

Supplier Development Policy



Purpose

Oyu Tolgoi maintains a dedicated national procurement policy focused on promoting and developing a safe, sustainable, and local supply chain.

Oyu Tolgoi actively encourages capacity building efforts of new and existing suppliers and will partner with companies to foster in-country manufacturing and service provision for products and services that are currently imported.

The policy sets Supplier development overarching principles for current operations and Oyu Tolgoi Underground Project. It complies with the commitments agreed in the Investment Agreement (IA), Amended and Restated Shareholders' Agreement (ARSHA), and the OT Underground Mine Development Financing Plan (UDP).

Policy

Oyu Tolgoi prioritises the development of service contractor employment and value-added procurement opportunities in Umnugovi aimag, with a continuous focus on cost and productivity improvements across the supply chain.

Umnugovi suppliers¹ are selected over national and international suppliers to the extent that health, safety, and environment and other technical requirements are met and the supplier offers commercially competitive prices.

National suppliers² will be selected as preferred suppliers over international suppliers to the extent that health, safety and environment, and technical requirements are met and the supplier offers a commercially competitive price. **National suppliers**² are encouraged, whenever practicable, to become Umnugovi suppliers.

Oyu Tolgoi prefers **international suppliers**³⁻⁵ who embrace and share the commitment of developing a safe, sustainable, and local supply chain. International suppliers are encouraged to promote sustainable local content, whenever practicable, by becoming, investing in, or partnering with Umnugovi or National suppliers. Tier 1 international suppliers are chosen over Tier 2 international suppliers (and similarly Tier 2 over Tier 3) when technical requirements are met and Umnugovi or National suppliers do not offer commercially competitive alternatives.

1. An *Umnugovi supplier* is a national supplier that is:
 - Registered in Umnugovi aimag;
 - Produces or supplies products or services within the Umnugovi aimag;
 - Have committed to a permanent workforce of in excess of 75 per cent of Mongolian employees located in Umnugovi aimag; and
 - Have their business head or branch office registered in the Umnugovi aimag and Oyu Tolgoi uses this office as the contracting entity.
2. *National supplier* refers to a Mongolian registered company which is more than 50 per cent owned by a Mongolian citizen(s).
3. *International supplier Tier 1*: A supplier registered, paying tax, and headquartered in Mongolia, generating added value in Mongolia through the products or services that they provide, and with more than 75 per cent Mongolian employees.
4. *International supplier Tier 2*: A supplier registered and paying tax in Mongolia.
5. *International supplier Tier 3*: A supplier that does not meet the above criteria.