

Building Local Capacity: Hatch's Recent Experience



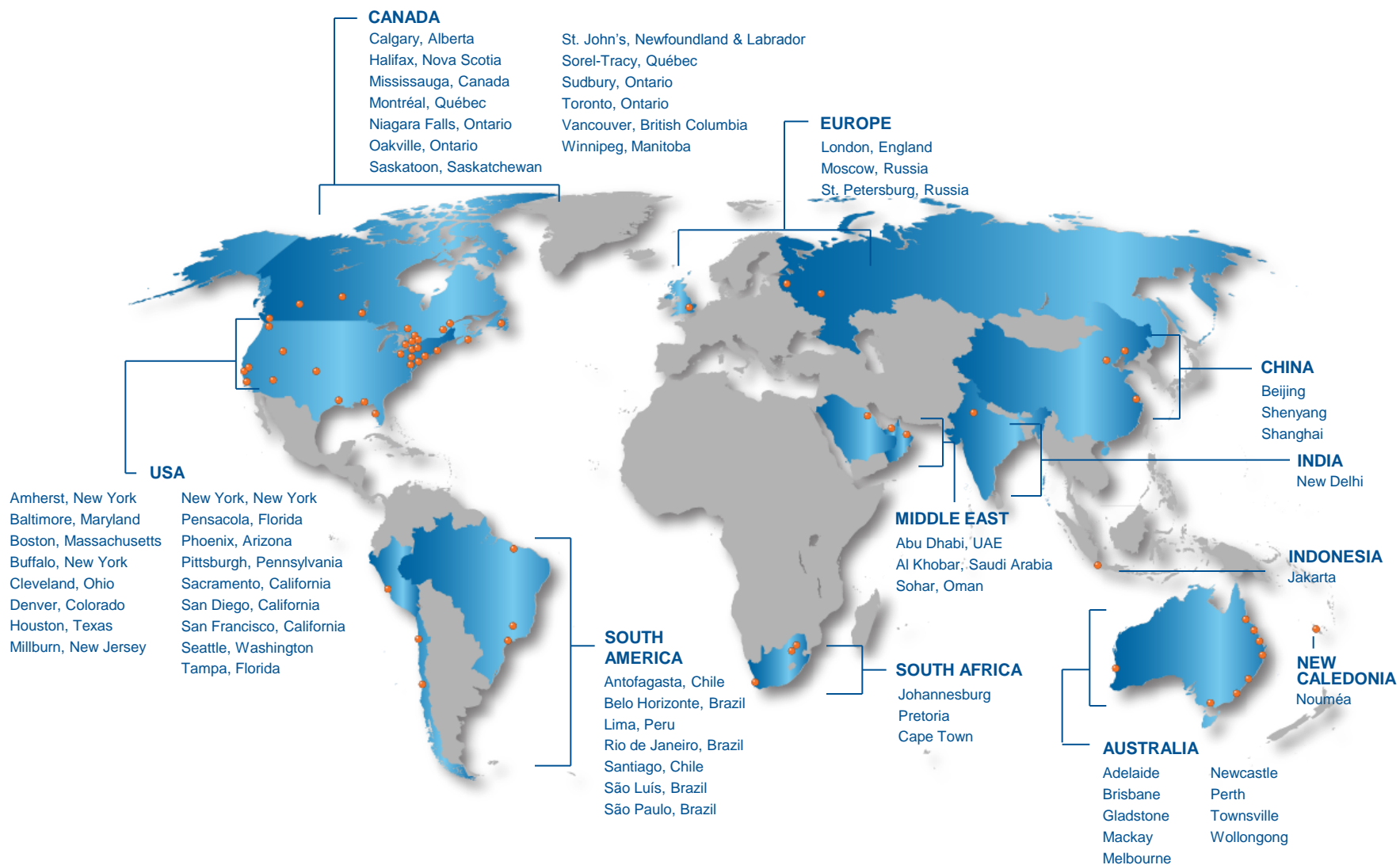
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The 12th Risk Mitigation & CSR
Seminar



01/2012

Background

Hatch Offices and Operations



Background

Environmental Services Group



Social Impact Management

Aboriginal Engagement, Stakeholder Identification and Mapping, Due Diligence

Environmental Management

Environmental Assessment, Permitting and Regulatory Assistance, Impact Assessment

Carbon Management

Carbon footprinting, carbon markets, carbon mitigation strategies

Sustainable Development

Lifecycle Assessment, sustainability opportunities and hazards overview, sustainability tools



Safety • Quality • Sustainability • Innovation

Key Questions

- What does **local capacity** mean?
- How can EPCM firms get **involved** in building local capacity?
- What are our **lessons learned**?

Local Content Promotes Shared Value

- Increase relationships between mining industry and community
 - Focus on opportunities: symmetric relationships and mutual benefits
 - Identify opportunities for social development not compensation
 - Ensure communities are part of the process; shared value business is participatory
- **“Social license to operate” - building relationships with and support from communities, government and other stakeholders**

Procurement at Hatch

- Projects look to “Global Sourcing” for the most cost efficient supply opportunities
- Global Procurement Intelligence (GPI)
 - Tool for supplier, category and country sourcing to provide a competitive advantage worldwide
 - Collects data on costs, lead times and risk to optimize supplier capabilities
- The systems used to manage procurement activities (GPI, materials management) are complicated
 - **Ensuring local participation requires planning**
 - **Maximizing opportunities for local participation is not a simple task**

Local Content - Challenges

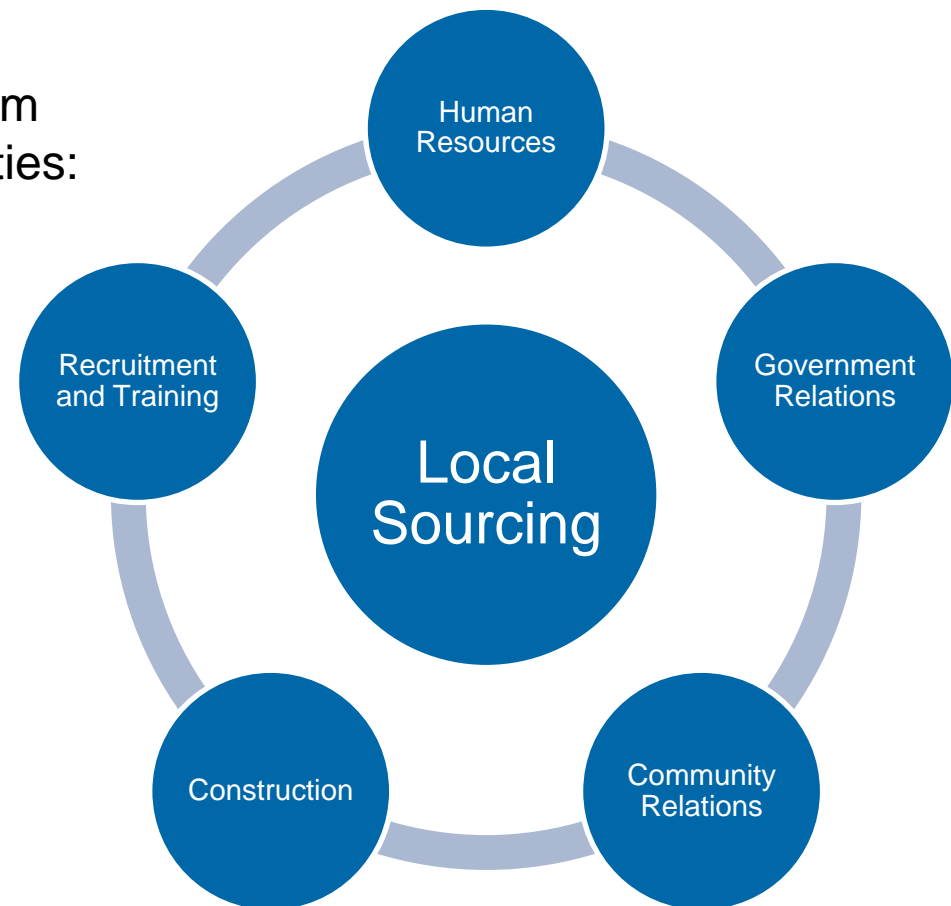
- **Limited skills, training, and capacity to meet the needs of the project**
- **Limited availability of goods and services required by the project**
- Budget and schedule limitations; not enough early planning and engagement
- Alignment between owner, engineering consultant, and sub-contractors on project standards: local content definition, policies, and practices
- Projects have high standards and expectations for quality, health and safety, environmental protection, etc.
- If international contractor expectations are not managed, this can create tension where locals are seen as 'under performing'

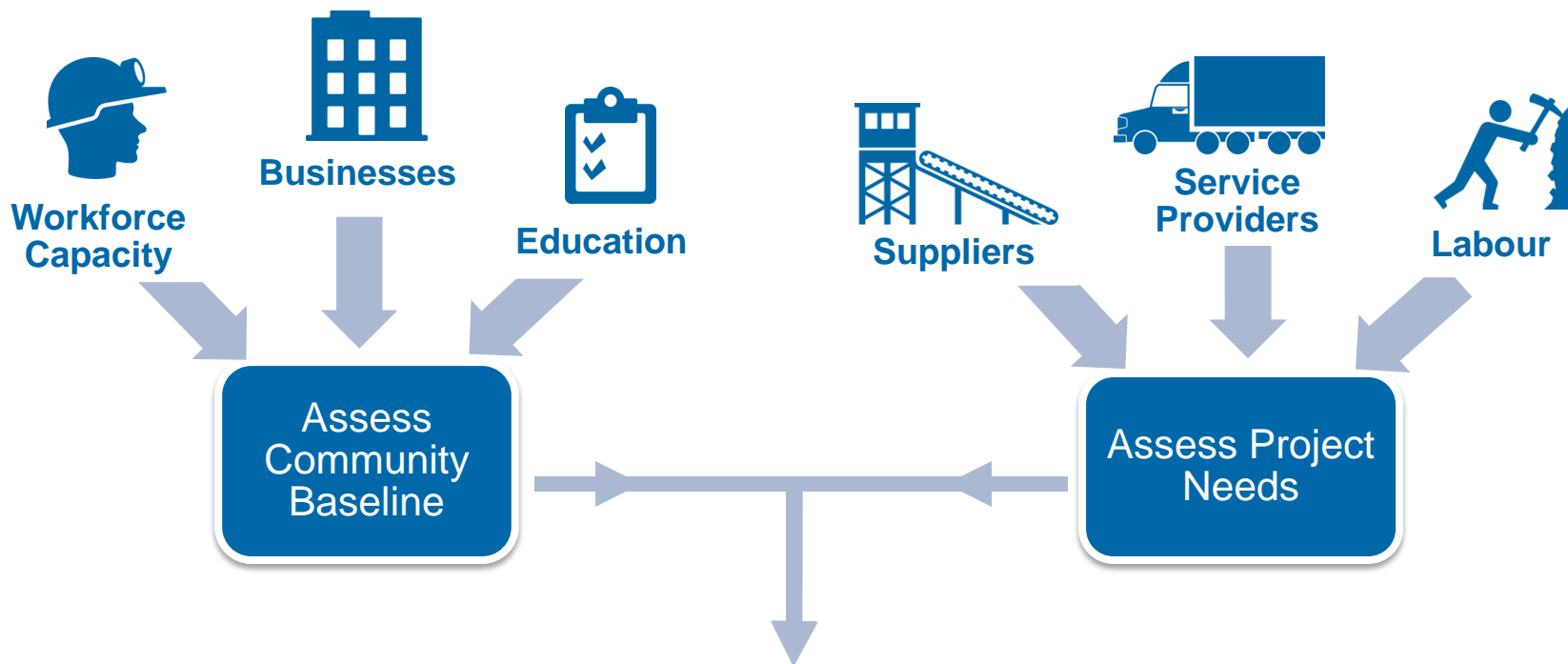
Approach - Integration and Collaboration

Ensuring implementation of a sustainable local procurement plan to support construction and operations

Local sourcing is spearheaded by procurement but requires input from and collaboration with various parties:

- ✓ EIA Consultant
- ✓ Human Resources
- ✓ Industrial Relations
- ✓ Community Relations
- ✓ Government Relations
- ✓ Recruitment and Training
- ✓ Construction





1. What exists in the community that can be used by the project?
2. What opportunities are there to enhance existing businesses?
3. What opportunities are there to develop new businesses, create new training programs, and build workforce capacity?

Approach - Processes and Procedures

- A mandate is required for local content: goals, objectives, targets (different mandate for construction vs. operations)
- Mandate needs to be captured in all stages of Project development:
 - Make an early commitment to a training and capacity building strategy (budget and schedule)
 - Include local entities when preparing bidders lists
 - Establish contracting strategies (for locals and internationals)
 - Develop construction work packages in consideration of local capabilities
 - Establish criteria for bid reviews
 - Review and assess bids for local content
 - Develop local hiring requirements for international contractors
- Report! Establish key performance indicators and report on success

Tasiast Project Mauritania, West Africa



- Local Services**
- Concrete
 - Civil
 - Excavation
 - Security



80M
spent locally



2000
local people



80
local
companies



HSE Training

Gorgon Project Barrow Island, Australia



**Social Impact
Management
Plan**



15M
spent locally



307
local people



**6 Training
Courses**

Mary River Project Nunavut, Canada



Local Services
• Security
• Catering



3M
spent locally



20
local people



2
local companies



HSE Training

Lessons Learned

Benefits, Challenges & Areas for Improvement

Benefits

- Promote & develop local business
- Practical work experience
- Provision of training programs
- Infusion of money into the local economy

Challenges

- Limited skills and education
- Cultural differences
- Timing
- Businesses not experienced working with international entities

Areas for Improvement

- Earlier training and capacity building
- Managing expectations
- Develop formal strategies
- Report on employment and procurement (local spend) statistics



Thank You

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**Please see our
Sustainable
Development
Report 2013 at
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Safety • Quality • Sustainability • Innovation

