



CASE STUDY | NOVEMBER 2024

Ivanhoe Mines Platreef Project's Use of Local Procurement and of the Mining LPRM

ACKNOWLEDGEMENTS

This case study was developed by the Mining Shared Value (MSV) program, part of Engineers Without Borders Canada (EWB), authored by Caroline MacIsaac and Jeff Geipel. MSV focuses on helping the mining sector and related stakeholders maximise local procurement of goods and services to increase economic benefits to host communities and countries. EWB's mission is to create systemic change through community-driven collaboration. EWB mobilises the engineering community and leverages technological innovation to address global challenges, including the cause and effects of climate change and climate adaptation in Canada and beyond.

Our vision is to engineer an equitable, sustainable future for marginalised communities and our planet. We are working towards this vision by optimising impact by addressing urgent global issues, leveraging evolving engineering knowledge, localising partnerships, and amplifying voices for change. Learn more at <https://www.ewb.ca/>.

We would like to thank and acknowledge the staff at Ivanhoe Mines and at the Platreef Project that graciously hosted the MSV team in June 2024 to conduct the case study.

Ivanhoe Mines was selected for the case study due to the company's commitment to reporting on local procurement and in recognition of its local procurement best practices in mining. While travel costs were funded by the company to support the preparation of this document, MSV did not receive any payment or financial compensation for its work from Ivanhoe Mines. This was to ensure the unbiased and transparent assessment that ultimately showcased the effort of the company to go above and beyond to support local suppliers.



Local suppliers who attended the Business Acceleration Program hosted by Platreef's ESD team in March this year

CASE STUDY OBJECTIVE

Local procurement by the mining sector has the potential to be one of the most significant economic drivers for the communities and wider national economies that host activity, yet it is often underutilised. The principle of "what is measured, is managed" holds true, and the lack of clear measurement often hinder companies and their stakeholders from effectively tracking and enhancing local procurement efforts.

For many companies, determining the most effective method to monitor local procurement and support local suppliers – especially those needing capacity-building – can be challenging. Additionally, some companies may simply need guidance on how to communicate their efforts publicly in a practical manner, ensuring that local businesses are aware of procurement opportunities.

Although there are many mining companies that have successfully maximised procurement opportunities for local suppliers, there is a lack of practical case study material to serve as inspiration and guidance for the sector. This case study aims to fill that gap, providing companies with actionable insights drawn from the experiences of the Ivanhoe Mines Platreef Project in South Africa.

It also highlights Ivanhoe's use of the [Mining Local Procurement Reporting Mechanism \(LPRM\)](#) – a set of disclosures that seeks to standardise how the global mining industry and host countries measure and talk about local procurement. Commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) through GIZ and created by the MSV programme of EWB Canada, the LPRM has been used by thirteen mining companies to track local procurement reporting data. In 2019, Ivanhoe Mines became the first mining company in the world to report using the LPRM for its Platreef Project, and for its two other sites in the Democratic Republic of Congo.

The LPRM guides mine sites to report on local procurement to:

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

It should be noted that while the adoption of the Mining LPRM did inspire Platreef to further build out its supplier spend categories and provide more detailed reporting based on supplier geography, prior to adopting the LPRM, the Platreef Project already had an existing commitment to supporting and tracking local procurement as part of the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry (B-BBEE) compliance, which considers local procurement as part of its scoring criteria. The Platreef case study therefore demonstrates that whether through regulation or voluntary initiatives such as the LPRM, increasing measurement of local procurement does drive enhanced performance.

LOCAL PROCUREMENT STANDARDS OF PRACTICE

Ivanhoe Mines is committed to contributing to economic diversification in the host communities of its respective projects. To facilitate this process, and support the growth of local businesses in the company's supply chain, the enterprise and supplier development operational teams adopted the standards of practice as published in the LPRM (Appendix 7.4).

The following table (*Figure 1/Pg 3*) indicates the principal projects' progress in implementing these standards of practice:

Figure 1.
Example of Ivanhoe Mines reporting in accordance with the
LPRM in its 2022 Sustainability Report

Standard of Practice	Kamoa-Kakula	Kipushi	Platreef
Local procurement and anti-corruption policies in place	✓	✓	✓
Dedicated department responsible for ESD	✓	✓	✓
Local procurement requirements for major contractors communicated, implemented and monitored	In progress	In progress	✓
Local supplier database in place	✓	✓	✓
Requirements to register as a supplier widely publicized	✓	In progress	✓
Supplier dispute mechanism	✓	✓	✓
Preference to local suppliers in scoring of bids	✓	✓	✓
Methods to incentivise local procurement in place	In progress	In progress	✓
Supplier training initiatives in place	✓	✓	✓
Enterprise development initiatives in place and expanding	✓	✓	✓
Measures in place to encourage procurement from local special groups (women, youth and/or people with disabilities)	In progress	In progress	✓

Local contractor working on Platreef's
Shaft 2 construction



BACKGROUND AND CONTEXT OF THE PLATREEF PROJECT

The Platreef Project is operated by Ivanplats, a South African based subsidiary of Ivanhoe Mines, listed on the Toronto Stock Exchange, Canada. The Platreef Project is located close to the town of Mokopane (*Figure 2/Pg 5*), located north of Pretoria in the Limpopo province of South Africa.

Exploration commenced in 1998, with mine development taking place over the past few years and commercial production expected to commence in 2025. Once in operation the mine will produce palladium, platinum, rhodium, nickel, copper and gold. The mine's life expectancy and term of the mining right has been set initially at thirty years; however, the mining right is renewable for further periods of 30 years at a time, and it is likely to be mined for 100 years.

There are twenty communities surrounding the Platreef Project (*Figure 3/Pg 5*). These communities form the majority of the 26% ownership requirement mandated by the 2018 B-BBEE regulation, which stipulates that entities must have 26% Historically Disadvantaged Person/Individual (HDP or HDI)¹ ownership to be issued a mining right.²

IVANHOE'S INVOLVEMENT IN INDUSTRY ASSOCIATIONS

Ivanhoe Mines is a member company of the International Copper Association, the Extractive Industries Transparency Initiative (EITI) and the United Nations Global Compact (UNGC), and its subsidiary Ivanplats is a member company of Minerals Council of South Africa. Ivanhoe is not yet a member of the International Council on Mining and Metals (ICMM) or other industry organisations that have sustainability management systems that typically include local procurement as a component.

ROLES AND RESPONSIBILITIES FOR LOCAL PROCUREMENT

Though several departments play a role in the success of local procurement at Platreef, two key departments are primarily involved:

- ◆ **The Supply Chain Department** - the Supply Chain team is responsible for procurement at Platreef and is divided by project based and operational procurement.³
- ◆ **The Sustainability Department** - the Enterprise Supplier Development (ESD) and Transformation team sit under the Sustainability team and are tasked with supporting supplier development.

The two departments work separately to ensure that contracts are awarded objectively, but do work together to provide feedback to unsuccessful, local suppliers from primary communities (the host communities that are directly affected by the project's activities) and secondary communities (those communities surrounding the host communities, but excluding the town of Mokopane). The ESD and Transformation team can then help suppliers to implement this.

CATEGORISING AND TRACKING PROCUREMENT SPENDING

Platreef's spending on goods and services is significant. In 2023, the equivalent of \$218 million USD was spent on procurement as construction continued, and more than \$204 million of this was spent on South African suppliers (mostly in South African Rand).

Showing how much procurement spending can be shifted to local communities with proactive efforts and capacity-building for suppliers, in the month of May 2023, local spend (see definition below) made up R57,113,452 of the total procurement spend (the equivalent of over 3.1 million USD at the time). By the next year, in May 2024, this had increased to R98,491,246 (the equivalent of close to 5.3 million USD at the time).

Guiding all the efforts to achieve this shift is the constant, detailed measurement of progress through the use of multiple supplier categories used to track where each and every rand goes. For the Platreef Project, Ivanhoe categorises suppliers by seven geographical locations. Globally most mining companies tend to categorise and measure procurement across only two or three categories – either national and international, or local, national, and international. Ivanhoe, creating seven geographic-based categories of suppliers for the Platreef Project, has

¹ "Historically Disadvantaged Individual (HDI (or Historically Disadvantaged South African) (HDSA))" means a South African citizen – (1) who, due to the apartheid policy that had been in place, had no franchise in national elections prior to the introduction of the Constitution of the Republic of South Africa, 1983 (Act No 110 of 1983) or the Constitution of the Republic of South Africa, 1993 (Act No 200 of 1993) ("the Interim Constitution"); and / or (2) who is a female; and / or (3) who has a disability: Provided that a person who obtained South African citizenship on or after the coming to effect of the Interim Constitution, is deemed not to be an HDI." National Treasury, South Africa. Preferential Procurement Regulations, 2001 Pertaining to The Preferential Procurement Policy Framework Act: No 5 Of 2000.p.3. https://www.treasury.gov.za/legislation/pfma/supplychain/gazette_22549.pdf

² South African government Gazette. Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry. 2018. p.17. https://www.gov.za/sites/default/files/gcis_document/201809/41934gon1002.pdf

³ Operational procurement includes procurement needed to run the regular mine's operations. Project level procurement tends to be more technical and often requires suppliers from outside of the communities– necessitating the need for a Contractor Framework that includes local procurement requirements for these suppliers.

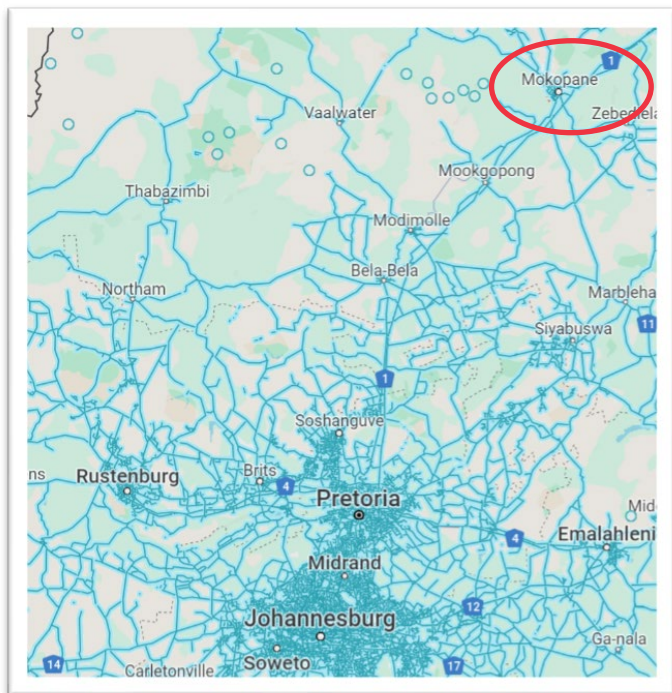
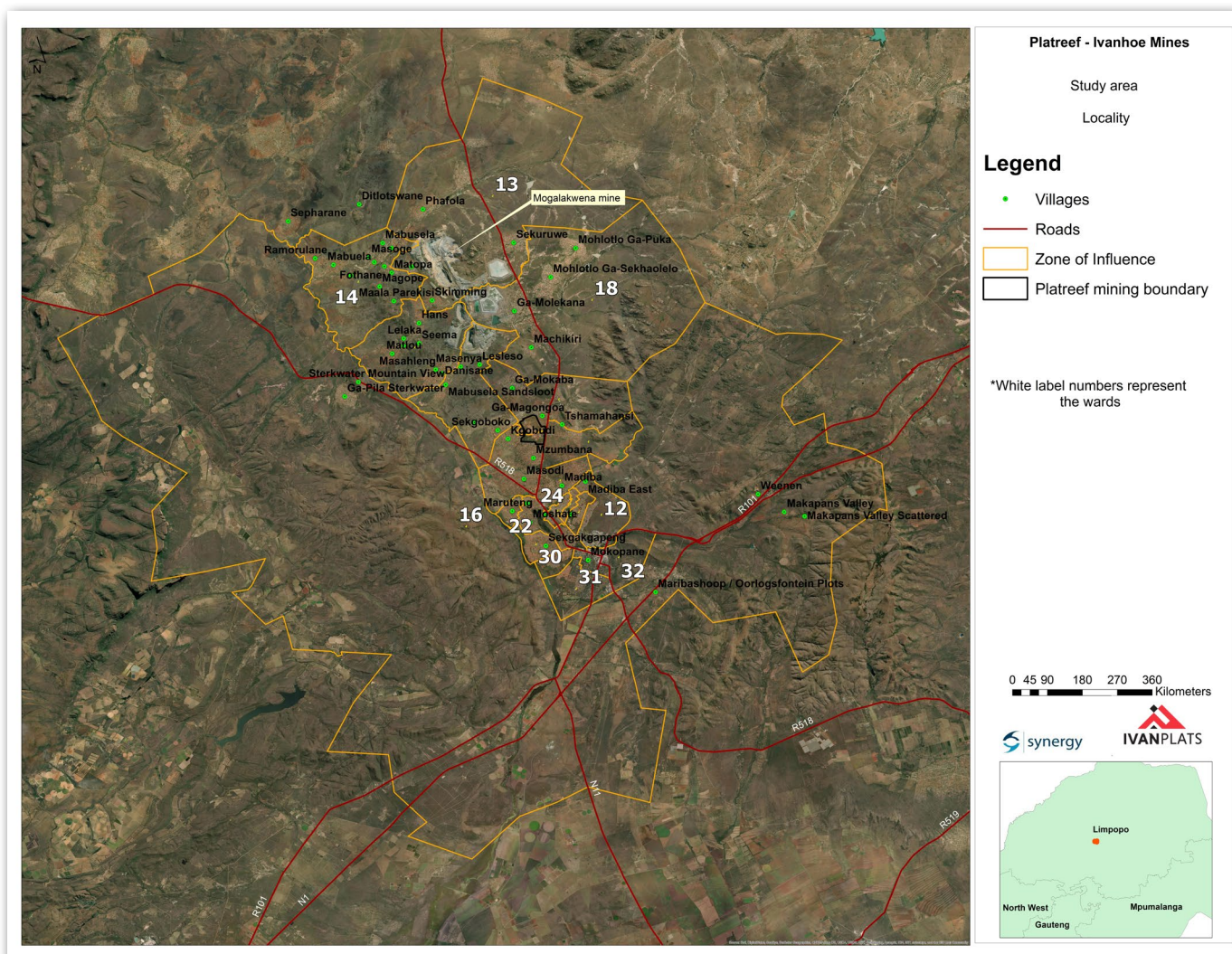


Figure 2.
Map showing distance between Pretoria and Mokopane, South Africa

Figure 3.
Map of the Platreef Mine and surrounding communities.
Image courtesy of Synergy Global.



allowed a much more sophisticated approach to local procurement. This level of granularity sets up the company to continuously find opportunities to shift procurement spending closer and closer to the mine site.⁴

(Figure 4/Pg 7) are the seven categories.

Overlaid over this geographic breakdown of procurement spending, Ivanhoe also categorises suppliers by several other attributes, including black youth-owned business as well as businesses owned by black individuals living with disabilities, black women, and HDI. Measuring for most of these categories is also a key component of the B-BBEE procurement scoring criteria.⁵

While this sophisticated categorisation of suppliers by Ivanhoe was initially inspired by South African regulations, mining companies in any country can track supplier spend and break down suppliers by categories by using LPRM disclosures 301: *Categorising suppliers* and 302: *Breakdown of procurement spend* as a guide. LPRM disclosure 507: *Procurement from Particular Groups* also encourages the reporting organisation to describe efforts that proactively encourage suppliers to include and support particular groups, such as women, visible minorities, youth, and Indigenous communities (Figure 5/Pg 7).

At Platreef, procurement data is collected by using software, such as Power BI and other bespoke tracking systems and includes a breakdown of the:

- ◆ Percentage of procurement spend per community, per supplier, and per product
- ◆ Projections of when community procurement spending will become unbalanced
- ◆ Monthly procurement spend versus monthly target
- ◆ Future procurement opportunities

To ensure supplier data is up-to-date, and that the company can draw from reliable information, suppliers are required to enter their B-BBEE compliance data into Platreef's supplier platform. This must be kept up to date or the supplier will be locked out of the platform.

The company not only tracks these categories internally, but also publicly reports goods and service spend by locally owned, HDI-owned, women-owned, youth-owned, and B-BBEE compliant. This is displayed as a percentage achieved vs target in its sustainability report. In addition to this, for mining companies aiming to report on similar categories it is recommended that they also display this as a dollar value to make for easy comparison between the amount spent on each category.

⁴ Given South Africa's existing manufacturing capabilities, in Platreef's case, it makes sense to look for opportunities to shift procurement from large urban centres to locations closer to the mine site. However, in cases where countries do not already have significant manufacturing capabilities, companies may want to consider how best to continue to support local procurement, while also supporting suppliers from large urban centres that have the potential to manufacture items domestically, resulting in more job creation and benefits to the national economy. This would be prudent in cases where a local supplier is fully importing an item and does not yet have the capacity to make the item locally. In an ideal scenario, however, long-term the company would support the local supplier to manufacture the item locally by engaging in partnership or joint venture models with suppliers in urban centres, helping local suppliers develop the necessary manufacturing skills.

⁵ South Africa Department of Trade and Industry. Amended Code Series 000: Framework for Measuring Broad – Based Black Economic Empowerment. 2013. p. 102 - 103. https://www.thedtic.gov.za/wp-content/uploads/BEE-code_gud_practice10102013.pdf

Local business representatives engaging in discussions as part of the business partnership workshop hosted in the first quarter of 2024



Figure 4.
Platreef's geographical breakdown of supplier spend

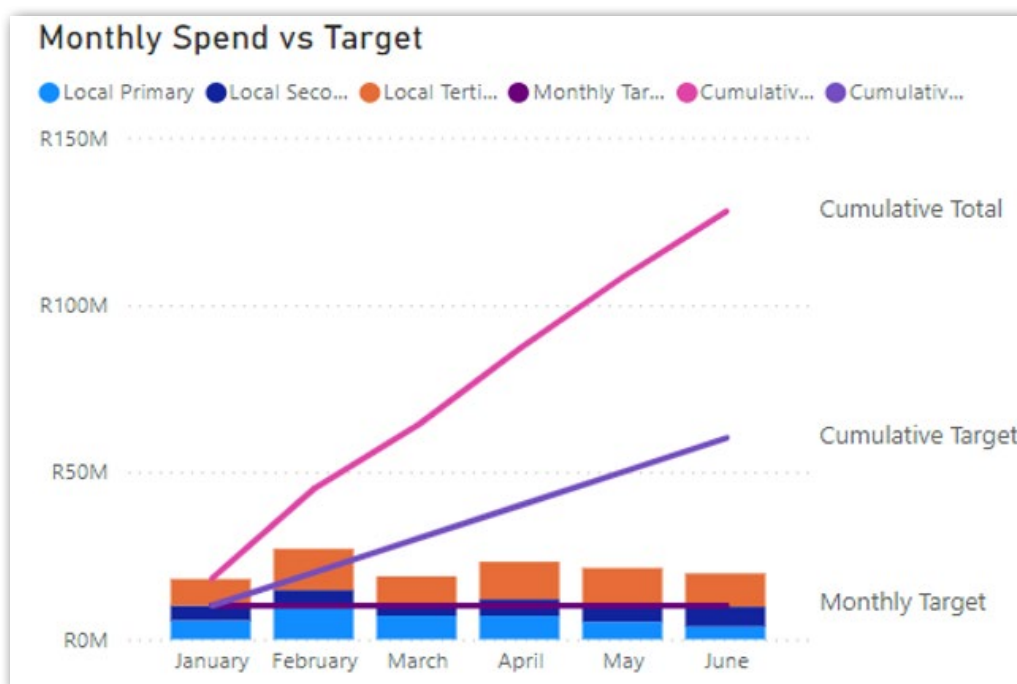


Figure 5.
An example of Ivanhoe's tracking of spend per month against target by local, secondary, and tertiary categories



TENDERING PROCESS

Bidding for Procurement Opportunities

Due to the mine not yet being in production, currently, the Platreef website contains only basic information and contact details. For now, the company is contacted by prospective suppliers on the general e-mail address located on the Platreef website, and then referred via email to Platreef's community website, Maru a Mokopane. The site contains separate tabs for procurement, including access to expression of interests (EOI), a supplier portal, and supplier training opportunities (*Figure 6/Pg 9*).

In addition, businesses can learn more about procurement at the Platreef Project through the Procurement Handbook, which is located as a PDF file on the Maru a Mokopane website. The handbook introduces suppliers to internal procurement processes, including procurement and payment process flow, EOI process, sourcing mechanisms, evaluation of tenders and quotes, vetting suppliers, the supplier portal, and company contact details.

On Maru a Mokopane, interested businesses can view procurement news and apply to opportunities for EOIs regardless of whether they are formally registered as a supplier or not. Requests for Quotes (RFQ) are sometimes placed on the website, but in most cases, after the Platreef team receives responses to EOIs, the team sends out individual RFQs to the companies that have applied. This system helps to cultivate company transparency and, importantly, helps businesses who are not yet suppliers. For many mining companies it is only after a company registers that suppliers can access basic practical information, and this acts as a barrier to lower capacity businesses and those new to supplying major corporate buyers.

Once a prospective supplier applies to the advertised EOI, if they are eligible, they will be asked to register more formally with the supplier portal (*Figure 7/Pg 9*). Here, the supplier must register with the platform and answer a series of eligibility questions, including good or service type, company registration, and B-BBEE compliance.

To mitigate supplier risks for human rights abuses and other problematic practices, as part of the registration process Platreef requires suppliers to disclose their policies on forced labour, anti-bribery, and other matters of ethical conduct. This information is then used as a foundation for further vetting through third-party supplier risk management systems and other channels.

In addition to businesses navigating procurement opportunities through Maru a Mokopane, procurement opportunities are also sent out to the local community steerco procurement group, placed on notice boards in the community, and disseminated via Platreef's mobile office.⁶ Additionally, Platreef's labour desk holds curricula vitae (CVs) from the local community members that have been

previously submitted by the steerco group to Platreef, as well as an updated cell phone contact list. Current available procurement opportunities that are advertised on the Maru a Mokopane website are sent to the contact list via SMS every Friday. The team is also in the process of developing the Platreef Facebook and LinkedIn accounts where all opportunities will be shown.

Supplier Evaluation and Local Procurement Requirements

For the supply chain operations team, bids are evaluated based on a scoring criterion. Bonus points are received for supplying from female, youth, or suppliers living with disabilities.

Scoring Criteria for Bids for Contracts in the Operations Team:

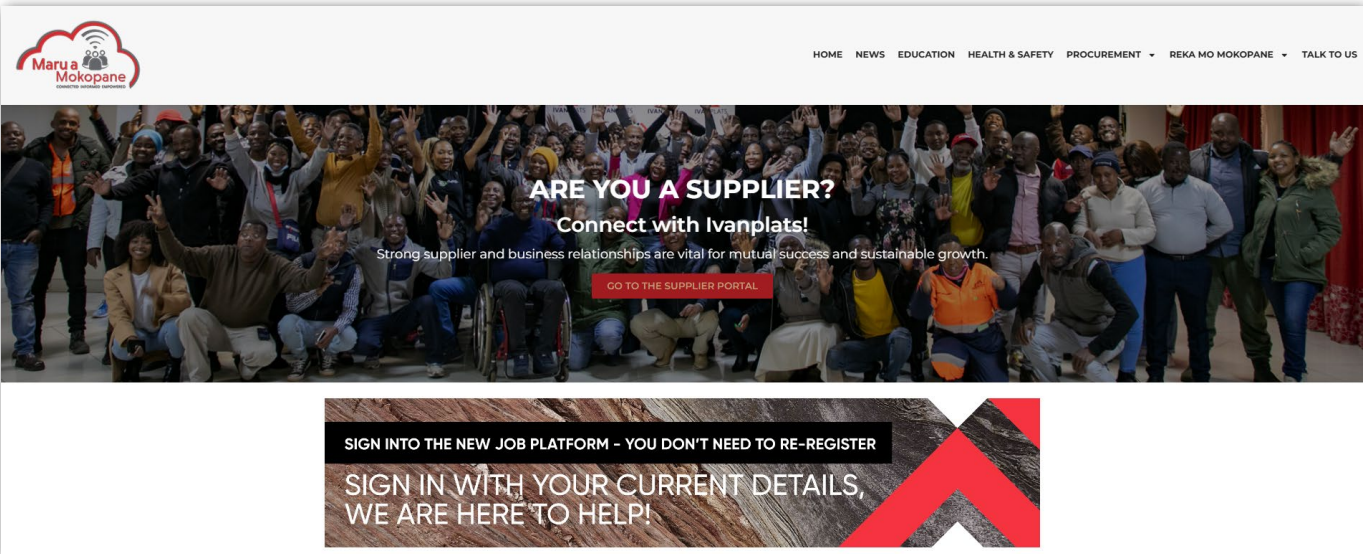
- ◆ Price
- ◆ HDI
- ◆ Location (i.e., local community)
- ◆ B-BBEE score
- ◆ Labour plan
- ◆ Supplier experience, delivery, availability, project plan, and quotes
- ◆ Female (bonus points)
- ◆ Youth (bonus points)
- ◆ Disability (bonus points)

The scoring criteria for bids for contracts in the projects team include technical, commercial, and B-BBEE commitments. Similar to the scoring criterion for operational procurement, B-BBEE considerations include procurement commitments to local spend, female ownership, and a commitment to support entrepreneurship for youth-owned businesses.

By scoring and desegregating data into specific categories, the team can use this information to create accountability towards supporting more local and disadvantaged suppliers, and to meaningfully shift spend from one category to another. Without measuring these categories, the company would not have adequate data to inform their targets and initiatives to increase spending in certain categories.

⁶ The steerco procurement group is a group selected by the individual community's village representatives and community to represent community interests in all aspects of interaction with the company. One-on-one interaction with the communities continues but the steerco is the central party to communicate with Platreef.

Figure 6.
Platreef's community website Maru a Mokopane with access to the supplier portal



Application status **Created**

Introduction

Legal

Scope

Details

Address

Contacts

Directors

Shareholders

Type of Business

Subcontractors

Bank

Conflict of interests

Compliance

HSE

Comments

Supplier Application Procurement Terms and Conditions

Standard Purchase of Goods.pdf

Standard Services Contract.pdf

In addition to the Ivanplats Standard Terms:

Request for Quotes

- The supplier agrees to adhere to Ivanplats' Request for Quotes.

Purchase Orders

- The supplier agrees to acknowledge receipt of an Ivanplats purchase order within 48 hours.

Warehouse and delivery instructions

- No partial deliveries will be allowed unless prior authorization is granted by Ivanplats' Management
- No overdue/late deliveries will be tolerated
- Delivery documents are compulsory and failure to produce them will result in the Ivanplats Warehouse not accepting the goods
- Over or Under supply is not acceptable

Accepted by *

I have read and agree to the Ivanplats Standard Terms and the terms and conditions stipulated on this portal *

Please choose

Last updated 1 second ago

<

>

CANCEL APPLICATION

Figure 7.
Supplier registration form on Platreef's supplier portal

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The Use of Contractor Frameworks for Projects

As described above, the development of Platreef involves huge amounts of procurement spending as part of construction, which requires many major projects to construct parts of the eventual mine. These projects are technically demanding and involve complex equipment and technology, and so typically only larger suppliers can meet these needs. Without proactive efforts, smaller suppliers at the local level of a mine development project can be sidelined due to the challenges.

To ensure that local and HDI suppliers are not overlooked, for project-based procurement, the Ivanhoe supply chain team collaborates with design engineers to define procurement needs. Contractors Frameworks are put in place for larger suppliers that lead on projects as a mechanism to ensure that they also contribute to local procurement.⁷

These contractor frameworks include:

- ◆ A section on procurement that requires suppliers to mentor and upskill small, medium, and micro enterprises (SMMEs)
- ◆ Targets for locally focused procurement spend
- ◆ Commitments towards preferential procurement towards HDI

Where it is not possible to procure from true local suppliers, companies involved in project level procurement must take the necessary steps to promote local businesses where possible. Of course, suppliers should also be capable of supplying the required goods or services within a time frame and quality acceptable in comparison to other suppliers in the broader market.

Supplier Feedback

Another crucial part of Ivanhoe's procurement process for supporting local suppliers is to provide feedback to businesses unsuccessful in their bids. During the tendering process, local primary and secondary suppliers unsuccessful in winning bids are sent feedback via a letter (*Figure 8/Pg 11*). At present this is done manually, however, the company hopes to integrate this into the supplier portal to improve efficiency. Efforts to provide feedback to local suppliers are important to foster transparency and create fairness. By providing basic feedback, it not only improves supplier and community perception of mining companies, but also allows for suppliers to improve their products and services to increase the likelihood of being successful in future bids.

SUPPLIER DEVELOPMENT

The ESD and Transformation Team

At Platreef, supplier development (SD) not only focuses on the objective of supporting local businesses, but at its core, is rooted in the concept of "transformation." The concept of transformation in South Africa originated post-apartheid and is based on:

The vision of the Constitution, "that South Africa needs transformation that opens a path to inclusive economic growth and development. Growth without transformation would only reinforce the inequitable patterns of wealth inherited from the past. Transformation without economic growth would be narrow and unsustainable."

"Government's objective is not merely to transfer ownership of assets or opportunities to contract with the state: it is to change the structure of the economy. Broad-based transformation should promote growth, mobilise investment, create jobs and empower citizens. It must create new resources to support social change, including assets and livelihoods for the majority, and strengthen South Africa's constitutional foundations."⁸

For years, Platreef has supported ESD through helping local businesses to provide services on site, including laundry services, waste management, and catering. Their on-site laundry service, Tlhwekisha (*Figure 9/Pg 11*) provides laundry and cleaning services to all employees at the mine and was started in 2015 by six individuals from the local community. Initially, the business was assisted by Platreef with a loan, and since then the business has benefitted from free access to electricity and water as well as ongoing management coaching and mentoring from Platreef.

Having since broadened their definition of ESD, with long-term sustainability and true transformation in mind, over the last few years, Platreef has approached ESD with a slightly different lens. Now when investing in suppliers, the company looks to ensure that suppliers are not solely reliant on the mine for business and that market diversification is considered from the onset.

⁷ There is less need for operational contracts to contain such a Contractor Framework, as the purpose of these Contractor Frameworks is to layout the requirements of major providers of services. In most cases, local suppliers that typically hold contracts that fulfil operational procurement needs often purchase from one another already, because the contracts tend to be less technically demanding – reducing the need to contractually require local procurement spend from local suppliers. The less technical nature of operational contracts also means it is easier for new, smaller suppliers to win bids.

⁸ National Treasury South Africa. Extract From The 2017 Budget Review Transformation for Inclusive Growth. 2017. p.1. <https://www.treasury.gov.za/documents/national%20budget/2017/review/BR1.%20Transformation%20for%20growth.pdf>

1. With reference to the above-mentioned tender / RFQ, we hereby wish to inform you that your submission was unsuccessful due to the following:

<u>Pricing</u>	X	<u>Proof of Previous Experience</u>		<u>Proof of Residence</u>	
<u>Tax Clearance</u>		<u>BBBEE Status</u>		<u>Incomplete Documentation</u>	

2. Our ESD Department hosts various training opportunities for local suppliers, and you are encouraged to contact them should you require development on our procurement processes.

Figure 8.
Example of Platreef's feedback letter sent to local suppliers

Figure 9.
Dimakatjo Lebelo is one of the six owners of Tlhwekisha, an on-site laundry and cleaning service at the Platreef mine site



EOI: SUPPLY AND INSTALLATION OF TILES

October 4, 2024

REQUEST FOR EXPRESSION OF INTEREST

Ivanplats (PTY) LTD is issuing this Request for Expressions of Interest to attract interested suppliers from the Mokopane Community to participate in the tendering process for the supply and installation of tile material.

Ref Number	Package Description
SOM003/24	tile supply and installation

The scope of work will include the following:

1. scope of work: tile supply and installation.

Supply and Installation of Tiles below:

Tiles 1050 (375m²)

- Floor Tiles – 600 x 600mm CERAMIC FLOOR TILES, COLOUR : GREY
- Wall Tiles – 600 x 300mm CERAMIC WALL TILES : WHITE

Information to be submitted by prospective Suppliers:

- Completed and Signed Letter of Interest
- ID Copies of all shareholders/members
- Business Profile
- Proof of residence of shareholders/members (PTO)
- Company Registration Documents (CK)
- SARS Tax Clearance Certificate
- Letter of Good Standing
- Any building society endorsement, (if Available)
- CIDB grade 2
- Information given by the prospective Supplier shall be treated in strict confidence

PLEASE NOTE: THIS IS NOT A REQUEST FOR QUOTATION OR PROPOSAL. PLEASE DO NOT SUBMIT ANY PRICES AT THIS STAGE

Figure 10.
Example of a local partnership EOI posted on the Maru a Mokopane website

Partnerships – A Deeper Concept of Joint Ventures⁹:

One way the ESD teams seeks to achieve the goal of avoiding dependency on only the mine for contracts, is by working closely with the supply chains department to identify products and services that they believe have the potential to be sourced through a partnership arrangement between local businesses and larger, more established companies – often based in larger city centres. Before Platreef posts opportunities for new partnerships, however, they always first look to the local community to avoid introducing new competition.

If there is no supplier at the local level who can supply on their own, a larger partner company is identified, and Platreef posts EOIs on their website for local companies to apply to (**Figure 10/Pg 11**). The selection process is stringent but ultimately the company seeks to attract suppliers committed to the process. The partnership model, as Ivanhoe envisions this process, works similar to the joint venture model that mining companies often use to help local suppliers work with more established businesses to build their capacity. However, through their partnership model Ivanhoe stresses that the company tries to avoid the pitfalls that are often associated with typical joint ventures, for example, the risk of larger companies partnering with smaller companies to act as a “front” for larger suppliers to win contracts – resulting in limited capacity transfer to allow local suppliers to be sustainable long-term. The Platreef partnership model also seeks to give 51% ownership to local companies and encourages – from the beginning – suppliers to look at additional market opportunities.

Larger companies are typically open to these types of partnerships due to an agreement that the larger supplier can select which local company to partner with, providing more assurance that the partner has been fairly selected and has the necessary ingredients for success.

Furthermore, the B-BBEE Codes of Good Practice recommends various ways to enhance scoring against the ESD scorecard. In order to comply with the Enterprise Development (ED) subcategory, Platreef uses three-year development contracts for emerging business that are not trading with the mine. For entities that are already suppliers but who still require development, three-year Supplier Development (SD) contracts are used, coupled with supply agreements. While ED and SD are considered priority elements, the codes additionally recommends that entities that are at least 51% black-owned, but who are neither ED nor SD beneficiaries be awarded three-year supply agreements to assist with their growth and sustainability. This allows the mine to claim enhanced recognition on its

procurement scorecard, while meeting the requirements of the B-BBEE codes of good practice. These provisions are factored into how Platreef uses the Codes to inform their own supplier selection and also how they score suppliers on their contribution to B-BBEE.¹⁰ It is worth noting that the South African Mining Charter mandates that SD contracts span five years, and as a result, efforts are generally made to align contract awards with this requirement.¹¹

Once selected to engage in the partnership, local suppliers are supported throughout the duration of negotiations. Proceeding this, Platreef takes back the position of client.

Due to the need, in many cases, to build local supplier capacity, it would be difficult for Platreef to automatically shift procurement spend from national to town level without the initial capability of local businesses to fulfil contracts. The role of sophisticated categorisation and measuring is therefore key to determining what opportunities can be shifted to the local level with the support of partnership models.

Local Supplier Partnership Examples:

Mokopane Diesel Depot

When Tshepo Mahlaola and Thabo Kekana found a procurement partnership opportunity advertised by Platreef with Johannesburg-based petroleum company Velar Petroleum, the two decided to join forces to apply their relevant industry skills to supply diesel to the Project (**Figure 11/Pg 13**). The owners initially heard about Platreef's procurement opportunities at an information session held at a nearby hotel and found the EOI through the company's website.

Throughout the selection process, the supplier shared that they continued to receive clear communication on the process status and were provided a specific Platreef supply contact once the partnership agreement with Velar was signed.

After going through a series of negotiations the company, in partnership with the Johannesburg-based petroleum supplier, was awarded a five-year contract to supply diesel (**Figure 12/Pg 13**).

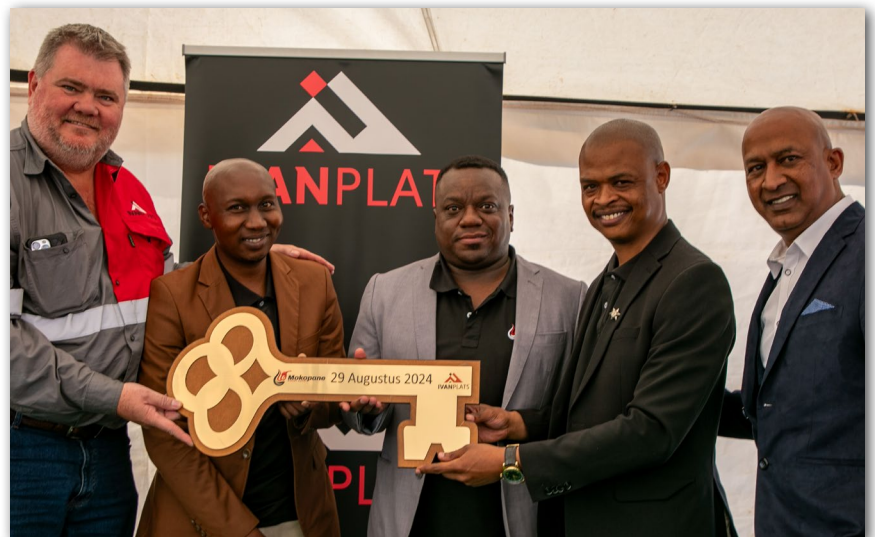
⁹ “A joint venture is a combination of two or more parties that seek the development of a single enterprise or project for profit, sharing the risks associated with its development.” Cornell Law School. “Joint Venture”, accessed September 20, 2024. https://www.law.cornell.edu/wex/joint_venture

¹⁰ South Africa Department of Trade and Industry. Amended Code Series 000: Framework for Measuring Broad – Based Black Economic Empowerment. 2013. p. 64 - 65. https://www.thedtic.gov.za/wp-content/uploads/BEE-code_gud_practice10102013.pdf

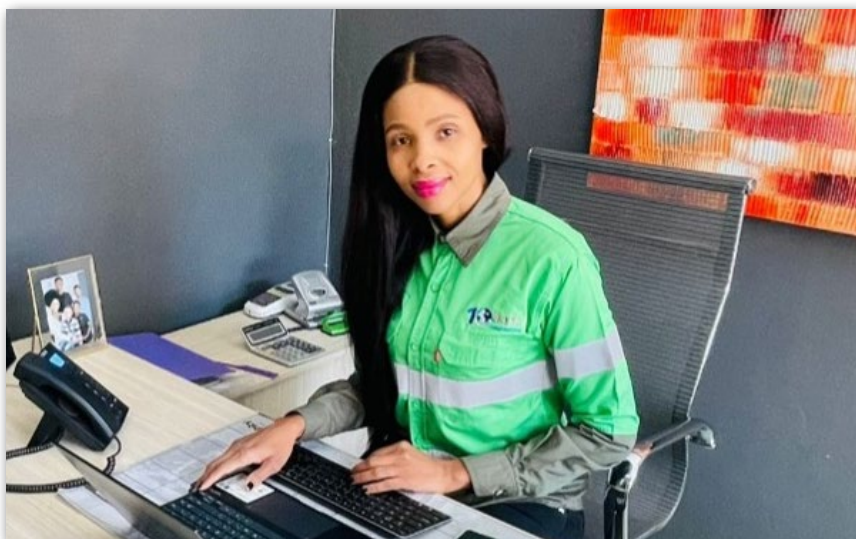
¹¹ South African government Gazette. Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018. p.36. https://www.gov.za/sites/default/files/gcis_document/201809/41934gon1002.pdf



▲
Figure 11.
The Mokopane Diesel Depot,
in Mokopane



▶
Figure 12.
From L to R- Arthur Oosthuizen
(GM Sustainability Ivanplats),
Tshepo Mahlaola, Lee Dlamini,
Thabo Kekana and Dr Poobie Pillay
(Head of Transformation Ivanplats)



◀
Figure 13.
Itumeleng Kekana from 10Eighty a company
supplying engineering services to Platreef
since 2019

Through continued support, Platreef's ESD team has connected the supplier with the Industrial Development Corporation of South Africa (IDC) to be evaluated for financing opportunities for the expansion of its depot and required buildings. The IDC is a South African Government entity with the mandate "to maximise development impact through job-rich industrialisation, while contributing to an inclusive economy by, among others, funding black-owned and empowered companies, black industrialists, women, and youth-owned and empowered enterprises".¹²

Located on the way to the mine site, the company now has a permanent depot spot and owns two trucks. The strategic site of the depot also makes it an ideal location to provide diesel in the future to traffic passing by.

With a focus on exploring new opportunities and ensuring long-term sustainability, the company is now actively engaging with other mining companies and industries as potential clients, with the target market being Limpopo. And as part of their contract, Mokopane Diesel Depot will have its own obligation to buy from local suppliers and are already discussing the conditions of local suppliers payment terms.

10Eighty

Itumeleng Kekana began supplying engineering services to Platreef in 2019, after hearing of a potential partnership opportunity on the Platreef website between Ruco Engineering, a larger supplier based in Potchefstroom, and her engineering firm 10Eighty (*Figure 13/Pg 13*). It was not her first time supplying to Platreef; Itumeleng had engaged with the project through a previous business providing training services to the company and benefitted from her prior experience supplying to other mining companies in the area.

When it comes to working with Platreef, Itumeleng shared that she was impressed by Platreef's processes; the company exercises transparency, and both the supplier platform and checklist to submit company procurement document are both fast and easy to use. In terms of challenges, there are areas for small improvements, for example, 10Eighty occasionally has had to send follow up payment reminders, but generally Platreef is fast to respond and has been open to negotiating payment window terms.

To support local procurement, 10Eighty negotiates these terms with the Platreef team, as in some cases the local communities do not yet have the technical expertise to provide the necessary goods and services. When it does

come time to procure more goods and services locally, 10Eighty's previous experience will prove useful. They are for example, familiar with working with suppliers through sub-contracting and already have experience vetting suppliers through interviews, reviewing suppliers track records, aligning offtake practices, and by aligning supplier payments with their client's payment terms.

At present, many of the items, such as steel or other items that need to be fabricated, continue to be procured outside of the community since they are not yet made locally, but Platreef is currently exploring opportunities for more local involvement. Long term, 10Eighty hopes to be able to grow and one day fabricate these items locally themselves and are already doing some local fabrication in partnership with their partner entity from Potchefstroom.

Additional Support¹³

In addition to partnerships, there are several ways that the company supports supplier development, including through:

- ◆ An enterprise accelerator programme consisting of a five-day workshop ending with a business pitch
- ◆ Training on: Microsoft, Tendering Processes, Finance, Marketing, Business Plans, Ethics/ HR Management, and How to do Business with Platreef
- ◆ Supplier coaching and mentorship
- ◆ Negotiating payment windows for local suppliers¹⁴

The team also proactively responds to supplier challenges as they arise. For example, when Platreef discovered that a lack of quality supplier applications derived from inadequate internet and computer access, the team constructed a basic cyber centre outside of the site so that potential suppliers would have a place to complete applications to meet Platreef's requirements.

Furthermore, the team attributes a reduction of supplier complaints to a new process that requires all ESD queries to be responded to within twenty-four hours, and for meetings to be booked within two-weeks of the initial request.

Finally, Platreef's mobile office visits local communities to address procurement questions and concerns, while providing community members with information about new opportunities. The schedule for the mobile visits is available on the company's website.

¹² "About Us," Industrial Development Corporation, accessed August 28, 2024. www.idc.co.za/about-us/

¹³ For mining companies looking to support ESD even further, companies may wish to look at ways to support suppliers to adopt environmentally friendly practices within their operations. This will become increasingly important as investor expectations grow stricter and new supply chain legislation is introduced, requiring mining companies to explore ways to assist suppliers in embracing circular practices and reducing carbon emissions.

¹⁴ Local suppliers often face cash flow challenges when starting out. By offering flexible payment terms that shorten the time suppliers need to wait to be paid for their goods and services (e.g., 14-day payment terms), companies can help strengthen the resilience and long-term sustainability of local suppliers.

ACCESS TO FINANCE

As access to finance is often a challenge for local suppliers in many countries, local suppliers engaged with Platreef (through the partnership model) are typically not required to contribute their own money to the venture and instead receive funding support from elsewhere. In most cases, the larger partner entities have self-funded the startup of the new local business. Other sources of funds may also come from financing from the Industrial Development Corporation of South Africa (IDC) which offer tailored funding options to SMEs to support industrialisation goals across the country.

In addition to linking suppliers to funding, Platreef will also help suppliers to apply for funding. Once a partnership is established, and Platreef enters into a supply agreement, government funders will consider this as 'secured' business to provide funding to if required. Examples of this include local businesses providing oil and lubricants, as well as stationary supplies to Platreef. Both enterprises have been fortunate to have secured grant funding from the National Youth Development Agency based on their relationship with Platreef.¹⁵

For suppliers not taking part in the partnership model, but that struggle with financing, the ESD department provides bridging funding to cover the cost of materials required to get started and will sign a cession with the supplier to refund the department once invoices are paid.

CHALLENGES

While Platreef does coordinate with government programmes and funding opportunities, supplier development is largely company driven. Though this does allow for an efficient scheme, it also means that communities may become reliant on the company for opportunities, potentially leading to a dependency on the company instead of looking to the government to spearhead business development activities across the sector. In turn, there seems to be room within the South African mining context for other types of government or association support to be made available to support small businesses to supply the sector. This would enable local suppliers in other mining communities to equally benefit from supply opportunities.

To combat this over-reliance, it is worth noting that the ESD team at Platreef has provided training to local suppliers to actively seek out their own partnerships and JV's where necessary, with the ESD team providing advice and guidance on the negotiation and contracting process to minimise the dependency on the mine to create opportunities.

As an example of a sector wide scheme, models such as the Botswana's Business Supplier Development Programme, with support from UNDP can be looked to. The model had two main focuses: connecting suppliers with business development consultants and connecting suppliers with financial institutions that provide favourable financing tools to SMEs. Over a ten-month period, consultants support SMEs through the six stages of the SDP business methodology.¹⁶ A similar model was previously used with UNDP South America and Asia and is now being replicated across other African countries. While this is not necessarily government driven, it seeks to support the sector rather than to focus on one company's supplier development activities.

While Platreef's work with local suppliers is a model for success it is also clear that mining companies in the area are working in a siloed manner. The risk of this is that there is less chance to achieve economies of scales through combined company efforts, and that such a focus on only catchment area communities may result in supporting several small businesses that have less potential to scale.

CONCLUSION

Supporting local Procurement at Platreef has required a continuous commitment from the company to support B-BBEE requirements and to track and measure procurement spending, with the goal of ultimately shifting it to local communities in a meaningful, sustainable way that considers ownership, diversification, and building long-term economic benefits to host communities. As the first mining company to adopt the LPRM, the company has demonstrated how measuring procurement and increasing transparency can lead to more economic benefits to host communities and improve company trust among local businesses.

However, it does not come without challenges. A dedicated team of supply chain professionals, the ESD team, and other supportive departments must continue to look for creative ways to ensure that procurement needs are met, while carving out real opportunities for local businesses. Where local capacity does not yet exist, Platreef is committed to analysing procurement needs against procurement partnership opportunities to create long-lasting, technical skill transfer.

The company holds its suppliers to high standards, a sentiment reflected in conversations with suppliers who not only show a commitment to delivering quality products and services but also demonstrate a strong passion for growth.

¹⁵ The NYDA is a South African-based agency that was established primarily to address challenges faced by the nation's youth. NYDA. (n.d). Who are we?, accessed on November 20, 2024. <https://www.nyda.gov.za/About-Us/What-is-NYDA.html>

¹⁶ UNDP Botswana. "Business Supplier Development Programme (SDP)", accessed April 15, 2024, <https://www.undp.org/botswana/business-supplier-development-programme-sdp>