

# FREQUENTLY ASKED QUESTIONS ON RESPONSIBLE SOURCING

At a minimum, suppliers are expected to comply with all National, statutory and regulatory requirements in their territories of operation.

This guidance has been prepared to support suppliers to better understand the implementation and assessment requirements as outlined in the Supplier Sustainable Development Code. The information contained in this document is provided without warranty and may not consider the unique situation of individual suppliers.

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## 1. What is responsible sourcing?

In simple terms responsible sourcing ensures that the 'purchasing of goods & services is done without causing harm to or unintentionally exploiting humans or the environment'.

The process identifies and details critical standards across 6 "pillars"

1. **Labour and Human Rights**
2. **Workplace Safety**
3. **Wellness**
4. **Business Integrity and Ethics**
5. **Environmental stewardship**
6. **Corporate Citizenship**



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## 2. What is the difference between responsible sourcing, ethical sourcing, sustainable sourcing and social audits?

These are all similar names for the same concept – basically any approach which looks at labour rights (including employment practices), workplace health and safety, business integrity practices and environmental practices of suppliers can be considered in this category.

Companies tend to use different names to differentiate their approach and in some cases have their own name for the programme e.g. Coca Cola calls this 'Supplier Guiding Principles' or SGP.

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## 3. Why is responsible sourcing important to Anglo American?

We have an obligation to a broad range of stakeholders including our employees, customers, business partners and shareholders to ensure that our supplier relationship practices are transparent, fair and able to meet changing societal needs.

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## 4. Is this is new requirement of doing business with Anglo American?

No, Anglo American launched its Sustainable Development in the Supply Chain Policy and Code in 2009 and requirements for this are included as standard conditions with suppliers.

The Code is based on the Anglo American Good Citizenship: Our Business Principles and on our sustainable development principles. It has been designed to help suppliers understand what Anglo American expects of them in regard to sustainable development.

Responsible sourcing makes updates to these requirements.

The Policy and Code have also been available on our websites to guide prospective suppliers on our requirements, these are available on our website [www.angloamerican.com](http://www.angloamerican.com)

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## 5. Why have my other customers not asked me for this information before?

Responsible sourcing is a fairly new for mining companies, recently we have seen more growth in this area through Industry driven approaches e.g. via the ICMM and the South African Chamber of Mines, along with efforts of with peer Mining companies.

*"There's a right way to make products. It starts with the rights of the people who make them."* – [www.apple.com](http://www.apple.com)

Other industries, e.g. apparel, electronics and fast-moving-consumer-goods have been running responsible sourcing programmes since the 1990's.

We believe that by 2019, responsible sourcing will be a standard requirement for doing business for all suppliers to every major mining company.

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## 6. What is a Self-Assessment Questionnaire (SAQ)?

The SAQ is a tool that breaks down the various requirements of the responsible sourcing programme into a practical survey questionnaire, a majority of the questions on the SAQ are multiple-choice and this makes 1) completion of the document much simpler and 2) allows suppliers you to understand the requirements in simpler language.

When we designed the SAQ, it was important to consider that it can be used as a valuable management tool for our suppliers to help you understand our requirements and also to provide guidance on our expectations. Ideally, the SAQ should be used to give an honest reflection of the conditions and standards at your workplace and help you, as a management team, identify risk areas.

You will receive an electronic request for completion of a SAQ.

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## 7. How often would I have to complete a Self-Assessment Questionnaire (SAQ)?

Completion of the SAQ is a once off process which takes between 60-90 minutes – however this should be updated if there are material changes in your business or updates to information. We will require suppliers to review their original SAQ submission at minimum every 3 years however we suggest that you review the information every 6 months or whenever there is a change in your organization.

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## 8. Why have I been requested to undertake an audit?

We generally utilise a random and risk based approach (typically considering spend, criticality of equipment/service, type of industry, number of people employed, etc.) when identifying suppliers for an audit. The audits are conducted on a small sample of Anglo American suppliers in order to provide us with a sense of supplier risk areas – we then use that data to supplement our supplier development approach so that we can build supplier capability in the area to meet Standards and manage their own risk.

Suppliers who do not complete a SAQ within the requested timeframe are automatically flagged for an audit.

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## 9. I have already done an audit – will I have to do this again for Anglo American?

If you have scheduled, or already obtained independent 3rd party audit/certification/assessment against an accepted standard\*, please forward the audit reports to our team who will then assess and provide feedback on any further information required.

We do not want suppliers to go through additional effort and cost if there are existing documents we could use and will evaluate these on a case by case basis.

\*Accepted Standards include:

- *SMETA (SEDEX Members Ethical Trade Audit) (www.sedex.org.uk)*
- *The Ethical Trading Initiative (ETI) Basecode (www.ethicaltrade.org)*
- *Social Accountability International - SA 8000 Standard (www.sa-intl.org)*
- *The Business Social Compliance Initiative (BSCI) Standard (www.bsci-eu.org)*
- *Global Social Compliance Protocol (GSCP) equivalency audit (including ISO 26000)*
- *Social / Ethical audits that may have been conducted on behalf of other Mining, Petroleum or Heavy Industrial customers*

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## 10. Who will pay for the responsible sourcing audit?

**Note: Audits will only be required from a sample of Anglo American suppliers, you will only be expected to plan for an audit once you receive a notification request.**

Audit costs are the responsibility of the supplier and should be seen as a normal business expense similar to an ISO / Quality / Safety or equivalent type of 3<sup>rd</sup> party audit.

We have taken a broad view on the types of audits which are acceptable in order to reduce duplication of effort and have negotiated preferential rates for our suppliers with accredited auditors to support your selection of an auditor. The typical cost of an audit varies between 3rd party audit companies.

Paying and owning your own audit ensures:

- Reduced duplication of cost and effort by allowing you to share this information with multiple customers, in multiple industries.
- As the owner of the data you may use your results to market your organisation.
- External reliance and credibility of the reports as these are conducted by independent auditors.
- That you have benchmarked your ethical, production and management practices against world class standards.

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## 11. How often would I have to conduct an audit?

At a minimum, a verification audit would have to be conducted once every 3 years – these would typically be where there are no / low risk issues identified, or all your corrective actions can be easily closed out.

Where higher risk issues are identified, a follow-up audit will need to be conducted to ensure that these issues are closed out – the timeframe for this will be discussed with you following review of your audit reports.

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## 12. Where do I obtain a list of auditors from? Can I choose my own auditor?

A list of auditors you could consider will be sent to you should you be required to complete an audit - you may choose to use any audit firm which meets your requirements, at a minimum, we recommend using auditors who:

1. Are members of the SEDEX Associate Auditor Group (AAG), these firms are able to meet stringent criteria and quality in their offering.  
A list of AAG members can be found on this link <http://www.sedexglobal.com/ethical-audits/aag/>
2. Have an extensive understanding of local laws and ideally have team members who speak local languages
3. Have experience in your particular industry

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### 13. How do I prepare for an audit?

1. The SAQ provides an outline of all data and information that will be verified through an audit.
2. Auditors need to have access to records and data relating to personnel and training. In addition, we request that management provide an A3 (or larger) scale site drawing for use during the audit. It's important that these plans show the different rooms and areas of the plant.
3. Auditors will require access to a workroom where they are able to store equipment and interview production employees.
4. It is typical during the audit to take digital photographs to assist the reporting progress. Should you have any concerns on the confidential nature of the photographs, this should be raised with the auditors prior to the audit, or at the latest case, during the opening meeting with the auditors.
5. Finally, the management team needs to be open to the process and willing to discuss any issues identified.

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### 14. What employment, wage and payroll information will be checked during an audit?

The aim is to verify that legally agreed benefits are provided to employees that are considered most at risk – practically this would mean production workers, cleaning staff and any worker who is not employed in a supervisory or management position.

For these categories of workers, there are generally published and agreed sector wage rates and working hours – the assessment will review time and attendance information and validate that payment is consistent with these agreements. Employee files will be reviewed to ensure that valid contracts are maintained, identity copies of employees are maintained and all other legal obligations fulfilled.

[Employment and payment information related to Management staff, Directors and Owners is excluded from the audit scope.](#)

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### 15. How can I be sure that the SAQ and audit data will remain confidential?

Anglo American has signed confidentiality agreements with each of our suppliers as a condition of service. You may also request that the audit companies sign additional confidentiality clauses during your discussions with them.

We are aware that you may be producing sensitive items for other customers, and we request that this is brought to the attention of the auditing team in advance audit, or during the opening meeting.

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### 16. What happens if I fail an audit?

It is important to understand that these are not designed as “pass or fail” audits. The purpose of the audit is to validate and understand your responsible sourcing practices and to assist in the remediation of any issues in a sustainable manner.

Participation in the process enables our suppliers to manage risk, self-assess their own health, improve management systems and processes and better understand employee issues - these bring about sustainable, measurable improvement in business.

Should a supplier willfully not take action towards any remediation or demonstrates no effort in achieving compliance, we cannot continue to work with the supplier. Adherence to our legal requirements and our Sustainable Development code is an agreed-upon term of supply to Anglo American.

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### 17. I have completed the SAQ and audit - what happens next?

Should the SAQ or audit identify any risk areas or non-compliances, we expect suppliers to develop a remediation plan with realistic timeframes to close-out issues and communicate this to your Anglo American procurement contact.

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### 18. Will I receive a feedback after completing the SAQ

Yes, we will provide you with high level feedback.



## SAMPLE RESPONSIBLE SOURCING AUDIT AGENDA

TIME REQUIRED	STEPS INVOLVED	KEY STAFF
45 Minutes	<b>Opening Meeting</b>	Site Manager, Human Resource Manager, Environmental Health and Safety Manager
	Explanation of the audit scope, deliverables and process	
	Review of your self-assessment information	
	Review of the document request list	
60 Minutes	Identification of documentation to be prepared for review	
	<b>Site Inspection</b>	Site Manager
120 Minutes	Understanding the different areas of your site	Environmental Health and Safety Manager
	<b>Document Review</b>	
	Review of management documentation	Human Resource Manager
180 Minutes	Review of employee personnel files	Payroll Clerk
	Review of wages and payroll related information	Environmental Health and Safety Manager
30 Minutes	<b>Interviews with production employees</b>	Production Staff only
30 Minutes	<b>Secondary Site Inspection</b>	None
30 Minutes	<b>Preparation of Onsite Report</b>	None
60 Minutes	<b>Presentation of Onsite Report to Management</b>	Site Manager, Human Resource Manager, Environmental Health and Safety Manager

### ANGLO AMERICAN SUPPLY CHAIN

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