

# TÜMAD

MADENCİLİK SANAYİ VE TİCARET A.Ş.



## LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS

by TÜMAD Madencilik San. ve Tic. AŞ

Address: Buğday Sokak No:9  
Kavaklıdere – Ankara - Türkiye

Tel: +90.312.455.1600  
Fax: +90.312.455.1601

[info@tumad.com.tr](mailto:info@tumad.com.tr)

## LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ and İVRİNDİ PROJECTS

Document	Approval	Signature		
<b>Prepared By:</b> Bülent YILDIRIM Bilge KÜÇÜKAYTAN Hayri ÖĞÜT			TÜMAD Madencilik Sanayi ve Ticaret Ş.  Address: Buğday Sokak No.9 Kavaklıdere Çankaya / ANKARA	
<b>Checked By:</b> Ömer ÖZTÜRK, Finance and Administrative Affair Manager				
<b>Approved By:</b> Hasan YÜCEL, General Manager			Issue No/Date: 12.05.2017	
			Document No: TMD_EYS_PLN.005	Rev 0

This is an updated and controlled document, while documents without control stamp are invalid.

**REVISION HISTORY**

Subject	Revision	Revision Comment	Date
-	0	First Issue	

**TABLE OF CONTENTS**

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ and İVRİNDİ PROJECTS.....	2
REVISION HISTORY .....	3
TABLE OF CONTENTS .....	4
LIST OF TABLES .....	5
APPENDICES .....	5
ABBREVIATIONS AND DEFINITIONS .....	6
1 INTRODUCTION .....	7
2 PURPOSE .....	7
3 SCOPE.....	7
3.1 Overlaps with other management Plans.....	7
4 PROJECT STANDARDS .....	8
4.1 Applicable Turkish Standards.....	8
4.2 Applicable International Standards and Guidelines.....	8
4.3 TÜMAD Policies, Procedures and Instructions.....	9
5 ROLES AND RESPONSIBILITIES .....	9
5.1.1 Overview of procurement process.....	10
5.1.2 Purchase Requisition .....	11
5.1.3 Purchase Order .....	11
5.1.4 Procurement Stage .....	11
5.1.5 Vendor selection.....	11
5.1.6 Purchase order authorization.....	12
5.2 Receiving Of Goods & Services .....	12
5.3 E-Procurement.....	12
5.4 Local Purchasing .....	12
5.4.1 Principles.....	12
5.5 Items That Could Be Procured Locally .....	13
6 MANAGEMENT CONTROLS .....	13
7 MONITORING .....	19
7.1 Key Monitoring Activities .....	19
7.2 Key Performance Indicators .....	19
8 TRAINING.....	20
9 AUDIT.....	20
10 REPORTING.....	20
APPENDIX 1 - TÜMAD Supply Chain Policy .....	21

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	4/21

**LIST OF TABLES**

Table 1: Roles and Responsibilities .....	10
Table 2: Management Controls .....	14
Table 3: Key Monitoring Activities .....	19
Table 4: Key Performance Indicators.....	19

**APPENDICES**

APPENDIX 1-TÜMAD Supply Chain Policy

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	5/21

## **ABBREVIATIONS AND DEFINITIONS**

<b>Project(s)</b>	: Lapseki and İvrindi Gold and Silver Mine and Processing Projects
<b>TÜMAD</b>	: TÜMAD Madencilik Sanayi ve Ticaret A.Ş.
<b>AGM</b>	: Assistant General Manager
<b>APM</b>	: Assistant Purchasing Manager
<b>AXAPTA</b>	: ERP software used
<b>DM</b>	: Department Manager
<b>EIA</b>	: Environmental Impact Assessment
<b>ESMS</b>	: Environmental and Social management System
<b>GM</b>	: General Manager
<b>GRM</b>	: Grievance Mechanism
<b>HR</b>	: Human Resources
<b>HSMP</b>	: Health Safety Management Plan
<b>IMS</b>	: Integrated Management System
<b>KPI</b>	: Key Performance Indicator
<b>MRP</b>	: Material Resource Planning
<b>OHS</b>	: Occupational Health and Safety
<b>PO</b>	: Purchase Order
<b>PR</b>	: Purchase Requisition
<b>PS</b>	: Purchasing Specials
<b>SDS</b>	: Safety Data Sheets

<b>LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ &amp; İVRİNDİ PROJECTS</b>	<b>Document No</b>	<b>Rev.</b>	<b>Page</b>
	TMD_EYS_PLN.005	0	6/21

## 1 INTRODUCTION

TÜMAD Madencilik San. ve Tic. A.Ş. (TÜMAD) plans to establish the Lapseki Gold and Silver Mine and Processing Project (the Lapseki Project) within the administrative boundaries of the Şahinli and Kocabaşlar Villages of the Lapseki District in the Province of Çanakkale. The construction phase of the Lapseki Project has been at completion stage and the operation phase will start in October 2017.

TÜMAD plans to establish the İvrindi Gold and Silver Mine and Processing Project (the İvrindi Project) within the administrative boundaries of Değirmenbaşı and Küçükıllıca Villages of the İvrindi District of Province of Balıkesir. The İvrindi Project has started with mobilization.

The project is seeking finance and this document is produced as a part of studies conducted to assess the Environmental and Social Impacts of the Project as per the EBRD Performance Requirements (PRs).

This Document is the Local Procurement Management Plan that is prepared for TÜMAD Operations. The Integrated Management System (IMS) document registration number for Local Procurement Management Plan is TMD\_EYS\_PLN\_005. This management plan sets the requirements for the operation phase of the Lapseki Project and for construction and operation phases of the İvrindi Project and is an integral part of the Environmental and Social Management System (ESMS) implemented by TÜMAD for the two mine projects.

This Management Plan is based on the Project(s) ESMS Framework (TMD\_EYS\_PLN.004) of TÜMAD, which is owned by the TÜMAD General Manager. Any subsequent changes to the TÜMAD ESMS may result in the changes to this document.

This Management Plan will be reviewed on a minimum of a six monthly basis during construction and commissioning. During operation phase, this Plan will be reviewed on an annual basis to determine whether any changes or updates are required to the Management Framework unless a more frequent update is required to reflect changing project design or ESMS requirements and procedures.

Any requests for changes to this Management Plan must be addressed to the owner of this Management Plan and will be subject to appropriate review and approval processes as outlined in the Management of Change Procedure (TMD\_EYS\_PRD.006).

## 2 PURPOSE

The purpose of this plan is;

To present TÜMAD's local procurement management with respect to associated social and environmental risks as it relates to Lapseki and İvrindi mine projects

- To define the scope and applicable interphases for the management of supply chains during TÜMAD activities,
- To define project standards in terms of local procurement,
- To define responsibilities, commitments, operating procedures and instructions for the implementation of this Management Plan,
- To monitor Project performance in relation to local procurement management,
- To define training requirements and Key Performance Indicators,

## 3 SCOPE

This plan applies to all purchases of goods and services made directly or indirectly on behalf of the TÜMAD, including all subsidiaries, joint ventures or other entities related to the TÜMAD.

### 3.1 Overlaps with other management Plans

This Management Plan is part of the overall suite of Management Plans developed for the TÜMAD Project and as part of ESMS overlaps with the following management plans;

- Stakeholder Engagement Plans (TMD\_LAP\_EYS\_PLN.001 & TMD\_IVR\_EYS\_PLN.001), particularly in relation to engagement with stakeholder in relation to supply chain environmental and social risks

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	7/21



- Contractor Management Plan (TMD\_ISG\_PLN.003), particularly in relation to selection, evaluation and monitoring of the performance of contractors and defining the Project(s) Environmental and Social requirements for contractors
- Health and Safety Management Plan (TMD\_ISG\_PLN.007), particularly in relation to describe Health and safety requirements for the Project(s) that would also apply to suppliers
- Labour Management Plan (TMD\_IK\_PLN.001), particularly in relation to describe the labour management issues that would also apply to suppliers workers
- Community Development Plan (TMD\_EYS\_PLN.007), particularly in relation to the benefits and possibilities for community development considering the local procurement issues.

#### **4 PROJECT STANDARDS**

Project Standards are defined by;

- applicable Turkish Standards;
- Turkish Environmental Impact Assessment (EIA) requirements;
- other commitments to and requirements of Turkish Government authorities;
- applicable international standards and guidelines;
- applicable TÜMAD standards, policies and procedures;
- Other industry guidelines with which TÜMAD has committed to comply.

##### **4.1 Applicable Turkish Standards**

- The Turkish Commercial Code is an integral part of the Turkish Civil Code dated 22/11/2001 and numbered 4721. The provisions of this Law and the special provisions written in other laws relating to transactions and acts dealing with a commercial operation are applicable commercial provisions.
- 26.06.2012 date and 6335 numbered of “The Entrance Of Turkish Trade And The Release Of The Turkish Trade Law, Law On Amendment On The Budget About The Application Form”
- Regulation on General Assemblies to be Made in Electronic Media in Joint Stock Companies (OG: August 28, 2012 - 28395)
- Regulation on Determining the Minimum Content of Annual Reports of Companies - (OG: 28 August 2012 - 28395)
- Regulation on the Supervision of Trade Companies by the Ministry of Customs and Trade - (OG: 28 August 2012 - 28395)
- Regulation on the Procedures and Principles of the General Assembly Meetings of Joint Stock Companies and Representatives of the Customs and Trade Ministry - (OG: 28 November 2012 - 28481)
- Independent Auditing Regulation - (OG: December 26, 2012 - 28509)
- Trade Registry Regulation - (OG: January 27, 2013 - 28541)
- Regulation on Internet Sites to be Opened by Capital Companies - (OG: May 31, 2013 - 28663)

##### **4.2 Applicable International Standards and Guidelines**

EBRD Performance Requirement for Supply chain management issues are defined in PR1, PR2 and PR6.

PR1 Assessment and Management of Environmental and Social Impacts and Issues – specifies the need for the Banks projects/ clients to identify risks and associated with its supply chain. Management systems are required to include processes for taking action to address environmental and social issues identified. Account will be taken of (i) whether the client caused or contributed to the issues, (ii) the clients leverage over the supplier, (iii) how crucial the relationship is to the client, (iv) the severity of the issue (v) whether terminating the relationship with the supplier would have adverse consequences.

PR2 Labour and Working Conditions - a part of the supply chain management is to identify and assess the risk of child labour and forced labour being used in its supply chain of goods and services. If either situation is detected, the

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	8/21



client should first take action to remedy this with the supplier, and only continue to purchase from supplier if satisfactory evidence is received from the supplier that remedial action is being taken. There should be monitoring on a regular basis.

Similar procedure applies with relation to safety issues.

PR6 – Biodiversity Conservation and Sustainable Management of Natural Resources - Where the project uses external suppliers of natural living resources and these are central to the project's core function and there is a risk to significantly impact ecosystems and biodiversity, the client is required to adopt and implement a sustainable resources procurement policy. Clients should give preference to purchasing living natural resources according to internationally recognized principles and standards where they exist.

#### **4.3 TUMAD Policies, Procedures and Instructions**

##### **Supply Chain & Agreement Policy**

**(TMD\_EYS\_POL.005)**

TUMAD Mining Inc. is a Turkish mining company which carries out exploration and development projects on precious and base metals with owned mineral exploration licenses. Its strategy is to create economically efficient large mine production sites in areas having potential. The goal is to create large scale mine productions sites where economic and social development is united with environmental protection. In this context; its aim is to perform trade, operations and production compatible with national and international law norms in terms of time, amount, place and quality; ensuring most favorable prices.(See Appendix A)

##### **Procurement Procedures**

**(TMD\_TIC\_PRD.001)**

The scope of this procedure is; purchasing of all kinds of materials, products, bulk products, raw materials, equipment and services needed for project, operation, investment, service and administrative activities of TUMAD from domestic and abroad at desired time, quantity and quality at the best price from suppliers and / or to arrange for the delivery, transportation, customs and insurance works, acceptance, inspection and payment, procedures. This procedure includes a supplier selection criteria considering OHS and environment performance and supply of living resources policy of the supplier. This procedure includes the definition of an approved supplier list through a supplier selection and evaluation system

##### **Import & Export Procedure**

**(TMD\_TIC\_PRD.002)**

The purpose of this procedure is to ensure that the requested materials, services and inventory stock are supplied at the best appropriate time, quantity and quality from foreign suppliers in accordance with the determined needs and/or to identify authorities and responsibilities for the executed practices of materials, samples, products etc. to be sent abroad.

##### **Tender Procedure & e-tender Procedure**

**(TMD\_TIC\_PRD.004)**

The purpose of this procedure is to provide contract management which is aiming to reduce the costs to a minimum by e-bidding, e-bargaining and e-tender (open, covered or closed envelope) and to prepare ethical, transparent, reportable, traceable, sustainable fair contract increasing the live competition by systematically within product/service or production quality policy when necessary

##### **Supplier Evaluation Procedure**

**(TMD\_TIC\_PRD.005)**

The purpose of this procedure is to define the methods to be used to control performance of services and materials provided by our suppliers. This procedure describes the supplier evaluation criteria considering the past, existing and proven performance of the supplier on OHS and environmental management. In the case of external suppliers of living natural resources; the procure defines the criteria for the supplier evaluation considering, only living natural resources of a legal and sustainable origin are provided, the sourcing of the living natural resources is monitored and documented and the sourcing of living natural resources does not adversely impact core ecological functions of the affected ecosystems, legally protected areas, internationally recognized areas of biodiversity value, priority biodiversity features or critical habitats.

#### **5 ROLES AND RESPONSIBILITIES**

The roles and responsibilities applicable to this Management Plan is described in the following Table.

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	9/21

**Table 1: Roles and Responsibilities**

<b>Roles</b>	<b>Responsibility</b>
<b>General Manager (GM)</b>	Approval of resources necessary for the implementation of this management plan
<b>Financial and Administrative Affairs Manager (FAAM)</b>	To ensure that this plan is being applied throughout TÜMAD in line with corporate policies.
<b>Deputy Purchasing Manager (DPM)</b>	Supervise the contracting, purchasing, and warehousing in line with the requirements of this Plan. Initiate future reviews and changes to this plan.
<b>Department Manager</b>	Ensure that: - All departmental purchasing activities are being performed in line with this plan. - All Purchasing Supervisors are appropriately trained and competent for the role. Competent personnel is appointed in their department for the implementation of this Plan's requirements.
<b>Purchasing Specialist</b>	Prepare, issue and control the purchasing activities
<b>Originator</b>	Control, monitor and accept the goods and services.
<b>Legal Counsel</b>	TÜMAD (NUROL) Legal Counsel who maintains legal, ethical and compliance activities of the TÜMAD's contracts. Counsel provides specialist advice and guidance during preparation of contracts.

#### 5.1.1 Overview of procurement process

Some of the key measures to be implemented and monitored by TÜMAD throughout the lifetime of the mines are as follows but not limited to:

- Setting a local procurement policy,
- Providing priority to local companies in procurements,
- Specifying which goods and services (food, shuttle service etc.) will be locally procured,
- Informing suppliers, their representatives and key stakeholders in the district on procurements opportunities
- Supporting local companies to meet the standards necessary to be considered for the supply chain of the Project.
- Establishing a Community Development Program,
- Supporting other small entrepreneurs through CDP in order to diversify the local economy and make sure it doesn't just rely on mining.
- Creating a Community Advisory Panel (CAP) as a result of this workshop and electing its members,
- Evaluating the requests received and informing the stakeholders through CAP,
- Establishing a service cooperative for the workers transportation at Lapseki and Ivrendi,

<b>LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ &amp; İVRİNDİ PROJECTS</b>	<b>Document No</b>	<b>Rev.</b>	<b>Page</b>
	TMD_EYS_PLN.005	0	10/21

### 5.1.2 Purchase Requisition

All requests for goods and services will be made on a Purchase Requests for requisition through Axapta.

The purchase request for requisition includes:

- Identifies the person and departments requiring the goods or service.
- Specifies the requirements (description, quantity, quality, service and schedule).
- Indicates the cost center to be charged.
- Indicate the estimated value, budget value where appropriate.
- Suggest possible sources of supply.
- Be properly approved.
- The requisition is then sent to purchasing.

### 5.1.3 Purchase Order

The formal written authority to commit TÜMAD to the purchase of goods or services must be in the form of a purchase order or contract. A complete purchase order should include:

- Identification of the supplier;
- Description, quantity and specifications of the goods or services;
- Agreed unit and total price and currency;
- Applicable law, regulations and taxes;
- Delivery and shipment instructions;
- Invoicing and mailing instructions;
- Payment terms;
- General and specific terms and conditions;

### 5.1.4 Procurement Stage

When executing the purchase the purchasing department should:

- Review the detail for clarity and completeness;
- Identify and contact qualified suppliers;
- Negotiate terms;
- Prepare purchase order;

Purchasing department ensure to obtain offers minimum 3 suppliers as a standard application wherever it is possible. But due to nature of the business it may not be possible at all time. Exceptions to 3 offers may be in following cases;

- Equipment manufacturer or distributor,
- Repair of equipment or component,
- Urgent purchases,
- Preferred supplier (if defined by purchasing for a specific item group),
- Local purchase (purchases through local companies in Lapseki and Çanakkale),
- Purchases referenced to a contract,

### 5.1.5 Vendor selection

Vendor selection will be based upon specifications, quality, price, delivery, service, capability, technical acceptability, regional industrial benefits and financial requirements. In addition those, vendors are selected by their man power, technical and financial background, safety and environmental performance and conformity. If the above qualifications are equal and there are no special job requirements, the selection shall be the lowest bidder. Other requirements are;

- Quality System Certificates (ISO's)
- Technical specifications of products
- Technical Service availability
- References

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	11/21

- Customer satisfaction
- On time delivery
- Quantity suitability
- Policy suitability

#### **5.1.6 Purchase order authorization**

Purchase orders are authorized according to TÜMAD's authority matrix. Approval levels are set into Axapta ERP based on authority matrix.

#### **5.2 Receiving Of Goods & Services**

Receiving is performed in two main types as goods and services.

- Receiving of Goods:** Receiving of all goods purchase orders (including stock and non-stock goods) are performed by Warehouse in Axapta.
- Receiving of Service:** Receiving of services is under the responsibility of originator. Originator completes receiving processes on Axapta after the completion of service defined in purchase order.

#### **5.3 E-Procurement**

TÜMAD has E-procurement tool called Pratis which will be integrated with Axapta ERP in order to be used for collecting quotations, making on-line auctions, pre-qualification and performance management of suppliers wherever possible.

#### **5.4 Local Purchasing**

TÜMAD has a privilege to local companies in order to support local community and foster local companies' business opportunities in the region. In this regard, local purchasing activities are performed in line with company policy and procedures for supply chain management.

TÜMAD and its sub-contractors will carry out procurement before, during, and after construction and during operation of related project in accordance with the following guidelines:

- To maximize local supply of goods and services in accordance with the defined supplier and contractor zones during the construction and operation of the related project.
- To enable local suppliers to competitively tender for opportunities.
- To give priority to local suppliers and individuals in the case of suitable price, quality and capacity for periodic and systematic supply of mine consumables and services.

##### **5.4.1 Principles**

As part of TÜMAD's local purchasing strategy TÜMAD and its main sub-contractors will provide:

- Top priority to Local Suppliers**  
Give priority to local suppliers, who can demonstrate adequate qualifications and who submit competitive bids in accordance with TÜMAD's policies and the tender conditions.
- Opportunity for Local People**  
Promote local employment by negotiating levels of local employment consistent with the TÜMAD's local hiring commitments for unskilled labor and as appropriate for the services being provided and commensurate with the availability of unskilled labor in the local market. TÜMAD agreements will include contractual commitments by the service provider for negotiated employment levels for unskilled labor.
- Top priority to Local Based Traders/Shop owners**  
Promote local purchases of goods and services by negotiating such levels as appropriate, for the service being provided and commensurate with the availability of the required goods and services in the local area. All contractual obligations between the company and its main sub-contractors will include written commitments to ensure the procurement of goods and services commensurate with those outlined in the contractual agreements signed between the company and the third party contractor.

<b>LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ &amp; İVRİNDİ PROJECTS</b>	<b>Document No</b>	<b>Rev.</b>	<b>Page</b>
	TMD_EYS_PLN.005	0	12/21

**5.5 Items That Could Be Procured Locally**

- a) Maintenance and repair of site equipment
- b) Transportation services for the mine workforce
- c) Rental of light and heavy vehicles
- d) Fuel for vehicles
- e) Catering service for the mine workforce
- f) Office furniture
- g) Stationary
- h) Cleaning and laundry services
- i) Civil contracts and materials
- j) Pharmacy

**6 MANAGEMENT CONTROLS**

Primary suppliers for the Project(s) are those suppliers who, on an ongoing basis, provide goods or materials essential for the core business processes of the project.

The primary supply chains for the project would include:

- Category 1: Mine Contractor and its Contractors consisting of local and international companies working at site
- Category 2: Major construction material suppliers and vendors composed of local and international companies.
- Category 3: Companies providing outsourced services i.e. catering, cleaning mainly composed of national companies including of income is the Project need to receive special scrutiny such as food suppliers/food caterers; local quarries/aggregate suppliers; local cement contractors, etc.

TÜMAD has defined following mitigation measures for the management of the environmental and social risks associated with Project (s) supply chains with respect to each category of primary supply chains;

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	13/21

**Table 2: Management Controls**

Activity	Risk	Control Measures	Responsible	Verification Tools
<p><b>Workforce of the primary suppliers at site</b></p> <p><b>Applies to all categories of primary suppliers</b></p>	<ul style="list-style-type: none"> <li>Poor environmental performance of the workforce and environmental pollution created by the supply chain company activities at project site</li> <li>Poor OHS performance of the workforce and OHS risks induced by supply chain company activities at project site</li> <li>Recruited child and forced labor at project sites</li> <li>Laborers employed with unsafe and below standard working conditions</li> </ul>	<p>TÜMAD ESMS and OHS management systems will be applicable to all parties operating at project sites. (Contractor Management Plan TMD_ISG_PLN.003)</p> <p>ESMS tools and systems for monitoring the environmental and OHS performance of the suppliers at site. (Contractor Management Plan TMD_ISG_PLN.003)</p> <p>Turkish Legislative framework has clear limitations on recruiting underage employees and forced labour.</p> <p>Project(s) policy and available legal framework on no forced labour and child labour.</p> <p>Social insurance of foreign workers are clearly described and covered by Social Security Law of Turkey.</p> <p>ESMS training will be provided to primary suppliers at site for increasing their environmental and OHS performance. (Contractor Management Plan TMD_ISG_PLN.003)</p> <p>Primary supplier selection process where the capacity of potential suppliers' capacity and commitment for identifying and controlling HSE risks will be evaluated. Project(s) have approved suppliers list defined through the supplier selection process. ( Procurement Procedures TMD_TIC_PRD.001)</p> <p>Unauthorized Sub-Contractors will not be allowed at the project activities.</p> <p>Primary supplier rating system for continuous evaluation of the primary suppliers against the EBRD and national requirements. Project will identify a programme for improving the performance of the primary suppliers in case</p>	<p>General Manager (GM)</p> <p>Financial and Administrative Affairs Manager (FAAM)</p> <p>Deputy Purchasing Manager (DPM)</p> <p>Department Manager</p> <p>Purchasing Specialist</p> <p>Originator</p> <p>Legal Counsel</p> <p>Department Head of OHS</p> <p>Department Head of Environment</p>	<p>Supplier Evaluation Records</p> <p>Approved Supplier List</p> <p>Site Inspection Records for suppliers</p> <p>Training records for supplier workers at site</p>

Activity	Risk	Control Measures	Responsible	Verification Tools
		<p>high risks are identified during the evaluation process. (Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>Primary suppliers will be asked to provide their own ESMS system in line with Project(s) requirements as detailed in their contract and in line with their scope of work. . (Contractor Management Plan TMD_ISG_PLN.003)</p> <p>In case of identification of repeated poor performance against Project(s) environment, labour and OHS requirements, Project will consider actions to remedy including replacing the supplier and providing supportive training to the suppliers to improve the performance. (Supplier Evaluation Procedure, TMD_TIC_PRD.005).</p>		
<p><b>The provision of goods or materials by the primary suppliers</b></p> <p><b>Applies to category 2 and 3 of primary suppliers</b></p>	<ul style="list-style-type: none"> <li>Poor environmental and OHS performance of the primary suppliers.</li> <li>Recruitment of child and forced labour by the primary suppliers.</li> <li>Labourers employed with unsafe and below standard working conditions.</li> <li>Affects biodiversity in case there is possibility of purchasing primary production (especially but not exclusively food and fiber commodities) that is known to be</li> </ul>	<p>Supplier selection process of the Project(s) considering the proven OHS and environmental performance of the primary suppliers. ( Procurement Procedures TMD_TIC_PRD.001)</p> <p>Monitoring the supplier environmental performance. In case of identification of repeated poor environmental or OHS performance Project will consider actions to remedy including replacing the supplier and providing supportive training to the suppliers to improve the performance. Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>Project(s) policy and available legal framework on no forced labour and child labour.</p> <p>Primary supplier selection process where the capacity of potential suppliers' capacity and commitment for identifying and controlling HSE risks will be evaluated. Project(s) have approved suppliers list defined through the supplier selection process. ( Procurement Procedures</p>	<p>General Manager (GM) Financial and Administrative Affairs Manager (FAAM) Deputy Purchasing Manager (DPM) Department Manager Purchasing Specialist Originator</p> <p>Legal Counsel</p> <p>Department Head of OHS</p> <p>Department Head of Environment</p>	<p>Supplier Evaluation Records Approved Supplier List</p>

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	15/21



Activity	Risk	Control Measures	Responsible	Verification Tools
	<p>produced in regions where there is a risk of significant conversion of natural and/or critical habitats, systems.</p> <p>There is no identified possibility of purchasing primary production (especially but not exclusively food and fiber commodities) that is known to be produced in regions where there is a risk of significant conversion of natural and/or critical habitats, systems.</p>	<p>TMD_TIC_PRD.001)</p> <p>Primary supplier rating system for continuous evaluation of the primary suppliers against the EBRD and national requirements. Project will identify a programme for improving the performance of the primary suppliers in case high risks are identified during the evaluation process. ( Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>Auditing of primary suppliers against Project(s) labour and OHS requirements.</p> <p>In case of identification of repeated poor performance against Project(s) environment, labour and OHS requirements and Project will consider actions to remedy including replacing the supplier and providing supportive training to the suppliers to improve the performance. (Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>In the case of external suppliers of living natural resources; the supplier evaluation process will consider, only living natural resources of a legal and sustainable origin are provided, the sourcing of the living natural resources is monitored and documented and the sourcing of living natural resources does not adversely impact core ecological functions of the affected ecosystems, legally protected areas, internationally recognized areas of biodiversity value, priority biodiversity features or critical habitats. (Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p>		

<b>LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ &amp; İVRİNDİ PROJECTS</b>	<b>Document No</b>	<b>Rev.</b>	<b>Page</b>
	TMD_EYS_PLN.005	0	16/21

Activity	Risk	Control Measures	Responsible	Verification Tools
<p><b>The provision of services by the primary suppliers</b></p> <p><b>Applies to Category 3 of primary suppliers</b></p>	<ul style="list-style-type: none"> <li>Poor environmental and OHS performance of the primary suppliers.</li> <li>Recruitment of child and forced labour by the primary suppliers.</li> <li>Labourers employed with unsafe and below standard working conditions.</li> </ul>	<p>Supplier selection process of the Project(s) considering the environmental performance of the primary suppliers. (Procurement Procedures TMD_TIC_PRD.001)</p> <p>Project(s) policy and available legal framework on no forced labour and child labour.</p> <p>Monitoring the supplier environmental performance. In case of identification of repeated poor environmental OHS performance, Project will consider actions to remedy including replacing the supplier and providing supportive training to the suppliers to improve the performance.</p> <p>Project(s) policy and available legal framework on no forced labour and child labour.(Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>Primary supplier selection process where the capacity of potential suppliers' capacity and commitment for identifying and controlling HSE risks will be evaluated. Project(s) have approved suppliers list defined through the supplier selection process. ( Procurement Procedures TMD_TIC_PRD.001)</p> <p>Primary supplier rating system for continuous evaluation of the primary suppliers against the EBRD and national requirements. Project will identify a programme for improving the performance of the primary suppliers in case high risks are identified during the evaluation process. ( Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005)</p> <p>In the case of external suppliers of living natural resources; the supplier evaluation process will consider, only living natural resources of a legal and sustainable origin are</p>	<p>General Manager (GM) Financial and Administrative Affairs Manager (FAAM) Deputy Purchasing Manager (DPM) Department Manager Purchasing Specialist Originator Legal Counsel Department Head of OHS Department Head of Environment</p>	<p>Supplier Evaluation Records Approved Supplier List</p>

Activity	Risk	Control Measures	Responsible	Verification Tools
		provided, the sourcing of the living natural resources is monitored and documented and the sourcing of living natural resources does not adversely impact core ecological functions of the affected ecosystems, legally protected areas, internationally recognized areas of biodiversity value, priority biodiversity features or critical habitats. (Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005).		

LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ & İVRİNDİ PROJECTS	Document No	Rev.	Page
	TMD_EYS_PLN.005	0	18/21

## 7 MONITORING

### 7.1 Key Monitoring Activities

Key monitoring activities to be implemented for both Projects are given below.

**Table 3: Key Monitoring Activities**

No	Topic	Monitoring Activity	Periodicity	Location
<b>LPM-01</b>	Local purchase	<ul style="list-style-type: none"> <li>Monitoring the purchase records considering percentages values of in-country, Project Regions and Project affected villages.</li> </ul>	Every 3 month	TÜMAD Lapseki and İvrindi Project areas
<b>LPM-02</b>	Supplier Management	<ul style="list-style-type: none"> <li>Evaluation records of the suppliers according to TÜMAD management controls in line with the Procurement Procedures TMD_TIC_PRD.001, Supplier Evaluation Procedure, TMD_TIC_PRD.005</li> </ul>	Every 3 month	TÜMAD Lapseki and İvrindi Project areas

### 7.2 Key Performance Indicators

The Company's Financial and Administrative Affairs Manager will be responsible for monitoring Key Performance Indicators (KPI's) regarding Local Procurement Management in cooperation and communication with the Community Relations department. Following KPI's are applicable for both Lapseki and İvrindi Projects.

**Table 4: Key Performance Indicators**

No	Key Performance Indicator	Target	Monitoring and Measurement
<b>LPM-KPI-01</b>	Value of materials and services purchased in-country	%50 of the total purchasing budget	Purchase records
<b>LPM-KPI-02</b>	Value of materials and services purchased in the Region of the Project	% 14	Purchase records
<b>LPM-KPI-03</b>	Value of materials and services purchased from project affected villages.	%6	Purchase records
<b>LPM-KPI-04</b>	Complaints	Maximum Complaints, Annual: 5	<p>The number of community complaints related to air quality reported in a year.</p> <p>Number of annual community complaints with regard to air emissions.</p> <p>Number of resolved complaints by removing the corresponding air emission</p>

No	Key Performance Indicator	Target	Monitoring and Measurement
			source or if it is not possible, by reducing emissions levels and changing work practices
<b>LPM-KPI-05</b>	Nonconformity with Project Requirements	Maximum Annual Non-conformance: 5	Number of annual non-compliance with Project requirements
<b>LPM-KPI-06</b>	Payment to local providers on time	%100 of local providers	Payment records

## 8 TRAINING

All purchasing administrators and supervisors, department engineers and managers who are directly related or responsible for purchasing activities will be trained on the requirements of this Management Plan in specifically

- Project Standards in terms Local Procurement Management
- Supplier Selection Criteria and Process
- Supplier evaluation Criteria and Process

## 9 AUDIT

Implementation of the TÜMAD's supply management system will be monitored monthly, 6 monthly and annually according to the Audit Program.

The schedule, the frequency, the scope and objectives of the audit as well as the responsible internal inspectors will be indicated in the Audit Program.

## 10 REPORTING

The Company's primary suppliers should report their procurement and supply chain activities to the purchasing department via written report on a monthly basis.

Audits, incidents and nonconformities shall be documented and managed pursuant to the Records Management Procedure of TÜMAD (TMD\_KAL\_PRD.001).

**APPENDIX 1 - TÜMAD SUPPLY CHAIN POLICY****SUPPLY CHAIN POLICY**

TÜMAD Mining Inc. is a Turkish mining company which carries out exploration and development projects on precious and base metals with owned mineral exploration licenses. Its strategy is to create economically efficient large mine production sites in areas having potential. The goal is to create large scale mine productions sites where economic and social development is united with environmental protection. In this context; its aim is to perform trade, operations and production compatible with national and international law norms in terms of time, amount, place and quality; ensuring most favourable prices.

- A supply chain which intends to minimize costs
- A system ensuring competition between suppliers,
- A transparent supply chain which is fair, traceable, reportable, sustainable and ethical,
- A planned and integrated supply chain which manages to supply the wants at necessary time, amount and quality,
- A supply chain which is customer oriented; supporting the satisfaction with surveys and interviews,
- A supply chain which is compatible with the values, strategies and vision of the company,
- A supply chain which involves contracts management in coordination with laws department which is coherent with laws and legislations run in the country,
- A supply chain which contributes to every good and services procurements directly or indirectly,
- A supply chain which takes part on goods and services selection together with shareholders,
- A supply chain which supports the company's fair and equal trade related to righteousness and transparency,
- A supply chain which brings about low costs and low store inventory on the standardization of materials, equipment and services supply and procedures,
- A supply chain which has the warrant to emergent procurement in the case of emergencies and abnormal conditions
- A supply chain which embodies laws, management and channelling coordination in examining formal agreements or procurement instructions' convenience,
- A supply chain which cooperates with Laws Department in finalization of agreements; discussing the demander's(or procurement personnel's) agreement and arranging the outlines,
- A supply chain which maintains convenient behaviour after the Laws Department's approval

Being a prestigious and respected commercial partner ensuring our partners' satisfaction, using a transparent and efficient supply chain policy

TÜMAD Mining Incorporation is going to follow this policy together with H&S and Environmental Quality and Society Relations policies.

**Hasan YÜCEL**  
**General Manager**

<b>LOCAL PROCUREMENT MANAGEMENT PLAN for LAPSEKİ &amp; İVRİNDİ PROJECTS</b>	<b>Document No</b>	<b>Rev.</b>	<b>Page</b>
	TMD_EYS_PLN.005	0	21/21