

Dear Suppliers/Stakeholders

Please find enclosed in this booklet the OT LLC Procurement Principle and Policies which were proudly endorsed unanimously by the Board of Oyu Tolgoi LLC on December 1, 2011 and amended on November, 2012.



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OYU TOLGOI PROCUREMENT PRINCIPLES

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Introduction

1. Policy Number

This document is known as **PR-00: OT Procurement Principles**

2. Purpose

This policy outlines the role of the Procurement function within the Oyu Tolgoi LLC (OT) and the way we intend to operate; the expectations and commitments between Procurement and its internal customers; the expectations between Procurement and suppliers; and OT's expectations of Procurement employees and contractors.

As outlined in Figure 1, the OT Procurement Principles provides the foundation for the eight core policies directing OT's procurement practices where subsequent procedures will be developed and as required by OT Procurement Management Team.

FIGURE 1: Core policies guiding OT procurement



PR 01: Spend Category Segmentation Policy

This policy provides clear direction and guidance on the classification of OT Procurement Spend. Specifically, this policy provides guidelines regarding how OT classifies its Procurement spend for goods and services into "categories" of like requirements, how OT differentiates the way procurement spend is managed on the basis of its categorisation in terms of its overall operational criticality, exposure, risk and value, how the spend categorisation process shapes the ensuing Procurement organisation, accountabilities and Procurement Planning process (from

both a resourcing and market engagement perspective) and how OT uses spend categorisation to identify and communicate its' pipeline of spend to increase level of local Mongolian supplier participation. Please refer to PR 01: Spend Category Segmentation Policy for further details and supporting references.

PR 02: Supplier Qualification Policy

The OT Supplier qualification policy is introduced to suppliers wishing to register their intent to participate in competitive tenders in the supply of services to OT. This qualification process will depend on the nature of the services to be rendered including their overall criticality and exposure to OT's operations. As a part of the qualification process, suppliers are screened and qualified to meet against OT's standards and criteria which are heavily focused on HSE and other qualification areas. Please refer to PR 02: Supplier Qualification Policy for further details and supporting references.

PR 03: Commitments Policy

This policy explains the conditions under which funds can be committed by OT to suppliers. It covers the threshold for competitive testing, outlines the subsequent delegation of authority, and specifies responsibilities for the approval and control of expenditure to appropriate levels of management within the organisation. Please refer to PR 03: Commitments Policy for further details and supporting references.

PR 04: Sole Source Exception Policy

This policy provides guidance on when an acceptable deviation from the standard OT procurement competitive testing policy is permitted and establishes the criteria for seeking a properly authorized sole source exemption. Specifically, this policy provides a clear understanding of situations where sole sourcing is justified and details how to apply for a sole source and who can authorise a sole source. Please refer to PR 04: Sole Source Exception Policy for further details and supporting references.

PR 05: International Strategic Supplier Collaboration Policy

This International Strategic Supplier Local Content Collaboration Policy describes a program where the largest existing international suppliers are specifically targeted for co-commitments to local content optimisation. Specifically, this procedure provides a clear understanding on supplier obligations via a Memorandum of Understanding, OT's commitment to supporting Suppliers in meeting their obligations under the Memorandum of Understanding and Supplier evaluations and performance monitoring to ensure compliance. Please refer to PR 05: International Strategic Supplier Collaboration Policy for further details and supporting references.

PR 06: South Gobi Supplier Development Policy

The policy facilitates OT's Investment Agreement commitment to working wherever possible, as a first preference, with those Suppliers classified as South Gobi by definition and establishes the eligibility criteria that must be secured to qualify as a South Gobi supplier. Additionally the policy describes the OT programs created to facilitate the development of South Gobi suppliers. Please refer to PR 06: South Gobi Supplier and Development Policy for further details and supporting references.

PR 07: National Supplier Development Policy

The policy facilitates OT's commitment to working with and developing Mongolian Suppliers (national suppliers) and includes the eligibility criteria that must be established to qualify as a national supplier. Additionally the policy describes the OT initiatives to facilitate the development of national suppliers. Please refer to PR 07: National Supplier and Development Policy for further details and supporting references.

PR 08: Personnel Code of Conduct

This policy establishes guidelines for procurement employees and contractors to insure there is a clear understanding of OT's position on conflict of interest, gifts and third party incentives, confidentiality, exchanging of business courtesies, bribery and corruption. Please refer to PR 08: Personnel Code of Conduct for further details and supporting references.

3. Application

This policy applies to:

- All OT employees;
- All OT suppliers;and
- All OT contractors;

This policy is based on the Rio Tinto Procurement Principles, which is owned by the Procurement function of Rio Tinto.

4. Commencement

This amended policy applies from November 20, 2012.

5. Authority and Management

The OT board of Directors approved this amended policy on November 20, 2012.

The Vice President, Procurement and Infrastructure Development, Oyu Tolgoi LLC is the custodian of this policy. Any requests for changes to this policy must be addressed to this person where the policy will be subjected to the appropriate review and approval processes.

Policy

1. How we work with our internal Customers

To enable Procurement to operate on behalf of our customers, a number of supporting practices and conditions apply.

An overriding principle of everything we do is our focus on zero harm for safety, health & environment objectives. Refer to page 15 for more detail.

1.1. Governance

- Our commitment of OT funds is authorised, performed and recorded in line with proper commercial practice and endorsed by the relevant business unit or function financial authorities.
- We comply with OT policies and standards.
- A supplier can only commence work after they have received a valid purchase order.
- We measure and report procurement performance for all customers on a regular basis. We take action where required to correct and improve performance to meet customer expectations.
- We competitively test material commitments to ensure that OT obtains the best value available considering all relevant factors including safety, quality, sustainability, delivery, specification, price, environmental and community impact and sustainable development.

1.2. Sourcing

The suite of OT procurement policies establish the minimum requirements for the sourcing of goods and services by OT.

1.3. Procurement's responsibilities

As part of this policy we uphold the following:

- We consult with OT end user departments to understand their needs and desired outcomes to develop sourcing strategies appropriate for the goods or services being procured;
- We develop strategies that meet short-term business requirements and longer term strategic outlooks; we engage service providers through one-off transactions, multi-year agreements or long term strategic arrangements;
- We engage with suppliers after consulting with OT end user departments to develop an appropriate sourcing strategy which we take to market;
- Based on supplier responses, we initiate and negotiate supply contracts on behalf of OT business units;
- We adopt a uniform procedure for the supplier contract process and provide standard terms of contract where possible;
- We manage the commercial relationship with suppliers including contract management and administration activity;

- As part of the contract management and administration function, where applicable, we
 - o initiate supplier meetings and price reviews;
 - o monitor and update pricing indices relevant to the contract;
 - o review supplier performance at contract review intervals;
 - o collect and maintain insurance certificates;
 - o manage the contract expiry; and
 - o maintain a database of contracts.

1.4. Our OT end user department responsibilities

To assist with the sourcing process, business units provide us:

- sufficient lead times that allow for an orderly procurement process; complete and comprehensive specifications and scopes of work that include local sourcing and other sustainable development considerations;
- a documented risk analysis, where appropriate, associated with the development of any new contract;
- a list of suppliers for inclusion (Procurement will invite additional prospective suppliers to participate where appropriate);
- a completed and approved "Sole Source Exception Request" in situations where competitive testing is not performed;
- any customer-specific terms including health, safety, environmental standards or local requirements for suppliers;
- defined contract award criteria; and
- timely invoice approval and receipting activities to allow for on-time payment.

The business units are also accountable for overseeing the execution of onsite services (i.e. contractor management), including but not limited to the following:

- Monitoring and managing contractor and employee health and safety;
- Monitoring and managing environmental and community impacts;
- Monitoring and managing all other aspects of contractor management in their performance of work; and
- Auditing and approving hours worked, costs, results and project completion.

1.5. Buying

Inventory items

For items in inventory, suppliers will typically be pre-contracted, with replenishment orders automatically generated by the enterprise resource planning (ERP) system based on required inventory levels. OT business unit personnel are required to raise a reservation in the business's ERP system for these items to be replenished.

Services and non-inventory items

Services and non-inventory items may be catalogued. Additionally services and non-inventory items require the customer to initiate a purchase requisition. OT Procurement then sources the item and generates a purchase order. OT Procure-

ment can track the purchase order to ensure the supplier adheres to the timelines and quantities specified.

1.6. Inbound supply chain

Inbound supply chain supports the purchase-to-pay process. We achieve effective inbound supply chain management by coordinating the stakeholders involved in operational planning, sourcing, supplier engagement, and the management of warehouses, inventory, transportation, disposals, offsite repairs and master data. Where appropriate Procurement is responsible for:

- defining appropriate supply chain standards for OT operations;
- measuring and reporting supply chain performance;
- conducting quality assurance audits on warehousing and inventory management standards and processes;
- providing Total Cost of Ownership advice to quantify supply chain options;
- providing risk assessments of supply chain capabilities by region, business unit or category;
- sponsoring supply chain improvement initiatives; and
- managing outsourced warehouses and logistics providers.

1.7. Asset Management strategies

In conjunction with the OT business units, we also help our internal OT end user departments develop asset management strategies that can be supported by the supply chain. In return, OT end user departments will forecast and provide OT Procurement with prior notice of material changes to consumption requirements.

1.8. Risk management

OT's Procurement function is responsible for significant levels of expenditure and the management of critical operational functions. We work with relevant OT business units to develop and deploy appropriate strategies to manage risk with respect to, but not limited to price, security of supply and contractual terms.

2. How we work with our suppliers

Safe, efficient and innovative suppliers are strategically important to the success of OT. In the interests of a fair and competitive marketplace we apply the same evaluation and selection process to all prospective suppliers.

OT expects that all suppliers:

- align with our business objectives including:
 - ▷ aiming to achieve zero injuries and zero fatalities in the workplace
 - ▷ enhancing value
 - ▷ increasing operating and/or energy efficiency
 - ▷ reducing and/or eliminating waste
 - ▷ reducing Total Cost of Ownership for our customers
- are financially secure;
- are the direct manufacturer of goods or an authorised agent/distributor;
- are able to transact business electronically (exceptions can be granted to

- local community suppliers where suitable infrastructure is not in place);
- have competent personnel to support the goods and/or services supplied;
- maintain appropriate HSE and quality assurance systems and processes;
- agree to supply on the basis of OT's terms and conditions; and
- maintain policies that support fair competition and integrity, require adherence to applicable laws, standards and regulations and prohibit giving or receiving bribes, with a process for ensuring compliance.

We value suppliers who match our commitment to a sustainable supply chain with a focus on safety, economic prosperity, social well-being, environmental stewardship and strong governance.

We recognise that significant socio-economic benefits can be achieved through sourcing products and services locally. We are committed to working with local suppliers to ensure that they have opportunities to supply OT operations. For further details see page 14. Suppliers can expect OT Procurement to fully leverage their capabilities to:

- Provide security of supply and protect OT from commercial risk;
- Generate supply chain innovation; and
- Promote sustainable supply.

2.1. Supplier qualification

Qualification of suppliers is critical to ensuring the health and safety of people, minimal impact to the environment, and the quality of goods and services delivered to our customers.

Supplier qualification involves obtaining sufficient evidence to ensure a supplier meets or exceeds the OT's qualification standard and criteria to supply goods and services to OT. This could include, without limitation, assessment of the following areas: HSE; quality management and continuous improvement; financial strength; ethics and local content development; HR management; services available; references of prior services; legal; and information security. Prior to commencing work all suppliers entering OT site will need to be appropriately qualified and will be required to be inducted in accordance with the site's requirements. For more details, please refer to the PR 02: Supplier Qualification Policy.

2.2. E-commerce

OT is committed to an e-commerce strategy, where appropriate, that includes automation of the purchase-to-pay process and the transmission of purchase orders, invoices and related transaction documents through a common, internet-based, procurement framework. Suppliers are encouraged to be able to conduct business with OT in this manner.

2.3. Responding to tenders

OT Procurement considers electronic tools integral to the way we interact with suppliers. We actively use these tools in our daily business activities, including the tendering process. We typically invite tenders from prospective suppliers who are deemed by OT to have the potential to meet award criteria and who are

qualified. When prospective suppliers are invited to respond to a tender, they are required to register on OT's online procurement system. This registration process enables access to:

- the form of contract or other terms and conditions on which their tenders will be based;
- the applicable business requirements, specifications and standards for the relevant goods or services; and
- instructions on the tendering process.

We are committed to protecting the confidentiality of supplier information and to ensuring that a fair and consistent process is applied to all suppliers.

2.4. Local Supplier Development

To build a reliable, sustainable and low cost supply chain, OT will focus on the development and improvement of national suppliers including dedicated supplier development programs. Programs and initiatives include but are not limited to:

- the Microcredit program for local and SME's to assist in supplier financing;
- the Supplier Development Centre in Dalanzadgad for South Gobi suppliers to provide continued support of local suppliers in business development and support;
- learning and development initiatives/vocational skills development for South Gobi and Dalanzadgad suppliers;
- implementation of the Supplier Qualification Procedure;
- development of specific Supplier Development Plans; and
- continuation of the Supplier Recognition Program and associated awards ceremonies.

The above initiatives exclusively target national suppliers to optimise meaningful participation in OT's competitive tender processes. No similar initiative exists or support is extended to foreign suppliers. For further local supplier development initiatives, please refer to PR 06: South Gobi Supplier and Development Policy and PR 07: National Supplier and Development Policy for further details and supporting references.

2.5. Awarding of contracts

OT Procurement, in consultation with the relevant internal OT end user departments, will consider a variety of factors in deciding which tender, if any, will be accepted. Awards will only be made to suppliers who are able to:

- meet OT's HSE standards;
- for services have been become qualified per the OT qualification work procedure;
- comply with all tender requirements;
- meet the internal customer's stated needs and required standards;
- make the best tender in reference to the relevant selection criteria; and
- meet the values articulated in this document.

We value suppliers who are prepared to work collaboratively with OT on opportunities for value creation, developing a capable and commercially secure supply base and helping us achieve our sustainable development goals.

2.6. Purchase orders and Contracts

Goods or services must only be supplied when a valid purchase order or contract has been issued by the OT business to the supplier. OT reserves the right to refuse payment to suppliers unless a valid and complete invoice per the purchase or contract terms are provided that includes reference to the applicable purchase order or contract.

2.7. Service expectations

Suppliers are expected to ensure that goods and services are supplied in full and on time according to specifications and purchase terms. Without limiting their contractual obligations, suppliers are expected to advise Procurement as soon as is practical if there will be any variance to committed delivery times, quantities, or locations.

2.8. Payment

Following satisfaction of purchase order and service expectation requirements, payment will be remitted no later than the terms of condition mutually agreed in the agreement.

2.9. Contract Reviews

During the life of a contract, suppliers may be requested to meet on a periodic basis with representatives from the relevant OT business and OT Procurement. The purposes of such meetings may include reviewing the performance of the contract, examining future improvement opportunities and/or following up on any outstanding contract issues. The supplier is expected to have an appropriate level of representation attend these meetings.

2.10. Use of our name, logo and trademarks by suppliers

Except as required by any applicable law, or otherwise permitted by a contract, suppliers or potential suppliers are not permitted to use the name, logo or trademarks of OT or to make any public announcements or disclosures in relation to the subject matter of their contract or their dealings with OT without OT's prior written consent.

3. Our workplace

The following information provides details of our commitments and supporting references as well as expectations of employee behaviour.

3.1. Safety

We are committed to an incident and injury free workplace. Our goal is zero harm. Full and consistent implementation of OT's safety standards, systems, and procedures is required wherever we operate. Everyone's behaviour contributes to an incident and injury free workplace.

What we expect from our suppliers

We expect an equal commitment to health and safety from the businesses we work with. As a minimum, we require our suppliers to comply with all safety requirements of OT businesses groups they work with. We value suppliers who:

- manage and communicate product health and safety risks;
- maintain an organisational commitment to health and safety management and the elimination of workplace injuries and illnesses; and
- have a process for assuring compliance with safety policies, both internally and externally, including regular audits, reviews, and safety reports.

3.2. Drugs and alcohol impairment

We must not possess or consume illegal drugs, or be impaired by alcohol or drugs while working on OT business or premises.

What we expect from our suppliers

Suppliers who will perform services on OT site or otherwise must be on the OT site will be required to comply with OT site based standards and testing on drug and alcohol impairment while on OT premises.

3.3. Health

We are committed to protecting the health and well-being of the people who work with us.

What we expect from our suppliers

We expect suppliers to maintain compliance with all health requirements of relevant OT business units. We also expect suppliers to demonstrate commitment to responsible health management programs and the elimination of workplace illness.

3.4. Employment

We respect the rights and dignity of employees throughout our own operations and those of our business partners. If employees wish to raise serious issues or bring inappropriate behaviour to attention they are encouraged to use the SPEAK-OUT program. Information on Speak-OUT, including local contact telephone numbers, is available at all OT work locations.

What we expect of our Suppliers

We require our suppliers to adhere to applicable laws, standards and regulations. We oppose and prohibit employment of forced, bonded or child labour. We value suppliers who adopt policies similar to OT's, and who are free of material violation.

4. Environment, Sustainable Development and Human Rights

The following information provides details of our commitments and supporting references, and expectations of employee behaviour.

4.1. Environment

Excellence in environmental performance and product stewardship is essential to our business success. We manage environmental risks through OT standards, strategies, targets and systems.

What we expect from our suppliers

Compliance with all environmental requirements of OT is mandatory. As a minimum, we expect our suppliers to maintain a strong commitment to:

- responsible environmental management;
- elimination of environmental incidents;
- waste minimisation;
- responsible resource utilisation;
- product stewardship;
- reducing climate change impacts including greenhouse gases;
- a precautionary approach to environmental challenges;
- promotion of greater environmental responsibility and the development and diffusion of environmentally friendly technologies;
- managing and protecting biodiversity; and
- sustainable water management.

We value a consistent record of compliance and remediation of disturbances on the environment.

4.2. Sustainable Development

We are committed to a sustainable supply chain with a focus on safety, economic prosperity, social well-being, environmental stewardship and strong governance.

When we refer to sustainable development at OT we mean meeting the needs of the present without compromising the needs of the future; developing and encouraging sound policy and principles within our operations, as well as the local and global communities we interact with, to ensure that everything we do will lead to a better future for all.

We expect our employees and suppliers to make informed choices and adapt their sourcing, buying and logistics approach where necessary to support community strategies set by our internal customers.

This approach provides us the opportunity to:

- better analyse and manage risks;

- create business options for OT, its suppliers and customers;
- reduce costs;
- attract, train and develop the best employees;
- gain access to new markets and resources;
- deliver better products to our OT end user departments; and
- contribute to the long-term prosperity of the communities in which we operate.

We expect suppliers to refer to PR 06: South Gobi Supplier and Development Policy and PR 07: National Supplier and Development Policy for further details and supporting references.

What we expect from our suppliers

We expect suppliers to comply with relevant country laws and business unit requirements. We value suppliers whose practices demonstrate commitment to sustainable development principles and that help OT achieve sustainable development objectives. We require our suppliers to be committed to environmental standards and responsible community relationships. We value suppliers whose business relationships will have a positive and enduring effect on the communities in which we operate.

4.3. Human rights

We support and respect human rights consistent with the Universal Declaration of Human Rights and actively seek to ensure we are not complicit in human rights abuses committed by others.

What we expect from our suppliers

We expect our suppliers to maintain policies that respect basic human rights and dignity, without distinction on any basis, including the rights to life, liberty, and security of person, freedom from slavery and cruelty and equal protection under relevant laws and constitutions. We expect our suppliers to have a process to assure compliance.

5. Business integrity

Procurement's stance on business integrity should be read in conjunction with OT's PR 08: Personal Code of Conduct which provides details of our commitments and supporting references.

5.1. Competition and antitrust

OT is committed to the principles of free and fair competition and will be transparent on its work processes. Employees and contractors are expected to speak to an OT lawyer if they are in doubt about the appropriate action to take.

What we expect from our suppliers

We expect our suppliers and their personnel to comply with all applicable laws, regulations, rules, and orders relating to antitrust and unfair competition and trade practices.

5.2. Bribery and corruption

OT prohibits bribery and corruption in all forms, including 'facilitation payments' whether directly or indirectly, in order to obtain, retain or direct business or secure any other improper advantage in the conduct of business. All agency arrangements and charitable contributions can only be made in accordance with OT's PR 08: Personal Code of Conduct due diligence standards.

What we expect from our suppliers

We expect our suppliers to respect and adhere to OT's PR 08: Personal Code of Conduct and refer to it for further details and supporting references.

5.3. Gifts and entertainment

Gifts and entertainment must not be given or received as a reward or encouragement for preferential treatment. In certain circumstances, the giving and receiving of modest gifts and entertainment is acceptable. Refer to OT's PR-08: Personal Code of Conduct for further details about acceptable gifts and entertainment.

What we expect from our suppliers

We expect our suppliers to respect and adhere to OT's PR 08: Personal Code of Conduct and to refrain from offering OT employees inappropriate gifts or entertainment.

5.4. Confidentiality

We must always protect OT's confidential information as well as the confidential information entrusted to us by others, including customers and suppliers. All supplier information, including pricing, drawings and know how, is treated in the strictest confidence and only used for the purpose for which it was provided. It is held securely in accordance with OT documentation standards.

What we expect from our suppliers

All OT suppliers are required to respect and protect the intellectual property rights of OT in the course of conducting business. Any OT intellectual property that is provided to a supplier directly or indirectly in the course of conducting business may be used only for the purpose for which it is provided. In addition, suppliers are required to ensure they store and maintain any OT intellectual property securely, safely and confidentially and that they do not make it available to any third parties, including subcontractors, without OT's express written authorisation.

Where a supplier intends to disclose information to OT that is deemed confidential information of that supplier, the supplier is expected to inform OT prior to disclosure and to ensure that a non-disclosure agreement or an equivalent is in place.

5.5. Conflicts of interest

We all must ensure that our personal activities and interests do not conflict with our responsibilities to OT. Even the appearance of a conflict of interest should be avoided. Conflicts of interest may involve, among other things:

- an outside business relationship with, or interest in, a supplier, customer or competitor;
- a business relationship on behalf of OT with any person who is a relative or a personal friend, or with any company controlled by such a person;
- a position where you have influence or control over the job evaluation or compensation of any person who is a relative or romantic partner; and
- accepting, directly or indirectly, personal benefits other than modest gifts or entertainment from a person or organisation dealing or expecting to deal with OT in any type of business transaction.

Refer to OT's PR 08: Personal Code of Conduct for further details about conflicts of interest.

What we expect from our suppliers

We expect our suppliers to respect and adhere to OT's PR 08: Personal Code of Conduct and refer to it for further detail and supporting references.

5.6. International business

We operate on a global basis and are therefore subject to national and local laws, regulations and risks that vary from one country to another.

What we expect from our suppliers

Suppliers are expected to comply with all applicable laws, regulations, rules, and controls in the supply of goods and services to OT business units.

6. Appendices

The following definitions are used throughout the Oyu Tolgoi LLC procurement policies and will formulate an integral part of the OT Procurement Principles.

- **Agency agreements:** is the establishment of a relationship with a local supplier for the purposes of acting as a regional representative of an offshore provider.
- **Annual Operations Plan (AOP):** captures ongoing operational expenditure for goods and services required across the organisation.
- **Apprenticeships:** skills transfer through practical and theoretical application.
- **Authority Matrices:** outline approval limits by position and title within OT for the approval of bid lists, contracts, inventory adjustments and a range of other financial transactions. These matrices are available in the following document: FI-01 OT Approvals Matrices.
- **Competitive Testing:** protocols and thresholds used to determine the spend volumes at which a category must be tested in the market with ideally a minimum of three qualified suppliers.

- **Enterprises Resource Planning (ERP) system:** the business operational system software or platform that is integrated with all departments within OT.
- **Expression of Interest (EOI):** when an organisation advertises or seeks expression of interest from the market for the supply of goods and services from the market.
- **General Contractual Terms (GTC's):** otherwise known as general terms and conditions which set out the legal conditions of contract for a specific goods or service. These conditions outlined the respective obligations of the supplier and OT.
- **Joint Ventures:** a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity
- **Local:** for the purposes of this policy, local refers to both South Gobi and national suppliers.
- **Master Supplier List:** supplier database held by OT which identifies what spend categories each supplier has been qualified in.
- **Master supply agreement:** a contract between OT and the supplier that establishes transactions that will occur in the future at a pre-determined price (i.e: a catalogue for prices, schedule of rates etc.).
- **Memorandums of Understanding (MOU):** a document describing a bilateral or multilateral agreement between parties. It expresses a convergence of will between the parties, indicating an intended common line of action.
- **Mentoring programs for local businesses:** a commitment that form part of the MOU where OT strategic supply partners will develop local businesses.
- **Micro-credit program:** program developed by OT for South Gobi based suppliers to facilitate the emergence of new micro and small to medium sized enterprises and to foster the expansion of existing businesses scope and scale through supported capital acquisitions.
- **Mongolia First Initiative:** an agreement between OT & the Government of Mongolia that states OT will (where possible) give preference to suppliers based firstly in the South Gobi region, and then suppliers based in Mongolia according to following order and characteristics:
- **South Gobi supplier:** a supplier registered in Southgobi, produces or supplies products and/or services within the South Gobi aimag and more than 50% owned by Mongolian citizen with workforce in excess of 75% Mongolian nationals who are located in the South Gobi aimag and business head/branch office registered in the South Gobi aimag where OT uses this office as the contracting entity.
- **National supplier:** A supplier registered in Mongolia and more than 50% owned by Mongolian citizen.
- **International Supplier Tier 1:** A supplier registered, pays tax and headquartered its business in Mongolia and generates added value in Mongolia to the products/services that they provide with greater than 75% Mongolian staff.
- **International Supplier Tier 2:** A supplier registered and pays tax in Mongolia.
- **International Supplier Tier 3:** A supplier does not qualify the above.

- **Project Management Company (PMC):** an OT authorised Company representative established to bring best International practice to large capital programs such as Phase I or Phase II. This is to leverage the temporary nature of the business while bringing specific additional capacity for expansion and major investment programs required to fully develop the mine site. Scope of work typically would fall within the capital expansion programs requiring significant engineering, procurement and construction within a specified time frame without disruption mine site operational activities. This Company will fall within OT established guidelines for authority where commitments greater than USD\$100K will be countersigned by OT representatives.
- **Procurement Contracts Plan (PCP):** a structured database allowing a forward looking view of spend by category. This allows local content opportunities to be highlighted ahead of time and for procurement resourcing to be allocated to the most critical orders and spend requirements of OT.
- **Public Procurement Law of Mongolia:** Mongolian law purposed to regulate procurement activities funded with state and local funds.
- **Purchase order (PO):** A commercial document signifying a request for the supply of goods/service providing specifications and quantities. Generated by the businesses ERP System (enterprise resource planning).
- **Qualified status:** allows a services supplier to be considered eligible for participation in a competitive tender process and to have their status within OT's Supplier Database reflected as qualified and eligible for engagement.
- **Recommendation to Award:** an OT recommendation to offer (award) business to the most appropriate supplier (based on the outcome of a competitive tender process and performance against selection criteria including HSE, experience, delivery in full on time, quality, contractual compliance, etc). Preference is given to firstly South Gobi suppliers, then other Mongolian based suppliers where possible, and in the event supply must go offshore, OT works with the primary provider to identify downstream local content optimisation opportunities.
- **Request for Proposal:** the formal tender documents containing OT's Scope of Work, General Terms and Conditions, Volume requirements and delivery specifications, along with any site specific provisions, and a request for pricing, that participating suppliers accepted on to the bid list must meet in order to comply with evaluation criteria and be considered eligible for an award.
- **Right of Reply:** opportunity provided by OT to suppliers who satisfy specific criteria, to revise their tender price in specific circumstances outlined in PR-06: South Gobi Preferred Supplier Development Policy and PR-07: National Preferred Supplier and Development Policy.
- **Scholarships:** provision of bursary's or financial support to students studying fields aligned with mining industry requirements.
- **Scope of Work (Specification):** a detailed description of the goods or service required (technical or engineering specifications).
- **Significant Financial Interest:** In general, but subject to the other provisions of this document, an interest which is both valued at \$100,000 or less, and represents 1% or less of the issued equity of an entity listed

on any national securities exchange or regularly traded over-the-counter will not be regarded as a significant financial interest. Similarly, existence of an interest-bearing loan, at normal rates prevailing at the time of the borrowing, from a financial institution will not be regarded as significant. Any interest that is not represented by a publicly traded security must be considered as significant.

- **Sole Source Exemption Form:** this form is required with formal signoffs as per the OT Authority Matrix in the event that a goods or service is planned to be purchased without going out to competitive bidding. The circumstances governing the instances in when such an approach can be accepted are strictly outlined in the template and are subject to approval.
- **Spend Category Segment:** OT groups its operational spend requirements into like categories for the purposes of planning and resourcing and developing fit for purpose sourcing approaches. Following the allocation of spend to a given category, such as Heavy Mobile Equipment (HME) that category is then allocated to a spend segment according to its overall level of operational criticality and exposure for the business. In an operation like HME this is considered Tier 1 – Critical.
- **Standard Expense Coding Tree classification (SECT):** a classification program used by OT to determine how they are performing against global benchmarking. There are over 200 different SECT categorisations that are relevant within a mining sector context.
- **Sub-contracting commitments:** the requirement for primary suppliers to engage Mongolian National sub-contractors in the provision of their obligations to OT.
- **Supplier Tender List:** a summary for formally registering suppliers and assessing their ability to provide goods and services through a structured and measurable prequalification process.
- **Supplier Development Plan:** customised plan developed by OT to address qualification gaps (such as HSE, finance, ethics, HR management, legal) identified in the OT supplier qualification process.
- **Supplier Qualification:** a process where OT screens and qualifies potential (and existing) suppliers against OT's basic criteria on HSE, Finance, Ethics & Local Content Development, Legal & Information security, Quality management, HR management and Services & References. **Suppliers:** for the purposes of this policy, the term "suppliers" includes those providing not only goods but also services such as (but not exclusively) consultants, transportation companies, engineers, construction contractors, financial institutions, equipment lessors, etc.
- **Technical Transfer Opportunities:** the opportunity to transfer technical skills to local Mongolian nationals.
- **Tier one:** Critical spend categories to the operation's function. For example, Heavy Mobile Equipment (HME), site electricity, explosives, underground development and diesel.
- **Tier two:** Strategic spend categories with a strong influence on operational efficiency. For instance; HME tyres, road freight, drilling services and concentrator chemicals
- **Tier three:** Spend categories with the potential for aggregation and leveraged benefits. For instance, telecommunications, building lease, site catering, drill bits and accommodation.

- **Tier Four:** Spend categories considered as tactical largely relating to consumables. For example, stationery supplies, office furniture, safety supplies and non-critical maintenance consumables.
- **Training commitments:** Commitments that form part of the MOU where OT strategic supply partners will train and skill transfer to local Mongolian nationals.