Local Content Policy for the Simandou integrated mining and infrastructure project

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Acknowledgements
This document was prepared by Chad Blewitt and Kirk Wilks of Rio Tinto in collaboration with Cécé Noramou from SOGUIPAMI, Republic of Guinea.

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Erin Deutrom (The Project Room - Brisbane, Australia)
“Given its scope, capacities and volume of investments, the integrated Simandou South Project is an opportunity for Guinea to create more added values and ensure sustainable socioeconomic development of the country. Therefore, the government of Guinea attaches great importance on the Simandou South Project’s Local Content Policy. The implementation of this policy will allow for better qualification of the workforce, create jobs, and improve the performance of local companies and suppliers.”

H.E. Mr Kerfalla Yansané
State Minister, Minister of Mines and Geology, Republic of Guinea

“The Simandou Project has the potential to be an engine for transformation of the Guinean economy. Rio Tinto is committed to supporting the development of a sustainable local supply network and to developing the skills of the Guinean labour market to make this happen.”

Mr. Alan Davies
Rio Tinto, Chief Executive, Diamonds & Minerals

“CIOH, in collaboration with the other Project Partners and the State, supports this Simandou Local Content Policy. The overall objective of this policy is to ensure the Guinean economy increasingly benefits from the Project’s activities over time.”

Mr. Caiming Liu
CIOH, Chairman, Chalco Iron Ore Holding

“IFC strongly supports the efforts by the Simandou project’s partners to create a local content policy to strengthen the local supply base and ensure the project generates significant benefits for the Guinean economy. As a member of the World Bank Group, IFC is committed to ensuring that local communities accrue significant benefits from the mining projects we support. Local businesses will be vitally important to Simandou’s development and we are committed to working to ensure they are central to its supply chain.”

Mr. Sujoy Bose
IFC, Global Co-Head of Infrastructure and Natural Resources
The Simandou Local Content Policy is the result of a collaborative effort, developed through a series of workshops involving representatives from each of the Simandou Project Partners and relevant Ministries with the support of its development partners. These included the World Bank, African Development Bank, IMF, UNDP, USAID and European Union.
Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>BFS</td>
<td>Bankable Feasibility Study</td>
</tr>
<tr>
<td>BOT</td>
<td>Build Operate Transfer</td>
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<tr>
<td>Chinalco</td>
<td>Aluminium Corporation of China</td>
</tr>
<tr>
<td>CIOH</td>
<td>Chalco Iron Ore Holdings</td>
</tr>
<tr>
<td>DFI</td>
<td>Development Financial Institution</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EPC</td>
<td>Engineering, Procurement and Contracting</td>
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<tr>
<td>EPCM</td>
<td>Engineering, Procurement, Contracting and Management</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>HSE</td>
<td>Health, Safety and Environment</td>
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<tr>
<td>HSEC</td>
<td>Health, Safety, the Environment and Communities</td>
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<td>IF</td>
<td>Investment Framework</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IID</td>
<td>Infrastructure Investment Decision</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>JV</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>LSDP</td>
<td>Local Supplier Development Program</td>
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<tr>
<td>NGOs</td>
<td>Non-Government Organisations</td>
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<tr>
<td>NRGI</td>
<td>Natural Resource Governance Institute</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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<tr>
<td>SOGUIPAMI</td>
<td>Société Guinéenne du Patrimoine Minier</td>
</tr>
<tr>
<td>SSA</td>
<td>Sub-Sahara Africa</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>WAEMU</td>
<td>West African Economic Monetary Union</td>
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</table>
The Simandou Project is currently the largest integrated mining and infrastructure development contemplated within Africa with an expansive scope representing integrated mine, rail and port facilities and ancillary infrastructure.

The Simandou Project has the potential to transform the Guinean economy.
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1. Introduction

A key objective of the Simandou Project is to support the development of long term sustainable business relationships in Guinea, ensuring that local suppliers, contractors and communities increasingly participate in and benefit from the Project’s activities over time.

The creation of local content within the context of the Simandou Project is dependent upon a tangible co-commitment from the Government of Guinea (the “State”), with the facilitation of its development partners, the Project Partners, Project investors and lenders, and other private institutions to work responsibly and productively with local suppliers and the communities in which they operate.

A major challenge for the Project Partners (including the State) is that community expectations for economic empowerment via local content from the Simandou Project are very high given the Project’s profile and large footprint across Guinea. This challenge is compounded by the lack of depth and capability in the Guinean supply base, which is regarded as immature by international standards. Further to this, there is a low level of supporting physical and institutional infrastructure and insufficient direct and consequential local demand to incentivise the development of this infrastructure. Consequently the specialised supply sectors utilised by large mining and infrastructure projects (e.g. heavy engineering, secondary manufacturing, heavy mobile equipment, speciality chemicals) either do not exist within Guinea today or are unable to meet the exacting technical specifications and/or volumes. As a result the Simandou Project is anticipated to have a small proportion of local content during the construction phase while the Guinean supply base and supporting infrastructure develop.

The central focus for local content activities during the Construction phase will be in supporting procurement from SME’s who will be expected to offer more sophisticated goods and services over time as they develop skills and experience and benefit from improvements in supporting physical and institutional infrastructure.

The facilitation and development of the Guinean supply base must be considered as a gradual and ongoing process with outcomes improving over time as processes, tools and experience develop. Considerable time and focus will therefore be needed to support the growth and development of local entrepreneurs, suppliers, contractors and their employees in Guinea.

Notwithstanding the challenges, the Project Partners maintain that local content is strategically important to help deliver key business value drivers for the Project such as maintaining cost competitiveness, providing supply chain security, gaining and building stakeholders’ trust and supporting the Simandou Project’s social licence to operate. Realisation of these key business value drivers will support the Project Partners’ goal of maximising shareholder returns and contributing to the growth and resilience of the Guinean economy.

1 Société Guinéenne du Patrimoine Minier (“SOGUIPAMI”) is an entity owned by the Republic of Guinea through which the Republic of Guinea holds its equity interest in Simfer S.A.

2 International Finance Corporation, A guide to getting started in local procurement, June 2011.
The purpose of the Simandou Local Content Policy is to:

• Communicate the Project Partners vision, objectives and commitment to support local content to the Project’s stakeholders; and

• Clarify the Project Partners expectations of the Project’s Suppliers and Contractors to promote responsible and sustainable local content outcomes.

In this local content policy:

• Chapter 2 outlines why local content is important.

• Chapter 3 provides an overview of the Simandou Project’s organisational structure, legal framework and sequential development milestones.

• Chapter 4 gives a description of the construction and operations phases of the Project and the resulting challenges, opportunities and constraints for local content.

• Chapter 5 details the key requirements against which all procurement decisions will be assessed to ensure the Project Partners realise their commitment to developing a world class mining and infrastructure project that maximises shareholder returns.

• Chapter 6 defines what is local content and gives an outline of a framework for measuring local content.

• Chapter 7 reviews the agreed principles, as stated in the BOT Convention and the Basic Convention, that have been used to formulate this local content policy.

• Chapter 8 outlines the Policy statement including the vision and objectives and documents the co-commitments agreed between the Project Partners and the State to facilitate an enabling environment that supports local content.

• Chapter 9 addresses the constraints within the Guinean economy and its emerging supply base which needs to be considered when assessing local content opportunities in the short and long term.

• Chapter 10 reviews recent success stories across the Project’s footprint.

• Chapter 11 explains how this local content policy will be put into practice, inclusive of a high level implementation plan aligned to the Simandou Project’s sequential development milestones.

• Chapter 12 outlines the Project Partners commitment to review and revise this policy, where appropriate, as both the project and national circumstances evolve over time.

Local Content creation via Domestic Linkages (e.g. SME development, job creation and economic diversification) has been highlighted as a key mitigation strategy against the “Resource Curse” which has affected a number of resource rich countries in the developing world.

The Project Partners commitment to local content is evidenced by:

• past and existing commercial engagements with Guinean registered suppliers that has resulted in spend of over US$350 million;

• Simfer’s training and development of its Guinean workforce (of approximately 1,000 employees);

• existing local supplier development initiatives and capacity building programmes;

• engagement of Guinea’s development partners to assess the local supply chain for potential synergies and undertake supplier development activities;

• the inclusion of local content principles stated within the Simandou Project’s Build Operate Transfer (“BOT”) Convention and the Amended and Consolidated Basic Convention (“Basic Convention”);

• the mandatory requirement for all contractors and suppliers to submit a local content plan as part of the tendering process. Local content and the specific domestic linkages on offer will be a standard selection criteria in the award of all contracts; and

• this local content policy to provide the framework for promoting responsible and sustainable local content outcomes.

EDUCATION AND TRAINING ARE ESSENTIAL TO DEVELOP HUMAN CAPITAL
2. Why local content is important

Local content can bring about significant benefits to a wide range of stakeholders. As mining is such a significant contributor to the Guinean economy, local content within mining projects has the potential to be a significant catalyst for wider economic development including:

- employment and contracting for Guineans resulting in an increase in National income;
- technology and skills transfer, that may be utilised beyond the mining industry;
- improvement in the institutional and regulatory environment;
- development of enabling infrastructure (e.g. schools, training centres, roads); and
- long term economic diversification, beyond the needs of the Guinean mining sector.

Real and meaningful local content outcomes will take time to achieve because the supply base in Guinea is immature by international standards. As identified by the World Bank: “…overall, there is currently only limited participation in mining supply chains by companies based in West Africa. The majority of mining inputs are imported into the region, including a number of non-specialized products where capacity already exists locally or within the region.”

The emerging nature of Guinea’s supply base will therefore necessitate a high level of imports during the construction phase of the Simandou Project. It is recognised by the Project Partners that the opportunity for skills and technology transfer will take time to capture and typically, these long term programs are delivered in the operational phase of a given project. This issue will be further examined in Chapter 4 of this document.

The potential benefits of a qualified, capable and competitive local supply base to the Simandou Project and other mining companies in Guinea include (but are not limited to):

- increased security of supply, tailored to mining operations in Guinea;
- reduced costs of import related logistics;
- reduction in working capital requirements associated with holding costs of spare parts;
- reduction in lead times on delivery (particularly given the typically remote location of mines in Guinea), hence reduced system shut down times; and
- creating a partnership between the Guinean mining sector and local communities improves ease of operations (e.g. access to roads, less frequent work stoppages) and supports a mining project’s social license to operate thereby reducing the risk of, or protecting against, community dis-satisfaction and unfavourable political intervention.

3. Simandou Project overview

The Simandou Project is an iron ore exploration and mining project located towards the southern end of the 110 kilometres long Simandou mountain range which is situated in Guinea’s *Guinée Forestière* and *Haute-Guinée* regions, approximately 550 kilometres southeast of Conakry. The Simandou Project’s ore bodies are located within the Simandou mining concession which is held by Simfer S.A. (“Simfer”).

Simfer is owned by a world-class mining consortium consisting of Rio Tinto plc (through Rio Tinto Simfer UK Limited), a consortium led by Aluminum Corporation of China (“Chinalco”) through Chalco Iron Ore Holdings (“CIOH”), International Finance Corporation, a member of the World Bank Group, (“IFC”) and the State though SOGUIPAMI. The Simandou Project is currently the largest mining and infrastructure development contemplated within Africa with an expansive scope representing integrated mine, rail and port facilities and ancillary infrastructure.

The key components of the Simandou Project include:

- **the Mine**: one of the largest known undeveloped high grade hematite iron ore deposits in the world, to be a conventional open pit mine with an expected capacity of 100 million metric tonnes of iron ore per annum; and

- **the Simandou Infrastructure**: inclusive of a 650 kilometre trans-Guinean railway line to transport iron ore from the Simandou Mine to the Simandou Port, and a new port facility located south of Conakry in the Morebaya River; together with

- **ancillary infrastructure**: such as access roads, accommodation, power generation and water, as key enablers to support the development of the Simandou Project.

The Project Infrastructure is to be both multi-user and capable of non-iron ore use and has the potential to significantly leverage its infrastructure footprint for broader economic development.
THE SIMANDOU PROJECT STRUCTURE

On 18 August 2014, an Investment Framework ("IF") between the State and the Project Partners became effective. The IF provides the legal and commercial basis for investment in the development of the mineral resource at Simandou and supports the State’s strategic objectives regarding the development of Guinea’s mineral resources and economy.

The IF is comprised of two ratified (having the force of law) Conventions covering the Mining Project and Infrastructure Project, and governing among other things the relationships between Simfer, the Infrastructure Owner, Infrastructure Operator and the State.

1. The Build Operate Transfer ("BOT") Convention sets out the basis on which the Project Infrastructure will be constructed, operated and ultimately transferred to the State.

The BOT Convention sets out the roles of Infrastructure Owner, the State, the Infrastructure Operator, Simfer (or "MineCo") and other potential infrastructure users and enables the Project Infrastructure to be built and expanded by Infrastructure Owner and operated by the Infrastructure Operator.

2. The Amended and Consolidated Convention de Base ("Basic Convention") is focused on the investment for developing the mineral resource at Simandou and the inter-relationship with the BOT Convention.

In addition to the above Conventions, there are legal contracts that:
- govern the relationship between the Project Partners; and
- govern the relationship between MineCo, Infrastructure Owner and the Infrastructure Operator.

The Simandou Project is subject to the Mining Code of the Republic of Guinea, as established by Law L/95/036/CTRN of 30 June 1995, and as such is not subject to the Mining Code as amended in 2013.

As outlined in Figure 2 below, the Simandou Project will be restructured into separate entities for the Mining Activities (Simfer or "MineCo") and the Infrastructure Activities (collectively the, “Infrastructure Owner” and the “Infrastructure Operator”).

---

**Figure 2.** The Simandou Project structure

- **MINECO**
  - Pays availability charge
  - Makes available project infrastructure

- **INFRASTRUCTURE OWNER**
  - Makes available the Project Infrastructure to MineCo and other third party producers

- **INFRASTRUCTURE OPERATOR**
  - Is an independent contractor on behalf of the Infrastructure Owner
  - Operates and maintains the Project Infrastructure under the terms of the BOT Convention

- **Is undertaking to finance, construct, own and operate the mine under the terms of the Basic Convention**

---

Is undertaking to finance, construct and own the Project Infrastructure and transfer it to the State after a 30 year investment repayment period

Makes available the Project Infrastructure to MineCo and other third party producers

---
The Project Partners expect to execute the Simandou Project by achieving eight sequential development milestones which are set out in Figure 3 below.

**Figure 3. Simandou Project sequential development milestones**
4. Construction and operations development phases

All mining projects have two distinct phases of activity being the construction phase and the operational phase. As outlined in table 1 below, each phase has different local content opportunities, challenges and constraints.

1. **Construction phase**: the construction phase is shorter in duration and involving building and commissioning of the mine, rail, port and ancillary infrastructure. In the case of the Simandou Project, the construction phase commences once the Infrastructure Investment Decision milestone has been achieved. The construction phase concludes when the infrastructure has been successfully commissioned; and

2. **Operations phase**: the operations phase is much longer in duration and encompasses the operational and maintenance aspects of the project for the anticipated life of mine. Local suppliers may benefit from any further construction work that could occur during the operational phase because their skill base would be higher than was the case during the initial construction phase.

### Table 1. Typical characteristics of the construction phase and operations phase of a long life project in a developing economy

<table>
<thead>
<tr>
<th>CHARACTERISTIC</th>
<th>CONSTRUCTION PHASE</th>
<th>OPERATIONS PHASE</th>
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<tbody>
<tr>
<td>Time horizon</td>
<td>4+ years</td>
<td>30+ years</td>
</tr>
<tr>
<td>Percentage share of Life of Project cost</td>
<td>~ 25%</td>
<td>~75%</td>
</tr>
<tr>
<td>Nature of goods and services</td>
<td>One off capital items</td>
<td>Recurring spend categories</td>
</tr>
<tr>
<td></td>
<td>• Highly specialised and prescriptive technical requirements</td>
<td>• Consumables / spare parts</td>
</tr>
<tr>
<td></td>
<td>• Limited global supplier base (e.g. Original Equipment Manufacturers)</td>
<td>• Focus on maintenance / operational support</td>
</tr>
<tr>
<td>Labour skill requirements</td>
<td>Trade focused e.g. electrical, welding, piping, concreting</td>
<td>Operations focus e.g. fixed plant and mobile equipment operators, maintenance roles</td>
</tr>
<tr>
<td>Lead time for specialised industry development</td>
<td>Greater than 20 years e.g. Heavy fabrication, fixed plant, mechanical equipment, secondary manufacturing</td>
<td>5 - 10 years e.g. Maintenance repairs, provision of spare parts</td>
</tr>
<tr>
<td>Extent of State enabling support</td>
<td>Focus on improving the physical and institutional infrastructure</td>
<td>Physical and institutional infrastructure in place</td>
</tr>
<tr>
<td>International sole sourcing requirement</td>
<td>High • Necessitated by project schedule, tied funding arrangements and technical complexity</td>
<td>Limited • More time is available for supplier development</td>
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</table>
AERIAL VIEW OF QUARRY, PROVIDING CONSTRUCTION MATERIAL
Given the highly specialised nature of goods and services utilised during the Construction phase local content opportunities across the Simandou footprint will be limited. Local content opportunities will be maximised during the Operations phase when recurring spend categories will become available for consideration. This is illustrated in Figure 4 below. Due to the lead times involved, the spend analysis process and development of specific category strategies will need to commence during the Construction phase to ensure they are ready for implementation earlier than would otherwise be the case.

Figure 4. Local content opportunities - Construction versus Operations
TRAINING OF SIMANDOU EMPLOYEES, SUPPLIERS AND CONTRACTORS
5. Key requirements of the Simandou Project

The Project Partners share a commitment to developing a world class, mining and infrastructure project that maximises shareholder returns. In addition to the benefits Guinea will receive through its shareholding in Simfer, the people of Guinea will derive further benefits through Government revenues and broader economic development. It is acknowledged that a long term commitment from all partners is required in order to fully achieve this outcome.

The Simandou Project’s key requirements have been agreed by the Project Partners and have been enshrined into the Basic Convention and BOT Convention and have been reproduced in full below.

“The consideration of local content will be subject to the achievement of the Project’s following key requirements as outlined below:


2. Project funding pre-commitments – project funding arrangements (e.g export finance, leasing arrangements and tied construction contracts) must be prioritised to ensure funding is available for the commencement of construction activities.

3. Construction schedule – achieving the agreed Construction Schedule underpins the economic viability of the Project and the timely delivery of associated benefits to the Guinean population.

4. Capital budget – minimising the capital cost will enhance the relative attractiveness of the Project for equity and debt investors and increase economic returns to the State and other participants.

5. Mine and infrastructure reliability – confidence in the availability and operational efficiency of the mine and infrastructure system that delivers iron ore to its international customers, providing confidence at the level of project investors and lenders, and stability in economic returns to the State and other participants.”

These key requirements provide both the framework and essential criteria against which all procurement decisions will be assessed. As such, the objective of this Policy is to strengthen the local supply base rather than lowering or exempting the Project standards and governing parameters solely for the purpose of accommodating local suppliers.

PROJECT PARTNERS’ EXPECTATIONS OF SUPPLIERS AND CONTRACTORS

The Project Partners affirm their commitment to the objectives and desired principles contained in the IF and their ambition that:

- “the Project be developed in accordance with international best practice in commercial governance, ethical conduct in business, and transparency; and
- the Project Standards represent the minimum expectation of all suppliers and contractors (Guinean and international) and over time a culture that exceeds compliance develops.”
6. Defining and measuring local content

DEFINITION OF LOCAL CONTENT

The Project Partners, in the BOT Convention and the Basic Convention, have defined “local content” as:

“the utilisation of labour, goods and services originating from within Guinea, and includes skills and/or technology transfer from international partners to local suppliers in order to enhance their ability to provide goods and services to the Project.”

The main objective of local content initiatives is to create sustainable benefits for the Guinean economy through the employment of Guineans and the purchase of locally sourced goods and services. A commitment and focus on local content and the benefits it creates can originate from both Guinean owned and foreign owned organisations.

SME supplier development opportunities in direct impact areas of the mine, rail and port footprint will be assessed as an early priority.

“Local content with respect to the Simandou Project could take the following forms:

- local spend and employment in direct impact areas of the mine, rail and port systems;
- training and mentoring of local labour to create skills transfer;
- skills development and capacity building of local suppliers and communities;
- improving the ease of access to finance for local suppliers;
- development of new business reforms and initiatives for the Project that will also benefit others within the Guinean economy;
- investments in physical and institutional infrastructure (e.g. training/maintenance facilities);
- development of long term sustainable partnerships and joint ventures that ensure the Simandou Project’s key requirements are met; and
- intellectual property and technology transfer from international to local companies.”
PROJECT PARTNERS’ COMMITMENT TO LOCAL CONTENT

As stated in the BOT Convention and the Basic Convention the Project Partners have committed to support local content7:

“as far as possible, Simfer S.A., Infrastructure Owner, Infrastructure Operator and Project Contractors shall:

(a) use services and raw materials sourced in Guinea and products manufactured in Guinea in so far as these services and products are available on price terms that are competitive at an international level and on terms of quality, guarantees and delivery that are likewise competitive;

(b) provide reasonable assistance to regional development, assistance to local regions and seek to create new business and employment opportunities, in particular by seeking opportunities to work with small to medium-sized Guinean suppliers;

(c) seek opportunities to achieve local content synergies by working collaboratively with multilateral institutions, non-government organisations and industry participants present in Guinea; and

(d) work collaboratively with the State, multilateral institutions, non-government organisations and industry participants present in Guinea to identify impediments to the strengthening of local content and develop solutions to them,

in accordance with the policy defining the rules, principles and modalities to strengthen local content, based upon local content principles set out in Appendix 68, to be developed and signed by the Parties not later than six months after the Effective Date and which may be amended from time to time by agreement between the Parties (the “Local Content Policy”).”

And

“for the duration of this Convention, Infrastructure Owner and Infrastructure Operator and their Affiliates involved in the Project and Project Contractors undertake to:

(i) employ in priority Guinean nationals and / or residents to fill their unskilled labour requirements, on payment terms in accordance with local practice in Guinea; and

(ii) give preference to Guinean nationals providing evidence of the qualifications and experience required by Infrastructure Owner and Infrastructure Operator for appointments to management / senior management positions (including leadership positions) in accordance with Legislation in Force;

(iii) implement a training and promotion programme for the Guinean national employees in order to permit them to acquire the necessary experience to take management/senior management positions within the company leadership, maximise the development of their technical and managerial skills and ensure the effective transfer of knowledge relating to systems and procedures applicable to the Infrastructure Project; and

(iv) comply with Laws and Regulations relating to health.

Subject to Legislation in Force, Infrastructure Owner, Infrastructure Operator and their Affiliates and Project Contractors shall not be subject to any restriction as regards methods for the selection, recruitment, appointment, promotion or dismissal of their employees.”9

7 As outlined in Article 26 of the BOT Convention and Article 23 of the Basic Convention

8 This is also referenced in Appendix 7 of the Basic Convention

9 As outlined in Article 27 of the BOT Convention and Article 24 of the Basic Convention
ON-SITE SKILLS TRANSFER – LIGHT VEHICLE MAINTENANCE
A FRAMEWORK FOR DEFINING LOCAL CONTENT VALUE CREATION

The effectiveness of local content utilisation is maximised when it delivers sustainable economic benefits to a broad base of stakeholders. Successful local content utilisation delivers a multiplier effect10 through the development of domestic linkages beyond the original Project demands.

Figure 5 below illustrates how local ownership and management in isolation does not always equate to local economic benefit, and that foreign owned companies based in Guinea can equally result in significant local content outcomes which produce broad domestic linkages. For example, an Original Equipment Manufacturer could initially invest in facilities in Guinea (e.g. training, maintenance and service capability) which in turn could potentially evolve over time into the establishment of a regional hub for West Africa with much greater and far reaching domestic linkages. This would lead to far greater domestic linkages than contracting with a Guinean owned importer/distributor that created little value add within the country.

The Project Partners aim to increase local content participation in line with the maturity and competitiveness of the local supply base, hence the desired outcome is to increase spend concentration in Quadrant 3 and Quadrant 4 over time.

The timeframes required to develop these opportunities often precludes extensive local content participation during the construction phase. The International Mining for Development Centre11 identified business infrastructure (such as serviced industrial land, roads, energy and water) provided by the State and local governments as being a key factor in the success of local content utilisation. Rio Tinto’s experience through working in other developing economies is that high spend concentration in Quadrant 3 and Quadrant 4 is typically not achieved until a project transitions from the construction phase to the operations phase. This outcome will be strongly influenced by improvements in the State enabling environment, including both physical and institutional infrastructure and associated local laws. One notable example of this process is the experience in other mining geographies (e.g. Canada, South Africa and Australia) where the development of light industrial areas by local and national Governments has been a significant catalyst for increased local content utilisation and domestic linkages such as offsite service, repairs and routine maintenance.

Figure 5. Optimised local content through increasing domestic linkages

11 International Mining for Development Centre, Enabling the development of industrial capacity: Resource corridors, clusters and SEZs, World Bank Conference on Local Content Policies in the Oil, Gas, and Mining Sector, Ian Satchwell, 1 October 2013.
LOCAL VILLAGE IN FORÉCARIAH PREFECTURE
7. Acknowledgement of the Local Content Principles

The mining sector as an engine for development and growth is highly challenging, not only because of the high standards in terms of human resource and procurement requirements in the mining sector, but also because of the gaps which exist between those standards and the current level of socio-economic development in Guinea. At the same time, the Project Partners and the State are committed to the creation of local content to increase domestic linkages and hence the overall benefit to the Guinean economy and agreed to develop a Local Content Policy. The following principles, as agreed to in the BOT Convention and the Basic Convention, provide the foundations for the Simandou Local Content Policy.

The Project Partners:

"acknowledge (and will procure that all other stakeholders acknowledge):

1. The need to accommodate the specific requirements of a developing supply community and economy in Guinea.

2. Simandou will develop the supplier selection criteria in advance of contracts being awarded. This includes factors such as HSEC, price competitiveness, ability to meet quality and quantity of work, warranty terms and conditions, and service and support. In addition, local content offerings and the domestic linkages associated with each supplier and contractor will also be assessed.

3. Imposing specific targets for local content would adversely affect the Project’s development and will not be considered as part of this policy.

4. The requirements for a transparent, ethical and internationally accepted procurement process, consistent with the Project Standards. This will include ensuring equal access opportunities to all local supplies and communities.

5. Final local content outcomes will be directly linked to State led and funded improvements in the enabling environment, in partnership with multinational agencies.

6. The requirements for a stable business environment which includes, but is not limited to, implementation of a regime for VAT refunds and VAT exemption for the Project to ensure a level playing field between local and international suppliers.

7. The timely and safe delivery of the Project can only be achieved through unimpeded award of contracts by the mine and infrastructure management teams, who will be solely accountable for contract award decisions.

8. To maintain project schedule and technological conformance the Simandou project will, from time to time, utilise sole sourcing for goods and services.

9. To ensure effective governance and provide assurance, the Simandou procurement process and a sample of associated contract and sole source award decisions will be made available for external audit on a bi-annual, retrospective basis.

10. Following mobilisation of the engineering contractors for the Mining Project and the Infrastructure Project, dedicated resources will be allocated for local supplier development activities within both the owner’s team and any EPC/EPCM contractors.

11. Subject to the key requirements of the Project, prequalification of suitable local suppliers will be conducted to enable inclusion on upcoming bid lists. Prequalification status does not, however, guarantee contract award.

12. Simandou will work closely with the State, multilateral development partners, NGO’s, other mining companies and extractive industries operating within Guinea to pursue synergies with respect to local content (eg, supplier identification and development).

13. The Project’s Local Content Policy is expected to be reviewed and revised, where appropriate, as project and national circumstances evolve over time.”
SAFETY AND SKILLS TRANSFER – ADOPTION OF INTERNATIONAL WELDING STANDARDS
8. Policy Statement

POLICY VISION
The vision is:
• to be a catalyst for socio-economic development in Guinea, using the project’s footprint and local content as an engine for growth;
• to develop a capable and responsive local supply base that over time can meet international standards thereby allowing for more complex goods and services to be sustainably provided locally to Simandou and other mining projects; and
• to employ an increasing number of Guinean nationals, across the Project’s footprint for a range of capacities, skills and positions.

POLICY OBJECTIVE
The objectives are:
• to increase domestic linkages and hence the overall benefit to the Guinean economy regardless of the level of Guinean ownership
• to develop a sustainable domestic supply and procurement network for the Simandou project, increasing over time the range of the supply categories; and
• to increase over time the direct employment of Guineans in the Simandou Project, at all skills and position levels, including un-skilled, semi-skilled and skilled labour, technical and supervisory staff, and upper management.

POLICY ACKNOWLEDGEMENT
The creation of local content within the context of the Simandou Project is dependent upon a tangible co-commitment from the State with the facilitation of its development partners, the Project, its investors and lenders, and other private institutions to work responsibly and productively with local suppliers and the communities in which they operate.

APPLICATION
The Simandou local content policy applies to Guinean registered businesses and Guinean labour who are or have the strong potential to supply goods and or services to the Simandou Project.

PROJECT ENTITIES
This Simandou local content policy is to be adhered to by Simfer S.A., the Infrastructure Owner, Infrastructure Operator and Project Suppliers and Contractors.

EFFECTIVE DATE AND REVISIONS
The local content policy is effective from the date of signing. This policy will be reviewed and revised, where appropriate, to reflect changing project circumstances (e.g. following selection of the Infrastructure Consortium) and to provide an update on progress.

REGULATORY FRAMEWORK
This local content policy is consistent with the rights and obligations as defined under the terms of the BOT Convention and the Basic Convention.

The Conventions define the legal and commercial basis for investment in the Simandou Project. Given the exceptional scale of investment, the State has agreed to guarantee the rights and obligations of each of the Project Partners are stabilised from the Effective Date of the Conventions, being 18 August 2014.
THE PROJECT PARTNERS POLICY CO-COMMITMENT TO SUPPORT LOCAL CONTENT

The Simandou Project Partners are committed to supporting local content outcomes through the facilitation and development of the Guinean supply base. This process will be gradual and ongoing with outcomes improving over time as processes, tools and experience develop.

The Project Partners enabling activities, outlined in table 2 below, form a framework for future procedure development to implement the Policy.

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<tr>
<th>ENABLER</th>
<th>EXPLANATION</th>
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| 1. **Standardised Procurement Process** | • The Project Partners are committed to maintaining a procurement process that is transparent, ethical and applies internationally accepted standards and processes at all times.  
• Supplier selection criteria will be established in advance of contracts being awarded. A consistent process (e.g. questionnaire) is required to ensure registered businesses are assessed against internationally recognised standards (e.g. HSE, price, quality and quantity of work, commercial terms and conditions, service and support). This represents the first stage of supplier pre-qualification.  
• Enabling support will include information sessions that outline the expectations of a given tender and how local suppliers may be able to participate. |
| 2. **Local content and Domestic Linkages as a Selection Criteria** | • Supplier selection criteria will include local content and the associated domestic linkages.  
• The selection criteria will be applied irrespective of Supplier origin to ensure benefits to Guinea are optimised in the context of the supply required and the key requirements of the Project.  
• Tenderers for the Large Vertical Contracts (“LVCs”) utilised in the Construction phase are required, as a precondition of the tendering process, to submit a preliminary implementation plan describing what they will do to support local content. |
| 3. **Communication and Reporting Process** | • Communication and reporting on local content outcomes will be integrated into procurement reporting protocols and procedures.  
• Following the formation of the Infrastructure Consortium, quarterly reporting on local content key performance indicators will be communicated to the Board of Directors of the relevant operating entity to which the spend relates. |
| 4. **Procurement category assessment** | • A procurement category assessment will be prepared to outline a high level overview of upcoming project procurement categories. This assessment is a public document and will highlight local content opportunities aligned with the key requirements of the Project (as outlined in Chapter 5).  
• This will identify short lead time opportunities during the Construction phase and provide a forward looking view of category development opportunities that need to be identified ahead of the Operations phase. |
| 5. **Third party Procurement Process Audit** | • The Project’s management teams have accountability and process control in relation to contract award decisions. This is to ensure execution of the Project in accordance with the Simandou Project’s key requirements (as outlined in Chapter 5).  
• To ensure effective governance and provide assurance, the Simandou Project’s procurement process will be made available for external third party audit of a representative sample of the Project’s contract awards. |
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| 6. Dedicated Local Supplier Development Resources | • Following the IID, additional dedicated resources within Simfer and the Infrastructure Consortium will be engaged to support the development of the local supply community. This will include development of accompanying procedures that translate the Policy into operating practice (e.g. facilitate access to finance).  
• These dedicated resources will work closely with LVCs, the State and its development partners, NGOs, and industry participants on capacity building opportunities for targeted SMEs. |
| 7. Supplier Prequalification Process and Development Program | • Following completion of a supplier questionnaire the Simandou Project will utilise a supplier audit and prequalification process. Prequalification status represents the second stage for a supplier to be considered for inclusion in a competitive tender process. It does not guarantee Contract Award.  
• The outcomes of this process will be recorded within the Simandou Project’s Supplier Database and feedback provided to targeted suppliers. |
| 8. Leveraging local content Leading Practice | • The Simandou Project will leverage local content leading practice wherever possible in Guinea and internationally with the overall objective being to broaden the supplier base and improve its effectiveness and capability. This will include incorporating the experience and effective initiatives achieved by the Project Partners and the State’s development partners. |
| 9. Business group facilitation | • The Simandou Project will engage with business groups (e.g. Chamber of Commerce, Business Council) to support and facilitate local content development and collaboration across the Project’s footprint. |
| 10. Facilitation of sustainable partnerships and joint ventures | • The Simandou Project will support the development of sustainable partnerships and joint ventures between international and local Suppliers. This will include direct engagement of LVCs, original equipment manufacturers and other international suppliers, where this is not detrimental to the Project’s key requirements (as outlined in Chapter 5). |
THE STATE’S COMMITMENT TO SUPPORT LOCAL CONTENT

The State is committed to supporting local content outcomes and will play a leading role in providing an enabling environment. The State recognises that local content opportunities are dependent on physical and institutional infrastructure as critical enablers. The development of local content is reliant on key State enabling activities being delivered, which will assist to improve Guinea’s ease of doing business, overall country risk and business climate rankings.

The Project Partners acknowledge that local content opportunities will be constrained in the early years of the Project, notably during the construction phase, as the State led enabling environment develops. Table 3 below explains the key State enabling activities to be delivered (as committed to in the Conventions), in conjunction with the support of the State’s development partners. These activities have been identified as pre-requisites to enable the development of local content. This list is based on the State’s vision and aspiration for local content development. These enablers will take time to develop and are not exhaustive.

Table 3. State enablers required to support expansion of the local supply base

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| 1. Implementation of a VAT Refund and Exemption Regime | • Local suppliers are 18% more expensive relative to imported goods and services in the absence of an effective Value Added Tax (“VAT”) refund and exemption regime.  
• This can be overcome through implementation and enforcement of the VAT refund and exemption regime as agreed in the Conventions. |
| 2. Diaspora Engagement | • Where local employees lack the necessary skills and experience, these could be quickly accessed through diaspora returning to Guinea, who can be targeted through the establishment of a website and database.  
• This would reduce lead times in terms of benefits realisation when compared to improving technical skills and university qualifications in isolation. |
| 3. Facilitating business activity | • Recognising the nature of the contracting process with LVCs (who provide sub-contracting, employment and skills transfer opportunities) the State will facilitate the timely provision of permits, approvals, foreign worker visas, logistics and customs to ensure local content opportunities are not constrained. |
| 4. Business Registration Process | • Access to an effective business registration process across the Project’s footprint will make it easier for local businesses to participate in the pre-qualification process and facilitate foreign companies to more easily establish business relationships with Guinean owned businesses.  
• The State has committed in the Conventions to establish Business Registration and National Employment Offices in Beyla, Faranah and Forecariah. |
| 5. Promoting ease of access to finance | • The State will pursue policies that facilitate the provision of loans (e.g. microcredit, commercial loans) to local suppliers so they can establish and grow businesses over time.  
• The State will convene communication forums to support this activity. |
| 6. Supplier Registration Process | • A national supplier registration process could be established through the development of a National Supplier Database allowing local companies to be identified for inclusion in competitive tender processes. Registered suppliers’ information can then be accessed by other companies operating in Guinea. |
ENABLER | EXPLANATION
--- | ---
7. SME support Programme | • Facilitate the development of internationally recognised industry certification standards and training programmes with the support of the Project Partners and its development partners that can successfully link local businesses with large industrial enterprises.

8. Stable Legal and Regulatory environment | • An effective and stable legal and regulatory environment is a key enabler of local content and the attraction of third party investment.
• Preparation of user guides (e.g. tax and customs compliance) and training is required to ensure ongoing alignment with the Conventions by the State.

9. Technical and Professional Training | • The introduction of international best practices for technical and trades training and university degrees aligned to extractive industries requirements will ensure human capital is developed for engagement by local businesses and will over time reduce the need to use imported skilled labour.

10. Physical infrastructure | • The State, in developing its infrastructure plans, will highlight opportunities and synergies for local content development (e.g. light industrial areas).

Sustained improvements in the enabling environment will allow suppliers of more complex goods and services to develop over time, as demonstrated in Figure 6 below. International experience in other mining regimes (e.g. Botswana, South Africa, Chile and Australia) demonstrates there is a cumulative benefit and increased momentum of supplier development activity and outcomes as more key State enablers are introduced and improved over time.

**Figure 6.** The evolution of local content capability development in an enabled environment
9. Developing local content in Guinea

When considering opportunities for local content within the scope of the Simandou Project, it is important to understand the opportunities and constraints that presently exist within the Guinean economy.

AN OVERVIEW OF THE GUINEAN ECONOMY

Since achieving independence in 1958, Guinea has experienced challenges realising its tremendous economic potential. Its rich endowment of natural resources is yet to be effectively harnessed to support sustained economic development. Despite periods of growth, economic improvement has been impacted by international isolation, an emerging capital and skills base, and governance challenges. However, Guinea’s prospects have significantly improved following the return to democracy in 2010. Government institutions have continued to develop, most recently with the inauguration of the National Assembly in 2014. Monetary policy has been prudent, evidenced by declining inflation and a stable exchange rate. International institutions have been engaged, including the World Bank and the International Monetary Fund (“IMF”), with Guinea completing the Heavily Indebted Poor Countries debt relief process in 2012, reducing Guinea’s total external debt service obligations by US$2.1 billion over 40 years.  

Although Guinea continues to benefit from its reform agenda 2013-14 has presented challenges for the Guinean economy. Lower economic growth has been attributed to a combination of a slowdown in mining investment and activity and West Africa’s first outbreak of the Ebola virus in March 2014, claiming thousands of lives, and restricting the movement of goods and people, thereby depressing trade and economic activity.

It is important to recognise there is a strong link between physical and institutional infrastructure and the maturity of the local supply community. The IMF’s Guinea Poverty Reduction Strategy Paper acknowledged “…one of the main obstacles to the development of the economy of Guinea is the lack and poor quality of infrastructure, whether of transport networks, electricity supply or access to information and communications technology. In fact, Guinea lacks nearly every category of infrastructure.”

These factors result in the need for a focussed and dedicated supplier development plan, supporting capacity building programmes and access to finance, to bridge the gap between current local supplier capacity and the procurement standards of major extractive industries projects, such as the Simandou Project. The Simandou Project will invest and construct much needed physical and institutional infrastructure as part of the Project’s footprint (e.g. road upgrades, fibre optic link). This investment will act as a beacon for third party investment by the State and other foreign investors (e.g. regional electricity infrastructure, communications networks) and provides a major catalyst for the growth of the Guinean economy.

In 2013, the Natural Resource Governance Institute (“NRGI”) published its inaugural Resource Governance Index. Overall, Guinea received a score of 46/100, ranking it 33 of the 58 resource-rich countries surveyed and 7 out of 16 Sub-Sahara Africa (“SSA”) countries surveyed. As shown in Figure 7, Guinea’s performance varied significantly across the four criteria used by NRGI. As the report noted, “A very good Institutional & Legal Setting score contrasted with poor performance on the Enabling Environment component.” Guinea’s high score for Institutional and Legal Settings was largely due to reforms carried out since 2010 e.g. re-joining the Extractive Industries Transparency Initiative. Guinea’s low score for Enabling Environment reflected Guinea’s scores in international indices for corruption, rule of law and government effectiveness.

12 Rio Tinto, Simandou Economic Impact Report, September 2014.
14 The 2013 Resource Governance Index, Revenue Watch Institute, 2013.
Overall, these improvements in performance represent positive steps for a country with vast mineral opportunities. However, the above indicators also illustrate the criticality of focussed efforts to build a more conducive enabling environment for project implementation.

**AN EMERGING CAPITAL AND SKILLS BASE**

As demonstrated in Figure 8 below, the spend that can be captured locally varies significantly per country, dependent on the type of resource, the stage of industrialisation, and the country’s unique aspects such as location, language, and whether other industries have a significant presence. As McKinsey15 has observed “In under developed countries that have not yet industrialized and that have relatively new resource sectors – Guinea being an example – very little overall spending is amenable to local content, at least initially.”

As outlined below, the country categorisation reflects the level of sophistication of the local supply chain. “Mature” countries have a high skill base and can offer relatively sophisticated supply categories (e.g. Canada, Australia, Norway). “Transitioning” countries have medium level of supply chain sophistication (e.g. Peru, South Africa, Botswana). “Pre-transition” countries, by comparison, have a relatively low skill base and low level of supply-chain development (e.g. Guinea, Democratic Republic of the Congo, Mozambique).

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10. Simandou Project success stories

Despite the challenges of developing local content in Guinea, the Simandou Project has commenced investment and continues to support local supplier and capacity building initiatives. The following represent examples of initiatives achieved to date:

- Past and existing commercial engagements with Guinean registered suppliers that has resulted in spend of over US$350 million.
- Over 900 Guinean suppliers in Simfer’s approved supplier database of which nearly 200 are active (used within the last twelve months) that resulted in approximately two thousand purchase orders and contracts issued to Guinean suppliers in calendar year 2014.
- Contractor prequalification process which certifies contractors as meeting Simfer’s HSE standards or providing feedback on improvements required for potential contractors that don’t yet meet those standards. Simfer has a Supplier prequalification system in place.
- A procurement team based in Conakry established by Simfer and majority staffed by Guinean nationals.
- In 2008, Simfer, in conjunction with the IFC, developed a Local Supplier Development Program ("LSDP") to support local content through helping to build a strong and sustainable local supply chain. The program has made notable achievements since it was established which include:
  > facilitation of a 'Supplier Salon' in 2012 to inform approximately 500 local suppliers about project standards and potential opportunities and the development and maintenance of a database with over 500 local businesses in sectors related to the mining industry;
  > technical assistance for the development of Guinea’s leasing law (ratified in 2012) as well as subsequent assistance with the launch of the IFC leasing program in Guinea to raise awareness about leasing (through local trainers developed by the LSDP);
  > coordination with the IFC Financial Markets Risk Sharing Facility with BICIGUI by creating a complementary advisory service with BICIGUI on business plan training and development for local businesses participating in the supplier development program;
  > the creation of a local training market and capability within Guinea through 17 local consulting firms which has resulted in the training and coaching of over 1400 participants representing 400 SMEs; and
  > development of a local HSE training platform. The pilot program resulted in Simfer pre-qualifying multiple local construction and civil works contractors in relation to health, safety and environment matters. As at December 2014, 130 small medium enterprises (166 participants) out of 500 targeted have participated in workshops.
- The Simandou Project has developed a business registration process within its Procurement function. Business registration is the first step that potential suppliers to the Simandou Project must undertake in order to demonstrate their interest, suitability and eligibility to participate in competitive tenders.
- Youth Entrepreneurship Training programmes were held in Maferinyah under the theme of “Entrepreneurship, job-seeking and forming companies” to facilitate capability building.
- Eight women’s groups have been established in Beyla and Nionsomoridou to support the development of women-led businesses. These businesses include processing and storage of agricultural products, market gardening and soap-making. The Project provided technical support, the provision of equipment and literacy training.
- In 2010 the Project supported a microfinance pilot programme in Beyla, helping local entrepreneurs start and grow businesses.
- In 2013, the Project supported the creation of the Union des Operateurs de Forecariah a local business council. The Council currently comprises of 16 members and helps facilitate linkages between local entrepreneurs to business development initiatives.

16 The Batipro case study illustrates the effectiveness of this program
17 BICIGUI Groups BNP Paribas

18 The African Women In Business Initiative (AWIB) established by the African Development Bank, emphasises the role of women in business and calls for the empowerment of women entrepreneurs. “…in particular through supporting the establishment of SMEs, and improving access to finance.”
19 Research by the World Health Organization reinforces the value of women’s entrepreneurship and micro-finance; “If women borrow, the pattern is repeated as evidenced by research on microcredit showing that household consumption increases roughly two-fold when women borrow compared to when men borrow.”
A case study for local content collaboration

- Supplier development case study: A Guinean civil engineering firm founded in 2011 by a Guinean civil engineer.
- Simfer and the IFC assessed that this engineering firm did not have the capability and experience to meet the Simandou project’s required technical, commercial, and HSE standards but recognised that prequalified local civil construction firms would be needed to support the construction and long term operation of the Simandou project. Consequently, Simfer and the IFC supported this engineering firm in developing a supplier diagnostic process and capacity building plan.
- The engineering firms’ staff completed supplier training modules in Marketing, Human Resources, HSE, Operations and Personal Productivity. Simfer also undertook a HSE audit and prequalification process to assess the firms’ capability against the Project’s HSE standards.
- Based on recommendations included in the original in-depth supplier diagnostic, this engineering firm improved its financial management and control system and acquired new software to track its inventory.
- Furthermore, the company prepared detailed job descriptions for all key personnel both at the management and operational levels and drafted an organisational chart, which is now displayed in the lobby of the company’s headquarters.
- These combined efforts resulted in delivering significant business improvements within the engineering firm that allowed them to meet the key requirements of the Simandou project.
- With new skills and competencies now obtained this firm has been able to compete for and be successful in being awarded multiple contracts from Simfer including:
  > A 1-year contract for general construction and supply for construction equipment and PPE, plumbing, electricity and masonry. The contract required 14 dedicated personnel in Conakry and a base in Beyla with a permanent team of 8 consisting of 1 HSE supervisor, 2 technical supervisors and 5 drivers.
  > A contract in 2013 for the construction of phase one of the Vocational Training Center in Beyla. To ensure the required project standards were met, Simfer provided support in preparation of contractual documentation and provided full time HSE supervision on site during construction works.
COMMUNITY ENGAGEMENT WILL HIGHLIGHT FUTURE SME OPPORTUNITIES
A MODEL FOR COLLABORATION

Building on the experience of Simfer’s existing local content activities, it is evident that domestic linkages cannot be delivered in isolation or by a single party. As outlined in Figure 10 below, local content outcomes require the active participation of key stakeholders including, the Project Partners, the State, regional organisations (e.g. Economic Community of West African States (“ECOWAS”) and West African Economic Monetary Union (“WAEMU”)), suppliers, development partners and civil society. The diagram below summarises the primary roles for each stakeholder.

Figure 10. Primary roles of each stakeholder to support the realisation of local content

LOCAL CONTENT STAKEHOLDERS

REGIONAL ORGANISATIONS (ECOWAS/WAEMU)
- Policy and regulation
- Enabling environment for enterprise development and investment

NATIONAL GOVERNMENTS
- Policy and regulation
- Enabling environment for enterprise development and investment

LOCAL + INTERNATIONAL SUPPLIERS
- On-time, high quality, price competitive products
- Proactive, collaborative entrepreneurial approach

MINES / PRIMARY CONTRACTORS
- ‘Full, fair and reasonable access to opportunities’
- Technical and financial support, information-sharing

DONORS, FINANCIAL/ MULTILATERAL ORGANISATION + DFIs
- Provide technical assistance and financial support
- Provision of microfinance

CIVIL SOCIETY
- Promote good governance and accountability

ACCOMMODATION AND FLEET OF HEAVY MOBILE EQUIPMENT AT CANGA EAST CAMP
11. Roadmap for development of Local Content

In consideration of the required co-commitments from the Project Partners (including the State), Figure 11 below provides a high level roadmap to effect the Local Content Policy, and is aligned to the Project’s eight sequential milestones (referred to earlier in Section 3). A detailed implementation plan for the Policy will be developed following completion of the Bankable Feasibility Study and Consortium Selection (Step 2).

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<tr>
<th>STEP 1</th>
<th>Ratification of Simandou’s BOT Convention and Basic Convention</th>
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<tr>
<td></td>
<td>• Definition of local content and agreement of local content principles to be used to develop the Local Content Policy</td>
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<td>• Engagement of key stakeholders e.g. international development partners</td>
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<tr>
<th>STEP 2</th>
<th>Bankable Feasibility Study and Consortium Selection Process</th>
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<tr>
<td></td>
<td>• Agree Local Content Policy and communications strategy (to include communication protocols)</td>
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<td></td>
<td>• Engagement with Large Vertical Contractors and Horizontal Contractors on local content development plans</td>
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<td></td>
<td>• Review requirements for National supplier database</td>
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<td></td>
<td>• Conduct a National skills survey (to include recommendations for Guinean diaspora engagement)</td>
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<td></td>
<td>• Project Co-ordination Office and One-Stop-Shop to be established; to include dedicated resources to support local content development</td>
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<tr>
<th>STEP 3</th>
<th>Funding Plan and Negotiation of Terms</th>
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<td></td>
<td>• Detailed implementation plan for the Local Content Policy, inclusive of resourcing and training plans and a reporting framework for measuring effectiveness of local content</td>
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<td></td>
<td>• Engage international contractors for suitable opportunities for JVs, alliances, partnerships and SME sub-contracting</td>
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<td></td>
<td>• Conduct a spend analysis: Construction phase to identify short lead time development opportunities; Operations phase to identify category development opportunities</td>
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<td>• Review and update of the Local Content Policy</td>
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<th>STEP 4</th>
<th>Infrastructure Investment Decision</th>
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<td>• The State to deliver a physical infrastructure implementation plan covering short, medium and long term requirements and communication of how this will support local content outcomes</td>
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<td></td>
<td>• Prioritise supplier pre-qualification to align with those identified short lead time development opportunities</td>
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<td></td>
<td>• Undertake supplier technical pre-qualification process, and record results in supplier database</td>
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<th>STEP 5</th>
<th>Construction</th>
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<tr>
<td></td>
<td>• Commence quarterly reporting to Simfer S.A. and the Infrastructure Owner Board of Directors</td>
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<td>• Implement training programs to support operational readiness requirements</td>
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<th>STEP 6</th>
<th>Testing and commissioning the Project Infrastructure</th>
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<tr>
<td></td>
<td>• Expand local content resources across the project’s footprint</td>
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<td></td>
<td>• Review and update of the Local Content Policy</td>
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<th>STEP 7</th>
<th>Ramp up and operations for life of mine</th>
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<td></td>
<td>• On-going capacity building of the local supply base</td>
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<td>• Local Content Policy review and continuous improvement</td>
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<td></td>
<td>• Ensure sustainability of local businesses beyond the needs of the Simandou Project (e.g. business diversification)</td>
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<th>STEP 8</th>
<th>Mine Closure</th>
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<td></td>
<td>• Implementation of closure plan for the mine and remediation works</td>
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Figure 11. High level roadmap for the development of local content
12. Policy review

ACCOUNTABILITY AND REVIEW

The management team of:

• Simfer S.A. is responsible for the adherence to the Local Content Policy in respect of the mining activities; and
• The Infrastructure Consortium and, in due course, the Infrastructure Owner (and the Infrastructure Operator) are responsible for the adherence to the Local Content Policy in respect of the Infrastructure Activities.

All Project Partners remain responsible for each of their obligations under the BOT Convention and the Basic Convention and nothing in this Local Content Policy shall reduce or change those obligations. Performance against this Local Content Policy is subject to review on an annual basis by the respective teams from Simfer the Infrastructure Owner and the State.
# 13. Definitions

These definitions are consistent with those of the BOT Convention and the Basic Convention.

| **Affiliate(s) or Affiliate Company** | a company in which a first company holds directly or indirectly more than 50% of the issued equity capital and of the voting rights (and includes any other company which is also controlled in that manner by the first company) or that directly or indirectly holds more than 50% of the issued equity capital and of the voting rights of the first company. For the purposes of this definition, any reference to a ‘company’ shall be to any company, regardless of its place of jurisdiction. |
| **Build-Operate-Transfer Law** | the Act L/97/012/AN dated 1 June 1998 of the National Assembly of the State, authorises the financing, construction, operation, maintenance and transfer of infrastructure development by the private sector. |
| **Domestic Linkages** | refers to the channels through which information, skills, material, and money flow between a Company and its Suppliers and Contractors to create a network of interdependence across the broader economy. |
| **First Commercial Production Date** | the date starting from which the first iron ore production is exported for marketing for a period of 30 consecutive days. |
| **Foundation Customer** | Simfer S.A., is a limited company being part of the Rio Tinto Group with its registered office located at Immeuble Bellevue, Boulevard Bellevue, D.I. 536 Commune de Dixinn, BP 848, Conakry, incorporated under Guinean Law with the RCCM of Conakry, under the number RCCM/GCKRY/0867A/2003. |
| **Infrastructure Activities** | the activities relating to the planning, design, financing, construction, commissioning, ownership, modification, expansion, maintenance and operation of the Project Infrastructure, including any acquisition and/or occupation of land. |
| **Infrastructure Operator** | the entity that accedes to the BOT Convention as the Infrastructure Operator, and any other entity which is duly appointed to replace it pursuant to the terms and conditions of the BOT Convention prior to the Transfer Date, or pursuant to the terms and conditions of the Basic Convention after the Transfer Date. |
| **Infrastructure Owner** | the entity that accedes to the BOT Convention as the Infrastructure Owner, and any other entity which is duly appointed to replace it pursuant to the terms and conditions of the BOT Convention on or before the Transfer Date, or pursuant to the terms and conditions of the Basic Convention on or after the Transfer Date. |
| **Infrastructure Consortium** | the Infrastructure Anchor Investors who shall then form a consortium that shall be approved by the State (with such approval not to be unreasonably withheld) as contemplated by Article 19.2 of the Basic Convention. |
| **Infrastructure Effective Date** | Infrastructure Effective Date has the meaning given to it in Article 2.9 of the BOT Convention. |
| **Infrastructure Project** | the design, development, financing, construction, ownership, operation, maintenance, modification or expansion of the Project Infrastructure, and any other related activities necessary for the conduct of Infrastructure Activities (including any expropriation of land that is required for these purposes). |
IFC
International Finance Corporation, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines our policies. Our work in more than a 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

Local Content
the Project Partners have defined "local content" as the utilisation of labour, goods and services originating from within Guinea, and includes skills and/or technology transfer from international partners to local suppliers in order to enhance their ability to provide goods and services to the Project.

Mining Activities
the activities relating to the planning, design, financing, construction, commissioning, ownership, modification, expansion, operation and maintenance of the Mining Infrastructure, and includes:
(a) the exploration, mining, production and related activities relating to iron ore location, identification, assessment and production to be carried out by Foundation Customer; and
(b) any acquisition and/or occupation of land.

Mining Code
the Mining Code of the Republic of Guinea, as established by Law L/95/036/CTRN of 30 June 1995.

Mining Infrastructure
the totality of the infrastructure belonging to Foundation Customer wherever located to meet the Project needs in the context of the Mining Activities. For these purposes, Mining Infrastructure denotes all mining, power, communications, transport, underground infrastructure, road and social facilities and installations and includes the following:
(a) train loading facilities and the railway track from the train loading facilities to the point at which the railway track crosses the Perimeter of the Modified Concession (and associated track structures and tunnels within the Perimeter of the Modified Concession) ("Simfer Spur Lines");
(b) roads located within the Perimeter of the Modified Concession;
(c) power generation facilities (including hydro facilities) and transmission and distribution lines used primarily in connection with Mining Activities;
(d) airports and other air transportation facilities;
(e) light vehicles and buses used primarily in connection with Mining Activities;
(f) administrative offices, employee accommodation, messing facilities, medical facilities and associated infrastructure used primarily in connection with Mining Activities; and
(g) other buildings, facilities and equipment required for the implementation and operation of, or otherwise used primarily in connection with, Mining Activities.

Mining Project
the design, development, financing, construction, ownership, operation, maintenance, modification or expansion of the Mining Infrastructure, and any other related activities necessary for the conduct of Mining Activities (including any expropriation of land that is required for these purposes).
| **Perimeter of the Modified Concession** | Subject to any expansion by agreement as referred to in Article 6(b) of the Basic Convention, the perimeter of the Modified Concession at Appendix 1 to the Basic Convention and which corresponds to the southern part of Mount Simandou located in the Beyla, Macenta and Kerouane prefectures, of a length over fifty five kilometers (55 km), and comprising a total of three hundred and sixty nine square kilometers (369 km²), and whose coordinates are set out in Appendix 1 to the Basic Convention. |
| **Project** | The activities of exploring and exploiting of iron ore and, as the case may be, of other associated ores or ores extracted from deposits within the Perimeter of the Modified Concession, or from other areas owned in whole or in part by Foundation Customer or its Affiliates, including concentration operations, export and marketing, the design, construction, commission, ownership, operation, maintenance, modification and expansion of the Mining Infrastructure and Project Infrastructure, and any other related activities necessary for the realisation of the Project. |
| **Project Contractor** | Any validly existing enterprise (including any Affiliate or guarantor thereof) that satisfies the following cumulative conditions:  
   (a) having the necessary competence for providing services and/or works for the purposes of the Project Infrastructure, whether as a sub-contractor, supplier or services provider;  
   (b) which has entered into a contract with Foundation Customer, Infrastructure Owner, Infrastructure Operator or their respective Affiliates or one of their sub-contractors in the dedicated context of the Project Infrastructure;  
   (c) and whose identity and nature of services and/or works have been promptly notified to the State following signature of the relevant contract. |
| **Project Infrastructure** | The totality of the Rail Infrastructure and the Simandou Port. The Rail Infrastructure and Simandou Port are defined terms in the BOT Convention. |
| **Resource Curse** | Refers to a phenomena whereby a country with an export driven, natural resources sector, generating large revenues for the government, leads paradoxically to economic stagnation and political instability. |
| **Rio Tinto Group** | The corporate group comprised by Rio Tinto Plc (UK), Rio Tinto Ltd (Australia) and their respective Affiliates. |
| **Rio Tinto Mining and Exploration Limited** | Rio Tinto Mining and Exploration Limited, a limited company of the Rio Tinto Group with its registered office at 6 St. James’s Square, London, SW1Y 4AD, United Kingdom, registration number with Companies’ House: 1305702, incorporated under the Laws of England and Wales. |
| **Project Partners** | The proponents of the Conventions being SOGUPAMI, Chinalco, International Finance Corporation, Infrastructure Owner, Infrastructure Operator, Simfer S.A. and Rio Tinto Mining and Exploration Limited. |
| **Simfer** | SIMFER S.A., a limited company being part of the Rio Tinto Group with its registered office located at Immeuble Bellevue, Boulevard Bellevue, D.I. 536 Commune de Dixinn, BP 848, Conakry, incorporated under Guinean Law with the RCCM of Conakry, under the number RCCM/GCKRY/0867A/2003. |
| **SOGUIPAMI** | Société Guinéenne du Patrimoine Minier, an entity owned by the Republic of Guinea through which the Republic of Guinea holds its interest in Simfer S.A. |
WORKER STUDIES ROCK SAMPLES ON THE SIMANDOU MOUNTAIN RANGE
14. References

1. Simandou BOT Convention, effective 18 August 2014

2. Amended and Consolidated Basic Convention For the Mining of the Simandou Iron Deposits, effective 18 August 2014


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