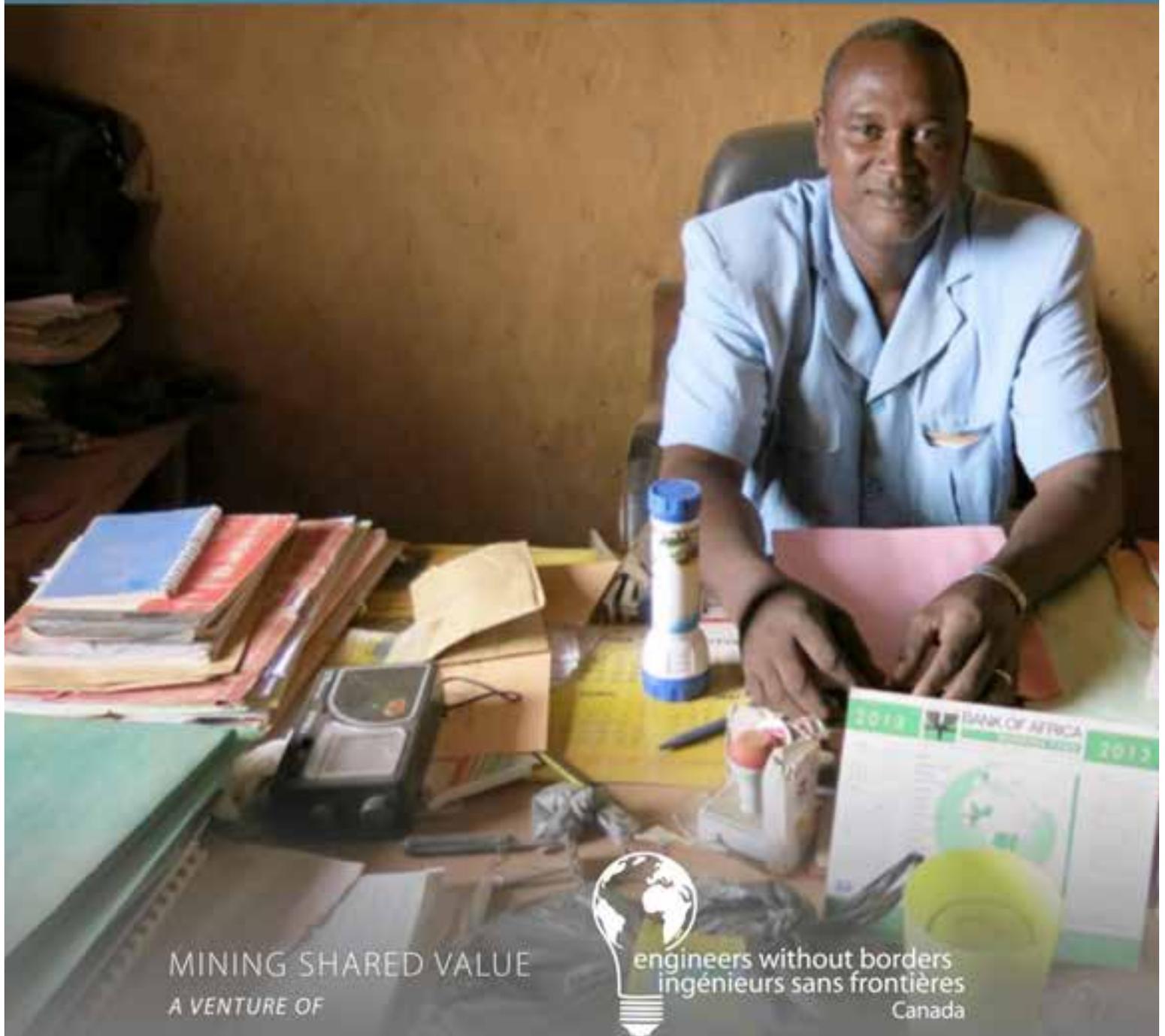


Local Procurement by the Canadian Mining Industry

A STUDY OF PUBLIC REPORTING TRENDS



MINING SHARED VALUE
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Canada

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The **Mining Shared Value** venture of **Engineers Without Borders Canada** is excited to present this first yearly report on public reporting for local procurement by the Canadian mining industry.

Mining Shared Value works to put local procurement at the centre of corporate social responsibility (CSR) across the Canadian mining industry. Too often, not enough of the economic benefits of mineral extraction stay in the host countries and communities where mining actually takes place. Mining Shared Value's goal is to increase the level of local procurement that Canadian companies carry out to improve the development impacts of mining activity.

It is essential that Canadian companies behave responsibly and adhere to regulations and international standards for the benefit of the environment, occupational safety, and human rights. However, in addition to doing their utmost to minimize negative impacts, companies should also devote resources to maximizing their potential *positive* impacts.

Local procurement is one of these potential positive impacts. Local spending on goods and services leads to more local jobs and income, transfers skills and technology, and helps to create vital domestic business networks. And, local procurement is good for the bottom line of mining projects. Increased local spending lowers costs in the long run, and perhaps more importantly, contributes to a company's social licence to operate.

We hope this report contributes to the debate on the role of local procurement in economic and social development, provides valuable data on public reporting trends across the Canadian mining industry, and showcases some of the leading efforts of particular companies for their reporting on local procurement programming and statistics.

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Construction materials supplier, Burkina Faso

Executive Summary

The objective of this study is to provide a ‘lay of the land’ overview of the Canadian mining industry’s prioritization of local procurement based on public reporting by the industry’s largest companies.

We hope this data serves as a foundation for discussion, debate, and action within the industry on this important issue. This report seeks to inspire an increase in the level of detail for reporting on local procurement by companies, and in turn, improved performance in local spending.

Why Local Procurement is Important for Development and for Canadian Mining Companies

LOCAL PROCUREMENT OF GOODS AND SERVICES

- Increases the business skills and capacity of firms supplying mining projects
- Transfers technology and skills to local businesses
- Helps to create vital domestic business networks and industrial clusters
- Acts to formalize local economies, increasing tax revenue and improving economic planning
- Increases revenue and employment where suppliers operate

Local procurement offers mining companies an effective method for maximizing the benefits of their investment for host communities and countries, while contributing to their social licence to operate. The development benefits of local procurement, also referred to as ‘local content’ or ‘backwards linkages,’ are numerous and are covered in the table above.

Purchasing more locally is also good for Canadian mining companies. In the long term, supply costs are reduced and delivery times are shortened. Perhaps more importantly, local procurement contributes to a company's social licence to operate by more evenly distributing the economic benefits of natural resource extraction across the regions where activity occurs.

Methodology

To gauge the extent to which the Canadian mining industry is prioritizing local procurement, the CSR reporting of the industry's 50 largest companies was examined. While public reporting is not a perfect indicator of a company's prioritization of an issue, the level of detail a company provides on a particular issue provides a reasonably good indicator of company emphasis.

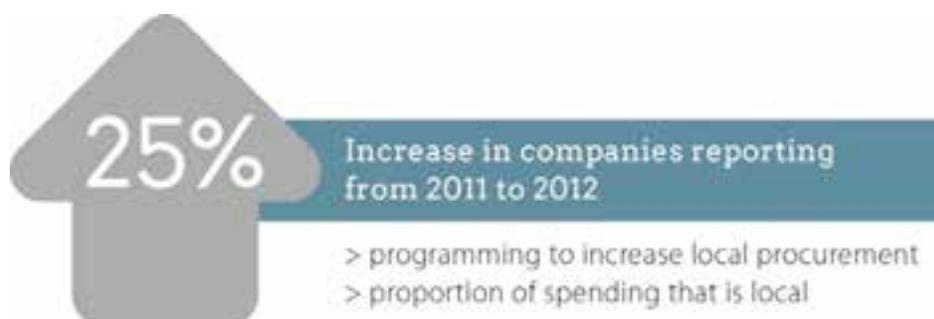
For each company, a questionnaire form was applied to their 2011 and 2012 CSR reporting, which identified whether local procurement was mentioned and if statistics were provided. Sample questions included "Does the report describe any programs that work to help local procurement?" and "Are percentages provided showing the proportion of total spending that went to local suppliers?"

Highlights and Trends

Based on the analysis of public reporting by Canada's 50 largest mining companies for both 2011 and 2012, we are able to identify three broad trends:

1. Local procurement is mentioned in CSR reporting by most of Canada's largest companies.
2. Public reporting on local procurement is increasing.
3. Public reporting on local procurement receives less attention relative to other CSR issues.

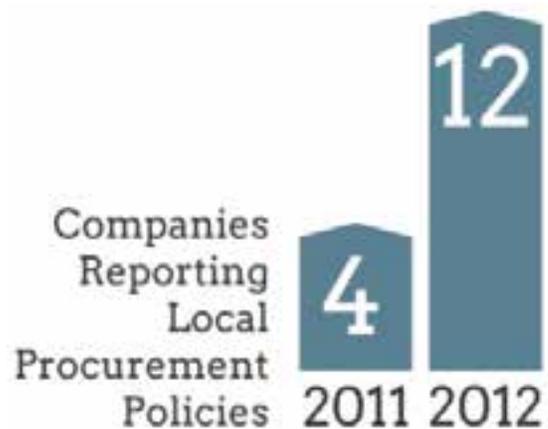
It is promising to learn that most of Canada's largest companies are talking about local procurement in their reporting. For the most part, only companies that provided very little public CSR reporting in general did not talk about the issue of local procurement.



Even more promising is that there was a clear and noticeable increase in the level of detail being provided by companies on local procurement from 2011 to 2012. The number of companies discussing programming to increase local spending, as well as the number of companies that provided the proportion of their spending that is local, both increased by 25%. It also seems that more companies are taking systematic approaches to this issue, as the number of companies that reported an official local procurement *policy* tripled, from 4 to 12.

There is room for improvement though. Reporting on local procurement still lags far behind other traditional CSR concerns, qualitatively as well as in the statistics provided. Local procurement was also less likely to be stated as a strategic objective in yearly highlights sections. Out of 20 companies that provided strategic objectives in their reporting, 19 specified one or more for the environment, but only 7 did for local procurement.

Companies Reporting on CSR Objectives (2012)



Leaders in Reporting

Three companies stood out in the level of detail they provided for local procurement: **Sherritt**, **IAMGOLD**, and **Yamana Gold**. For these companies, it is clear to stakeholders how the company is approaching local procurement, and how the company is performing. This level of reporting creates a strong foundation for these companies to act on increasing local procurement, and allows other stakeholders like economic planners to better engage with the company. For sample pages from the reports of these companies, see page 18.

Growing Opportunity for Canadian Mining Companies

This report shows that Canadian mining companies are increasingly talking about local procurement as part of what it means to be a responsible mining company. From 2011 to 2012, the level of detail provided by the largest companies increased, as many reported on more programming, policies, and statistics. This increased detail will help the industry better manage this issue.

Still, there is work to be done. The level of detail for reporting on local procurement still lags behind other issues. Local procurement was also less likely to be singled out as a strategic objective.

All of this represents an exciting opportunity for Canadian mining companies as they plan their reporting on 2013 and the years beyond. Increased reporting will allow companies to better track and, in turn, manage their success in purchasing goods and services locally. In the long run, this will help host economies and bolster the social licence for companies to operate, improving the economic and social impacts of mining activity for all stakeholders.



Uniform factory, Democratic Republic of Congo

Objectives of this Report

The objectives of this report are to provide a ‘lay of the land’ overview of the Canadian mining industry’s prioritization of local procurement based on public reporting and to inspire increased attention to the issue.

While the extent of public reporting on a particular issue is by no means a perfect indicator of prioritization, it does suggest the level of attention a company is paying to that topic. Because our goal is to increase the level of local procurement by Canadian mining companies, a logical first step is to gauge the extent of efforts currently being made. We hope this overview serves as a foundation for discussion and increased action by the Canadian mining industry on this vital issue.

In addition to presenting an overview, the goal of this report is to inspire action on behalf of companies to increase the extent and detail of reporting they provide when it comes to local procurement. By demonstrating the extent to which leading companies report, and providing positive affirmation to that reporting, we hope to encourage companies with less developed reporting systems to follow suit.

You can’t manage what you don’t measure. This familiar business truism speaks to the value of public reporting when it comes to an issue like local procurement. If the measuring and reporting of local procurement by Canadian mining companies becomes standard operating procedure, it will undoubtedly serve to inspire improvement in performance. Certainly, there is no shortage of cases of increased measurement on other issues, such as occupational safety, that have led to improved performance. This is what we hope to achieve for local procurement.

Why Local Procurement Matters

It is an exciting time in the field of CSR. We are starting to see a shift away from definitions of responsibility being only about preventing harm to a broader view that looks at the potential role that business can play to improve society.



In developing countries and regions, there is perhaps no better method to increase positive impacts than to increase local procurement by the largest economic actors.

Canadian mining companies use an incredible amount of goods and services in their operations. In developing countries like those in Africa, their yearly spending often represents a significant portion of the economic activity going on in the region. Here in Canada, a similar dynamic exists in the rural locations where mining takes place, where a project is often the largest economic activity in the entire region.

It is due to these developmental benefits that local procurement, also known as ‘local content’ or ‘backwards linkages’ in economic development literature, has been part of development strategies all around the world. Most notably, the East Asian Tigers — Japan, South Korea, and Taiwan — all

used local content and other interventionist strategies to propel decades of sustained economic growth.

South Korea used regulations and economic incentives to encourage investing automobile manufacturers to purchase local goods and services. Largely due to the revenue and capacity building that came from this, South Korea is now the fifth largest automobile manufacturer in the world.

These benefits of local procurement exist across all sectors to some extent, but when it comes to the mining sector, the benefits have the potential to grow exponentially due to the sheer volume of purchasing involved. It is for this reason that creating more backwards supply chain linkages to domestic economies features in the African Mining Vision, adopted by African heads of state in 2009. Local procurement is also prominent in many of the impact benefit agreements (IBAs) signed between mining companies and Aboriginal communities here in Canada.

The private sector *does* have a role to play in development, but it needs to be utilized properly. Local procurement offers Canadian mining companies an avenue to increase the economic and social development impacts of their activities.



Assembly line at Hyundai Motor Company's Car Factory in Ulsan, South Korea

Local Procurement is Good for Canadian Mining Companies

In addition to being helpful for economic and social development, purchasing more locally is also good for the bottom line of Canadian mining companies. There are two main ways that increased local spending on goods and services is in the interest of mining companies:

- Purchasing locally can lower procurement costs and improve supply chain performance.
- Local procurement contributes to a project's social licence to operate.

By tapping into local labour markets that have lower wages, and reducing shipping distances, costs for many goods and services will fall in the long run. The efficiency of procurement can also be improved, as delivery times are reduced and supply chains become more resilient as more supplier options become available.

Arguably more important, the social licence to operate for mining companies is bolstered by their increased local procurement. By providing more economic and social benefits to the host economies where they operate, mining companies will develop more healthy relationships with local communities and governments.



Methodology of the Study

To measure the extent of focus on local procurement across the Canadian mining industry, the CSR reports of the largest companies were analyzed to examine the level of detail that local procurement was given as an issue.

Selection of Companies

The focus of this report is on the largest Canadian mining companies; their large size means we can expect a relatively sophisticated approach to CSR. The 50 largest companies were taken from the *Canadian Mining Journals* 2012 list of the largest companies by gross revenue. This report covers public reporting from both 2011 and 2012, for the top 50 companies as of their size in the list for 2012.

Gathering of Public Reporting

For each company, the CSR reports for 2011 and 2012 were examined, as well as supplementary reports that were referred to in the document, such as site-specific reports, Global Reporting Initiative (GRI) data tables, and other documents provided as supplements. Most supplementary documents were examined *only* if they were referred to in the main CSR report.

For companies that did not produce CSR reports, an effort was undertaken to gather CSR material from other sources, including annual reports, annual information forms (AIFs), and management's discussion and analysis statements (MD&As). In a small number of cases, companies produced no CSR report, and did not address CSR in their Annual Report or MD&A in any way. Data from these companies was still included in most aggregate statistics produced in this study, as these companies are still large enough for stakeholders to reasonably expect them to report on CSR.

In a small number of cases, companies have decided to produce full reports only every 2 years, sometimes providing a brief data update in the off years. For these companies the larger reports were used to represent data for both years.

Where a company in our list has a partial ownership of a joint venture, we looked at the reports of those individual mine projects only if there was no overarching CSR report for the company. For example, for Dominion Diamond Corporation, the report for their Rio Tinto-operated Diavik Mine was used in the absence of a company-wide report.

For companies that produced a CSR report for only one of their operating mines, such as Thompson Creek and the Mount Milligan mine, this one report was deemed to represent the CSR priorities of the company as a whole.

In the global mining industry, being what it is, companies and projects often change hands. Ownership changes are noted in the data table that will be provided separately to companies. In one case, one top-50 Canadian mining company purchased another (First Quantum Minerals' March 2013 purchase of Inmet), and in this case, First Quantum's 2012 report was used to represent Inmet's 2012 data.

Report Analysis

A questionnaire form was created and applied to each piece of reporting, so that each document could be analyzed and yes or no answers could be provided. In addition to page-by-page scanning, key words — including 'local,' 'procure,' and 'supplier' — were searched for to ensure no mentions were missed. The questions are listed on the next page.

Company-Specific Data Private for this 2014 Report

Mining Shared Value has a goal of constructive engagement with the mining industry. For this reason, this public report presents aggregated data and trends, but only companies included in this report will receive company-specific data for this first year.

The reasoning for this approach is to give each company a sense of their relative position — and to show inspiring examples of reporting that they can emulate next year and beyond. This will give companies — particularly the smaller ones with less developed CSR systems — a chance to improve their reporting. The next report, which will examine reporting for 2013, will release company-specific data to the public.

The Questions

Category	Questions
Mentions of local procurement	<ol style="list-style-type: none"> 1. Is local procurement mentioned in the report? 2. Does the report mention a practice of seeking to increase local procurement, or purchasing goods and services locally whenever possible? 3. Does the company describe an official <i>policy</i> for local procurement? 4. Does the report describe any programs that work to help local procurement? 5. Is local procurement featured in any yearly objectives? 6. Is a tangible example of local procurement provided, either of a local supplier that the project purchases from or the results of any programs to increase local procurement?
Data on local procurement	<ol style="list-style-type: none"> 1. Are figures (\$ amounts) provided for local procurement spending? 2. Are figures provided for local procurement spending, disaggregated for most or all different sites the company operates? 3. Are percentages provided showing the proportion of total spending that went to local suppliers? 4. Are percentages provided showing the proportion of total spending that went to local suppliers, disaggregated for most or all of the different sites the company operates?

Trends in Public Reporting on Local Procurement by the Canadian Mining Industry

Based on the analysis of public reporting by Canada's 50 largest mining companies for both 2011 and 2012, we are able to identify three broad trends:

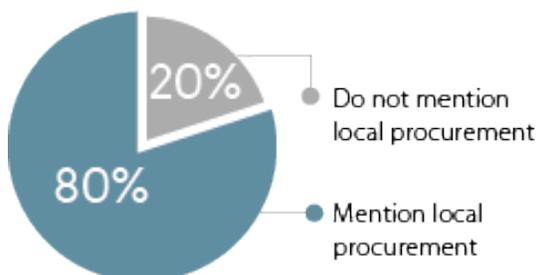
1. Local procurement is mentioned in CSR reporting in some way by most of Canada's largest companies.
2. Public reporting on local procurement is increasing.
3. Public reporting on local procurement receives less attention relative to other CSR issues.

Local Procurement is on the Radar as a CSR Issue for Most Companies

The analysis of two years of CSR reporting shows that most companies are discussing local procurement in their reporting:

- Of the 44 companies out of the largest 50 that reported on CSR in some way for 2012 (either through a dedicated CSR report or through CSR content in other reports), 35 mentioned local procurement.
- Of the 44 companies who reported on CSR in some way for 2012, 29 discussed the desire to increase local procurement or purchase locally whenever possible.

Companies Reporting on CSR (2012)



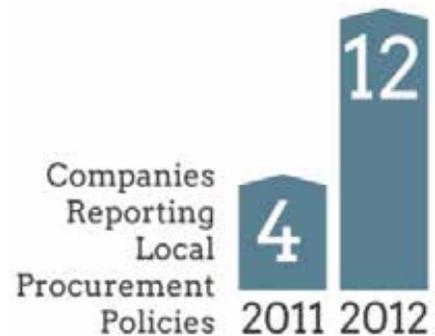
It is promising to see that most of Canada’s largest mining companies consider local procurement part of CSR and talk about it at least in some way in their reporting. It is also worth noting that the majority of the companies that did not mention local procurement, or did not discuss a desire to increase local procurement, were companies that reported a very small amount on CSR. Only one company that created a dedicated CSR report did not mention local procurement.

This data hopefully suggests that companies with minimal CSR reporting will include local procurement as a topic when they are able to provide more detailed information to the public.

Public Reporting on Local Procurement is on the Rise

While most companies talk about local procurement in some way in their CSR reporting, the detail provided is less relative to other topics like occupational safety or the environment. However, this is changing, as there was a noticeable increase in detail from 2011 to 2012:

- The number of companies that referred to an official policy regarding local procurement in their CSR reporting *tripled*, from only 4 in 2011 to 12 in 2012.
- The number of companies that described programs they are undertaking to increase local procurement rose 25% from 2011 to 2012.
- The number of companies that reported the total proportion of their procurement that is local increased by 25% from 2011 to 2012.



It is also important to note that in addition to an increase in the number of affirmative answers for many of our report analysis questions, the detail and length of discussion dedicated to local procurement



generally increased. Between 2011 and 2012, several companies lengthened or created sections for local procurement content that had before been touched on only briefly in sections covering economic impacts.

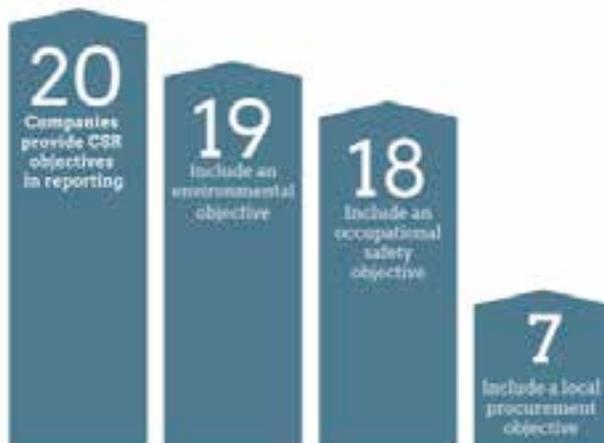
This promising trend suggests that Canadian mining companies are increasingly seeing the value in increasing local procurement in their operations and communicating results to stakeholders.

Local Procurement Still Does not Receive as Much Attention Relative to Other CSR issues

While it is promising to see that most Canadian companies include local procurement in their definitions of CSR, and that companies are talking more about policies and programming to increase it, reporting still lags behind other CSR issues. Companies may be increasingly mentioning local procurement, but the issue is not rising to a level of prioritization that sees statistics provided by the majority of companies or the inclusion in yearly strategic goals.

Of the 20 companies that produced yearly targets and achievement sections, only 7 included increasing local procurement as a goal, compared to 19 that included one or more environmental objectives and

Companies Providing CSR Objectives (2012)



18 that had an occupational safety objective.

In addition, across virtually all reporting examined, there was much less content provided on local procurement.

This data suggests that while most companies consider local procurement to be part of responsible mining, the issue receives less emphasis relative to traditional CSR concerns.

Leaders in Reporting

Of the 50 largest Canadian mining companies, 3 stood out in terms of their attention to local procurement in their CSR reporting: Sherritt, IAMGOLD, and Yamana Gold.

For these companies, it is clear for stakeholders how each approaches local procurement and how the company is performing. This level of reporting creates a strong foundation for these companies to act on increasing local procurement. By providing figures, and especially percentages, these companies are able to gauge their progress and flag problems like a drop in the proportion spent locally. This reporting also allows local stakeholders, such as local government planners, an entry point for discussions with companies on collaboration efforts.

In addition, by identifying the programs these companies have created, such as Yamana Gold's Supplier Development Program, these companies provide models for other companies to use in their own efforts.

Sherritt 2012 Sustainability Report (p. 53)

The screenshot shows a page from the Sherritt 2012 Sustainability Report. The page is titled "Local Procurement" and "Local Capacity Building".

Local Procurement
 The **Ambatovy Joint Venture** is one of the largest customers for Malagasy businesses in the fields of transportation, construction, clothing, catering, supplies and materials. As at the end of 2012, 57% of its suppliers were from Madagascar, and they received US\$342 million in payments.

The **Ambatovy JV's** "buy locally, hire locally" policy provides an important impetus to the Malagasy economy and local entrepreneurs. In 2012, the JV:

- Purchased more than 900,000 kg of local produce from three bulk purchasing centres that it helped establish in Toamasina and Moramanga.
- Bought over 12,000 uniforms from two sewing studios in Toamasina – 99% of the staff members are women.
- Received over 10,000 wooden pallets from three local suppliers in Toamasina and Moramanga. The **Ambatovy JV** will buy approximately 50,000 pallets per year to transport its refined nickel and cobalt.
- Audited 224 local companies, to identify their strengths and weaknesses and determine with them areas requiring additional training.

Local Capacity Building
 In 2012, the **Ambatovy JV** continued its program of agricultural training, providing instruction to over 5,500 people. With a local NGO, the JV offered hands-on training to farmers to teach techniques that can help them achieve self-sufficiency.

The **Ambatovy JV** also opened the **Ambatovy Business Training Centre**, in collaboration with the **International Finance Corporation**, to provide current and potential local suppliers with necessary skills in entrepreneurship, finance, quality control, and environment, health and safety, so that they are able to meet our procurement requirements. Courses are free to contracting companies, individuals with a business plan and students with a valid student card.

Two callout boxes on the right side of the page highlight specific content:

- The top callout box, labeled "Figures, a Policy, and Tangible Examples", points to the "Local Procurement" section.
- The bottom callout box, labeled "Programs to Increase Local Procurement", points to the "Local Capacity Building" section.

IAMGOLD 2012 Health and Safety Report (p. 14)

2012 PERFORMANCE OVERVIEW

Social

Strong community relationships are at the heart of our corporate social responsibility. We strive to enrich the lives of the people living near our sites through projects and partnerships that deliver long-term social and economic benefits. When we talk about partnerships, we mean more than just supporting an organization or group financially; we mean active participation from both parties in support of a project, initiative or common objective.

In 2012, we had 86 partnerships with local organizations across our global operations.

Local Hiring and Procurement

We view local hiring and procurement as a win-win economic benefit to the regions in which we operate, and we try to hire and purchase locally wherever possible.

For example, our Quebec operations are located in a well-established mining region, so our employees tend to be recruited locally. However, at Rosebel and Essakane, it is very challenging to find skilled employees from the surrounding communities. In these locations, we have a strong mandate to promote local hiring and purchasing by contributing to the development of skills in the local community. Currently, we are involved in training programs ranging from basic literacy to the facilitation of small business ventures. Through these programs, we expect that local employees will, over time, replace most expatriate positions and that local supply chains will eventually meet the majority of our procurement needs.



Total and Percentage of Local/National Employees and Expatriates (2012)

	Essakane		Rosebel		Quebec	
	Total	%	Total	%	Total	%
Local	790	27.2%	134	9.0%	1,000	96.2%
National	1,177	55.4%	1,238	83.3%	3	0.3%
Expatriates	158	3.4%	114	7.7%	1	0.1%



National/Local Purchasing in Each Major Region of Operation (2011-2012)

Location	2011	2012
Sequeley, Canada	70%	70%
Burkina Faso	35%	35%
Abouli, Canada	82%	74%
Suriname	53%	56%

Local Procurement Site Percentages

For 2012, we count both national and local (community-level) procurement together; however, this will be revisited in 2013 to better reflect contracts at both the local and national levels.

IAMGOLD 2012 Health and Safety Report (p. 17)

KEY FACTS

Employees
2,125

Contractors
626

Wages and benefits
\$29,800,000

National/local purchasing
\$212,000,000

Community investments
\$671,136

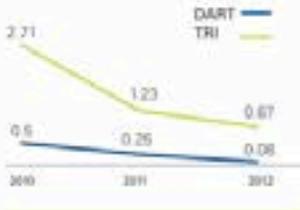
National economic contribution*
\$328,456,673

* IAMGOLD's total contribution to Burkina Faso in terms of taxes, royalties, employee compensation and national purchasing



Site Figures

Essakane – DART and TRI Performance (2010-2012)



Year	DART	TRI
2010	0.5	2.71
2011	0.25	1.23
2012	0.08	0.67

Malaria Prevention

Malaria is a serious health risk affecting our operations in West Africa. At the Essakane site, we have a Malaria Prevention Program, which includes prevention training, mosquito nets in the camp and regularly spraying buildings with an insecticide. Despite our efforts, the number of malaria cases has not declined and 1,322 local employees were treated in 2012. As a first step in improving our prevention efforts, we contracted a third-party expert to visit our site, conduct an analysis and provide leading malaria control and prevention recommendations.

As a result, a multi-faceted malaria control strategy to improve our prevention activities, not only on the mine site but also in the neighbouring communities where many of the malaria infections are occurring, will be implemented in 2013. This strategy will include community education programs, campaigns to reduce the community refuse

contributing to malaria transmission, spray protocols and distribution of long-lasting insecticide-treated bed nets.

Local Hiring and Procurement

We try to hire as many local people as possible for work at Essakane, and employed 1,967 Burkinate in 2012, or 93% of our workforce. We have initiatives to increase these numbers as well as prepare Burkinate talent to take over expatriate jobs. For entry level positions, we provide a variety of training programs at the site and in the community. Programs range from basic literacy (Burkina Faso has one of the highest literacy rates in the world) to technical skills development. For management and supervisory positions, we provide leadership and development training such as the Supervisory Leadership Development Program (SLDP), described on page 8.

In 2012, we spent approximately 56,672 hours training local workers. More than 4,954 people have attended courses at the training facility we opened in late 2011. The facility offers courses in literacy and languages, occupational health and safety, and supervision and leadership, as well as in driving, firefighting and computer skills.

While we recognize that local and national procurement can play a significant role in the economic development of Burkina Faso, it is often difficult for local entrepreneurs to meet our purchasing needs. We took specific actions in 2012 to promote local procurement, including:

- Distributing a directory of local and national companies to the various departments at Essakane in order to diversify the pool of entrepreneurs contacted to bid on contracts.
- Developing the terms of reference for hiring a provider to train local contractors so that they qualify for work at Essakane.
- Consulting with Essakane department heads to identify their procurement needs and how they might use local suppliers.

Programs

Yamana Gold – 2012 CSR Report (p. 41)

Supporting Local Suppliers

Yamana puts a priority on sourcing goods and services through local suppliers. By doing business with local suppliers, Yamana seeks to contribute to the sustainable economic development of local communities. As a global company, we believe it is important to acknowledge that Yamana regards local suppliers as those companies with operations within a 100 kilometre radius of our mine sites.

In 2012, purchases through local suppliers increased 23% from 2011 to \$217.8 million. These contracts represented 15.8% of total goods and services purchased.

	2010	2011	2012
Share of purchases made in the countries where Yamana operates	90.9%	93.7%	88.0%
Share of purchases made in the provinces where Yamana operates	37.8%	36.7%	30.2%
Share of purchases made in the communities where Yamana operates	18.6%	17.5%	15.8%

	BRAZIL	ARGENTINA	CHILE	MEXICO	TOTAL
Total purchases (US\$ million)	887.6	731.5	161.4	95.0	1,376.0

In an effort to continue increasing the volume of business we conduct with local suppliers, Yamana has created a supplier portal. This portal allows vendors to submit their qualifications and services for pre-approval, and to review our upcoming requirements. The portal also allows suppliers to review and understand our health, safety, environment and social responsibility standards.

The Supplier Development Program has been another important tool in helping to increase the volume of business Yamana conducts locally. The program's goal is to help local business communities understand Yamana's needs and to increase the capacity of those businesses interested in conducting business with Yamana. In 2012, 46 training events covering management development, worker training, and certification were held, with 590 people attending. In addition, 150 visits were made to local suppliers to better align the needs of local businesses with Yamana's needs.

All suppliers that join Yamana's supply chain are given a copy of our Code of Conduct to ensure they understand and accept the Company's guidelines for conduct, ethics and transparency. Suppliers are also given a document outlining the human rights requirements concerning freedom of association, collective bargaining, child labor, and forced or compulsory labor. Additionally, for any contract greater than US\$1.0 million, periodic reviews take place through the framework of the Yamana Management System. In the event that a supplier does not comply with a certain mandate, contracts are suspended, and suppliers are granted an agreed-upon period to correct the issue before the Company decides to continue or cancel the contract.

YAMANA GOLD
2012 CSR Report 41

Aggregated Figure and Percentage

Aggregated Percentages

Programs

Conclusion: Growing Opportunity

We hope this report has achieved its objective of providing a useful overview of reporting trends for local procurement in the Canadian mining industry.

It is promising to see that an increasing number of Canadian companies are talking about local procurement as part of their vision of responsible mining. Even more promising is the trend that companies are increasingly talking about policies and programs they are implementing to purchase more locally.

We hope that in drawing attention to the increasing level of reporting on local procurement that Canadian companies will be inspired to devote more resources to understanding their potential positive impacts through the local purchase of goods and services — and to measure their progress.

On page 24 is a list of suggested resources that mining companies can consult to help create strategies to increase local procurement. In addition, the appendix of this report contains an organizational maturity chart that companies can use to gauge their progress.

Researchers



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Suggested Resources

Canadian mining companies, consulting firms, and the various stakeholders for mining projects have resources available to help increase local procurement. Mining Shared Value will be creating an extensive online resource library in 2014, but some initial resources are provided below.

In addition, see the appendix of this report for an organizational maturity chart drawn from one of the suggested toolkits, which acts as a self-assessment tool for companies.

Toolkits

Esteves, A.M., Brereton, D., Samson, D. and Barclay, M.A. (2010), *Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors*. Brisbane: Centre for Social Responsibility in Mining, Sustainable Minerals Institute, University of Queensland.

International Finance Corporation (2011), *A guide to getting started in local procurement: For companies seeking the benefits of linkages with local SMEs*, Washington DC: International Finance Corporation, World Bank.

Case Study Material

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Appendix: An Organizational Maturity Chart for Company Local Procurement Efforts

This organizational maturity chart, drawn from *Procuring from SMEs in local communities: A Good Practice Guide for the Australian Mining, Oil And Gas Sectors*, is a useful tool for self-assessment. Companies can track their progress on 8 aspects, with 5 levels of maturity.

**TABLE 1:
ORGANISATIONAL MATURITY CHART**

ASPECT	ORGANISATIONAL MATURITY CHART				
	1 – Disengaged	2 – Basic	3 – Compliant	4 – Committed	5 – Leading
LEADERSHIP	The company has not made any public commitments to facilitate local procurement and economic development.	The company has made some public statements about promoting local procurement (e.g. on the corporate website and in publicity materials). However, the messaging from senior management focuses on cost control and maximising production.	Senior management periodically communicate to internal and external audiences that the company is committed to supporting local businesses. No direction is provided to sites and procurement personnel about how to deal with the potential tension between promoting local procurement and minimising costs.	The company's Annual Report affirms its commitment to improving local procurement outcomes and reports on performance in relation to this goal. Senior management endorse policies and change initiatives. The company participates in industry and multi-stakeholder initiatives to build capacity amongst local businesses. A senior manager is designated as the process owner/ champion.	Senior management at corporate and site level are actively involved in driving organisational improvement initiatives to increase local economic content and capacity. Senior management consistently communicate a message that facilitating local economic development is a higher priority than short term cost minimisation. The company leads cross-company and multi-stakeholder initiatives.

<p>POLICY AND STANDARDS</p>	<p>There is no corporate policy relating directly or indirectly to local procurement.</p>	<p>The company has a local procurement policy, but this is couched in general terms only.</p> <p>There are no processes in place for monitoring internal compliance with the policy or for reporting on performance against the policy.</p>	<p>The company's local procurement policy is supported by some guidelines and standards, but these are mostly discretionary.</p> <p>The policy refers to Agreement commitments (if applicable).</p> <p>The policy is accessible to external parties (e.g. searchable on the web).</p> <p>Relevant personnel in the organisation are aware of the policy and standards, but do not feel bound by them.</p>	<p>Standards are mandatory and clearly define processes for operational personnel to follow.</p> <p>Tendering criteria include an explicit weighting for local businesses.</p> <p>The policy and standards are actively promoted in the workplace (including, for example, requiring relevant personnel to attend information sessions).</p> <p>The policy is publicly displayed at company offices and sites and proactively communicated to local businesses.</p>	<p>There is clear evidence of the policy underpinning company leadership decisions in Planning, Monitoring and Review, and Recognition and Reward activities.</p>
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TABLE 1:
ORGANISATIONAL MATURITY CHART (cont.)

ASPECT	ORGANISATIONAL MATURITY CHART				
	1 – Disengaged	2 – Basic	3 – Compliant	4 – Committed	5 – Leading
PLANNING AND MANAGEMENT	<p>There are no organisational systems or processes in place to enable or promote local procurement.</p> <p>Tendering criteria make no provision for preferencing local businesses.</p> <p>There is no monitoring of site performance in relation to local procurement.</p>	<p>Opportunities for local business involvement emerge in an ad hoc fashion, rather than being planned; there is no consistency in performance across sites.</p> <p>No system in place for weighting local businesses in the tendering process.</p> <p>No formalised internal reporting requirements.</p> <p>The company collects case studies for promotional purposes, but not systematic monitoring.</p>	<p>Tendering criteria specify that consideration should be given to whether a business is local, but there is no formal weighting.</p> <p>Sites are required to report internally on local spend, but there is no requirement to show improved outcomes over time.</p> <p>Sites are required to show that they have a local procurement policy, but its effectiveness is not assessed.</p>	<p>Sites have detailed plans in place for promoting local participation. These plans are monitored and updated regularly.</p> <p>Performance targets are set and there are clear expectations that they will be complied with.</p> <p>Periodic internal assessments are conducted of compliance with policy and standards relating to local procurement.</p>	<p>Plans are linked to broader strategies to promote sustainable economic development in communities.</p>
INTERNAL CAPABILITY AND COMMITMENT	<p>There is no apparent interest in increasing local economic participation.</p>	<p>Some individuals in the company have an interest in strengthening links with local businesses, but no organisation capability.</p> <p>No corporate commitment to building capacity.</p>	<p>One or more individuals at corporate or business unit level are assigned responsibility for promoting uptake of local procurement policies.</p> <p>Most personnel in contracting and procurement continue with "business as usual".</p>	<p>There are competent personnel within each operation with assigned responsibility for facilitating supply chain linkages with local businesses.</p> <p>There is sharing of good practice within the company.</p> <p>The Company actively encourages/supports staff to attend career development/up-skilling courses relevant to the area.</p>	<p>Accountabilities for all relevant roles – such as procurement and contracting, Community Relations and line leadership – are documented and signed off by senior management.</p> <p>Key personnel in procurement and contracting see facilitating local economic participation as a core part of their role.</p> <p>Cross-functional teams are used to drive implementation.</p>

ASPECT	ORGANISATIONAL MATURITY CHART				
	1 – Disengaged	2 – Basic	3 – Compliant	4 – Committed	5 – Leading
RELATIONSHIPS WITH MAJOR CONTRACTORS	There are no expectations placed on major contractors that they will procure locally.	Contractors are 'encouraged' to procure locally, but there are no processes in place to enforce this.	Generalised requirements to procure locally are written into major contracts (e.g. 'where possible', 'best endeavours').	Evaluation of tenders for major contracts includes an assessment of the tenderer's management systems and track record on local procurement. Contracts include specific performance criteria. Performance of major contractors is monitored against these criteria.	The company works actively with its major contractors to identify opportunities for local businesses, develop networks and build capacity (e.g. by enabling joint ventures).
ENGAGEMENT WITH LOCAL BUSINESSES	None	Ad hoc, informal contact.	Some engagement with local business and other stakeholders to ascertain level of interest in tendering for work. Local businesses are informed about pre-qualification requirements for tendering. Local businesses are notified when tendering opportunities arise and encouraged to apply.	The company has programs in place to assist local businesses to pre-qualify (e.g. by assisting to develop an Off and S policy) and to become more competitive. The company participates actively in local business networks and liaison groups.	The company works with local businesses, other industry and key agencies to help build general business capacity in the community and create new economic opportunities that are not dependent on the resource project (for example, by supporting the development of business clusters)
MONITORING AND EVALUATION	None	None, other than ad hoc collection of anecdotal data.	Some basic data are collected and reported (e.g. local procurement spend, number of tenders submitted by local businesses, etc.)	Systems in place to track whether action plans have been implemented. Use of indicators to measure sustainability, capacity and competitiveness of local businesses, as well as the volume of local business generated.	Periodic comprehensive evaluations are undertaken of the effectiveness of strategies for promoting local economic development (including local procurement practices)
REPORTING	No public reporting on performance	No reporting, other than occasional case studies designed to show the operation in a good light.	Basic quantitative data presented, along with a description of corporate policies and processes, but little or no data on outcomes	Public reporting by the company on performance against targets and trends over time	External assessments of site performance are externally verified and publicly reported.

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