have also provided training to **Klenzi**, and sought to cultivate a safety culture in the company, with their drivers now attending our safety induction training. The **Klenzi** site manager provides drivers with daily refreshers on mine safety rules as well as risk assessments for routes. The roads are also inspected on a weekly basis and drivers informed of any new hazards.

This has created a win:win situation, where we avoid the costs and sourcing issues associated with hiring an alternative fuel supplier and **Klenzi** now boast international standards that will give them the foundation to expand their business.

SOURCE: Randgold Resources, *Sustainability Report 2014*, p. 13. 2014. Retrieved from: <http://www.randgoldresources.com/sites/randgoldresources/files/Sustainability%20Report-LowRes.pdf>

EXAMPLES AND LINKS TO EXISTING REPORTING

LPRM 500: METHODS TO INCENTIVISE LOCAL PROCUREMENT



DISCLOSURE 501: COMMITMENTS

The reporting organisation should provide time-bound commitments that the mine site has made to increase local procurement.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- PDAC e3 Plus (2009) advises exploration companies to adopt and publicly disclose policies and procedures local suppliers and services should be using.⁵⁴
- GRI 204 (2016) states “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify any commitments that support the management of procurement practices related to local suppliers.⁵⁵
- Secretariat of Convention on Biological Diversity’s *Akwé: Kon Guidelines* (2004) suggests that the scope of social impact assessments should outline opportunities for diversification of economic opportunities for small and medium businesses to ensure that tangible benefits accrue for communities.⁵⁶

EXAMPLES OF PUBLIC REPORTING

Within their 2016 *Aboriginal Content Playbook – Together We Grow*, **PotashCorp** describes the key performance indicators (KPIs) that they have set to increase Aboriginal content within their operations.

Table 1: Relationship of typical Aboriginal Content Strategic Plan Activities

Opportunity Area	Strategic Goal	KPI	Sample Bridge Activities
Direct Aboriginal Employment	Increase number of Aboriginal direct hires and improve hiring practices to ensure fair access to opportunities for qualified Aboriginal candidates	<ul style="list-style-type: none"> • Numberchange in number of Aboriginal direct hires 	<ul style="list-style-type: none"> • Develop internal inclusion / diversity policies and language • Revise HR / recruitment strategies to increase # of Aboriginal candidates for open positions • Set phase targets for increasing Aboriginal direct hires and direct hire prospects • Draft strategic plans to bolster Aboriginal recruitment efforts • Partner with organizations from PotashCorp’s resource list (career fairs, higher learning institutions, etc.) to support Aboriginal career development initiatives • Support GED / HS Graduation / Equivalency training to reach minimum education requirements for skilled labourers
Aboriginal Subcontracting	Direct sourcing practices to increase Aboriginal Suppliers in the supply chain and to ensure fair access to opportunities for all qualified Aboriginal candidates	<ul style="list-style-type: none"> • Dollars spent or change in direct spending with local Aboriginal suppliers • Numberchange of local Aboriginal suppliers used • Numberchange in percentage of overall spend allocated to local Aboriginal suppliers 	<ul style="list-style-type: none"> • Select vetted subcontractors from PotashCorp’s list of Qualified Suppliers • Work with identified organizations to improve communications with target communities to ensure awareness of opportunities for suppliers
Support of New Aboriginal Business and Entrepreneurship	Increase number of Aboriginal business startups and provide skills training and capital to improve opportunities for talented Aboriginal entrepreneurs	<ul style="list-style-type: none"> • Dollars spent or change in spending on Aboriginal business development • Number or change of local Aboriginal incubated / accelerated 	<ul style="list-style-type: none"> • Partner with organizations from PotashCorp’s resource list (Universities, banks, business incubators, etc.) to support Aboriginal Business and Entrepreneurship activities
Community Investment	Amplify social / economic benefits to Aboriginal Communities	<ul style="list-style-type: none"> • Dollars spent or change in spending on community investment related to Aboriginal development 	<ul style="list-style-type: none"> • Identify investment opportunities in Aboriginal communities, prioritizing those that align with PCS investment priorities (food security, education & training, community building, health & wellness, environmental stewardship, arts & culture.

6 ABORIGINAL CONTENT PLAYBOOK / STEPS

SOURCE: PotashCorp, 2016 *Aboriginal Content Playbook – Together We Grow*, p. 6. 2016. Retrieved from: www.potashcorp.com/media/PotashCorp_Playbook_Sept16.pdf

54. PDAC, *e3 Plus: A Framework for Responsible Exploration Principles and Guidelines*, p. 52. 2014. Retrieved from: <http://www.pdac.ca/pdf-viewer?doc=/docs/default-source/e3-plus---principles/contribute-to-community-development-and-wellbeing.pdf>

55. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

56. Convention on Biological Diversity, *Akwé: Kon Guidelines*, p. 19.2004. Retrieved from <https://www.cbd.int/doc/publications/akwe-brochure-en.pdf>

Newmont Mining Corporation describes their regional 2017 local procurement targets in their *Beyond the Mine: Our 2016 Social and Environmental Performance*.

2017 Local procurement target		
Region	Site	Target
Africa	Ahafo	\$10 MILLION – the decline in the target compared to 2016 actuals is based on the identifiable opportunities within the context of the 2017 regional business plan.
	Akyem	
Australia	Boddington	\$96 MILLION – the increase in the target compared to the 2016 target reflects a re-evaluation and reassessment of the in-sourcing at Boddington and is based on the identifiable opportunities within the context of the 2017 regional business plan.
	KCGM	
	Tanami	
North America	Nevada operations	\$220 MILLION – local procurement for the Cripple Creek & Victor mine is not included in the 2017 target as work to fully integrate CC&V into Newmont processes will continue into 2017.
	Cripple Creek & Victor	
South America	Yanacocha	\$80 MILLION – the increase in the local procurement target compared to 2016 actuals is based on the identifiable opportunities within the context of the 2017 regional business plan.
	Merian	

SOURCE: Newmont Mining Corporation, *Beyond the Mine: Our 2016 Social and Environmental Performance*, 2016. Retrieved from: <http://sustainabilityreport.newmont.com/2016/economic-and-social-performance/local-employment-and-business-opportunities>

Fortescue Metals Group Ltd. explains the internal local procurement targets that they achieved.

The \$1 billion target was achieved in June 2013, 18 months into the program and six months ahead of schedule. One year on, the total value of the more than 160 contracts and sub-contracts awarded to more than 60 Aboriginal businesses is greater than \$1.6 billion. That value represents approximately 10 per cent of Fortescue's total procurement since the program was launched. Importantly, for local Aboriginal people 88 per cent of these contracts were awarded to businesses associated with our Native Title partners.

We continue to build on the success of the innovative Billion Opportunities program and have proven that with the proper motivation, application and sincerity, sustainable economic engagement with Aboriginal communities is achievable.

SOURCE: Fortescue Metals Group Ltd. *2014 Annual Report*, p. 40. 2014. Retrieved from: <http://fmgl.com.au/media/2114/20140916-annual-report231.pdf>

DISCLOSURE 502: PREFERENCE IN SCORING OF BIDS

The reporting organisation should, in as much detail as possible, explain if and how the scoring of bids provides preference for local suppliers.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 (2016) requires “the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach”. GRI’s Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁵⁷
- OECD’s *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁵⁸

EXAMPLES OF PUBLIC REPORTING

Lundin Mining Corporation describes on their website how local procurement fits into their scoring of bids.

All of our operations have a competitive bid process for suppliers, which includes criteria such as location, availability and quality of product, service quality and experience, and cost. Preference is awarded (all other factors being equal) to local suppliers and contractors. (Lundin Mining Corporation)

SOURCE: Lundin Mining Corporation, *Local procurement*. Retrieved from: http://www.lundinmining.com/new/CSR_LocalProcurement.asp

Fortescue Metals Group Ltd. explains the role of local procurement in providing preference for Aboriginal engagement, and suppliers that demonstrate local content.

Fortescue purchases large volumes of goods and services to support the operation of our mines, offices and support services. We contribute to our communities through local procurement which preferences suppliers who can demonstrate either local content or Aboriginal engagement. For local content, the order of preference is the Pilbara, Western Australian and then Australian-based suppliers and we have developed local content targets for each of our operations. This commitment aims to proactively build business opportunities and broader economic development within the Pilbara communities, providing mutual support to our other training, education and employment programs.

SOURCE: Fortescue Metals Group Ltd., *2014 Annual Report*, p. 42. 2014. Retrieved from: <http://fmgl.com.au/media/2114/20140916-annual-report231.pdf>

57. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

58. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

DISCLOSURE 503: PREFERENCE IN SCORING OF BIDS FOR SIGNIFICANT LOCAL CONTRIBUTIONS

The reporting organisation should describe if additional scoring preference is given to suppliers that demonstrate significant local economic contributions.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- OECD's *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁵⁹
- GRI 204 (2016) states "the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach". GRI's Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁶⁰

EXAMPLES OF PUBLIC REPORTING

Fortescue Metals Group Ltd. describes the contracts awarded to Aboriginal businesses, which includes specific targets for Aboriginal employment and engagement with other Aboriginal businesses.

Largest parcel of contracts to Traditional Owners

This year Fortescue awarded over \$500 million of contracts to six Aboriginal joint ventures and Morris Corporation Pty Ltd representing the largest ever package of contracts awarded to Aboriginal businesses. The contracts cover a range of services including the preparation of more than 60,000 meals a month and 60,000 room change outs. The contracts include a target of 20 per cent Aboriginal employment and a requirement to work with other Aboriginal businesses. Raylene Button, who is a member of the Kariyarra Native Title Group, commented, "I hope we lead the rest of Australia...and that more Aboriginal businesses get the opportunities we're getting". As a part of this change to our facility at Hamilton in Port Hedland, Morris Corporation began sourcing over 100 loaves of bread daily from the local Brumby's franchise. Residents now receive fresh bread for their 4.30am start as opposed to bread being trucked in weekly from Perth.

SOURCE: Fortescue Metals Group Ltd., *2014 Annual Report*, p. 42. 2014. Retrieved from: <http://fmgl.com.au/media/2114/20140916-annual-report231.pdf>

59. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

60. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

DISCLOSURE 504: NON-SCORING METHODS TO INCENTIVISE LOCAL PURCHASING

The reporting organisation should explain non-scoring methods that are used at the mine site to be inclusive of local suppliers.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- OECD's *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁶¹ As well, it outlines specific actions that companies can take, including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.⁶²
- GRI 204 (2016) states "the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach". GRI's Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁶³

EXAMPLES OF PUBLIC REPORTING

Anglo American plc describes their non-scoring methods used to incentivise local procurement. They include early payment terms, unbundling, and sub-contracting.

Coal South Africa's local procurement framework has become a vehicle for economic development and job creation as increasing numbers of local entrepreneurs are linked into the supply chain.

Local procurement expenditure increased from 7% in 2011 to 21% by the end of 2014 – and this figure is set to rise still further. In 2014, Coal in South Africa spent \$184 million with suppliers based within a 50 kilometre radius of its 10 mines. The aim is to increase the number through a range of initiatives.

One of these is Coal's supplier development programme, which supports 30 promising local small- and medium-sized enterprises (SMEs). The companies operate in a range of industries, including construction, mining supplies, cleaning, catering, training, waste-water management and electrical services. An important part of the programme is reducing the dependency of these companies on Anglo American by helping them do business with other mining companies and industries.

Coal South Africa also ring-fences certain supplier categories for entrepreneurs who employ local people and has introduced early payment terms to help small businesses to overcome cash flow challenges. Where possible, our supply chain facilitates the sub-contracting and 'unbundling' of contracts – this ensures that larger contracts or projects are split between long-established contractors and emerging entrepreneurs and ensures a transfer of knowledge and skills to SMEs.

As a business, Coal has already seen numerous benefits – such as efficiency gains, reduced delivery times and reduced costs through having suppliers closer to its sites.

SOURCE: Anglo American plc. *Focus: Effective Partnerships: Sustainable Development Project 2014*, p. 49. 2014. Retrieved from: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/report-builder-2014/sdr/sdr14-interactive-version.pdf> Examples of best practice guidance

61. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

62. Ibid

63. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

On their website, **BHP Billiton** describes how they work to incentivise local procurement within their *Supplier Programme* in Chile through non-scoring methods.

As a starting point, the programme seeks tenders from local suppliers on problems or challenges, rather than prescribed solutions, identified at the operational level. A framework is then used to test ideas in real-time. This process is particularly innovative as it runs counter to traditional procurement practices. That is, the obtaining of the most affordable goods and services in the most efficient and reliable basis. A change requiring the close collaboration of both production and procurement teams at BHP Billiton.

To maximise the potential of the programme BHP Billiton is partnering with the government of Chile and *Fondacion Chile* (a public-private partnership that promotes innovation) to better leverage support for the new suppliers. In the first three years of the programme over 100 innovation projects were submitted for consideration, 20 of which led to contracts with BHP Billiton.

SOURCE: BHP Billiton, *World-Class Supplier Programme in Chile*. Retrieved from: <https://www.icmm.com/en-gb/case-studies/world-class-supplier-programme-chile>

DISCLOSURE 505: SUPPORTING SUPPLIERS TO UNDERSTAND THE TENDER PROCESS

The reporting organisation should describe activities or support that the mine site provides to local suppliers navigating the tendering and prequalification processes.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- OECD's *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁶⁴ As well, it outlines specific actions that companies can take, including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.⁶⁵
- GRI 204 (2016) states "the reporting organisation shall report its management approach for procurement practices using GRI 103: Management Approach". GRI's Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁶⁶

EXAMPLES OF PUBLIC REPORTING

Thompson Creek Metals Company Inc., a subsidiary of Centerra Gold Inc., describes some of the training that they provided to local suppliers at their Mount Milligan Project in British Columbia.

MOUNT MILLIGAN HIGHLIGHTS (CONTINUED)

Bonds were further strengthened when Mount Milligan employees joined local community members to paddle over 75km on a five-day canoe trip through Nak'azdli Whut'en traditional territory.

COMMUNITY ENGAGEMENT

We strive to ensure that our operations are recognized as a vital part of local communities. Our goal is to be a valued partner in our communities by having a lasting and positive impact on them – economically, socially and culturally. The building blocks are engagement, collaboration and the creation of mutually beneficial partnerships. At Mount Milligan, we work to provide long-term benefits such as training, hiring, local purchasing and community investments that advance the environmental, health, education and social welfare of the region.

PARTNERING WITH ENTREPRENEURS

Duz Cho Logging and Duz Cho Construction, both owned by McLeod Lake Indian Band, were instrumental in the construction of Mount Milligan Mine, and for several years Duz Cho Logging has been responsible for maintenance of the Mackenzie Community Connector Forest Service Road on behalf of Mount Milligan. Duz Cho Logging also helped to construct fish ponds for the Fish Habitat Compensation Plans and to improve the habitat in Rainbow Creek.

SUPPLY CHAIN WORKSHOPS

As part of Mount Milligan's strategy to better engage with local suppliers in their closest communities, supply chain seminars were organized at the College of New Caledonia campuses in Fort St. James and Mackenzie in the fall of 2015. Seminars provided

an opportunity for local business owners and managers to engage with members of Mount Milligan's Supply Chain Department and learn about the procurement process at the mine.

PROMOTING CAREERS IN MINING

In addition to Mount Milligan's very popular community mine tours, the mine hosts a number of student tours throughout the year. Students learn what it takes to work at a mine and about the variety of careers a mine can offer. Some of the local groups to visit Mount Milligan in 2015 included the College of New Caledonia's award-winning Targeted Initiative for Older Workers program and the Nak'azdli Whut'en Bladerunners program.

Mount Milligan was proud to be the primary sponsor of the 2015 Minerals North Conference in Mackenzie, BC. Held over three days in May, the annual community-led mining conference brings together First Nations, local businesses and municipalities, and industry professionals to share updates on mining activities in northern British Columbia.



SOURCE: Thompson Creek Metals Company Inc., *2015 Thompson Creek Company Corporate Social Responsibility Report*, p. 8. 2015. Retrieved from: http://renmarkfinancial.com/cg/2015_TC_Corporate_Responsibility_Rpt_Flip_Book.pdf

64. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

65. Ibid

66. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

Barrick Gold Corporation explains how they provided support to potential suppliers at their Pascua-Lama project.

As part of the process, Barrick Gold identified potential suppliers for the Pascua-Lama project. The company met with local leaders and business owners to explain what the company's needs would be, and how they could prepare to take advantage of those opportunities. In cases where local companies were not adequately equipped to supply Barrick Gold, the company conducted an analysis with them to explain where improvements could be made.

SOURCE: Barrick Gold Corporation, *Local Supplier Development Program in action: Creating economic opportunities*, 2008. Retrieved from: <http://barrickbeyondborders.com/mining/2008/10/local-supplier-development-program-in-action-creating-economic-opportunities/>

DISCLOSURE 506: SPECIAL PAYMENT PROCEDURES FOR LOCAL SUPPLIERS

The reporting organisation should describe special payment procedures that the mine site uses to assist local suppliers.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- OECD's *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁶⁷
- GRI 204 (2016) states "the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*". GRI's Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁶⁸

EXAMPLES OF PUBLIC REPORTING

Anglo American plc describes their non-scoring methods, which include early payment terms, unbundling, and sub-contracting, used to incentivise local procurement.

Coal South Africa's local procurement framework has become a vehicle for economic development and job creation as increasing numbers of local entrepreneurs are linked into the supply chain.

Local procurement expenditure increased from 7% in 2011 to 21% by the end of 2014 – and this figure is set to rise still further. In 2014, Coal in South Africa spent \$184 million with suppliers based within a 50 kilometre radius of its 10 mines. The aim is to increase the number through a range of initiatives.

One of these is Coal's supplier development programme, which supports 30 promising local small- and medium-sized enterprises (SMEs). The companies operate in a range of industries, including construction, mining supplies, cleaning, catering, training, waste-water management and electrical services. An important part of the programme is reducing the dependency of these companies on Anglo American by helping them do business with other mining companies and industries.

Coal South Africa also ring-fences certain supplier categories for entrepreneurs who employ local people and has introduced early payment terms to help small businesses to overcome cash flow challenges. Where possible, our supply chain facilitates the sub-contracting and 'unbundling' of contracts – this ensures that larger contracts or projects are split between long-established contractors and emerging entrepreneurs and ensures a transfer of knowledge and skills to SMEs.

As a business, Coal has already seen numerous benefits – such as efficiency gains, reduced delivery times and reduced costs through having suppliers closer to its sites.

SOURCE: Anglo American plc. Focus: Effective Partnerships: Sustainable Development Project 2014, p. 49. 2014. Retrieved from: <http://www.angloamerican.com/~media/Files/A/Anglo-American-PLC-V2/report-builder-2014/sdr/sdr14-interactive-version.pdf> Examples of best practice guidance

67. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

68. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

DISCLOSURE 507: ENCOURAGING PROCUREMENT FROM PARTICULAR GROUPS

The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- OECD's *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects* (2016) outlines specific actions that companies can take, including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders, and forwarding purchase agreements.⁶⁹ As well, it outlines specific actions that companies can take, including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.⁷⁰
- GRI 204 (2016) states "the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*". GRI's Disclosure 103-2 requires the reporting organisation to identify specific actions to support the management of procurement practices related to local suppliers.⁷¹
- Extractive Industries Transparency Initiative (EITI) (2007) requires that both material and in-kind social benefits by extractive companies be disclosed. This could potentially relate to reporting on items such as supplier development programmes.⁷²

EXAMPLES OF PUBLIC REPORTING

in their *2016 Aboriginal Content Playbook – Together We Grow*, **PotashCorp** outlines how it encourages suppliers to support Aboriginal peoples by providing examples of commitments their suppliers have made to Aboriginal contracting.

Table 2: Examples of current supplier commitments to local Aboriginal Content

The examples on this page show actual Aboriginal Content commitments made by three of our suppliers after ongoing discussions with PotashCorp Strategic Procurement and several Aboriginal Opportunity Partners.

Please note that the specifics of an Aboriginal Content Strategic Plan can be tailored to the needs, values, and capacities of your company. Our goal is to develop Plans that benefit all parties involved in receiving and developing Aboriginal Content – including your business.

* Excludes additional economic multiplier effects in Saskatchewan, which will be periodically measured and reported.

Criteria	Supplier 1 (5 yr Agreement)		Supplier 2 (4+1 yr Agreement)		Supplier 3 (3+1+1 yr Agreement)	
	Commitment	Est. Direct Impact*Cost	Commitment	Est. Direct Impact*Cost	Commitment	Est. Direct Impact*Cost
Direct Aboriginal Employment	<ul style="list-style-type: none"> 5% increase in First Nation/Métis hires per yr based on historical turnover. 	<ul style="list-style-type: none"> Value \$125K / yr Contract value \$1.8M+ 	<ul style="list-style-type: none"> Yrs 2-5 aligning to National "Growing Leaders" strategy: One (1) First Nation/ Métis addition to branch leadership teams x 30 branches by end of option yr. Target 15% Saskatchewan work force as First Nation / Métis by end of option yr. 	<ul style="list-style-type: none"> Yr 1, N / A Yrs 2-5: ~\$5M 	<ul style="list-style-type: none"> Target 15% SK work force as First Nation / Métis by end of yr 5 Minimum two (2) LAC direct hires / yr 100% first look at all postings 	<ul style="list-style-type: none"> Value \$120K / yr Contract value \$720K (to first option yr)
Aboriginal Subcontracting	<ul style="list-style-type: none"> 5% LAC impactable spend increase per yr SMA Supply Chain Forum booth 	<ul style="list-style-type: none"> Value \$125K / yr Contract value \$1.75M Annual / Contract Value (\$2K x 5 yrs) 	<ul style="list-style-type: none"> Not chosen for yr 1 Yrs 2-5: 5% impactable LAC spend increase per yr 	<ul style="list-style-type: none"> Value \$600K / yr Contract value \$8.4M 	<ul style="list-style-type: none"> 5% LAC spend increase per year, +4% in yr 4, +7% in year 5 (total 28% LAC of local purchasing – additional incentive for PCS to exercise option(s)) 	<ul style="list-style-type: none"> ~\$200K yr 1 Contract value ~\$1.2M (to first option yr)
New Aboriginal Business and Entrepreneurship	<ul style="list-style-type: none"> Identify and carve out a suitable product line and develop two (2) start-up SK Aboriginal-owned fabricating shops (identified through First Nation / Métis Economic Development). 	<ul style="list-style-type: none"> Target by end of year 5. Progress and impact will be measured over course of contract. 	<ul style="list-style-type: none"> Distribution Ops determined that Saskatchewan (LTL transportation (DC to customer) can be outsourced beneficially. Use PCS networks to identify potential "new" Aboriginal entrepreneur / business and transfer activity over time. 	<ul style="list-style-type: none"> Will establish process and progress benchmarks and stage gates, measure and report progress and impact over time. 	<ul style="list-style-type: none"> Target five (5) PCS-identified new Aboriginal business partners, translate our US MWOB start-up financing program to SK through our Cdn Ops / Financial Institutions/ partners. 	<ul style="list-style-type: none"> Will establish process and progress benchmarks and stage gates, measure and report progress and impact over time.
Community Investment (Including Education and Training)	<ul style="list-style-type: none"> Sponsor youth development and growth through RAPA / SAPA Two (2) youth scholarships Two (2) career fairs / yr 	<ul style="list-style-type: none"> Value \$1K / yr Contract Value \$5K Annual / Contract Value (\$8K x 5 yrs) Annual / Contract Value (\$2K x 5 yrs) 	<ul style="list-style-type: none"> Yr 1: Donation to Wanuskewin Heritage Fund Yrs 2-5 scholarships to Sask. Indian Institute of Technology. Two (2) career fairs annually 	<ul style="list-style-type: none"> Yr 1: Value \$100K Annual / Contract Value (\$5K x 4 yrs) Annual / Contract Value (\$2K x 4 yrs) 	<ul style="list-style-type: none"> Sponsor PJ and Book Drive Donation to University of Regina and First Nations University Student Association Habitat for Humanity (2 homes) One (1) annual scholarship per contract year Summer internship program (two (2) students x 4 months, annually) Career fairs/ attendance 	<ul style="list-style-type: none"> Annual / Contract Value (\$4K x 5 yrs) Annual / Contract Value (\$5K x 5 yrs) Annual / Contract Value (\$15K x 3 yrs) Annual / Contract Value (\$2.5K x 5 yrs) Contract value ~\$96K (to first option yr) Annual / Contract Value (\$11K x 3 yrs)

SOURCE: PotashCorp, *2016 Aboriginal Content Playbook – Together We Grow*, pp.8-9. 2016. Retrieved from: www.potashcorp.com/media/PotashCorp_Playbook_Sept16.pdf

69. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

70. Ibid

71. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

72. EITI International Secretariat, *The EITI Standard 2016*, pp. 28-29. 2016. Retrieved from <https://eiti.org/document/standard>

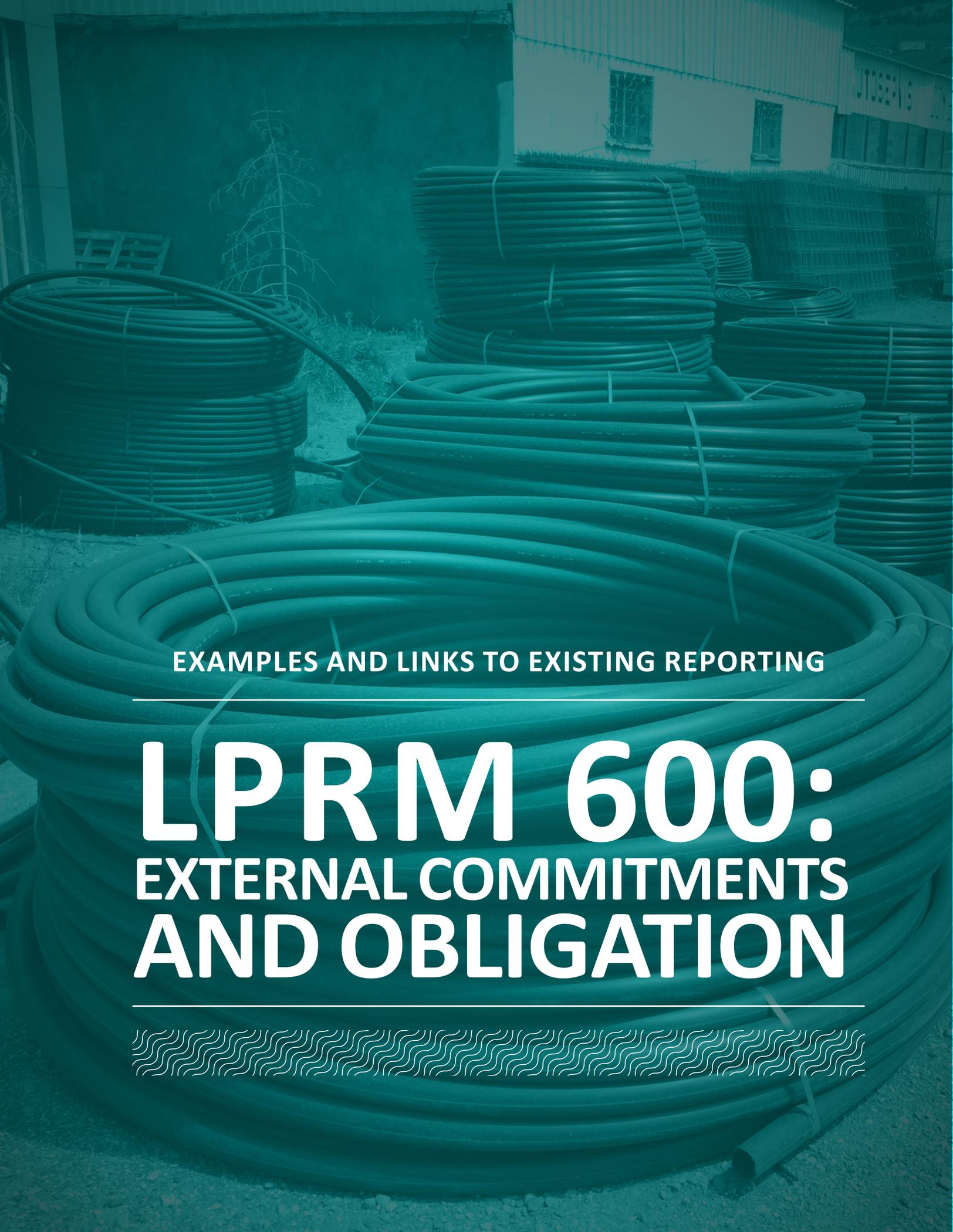
Dundee Precious Metals describes how their local procurement policy and procedure specifically targets “previously disadvantaged Namibians”.

PREFERENTIAL PROCUREMENT AT TSUMEB

In 2014 we began developing a site policy and procedure for local procurement at Tsumeb to specifically include previously disadvantaged Namibians into our tendering process. Our Preferential Procurement Policy and Procedure will be finalized in 2015.

The policy and procedure will provide our Tender Committee at Tsumeb with strategic guidance, particularly on how to identify and include this stakeholder group more completely in our procurement practices.

SOURCE: Dundee Precious Metals, *2014 Sustainability report: We Succeed Because We Care*, p. 37. 2014. Retrieved from: https://s21.q4cdn.com/589145389/files/doc_financials/English/2014/SustainabilityReport/2014_DPM_SustReport_v001_z57i6f.pdf



EXAMPLES AND LINKS TO EXISTING REPORTING

LPRM 600: EXTERNAL COMMITMENTS AND OBLIGATION



DISCLOSURE 601: REGULATIONS

The reporting organisation should detail regulations for local procurement or procurement from specific types of local suppliers, or any specific contract provisions between the mine site and the host country government.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 (2016) states “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify any commitments as a result of regulations or specific contract provisions.⁷³
- IGF on *Mining, Minerals, Metals, and Sustainable Development Mining Policy Framework* (2012) indicates that supportive legal and fiscal environments are needed so that socio-economic plans developed by the permit holder and approved by government include the promotion of opportunities for local, regional, and national supplier of goods and services to the mine, the community, and the region.⁷⁴
- NRGI *Natural Resources Charter* (2014) provides guidance to government on local content regulation. Specifically, the government should implement policies that provide a general enabling environment for businesses and help enhance the quality of the labour forces across industries to help the private sector engage with the extractive industry. Where general policies are not sufficient, it is suggested that governments consider enacting specific regulations on the amount of local content that extractive companies mandate in conjunction with general economic reform.⁷⁵

EXAMPLES OF PUBLIC REPORTING

African Rainbow Minerals Ltd. explains how their targets are set by South Africa’s Mining Charter.

PREFERENTIAL PROCUREMENT

Preferential procurement targets relating to capital goods, consumables and services are set in the Mining Charter. ARM’s operational procurement information consists mainly of stores procurement data and excludes procurement through service level agreements such as reagent and ore supply contracts. The information is independently consolidated and verified by an external rating agency against the Mining Charter categories. If service level agreements were included in the preferential procurement calculations our scores would likely decrease.

SOURCE: African Rainbow Minerals Ltd., *Sustainability Report 2016*, p. 97. 2016. retrieved from: <http://www.arm.co.za/im/files/annual/2016/ARM-SR16.pdf>

73. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

74. IGF, *Mining Policy Framework: Socioeconomic Optimization*, 2015. Retrieved from <https://www.igfmining.org/mining-policy-framework/framework/socioeconomic-benefit-optimization/>

75. NRGI, *Natural Resources Charter: Second Edition*, pp. 33-35, 2014. Retrieved from <http://resourcegovernance.org/analysis-tools/publications/natural-resource-charter-2nd-ed>

DISCLOSURE 602: OTHER AGREEMENTS AND CONTRACTS

The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.

LINKS TO EXISTING SUSTAINABILITY FRAMEWORKS

- GRI 204 (2016) requires “the reporting organisation shall report its management approach for procurement practices using *GRI 103: Management Approach*”. The GRI’s Disclosure 103-2 requires the reporting organisation to identify any commitments through memorandums of understanding, IBA, or other types of community benefit agreements.⁷⁶
- Secretariat of Convention on Biological Diversity’s *Akwé: Kon Guidelines* (2004) suggests that the scope of social impact assessments should outline diversification of economic opportunities for small and medium businesses, to ensure that tangible benefits accrue for communities.⁷⁷
- IGF on *Mining, Minerals, Metals, and Sustainable Development Mining Policy Framework* (2012) indicates that supportive legal and fiscal environments are needed so that socio-economic plans developed by the permit holder and approved by government include the promotion of opportunities for local, regional, and national suppliers of goods and services to the mine, the community, and the region.⁷⁸
- NRGI *Natural Resources Charter* (2014) provides guidance to government on local content regulation. Specifically, the government should implement policies that provide a general enabling environment for businesses and help enhance the quality of the labour forces across industries to help the private sector engage with the extractive industry. Where general policies are not sufficient, it is suggested that governments consider enacting specific regulations on the amount of local content extractive companies mandate in conjunction with general economic reform.⁷⁹

EXAMPLES OF PUBLIC REPORTING

Teck Resources Ltd.’s Red Dog Mine describes procurement as part of their operating agreement for the mine.

Procurement from Indigenous Peoples Suppliers

In 2014, our operations spent approximately \$161 million on suppliers who self-identified as Indigenous; this represents an overall increase of 21%, or nearly \$34 million over the prior year, and amounts to 16% of our total spend. The vast majority of this spending is at our Red Dog Operations, where Indigenous Peoples’ procurement is a cornerstone of our operating agreement, which governs the operation and development of the mine. In 2014, 47% of Red Dog’s spending was with Indigenous suppliers.

SOURCE: Teck Resources Ltd., *Adaptability: Teck 2014 Sustainability Report*, p. 66. 2014. Retrieved from: http://www.teck.com/media/2014_Teck_Sustainability_Report.pdf

76. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

77. Convention on Biological Diversity, *Akwé: Kon Guidelines*, p. 19. 2004. Retrieved from <https://www.cbd.int/doc/publications/akwe-brochure-en.pdf>

78. IGF, *Mining Policy Framework: Socioeconomic Optimization*, 2015. Retrieved from <https://www.igfmining.org/mining-policy-framework/framework/socioeconomic-benefit-optimization/>

79. NRGI, *Natural Resources Charter: Second Edition*, pp. 33-35. 2014. Retrieved from <http://resourcegovernance.org/analysis-tools/publications/natural-resource-charter-2nd-ed>

Cameco describes their community-based agreements, which can be accessed through their website under “Supportive Communities” > “Aboriginal Peoples Engagement”.

Community based agreements – In order to solidify our relationships with aboriginal communities, we have entered into a number of agreements designed to codify the socioeconomic benefits communities receive from us, as well as our responsibilities to those communities. These agreements include:

- 1. Collaboration Agreements with English River First Nation and the Metis community of Pinehouse** – Signed in 2012 and 2013, these agreements with two northern Saskatchewan communities establish a framework and guiding principles for long-term working relationships with the communities. The agreements include how we'll invest in, support and engage with the community, including specific promises around community investment, business and workforce development. The agreements also outline how we'll operate, balancing commercial demands with traditional needs, land use rights and environmental stewardship. Finally, the agreements outline how the community will support our operations as long as Cameco meets its obligations to consult and engage with the community as defined in the agreement. We expect more agreements like these to be signed with other northern Saskatchewan communities in the coming years. For full details on the Pinehouse agreement, please visit this [website](#).
- 2. Impact Management Agreement with the Dene communities of the Athabasca Basin** – Cameco signed an Impact Management Agreement with the communities of the Athabasca Basin in 1999, including the Black Lake and Fond du Lac Denesuline First Nations and four local northern municipalities (Hatchet Lake Denesuline Nation has also participated in programming implementation, but was not a signatory). This agreement provides the communities with workforce development and dedicated engagement programs, community investment funding, and mechanisms to collaborate around environmental stewardship (i.e. the creation of the Athabasca Working Group monitoring program).
- 3. Indigenous Land Use Agreement with the Martu of Western Australia** – Signed in 2012 with the traditional Kintyre landowners, the Martu, this agreement provides training, employment and business opportunities to the local communities in the Pilbara region of Western Australia. When Kintyre is eventually constructed and operational, we will be in the position to employ the many Martu we have trained. In the meantime, we continue to help them build capacity for the future.
- 4. Trappers Compensation Agreements in Northern Saskatchewan** – These agreements are between Cameco and several trappers in northern Saskatchewan who continue to trap on or near our operating sites. These agreements encourage trappers to continue trapping, and provide them with a yearly cash distribution and, for some, an allotment of fuel.
- 5. Memorandum of Understanding with the Mississauga First Nation** – A signed memorandum of understanding with the Mississauga First Nation (MFN) related to Cameco's Blind River refinery in Ontario. This agreement commits MFN and Blind River to working together cooperatively for their mutual benefit. It focuses primarily on socio-economic development projects related to youth, education, health and wellness, and community development.

SOURCE: *Cameco, Aboriginal Peoples Engagement*, Retrieved from: https://www.cameco.com/sustainable_development/2014/supportive-communities/aboriginal-peoples-engagement/

ANNEX B: OVERLAP OF EXISTING SUSTAINABILITY FRAMEWORKS WITH THE MINING LPRM

TABLE 1: Sustainability frameworks that address aspects of local procurement in mining

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Corporate policies and procedures	PDAC e3 Plus (2009)	Advises exploration companies to adopt and make public policies and procedures for use of local suppliers and services. ⁸⁰	<p><i>Disclosure 201: Policy on local suppliers</i> The reporting organisation shall report the existence of any mine site-specific local procurement policy and / or other company policies or company standards that include local procurement.</p> <p><i>Disclosure 402: Anti-corruption policy</i> The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.</p> <p><i>Disclosure 501: Commitments</i> The reporting organisation should provide time-bound commitments that the mine site has made to increase local procurement.</p>
Corporate policies and procedures	OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects (2016)	Highlights that extractive industries should clearly articulate the success factors for participation in extractives sector value chains and conformance to international standards. ⁸¹	<p><i>Disclosure 204: Procurement process</i> Disclosure 204 C- The reporting organisation shall provide information on requirements and support for prequalification (if applicable, provide phone numbers, emails, or URLs).</p>
Corporate policies and procedures	Global Reporting Initiative (GRI) (2006)	<p>Requires companies to disclose their management approach for procurement practices using <i>GRI 103: Management Approach</i>.</p> <p>Specifically, companies are to report on the following disclosures:</p> <p>Disclosure 103-2: “For each material topic, the reporting organisation shall report the following information:</p> <ol style="list-style-type: none"> An explanation of how the organisation manages the topic. A statement of the purpose of the management approach. A description of the following, 	<p><i>Disclosure 201: Policy on local suppliers</i> The reporting organisation shall report the existence of any mine site-specific local procurement policy and / or other company policies or company standards that include local procurement.</p> <p><i>Disclosure 202: Accountability on local suppliers</i> The reporting organisation shall report the name of the mine site departments responsible for local procurement.</p> <p><i>Disclosure 203: Major contractors and local suppliers</i> The reporting organisation shall report if and how the mine site requires major suppliers / major contractors at the mine site to prioritize local suppliers. Explain how the reporting organization evaluates its major suppliers / major contractors on their local procurement.</p> <p><i>Disclosure 204: Procurement process</i> Disclosure 204 A- The reporting organisation shall provide contact</p>

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Corporate policies and procedures	Global Reporting Initiative (GRI) (2006)	<p>if the management approach includes that component:</p> <ul style="list-style-type: none"> i. Policies ii. Commitments iii. Goals and targets iv. Responsibilities v. Resources vi. Grievance mechanisms vii. Specific actions, such as processes, projects, programmes and initiatives" <p>Disclosure 103-3: "For each material topic, the reporting organisation shall report the following information:</p> <ul style="list-style-type: none"> a. An explanation of how the organisation evaluates the management approach, including: <ul style="list-style-type: none"> i. the mechanisms for evaluating the effectiveness of the management approach; ii. the results of the evaluation of the management approach; iii. any related adjustments to the management approach".⁸² 	<p>information (address or phone number) for the publicly available supplier contact persons or point of contact for suppliers, such as information offices.</p> <p>Disclosure 204 B- The reporting organisation shall provide information on any internal or external supplier procurement portals, databases, or registries (if applicable, provide URLs).</p> <p>Disclosure 204 C- The reporting organisation shall provide information on requirements and support for prequalification (if applicable, provide phone numbers, emails, or URLs).</p> <p>Disclosure 204 D- The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).</p> <p><i>Disclosure 401: Due diligence processes</i> The reporting organisation shall report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour.</p> <p><i>Disclosure 402: Anti-corruption policy</i> The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.</p> <p><i>Disclosure 403: Training and guidance for suppliers</i> The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.</p> <p><i>Disclosure 501: Commitments</i> The reporting organisation should provide time-bound commitments that the mine site has made to increase local procurement.</p> <p><i>Disclosure 502: Preference in scoring of bids</i> The reporting organisation should, in as much detail as possible, explain if and how the scoring of bids provides any preference for local suppliers.</p> <p><i>Disclosure 503: Preference in scoring of bids for significant local contributions</i> The reporting organisation should describe if additional scoring preference is given to suppliers that demonstrate significant local economic contributions.</p> <p><i>Disclosure 504: Non-scoring methods to incentivise local purchasing</i> The reporting organisation should explain non-scoring methods that are used at the mine site to be inclusive of local suppliers.</p> <p><i>Disclosure 505: Supporting suppliers to understand the tender process</i> The reporting organisation should describe activities or support that the mine site provides to local suppliers navigating the tendering and prequalification processes.</p> <p><i>Disclosure 506: Special payment procedures for local suppliers</i> The reporting organisation should describe special payment procedures that the mine site uses to assist local suppliers.</p> <p><i>Disclosure 507: Encouraging procurement from particular groups</i> The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as</p>

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
			women, visible minorities, youth, and Indigenous communities. <i>Disclosure 601: Regulations</i> The reporting organisation should detail regulations for local procurement or procurement from specific types of local suppliers, or any specific contract provisions between the mine site and the host country government. <i>Disclosure 602: Other agreements and contracts</i> The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.
Socio-economic plans	Secretariat of Convention on Biological Diversity's Akwé: Kon Guidelines (2004)	Suggests that the scope of social impact assessments should outline opportunities for the diversification of economic opportunities for small and medium businesses to ensure that tangible benefits accrue for communities. ⁸³	<i>Disclosure 501: Commitments</i> The reporting organisation should provide time-bound commitments that the mine site has made to increase local procurement. <i>Disclosure 602: Other agreements and contracts</i> The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.
Supportive legal and fiscal environments	IGF on Mining, Minerals, Metals, and Sustainable Development Mining Policy Framework (2012)	Indicates that supportive legal and fiscal environments are needed so that socio-economic plans developed by the permit holder and approved by government include the promotion of opportunities for local, regional and national supply of goods and services to the mine, the community and the region. ⁸⁴	<i>N/A, does not apply to mining company reporting. However, company reporting related to this issue is detailed below.</i> <i>Disclosure 601: Regulations</i> The reporting organisation should detail regulations for local procurement or procurement from specific types of local suppliers, or any specific contract provisions between the mine site and the host country government. <i>Disclosure 602: Other agreements and contracts</i> The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.
Supportive legal and fiscal environments	NRGI Natural Resources Charter (2014)	Provides guidance to government on local content regulation. Specifically, the government should implement policies that provide a general enabling environment for businesses and help enhance the quality of labour forces across industries to help the private sector engage with the extractive industry. Where general policies are not sufficient, it is suggested that governments consider enacting specific regulations on amount of local content in extractive companies' input in conjunction with general economic reform.	<i>N/A, does not apply to mining company reporting. However, company reporting related to this issue is detailed below.</i> <i>Disclosure 601: Regulations</i> The reporting organisation should detail regulations for local procurement or procurement from specific types of local suppliers, or any specific contract provisions between the mine site and the host country government. <i>Disclosure 602: Other agreements and contracts</i> The reporting organisation should detail memoranda of understanding, impact benefit agreements (IBAs), or other types of community benefit agreements that the mine site is subject to from specific local stakeholder groups, and that require action towards procurement from specific types of host country suppliers.

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
	OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects (2016)	Identifies that governments can improve the investment climate, create financing vehicles for local firms, support economic diversification, prioritize approaches that enable progress towards common objectives over compliance, balance pressure of indigenization, promote transparency. ⁸⁶	<i>N/A, does not apply to mining company reporting.</i>
Procurement	OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects (2016)	Outlines that companies and governments should publish estimated demand for suppliers of goods and services at each stage or a project. ⁸⁷ Outlines specific actions that companies can take including evaluating potential to unbundle contracts for services and suppliers, evaluating potential to make advance purchase orders and forwarding purchase agreements. ⁸⁸	<p><i>Although not specifically projecting at demand each stage or project, Disclosure 302 aims to create a breakdown of procurement spend for each reporting period and works to create a better understanding for suppliers of the demand for different goods and services.</i></p> <p><i>Disclosure 302: Breakdown of procurement spend</i> The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in Disclosure 301: Categorising suppliers, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend. In addition, if possible, reporting shall provide a breakdown of spending by major spend families.</p> <p><i>Disclosure 502: Preference in scoring of bids</i> The reporting organisation should, in as much detail as possible, explain if and how the scoring of bids provides any preference for local suppliers.</p> <p><i>Disclosure 503: Preference in scoring of bids for significant local contributions</i> The reporting organisation should describe if additional scoring preference is given to suppliers that demonstrate significant local economic contributions.</p> <p><i>Disclosure 504: Non-scoring methods to incentivise local purchasing</i> The reporting organisation should explain non-scoring methods that are used at the mine site to be inclusive of local suppliers.</p> <p><i>Disclosure 505: Supporting suppliers to understand the tender process</i> The reporting organisation should describe activities or support that the mine site provides to local suppliers navigating the tendering and prequalification processes.</p> <p><i>Disclosure 506: Special payment procedures for local suppliers</i> The reporting organisation should describe special payment procedures that the mine site uses to assist local suppliers.</p> <p><i>Disclosure 507: Encouraging procurement from particular groups</i> The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.</p>

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Procurement spend	Global Reporting Initiative (GRI) (2006)	<p>Requires reporting of proportion of spending on local suppliers at significant locations of operation (204-1).</p> <p>Specifically,</p> <ul style="list-style-type: none"> percentage of the procurement budget spent on suppliers local to that operation (such as percentage of products and services purchased locally) at each significant location of operation; organisation's geographical definition of "local"; and definition used for 'significant locations of operation'.⁸⁹ 	<p><i>Disclosure 301: Categorizing suppliers</i> The reporting organisation shall report how the mine site categorises suppliers based on:</p> <ul style="list-style-type: none"> Geographic location, such as proximity to the site. Level of participation, including level of ownership and/or employment by local individuals or particular groups (Indigenous people, vulnerable groups, etc.). Level of value addition. <p><i>Disclosure 302: Breakdown of procurement spend</i> The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in Disclosure 301: Categorising suppliers, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend. In addition, if possible, reporting shall provide a breakdown of spending by major spend families.</p>
Supplier code of conduct	ICMM Sustainable Development Framework (2003)	<p>Suggests that to integrate sustainable development considerations within the corporate decision-making process, suppliers of goods and services should be encouraged to adopt principles and practices that are comparable to that of mining companies.⁹⁰</p>	<p><i>Disclosure 401: Due diligence processes</i> The reporting organisation shall report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour.</p> <p><i>Disclosure 402: Anti-corruption policy</i> The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.</p> <p><i>Disclosure 403: Training and guidance for suppliers</i> The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.</p>
Supplier code of conduct	Center for Science in Public Participation (CSP) and the World Resources Institute (WRI)'s Framework for Responsible Mining (2005)	<p>Outlines that companies should review contractor practices to ensure compliance with sustainability principles.⁹¹</p>	<p><i>Disclosure 401: Due diligence processes</i> The reporting organisation shall report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour.</p> <p><i>Disclosure 402: Anti-corruption policy</i> The reporting organisation shall report the existence and location of any anti-corruption policy it has and / or any policies that are intended to prevent corruption in their procurement processes and in their suppliers.</p> <p><i>Disclosure 403: Training and guidance for suppliers</i> The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.</p>
Supplier code of conduct	OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects (2016)	<p>Indicates that local firms should be supported to comply with international standards.⁹²</p>	<p><i>Disclosure 403: Training and guidance for suppliers</i> The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.</p>

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Supplier development	ICMM Sustainable Development Framework (2003)	Advises that to support social, economic, and institutional development in communities where companies operate, partnerships should be encouraged to ensure that programmes such as local business development are well designed and effectively delivered. ⁹³	<i>Disclosure 204: Procurement process</i> Disclosure 204 D- The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).
Supplier development	OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects (2016)	<p>Outlines specific actions that companies can take including supporting capacity building for a specific job or value chain, and developing and implementing plans for inclusive and progressive local workforce and supplier participation.⁹⁴</p> <p>Indicates that supplier development return-on-investment should be evaluated by assessing short-term costs of supplier capacity building as investments that will reduce operating costs in the long-term.⁹⁵</p> <p>Outlines that governments should conduct baseline assessment of supplier capacity, develop plans for inclusive local workforce and supplier participation, facilitate linkage of multi-nationals with local firms, match training opportunities with documented industry demand, align technical vocational programmes with skills required, set up training funds for workforce and suppliers skills development.⁹⁶</p> <ul style="list-style-type: none"> • Outlines that companies and governments should collectively assess existing industry capacity, collectively assess capabilities of available local supply base, collectively undertake a gap analysis assessing national education and training systems against current and future needs, evaluate time and resources needs to close any identified technological, infrastructure, capabilities and financing gaps, engage with major contractors and suppliers to encourage public awareness regarding local procurement and training needs, agree actions of mutual benefit, identify and prioritize quick wins for local workforce and supplier participation and leverage other opportunity areas for long-term collaboration.⁹⁷ 	<p><i>While the emphasis of OECD is on specific actions that companies and governments can take related to performing a supplier gap analysis as well as actions to address any existing gaps:</i></p> <p><i>Disclosure 204: Procurement process</i> Disclosure 204 D- The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).</p> <p><i>Disclosure 403: Training and guidance for suppliers</i> The reporting organisation shall report information and training provided to suppliers on best practices related to due diligence processes.</p> <p><i>Disclosure 504: Non-scoring methods to incentivise local purchasing</i> The reporting organisation should explain non-scoring methods that are used at the mine site to be inclusive of local suppliers.</p> <p><i>Disclosure 505: Supporting suppliers to understand the tender process</i> The reporting organisation should describe activities or support that the mine site provides to local suppliers navigating the tendering and prequalification processes.</p> <p><i>Disclosure 507: Encouraging procurement from particular groups</i> The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.</p>

Aspect	Framework	Section of framework focusing on aspects of local procurement	Overlap with the Mining LPRM
Other	Extractive Industries Transparency Initiative (EITI) (2007)	Requires that both material and in-kind social benefits by extractive companies be disclosed. This could potentially relate to reporting on items such as supplier development programmes. ⁹⁸	<p><i>This relates potentially to numerous indicators:</i></p> <p><i>Disclosure 204: Procurement process</i> Disclosure 204 D- The reporting organisation shall provide information about local supplier development programmes or supplier capacity support (if applicable, provide URLs and phone numbers).</p> <p><i>Disclosure 302: Breakdown of procurement spend</i> The reporting organisation shall report the breakdown of procurement spend for each category of supplier provided in Disclosure 301: Categorising suppliers, including international suppliers. Reporting shall provide a breakdown by amount (in relevant currency) and by percentage of total spend. In addition, if possible, reporting shall provide a breakdown of spending by major spend families.</p> <p><i>Disclosure 507: Encouraging procurement from particular groups</i> The reporting organisation should describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities.</p>

80. PDAC, *e3 Plus: A Framework for Responsible Exploration Principles and Guidelines*, p. 52. 2014. Retrieved from: <http://www.pdac.ca/pdf-viewer?doc=/docs/default-source/e3-plus--principles/contribute-to-community-development-and-wellbeing.pdf>

81. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from: https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

82. Global Reporting Initiative, *GRI 103: Management Approach 2016*, pp. 8-10. 2016. Retrieved from <https://www.globalreporting.org/standards/media/1038/gri-103-management-approach-2016.pdf>

83. Convention on Biological Diversity, *Akwé: Kon Guidelines*, p. 19. 2004. Retrieved from <https://www.cbd.int/doc/publications/akwe-brochure-en.pdf>

84. IGF, *Mining Policy Framework: Socioeconomic Optimization*. 2015. Retrieved from <https://www.igfmining.org/mining-policy-framework/framework/socioeconomic-benefit-optimization/>

85. NRGI, *Natural Resources Charter: Second Edition*, pp. 33-35. 2014. Retrieved from <http://resourcegovernance.org/analysis-tools/publications/natural-resource-charter-2nd-ed>

86. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 7. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

87. *Ibid*, p. 9.

88. *Ibid*, p. 8.

89. Global Reporting Initiative, *GRI 204: Procurement Practices 2016*, p. 7. 2016. Retrieved from <https://www.globalreporting.org/standards/gri-standards-download-center/gri-204-procurement-practices/?g=575e0041-59e8-4bd2-bb36-c8c5f5b5a903>

90. ICMM, *Sustainable Development Framework: Principle 2*. 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

91. Miranda, M., Chamber, D. & Coumans, C. (2005). *Framework for Responsible Mining: A Guide to Evolving Standards*, p. 106. Retrieved from <http://www.acee.gc.ca/B4777C6B-docs/WP-1785-034.pdf>

92. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

93. ICMM, *Sustainable Development Framework: Principle 2*. 2003. Retrieved from <https://www.icmm.com/our-work/sustainable-development-framework/10-principles>

94. OECD, *Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects*, p. 8. 2016. Retrieved from https://www.oecd.org/dev/Framework_Public-Private_Collaboration_FINAL.pdf

95. *Ibid*

96. *Ibid*, p.7.

97. *Ibid*, p. 8.

98. EITI International Secretariat, *The EITI Standard 2016*, pp. 28-29. 2016. Retrieved from <https://eiti.org/document/standard>



Deutsche Gesellschaft für Internationale Zusammenarbeit
(GIZ) GmbH | www.bmz.de/rue/en
@giz_gmbh

Mining Shared Value, an initiative of Engineers Without Borders Canada |
www.miningsharedvalue.org
@ewb_msv