

Mining Local Procurement Reporting Mechanism



WHAT IS THE LOCAL PROCUREMENT REPORTING MECHANISM (LPRM)?

In the countries that host mining, local procurement offers significant opportunities for industrialisation and economic development. 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 component of responsible mining, industry approaches remain underdeveloped. To determine the potential for increasing local procurement, 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 in use by mining companies, approaches and the level of detail being provided by companies drastically differ across the industry. Importantly, few mining companies report at the level of each individual mine site. The level of detail being provided by most existing reporting is generally not yet at the level required to help mining companies better manage their impacts, nor to provide sufficient information for host country suppliers, governments, and other stakeholders to optimise economic benefits.

The **Mining Local Procurement Reporting Mechanism (LPRM)** is a set of publicly available disclosures on local procurement by the mining industry that 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 the issue. Its use facilitates comprehensive reporting on local procurement spending at site level, as well as increased detail on mining company procurement processes and due diligence practices.

- **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, the LPRM document is complemented by resources and examples to support companies reporting on the disclosures.

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Local Procurement Reporting Mechanism

Download the full LPRM which includes guidance and examples of mining company reporting in accordance with each LPRM disclosure at www.commddev.org/mining-local-procurement-reporting-mechanism

THE MINING LPRM DISCLOSURES

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 prioritise local suppliers. Explain how the reporting organisation 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.

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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.

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IMPLEMENTING THE LOCAL PROCUREMENT REPORTING MECHANISM

Sensitive to the “reporting burden” that many mining companies and their sites feel, the ability to include reporting on the LPRM’s disclosures as part of existing systems is a key pillar of the implementation and uptake strategy for the initiative. The required disclosures of the LPRM are accompanied by guidance and examples to help mine sites provide the information necessary to improve management and empower suppliers and host country stakeholders. In addition, guidance is provided to demonstrate how the LPRM can be implemented by organisations such as a Chamber of Mines for their member companies. There are many ways that the LPRM can be taken up and implemented, including by mining companies, through governments, and through influencing organisations. As such, the objective is to distribute ownership of efforts to increase local procurement through a wide variety of institutions, both to increase likelihood of success but also to draw in additional resources.

(1) Mining companies

Mining companies of all sizes reporting in their selected formats to the requirements of the LPRM

(2) Government

Integration of the LPRM formally or informally into national and sub-national government regulatory frameworks

(3) Influencing organisation

Alignment and integration of the LPRM into existing initiatives including internationally recognised standards (such as GRI, IFC, ISO) as well as industry organisations (such as ICMM, Mining Association of Canada’s TSM)

DEVELOPMENT OF THE REPORTING MECHANISM

Since 2013 the Mining Shared Value (MSV) initiative of Engineers Without Borders Canada has measured how the world’s largest mining companies report on local procurement. Through these reports, MSV was able to constructively influence many mining companies to strengthen management of this issue, as well as to provide positive affirmation for companies providing leadership to the sector for it, including Anglo American and Newmont. In 2015, MSV partnered with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to support the creation of a standardised measurement and reporting framework for local procurement in the mining industry. GIZ’s Extractives and Development sector programme is funded by the Federal Ministry for Economic Cooperation (BMZ) and works to improve mining governance in developing countries.

To ensure broad and inclusive engagement of the global mining industry and its stakeholders in the creation of this standard, MSV and GIZ ran an extensive consultation process from February 2016 to May 2017. Consultations with mining companies, host country suppliers, governments, civil society, and other institutions took place through phone and in-person interviews, as well as in workshop sessions bringing many stakeholders together at once. To further elicit guidance, MSV and GIZ created a Global Steering Committee of senior officials representing different stakeholder groups. Finally, in order to assess the practicality and usefulness of the information requested, three extended consultations were carried out in countries hosting mineral extraction. These extended country consultations in Albania (2016), Mongolia (2016), and Mali (2017) engaged several mining companies in each country, their suppliers, host government institutions, civil society, and other actors working on extractive industry issues.

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