

Leveraging ESG for the investment in Mongolia

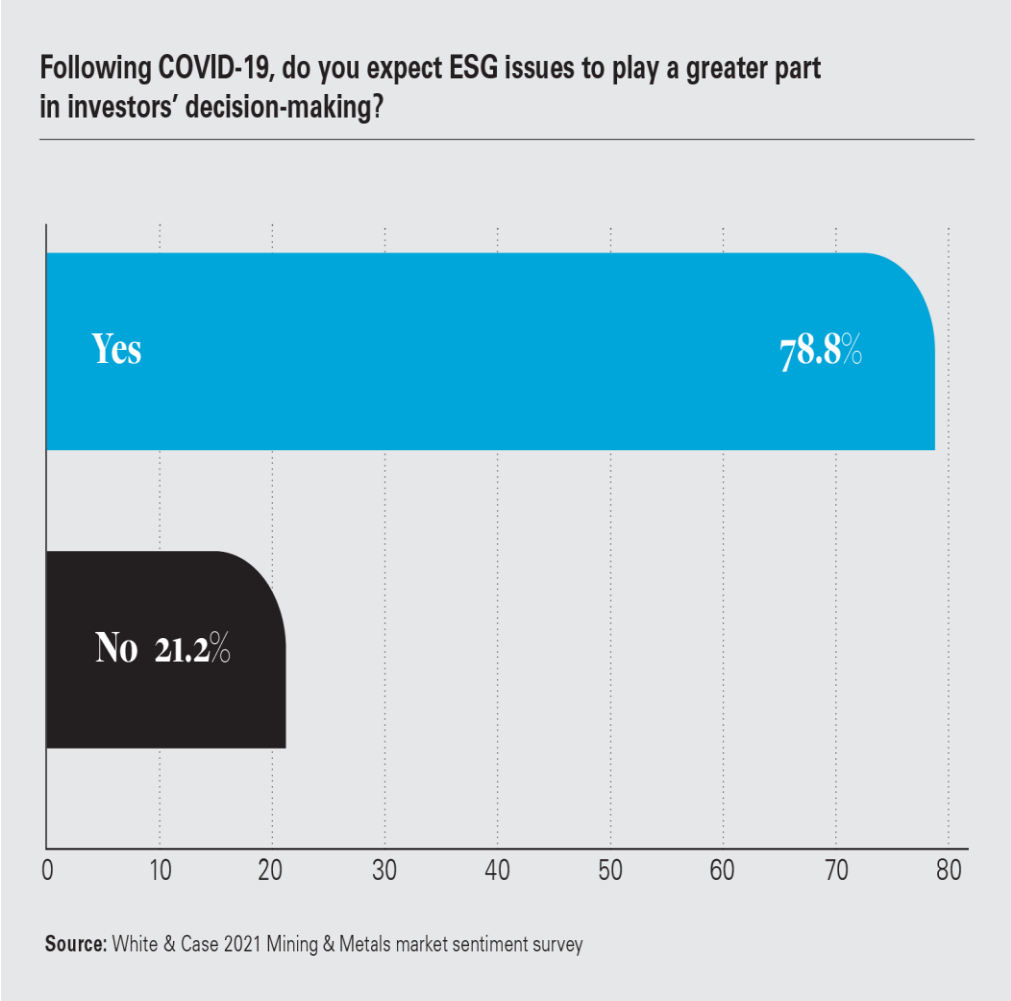
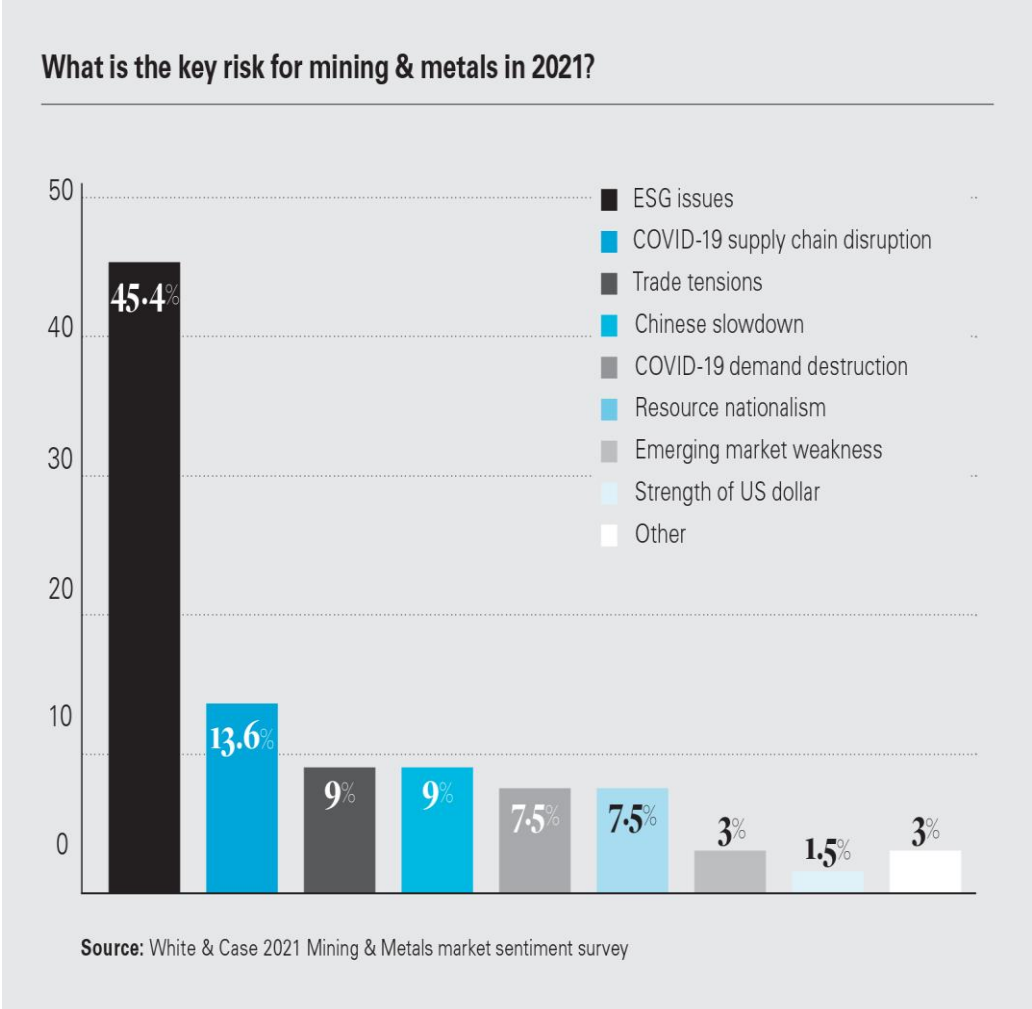
*Sunjidmaa Jamba
Managing Director
BizMongolia, Mongolian Management Consulting*

Content

1. Why and what is ESG, and what matters are in Mongolia?
2. What values could ESG create?
3. Eco system for leveraging ESG
4. Priorities for the alignment
5. Some tips for leveraging ESG in investing and doing business in Mongolia

Why ESG?

ESG issues to play a greater part in investors' decision-making



What is ESG and what matters are in Mongolia?

ESG: Environment – Social- Governance

(Source: McKinsey)

E – Every company uses energy and resources, and affects, and is affected by, the environment.

- Energy and resources
- Waste it discharges
- Carbon emissions and climate change etc.

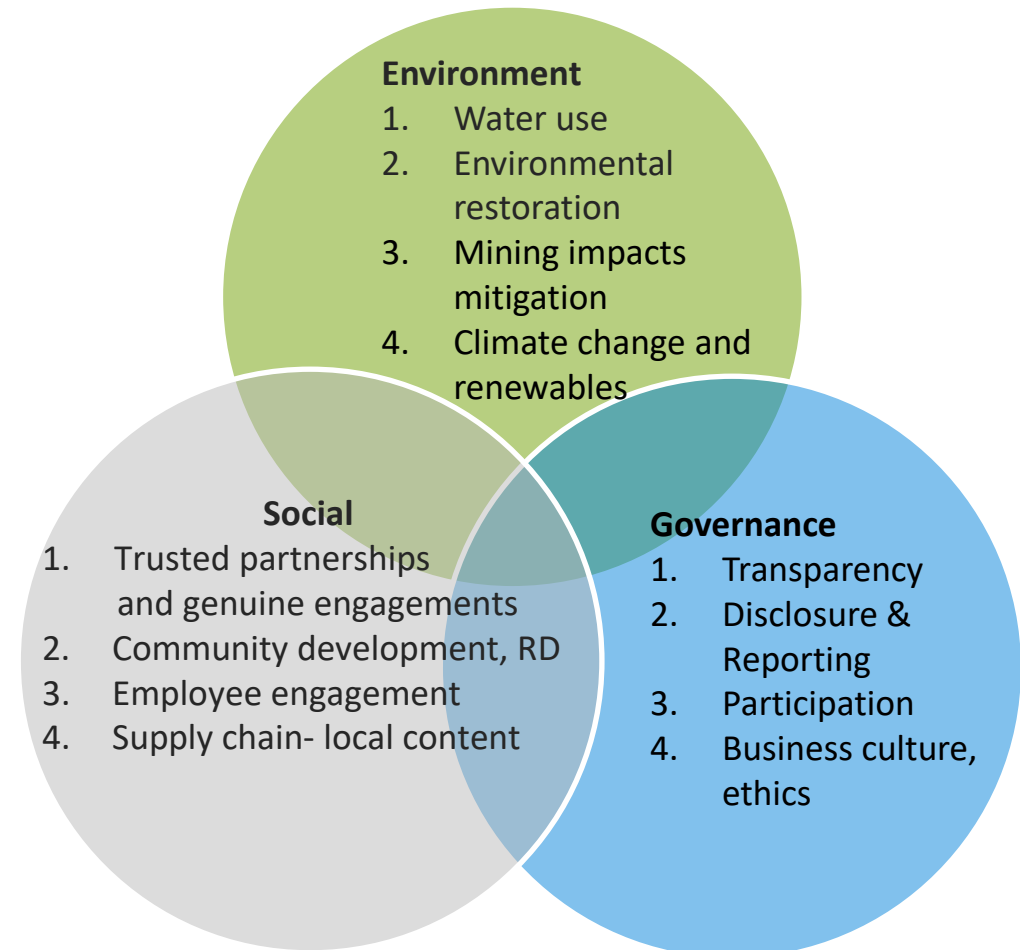
S- Every company operates within a broader, diverse society

- Relationships with the communities and society
- Reputation
- Labor relations and diversity

G- Every company, which is itself a legal creation, requires governance.

Internal system of practices, controls, and procedures of a company in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders.

ESG Matters in Mongolia



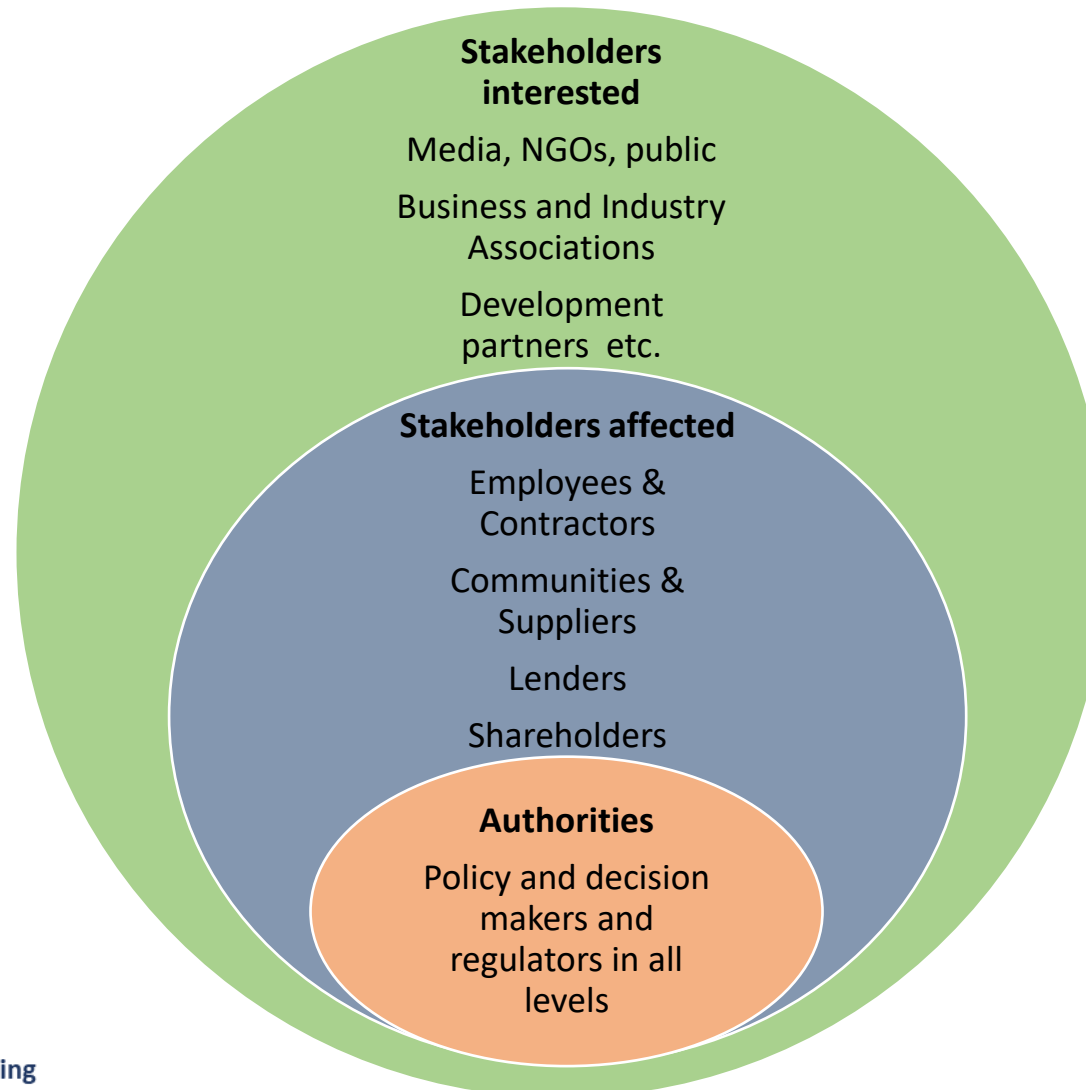
What values could ESG create?

A strong environmental, social, and governance (ESG) proposition links to value creation in five essential ways

Essential ways	Strong ESG proposition	Specific propositions in mining
Top line growth	A strong ESG proposition helps companies tap new markets and expand into existing ones. When governing authorities trust corporate actors, they are more likely to award them the access, approvals, and licenses that afford fresh opportunities for growth.	<ul style="list-style-type: none"> • Trusted relationships with communities and government authorities • A good reputation
Cost reductions	Effective ESG execution helps combat rising operating expenses A significant correlation between resource efficiency and financial performance	<ul style="list-style-type: none"> • Being proactive about environmental risk • Lower energy consumption • Reduce water intake
Regulatory and legal interventions	Strength in ESG helps reduce companies' risk of adverse government action. 30-40 % of EBIDTA in mining is at stake from external engagements (mineral taxes, land access rights, community reach, and reputation)	<ul style="list-style-type: none"> • A stronger external value proposition • Systematic and effective engagements
Productivity uplift	A strong ESG proposition helps companies attract and retain quality employees, enhance employee motivation by instilling a sense of purpose, and increase productivity overall	<ul style="list-style-type: none"> • A higher and shared purpose of the investment and operations • Attract talent through greater social credibility
Investment and asset optimization	A strong ESG proposition enhances investment returns by allocating capital to more promising and more sustainable opportunities	<ul style="list-style-type: none"> • Investing in renewables, waste reductions and water technology • Avoiding investments that may not pay off because of longer term environmental issues

Eco system for leveraging ESG

Stakeholders map



The shared interest

A profitable and sustainable business (investment) based on strong ESG performances

Key high level issues of ESG

- Environment restoration and resource utilizations
- Prosperity of the communities, region and nation
- Good governance practices

Opportunities to leverage ESG

- Timing is right
- Better understanding of the role of the industry
- The progress in major existing projects (OT etc.)
- The GoM policy and legal and regulatory actions
- ESG covers all what broader stakeholders want to see further progress
- Excitements around ESG but no solid understanding yet

Priorities for the alignment

International development objectives



National development objectives

МОНГОЛ УЛСЫН ЗАСГИЙН ГАЗАР

ҮНДЭСНИЙ НЭГДМЭЛ ҮНЭТ ЗҮЙЛ

ХҮНИЙ ХӨГЖИЛ

АМЬДРАЛЫН ЧАНАР БА ДУНДАЖ ДАВХАГА

ЭДИЙН ЗАСАГ

САЙН ЗАСАГЛАЛ

НОГООН ХӨГЖИЛ

АМАР ТАЙВАН АЮУЛГҮЙ НИЙГЭМ

БҮСЧИЛСЭН ХӨГЖИЛ

УЛААНБААТАР БА ДАГУУЛ ХОТ

АЛСЫН ХАРАА 2050
МОНГОЛ УЛСЫН УРТ ХУГАЦААНЫ ХӨГЖЛИЙН БОДЛОГО

ТӨСВИЙН ЭХНИЙ ХУВИЛГАР

УЛААНБААТАР ХОТ - 2019 ОЧ

Vision 2050: 9 priorities

- 2021-2031
- 2031-2040
- 2041-2050

The GAP: 6 priorities

2020-2024

- CV 19, Human development, Governance
- Economic growth, Green policy, Regional development

Some tips for leveraging ESG in investing and doing business

1. Use ESG as a concept and framework for the positioning
2. Do an ESG analysis of your investment and business in early on and update it regularly
 - Understanding of what is the GoM and public understanding of and their expectations from ESG
 - Materiality mapping to prioritize initiatives
 - Understanding risks to strategize and be proactive
3. Have a Sustainability/ESG strategy integrating with your business strategy and implement it systematically and effectively
 - Develop/identify a shared purpose of your business
 - Be specific in each of the ESG areas: environment, social and governance
 - Develop strategic partnerships and have the alignments
 - Introduce gradually ESG components in business partner and supplier due diligence processes
4. Develop and implement systematic engagements and participatory process for ESG
5. Transparency and communications
 - Alignment between international and local disclosure and standards
 - Simple but meaningful info and communications
 - Not underdoing but also not overdoing
6. Build an effective team – multi disciplinary and cross functional