

# Beyond business as usual: benchmarking Indigenous procurement in mining



## The University of Queensland

Ranked in the world's top 50,<sup>1</sup> The University of Queensland (UQ) is one of Australia's leading research and teaching institutions. UQ strives for excellence through the creation, preservation, transfer and application of knowledge. For more than a century, we have educated and worked with outstanding people to deliver knowledge leadership for a better world.

## Sustainable Minerals Institute

The Sustainable Minerals Institute (SMI) is a world-leading research institute<sup>2</sup> committed to developing knowledge-based solutions to the sustainability challenges of the global resource industry, and to training the next generation of industry and community leaders. The Institute is transdisciplinary, and our work is impartial and rigorous. Our research integrates the expertise of production, environmental and social science specialists to deliver responsible resource development.

## Centre for Social Responsibility in Mining

The Centre for Social Responsibility in Mining (CSRSM) focuses on the social, cultural, economic and political challenges that occur when change is brought about by mineral resource extraction. The Centre contributes to industry change through independent research, teaching and by convening and participating in multi-stakeholder dialogue processes. Our team consists of geographers, anthropologists, sociologists, political scientists, economists, development and natural resource specialists.

## AEMEE

Aboriginal Enterprises in Mining, Exploration and Energy Ltd (AEMEE) is an incorporated not-for-profit company set up to grow Indigenous businesses in Australia and overseas in mining and allied industries. AEMEE recognises that Aboriginal people want to engage in the economic and social benefits that result from resource development on their traditional lands. AEMEE acknowledges that Aboriginal people want to be actively involved in the Australian economy and to share in the wealth created by the resources sector.

## Citation

Barnes, R., Parmenter, J., Plichta, M., Hedges, A., Flucker, D. & Villafior, R. (2023) *Beyond business as usual: Benchmarking Indigenous procurement in mining*. Occasional Paper. Centre for Social Responsibility in Mining, The University of Queensland: Brisbane, Australia.

## Cover image

Yurra's relining Rio Tinto Iron Ore railway culverts contract. Photo courtesy of Yurra Pty Ltd.<sup>3</sup>

---

<sup>1</sup> QS World University Rankings and Performance Ranking of Scientific Papers for World Universities (2021).

<sup>2</sup> The University of Queensland is ranked third in the world for engineering – mineral and mining, 2021 QS World University Rankings by subject.

<sup>3</sup> Yurra was formed through a collaboration between Yindjibarndi people and a Pilbara construction business. Yurra provides employment and training for the people of Roebourne, while driving business, social and economic benefits for the wider community. It is majority Yindjibarndi-owned through an investment arm established for Yindjibarndi people following signing of an Indigenous Land Use Agreement with Rio Tinto Iron Ore in July 2013. See: <https://www.yurra.com.au/>

## Contents

Introduction .....	1
1. Why is Indigenous procurement important? .....	1
2. How did this benchmarking project come about? .....	2
3. What did the evaluation project aim to achieve? .....	4
4. How did RTIO, AEMEE and CSRSM prepare for the evaluation? .....	6
5. How was the evaluation conducted? .....	7
6. Why approach the evaluation this way? .....	9
7. How did the evaluation process go? .....	10
8. What did the evaluation find? .....	11
9. What was learned through the process? .....	16
10. What would be done differently next time? .....	17
Next steps .....	18

## Tables

Table 1	Architecture of the AEMEE checklist .....	4
Table 2	Rio Tinto Iron Ore performance metrics – calendar year 2021 .....	11

## Figures

Figure 1	Commemorating the signing of the Yandi agreement in May 1997 .....	3
Figure 2	AEMEE's conceptual framework and checklist architecture .....	5
Figure 3	Project logic for AEMEE's evaluation of Rio Tinto Iron Ore's Indigenous procurement .....	7
Figure 4	Rio Tinto Iron Ore 2021/2022 evaluation dimension scores (out of 10) .....	10
Figure 5	Yurra's Rio Tinto Iron Ore railway culverts relining contract .....	13
Figure 6	Hicks Civil and Mining a Ngarluma bulk earthworks and civils earthworks business .....	15
Figure 7	'Know Your Supplier Day' at DBYurra's fabrication workshop organised by Buy Local .....	17

## Introduction

This paper provides insights from a commissioned project that evaluated Rio Tinto Iron Ore's (RTIO) procurement processes as they apply to Indigenous businesses. The evaluation was undertaken between September 2021 to July 2022 by Aboriginal Enterprises in Mining Energy and Exploration (AEMEE)<sup>4</sup> in partnership with the Centre for Social Responsibility in Mining (CSRSM).<sup>5</sup>

Rio Tinto Procurement's (RTP) 'Buy Local' team commissioned the evaluation.<sup>6</sup> AEMEE was engaged to lead the project and invited CSRSM to partner with them and provide research expertise to deliver the project. The project objectives were aligned with AEMEE's vision of gaining a larger market share for Indigenous businesses within the resource sector and CSRSM's mission to drive social performance in the global mining industry.

All three parties support Indigenous business participation in mining and seek to promote leading practice to enhance Indigenous business engagement and outcomes across the sector.

The evaluation project utilised AEMEE's *Indigenous Business Procurement Evaluation Checklist*.<sup>7</sup> Developed in 2018, the AEMEE checklist supports resource companies and their major contractors to assess Indigenous business procurement practice within their supply chains. The checklist addresses attributes and actions that constitute leading practice in this arena by:

- establishing a benchmark against which to measure progress with Indigenous procurement
- underscoring a company's business case for increasing Indigenous business participation
- providing advice and recommendations from an independent external Indigenous perspective to assist with continuous improvement of internal business processes.

With a view to sharing lessons learned in applying the checklist, this paper describes key aspects of the evaluation project. It is structured around 10 key questions.

## 1. Why is Indigenous procurement important?

Indigenous business procurement in mining is important at several levels.

Indigenous procurement forms a vital part of delivering on the promises of positive social and economic outcomes that accompanies major resource developments. Contributing positively is reflected in mining companies' stated values and operating standards, particularly those related to community engagement and development. Indigenous procurement is a practical area where companies can demonstrate their performance, i.e., do what they say they will do.

Although typically cast as a 'social licence' to operate, commitments to Indigenous business participation are found in legal agreements that companies make with Indigenous landowners to allow developments to proceed without disputation or disruption.

This is the case for RTIO, which has agreements with each of its Indigenous landowning groups in the Pilbara and operates under a collective regional accord through its Regional Framework Deed (RFD). The RFD contains a series of Regional Standards, one of which is *Aboriginal Business Development and Contracting*.<sup>8</sup>

---

<sup>4</sup> See: <https://www.aemee.org.au/>

<sup>5</sup> See: <https://smi.uq.edu.au/csrsm>

<sup>6</sup> 'Buy Local' is about helping local businesses: <https://www.riotinto.com/sustainability/communities/sustainable-procurement>

<sup>7</sup> The checklist is available here: <https://www.csrsm.uq.edu.au/publications/indigenous-business-procurement-evaluation-checklist>

<sup>8</sup> Rio Tinto website *Pilbara communities*: <https://www.riotinto.com/en/operations/australia/pilbara/pilbara-communities>

While Indigenous business development and contracting is framed as a shared goal, Rio Tinto's commitments are enforceable. In the Pilbara, Rio Tinto is accountable to an Indigenous Regional Implementation Committee,<sup>9</sup> as well as individual landowning groups' Local Implementation Committees. It is therefore Rio Tinto's relationships with Indigenous landowners that are a key driver for Indigenous business procurement.

At the operational level, commercial benefits accrue from ready access to capable locally based businesses with experience supplying Rio Tinto and are site ready. A critical operational challenge for Rio Tinto, as with other mining companies in Western Australia, is the timely sourcing of labour and expertise, particularly around shutdowns for maintenance of fixed equipment. Building Indigenous business capacity to fill this gap offers access to a significant regional workforce and expertise.

Over decades of operating in the Pilbara, many Indigenous people have worked for Rio Tinto (and other resource companies) gaining trades and other qualifications through targeted Indigenous training and apprenticeship schemes. While many are actively employed, a significant cohort are not. These include highly experienced mine employees who exited the industry and may remain in an employment hiatus. Surveys of ex-Rio Tinto Indigenous employees conducted by CSRM in 2011 (n=61) and in 2020 (n=7) found a substantial proportion responded positively to the notion of resuming employment with Rio Tinto.<sup>10</sup>

It is understood Indigenous businesses are more likely to employ Indigenous people. A sample of AEMEE member companies found an average Indigenous employment rate of 60%.<sup>11</sup> It follows that Indigenous businesses are more attuned to cultural aspects of providing a safe workplace and foster the power of Indigenous peer support. Rio Tinto commissioned research into Indigenous employee retention highlights the value of peer networks to bolstering employee resilience.<sup>12</sup>

Indigenous business owners emphasise the independence and self-determination that flows from economic empowerment. A vibrant Indigenous business sector not only offers participation pathways for communities left at the economic margins, but also contributes to addressing systemic Indigenous disadvantage through wealth creation.

## 2. How did this benchmarking project come about?

The project came about at a time Rio Tinto was actively restructuring and focused on rebuilding relationships with Indigenous landowners following the tragic destruction of the rock shelters at Juukan Gorge on 24 May 2020. While strengthening cultural heritage protection management lies at the core of the company's response, a suite of other complementary initiatives measures are in train. These include, investing in Indigenous leadership, launching a new Indigenous employment strategy for Western Australia, and bolstering professional expertise in Communities and Social Performance.<sup>13</sup>

Part of the capability uplift is a scaled-up and revamped Indigenous Economic Development team in RTIO, alongside a renewed focus on Indigenous procurement within RTP, a sub-group entity under Rio Tinto's global Commercial product group entity, which has a large presence in Perth.

---

<sup>9</sup> See Regional Implementation Committee website: <https://www.ricpilbara.com/>

<sup>10</sup> Unpublished CSRM reports to Rio Tinto on Indigenous employee retention. The 2011 survey found 50 of 61 former employees were interested to resume work with Rio Tinto, as were 3 of 7 interviewed for a 2020 report. Individual's tenure with Rio Tinto of 2020 cohort were between 8 and 15 years.

<sup>11</sup> Barnes, R., Harvey, B. and Kemp, D. (2015) *Benchmarking Leading Practice in Aboriginal Business Procurement in the Extractive Resource Sector*. A report prepared by CSRM for AEMEE under the AEMEE and QGC Partnership Agreement. CSRM Brisbane: <https://www.csrn.uq.edu.au/publications/benchmarking-leading-practice-in-aboriginal-business-procurement-in-the-extractive-resource-sector>

<sup>12</sup> Parmenter, J. and Barnes, R. (2021) Factors supporting indigenous employee retention in the Australian mining industry: A case study of the Pilbara region. *The Extractive Industries and Society* 8(1) 423-433: <https://doi.org/10.1016/j.exis.2020.11.009>

<sup>13</sup> For details see: <https://www.riotinto.com/en/news/inquiry-into-juukan-gorge>

These initiatives are propelled by a new group strategy introduced in October 2021. At the core of the strategy is the goal to attain ‘impeccable environment, social, and governance’ (ESG), which is underpinned by newly proffered Rio Tinto values – ‘Care, Courage, and Curiosity’. This is an enabling strategy that ‘delegates decisions deep down’, where the technical expertise resides, encourages all levels to contribute and drives a more values-driven approach to decision making.

AEMEE has worked with resource companies, including Rio Tinto, to design the evaluation tool to assist buyer companies to successfully contract to Indigenous suppliers. AEMEE recognises that resource companies achieve good Indigenous procurement outcomes where Indigenous sourcing is made a core business priority, and internal strategies, processes, and resourcing focus on delivering that priority. The AEMEE project represents a rare opportunity to ‘look under the hood’ of the business processes supporting Indigenous procurement and stress test company claims for creating social value.

Although the AEMEE checklist is made available publicly for self-evaluation (or an AEMEE-facilitated self-evaluation), Rio Tinto opted to use AEMEE to undertake an independent evaluation. This decision recognises the objectivity and rigor of an arm’s length process. AEMEE was engaged to conduct the evaluation signalling the company’s intent and commitment to measuring and improving Indigenous business engagement and procurement outcomes in a transparent way.

Against this backdrop, the AEMEE project represents RTP Buy Local’s effort to operationalise the company’s values by:

- Caring about improved Indigenous business engagement
- Curious over where RTIO sits on the leading practice spectrum, and
- Courageous enough to invite an independent evaluation of their business processes.

Since 1994, RTIO has been at the forefront of Indigenous business development with the inception of Hamersley Iron’s (a subsidiary of Rio Tinto) award winning Aboriginal Training and Liaison Unit (ATAL) based in Karratha.<sup>14</sup>



Figure 1 Commemorating the signing of the Yandi agreement in May 1997<sup>15</sup>  
Photo courtesy of Gumala

<sup>14</sup> ATAL was an award winner for Indigenous Business Development at the National Reconciliation Convention in May 1997.

<sup>15</sup> Hamersley Iron’s Managing Director Development, Malcolm Richmond commemorating the signing of the Yandi agreement with Gumala Director, Charles Smith, May 1997.

It also mentored the original Indigenous landowner business in the Pilbara (and now one of the largest), Gumala Enterprises Pty Ltd, through its establishment following entering a native title agreement over Rio Tinto's Yandicoogina iron ore mine in 1997.

The Yandicoogina agreement was the first native title agreement with Pilbara Indigenous landowners and, more broadly, represents a historical turning point between resource companies and Indigenous peoples (see Figure 1).<sup>16</sup>

It is timely to put the spotlight on RTIO's Indigenous procurement processes to see how they have evolved through the various commodity and investment cycles.

### 3. What did the evaluation project aim to achieve?

The overall objective was to understand what Rio Tinto is doing well and identify opportunities for enhancing internal processes supporting Indigenous business engagement by using the AEMEE checklist. The checklist captures a company's situation at a point in time and assists with planning for future success.

The architecture of the checklist is built around four key interdependent dimensions of analysis plus a metrics baseline. The dimensions represent domains of business activity and processes that jointly interact to determine the quality and extent of Indigenous business participation. These are described in Table 1.

Table 1 Architecture of the AEMEE checklist

<p><b>1. Positive internal environment</b></p> <p>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.</p> <p>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.</p>
<p><b>2. Management systems</b></p> <p>Companies need procurement management systems that support their Indigenous economic participation and procurement policies.</p> <p>Management systems should be designed to enable procurement staff to work collaboratively with teams responsible for Indigenous engagement and social performance.</p> <p>Performance should be measured against specific quantifiable targets, with results reported and reviewed for continuous improvement.</p>
<p><b>3. Innovative and targeted sourcing strategy</b></p> <p>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.</p> <p>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.</p>

<sup>16</sup> On 1 Mar 2022, Gumala celebrated 25 years since the Yandi Land Use Agreement (YLUA) was signed. The 134 original signatories to the YLUA were the founding members of Gumala Aboriginal Corporation. See Gumala website: <https://gumala.com.au/>

#### 4. 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.

The checklist consists of a series of questions (n=88) organised under the four dimensions. The questions encompass attributes and actions that constitute leading practice as defined by AEMEE, which by implication are recommended. Conceptualising leading practice in Indigenous procurement in this way highlights how success depends on multiple facets of the buyer company working effectively together.

Figure 2 illustrates how the framework features both qualitative aspects, including proficiency with ‘soft skills’ (Dimensions 1 and 4), as well as quantitative aspects, including systems-driven requirements (Dimensions 2 and 3), which constitute leading practice.

The horizontal pairing shown in the framework emphasises that a dual focus needs to be maintained on both internal organisation and performance (Dimensions 1 and 2), as well as externalities and quality of stakeholder engagement (Dimensions 3 and 4).

Evidence is assembled to evaluate each question and scored according to the degree of alignment between the question and available evidence. The higher the score, the greater degree of alignment with leading practice. The questions are equally weighted and averaged to obtain a score for each dimension.

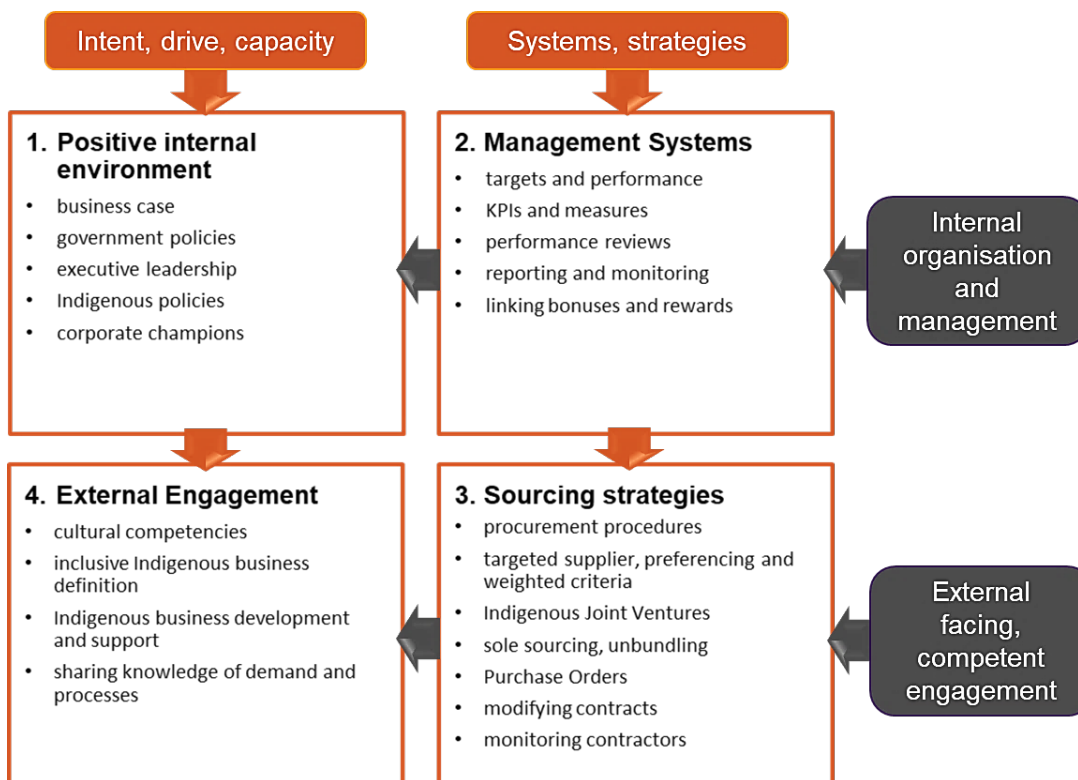


Figure 2 AEMEE's conceptual framework and checklist architecture



The evaluation also benchmarks metrics used by the company to measure performance, such as Indigenous spend as a percentage of overall spend, number of Indigenous suppliers as proportion of all suppliers and noting these against company targets.

## 4. How did RTIO, AEMEE and CSRSM prepare for the evaluation?

To guide the preparation, the evaluation team developed a project logic as shown in Figure 3. It illustrates how the project is intended to achieve improved outcomes for Rio Tinto and Indigenous communities alike.

The next step was to design a program of work and agreed method in collaboration with the Buy Local sponsors. The scope of work was limited to RTIO's contestable spend.<sup>17</sup> In practice, however, sourcing is not only undertaken by the RTIO product group, but certain sourcing events are either supported, or otherwise led, by RTP.

AEMEE's checklist is designed around a model whereby a mining company's corporate office (corporate level) oversees one or more mine sites (site level).<sup>18</sup> This presented a dilemma given RTIO's multiple sites. These include, 17 large scale mines, two (2) iron ore export ports (i.e., four export terminals), and extensive pan-Pilbara rail assets, plus Dampier Salt, making it Rio Tinto's largest product group by assets, production, revenue, and spend.

RTIO's corporate offices house several centralised business functions including, Human Resources, Careers and Development, and Communities and Social Performance. Although based in Perth, these functions interact with RTIO assets and operations, using a Business Partner model.

Addressing the 'corporate' level, as countenanced in the checklist, is further complicated as RTP operates as a sub-group entity under the global Commercial product group entity, separate to the RTIO product group.<sup>19</sup> As RTP supports RTIO sourcing, there are significant challenges brought about by the sheer scale of the business and complexity of numerous intersecting business processes around sourcing.

Buy-in from senior leadership was identified as crucial to the success of the project. Crucial, in terms of the support needed to access sufficient data required by the checklist but also follow through on the outcomes of the evaluation and recommendations. Leadership is also a key theme under the dimension of the checklist that addresses creating a positive internal environment.

An important part of the preparation phase was the evaluation team and the Buy Local project sponsors meeting with senior leaders at the Vice President and General Managers' level across three relevant RTP divisions to explain the rationale of the AEMEE checklist, objectives and methods of the evaluation, plus the importance of access to their teams and relevant material (data) on procurement processes.

Senior leader backing of the project greatly enhanced the conduct and success of the project by ensuring access to internal documents and personnel, and affirming the value of the project to the business. Undertaking the project in the absence of this level of buy-in and support would have inhibited the depth of analysis possible and the quality of the outputs.

---

<sup>17</sup> Contestable spend does not include spend areas such as taxes, charitable donations, royalties, etc. but includes most business related spend for any goods and services needed to keep the business operating.

<sup>18</sup> In the case of RTIO, 'sites' are referred to as assets or operations.

<sup>19</sup> Rio Tinto's global procurement sub-group entity has been on its own maturity journey since its inception in 2007.

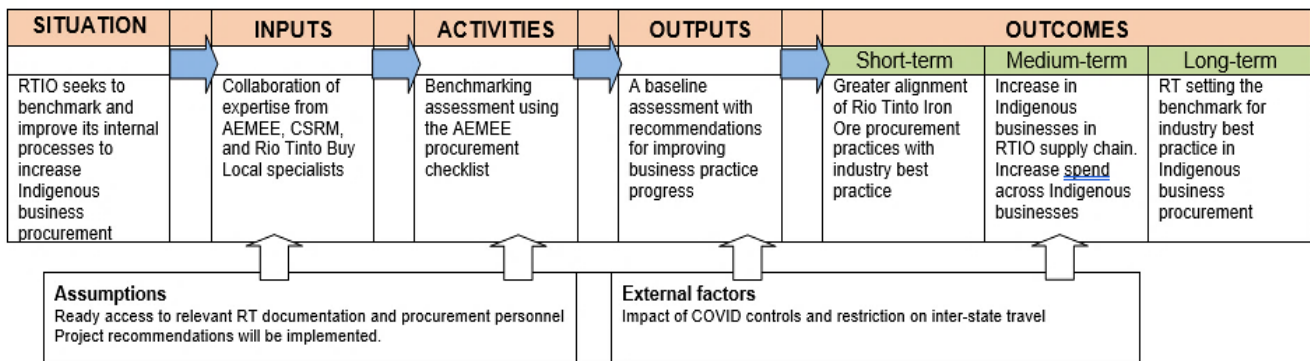


Figure 3 Project logic for AEMEE's evaluation of Rio Tinto Iron Ore's Indigenous procurement

## 5. How was the evaluation conducted?

The approach was informed by the expertise of the Buy Local team, which worked with evaluation team to co-develop a tailored method suited to RTIO. The Buy Local specialists' intimate knowledge and experience with the company's complex matrix organisation, team structures, relevant processes, and procurement categories were integral to devising a fit-for-purpose method.

The project design accommodates the nature and scale of RTIO's procurement by considering strategies, business processes, and experiences of personnel of both RTIO and RTP, and how they intersect.

With the size and scale of Rio Tinto in mind, key features of the co-designed approach included:

- ensuring a fit-for-purpose project method suited to Rio Tinto and endorsed by senior leadership (detailed above)
- comprehensive desktop research involving the collection and collation of relevant material such as company statements, policies, standards, procedures, guidance, reports, and presentations
- to supplement desktop data, interviews with Rio Tinto practitioners (corporate and site) to gain further first-hand 'on the ground' insights into the practicalities of implementing the procurement processes
- analysis of desktop and interview data and evaluating against the checklist with scoring
- reporting, which presents the detailed evaluation and scores, along with high level summaries, and recommendations.

### 5.1 Data collection and collation

The project method was designed to cater for the heavy data requirements of the checklist. Sufficient quality data is needed to answer all 88 questions of the AEMEE checklist. This necessitates assembling both desktop material, and collating and combining these with qualitative data from practitioner interviews for analysis.

#### 5.1.1 Desktop data

The evaluation team retrieved and reviewed publicly available material such as relevant media releases, news items, and statements. The evaluation team also worked through each of the questions in the checklist with Buy Local to identify the type and sources of information needed.

These materials were collected over the course of the project and stored securely. Documentation was organised according to the checklist dimensions.<sup>20</sup>

### 5.1.2 Interview data

Interviews with Rio Tinto personnel with responsibility for, or involved in, sourcing for RTIO filled crucial gaps in the available desktop material. Surfacing the views and experiences of personnel brought the desktop material to life and offered valuable insights into how written material, standards and values are operationalised in practice.

Interviews were from one to two hours in duration and conducted over three tranches between December 2021 and May 2022.<sup>21</sup> The sessions were arranged by the Buy Local specialist whose detailed knowledge of systems and teams involved in sourcing enabled a representative sample to be reached.

The interview schedule included various teams across RTP and RTIO. A total of 27 interviews were conducted involving 80 personnel including, RTP procurement professionals and business partners and RTIO project leads, superintendents, maintainers, schedulers, administrators, and planners.<sup>22</sup> When categorised according to corporate and site, interviews included:

- Corporate level - RTP Categories, Business Partners, Buy Local, and RTIO's Indigenous Economic Development team, Asset Management and Engineering Services, and Communities and Social Performance teams.
- Site level - Supply Chain Services (a port, rail maintenance and operations), and an inland minesite.

## 5.2 Analysis and reporting

Detailed analysis of the desktop material and data from interviews was undertaken by the evaluation team to form the evidence base for the evaluation. The fundamental level of analysis involves determining a score for each of the 88 questions listed in the checklist.

Each question encompasses attributes or actions that make up leading practice. The evaluation involved weighing up the extent the evidence available aligned with the attributes and actions addressed by the question. The output was a line-by-line score, with accompanying comments and justifications for assigning the scores.

As mentioned, the questions are organised under the four dimensions of the checklist. The respective scores for each dimension were averaged to deliver a dimension score. The maximum possible score is 10 and the higher the score, the closer to leading practice.

In addition to the dimension score, a high-level summary was provided highlighting issues, trends, and themes for each of the dimensions that were revealed through the evaluation. Recommendations were framed around actions that should be taken to further align, grow and embed the good Indigenous procurement practice.

A report to Rio Tinto was produced presenting the evaluation, dimension scores, and high-level summaries and recommendations.<sup>23</sup> Being organised under the four key dimensions allows for relevant

---

<sup>20</sup> Some documents needed to be cross-referenced across dimensions where they were relevant to two or more checklist questions.

<sup>21</sup> Interstate travel restrictions introduced by state governments in response to the COVID 19 pandemic severely impeded interstate travel necessary for the evaluation team. The various states' restrictions disrupted the planned travel and sustaining face-to-face interviews, resulting in some interviews in-person and others online using Microsoft Teams.

<sup>22</sup> Participants were drawn from 11 different divisions (GM level) representing five (5) product group sub-groups (MD/VP) level. Four (4) of the sub-groups were RTIO entities and one (1) being RTP, a Commercial sub-group entity.

<sup>23</sup> Barnes, R., Parmenter, J. and Villaflor, R. (2022) *AEMEE Rio Tinto Iron Ore Indigenous procurement benchmarking report. Confidential report to Rio Tinto*. Aboriginal Enterprises in Mining, Exploration and Energy: Brisbane.

business units to take charge of implementing recommendations. The evaluation essentially captures the company's position with respect to leading practice at a point in time, which provides a benchmark against which the company's progress toward leading practice can be tracked.

## 6. Why approach the evaluation this way?

AEMEE's vision is for an extractives industry that is more agile, innovative, and responsive to Indigenous businesses and interests. It saw the need to benchmark good practice and developed the evaluation framework to assist companies to meet their commitments. While retaining the intellectual property, in 2018 AEMEE decided to make the checklist available publicly for companies to evaluate their business processes.<sup>24</sup>

Whereas some self-evaluations and facilitated self-evaluations have occurred to date, the RTIO project represents the first AEMEE-led evaluation using the checklist. By partnering with CSR, which was involved in the AEMEE-commissioned research into leading procurement practice, the goal was to demonstrate operability of the checklist in complex and large-scale settings and deliver a useful and impactful output. Considerable attention was given to ensure collection of a comprehensive data set, from both written and interview (qualitative) sources.

Part of achieving this goal was devising an enhanced scoring protocol to cater for the multifarious setting the RTIO evaluation presented. The original scoring was limited to a four-point scoring scale for each question. The enhanced protocol introduced a ten-point scale, made up sub-scores of three interrelated factors:

- the quality of evidence
- the extent of alignment of the evidence with the attributes or actions
- the degree to which that alignment is stabilised and embedded across the functional areas of the business.

This approach allowed additional layers analysis and catered for the large size of Rio Tinto and its matrix organisational structure.

The enhanced scoring protocol will also aid in ensuring consistent application of the checklist in other evaluations, and ensure transparency of process and reproducibility of results. Using the enhanced scoring means there can be greater confidence when comparisons are made between evaluations, such as:

- evaluations taken at time intervals for a single company – allows a company's maturity to be tracked over time
- evaluations of different product groups within a large corporation – allows groups within a single corporation to be ranked against each other
- evaluations of different companies – allows companies to be compared against industry practice.

---

<sup>24</sup> AEMEE (2018) Indigenous business procurement checklist found here: <https://www.csr.com.au/publications/indigenous-business-procurement-evaluation-checklist>

## 7. How did the evaluation process go?

The overall results are shown in Figure 4. The scores shown are the median of scores for all questions contained under the respective dimension.<sup>25</sup> These results represent the evaluation of the status of RTIO Indigenous procurement relative to leading practice as 2021/2022.

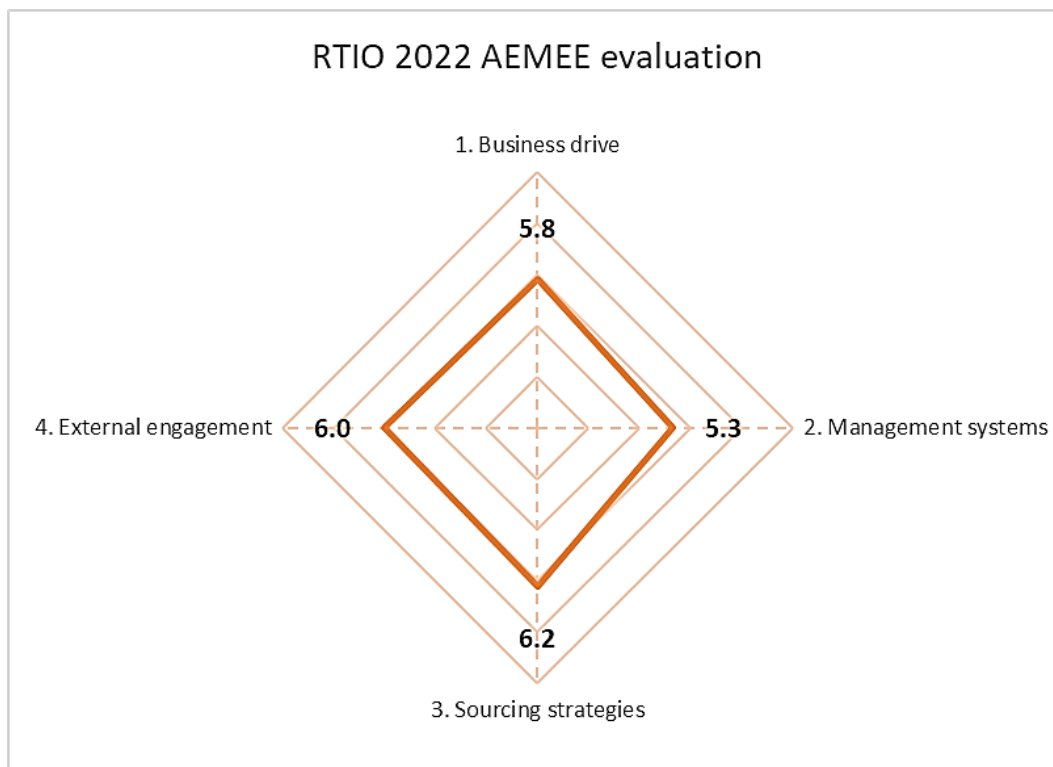


Figure 4 Rio Tinto Iron Ore 2021/2022 evaluation dimension scores (out of 10)

These results provide a benchmark against which progress to enhance business processes can be measured, a score of **10** being the maximum score.

The graph shows a slightly better than median result across the four (4) dimensions. Broadly, the evaluation points to a need to align the company's positive intent for Indigenous business engagement through tailored procedures and processes that deliver on an explicit Indigenous procurement policy, which articulates a clear business case and sets bold but achievable targets.

To drive the targets, there have to be strategic and targeted approaches that comprehend forthcoming demand. This involves understanding the capability required and maintaining visibility over pipelines of work to ensure appropriate and timely scopes are matched to available Indigenous business capability.

### 7.1 Rio Tinto Iron Ore benchmarking metrics

The AEMEE checklist (2018) provides suggested indicators for companies to measure annual performance with Indigenous procurement. These metrics enable companies to track their performance trajectory over time with an emphasis on continuous improvement. The metrics used for the 2021/2022 RTIO evaluation (M1 to M6) are shown in Table 2.<sup>26</sup>

<sup>25</sup> The graph positions the results against the theoretically possible result of 10. The closer the score is to 10, the greater the extent leading practice is achieved.

<sup>26</sup> N.B. targets also feature in the AEMEE checklist examples. No targets are provided for the RTIO evaluation as these were being reviewed by the business at the time of the evaluation.

Table 2 Rio Tinto Iron Ore performance metrics – calendar year 2021

#	Metric	2021
M1	Indigenous procurement annual spend in (A\$)*	\$300M
M2	Total RTIO contestable spend (A\$)**	\$11.3B
M3	Indigenous procurement as a percentage of total RTIO annual procurement spend	2.7%
M4	Number of Indigenous vendors used over the year	64
M5	Total number of vendors used over the year	3,063
M6	Indigenous vendors as a percentage of total RTIO vendors	2.1%

\* Indigenous businesses are based on  $\geq 50\%$  Indigenous ownership.

\*\* RTIO contestable spend includes spend under all Iron Ore Company Codes in the vendors master data record in SAP. It includes RTIO product entities: Supply Chain Services (Rail, Ports & Core Services); Pilbara Mines; Planning Integration & Assets; Projects; and Dampier Salt.

## 8. What did the evaluation find?

### 8.1 Key findings summary – Dimension 1 Internal environment

Revised business policies and strategies were being introduced at the time of the evaluation. The 2021 Rio Tinto group strategy for ‘best operator’ and growth, brings ‘impeccable ESG’ into Rio Tinto’s core strategic pillars. Social value gains prominence, with ‘social licence’ underpinning the group strategy, which highlights trust, relationships, and partnerships. In this way, the strategy provides the imprimatur to resetting Indigenous relations following the tragedy of the Juukan rock shelters.

The imperative given by the Australian business to resetting relationships was clearly evident through the evaluation, with the AEMEE project itself an indicator of the effort and intent. The significant role Indigenous procurement can play within the whole-of-business context is recognised at the senior level.

Positive intent was found in product group and divisional annual planning across RTP and RTIO. The evidence shows messaging is reaching operations and assets, though with some variance in the level of penetration across sites.

The foundations for achieving leading Indigenous procurement are in place, presenting a significant opportunity to align internal drive and effort around clearly defined policy objectives that empower (and commend) practitioners to adjust business processes and decision-making accordingly.

A group policy is recommended that explicates Indigenous procurement as integral to the on-going success of the company. It should clearly articulate the value Indigenous procurement brings to the business, that it is core business, and in no way philanthropic. The policy should not only outline why Indigenous procurement is good for business but also acknowledge that Indigenous economic empowerment is essential to self-determination and an impactful way to address systemic socio-economic disadvantage.

Such a policy would aid decision-makers across sourcing and contractor management by establishing an operational rationale and given them the confidence to factor-in the social value that Rio Tinto seeks to create. Approached in this way, the company’s social credentials, i.e., the ‘S’ in ESG, will manifest through the routine practices of the procurement business function.

## 8.2 Key findings summary – Dimension 2 Management systems

### 8.2.1 ‘Local vs Indigenous’

Robust procurement management systems incorporate prompts that highlight local procurement, with ‘local’ encompassing local Indigenous businesses. A conjoined local and Indigenous model has worked up to the time of the evaluation in 2021/2022 by bringing attention to and consideration of local sourcing options, with some good Indigenous business outcomes evident.

The evaluation found that the model could be better tuned to counter inherent tensions that typically exist in procurement processes when countenancing unfamiliar suppliers. Award decisions under ordinary procurement settings, being sensitive to cost and risk, will naturally default to lower price and known suppliers that have a proven record of successful delivery.

Even where social value is pinned to ‘local’ suppliers, the perceived risk attached to Indigenous businesses is likely to weight sourcing decisions toward non-Indigenous local businesses. This is particularly the case where sites lack visibility and knowledge of capable Indigenous suppliers, and/or lack the confidence to engage with them.

Over the course of the evaluation, a new national procurement procedure (NPP) was introduced that explicitly supports the company’s intent to increase social value and beneficial outcomes through increased Indigenous business engagement.<sup>27</sup> The NPP reconfigures Rio Tinto Australia’s sourcing processes with a focus on opportunities for Indigenous, as well as local and sustainability procurement.

The NPP replaces RTIO’s multi-tier supplier classification system, which existed since mid-2017,<sup>28</sup> with a nine-tier classification that operates to:

- guide prioritising engagement with businesses over business development
- assist with organising bid lists for competitive sourcing events
- provide a framework for consistent national reporting and analysis.

Tiering hierarchy is not applied as part of the tender evaluation criteria, but moreover to assist prioritising pre-tender supplier engagement and post tender feedback or ongoing development support.

While Indigenous businesses (50% or more Indigenous-owned) based in the Pilbara retain the highest tiering, the significant innovation of the NPP is to explicitly recognise Indigenous businesses beyond the Pilbara. The evaluation rated the NPP highly as it releases Indigenous procurement from the confines of ‘local’ thereby opening significant opportunities for RTIO, as well as broadening the scope for Rio Tinto’s socio-economic contribution to Indigenous people.

Reporting is also a key feature of the NPP. The reporting guidance promotes alignment across the Australian business, and seeks accuracy and consistency in metrics. RTIO will be required to report spend and contract awards against targets, and use these metrics to drive year-on-year improvements. Internal and external reporting under a consistent framework will aid transparency over Rio Tinto’s performance with Indigenous procurement.

The NPP was undergoing at ‘soft rollout’ at the time of the evaluation. Given the significance of the new procedure, it was recommended that Rio Tinto accelerate the rollout supported by training for relevant personnel and verification of implementation.

<sup>27</sup> The NPP was approved by the Rio Tinto Australia SteerCo on 1 Jul 2021, effective from 1 Oct 2021 and applicable to all Australian Product Groups and Business Units.

<sup>28</sup> A four-tier supplier segmentation had been in place, focussed on Pilbara Aboriginal Businesses (Tier 1) and Pilbara non-Indigenous local businesses (Tier 2). The model preferred lower tiers, ‘where all things being equal’. Experience shows that the ‘all things being equal’ criteria was rare in the case of Indigenous businesses bidding for supply contracts.



Figure 5 Yurra's Rio Tinto Iron Ore railway culverts relining contract  
 Photo courtesy of Yurra Pty Ltd

### 8.2.2 Targets

AEMEE's evaluation checklist recognises the importance of targets in driving outcomes in the resources industry. RTIO draws on Indigenous procurement targets contained in its land use agreements made with Indigenous landowners, as well as targets ascribed nationally by the Australian business. While these have been useful to catalyse change, the evaluation found that RTIO's continued outperformance points to the need for more aspirational targets.

Rio Tinto's Regional Framework Deed (RFD) targets are tied to the proportion of Indigenous people represented in the Pilbara population as reported by the Australian Census. This is around the 15% mark, but varies with Census updates. The RFD target applies only to RTIO's spend with Pilbara-based suppliers, which also varies year to year as a proportion of overall spend. Being intricate to calculate makes it awkward in guiding practitioners. While the RFD target remains significant to the local context, it is less effective in driving leading Indigenous procurement practice business-wide (RTIO and RTP) because the majority of RTIO spend is not with Pilbara-based suppliers.

The source of Rio Tinto's national target is the Business Council of Australia's (BCA) 'Raising the Bar' initiative,<sup>29</sup> which aligns with the federal government's 3% Indigenous Procurement Policy.<sup>30</sup> The BCA staged 3% target has proved effective in catalysing change across RTIO but due to continual outperformance the target has outlived its usefulness. Being national and cross-sectoral, the 3% target maybe appropriate for organisations with no inherent inclination or pre-existing experience with engaging Indigenous businesses, e.g., banks or the tax department. This contrasts markedly with resource companies whose operations affect legally recognised Indigenous rights and interests.

Establishing targets based on population data also lacks sophistication where the company holds legal commitments to Indigenous landowners and where it seeks impeccable ESG credentials. The evaluation recommended Rio Tinto design more aspirational targets that are industry-leading and drive leading practice internally.

<sup>29</sup> Details of BCA's 'Raising the Bar': [https://www.bca.com.au/raising\\_the\\_bar\\_to\\_give\\_indigenous\\_australians\\_greater\\_opportunities](https://www.bca.com.au/raising_the_bar_to_give_indigenous_australians_greater_opportunities)

<sup>30</sup> Details of the IPP: <https://www.niaa.gov.au/indigenous-affairs/economic-development/indigenous-procurement-policy-ipp>



Targets need to be considered in the context of the Indigenous socio-economic setting in which the company operates, and the positive contribution it can make to addressing on-going systemic disadvantage arising from a history of dispossession and economic marginalisation.

### 8.3 Key findings summary – Dimension 3 Sourcing strategy

The evaluation found some good examples of leading practice approaches such as carve-outs for Indigenous businesses from larger scopes, engaging Indigenous businesses on panels under Master Services Agreements, sole sourcing exceptions in certain circumstances, and matching scopes to Indigenous supplier capability. These demonstrate that the know-how and resources are largely available as part of existing procurement procedures and processes.

The extent these processes are actively applied varies and appears to be in pockets of the business, particularly where explicit drive and passion from divisional leadership is found. The result is that certain areas of the business demonstrate positive Indigenous business engagement. The type of services supplied tend to be skewed toward civils, earthworks, non-processing infrastructure, facilities management, and minor works. This reflects the categories where the business recognises Indigenous capability and perceived risks are lower and/or tolerated. While good outcomes are being achieved, some categories are becoming saturated, which might limit future opportunities in those sourcing categories.

The evaluation recommended RTIO build-on the extant experience and expertise in Indigenous procurement to develop strategies that propel opportunities in other categories, including drawing on Indigenous expertise in electrical maintenance, plumbing, fabrication, and other trades. Opportunities in these areas could catalyse a regional Indigenous talent base that Rio Tinto has invested in over decades through its Indigenous training and apprenticeships. As well, other 'non-traditional' areas should be considered including cutting-edge technology, such as cyber security, automation, and robotics.

Operation or asset level employees are generally supportive of increasing Indigenous engagement but their efforts are constrained by extremely tight and demanding shutdown schedules. More targeted and strategic approaches are recommended to introduce innovative ways to acquire the requisite procurement criteria of safety, capability, efficiency, cost, and experience, and at the same time create opportunities for Indigenous participation.

Such approaches should be driven by the business case articulated in the recommended Indigenous Procurement Policy that emphasises the benefits not just to Indigenous businesses, but also to the operation or asset. Specifically, access to Indigenous businesses addresses the prevailing commercial context at the time of the evaluation, which was characterised by critical labour and skills shortages.

#### 8.3.1 Key findings summary – Dimension 4 Indigenous supplier engagement

**Aboriginal cultural training** – the evaluation found high rates of completion of both introductory and site-specific cultural awareness training. The effectiveness of this training is not routinely evaluated, although indications are that the training is well received.<sup>31</sup>

Specialised training for supervisors of Indigenous employees is an advanced offering and highly valued by participants. Some divisions support personnel to attend cultural immersion on-country hosted by Indigenous landowners. The on-country experiences are rated highly by participants, which creates substantial interest amongst other personnel to attend. Additionally, Rio Tinto Australia is rolling out a sophisticated cultural competency course aimed, initially at senior leadership, that incorporates leading pedagogy such as self-reflection.

---

<sup>31</sup> Many of the evaluation informants suggested that much of the content of the introductory cultural awareness training is material that should be part of the Australia's mainstream school curriculum.

With the range of training on offer, some confusion exists over the company's cultural learning initiatives, i.e., which ones are mandatory and for whom, whether they are company qualifications, departmental ownership of content and rollout, purpose and scope of the training, and timing for recurrence.

The evaluation recommended streamlining cultural program delivery to ensure coverage for all employees and a staged progression of increasing knowledge and competency, and concomitant qualifications. Cultural awareness training tailored to procurement professionals should be developed. Such training would aim to equip personnel with knowledge and skills relevant to working in the Indigenous business context and address any latent hesitancy over engaging with Indigenous businesses, for example, from a fear of saying 'the wrong thing'.



Figure 6 Hicks Civil and Mining a Ngarluma bulk earthworks and civils earthworks business

Photo courtesy of Hicks Civil and Mining Pty Ltd <sup>32</sup>

**Indigenous business development** – effective support for building Indigenous business capability and capacity is a crucial element of leading practice. Up until 2021, a small Indigenous Business Development (IBD) team situated in RTIO's Communities and Communications division, delivered some impressive outcomes. The impact of such a team proves the worth of investing in expertise in this area.

Evidence of increased resourcing in the area of Indigenous business capacity development was found in a much expanded and renamed Indigenous Economic Development (IED) team. IED remains within RTIO, although in a modernised restructured Indigenous partnerships section.

IED's processes and points of connectivity with RTP's Buy Local were being formulated at the time of the evaluation. How Indigenous engagement and support is demarcated, and also aligned, between IED and Buy Local will be critical going forward.

Not only is there need for clarity over roles and responsibilities between Buy Local (RTP) and IED (RTIO), but also well-crafted modes of collaborative routine interaction.

<sup>32</sup> Peter Hicks established the business in 2010 after a long career in the mining industry, supported by his wife, Lisa Hicks, and their daughters, Keryn Kalzee and Caitlin Hicks Forshaw. Hicks Civil and Mining (Hicks) started work with RTIO in 2011 with the Cape Lambert Port B Upgrade, and since then, has executed work for RTIO across the Pilbara. The relationship continues through contracts awarded at Yandicoogina in 2022. Hicks has fully equipped workshops in Karratha and Port Hedland and an office in Perth: <https://www.hickscivilandmining.com.au/>

As each team operates autonomously and makes independent decisions about their resourcing and strategies, there appears a risk for low frequency divergent situations accumulating over time. These may affect the business' ability to sustain consistent internal processes and coherent external narratives around the service offering to Indigenous businesses.

The evaluation also noted that although the current evaluation was undertaken in an economic climate featuring strong demand for minerals, with iron ore at peak prices in the commodity cycle, consideration needs to be given to 'ringfencing' initiatives supporting good Indigenous procurement practice from business cuts during industry downturns.

## 9. What was learned through the process?

The following points summarise key learnings:

- Large segments of a mining company's procurement are awarded to original equipment manufacturers and highly specialised engineering and construction firms where there are limited Indigenous owned businesses. Significant value, however, exists in remaining segments, where Indigenous businesses are more likely to compete. Good Indigenous business procurement outcomes in these areas present significant benefits to resource companies and Indigenous peoples alike.
- Business-as-usual presents significant challenges in realising these opportunities. Traditional procurement processes are highly risk adverse. Embedded processes address risks by preferencing lower cost, proven capability, and stipulating onerous supplier contract terms and conditions. The default outcomes lean towards fewer larger contracts with known suppliers. This situation is typical of all unregulated capital economic systems, which trend toward monopolistic or duopolistic patterns.
- Business-as-usual processes do not positively support new entrants that have capability but limited capacity and previous experience with the company. Even where preference is given to Indigenous businesses on an 'all things being equal' basis, there is unlikely to be good Indigenous procurement outcomes unless it is recognised that different approaches are needed to support Indigenous start-ups and business incubation within a hyper-care mindset.
- Sourcing options such as sole sourcing or smaller packages carved-out from large contracts work well to enable Indigenous procurement. Inherent resistance to the burden of managing extra contracts needs to be recognised and addressed by devoting extra resources justified and supported under an explicit Indigenous Procurement Policy.
- Relying on individual champions is a short-term fix. Applying additional resources and developing specialised expertise in Indigenous contractor management and mentoring is a more sustainable model.
- Major gains can be made by taking a strategic approach in identifying and isolating pipelines of work and matching these with capable Indigenous businesses, supported through business development initiatives and mentoring.<sup>33</sup>
- Adjusting traditional processes and encouraging innovative approaches requires leadership and explicit messaging from the executive.
- Indigenous procurement must be a business imperative driven by a specific policy that articulates the value proposition to the business and sets aspirational targets.

---

<sup>33</sup> Such an opportunity pipeline process, cadence and reporting was in development in late 2021 and in implementation phase at the time of the RTIO evaluation.



Figure 7 'Know Your Supplier Day' at DB Yurra's fabrication workshop organised by Buy Local July 2021  
 Photo courtesy of Rio Tinto

## 10. What would be done differently next time?

The approach taken in this inaugural AEMEE-led evaluation was grounded in robust social science method. This was a valid approach to thoroughly testing the effectiveness and operability of the checklist and also reflects AEMEE partnering with the university-based research centre, CSRM.

The approach resulted in assembling a large amount of data from the desktop review and interviews with practitioners.

Curating and analysing the volume of data involved considerable effort and resourcing, which extended the time taken to complete the evaluation, and extract key findings and recommendations. This added to the complexity in an already dynamic setting where the company is introducing reforms or mid-stream in adjusting business processes.

With an enhanced scoring protocol developed as part of this evaluation, AEMEE is able to adapt the method toward a more targeted approach relying on a smaller but still representative data set. This could entail introducing audit-type methodologies, whereby a number of sourcing events are selected, and the particulars of the business processes examined from scoping to award.

The sample could be across different procurement categories or sites, for example. The analysis would enable the questions contained in the checklist to be partially in-filled. Interviews could then be targeted to answer specific gaps, thereby reducing the number and length of interviews.

Done this way, the robust evidence-base of the evaluation would be retained more effectively and efficiently capture the company's state at a single point in time.

In the case of RTIO, this inaugural evaluation involved the discovery of what data existed that might be relevant to each checklist criteria. Now that the structure and processes of the RTIO product group are understood and documented, follow-up evaluations can directly request known policies, procedures, and other relevant data.

## Next steps

The evaluation benchmarked RTIO's business processes against leading practice and delivered 44 recommendations for enhancing Indigenous procurement outcomes. The recommendations relate to the four dimensions of the checklist so implicate multiple facets of the business from sourcing teams, Indigenous business support, communities and social performance, through to the company's divisional leadership and executives.

The immediate next step is to socialise the results of the evaluation and recommendations, which has been initiated. Already consideration is turning to developing ability to take a much longer-term view, i.e., 5 to 10 years for capability and capacity building and configure approaches that address market gaps where there are few or no Indigenous businesses including fields of emerging technology.

The evaluation team hopes the results of the evaluation facilitates alignment of Rio Tinto initiatives that are already underway and catalyse enhancement of business processes in line with the checklist's leading practice architecture.

With the 2021 benchmark in place, it is open to Rio Tinto to follow-up the evaluation in 12 to 24 months' time to measure progress with continuous improvement. Other Rio Tinto product groups would benefit equally from such a process. In this way, Rio Tinto's goal for industry leadership in Indigenous business engagement and partnering would be greatly advanced.

Through the evaluation of RTIO we gain insights from one company (or more accurately, one product group of one global company), which presents a partial picture of the Australian Indigenous business procurement landscape.

Enormous opportunity exists to benchmark other resource companies through further evaluations using the AEMEE checklist. Honing our understanding of the enablers of leading practice, as well as the constraints, would assist resource companies configure their business processes for improved outcomes.

AMEE's vision is to see the Indigenous business sector gain true market share of the mining supply chain and seeks to assist the resource sector build its contribution further through improved Indigenous business procurement.

A key goal is further evolution of the checklist to an accreditation mechanism whereby resource companies can be rated against leading practice. Such accreditation that is recognised by investment markets would aid investors who are increasingly paying more attention to companies' ESG credentials. AEMEE is keen to work with resource companies and the industry services sector to develop the checklist toward this goal.

oOo



## Contact details

### Rodger Barnes

T +61 7 3346 4035

M +61 428 890 304

E [r.barnes1@uq.edu.au](mailto:r.barnes1@uq.edu.au)

W [smi.uq.edu.au/csrn](http://smi.uq.edu.au/csrn)

CRICOS Provider Number 33600025B