



Indigenous Business Procurement Evaluation Checklist

October 2018

About this evaluation framework

This Indigenous Business Procurement Evaluation Checklist is being developed to enable extractive resource companies and their major contractors to assess their commitment to and overall provision for Indigenous business procurement within their supply chain.

In 2015, AEMEE (Aboriginal Enterprises in Mining, Exploration and Energy) commissioned a supply chain project focused on understanding and improving the capacity of buyer companies to successfully contract with Indigenous companies. AEMEE engaged the Centre for Social Responsibility in Mining (CSRM), University of Queensland to undertake the first stage of works which included a report titled *Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector*.

This Evaluation Checklist represents the second stage of the project and draws on the findings of AEMEE's 2015 study found here:

www.csr.m.uq.edu.au/publications/benchmarking-leading-practice-in-aboriginal-business-procurement-in-the-extractive-resource-sector.

While AEMEE's study focused on the Australian extractive sector and affected Indigenous communities, much of the learning is applicable to other sectors and to the fostering of Indigenous business, more broadly, and not exclusive to the extractive sector. The term *Indigenous* is used in this framework as a synonym for Aboriginal and Torres Strait Islander peoples.

The checklist was developed by CSRM (Bruce Harvey and Rodger Barnes) to assist AEMEE in working with industry to improve the engagement of Indigenous businesses in the supply chain. The Checklist is designed to be useful to large corporations, and well as to emerging or small companies that do not have mature procurement systems and seek to increase Indigenous business participation in their supply chain.

Human Resources and other departments, including Community Relations/Indigenous Engagement, ought to have a strong supportive role in developing Indigenous



procurement, with the commitment and engagement of Procurement teams a critical element.



Figure 1. HR Support for Indigenous Supplier Development

At a new project location there may be no established local Indigenous businesses and as part of its business strategy a company has to initiate Indigenous participation in-house. However, once in operation, if the company aims to have a long-term presence and outsources specific elements of service and supply, then it needs strategies to incubate competitive Indigenous businesses. One way to do this is for HR, as part of its talent management strategy, to offer so inclined Indigenous employees tailored career development and training that can lead to their ability to leave the organisation in due course and set up their own business. This sort of thinking takes into account the development cycle of projects, progressing to early operational assets and eventually to mature, steady-state operations that benefit from a mature regional economic ecosystem. A detailed understanding of the procurement cycle and other relevant business processes will greatly assist Indigenous procurement outcomes.

The first iteration of the Evaluation Checklist was presented at the 2016 AEMEE National Conference, and following strong support from participating businesses, an industry review at an industry workshop facilitated by D4G and hosted by CSRM at the University of Queensland on 29 August 2017. The Checklist was refined in light of feedback from industry participants at the workshop.

Following this workshop, the checklist was road tested with a number of interested extractive resource companies (majors and senior contractors). This work was undertaken by Christine Charles and Kim Muhlen of D4G.

The outcomes of this work showed strong support for the checklist, with the following feedback:

- While the checklist is very high level, it is very useful in guiding an internal discussion.
- The Checklist provides the focal point and structure for on an important internal conversation, which should include executive teams, and procurement, human resources and community specialists.
- It provides a way for a high level consideration of the areas that need to be considered to be successful in engaging and growing Indigenous companies.

In line with the AEMEE Board's objective for the extractives industry to be more "agile, innovative and responsive" to Aboriginal businesses, the Checklist is available to download and use from the AEMEE website. It will also be available through the CSRM (www.csr.m.uq.edu.au) and D4G (www.d4g.com.au) websites.

The AEMEE Board and its supporting companies are available to work with you to consider how to use the checklist to grow opportunities for Indigenous businesses.

How to use this evaluation checklist

The Evaluation Checklist is intended to capture a company's situation at a point in time, and assist planning for future success. It includes four Key Dimensions of analysis and a Baseline checklist.

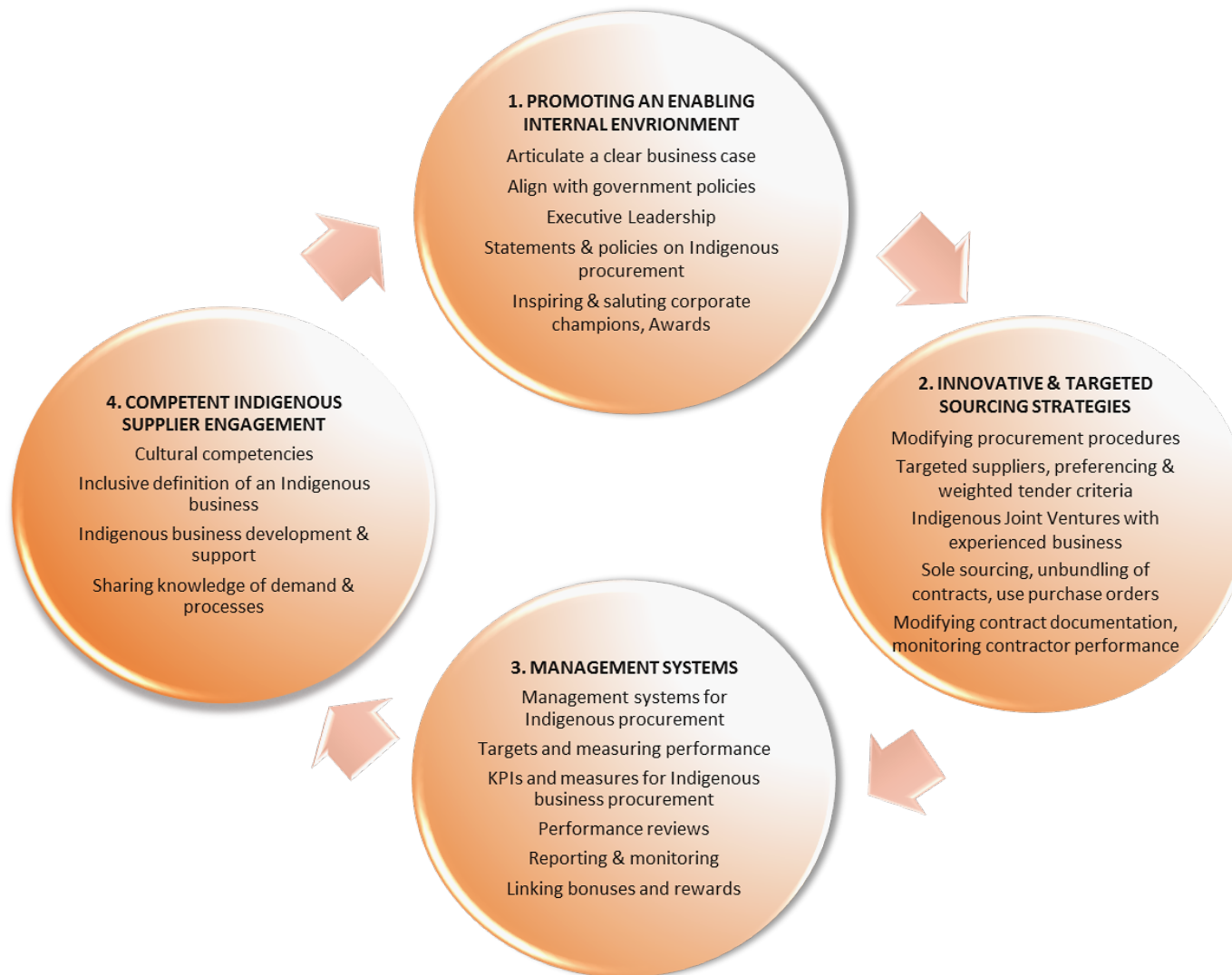
The attributes and actions listed, and by implication recommended, are individual inputs within an overall strategy aiming to improve levels of Indigenous business procurement. The framework does not attribute relative or absolute merit to any of the particular input actions it advocates. Some specific actions may be more effective in a given context. Refined evaluation of the actions in context is required to identify which will have more leverage in that location. Generally speaking, however, the more input actions in place and working well, the greater the level of Indigenous procurement achievement will result.

Ideally, organisational evaluation should take place in small groups with representatives drawn from different relevant departments, including Procurement, Human Resources and staff accountable for working directly with Indigenous people. A range of options are open for self-assessment, a facilitated or externally guided self-assessment, or an external assessment. By evaluating the baseline situation, companies determine actions to progress the level of Indigenous procurement and institute plans and priorities for continuous improvement.

The Evaluation Checklist is divided into four (4) Key Dimensions as identified in AEMEE's report *Benchmarking Leading Practice in Aboriginal Business Procurement* (see Figure 2):

1. Promoting and enabling a positive organisational environment;
2. Innovative and targeted sourcing strategies;
3. Competent external engagement; and
4. Effective management systems.

Figure 2. Four Dimensions for effective Indigenous Supply Development¹



The framework also includes a further dimension for recording a company's current Indigenous procurement performance. This is designed to develop a baseline and regular updates of actual outcomes over time as selected input actions are implemented.

A series of questions are presented below under each of these Dimensions. The questions seek to reveal practical detail in the implementation plans and actions of the organisation.

Answers to each question should be given using the rating levels described below and comments provided to support the rating.

The evaluation can be completed in a workshop, or by observation and interview, with results recorded directly on the score sheet provided in this document.

The rating levels are defined below.

- 0** Not implemented.
- 1** Planned – firm commitments to implement, i.e. budget, resources/accountabilities assigned with management sign-off.
- 2** Base implementation – implemented with basic results.
- 3** Managed and embedded – Indigenous procurement is systemically managed with appropriate measurement and evidence of continuous improvements through a number of procurement cycles. It is embedded into the culture and systems of the organization; not an ad hoc process on the side of the main procurement processes. It will be sustained beyond the initial implementation and/or departure of a champion.
- N/A** NB. Any responses of N/A should be explained in the comments field.

¹ **Source:** Barnes, R., Harvey, B. and Kemp, D. 2015. 'Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector', P.19.

Dimension One: Promoting and enabling a positive internal environment

This dimension considers a resource company's ability to comprehend and reconcile its sometimes competing business priorities with respect to Indigenous business participation in the supply chain. There needs to be a well-defined business case for Indigenous procurement supported by explicit policies that facilitate alignment of processes and procedures that create formal links between relevant departments. Achievement should be recognised and encouraged through awards and bonuses. Corporate intent needs to be matched with strong support and implementation at the site-level.

Corporate level

Question	N/A	0	1	2	3	Evidence/Observations
Business case						
Is Indigenous procurement explicitly identified in the organisation's business strategy and the business case for Indigenous procurement well established in the company's business plan?						
Does business planning consider areas of opportunity for Indigenous business procurement, including insource/outsource decisions, workforce planning and career development?						
Does the company have a publicly available policy that recognises and supports Indigenous business participation in its supply chain?						
Is the policy supported by guidelines that clarify and explain its intent?						
Is there a documented process for reporting on outcomes under the policy and processes to review of the policy for continuous improvement?						
Alignment with government policies						
Is the Indigenous procurement policy aligned with relevant government policies?						
Executive leadership						
Do the CEO and other senior executives publicly refer to the policy and make explicit statements on the intent and adherence to the Indigenous procurement policy?						

Question	N/A	0	1	2	3	Evidence/Observations
Are there specific Corporate roles with accountability for promoting and implementing the policy?						
Corporate champions or sponsors						
Are champions or sponsors for Indigenous economic participation and procurement encouraged at the Corporate level?						
Are these champions supported and rewarded for achievement?						
Does the company seek recognition through relevant external or internal Indigenous procurement awards?						

Site level (can also be called asset, operation or project)

Question	N/A	0	1	2	3	Evidence/Observations
Site level Indigenous procurement policy						
Does the site have an explicit policy for local Indigenous economic participation and procurement?						
Is the policy promoted in the workplace?						
Business case						
Does the site have publicly stated Indigenous procurement objectives consistent with corporate policies?						
Are the benefits of Indigenous procurement promoted in the workplace?						
Is the site's commitment to Indigenous procurement stated in the on-boarding procedures and inductions for employees & contractors?						
Does the organisation locally forecast its labour and procurement needs on an annual basis?						
Does the site require major contractors to align with the site's Indigenous procurement policy and contribute to achieving						

Question	N/A	0	1	2	3	Evidence/Observations
contractual targets?						
Does the site allocate staff resources to support Indigenous economic participation and procurement programs?						
Is there a specific site-based role with management accountability for Indigenous procurement?						
Are Indigenous procurement objectives included in key role descriptions including in Procurement, Operations, Human Resources and Community Relations departments?						
Alignment with Agreements and Government Policy						
Is Indigenous procurement incorporated into corporate documents including, Stakeholder Engagement and Community Engagement Plans?						
Is the Indigenous procurement practise aligned with relevant commitments made in agreements with traditional owners, e.g. ILUAs?						
Are there links to government policy, regulatory requirements and programs aimed at Indigenous business development?						
Site-based champions or sponsors						
Are there site champions or sponsors for Indigenous economic participation and procurement?						
Are these site champions in end-user roles, including Operations?						
Are successful Indigenous supply case studies published and celebrated?						
Does the site recognise and celebrate Indigenous procurement achievement and champions?						

Dimension Two: Innovative and targeted sourcing strategy

This dimension evaluates the extent a company implements strategies aimed at increasing Indigenous business procurement whilst at the same time maintaining transparency, value for money, open and effective competition, fair dealing, accountability and due process. A procurement policy that seeks explicit advancement of Indigenous suppliers must be supported by systemic implementation activities, such as supporting joint ventures between local Indigenous businesses and established contactors; unbundling large contracts, and allowing site procurement staff to use purchase orders up to a certain value for proven Indigenous businesses.

Question	N/A	0	1	2	3	Evidence/Observations
Procurement policies and processes						
Does the organisation have a medium term (2-3 year) source plan by category?						
Are Indigenous procurement strategies and plans developed at category level, aligned with the broader category plans?						
Are the sourcing strategy and category plans jointly developed with end users/Operations?						
Are these category plans shared with potential/existing Indigenous suppliers?						
Has the organisation categorised its work activities according to capability requirements and tagged those that are suitable for entry level and Indigenous tendering?						
Is there a forum/mechanism for site personnel to give feedback on obstacles and barriers to implementing Indigenous procurement?						
Targeted supplier, preferencing and weighted tender criteria						
Are there targeted supplier, preferencing and/or weighted criteria in place for Indigenous suppliers?						
Is there a scoring matrix for assessing Indigenous content in tenders and personnel with sufficient expertise to conduct this assessment?						
Has the organisation adapted tendering processes for context-specific situations to facilitate Indigenous businesses?						
Are Expressions of Interest and Calls for Tender kept open for sufficient, stated time for Indigenous businesses to respond?						

Question	N/A	0	1	2	3	Evidence/Observations
Joint ventures						
Does the company encourage joint ventures between Indigenous suppliers and experienced operators?						
Purchase orders						
Are there appropriate controls before approval of PO's or in evaluating tenders to ensure that Indigenous procurement options have been given the appropriate consideration?						
Sole sourcing and unbundling of contracts						
Does the site use 'sole sourcing' to encourage Indigenous business participation?						
Can the purchasing team trigger 'contract unbundling'?						
Purchase orders						
Are sites able to use Purchase Orders up to a certain limit for known Indigenous businesses and suppliers?						
Modifying contract documentation						
Does the site's Request for Tender documents be adapted and evaluated to explicitly recognise Indigenous content?						
Contractor performance						
Does the organisation require an Indigenous sourcing strategy with specific actions by EPCM and Tier 1 contractors (and their sub-contractors), written into contracts such as contractor 'Indigenous Participation Plans'?						
Are EPCM, Tier 1 and 2 contractors monitored for Indigenous participation performance and subcontracts?						
Does the organisation engage with similar organisations in the region to coordinate and leverage activities where appropriate?						

Dimension Three: Management Systems

Companies need procurement management systems that support their Indigenous economic participation and procurement policies. Management systems should be designed to enable procurement staff to work collaboratively with teams responsible for Indigenous engagement and social performance. Performance should be measured against specific quantifiable targets, with results reported and reviewed for continuous improvement.

Question	N/A	0	1	2	3	Evidence/Observations
Management system for Indigenous procurement						
Are there systems in place for managing and monitoring Indigenous procurement?						
Have risks and challenges to Indigenous procurement and mitigation strategies been identified?						
Is Indigenous procurement addressed in the annual resourcing and budgeting cycle?						
Does the management system prompt an assessment of Indigenous supplier opportunity when tenders are called?						
Is a database maintained of local Indigenous businesses, including skills, services and pre-qualification certification?						
Is notice of successful Tier 1 work package contracts published and sent out to potential Indigenous suppliers?						
Is there sufficient flexibility built into procurement systems to include support for early stage development of Indigenous suppliers?						
Targets and measuring performance						
Does the company have explicit targets in place for Indigenous tendering and procurement?						
Is there a specific timeframe for achieving these targets?						
Are there Key Performance Indicators (KPIs) in place for tracking Indigenous supply achievement and measured regularly for continuous improvement?						
Do management roles accountable for procurement and social performance have success-linked recognition such as bonuses?						
Are social performance and procurement success recognition						

Question	N/A	0	1	2	3	Evidence/Observations
aligned with each other?						
Are contractors required to report their aggregate and percentage expenditure on Indigenous procurement?						
Are regular performance reviews of Indigenous contractors and suppliers jointly undertaken?						
Is the monitoring of Indigenous supply achievement regularly reported internally – at site and corporate level?						
Does the site track the number and/or percentage of its contracts that Indigenous suppliers are eligible for?						
Is appropriate documentation of Indigenous procurement activities maintained?						
Is Indigenous supplier success in diversifying its client base to other organisations and sectors monitored?						

Dimension Four: Competent Indigenous supplier engagement

To increase Indigenous economic participation, professional cultural competency is required of social performance, contracting and procurement staff, technical demand managers and senior management. For enhanced levels of engagement, companies also need to consider refining supplier categories to include traditional owner, local, regional and national Indigenous businesses. In economic frontier regions, organisations may need to actively support and develop the capacity of local Indigenous suppliers, and these suppliers need to be informed through workshops about the organisation's sourcing procedures, selection criteria and upcoming tender opportunities.

Question	N/A	0	1	2	3	Evidence/Observations
Cultural competencies						
Does the organisation provide local cultural awareness training at all worksites?						
Is cultural competency included in management and supervisor roles requirements, including procurement managers?						
Is cultural awareness training provided for staff and contractors?						
Is cultural awareness training a requirement in all contracts?						
Inclusive definition of Indigenous business						
Does the organisation clearly define "Indigenous business" and recognise local and regional Indigenous suppliers?						
Sharing knowledge of demand and tendering processes						
Is there a register of local Indigenous Business maintained by the company, how often is this reviewed?						
Are Indigenous businesses able to communicate with procurement staff directly?						
Is there specific engagement with potential Indigenous suppliers to explain the end-to-end tendering and procurement process?						
Are forecast contracting requirements made known to potential tenderers well in advance of tender periods (6-12 months)?						
Business development and support						
Is there an Indigenous supplier development and support program in place that includes mentoring, training and coaching?						

Question	N/A	0	1	2	3	Evidence/Observations
Does the site contractor management procedures provide for support during bid preparation and mobilisation?						
Are there partnerships that support Indigenous supplier development?						
Do these programs adopt an entrepreneurial/start-up incubator approach to encourage local innovation?						
Does Indigenous supplier engagement include helping them expand into indirect and induced business opportunity?						
Are ramp-up and improvement plans over appropriate timeframes (e.g. 2-3 years) set for Indigenous suppliers with capability development support?						
Are supplier performance scorecards and improvement plans produced and reviewed with suppliers on a periodic basis?						
Are prequalification and other procurement processes facilitated for local Indigenous businesses?						
Is Indigenous supplier development linked to a broader capability program, such as fostering Indigenous work readiness and a register of work-ready candidates?						
Are contracting opportunities and monitoring of performance regularly reported to local Indigenous communities?						
Is sufficient and actionable feedback provided to unsuccessful Indigenous tenderers?						
For construction projects, are transition arrangements for the operating phase in place for Indigenous suppliers?						
In cost reduction activities, are Indigenous suppliers considered and prioritised accordingly?						

Baseline: Indigenous procurement performance indicators

The dimensional analysis sections of this Evaluation Checklist are designed to review input measures for improving Indigenous procurement. Implementation of a range of inputs over time will result in improved levels of Indigenous procurement; however actual results will vary according to how many inputs are implemented, how well they are implemented, how well they are managed and complement each other, and the degree of conviction by the organisation and accountable people to make them work as intended.

Beyond input measures, the questions below are examples of output indicators that might be used to measure actual performance. Not all of the indicators are necessarily appropriate to any particular circumstance, and selecting 1-3 particularly relevant indicators (Key Performance Indicators) is a better way to track performance than trying to track too many. Selecting several of these indicators according to context and intent will allow a company to evaluate its actual performance over time. Note that tracking an organisation's performance trajectory relative to itself over time is generally more useful than attempting to benchmark performance against other companies. Continuous improvement is more important than a ranking score, particularly when highly variably operational and social contexts means it is 'apples and oranges' that are being compared.

Question	Current Year	Previous Year	Next Year	Comments
What is the current organisational/site target for Indigenous procurement in \$ each year?				
What is the current organisational/site actual performance for Indigenous procurement in \$ each year?				
What is the current organisational/site target for Indigenous procurement as a % of total procurement spend each year?				
What is the current organisational/site actual performance for Indigenous procurement as a % of total procurement spend each year?				
What is the current organisational/site target for the number of individual Indigenous contracts each year?				
What is the current organisational/site actual performance for the number of individual Indigenous contracts each year?				
What is the current organisational/site target for individual Indigenous contracts as a % of total procurement contracts each year?				
What is the current organisational/site performance for individual Indigenous contracts as a % of total procurement contracts each year?				

DEFINITIONS and EXPLANATIONS

Aboriginal and Torres Strait Islander/ Indigenous – Treated as synonymous for the purpose of this document: persons and entities that meet Indigenous identification criteria, as agreed by themselves and others, based on maintained pre- European ancestral affiliation and land-connections.

Request for Tender – Explicit invitation to potential suppliers to quote for a package of work, setting out details of scope, scale and time.

Capability database – An up-to-date register of available Indigenous businesses, their essential attributes, that can potentially tender for work packages in a specific region.

Contract unbundling – Breaking down large contracts into smaller discrete contracts that can be tendered separately to smaller and/or specialist suppliers that would not otherwise be eligible to tender for the entire work package.

EPCM – Engineering Procurement and Construction Manager – companies specialising in these services that are contracted by extractive companies to undertake much of the construction and on-going project work at work sites.

Expression of Interest (EOI) – Market testing for a package of work to assess the suitability of potential suppliers, with no commitment to necessarily proceed.

Key Performance Indicators – A quantitative or qualitative value that provides a simple and reliable means to measure progress towards a longer-term objective; in the context of this guidance, an Indigenous procurement target (such as aggregate annual expenditure in \$ or % of total organizational procurement expenditure).

Prequalification – A preliminary assessment that checks the credentials of potential suppliers to tender for a package of work, typically involving validation of financial stability; Health and Safety preparedness; background legality and security checks; environmental and social responsibility background check; the length of time the contractor has been in business (including references), insurance coverage and other site-specific requirements.

Procurement process – A prescribed set of work activities followed by extractive companies to select and secure goods and/or services from suppliers who compete against each other to win the contract. The process typically sequences as follows:

- call for and evaluation of Expressions of Interest (EOI –see definition);
- shortlisting potentially suitable suppliers to proceed to prequalification, typically required to sign a confidentiality agreement;
- prequalification, (see definition);
- call for tenders (see definition);
- evaluation, or the detailed assessment of tenders based on technical and commercial criteria, past performance and other specific criteria; and
- award, or a formal contractual arrangement with a successful tenderer that sets out all performance and payment terms for a defined package of work or supply.

Purchase Order – A simple commercial document issued by an organisation to a prequalified and tested supplier indicating types, quantities and agreed prices for products and/or services.

Sole sourcing – Procurement of products and/or services, usually below an expenditure threshold, that does not go to tender because a known supplier is uniquely able to supply it at defensible cost.

Tier 1 (suppliers) – A business contracted by an extractive company to directly supply goods and/or services.

Tier 2, 3 & 4 (suppliers) – Businesses supplying goods and/or services to extractive companies through sub-contract arrangements.