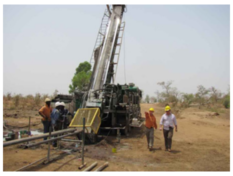

Mining firms should act now to stay ahead of local content rules

Mining firms across the globe could be at risk of losing valuable exploration and operating licences unless they step up their efforts to award work to suppliers in the locality of contracts.

Increasingly, multinationals are shifting their focus towards opportunities in emerging markets as a source of revenue to counter the drop in commodity prices.

Yet in a market survey, less than half (45%) of large buying organizations in the Mining industry said they would be making an extra effort this year to use local suppliers in contracts.

It could mean they risk getting caught out by a raft of new Local Content Development rules, unless they take steps now to upgrade their approach to procurement and managing information about suppliers.

Governments around the world – including in Africa, the Middle East, Australia and South America, have introduced local content development policies that require mining companies to ‘give back’ to local communities via employing and training local people, or investing in infrastructure. This includes the recently updated Broad-Based Black Economic Empowerment (B-BBEE) Act in South Africa includes a requirement to report on the number of black and women-owned SMEs within supply chains.

Firms which fail to comply can be hit by various penalties, including licences being revoked, fines, or commercial restrictions.

The changes have put greater onus on operators to gather accurate data on their supplier base because across all regions, operators must prove they are using a specified percentage of local labour on contracts. This should be supported by other mandatory information such as company name and address, right through to product and service capabilities and compliance.

Yet despite the growing need for data and information about the supply chain, 45% of survey respondents admitted in the same market survey that they are not confident that their data on suppliers of all sizes is accurate.

The market survey was carried out by independent research consultancy IFF, which conducted telephone interviews with 300 procurement professionals from large businesses across the UK, U.S., Brazil, Spain and The Nordics. This included 64 large firms in mining, oil and gas.

It was commissioned by Achilles – a global supplier information company, which works on behalf of more than 40 multinational mining firms to manage information about more than 6,000 suppliers – also ensuring they meet critical standards in compliance and CSR before they are considered for work. Achilles manages Regic – a supplier information community for Latin America and South Europe. It also runs the Oyu Tolgoi SQMS – used by major buying organisations in Hong Kong to manage supplier information, foster local content and deliver ethical and transparent procurement processes.

Gareth Palmer, Achilles Regional Director for the Middle East and Africa, said: “New legislation on Local Content Development is not a ‘nice to have;’ it’s the law.

“Yet this survey showed that some Mining companies face a real challenge in complying, because their supplier information is patchy. Without clear and accurate data on their suppliers, an operator would not be able to distinguish which contractors meet Local Content Development requirements.

“With growing pressure from governments and investors, businesses need to put in place fair and transparent systems for assessing and selecting small and local suppliers.”

There is no doubt it would be a huge burden for any Mining company to start from scratch in terms of adhering to local content development needs.

Gareth added: “In our experience the easiest way for Mining companies to comply with Local Content Development rules is to form communities – working collaboratively to collect non-confidential pre-qualification information from suppliers in all geographies. This enables them to access a ‘pool’ of credible and reputable suppliers, while adhering to local content requirements – wherever in the world they are operating.”

Source: **Mining.com** July 24, 2015.