

Local Procurement by the Canadian Mining Industry:

The State of Information Sharing

September 2022



An Engineers Without Borders Canada Venture

Mining Shared Value (MSV), an initiative of Engineers Without Borders Canada, is a Canadian non-profit that seeks to improve the social and economic benefits of mining activity for host communities, with a focus on local procurement of goods and services. MSV is a resource for the dissemination of local procurement information and tools, serves as a hub to establish a community of practice around local procurement, and champions local procurement initiatives across company frameworks, industry standards, and government policies and programming.

This study was funded by Natural Resources Canada and was carried out by MSV between March and May 2022 (with some updates made throughout the year in response to the release of several 2021 sustainability reports). It builds on previous work completed by MSV, specifically the 2014 report, *Local Procurement by the Canadian Mining Sector: A Study of Public Reporting Trends*, which examined the inclusion of local procurement in corporate social responsibility reports from 2011 to 2012. The 2015 report, *Local Procurement and Public Reporting Trends Across the Global Mining Industry: An Analysis of Company Reporting*, along with the Canadian Mining Supplementary Edition, examined trends in reporting from 2012 to 2013. The most recent publication, *Local Procurement and Public Reporting Trends Across the Global Mining Industry*, released in 2017, provided a comparative analysis of reporting trends between 2012 and 2014.

These reports were the inspiration for the German development agency Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to commission the creation of the Mining Local Procurement Reporting Mechanism (LPRM), with funding from Germany's Federal Ministry for Economic Cooperation and Development (BMZ). The LPRM is a framework of twenty-two disclosures designed to promote and standardize information sharing on local procurement. It aims to identify opportunities for improving transparency of supplier categorization and procurement spend, as well as policies and systems that support procurement from local suppliers, such as company priorities, procedures, and points of contact related to local procurement. As of September 2022, twelve mining companies are using the LPRM or have publicly committed to doing so in the near future.

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Executive Summary

This report presents the state of information sharing by the Canadian mining industry on local procurement practices and supplier due diligence efforts. The objective of the study was to provide a quantitative analysis of trends in the measurement and disclosure of local procurement information using a standardized reporting framework. Key focus areas were the categorization of suppliers, efforts to procure locally, means of engaging with local suppliers, and supplier due diligence processes. The study also allowed for engagement with companies to provide support to improve transparency around the topic of local procurement, and for companies to benchmark reporting against industry peers. Several best practices in local procurement reporting are showcased throughout to highlight where leadership is being demonstrated, and to provide models for companies where there are opportunities to increase information sharing.

The motivation for this study was the heightened need for transparency on the topic of procurement of goods and services, as this spending represents a significant contribution to host country economies. Greater transparency has been prompted by environmental, social and governance (ESG) rating agencies, recent social and economic reporting requirements introduced by industry associations, as well as local content regulations that include procurement provisions for local suppliers. A public focus on supply chain due diligence and a surge in modern slavery regulations has also highlighted the evolving expectations for mining industry actors and the need for enhanced disclosures.

The study methodology required the generation of two data sets. The first assessed a sample of forty Canadian mining companies against six key indicators. The second assessed a sample of eight Canadian mining companies against the twenty-two LPRM disclosures. Data sources included publicly available information only, such as company websites, relevant governance documents, sustainability reports, and annual reports. Among the forty companies, it was found that 53% have a Supplier Code of Conduct, while 28% include language in a corporate Code of Conduct that demonstrates it extends to suppliers. It was also found that 20% of companies reference a local procurement policy in their reporting. Dedicated procurement or supplier website sections exist for 20% of companies, while 15% of companies make procurement contact information publicly available.

The findings yielded several recommendations, specifically the disclosure of information that is site or region-specific to inform meaningful procurement discussions at the local level. In establishing a site-level definition for local, companies should describe how this is agreed upon in consultation with relevant stakeholder groups, and how consideration is given to criteria such as geographic location, level of participation, and level of value retained locally.

The study found that many companies are in fact implementing practices that prioritize local suppliers. In many cases, practices simply need to be formalized and documented to achieve consistency and accountability, and to ensure institutional knowledge transfer. Having a dedicated local procurement policy or procedure, and making this information public, demonstrates that the issue is a priority and empowers strategic decision making by local supply chain actors. There are also opportunities for companies to enhance reporting on due diligence processes in their supply chains by ensuring that company Codes of Conduct explicitly incorporate language that demonstrates applicability to suppliers, or by developing a specific Supplier Code of Conduct. Supplier performance expectations should be made public, in addition to details regarding supplier screening tools, how suppliers confirm understanding of expectations and at what frequency, the reporting requirements in place, and how performance is monitored during the contract period.

This report concludes by drawing attention to the importance of transparency and the value of standardizing reporting across the Canadian mining industry, noting that best practice examples exist for information sharing on every aspect of supplier due diligence and local procurement processes.

Study Objectives

This study set out to examine the publicly available procurement information of Canada's forty largest mining companies against a list of selected indicators, such as the ease of access to information for suppliers, and the presence of a Supplier Code of Conduct, on a company's website. In addition, a primary objective of this project was to engage with participating mining companies to offer support to strengthen information sharing on procurement practices and supplier due diligence efforts. To facilitate this, the reporting by a sample of the forty largest mining companies was compared to the disclosures outlined in the LPRM, used as a model of best practice. This publicly available framework is a comprehensive set of disclosures designed to increase and standardize information sharing on local procurement practices and performance.

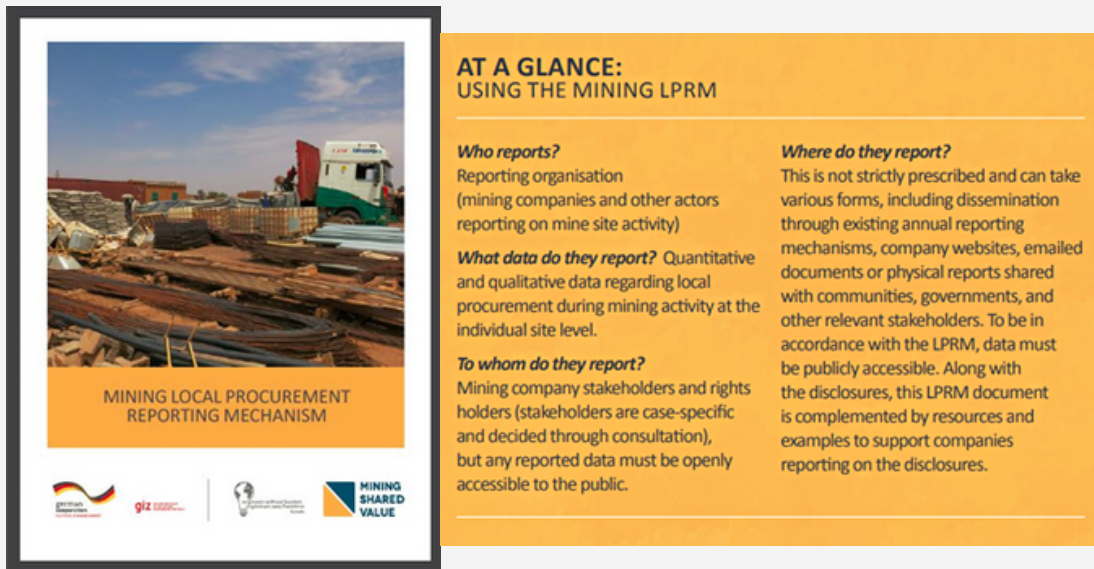


Figure 1
*Mining LPRM
at a glance*

The LPRM was commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) through Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Its creation was guided by a Global Steering Committee, which included representatives from mining industry, government, civil society, and international government organizations, including The World Bank and the International Finance Corporation (IFC).

There are a host of benefits of implementing the LPRM, such as improved internal management of mining companies to create more benefits for host countries and to strengthen their social license to operate; empowerment of suppliers, host governments, and other stakeholders with practical information to enable collaboration with mine sites; and increased transparency in the procurement process to deter problematic practices such as corruption. Comparing a sample of companies and their reporting to what is prescribed by the LPRM is intended to showcase best practices in use across the sector.

The following summarizes the objectives and anticipated outcomes of the study, also highlighting the tasks carried out to achieve each objective.

	Key Indicator Analysis	LPRM Assessments
Objectives	Provide a comprehensive study of information sharing by Canadian mining companies on procurement of goods and services to demonstrate the importance of the issue for responsible mining and inspire improvement.	Engage with Canadian mining companies included in the study to provide support to strengthen information sharing on procurement practices and supplier due diligence efforts.
Tasks	<ul style="list-style-type: none"> »Generate a list of key indicators, review company websites and publications and assess available materials based on key indicators »Discuss performance of all companies and identify industry trends »Summarize individual company information sharing and profile best practices in reporting 	<ul style="list-style-type: none"> »Review company websites and publications and assess available materials based on LPRM disclosures »Prepare assessments that compare company performance to industry peers and identify opportunities for aligning reporting with the LPRM »Engage with participating companies and present findings
Outcomes	Increased attention to the importance of transparency in procurement processes and greater information sharing due to highlighting models of best practice in reporting.	Models of best practice in reporting inspire participating companies to implement recommendations to increase procurement information sharing.

The sample of participating companies assessed against the LPRM received a tailored assessment, showing how their publicly available information compares to the list of required and encouraged disclosures in the LPRM, as well as how it compares to information sharing by peer companies. It is anticipated that this approach – informing mining companies of how their practices compare to that of industry peers – will inspire behavioral change and strengthen the overall sector’s performance on transparency in procurement. This report also showcases best practice examples of company reporting on procurement processes throughout, including from non-Canadian companies, in an effort to highlight where leadership is being demonstrated. The intention is to provide models for companies where there are opportunities to increase information sharing.

The anticipated outcomes of this study in the short-term are increased attention to the importance of transparency in procurement processes and performance, and increased information sharing by participating mining companies. The long-term outcome of this study is strengthened relationships between mining companies and host communities as a result of increased information sharing on procurement processes and performance, and in turn, increased local procurement and economic benefits for the countries and communities that host Canadian mining companies.

Methodology

In order to analyse the current level of information sharing by the Canadian mining industry on procurement practices, two data sets were generated. The first assessed a sample of forty Canadian mining companies against six key indicators. The second assessed a sample of eight Canadian mining companies against the twenty-two LPRM disclosures. Each company in the second sample gave prior consent to being included in the study.

Key Indicators Analysis

A list of key indicators was generated to assess efforts to procure locally, means of engaging with local suppliers, and supplier due diligence processes. The key indicators are as follows:

- 1 Does the company refer to a local procurement policy, or include local procurement as part of a wider supply chain policy, on its website or in its reporting?
- 2 Is there company level procurement contact information available on the company's website?
- 3 Is there mine-site specific procurement contact information available on the company's website?
- 4 Is there a Procurement or Supplier section on the company's website?
- 5 Does the company have a Supplier Code of Conduct?
- 6 Does the company's Code of Conduct or similar policy include language that demonstrates that it extends to suppliers?

Company Selection

The list of companies included in this part of the study is shown in Table 1 and was chosen based on the Canadian Mining Journal's ranking of the top forty Canadian mining companies by gross revenue for 2020.¹

¹ To be eligible for Canadian Mining Journal's Top 40 Canadian miners list, companies must meet two of the following three criteria: be domiciled in Canada; trade on a Canadian stock exchange; and have a significant share of an operating mine or advanced development in Canada. See Scales, M. (2021, August 16). *Ranking Canada's top 40 miners: 2021 edition*.

Rank	Company	Rank	Company	Rank	Company
1	Nutrien	15	IAMGOLD	29	Dundee Precious Metals
2	Barrick Gold	16	Wheaton Precious Metals	30	Champion Iron
3	Newmont	17	Hudbay Minerals	31	Gran Colombia Gold
4	Teck Resources	18	Turquoise Hill	32	First Majestic Silver
5	First Quantum Minerals	19	Eldorado Gold	33	Ero Copper
6	Kinross Gold	20	Franco-Nevada	34	Argonaut Gold
7	Agnico Eagle Mines	21	Centerra Gold	35	Golden Star Resources
8	Kirkland Lake Gold	22	China Gold International	36	Taseko Mines
9	Newcrest Mining	23	SSR Mining	37	Copper Mountain Mining
10	Lundin Mining	24	Equinox Gold	38	Sierra Metals
11	B2Gold	25	Torex Gold	39	Trevali Mining
12	Yamana Gold	26	Alamos Gold	40	Mountain Province Diamonds
13	Cameco	27	New Gold	41	Wesdome Gold Mines
14	Pan American Silver	28	Pretium Resources	42	Osisko Gold Royalties

Table 1
Top Forty Canadian Mining Companies by Gross Revenue 2020

Kirkland Lake Gold, which ranked eighth on this list, merged with Agnico Eagle Mines in February 2022 and was therefore removed from the sample. Similarly, Pretium Resources, which ranked twenty-eighth on this list, was acquired by Newcrest Mining in March 2022 and was removed from the sample. The list was therefore expanded to include the companies ranked in forty-first and forty-second place.

Data Collection

Each of the forty companies was assessed based on the list of key indicators using publicly available information, such as corporate websites, relevant governance documents, sustainability reports, and annual reports. The corporate governance or similar section of the company's website was reviewed to identify a local procurement, supply chain, or similar policy.

Where available, the website search function was used to locate such policies by searching for key words (“procurement policy”, “supplier policy”). The ESG or sustainability report was then reviewed for evidence of a local procurement or similar policy. This was done using the search function to locate key words and key word variations (“procurement”, “supplier”, “supply chain”, “local”, “stakeholder engagement”, “social responsibility”). Only in the case where an ESG or sustainability report was not available was the annual report reviewed. Where there was reference to a Responsibility Policy, Social Performance Policy, Sustainable Development Policy or similar, these policies were also reviewed for any reference to local procurement. In addition, website sections such as Social Responsibility, Socio-Economic Value, Community Development or similar, were reviewed for any reference to local procurement policies or practices. The Contact section of the website was then reviewed for company wide, regional and mine-site specific procurement contact information. Separate Operations or Assets sections of the website were also reviewed for regional and mine-site specific procurement contact information. Where there were links to external websites for a specific mine-site, these websites were also reviewed for procurement contact information. The corporate website was then reviewed for a Procurement, Suppliers or similar section. Where available, the website search function was used to locate such sections by searching for key words (“procurement”, “supplier”, “tender”). The Corporate Governance or similar section was then reviewed for a Supplier Code of Conduct. If necessary, and where available, the website search function was used to locate this document by searching for key phrases (“supplier code of conduct”, “supplier code of ethics”), and similarly the ESG or sustainability report was searched for the same key phrases. The corporate Code of Conduct, Code of Business Conduct and Ethics, Employee Code of Ethics or similar was then reviewed for any language that demonstrates that it extends to suppliers. This included specific reference to suppliers or vendors. Language that included applicability to “contractors” or “business partners” was not considered as applicable to suppliers due to a lack of specificity. In the case where a document could not be found on the company website, a search engine was used to locate additional information by searching for the company name and the missing document, for instance, “[Company Name] Supplier Code of Conduct”.

If evidence was found within a publication or on a webpage to adequately answer a question, then “yes” was recorded as the result for the key indicator. If no evidence was found to adequately answer a question, then “no” was recorded as the result for the key indicator. When answering whether the company has a Supplier Code of Conduct, it was also noted whether the document is accessible from the company website. The results of the questions, along with the type and path of each document referenced, were compiled in a spreadsheet to facilitate comparisons of the publicly available procurement information for each of the forty companies. The results can be found in Appendix A.

LPRM Assessments

Company Selection

The sample of companies included in this part of the study was determined based on the Canadian Mining Journal's top forty list, members of the Mining Association of Canada (MAC), and others that expressed interest in participating. Twenty-two companies were contacted between March and May 2022 requesting their participation, with a response rate of 41%. Eight companies agreed to having their public reporting materials reviewed against the Mining LPRM disclosures and receiving a tailored assessment on how their current information sharing aligns with this framework and that of peer companies. The participating companies were First Majestic Silver, First Quantum Minerals, Hudbay Minerals, IAMGOLD, Kinross Gold, Newcrest Mining, New Gold, and Skeena Resources.

Data Collection

A similar approach was used to that of the key indicators analysis to complete the LPRM assessments. Each participating company was assessed based on the thirteen required disclosures and nine encouraged disclosures of the LPRM, which are described in Appendix B. Publicly available information was reviewed, including corporate websites, relevant governance documents, sustainability reports, and annual reports. Reporting organizations were assessed at the mine site level and at the company level.

To be in accordance with the LPRM, reporting must have information provided for all required disclosures for a given mine site, and the reporting organization for that site must demonstrate that significant efforts are made to ensure that information is accurate, regularly updated, and accessible to all relevant stakeholders.

Data Boundaries

The evaluation of each company's local procurement practices was based on materials from the most recent reporting year only (in most cases 2020, however 2021 materials were used once available), as well as company websites (as of May 2022). Requests were not made to companies to provide information on local procurement processes or policies. This ensured that all data collected was based only on publicly available information.

Drivers for Increased Focus on Local Procurement

The global mining industry is facing increasing pressure to enhance economic and social contributions in communities where mining activity takes place. Expectations of host communities with respect to the procurement of goods and services from local and Indigenous suppliers are continuously being heightened. One response to these expectations is by the International Council on Mining and Metals (ICMM), which has introduced reporting indicators that allow stakeholders to assess companies' contribution to social and economic development. Its Social and Economic Reporting Framework, launched in 2022, commits member companies to report the percentage of procurement spend that is directed to local suppliers and, where possible, disaggregate this information by gender and ethnicity.²

Host country governments are also responding, with a number of resource-rich countries, particularly in developing regions, having implemented local content legislation in recent years, for example, by establishing growing lists of goods and services that must be procured in-country by mineral rights holders, as is the case in Ghana.

In Canada, local procurement is not required by legislation but is often a key component of impact benefit agreements (IBAs) between mining companies and host Indigenous communities. Indigenous communities are increasingly seeking procurement opportunities and such IBAs have helped facilitate increased procurement and job creation.

In addition to the economic and social aspects of local procurement, mining industry actors are also facing heightened scrutiny by downstream firms, in addition to consumers, on the topic of due diligence and supply chain transparency for the prevention of purchasing from suppliers demonstrating unethical behaviour. This scrutiny is emerging in the form of regulations, such as those regarding modern slavery in supply chains in the United Kingdom (2015) and Australia (2018), as well as supply chain due diligence requirements, such as those implemented by France (2017) and Germany (2021), in addition to the Directive on Corporate Sustainability Due Diligence (CSDD), to be finalized by the European Union. Canada's recently announced Responsible Business Conduct (RBC) Strategy will also advance legislation on key issues, such as forced labour, anti-corruption, and transparency, and includes the development of a due diligence standard which will complement existing international and Canadian reporting frameworks.³

These requirements are also influencing ESG rating agencies, who are seeking evidence that companies have appropriate due diligence systems in place. For example, the S&P Global Corporate Sustainability Assessment (CSA) includes disclosures on supply chain transparency and reporting, and the use of a Supplier Code of Conduct.⁴

² International Council on Mining and Metals (ICMM). (2022). *Social and Economic Reporting: Framework and guidance*.

³ Government of Canada. (2022). *Responsible Business Conduct Abroad Canada's Strategy for the Future*.

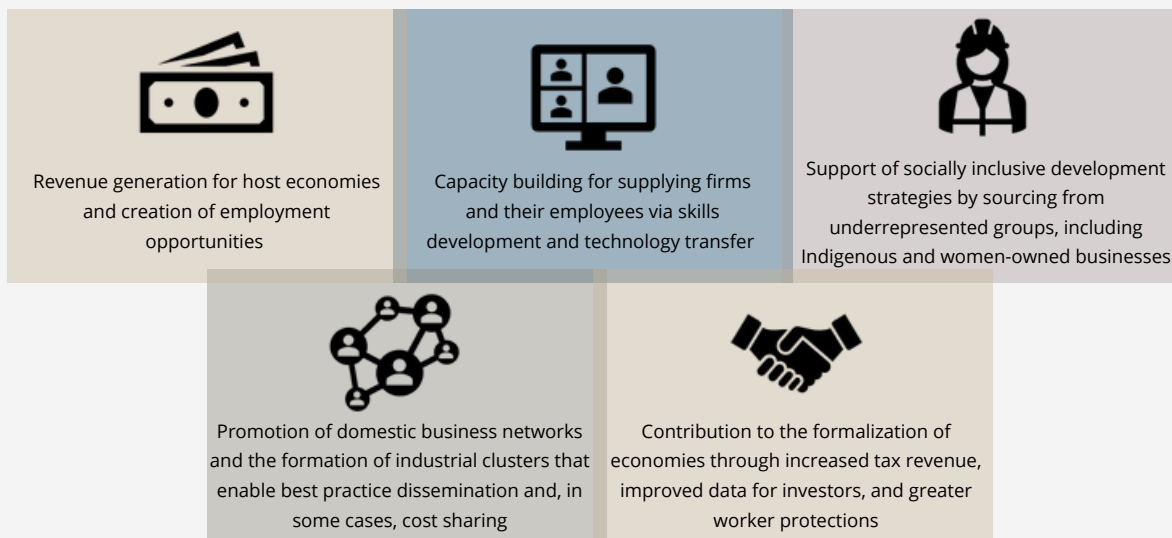
⁴ S&P Global. (2022). *CSA Sample Survey: Metals and Mining*.

Additionally, the Workforce Disclosure Initiative (WDI) includes disclosures regarding data collection on the gender composition of its supply chain workforce, whether supply chain workers have access to grievance mechanisms, and the identification of products, services or raw materials of particular risk of forced labour, modern slavery and human trafficking.⁵ ESG ratings from these agencies affect the ability of companies to secure capital.

For the Canadian mining industry to meet these increasing pressures, and to ensure continued investment, it must engage in fair and transparent procurement processes that support host country suppliers and prevent problematic practices in supply chains.

Benefits of Local Procurement

In-country procurement spending by World Gold Council member companies in 2020 totaled US\$26.2B, representing the largest financial flow from mining operations to host countries, exceeding employee wages (US\$8.7B) and tax payments to governments (US\$7.6B),⁶ demonstrating the scale of procurement spending by the mining sector. Similar figures are observed across other types of large-scale mining. Local procurement can therefore be used as a key lever for sustainable development, creating short and long-term benefits for host communities in the following ways:



⁵ Workforce Disclosure Initiative. (2021). *Survey Guidance Document*.

⁶ See page 17, World Gold Council. (2021). *The Social and Economic Contribution of Gold Mining*.

Local procurement establishes “backward” or “upstream” linkages from investing mining companies to host country businesses, and the extent of positive impacts created from these linkages will depend on the regulatory context, the stage of development of a project, and the capacity of local suppliers. Local business capacity must be evaluated according to the ability to offer goods and services in the volume and to the quality specifications required by extractive companies, and such analysis of supplier capacity forms the basis for capacity-building efforts. Stimulating local procurement also requires consideration as to which goods and services yield the greatest benefits in employment, skills development, in-country value addition, and potential linkages to other sectors.

There is also a strong business case for local procurement in establishing and maintaining a site’s social licence to operate and improving supply chain costs and reliability. Sound local procurement policies can prepare mining sector actors for regulation of local procurement practices and improve efficiency and resiliency of supply chains in many ways. Local procurement can result in lower product costs and increased quality in the long term, reduced delivery times, and an increased number of prospective suppliers. Procuring locally can also reduce impacts to the natural environment, foster economic diversification through the development of horizontal linkages, and strengthen social license to operate. This creates benefits for local stakeholders, while ensuring business continuity due to reduced risk of conflict and work stoppages, and improved relationships with governments.

Transparency in Mining Procurement

What is measured is managed. Supply chain oversight and the measurement and disclosure of local procurement spending yields both internal and external benefits for reporting organizations. Transparency drives performance through improved internal management, accountability and attention to key issues or adverse social impacts. It also enables internal evaluation and goal setting and strengthens a company’s social license to operate. Externally, reporting on local procurement empowers suppliers, host governments, and other stakeholders by providing a starting point for dialogue with mine sites, and by providing practical information different stakeholders can use. It also increases stakeholder trust and can reduce requests for information.

Transparency also helps deter problematic practices, as there are significant risks of corruption throughout procurement processes in both developing and advanced economies. The 2020 report produced by the Natural Resource Governance Institute (NRGI) titled *Beneath the Surface: The Case for Oversight of Extractive Industry Suppliers*, considers the public interest impacts of mining and oil and gas sector procurement spending posed by the magnitude of these financial flows from extractive industry projects and operations.

The report highlights corruption as a major issue in supplier governance, which can emerge in many forms, such as suppliers that work to gain rewards or advantages; companies that use suppliers to pay bribes or conceal channels of influence; political elites that manipulate supplier contracting to their benefit; and economic elites that leverage their influence to benefit their own companies.⁷ The report by the Organisation for Economic Co-operation and Development (OECD) titled *Corruption in the Extractive Value Chain Typology of Risks, Mitigation Measures and Incentives* also examines a host of corruption risk factors and schemes related to the misuse of local content requirements, occurring at each stage of the mining life cycle.⁸ Corruption not only poses operational risks for mining companies, but it also undermines the economic development of host countries.

Comprehensive disclosures empower host country stakeholders with information on tendering and supplier opportunities, while having an awareness of who is accountable for procurement processes, which helps to prevent abuse resulting from opaqueness and information gaps between actors.

⁷ Pitman, R. & Toroskainen, K. (2020). *Beneath the Surface: The Case for Oversight of Extractive Industry Suppliers*. Natural Resource Governance Institute.

⁸ Organisation for Economic Co-operation and Development. (2016). *Corruption in the Extractive Value Chain Typology of Risks, Mitigation Measures and Incentives*.

Part I

Trends in Local Procurement Information Sharing by Canadian Companies

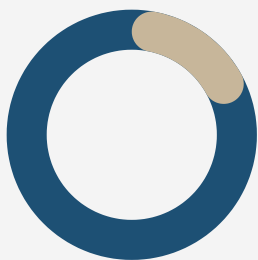


Each of the key indicators were analysed to show the portion of companies that are reporting in accordance. The following trends in reporting practices were identified.

Reference to Local Procurement Policies

Of the forty mining companies assessed, eight refer to a dedicated local procurement standard, policy, or procedure. Examples include Newmont's Local Procurement and Employment Standard, B2Gold's Local Content Performance Standard, Hudbay Minerals' Local Procurement and Employment Standard, and Barrick Gold's Local Procurement and Contracting Standard. Overall, nineteen companies (including those listed above) refer to a local procurement policy, or include local procurement as part of a wider supply chain policy, in company websites or reporting. Examples of including local procurement in a broader policy include Kinross Gold's Supply Chain Policy and Newcrest Mining's Supply Policy.

Companies that refer to a local procurement or similar policy often referred to those policies implemented at the company level. However, there were also cases where site specific policies were referenced, such as Champion Iron's Responsible Procurement Policy for its Quebec Iron Ore operations. This was also the case for Centerra Gold, which addresses local procurement in its Community Policy for its Mount Milligan site. In many cases, local procurement or similar policies are not publicly available and are only referenced in sustainability reports or on community focused webpages.



20%

Of companies refer to a dedicated local procurement policy in company websites or reporting

Throughout the data collection process, it was noted that some companies indicate that a local procurement or similar policy is being developed. Specifically, Nutrien stated in its report published in March 2022 that it is working toward "developing procurement policies supporting local Indigenous communities".⁹ Teck Resources also states that it is focusing on the "development of a local and Indigenous hiring and procurement strategy".¹⁰

⁹ See page 15, Nutrien. (2022). *Environmental, Social and Governance Report*.

¹⁰ See page 63, Teck Resources. (2021). *2020 Sustainability Report*.

Eight of the forty companies reference a dedicated local procurement standard in sustainability reports, including phrasing such as:



B2Gold

“Our Local Content Performance Standard defines the minimum requirements for enhancing local procurement opportunities and benefits”



Hudbay Minerals

“Under our Local Procurement and Employment Standard, each site identifies opportunities for hiring and sourcing goods and services from local communities”



Newmont

“Our Local Procurement and Employment Standard sets the minimum requirements to mitigate risks and maximize opportunities through direct and indirect jobs and business opportunities”

Although not all companies in the sample refer to a local procurement or similar policy, many state commitments to local procurement efforts in their Sustainable Development, Community Engagement, or similar policies, including phrasing such as:

Agnico Eagle

“Support local communities and their sustainability through measures such as development programs, locally sourcing goods and services and employing local people”

First Quantum Minerals

“Develop strategies and programs that build capacity in local communities [...] local communities’ participation in our workforce through employment and contracting opportunities”

Lundin Mining

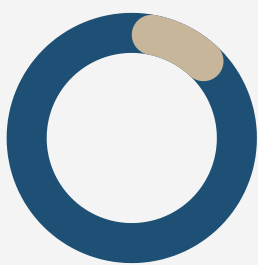
“Encourage local hire and procurement, and work with our stakeholders to advance socioeconomic development in the regions where we operate”

Pan American Silver

“Promote local business development and employment opportunities related to our operations, provide capacity building support to optimize benefits to communities of interest, and promote value chain opportunities to sustainably develop local communities”

Availability of Procurement Contact Information

It was found that, out of the forty companies assessed, only six make procurement contact information for the company as a whole available on company websites. This includes the presence of a submission form for procurement specific enquiries.



15%

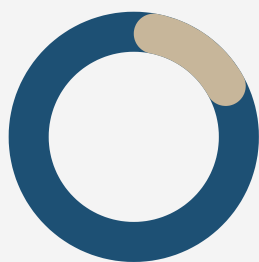
Of companies make procurement contact information available on company websites

Specifically, Newmont has a Supply Chain and Vendors submission form where site users can request information on how to become a supplier or submit enquiries on vendor invoices. Cameco provides a contact number, in addition to a submission form, for supplier enquiries on its corporate website. A supply chain mailing address and a submission form can also be found on its Cameco Resources website. First Quantum Minerals provides a submission form for both supplier and vendor enquiries on its website. Nutrien provides a procurement email contact, as well as a submission form, while Newcrest Mining provides an email contact for procurement.

It was also found that none of the companies in the sample provide site specific procurement contact information for all of their sites. However, six of the forty companies assessed make mine-site specific procurement contact information available on company websites for one or more of their sites. For example, although Kinross Gold does not provide general procurement contact information on its corporate website, information can be found for select sites on linked webpages. For instance, an email contact is provided for supplier registration for its Paracatu (Brazil) site, and phone and email contacts are provided for its Tasiast (Mauritania) site. Similarly, Agnico Eagle provides an email contact for its Nunavut operations. It also provides a submission form where site users can request information or express interest in procurement opportunities for its Canada, Mexico or Finland operations. Newmont provides regional procurement contact numbers for its Africa, Americas and Corporate operations and provides email contacts for its Australia and Americas operations. IAMGOLD does not provide general procurement contact information on its corporate website, however a supply chain email contact can be found for its Rosebel (Suriname) site on a separate website. This is also the case for Turquoise Hill Resources and its Oyu Tolgoi (Mongolia) site, for which a procurement contact number and email can be found on the mine's separate website.

Presence of Procurement Information on Company Websites

It was found that eight of the forty companies assessed have a dedicated Procurement or Supplier section on their company websites. For example, Newcrest Mining's Procurement webpage includes terms and conditions, reference to its Supplier Performance Commitments, a link to its portal where suppliers can request early invoice payments, package lists, and goods and services required for ongoing projects. Nutrien's Supplier Resources webpage includes a section on supplier requirements, information for existing suppliers regarding payments and submission of invoices, as well as job aides and Purchase Order Terms and Conditions. The site also has a landing page on Supplier Diversity, and links users to the company's supplier portals. Centerra Gold's Local Content webpage includes the following sections: Local Capacity Building, Local Procurement, Supplier Expectations and Removing Barriers to Entry. It also includes a breakdown of local, national, and international procurement spend for each of its operations.



20%

Of companies have a dedicated Procurement or Supplier section on company websites

In some cases, although corporate websites did not include a Procurement or Supplier section, this information could be found on a specific mine site's webpage. For example, the website for Kinross Gold's Tasiast site in Mauritania has a Suppliers page that includes the following sections: Call for Tenders, Procurement Process, Local Professional Program, Supplier Standards of Conduct, Supplier Due Diligence, Contract Policies and Clauses, News, and Contact. The website for its Paracatu (Brazil) site also has a Suppliers page, which includes notices and resources for existing suppliers, however there is limited information for prospective suppliers. Similarly, IAMGOLD's Rosebel (Suriname) mine has a website with a Supply Chain section, which includes information on supplier registration and prequalification, Standard Terms and Conditions, and current procurement opportunities. Turquoise Hill Resources' Oyu Tolgoi (Mongolia) mine, which is operated by Rio Tinto, also has a website with a Procurement section, which includes information on supplier requirements and registration, and links users to the company's Supplier Qualification Management System.

Agnico Eagle

For its Nunavut operations, Agnico Eagle provides extensive information for suppliers on its website, including forms required for pre-qualification and the criteria on which companies are evaluated.¹¹ A detailed roadmap is provided that outlines the pre-qualification and tendering processes, specifying the preference points available to Inuit companies under the Inuit Impact and Benefit Agreements (IIBA), for the various types of contracts. Consideration is given to businesses on the Nunavut Tunngavik Incorporated (NTI) registry, the percent of profit payable to the Inuit company, the number of Inuit employees, and local presence, and definitions are provided for net profit requirements, minimum employment base, and local presence.¹² Suppliers are also informed of how to request a review of their pre-qualification status and how to submit a complaint. The documents required from suppliers when submitting request for proposal responses are also listed. The company also makes an itemized list available that contains hundreds of goods and services categories for supplier reference according to the contract type (rental, supply, supply and installation, supply and service, installation only, service only, and expertise). A separate Resources page is dedicated to capacity building for both Inuit and non-Inuit businesses.¹³ It describes employment and training requirements for current and potential suppliers, and links users to business development tools that focus on starting a business, human resources, health and safety, and finance.

Gold Fields

Headquartered in South Africa, Gold Fields provides a host of resources for suppliers that are region specific on its website, including steps for registration, pre-qualification, and information on receipt, invoicing, and payments, as well as a list of regional contacts. An overview of the criteria considered in the evaluation of bid submissions and proposals is also provided.¹⁴ Potential suppliers are also directed to a guide that details supplier expectations, Gold Fields' procure-to-pay process, and region-specific requirements.¹⁵

11 Agnico Eagle. (2022). *Nunavut Procurement and Tendering*.

12 Agnico Eagle. (2017). *Kivalliq Trade Show Procurement Presentation*.

13 Agnico Eagle. (2022). *Supporting local business*.

14 Gold Fields. (2022). *Factors influencing procurement award decisions*.

15 Gold Fields. (2022). *Information for Suppliers and Contractors*.



Newmont

Newmont provides comprehensive resources for suppliers on its website, including supply chain category lists for bulk commodities and heavy mining and mobile equipment required for its operations.¹⁶ The company also provides information on the supplier registration and pre-qualification process, contracting and purchase order issuance, key documents required for issuing payments, the different processes for the procurement of goods versus services, and an introduction to the online platform used to manage transactions with suppliers.¹⁷ Its Supplier webpage also includes content on human rights supplier training, and links users to its Supplier Code of Conduct and contacts for regional procurement.

¹⁶ Newmont. (2022). *Supply Chain Categories*.

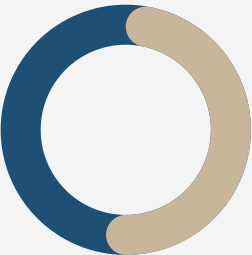
¹⁷ Newmont. (2022). *Newmont transacts electronically with its suppliers*.

Supplier Due Diligence

It was found that twenty-one of the forty companies assessed have a Supplier Code of Conduct, most of which are publicly available.

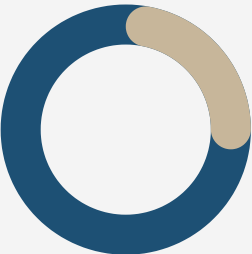
It was also found that of the forty companies assessed, eleven include language in their corporate Code of Conduct, or similar policy, that demonstrates it extends to suppliers. Seven companies out of this group also have a Supplier Code of Conduct, and therefore four companies address supplier conduct in their corporate policy. Overall, sixteen companies do not address supplier conduct in a Supplier Code of Conduct or a corporate level policy.

It was noted that three companies include language in their reporting that suppliers must adhere to the expectations outlined in a corporate Code of Conduct, or similar policy. However, in each case, applicability to suppliers was not stated in the Code of Conduct, or similar policy, itself.



53%

Of companies have a Supplier Code of Conduct



28%

Of companies include language in their corporate Code of Conduct, or similar policy, that demonstrates it extends to suppliers

The following are examples of companies that reference a Supplier Code of Conduct in sustainability reports by including the following language:



Torex Gold

"[The Social Responsibility Policy for Contractors] outlines contractor requirements for doing business with the Company. This Policy sets standards of conduct and includes provisions for health and safety, labour requirements, and local hiring and procurement"



Trevali Mining

"Our values and ethics are extended to our suppliers, vendors and contractors through our Supply Chain Management Policy, Procurement Sourcing Procedure, Supplier Code of Conduct and in our commercial contracts"

The following companies address supplier conduct in a company wide policy by including the following language:

Dundee Precious Metals

“All third parties working for and on behalf of Dundee, including but not limited to suppliers, contractors, consultants [...] are also expected to comply with our Code.”

Code of Business Conduct and Ethics

First Quantum Minerals

“First Quantum may terminate (or decline to renew) a contract of any provider or contractor who breaches the law, the Code or First Quantum’s policies.”

Code of Conduct

Mountain Province Diamonds

“The Company will make all reasonable efforts to promote the application of these ethical business practices by our third party suppliers.”

Business Conduct Policy

Turquoise Hill Resources

“Through appropriate contractual arrangements and procurement principles, consultants, agents, contractors and suppliers of Turquoise Hill are equally expected to comply with The way we work in all their dealings with or on behalf of Turquoise Hill.”

Global Code of Business Conduct

Company Reporting on Key Indicators

Each company was awarded a score based on the number of indicators that apply to its approach to local procurement reporting (out of the total six indicators).¹⁸ Figure 2 shows the distribution of scores. The public reporting of one company aligned with all six of the indicators, while that of twenty-one companies aligned with three indicators or less, while twelve companies did not report in accordance with any indicators (not shown).

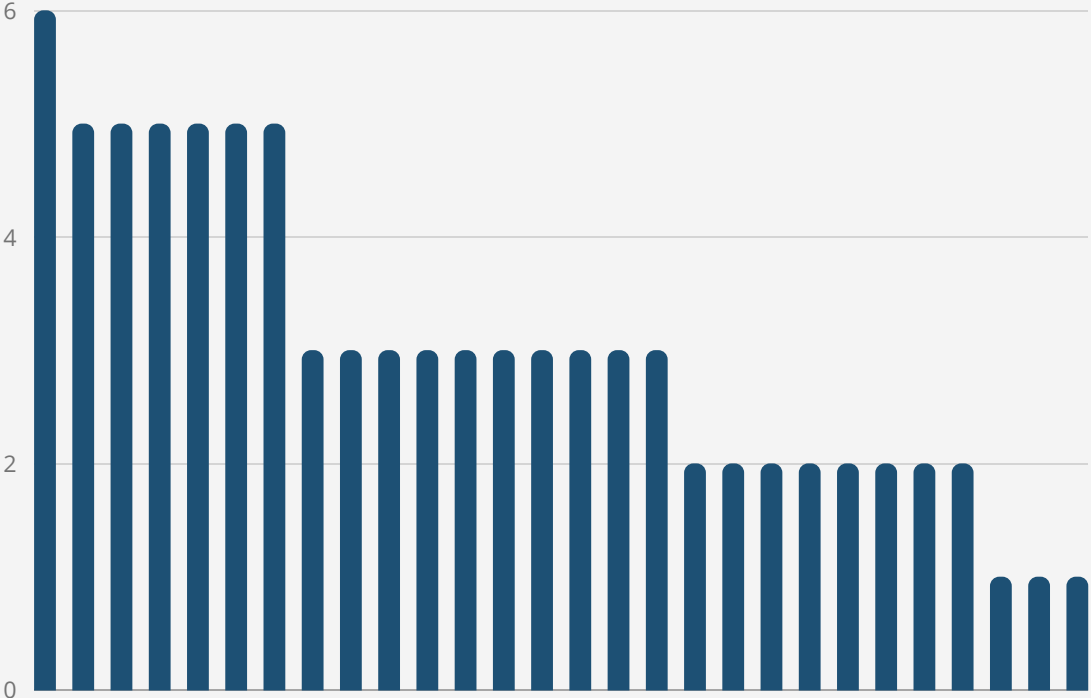


Figure 2
Distribution of
Company
Reporting on Key
Indicators

30% Of companies did not report in accordance with any key indicators

¹⁸ Companies with a Supplier Code of Conduct were automatically considered in accordance with the sixth indicator, as having a Supplier Code of Conduct was considered the preferred practice, over the inclusion of suppliers in a broader conduct policy, for its specificity.

Part II

Company Reporting on LPRM Disclosures



The following table summarizes the information disclosed by the eight participating companies assessed against the LPRM.

	LPRM Disclosures	Company							
		1	2	3	4	5	6	7	8
Required	101: Context	●	●	●	●	●	●	●	●
	201: Policy on Local Suppliers			●	●	●	●	●	●
	202: Accountability on Local Suppliers				●	●	●	●	
	203: Major Contractors and Local Suppliers				●		●		●
	204A: Procurement Contact Information				●	●	●	●	
	204B: Supplier Procurement Portals, Databases or Registries				●	●	●		
	204C: Requirements and Support for Prequalification				●		●		
	204D: Supplier Development Programmes or Capacity Support		●	●	●	●	●	●	
	301: Categorising Suppliers	●			●	●	●	●	●
	302: Breakdown of Procurement Spend	●		●	●	●	●		●
	401: Due Diligence Processes	●	●	●	●	●	●	●	
	402: Anti-Corruption Policy	●	●	●	●	●	●	●	●
	403: Training and Guidance for Suppliers		●	●	●	●	●	●	
	Encouraged	501: Commitments	●		●		●	●	
502: Preference in Scoring of Bids					●			●	
503: Preference in Scoring of Bids for Significant Local Contributions					●				
504: Non-Scoring Methods to Incentivise Local Purchasing					●				
505: Supporting Suppliers to Understand the Tender Process				●		●			
506: Special Payment Procedures for Local Suppliers					●			●	
507: Encouraging Procurement from Particular Groups								●	●
601: Regulations									
602: Other Agreements and Contracts				●	●	●	●	●	●

Table 2
Summary of LPRM Assessment Results

The following is a discussion of reporting requirements for a selection of LPRM disclosures and observations on how the assessed companies have approached reporting on these disclosures. In addition, best practice examples of reporting in accordance with the selected disclosures are provided.

Policy on Local Suppliers

LPRM Disclosure 201 requires that reporting organizations report the existence of any mine site-specific local procurement policy and/or other company policies or company standards that include local procurement. Other company policies or standards could include, but are not limited to, a supply chain policy, a stakeholder engagement policy, or a corporate social responsibility (CSR) policy. Six of the eight companies assessed report in accordance with this disclosure by referring to a dedicated local procurement policy, standard, or broader supply chain policy, or detailing a management approach, in their sustainability report. Some companies stated that a specific site or project may develop and implement a targeted local procurement procedure. One company's ESG report lists the development of a procurement policy as a goal for the coming year. In addition, all companies stated in their reporting that opportunities are identified for sourcing from local communities, sites are encouraged to give priority to local suppliers, preference is given to local suppliers, or similar phrasing.

In some cases, local procurement was also referenced in sustainability, community, or social responsibility policies, by stating commitments to local economic development and opportunities for local suppliers that create value. One company highlights its commitment to enhance participation in its activities by Indigenous Peoples as both employees and suppliers, another mentions its local economic development strategy which includes supplier diversity, while another emphasizes employment and contracting opportunities for local community members and businesses on its website.

The companies not considered in accordance with disclosure 201 state in their ESG reports that local procurement is prioritized where possible, but there is no information that confirms there is any policy or procedure in place to achieve this goal. In one case a community policy highlighted a commitment to local community participation in its workforce, however in both cases there was no explicit reference to how consideration is given to local procurement in a dedicated policy, or in a broader supply chain policy.

Champion Iron

Champion Iron's Responsible Procurement Policy for its Quebec Iron Ore operations is made available on the company's website. The company is commended for making this policy public, as this allows suppliers, governments, and other stakeholders to engage based on an understanding of the company's approach. The policy details Champion Iron's commitments to local and Indigenous procurement and states the order of preference for the purchase of goods and services, beginning with Indigenous host groups, moving to local communities, and then regional communities. It also outlines three pillars for encouraging participation of host Indigenous businesses: using criteria in the supplier selection process that gives preference to Indigenous participation, offering tailored contracts to accommodate the capacities, needs, skills and work experience of host Indigenous businesses where possible, and reviewing proposals with unsuccessful bidders at their request to offer feedback and help improve competitiveness.¹⁹ Quebec Iron Ore also promotes the use of host Indigenous businesses by providing a list of its partners to its non-Indigenous suppliers, which is also made available on the company's website.²⁰

¹⁹ See page 8, Champion Iron. (2021). *Responsible Procurement Policy*.

²⁰ Quebec Iron Ore. (2022). *QIO and the First Nations: A Strong Partnership*.

Categorising Suppliers

LPRM Disclosure 301 requires that reporting organizations 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 Peoples, vulnerable groups, etc.); or level of value addition. Six of the participating eight companies assessed report in accordance with this disclosure by categorizing suppliers at the local, regional, national, and international levels, and providing a clear definition for local suppliers. For two companies, this was a broad definition applicable at the company level, including phrasing such as those impacted socially, environmentally, or economically, or those based in a local specified region that provide materials, products, or services. Other companies provide more specific definitions at the site level for local, regional, and national suppliers based on physical location of a place of business, ownership, or where a business has been registered. These definitions were found in sustainability reports or supplementary ESG data tables.

Kinross Gold

Kinross defines local, regional, national, and international categories for each of its operations, and uses these definitions for reporting its benefit footprint by geographic scale and by spend type (community contributions, workforce, payments to suppliers, and payments to governments). Figure 3 shows the category definitions and corresponding population data for each site.

Site	Local	Definition	Regional	Definition	National	Definition
Bald Mountain	63,767	Elko & White Pine Counties	2,998,039	Nevada	325,719,178	USA
Chile	172,000	Copiapo district	286,168	Region III (Atacama)	17,574,003	Chile
Chirano	29,559	Chirano Catchment	1,925,000	Western Region	28,308,300	Ghana
Fort Knox	95,000	N Star Borough	739,795	Alaska	325,719,178	USA
Paracatu	84,687	Paracatu municipality	21,119,536	Minas Gerais	207,660,929	Brazil
Round Mountain	47,319	Nye County	2,998,039	Nevada	325,719,178	USA
Russia	50,526	Chukotka Okrug	145,570	Magadan Oblast	144,463,451	Russia
Tasiast	9,800	Zone A, B and C + Benichab	140,967	Inchiri and Nouadhibou Regions	3,893,800	Mauritania

Figure 3
Kinross Gold
Definition of
Supplier
Categories

In this context, local vendors are considered those registered as businesses, or with their physical place of business, within the appropriate local boundary, such as a municipality, county, or district. Regional corresponds to those at the state or provincial level, and national at the host country level.²¹

²¹ Kinross Gold. (2020). *Local procurement at the national, regional, and local scales.*

Lundin Gold

Lundin Gold presents its definition for local communities in its 2020 Sustainability Report based on discussions from community roundtables that took place in 2019 and 2020. Local is defined by the geographic location associated with the administrative boundaries for its Fruta del Norte mine, located in south-east Ecuador. Concentric rings are used to illustrate how suppliers are categorized based on proximity to the site, as shown in Figure 4, beginning with the Parish of Los Encuentros and the communities of Río Blanco and Playón (ring 1), extending to the rest of the Canton of Yantzaza (ring 2), then the rest of the Province of Zamora Chinchipe (ring 3), and finally the rest of Ecuador (ring 4).²²

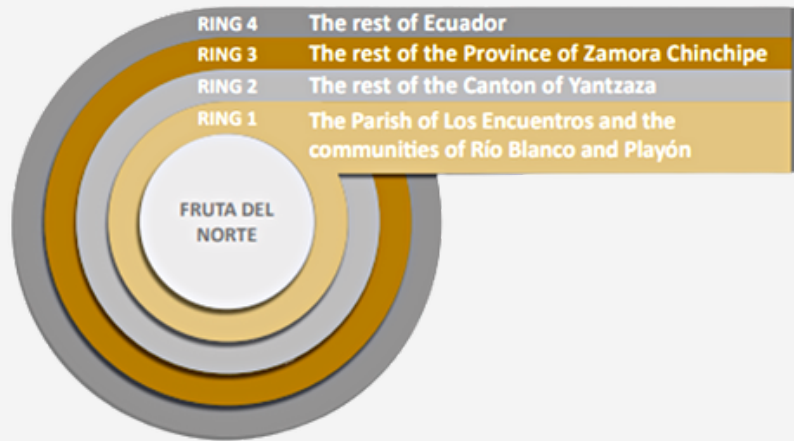


Figure 4
Lundin Gold
Categories of Local

The company reports absolute figures and percentage of total procurement spend for each of the four regions, in addition to international spend, over the last four years. This level of detail supports accountability for mining companies in their efforts to target different categories of suppliers and allows stakeholders to engage with their performance in a transparent manner.

²² See page 7, Lundin Gold. (2021). *2020 Sustainability Report*.

OceanaGold

OceanaGold, based in Australia, offers an ideal model for clearly defining and reporting its supplier categories. In its 2020 Sustainability Report, OceanaGold provides absolute figures and percentage of total procurement spend at the site level for local, national, and international suppliers. Clear definitions are also provided for each supplier category at the site level, as shown in Figure 5, with local defined according to geographic location, within a specified distance to the site.

Definition of local, national and international supplier for each operation	
Didipio	Local: Host barangay and adjacent barangays as defined in the Social Development Management Plan National: All other areas within the Philippines International: All other countries
Waihi	Local: Within 30 kilometres of the operation National: All other areas within New Zealand International: All other countries
Macraes	Local: Within the Region of Otago National: All other areas within New Zealand International: All other countries
Haile	Local: Kershaw and all other communities within 30 miles of the operation National: All other areas within the United States of America International: All other countries

Figure 5
OceanaGold
Definition of
Supplier
Categories

A breakdown of suppliers at the company level is also provided, showing the portion of total suppliers from each category, and the total number of suppliers in each region. The largest categories (types of goods or services) according to procurement spend are also disclosed as a percent of total procurement spend.²³

²³ See pages 72 to 73 and 181, Oceana Gold. (2021). 2020 Sustainability Report.

Breakdown of Procurement Spend

LPRM Disclosure 302 requires that reporting organizations report the breakdown of procurement spend for each category of supplier provided in disclosure 301, including international suppliers. Reporting organizations are to provide a breakdown by amount (in relevant currency) and by percentage of total spend, as defined in the Global Reporting Initiative (GRI) Disclosure 204-1 recommendations. If another approach is used to define total procurement spend, the reporting organisation should detail its calculation approach. In addition, if possible, reporting should include a breakdown of spending by major spend families, broadly defining each spend family, such as consumables, logistics, and construction. Six of the eight companies assessed report in accordance with this disclosure. Only one company provides both absolute figures and percentages of total spend at the site (or regional) level for local, national, and international spend. Another provides absolute figures for local procurement spend at the company level, and the percentage of total procurement spend directed to national suppliers for select sites. This company also provides a breakdown of spending by major spend families, however only for a single site.

Four companies provide absolute figures at the site level, but do not present those figures as percentages of total spend. It should also be noted that one company includes wages in its calculation of procurement spend. Two companies also disaggregate local and Indigenous procurement spend. One company displays each category (local, regional, national) as a percent of total procurement spend at the company level, but not for each site.

The companies not considered in accordance with disclosure 302 do not provide absolute figures for procurement spend. One provides percentages of total procurement spend only, while the other states, for select sites, that it has exceeded a certain percent threshold for total procurement spend directed to locally registered businesses.

Mountain Province Diamonds

Mountain Province Diamonds states its annual local procurement target in its 2020 Socio-Economic Report for its Gahcho Kué mine, located in the Northwest Territories (NWT). Absolute figures and percentage of total procurement spend are reported for northern businesses and non-NWT businesses.

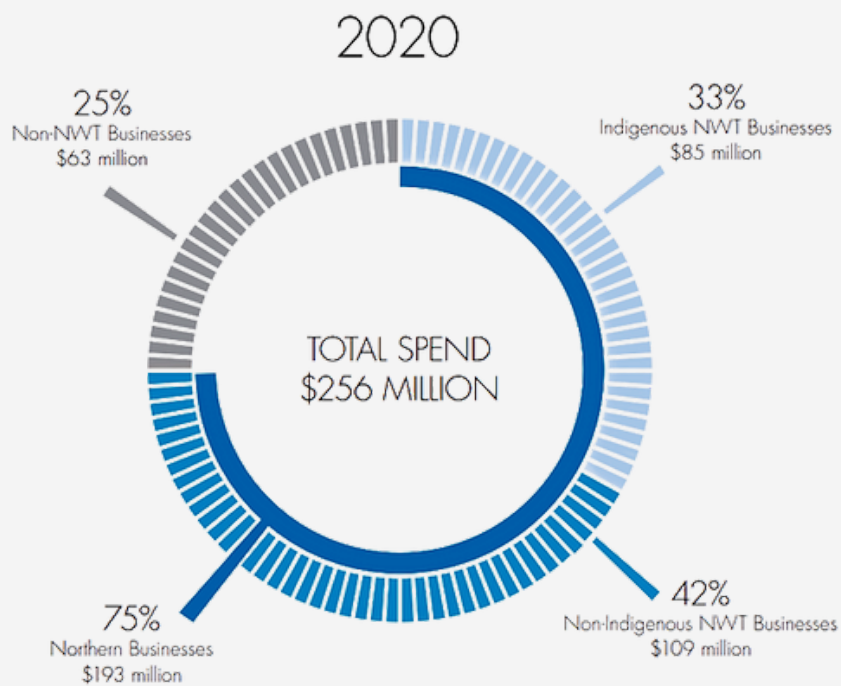


Figure 6
Mountain Province
Diamonds
Breakdown of
Procurement
Spend

Figures are clearly disaggregated to show the portion of spend for Indigenous and non-Indigenous NWT businesses for the reporting year, and cumulatively for the last five years. The company specifies the categories and number of contracts available for proposals in the reporting year, and also details its engagement efforts with NWT businesses. It also presents its tiered procurement structure, adopted in 2017, which specifies how companies are ranked in the supplier selection process based on IBA partnership status, percent ownership/equity, and location of operations.²⁴

24 See pages 5 to 9, Mountain Province Diamonds. (2021). *Gahcho Kué 2020 Socio-Economic Report*.

Newcrest Mining

In its 2020 Sustainability Report, Newcrest Mining reports the percentage of total procurement spend on local suppliers for each site, disaggregated to show the portion of spend on goods and supplies, and the portion of spend on services purchased locally.²⁵

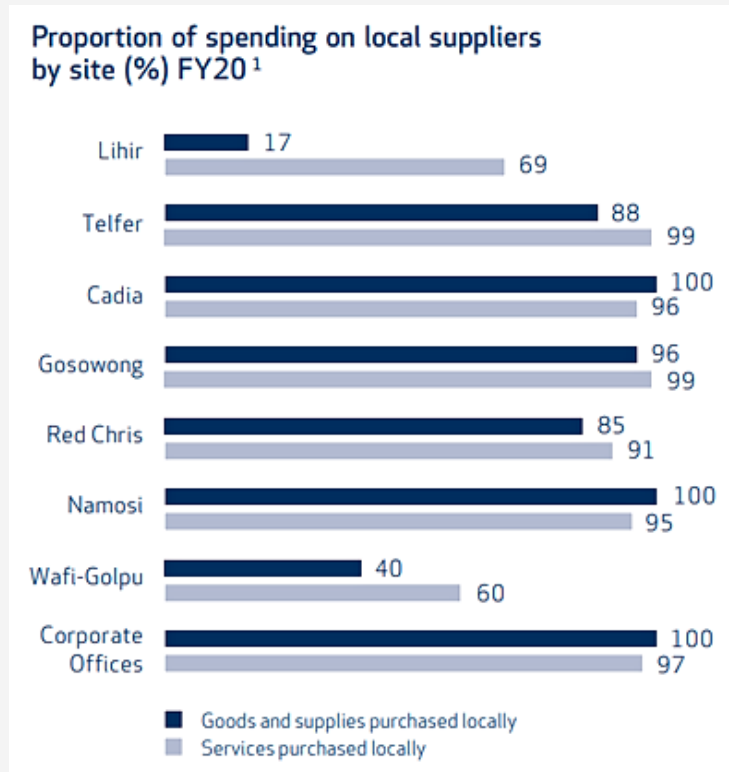


Figure 7
Newcrest Mining
Breakdown of
Procurement
Spend 2020

²⁵ See page 33, Newcrest Mining. (2020). 2020 Sustainability Report.

Newcrest Mining

For its 2020 reporting, Newcrest defined local suppliers as those based in the same country of operation. However, the company has since refined this definition, as shown in Figure 8, reporting procurement data at the state/region level in its 2021 Sustainability Report.²⁶

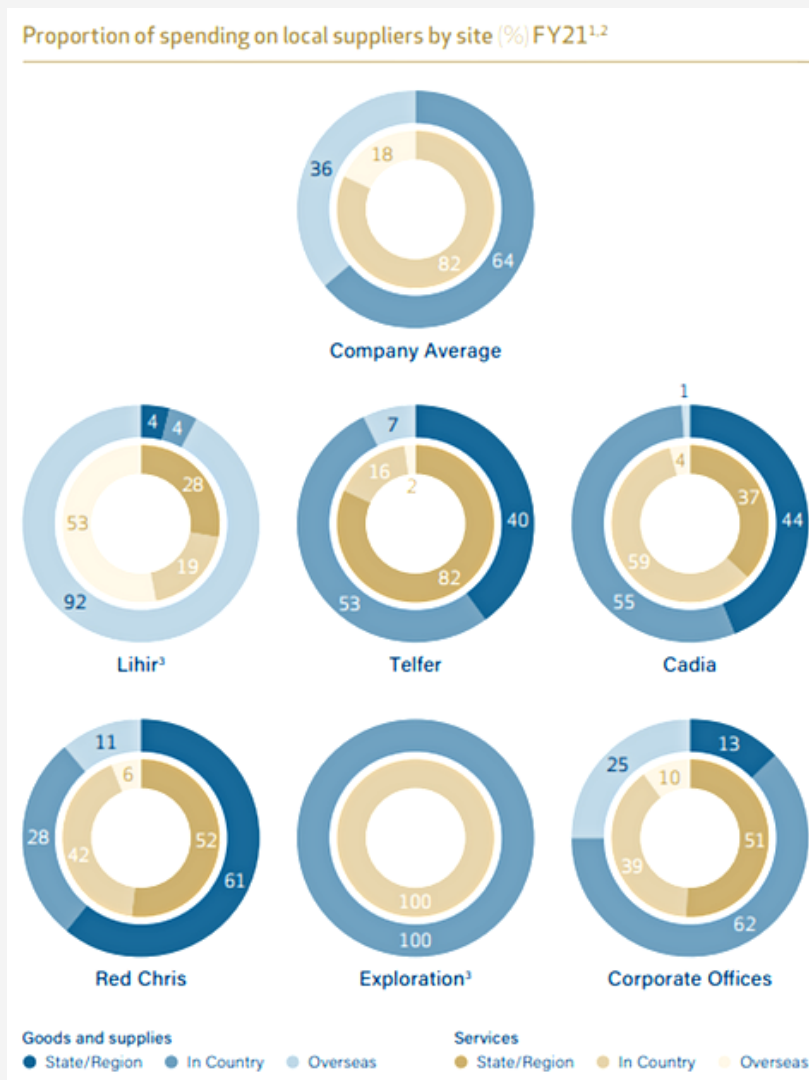


Figure 8
Newcrest Mining
Breakdown of
Procurement
Spend 2021

²⁶ See page 39, Newcrest Mining. (2021). 2021 Sustainability Report.

New Gold

In its 2021 Sustainability Report, New Gold provides a breakdown of procurement spend, including absolute figures at the local, national, and international levels, as well as Indigenous and regional spend for each producing site. A two-year comparison also shows site-level local and in-country spending as a percentage of total procurement spend.

BREAKDOWN OF PROCUREMENT SPEND						
	New Afton		Rainy River		Cerro San Pedro	
	2021		2021		2021	
Local spend ²⁴	\$26,548,037		\$10,437,045		US\$4,669,619	
Indigenous spend	\$58,354,584		\$120,575,129		N/A	
Regional spend	\$106,526,577		\$111,704,488		N/A	
National spend	\$79,995,914		\$70,118,335		US\$1,434,327	
International spend	\$29,253,457		\$12,818,233		US\$69,302	
Total spend	\$300,678,570		\$325,563,231		US\$6,173,249	

PROCUREMENT PRACTICES ²⁵						
	New Afton		Rainy River		Cerro San Pedro	
	2020	2021	2020	2021	2020	2021
Percentage of total procurement spent on local suppliers ²⁶	43%	28%	35%	40%	Not reported	76%
Percentage of total procurement spent on national vendors	24%	27%	34%	22%	Not reported	23%

Figure 9
New Gold
Breakdown of
Procurement
Spend

The company also presents clear definitions for local supplier categories based on geographic location. For its New Afton site, this includes the Thompson Nicola Region. Local suppliers to the Rainy River site include those located in a list of seventeen communities identified in northwestern Ontario, while for its Cerro San Pedro site, local applies to those located in the state of San Luis Potosí.²⁷

²⁷ See pages 34 to 35, New Gold. (2022). 2021 Sustainability Report.

Supplier Due Diligence Processes

LPRM Disclosure 401 requires that reporting organizations report the supplier due diligence processes used at the mine site to avoid purchasing from suppliers with problematic behaviour. Seven of the eight companies assessed report in accordance with this disclosure. Three of these companies include language in their Code of Business Conduct that demonstrates it extends to suppliers. Four companies also state in their Human Rights policies that suppliers are to apply equivalent standards.

Four companies have a dedicated Supplier Code of Conduct or similar performance standard, while others reported a contractor management procedure or purchasing policy that covers supplier selection based on ethical business practices and other environmental and social criteria. In some cases, companies stated in sustainability reports that suppliers are screened and must confirm their understanding and agree to comply with the requirements outlined in the applicable code. One company states it categorizes low, medium, and high-risk suppliers and conducts supplier verification when required, as well as ongoing monitoring. The same company states expectations of suppliers to take reasonable measures to ensure that applicable codes are adhered to within their own supply chains. One company also states that during the reporting year, it recertified the compliance of all of its suppliers.

The company not considered in accordance with disclosure 401 does have a Code of Conduct and Ethics, however it does not contain language that indicates it extends to suppliers. There was also limited discussion on the company's website and in its reporting regarding the use of supplier engagement, contract language, or procurement principles to communicate expectations with suppliers to ensure human rights compliance and avoid purchasing from those engaging in unethical behaviour.

For all participating companies, increased information on the nature of their supplier due diligence systems would support suppliers to understand the standards they must meet and how. To this end, additional information could be provided such as descriptions of specific screening procedures, supplier questionnaires used, and contractual requirements used to demonstrate supply chain due diligence.

Freeport-McMoRan

Freeport-McMoRan, headquartered in the United States, offers an example of best practice in supplier due diligence. In its 2020 Annual Report on Sustainability, Freeport-McMoRan details its supplier risk management framework, which includes its online due diligence platform used to assess supplier compliance and risks in areas such as anti-corruption, international trade, and human rights. The company collects information from suppliers on their ESG programs, including any certifications, human rights, health and safety, and environmental commitments.²⁸ The company also offers an extensive list of tools and resources for suppliers on its website, including access to its Business Partner Code of Conduct, Anti-Corruption Policy, and Human Rights Policy, in multiple languages.²⁹

Hudbay Minerals

In its Supplier Code of Conduct and Ethics, Hudbay Minerals includes language which demonstrates that expectations outlined in the company's Statement on Anti-Corruption, Human Rights Policy, and Environmental, Health and Safety Policy, also extend to its suppliers.³⁰ The company also states in its 2021 Annual Sustainability Report that all of its suppliers are screened for corruption risks in accordance with the Global Supplier Due Diligence Policy, which also governs vendor onboarding, whereby suppliers must certify acceptance of, and compliance with, the Supplier Code of Conduct. Hudbay also highlights that due diligence is conducted on suppliers with an elevated risk and the internal audit function reviews the contract/supplier screening process, while each operation ensures ongoing monitoring of on-site and local suppliers.³¹

28 See pages 21 and 98, Freeport-McMoRan. (2021). *2020 Annual Report on Sustainability*.

29 Freeport-McMoRan. (2022). *Suppliers Overview*.

30 Hudbay Minerals. (2017). *Supplier Code of Conduct and Ethics*.

31 See page 51, Hudbay Minerals. (2022). *2021 Annual Sustainability Report*.

Recommendations

Reporting by the Canadian mining industry on the topic of local procurement has made tremendous progress since MSV began examining sustainability reporting on the topic in 2014. Many companies provide breakdowns of their procurement spending between local, national, and international suppliers, detail local procurement policies, and describe supplier development initiatives. In addition, a small but growing number of Canadian mining companies have website sections specifically for suppliers, with practical information that helps current and potential suppliers navigate the procurement process. Increasingly companies are also demonstrating their supplier due diligence efforts, in response to pressure from ESG rating agencies and other stakeholders.

However, there remain many opportunities for Canadian mining companies to improve transparency. Most of the forty largest companies do not have supplier-focused sections on their websites, and many sustainability reports examined during this study provided little in the way of information on how the company approaches local procurement.

The Mining LPRM emphasizes disclosure of information that is site specific to inform meaningful procurement discussions at the local level, and drive performance. In many cases, it was found that site level information was missing, or information was only disclosed for select sites. This highlighted inconsistencies, particularly in how procurement spend is reported, and underlined the importance of standardizing information sharing across the industry. It is recommended that companies ensure reporting is thorough and addresses procurement practices and performance with consistency across all of their operations.

Furthermore, in establishing site-level categories for local suppliers, companies should describe how this is agreed upon in consultation with relevant stakeholder groups, and how consideration is given to criteria such as geographic location (e.g. within a 40 kilometre radius of the site, within a specified region); level of participation (e.g. a minimum 50% ownership and/or employment by individuals or particular groups (Indigenous community members, vulnerable groups) that reside locally on a permanent basis); and level of value that is retained locally. Creating multiple categories of suppliers allows mining companies to track and target their procurement spending in a way that maximizes economic benefits, and crucially, creates a strong social licence to operate.

Transparency in local procurement supports stakeholders in host communities who are often required to make assumptions regarding a company's procurement activities. In fact, many company efforts are taken to advance local procurement opportunities, but often these efforts are not sufficiently documented. This undermines, not only local businesses in their ability to engage with a mine site but also, the ability of partners, such as chambers of commerce, to support their members. This study has shown that many companies are in fact implementing practices that prioritise local suppliers. In many cases, practices simply need to be formalized and documented to achieve consistency and accountability, and to ensure institutional knowledge transfer. Having a dedicated policy or procedure for local procurement, and making this information public, shows the issue is a priority and empowers strategic decision making by local supply chain actors.

There are also opportunities for companies to enhance reporting on due diligence processes in their supply chains, which are becoming a focal point for ESG rating agencies and investors, and increasingly regulated by governments. As a first step, companies should ensure that Codes of Conduct incorporate language that demonstrates applicability to suppliers. It is also recommended that companies develop a specific Supplier Code of Conduct, and make supplier performance expectations public, while also describing supplier screening tools, how suppliers confirm understanding of expectations, and at what frequency, the reporting requirements in place, and how suppliers are monitored during the contract period. Providing this information empowers suppliers and anticipates and fulfils information requests from a multitude of actors.

Conclusion

It is hoped that this study has drawn attention to the importance of increasing transparency in mining sector local procurement and supplier due diligence processes, while providing models companies can look to for inspiration. Between the Canadian companies profiled, in addition to others from around the world, there are best practice examples available for information sharing on every aspect of the procurement process.

The objective of this study has also been to demonstrate the utility of standardizing information on local procurement and supplier due diligence through the Mining LPRM. Should mining companies choose to report in accordance with the LPRM for all of their sites, they will be providing all of the necessary information requested by various actors, including industry organizations like the ICMM, ESG rating agencies, and governments who require information on supplier due diligence processes. As of September 2022, twelve mining companies are either reporting in accordance with the LPRM, or are about to, and this includes exploration companies. From exploration to reclamation, there is a need for comprehensive and standardized measurement and reporting on local procurement practices to drive performance, to create economic benefits for host countries, and to ensure mining sector companies are welcomed investors.

MSV looks forward to supporting the Canadian mining companies profiled to strengthen their information sharing on local procurement and supplier due diligence, using this study as a basis for engagement.

Appendix A

Company Reporting on Key Indicators



Company (see Note)	Key Indicator					
	<i>Does the company refer to a local procurement policy, or include local procurement in a wider supply chain policy, on its website or in its reporting?</i>	<i>Is there company level procurement contact information available on the company's website?</i>	<i>Is there mine-site specific procurement contact information available on the company's website?</i>	<i>Is there a Procurement or Supplier section on the company's website?</i>	<i>Does the company have a Supplier Code of Conduct?</i>	<i>Does the company's Code of Conduct or similar policy include language that demonstrates that it extends to suppliers?</i>
1	●	●	●	●	●	●
2	●		●	●	●	●
3	●	●		●	●	●
4		●	●	●	●	●
5	●	●	●		●	●
6	●		●	●	●	●
7	●	●		●	●	●
8	●				●	●
9	●				●	●
10	●				●	●
11			●	●		●
12	●				●	●
13	●				●	●
14	●				●	●
15				●	●	●
16	●				●	●
17	●				●	●
18		●				●
19	●					●
20	●					●
21					●	●
22					●	●
23					●	●
24					●	●
25					●	●
26	●					
27	●					
28	●					

● Report in accordance

● Automatically considered in accordance, as having a Supplier Code of Conduct was considered the preferred practice, over the inclusion of suppliers in a broader conduct policy, for its specificity.

Note: Companies were anonymized and are listed in descending order according to the number of key indicators that aligned with their public reporting (and not according to the Canadian Mining Journal's 2021 company ranking). The remaining twelve companies in the sample did not report in accordance with any of the key indicators.

Appendix B

Mining LPRM Disclosures



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.

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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