

Local Procurement Policy and Action Plan

1. VISION

To be the most respected mining company in Ghana in terms of optimizing the value of in-country spend and the development of sustainable local businesses.

2. MISSION

To deliver price and quality competitive goods and services, safely and in a timely manner to meet the needs of the business on a "lowest total cost" basis whilst:

- providing transparent opportunities for Local Companies ** to secure contracts;
- continually striving to increase the amount of expenditure with and the sustainability of Local Companies;
- maximizing the contribution of Newmont Ghana's mining activities to the broader Ghanaian economy;
- supporting capacity building and partnering with Local Companies on a broader front with industry groups, NGOs, vendors and investors so as to develop long term sustainable businesses.

** As defined in Section 5 of this document

3. INVESTMENT AGREEMENT COMMITMENT

The IA states at Section 11 that Newmont "*shall, to the maximum extent possible and consistent with safety, efficiency and economy... give preference to materials and goods made in Ghana, and services provided by Ghanaians or entities incorporated or formed in Ghana and owned and controlled by Ghanaians, provided that such goods and services are equal in quality, terms, delivery, service, quantity and price to, or better than, goods and services obtainable outside Ghana.*"

The preference applies to goods and services "required for Operations". Operations is a defined term (Section 1.27) that includes essentially everything we do in Ghana from exploration to production to reclamation and even financing.

4. OBJECTIVES

The company will, implement procurement programs, procedures and policies to meet the following objectives:

- Increase local awareness of potential business opportunities through greater use of open tendering. This practice will be adopted for all major longer term service contracts for mining operations as existing agreements expire.
- Increase use of local authorized distributors and agents of International Companies, where a value-added service is being provided;
- Increase Newmont's awareness of goods manufactured in Ghana and in-country service providers, so as to extend the local supply base;
- Build capacity of Local Companies to take advantage of mining industry spend through the development of collaborative partnerships between industry, NGOs, existing foreign and Ghana registered companies by means of import substitution;
- Strive to increase the overall value of local spend on a year-on-year basis, and at the same time progressively place more business with companies with a higher level of Ghanaian ownership;
- Ensure that the above objectives are applied broadly across mining operations and capital spending so as to include major capital projects managed by EPCM contractors;
- Develop metrics, monitor and publish performance against strategic goals;
- Effectively communicate achievements and opportunities with respect to the aims of this strategy.

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5. CHALLENGES

The scope of this policy and strategy addresses the higher value opportunities to achieve the mission, but excludes the following areas where competitive local sourcing may not be achievable, at least in short and medium term:

- Goods and services of a proprietary nature: *Unless local distributors are appointed there is little opportunity to add value;*
- Items covered by Newmont Global Agreements and Alliances: *Security of supply for strategic commodities and economies of scale are the key drivers here;*
- Spare parts and service support for equipment already in use: *Consolidation of standardization benefits;*
- Low value ad-hoc requirements, where the transactional cost of processing and delivering orders is likely to be prohibitive for local companies: *High fixed logistics costs and lack of any economies of scale;*
- Emergency operational safety or environmental issues: *Where requirements cannot be met locally Newmont needs to have the flexibility to deal directly with overseas suppliers and service providers.*

6. KEY DEFINITIONS

- **Ghanaian Owned Company** is one that is majority, > 50%, Ghanaian owned; either via a listing on the Ghana Stock Exchange, or equity placed with Ghana-based institutions and/or private investors.
- **Ghanaian Participation Company** refers to a supplier that has an element of Ghanaian ownership but < or equal to 50% Ghanaian owned;
- **Ghanaian Registered Company** refers to a vendor who is an International or Multi-national company, registered in Ghana for the purposes of carrying out business in the country.
- **International Company** refers to companies registered outside Ghana, with no known Ghanaian ownership
- **Local Company** includes "local local", Ghana Owned, Participation and Registered Companies.
- **Local-Local Company** refers to a supplier that is situated within the mine take area or within the geographical area directly affected by the mines operations and which is > 50% Ghanaian owned and operated and which supplier has been duly vetted and approved as being a Local-Local Company, and secondly, suppliers situated within a 25 km radius of the procuring operation;

7. PROCUREMENT STATUS

The level of Ghanaian ownership will be important criteria for selection of bidders during the tender adjudication process. All other things being equal, a Ghanaian Owned Company will be given greater preference than for example a Ghanaian Participation Company and so on.

Procurement status of companies will be prioritized in the following order:

1. • Local-Local Company;
2. • Ghanaian Owned Company;
3. • Ghanaian Participation Company;
4. • Ghanaian Registered Company.
5. • International Company.

8. GUIDING PRINCIPLES

- The application of this policy will comply with Newmont's Global Supply Chain *Standard Operating Procedures Handbook (SOPH)*;
- Competitive tendering for goods and services will be undertaken wherever possible;
- The ownership status of bidders and the amount of contract spend retained within Ghana will be one of the key selection criteria during the tender evaluation process;

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- Key vendors and service providers will be contractually obliged to comply with the Policy and to cascade this compliance down through their sub-vendors and sub-contractors;
- Ghanaian companies will not be treated differently than the norm with regard to quality, price, expected service level or delivery, compliance with Newmont safety, environmental and other key standards and procedures, including PACI;
- Newmont reserves the right to terminate Agreements where the ownership status of bidders has been misrepresented

9. ACTION PLAN

9.1 Provisional Plan for 2010

	Estimated Timing
Arrange a Supplier Summit in Accra to explain how Newmont “does business”, with particular reference to the new policy.	February 2010
Establish formal registration process for Ghanaian manufacturers, contractors and service providers	February 2010
Integrate “Local Local” Procurement Standard Operating Procedures (SOP) within the Scope of this Policy document	March 2010
Identify products which are currently being manufactured in Ghana, and are being procured by other mining companies, but are not currently being purchased by Newmont.	Q1 2010
Modify standard contract templates to ensure key Newmont vendors are contractually obliged to comply with this policy and to cascade this compliance down through their sub-vendors and sub-contractors.	Q1 2010
Deliver a paper at the May 2010 WAMPOC conference in Accra, outlining the objectives of Newmont’s local procurement policy.	May 2010
Develop nationwide campaign to support registration of suppliers of goods and services.	Second half of 2010
Complete a detailed evaluation of the opportunities to increase the amount of business to local manufacturers rather than relying on imports.	Q3 2010
Develop and agree performance metrics against strategic local procurement goals.	End Q3 2010
Work with other mining companies within Ghana to identify opportunities for common equipment, spare parts and consumables to be held in stock in Ghana, rather than having to purchase from overseas.	This will require a detailed project plan, but should be completed by 30 September 2010
Define criteria for Open Tendering of Service Requirements, and commence process.	Related to renewal of current Agreements

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Define criteria for Open Tendering of Forward Purchase Agreement (FPA) items, and commence process.	Related to renewal of current Agreements
Review whether the Ghana Business Code can effectively incorporated within the Policy	Q4 2010
Work together with other mining companies, Government and Agencies to develop a 5 to 10 year strategy and implementation plan, with specific, measurable, achievable and realistic product/category based targets on import substitution with agreed time-lines	Develop and agree Plan by 31 December 2010
For Major Projects, ensure that the EPCM contractor operates within the scope of this policy.	As required

9.2 Medium Term (12 -48 months)

	Estimated Timing
Advertise available work and goods requirements via an Intranet or publicly accessible part of Newmont Ghana GoldNet web-site.	Q1 2011
Publish local spend profile data on quarterly basis via Press and via an Intranet or publicly accessible part of Newmont Ghana GoldNet web-site.	Starting Q1 2011
Work together with other mining companies, Government and Agencies to execute short and medium term import substitution plan.	3 Years commencing 2011

9.3 Long Term (48 months- 10 years)

	Estimated Timing
Requirement for the transition of partial equity to Ghanaian ownership by selected long term service contract providers.	Starting 2012
Execute long term import substitution plan as described above.	Starting 2014

10. RISK MANAGEMENT

The risk of awarding large contracts to small vendor companies shall be addressed by linking contract value with the relevant capacity, and utilizing this as criteria in the selection process.

The Policy has specific conditions for a code of conduct and remedy procedures for Vendors / Service Providers that act unprofessionally and or transgress the principles of the Policy.

11. POLICY REVIEW

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GHANA OPERATIONS

Policy Document

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It is intended that a review panel comprising members of the Newmont Africa Regional Leadership Team (ARLT), the Supply Chain Management (SCM) Department and independent Consultants will, at intervals of approximately one year or as circumstances dictate, assess the effectiveness of this Policy document in order to determine whether it is achieving its aims and objectives.

12. PROGRESS REVIEWS

It is intended that progress reviews will be held with Government at not less than 12 month intervals

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