

ANGLO**GOLD**ASHANTI

LOCAL BUSINESS DEVELOPMENT

**FRAMEWORK AND GUIDELINE FOR LOCAL BUSINESS
DEVELOPMENT AND LOCAL PROCUREMENT**



OUR APPROACH TO LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT

The local procurement context

Mining companies spend roughly between 40 and 80 percent of their revenue on the procurement of goods and services which in some cases exceeds tax and royalty payments.

The use of specialised inputs, the technological complexity of the mining sector, restrictive business conditions, such as difficulties in accessing finance, lack of relevant skills, and low accessibility of host communities to the supply chain typically constrain efficient supply from domestic or regional markets. As a consequence, skilled labour and a large share of goods and services used in mining projects are often imported.

Local content has emerged as one of the main tools to address inequality, create skills, develop the domestic industry and enable diversification. Local content includes both skills development and the hiring of a local workforce, and the purchasing of locally produced goods and services.

Policy makers around the world are increasingly using local content legislation as a tool to secure greater social-economic benefits from mining activities. In many countries where AngloGold Ashanti operates, recent regional and national policy frameworks have identified local procurement as a way to maximise the benefits from mining investment.

Local procurement as a driver of business competitiveness and success

AngloGold Ashanti recognises and acknowledges that our existence and competitiveness is linked to the success of the communities in which we operate. Access to business opportunities can fundamentally improve community resilience by reducing poverty, unemployment and inequality. The company believes that creating mutual value with communities can be driven by local procurement, within the context of differing country dynamics and regulatory provisions.

Sustainable local business development and local procurement will contribute to positive benefits for our stakeholders and improved business performance for AngloGold Ashanti through:

- Improved access to critical inputs at a lower cost
- Diversification of supply sources and improved quality of local supply
- Improved access to local opportunities and the ability to realise value from these as communities welcome us as a trusted partner
- Improved access to talent

OUR APPROACH TO LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT

Understanding the value that can be added by local business development and local procurement

By contributing to local business development through local procurement we create both economic and social value.

Local procurement generates economic value within the business through cost reduction, inventory reduction and increased supply chain efficiencies. It also protects against potential losses from production disruption due to supply chain interruptions.

Social value is created when our actions build trust and contribute to strengthening the societies which we work in. Our contribution to broader social and economic development determines our social licence to operate.

We will assure our continued ability to mine by building trust when we prioritise our host communities and ensure that they have access to supply chain opportunities and sustainable livelihoods beyond the life of mine.

Choosing and prioritising local procurement initiatives

Our approach to local procurement is predicated on our intent to enable meaningful and sustainable local business development. In this way we contribute to broader national industrial development in the face of:

- Limited systems capability in jurisdictions where we operate – skills, processes, infrastructure and technology
- Conflicting policy frameworks and their application – commonly reflected by conflicting priorities
- Resource constraints
- Increasing political social-economic expectations

At a company level we have developed a local business development and local procurement framework which outlines the company's approach to addressing local content in jurisdictions where we operate. This ensures that we have coherent actions in place at operational level. Using this approach, we shape operational activities to be globally consistent, yet locally relevant.

In responding to specific site supply chain operating environments, a range of options are developed. In making choices from this range, we consider how they are consistent with our strategic approach, as well as the value they generate – to the company and to host communities.

FRAMEWORK FOR LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT

Intent

To accelerate local business development and local procurement which supports both business success and thriving local economies with empowered communities

Principles

In implementing this framework, we will apply the following principles:

- Actively seek to increase local participation in the supply chain
- Beyond local participation, work toward increasing value addition to local services and products
- Enable local businesses and skills development for sustainable performance
- Enable supplier diversification for resilience beyond life of mine
- Promote a multi-disciplinary approach and establish strategic partnerships to maximize impact

Enablers

To give effect to this framework, our operations need to:

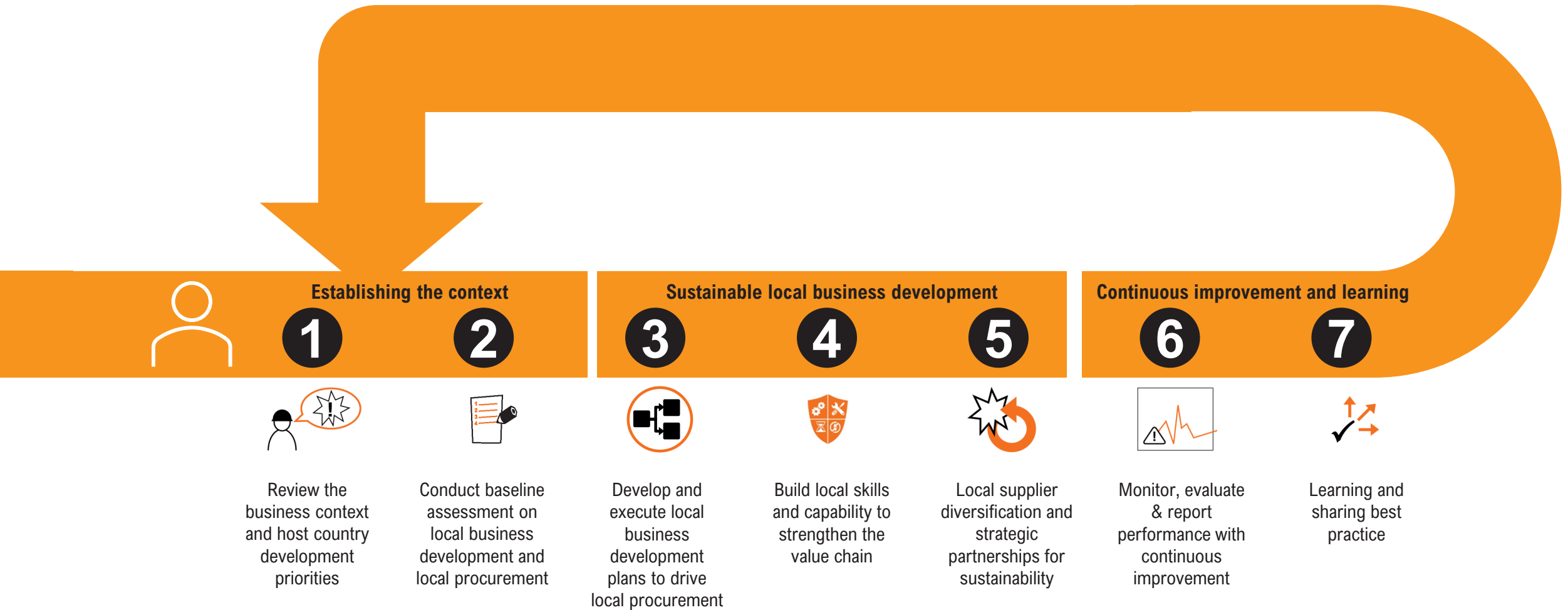
- Support local business development and local procurement as drivers of business competitiveness and success
- Adapt new behaviours and mind sets for successful implementation
- Adopt promotional strategies to improve local supplier awareness and understanding of opportunities
- Enhance local capability and skills development
- Adopt an open and collaborative approach with potential suppliers to avoid dependency and ensure sustainability

Process Requirements

To ensure that this framework is implemented effectively, we need to have robust processes for:

1. Reviewing the business context and host country development priorities
2. Conducting baseline assessments on local business development and local procurement
3. Developing and executing local business development plans to drive local procurement
4. Building local skills and capability to strengthen the value chain
5. Local supplier diversification and strategic partnerships for sustainability
6. Monitoring, evaluating & reporting performance with continuous improvement
7. Learning and sharing best practice

GUIDELINE FOR LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT



BUSINESS STRATEGY AND REGULATORY LANDSCAPE

Local business development and local procurement - Understanding the context

What you need to do



- ### Who should be involved?
- Person/s accountable for outcomes:**
- Country / Regional supply chain leads
 - Country / Regional sustainability/community leads
 - Country legal counsel

Who else is involved in the task?

- Mine management team

- ### Questions you need to answer
- What is the mine's philosophy and approach to local business development and local procurement?
 - How does it apply in relation to the regulatory framework?
 - What is our performance and what should it be?

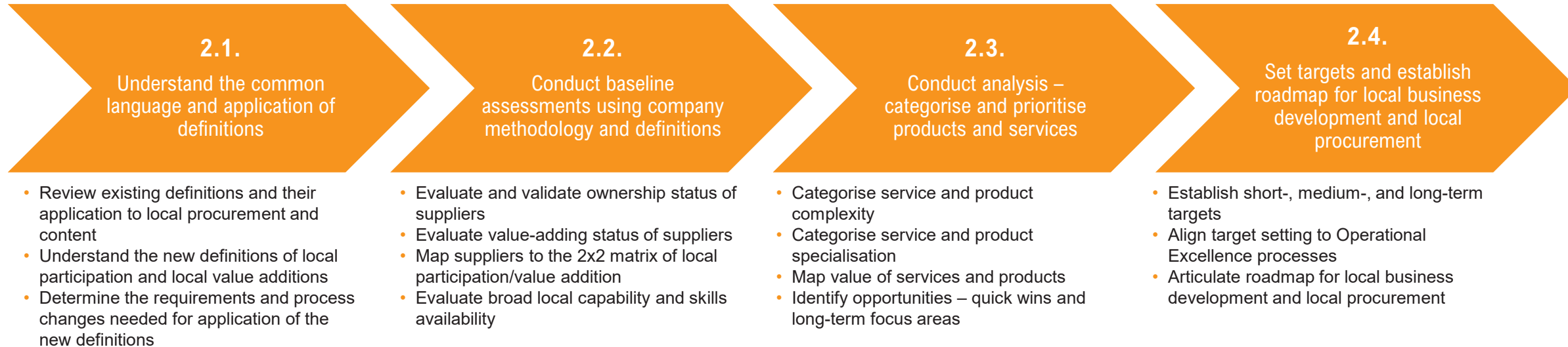
- ### Outcomes you should aim to achieve
- A country-specific definition of local procurement
 - A clear understanding of the business approach to local business development and local procurement
 - A clear understanding of current performance in relation to regulatory frameworks
 - A sense of what shifts need to be made to drive local business development and local procurement

BASELINE ASSESSMENT FOR LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT

Local business development and local procurement - Understanding the context



What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Country supply chain leads

Who else is involved in the task?

- Corporate / regional supply chain team
- Mine management teams
- Country /Regional sustainability leads



Questions you need to answer

- How do we understand our supplier base in relation to the new definitions?
- What are the opportunities available?
- Where do we focus in order to enable local business development and drive local procurement?
- What targets will we set in relation to local circumstances?



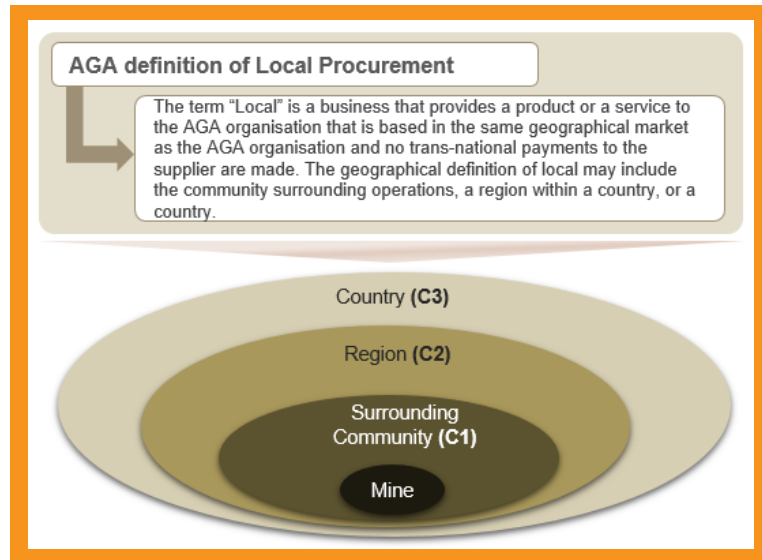
Outcomes you should aim to achieve

- Suppliers mapped to participation / value-addition matrix
- Suppliers categorised in terms of product or service value, volume and complexity
- Options identified and prioritised
- Targets and roadmap set

BASELINE ASSESSMENT FOR LOCAL BUSINESS DEVELOPMENT AND LOCAL PROCUREMENT

Supporting information

An agreed or a common definition of “local procurement”, which is aligned with the broader AGA sustainability vision and strategy, lays the foundation for a shared approach to implementation



To align closely with the broader sustainability strategy aimed at empowering local communities the term local can be further sub-categorised based on intended core beneficiaries of local procurement (in order of importance) as follows:

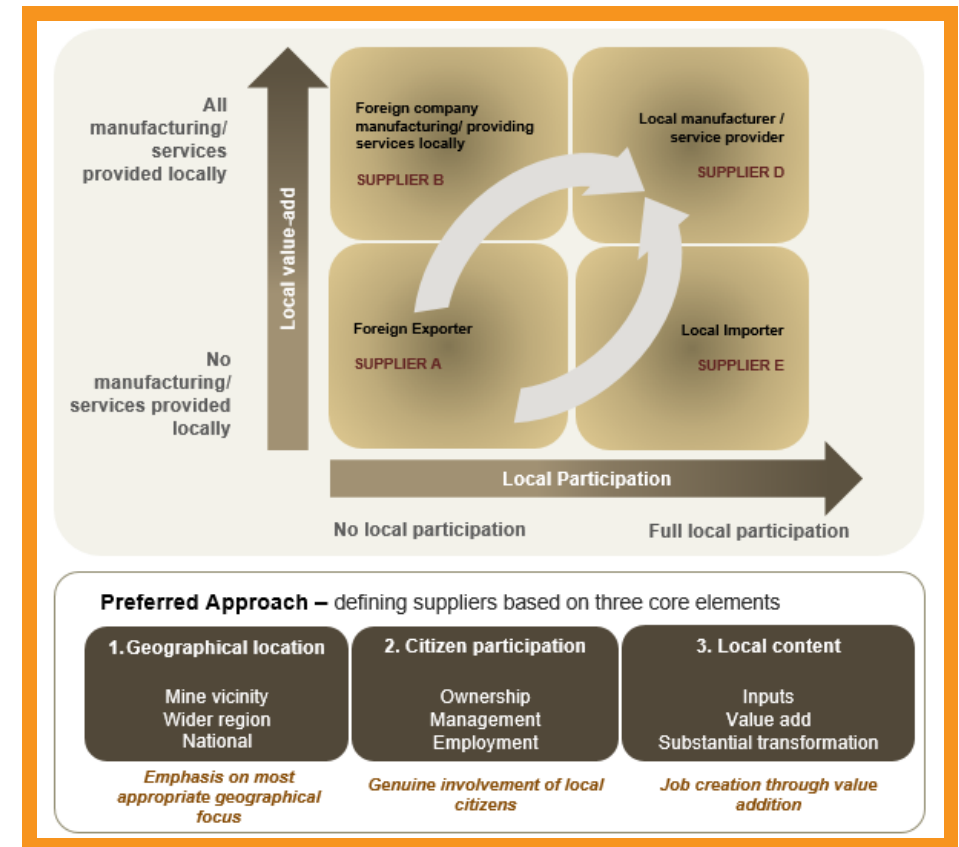
Local - Category 1 (C1) or Local-local = Businesses in communities in the area immediately adjacent to, or most likely to be impacted by mining activities with predominantly local ownership.

Local - Category 2 (C2) or Local = Businesses in communities within the Region/ Province/ State where the mine is located, this area will also include *foreign registered companies in the country, but no trans-national payments are made to the supplier* – C2-F. *Citizen owned business will be noted as C2-L.*

Local - Category 3 (C3) or Local-Multinational = Businesses within the country where the mine is located. *This area will also include foreign registered companies in the country - C3-F. Locally owned business will be noted as C3-L.*

Supplier categorization is defined based on the Kaiser-World Bank models

The Kaiser Economic Development Partners for the World Bank, based on the extensive consultative work with governments and mines, define local suppliers based on three core elements. This approach is based on the principle that there are three distinct aspects that make up the concept of “local”:

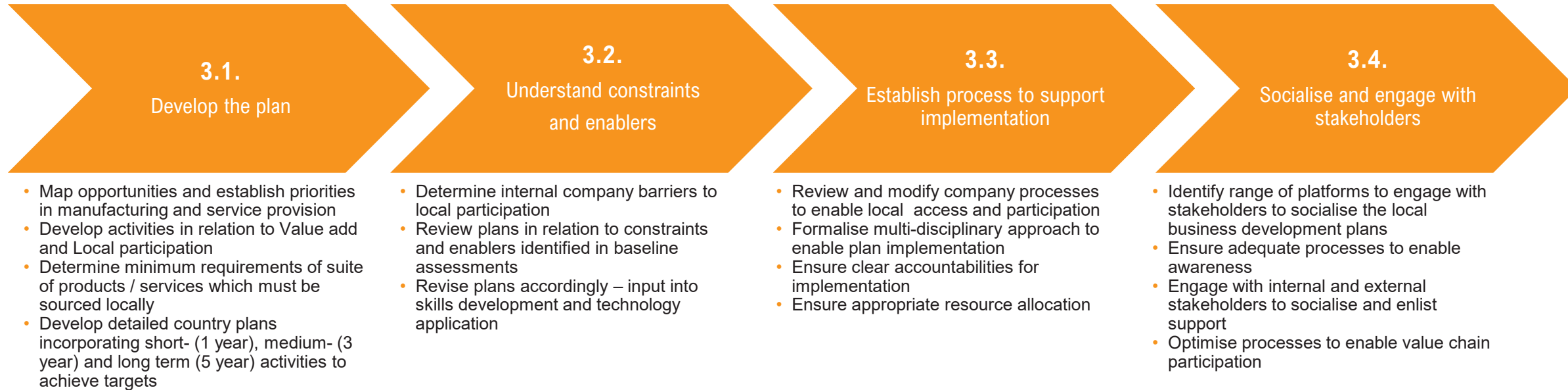


LOCAL BUSINESS DEVELOPMENT PLANS TO DRIVE LOCAL PROCUREMENT

Local business development and local procurement - Sustainable local business development



What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Country / region supply chain leads
- Mine management teams

Who else is involved in the task?

- Site functional disciplines
- Site sustainability practitioners



Questions you need to answer

- What products and services are likely to have suitable demand to justify local supply?
- In which product/service categories is there suitable local supply capacity?
- How are opportunities constrained by the operating environment?
- What are the internal company barriers to local participation and how will they be addressed?



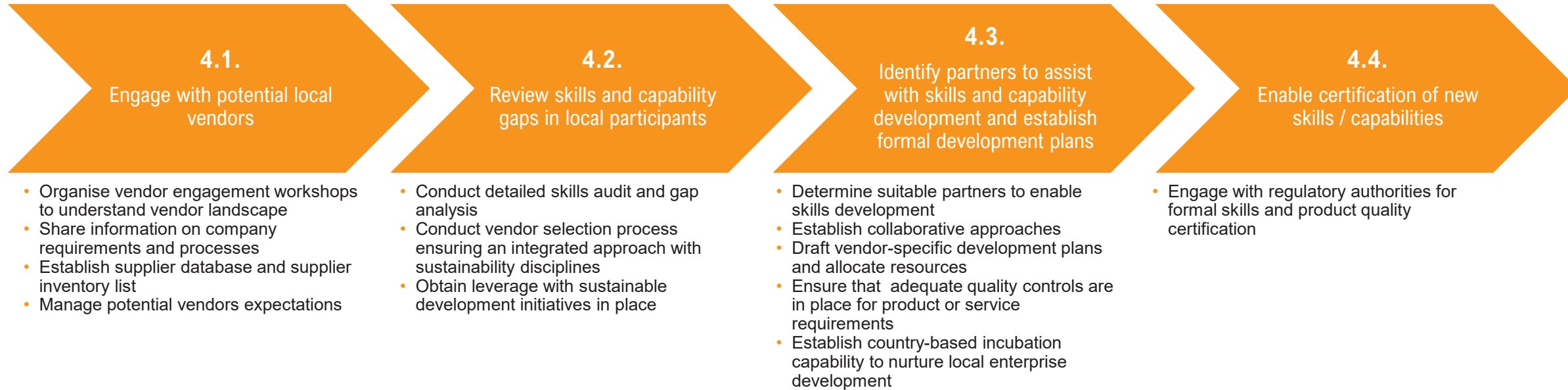
Outcomes you should aim to achieve

- A comprehensive list of stakeholders, issues, risks and initiatives
- Finalised local business development and procurement plans
- Local business development plans agreed with stakeholders
- Incorporation of the plans into the budgeting process

BUILDING LOCAL SKILLS AND CAPABILITY

Local business development and local procurement - Sustainable local business development

What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Site/Regional Supply Chain Managers

Who else is involved in the task?

- Site/Regional Sustainability Managers

Questions you need to answer

- How do we ensure full, fair, and reasonable access to opportunities?
- What capacities do suppliers need to develop in order to compete?
- How can we support suppliers to develop those capacities?
- What are the highest priority operating environment issues to resolve so that suppliers can compete?

Outcomes you should aim to achieve

- Local participants develop the appropriate skills and capabilities to support successful local business development
- Improve local supplier competitiveness
- Improved Supply Chain efficiencies, reduced inventory cost and lower supply chain risk
- Contribution to resilient communities.

BUILDING LOCAL SKILLS AND CAPABILITY

Supporting Information

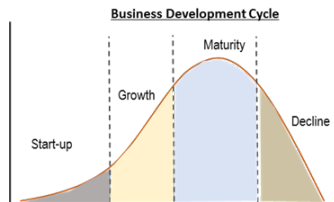
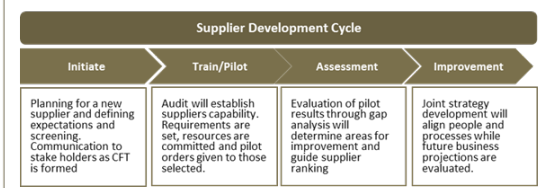
Local Supplier Assessment

To determine if there is a need to develop local capacity it is recommended that the site conduct a local supplier assessment and then develop a supplier inventory list. The objective will be to identify key local suppliers, their range of goods and services and their capacity. The assessment should note obstacles that exist, such as lack of financing and skills.

Types of support

1. Supplier access to finance: Access to sources of funding which build the supplier businesses.
2. Management of finance: Support suppliers to ensure that basic controls and financial management skills underline their operations.
3. Access to markets and opportunities: Support suppliers to ensure that their products and services fit with your company's needs, then help suppliers to build a pipeline of other (potential) customers.
4. Developing skills and mentorship: Target interventions aimed at improving management capacity
5. Building efficiencies: Assist suppliers to improve their processes, productivity, cycle times and efficiency, making their businesses more profitable
6. Ring-fenced opportunities.
7. Preferential pricing.
8. Simplified tendering and contracting.
9. Communicating opportunities.
10. Early payment terms.
11. Introduce supplier across Business Units.

Our approach to Enterprise Development (ED) and Supplier Development (SD)

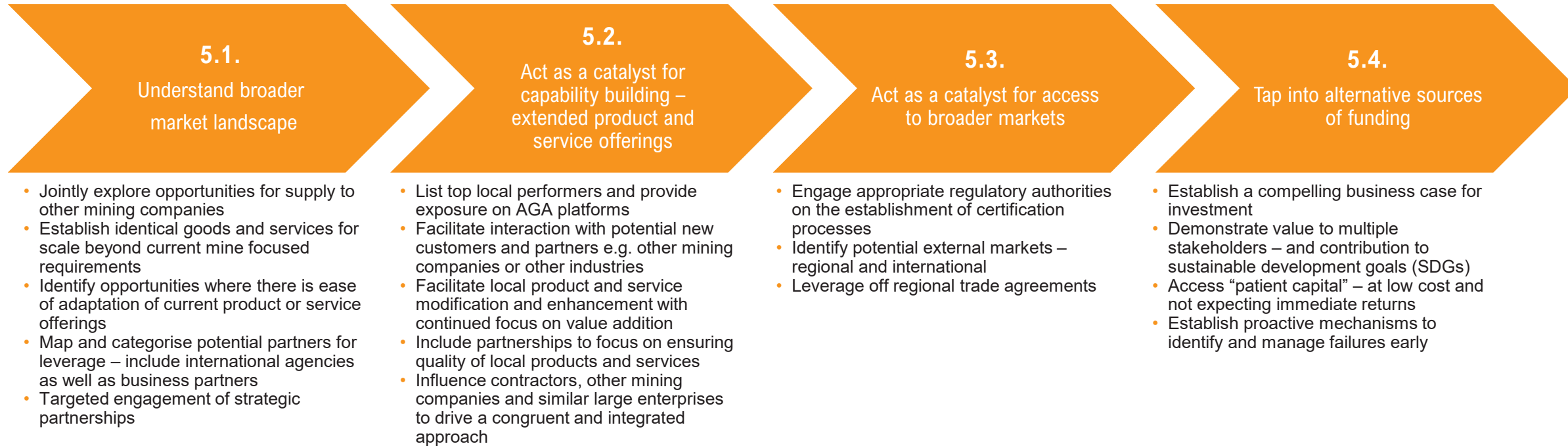
	Enterprise Development	Supplier Development
	 <p>The graph illustrates the Business Development Cycle with four phases: Start-up (grey), Growth (yellow), Maturity (blue), and Decline (green). The curve rises through Start-up and Growth, peaks in Maturity, and then falls in Decline.</p>	 <p>The flowchart shows the Supplier Development Cycle with four stages: Initiate, Train/Pilot, Assessment, and Improvement. Each stage has a corresponding description box below it.</p>
Scope	Enterprise development can be anything from the creation of new enterprises to redevelopment of existing ones, or many things in between. Not necessarily linked to the corporate value chain.	Any effort of a buying firm with its suppliers to increase the performance and/or capacities of the supplier and meet the buying firms supply needs. Confined to corporate supply chain
Objective	Primarily to develop and grow businesses by creating new business value , but secondarily, to create long term job creation and sustainability of small and medium businesses as important contributors to the overall economy.	To create and maintain a network of competent suppliers and to improve various supplier capabilities that are necessary for the buying organisation to meet its increasing competitive challenges
Focus	Generic and holistic in relation to and benchmarked against generic best practice business capabilities	Specific in relation to actual performance benchmarked against the expected performance of the SD business.
Involves	Internal ED Business stakeholders and ED advocates and agents. The individuals or organisations who have an interest in the result of the enterprise activity are responsible for funding, guiding or supporting the enterprise development activity towards its objective	Procurement customers(s), Internal SD Business stakeholders and SD advocates
Intended Outcome	Revenue and overall business growth as a collective outcome of increased capacity, capability and competence	Increased supplier performance and customer satisfaction as a result of increased capacity, capability and competence.

MONITOR, EVALUATE & REPORT PERFORMANCE

Local business development and local procurement - Sustainable local business development



What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Site/Regional Supply Chain Managers

Who else is involved in the task?

- Site/Regional Sustainability Managers
- Relevant regulatory authorities
- Contractors / other mining companies / industries



Questions you need to answer

- How do we expand markets for existing products and services beyond the mine business?
- How do we enable adaptation and capability building to diversify products and services?
- How do we enable access to external markets?



Outcomes you should aim to achieve

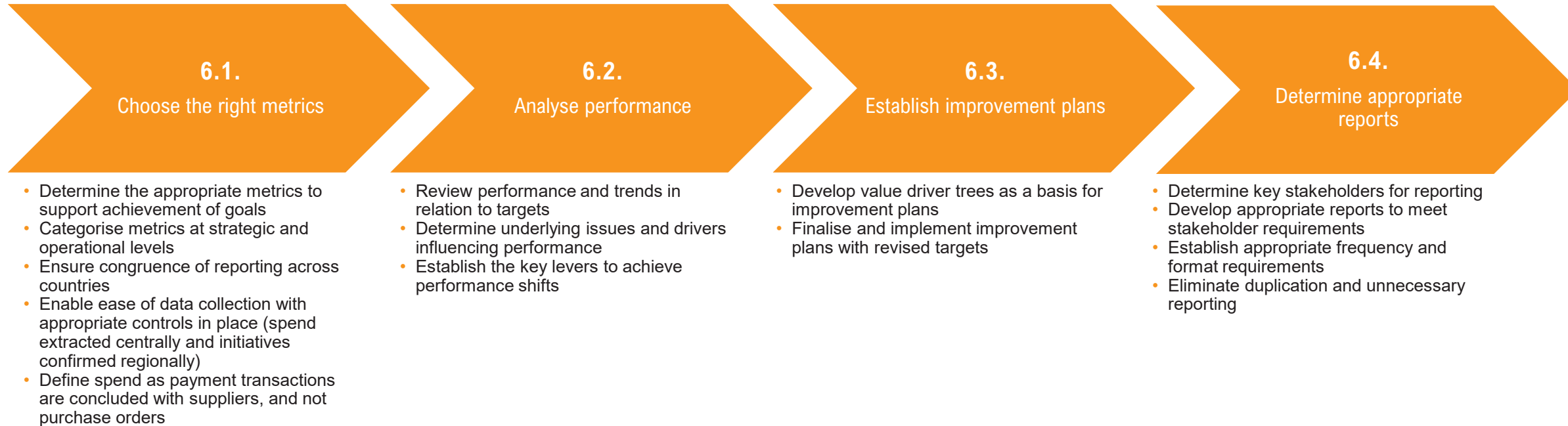
- Local businesses diminish dependence on AGA’s mining business.
- Thriving self-sustaining local businesses beyond life of mine.
- Through diversification local businesses are sufficiently resilient and agile in responding to external threats.

SUPPLIER DIVERSIFICATION AND STRATEGIC PARTNERSHIPS FOR SUSTAINABILITY

Local business development and local procurement - Continuous improvement and learning



What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Site / Regional Sustainability managers
- Site/Regional Supply Chain Leads

Who else is involved in the task?

- Operators – GMs and MDs



Questions you need to answer

- Do the metrics we use enable us to understand true performance and drive continuous improvement?
- What are the major data gaps that need to be addressed?
- Do we have a process in place to revise the plans or goals to the changing priorities and conditions?



Outcomes you should aim to achieve

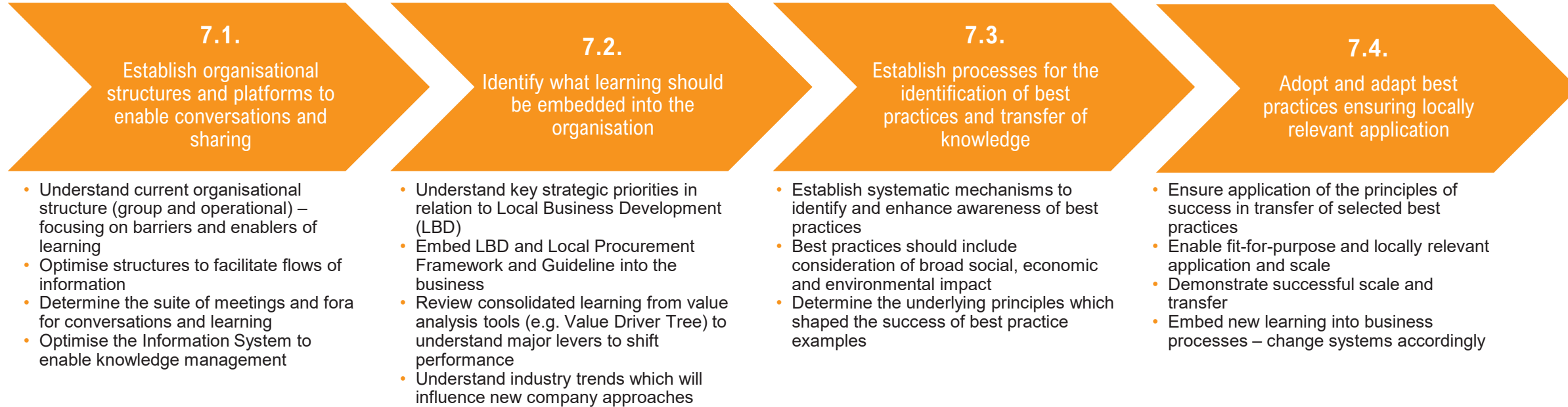
- Our business performance is well understood and used to drive continuous improvement in achieving our aspirations
- Outcomes and impacts achieved as planned
- Modification to the process approach for continuous improvement
- Conditions established for step change improvements

LEARNING AND SHARING BEST PRACTICE

Local business development and local procurement - Continuous improvement and learning



What you need to do



Who should be involved?

Person/s accountable for outcomes:

- Site / Regional Sustainability managers
- Site/Regional Supply Chain Leads

Who else is involved in the task?

- Operators – GMs and MDs



Questions you need to answer

- Do our organisational structures and processes enable or inhibit transfer of knowledge and best practice?
- Do we have an organisational environment that is supportive of critical learning.
- Do we have a company wide approach to report learning?



Outcomes you should aim to achieve

- Improve organisational effectiveness by deepening learning from our experience
- Sharing and embedding best practices into our business processes.
- Deepen and broaden organisational impact
- Embed learning and change management into the organisational culture

