





# Local Procurement Reporting Mechanism

For the mining industry, increased local procurement reporting can support different actors in different ways:

## **Mining companies**

- ➔ Internally, reporting can lead to better management of local procurement including improving accountability, evaluation, and goal-setting to achieve ongoing and increasing local procurement.
- ➔ Externally, reporting contributes to dialogue with stakeholders, supports increased coordination between industry actors, helps draw in additional resources and targeted support for suppliers, and strengthens a company's social license to operate.

## **Government**

- ➔ Reporting supports governments to work with industry to set realistic objectives and targets for local procurement, as they will have an increased understanding of where the opportunities, gaps, and challenges exist.
- ➔ Reporting supports governments to coordinate and collaborate with other industry actors working to increase local purchasing of goods and services.

## **Other actors**

- ➔ Reporting is useful for other institutions, such as chambers of commerce, mining associations, and community groups, to inform coordination and collaboration between all actors working to increase local purchasing of goods and services.

## **DEVELOPED THROUGH EXTENSIVE INDUSTRY CONSULTATION**

Based on extensive consultation with the mining industry, host governments, suppliers and other stakeholders, these disclosures represent local procurement reporting in line with best practices. Beyond individual and group consultation with industry actors, a Global Steering Committee of senior officials representing different stakeholder groups has been advising and guiding the development of the mechanism and consists of twelve members including representation from mining companies, mining industry associations, external assurance providers, suppliers, government, international government organizations, financial institutions, and civil society. The disclosures also were tested with mining sites and host country stakeholders in Albania, Mongolia, and Mali to ensure their practicality and usefulness for improved management.

## **SUPPORT FOR EXISTING RESPONSIBLE MINING INITIATIVES AND GOVERNANCE FRAMEWORKS**

The LPRM has been designed to provide support for a number of multi-stakeholder initiatives that aim to improve the economic and social impacts of mining. The LPRM supports implementation of these efforts, it:

- Expands the GRI 204-1 (formerly EC9) reporting requirements to include all sites instead of only the significant locations of operation, encourages companies to expand and broaden the categories for defining 'local' beyond the geographic definition, as emphasized in the GRI, and asks companies to include not only percentages of the procurement budget on local suppliers, but also the spend and a breakdown into spend families as well. Finally, the LPRM outlines that companies should include how they verify the proper classification of suppliers within each category.
- Provides a reporting mechanism for the local procurement-focused components and recommendations of the recently adopted OECD Framework on Public-Private Collaboration for In-Country Shared Value Creation from Extractive Projects.
- Supplements the International Council on Mines and Metals (ICMM) Sustainable Development Framework and its components on design of supplier development programmes by providing a reporting mechanism to document progress and results of programming being undertaken at each site.
- Provides a system of guiding disclosures to support the adoption of best practices in mining local procurement laid out in existing toolkits such as Ana Maria Esteves et al's *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 on taxes and royalties.

