

# Local Procurement and Public Reporting Trends across the Global Mining Industry

An Analysis of Company Reporting, 2012 – 2013

*Canadian Mining  
Supplementary Edition*



engineers without borders  
ingénieurs sans frontières  
Canada



An Engineers Without Borders Canada Venture



## Engineers Without Borders Canada

Engineers Without Borders Canada (EWB) invests in systemic innovations to create a world free from poverty and inequitable development – a world of dignity and equal opportunity where everyone is able to realize their full potential.

Over the past 15 years, EWB has learned that using appropriate technology alone does not address the root causes of poverty. EWB has developed a “systems thinking” approach to addressing development issues. This holistic approach encourages people to analyze how existing social, economic, and political systems reinforce cycles of poverty and inequality, and how to identify opportunities to change these systems to create desirable development outcomes.

Mining is one of EWB’s areas of focus where it invests in supporting ventures that transform the way that global systems behave. Of the historically resource-driven countries, 80% of these countries have per capita incomes that are below the global average.<sup>1</sup> As such, many developing, resource-rich countries have not been able to effectively use their extractive industry resources to create inclusive growth and development.

For this reason, EWB supports Mining Shared Value and their efforts to improve the impacts of mining activity through increasing local procurement.

## Mining Shared Value

The mission of Mining Shared Value is to increase the degree to which mining companies purchase their goods and services locally. If the mining industry adopts more comprehensive local procurement strategies, this will bring significant economic and social benefits to the host economies and local communities that are impacted by mining activities.

To accomplish its mission, Mining Shared Value works with a diverse group of development and industry stakeholders that are active in this issue area, including international development institutions, Canadian government agencies, and mining companies.

For more information about Mining Shared Value, please visit [www.miningsharedvalue.com](http://www.miningsharedvalue.com)

## Contents

|   |           |
|---|-----------|
| <b>Executive Summary</b>  | <b>4</b>  |
| <b>Introduction</b>   | <b>7</b>  |
| Local Procurement, Development, and the Mining Industry                           | 7         |
| The Local Procurement Business Case for Mining Companies                          | 8         |
| Methodology of the Study  | 10        |
| Local Procurement Survey Questions  | 12        |
| <b>An Analysis of Local Procurement Public Reporting</b>                          | <b>13</b> |
| High Level Trends   | 13        |
| Category 1 Data Findings: Mentions of Local Procurement                           | 13        |
| Category 2 Data Findings: Supplier Conduct  | 15        |
| Category 3 Data Findings: Local Procurement Statistics                            | 17        |
| Category 4 Data Findings: Global Reporting Initiative                             | 18        |
| Global Leaders in Local Procurement Report  | 21        |
| <b>Conclusion</b>   | <b>23</b> |
| <b>Appendix A: Global Mining Industry Local Procurement Public Reporting Data</b> | <b>24</b> |
| <b>Appendix B: Canadian Mining Industry Supplement</b>                            | <b>30</b> |
| Introduction  | 30        |
| An Analysis of Canadian Local Procurement Public Reporting                        | 38        |

Conclusion 47

**Appendix C: Canadian Mining Industry Local Procurement Public Reporting Data 48**

**Appendix D: Resources 54**

**Endnotes 55**

## Executive Summary

### Introduction

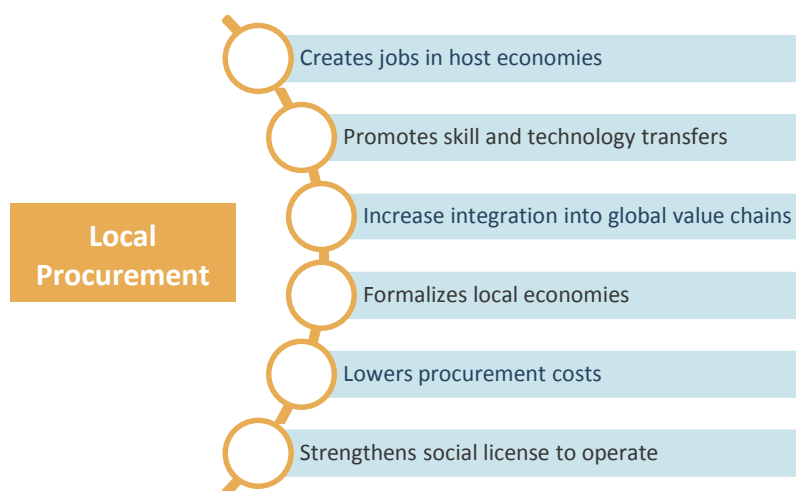
The Mining Shared Value venture of Engineers Without Borders Canada is excited to present *Local Procurement and Public Reporting Trends across the Global Mining Industry: An Analysis of Company Reporting, 2012-2013*. This report provides an overview of the global mining industry's prioritization of local procurement. It does so by measuring the degree to which the largest mining companies publicly report on local procurement. This version of the report also includes an appendix on the local procurement public reporting trends in the Canadian mining industry. For more information, please see Appendix B: Canadian Mining Industry Supplement.

### Report Objectives

- To provide an overview of the trends in public local procurement reporting by the global mining industry, between 2012 and 2013
- To encourage mining companies to increase the level of detail in local procurement reporting, and for companies to adopt more comprehensive local procurement strategies
- To showcase the leading efforts of particular companies in local procurement reporting

### Local Procurement, Development, and the Mining Industry

The role of mining in development is a contested topic of discussion amongst policymakers, industry, and civil society. However, in order to achieve better impacts of mining activities in developing countries, we need to move away from asking, "Is mining good for development?" Instead, mining industry personnel and international development practitioners should ask, "*Under what conditions* can mining activities contribute to desirable development outcomes?"



One of these conditions that must be met is for mining activity to have strong economic linkages to the domestic economies where it is taking place. At the heart of this is the need for mining companies to purchase goods and services locally.

Local procurement epitomizes the positive role that the private sector can play in development. In host countries, purchases of local goods and services by mining companies can create local jobs, promote skills and technology transfers, increase the integration of local companies into

global value chains, and aid in the formalization of the local economy. For mining companies, local procurement can lower procurement costs, improve supply chain efficiency, and strengthen their social license to operate.

## The Need for Comprehensive Local Procurement Public Reporting

Any activity of a company cannot be effectively managed if it is not regularly measured and evaluated. Through increased measurement and reporting on issues such as occupational safety, the mining industry has steadily improved performance over the decades. Like occupational safety, it is the goal of Mining Shared Value that local purchasing will become an industry norm, and will be measured and reported extensively on in all companies' corporate responsibility reports. With increased reporting on this issue, company performance can be improved, and as a result, the local economic and social benefits of mining can be increased.

## Methodology

The report draws on the Forbes Global 2000 list, which ranks the world's largest public companies based on sales, profits, assets, and market value, as of April 2014. The largest 40 companies in the Diversified Metals & Mining category of this index were used to make up the sample of companies that were examined in this report.

Mining Shared Value then worked to find the 2012 and 2013 corporate responsibility reports of each mining company in the report sample. When a corporate responsibility report for a particular year was unavailable, Mining Shared Value analyzed the company's annual report for that year. Mining Shared Value then used a set of structured survey questions to evaluate the extent to which local procurement was featured in each report.

Answers to each question were: yes, no or not applicable. If there was evidence within a report to adequately answer a survey question, then "yes" was recorded as an answer to that question.

## High Level Trends

The three general trends that emerged from the study are:

1. The majority of the largest mining companies in the world are publicly reporting on local procurement
2. Companies that used the Global Reporting Initiative (GRI) Sustainability Reporting Framework to structure their corporate responsibility reports were more likely to have more detailed local procurement information publicly available, than companies that did not use the GRI Framework to structure their public reports
3. There is a significant opportunity for the examined mining companies to strengthen the extent to which their local procurement strategies are publicly reported



## Local Procurement Public Reporting Data Findings

The key findings from the examined mining companies' reports are:

1. In 2012 and 2013, almost half of the examined companies reported that they purchase locally “when possible” and/or prioritize purchasing from local suppliers in host countries
2. However, of the 40 mining companies surveyed, only 6 companies publicly reported that they had a local procurement policy in 2012 and 2013
3. Though still small, an increasing number of the analyzed mining companies reported on programs and practices that seek to increase local procurement (e.g. creating a supplier registry, running supplier training workshops, etc.), and provided definitions of “local procurement”
4. A growing majority of analyzed mining companies have policies and procedures which promote responsible business practices (e.g. upholding environmental standards, protecting human rights, etc.) amongst their suppliers
5. More than a third of the examined companies provided statistics on local procurement spending

## Global Leaders in Local Procurement Public Reporting

The leaders in local procurement reporting for 2012 and 2013 were Anglo American, Newmont Mining, Rio Tinto and Barrick Gold. When analyzed, content from these companies' corporate responsibility reports was found to answer “yes” to 75% or more of the survey questions, for both years examined.

This detailed level of reporting makes it easier for stakeholders, like representatives from local chambers of commerce or industry associations, to engage with companies. Such stakeholders can use this information to find points of intersection between their interests and a company's goals, such as coordinating local supplier development programming.

## Conclusion

The data from this analysis demonstrates that the majority of the 40 largest mining companies are already reporting on local procurement in their corporate responsibility or annual reports. As a whole, from 2012 to 2013, the level of detail in local procurement reporting by the largest mining companies increased. This trend suggests that more companies are reporting on their prioritization of local suppliers, local procurement programs, definitions of local procurement, local purchasing statistics, and supplier conduct.

By drawing attention to the gaps between local procurement public reporting best practices and current public reporting practices, it is our aim that companies will adopt more comprehensive local procurement strategies, and publicly report on such strategies in more detail. More robust public reporting will encourage companies to better track, and subsequently, better manage their local spending. In the long term, this will improve the social and economic impacts of mining activities for all stakeholders.



## Introduction

Last year, the Mining Shared Value venture of Engineers Without Borders Canada produced its first mining local procurement report, *Local Procurement by the Canadian Mining Industry: A Study of Public Reporting Trends*. Released in February 2014, the report examined the way in which the 50 largest Canadian mining companies publicly reported on local procurement in their 2011 and 2012 corporate responsibility or annual reports. The report was a great success in drawing attention to local procurement in the Canadian mining industry. Many of the examined companies followed-up with Mining Shared Value after the report's release to discuss ways to improve their public local procurement reporting and programming.

Due to the impact of the first local procurement report, Mining Shared Value has developed a new mining local procurement measurement report that examines the public local procurement reporting trends of the 40 largest mining companies globally. Mining Shared Value is excited to present *Local Procurement and Public Reporting Trends across the Global Mining Industry: An Analysis of Company Reporting, 2012-2013*. The information gathered in this report draws on the 2012 and 2013 corporate responsibility reports and annual reports of the 40 largest mining companies.

This version of the report also includes a section on the local procurement public reporting trends amongst the 50 largest Canadian mining companies, between 2012 and 2013. The Canadian mining industry was selected due to the significant presence that Canadian mining companies have in developing countries and regions, the strong presence of the global mining industry within Canada, and the central role that Canadian institutions play in influencing responsible mining practices nationally and internationally. For more information, please see Appendix B: Canadian Mining Industry Supplement.

## Report Objectives

- To provide an overview of the trends in public local procurement reporting by the global mining industry, between 2012 and 2013
- To encourage mining companies to increase the level of detail in local procurement reporting, and for companies to adopt more comprehensive local procurement strategies
- To showcase the leading efforts of particular companies in local procurement reporting

## Local Procurement, Development, and the Mining Industry

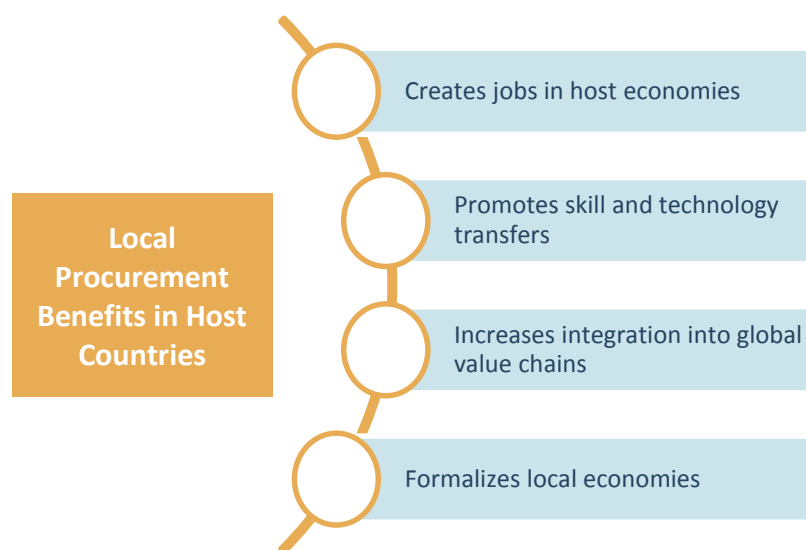
The role of mining in development is a contested topic of discussion amongst policymakers, industry, and civil society. However, in order to create more equitable benefits from mining activities in developing countries, we need to move away from asking, "Is mining good for development?" Instead, mining industry personnel and international development practitioners should ask, "*Under what conditions* can mining activities contribute to desirable development outcomes?"

Local procurement is one of these conditions. Identifying and pursuing opportunities to develop up-stream (also referred to as *backward*) linkages into businesses that support the mining supply chain is an important way to



ensure that host countries retain economic and social benefits from mining activities. Regrettably, many of the countries that are the most dependent on resource extraction have not developed strong linkages between local goods and service providers, and mining companies. As such, a network of economic interdependence between mining operations and local suppliers has not fully emerged in host countries, and the positive economic and social impacts of mining activities have often remained limited in such regions.

The significant economic impact of mining operations means that procurement can be a major driver of economic growth in host countries. Mining companies' annual spending on goods and services locally at their mine sites in developing countries is often significantly larger than many bilateral aid agencies' budgets for those same countries.



In their recent study, *Responsible Gold Mining and Value Distribution, 2013 Data*, the World Gold Council found that among their surveyed members, most companies spend far more each year on procurement in-country than on taxes, royalties and community investment combined. Of the surveyed member companies, the World Gold Council reported that in 2013, local suppliers accounted for 71% of in-country expenditure (\$37,402 million), which makes local suppliers the biggest recipients of host country spending by mining companies.<sup>2</sup>

It is important to note that this study does not differentiate between local procurement of domestically produced goods versus those that are imported. For example, local procurement can refer to a mining company purchasing an imported piece of equipment from a local supplier, but this will not have as many positive impacts as purchasing a good that is manufactured domestically. The large sums of in-country spending on local suppliers cited in the World Gold Council study should be seen as an opportunity for mining companies to purchase goods that are produced domestically.

Even small increases in the proportion of procurement that mining companies carry out locally and in-country, can translate into very large positive impacts for development. Local procurement epitomizes the positive role that the private sector can play in development. In host countries, purchases of local goods and services by mining companies can create local jobs, promote skills and technology transfers, increase the integration of local companies into global value chains, and aid in the formalization of the local economy.

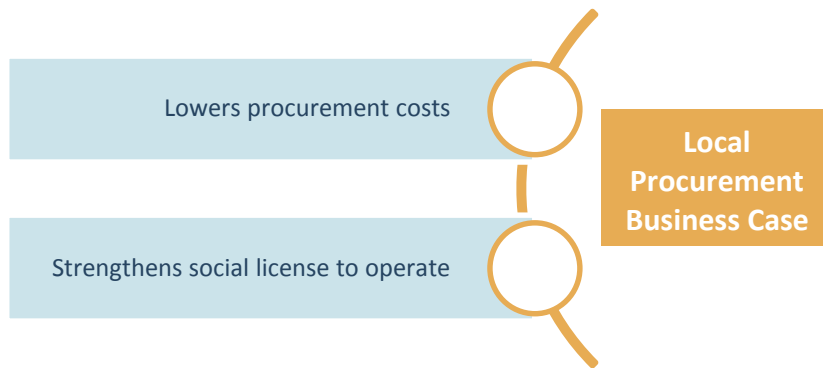
## The Local Procurement Business Case for Mining Companies

Purchasing locally is also strategically important to mining companies. There are two broad ways in which local procurement is helpful to the financial bottom line of mining companies: by lowering procurement costs, and by strengthening the social licence to operate.

## Local Procurement and Procurement Costs

Local procurement in the long run can lower procurement related costs due to lower product prices and improved supply chain efficiency. On average, wages in developing countries tend to be lower than those in advanced countries. Therefore purchasing from developing host country suppliers, instead of from advanced country-based companies, can significantly lower the overall prices of goods and services. In addition, buying from suppliers closer to a mining company's operations reduces shipping distances and costs.

The prioritization of local suppliers can also help mining companies improve their supply chain efficiency. Local procurement shortens lead times for deliveries, and increases the resiliency of procurement systems by increasing the number of supplier options available. This increased efficiency has the potential to create large savings in the long term.



While in the short term buying locally has the potential to raise costs, it is important for companies to think long term about the ability to purchase from local suppliers. At the start of local procurement maximization efforts, buying from local businesses can be challenging due to concerns over price, quality and reliability. However, supporting the development of local suppliers so they become more competitive in the long term offers opportunities for significant savings over the life of a mine.

## Local Procurement and a Company's Social License to Operate

Local purchasing from host country suppliers can help mining companies secure their social license to operate. Host economies and communities all over the world are increasingly expecting more benefits from mining activities. This trend is seen in the increasing of taxes being levied on mining companies, increased conflict between mining companies and nearby communities, and greater threats of resource nationalism, particularly in developing countries.

Local procurement is a valuable tool for mining companies to address these rising stakeholder expectations. By increasing the economic and social benefits for host economies and communities through local purchasing, mining companies can improve relationships with local stakeholders and governments. A mining company's ability to effectively manage these relationships is important for its bottom line. Delays due to community conflict, or slow government permitting approvals, can be extremely expensive. In their 2014 study of the costs of conflict, Davis and Franks (2014) estimate a week long delay for a mine with \$3-5 billion in capital expenditure can result in \$20 million in lost revenue.<sup>3</sup>

## The Need for Comprehensive Local Procurement Public Reporting

Any activity of a company cannot be effectively managed if it is not regularly measured and evaluated. Through increased measurement and public reporting on issues such as occupational safety, the mining industry has steadily improved performance over the decades. Like occupational safety, it is the goal of Mining Shared Value that local purchasing will become an industry norm, and will be measured and publicly reported extensively on in all companies' corporate responsibility reports. With increased public reporting on this issue, company performance can be improved, and as a result, the local economic and social benefits of mining can be increased.

More comprehensive public reporting on local procurement can also spark dialogue, coordination and collaboration between mining companies and stakeholders active in this issue area. Public information on mining companies' local procurement programming allows potential partners, like non-profit organizations and chambers of commerce, to have a better understanding of mining companies' objectives and activities in this area. This knowledge can empower potential partners to work with mining companies to ensure that their activities are coordinated and are delivering the maximum level of impact.

## Methodology of the Study

The report draws on the Forbes Global 2000 list that ranks the world's largest public companies based on sales, profits, assets, and market value, as of April 2014. The largest 40 companies in the Diversified Metals & Mining category of this index were used to make up the sample of companies that were examined in this report. The 2012 and 2013 corporate responsibility reports of largest 40 mining companies were then found by searching each company's website. As the study focuses on the trends in publicly available local procurement reporting, companies were not contacted directly for information about their local procurement strategies.

When a corporate responsibility report for 2012 or 2013 was not publicly available, Mining Shared Value analyzed the company's annual report for that year. Of the 80 public reports that were reviewed, 67 reports were corporate responsibility reports, and 13 reports were annual reports. In the 2012 data sample, 34 corporate responsibility reports and 6 annual reports were analyzed. In the 2013 data sample, 33 corporate responsibility reports and 7 annual reports were analyzed.

It is important to note that if a company included a separate corporate responsibility report within their annual report, this was counted as a corporate responsibility report. For example, Coal India's 2012 Annual Report included a full corporate responsibility report within it. However, if a company briefly mentioned corporate responsibility in its annual report, then that report was not counted as a corporate responsibility report.

Mining Shared Value used a set of structured survey questions to evaluate the extent to which local procurement was featured in each company's 2012 and 2013 corporate responsibility or annual report. If a company's report referenced additional company publications that were related to local procurement, this resource was also included in Mining Shared Value's analysis. For example, Umicore's 2013 annual report does not mention local procurement. However, Umicore's *Sustainable Procurement Charter*, which was referenced in the 2013 annual report, does mention local procurement. Moreover, the *Charter* was used as an additional document to provide evidence to answer each survey question.

The analysis of each company's report was structured around 12 survey questions, which are grouped into four categories: (1) Mentions of Local Procurement, (2) Supplier Conduct, (3) Local Procurement Statistics, and (4) Global Reporting Initiative. Please see the next page for a list of the survey questions.

If there was evidence within a report to adequately answer a survey question, then "yes" was recorded as an answer to that question. If there was no evidence within the report to adequately answer a survey question, then "no" was recorded as an answer to that question.

If a survey question was not applicable to a particular report, then "not applicable" was recorded as an answer to that question. For example, if a company did not use the Global Reporting Initiative (GRI) Sustainability Reporting Framework to structure its report, then the answer to the question, "Is indicator EC6 or EC9 provided in the report?" would be "not applicable". Also, if a company states that it used the GRI Framework to structure its report, but the complete list of GRI indicators was not publicly available, then the answer to the question, "Is indicator EC6 or EC9 provided in the report?" would be "not applicable". It is important to note that both EC6 and EC9 measure local procurement, but are numbered differently due to different editions of the GRI Framework.

The survey data collected from the 2012 and 2013 corporate responsibility and annual reports of the largest 40 mining companies was then recorded in a spreadsheet to compare and contrast the data findings. The complete 2012 and 2013 local procurement data is included in Appendix A: Global Mining Industry Local Procurement Public Reporting Data.

## Local Procurement Survey Questions

| Category                         | Questions   | Examples of Supporting Evidence from a Company's Public Report   |
|----------------------------------|---|--|
| 1. Mentions of Local Procurement | 1. Is local procurement mentioned in the report?  | <ul style="list-style-type: none"> <li>“local supplier”</li> <li>“local purchasing”</li> </ul>   |
|                                  | 2. Does the report mention prioritizing local suppliers, trying to purchase from local suppliers “when possible”, or “as much as we can”, etc.?   | <ul style="list-style-type: none"> <li>“we purchase from local suppliers whenever possible”</li> <li>“we prioritize purchasing from local suppliers”</li> <li>“we are committed to purchasing from local suppliers”</li> </ul>   |
|                                  | 3. Does the report mention a policy of purchasing locally when possible?  | <ul style="list-style-type: none"> <li>“all of our operations adhere to our global local procurement policy”</li> </ul>  |
|                                  | 4. Are there programs/practices laid out that proactively seek to increase local procurement?   | <ul style="list-style-type: none"> <li>“we run supplier development workshops to develop the professional capacity of local businesses”</li> <li>“we have made our supplier payment system more flexible to better meet the needs of local suppliers”</li> </ul>                                   |
|                                  | 5. Is a definition of “local procurement” provided within the report?   | <ul style="list-style-type: none"> <li>“local suppliers are those that are situated within the same country where our mine is located”</li> </ul>  |
| 2. Supplier Conduct              | 6. Does the report mention whether the company promotes and/or upholds a certain level of conduct amongst its suppliers (e.g. health and safety, human rights, environment, anti-corruption, etc.)? | <ul style="list-style-type: none"> <li>“Our Supplier Conduct Code outlines the health, safety, and human rights expectations that our suppliers must uphold”</li> <li>“We are working with our suppliers to instill best practices in human rights, environment, governance and safety”</li> </ul> |
| 3. Local Procurement Statistics  | 7. Are there figures provided for local procurement of goods and services?  | <ul style="list-style-type: none"> <li>“we spend over \$__ on local suppliers each year”</li> <li>“we procure from __ number of local suppliers”</li> </ul>  |
|                                  | 8. Are these figures for local procurement disaggregated by geographic location or mine site?   | <ul style="list-style-type: none"> <li>“we spend \$__ on local suppliers at site x, and \$__ on local suppliers at site y”</li> </ul>  |
|                                  | 9. Are there percentages provided for local procurement?  | <ul style="list-style-type: none"> <li>“__% of our suppliers are local suppliers”</li> <li>“we procured __% more goods and services locally this year, compared to last year”</li> </ul>   |
|                                  | 10. Are these percentages for local procurement disaggregated by geographic location or mine site?  | <ul style="list-style-type: none"> <li>“at site x, __% of goods and services are procured locally, while at site y, __% of goods and services are procured locally”</li> </ul>   |
| 4. Global Reporting Initiative   | 11. Does the report use the GRI Framework?  | <ul style="list-style-type: none"> <li>Completed GRI Framework Indicators Index is publicly available</li> </ul>   |
|                                  | 12. Is indicator EC6 (for G3 edition of the GRI) or EC9 (for G4 edition of the GRI) provided in the report?   | <ul style="list-style-type: none"> <li>Reference to, and completion of, GRI Indicator EC6 or EC9 – <i>Policies, Practices and Proportion of Spending on Locally-based Suppliers at Significant Locations of Operation</i></li> </ul>   |

## An Analysis of Global Local Procurement Public Reporting

This section of the report outlines the high level trends that emerged from the gathered data, explores the specific key findings of each survey question category, and highlights industry leaders in local procurement reporting.

Please see Appendix A: Global Mining Industry Local Procurement Public Reporting Data to view each company's 2012 and 2013 local procurement reporting data.

### High Level Trends

The three general trends that emerged from the study are:

1. The majority of the largest mining companies in the world are publicly reporting on local procurement.
2. Companies that used the Global Reporting Initiative (GRI) Sustainability Reporting Framework to structure their corporate responsibility reports were more likely to have more detailed local procurement information publicly available, than companies that did not use the GRI Framework to structure their public reports.
3. There is a significant opportunity for the examined mining companies to strengthen the extent to which local procurement policies and procedures are publicly reported.

### Category 1 Data Findings: Mentions of Local Procurement

In this category of survey questions, more than half of the examined companies in 2012 and 2013 mentioned local procurement in their corporate responsibility or annual reports. This signifies that the concept is commonly understood as an issue of corporate responsibility in the mining industry.

Almost half of the surveyed companies (18 companies in 2012, 19 companies in 2013) reported that they purchased locally "when possible". Given the economic impact of local purchasing in host communities, the prioritization of local suppliers by nearly half of the largest mining companies globally is significant.

Figures 1 and 2 below are excerpts from Vedanta Resources' and Teck's 2013 corporate responsibility reports. These excerpts aim to demonstrate what evidence from a company's public report could be used to answer Question 2, "Does the report mention prioritizing local suppliers, trying to purchase from local suppliers "when possible", or "as much as we can", etc.?"

### Local Procurement

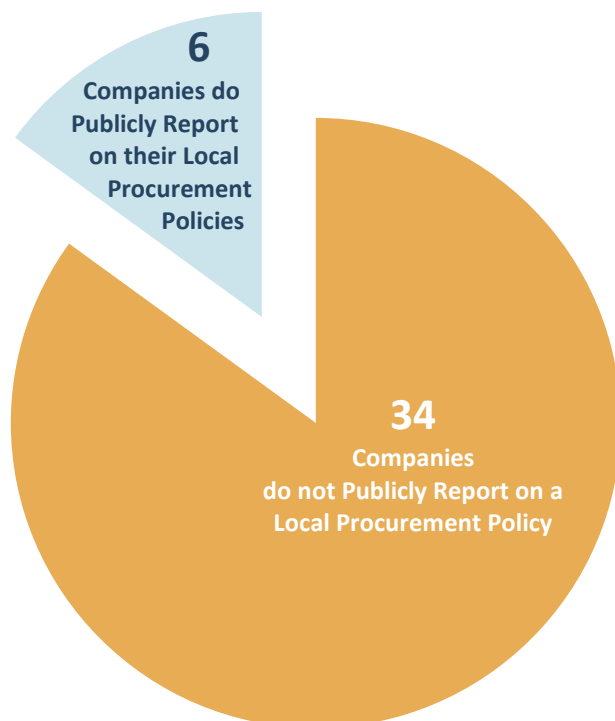
Most purchasing at Teck is decentralized and much of the responsibility for sourcing goods and services lies with individual sites. Whenever possible, we look for opportunities to utilize local suppliers, providing that they meet our standards and provide cost-competitive goods and services. At some of our sites, local suppliers include suppliers who self-identify as indigenous.

Figure 1: *Resourceful Teck 2013 Sustainability Report*, Teck Resources (p.36)

### Suppliers

Our suppliers are an integral part of our business and include government utility companies, international manufacturers and local service providers, and we use local suppliers whenever possible. We also partner with supplier organizations to enable effective and mutually beneficial relationships.

Figure 2: *Our Journey Towards a Sustainable Future - Vedanta Resources Sustainable Development Report 2013-2014*, Vedanta Resources (p.62)



However, of the 40 mining companies surveyed, only 6 companies publicly reported that they had a local procurement policy. Between 2012 and 2013, there was no change in the number of companies which reported having a local procurement policy.

The greatest change between the 2012 and 2013 data was in regard to the number of companies that publicly reported on their local procurement programs, and the number of companies that defined “local procurement”.

In 2013, 15 of the analyzed mining companies reported on programs and practices that seek to increase local procurement (e.g. creating a supplier registry, supplier training workshops, etc.). Compared to the previous year, this represents a 50% increase in the total number of companies publicly reporting on local procurement programming, as only 10 companies reported on this in 2012.

Lastly, though still small, the number of companies publicly defining “local procurement” increased from 7 companies in 2012 to 11 companies in 2013. Mining Shared Value urges mining companies to clearly define this term publicly. Transparency around this concept is important for stakeholders, such as potential suppliers and host country government, to determine who is eligible for contracts designated for local suppliers, and to understand which local businesses benefit from a particular company’s local procurement strategy.



Figures 3, 4, and 5 are excerpts from the 2013 corporate responsibility reports of Alrosa, BHP Billiton, and Antofagasta Minerals. These excerpts highlight the different ways that companies define “local procurement”.

**Local suppliers** mean an entity or an individual delivering products or services to the reporting entity and located within the same geographic market as the reporting entity (that is, no foreign trade payments are made to the supplier). The geographic term “local” in the context of the company’s procurement activities refers to the Russian Federation.

Figure 3: *Corporate Responsibility Report 2013 - People and Diamonds*, Alrosa (p.146)

**Local and regional spend** refers to spend within the communities in which we operate and the regions, such as states and provinces, where our operations are located. **National spend** refers to spend within the home country of the operation, excluding local and regional spend.

Figure 4: *Our Shared Values - Sustainability Report 2013*, BHP Billiton (p.41)

<sup>1</sup> Antofagasta Minerals defines local workers as those who live in the Region where they work while local suppliers are those with offices in the Coquimbo or Antofagasta Regions.

Figure 5: *Sustainability Report Antofagasta Minerals 2013*, Antofagasta Minerals (p.29)

## Category 2 Data Findings: Supplier Conduct

Stakeholders are becoming increasingly concerned about a company’s ability to manage the business conduct of its suppliers. This means that many companies now consider the actions of their suppliers as part of their impact, and are making efforts to improve this. As such, many companies have created codes of conduct to regulate the behavior of suppliers.

Mining companies can promote responsible business standards amongst their suppliers, particularly in developing countries where these business norms are not as commonplace as in developed countries. When mining companies purchase locally, and require suppliers to meet certain requirements on health and safety for example, local companies are incentivized to adopt new management and operational systems in order to gain these contracts.

A growing majority of analyzed mining companies have policies and procedures which examine the health and safety, environmental, and human rights activities of their suppliers. In 2012, 20 companies reported on supplier conduct, while in 2013, 23 companies reported on this question. There is a significant opportunity for mining companies to strengthen their public reporting on the way in which supplier conduct is managed.

Figures 6 and 7 are examples of evidence from Freeport McMoRan's and Barrick Gold's 2013 corporate responsibility reports that adequately answer this survey question.

### Principles of Business Conduct

Our approach is based on the overarching values detailed in our Principles of Business Conduct, which set forth the global system of principles that our workforce must follow in all activities – from complying with laws and avoiding conflicts of interest to developing positive relationships in local communities. In 2014, we plan to update our Principles of Business Conduct to emphasize our core values, clearly communicate our expectations and reflect our business objectives in today's operating environment. We also have developed a Supplier Code of Conduct, to be released in 2014, to ensure that the same values and expectations are clearly communicated to our supply chain partners.

Figure 6: *Strength in Resources - 2013 Working Towards Sustainable Development Report*, Freeport McMoRan (p.6)

Our commitment to responsible mining is supported by a robust government framework that defines the company's expectations of how employees, suppliers and contractors will conduct themselves in their daily work. The framework includes management systems, programs and policies that provide a common standard by which all sites are expected to operate, covering community relations, health, environmental, safety, security, human rights and ethics.

Figure 7: *Responsibility Report 2013 - Responsible Mining*, Barrick Gold (p.8)

A notable example of a company promoting particular health, safety, environmental, human rights and governance practices amongst its suppliers is Rio Tinto's *Procurement Principles*.

### Rio Tinto's *Procurement Principles*

Rio Tinto's prioritization of local suppliers and its global presence means that this company has a significant opportunity to promote responsible business practices amongst its suppliers. Rio Tinto has been able to do this through its *Procurement Principles*. The *Principles* outline specific environmental, human rights, health, safety, governance and commercial standards for suppliers to embody while working for the company.<sup>4</sup> The *Principles* are also a tool for Rio Tinto to manage stakeholder expectations, as they were developed based on supplier feedback that more information was needed in regards to the company's expectations of their conduct.<sup>5</sup>

For more information about the *Rio Tinto Procurement Principles*, please visit:

[http://procurement.riotinto.com/documents/Rio\\_Tinto\\_Procurement\\_principles\\_EN.pdf](http://procurement.riotinto.com/documents/Rio_Tinto_Procurement_principles_EN.pdf)

The *Rio Tinto Procurement principles* are our global statement of business conduct in relation to procurement. They reflect how our corporate philosophy meets the operating demands of our business units. The *Procurement principles* outline our expectations of our suppliers with regard to governance, health, safety, environment, human rights and commercial issues.

Like many of Rio Tinto's operations, the Procurement team at ISAL, Rio Tinto's Icelandic aluminium business, presented training to suppliers in 2013 on the *Procurement principles*. Any vendor that did not perform well on the competency assessment received remedial training in the areas needed.

This training was developed on the back of feedback from some suppliers

How our corporate  
philosophy meets  
the operating demands  
of our business units

that they did not know what was expected of them and what is important to Rio Tinto.

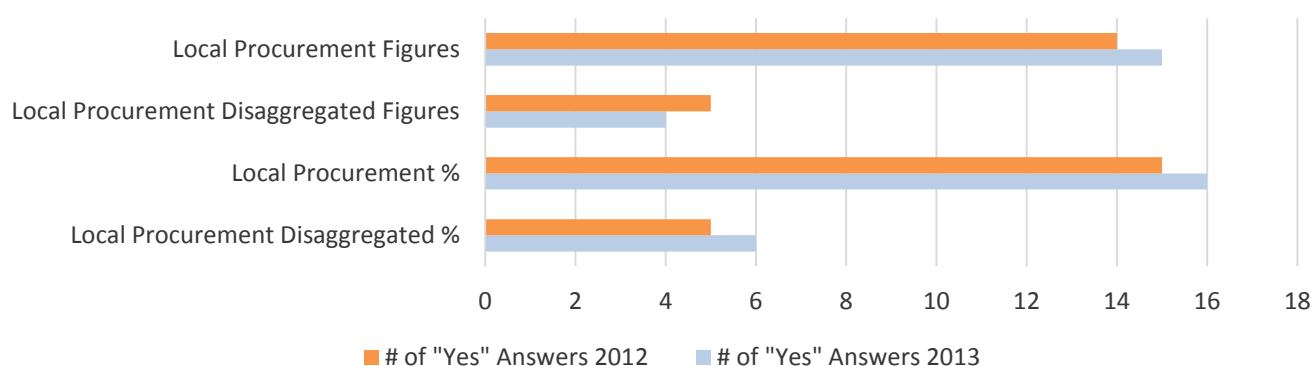
Figure 8: *Rio Tinto 2013 Sustainable Development Report - Supporting our License to Operate*, Rio Tinto (p.72)

## Category 3 Data Findings: Local Procurement Statistics

Public reporting on local procurement statistics is desirable because this transparency allows for stakeholders to understand the direct economic impact that a mining company is having within host countries of operation.

In both years, more than a third of the examined companies provided statistics on local procurement spending. However, in both 2012 and 2013, companies were more likely to provide a general local procurement figure or percentage, than a local procurement figure or percentage that was disaggregated by mine site or region. For example, in 2013, 15 companies provided local procurement statistics, but only 4 companies provided local procurement statistics that were disaggregated by mine site or by geographic region.

### 2012 vs. 2013 Local Procurement Statistics



The following excerpt from Newmont Mining's 2013 corporate responsibility report demonstrates a best practice in local procurement statistics reporting. In addition to providing the total figures and percentages for local procurement spending, these statistics are also disaggregated by geographic location.

2013 Goods and Services Purchased (in millions)

| Country       | Local      | National   | International | Total      | Percent Local |
|---------------|------------|------------|---------------|------------|---------------|
| Australia     | \$895.34   | \$988.32   | \$16.01       | \$1,899.68 | 47%           |
| Ghana         | \$45.80    | \$493.15   | \$236.42      | \$775.38   | 6%            |
| Indonesia     | \$59.54    | \$435.84   | \$196.82      | \$691.20   | 9%            |
| New Zealand   | \$31.69    | \$75.64    | \$18.67       | \$125.99   | 25%           |
| Peru          | \$447.29   | \$848.10   | \$102.06      | \$1,397.44 | 32%           |
| United States | \$342.12   | \$1,057.23 | \$64.69       | \$1,464.04 | 23%           |
| Total 2013    | \$1,821.78 | \$3,898.28 | \$633.67      | \$6,353.73 | 29%           |

Figure 9: *Beyond the Mine - Our Social and Economic Performance*, Newmont Mining (p.71)

## Category 4 Data Findings: Global Reporting Initiative

The Global Reporting Initiative (GRI) is a non-profit organization that has developed an internationally supported framework for sustainability reporting that is applicable to any organization. The GRI's Sustainability Reporting Framework is a series of standardized indicators that measure the economic, environmental and social impacts of a particular business or organization<sup>1</sup>. As organizations use the GRI to structure their corporate responsibility reports, this creates standardized information on corporate responsibility performance and allows for comparison between organizations.

In the most recent iteration of the GRI, the G4 Sustainability Reporting Guidelines (released in 2013), performance indicators are divided into two categories: general standard disclosures and specific standard disclosures.<sup>6</sup> The first category of disclosures applies to all organizations, regardless of their materiality assessment as these disclosures relate to the organization's activities and reporting process (e.g. governance, ethics, etc.). The second category of disclosures encourages organizations to report on issues which are of material interest, as defined by the company's internal and external stakeholders. Indicator *EC9 – Proportion of Spending on Local Suppliers at Significant Locations of Operation*, falls into this second category.

### EC9 – Proportion of Spending on Local Suppliers at Significant Locations of Operation<sup>7</sup>

- A. Report the percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally)
- B. Report the organization's geographical definition of "local"
- C. Report the definition used for "significant locations of operation"

<sup>1</sup> For more information, please see [www.globalreporting.org](http://www.globalreporting.org)

In the older G3 edition of the GRI Framework, this indicator was referred to as EC6. Interestingly, the older version of this indicator required more robust reporting, such as reporting on whether an organization had a local procurement policy or an established practice of prioritizing local suppliers.<sup>8</sup> However, for the purpose of this study, these indicators, EC6 and EC9, are used interchangeably.

The following excerpts from Vedanta Resources' and Norilsk Nickel's 2013 corporate responsibility reports show how companies use the GRI Framework in their public reports. Both of these reports use the older G3 version of the GRI Framework, so the relevant local procurement indicator is listed as EC6, not EC9.

| Standard disclosures part III: Performance indicators |   |                    |   |
|---|---|--------------------|---|
| Profile disclosure                                    | Disclosure  | Level of reporting | Location of disclosure  |
| <b>Economic</b>                                       |   |                    |   |
| EC5   | Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.                        | Fully              | GRI 3.1 Performance Indicator (pdf)   |
| EC6   | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.                                     | Partially          | Other stakeholders<br>We will provide an update on this in 2015-2016 when our data system is more robust. |
| EC7   | Procedures for local hiring and proportion of senior management and workforce hired from the local community at significant locations of operation. | Fully              | Employees   |

Figure 10: 2013 *Our Journey towards a Sustainable Future - Vedanta Resources Sustainable Development Report 2013-2014*, Vedanta Resources (p.72)

| INDICATOR GRI 3.1       | BASIC INDICATOR RULE | ISO 26000 | INDICATOR DESCRIPTION GRI 3.1  | SECTION OF THE REPORT/SUBSTANTIATION                               | PAGE |
|-------------------------|----------------------|-----------|--|--|------|
| Presence in the markets |                      |           |  |  |      |
| EC5                     |                      |           | Comparison of the entry-level salary of the Company with the minimum rate of payment for labour in the key operations regions of the Company | 7.6-1. Compensation package  | 82   |
| EC6                     |                      |           | Policies, practical approaches to purchases from local suppliers and proportion of such spending in significant regions of operation         | 8.1.3. Development of cooperative ties                             | 100  |
| EC7                     |                      |           | Procedures of local hiring and the proportion of senior management hired from the local community at significant regions of operation        | 7.3. Projected provision of the requirements for skilled personnel | 75   |

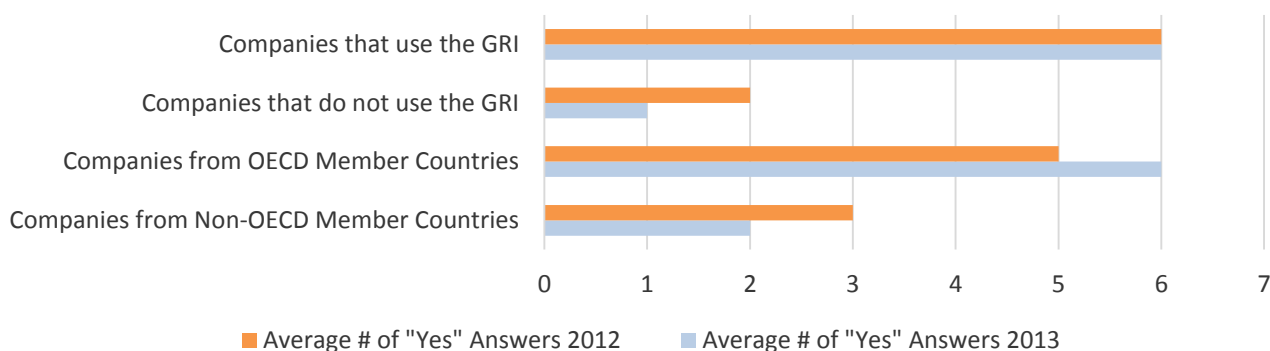
Figure 11: 2013 *Corporate Responsibility Report - New Approach to Sustainable Development*, Norilsk Nickel (p.124)

Drawing on the data, public reports that used the GRI Framework were more likely to contain evidence to answer more survey questions, than reports which did not use the GRI. On average, reports that used the GRI contained evidence to answer half of the survey questions in 2012 and 2013, while reports that did not use the GRI on average contained evidence to answer 2 survey questions in 2012, and 1 survey question in 2013. It can be theorized that this can be attributed to the presence of GRI economic performance indicator EC6. This indicator is fully achieved when mining companies publicly report on the policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.

Interestingly, the difference in reporting between companies from OECD member countries and non-OECD member countries was not as great as the difference between companies that used the GRI and those that did not. Based on the 2012 and 2013 public reports of the surveyed mining companies, on average, more evidence to answer the survey questions was found from the public reports of companies from OECD countries, than reports from companies from non-OECD countries.

This suggests that globally supported public reporting frameworks, such as the GRI, which require companies to annually measure and publicly evaluate their progress towards achieving a desired set of indicators, are effective tools to promote particular responsible business practices.

### Influence of the GRI and OECD on Local Procurement Reporting, 2012 vs. 2013





## Global Leaders in Local Procurement Public Reporting

The leaders in local procurement reporting for 2012 and 2013 were Anglo American, Newmont Mining, Rio Tinto and Barrick Gold. When analyzed, content from these companies' corporate responsibility reports was found to answer "yes" to 75% or more of the survey questions, for both years examined.

This detailed level of reporting makes it easier for stakeholders, like local chambers of commerce or industry associations, to engage with companies. Stakeholders can use this information to find points of intersection between their interests and a company's goals, such as coordinating and co-implementing local supplier development programming. This is desirable as such partnerships can help companies and stakeholders avoid the duplication of supplier development activities.

The excerpt below is from Newmont Mining's corporate responsibility report called, *Beyond the Mine: Our 2013 Social and Economic Performance*. This excerpt not only demonstrates an ideal level of detail in public local procurement reporting, but it was also selected because it emphasizes the importance of mining companies seeking out partners to work together in developing and operationalizing local procurement programs.

The image shows a screenshot of the 'Local Purchasing' page from Newmont Mining's corporate responsibility report. The page has a header 'Local Purchasing' and a sub-header 'Home / Economic Development / Local Purchasing'. The main content is titled 'Approach' and contains three paragraphs. Annotations with arrows point to specific parts of the page:

- Mention of Local Procurement**: Points to the 'Local Purchasing' header.
- Prioritization of Local Suppliers**: Points to the 'Approach' sub-header.
- Local Procurement Definition**: Points to the first paragraph, which defines local procurement targets.
- Supplier Conduct**: Points to the second paragraph, which discusses analyzing products and companies in collaboration with local experts.
- Local Procurement Programs**: Points to the third paragraph, which describes programs like the Ahafo Linkages Program (ALP) for training local suppliers.

The text on the page includes:

**Local Purchasing**

Home / Economic Development / Local Purchasing

**Approach**

While we are committed to purchasing local goods and services everywhere we conduct business, we have begun to develop local purchasing plans across our operating jurisdictions to codify that commitment. We have also developed supplier classifications – local-local (supplier is located in a community directly affected by mining operations), local, national and international – and local procurement targets for each of our operating regions.

We analyze products and the companies that manufacture them in close collaboration with local experts. This step is necessary to ensure that the goods and services not only offer the quality, terms, delivery, service, quantity and price we need, but that they also meet the standards we establish with all our suppliers to conduct business in the most ethical, environmentally sensitive and socially acceptable manner.

In developing regions, where there may not be enough qualified local suppliers, we work with governments and NGOs to implement programs that help local businesses provide goods and services to our projects and operations. In some instances, we provide training and educational resources to ensure safe and environmentally responsible performance. For example, in Ghana the Ahafo Linkages Program (ALP), which is funded by Newmont and the International Finance Corporation (IFC), provides training to increase the competitiveness of micro, small and medium enterprises in the communities near the mine. To date, the ALP has trained more than 100 local suppliers and has provided around 400 local businesses with nearly \$40 million in contracts.

The public sector plays a critical role in fostering local content, and we are committed to working with governments to develop policies and incentives to create a business environment and policy frameworks that help foster the development and competitiveness of local businesses.

Figure 12: *Beyond the Mine - Our Social and Economic Performance*, Newmont Mining (p.70)



The following excerpt from Anglo American's *Sustainable Development Report 2013: Focused on Delivery* also showcases an ideal level of detail in public local procurement reporting. This excerpt highlights that detailed local procurement reporting does not necessarily have to take up a significant amount of space in a company's annual corporate responsibility report. It is recommended that a company cite supplementary resources, such as local procurement policies and procedures, that readers can consult for additional information about the company's local procurement strategy.

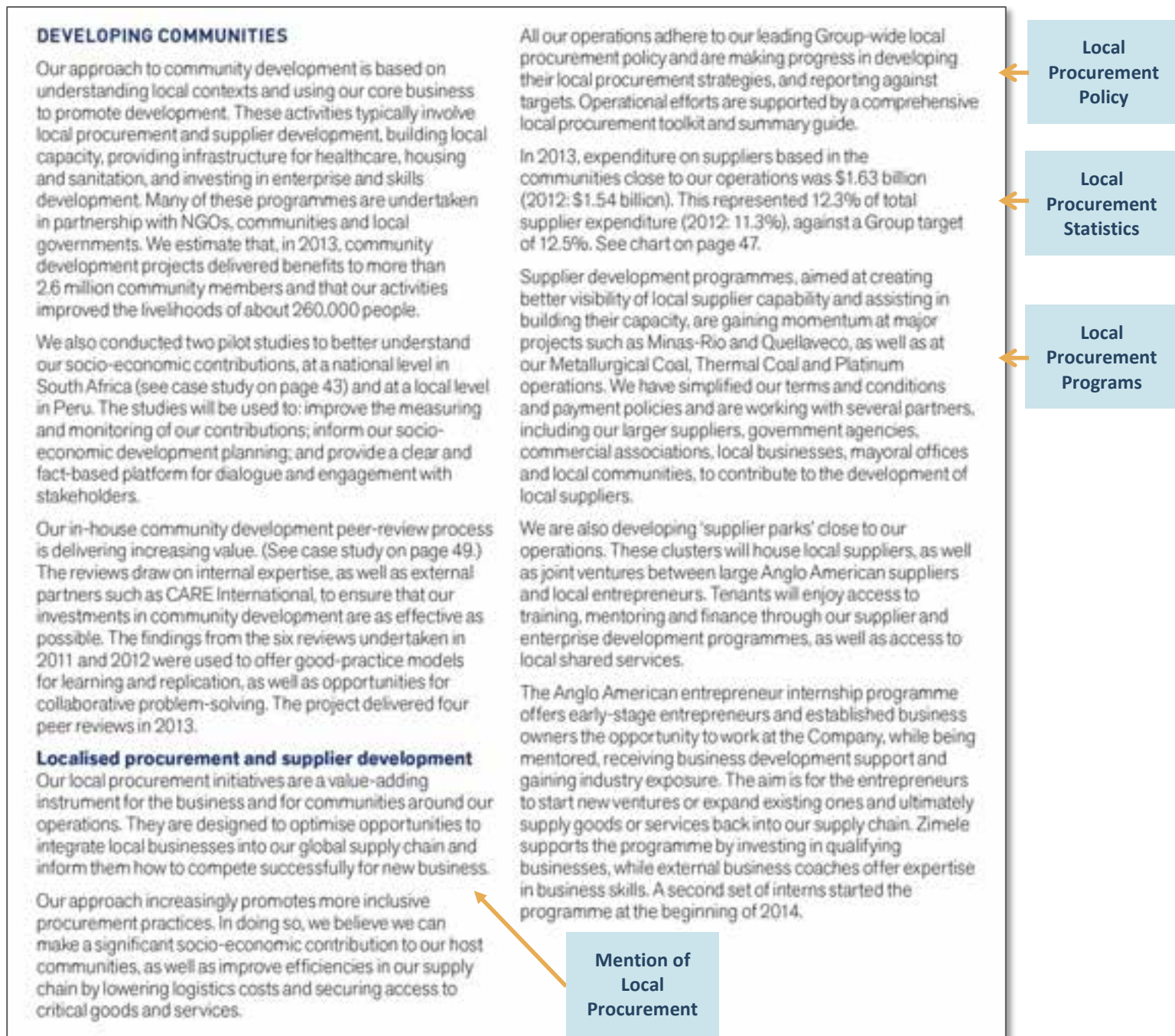


Figure 13: *Development Report 2013 - Focused on Delivery*, Anglo American (p.51)

## Conclusion

The data from this analysis demonstrates that the majority of the 40 largest mining companies are already reporting on local procurement in their corporate responsibility or annual reports. As a whole, from 2012 to 2013, the level of detail in local procurement reporting by the largest mining companies increased. This trend suggests that more companies are publicly reporting on their prioritization of local suppliers, local procurement programs, definitions of local procurement, local purchasing statistics, and supplier conduct.

However, there are opportunities for improvement. Some of the largest mining companies still do not report on local procurement. In addition, for 2013, while 19 of the analyzed companies reported on prioritizing local suppliers, only 6 of the companies reported on having a local procurement policy. By showcasing the leading examples of public reporting on local procurement in this report, it is our aim that companies will adopt more comprehensive local procurement strategies, and report on such strategies in more detail. For a complete list of each examined company's local procurement reporting performance in 2012 and 2013, please see Appendix A: Global Mining Industry Local Procurement Public Reporting Data.

This report marks an exciting opportunity for the largest mining companies to plan their local procurement reporting strategy for the creation of their upcoming 2014 corporate responsibility reports. Increased reporting will encourage companies to better track, and subsequently, better manage their local spending. In the long term, this will improve the social and economic impacts of mining activities for all stakeholders.

## Appendix A: Global Mining Industry Local Procurement Public Reporting Data

### 2012 and 2013 Global Mining Industry Local Procurement Public Reporting Data

The following two tables aggregate the data collected from the 2012 and 2013 corporate responsibility or annual report for each of the 40 companies examined in this report.

#### 2012 Global Mining Industry Local Procurement Public Reporting Data

*\*OECD member countries*

| Rank | Company                 | Country of Origin | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|-------------------------|-------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 1    | BHP Billiton            | Australia*        | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   |                              |   | ✓                               |   | ✓       | NA                       |
| 2    | Rio Tinto               | United Kingdom*   | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            |   |                                 |   | ✓       | ✓                        |
| 3    | China Shenhua Energy    | China             | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 4    | Freeport McMoRan Copper | USA*              | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | NA                       |
| 5    | Glencore International  | Switzerland*      | CSR Report     | ✓                               | ✓  | ✓                           |                                 |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 6    | Coal India              | India             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       |                          |
| 7    | Norilsk Nickel          | Russia            | CSR Report     | ✓                               | ✓  |                             |                                 |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 8    | Grupo Mexico            | Mexico*           | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     | ✓                            |   | ✓                               | ✓   | ✓       | ✓                        |

## Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                | Country of Origin | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|------------------------|-------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 9    | Anglo American         | United Kingdom*   | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 10   | Teck Resources         | Canada*           | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 11   | China Coal Energy      | China             | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       | ✓                        |
| 12   | Barrick Gold           | Canada*           | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 13   | Jiangxi Copper         | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 14   | Sumitomo Metal Mining  | Japan*            | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 15   | Antofagasta            | United Kingdom*   | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | ✓                        |
| 16   | Shaanxi Coal Industry  | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 17   | KGHM Polska Miedz      | Poland*           | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 18   | Newmont Mining         | USA*              | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 19   | Mitsubishi Materials   | Japan*            | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | NA                       |
| 20   | Vedanta Resources      | United Kingdom*   | CSR Report     | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | ✓                        |
| 21   | Goldcorp               | Canada*           | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 22   | Alrosa                 | Russia            | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | ✓                        |
| 23   | First Quantum Minerals | Canada*           | CSR Report     | ✓                               |  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 24   | CONSOL Energy          | USA*              | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 25   | Saudi Arabian Mining   | Saudi Arabia      | Annual Report  | ✓                               | ✓  | ✓                           | ✓                               |                                 |                     | ✓                            |   | ✓                               |   |         | NA                       |

## Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                   | Country of Origin | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|---------------------------|-------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 26   | Orica                     | Australia*        | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 27   | NMDC                      | India             | Annual Report  | ✓                               | ✓  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 28   | Zijin Mining Group        | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 29   | Yanzhou Coal Mining       | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       |                          |
| 30   | China Hongqiao            | China             | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 31   | Industrias Penolas        | Mexico*           | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            | ✓   | ✓                               |   | ✓       | NA                       |
| 32   | Hyosung                   | South Korea       | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 33   | Polyus Gold International | United Kingdom*   | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     |                              |   | ✓                               |   | ✓       | ✓                        |
| 34   | Umicore                   | Belgium*          | Annual Report  | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | ✓                        |
| 35   | Hanwa                     | Japan*            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 36   | Aurubis                   | Germany*          | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 37   | Peobody Energy            | USA*              | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 38   | Yang Quan Coal Industry   | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 39   | Silver Wheaton            | Canada*           | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 40   | Newcrest Mining           | Australia*        | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |

## 2013 Global Mining Industry Local Procurement Data

\*OECD member countries

| Rank | Company                 | Country of Origin | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible" | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement Disaggregated<br>Figures | 9. Local Procurement Percentage | 10. Local Procurement Disaggregated<br>Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|-------------------------|-------------------|----------------|---------------------------------|---|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 1    | BHP Billiton            | Australia*        | CSR Report     | ✓                               | ✓                                       |                             | ✓                               |                                 | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 2    | Rio Tinto               | United Kingdom*   | CSR Report     | ✓                               | ✓                                       | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            |   |                                 |   | ✓       | ✓                        |
| 3    | China Shenhua Energy    | China             | Annual Report  |                                 |   |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 4    | Freeport McMoRan Copper | USA*              | CSR Report     | ✓                               | ✓                                       |                             |                                 | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 5    | Glencore International  | Switzerland*      | CSR Report     | ✓                               | ✓                                       |                             | ✓                               |                                 | ✓                   | ✓                            |   |                                 |   | ✓       | ✓                        |
| 6    | Coal India              | India             | Annual Report  |                                 |   |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       | NA                       |
| 7    | Norilsk Nickel          | Russia            | CSR Report     | ✓                               |   |                             |                                 |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 8    | Grupo Mexico            | Mexico*           | CSR Report     | ✓                               | ✓                                       |                             | ✓                               |                                 | ✓                   | ✓                            |   | ✓                               | ✓   | ✓       | ✓                        |
| 9    | Anglo American          | United Kingdom*   | CSR Report     | ✓                               | ✓                                       | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               | ✓   | ✓       | NA                       |
| 10   | Teck Resources          | Canada*           | CSR Report     | ✓                               | ✓                                       |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               | ✓   | ✓       | ✓                        |
| 11   | China Coal Energy       | China             | CSR Report     | ✓                               | ✓                                       |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       | NA                       |
| 12   | Barrick Gold            | Canada*           | CSR Report     | ✓                               | ✓                                       | ✓                           | ✓                               |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 13   | Jiangxi Copper          | China             | CSR Report     |                                 |   |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 14   | Sumitomo Metal Mining   | Japan*            | CSR Report     | ✓                               |   |                             |                                 |                                 | ✓                   | ✓                            |   |                                 |   | ✓       | ✓                        |
| 15   | Antofagasta             | United Kingdom*   | CSR Report     | ✓                               |   |                             | ✓                               | ✓                               |                     |                              |   |                                 |   | ✓       | ✓                        |
| 16   | Shaanxi Coal Industry   | China             | CSR Report     |                                 |   |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |

# Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                      | Country of Origin  | Type of Report   | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|------------------------------|--------------------|------------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 17   | KGHM<br>Polska<br>Miedz      | Poland*            | CSR<br>Report    | ✓                               |  |                             | ✓                               |                                 | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 18   | Newmont<br>Mining            | USA*               | CSR<br>Report    | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 19   | Mitsubishi<br>Materials      | Japan*             | CSR<br>Report    | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   | ✓                               |   | ✓       | NA                       |
| 20   | Vedanta<br>Resources         | United<br>Kingdom* | CSR<br>Report    | ✓                               | ✓  |                             | ✓                               |                                 | ✓                   |                              |   |                                 |   | ✓       | ✓                        |
| 21   | Goldcorp                     | Canada*            | CSR<br>Report    | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 22   | Alrosa                       | Russia             | CSR<br>Report    | ✓                               |  |                             |                                 | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 23   | First<br>Quantum<br>Minerals | Canada*            | CSR<br>Report    | ✓                               | ✓  | ✓                           | ✓                               |                                 |                     |                              |   | ✓                               |   | ✓       | NA                       |
| 24   | CONSOL<br>Energy             | USA*               | CSR<br>Report    |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 25   | Saudi<br>Arabian<br>Mining   | Saudi Arabia       | CSR<br>Report    | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               |   |         | NA                       |
| 26   | Orica                        | Australia*         | CSR<br>Report    | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 27   | NMDC                         | India              | Annual<br>Report | ✓                               | ✓  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 28   | Zijin Mining<br>Group        | China              | CSR<br>Report    |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 29   | Yanzhou<br>Coal Mining       | China              | CSR<br>Report    | ✓                               |  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       | ✓                        |
| 30   | China<br>Hongqiao            | China              | Annual<br>Report |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 31   | Industrias<br>Penolas        | Mexico*            | CSR<br>Report    | ✓                               | ✓  |                             | ✓                               |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 32   | Hyosung                      | South Korea        | Annual<br>Report |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 33   | Polyus Gold<br>International | United<br>Kingdom* | CSR<br>Report    | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 34   | Umicore                      | Belgium*           | Annual<br>Report | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |



| Rank | Company                 | Country of Origin | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|-------------------------|-------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 35   | Hanwa                   | Japan*            | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 36   | Aurubis                 | Germany*          | CSR Report     | ✓                               |  |                             |                                 | ✓                               | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 37   | Peobody Energy          | USA*              | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 38   | Yang Quan Coal Industry | China             | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 39   | Silver Wheaton          | Canada*           | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 40   | Newcrest Mining         | Australia*        | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       |                          |

## Appendix B: Canadian Mining Industry Supplement

### Introduction

In February 2014, the Mining Shared Value venture of Engineers Without Borders Canada produced its first local procurement report, *Local Procurement by the Canadian Mining Industry: A Study of Public Reporting Trends*. The report outlined local procurement public reporting trends amongst the 50 largest Canadian mining companies, based on their 2011 and 2012 corporate responsibility or annual reports. Mining Shared Value decided to focus on the Canadian mining industry in particular due to the significant presence that Canadian mining companies have in developing countries and regions, the strong presence of the global mining industry within Canada, and the way in which Canadian institutions influence responsible mining discourse around the world.

The report was a great success in drawing attention to the issue of local procurement public reporting in the Canadian mining industry. Many of the examined companies followed-up with Mining Shared Value after the report's release to discuss ways to improve their local procurement reporting and strategies. This year, Mining Shared Value repeated the study, and analyzed the 2012 and 2013 corporate responsibility or annual reports of the 50 largest Canadian mining companies.<sup>11</sup> This section of the report contains key findings from this analysis, as well as excerpts from company reports that demonstrate best practices in local procurement public reporting.

#### Objectives of the Canadian Mining Industry Supplement

- To provide an overview of the trends in local procurement public reporting by the largest Canadian mining companies, between 2012 and 2013
- To encourage Canadian mining companies to increase the level of detail in local procurement public reporting, and to adopt more comprehensive local procurement strategies
- To showcase the leading efforts of particular Canadian mining companies in local procurement public reporting

### The Mining Industry, Local Procurement, and Development

The role of mining in development is a contested topic amongst government, industry, and civil society stakeholders. However, in order to create more equitable benefits from mining activities in host developing countries and regions, the conversation needs to change from, "Is mining good for development?" to "*Under what conditions* can mining activities contribute to desirable development outcomes?"

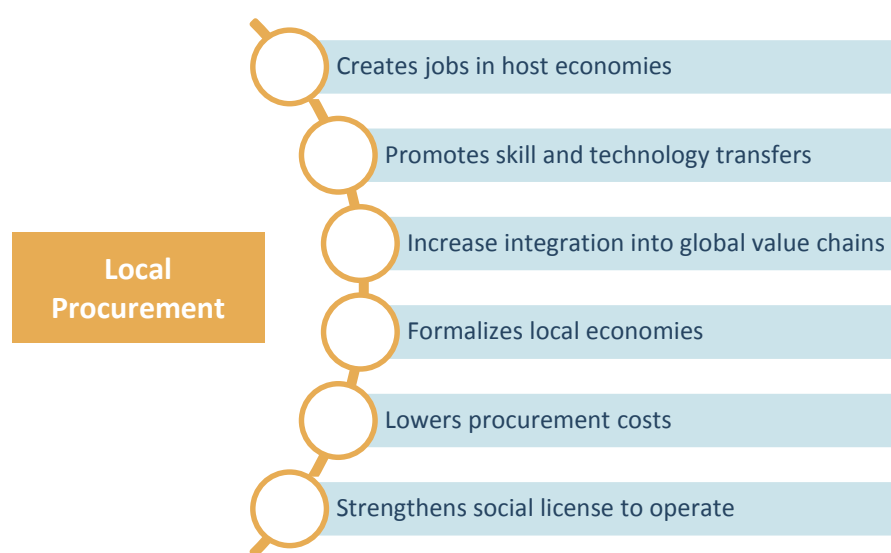
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<sup>11</sup> There are small methodological changes from the 2014 report, *Local Procurement by the Canadian Mining Industry: A Study of Public Reporting Trends*. For a detailed description of the methodology used in this study, please see page 33.

The scale of local procurement relative to traditional forms of corporate philanthropy, such as community investment programs, is striking. For example, in 2012, a mid-sized Canadian gold mining company, IAMGOLD spent \$671,136 on community investment programs (e.g. malaria prevention programs) at its Essakane Gold Mine in Burkina Faso.<sup>9</sup> However, during that same time, IAMGOLD's purchasing from local and national suppliers at this site accounted for \$212,000,000.<sup>10</sup>

The economic impact of local purchasing by mining companies in developing countries in relation to foreign aid is also significant. To use a Canadian example, between 2012 and 2013, the total amount of long-term development assistance and humanitarian aid that Burkina Faso received from the Canadian government was \$40,760,000.<sup>11</sup> This value represents only one fifth of the purchasing power of the Essakane Gold Mine – a single mine site.<sup>12</sup> As such, even small increases in the amount of goods and services procured locally by mining companies can create very large positive impacts for development.

Local purchasing epitomizes the positive role that the private sector can play in development. In host countries, purchases of local goods and services by mining companies can create local jobs, promote skills and technology transfers, increase the integration of local companies into global value chains, and aid in the formalization of the local economy. Local procurement can also create tangible benefits for mining companies, as purchasing locally can lower procurement costs, and strengthen a company's social license to operate.



For this reason, Mining Shared Value focuses on promoting local procurement in the mining industry, particularly amongst mining companies operating in developing countries and regions. Mining Shared Value does also acknowledge that other forms of responsible mining practices, such as local hiring of employees and implementing community investment programs, are valuable ways in which mining companies can create positive impacts in the communities where they operate.

When local procurement is referenced within the context of this study, it broadly refers to mining companies' purchasing of goods and services from businesses close to where mining activity takes place. However, within the mining industry there is no universally accepted definition of "local procurement". Many factors, such as the geographic location of a mining company's operations, or the need to meet specific host country regulatory definitions of local procurement, influence mining companies to develop their local procurement strategies in particular ways.<sup>13</sup>

<sup>10</sup> It is important to note that the figure of \$212 million in local procurement at Essakane also includes the purchase of imported goods, and services from branches of international companies, located within Burkina Faso.

<sup>13</sup> For more information, please see the International Finance Corporation's *A Guide to Getting Started in Local Procurement: For Companies Seeking the Benefits of Linkages with Local SMEs*

For example, for mining companies operating in northern Saskatchewan, local procurement may mean prioritizing suppliers from northern Saskatchewan, rather than all Canadian suppliers. However, for companies operating in developing countries, communities located closest to a mine site may not have the technical expertise to supply all of the necessary goods and services. As such, mining companies may prioritize purchasing from suppliers at a regional or national level. For specific examples of how the companies examined in this study define local procurement, please see page 40.

## Local Procurement and the Canadian Mining Industry

The Canadian Mining Industry Supplement focuses on the Canadian mining industry due to the strong presence of Canadian mining companies in developing countries and regions, the significant presence that the global mining industry has in Canada, and the role that Canadian institutions have in influencing responsible mining practices within Canada and abroad. Given these factors, it is important to examine local procurement public reporting trends in the Canadian context and encourage companies to improve public reporting on this issue.

Firstly, Canadian mining companies have a significant presence outside of Canada. The financial value of Canadian mining assets within Canada is almost half of the value of Canadian mining assets abroad (\$80.7 billion and \$153.2 billion respectively).<sup>12</sup> Natural Resources Canada reports that in 2013, Canadian mining and exploration companies were active in over 100 countries, the majority of which are in the Americas (excluding Canada).<sup>13</sup> Africa is the region with the second greatest concentration of Canadian mining assets abroad.<sup>14</sup> Encouraging Canadian mining companies to purchase more locally can create substantial economic and social benefits in the Americas and Africa.

The global mining industry has a strong presence within Canada as well. Of the world's publicly listed mining companies, 57% of these companies were listed on the Toronto Stock Exchange (TSX) and TSX Venture Exchange, and 48% of global mining equity transactions were handled by these two exchanges, in 2013.<sup>15</sup> As well, the Prospectors and Developers Association of Canada's (PDAC) convention is usually the largest annual mining event in the world, drawing over 23,500 attendees from over 100 countries, into Toronto every year.<sup>V</sup>

Secondly, Canadian institutions are influential actors that shape mining industry norms in corporate responsibility. For example, the Mining Association of Canada has developed a corporate responsibility framework called *Towards Sustainable Mining*, which outlines principles that its member mining companies must commit to uphold and report on annually.<sup>VI</sup> This commitment to internalizing responsible mining practices is significant as many of its member companies are some of the largest mining companies in the world, such as Anglo American, Barrick Gold, BHP Billiton, Rio Tinto, and Vale.

The Canadian Government is another prominent actor that is influencing corporate responsibility practices in the mining industry. Through its corporate social responsibility strategy, *Doing Business the Canadian Way: A Strategy to Advance CSR in Canada's Extractive Sector Abroad*, the Canadian government advocates Canadian mining companies to adhere to a number of responsible mining practices. In this strategy, local procurement is outlined as one of these practices, and is cited as a valuable way that mining companies can create positive impacts for local communities.<sup>VII</sup>

<sup>V</sup> For more information, please see [www.pdac.ca/convention](http://www.pdac.ca/convention)

<sup>VI</sup> For more information, please see [mining.ca/towards-sustainable-mining](http://mining.ca/towards-sustainable-mining)

<sup>VII</sup> For more information, please see [www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-strat-rse.aspx?lang=eng](http://www.international.gc.ca/trade-agreements-accords-commerciaux/topics-domaines/other-autre/csr-strat-rse.aspx?lang=eng)

Another example of the Canadian Government's work in this space is its support of the Intergovernmental Forum (IGF) on Mining, Minerals, Metals and Sustainable Development. As one of the founding countries, the Canadian Department of Foreign Affairs, Trade and Development (DFATD) presently acts as the Forum Secretariat.<sup>16</sup> The IGF is composed of 49 member countries that meet annually to discuss issues pertaining to responsible mining and development.<sup>viii</sup> The IGF has created *The Mining Policy Framework*, which outlines steps that governments, particularly in developing countries, can implement to help ensure that mining activities contribute to sustainable development.<sup>17</sup> The section, "Socio-economic Benefit Optimization," identifies local procurement by mining companies as a strategy to create local business development opportunities in host countries.<sup>18</sup>

For these reasons, Canadian mining companies and related organizations are pivotal players in the global mining industry, particularly in developing countries and regions. Mining Shared Value has created this supplement to the report, *Local Procurement and Public Reporting Trends across the Global Mining Industry*, to encourage the Canadian mining industry to improve the development impacts of mining, through improved local procurement public reporting.

## Methodology

The report draws on the Canadian Mining Journal's 2014 list of the largest Canadian mining companies, based on gross revenue.<sup>ix</sup> The 50 largest companies in this list make up the sample of companies that were examined in this report. Mining Shared Value worked to find the 2012 and 2013 corporate responsibility reports of each mining company in this sample. As the study focuses on the trends in local procurement public reporting, companies were not contacted directly for access to information about their local procurement strategies.

When a corporate responsibility report for a particular year was publicly unavailable, Mining Shared Value analyzed the company's annual report for that year. Of the 99 reports that were reviewed, 69 reports were corporate responsibility reports, and 30 reports were annual reports.<sup>x</sup> In the 2012 data sample, 32 corporate responsibility reports and 18 annual reports were analyzed. In the 2013 sample, 37 corporate responsibility reports, and 12 annual reports were analyzed.

If a company included a corporate responsibility report within their annual report, this was counted as a corporate responsibility report. For example, Eldorado Gold's *Advancing into a New Phase of Growth: Annual Report 2012*, includes a full corporate responsibility report within its annual report. If a company had an annual report with integrated corporate responsibility reporting, this was counted as a corporate responsibility report. For example, in Potash Corporation of Saskatchewan's *Food Matters: 2013 Annual Integrated Report*, corporate responsibility reporting is integrated throughout the report, and includes a supplementary section that reports on the company's performance against the GRI measures.

If a company only had annual consolidated financial statements, or annual information forms publicly available, this was counted as an annual report. If a company had an annual report available, and it only briefly mentioned its corporate responsibility practices, this was counted as an annual report.

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<sup>viii</sup> For more information, please see [www.globaldialogue.info/intro\\_e.htm](http://www.globaldialogue.info/intro_e.htm)

<sup>ix</sup> For more information, please see [www.canadianminingjournal.com/issues/de.aspx?id=15456](http://www.canadianminingjournal.com/issues/de.aspx?id=15456)

<sup>x</sup> There was no publicly available 2013 annual report or corporate responsibility report for Mercator Minerals, as this company is no longer in operation.

Mining Shared Value then used a set of 12 structured survey questions to evaluate the extent to which local procurement was featured in each report. If a company's report referenced additional company publications that were related to local procurement, this document was also included in the analysis. For example, Teranga Gold's *Committed: 2013 Sustainability Report* references the *Teranga Development Strategy*. As this additional document was publicly available, it was used to provide evidence to answer the local procurement survey questions.

The analysis of each company's report was structured around 12 survey questions, which are grouped into four categories: (1) Mentions of Local Procurement, (2) Supplier Conduct, (3) Local Procurement Statistics, and (4) Global Reporting Initiative. Please see page 36 for the complete list of the survey questions used in this analysis.

If there was evidence within a report to adequately answer a survey question, then "yes" was recorded as an answer to that question. If there was no evidence within the report to adequately answer a survey question, then "no" was recorded as an answer to that question.

If a survey question was not applicable to a particular report, then "not applicable" was recorded as an answer to that question. This could be an answer to the questions pertaining to disaggregated local procurement data or the Global Reporting Initiative (GRI) Sustainability Reporting Framework.<sup>xi</sup> For example, if a company only had one mine site, then the company could not provide local procurement statistics that are disaggregated by mine site or geographic area of operation. As such, the answers to those questions would be "not applicable".

In addition, if a company did not use the GRI Sustainability Reporting Framework to structure its report, then the answer to the question, "Is indicator EC6 or EC9 provided in the report?" would be "not applicable". Also, if a company states that it used the GRI Framework to structure its report, but the complete list of GRI indicators was not publicly available, then the answer to the question, "Is indicator EC6 or EC9 provided in the report?" would be "not applicable". It is important to note that both EC6 and EC9 measure local procurement, but are numbered differently due to different editions of the GRI Framework.

After the public reports were examined, Mining Shared Value contacted representatives from the examined companies to discuss the preliminary analysis of their local procurement public reporting in 2012 and 2013.<sup>xii</sup> If the company found discrepancies in Mining Shared Value's preliminary data analysis, and evidence to remedy these discrepancies from the company's 2012 and 2013 corporate responsibility or annual report was identified by a mining company representative, then Mining Shared Value revised the data.

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<sup>xi</sup> In the case of Mercator Minerals, there was no publicly available 2013 corporate responsibility or annual report, as this company is no longer in operation. As such, "not applicable" was recorded for each local procurement survey question.

<sup>xii</sup> Mercator Minerals was not contacted as this company is no longer in operation.

### Limitations of the Methodology

Mining Shared Value acknowledges that there are limitations with this methodology. By only examining public reporting related to local procurement, the methodology can create a particular perception about a company's local procurement performance that is not necessarily true. If a company receives a high score for its local procurement public reporting, this does not necessarily mean that it has very effective local procurement policies and programming.

Conversely, if a company receives a low score for its local procurement public reporting, this does not necessarily mean that the company has a poor local procurement strategy. Rather, this only signifies that the company's local procurement strategy is not being effectively communicated in its corporate responsibility or annual reports. As an example, based on the way that local procurement was publicly reported on in 2012 and 2013 by Eldorado Gold and AREVA Resources, it would seem that these companies have limited local procurement strategies. However, in follow-up meetings with Mining Shared Value, both companies explained this was not the case.

In meetings with representatives from Eldorado Gold, it was explained that the company does prioritize purchasing from local suppliers whenever possible, even though this is not reflected in 2012 or 2013 public reports. Representatives from the company stated that because of increased interest from their international stakeholders on this issue, as well as the GRI's new G4 Framework emphasis on reporting on material issues, the company has begun to focus more heavily on local procurement starting with its 2014 corporate responsibility and annual reports. In the company's 2014 annual report (which came out after the period of focus for this study), it is stated that \$159.2 million of the company's \$260 million in-country spend in Greece went to local suppliers in 2014.<sup>19</sup> Representatives from the company also shared that they are looking to improve Eldorado Gold's reporting on this issue in 2015.

Compared to other companies' 2012 and 2013 local procurement public reporting performance, AREVA Resources Canada has a fairly good practice of local procurement public reporting. However, in follow-up meetings with representatives from AREVA Resources Canada, a subsidiary of the AREVA group, the company explained that this score does not adequately reflect the impact of the company's local procurement strategy, particularly within the Canadian context. In follow-up consultations, representatives from AREVA Resources Canada stated that AREVA has prioritized purchasing from Northern Saskatchewan and Aboriginal-owned businesses, since the company first began operating in Northern Saskatchewan over 50 years ago. Representatives from the company also stated that currently, 76% of AREVA's spending goes towards Northern Saskatchewan-owned businesses including 25% to northern an Aboriginal businesses.

In the case of AREVA, the difference between local procurement performance and reporting can be attributed to the way in which the company develops its mining activities corporate responsibility report. Representatives from AREVA Resources Canada stated that the parent company, the AREVA group, is primarily responsible for developing this report, which reflects overall practices across all AREVA's mining operations worldwide but does not necessarily provide specific details for their Canadian subsidiary. Representatives from AREVA Resources Canada stated that, using the existing internal data collection processes, they will create their own corporate responsibility report next year, which will allow them to focus on this issue in more detail.

Mining Shared Value's reliance on the Canadian Mining Journal's list of the top Canadian mining companies is another limitation to the methodology used in this study. While all the companies in the list are engaged in the



Canadian mining industry, there is a small portion of companies in the sample whereby mining activities (e.g. owning and/or operating a mine site) are not the central focus of their business models. In these cases it is understandable why such companies do not publicly report on local procurement, as their unique operational circumstances mean other issues are of greater material interest to their stakeholders.

For example, Silver Wheaton's local procurement public reporting score for 2012 and 2013 was poor. However, the company provides funding to other mining companies in exchange for a fixed portion of their precious metals production, and importantly, does not own or operate any mines. As such, it is reasonable to expect that this company would not publicly disclose its local purchasing strategy, as this is not a significant focus of its operations.

Based on gross revenue, Agrium is the largest mining company in this analysis. However, interviews with company representatives revealed that mining is not a central component of their business model, as the company owns only two mines, but has over 1,250 retail locations across the world. In follow-up consultations, representatives from Agrium stated that the company is committed to purchasing from local suppliers, to support its mining activities. However, based on stakeholder feedback, a materiality assessment of corporate responsibility issues, and the location of their mine sites, the company decided to prioritize other corporate responsibility issues in its public reporting, such as local hiring of company employees at its mine sites.

Mining Shared Value welcomes ideas for revising the methodology of this report. Please send feedback to Amy Dutton, Venture Coordinator of Mining Shared Value, at [amydutton@ewb.ca](mailto:amydutton@ewb.ca)

## Local Procurement Survey Questions

| Category                         | Questions   | Examples of Supporting Evidence from a Company's Public Report   |
|----------------------------------|---|--|
| 1. Mentions of Local Procurement | 1. Is local procurement mentioned in the report?  | <ul style="list-style-type: none"> <li>“local supplier”</li> <li>“local purchasing”</li> </ul>   |
|                                  | 2. Does the report mention prioritizing local suppliers, trying to purchase from local suppliers “when possible”, or “as much as we can”, etc.?   | <ul style="list-style-type: none"> <li>“we purchase from local suppliers whenever possible”</li> <li>“we prioritize purchasing from local suppliers”</li> <li>“we are committed to purchasing from local suppliers”</li> </ul>   |
|                                  | 3. Does the report mention a policy of purchasing locally when possible?  | <ul style="list-style-type: none"> <li>“all of our operations adhere to our global local procurement policy”</li> </ul>  |
|                                  | 4. Are there programs/practices laid out that proactively seek to increase local procurement?   | <ul style="list-style-type: none"> <li>“we run supplier development workshops to develop the professional capacity of local businesses”</li> <li>“we have made our supplier payment system more flexible to better meet the needs of local suppliers”</li> </ul>                                   |
|                                  | 5. Is a definition of “local procurement” provided within the report?   | <ul style="list-style-type: none"> <li>“local suppliers are those that are situated within the same country where our mine is located”</li> </ul>  |
| 2. Supplier Conduct              | 6. Does the report mention whether the company promotes and/or upholds a certain level of conduct amongst its suppliers (e.g. health and safety, human rights, environment, anti-corruption, etc.)? | <ul style="list-style-type: none"> <li>“Our Supplier Conduct Code outlines the health, safety, and human rights expectations that our suppliers must uphold”</li> <li>“We are working with our suppliers to instill best practices in human rights, environment, governance and safety”</li> </ul> |
| 3. Local Procurement Statistics  | 7. Are there figures provided for local procurement of goods and services?  | <ul style="list-style-type: none"> <li>“we spend over \$__ on local suppliers each year”</li> <li>“we procure from __ number of local suppliers”</li> </ul>  |
|                                  | 8. Are these figures for local procurement disaggregated by geographic location or mine site?   | <ul style="list-style-type: none"> <li>“we spend \$__ on local suppliers at site x, and \$__ on local suppliers at site y”</li> </ul>  |
|                                  | 9. Are there percentages provided for local procurement?  | <ul style="list-style-type: none"> <li>“__% of our suppliers are local suppliers”</li> <li>“we procured __% more goods and services locally this year, compared to last year”</li> </ul>   |
|                                  | 10. Are these percentages for local procurement disaggregated by geographic location or mine site?  | <ul style="list-style-type: none"> <li>“at site x, __% of goods and services are procured locally, while at site y, __% of goods and services are procured locally”</li> </ul>   |
| 4. Global Reporting Initiative   | 11. Does the report use the GRI Framework?  | <ul style="list-style-type: none"> <li>Completed GRI Framework Indicators Index is publicly available</li> </ul>   |
|                                  | 12. Is indicator EC6 (for G3 edition of the GRI) or EC9 (for G4 edition of the GRI) provided in the report?   | <ul style="list-style-type: none"> <li>Reference to, and completion of, GRI Indicator EC6 or EC9 – <i>Policies, Practices and Proportion of Spending on Locally-based Suppliers at Significant Locations of Operation</i></li> </ul>   |

## An Analysis of Canadian Local Procurement Public Reporting

This section of the report outlines the high level trends that emerged from the gathered data, explores the specific key findings of each survey question category, and highlights industry leaders in local procurement reporting.

Please see Appendix C: Canadian Mining Industry Local Procurement Public Reporting Data to view each company's 2012 and 2013 local procurement public reporting data.

### High Level Trends

The three general trends that emerged from the study on the Canadian mining industry are:

- In 2012 and 2013, a growing majority of the largest Canadian mining companies referenced local procurement in their corporate responsibility or annual reports
- As a whole, there was more detailed local procurement public reporting for 2013 than in 2012, as the number of “yes” responses to the survey questions increased across the board
- There is a significant opportunity for the examined Canadian mining companies to strengthen the extent to which their local procurement strategies are publicly reported

### Category 1 Data Findings: Mentions of Local Procurement

In this category of survey questions, 62% of the examined mining companies mentioned local procurement in their 2012 public reports, and this number grew to 72% in 2013. Importantly, more than half of the surveyed mining companies publicly reported that they prioritized purchasing from local suppliers in their 2013 reporting. This signifies that within the mining industry, local procurement is increasingly being seen as a responsible mining practice to be publicly reported on.

Figures 1, 2, and 3 below are excerpts from IAMGOLD's, Aura Minerals' and Thompson Creek Metals' 2013 corporate responsibility reports. These excerpts aim to demonstrate what evidence from a company's public report could be used to answer the second local procurement survey question, “Does the report mention prioritizing local suppliers, trying to purchase from local suppliers “when possible”, or “as much as we can”, etc.?”

IAMGOLD encourages its operations to hire and procure as much as possible from local communities, and to work with local communities to build capacity. We are developing a more rigorous local purchasing policy to apply across operations globally by 2014.

Figure 1: 2013 Health, Safety and Sustainability Report, IAMGOLD (Economic Indicators Section)

## Local Procurement

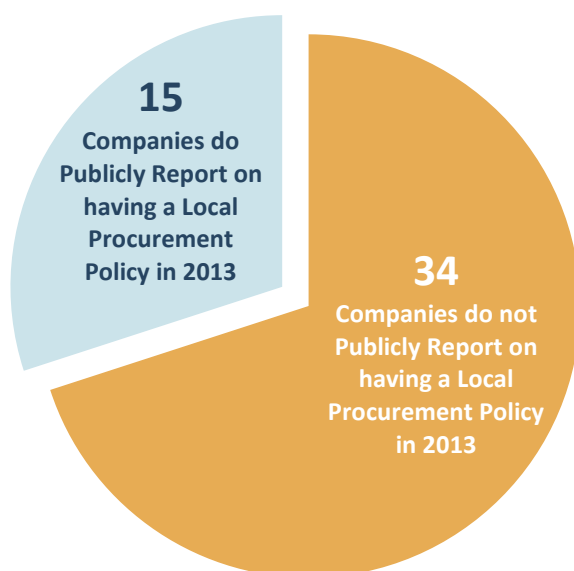
Aura purchases supplies and services and hires personnel from our host communities whenever possible – and we encourage our contractors and suppliers to do the same.

Figure 2: *Moving Forward Together - 2013 Corporate Responsibility Report*, Aura Minerals (p.21)

## Economic Achievement

**Strengthening the Regional Economy** is a key element in the partnership between our operations and host communities. Our operations make a priority of buying goods and services from qualified local businesses, as well as hiring and training local residents.

Figure 3: *A Culture of Commitment Continuing for the Future - Corporate Responsibility Report 2013*, Thompson Creek



While it is evident that a significant portion of Canadian mining companies try to purchase from local suppliers when possible, only a small number of companies publicly reported on having a local procurement policy. In 2012, 10 of the examined companies publicly reported on a local procurement policy, while in 2013, this number increased to 15 companies.<sup>xiii</sup> This increase indicates that a more systematic approach to increasing local procurement is becoming more common amongst the largest Canadian mining companies.

An increasing number of Canadian mining companies are also publicly defining “local procurement”. In 2012, 15 of the examined mining companies defined this concept, while in 2013, 19 companies defined this concept in their corporate responsibility or annual reports.

<sup>xiii</sup> The 2012 data is different from the report, *Local Procurement by the Canadian Mining Industry: A Study of Public Reporting Trends*, that Mining Shared Value created last year, as the sample of companies used in each report is different.

Figures 4, 5, and 6 are excerpts from the 2013 corporate responsibility reports of AREVA Resources, Centerra Gold, and AuRico Gold. These excerpts highlight the different ways that companies define “local procurement”.

It is not always easy to define the meaning of “local”, and the term varies depending on the country, its stage of economic development and the population density around the site. AREVA therefore implemented specific purchasing policies in the countries in which it has mine sites.

For example, in Canada, for similar contract bids, preference is systematically given to “local” northern suppliers, as per their status under provincial legislation in Saskatchewan. A company has “local” northern status if it belongs to or operates within the community living in North Saskatchewan.

Figure 4: *Report 2013-2014 Responsible Development on AREVA's Mining Activities*, AREVA Resources, (p.55)

**Local Suppliers** – suppliers based in the same country as the operations that they supply.

Figure 6: *Centerra Gold Corporate Responsibility Report 2014*, Centerra Gold (p.51)

Note: Local suppliers are defined as those from the mine surrounding communities, note the state or region.

Figure 5: *2013 Sustainability Report for the Year Ended December 31, 2013*, AuRico Gold (p.14)

In 2013, nearly half of the examined mining companies publicly reported that they implemented local procurement programs, such as running supplier development workshops, or creating a local supplier registry to promote upcoming contracts to local businesses. In 2012, 19 mining companies publicly reported on their local procurement programs, while in 2013, 21 companies publicly reported on this area.

Figure 7 is an excerpt from Pan American Silver’s 2013 report, *Progress Uniting Our Core Values: Sustainability Report 2013*, and demonstrates the type of evidence from a company’s public report that could be used to answer the fourth local procurement survey question, “Are there programs/practices laid out that proactively seek to increase local procurement?”

### Local Supply Chain at Dolores

We acquired the Dolores mine in March 2012, and since then have strengthened a local supply chain initiative in which we work with local contractors to provide them with the knowledge to grow and develop their own businesses. In a two-step process, the initiative began with workshops on costs, bidding, and businesses practices, to be followed with marketing and business promotion. This allows the local businesses to compete with other contractors at a regional level, and provides them with the tools necessary to build an economically sustainable future beyond the life of the Dolores mine.

Figure 7: *Progress Uniting Our Core Values - Sustainability Report 2013*, Pan American Silver (p.5)

## Category 2 Data Findings: Supplier Conduct

Mining companies, especially those operating in developing countries, have an opportunity to promote responsible business practices amongst their suppliers. While still small, a growing number of mining companies are publicly reporting on policies that promote responsible business conduct amongst their suppliers (e.g. respecting human rights, upholding environmental standards, promoting health and safety, etc.). In 2012, 20 companies reported on supplier conduct, while in 2013, 23 companies reported on supplier conduct.

Figures 7 and 8 are excerpts from the corporate responsibility reports of Pan American Silver and Hudbay Minerals. These excerpts highlight the different ways that companies report on promoting and/or upholding a certain level of conduct amongst its suppliers.

Our ability to assess and influence suppliers is much greater for small local suppliers than it is for major international suppliers, and we believe that our greater stewardship responsibility is to our local suppliers. We rely on the fact that larger companies have their own internal requirements, as well as government regulations to comply with, and that much of our procurement is in countries with robust environment, health and safety, and human rights regulations. Hudbay expects contractors working on our sites to meet the same safety, health, and environmental standards as Hudbay employees. These expectations are outlined in our contracts.

We encourage and support local suppliers in fulfilling their social and environmental responsibilities, often working with them to establish appropriate systems and processes or address issues.

Figure 8: *According to Plan - 2013 Corporate Responsibility Report*, Hudbay Minerals (p.28)

### **Responsible Supply Chain**

Agrium believes we can further support sustainable development by working with our suppliers. It is not enough for Agrium to commit to the higher standards of safety, environmental and human rights performance; we must encourage the same standards across our supply chain.

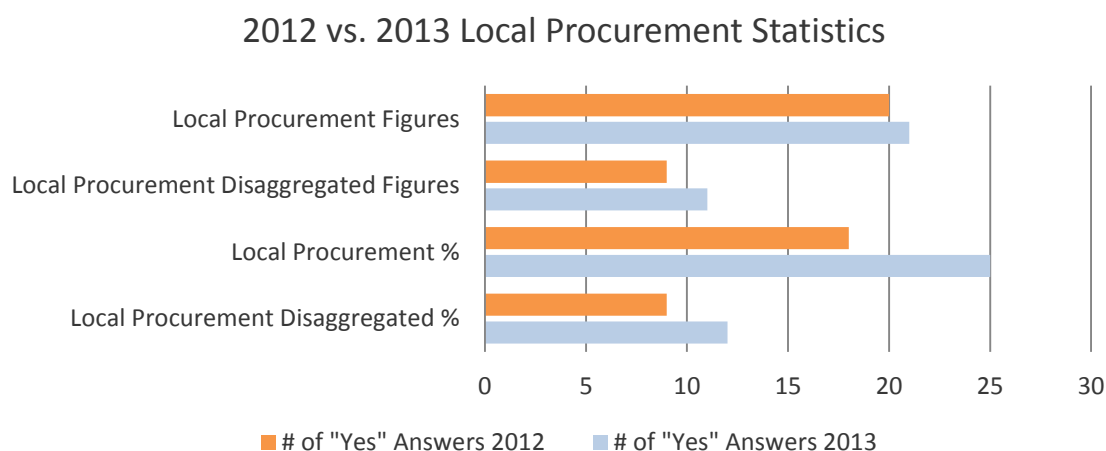
Agrium is in the process of finalizing a Supplier Code of Corporate Social Responsibility (CSR) Conduct. This tool and the contractual language that will support it, will help us create greater alignment between Agrium's and our suppliers' CSR commitments, and allow greater collaboration with suppliers regarding human rights practices.

Figure 9: *Creating Ripples of Change - 2012-2013 Sustainability Report*, Agrium (p.21)

## Category 3 Data Findings: Local Procurement Statistics

Public reporting on local procurement statistics is desirable because this transparency allows for stakeholders to understand the direct economic impact that a mining company is having within host countries of operation. In both years, more than a third of the examined companies publicly reported on local procurement statistics.

However, in both 2012 and 2013, companies were more likely to provide a general local procurement figure or percentage for the entire company, than a local procurement figure or percentage that was disaggregated by mine site or geographic region of operation. In 2013, 25 companies provided percentage statistics relating to local procurement (e.g. percentage of goods and services procured locally, percentage of suppliers that are locally based, etc.). Yet in that same year, only 12 companies provided percentage statistics relating to local procurement that were disaggregated by mine site or region.



The following excerpts from Endeavour Silver's and AuRico Gold's 2013 corporate responsibility reports demonstrate some ideal best practices in local procurement statistics reporting. In addition to providing the total figures and percentages for local procurement spending, these statistics are disaggregated by mine site.

| <b>Procurement Practices</b>  |                  |                  |                |              |
|---|------------------|------------------|----------------|--------------|
| <b>EC9. PROPORTION OF SPENDING ON LOCALLY-BASED SUPPLIERS AT SIGNIFICANT LOCATIONS OF OPERATION (THOUSANDS USD)</b> | <b>GUANACEVI</b> | <b>BOLAÑITOS</b> | <b>EL CUBO</b> | <b>TOTAL</b> |
| Total procurement   | \$36,408         | \$41,186         | \$57,916       | \$135,510    |
| Total procurement spent locally (within state)  | \$16,582         | \$17,424         | \$23,912       | \$57,918     |
| Total procurement spent nationally (within country)   | \$19,177         | \$15,937         | \$31,859       | \$66,973     |
| Total procurement spent internationally   | \$649            | \$7,825          | \$2,145        | \$10,619     |
| Percentage spent locally (state and nation wide)  | 98%              | 81%              | 96%            | 92%          |

Figure 10: 2013 Annual Review and Sustainability Report - Growth with Integrity, the way we do Business, Endeavour



|   | Young-Davidson | El Chanate   | Total         |
|---|----------------|--------------|---------------|
| Proportion of mine spending (%) on supplies that goes to local suppliers – where local is defined as the geographic or economic region in which the mine is located | 14%            | 18%          | 15%           |
| Total purchases for operations  | \$298,371,000  | \$98,124,000 | \$396,495,000 |
| Total purchases for operations in local region  | \$40,943,000   | \$17,966,504 | \$58,909,504  |
| Note: Local suppliers are defined as from the mine surrounding communities, not the state or the region   |                |              |               |

Figure 11: 2013 Sustainability Report for the Year ended December 31, 2013, AuRico Gold (p.14)

## Category 4 Data Findings: Global Reporting Initiative

The GRI Sustainability Reporting Framework is a series of standardized indicators that measure the economic, environmental and social impacts of a particular business or organization.<sup>xiv</sup> As businesses and organizations use the GRI Framework to structure their corporate responsibility reports, this creates standardized information on corporate responsibility performance and allows for comparison between businesses and organizations.

In the most recent iteration of the GRI, the G4 Sustainability Reporting Guidelines (released in 2013), performance indicators are divided into two categories: general standard disclosures and specific standard disclosures.<sup>20</sup> The first category of disclosures applies to all organizations, regardless of their materiality assessment, as these disclosures relate to the organization's activities and reporting process (e.g. governance, ethics, etc.). The second category of disclosures encourages organizations to report on issues which are of material interest, as defined by the company's internal and external stakeholders. Indicator *EC9 – Proportion of Spending on Local Suppliers at Significant Locations of Operation*, falls into this second category.

### EC9 – Proportion of Spending on Local Suppliers at Significant Locations of Operation<sup>21</sup>

- A. Report the percentage of the procurement budget used for significant locations of operation spent on suppliers local to that operation (such as percentage of products and services purchased locally)
- B. Report the organization's geographical definition of "local"
- C. Report the definition used for "significant locations of operation"

In the older G3 edition of the GRI Framework, this indicator was referred to as EC6. Interestingly, the older version of this indicator required more robust reporting, such as reporting on whether an organization had a local procurement policy or an established practice of prioritizing local suppliers.<sup>22</sup> For the purpose of this study, these indicators, EC6 and EC9, are used interchangeably.

<sup>xiv</sup> For more information, please see [www.globalreporting.org](http://www.globalreporting.org)

The following excerpts from Primero Mining's and Sherritt International's 2013 corporate responsibility reports show how companies use the GRI Framework in their public reports. Both of these reports use the older G3 version of the GRI Framework, so the relevant local procurement indicator is listed as EC6, not EC9.

| Economic Indicators |  | Source Page |
|---------------------|--|-------------|
| EC1                 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, community investments and payments to capital providers and governments | 17          |
| EC6                 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation   | 17          |

Figure 12 *Committed to Sustainability - Sustainability Report 2013*, Primero Mining (p.47)

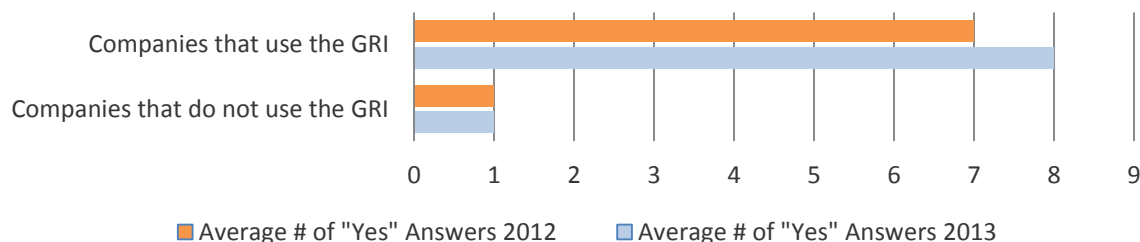
| Profile Disclosure | Description                 | Location  |
|--------------------|-----------------------------|---|
| <b>Economic</b>    |                             |   |
| EC6                | Local spending for supplies | Engaging Stakeholders and Benefitting Communities – Management Approach<br><br>Community Benefits |

Figure 13: *Sherritt 2013 Sustainability Report*, Sherritt International (p.74)

Drawing on the local procurement public reporting data, companies that used the GRI Framework were more likely to have more detailed public reporting on local procurement. On average, reports that used the GRI Framework contained evidence to answer 7 of the local procurement survey questions in 2012, and 8 of the questions in 2013. Reports that did not use the GRI Framework, on average, contained evidence to only answer 1 local procurement survey question, in both 2012 and 2013.

It can be theorized that this can be attributed to the GRI economic performance indicator EC6/EC9, as this indicator requires companies to publicly report on detailed local procurement information, such as statistics and a definition of “local”. This suggests that globally supported public reporting frameworks, such as the GRI, that require companies to annually measure and publicly evaluate their progress towards achieving a desired set of indicators, are effective tools to promote particular responsible business practices.

### Influence of the GRI Framework on Local Procurement Public Reporting, 2012 vs. 2013



## Canadian Leaders in Local Procurement Public Reporting

The leaders in local procurement reporting for 2012 and 2013 were Suncor, Cameco, Yamana, Agnico Eagle Mines, IAMGOLD, Centerra Gold, and AuRico Gold. In both years, in each company's corporate responsibility report, there was evidence to answer 10 or more of the local procurement survey questions.<sup>xv</sup> Special mention is also given to AuRico Gold, Centerra Gold, and Kinross Gold. When examined, content from their 2013 corporate responsibility reports answered 100% of the local procurement survey questions.

This detailed level of reporting makes it easier for stakeholders, like local chambers of commerce or industry associations, to engage with companies. Such stakeholders can use this information to find points of intersection between their interests and a company's goals, such as coordinating and co-implementing local supplier development programming.

## Best Practices in Local Procurement Reporting: Kinross Gold

The following excerpt from Kinross Gold's *2013 Corporate Responsibility Report* demonstrates best practices in public local procurement reporting. In this page, half of the local procurement survey questions were answered. Detailed public reporting on local procurement does not need to take up a significant amount of space in a company's annual corporate responsibility report.

<sup>xv</sup> In both years, in Suncor's corporate responsibility report, there was evidence to answer 9 of the local procurement survey questions. Suncor is included in this category of leaders in local procurement reporting as it could not publicly provide disaggregated local procurement statistics, as the company only has one mine site.

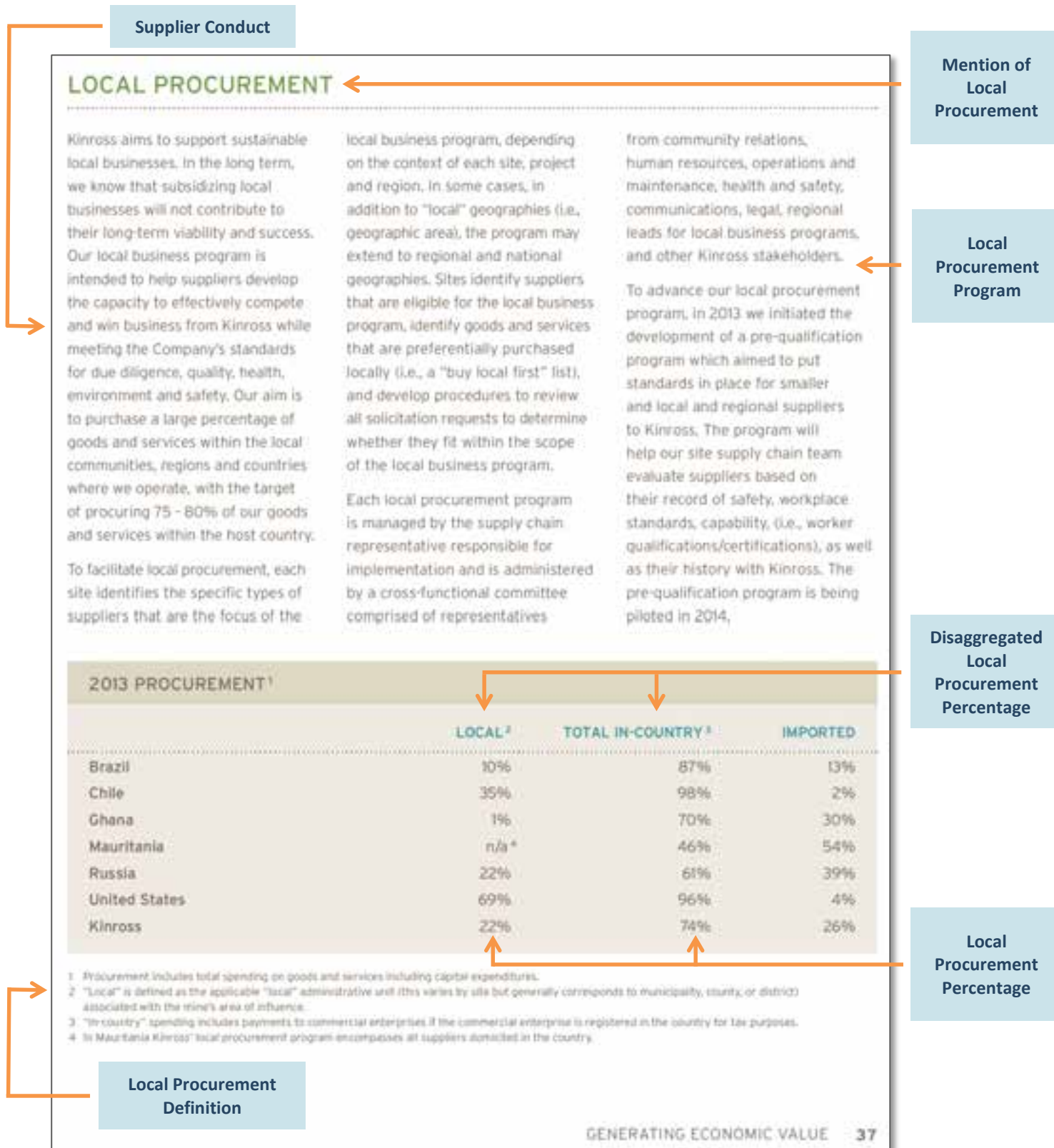


Figure 14: 2013 Corporate Responsibility Report, Kinross Gold (p.37)

## Conclusion

Like the local procurement public reporting data of the largest mining companies globally, the Canadian data demonstrates that the majority of the largest Canadian mining companies are already publicly reporting on their local procurement policies, programs and statistics. In addition, for every local procurement survey question, the number of “yes” responses gathered from the Canadian corporate responsibility and annual reports increased between 2012 and 2013. This indicates that local procurement is increasingly being seen by the Canadian mining industry as a responsible mining practice of material interest to companies and to their stakeholders.

It is Mining Shared Value’s aim that the Canadian Mining Industry Supplement will be utilized by Canadian mining companies in designing their upcoming corporate responsibility or annual reports. More detailed local procurement public reporting will encourage companies to better track, and subsequently, better manage their local procurement strategies. In the long term, this will improve the social and economic impacts of mining activities for all stakeholders.

## Appendix C: Canadian Mining Industry Local Procurement Public Reporting Data

The following two tables aggregate the data collected from the 2012 and 2013 corporate responsibility or annual reports for the 50 largest Canadian mining companies.

### 2012 Global Mining Industry Local Procurement Public Reporting Data

| Rank | Company                      | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|------------------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 1    | Agrium                       | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       | NA                       |
| 2    | Barrick Gold                 | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 3    | Suncor (oil sands only)      | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | NA  |                                 | NA  | ✓       | ✓                        |
| 4    | Synchrude                    | CSR Report     | ✓                               |  |                             | ✓                               | ✓                               | ✓                   | ✓                            | NA  |                                 | NA  |         | NA                       |
| 5    | Teck Resources               | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 6    | Potash Corp. of Saskatchewan | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 7    | Canadian Oil Sands Ltd.      | CSR Report     | ✓                               |  |                             | ✓                               | ✓                               | ✓                   | ✓                            | NA  |                                 | NA  |         | NA                       |
| 8    | Kinross Gold                 | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | NA                       |
| 9    | Goldcorp                     | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 10   | First Quantum Minerals       | CSR Report     | ✓                               |  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 11   | Cameco Corp.                 | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 12   | Walter Energy                | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 13   | Yamana Gold                  | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               |   | ✓       | ✓                        |

# Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>“When Possible ” | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|------------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 14   | Agnico Eagle Mines     | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 15   | IAMGOLD Corp.          | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 16   | Eldorado Gold          | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       | NA                       |
| 17   | KGHM International     | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 18   | Centerra Gold          | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 19   | Pan American Silver    | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       |                          |
| 20   | New Gold               | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 |                     | ✓                            |   |                                 |   | ✓       |                          |
| 21   | Lundin Mining          | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 |                     | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 22   | Silver Wheaton Corp.   | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |
| 23   | Osisko Mining Corp.    | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   | ✓                            | NA  | ✓                               | NA  | ✓       | ✓                        |
| 24   | B2Gold                 | Annual Report  | ✓                               |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 25   | Hudbay Minerals        | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 | ✓                   | ✓                            |   |                                 |   | ✓       | ✓                        |
| 26   | Golden Star Resources  | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   |         | NA                       |
| 27   | Endeavour Mining       | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 28   | Sherritt International | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 29   | Thompson Creek Metals  | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            |   |                                 |   |         | NA                       |
| 30   | Franco-Nevada Corp.    | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 31   | Uranium One            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 32   | Dundee Precious Metals | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | NA                       |



## Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                    | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|----------------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 33   | Dominion Diamond Corp.     | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            |   | ✓                               |   |         | NA                       |
| 34   | AuRico Gold                | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 35   | Capstone Mining            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 36   | Aura Minerals              | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 37   | China Gold Int'l Resources | CSR Report     | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   |                                 |   |         | NA                       |
| 38   | Crocodile Gold             | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 39   | Teranga Gold               | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               |                     | ✓                            | NA  | ✓                               | NA  | ✓       | NA                       |
| 40   | Rio Alto Mining            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 41   | AREVA Resources            | Annual Report  | ✓                               | ✓  | ✓                           |                                 | ✓                               | ✓                   | ✓                            | ✓   | ✓                               |   | ✓       | ✓                        |
| 42   | Alamos Gold                | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |
| 43   | Taseko Mines               | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |
| 44   | Endeavour Silver           | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 45   | First Majestic Silver      | Annual Report  | ✓                               |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 46   | Semafo Inc.                | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     |                              |   | ✓                               |   | ✓       | NA                       |
| 47   | Mercator Minerals          | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 48   | Primero Mining Corp.       | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  | ✓       |                          |
| 49   | Veris Gold                 | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 50   | Atlatsa Resources          | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |

## 2013 Global Mining Industry Local Procurement Public Reporting Data

| Rank | Company                      | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>“When Possible ” | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|------------------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 1    | Agrium                       | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 2    | Barrick Gold                 | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 | ✓                   | ✓                            | ✓   |                                 |   | ✓       | ✓                        |
| 3    | Suncor (oil sands only)      | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | NA  |                                 | NA  | ✓       | ✓                        |
| 4    | Synchrude                    | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               |                     | ✓                            | NA  | ✓                               | NA  | ✓       | ✓                        |
| 5    | Teck Resources               | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               | ✓   | ✓       | ✓                        |
| 6    | Potash Corp. of Saskatchewan | CSR Report     | ✓                               | ✓  | ✓                           |                                 |                                 | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 7    | Canadian Oil Sands Ltd.      | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               |                     | ✓                            | NA  | ✓                               | NA  | ✓       | ✓                        |
| 8    | Kinross Gold                 | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 9    | Goldcorp                     | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 10   | First Quantum Minerals       | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 |                     |                              |   | ✓                               |   | ✓       | NA                       |
| 11   | Cameco Corp.                 | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 12   | Walter Energy                | CSR Report     |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   | ✓       |                          |
| 13   | Yamana Gold                  | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               |   | ✓       | ✓                        |
| 14   | Agnico Eagle Mines           | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 15   | IAMGOLD Corp.                | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 16   | Eldorado Gold                | CSR Report     |                                 |  |                             |                                 |                                 | ✓                   |                              |   |                                 |   | ✓       |                          |
| 17   | KGHM International           | CSR Report     | ✓                               |  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 18   | Centerra Gold                | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |

# Local Procurement Public Reporting Trends: Canadian Mining Supplementary Edition

| Rank | Company                    | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>"When Possible " | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|----------------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 19   | Pan American Silver        | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 20   | New Gold                   | CSR Report     | ✓                               | ✓  |                             | ✓                               |                                 |                     |                              |   |                                 |   | ✓       |                          |
| 21   | Lundin Mining              | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       |                          |
| 22   | Silver Wheaton Corp.       | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |
| 23   | Osisko Mining Corp.        | CSR Report     | ✓                               | ✓  | ✓                           |                                 |                                 | ✓                   | ✓                            | NA  |                                 | NA  | ✓       | ✓                        |
| 24   | B2Gold                     | Annual Report  | ✓                               |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 25   | Hudbay Minerals            | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            |   | ✓                               | ✓   | ✓       | ✓                        |
| 26   | Golden Star Resources      | CSR Report     | ✓                               |  |                             |                                 |                                 | ✓                   |                              |   | ✓                               |   |         | NA                       |
| 27   | Endeavour Mining           | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 28   | Sherritt International     | CSR Report     | ✓                               |  | ✓                           | ✓                               |                                 | ✓                   | ✓                            |   | ✓                               |   | ✓       | ✓                        |
| 29   | Thompson Creek Metals      | CSR Report     | ✓                               | ✓  | ✓                           |                                 |                                 |                     | ✓                            | ✓   |                                 |   |         | NA                       |
| 30   | Franco-Nevada Corp.        | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 31   | Uranium One                | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 32   | Dundee Precious Metals     | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 33   | Dominion Diamond Corp.     | CSR Report     | ✓                               |  |                             |                                 |                                 |                     | ✓                            |   | ✓                               |   |         | NA                       |
| 34   | AuRico Gold                | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               | ✓                               | ✓                   | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 35   | Capstone Mining            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 36   | Aura Minerals              | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   |                              |   | ✓                               | ✓   | ✓       | ✓                        |
| 37   | China Gold Int'l Resources | CSR Report     | ✓                               | ✓  |                             |                                 |                                 | ✓                   |                              |   |                                 |   |         | NA                       |

| Rank | Company               | Type of Report | 1. Mention of Local Procurement | 2. Local Procurement<br>“When Possible ” | 3. Local Procurement Policy | 4. Local Procurement Program(s) | 5. Local Procurement Definition | 6. Supplier Conduct | 7. Local Procurement Figures | 8. Local Procurement<br>Disaggregated Figures | 9. Local Procurement Percentage | 10. Local Procurement<br>Disaggregated Percentage | 11. GRI | 12. EC6 (G3) or EC9 (G4) |
|------|-----------------------|----------------|---------------------------------|--|-----------------------------|---------------------------------|---------------------------------|---------------------|------------------------------|---|---------------------------------|---|---------|--------------------------|
| 38   | Crocodile Gold        | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 39   | Teranga Gold          | CSR Report     | ✓                               | ✓  |                             | ✓                               | ✓                               | ✓                   | ✓                            | NA  | ✓                               | NA  | ✓       | ✓                        |
| 40   | Rio Alto Mining       | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 41   | AREVA Resources       | CSR Report     | ✓                               | ✓  | ✓                           |                                 | ✓                               | ✓                   |                              |   | ✓                               |   | ✓       | ✓                        |
| 42   | Alamos Gold           | CSR Report     | ✓                               | ✓  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  | ✓       |                          |
| 43   | Taseko Mines          | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |
| 44   | Endeavour Silver      | CSR Report     | ✓                               | ✓  | ✓                           | ✓                               |                                 |                     | ✓                            | ✓   | ✓                               | ✓   | ✓       | ✓                        |
| 45   | First Majestic Silver | Annual Report  | ✓                               |  |                             | ✓                               |                                 |                     |                              |   |                                 |   |         | NA                       |
| 46   | Semafo Inc.           | CSR Report     | ✓                               |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 47   | Mercator Minerals     | NA             | NA                              | NA                                       | NA                          | NA                              | NA                              | NA                  | NA                           | NA  | NA                              | NA  | NA      | NA                       |
| 48   | Primero Mining Corp.  | CSR Report     | ✓                               | ✓  |                             |                                 | ✓                               | ✓                   |                              | NA  | ✓                               | NA  | ✓       | ✓                        |
| 49   | Veris Gold            | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              |   |                                 |   |         | NA                       |
| 50   | Atlatsa Resources     | Annual Report  |                                 |  |                             |                                 |                                 |                     |                              | NA  |                                 | NA  |         | NA                       |

## Appendix D: Resources

### Local Procurement Resources

There are many high quality resources on local procurement best practices available to mining companies, consulting firms, and other stakeholders. However, many of these resources are not easily accessible. One of the main roles of Mining Shared Value is to compile these resources and ensure practitioners are able to use them.

Key local procurement resources are provided below to provide guidance.

#### Toolkits

International Finance Corporation. *A Guide to Getting Started in Local Procurement: For Companies Seeking the Benefits of Linkages with Local SMEs*. (2011) Washington DC.

World Bank Group Energy & Extractives, and Kaiser Economic Development Partners. *A Practical Guide to Increasing Mining Local Procurement in West Africa*. (2015) Washington DC.

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

#### Case Study Material

Jenkins, B., Akhalkatsi, A., Roberts, B., and Gardiner, A. *Business Linkages: Lessons, Opportunities, and Challenges*. (2007) Cambridge, MA: Kennedy School of Government Harvard University, International Finance Corporation, and International Business Leaders Forum.

Mining Shared Value Venture of Engineers Without Borders Canada. *Local Procurement Case Study of Kumtor Gold Company, Kyrgyzstan*. (2014) Toronto.

World Business Council for Sustainable Development. *Newmont: Supporting Local Economic Growth in Ghana*. (2009) Geneva.

## Endnotes

- <sup>1</sup> McKinsey Global Institute, *Reverse the Curse: Maximizing the Potential of Resource-Driven Economies* (2014) London, page iv
- <sup>2</sup> World Gold Council, *Responsible Gold Mining and Value Distribution, 2013 Data: A Global Assessment of the Economic Value Created and Distributed by Members of the World Gold Council* (2014) London, page 3
- <sup>3</sup> Davis, Rachel and Daniel M. Franks, "Costs of Company-Community Conflict in the Extractive Sector," *Corporate Social Responsibility Initiative Report No. 66* (2014) Cambridge, MA: Harvard Kennedy School
- <sup>4</sup> Rio Tinto, *Sustainable Development Report 2013: Focused on Delivery* (2014) Melbourne, page 72
- <sup>5</sup> Ibid.
- <sup>6</sup> Global Reporting Initiative, *An Introduction to G4: The Next Generation of Sustainability Reporting* (2013) Amsterdam, page 5
- <sup>7</sup> Global Reporting Initiative, *G4 Sustainability Reporting Guidelines – Reporting Principles and Standard Disclosures* (2013) Amsterdam, page 51
- <sup>8</sup> Global Reporting Initiative, *G3.1 Sustainability Reporting Guidelines* (2000-2001) Amsterdam, page 68
- <sup>9</sup> IAMGOLD, *Our Journey Continues: IAMGOLD 2012 Health, Safety and Sustainability Report* (2013) Toronto, page 17
- <sup>10</sup> Ibid.
- <sup>11</sup> Department of Foreign Affairs, Trade and Development, *Burkina Faso* (13 March 2015) Ottawa: Government of Canada, [www.international.gc.ca/development-developpment/countries-pays/burkina-faso.aspx?lang=eng](http://www.international.gc.ca/development-developpment/countries-pays/burkina-faso.aspx?lang=eng)
- <sup>12</sup> Natural Resources Canada, *Canadian Mining Assets: Information Bulletin, December 2014* (2015) Ottawa: Government of Canada, [www.nrcan.gc.ca/mining-materials/publications/17072](http://www.nrcan.gc.ca/mining-materials/publications/17072)
- <sup>13</sup> Ibid.
- <sup>14</sup> Ibid.
- <sup>15</sup> Brendan Marshall, *Facts & Figures of the Canadian Mining Industry 2014* (2015) Ottawa: Mining Association of Canada, page 6
- <sup>16</sup> Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, *Introduction* (2015) Ottawa, [http://www.globaldialogue.info/intro\\_e.htm](http://www.globaldialogue.info/intro_e.htm)
- <sup>17</sup> Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, *A Mining Policy Framework: Mining and Sustainable Development, Managing One to Advance the Other* (October 2013) Ottawa
- <sup>18</sup> Ibid, page 10-11
- <sup>19</sup> Eldorado Gold, *Building Our Future: Eldorado Gold Annual Report 2014* (2015) Vancouver, page 26
- <sup>20</sup> Global Reporting Initiative, *An Introduction to G4: The Next Generation of Sustainability Reporting* (2013) Amsterdam, page 5
- <sup>21</sup> Global Reporting Initiative, *G4 Sustainability Reporting Guidelines – Reporting Principles and Standard Disclosures* (2013) Amsterdam, page 51
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