



MINISTRY OF MINING  
OF MONGOLIA



# CORPORATE GOVERNANCE

## Assessment of State-Owned and Partially State-Owned Mining Companies

(As of May 2014)

Ulaanbaatar  
2014

# CORPORATE GOVERNANCE

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## Assessment of State-Owned and Partially State-Owned Mining Companies

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## FOREWORD

To strengthen corporate governance in the mining sector Open Society Forum in cooperation with the Ministry of Mining of Mongolia assessed the governance performance of nine state-owned and partially state-owned mining companies.

A research team led by D. Bailikhuu used the International Finance Corporation (IFC) methodology for assessing corporate governance performance. Although the regulatory framework of corporate governance has been improving in Mongolia, the research data shows each company's governance performance did not meet the expected level. In the assessment most of the companies got rating of one-out-of-three in the required scale, only Oyu Tolgoi LLC attained nearly half of the required score (48%). Compared to the ratings of other Asian countries as such as Vietnam, Philippines, Thailand and Hong Kong, the governance of Mongolian state owned companies were rated 1.5 to 2.5 times lower. In the sections of transparency and disclosure, extraordinary transactions, protection of shareholders' rights, and board activities were showed to be the most deficient.

Adequate performance of corporate governance is an important factor for successful business, especially for state-owned enterprises of which business is based on public property; there is a direct correlation in increasing company's profitability, avoidance of public resource embezzlement and increasing probability of foreign investment, which ensures operational sustainability and longevity of the company. In conducting this survey, the Open Society Forum and the Ministry of Mining of Mongolia aimed to determine the quality of corporate governance of mining companies in which the government holds a stake, as this plays an important role for the economic development of the country and to identify areas for improvement. Based on the assessment result, we submit recommendations on specific elements of corporate governance including the relationship between the government and state-owned enterprises, state representation and its performance, etc. to each of the companies involved in the survey.

Lastly, we would like to extend our deepest gratitude to the research team that successfully implementing and consolidating each company's assessment report.

P. Erdenejargal

Executive Director of Open Society Forum

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## LIST OF ABBREVIATIONS

ASEAN	Association for Southeast Asian Nations
CEO	Chief Executive Officer
CG	Corporate Governance
IFC	International Finance Corporation
JSC	Joint Stock Company
LLC	Limited Liability Company
Mgt	Management
MSE	Mongolian Stock Exchange
OECD	Organization for Economic Co-operation and Development
OSF	Open Society Forum
SOMC	State-owned mining company
USAID	United States Agency for International Development

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# 1

## Introduction

A company is the most crucial/basic form of a business entity which plays significant role in the economy. Out of the existing business enterprises in the USA 16 percent is in the form of company that produce approximately 90 percent of the GDP. This was common in Mongolia as until recently the Erdenet Mining Corporation generated over 20 percent of the country's total GDP and when the Oyu Tolgoi project reaches its full capacity, it can generate over 30 percent of the GDP. As such, in many countries the economy is generally rely on companies. Therefore enhancing corporate governance is not merely a matter of the company itself but also a matter to be considered as it affects the country at large.

Since 1990s where companies started to emerge in Mongolia, the government has been making effort to establishing laws and norms to keep those companies operate in line with universal standards. The Law on the Business Entities, the first legal framework of company operation was introduced in 1991, followed by 1995 Law on Partnerships and Companies, and again 1999 Company Law. Though laws have been revised and renamed, they remain as the foundation of the current law on company operations. This law was most recently revised in 2013. Furthermore, the government and other competent authorities issue more detailed regulations and standards in conformity with this law. Although the aforementioned laws and regulations have been updated in compliance with universally accepted standards, enforcement has been unsatisfactory, resulting in poor improvement in corporate governance in the practice.

The assessment presented here is the product of our assignment to develop recommendations for the enhancement of corporate governance practices in each of the target entities, i.e., major mining companies with a government stake, by analyzing the existing state of their corporate governance performance.

The report consists of an introduction, a summary on corporate governance and its key elements, the consolidated outcomes of the corporate governance assessment on state-owned mining companies in Mongolia and recommendations for the enhancement of corporate governance practices along with appendices that illustrate the assessment method and some reference information.

### PURPOSES OF ASSESSING THE EXTENT OF CORPORATE GOVERNANCE AND ITS FRAMEWORK

Recent discussions on corporate governance issues illustrate the inadequate performance of corporate governance in Mongolia, in particular in state-owned and partially state-owned companies. Among them, transparency, openness and protection of minority and foreign shareholders' rights are most fragile. It is impossible to achieve excellence merely by the issuance of a general statement of improvement, rather it is important to undertake substantial action which recognizes the need for an effective response. In order to enhance corporate governance in Mongolia, we conducted this study in consideration of the significance of reform from one particular company to illustrate the effectiveness of successful corporate governance and to reach out to others to achieve a substantial result within this field.

Identification of the state of corporate governance is an essential process of defining where the country and companies stand in terms of compliance according to global best practices. Since society is always evolving, as demonstrated by the very nature of its ever-changing common corporate governance practices, it is important to understand and integrate those adjustments into the work in a timely manner. In terms of previous studies, the World Bank completed a Corporate Governance Report on the

Observance of Standards and Codes (CG ROSC) in 2007 while the International Finance Corporation (IFC) Advisory Services in Mongolia conducted a survey of the state of corporate governance in the largest 20 Mongolian listed companies in 2013 based on data from 2012. Those surveys intended to give a general assessment of the country based on a few listed companies.

Mongolia is rich in natural resources, therefore the government is pursuing a development policy centered around minerals. Currently, many companies engage in mining activities, but mining for major minerals is carried out mainly by companies with a government stake that also play a central role in the country's economy. Better corporate governance in those companies consequently leads to better economic development of the country.

In this survey, the following nine companies, which are integral to the country's economy, were chosen and their current state of corporate governance was assessed. Then, activities to improve the corporate governance structure proposed to be carried out by the government and those companies in the areas of improving corporate governance were compiled as recommendations to be delivered to stakeholders, namely to:

1. Erdenes Mongol LLC
2. Erdenes Tavan Tolgoi JSC
3. Erdenes Oyu Tolgoi LLC
4. Oyu Tolgoi LLC
5. Baganuur JSC
6. Shivee Ovoo JSC
7. Erdenet Mining Corporation LLC
8. Mongolrostsvetmet LLC
9. MonAtom LLC

## ASSESSMENT METHODOLOGY

The assessment methodology was developed using international documents such as the OECD Principles for Corporate Governance (1999, 2004), the OECD Guidelines on Corporate Governance of State-Owned Enterprises (2004), the Corporate Governance Manual (2004, 2008) developed by IFC, the Corporate Governance Toolkit prepared by the United States Agency for International Development (USAID, 2011), Standard & Poor's Corporate Governance Score (2000) and ASEAN's Corporate Governance Scorecard (2004).

### Assessment Areas

Most of the countries use the OECD's Principles for Corporate Governance<sup>1</sup>, which were developed in 1999, and they evaluate the implementation of these principles in order to determine their overall status/effectiveness. We selected a similar assessment toolkit consisting of the OECD's six principles, the corporate governance framework from the OECD's 2004 handbook, and suitable terms and terminologies as well as categorizations more appropriate to our country's legal, regulatory and institutional environment, such as:

1. Rights of Shareholder
2. Shareholders' Meeting
3. Board of Directors
4. Executive Management
5. Disclosure and Transparency
6. Extraordinary Transactions
7. Dividends
8. Company Charter and Other Regulations in relation to Corporate Governance Performance
9. Oversight Structure

<sup>1</sup> The OECD Principles for Corporate Governance , page 16



Excluding the classifications and titles of these 9 elements, the common characteristics and contents of corporate governance principles match those listed in the International Finance Corporation handbook and the OECD's 6 principles. Hence, in consideration of the above, we believe that the governance evaluation of the selected companies shall ultimately yield no difference.

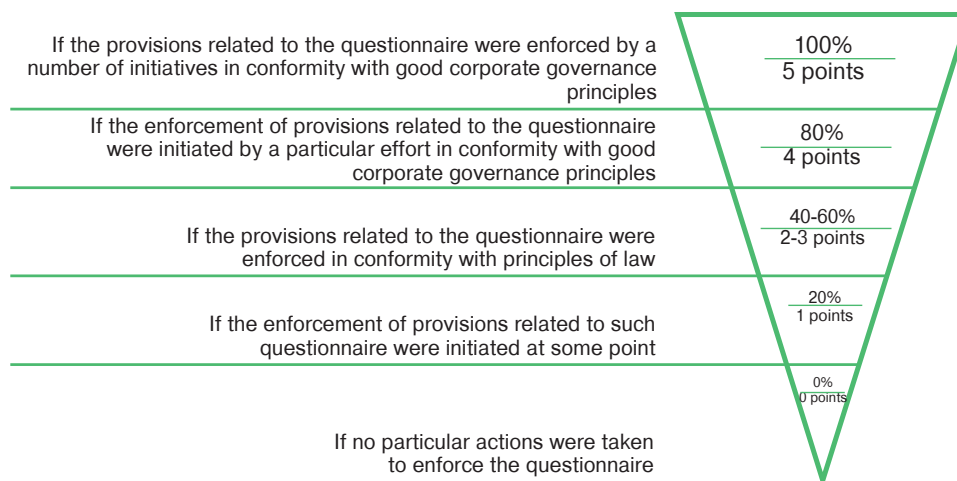
### Assessment Questionnaires

When evaluating the aforementioned elements to assess the corporate governance status of each company, we used a corporate governance scorecard methodology which has been widely implemented in other countries<sup>2</sup>. The scorecard contains questions written with clauses from relevant Mongolian laws, good governance common practices and functions that urge enforcement of all companies to ensure good governance. Evaluation questions were developed for the previously introduced 9 subject areas based on the distinctive features of the surveyed companies, the questionnaires are available in Appendix 2.

### Evaluation of Questionnaires

Implementation ratings for each questionnaire were ranked using a scale from 1 to 5, as described in Illustration 1.

Illustration 1. Principles of Rating



The score is not weighted if the questionnaire does not apply to certain activities related to the company in question

*Legal provision dictates a minimum prerequisite based on a social common practice. Then there is always a significant potential for enterprises to implement and develop this minimum standard in its activities. To sustain good corporate governance means to further customize and elaborate enforcement of those legal provisions in its operation. Hence, a governance assessment is determined by its compliance with the laws and regulations within a particular environment.*

2 2012 ASEAN Corporate governance scorecard

## Identifying the Corporate Governance Practices at Each Company

When assessing corporate governance practices, the scores given for each subject listed in the questionnaire - the aforementioned nine subject areas - were added together and the general assessment for the company was calculated based on the arithmetic mean.

In order to compare the outcome of our survey against the percentile rating systems used in other countries, we converted the points to percentages. Thus, 5, the highest point in our evaluation, equates to 100% while 1, the lowest point, equates to 20%. This conversion aptly expresses the percentile assessment of each company.

Refer to Appendix 1 for a consolidated assessment methodology and Appendix 2 for a questionnaire to identify the scores for each subject area.

# 2

## Assessment of Corporate Governance

### CORPORATE GOVERNANCE AND ITS KEY ELEMENTS

According to the International Financial Corporation, corporate governance involves a set of relationships between key stakeholders of company such as the management, Board of Directors, controlling shareholders, minority shareholders and other actors. Good governance is a practice established since the founding of business entities in the late 1500s. It is constantly evolving process that depends on values most important in our society. Those values are expressed by laws, regulations and social standards. Good corporate governance contributes to longevity of a company without harmful side-effects to society and in increases of their access to outside capital. Thus, people have been always making an effort to ensure good governance is maintained in enterprises and companies.

Reference materials prepared by international organizations define the key elements of corporate governance to be (i) shareholders and rights of shareholders, (ii) shareholders' meeting, (iii) board of directors, (iv) executive management, (v) transparency and disclosure, (vi) extraordinary transactions, (vii) dividends and dividend policy, (viii) company charter and other regulations pertaining to corporate governance practices, and (ix) oversight structure monitoring the company<sup>4</sup>. Therefore, it is important to determine the nature of those elements in assessing corporate governance.

#### Shareholder and Rights of Shareholder

A shareholder of a company is considered to be the most important individual responsible for forming current assets of the company and enabling its operations. For this reason, the protection of shareholders' rights has become a priority in corporate governance. Shareholders' rights are stipulated by law and companies comply with them to ensure their rights. How a company performs its duties and obligations before its shareholders is an important issue for corporate governance.

#### Shareholders' Meeting

The shareholders' meeting is the highest governing body of the company. The meeting is a function of shareholders exercising and facilitating management rights in the context of the company owner. Thus, the ability of the company to exercise its duties to ensure its governing body's activities and shareholders' rights is one of the most important issues pertaining to corporate governance.

A governance structure such as a shareholders' meeting does not exist in company with a single shareholder. The issue of exercising the authority of the shareholders' meeting would appear if a company had only one shareholder. If a company has only one shareholder, that shareholder shall exercise the authority of the shareholders' meeting. The authority given to a shareholders' meeting is set forth in law.

<sup>3</sup> Пособие по корпоративному управлению. Часть I, стр. 29

<sup>4</sup> Corporate governance manual, Belgrade, 2008, CHAPTER 2. B. The Governance Structure of a company, 39-41

## Board of Directors and Its Performance

The Board of Directors is the governing body of a company between shareholders' meetings which shall maintain authority with respect to the approval of the action plan, and its activities shall be monitored and managed by an appointed body. It is complicated to prepare for the shareholders' meeting, especially when the company has large number of shareholders. Although it is the highest governing body of a company, in some cases and for certain reasons, it fails to hold. Therefore, the Board of Directors is a crucial body in ensuring the sustained management of company activities between shareholders' meetings and is one essential part of corporate governance.

## Chief Executive Officer

The Chief Executive Officer of the company is appointed by the Board of Directors and manages and reports the company's day-to-day activities to the Board of Directors within a specified scope of authority, as established by the company charter and the agreement entered into with the Board of Directors. Therefore, executive management is certainly an essential part of corporate governance.

## Transparency and Disclosure

Actual and potential shareholders require access to regular, reliable and complete information in sufficient detail for them to ensure their ownership rights on a fully informed basis. A disclosure promoting transparency is a pivotal feature that assists a company operating under the constant scrutiny of the public.

Companies strive to make responsible decisions in relation to the operation and management of the company and to reduce unethical behavior internally. Thus, transparency and openness of information is an indirect benefit of the corporate governance that serves as an important factor in formulating good corporate governance practices and therefore requests special considerations<sup>5</sup>. Without transparency, good corporate governance is unachievable.

## Extraordinary Transactions

Extraordinary transactions, like disclosure, transparency and openness are not a direct part of corporate governance, but are in fact a critical component of good governance. If a company's extraordinary transactions are not made in accordance with the adequate regulations, the company incurs significant risk which may even lead to bankruptcy. Therefore, all major and conflict of interest transactions which may impact company activity shall be deemed as extraordinary transactions and measured separately within the context of governance. Such transactions are regulated by specific rules and disclosure regulations<sup>6</sup>.

## Dividends and Related Policies

Dividends are one of the fundamental rights of shareholders and it is a method of benefiting from the investment stakeholders have made. Hence, it is considered an individual component of corporate governance. Every company must issue a policy on dividends, specific to their own characteristics.

## Company Charter and Other Regulations on Corporate Governance Performance

A company is a legal entity and therefore must be regulated by applicable laws and regulations. Each company must have written rules that explicitly detail the corporate governance structure that regulates

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<sup>5</sup> Пособие по корпоративному управлению. Часть IV, стр. 5-62

<sup>6</sup> Пособие по корпоративному управлению. Часть III, стр. 198-232

its governance performance. If such written rules cease to exist or are inadequate to manage operations, it allows people in power to enjoy extraneous privileges and to act on their own discretion. In some cases this damages the company. Every company with good corporate governance is obliged to issue a list of essential documents concerning the corporation. Some international organizations have issued clear instructions on such documents<sup>7</sup>.

### Oversight Structure

The oversight structure of a company is considered to be a part of the management function as well as a component of the corporate governance. Depending on the characteristics of its activities, the oversight structure may differ slightly but, in general, it is comprised of (i) oversight from shareholders, (ii) oversight from the Board of Directors (in some cases this may be collective), (iii) internal audits, (iv) professional audits and/or external audits.

Assessment of the corporate governance performance in a particular company is to determine the implementation of these basic elements of its corporate governance. The assessment presented here rates the key elements of corporate governance based on the previously mentioned subject areas.

## STATE-OWNED COMPANY AND CHARACTERISTICS OF ITS CORPORATE GOVERNANCE

This assessment covers mining companies with a government stake. In certain parts of the world, governments can gain full or partial control over the shares of a company and are treated equally as ordinary investors. The government not only exercises its rights and obligations as a shareholder, but also maintain various administrative and regulatory authorities through promulgation of various legal acts. Sometimes, this unique role negatively impacts the company as the government fuses its shareholder rights with its administrative rights and enjoys privileges at the expense of others, a serious conflict of interest. Thus, tangible good governance principles should require the government to separate these two roles to ensure equitable treatment of shareholders. Additionally, the government is elusive as it exists in a complex legal state, exercising its power through various bodies. This unique characteristic makes the government different from other shareholders.

In this regard, investor relations at companies with a government stake are different from other companies and require a distinctive corporate governance approach. One example is that while individual shareholders can exercise their rights in person, the case is more complicated for a government as to whom and how it can bestow its representation. Therefore, this particular process should be regulated well, but, unfortunately, it is poorly regulated in practice, failing to manage well the government's exercise of rights and responsibilities.

Considering the above, identification of corporate governance practices in companies with a government stake requires special attention to whether the state is properly exercising its rights and responsibilities within the company and whether the regulatory acts governing such relations meet global best practices. If corporate governance is assessed through a questionnaire, specific questions geared toward this subject need to be developed.

The structure and form of the corporate governance of state-owned enterprises are vary depending on the number and type of shareholders, as well as the amount of the government investment. Companies covered by our study all have full or partial state ownership, after a careful analysis, there are 6 different corporate governance forms. These six forms are presented in Table 1.

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<sup>7</sup> Corporate governance manual, Belgrade, 2008, CHAPTER 3-The Internal Corporate Documents, 52-65

Table 1. Form and Shareholders' Status of Surveyed Companies

No	Ownership type	Company
1	State fully owned LLC	MonAtom LLC Erdenes Mongol LLC
2	State-Owned company is the sole owner	Erdenes Oyu Tolgoi LLC
3	State is a majority owner, listed JSC	Baganuur JSC Shivee Ovoo JSC
4	State is a majority owner, closed JSC	Erdenes TT JSC
5	LLC with state majority ownership	Erdenet Mining Corporation Mongolrostsvetmet LLC
6	LLC with state minority ownership	Oyu Tolgoi LLC

The scorecard questionnaires shall vary based upon the ownership structures of the companies.

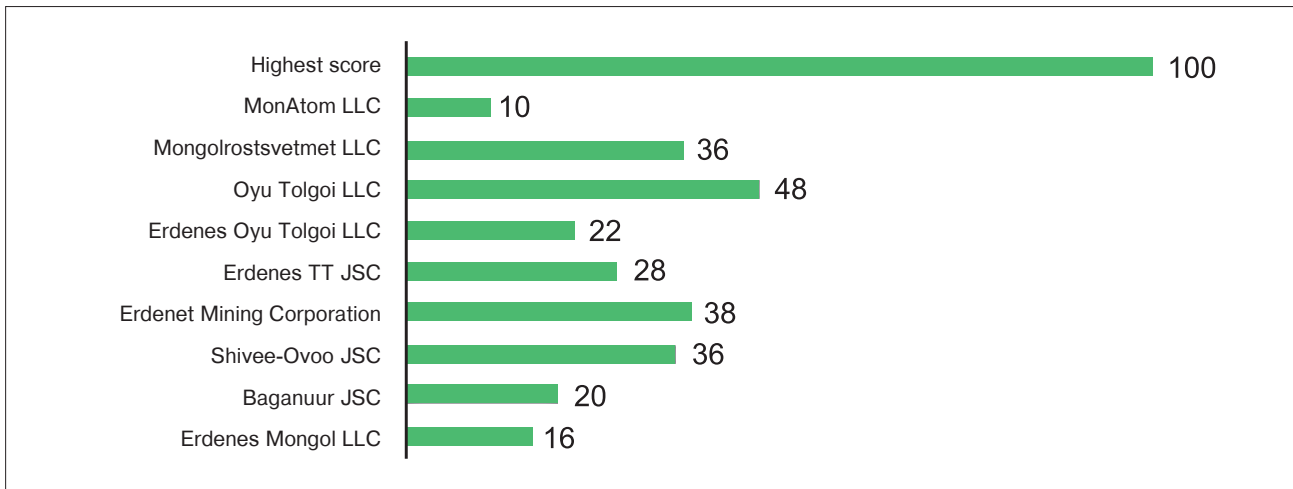
# 3

## Consolidated Outcome of the Corporate Governance Assessment on State-Owned and Partially State-Owned Mining Companies Operating in Mongolia

### CONSOLIDATED EVALUATION OF THE CORPORATE GOVERNANCE ASSESSMENT OF MINING COMPANIES WITH A GOVERNMENT STAKE

The corporate governance of nine mining companies with a government stake was evaluated in accordance with the method specified in Appendix 1 using scores of 0.5 to 2.4 and a percentile rating of 10-48 were given to respondents.

Illustration 2. Corporate Governance Performance (percentile rating)



The average score for those companies as presented in Table 2 was 1.4 out of the required 5 and the average percentile rating was 28 out of 100. This rating shows that there is a significant lack of compliance between the rules and regulations managing corporate governance performances at all mining companies with a government stake. If laws, rules and regulations are inefficiently observed/weakly enforced, it poses a major risk to company activities and performance.

Table 2. Consolidated outcome of governance assessment of state-owned mining companies

№	Company	Shareholder Rights	Shareholders' Meeting	Board of Directors	Executive Mgt	Transparency and Openness	Extraordinary Transactions	Dividends	Charter, other regulations	Oversight structure	Assessment	
											score	%
1	Oyu Tolgoi LLC	2.2	2.9	3.1	3.0	2.1	1.0	0	3.6	3.6	2.4	48
2	Erdenet Mining Corporation	2.5	0	1.1	2.0	0	0.5	4.5	3.5	3.7	1.9	38
3	Monrostsvetmet LLC	2.3	0	1.1	2.0	0	0.8	3.0	3.5	3.0	1.7	36
4	Shivee Ovoo JSC	2.2	2.4	2.4	1.6	0.2	0.5	1.6	2.6	2.9	1.8	36
5	Erdenes TT JSC	0.8	1.0	1.7	0.8	0.3	1.0	0	2.1	3.1	1.2	28
6	Erdenes Oyu Tolgoi LLC	1.4	1.8	1.5	1.6	0.3	0.4	0	1.6	0.25	1.1	22
7	Baganuur JSC	1.8	1.5	2.1	1.9	0.3	0.5	0	2.2	2.8	1.5	20
8	Erdenes Mongol LLC	0.9	1.2	1.1	2.0	0.7	0.4	0	2.6	2.4	1.2	16
9	MonAtom LLC	1.4	0.7	1.0	0.3	0.1	0.1	0	1.0	0.2	0.5	10
	Average score	1.7	1.2	1.7	1.7	0.4	0.6	1.0	2.6	2.7	1.4	28
	Maximum attainable score	5.0	5.	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	100

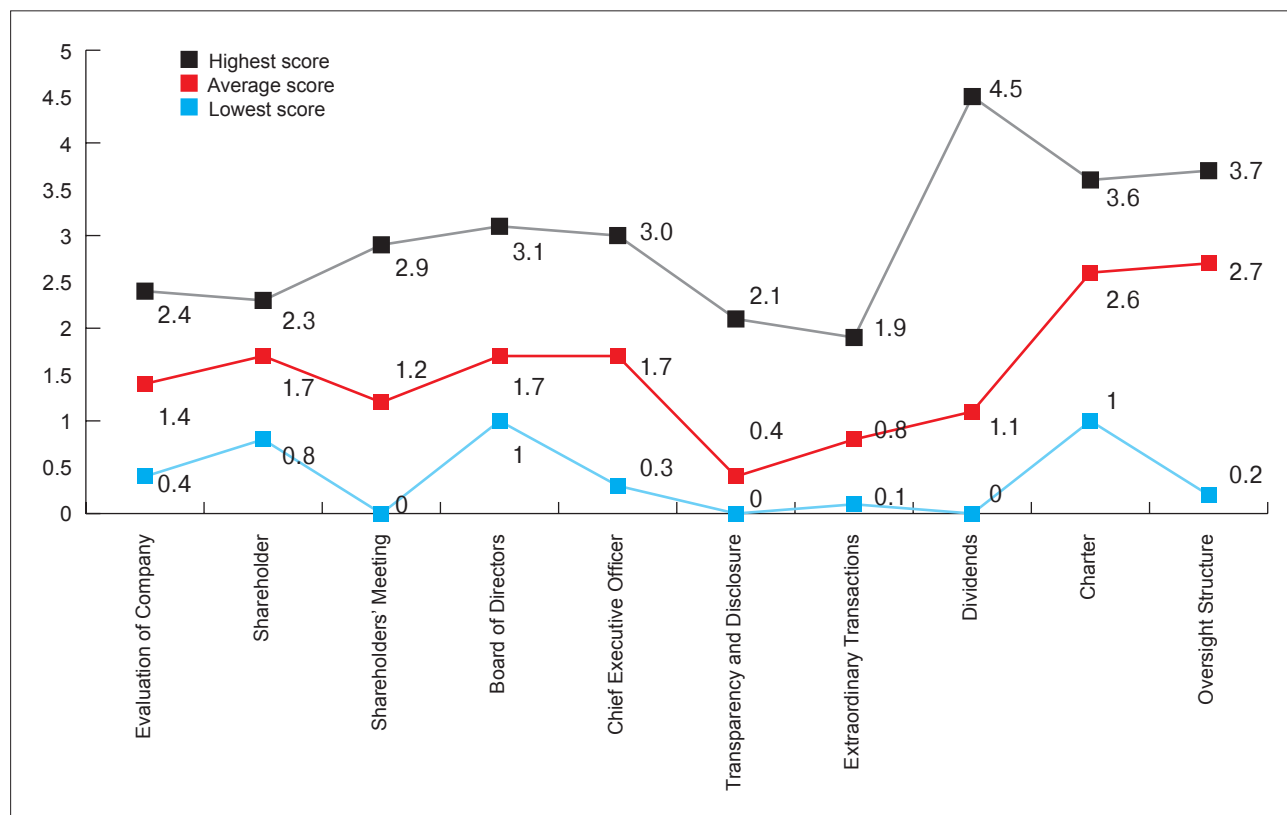
Being compliant with regulations does not necessarily equal compliance with corporate governance requirements. Law dictates a minimum prerequisite to be met. Good corporate governance requires companies to further customize and elaborate the laws and regulations to its own application. Therefore, state-owned mining companies not only need to develop internal procedures that are in line with laws and regulations, but also such procedures need to be enhanced further to accommodate good corporate governance principles. Particularly, those companies with scores below 1 should make major changes in their corporate governance practices and develop customized and detailed procedures associated with corporate governance.

The highest score was given to Oyu Tolgoi (2.4) and MonAtom received the lowest score (0.5) while the average was 1.4. Illustration 2 demonstrates the scores given to survey subjects and the highest, lowest and average scores for each subject matter. Highest, lowest and average scores for each of the corporate governance elements are as follows:

- *Shareholders and Rights of Shareholders*: Highest being Erdenet Mining Corporation (2.3) and lowest Erdenes Tavan Tolgoi (0.8) with an average of 1.7. Erdenes Tavan Tolgoi received the lowest score as no major activities were conducted in reference to the protection of minority shareholders.
- *Shareholders' Meeting*: Oyu Tolgoi received the highest score (2.9) while Erdenet Mining Corporation and Mongolrostsvetmet received "0" for the absence of a shareholders' meeting. The average score for all companies was 1.2.
- *Board Performance*: Oyu Tolgoi received the highest score (3.1) while MonAtom received the lowest (1.0) for disregard of a Board and formation of rules and regulations. The average score came to 1.7.
- *Chief Executive Officer*: Oyu Tolgoi also received the highest score (3.0) and MonAtom the lowest (0.3), averaging 1.7 for all companies.



Illustration 3. Highest, Lowest and Average Scores for Each Corporate Governance Element



- *Information Transparency and Disclosure:* Oyu Tolgoi received the highest score (2.1) while Erdenet Mining Corporation and Mongolrostsvetmet received the lowest score of “0” for an absence of public disclosure. The average rating was 0.4.
- *Extraordinary Transactions:* Baganuur attained the highest score (1.9), while MonAtom was the lowest (0.1), with an average of 0.8.
- *Distribution of Dividends:* Erdenet Mining Corporation received the highest score (4.5) while Baganuur, MonAtom, Oyu Tolgoi, Erdenes Tavan Tolgoi, Erdenes Oyu Tolgoi and Erdenes Mongol received “0,” or the lowest score as no dividends had yet been distributed. The average score was 1.1.
- *Charter and Other Regulations:* Oyu Tolgoi and Erdenes Mining Corporation received the highest scores (3.6) and MonAtom the lowest (1), averaging at 2.6.
- *Oversight Structure:* Erdenet Mining Corporation received the highest score (3.7) as the structure is considered sustainable, while MonAtom received the lowest score (0.2) as the structure has not yet been formed. The average assessment of the companies was 2.7.

A comparison of this evaluation of the corporate governance assessment of mining companies with a government stake to consolidated statements on government assessments conducted in other Asian countries and on the listed companies of Mongolia is presented in Table 3 with explanations.

Table 3. Governance Assessment of Some Asian Countries

No	Country	Assessment year	Assessment /percent/	Explanation
1	Vietnam	2009	43.9	Overall country assessment
2	Hong Kong	2008	72.0	-
3	Thailand	2011	77.0	-
4	Philippine	2008	72.0	-
5	Average evaluation of TOP 20 companies listed on Mongolian Stock Exchange (MSE)	2013	27.5	Assessment of listed JSCs
6	Average evaluation of mining companies in Mongolia with a government stake	2014	28.0	Assessment of companies with a government stake

Based on these facts, it can be assumed that Mongolia's corporate governance functions at a very low level. Domestically, the governance performance of the companies with a government stake is relatively close to that of publicly listed companies. However, an assessment on the CG practices of the listed companies conducted in 2013 was not surveyed at the site, but instead used public information sources and available information from the databases of organizations working on corporate governance, this may have shown a relatively low level of corporate governance practices compared to our study.

This report does not include complete and detailed evaluations of the companies with a government stake under considerations because the recommendations of governance assessment of each company were developed separately and delivered to each respective company.

### EVALUATION ON CORPORATE GOVERNANCE OF STATE-OWNED AND PARTIALLY STATE-OWNED MINING COMPANIES AND GOVERNANCE KEY ELEMENTS

The overall governance assessment of state-owned mining companies as measured on a scale consisting of 9 subject areas showed that certain areas, as such as charter and other regulative acts, their contents and oversight structure did not attain the highest scores but did attain higher scores than other subject areas at 2.6-2.7. This indicates that oversight structure and certain governance rules and regulations of mining companies with a government stake are improving. Within these subject areas, it is necessary to refine and clarify current rules and regulations and create additional documents for good governance. Recommendations tailored to each company incorporate certain ideas on how to implement the recommendations.

Indicators, as such as information transparency and extraordinary transactions have attained the severely low scores of 0.4 -0.5 displaying that, within these subject areas, companies with a government stake do not comply with relevant laws and regulations. Information disclosure and transparency are a vital process availing a possibility for actual and potential shareholders to access pertinent information on a timely manner and to outline their relationship policy towards the company. On the other hand, being able to access all and necessary information ensures their rights to exercise external oversight on the company's performance. Handling extraordinary transactions in a proper manner have great implications on the soundness of a company's activities and further prevent usage of company assets for personal benefit from company officials. For such reason, this subject area was taken into high consideration for the assessment of corporate governance and took up half of the overall evaluations.

Besides, indicators concerning the governing bodies of companies or Boards of Directors and Shareholders' meeting have dragged the companies' overall assessment down. The evaluations in these subject areas were unsatisfactory, ranging from 1.2 to 1.7. A shareholders' meeting is the highest governing body of the company while the Board of Directors is the key managing body to undertake activities between the shareholders' meetings. Hence, structure, organization and performance of such administrative bodies shall be conducted in compliance with laws or else major risks may be incurred.

Evaluations conducted according to these indicators show that involvement in company operation by the state as a shareholder, which also uses government representatives at both the shareholders' meetings and Board of Directors, at companies with a government stake are not standardized. In some cases this process is not compliant with the law and, shortcomings of governance in its administrative and shareholder's rights, and in dealing with the company's activities unlawfully. All of this has become a major factor in dragging the evaluations down to a lower average. Besides, exercising the representative rights of a government in companies with a government stake is not regulated proportionate to its stake holding. For instance, the regulations on how the state shall exercise shareholders' meeting rights at the company where state is a sole shareholder is unclear. In addition, although such state representatives are appointed by their names, their mandates are not clearly defined entailing to resolve matters at one's own discretion for appointed officials when exercising their mandates as a government representative. Thus, in order to enhance the corporate governance of companies with a government stake, a precise policy on exercising state representation which encompasses a state representative's mandate, based upon characteristics of state ownership, is a priority need. Within this framework, the recommendations have been formulated based on the government's line of actions for enhancement of corporate governance practices and proposed at the end of the report. Assessments of the key elements of corporate governance of state-owned mining companies follow.

## 1. Corporate Governance and Protection of Shareholders' Rights

Protection of the rights of shareholders is an essential mechanism which allows for the possibility of exercising shareholders' rights in return for investment in the company. Companies can attract investment to the extent that these conditions are satisfied. Therefore, one crucial part in determining the level of corporate governance of a company is defined by the protections guarding shareholders' rights. The state-owned corporate governance assessment was completed using 12-16 questionnaires tailored to each company based on protection of the rights of shareholders.

Table 4 shows the evaluation and percentile given to protection of shareholders' rights at companies with a government stake. According to this evaluation, Erdenet Mining Corporation was rated higher than others as a result of exercising one of its main rights to receive compensation proportionate to the investment made to the company with dividends, annually and regularly, exclusively among the other companies with a government stake. Moreover, this result pertains to timely validation of investor assets, its modifications and movements in its account books as true and correct. Nonetheless, the company could not attain the highest score due to its absence of shareholder registration which serves as a legitimate condition to exercise shareholders' rights and there was a failure setting up a mechanism to disclose information on company activity to its shareholders on a timely basis. Thus, the company reserved a score of 2.3 or 46 percent.

Table 4. Assessment on Protection of Shareholders' Rights of State-Owned Mining Companies

№	Company	Protection of Shareholders' Rights	
		Score	Percent
1	Oyu Tolgoi LLC	2.2	44
2	Erdenet Mining Corporation LLC	2.3	46
3	Mongolrostsvetmet LLC	2.3	46
4	Shivee Ovoo JSC	2.2	44
5	Erdenes Tavan Tolgoi JSC	0.8	16
6	Erdenes Oyu Tolgoi LLC	1.8	36
7	Baganuur JSC	1.8	36
8	Erdenes Mongol LLC	0.9	18
9	MonAtom LLC	1.4	28
<b>Average score</b>		<b>1.7</b>	<b>34</b>
<b>Maximum attainable score</b>		<b>5.0</b>	<b>100</b>

Other companies received scores ranging from 0.8 to 2.2, averaging 1.7. This result is considered unsatisfactory and the main reason was due to a lack of shareholders' official and accurate registration at companies with a government stake (except at Shivee-Ovoo) which serves as a legitimate condition to exercise shareholders' rights in accordance with laws. There was also an absence of decisions made on the distribution of dividends - except at Erdenet Mining Corporation - within the legally specified timeframe, an absence of actual information shared with shareholders on such issues and failure to disclose information on company activities to its shareholders within the timeline specified by law. A report submitted to each company includes evaluations of their responses and suggested recommendations to improve their performance in each field that received a low rating.

## 2. Corporate Governance and Shareholders' Meeting

The Company Law of Mongolia states that a shareholders' meeting is the highest governing body of a company. It means that there is no other governing body above the shareholders' meeting. However, such a meeting is the most important tool and the main practice by which shareholders exercise their rights to vote for decisions related to the management and operation of the company. Thus, one of the key elements that constitute corporate governance is inevitably the shareholders' meeting.

Table 5. Shareholders' Meeting Assessment of State-Owned Mining Companies

№	Company	Shareholders' Meeting	
		Score	Percent
1	Oyu Tolgoi LLC	2.9	58.0
2	Erdenet Mining Corporation LLC	0	0
3	Mongolrostsvetmet LLC	0	0
4	Shivee Ovoo JSC	2.4	48.0
5	Erdenes Tavan Tolgoi JSC	1.0	20.0
6	Erdenes Oyu Tolgoi LLC	1.5	30.0
7	Baganuur JSC	1.5	30.0
8	Erdenes Mongol LLC	1.2	24.0
9	MonAtom LLC	0.7	14.0
<b>Average score</b>		<b>1.2</b>	<b>24.0</b>
<b>Maximum attainable score</b>		<b>5.0</b>	<b>100.0</b>

Within this framework, the shareholders' meeting of state-owned companies was evaluated by 9 to 19 questionnaires tailored to each company. According to the evaluations shown in Table 5, companies attained scores from 0 to 2.9, averaging 1.2. The main cause for such a low rating was, for companies owned solely by the state, a lack of state regulations for rules specifying the procedures on execution of rights of the shareholders' meeting. This bias caused the companies to incorrectly carryout activities. A lack of appropriate procedures on the execution of state representatives at shareholders meetings, where such meetings exist, is also another reason for such a poor rating.

The Erdenet Mining Corporation and Mongolrostsvetmet received a 0 because the charters and agreements of these companies allocate only some rights to shareholders to resolve particular matters, while the highest governing authorities of the companies were designated as the Board of Directors as if the governing structure nominally called a shareholders' meeting did not exist. Yet, regulations governing the corporate activities of Mongolia and Russia provide that there shall be a governing structure called a shareholders' meeting which shall decide on important policy matters related to the company. An assessment report submitted to surveyed companies incorporates recommendations to amend company charters and agreements to include these necessary changes and empowering the shareholders' meeting.

### 3. Corporate Governance, Board of Directors and Its Performance

The Board of Directors is the governing body of a company between the shareholders' meetings. According to the Company Law of Mongolia, public and state-owned companies, regardless of size, shall have a Board with at least nine (9) members. Moreover, it states that one third of a Board shall be independent members and that it shall have 3 committees namely nomination, audit and salary and bonus. Furthermore, there have been a number of models formulated on Board effectiveness from various companies with good corporate governance practices. Within these considerations, the survey formulated 45 to 55 questions to evaluate both Board performance and their submitted responses to questions. The questions were tailored to each company and used to rate them on a scale from 0 to 5. Table 6 shows the evaluations of the Board performances of those companies with a government stake.

Table 6. Board Performance Assessment of State-Owned Companies

№	Company	Board performance	
		Score	Percent
1	Oyu Tolgoi LLC	3.1	62
2	Erdenet Mining Corporation LLC	1.1	22
3	Mongolrostsvetmet LLC	1.1	22
4	Shivee Ovoo JSC	2.4	48
5	Erdenes Tavan Tolgoi JSC	1.7	34
6	Erdenes Oyu Tolgoi LLC	1.5	30
7	Baganuur JSC	2.1	42
8	Erdenes Mongol LLC	1.1	22
9	MonAtom LLC	1.0	20
	<b>Average score</b>	<b>1.7</b>	<b>34</b>
	<b>Maximum attainable score</b>	<b>5.0</b>	<b>100</b>

As per the Table, Board performances received scores from 1 to 3.1, averaging 1.7. The evaluation was conducted based on the following 6 components of the Board, assessing responses from 45 to 55 tailored questions:

- a. Board Chairman and Members
- b. Board Committees
- c. Board Meeting
- d. General Activities of the Board
- e. Secretary to the Board
- f. Other Activities

Oyu Tolgoi has attained the highest score in Board performance evaluation (3.1 score) compared to the others. The company has major foreign investment which may have had an impact on the scores due to its unique business culture. Generally, one of the benefits of foreign investment is the implicit adoption of a good corporate governance model. The evaluation of the responses to questionnaires has revealed that the Board activities of the company were regularized and the company has adopted and implemented a number of rules and regulations that associates with Board activities. However, there is an obvious need for change in regards to good governance. The recommendations have encompassed some specific suggestions on the enhancement of undermining factors.

The results of baseline surveys completed by other companies points to the need for significant changes in the nomination and appointment of directors to the Board, assessment of their performance, Board activity report, planning for discussion of issues of the Board, performance of Board committees and secretary to the Board and collaboration with members of the Board. Suggestions for comprehensive improvement on such matters were included in the recommendations.





#### 4. Corporate Governance and Chief Executive Officer

The executive management of a company is a part of the management body which shall manage a company's day-to-day activities. Thus, it plays an important role within the scope of a company's corporate governance structure. The executive management can be an individual or a team comprised from various experienced people. The management can also be handled by a legal entity within the scope of the authority established by the company's charter and the agreement entered into with the Board of Directors. The executive management operates the day-to-day activities of the company. For the mining companies with a government stake, in general, an individual executes the management alone. The Chief Executive Officer is appointed by and reports to the Board of Directors. The appointment of such management is a part of the duties of the Nomination committee of the Board. State or other participants may nominate or submit a request for appointment to the nomination committee, which reviews the application in accordance with proper procedure and, if deemed appropriate, it seeks approval from the Board of Directors.

Within the framework of this assessment, we have evaluated the appointment procedures of the Chief Executive Officer of the selected companies by rating 10 questions related to them in the context of corporate governance. Table 7 shows the relevant evaluations. The maximum attainable score was 5; however, the performance of the Chief Executive Officers ranged from 0.3 to 3, averaging 1.7.

Table 7. CEO Performance Assessment of State-Owned Mining Companies

№	Company	CEO Performance	
		Score	Percent
1	Oyu Tolgoi LLC	3.0	60
2	Erdenet Mining Corporation LLC	2.0	40
3	Mongolroostsvetmet LLC	2.0	40
4	Shivee Ovoo JSC	1.6	32
5	Erdenes Tavan Tolgoi JSC	0.8	16
6	Erdenes Oyu Tolgoi LLC	1.9	38
7	Baganuur JSC	1.9	38
8	Erdenes Mongol LLC	2.0	44
9	MonAtom LLC	0.3	6
	<b>Average score</b>	<b>1.7</b>	<b>34</b>
	<b>Maximum attainable score</b>	<b>5.0</b>	<b>100</b>

Oyu Tolgoi attained the highest scores in Chief Executive Officers' performance evaluation. One of the factors for such a result was that the appointment of such management is regulated by the shareholders' agreement and applied accordingly. The appointment of the Chief Executive Officers at other companies were resolved without engaging nomination committees, such committees do not exist at some companies or although such committee exist, authority was not exercised properly and thereby lowered the ratings of those companies. In addition to that, in some cases, the state is directly involved with executive management and bypass the Board by issuing instructions or evaluating their own duties and performances. Such behavior resulted in the low rating in the assessment. The recommendations include explicit solutions for alternatives. Recommendations are also included at the end of the report for relevant government bodies to enhance their practices associated with government engagement with companies as well as their procedures to exercise state representation, which undermines corporate governance practices.



## 5. Corporate Governance, Transparency and Disclosure

The main relations associated with transparency and openness of the companies with a government stake is regulated by Company Law and Information Transparency and Right to Information Law of Mongolia. Thus, the assessment was conducted in accordance with the provisions of these laws to determine the transparency and disclosure status of state-owned companies through 8 questions. Table 8 shows the related evaluations and ratings.

Some companies have attained scores averaging 0.4 while the Erdenet Mining Corporation and Mongolrostsvetmet scored 0 and other companies scored from 0.1 to 0.4, revealing complete inadequacy in transparency and disclosure of state-owned companies. Exposure reveals that information concerning those companies is circulated among a discreet few government officials and any concerns related to the company are resolved in a closed group.

Table 8. Transparency and Disclosure Assessment of State-Owned Mining Companies

№	Company	Transparency and Openness	
		Score	Percent
1	Oyu Tolgoi LLC	2.1	42
2	Erdenet Mining Corporation LLC	0	0
3	Mongolrostsvetmet LLC	0	0
4	Shivee Ovoo JSC	0.4	8
5	Erdenes Tavan Tolgoi JSC	1.0	20
6	Erdenes Oyu Tolgoi LLC	0.5	10
7	Baganuur JSC	0,5	10
8	Erdenes Mongol LLC	0.7	14
9	MonAtom LLC	0.1	10
<b>Average score</b>		<b>0.4</b>	<b>8</b>
<b>Maximum attainable score</b>		<b>5.0</b>	<b>100</b>

Nonetheless, a company with a government stake is a public company and accordingly its activities ought to be transparent and open to the public. As for Oyu Tolgoi, although the information is not fully disclosed to the public, it was rated higher than other companies (2.1). The public constantly makes comments on Oyu Tolgoi's activities, its successes and failures. Such conduct contributes to the enhancement and rectification of transgressions and incentivizes rational decision making under public scrutiny. This particular fact is the advantage of information transparency and disclosure.

The assessment report submitted to each company includes suggested recommendations on information transparency and disclosure.

## 6. Corporate Governance and Principles - Managing Extraordinary Transactions

Extraordinary transactions include both major and conflict-of-interest transactions specified in the Company Law of Mongolia. Such transactions have great implications on a company's activities and if the transaction is concluded properly, the company will have more opportunities to become profitable. Contracted parties each aim for advantage and a higher profit margin. Therefore, parties may attempt to influence one another to cooperate on major deals. Officials of parties are obliged to maintain communication in some manner. It is impossible to deny (what is impossible to deny?). However, executing these duties in a proper manner and without negatively affecting the company is crucial. The global trend towards solving this issue is stated in the Company Law in detail and, we have selected such clauses of the law as a questionnaire to evaluate the completed status of extraordinary transactions. The

evaluation is reflected in Table 9. Companies have attained scores from 0.4 to 1.9, averaging 0.6 or 12 percent while the highest attainable score is 100.

Table 9. Assessment of Extraordinary Transactions at State-Owned Mining Companies

№	Company	Management of Extraordinary Transactions	
		Score	Percent
1	Oyu Tolgoi LLC	1.0	20
2	Erdenet Mining Corporation LLC	0.5	10
3	Mongolrostsvetmet LLC	0.8	16
4	Shivee Ovoo JSC	0.5	10
5	Erdenes Tavan Tolgoi JSC	0.8	16
6	Erdenes Oyu Tolgoi LLC	1.9	38
7	Baganuur JSC	1.9	38
8	Erdenes Mongol LLC	0.4	8
9	MonAtom LLC	0.1	10
	<b>Average score</b>	<b>0.8</b>	<b>12</b>
	<b>Maximum attainable score</b>	<b>5.0</b>	<b>100</b>

The evaluation came up extremely low due to the resolution of extraordinary transactions at the state-owned companies without compliance, neglecting disclosure of relevant information in accordance with laws and regulations, lacking specific rules to observe while managing such transactions at the companies. A report submitted to each company includes specific recommendations on the management of such transactions.

## 7. Corporate Governance and Dividends

Dividends are one of the fundamental rights to be exercised by shareholders of a company. Considering its significance in determining corporate governance, 3 to 5 specific questions, tailored to each company, were examined to establish the competence of its implementations.

Table 10. Assessment on Dividends Distribution at State-Owned Mining Companies

№	Company	Distribution of Dividends	
		Score	Percent
1	Oyu Tolgoi LLC	0	0
2	Erdenet Mining Corporation LLC	4.5	90
3	Mongolrostsvetmet LLC	4	80
4	Shivee Ovoo JSC	1.6	32
5	Erdenes Tavan Tolgoi JSC	0	0
6	Erdenes Oyu Tolgoi LLC	0	0
7	Baganuur JSC	0	0
8	Erdenes Mongol LLC	0	0
9	MonAtom LLC	0	0
	<b>Average score</b>	<b>1.1</b>	<b>22</b>
	<b>Maximum attainable score</b>	<b>5,0</b>	<b>100</b>

In viewing Table 10, which details the evaluation of this field, companies attained scores from 0 to 4.5, averaging 1.1 or 22 percent. The Erdenet Mining Corporation has attained the highest score of 4.5 by way of its sound guarantee of shareholders' rights by regular distribution of dividends to its shareholders. Although Monrosvetmet did not distribute dividends to its shareholders regularly, relatively good implementation of the related rules and regulations at the Erdenet Mining Corporation and Monrosvetmet have allowed them to attain a 4.

Other companies have not reached the profit point where dividends should be distributed. Moreover, due to their absence of specific rules and regulations and lack of enforcement of provisions of laws to deliberate and resolve on matters related to distribution of dividends at the end of the financial year, most companies attained a score of 0. Recommendations tailored to each company include suggestions on constructing specific policy documents related to dividends, following the policies and mandatory regulations in the resolving of dividend distribution.

## 8. Corporate Governance, Company Charter and Other Regulations

The most important document to regulate activities of the company is the Charter. Thus, procedures such as whether the essential elements are fully incorporated in the charter of the company and whether the amendments and modifications to the charter and company's agreement are approved by a relevant body in accordance with regulations, is required to be in place and to be legitimate for the assessment of the company's corporate governance. In addition to that, the company should have other comprehensive rules, regulations and policy documents regulating corporate governance related activities in detail. This assessment reviewed whether the companies had the necessary rules and regulations of corporate governance and if so, whether those documents incorporated the specified mandatory elements. The evaluation was conducted through 3-6 questions. Table 11 shows that companies with a government stake have attained scores from 1 to 3.6, an average of 2.6 or 52 percent.

Table 11. Assessment of Charter and Other Regulations of State-Owned Mining Companies

№	Company	Charter and other regulations, their contents	
		Score	Percent
1	Oyu Tolgoi LLC	3.6	72
2	Erdenet Mining Corporation LLC	3.5	70
3	Mongolrosvetmet LLC	3.5	70
4	Shivee Ovoo JSC	2.6	52
5	Erdenes Tavan Tolgoi JSC	2.1	42
6	Erdenes Oyu Tolgoi LLC	2.2	44
7	Baganuur JSC	2.2	44
8	Erdenes Mongol LLC	2.6	52
9	MonAtom LLC	1.0	20
	<b>Average score</b>	<b>2.6</b>	<b>52</b>
	<b>Maximum attainable score</b>	<b>5.0</b>	<b>100</b>

This indicator shows comparably higher rates as rules and regulations regulating corporate governance at state-owned companies were available but not as adequate as they should have been. However, besides the three companies with foreign investment, the evaluation calls for a significant requirement to formulate additional documents and to customize current rules and regulations by defining procedures more specifically at companies with a government stake. The recommendations to these companies propose detailed suggestions and incorporate some models for reference.

## 9. Corporate Governance and Oversight Structure

The oversight structure to a company's activities is comprised of the owner's oversight, shareholder oversight, company oversight or the internal audit and a professional audit or an external audit. This assessment was made by using 8 tailored but rather similar questions related to oversight structure. According to Table 12 which portrays the results, companies have attained scores from 0.2 to 3.6, averaging 2.7 points or 54 percent. The assessment reveals that some type of oversight structure exists at all companies, except at MonAtom. However, all companies require the enhancing and regularizing of current activities by supporting the performances of current oversight structures, disclosing performance information to the public, and continually submitting reports to relevant authorities. The recommendations submitted to the companies incorporate specific ideas. As for MonAtom, the recommendation emphasized the number of activities required to undertake and regularize the oversight structure of the company as specified by law.

Table 12. Assessment of Oversight Structure of State-Owned Mining Companies

№	Company	Oversight Structure	
		Score	Percentage
1	Oyu Tolgoi LLC	3.6	72
2	Erdenet Mining Corporation LLC	3.7	74
3	Mongolrostsvetmet LLC	3.0	60
4	Shivee Ovoo JSC	2.9	58
5	Erdenes Tavan Tolgoi JSC	3.1	62
6	Erdenes Oyu Tolgoi LLC	2.8	56
7	Baganuur JSC	2.8	52
8	Erdenes Mongol LLC	2.4	48
9	MonAtom LLC	0.2	4
<b>Average score</b>		<b>2.7</b>	<b>54</b>
<b>Maximum attainable score</b>		<b>5.0</b>	<b>100</b>

# 4

## Corporate Governance Performance Scale of State-Owned and Partially State-Owned Mining Companies (Summary)

Upon determining the corporate governance status of mining companies with a government stake, the following summary is offered:

**I. Noticeably poor performance of corporate governance practices at state-owned companies.**

The general outcome of our survey reveals that all the companies except Oyu Tolgoi LLC performed poorly in their corporate governance assessment (the average percentage being 28). The similar corporate governance indicator is 48-77% in some other developing Asian nations. Therefore, the survey outcome calls for companies in Mongolia, especially those with government stake to take significant measures to improve their governance performance.

**II. The legal framework for state representation in companies with a government stake is vague, allowing certain officials to act at their own discretion as the deciding factor.**

From the list of indicators that collected a score of “0”, which lowers the overall assessment score, the majority of those are associated with government representation in shareholders’ meeting, board of directors and executive management. This demonstrates poor and unclear regulation on state representation. Generally, uncertainty in resolving the issue creates an environment for officials to act at their own discretion. Thus, ambiguity in the performance of state representation in state-owned companies such as appointed officials acting on their own discretion brings concern and negative implications to the company and furthermore, it leads to problems such as corruption, devaluation of company assets and a supply of expensive goods with no significant importance and selling supplying goods from the company at a lower price.

**III. Unsatisfactory performance of the legal provisions on disclosure and transparency by the company.**

One key prerequisite for the establishment of good corporate governance is disclosure and transparency. Yet, all our respondents received poor scores (0-1) in this regard. Some companies, including the Erdenet Mining Corporation and Mongolrostsvetmet even received a score of “0” on this subject. This illustrates unsatisfactory performance of state-owned companies regarding disclosure and transparency. In recent years, Company Law and other legislations dictated disclosure and transparency clauses in their amendments. What’s left now is to enforce those legal requirements. Recommendations in this respect are detailed in the individual reports of each company.

**IV. Major and conflict-of-interest transactions are not conducted in accordance with laws, making it possible for officials and their related parties to apply their personal interests.**

One of the major indicators undermining the overall corporate governance assessment is major and conflict-of-interest transactions. Companies received scores of 0.4-1 on this subject. Handling of those transactions is comprehensively laid out in the Company Law. Yet, the companies received poor scores due to their incompliance. Proper handling of major transactions is not only beneficial to the company but also must serve as an instrument to protect the company from the deceptive personal interests of officials and their affiliates.

# 5

## Improving Corporate Governance at State-Owned and partially State-Owned Companies (Recommendations)

**B**y initiative and commission of the Open Society Forum with consent from the Ministry of Mining of Mongolia, the assignment to determine the present corporate governance status of state-owned mining companies and to develop recommendations to enhance such status was conducted from April to August 2014.

The survey covered nine companies with a government stake and their corporate governance was rated from 9.7 to 24 out of the required 100 percent range. This demonstrates that the survey subjects have yet to successfully comply with regulations on corporate governance and general principles developed by international organizations. Therefore, the report presents extensive recommendations for each survey respondent to improve their corporate governance.

During the course of this study, it was revealed that one of the key factors undermining corporate governance practice was improper engagement of the government and its agencies with the company.

For instance:

- The governing body of a company should be a shareholders' meeting and board of directors in its absence. This was clearly stated in the Company Law. However, it has become common practice for the government and its agencies to make decisions directly and at its own discretion on matters that fall under the authorities of the shareholders' meeting, board of directors and executive management of companies with a government stake.
- The Chief Executive Officer of the company should be appointed by and report to the board. Yet, it was common among our survey respondents that the government and its agencies engage in direct correspondence with Chief Executive Officers of companies and give assignments. This weakens the role of the board of directors within the company and makes its existence superficial.
- While forming companies with a government stake, the persons to hold government shares on behalf of the state and their roles are vaguely defined. This makes the process of exercising one's authority more ambiguous and uncertain.

Since there is no clear guideline for each form and type of company on how to exercise government representation, this process has been conducted at the discretion of certain officials.

The state should exercise the same privileges as the other shareholders in a company with a government stake. The state should not make direct decisions at its own discretion regarding matters of a company as a single or majority shareholder. Instead, it should exercise authority through its representation in company management by making proposals to the governing body stated above as prescribed by law. This is a universal practice.

In relation to the above issues, the following recommendations have been formulated for relevant government bodies to enhance their practices associated with government engagement with companies as well as procedures to exercise state representation, which undermines corporate governance practices in our survey respondents.

## 1. To include the following provisions into the draft Law on State Property

### On the exercising of state representation

1. The state shall only exercise its rights and responsibilities associated with its ownership in companies with a government stake through its shareholders' meeting and board of directors;
2. To arrange that exercising of a government stake in companies shall mean activities specified in 4.1-4.7 of this recommendation are followed.

### On the exercising of the shareholders' meeting authority

1. For stated-owned limited liability and joint stock companies, issues that fall under the authority of shareholders' meeting shall be distributed among the Parliament, cabinet and the authority that holds the government stake in accordance with their respective roles and such distribution shall be stipulated in the company charter.

### On making the regulation for companies with a government stake similar to those of privately listed companies

1. Matters including shareholders' meeting, board of directors, its membership, independent board members and board committees should have similar arrangements with those companies listed in the Company Law;
2. To include a clause that prohibits state interference in the appointment of independent members of the board for companies with a government stake.

### On state representation at companies with a government stake

1. To include a clause that stipulates the seeking out of certain guidelines from the government for the appointment of government representation in the shareholders' meeting and their recommendation to each meeting agenda;
2. To include a clause that stipulates the delivery of recommendations for government representation in the membership for the board and board committees, namely audit, remuneration and nomination committees followed by direct recommendation into the shareholders meeting by the nomination committee for appointment of government representation on the board if such a nominee meets the criteria set forth in the law. If the nominee fails to meet the criteria, a rejection can be made upon explanation of the underlying reasons;
3. Provision of guidelines for recommendations and proposals made by the government representatives to the at the shareholders' meeting;
4. To include a clause that stipulates the exercising of government representation to be as follows:
  - 4.1 Exercising of shareholders' meeting authority in the state-owned limited liability and joint stock companies;
  - 4.2 Appointment of government representation on the board of state-owned limited liability and joint stock companies and the delivery of recommendations, through such representation, for the enforcement of state policy on matters that fall under the authorities of the board;
  - 4.3 Provision of guidelines on recommendations made by government representation at the board meeting of state-owned limited liability and joint stock companies;
  - 4.4 Appointment of state representation in the shareholders' meeting of state-owned limited liability and joint stock companies and enforcement of state policy on the decisions of the meeting through such representation;



- 4.5 Provision of guidelines on recommendations made by the government representation at the shareholders' meeting of state-owned limited liability and joint stock companies;
- 4.6 Delivery of proposed membership into the board of state-owned limited liability and joint stock companies in line with the percentage of stakes and enforcement of government policy on matters that fall under the authority of the board through such representation;
- 4.7 Provision of guidelines on recommendations made by government representation to the board meeting agenda of state-owned limited liability and joint stock companies.

#### **On persons who act as holders of the government stake in the state-owned company**

1. To include a clause that stipulates the cabinet appointment of shareholders that represent the government in the state-owned company;
2. To include a clause that reads, "The government representation can be one or several government bodies and if deemed necessary, such representation can include private entities and nongovernmental organizations. The cabinet shall decide the representation in relation to the nature of the company and current policy on state property and such decision shall specify the amount of shares to be held by government representation, rights and roles of the government representation as a shareholder".

#### **On requirements for government representation into the company board**

1. To have sufficient knowledge and experience required to act as a board member;
2. To meet specific requirements set forth by the nomination committee of the company;
3. To possess teamwork skills and have enough time to fulfill the board member duties;
4. To not hold a management position at either the company nor its competitors;
5. To only hold positions as an administrative official;
6. To be unrelated to any high-ranking government officials and if such relations exist, disclosure shall be made in advance;
7. To create no conflict of interest as a board member in the company;
8. To be either an administrative official or employee of authority stipulated in Clause 21.2 of this law;
9. The government representation to the shareholders' and board meeting shall be compliant with guidelines provided by the holder of government shares and noncompliance, either full or partial, shall serve as grounds for termination as government representation;
10. Government representation in the meeting shall withhold from voting on membership to the board from private shareholders;
11. It shall be prohibited for the board member representing the government to receive rewards and bonuses other than remuneration established by competent authorities.

#### **On transparency and disclosure for companies with a government stake**

1. To have a clause that requires the companies with a government stake to place the following information at its corporate website and to prepare written information at the request of the shareholder
  - 1.1 Company charter and other documents regulating activities;
  - 1.2 Audited annual and quarterly financial reports;
  - 1.3 Major and conflict of interest transactions during reporting periods;



- 1.4 Information on board members and executive management as well as compensation rewarded thereto;
  - 1.5 Information on major shareholders and amount and percentage of their respective shares;
  - 1.6 Major events at the company.
2. To include a clause that stipulates the government representation to make public disclosure statements on the state-owned companies twice per year and such disclosure shall include both financial and nonfinancial information.
  2. To add a separate chapter for “State Representation” into the company charter to make clear and detailed procedure in accordance with law.
  3. To make a procedure on issuance on special reports for state representation to be prepared by the representation and to be delivered to the appointer.

# 6

## Assessment Outcomes

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1. ERDENET MINING CORPORATION LLC
  2. MONATOM LLC
  3. ERDENES OYU TOLGOI LLC
  4. MONGOLROSTSVETMET LLC
  5. ERDENES MONGOL LLC
  6. OYU TOLGOI LLC
  7. ERDENES TAVAN TOLGOI JSC
  8. SHIVEE OVOO JSC
  9. BAGANUUR JSC
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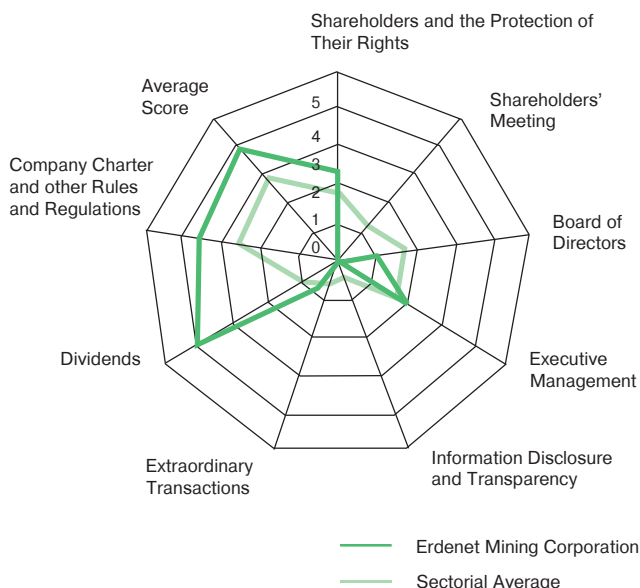
# ERDENET MINING CORPORATION

## SUMMARY

Established:	1978
Capacity:	26.0 thousand tons of ore processing per year
Ownership ratio:	51:49 (Mong:Rus)
Total number of shares:	100

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
	Assessment of the company	1.9	38	<div style="width: 38%;"></div>
1	Shareholders and Protection of Their Rights	2.3	46	<div style="width: 46%;"></div>
2	Shareholders' Meeting	0	0	
3	Board of Directors	1.1	22	<div style="width: 22%;"></div>
4	Executive Management	2.0	40	<div style="width: 40%;"></div>
5	Disclosure and Transparency	0	0	
6	Extraordinary Transactions	0.5	10	<div style="width: 10%;"></div>
7	Dividends	4.5	90	<div style="width: 90%;"></div>
8	Charter and Governance Related Rules and Regulations	3.5	70	<div style="width: 70%;"></div>
9	Oversight Structure	3.7	74	<div style="width: 74%;"></div>



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRE/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	2.5
1.1 Registration of shareholders	0
1.2 Content of information collected from shareholders upon registration	0
1.3 Whether relevant information is fully obtained by shareholders during regular meetings	0
1.4 Whether dividends issued are booked as payables	5.0
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions on the shareholder meeting agenda	5.0
1.6 Issuance of dividends	5.0
1.7 Availability of a company's financial information to the shareholders	0
1.8 Accessibility of timely information to shareholders on operations and major events in the company	0
1.9 Whether the percentage of shares of the government's stake is specified	0
1.10 Public disclosure on the rights of shareholders	3.0
1.11 Equitable treatment of shareholders	2.0
1.12 Registration of authorized and issued shares	5.0
1.13 Registration of shareholders' equity	5.0
1.14 Registration of investments	5.0

QUESTION	SCORE
2. Shareholders' Meeting	0
2.1 Whether there is a specific procedure for the shareholders' meeting	0
2.2 Whether the procedure adequately reflects all the issues concerned	0
2.3 Whether the regular meeting of shareholders are held within the timeline specified by law	0
2.4 Whether the Board of Directors schedules the Shareholders' Meeting	0
2.5 Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	0
2.6 Whether the process for collecting votes adequately enables proper voting by shareholders	0
2.7 Whether the announcement of the shareholders' meeting is carried out in accordance with law	0
2.8 Whether there is a specific procedure for the vote counting committee	0
2.9 Whether the eligibility of the meeting participants are checked	0
2.10 Whether attendance to the meeting is counted for each agenda	0
2.11 Whether the vote counting committee issues directives on the recommendations delivered concerning the agenda	0

2.12	Whether the chairman and the vote counting committee prepares and delivers a consolidated report	0
2.13	Whether there is a specific procedure on delivering the meeting announcement	0
2.14	Shareholders' meeting decision-making	
2.15	Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.16	Whether the requests of the shareholders to convene a meeting is accommodated	
2.17	Whether the authority to appoint representation of a government stake in the shareholders' meeting is clearly defined	0
2.18	Whether decisions are issued to appoint representation of government stake in the shareholders' meeting. If so, whether there is a guideline for voting on each issue reflected in the agenda	0
2.19	Maintenance of the shareholder's meeting material	0
	<b>QUESTION</b>	<b>SCORE</b>
<b>3</b>	<b>Board of Directors</b>	<b>1.1</b>
3.1	Whether there is a nominating committee	0
3.2	Whether there is a specific procedure on the committee	0
3.3	Whether the activities of the committee are in accordance with relevant procedures	0
3.4	Whether the nomination of members of Board of Directors is in compliance with relevant procedures	0
3.5	Appointment of Board of Directors	3.0
3.6	Who recommended the independent director	0
3.7	Whether the independent director meets relevant requirements	0
3.8	Whether the number of independent directors is adequate	0
3.9	Whether the activities of the independent director comply with relevant laws	0
3.10	Whether the compensation for the independent director is different from other directors	0
3.11	Whether the government representative to the board receives specific guidance upon voting on the agenda	3.0
3.12	Correspondence between the company and Board of Directors and delivery of company information	0
3.13	Duration of board membership	0
3.14	Distribution of responsibilities among the Board of Directors	0
3.15	Assessment on the Board of Directors	0
3.16	Whether the compensation for the Board of Directors is tied to performance	0
3.17	Whether remuneration and compensation for the Board of Directors is disclosed publicly	0
3.18	Whether the Board of Directors have specific folders for reference	0

3.19	Whether the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one person	5.0
3.20	Whether the Chief Executive Officer is a member of the Board of Directors	5.0
3.21	Whether the management of the subsidiary includes the management of a parent company	4.0
3.22	Whether the Board of Directors have sufficient time to perform their duties	2.0
3.23	Whether the mandatory committees are in place	0
3.24	Whether membership to the committees are in accordance with relevant procedures	0
3.25	Whether there are specific procedures for each committee	0
3.26	Whether the activities of the committees are adequate	0
3.27	Whether the performance of the committees are assessed	0
3.28	Whether there are regular or ad-hoc committees for specific issues	0
3.29	Whether compensation is granted to committee members	0
3.30	Planning of meeting for the Board of Directors	0
3.31	Minute taking and decision-making	4.0
3.32	Public disclosure	0
3.33	Delivery of meeting announcements	4.0
3.34	Attendance of the meeting in-person or as an observer	3.0
3.35	Preparation of the meeting agenda	5.0
3.36	Meeting minutes and affirmation of decisions made	4.0
3.37	Whether there are clear guidelines on making decisions to convene a shareholders' meeting and approving the list for the agenda	0
3.38	Assessment on the activities of the Board of Directors	0
3.39	Reporting on the activities of the Board of Directors	0
3.40	Whether the activities of the Board of Directors are assessed	0
3.41	Whether the Board of Directors are covered by DO liability insurance	0
3.42	Whether the Board of Directors attend trainings	0
3.43	Maintenance and storage of corporate governance documents	4.0
3.44	Content of shareholders' meeting decisions	0
3.45	Content of decisions by Board of Directors	4.0
3.46	Engagement with stakeholders	2.0
3.47	Engagement with various committees	0
3.48	Engagement with the oversight structure	3.0
3.49	Engagement with shareholders	4.0
3.50	Information transparency and accessibility	0
3.51	Engagement with other stakeholders	1.0

QUESTION	SCORE
<b>4 Executive Management</b>	<b>2.0</b>
4.1 Whether there is a specific procedure on the selection and appointment of executive management	0
4.2 Nomination	0
4.3 Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	4.0
4.4 Conclusion of contracts	4.0
4.5 Appointments	3.0
4.6 Whether the performances of activities and contracts are assessed separately	5.0
4.7 Reporting of the performance on a quarterly and an annual basis	4.0
4.8 Whether the government has direct access to the Chief Executive Officer	0
4.9 Whether the activities of the Chief Executive Officer are assessed by any government body other than the Board of Directors	0
4.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0
QUESTION	SCORE
<b>5 Information Transparency and Disclosure</b>	<b>0</b>
5.1 Whether there is a document on information policy	0
5.2 The availability of shareholder registration, especially the names and percentages of the shares of major shareholders	0
5.3 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	0
5.4 Web maintenance of the corporate governance corner	0
5.5 Whether the major events of the company are disclosed publicly on a regular basis	0
5.6 Whether financial information is disclosed publicly	0
5.7 Whether financial information is disclosed through the corporate website on a regular basis	0
5.8 Whether procurement activities are disclosed publicly	0
5.9 Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
5.10 Whether the activities of the company and audited financial reports are published for public disclosure	0

QUESTION	SCORE
<b>6 Extraordinary Transactions</b>	<b>0.5</b>
6.1 Proper handling of major transactions	2.0
6.2 Public disclosure	0
6.3 Disclosure of annual reports	0
6.4 Whether there is a specific procedure on handling transactions containing a conflict of interest	2.0
6.5 Proper handling of transactions with a conflict of interest	0
6.6 Public disclosure	0
6.7 Disclosure of the annual report	0
6.8 Whether the governing positions are specified in the company charter	0
6.9 Whether the authorized signatories disclosed their related parties	0
6.10 Whether the authorized signatories and their related parties are publicly disclosed	0

QUESTION	SCORE
<b>7 Charter</b>	<b>3.5</b>
7.1 Approval of the charter	4.0
7.2 Approval of the amendments to the charter	4.0
7.3 Mandatory clauses of the charter	3.0
7.4 Public disclosure of the charter	0
7.5 Whether there is legal documentation on corporate governance matters	3.0
7.6 Whether there is documentation on accounting	4.0
7.7 Whether the primary accounting procedure is clear	4.0

QUESTION	SCORE
<b>8 Dividends</b>	<b>4.0</b>
8.1 Whether there is a document on dividend policy	5.0
8.2 Issuance of dividends	5.0
8.3 Decision-making on dividends	3.0
8.4 Existence of mandatory clauses in the decisions for issuance of dividends	2.0
8.5 Bookkeeping of issued dividends	5.0
QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>3.7</b>
9.1 Whether there is a document on regulating the oversight structure	5.0
9.2 Whether the audit committee is in place	5.0
9.3 Committee membership	4.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	4.0
9.6 Selection and appointment of an independent audit	4.0
9.7 Public disclosure of an independent audit report	0
9.8 Internal audit structure, its appointment and assessment	4.0

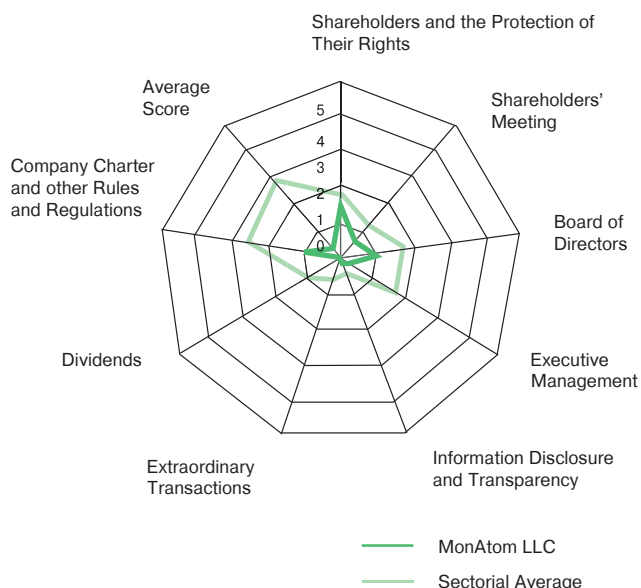
# MONATOM LLC

## SUMMARY

Established:	2009
Ownership:	State - owned
Type:	LLC

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	1.4	28	■
2	Shareholders' Meeting	0.7	14	■
3	Board of Directors	1.0	20	■
4	Executive Management	0.3	6	■
5	Disclosure and Transparency	0.1	2	■
6	Extraordinary Transactions	0.1	2	■
7	Dividends	0	0	
8	Governance Related Rules and Regulations	1.0	4	■
9	Oversight Structure	0.2	10	■
	Average score	0.5	10	■



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	1.4
1.1 Registration of shareholders	0
1.2 Content of information collected from shareholders upon registration	0
1.3 Whether relevant information is fully obtained by shareholders during regular meetings	0
1.4 Whether the shareholders are rendered with regular meeting announcements on a timely basis	-
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions concerning the shareholder meeting agenda	3.0
1.6 Issuance of dividends	0
1.7 Availability to nominate a Board Director from shareholders	4.0
1.8 Availability of company's financial information to the shareholders	0
1.9 Accessibility of timely information to shareholders on operation and major events of the company	0
1.10 Whether the percentage of shares held by representation of government stake is specified	0
1.11 Public disclosure on the rights of shareholders	0
1.12 Registration of authorized and issued shares	5.0
1.13 Registration of investments	5.0

QUESTION	SCORE
2 Board of Directors	1.0
2.1 Whether there is a nominating committee	0
2.2 Whether there is a specific procedure on the committee	0
2.3 Whether the activities of the committee are in accordance with relevant procedures	0
2.4 Whether the nomination of members of the Board of Directors is in compliance with relevant procedures	0
2.5 Appointment of a Board of Directors	1.0
2.6 Who recommended the independent director	0
2.7 Whether the independent director meets relevant requirements	0
2.8 Whether the number of independent directors is adequate	0
2.9 Whether the activities of the independent director comply with relevant laws	0
2.10 Whether the compensation for the independent director is different from other directors	0
2.11 Whether the government representative to the board receives specific guidance upon voting on the agenda	4.0
2.12 Correspondence between the company and Board of Directors and delivery of company information	0
2.13 Duration of board membership	0

2.14	Distribution of responsibilities among Board of Directors	0
2.15	Assessment of the Board of Directors	0
2.16	Whether the compensation for the Board of Directors is tied to performance	0
2.17	Whether the remuneration and compensation for the Board of Directors is disclosed publicly	0
2.18	Whether the Board of Directors have specific folders for their reference	0
2.19	Whether the positions of the Chairman of the Board of Directors and Chief Executive Officer are held by one person	5.0
2.20	Whether the Chief Executive Officer is a member of the Board of Directors	5.0
2.21	Whether the management of the subsidiary includes the management of a parent company	2.0
2.22	Whether the Chairman of the Board is a chairman of a committee	-
2.23	Whether the Board of Directors have sufficient time to perform their duties	2.0
2.24	Whether the mandatory committees are in place	0
2.25	Whether membership to the committees are in accordance with relevant procedures	0
2.26	Whether there are specific procedures for each committee	0
2.27	Whether the activities of the committees are adequate	0
2.28	Whether the performance of the committees are assessed	0
2.29	Whether there are regular or ad-hoc committees for specific issues	0
2.30	Whether compensation is granted to committee members	0
2.31	Planning of meetings for the Board of Directors	0
2.32	Minute taking, decision-making and public disclosure	2.0
2.33	Delivery of meeting announcements	4.0
2.34	Attendance of the meeting in-person or as an observer	4.0
2.35	Quorum of meeting, request to convene a meeting	3.0
2.36	Meeting minutes and affirmation of the decisions	2.0
2.37	Assessment of the activities of the Board of Directors	0
2.38	Reporting on the activities of the Board of Directors	0
2.39	Whether the activities of the Board of Directors are assessed	0
2.40	Whether the Board of Directors are covered by DO liability insurance	0
2.41	Whether the Board of Directors attend trainings	4.0
2.42	Maintenance and storage of corporate governance documents	3.0
2.43	Content and of decisions by Board of Directors	2.0

2.44	Engagement with stakeholders	2.0
2.45	Engagement with various committees	0
2.46	Engagement with the oversight structure	0
2.47	Engagement with shareholders	4.0
2.48	Information transparency and accessibility	0
2.49	Engagement with other stakeholders	1.0

QUESTION		SCORE
<b>3.</b>	<b>Shareholders' Meeting</b>	<b>1.2</b>
3.1	Whether there is a specific procedure for the shareholders' meeting	0
3.2	Whether the procedure adequately reflects all the issues concerned	0
3.3	Whether the regular meeting of shareholders are held within the timeline specified by law	0
3.4	Whether the Board of Directors schedules the Shareholders' Meeting	2.0
3.5	Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	1.0
3.6	Shareholder's meeting decision-making	2.0
3.7	Whether the decisions of the shareholders' meeting is publicly disclosed	0
3.8	Whether the shareholders' meeting rights are exercised in accordance with relevant procedures	2.0
3.9	Whether the representation of shareholders' meeting rights is distributed to competent government authorities	0
3.10	Maintenance of the shareholder's meeting material	2.0

QUESTION		SCORE
<b>4</b>	<b>Information Transparency and Disclosure</b>	<b>0.1</b>
4.1	Whether there is a document on information policy	0
4.2	Availability of shareholder registration, especially names and percentages of shares of major shareholders	0
4.3	Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	0
4.4	Website maintenance	1.0
4.5	Whether the major events of the company are disclosed publicly on a regular basis	0
4.6	Whether financial information is disclosed publicly	0
4.7	Whether financial information is disclosed through the corporate website on a regular basis	0
4.8	Whether procurement activities are disclosed publicly	0
4.9	Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
4.10	Whether the activities of the company and audited financial reports are published for public disclosure	0

QUESTION	SCORE
<b>5 Executive Management</b>	<b>0.3</b>
5.1 Whether there is a specific procedure on selection and the appointment of executive management	0
5.2 Nomination	0
5.3 Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	0
5.4 Conclusion of contract	0
5.5 Appointment	2.0
5.6 Whether the performances of activities and contracts are assessed separately	0
5.7 Reporting of the performance on a quarterly and an annual basis	0
5.8 Whether the government has direct access to the Chief Executive Officer	0
5.9 Whether the activities of the Chief Executive Officer are assessed by any government body other than the Board of Directors	1.0
5.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0
QUESTION	SCORE
<b>6 Major Transactions</b>	<b>0.1</b>
6.1 Proper handling of major transactions	0
6.2 Public disclosure	0
6.3 Disclosure of an annual report	0
6.4 Whether there is a specific procedure on handling transactions concerned with conflict of interest	0
6.5 Public disclosure	0
6.6 Disclosure of an annual report	0
6.7 Whether the authorized signatories are specified in the company charter	1.0
6.8 Whether the authorized signatories disclosed their related parties	0
6.9 Whether the authorized signatories and their related parties are publicly disclosed	0

QUESTION	SCORE
<b>7 Charter</b>	<b>1.0</b>
7.1 Approval of the charter	2.0
7.2 Approval of the amendments to the charter	0
7.3 Mandatory clauses of the charter	3.0
7.4 Public disclosure of the charter	0
7.5 Whether there is legal documentation on corporate governance matters	0
QUESTION	SCORE
<b>8 Dividends</b>	<b>0</b>
8.1 Whether there is a document on dividend policy	0
8.2 Issuance of dividends	0
8.3 Decision-making on the dividends	0
QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>0.25</b>
9.1 Whether there is a document on regulating the oversight structure	2.0
9.2 Whether the audit committee is in place	0
9.3 Committee membership	0
9.4 Activities of the committee	0
9.5 Reporting and assessment on the activities of the committee	0
9.6 Selection and appointment of an independent audit	0
9.7 Public disclosure of an independent audit report	0
9.8 Internal audit structure, its appointment and assessment	0



# ERDENES OYUTOLGOI LLC

## SUMMARY

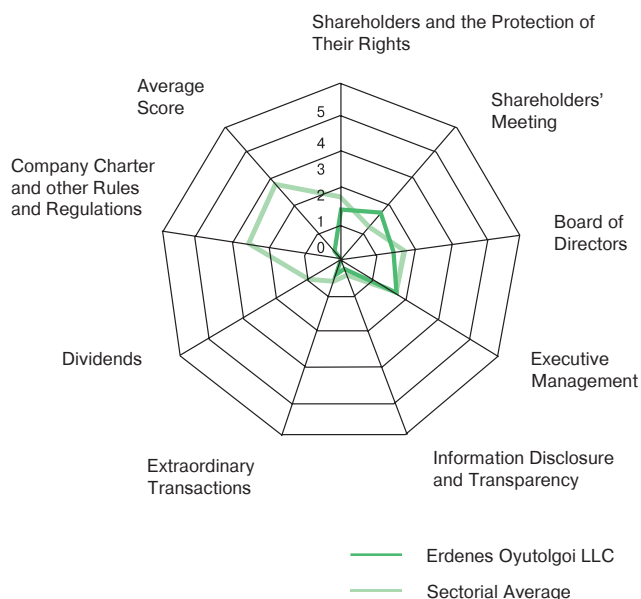
Established:	2011
Type:	LLC
Ownership:	State
Shareholder:	Erdenes Mongol LLC

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	1.4	28	<div style="width: 28%;"></div>
2	Shareholders' Meeting	1.8	56	<div style="width: 56%;"></div>
3	Board of Directors	1.5	30	<div style="width: 30%;"></div>
4	Executive Management	1.6	32	<div style="width: 32%;"></div>
5	Disclosure and Transparency	0.3	6	<div style="width: 6%;"></div>
6	Significant Transactions	0.4	8	<div style="width: 8%;"></div>
7	Dividends	0	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	1.6	32	<div style="width: 32%;"></div>
9	Oversight Structure	0.25	5	<div style="width: 5%;"></div>
	Average score	1	20	<div style="width: 20%;"></div>

## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

	QUESTION	SCORE
1	Shareholders and Protection of Their Rights	1.4
1.1	Registration of shareholders	0
1.2	Content of information collected from shareholders upon registration	0
1.3	Whether relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.4	Whether the shareholders are rendered with regular meeting announcements on a timely basis	2.0
1.5	Whether the shareholders are rendered with information sufficient enough for making decisions concerning the shareholder meeting agenda	4.0
1.6	Issuance of dividends	0
1.7	Availability of company's financial information to the shareholders	0
1.8	Accessibility of timely information to shareholders on operations and major events within the company	0
1.9	Whether the percentage of shares held by the government is specified	1.0
1.10	Public disclosure on the rights of shareholders	0
1.11	Registration of authorized and issued shares	5.0
1.12	Registration of investments	5.0



	QUESTION	SCORE
2.	Shareholders' Meeting	1.8
2.1	Whether there is a specific procedure for the shareholders' meeting	1.0
2.2	Whether the procedure adequately reflects all the issues concerned	1.0
2.3	Whether the regular meeting of shareholders is held within the timeline specified by law	3.0
2.4	Whether the Board of Directors schedules the Shareholders' Meeting	4.0
2.5	Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	2.0
2.6	Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.7	Whether the requests of the shareholders to convene a meeting is accommodated	3.0
2.8	Whether the shareholders' meeting rights are exercised in accordance with relevant procedures	3.0
2.9	Whether the representation of the shareholders' meeting rights is distributed to competent government authorities	1.0
2.10	Maintenance of the shareholder's meeting material	3.0

	QUESTION	SCORE
3	<b>Board of Directors</b>	<b>1.5</b>
3.1	Whether there is a nominating committee	0
3.2	Whether there is a specific procedure on the committee	0
3.3	Whether the activities of the committee are in accordance with relevant procedures	0
3.4	Whether the nomination of members of the Board of Directors is in compliance with relevant procedures	0
3.5	Appointment of a Board of Directors	0
3.6	Who recommended the independent director	0
3.7	Whether the independent director meets relevant requirements	0
3.8	Whether the number of independent directors is adequate	0
3.9	Whether the activities of the independent director is compliant with relevant laws	0
3.10	Whether the compensation for the independent director is different from other directors	0
3.11	Whether the government representative to the board receives specific guidance upon voting on the agenda	0
3.12	Correspondence between the company and the Board of Directors and delivery of company information	2.0
3.13	Duration of board membership	3.0
3.14	Distribution of responsibilities among the Board of Directors	0
3.15	Assessment of the Board of Directors	0
3.16	Whether the compensation for the Board of Directors is tied to their performance	0
3.17	Whether the remuneration and compensation for the Board of Directors are disclosed publicly	0
3.18	Whether the Board of Directors have specific folders for their reference	0
3.19	Whether the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one person	5.0
3.20	Whether the Chief Executive Officer is a member of the Board of Directors	5.0
3.21	Whether the Chairman of the Board is the chairman of a committee	5.0

3.22	Whether the management of the subsidiary includes the management of a parent company	0
3.23	Whether the mandatory committees are in place	0
3.24	Whether membership to the committees are in accordance with relevant procedures	0
3.25	Whether there are specific procedures for each committee	0
3.26	Whether the activities of the committees are adequate	0
3.27	Whether the performance of the committees are assessed	0
3.28	Whether there are regular or ad-hoc committees for specific issues	0
3.29	Whether compensation is granted to committee members	0
3.30	Planning of meetings for the Board of Directors	0
3.31	Minute taking, decision-making and public disclosure	2.0
3.32	Delivery of meeting announcements	4.0
3.33	Attendance of the meeting in-person or as an observer	3.0
3.34	Quorum of a meeting and request for a meeting	2.0
3.35	Meeting minutes and affirmation of decisions made	1.0
3.36	Assessment of the activities of the Board of Directors	0
3.37	Reporting on the activities of the Board of Directors	0
3.38	Whether the activities of the Board of Directors are assessed	0
3.39	Whether the Board of Directors are covered by DO liability insurance	0
3.40	Whether the Board of Directors attend trainings	4.0
3.41	Maintenance and storage of corporate governance documents	4.0
3.42	Content of shareholders' and Board of Directors meeting decisions	3.0
3.43	Engagement with stakeholders	2.0
3.44	Engagement with various committees	0
3.45	Engagement with an oversight structure	0
3.46	Engagement with shareholders	4.0
3.47	Information transparency and accessibility	0
3.48	Engagement with other stakeholders	0

QUESTION	SCORE
<b>4 Information transparency and disclosure</b>	<b>0.3</b>
4.1 Whether there is a document on information policy	0
4.2 Availability of shareholder registration, especially name and percentage of shareholding on major shareholders	0
4.3 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	1.0
4.4 Web maintenance of the corporate governance corner	1.0
4.5 Whether the major events of the company are disclosed publicly on a regular basis	1.0
4.6 Whether financial information is disclosed publicly	0
4.7 Whether financial information is disclosed through the corporate website on a regular basis	0
4.8 Whether procurement activities are disclosed publicly	0
4.9 Whether the remuneration and compensation for the Board of Directors and the Chief Executive Officer are reflected in the annual report	0
4.10 Whether the activities of the company and audited financial reports are published for public disclosure	0
QUESTION	SCORE
<b>5 Executive Management</b>	<b>0.6</b>
5.1 Whether there is a specific procedure on the selection and appointment of executive management	0
5.2 Nomination	0
5.3 Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	0
5.4 Conclusion of contract	0
5.5 Appointment	3.0
5.6 Whether the performances of activities and contracts are assessed separately	0
5.7 Reporting of the performance on a quarterly and an annual basis	0
5.8 Whether the government has direct access to the Chief Executive Officer	0
5.9 Whether the activities of the Chief Executive Officer are assessed by any government body other than the Board of Directors	3.0
5.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0

QUESTION	SCORE
<b>6 Dividends</b>	<b>0</b>
6.1 Whether there is a document on dividend policy	0
6.2 Issuance of dividends	0
6.3 Decision-making on the dividends	0
6.4 Existence of mandatory clauses in the decisions for issuance of dividends	0
6.5 Registration of issued dividends	0
QUESTION	SCORE
<b>7 Extraordinary Transactions</b>	<b>0.4</b>
7.1 Proper handling of major transactions	0
7.2 Public disclosure	0
7.3 Disclosure of an annual report	0
7.4 Proper handling of transactions associated with conflict of interest	0
7.5 Public disclosure	0
7.6 Disclosure in annual report	0
7.7 Whether the authorized signatories are specified in the company charter	4.0
7.8 Whether the authorized signatories disclosed their related parties	0
7.9 Whether the authorized signatories and their related parties are publicly disclosed	0
QUESTION	SCORE
<b>8 Charter</b>	<b>1.6</b>
8.1 Approval of the charter	3.0
8.2 Approval of the amendments to the charter	0
8.3 Mandatory clauses of the charter	3.0
8.4 Public disclosure of the charter	0
8.5 Whether there is legal documentation on corporate governance matters	2.0
QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>0.25</b>
9.1 Whether there is a document on regulating the oversight structure	2.0
9.2 Whether an audit committee is in place	0
9.3 Committee membership	0
Activities of the committee	0
9.4 Reporting and assessment on the activities of the committee	0
9.5 Selection and appointment of an independent audit	0
9.6 Public disclosure of an independent audit report	0
9.7 Internal audit structure, its appointment and assessment	0

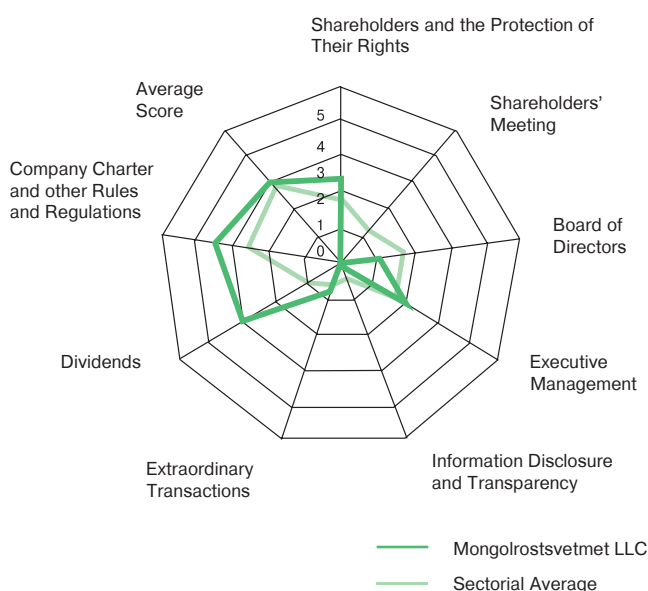
# MONGOLROSTSVETMET LLC

## SUMMARY

Established:	1973
Type:	State-owned LLC
Ownership ratio:	51:49 (Mong:Rus)
Total number of shares:	100

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	2.3	46	<div style="width: 46%;"></div>
2	Shareholders' Meeting	0	0	
3	Board of Directors	1.1	22	<div style="width: 22%;"></div>
4	Executive Management	2	40	<div style="width: 40%;"></div>
5	Disclosure and Transparency	0	0	
6	Significant Transactions	0.8	16	<div style="width: 16%;"></div>
7	Dividends	3	60	<div style="width: 60%;"></div>
8	Governance Related Rules and Regulations	3.5	70	<div style="width: 70%;"></div>
9	Oversight Structure	3	60	<div style="width: 60%;"></div>
Average score		1.7	34	<div style="width: 34%;"></div>



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	2.3
1.1 Registration of shareholders	0
1.2 Content of information collected from shareholders upon registration	0
1.3 Whether relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.4 Whether the dividends issued are booked as payables	5.0
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions concerning the shareholder meeting agenda	5.0
1.6 Issuance of dividends	0
1.7 Availability of company's financial information to the shareholders	0
1.8 Accessibility of timely information to shareholders on operations and major events within the company	0
1.9 Whether the percentage of shares held by the government is specified	0
1.10 Public disclosure on the rights of shareholders	3.0
1.11 Equal treatment of shareholders	2.0
1.12 Registration of authorized and issued shares	5.0
1.13 Registration of shareholders' equity	5.0
1.14 Registration of investments	5.0

QUESTION	SCORE
2. Shareholders' Meeting	0
2.1 Whether there is a specific procedure for the shareholders' meeting	0
2.2 Whether the procedure adequately reflects all the issues concerned	0
2.3 Whether the regular meeting of shareholders is held within the timeline specified by law	0
2.4 Whether the Board of Directors schedules the Shareholders' Meeting	0
2.5 Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	0
2.6 Whether the procedure for collecting votes adequately enables proper voting by shareholders	0
2.7 Whether the announcement of the shareholders' meeting is carried out in accordance with law	0
2.8 Whether there is a specific procedure for the vote counting committee	0
2.9 Whether the eligibility of the meeting participants is checked	0
2.10 Whether attendance of the meeting is counted for each agenda	0
2.11 Whether the vote counting committee issues directives on the recommendations delivered concerning the agenda	0
2.12 Whether the chairman and the vote counting committee prepares and delivers a consolidated report	0

2.13	Whether there is a specific procedure on delivering the meeting announcement	0
2.14	Shareholder's meeting decision-making	0
2.15	Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.16	Whether the requests of the shareholders to convene a meeting is accommodated	
2.17	Whether the authority to appoint representation of the government stake in the shareholders' meeting is clearly defined	0
2.18	Whether decisions are issued to appoint representation of the government stake in the shareholders' meeting	0
2.19	If so, whether there are guidelines for voting on each issue reflected in the agenda	0
2.20	Maintenance of the shareholder's meeting material	0

	QUESTION	SCORE
<b>3</b>	<b>Board of Directors</b>	<b>1.1</b>
3.1	Whether there is a nominating committee	0
3.2	Whether there is a specific procedure on the committee	0
3.3	Whether the activities of the committee are in accordance with relevant procedures	0
3.4	Whether the nomination of members of the Board of Directors is in compliance with relevant procedures	0
3.5	Appointment of the Board of Directors	3.0
3.6	Who recommended the independent director	0
3.7	Whether the independent director meets relevant requirements	0
3.8	Whether the number of independent directors are adequate	0
3.9	Whether the activities of the independent director comply with relevant laws	0
3.10	Whether the compensation for the independent director is different from other directors	0
3.11	Whether the government representative to the board receives specific guidance upon voting concerning the agenda	3.0
3.12	Correspondence between the company and the Board of Directors and delivery of company information	0
3.13	Duration of board membership	0
3.14	Distribution of responsibilities among Board of Directors	0
3.15	Assessment on the Board of Directors	0
3.16	Whether the compensation for the Board of Directors are tied to their performance	0
3.17	Whether the remuneration and compensation for the Board of Directors are disclosed publicly	0
3.18	Whether the Board of Directors have specific folders for their reference	0

3.19	Whether the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one person	5.0
3.20	Whether the Chief Executive Officer is a member of the Board of Directors	5.0
3.21	Whether the Chairman of the Board is a chairman of a committee	-
3.22	Whether the management of the subsidiary includes the management of a parent company	4.0
3.23	Whether the Board of Directors have sufficient time to perform their duties	2.0
3.24	Whether the mandatory committees are in place	0
3.25	Whether the membership to the committees are in accordance with relevant procedures	0
3.26	Whether there are specific procedures for each committee	0
3.27	Whether the activities of the committees are adequate	0
3.28	Whether the performance of the committees are assessed	0
3.29	Whether there are regular or ad-hoc committees for specific issues	0
3.30	Whether compensation is granted to committee members	0
3.31	Planning of meetings for the Board of Directors	0
3.32	Minute taking and decision-making	4.0
3.33	Public disclosure	0
3.34	Delivery of meeting announcements	4.0
3.35	Attendance of the meeting in-person or as an observer	3.0
3.36	Preparation of the meeting agenda	5.0
3.37	Meeting minutes and affirmation of the decisions	4.0
3.38	Whether there are clear guidelines on making decisions to convene a shareholders' meeting and approve the list for the agenda	0
3.39	Assessment of the activities of the Board of Directors	0
3.40	Reporting on the activities of the Board of Directors	0
3.41	Whether the activities of the Board of Directors are assessed	0
3.42	Whether the Board of Directors are covered by DO liability insurance	0
3.43	Whether the Board of Directors attend trainings	0
3.44	Maintenance and storage of corporate governance documents	4.0
3.45	Content of shareholders' meeting decisions	0
3.46	Content of decisions by Board of Directors	4.0
3.47	Engagement with stakeholders	2.0
3.48	Engagement with various committees	0
3.49	Engagement with oversight structure	3.0
3.50	Engagement with shareholders	4.0
3.51	Information transparency and accessibility	0
3.52	Engagement with other stakeholders	1.0

QUESTION	SCORE
<b>4 Executive Management</b>	<b>2.0</b>
4.1 Whether there is a specific procedure on the selection and appointment of executive management	3.0
4.2 Nomination	2.0
4.3 Whether there are specific requirements for the Chief Executive Officer that are in line with company operation	0
4.4 Conclusion of contracts	4.0
4.5 Appointment	3.0
4.6 Whether the performances of activities and contracts are assessed separately	5.0
4.7 Reporting of the performance on a quarterly and an annual basis	3.0
4.8 Whether the government has direct access to the Chief Executive Officer	0
4.9 Whether the activities of the Chief Executive Officer are assessed by any government body other than the Board of Directors	0
4.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0
QUESTION	SCORE
<b>5 Information transparency and disclosure</b>	<b>0</b>
5.1 Whether there is a document on information policy	0
5.2 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	0
5.3 Web maintenance of the corporate governance corner	0
5.4 Whether the major events of the company are disclosed publicly on a regular basis	0
5.5 Whether financial information is disclosed publicly	0
5.6 Whether financial information is disclosed through the corporate website on a regular basis	0
5.7 Whether procurement activities are disclosed publicly	0
5.8 Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
5.9 Whether the activities of the company and audited financial reports are published for public disclosure	0
QUESTION	SCORE
<b>6 Extraordinary Transactions</b>	<b>0.8</b>
6.1 Proper handling of major transactions	2.0
6.2 Public disclosure	0
6.3 Disclosure of an annual report	0

6.4 Whether there is a specific procedure on handling transactions associated with conflict of interest	0
6.5 Proper handling of transactions associated with conflict of interest	0
6.6 Public disclosure	0
6.7 Disclosure in annual report	0
6.8 Whether the authorized signatories are specified in the company charter	5.0
6.9 Whether the authorized signatories disclosed their related parties	0
6.10 Whether the authorized signatories and their related parties are publicly disclosed	0

QUESTION	SCORE
<b>7 Charter</b>	<b>3.5</b>
7.1 Approval of the charter	4.0
7.2 Approval of the amendments to the charter	4.0
7.3 Mandatory clauses of the charter	3.0
7.4 Public disclosure of the charter	0
7.5 Whether there is legal documentation on corporate governance matters	2.0
7.6 Whether there is documentation on accounting	4.0
7.7 Whether the primary accounting procedure is clear	4.0

QUESTION	SCORE
<b>8 Dividends</b>	<b>3.0</b>
8.1 Whether there is a document on dividend policy	5.0
8.2 Issuance of dividends	1.0
8.3 Decision-making on the dividends	2.0
8.4 Existence of mandatory clauses in the decisions for issuance of dividends	2.0
8.5 Bookkeeping of issued dividends	5.0

QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>3.0</b>
9.1 Whether there is a document on regulating the oversight structure	4.0
9.2 Whether the audit committee is in place	4.0
9.3 Committee membership	4.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	0
9.6 Selection and appointment of an independent audit	4.0
9.7 Public disclosure of an independent audit report	0
9.8 Internal audit structure, its appointment and assessment	4.0

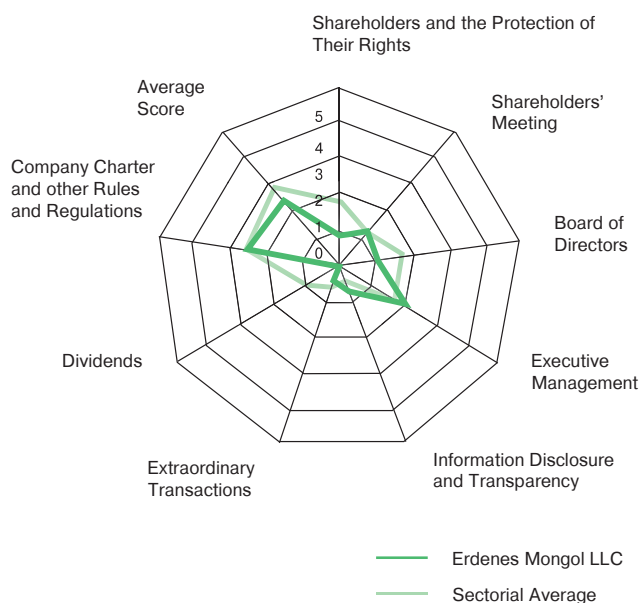
# ERDENES MONGOL LLC

## SUMMARY

Established:	2006
Ownership:	State-owned
Type:	LLC
Number of preferred shares:	Citizens of Mongolia

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	0.9	18	<div style="width: 18%;"></div>
2	Shareholders' Meeting	1.2	24	<div style="width: 24%;"></div>
3	Board of Directors	1.1	22	<div style="width: 22%;"></div>
4	Executive Management	2	40	<div style="width: 40%;"></div>
5	Disclosure and Transparency	0.7	14	<div style="width: 14%;"></div>
6	Extraordinary Transactions	0.4	8	<div style="width: 8%;"></div>
7	Dividends	0	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	2.6	52	<div style="width: 52%;"></div>
9	Oversight Structure	2.4	48	<div style="width: 48%;"></div>
Average scores		1.2	26	<div style="width: 26%;"></div>



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
<b>1 Shareholders and Protection of Their Rights</b>	<b>0.9</b>
1.1 Content of information collected from shareholders upon registration	2.0
1.2 Whether relevant information is fully obtained by shareholders during regular shareholders' meetings	0
1.3 Whether the shareholders are rendered with regular meeting announcement on a timely basis	1.0
1.4 Whether the shareholders are rendered with information sufficient enough for making decisions concerning the shareholder meeting agenda	4.0
1.5 Payment of dividends	0
1.6 Availability of the company's financial information to the shareholders	0
1.7 Accessibility of timely information to shareholders on operations and major events of the company	0
1.8 Whether the percentage of shares held by representation of government stake is specified	4.0
1.9 Public disclosure on the rights of shareholders	0
<b>2 Board of Directors</b>	<b>1.1</b>
2.1 Whether there is a nominating committee	4.0
2.2 Whether there is a specific procedure on the committee	3.0
2.3 Whether the activities of the committee are in accordance with relevant procedures	0
2.4 Whether the nomination of members of the Board of Directors is in compliance with relevant procedures	3.0

2.5 Appointment of the Board of Directors	3.0
2.6 Whether the government representative to the board receives specific guidance upon voting on the agenda	0
2.7 Correspondence between the company and the Board of Directors and delivery of company information	2.0
2.8 Duration of board membership	3.0
2.9 Distribution of responsibilities among the Board of Directors	0
2.10 Assessment of the Board of Directors	0
2.11 Whether compensation for the Board of Directors is tied to their performance	0
2.12 Whether remuneration and compensation for Board of Directors is disclosed publicly	0
2.13 Whether the Board of Directors have specific folders for their reference	0
2.14 Whether the positions of Chairman of Board of Directors and Chief Executive Officer are held by one person	5.0
2.15 Whether the Chief Executive Officer is a member of the Board of Directors	5.0
2.16 Whether the management of the subsidiary includes the management of a parent company	0
2.17 Whether the Chairman of the Board is a chairman of a committee	5.0
2.18 Whether the mandatory committees are in place	4.0
2.19 Whether membership to the committees is in accordance with relevant procedures	2.0



2.20	Whether there are specific procedures for each committee	3.0
2.21	Whether the activities of the committees are adequate	2.0
2.22	Whether the performance of the committees are assessed	0
2.23	Whether there are regular or ad-hoc committees for specific issues	0
2.24	Whether compensation is granted to committee members	0
2.25	Planning of meetings for the Board of Directors	0
2.26	Minute taking, decision-making and public disclosure	2.0
2.27	Delivery of meeting announcements	4.0
2.28	Attendance of the meeting in-person or as an observer	2.0
2.29	Quorum of a meeting and request for a meeting	2.0
2.30	Meeting minutes and affirmation of decisions made	0
2.31	Assessment of the activities of the Board of Directors	0
2.32	Reporting on the activities of the Board of Directors	0
2.33	Whether the activities of the Board of Directors are assessed	0
2.34	Whether the Board of Directors are covered by DO liability insurance	0
2.35	Whether the Board of Directors attend trainings	0
2.36	Maintenance and storage of corporate governance documents	3.0
2.37	Content of decisions made by the Board of Directors	2.0
2.38	Engagement with stakeholders	2.0
2.39	Engagement with various committees	2.0
2.40	Engagement with an oversight structure	0
2.41	Engagement with shareholders	3.0
2.42	Information transparency and accessibility	0
2.43	Engagement with other stakeholders	0
<b>QUESTION</b>		<b>SCORE</b>
<b>3.</b>	<b>Shareholders' Meeting</b>	<b>1.2</b>
3.1	Whether there is a specific procedure for the shareholders' meeting	2.0
3.2	Whether the procedure adequately reflects all the issues concerned	0
3.3	Whether the regular meeting of shareholders is held within the timeline specified by law	2.0
3.4	Whether the Board of Directors schedules the Shareholders' Meeting	4.0
3.5	Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	0
3.6	Whether the decisions of the shareholders' meeting is disclosed publicly	2.0

3.7	Whether the shareholders' meeting rights are in accordance with relevant procedures	3.0
3.8	Whether the representation of shareholders' meeting rights are distributed to the competent authorities	3.0
3.9	Maintenance of the shareholder's meeting material	3.0
<b>QUESTION</b>		<b>SCORE</b>
<b>4</b>	<b>Information Transparency and Disclosure</b>	<b>0.7</b>
4.1	Whether there is a document on information policy	0
4.2	Availability of shareholder registration, especially names and percentages of shares of major shareholders	2.0
4.3	Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	2.0
4.4	Web maintenance of the corporate governance corner	2.0
4.5	Whether the major events of the company are disclosed publicly on a regular basis	1.0
4.6	Whether financial information is disclosed publicly	0
4.7	Whether financial information is disclosed through the corporate website on regular basis	0
4.8	Whether procurement activities are disclosed publicly	0
4.9	Whether the remuneration and compensation for the Board of Directors and the Chief Executive Officer are reflected in the annual report	0
4.10	Whether the activities of the company and audited financial reports are published for public disclosure	0
<b>QUESTION</b>		<b>SCORE</b>
<b>5</b>	<b>Executive Management</b>	<b>2.0</b>
5.1	Whether there is a specific procedure on selection and appointment of executive management	2.0
5.2	Nomination	2.0
5.3	Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	0
5.4	Conclusion of contract	3.0
5.5	Appointment	3.0
5.6	Whether the performances of activities and contracts are assessed separately	2.0
5.7	Reporting of the performance on a quarterly and an annual basis	2.0
5.8	Whether the government has direct access to the Chief Executive Officer	2.0
5.9	Whether the activities of the Chief Executive Officer are assessed by any government body other than the Board of Directors	4.0
5.10	Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0



QUESTION	SCORE
<b>6 Extraordinary Transactions</b>	<b>0.4</b>
6.1 Proper handling of major transactions	0
6.2 Public disclosure	0
6.3 Disclosure in the annual report	0
6.4 Whether there is a specific procedure on handling transactions associated with conflict of interest	0
6.5 Public disclosure	0
6.6 Disclosure in annual report	0
6.7 Whether the authorized signatories are specified in the company charter	4.0
6.8 Whether the authorized signatories disclosed their related parties	0
6.9 Whether the authorized signatories and their related parties are publicly disclosed	0
QUESTION	SCORE
<b>7 Charter</b>	<b>2.6</b>
7.1 Approval of the charter	4.0
7.2 Approval of the amendments to the charter	3.0
7.3 Mandatory clauses of the charter	3.0
7.4 Public disclosure of the charter	0
7.5 Whether there is legal documentation on corporate governance matters	3.0

QUESTION	SCORE
<b>8 Dividends</b>	<b>0</b>
8.1 Whether there is a document on dividend policy	0
8.2 Payment of dividends	0
8.3 Decision-making on the dividends	0
QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>2.4</b>
9.1 Whether there is a document on regulating the oversight structure	3.0
9.2 Whether the audit committee is in place	5.0
9.3 Committee membership	4.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	0
9.6 Selection and appointment of an independent audit	0
9.7 Public disclosure of an independent audit report	0
9.8 Internal audit structure, its appointment and assessment	4.0

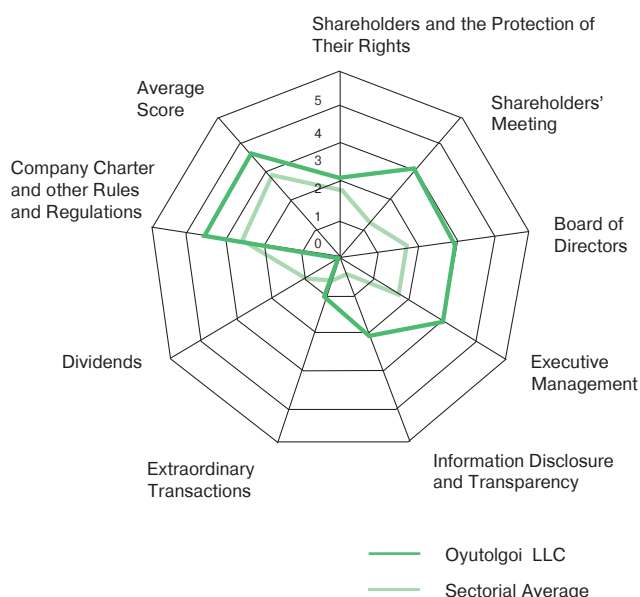
# OYUTOLGOI LLC

## SUMMARY

Established:	2006
Ownership:	State-owned
Type:	LLC
Total number of preferred shares:	Citizens of Mongolia

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
	Average scores	2.4	48	<div style="width: 48%;"></div>
1	Shareholders and Protection of Their Rights	2.2	44	<div style="width: 44%;"></div>
2	Shareholders' Meeting	2.9	58	<div style="width: 58%;"></div>
3	Board of Directors	3.1	62	<div style="width: 62%;"></div>
4	Executive Management	3	66	<div style="width: 66%;"></div>
5	Disclosure and Transparency	2.1	42	<div style="width: 42%;"></div>
6	Extraordinary Transactions	1	20	<div style="width: 20%;"></div>
7	Dividends	0	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	3.6	72	<div style="width: 72%;"></div>
9	Oversight Structure	3.6	72	<div style="width: 72%;"></div>



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	2.2
1.1 Registration of shareholders	5.0
1.2 Content of information collected from shareholders upon registration	5.0
1.3 Whether relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.4 Whether the shareholders' meeting announcement is rendered to shareholders on a timely basis	5.0
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions concerning the shareholder meeting agenda	5.0
1.6 Payment of dividends	0
1.7 Possibility to nominate a Board member from shareholders	5.0
1.8 Availability of the company's financial information to the shareholders	0
1.9 Accessibility of timely information to shareholders on operations and major events of the company	0
1.10 Whether the percentage of shares held by the government is specified	2.0
1.11 Public disclosure on the rights of shareholders	0
1.12 Whether there is a specific policy to protect minor shareholders' rights	0
1.13 Registration of authorized and issued shares	5.0

QUESTION	SCORE
2. Shareholders' Meeting	2.9
2.1 Whether there is a specific procedure for the shareholders' meeting	5.0
2.2 Whether the procedure adequately reflects all the issues concerned	3.0
2.3 Whether the regular meeting of shareholders are held within the timeline specified by law	5.0
2.4 Whether the Board of Directors schedules the Shareholders' Meeting	2.0
2.5 Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law	1.0
2.6 Whether the eligibility of the meeting participants are checked	4.0
2.7 Whether attendance at the meeting is counted for each agenda	3.0
2.8 Whether there is a consolidated report on the shareholders' meeting	3.0
2.9 Whether there is a specific procedure on delivering the meeting announcement	3.0
2.10 Shareholder's meeting decision-making	5.0
2.11 Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.12 Whether the requests of the shareholders to convene a meeting is accommodated	4.0
2.13 Whether the authorities of government representation is distributed to competent government authority	1.0
2.14 Maintenance of the shareholder's meeting material	5.0

QUESTION	SCORE
3 Board of Directors	3.1
3.1 Whether the nomination of members to the Board of Directors complies with relevant procedures	3.0
3.2 Appointment of a Board of Directors	5.0
3.3 Whether the government representative to the board receives specific guidance upon voting on the agenda	3.0
3.4 Correspondence between the company and Board of Directors and delivery of company information	5.0
3.5 Duration of board membership	0
3.6 Distribution of responsibilities among the Board of Directors	0
3.7 Assessment of the Board of Directors	0
3.8 Whether the compensation for Board of Directors is tied to their performance	3.0
3.9 Whether remuneration and compensation for the Board of Directors is disclosed publicly	0
3.10 Whether the Board of Directors have specific folders for their reference	5.0
3.11 Whether the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by one person	5.0
3.12 Whether the Chief Executive Officer is a member of the Board of Directors	2.0
3.13 Whether the Chairman of the Board is a chairman of a committee	5.0
3.14 Distribution of responsibilities among the Board of Directors	5.0
3.15 Evaluation of performance of the Board of Directors	0
3.16 Whether remuneration for the Board of Directors is based on their performance	0
3.17 Whether remuneration and compensation for the Board of Directors is transparent	0
3.18 Whether the Board of Directors have specific folders for their reference	5.0
3.19 Whether the positions of the Chairman of the Board of Directors and the Chief Executive Officer are held by same person	5.0
3.20 Whether the Chief Executive Officer is a member of the Board of Directors	5.0
3.21 Whether the management of the subsidiary includes the management of a parent company	4.0
3.22 Whether the Board of Directors have sufficient time to perform their duties	2.0
3.23 Whether the mandatory committees are in place	3.0
3.24 Whether there are specific procedures for each committee	5.0
3.25 Whether the activities of the committees are adequate	4.0
3.26 Whether the performance of the committees are assessed	0
3.27 Whether there are regular or ad-hoc committees for specific issues	0

3.28 Whether compensation is granted to committee members	0
3.29 Planning of meetings for the Board of Directors	5.0
3.30 Public disclosure	0
3.31 Delivery of meeting announcements	5.0
3.32 Attendance of the meetings in-person or as an observer	5.0
3.33 Preparation of the meeting agenda	5.0
3.34 Meeting minutes and affirmation of decisions made	5.0
3.35 Whether there are clear guidelines on making decisions to convene a shareholders' meeting and approving the list for the agenda	5.0
3.36 Assessment on the activities of the Board of Directors	0
3.37 Reporting on the activities of the Board of Directors	0
3.38 Whether the activities of the Board of Directors are assessed	0
3.39 Whether the Board of Directors are covered by DO liability insurance	4.0
3.40 Whether the Board of Directors attend trainings	5.0
3.41 Maintenance and storage of corporate governance documents	5.0
3.42 Content of shareholders' meeting decisions	5.0
3.43 Content of decisions by Board of Directors	5.0
3.44 Engagement with stakeholders	5.0
3.45 Engagement with various committees	5.0
3.46 Engagement with an oversight structure	5.0
3.47 Engagement with shareholders	5.0
3.48 Information transparency and accessibility	0
3.49 Engagement with other stakeholders	5.0

QUESTION	SCORE
4 Executive Management	3.0
4.1 Whether there is a specific procedure on the selection and appointment of executive management	4.0
4.2 Nomination	5.0
4.3 Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	4.0
4.4 Conclusion of contracts	4.0
4.5 Appointment	5.0
4.6 Whether the performances of activities and contracts are assessed separately	0
4.7 Reporting of the performance on a quarterly and an annual basis	5.0
4.8 Whether the government has direct access to the Chief Executive Officer	3.0
4.9 Whether the activities of the Chief Executive Officer is assessed by any government body other than the Board of Directors	5.0
4.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0

QUESTION	SCORE
5 Information transparency and openness	2.1
5.1 Whether there is a document on information policy	4.0
5.2 Availability of shareholder registration, especially name and percentage of shareholding on major shareholders	4.0
5.3 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	2.0
5.4 Web maintenance of the corporate governance corner	4.0
5.5 Whether the major events of the company is disclosed publicly on regular basis	2.0
5.6 Whether the financial information is disclosed publicly	0
5.7 Whether the financial information is disclosed through the corporate website on regular basis	0
5.8 Whether the procurement activities are disclosed publicly	4.0
5.9 Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
5.10 Whether the activities of the company and audited financial report is published for public disclosure	0
QUESTION	SCORE
6 Extraordinary Transactions	1.0
6.1 Proper handling of major transactions	4.0
6.2 Public disclosure	0
6.3 Disclosure in annual report	0
6.4 Whether there is a specific procedure on handling transactions with conflict of interest	1.0
6.5 Proper handling of transactions with conflict of interest	0
6.6 Public disclosure	0
6.7 Disclosure in annual report	0
6.8 Whether the authorized signatories disclosed their related parties	4.0
6.9 Whether the authorized signatories and their related parties are publicly disclosed	1.0

QUESTION	SCORE
7 Charter	3.6
7.1 Approval of the charter	5.0
7.2 Approval of the amendments to the charter	5.0
7.3 Mandatory clauses of the charter	5.0
7.4 Public disclosure of the charter	0
7.5 Whether there are legal documentation on corporate governance matters	3.0
QUESTION	SCORE
8 Dividend	0
8.1 Whether there is a document on dividend policy	0
8.2 Issuance of dividends	0
8.3 Decision-making on the dividends	0
8.4 Existence of mandatory clauses in the decisions for issuance of dividends	0
8.5 Bookkeeping of issued dividends	0
QUESTION	SCORE
9 Oversight Structure	3.6
9.1 Whether there is a document on regulating the oversight structure	5.0
9.2 Whether the audit committee is in place	5.0
9.3 Committee membership	4.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	4.0
9.6 Selection and appointment of independent audit	4.0
9.7 Public disclosure of independent audit report	0
9.8 Internal audit structure, its appointment and assessment	4.0

# ERDENES TAVAN TOLGOI JSC

## SUMMARY

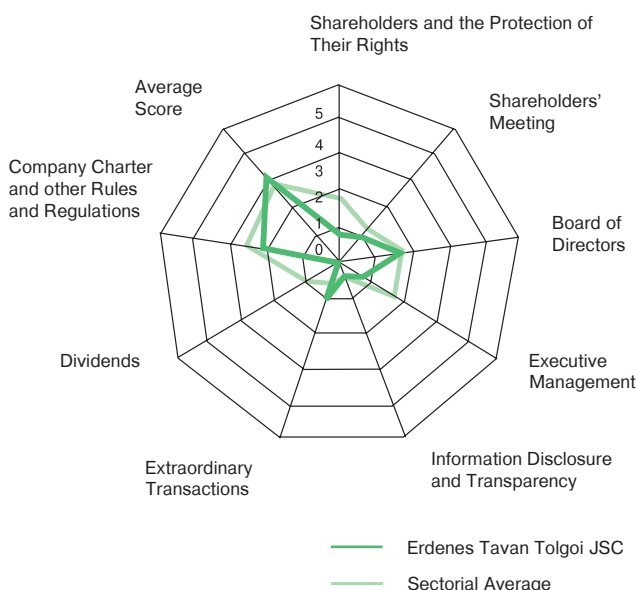
Established:	2010
Type:	JSC with majority of state ownership
Ownership ratio:	80:20 (state: private)

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	0.8	16	<div style="width: 16%;"></div>
2	Shareholders' Meeting	1.0	20	<div style="width: 20%;"></div>
3	Board of Directors	1.7	34	<div style="width: 34%;"></div>
4	Executive Management	0.8	16	<div style="width: 16%;"></div>
5	Disclosure and Transparency	0.3	6	<div style="width: 6%;"></div>
6	Extraordinary Transactions	1.0	20	<div style="width: 20%;"></div>
7	Dividends	0	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	2.1	42	<div style="width: 42%;"></div>
9	Oversight Structure	3.1	62	<div style="width: 62%;"></div>
Average scores		1.2	24	<div style="width: 24%;"></div>

## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	0.8
1.1 Registration of shareholders	2.0
1.2 Content of information collected from shareholders upon registration	4.0
1.3 Registration of preferred shareholders	0
1.4 Whether the relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.5 Whether the regular meeting announcement is rendered to shareholders on timely basis	2.0
1.6 Whether the shareholders are rendered with information sufficient enough for making decisions on the shareholder meeting agenda	2.0
1.7 Issuance of dividends	0
1.8 Possibility to nominate a Board member from shareholders	2.0
1.9 Availability of company's financial information to the shareholders	0
1.10 Accessibility of timely information to shareholders on operation and major events of the company	0
1.11 Whether the percentage of shares held by representation of government stake is specified	0
1.12 Public disclosure on the rights of shareholders	0
1.13 Whether there is a specific policy to protect minor shareholders	0
1.14 Booking of issued and offered shares	1.0
1.15 Booking of owner's equity	0
1.16 Whether the minor shareholders' share registration is in accordance with laws	0



QUESTION	SCORE
2. Shareholders' Meeting	1.0
2.1 Whether there is a specific procedure for the shareholders' meeting	0
2.2 Whether the procedure adequately reflects all the issues concerned	0
2.3 Whether the regular meeting of shareholders are held within the timeline specified by law	2.0
2.4 Whether the Board of Directors schedule the Shareholders' Meeting	2.0
2.5 Whether the Board of Directors schedule the Shareholders' Meeting within the timeframe specified by law	3.0
2.6 Whether the ballot for collecting votes adequately enables proper voting by shareholders	0
2.7 Whether the announcement of shareholders meeting is carried out in accordance with law	1.0
2.8 Whether there is a specific procedure for vote counting committee	0
2.9 Whether the eligibility of the meeting participants are checked	1.0
2.10 Whether attendance to the meeting is counted for each agenda	0
2.11 Whether the vote counting committee issues directive on the recommendations delivered on the agenda	0
2.12 Whether the chairman and the vote counting committee prepares and delivers a consolidated report	0
2.13 Whether there is a specific procedure on delivering the meeting announcement	0
2.14 Shareholder's meeting decision-making	3.0

2.15	Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.16	Whether the requests of the shareholders to convene a meeting is accommodated	2.0
2.17	Whether the authority to appoint representation of government stake in the shareholders' meeting is clearly defined	0
2.18	Whether decisions are issued to appoint representation of government stake in the shareholders' meeting. If so, whether there is a guideline for voting on each issue reflected in the agenda	3.0
2.19	Maintenance of the shareholder's meeting material	2.0

	QUESTION	SCORE
<b>3</b>	<b>Board of Directors</b>	<b>1.7</b>
3.1	Whether there is a nominating committee	4.0
3.2	Whether there is a specific procedure on the committee	4.0
3.3	Whether the activities of the committee are in accordance with relevant procedures	0
3.4	Whether the nomination of members of Board of Directors is in compliance with relevant procedures	0
3.5	Appointment of Board of Directors	2.0
3.6	Who recommended the independent director	0
3.7	Whether the independent director meets relevant requirements	3.0
3.8	Whether the number of independent directors are adequate	4.0
3.9	Whether the activities of independent director is compliant with relevant laws	2.0
3.10	Whether the compensation for the independent director is different from other directors	0
3.11	Whether the government representative to the board receives specific guidance upon voting on the agenda	1.0
3.12	Correspondence between the company and Board of Directors and delivery of company information	0
3.13	Duration of board membership	4.0
3.14	Distribution of responsibilities among Board of Directors	0
3.15	Assessment on the Board of Directors	0
3.16	Whether the compensation for Board of Directors are tied to their performance	0
3.17	Whether the remuneration and compensation for Board of Directors are disclosed publicly	0
3.18	Whether the Board of Directors have specific folders for their reference	0

3.19	Whether the positions of Chairman of Board of Directors and Chief Executive Officer are held by one person	5.0
3.20	Whether the Chief Executive Officer is a member of Board of Directors	5.0
3.21	Whether the Chairman of the Board is a chairman of a committee	5.0
3.22	Whether the Board of Directors have sufficient time to perform their duties	2.0
3.23	Whether the mandatory committees are in place	5.0
3.24	Whether the membership to the committees are in accordance with relevant procedures	5.0
3.25	Whether there are specific procedures for each committee	3.0
3.26	Whether the activities of the committees are adequate	2.0
3.27	Whether the performance of the committees are assessed	0
3.28	Whether there are regular or ad-hoc committees for specific issues	0
3.29	Whether compensation is granted to committee members	0
3.30	Planning of meeting for Board of Directors	0
3.31	Minute taking , decision-making and public disclosure	2.0
3.32	Delivery of meeting announcement	3.0
3.33	Attendance to the meeting in-person or as an observer	2.0
3.34	Quorum of a meeting and request for a meeting	3.0
3.35	Meeting minute and affirmation of the decisions	2.0
3.36	Assessment on the activities of Board of Directors	0
3.37	Reporting on the activities of Board of Directors	0
3.38	Whether the activities of the Board of Directors are assessed	0
3.39	Whether the Board of Directors are covered by DO liability insurance	0
3.40	Whether the Board of Directors attend trainings	5.0
3.41	Maintenance and storage of corporate governance documents	3.0
3.42	Content and syntax of shareholders' and Board meeting decisions	3.0
3.43	Engagement with stakeholders	3.0
3.44	Engagement with various committees	4.0
3.45	Engagement with oversight structure	2.0
3.46	Engagement with shareholders	2.0
3.47	Information transparency and accessibility	0
3.48	Engagement with other stakeholders	0

QUESTION	SCORE
<b>4 Executive Management</b>	<b>0.8</b>
4.1 Whether there is a specific procedure on selection and appointment of executive management	0
4.2 Nomination	0
4.3 Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	1.0
4.4 Conclusion of contract	4.0
4.5 Appointment	3.0
4.6 Whether the performances of activities and contracts are assessed separately	0
4.7 Reporting of the performance on quarterly and annual basis	0
4.8 Whether the government has direct access to the Chief Executive Officer	0
4.9 Whether the activities of the Chief Executive Officer is assessed by any government body other than the Board of Directors	0
4.10 Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0
QUESTION	SCORE
<b>5 Information Transparency and Openness</b>	<b>0.3</b>
5.1 Whether there is a document on information policy	0
5.2 Availability of shareholder registration, especially name and percentage of shareholding on major shareholders	2.0
5.3 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	1.0
5.4 Web maintenance of the corporate governance corner	0
5.5 Whether the major events of the company is disclosed publicly on regular basis	0
5.6 Whether the financial information is disclosed publicly	0
5.7 Whether the financial information is disclosed through the corporate website on regular basis	0
5.8 Whether the procurement activities are disclosed publicly	0
5.9 Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
5.10 Whether the activities of the company and audited financial report is published for public disclosure	0
QUESTION	SCORE
<b>6 Extraordinary Transactions</b>	<b>1.0</b>
6.1 Proper handling of major transactions	4.0
6.2 Public disclosure	0
6.3 Disclosure in annual report	0
6.4 Whether there is a specific procedure on handling transactions with conflict of interest	0
6.5 Public disclosure	0

6.6 Disclosure in annual report	0
6.7 Whether the authorized signatories are specified in the company charter	4.0
6.8 Whether the authorized signatories disclosed their related parties	0
6.9 Whether the authorized signatories and their related parties are publicly disclosed	0

QUESTION	SCORE
<b>7 Charter</b>	<b>2.1</b>
7.1 Approval of the charter	4.0
7.2 Approval of the amendments to the charter	-
7.3 Mandatory clauses of the charter	3.0
7.4 Public disclosure of the charter	0
7.5 Whether there are legal documentation on corporate governance matters	3.0
7.6 Whether there are documentation on accounting	3.0

QUESTION	SCORE
<b>8 Dividends</b>	<b>0</b>
8.1 Whether there is a document on dividend policy	0
8.2 Issuance of dividends	0
8.3 Decision-making on the dividends	0
8.4 Existence of mandatory clauses in the decisions for issuance of dividends	0
8.5 Bookkeeping of issued dividends	-

QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>3.1</b>
9.1 Whether there is a document on regulating the oversight structure	3.0
9.2 Whether the audit committee is in place	4.0
9.3 Committee membership	5.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	0
9.6 Selection and appointment of independent audit	4.0
9.7 Public disclosure of independent audit report	1.0
9.8 Internal audit structure, its appointment and assessment	3.0

# SHIVEE-OVOO JSC

## SUMMARY

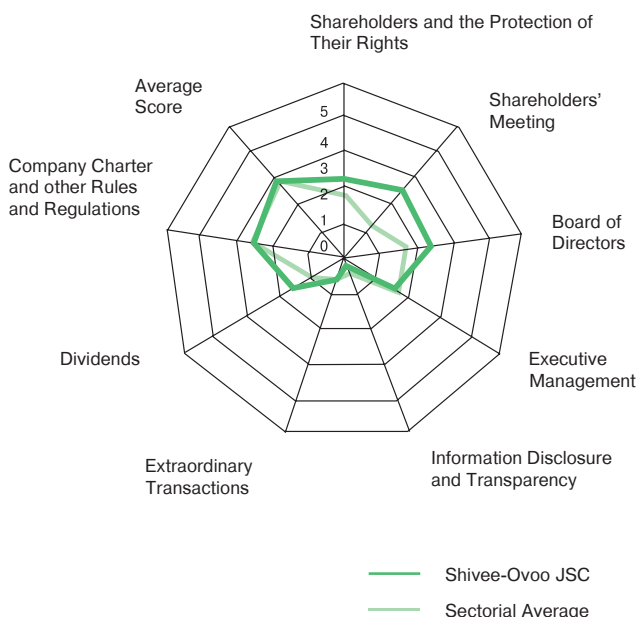
Established:	1989
Capacity:	1 million tons of coal mining
Ownership ratio:	90:10 (state:private)
Type:	Listed JSC with majority of state ownership
Nominal price of a share:	100₮

## GOVERNANCE ASSESSMENT

№	INDICATORS	EVALUATION		
		SCORE	%	
	Compiled score	1.8	36	<div style="width: 36%;"></div>
1	Shareholders and Protection of Their Rights	2.2	44	<div style="width: 44%;"></div>
2	Shareholders' Meeting	2.4	48	<div style="width: 48%;"></div>
3	Board of Directors	2.4	48	<div style="width: 48%;"></div>
4	Executive Management	1.6	32	<div style="width: 32%;"></div>
5	Disclosure and Transparency	0.2	4	<div style="width: 4%;"></div>
6	Extraordinary Transactions	0.5	10	<div style="width: 10%;"></div>
7	Dividends	1.6	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	2.6	52	<div style="width: 52%;"></div>
9	Oversight Structure	2.9	58	<div style="width: 58%;"></div>

## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTIONS	SCORE
1 Shareholders and Protection of Their Rights	2.1
1.1 Registration of shareholders	0
1.2 Content of information collected from shareholders upon registration	0
1.3 Whether the relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.4 Whether the dividends issued are booked as payables	5.0
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions on the shareholder meeting agenda	5.0
1.6 Issuance of dividends	0
1.7 Availability of company's financial information to the shareholders	0
1.8 Accessibility of timely information to shareholders on operation and major events of the company	0
1.9 Whether the percentage of shares held by representation of government stake is specified	0
1.10 Public disclosure on the rights of shareholders	3.0
1.11 Equal treatment of shareholders	2.0
1.12 Booking of issued and offered shares	5.0
1.13 Booking of owner's equity	5.0
1.14 Booking of other equity	5.0



QUESTION	SCORE
2 Board of Directors	2.4
2.1 Whether there is a nominating committee	4.0
2.2 Whether there is a specific procedure on the committee	0
2.3 Whether the activities of the committee are in accordance with relevant procedures	3.0
2.4 Whether the nomination of members of Board of Directors is in compliance with relevant procedures	2.0
2.5 Appointment of Board of Directors	3.0
2.6 Who recommended the independent director	4.0
2.7 Whether the independent director meets relevant requirements	4.0
2.8 Whether the number of independent directors are adequate	3.0
2.9 Whether the activities of independent director is compliant with relevant laws	2.0
2.10 Whether the compensation for the independent director is different from other directors	0
2.11 Whether the government representative to the board receives specific guidance upon voting on the agenda	4.0
2.12 Correspondence between the company and Board of Directors and delivery of company information	0
2.13 Duration of board membership	4.0
2.14 Distribution of responsibilities among Board of Directors	0



2.15	Assessment on the Board of Directors	0
2.16	Whether the compensation for Board of Directors are tied to their performance	2.0
2.17	Whether the remuneration and compensation for Board of Directors are disclosed publicly	0
2.18	Whether the Board of Directors have specific folders for their reference	0
2.19	Whether the positions of Chairman of Board of Directors and Chief Executive Officer are held by one person	5.0
2.20	Whether the Chief Executive Officer is a member of Board of Directors	5.0
2.21	Whether the Chairman of the Board is a chairman of committee	5.0
2.22	Whether the management of the subsidiary includes the management of parent company	2.0
2.23	Whether the mandatory committees are in place	5.0
2.24	Whether the membership to the committees are in accordance with relevant procedures	5.0
2.25	Whether there are specific procedures for each committee	0
2.26	Whether the activities of the committees are adequate	3.0
2.27	Whether the performance of the committees are assessed	0
2.28	Whether there are regular or ad-hoc committees for specific issues	2.0
2.29	Whether compensation is granted to committee members	0
2.30	Planning of meeting for Board of Directors	5.0
2.31	Minute taking, decision-making and public disclosure	3.0
2.32	Delivery of meeting announcement	4.0
2.33	Attendance to the meeting in-person or as an observer	3.0
2.34	Quorum of a meeting and request for a meeting	3.0
2.35	Meeting minute and affirmation of the decisions	2.0
2.36	Assessment on the activities of Board of Directors	0
2.37	Reporting on the activities of Board of Directors	4.0
2.38	Whether the activities of the Board of Directors are assessed	4.0
2.39	Whether the Board of Directors are covered by DO liability insurance	0
2.40	Whether the Board of Directors attend trainings	5.0
2.41	Maintenance and storage of corporate governance documents	4.0
2.42	Content and syntax of decisions by Board of Directors and shareholders	4.0
2.43	Engagement with stakeholders	2.0
2.44	Engagement with various committees	0
2.45	Engagement with oversight structure	2.0
2.46	Engagement with shareholders	3.0
2.47	Information transparency and accessibility	0
2.48	Engagement with other stakeholders	2.0

	QUESTION	SCORE
<b>3.</b>	<b>Shareholders' Meeting</b>	<b>2.4</b>
3.1	Whether there is a specific procedure for the shareholders' meeting	5.0
3.2	Whether the procedure adequately reflects all the issues concerned	2.0
3.3	Whether the regular meeting of shareholders are held within the timeline specified by law	5.0
3.4	Whether the Board of Directors schedule the Shareholders' Meeting	4.0
3.5	Whether the Board of Directors schedule the Shareholders' Meeting within the timeframe specified by law	3.0
3.6	Whether the ballot for collecting votes adequately enables proper voting by shareholders	3.0
3.7	Whether the announcement of shareholders meeting is carried out in accordance with law	4.0
3.8	Whether there is a specific procedure for vote counting committee	0
3.9	Whether the eligibility of the meeting participants are checked	3.0
3.10	Whether attendance to the meeting is counted for each agenda	2.0
3.11	Whether the vote counting committee issues directive on the recommendations delivered on the agenda	4.0
3.12	Whether the chairman and the vote counting committee prepares and delivers a consolidated report	0
3.13	Whether there is a specific procedure on delivering the meeting announcement	0
3.14	Shareholder's meeting decision-making	4.0
3.15	Whether the decisions of the shareholders' meeting is disclosed publicly	0
3.16	Whether the requests of the shareholders to convene a meeting is accommodated	2.0
3.17	Whether the authority to appoint representation of government stake in the shareholders' meeting is clearly defined	1.0
3.18	Whether decisions are issued to appoint representation of government stake in the shareholders' meeting	0
3.19	If so, whether there is a guideline for voting on each issue reflected in the agenda	
3.20	Maintenance of the shareholder's meeting material	4.0
	QUESTION	SCORE
<b>4</b>	<b>Executive Management</b>	<b>1.6</b>
4.1	Whether there is a specific procedure on selection and appointment of executive management	2.0
4.2	Nomination	0
4.3	Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	0
4.4	Conclusion of contract	4.0
4.5	Appointment	2.0

4.6	Whether the performances of activities and contracts are assessed separately	4.0
4.7	Reporting of the performance on quarterly and annual basis	4.0
4.8	Whether the government has direct access to the Chief Executive Officer	0
4.9	Whether the activities of the Chief Executive Officer is assessed by any government body other than the Board of Directors	0
4.10	Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0

QUESTION	SCORE
<b>5 Information Transparency and Openness</b>	<b>0.2</b>
5.1 Whether there is a document on information policy	0
5.2 Availability of shareholder registration, especially name and percentage of shareholding on major shareholders	2.0
5.3 Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	0
5.4 Web maintenance of the corporate governance corner	0
5.5 Whether the major events of the company is disclosed publicly on regular basis	0
5.6 Whether the financial information is disclosed publicly	0
5.7 Whether the financial information is disclosed through the corporate website on regular basis	0
5.8 Whether the procurement activities are disclosed publicly	0
5.9 Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
5.10 Whether the activities of the company and audited financial report is published for public disclosure	0

QUESTION	SCORE
<b>6 Extraordinary Transactions</b>	<b>0.5</b>
6.1 Proper handling of major transactions	1.0
6.2 Public disclosure	0
6.3 Disclosure in annual report	0
6.4 Whether there is a specific procedure on handling transactions with conflict of interest	0
6.5 Public disclosure	0
6.6 Disclosure in annual report	0
6.7 Whether the authorized signatories are specified in the company charter	4.0
6.8 Whether the authorized signatories disclosed their related parties	0
6.9 Whether the authorized signatories and their related parties are publicly disclosed	0

QUESTION	SCORE
<b>7 Charter</b>	<b>2.6</b>
7.1 Approval of the charter	4.0
7.2 Approval of the amendments to the charter	4.0
7.3 Mandatory clauses of the charter	4.0
7.4 Public disclosure of the charter	0
7.5 Whether there are legal documentation on corporate governance matters	2.0
7.6 Whether there are documentation on accounting	2.0

QUESTION	SCORE
<b>8 Dividends</b>	<b>1.6</b>
8.1 Whether there is a document on dividend policy	1.0
8.2 Issuance of dividends	0
8.3 Decision-making on the dividends	4.0
8.4 Existence of mandatory clauses in the decisions for issuance of dividends	3.0

QUESTION	SCORE
<b>9 Oversight Structure</b>	<b>2.9</b>
9.1 Whether there is a document on regulating the oversight structure	2.0
9.2 Whether the audit committee is in place	4.0
9.3 Committee membership	5.0
9.4 Activities of the committee	4.0
9.5 Reporting and assessment on the activities of the committee	2.0
9.6 Selection and appointment of independent audit	2.0
9.7 Public disclosure of independent audit report	0
9.8 Internal audit structure, its appointment and assessment	4.0

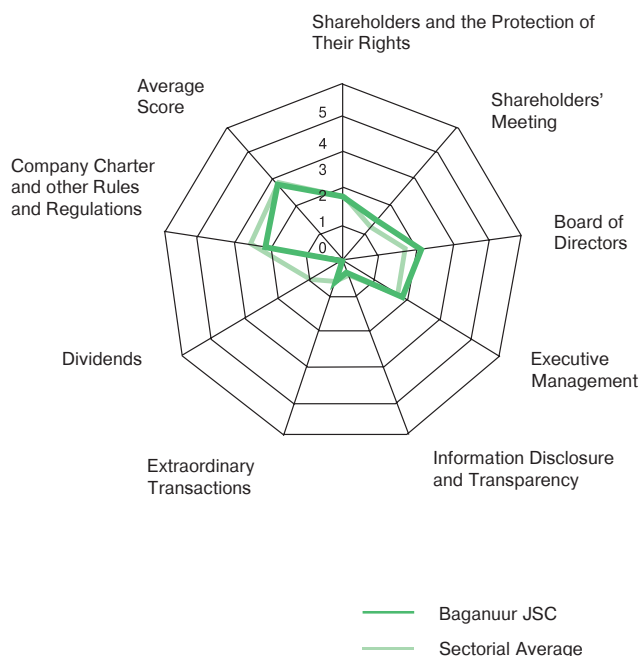
# BAGANUUR JSC

## SUMMARY

Established:	1978
Capacity:	4 million tons of coal mining
Ownership ratio:	90:10 (state: private)
Type:	Listed JSC with majority of state ownership
Nominal price of a share:	100F

## GOVERNANCE ASSESSMENT

No	INDICATORS	EVALUATION		
		SCORE	%	
1	Shareholders and Protection of Their Rights	1.8	36	<div style="width: 36%;"></div>
2	Shareholders' Meeting	1.5	30	<div style="width: 30%;"></div>
3	Board of Directors	2.1	42	<div style="width: 42%;"></div>
4	Executive Management	1.9	38	<div style="width: 38%;"></div>
5	Disclosure and Transparency	0.3	6	<div style="width: 6%;"></div>
6	Extraordinary Transactions	0.6	10	<div style="width: 10%;"></div>
7	Dividends	0	0	<div style="width: 0%;"></div>
8	Governance Related Rules and Regulations	2.2	44	<div style="width: 44%;"></div>
9	Oversight Structure	2.8	56	<div style="width: 56%;"></div>
Compiled score		1.5	30	<div style="width: 30%;"></div>



## GOVERNANCE ASSESSMENT /BY EACH CATEGORY OF QUESTIONNAIRES/

QUESTION	SCORE
1 Shareholders and Protection of Their Rights	1.8
1.1 Registration of shareholders	5.0
1.2 Content of information collected from shareholders upon registration	5.0
1.3 Whether the relevant information is fully obtained by shareholders during the regular meeting of shareholders	0
1.4 Whether the regular meeting announcement is rendered to shareholders on timely basis	2.0
1.5 Whether the shareholders are rendered with information sufficient enough for making decisions on the shareholder meeting agenda	3.0
1.6 Issuance of dividends	0
1.7 Possibility to request for a shareholders' meeting from a shareholder	2.0
1.8 Possibility to nominate a Board member from the shareholders	3.0
1.9 Availability of company's financial information to the shareholders	0
1.10 Accessibility of timely information to shareholders on operation and major events of the company	0
1.11 Whether the percentage of shares held by representation of government stake is specified	0

QUESTION	SCORE
2 Shareholders' Meeting	1.5
2.1 Whether there is a specific procedure for the shareholders' meeting	3.0
2.2 Whether the procedure adequately reflects all the issues concerned	2.0
2.3 Whether the regular meeting of shareholders are held within the timeframe specified by law	4.0
2.4 Whether the Board of Directors schedule the Shareholders' Meeting	4.0
2.5 Whether the Board of Directors schedule the Shareholders' Meeting within the timeframe specified by law	2.0
2.6 Whether the ballot for collecting votes adequately enables proper voting by shareholders	1.0
2.7 Whether the announcement of shareholders meeting is carried out in accordance with law	0
2.8 Whether there is a specific procedure for vote counting committee	0
2.9 Whether the eligibility of the meeting participants are checked	4.0
2.10 Whether attendance to the meeting is counted for each agenda	0
2.11 Whether the vote counting committee issues directive on the recommendations delivered on the agenda	1.0

2.12	Whether the chairman and the vote counting committee prepares and delivers a consolidated report	0
2.13	Whether there is a specific procedure on delivering the meeting announcement	0
2.14	Shareholder's meeting decision-making	3.0
2.15	Whether the decisions of the shareholders' meeting is disclosed publicly	0
2.16	Whether the requests of the shareholders to convene a meeting is accommodated	3.0
2.17	Maintenance of the shareholder's meeting material	0
2.18	Whether the implementation of shareholders' meeting decisions is reported	0

	QUESTION	SCORE
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<b>3</b>	<b>Information Transparency and Openness</b>	<b>0.3</b>
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3.1	Whether there is a document on information policy	0
3.2	Availability of shareholder registration, especially name and percentage of shareholding on major shareholders	0
3.3	Whether there is a specific corner dedicated to corporate governance on the corporate website of the company	1.0
3.4	Web maintenance of the corporate governance corner	1.0
3.5	Whether the major events of the company is disclosed publicly on regular basis	1.0
3.6	Whether the financial information is disclosed publicly	0
3.7	Whether the financial information is disclosed through the corporate website on regular basis	0
3.8	Whether the procurement activities are disclosed publicly	0
3.9	Whether the remuneration and compensation for the Board of Directors and Chief Executive Officer are reflected in the annual report	0
3.10	Whether the activities of the company and audited financial report is published for public disclosure	0

	QUESTION	SCORE
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<b>4</b>	<b>Board of Directors</b>	<b>2.1</b>
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4.1	Whether there is a nominating committee	4.0
4.2	Whether there is a specific procedure on the committee	0
4.3	Whether the activities of the committee are in accordance with relevant procedures	2.0
4.4	Whether the nomination of members of Board of Directors is in compliance with relevant procedures	2.0
4.5	Appointment of Board of Directors	2.0
4.6	Who recommended the independent director	4.0
4.7	Whether the independent director meets relevant requirements	4.0

4.8	Whether the number of independent directors are adequate	4.0
4.9	Whether the activities of independent director is compliant with relevant laws	0
4.10	Whether the compensation for the independent director is different from other directors	0
4.11	Whether the government representative to the board receives specific guidance upon voting on the agenda	4.0
4.12	Correspondence between the company and Board of Directors and delivery of company information	0
4.13	Duration of board membership	1.0
4.14	Distribution of responsibilities among Board of Directors	0
4.15	Assessment on the Board of Directors	0
4.16	Whether the compensation for Board of Directors are tied to their performance	4.0
4.17	Whether the remuneration and compensation for Board of Directors are disclosed publicly	0
4.18	Whether the Board of Directors have specific folders for their reference	0
4.19	Whether the positions of Chairman of Board of Directors and Chief Executive Officer are held by one person	5.0
4.20	Whether the Chief Executive Officer is a member of Board of Directors	5.0
4.21	Whether the management of the subsidiary includes the management of parent company	3.0
4.22	Whether the Chairman of the Board is a chairman of a committee	5.0
4.23	Whether the mandatory committees are in place	4.0
4.24	Whether the membership to the committees are in accordance with relevant procedures	3.0
4.25	Whether there are specific procedures for each committee	0
4.26	Whether the activities of the committees are adequate	3.0
4.27	Whether the performance of the committees are assessed	0
4.28	Whether there are regular or ad-hoc committees for specific issues	0
4.29	Whether compensation is granted to committee members	0
4.30	Planning of meeting for Board of Directors	0
4.31	Minute taking, decision-making and public disclosure	0
4.32	Delivery of meeting announcement	4.0
4.33	Attendance to the meeting in-person or as an observer	3.0
4.34	Quorum of a meeting and request for a meeting	3.0
4.35	Meeting minute and affirmation of the decisions	0
4.36	Whether the implementation of a shareholders' meeting decision is reviewed	2.0
4.37	Whether the Board of Directors attend trainings	0

4.38	Maintenance and storage of corporate governance documents	3.0
4.39	Content and syntax of decisions by Board of Directors and shareholders' meetings	2.0
4.40	Engagement with stakeholders	2.0
4.41	Engagement with various committees	0
4.42	Engagement with oversight structure	0
4.43	Engagement with shareholders	2.0
4.44	Information transparency and accessibility	0
4.45	Engagement with other stakeholders	0
4.46	Whether the Board of Directors attend trainings	5.0
4.47	Assessment on the activities of Board of Directors	0
4.48	Reporting on the activities of Board of Directors	0
4.49	Whether the activities of the Board of Directors are assessed	3.0
4.50	Whether the Board of Directors are covered by DO liability insurance	0
<b>QUESTION</b>		<b>SCORE</b>
<b>5</b>	<b>Extraordinary Transactions</b>	<b>0.5</b>
5.1	Proper handling of conflict of interest transactions	0
5.2	Public disclosure	0
5.3	Disclosure in annual report	0
5.4	Whether the authorized signatories are specified in the company charter	
5.5	Whether the authorized signatories disclosed their related parties	4.0
5.6	Whether the authorized signatories and their related parties are publicly disclosed	0
5.7	Proper handling of major transactions	0
5.8	Public disclosure	0
5.9	Disclosure in annual report	0
5.10	Whether there is a specific procedure	1.0
<b>QUESTION</b>		<b>SCORE</b>
<b>6</b>	<b>Executive Management</b>	<b>1.9</b>
6.1	Whether there is a specific procedure on selection and appointment of executive management	0
6.2	Nomination	0
6.3	Whether there are specific requirements for the Chief Executive Officer that are in line with the company operation	0
6.4	Conclusion of contract	4.0
6.5	Appointment	4.0
6.6	Whether the performances of activities and contracts are assessed separately	4.0
6.7	Reporting of the performance on quarterly and annual basis	3.0
6.8	Whether the government has direct access to the Chief Executive Officer	0

6.9	Whether the activities of the Chief Executive Officer is assessed by any government body other than the Board of Directors	4.0
6.10	Whether the remuneration and compensation of the Chief Executive Officer is disclosed publicly	0
<b>QUESTION</b>		<b>SCORE</b>
<b>7</b>	<b>Dividends</b>	<b>0</b>
7.1	Whether there is a document on dividend policy	0
7.2	Issuance of dividends	0
7.3	Decision-making on the dividends	0
7.4	Existence of mandatory clauses in the decisions for issuance of dividends	0
7.5	Bookkeeping of issued dividends	0
<b>QUESTION</b>		<b>SCORE</b>
<b>8.</b>	<b>Oversight Structure</b>	<b>2.8</b>
8.1	Whether there is a document on regulating the oversight structure	2.0
8.2	Whether the audit committee is in place	4.0
8.3	Committee membership	4.0
8.4	Activities of the committee	4.0
8.5	Reporting and assessment on the activities of the committee	2.0
8.6	Selection and appointment of independent audit	2.0
8.7	Public disclosure of independent audit report	0
8.8	Internal audit structure, its appointment and assessment	2.0
<b>QUESTION</b>		<b>SCORE</b>
<b>9</b>	<b>Charter</b>	<b>2.2</b>
9.1	Approval of the charter	3.0
9.2	Approval of the amendments to the charter	2.0
9.3	Mandatory clauses of the charter	3.0
9.4	Public disclosure of the charter	0
9.5	Whether there are legal documentation on corporate governance matters	3.0

# 7

## APPENDICES

### APPENDIX 1. METHODOLOGY OF GOVERNANCE ASSESSMENT OF CURRENT SCALE OF STATE-OWNED MINING COMPANIES

*Selection of evaluation indicators and assessment principles:*

- To have higher standards for comparison
- To encompass all of the corporate governance components
- Applicable for the public use
- Practical to determine the corporate governance status
- Be independent from any extrinsic influence

*Assessment indicators:*

The following components of corporate governance exist:

- Shareholder and execution of shareholder's rights
- Shareholders' Meeting
- Board of Directors
- Executive Management
- Information transparency and openness
- Extraordinary transactions
- Dividends
- Charter and other regulations regulating corporate governance performance
- Oversight structure

*Assessment calculation methodology:*

The calculation shall be made for each respondent. The evaluation shall be made in accordance with each of the components of corporate governance expressed in the Table and their competence coefficients as follows:

$K_m \text{ЗНД} = (\sum Y_{д_n} \times K_n)$ ; n; from that

$K_m \text{ЗНД}$  – m-is the general assessment of Corporate Governance,  $m = 1 \div 9$

$Y_{д_n}$  – n-is the evaluation given to indicators,  $n = 1 \div 9$ , this evaluation shall be determined by the arithmetical average of scores given to responses apportioned to each indicator illustrated in Table 2.

$K_n$  – n-is the competence coefficient given to each indicator.

The aforementioned evaluation of the components  $Y_{д_n}$  shall be determined by scores given to each response in each questionnaire, illustrated in the Table 2.

Table 1. Components to Assess Corporate Governance Performance and its Competence Coefficient

Groups	Indicators	Number of Questionnaires	Evaluation / Үдн/	Competence Coefficient /Kn, percentile/	Total
A	Shareholder	11		5.0	
Б	Shareholders' Meeting	14		7.5	
B	Board of Directors	38		20.0	
C	Executive Management	10		7.5	
D	Transparency and Disclosure	10		25.0	
E	Extraordinary Transactions	3+6=9		25.0	
F	Dividends	5		2.5	
G	Charter and Other Regulations Regulating Corporate Governance Performance	5		5.0	
H	Oversight Structure	8		2.5	
10	Total scores	110		100	

The scores which shall be given to correspond to each questionnaire shall be formulated taking in account the provisions of relevant laws and examples of good corporate governance models as benchmarks, as follows:

1. If relevant law provisions related to such questionnaire are enforced by a number of initiatives in conformity with good corporate governance principles - 5
2. If enforcement of provisions related to such questionnaire is initiated by a particular effort in conformity with corporate governance principles - 4
3. If provisions related to such questionnaire are enforced in conformity with principles of law - 2-3
4. If enforcement of provisions related to such questionnaire is initiated - 1
5. If no particular actions are taken to enforce the questionnaire - 0

Score is not weighted, if the questionnaire does not apply to certain activities of the company.

## APPENDIX 2. QUESTIONNAIRES USED TO ASSESS THE PERFORMANCE OF CORPORATE GOVERNANCE \*

№	SECTION	QUESTIONNAIRE
1	A	Protection of Shareholder's Rights
2	A1	Registration of shareholders
3	A2	Content of information collected from shareholders upon registration
4	A3	Whether the relevant information is fully obtained by shareholders during the regular meeting of shareholders
5	A4	Timely access of shareholders to shareholders' meeting announcement
6	A5	Whether the shareholders are rendered with information sufficient enough for making decisions on the shareholder meeting agenda
7	A6	Distribution of dividends
8	A7	Possibility of request for a shareholders' meeting for shareholders
9	A8	Possibility to nominate a member from a shareholder in the composition of the Board of Directors
10	A9	Availability of the company's financial information to the shareholders
11	A10	Accessibility of timely information to shareholders on operations and major events of the company
12	A11	Whether the mandates of a shareholder appointed on behalf of the government are specifically determined
13	Rating of Section A [A1+ ... +A11]:11	
14	B	Shareholders' Meeting: A Shareholders' Meeting is one of the few probabilities for a shareholder to exercise their rights as a shareholder and a form of engaging in the process of management and, for a company, it is the highest governing body of the company.
15	B 1	Whether there is a specific procedure for the shareholders' meeting
16	B 2	Whether the procedure adequately reflects all the issues concerned
17	B 3	Whether the regular meeting of shareholders are held within the timeframe specified by law
18	B 4	Whether the Board of Directors schedules the Shareholders' Meeting
19	B 5	Whether the Board of Directors schedules the Shareholders' Meeting within the timeframe specified by law
20	B 6	Whether the procedure for collecting votes adequately enables proper voting by shareholders
21	B 7	Whether the announcement of the shareholders' meeting is carried out in accordance with law
22	B 8	Whether there is a specific procedure for the vote counting committee
23	B 9	Whether the eligibility of the meeting participants are checked
24	B10	Whether attendance at the meeting is counted for each agenda
25	B11	Whether the vote counting committee issues directives on the recommendations delivered on the agenda
26	B12	Whether the chairman and the vote counting committee prepares and delivers a consolidated report
27	B13	Whether there is a specific procedure on delivering the meeting announcement
28	B14	Shareholder's meeting decision-making
29	B15	Whether the decisions of the shareholders' meeting is disclosed publicly
30	B16	Whether the requests of the shareholders to convene a meeting is accommodated
31	B17	Whether the representation of shareholders' rights are in accordance with law
32	B18	Whether the representation of shareholders' meeting rights are distributed to competent authorities
33	B19	Maintenance of the shareholder's meeting material



34	Rating of Section Б [Б1+ .... +Б19]:19	
35	B	Board of Directors: The Board of Directors is the governing body of the company between the Shareholders' Meetings. The Board based governance is considered to be the good governance model.
36	B1	Board of Directors
37	B1.1	Whether there is a nominating committee
38	B1.2	Whether there is a specific procedure on the committee
39	B1.3	Whether the activities of the committee are in accordance with relevant procedures
40	B1.4	Whether the nomination of members to the Board of Directors is in compliance with relevant procedures
41	B1.5	Appointment of a Board of Directors
42	B1.6	Who recommended the independent director
43	B1.7	Whether the independent director meets relevant requirements
44	B1.8	Whether the number of independent directors are adequate
45	B1.9	Whether the activities of the independent director complies with relevant laws
46	B1.10	Whether the compensation for the independent director is different from other directors
47	B1.11	Whether the government representative to the board receives specific guidance upon voting on the agenda
	B1.12	Correspondence between the company and the Board of Directors and delivery of company information
48	B1.13	Duration of board membership
49	B1.14	Distribution of responsibilities among Board of Directors
50	B1.15	Assessment on the Board of Directors
51	B1.16	Whether the compensation for the Board of Directors is tied to their performance
52	B1.17	Whether the remuneration and compensation for Board of Directors is disclosed publicly
53	Rating of Section B1 [B1.1+ ... + B1.17]:17	
54	B2	Board Committees: The committees of the Board ensure a sustainable performance of the company's activities and counsels on responsible matters to the Board of Directors
55	B2.1	Whether the mandatory committees are in place
56	B2.2	Whether the membership to the committees are in accordance with relevant procedures
57	B2.3	Whether there are specific operational procedures for each committee
58	B2.4	Whether the activities of the committees are adequate
59	B2.5	Whether the performance of the committees are assessed
60	B2.6	Whether there are regular or ad-hoc committees for specific issues
61	B2.7	Whether compensation is granted to committee members
63	Rating of Section B2 [B2.1+ ... +B2.8]:8	
64	B3	Board Meeting: The main operational provision of the Board of Directors is the Board Meeting.
65	B3.1	Planning of meetings for the Board of Directors
66	B3.2	Minute taking, decision-making and disclosure
67	B3.3	Delivery of meeting announcements
68	B3.4	Attendance to the meeting in-person or as an observer
69	B3.5	Quorum of meeting and call for a meeting
70	B3.6	Meeting minutes and affirmation of decisions made
71	Rating of Section B3 [B3.1+B3.2+...+B3.6]:6	
72	B4	Basic activities of the Board of Directors

73	B4.1	Assessment on the activities of the Board of Directors
74	B4.2	Reporting on the activities of the Board of Directors
75	B4.3	Whether the activities of the Board of Directors are assessed
76	B4.4	Whether the Board of Directors are covered by DO liability insurance
77	Rating of Section B4 [B4.1+B4.2+B4.3+B4.4]:4	
78	B5	Secretary to the Board: A person vital to synchronizing the corporate governance structure and activities. A Secretary is appointed by and reports to the Board of Directors
79	B5.1	Whether the Board of Directors attend trainings
80	B5.2	Maintenance and storage of corporate governance documents
81	B5.3	Content of the Board of Directors and shareholders' meeting decisions
83	Rating of Section B5 [B5.1+B4.2+B4.3+B4.4]:4	
84	Rating of Sections from B1 to B5 [B1+ .... +B5]:5	
85	C	Executive Management: Manages day-to-day activities of the company
86	C1	Whether there is a specific procedure on selection, appointment and operation of executive management
87	C2	Nomination
88	C3	Whether there are specific requirements for the chief executive officer that are in line with the company operation
89	C4	Conclusion of contract
90	C5	Appointment
91	C6	Whether the performances of activities and contracts are assessed separately
92	C7	Reporting of the performance on a quarterly and an annual basis
93	C8	Whether the government has direct access to the chief executive officer
94	C9	Whether the activities of the chief executive officer are assessed by any other body than the Board of Directors
95	C10	Whether the remuneration and compensation of the chief executive officer is disclosed publicly
96	Rating of Section C [C1+ .... +C10]:10	
97	D	Transparency and Disclosure: The operation of the company ought to be as transparent as at JSC
98	D1	Whether there is a document on information policy
99	D2	Availability of shareholder registration, especially names and percentages of shares of major shareholders
100	D3	Whether there is a specific corner dedicated to corporate governance on the corporate website of the company
101	D4	Website maintenance
102	D5	Whether the major events of the company are disclosed publicly on a regular basis
103	D6	Whether financial information is disclosed publicly
104	D7	Whether financial information is disclosed through the corporate website on regular basis
105	D8	Whether procurement activities are disclosed publicly
106	D9	whether the remuneration and compensation for the Board of Directors and chief executive officer are reflected in the annual report
107	D10	Whether the activities of the company and audited financial reports are published for public disclosure
109	Rating of Section D [D1+ .... +D10]:10	
110	E	Extraordinary Transactions: Whether these transactions are managed in compliance with regulations of relevant laws

111	E1	Major Transactions: A transaction with market value exceeds twenty five percent (25%) of the total amount of assets as shown on the most recent balance sheet of a company
112	E1.1	Proper handling of major transactions
113	E1.2	Public disclosure
114	E1.3	Disclosure in annual report
115	Rating of	Section E1 [E1.1+ ...E1.3]:3
116	E2	Conflict-of-Interest Transactions: A transaction entered between the company, governing person of the company and its affiliated party
117	E2.1	Proper handling of conflict-of-interest transactions
118	E2.2	Public disclosure
119	E2.3	Disclosure in annual report
120	E2.4	Whether the authorized signatories are specified in the company charter
121	E2.5	Whether the authorized signatories disclosed their related parties
122	E2.6	Whether the authorized signatories and their related parties are publicly disclosed
123	Rating of	Section E2 [E2.1+ ... E2.6]:6
124	F	Charter and Other Regulations: Official policy documents regulating corporate governance matters
125	F1	Approval of the charter
126	F2	Approval of the amendments to the charter
127	F3	Incorporation of mandatory clauses in the charter
128	F4	Public disclosure of the charter
129	F5	Whether there is legal documentation on corporate governance matters
130	Rating of	Section F [F1+...+F5]:5
131	G	Dividends: One of the basic rights of the shareholders
132	G1	Whether there is a document on dividend policy
133	G2	Distribution of dividends
134	G3	Decision-making on the dividends
135	G4	Existence of mandatory clauses in the decisions for issuance of dividends
136	G5	Bookkeeping of issued dividends
137	Rating of	Section G [G1+...+G5]:5
138	H	Oversight Structure:
139	H1	Whether there is a document on regulating the oversight structure
140	H2	Whether the audit committee is in place
141	H4	Committee membership
142	H4	Activities of the committee
143	H5	Reporting and assessment on the activities of the committee
144	H6	Selection and appointment of an independent audit
145	H7	Public disclosure of an independent audit report
146	H8	Internal audit structure, its appointment and assessment
147	Rating of	Section H [H1+ ... +H8]:8
148	Total rate	[13+34+84+96+109+115+123+130+137+147]:9

\* Depending on types and forms of the company, questionnaires may vary.

### APPENDIX 3. NUMBER OF ASSESSMENT QUESTIONNAIRES TO EVALUATE THE CORPORATE GOVERNANCE PERFORMANCE

Indicators	Shareholder Rights	Shareholders' Meeting	Board of Directors	Executive Management	Transparency and Disclosure	Extraordinary Transactions	Dividends	Charter, other regulations	Oversight structure	Overall assessment of the company
Erdenes Mongol LLC	12	9	45	10	10	9	3	3	8	109
Baganuur JSC	11	18	55	10	10	10	5	5	8	132
Shivee Ovoo JSC	15	19	48	10	10	9	5	6	8	130
Erdenet Mining Corporation	15	19	48	10	9	10	5	6	8	130
Erdenes TT JSC	16	19	48	10	10	9	5	6	8	131
Erdenes Oyu Tolgoi LLC	13	10	48	10	10	9	5	5	8	117
Oyu Tolgoi LLC	14	14	48	10	10	9	5	5	8	113
MonAtom LLC	12	11	48	10	10	9	3	5	8	116
Monrosvetmet LLC	15	19	48	10	9	10	5	6	8	130
Average quantity of questions	13.6	15.3	48.4	10	10	9.3	4.5	5.2	8	124.3
Percentile for the area	11	12.3	39	8	8	7.5	3.6	4.2	6.4	100

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