



REPORT OF THE:

**INDEPENDENT
ENVIRONMENTAL & SOCIAL
CONSULTANT**

**OYU TOLGOI MINE
PROJECT**

MONGOLIA

Site Visit: August 2016



*Prepared by:
D'Appolonia S.p.A.*

*Prepared for:
Senior Lenders Group*

**REPORT OF THE:
INDEPENDENT ENVIRONMENTAL & SOCIAL CONSULTANT**

**ENVIRONMENTAL & SOCIAL
COMPLIANCE MONITORING**

OYU TOLGOI MINE PROJECT

Mongolia

Site Visit: August 2016

Prepared by: D'Appolonia S.p.A.
Via San Nazaro, 19
16145 Genova, Italia
www.dappolonia.it

Audit Team Members:

Giovanni De Franchi: Project Manager and Team Leader – Environmental Health & Safety Specialist
Robert Snow: Senior Reviewer – Health & Safety and Mining Specialist
Dana Strength: Environmental / Hydrologist Specialist
Amy Sexton: Social/Community Specialist
Joanna Treweek: Biodiversity Specialist

<i>Report Version</i>	<i>Date of Issue</i>
I Draft	September 5 th , 2016
II Draft	October 5 th , 2016
III Draft - Final	October 17 th , 2016

Document No: 13-391-H9

TABLE OF CONTENTS

TABLES	3
FIGURES	4
ACRONYMS	5
EXECUTIVE SUMMARY	8
1 INTRODUCTION	18
2 PROJECT OVERVIEW	20
2.1 CONSTRUCTION AND OPERATIONS STATUS	20
2.2 REPORT ORGANIZATION	21
3 ISSUES TABLE	22
4 HEALTH, SAFETY, ENVIRONMENT AND SOCIAL PERFORMANCE	
MANAGEMENT SYSTEMS	36
4.1 PROJECT STRATEGY	36
4.1 OBSERVATIONS	37
4.1.1 STATUS OF OPERATIONAL MANAGEMENT PLANS.....	37
4.1.2 DEVELOPMENT OF CONTRACTOR MANAGEMENT PLANS.....	37
4.1.3 ORGANIZATION AND STAFFING	37
4.1.4 MANAGEMENT OF CHANGE	38
4.1.5 MONITORING AND REPORTING.....	39
4.2 RECOMMENDATIONS.....	39
5 ENVIRONMENT	40
5.1 WATER AND WASTEWATER MANAGEMENT	40
5.1.1 PROJECT STRATEGY.....	40
5.1.2 OBSERVATIONS.....	41
5.1.3 RECOMMENDATIONS	57
5.2 MINERAL WASTE MANAGEMENT	57
5.2.1 PROJECT STRATEGY.....	57
5.2.2 OBSERVATIONS.....	59
5.2.3 RECOMMENDATIONS	63
5.3 NON-MINERAL WASTE MANAGEMENT	64
5.3.1 PROJECT STRATEGY.....	64
5.3.2 OBSERVATIONS	64
5.3.3 RECOMMENDATIONS	64
5.4 HAZARDOUS MATERIALS MANAGEMENT AND POLLUTION PREVENTION.....	65
5.4.1 PROJECT STRATEGY.....	65
5.4.2 OBSERVATIONS.....	65
5.4.3 RECOMMENDATIONS	65
5.5 AIR QUALITY	65
5.5.1 PROJECT STRATEGY.....	65
5.5.2 OBSERVATIONS.....	65
5.5.3 RECOMMENDATIONS	70
5.6 NOISE AND VIBRATION	70
5.6.1 PROJECT STRATEGY / OBSERVATIONS.....	70
5.6.2 RECOMMENDATIONS	71
5.7 EMERGENCY PREPAREDNESS & RESPONSE	71
5.7.1 PROJECT STRATEGY.....	71
5.7.2 OBSERVATIONS.....	71
5.7.3 RECOMMENDATIONS	74
5.8 TRANSPORT MANAGEMENT	74
5.8.1 PROJECT STRATEGY.....	74
5.8.2 OBSERVATIONS.....	75

5.8.3	RECOMMENDATIONS	75
5.9	BIODIVERSITY AND ECOLOGICAL MANAGEMENT	76
5.9.1	PROJECT STRATEGY.....	76
5.9.2	OBSERVATIONS.....	76
5.9.3	RECOMMENDATIONS	87
6	SOCIAL	88
6.1	SCOPE OF SOCIAL REVIEW FOR THIS AUDIT	88
6.2	LABOUR & WORKING CONDITIONS	88
6.2.1	PROJECT STRATEGY.....	88
6.2.2	OBSERVATIONS.....	88
6.2.3	RECOMMENDATIONS	92
6.3	RESETTLEMENT, COMPENSATION AND LIVELIHOODS IMPROVEMENT	92
6.3.1	PROJECT STRATEGY.....	92
6.3.2	OBSERVATIONS.....	93
6.3.3	RECOMMENDATIONS	97
6.4	STAKEHOLDER ENGAGEMENT	97
6.4.1	PROJECT STRATEGY.....	97
6.4.2	OBSERVATIONS	98
6.4.3	RECOMMENDATIONS	101
6.5	REGIONAL AND COMMUNITY DEVELOPMENT	101
6.5.1	PROJECT STRATEGY.....	101
6.5.2	OBSERVATIONS.....	102
6.5.3	RECOMMENDATIONS	107
7	HEALTH AND SAFETY	109
7.1	WORKER HEALTH	109
7.1.1	PROJECT STRATEGY.....	109
7.1.2	OBSERVATIONS.....	109
7.1.3	RECOMMENDATIONS	110
7.2	COMMUNITY HEALTH.....	110
7.2.1	PROJECT STRATEGY.....	110
7.2.2	OBSERVATIONS.....	110
7.2.3	RECOMMENDATIONS	111
7.3	WORKER SAFETY	111
7.3.1	PROJECT STRATEGY.....	111
7.3.2	OBSERVATIONS.....	112
7.3.3	RECOMMENDATIONS	113
7.4	COMMUNITY SAFETY	113
7.4.1	PROJECT STRATEGY.....	113
7.4.2	OBSERVATIONS.....	113
7.4.3	RECOMMENDATIONS	114
8	CULTURAL HERITAGE	115
8.1	PROJECT STRATEGY	115
8.2	OBSERVATIONS	115
8.3	RECOMMENDATIONS.....	115

TABLES

TABLE 4.1:	PROJECT NOTICE OF CHANGE	38
TABLE 5.1:	GENERAL WATER QUALITY OF ORIGINAL BOROVOO SPRING RELATIVE TO CURRENT INTERIM SPRING	47
TABLE 5.2:	NOVEMBER 2014 DETAILED WATER REVIEW RECOMMENDATIONS AND COMPLETION STATUS	49
TABLE 5.3:	2013 AMBIENT DUST (PM10 CONCENTRATIONS)	66
TABLE 5.4:	STACK EMISSION SAMPLING RESULTS – CHP AND KB AIRPORT (BOLD VALUES EXCEED PROJECT STANDARDS)	68
TABLE 5.5:	STACK EMISSION TESTING RESULTS OF INCINERATOR (NO DATA AVAILABLE FOR NOVEMBER 2015)	69
TABLE 6.1:	INVESTMENT AGREEMENT HUMAN RESOURCES COMMITMENTS AS AT 30 JUNE 2016	89
TABLE 6.2:	PEM ENGAGEMENT AND INFORMATION DISEMMINATION	99
TABLE 6.3:	DSF APPROVED PROJECTS Q1+Q2/2016	104

FIGURES

FIGURE 5.1:	RATES OF DIVERTED GROUNDWATER FLOW SINCE MAY 2014. NOTE CORRELATION OF FLOW RATES WITH PRECIPITATION EVENTS SHOWN IN RED.	43
FIGURE 5.2:	SURFACE FLOW MEASUREMENTS AS RECORDED AT THE CONSTRUCTED V-NOTCH	44
FIGURE 5.3:	WINTER 2016 EXTENT OF ICE SHEET BELOW THE MLA	45
FIGURE 5.4:	SURFACE AREA OVER TIME OF SPRING CREATED BELOW THE MLA (SEPT. 2013 – APRIL. 2016)	45
FIGURE 5.5:	OMB11-45 - WATER LEVEL DATA (MAY, 2012 – MAY, 2016)	46
FIGURE 5.6:	WATER LEVEL DATA FROM KHUHKHAD (MAY, 2012 – MAY, 2016)	46
FIGURE 5.7:	WATER LEVEL DATA FROM OTMB 11-22 (MAY, 2012 – MAY, 2016)	47
FIGURE 5.8:	FLOOD EVENT IN UNDAI CHANNEL, JUNE 6 2016	53
FIGURE 5.9:	VISUAL OBSERVATION IN REDUCTION OF TSP – COARSE ORE STORAGE FACILITY	67
FIGURE 5.10:	ILLUSTRATION OF INSULATORS INSTALLED	77
FIGURE 5.11:	TIMELINE FOR CHANGES IN LAND DISTURBANCE CONTROL AND REHABILITATION PLANNING PROCESS	79
FIGURE 5.12:	TREE AND SHRUB SAPLINGS PRODUCED BY THE NPPC FOR REHABILITATION AND LANDSCAPING PURPOSES	80
FIGURE 5.13:	NEW BOR OVOO SPRING SUMMER SURFACE FLOW AND (B) DISTRIBUTION OF DOMINANT SPECIES (AS OF JULY 2015)	81
FIGURE 5.14:	LOCATION OF 2.3 HA AREA FOR OPTION 3 OF BOR OVOO SPRING RE-VEGETATION	81
FIGURE 5.15:	PRESENTATION ON THE IMPACTS OF OFF-ROAD DRIVING ON BIODIVERSITY AS PART OF WORLD DAY TO COMBAT DESERTIFICATION	83
FIGURE 6.1:	PROJECTED OT LLC, EPCM AND CONTRACTOR PERSONNEL FOR UG PROJECT	89
FIGURE 6.2:	RAP CLOSURE WORK PLAN	94
FIGURE 6.3:	SELECTED HERDER COOPERATIVE PROJECTS FUNDED BY THE DSF, HERDER AND AGRICULTURAL COOPERATIVE PRODUCTION RATES	95
FIGURE 6.4:	ACTIVITIES UNDERTAKEN IN SUPPORT OF VULNERABLE DISPLACED HOUSEHOLDS (A. LIVESTOCK PURCHASE SUPPORT; B. HAIRDRESSER – WINNER OF VULNERABLE HOUSEHOLD COMPETITION)	97
FIGURE 6.5:	COMMUNITY GRIEVANCES JANUARY TO JULY 2016	100
FIGURE 6.6:	KHANBOGD TRIPARTITE COUNCIL (TPC)	100
FIGURE 6.7:	DSF FUNDING ALLOCATION BETWEEN PROJECT TYPES, 2016-2020	103
FIGURE 6.8:	DISTRIBUTION OF APPROVED DSF ACTIVITIES ACROSS PARTNER SOUMS	105
FIGURE 6.9:	OT SOUTH GOBI INTEGRATED COORDINATION SCHEMATIC	107
FIGURE 7.1:	YOUTH DEVELOPMENT CENTRE AND FACILITIES IN KHANBOGD (DRIVER TRAINING, IT ROOM, HEALTH CLINIC TRAINING ROOM)	110

ACRONYMS

AEMP	Atmospheric Emissions Management Plan
AQMP	Air Quality Monitoring Plan
BAP	Biodiversity Action Plan
BMEP	Biodiversity Monitoring and Evaluation Programme
BMP	Biodiversity Management Plan
BRMP	Business Resilience Management Plan
CAO	Compliance Advisor Ombudsman
CBMP	Core Biodiversity Monitoring Plan
CCFV	Critical Control Field Verification
CCV	Critical Control Verifications
CH	Cultural Heritage
CEG	Central Engineering Group
CEO	Chief Executive Officer
CHMP	Cultural Heritage Management Plan
CHP	Central Heating Plant
CHSSMP	Community Health, Safety & Security Management Plan
CIC	Community Interaction Centre
COS	Coarse Ore Stockpile
COO	Chief Operating Officer
CRM	Critical Risk Management
CSE	Community and Stakeholder Engagement
CSETS	Community and Stakeholder Engagement Tracking System
CSP	Communities and Social Performance
CSP MS	Communities and Social Performance Management System
CWG	Compensation Working Group
DSF	Development Support Fund
EBRD	European Bank for Reconstruction and Development
EC	Electrical Conductivity
ECAs	Export Credit Agencies
EDC	Export Development Canada
EFIC	Export Finance and Insurance Corporation
EHT	Elected Herder Team
EPRP	Emergency Preparedness and Response Plan
ER	Employee relation
ERM	Environmental Resources Management
ERP	Emergency Response Plan
ERT	Emergency Response Team
ESAP	Environment and Social Action Plan
ESIA	Environmental and Social Impact Assessment
FFI	Fauna & Flora International
GHGs	Greenhouse Gas Emissions
GIIP	Good International Industry Practice
HR	Human Resources
HSE	Health, Safety and Environment
HSE MS	Health, Safety and Environment Management System
HSEC	Health, Safety, Environment and Community
HSESC	Health, Safety, Environment, Security and Communities
IA	Investment Agreement
IESC	Independent Environmental and Social Consultant
IEP	Independent Expert Panel
IFC	International Finance Corporation

IFIs	International Financial Institutions
IMP	Influx Management Plan
IOM	International Organisation for Migration
IWRC	Interim Waste Recycling Center
KCB	KlohnCrippen Berger, Ltd.
KPI	Key Performance Indicator
LBAP	Lender Biodiversity Action Plan
LDCRMP	Land Disturbance Control and Rehabilitation Management Plan
LDP	Land Disturbance Permit
LMP	Labour Management Plan
LTI	Lost Time Injury
LTIFR	LTI Frequency Rate
LUIP	Land Use Implementation Plan
LUMP	Land Use Management Plan
MAS	Mongolian Academy of Sciences
MDT	Multi-Disciplinary Team
MEGD	Ministry of Environment and Green Development
MIGA	Multi-lateral Guarantee Agency
MLA	Mine License Area
MoC	Management of Change
MUST	Mongolian University of Science and Technology
MWMP	Mineral Waste Management Plan
NAF	Non-acid forming
NAMEM	National Agency of Meteorological and Environmental Monitoring
NoC	Notice of Change
NPPC	Native Plant Propagation Centre
NPI	Net Positive Impact
OMP	Offsets Management Plan
OT	Oyu Tolgoi
OTEP	Oyu Tolgoi Expansion Project
OT-GS	Oyu Tolgoi – Gashuun-Sukhait
OT-KB	Oyu Tolgoi – Khanbogd
PAF	Potentially acid forming
PEM	Participatory Environmental Monitoring
PMP	Pastureland Management Plan
PR	Performance Requirement
PS	Performance Standard
RAP	Resettlement Action Plan
RECB	Research and Experiment Center for Boilers
RT	Rio Tinto
RTBS	Rio Tinto Business Solutions
SC	Standard Chartered Bank
SEA	Sustainability East Asia LLC
SEP	Stakeholder Engagement Plan
SOW	Scope of Work
SPA	Strictly Protected Area
TBC	The Biodiversity Consultancy
TDS	Total Dissolved Solid
TMP	Transport Management Plan
TPC	Tripartite Committee
TPD	Tonnes per day
TSF	Tailings Storage Facility

UG	Underground
US EXIM	Export-Import Bank of the United States
VWP	Vibrating Wire Piezometer
WCS	Wildlife Conservation Society
WMC	Waste Management Centre
WMP	Water Monitoring Plan
WRD	Waste Rock Dump
WRMP	Water Resources Management Plan

EXECUTIVE SUMMARY

The Oyu Tolgoi Project (“the Project” or “OT Project”) is a world-scale copper/gold mine located in Khanbogd soum¹ of Ömnögovi aimag, in the South Gobi region of Mongolia, approximately 600 km south of the capital city, Ulaanbaatar, and 80 km north of the Mongolia-China border. The mineral resources consist of a series of deposits containing copper, gold, silver and minor amounts of molybdenum. The project is being developed by Oyu Tolgoi LLC (the “Project Company” or OT), a joint venture between Turquoise Hill Resources (66 per cent) and Erdenes Oyu Tolgoi (34 per cent), a company wholly owned by the Government of Mongolia. Rio Tinto (RT) is a major shareholder in Turquoise Hill Resources and since 2010 is formally managing the Project on behalf of all shareholders. The Project comprises the operation of an existing open pit copper/gold mine and associated ore processing operation as well as the development, construction, operation and financing of an underground copper/gold mine.

Since September 2013, D’Appolonia S.p.A. (D’Appolonia), located in Genoa, Italy, has been appointed to act as the Independent Environmental and Social Consultant (IESC) on behalf of the Senior Lenders² group financing the OT Project.

The key role of the IESC is to monitor the compliance of the Project against commitments with applicable Lenders’ standards through desk-top reviews and periodic visits to the Project and, specifically to:

- assess the level of conformance/non-conformance of the Project with the Operational Environmental and Social Management Plans and the underlying monitoring plans and procedures, as necessary, to verify that OT is implementing the actions/commitments embedded in the plans;
- verify that the activities are carried out consistent with the environmental permits as listed in the Environmental and Social Impact Assessment (ESIA);
- provide professional recommendations relative to Good International Industry Practice (GIIP)³, if any identified; and
- identify specific issues, and conduct follow-up and closure of findings and observations identified in the April 2016 IESC Interim Audit Report⁴.

This report details the findings of the IESC site visit conducted between the 1st and 7th of August, 2016. The main scope of the visit was to provide an external monitoring evaluation of OT activities with a focus on health, safety, environment and social aspects, to monitor conformance with the environmental and social commitments made for the project operation phase, and to identify whether the Project mitigation measures are being implemented as required.

The audit report also provides follow-up on the status of non-conformances (see Issues Table in Section 3) with respect to the Project commitments as included in the Operational Phase Management Plans (OMPs), the Environmental and Social Impact Assessment (ESIA), the Environmental and Social Action Plan (ESAP), and other reference documents.

The main observations of this desk-top exercise are summarized as follows.

Environmental and Social Management System

The Environmental and Social Management System provides for administering the project and meeting the Project Standards, the laws and regulations of Mongolia, permit conditions, Investment Agreement of 6

¹ In Mongolia, a soum is a second-level administrative subdivision. There are currently c.300 soums in Mongolia

² The Senior Lenders group includes: the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), Export Development Canada (EDC), Export-Import Bank of the United States (US EXIM), Export Finance and Insurance Corporation (EFIC), the Multi-lateral Guarantee Agency (MIGA), Standard Chartered Bank (SC) and BNP-Paribas.

³ Good International Industry Practice (GIIP) as defined in the April 2007 IFC EHS General Guidelines as “the exercise of professional skill, diligence, prudence and foresight that would be reasonably expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally...”.

⁴ D’Appolonia, “Independent Environmental & Social Compliance Monitoring Report – April 2016 Interim Report”, dated July 2016.

October 2009, as well as the environmental, health & safety and social policies, standards and requirements of the IFC and EBRD. The management system and associated Environmental and Social Management Plan (ESMP) include planning, operations, reporting checks, and review elements with a focus on continual improvement. Specific operating plans define the project commitments, key performance indicators and monitoring parameters, and reference specific implementation documents. Updating of the operating plans has been performed over 2015 and 2016, and the ESMP is scheduled to be updated later this year. Also included in the system is a Management of Change (MoC) process, which has been implemented by the Project to address modifications of project plans and commitments, as discussed in associated sections of the report. Most of these have been accepted by the Lenders, while others that have yet to be accepted are the subject of ongoing review and monitoring to reach resolution.

Water and Wastewater Management

OT implemented the Undai River Partial Adjustment and Protection project as a result of being unable to implement the full Undai Diversion as described in the ESIA. A long-term delay in issuing a Land Use Permit prohibited OT from constructing aspects of the Undai River Diversion project that were to take place outside of the fenced Mine License Area (MLA). A detailed water review was undertaken in November 2014 to assess available hydrogeological data related to system performance of the Undai River Partial Adjustment and Protection project. The detailed water review did not identify a risk of significant impact to groundwater resources as a result of the current system. Notice of Change 2015-005 acknowledges that the Undai River Partial Adjustment and Protection Project maintains continuity of groundwater flow and is serving as a valid mitigation in accordance with the original goals of the Undai River Diversion as described in the ESIA.

In December 2014 OT and the Elected Herder Team (EHT) agreed to transition the IFC's Compliance Advisory Ombudsman (CAO) facilitated meetings into a permanent dialogue, inclusive of local stakeholders, to further the topic of final Undai River Diversion configuration. Stakeholders include OT, the EHT, and the Khangbogd government. Collectively these entities constitute the Tripartite Committee (TPC). The final configuration of the Undai River Diversion, potentially reflecting the existing system, has been discussed by the TPC since September 2015. Provided the existing system has been approved by the TPC the IESC recommends that OT submit a Notice of Change formalizing the suitability of the current Undai River Partial Adjustment Project as the final Undai River Diversion system. The current configuration and location have been discussed as evidenced in TPC meeting minutes; however the ESIA should be formally modified via the NOC process to memorialize any accepted configuration.

Evidence exists of exploration bores interconnecting hydrogeological units within the Gunnii Hooloi borefield. OT has coordinated with the Tripartite Committee (TPC), which contains three members of the aforementioned Working Group, to identify the best method for boring abandonment. Following these discussions and agreement on abandonment method OT now plans to initiate abandonment of the identified six cascading bores in beginning in August of 2016 with the work completed by October 2016. A total of 37 monitoring points are to be installed in the Gunnii Hooloi (GH) region, within the MLA, and within the OT active mining operations footprint (i.e., at the open pit, in drainage channels, and upstream/downstream of the TSF). Supplementary monitoring bore installation began in May of 2015 with 14 monitoring points completed on the OT site and in the GH before work was halted due to drilling safety concerns. In 2016 a total of 19 additional monitoring points will be installed at the OT site (nine points) and in the GH (an additional 10). The remaining four monitoring points to be installed in the Gunnii Hooloi will be completed in 2017.

OT consumption of raw water from the Gunnii Hooloi aquifer, which is brackish, averaged 410 Liters of water consumed/ton of ore produced, representing an improvement relative to the 2015 rate of 421 L/ton-ore. Both values are significantly below the global average rate of 1,220 L/ton-ore. So far in 2016 an overall water recycling efficiency rate of 86.6% was achieved, an improvement relative to the 2016 value of 85.5%. Both values are above the 80% key performance indicator. There are seepages present in the north and east toes of the TSF. These were anticipated and a pump-back system is place to capture and return these flows. Seepage behavior is also present to the south of Cell #1. This behavior is being tracked to determine if actions are warranted; this seepage does not produce surface flow nor does it represent an immediate risk to down gradient environmental receptors.

Mineral Waste Management

Mineral waste management associated with the Open Pit, Waste Rock Dump (WRD), and Tailings Storage Facility (TSF) is continuing under the Project strategy. Waste rock stockpiled or placed in dumps is subject to segregation of potentially acid forming (PAF) materials from non-acid forming materials, and monitoring under the geotechnical ExPit program and WMP. With the underground mine Restart program, land disturbance permits and general layout information has been developed for stockpiles and the new development rock waste dump, pending detailed design information on segregation of PAF materials and final design plans. A WRD Re-Vegetation Trial Project is being refined for implementation in 2016 at an unused area of the South Dump with the additional objective to evaluate the performance of the proposed store and release cover. The trial project should include defined biological rehabilitation parameters along with construction quality control measures to enable documentation of conditions, along with a separate trial area that replicates slope conditions subject to more aggressive erosion and moisture retention conditions.

Tailings from the Concentrator are pumped to the TSF for disposal and recovery of process water. Cell 1 of the TSF continues to be operated, with construction of embankments to provide for projected tailings deposition into 2017 within about 88-percent complete. Reclaim water management within the TSF has been effectively managed by the barge pump station. With construction of the TSF and rising tailings and water levels, surveillance is critical to identifying and addressing geotechnical conditions and instrumentation monitoring, and OT will be installing additional instrumentation by the end of the year. The TSF Operation, Maintenance and Surveillance Manual drafted in 2013 needs to be updated to reflect current design and operation requirements. Seepage emanating from the toe areas in the northeast section of the TSF is within design estimates for the facility, and is being monitored. Water quality within the tailings reclaim pond and seepage contains generally high concentrations of TDS and salts. Consistent with the TSF design, seepage water is collected and pumped back to the TSF for recovery to the Concentrator. Subsurface seepage detected along the south TSF perimeter is being monitored with a limited program of piezometers and monitoring bores, and enhancement of monitoring points as well as development of threshold levels for piezometers based on stability analyses in this area are recommended.

An update to the TSF feasibility study was completed in October 2015, and further engineering, design and independent technical reviews conducted and reported in the March-July 2016 period for crest raising of Cell 1, planning for Cell 2, and further TSF expansion for the mine life. With completion of foundation clay testing and analysis in response to independent technical reviews, refinements of TSF embankment geometry may be incorporated in further update of the TSF feasibility study.

Non-Mineral Waste Management

The Project continues to be self sufficient in the management of all waste produced during operation which are currently disposed at the Interim Waste Recycling Center (IWRC) and at the new Waste Management Centers (WMC). According to the latest predictions of waste production provided during the audit, including underground operation, the current cell has enough capacity to receive waste until Q1 2018 with the construction of a second cell foreseen to start in mid 2017.

As noted in the previous audit, recycling of selected waste categories including plastic bottles, scrap metal and barrels has been stopped since July 2015 when contracts with local vendors and recycling companies expired. Wastes are temporarily accumulated at the IWRC and at the WMC until a new vendor selection process will be completed. The IESC understands that for some selected waste (plastic and metal) two recycling companies have been identified and contract are in the process of being finalized. Although this situation is not considered by the IESC to represent a potential environmental issues as waste are however stored in selected facilities within the project fence, this practice is not consistent with the principles and strategy included in the project Waste Management Plan nor with Good International Industry Practice (GIIP) requirements and Lenders' standards. OT should address this issue and finalize the process to identify reliable recyclers to manage its recyclable waste.

Air Quality

Historically there has been significant dust generation at the coarse ore stockpile (COS) facility. As mitigation a foam dust suppressant system (surfactant system) has been installed. This has resulted in

visual reduction of TSP concentrations from within the COS facility; however ambient air particulate monitoring data continue to exceed the Project Standard. Significant improvements are planned during a planned Q3 2016 shutdown. These include installation of new scrapers to minimize material carry-back on the grinding (SAG mill) circuit and pebble circuit conveyors. The installation of new scrapers will decrease the amount of material transported back from these circuits. Also in Q3 of 2016 a portable foam applications system will be experimented with to determine its efficacy in treating dust generation at key transfer points, including at the pebble circuit. If these trials are successful a permanent foam application system could be installed.

As noted in prior audits the ambient air monitoring network available on site requires improvement to monitor ambient air quality relative to Project Standards, and to assess the overall efficacy of implemented mitigation measures. In March 2016 the OT Investment Committee (OTIC) approved a Capital Expenditure Authorization (CEA) to allow purchase of the necessary ambient air quality monitoring equipment. Subsequently a Scope of Work and Tender Request have been issued to receive bids to complete equipment installation. It is anticipated that this work stream will be completed in Q3 2016. The Scope of Work includes training and support to maintain the new ambient air quality network. Successful completion of this work stream will allow better evaluation of ambient air quality with respect to Project Standards.

Emissions quality of the CHP has been a persistent issue. Boilers are operated at differing times and capacity based on demand. Thus far the CHP has not been operated at full load as the underground (Phase 2 of construction) has not yet been completed. Two additional 29-MW boilers will be added for Phase 2. At completion of this construction, estimated to take 3-5 years, the CHP will be run at a load in keeping with its design capacity. January 2016 was the only month during which the CHP was under full load (the 29 MW Boiler #3). At this time monitoring data improve but do not quite meet the Project Standard.

Pending action items to improve CHP emissions quality include bag filter change-out procedures, boiler refractory jobs and issuance of boiler-specific performance cards. It is expected that full implementation of these action items in 2016 will result in improvement in stack emission quality. However the low loads under which the boilers are currently operated present difficulties in meeting Project Standards as the boilers were designed to run at greater loads.

A December 2015 site visit by the manufacturer of the project incinerator verified that the incinerator was not achieving the designed combustion temperature of 1000 degrees Celsius. Following repairs to the waste oil burner combustion temperatures are now over this design criteria. Some addition repairs are still needed including replacement of the differential gauge and dampener. An internal Purchase Order has been issued for these items and it is expected that this work will be completed in Q3 of 2016. Once these modifications have been made this should allow conformance with incinerator design criteria and Project Standard.

OT records greenhouse gas emissions (GHGs) and reports a value of 766,524 CO₂ (eq) generation through June 30, 2016. This is relatively consistent with the generation in full year 2015 of 1,463,057 tonnes of CO₂ (eq). Of the 2015 total over 80% of GHGs generated were related to the purchase of electricity with Scope 2 emissions of 1,230,661 CO₂ (eq). Scope 1 direct emissions were 235,523 CO₂ (eq) and indirect Scope 3 emissions are negligible.

A third party *Review of Oyu Tolgoi's Greenhouse Gas Emissions* report was prepared in 2015. This report describes current GHG tracking efforts undertaken to comply with RT's Greenhouse and Energy Usage workbook requirements; however recommendations are made to improve and coordinate accounting practices with Lender guidelines. OT has prepared a *GHG Non-Conformance Action Plan Timeline* in response to the last audit finding of a Category 1 non-conformance regarding standardization of GHG accounting methodologies. The internal initiative describes subtasks and a timeline for establishment of (a) internal quality controls for GHG data collection and management; (b) development of a specific GHG Management Plan; and (c) development of a dedicated Energy Efficiency Improvement Plan. In sum total the work stream should be completed by Q4 of 2016.

OT has in the last few years implemented several GHG reduction/energy efficiency improvements including installation of metering equipment at major site infrastructure such that energy use can be more closely tracked. This in turn allows for identification of priority areas for efficiency initiatives. All flood

lights at the Operations Camp have been replaced with more energy efficient LED lighting. Most recently transformers at the site have been de-energized when not under load resulting in energy consumption decreases from the site main power grid.

Emergency Preparedness & Response

The Emergency Response Team operating under the Emergency Preparedness and Response Plan (EPRP) has updated Emergency Response Procedures (ERPr) to address potential incidents specific to Project areas/departments where high and critical risks exist. Fifteen ERPr have been prepared to address the general site area or specific areas/departments. A reformatted ERPr - TSF has been prepared under the new BRMP, has been approved for implementation, and a ERPr – TSF Communities and Stakeholder engagement plan has been drafted to support the communities relations officers with notification to communities and herders within the emergency response coverage area. The plan includes specific steps and a schedule to achieve community notification requirements under the EPRP.

The Underground Emergency Response Plan was updated in June 2016 and submitted to the Ministry of Mines, which identifies key activities for the underground Restart program to be implemented through the end of the year.

Transport Management

Transport Service Providers have maintained their induction, communities and environmental awareness training programs, and have implemented a fatigue monitoring and management program for copper concentrate truck drivers, including the use of SmartCap and Readiband technology providing operator alerts in real time. The fatigue monitoring and management program is implemented by the Health Department and should enable proactive measures to help address this risk.

Ecological Management and Biodiversity

OT's key biodiversity-related plans were formally approved in June 2016 (Notice of Change 2016-10 Formal Approval of Biodiversity Documents), finalising OT's operational framework for biodiversity planning.

Results of several positive actions were communicated during the site audit, and it was possible to verify that the majority of actions included in the Biodiversity Management Plan have taken place as required, based on key performance indicators.

Staff reported on their efforts to raise awareness of the impacts of off-road driving and improve coordination between departments involved in land disturbance planning. Such efforts are additional to routine "environmental awareness" training that covers biodiversity aspects and is given to 96% of staff.

Successful negotiations with herders regarding re-vegetation of the replacement Bor-Ovoo Spring have been followed by procurement of materials to protect re-vegetated areas from grazing with fencing and preparation of the plants needed in the Native Plant Propagation Centre. Work is planned to go ahead in the autumn over an area larger than suggested initially, the result of OT's constructive, collaborative approach with stakeholders.

The Native Plant Propagation Centre in Khanbogd soum centre continues to propagate and produce a range of regional native plants and has also been used for testing different approaches to biological rehabilitation.

The actions needed to comply with national and local government requirements for rehabilitation and Lender requirements for No Net Loss or Net Gain outcomes in natural and critical habitat respectively are implemented through OT's Land Disturbance Control and Rehabilitation Management Plan (LDCRMP) and Offsets Management Plan (OMP). Discussions and visits to rehabilitated areas during the site audit confirmed that there is now a process for strategic planning of work programmes in place, with involvement of relevant departments. Adherence to the mitigation hierarchy has much improved, allowing for avoidance of priority plant species and other priority biodiversity features when land disturbance is planned. Staff in the Flora and Land teams have initiated efforts to raise awareness of the new procedures and presented several examples during the audit visit where their input had resulted in re-design of planned infrastructure to avoid specific features of concern. The plan and procedures are now considered fit for

purpose, with only minor changes to completion criteria for target plant community composition being necessary. The non-conformance on this issue is therefore closed.

Some highly qualified professionals have been recruited to progress biodiversity offset plans, manage the Fauna team and implement rehabilitation activities, but the biodiversity and social performance teams have lost a number of staff positions, leaving a smaller team to maintain and manage an expanding programme of biodiversity activities.

Non-conformances are summarised below.

The Ecosystems Working Group has developed a biodiversity-related Stakeholder Engagement Plan (SEP) as an annex to OT's overall SEP and a draft was submitted to lenders for review in July 2016. This is well-structured and goes a long way to meet the (BAP16) requirement. However, the need for more detailed, topic-specific stakeholder engagement action plans has been identified in the audit. These will improve programming of key engagement activities for OT's four offset projects as well as providing a basis to complying with the BAP17 requirement for verifying OT's progress to Lenders. There is also a specific requirement in the BAP to raise awareness of illegal hunting and collection of wild plants, and include the necessary stakeholder engagement activities in the SEP (BAP19). OT needs to submit a revised plan that addresses these issues, at which point the non-conformance will be reassessed.

The Ecosystem Services Group submitted a draft monitoring and evaluation framework for critical ecosystem services to Lenders for review in June 2016. To comply with Lender performance standards and requirements, the monitoring framework must allow any decline in the value or functionality of critical ecosystem services to be detected over time and for any necessary corrective action to be triggered. The current framework does not meet this requirement. Lenders requested inclusion of indicators for ecosystem service use and benefit to finalise the monitoring plan.

OT submitted a draft "Road Mitigation Strategy" to Lenders in June 2016, outlining its proposed approach to monitoring, assessment and management of barrier and disturbance impacts on khulan *Equus hemionus* and black-tailed gazelle *Gazella subgutturosa* from the OT-GSK road. The draft strategy lacks much of the content needed for it to align with the BAP. Mitigation options are not presented and plans for engagement on measures relevant to regional-scale sustainable development, traffic monitoring on non-OT roads or impacts on animal behavior are not included. OT has developed Terms of Reference for an independent scientific panel to provide opinions on technical questions related to the Road Mitigation Strategy and other matters, with a view to engaging panel members before the end of 2016. This panel will play an important part in exploring and validating mitigation solutions, but the time needed for its establishment does not justify the ongoing delay in developing a credible plan of action and the current Mitigation Strategy is not in conformance with the BAP.

OT undertook (in its BMP) to monitor vegetation plots for potential effects of dust pollution, as livestock production from pasture is a critical ecosystem service for the project and some complaints were made during the construction phase about elevated dust levels suppressing vegetation growth. Resources have not been allocated to this activity for the last three years. It is unlikely that dust from OT currently has significant impacts on pastureland growth, but there are no data to back this up or provide a basis for responding to any future complaints. Upcoming plans for construction activity to pave the OT-KB road make it advisable to reinstate this monitoring. ***Labour and Working Conditions***

As at 31 June 2016, according to the OT Workforce Ratio report there were 7,188 workers at the OT operation, including those employed by OT LLC and by contractor companies. These include workers at the mine site (including UG), Ulaanbaatar and Khanbogd. A total of 6,820 are Mongolian nationals, or 94.88%. The total workforce has more than doubled since the last audit, predominantly through the addition of contractors for the UG. There are now, including UG, 4,574 contract workers, 4,359 (95.3%) of whom are Mongolian nationals. The OT LLC workforce is now 2,614 individuals, of whom 2,461 (94.15%) are Mongolian nationals. South Gobi residents make up 1,538 of the OT LLC (415 individuals) and Contractor company (1,123 individuals) workforce. Total workforce numbers are anticipated to continue increasing to the first peak in the UG construction workforce in May 2017.

Employee grievance figures continue to be consistent with past audit results, receiving eight complaints registered through SpeakOut over the period 01 April – 31 June 2016. Accessibility of the SpeakOut

system should be checked by OT, in response to issues raised by the OT Trade Union that the line is not always answered.

A significant business restructure occurred at the beginning of 2016, which resulted in redundancies, redeployments, rehires and separations. 139 roles were identified as redundant, approximately 90% of which were redeployed and the remainder mutually agreed to leave the business. An additional 50 roles were allocated to the OT UG.

While information sharing and disclosure on recruitment, training and employment data continues to be shared with the community through key engagement tools (e.g. Community Newsletter), targeted employment topics should additionally be considered with contractor companies on their recruitment requirements and processes, in coordination with wider in-migration management approaches.

The 4th collective agreement for OT LLC employees and the OT Trade Union has been put in place, effective 23 May 2016. Significant new additions to the agreement are an annual bonus scheme for employees, and the introduction of health and accident insurance for all employees, which goes beyond national social insurance requirements.

New worker accommodation on site is under construction, with this construction workforce being accommodated in existing on site camps. This facility will have the capacity to accommodate 5,000 workers in 18 new blocks, each with 102 rooms, and is expected to be completed by Q1 2017. There are currently three offsite camps including the reinstatement of the 'summer camp' near Khanbogd, which is to accommodate the OT-Khanbogd road workforce. IESC notes that appropriate community engagement activity in advance of camp reinstatement is required, to ensure appropriate in-migration, community health and safety and other social risks are appropriately managed, through coordination via the South Gobi Steering Committee.

The past non-conformance on long service leave recognition has been closed.

Resettlement, Compensation and Livelihoods Improvement

The resettlement program component of the OT's operations is be considered complete, however all herders in Khanbogd *soum* will continue to be supported and monitored by OT for some time, as part of their ongoing commitment to mitigate economic displacement impacts and to achieve herder livelihood improvements. OT is working towards closing 69 of the five-year Resettlement Agreements with displaced households by the end of 2016, with agreements to be closed for a further 19 households in 2017, and the final agreement in 2019. A RAP Closure work plan for June-December 2016 includes the steps required to meet this objective, including development and delivery of communication material for information disclosure on the DSF, to ensure displaced households understand access to livelihoods support, and reviewing the resettlement agreement by the Legal department to ensure that compliance risks are well understood, mitigated and managed.

Transitioning to alternative livelihoods for the 71 OT Road Maintenance Workers continues, with 10 employees reassigned to work as Tree Nursery as assistants, and 5 are now working as open pit operators. Education support commitments have been delivered including through support to 25 school children and provision of three scholarships.

The Multi-disciplinary Team (MDT) study, which commenced in early 2016, is progressing well. The MDT has undertaken fieldwork during March and August 2016, which aims to map independently and objectively changes over the last decade in livelihood and socio-economic conditions of Khanbogd *soum* herders' households. Interviews were carried out with 110 households and the analysis currently being carried out will help inform the outcome evaluation output. The first and second progress reports have been issued to the client, the TPC, and the work is expected to be completed by Q4/2016.

Herder and agricultural cooperatives are providing tangible business opportunities for displaced and other households, including through access to animal/winter shelter disinfection services, provision of agricultural products to OT and other markets, and production of skins and wool to markets in UB. IESC anticipates that regular reporting requirements by the cooperatives will enable assessment on whether displaced herders are able to access support through the DSF, as the ongoing support to this group is required to meet livelihood restoration commitments.

Support to vulnerable displaced households is ongoing following agreement to a joint plan between OT and the *soum* for 2016. A competition between vulnerable households has enabled the start up of a hairdresser/beautician business in Khanbogd; support is provided to handcrafts and milk candy production groups and training has been provided to facilitate access to potential future operator employment. A Repair Centre as a proposal put forward to the DSF is to be considered at the next DSF Board meeting, which will, if funded, support vulnerable households with alternative income generation opportunities.

Stakeholder Engagement

The CSP team have continued with a range of engagement activities with Khanbogd and other target communities. These include information disclosure and community engagement on the Gobi Oyu DSF through a series of town hall meetings and targeted engagement activities including meetings with herders, vulnerable households and cooperatives. Topic specific engagements have included those on the Bor Owoo/Undai new spring location, OT-KB Road Upgrade, and the OT-Gashain-Sukhait (GSK) Road Zones 3-5 construction, and engagement through the Tripartite Council has resulted in agreement between herders and the *soum* on a Bor Owoo replacement option. An UG project topic-specific stakeholder engagement plan should additionally be developed as soon as possible to engage with local stakeholders regarding the activity already underway on and around the site.

The Community Interaction Centre (CIC) in Khanbogd is a focal point and one of the main mechanisms for information disclosure, together with the monthly community newsletter prepared by OT, with excellent visual materials available in the centre to inform and educate visitors about the mine and its associated activities. This includes the monthly community newsletter, scale models of the mineral deposit, formal consultation materials and notices.

A total of 3 grievances were received from the community in Q1 and Q2/2016 on influx and human resources, all of which received a response within required timeframes. The Tripartite Council is well engaged in working to resolve herder complaints and overseeing the MDT study and IEP, which aim to deal with past herder complaints to the CAO, and perform the functions of the Compensation Working Group. Facilitation of the TPC to be able to identify success criteria or 'outcomes' with the MDT/IEP teams to ensure complaints reach a point where they can be considered closed.

The SEP OMP was reviewed by the IESC in August 2016 with significant comments provided by the IESC/Lenders to strengthen this document. The IESC anticipates critical analysis and further review is required with the support of appropriately skilled expertise to incorporate IESC/Lender feedback to strengthen the SEP OMP.

Regional and Community Development

Regional and community development is one of the main functions of the CSP team, and the Cooperation Agreement (CA), established on 22 April 2015, is now operational. Funding through the Gobi Oyu DSF has been agreed and the two bodies responsible for DSF disbursement are the Relationship Committee, who review and prioritize proposals against established funding criteria and make recommendations to the DSF, and the Board, the final decision maker. The DSF Board has approved 13 projects for Q1 and Q2/2016, with disbursement split between Khanbogd (35% of funds), Bayan-Owoo (27% of funds), Dalanzadgad (19% of funds), Manlai (10%) and aimag-wide activities (9%) of funds.

Project induced in-migration issues have been experienced as a result of the UG ramp up and the potential risks this raises have been subject to a lessons learned review by OT for internal response. Although it is positive that OT is responding to these risks, the review of the specific in-migration risks and management measures appropriate to the current environment, by OT and the *soum*, have not been sufficiently incorporated into the revised Influx Management Plan. This is at least in part because OT has a gap in dedicating sufficiently experienced and senior expertise to address this issue. The South Gobi Steering Committee requires specific incorporation of influx management within its remit to ensure cross-departmental, coordinated and relevant responses. This should be supported by clearer articulation of the 'organic' growth model for Khanbogd, which was referenced by OT during the site visit but has not been received by the audit team in supporting documentation. The IESC recommends the Influx MP be updated to reflect IESC and Lender comments, supplemented with more recent experience, context and the

operations approach to management of in-migration, consistent with the South Gobi Steering Committee Charter.

Worker Health and Safety

The Health Team is a centralized entity under the HSESC Department, and includes occupational health services and the main ISOS clinic. Periodical health assessments and screenings are performed under the continuing occupational health program. A centralized Safety Team has been organized in 2016, rather than having safety officers within various departments and activities, to allow for more flexibility and cross training of safety personnel.

The Critical Risk Management program, focusing on 17 critical risks to site personnel and conducting critical risk control verification, has been implemented throughout the site, and introduced into underground activities and for implementation by contractors. Process Safety Management, to address potential hazards from the plant operating systems, considering chemical release, fire, explosion and other hazards, has been introduced in the Concentrator, Central Heating Plant, and Maxam explosives facility. The Health Team has also emphasized programs for fatigue management among truck operators in the Open Pit, TSF and Outbound Logistics areas, and manual handling risks in several departments, evaluating a large number of tasks to identify priority tasks and improvement plans. Workplace health and safety incidents are tracked within the RTBS system, reviewed and evaluated by management, and reported in monthly reports. Injury rates have been reducing, with the All Injury Frequency Rate for 2015 below industry benchmarks and the 2016 rate within the target level.

Community Health and Safety

Community health program initiatives continue, including commencement of the Healthy Herder program, finance for which has now been approved by the DSF. This program will provide mobile equipment, training, and quarterly household visits for herder households. The IESC is pleased to see this herder health initiative progress towards implementation and looks forward to a status report at the next audit.

The IESC visited the adolescent and youth-friendly clinic at the Khanbogd hospital and the Youth Development Centre. The 'Y-peer' club, health clinic and training, support groups and special interest group activities are increasing, and the YDC in Khanbogd is now looking forward to collaborating with other YDCs in Mongolia through the technical and financial support of the UNFPA and OT. The opportunities enabled for young people through the YDC are well attended and well regarded in Khanbogd and continue to gain interest in other Umnugobi *soums*. This investment is commended by IESC for providing a good platform for engaging with young people.

No community safety incidents or concerns were reported by OT for this audit. Crime statistics continue to be monitored by OT and appear to have decreased in Q1 and Q2/2016. OT is recommended to continue to engage with Police and other *soum* authorities in Khanbogd on potential safety and crime issues with the UG workforce ramp up; and monitor if there is any need to implement any mitigation measures with population changes. It will be important to closely monitor the population increase associated with the re-opening of the Summer camp in terms of community safety risks and adequately inform the community about the in-migration of workers to the camp in advance.

The Emergency Response Procedure (ERPr) – Tailings Storage Facility (TSF) preparation continues with sensitisation of the Communities and local government teams on emergency notification processes demonstrating the sensitivity of this issue in the community. Herder households in the potential inundation area have been and continue to be engaged with contact information updated and a TSF-Emergency preparedness engagement plan in draft. IESC recognises that the engagement on this topic will be an ongoing and sensitive process.

To support the Emergency Response Procedure (ERPr) – Tailings Storage Facility (TSF), a TSF Community and Stakeholder engagement plan has been drafted to identify steps for communication with community officials and affected residents and herders within the emergency response coverage area to acquaint them with the OT emergency response program and preparedness measures in the event of an emergency. The plan includes specific steps and a schedule to achieve community notification requirements under the Emergency Preparedness and Response Plan.

Cultural Heritage Management

The OT Cultural Heritage Management Plan (CHMP) remains in place and the zero CH incident status has been maintained. Under the Cultural Heritage Management System (CHMS) procedures, a total of 406 Community Relations and 321 Cultural Heritage inductions were provided in Q1-Q2/2016. The CH team has issued 19 Land Disturbance Permits (14 onsite and 5 offsite) in the audit period.

Palaeontological monitoring was completed during construction of the Khanbogd bulk water supply project and no chance finds were made, and laboratory processing and analysis of 186 fossils found along the 'Urulbe'/raw water supply system area has now been completed.

The *Shar Tsav* and *Khurdet* cave CHMPs project funding was approved by the DSF and implementation to commence now, which is welcomed by the IESC and will be tracked in subsequent audits.

Lastly, progress on the establishment of the Centre for Gobi Regional Cultural Heritage and Development Studies, in partnership with the Mongolian Academy of Sciences (MAS) and the Umnugobi *aimag* has been temporarily on hold; the IESC will follow up on further progress at the next audit.

1 INTRODUCTION

The Oyu Tolgoi copper/gold mining Project (“the Project” or “OT Project”) is located in the aimag of Umnogovi, in the South Gobi region of Mongolia, approximately 600 km south of the capital city, Ulaanbaatar, and 80 km north of the Mongolia-China border. The mineral resources were discovered in 2001 and consist of a series of deposits containing copper, gold, silver and minor amounts of molybdenum. The project involves a combination of open pit and underground operations, with ore processed through a 100,000 tons per day concentrator and with an expected concentrate production in excess of 500,000 tons per year. Shipment of product to customers commenced in July 2013.

In September 2013, D’Appolonia S.p.A. (D’Appolonia), located in Genoa, Italy, was retained by Oyu Tolgoi LLC to act as the Independent Environmental and Social Consultant (IESC)⁵ for the OT Project being developed by Oyu Tolgoi LLC (the “Project Company” or OT), a strategic partnership between the Government of Mongolia, Rio Tinto (RT) and Turquoise Hill Resources. Since 2012 RT has also been appointed as the manager of the project on behalf of the shareholders.

D’Appolonia’s role as the IESC is to support the Senior Lenders by providing an external/independent monitoring evaluation of OT mine project activities with focus on (Health, Safety and Environment) HSE and social aspects during project operation that began on 1st September 2013. Within this role, the IESC reports periodically to the Lenders group on conformance with the environmental and social provisions contained within the Operational Management Plans which define how OT will implement the mitigation strategies set out in the ESIA and in the other relevant project documents. These include the Project’s Environmental and Social Impact Assessment ESIA, an Environment and Social Action Plan (ESAP) which included a list of time-bound future commitments and the Operations Phase ESMPs that represent the reference documents used by the IESC to monitor the Project Environment, Social, Health and Safety (ESHS) performances throughout operation.

This report presents the IESC’s understanding and assessment of conformance of Project commitments from an EHS and social perspective, based on site observations, written information made available by the Project through existing reports, disclosed studies and ad-hoc presentations, as well as from interviews with OT site personnel. The document provides a snapshot of the Project’s state at the time of the visit. Although focus has been given to the assessment of how the commitments included in the Operational Management Plans are implemented by the Project, the audit is also a review of those issues identified in previous IESC visits that might still have implications during current project operation.

Specific activities conducted included the following:

- desk review of the EHS and social documentation and other project-related reports provided by OT;
- visits to the project sites and “spot” onsite observations of the implementation of EHS and social requirements;
- meeting with the project teams responsible for HSE and social compliance monitoring and review relevant plans and procedures;
- evaluation of implementation of the commitments contained within the OMPs and the ESAP;
- identification of deviations and/or gaps with respect to the OMPs and ESAP commitments, including recommendation for possible EHS improvements based on Good International Industry Practice (GIIP);
- follow-up and closure of findings and observations identified in the April 2016 IESC Audit Report⁶, and

⁵ IESC Team members: Giovanni Battista De Franchi (Project Manager and Team Leader – EHS Specialist), Robert Snow (Senior Reviewer - HS and Mining Specialist), Dana Strength (Environmental / Hydrologist Specialist), Angela Reeman (Social / Community Specialist), Jo Treweek (Biodiversity Specialist).

⁶ D’Appolonia, “Independent Environmental & Social Compliance Monitoring Report – April 2016 Interim Report, dated July 2016.

- drafting of an IESC report (this report) to be publicly disclosed.

A close out meeting was held at the OT site offices on August 6th to share preliminary findings and to present the result of observations made during the visit that form the basis for this report.

The information, observations, and opinions presented in this report are those of D'Appolonia and are independent of those of the Project and/or the Senior Lenders. Where topics are not referred to, no risks to the project have been identified.

2 PROJECT OVERVIEW

2.1 CONSTRUCTION AND OPERATIONS STATUS

The Project consists of a series of mineral deposits containing copper, gold, silver, and molybdenum to be mined by a combination of open pit and underground mining techniques. The Project has a mine life based on Proven and Probable Reserves of about 40 years (from 2016). Ore deposits are referred to as the Southern Oyu deposit and the Hugo Dummett deposit which together contain a currently identified resource of almost 25.4 million tons of copper, 81,600 tons of Molybdenum, about 5,150 tons of Silver, and 1,000 tons of gold. The development of the mine involves the construction of an open pit copper-gold mining operation at the Southern Oyu deposit, supplemented by production from the underground (Hugo Dummett deposit). The initial concentrator design is based on processing raw ore at a rate of 35 million tons per year (nominal capacity of 100,000 tons per day) with an expected concentrate production ultimately in excess of 500,000 tons per year.

The open pit mine started during Q2 2012 as a conventional truck and shovel operation operating 24 hours per day. The pit includes a series of ‘benches’ cut and blasted into the rock that act to stabilize the slopes within the open pit and also serve as the haul roads to enable ore and waste rock to be removed by trucks.

The underground mine is being planned as a block cave operation which involves the excavation of material that provides natural support from beneath the ore, causing it to fracture and collapse into the excavated void under the force of gravity. In addition to being a cost-effective underground mining technique, this process allows for the greatest proportion of ore body to be extracted relative to waste rock.

The process design to convert the ore into concentrate is based on conventional milling and flotation technology and proven equipment. The process includes primary crushing with coarse ore stockpiling. Crushed ore from the primary crusher is transferred via a 2.7 km overland conveyor to a stockpile near the concentrator and from here into the grinding circuit where a series of large diameter mills reduce the ore to small particles before either flotation and further processing or recycling to the grinding circuit. The flotation system separates valuable ore from less desirable minerals in large floatation cells where the Copper-containing materials are skimmed off for the next stage of the process while the sludge (tailings) are thickened to 60% solids in two thickeners and pumped to the Tailings Storage Facility (TSF) for disposal. Water from the tailings thickeners and TSF are recycled back to the concentrator. The final concentrate containing copper and gold is then thickened and filtered before storage in sealed bags for transport via trucks to the Gashuun Sukhait/Ganqimaodao border crossing with China.

Ancillary facilities that allow operation of the mine include a regional airport, main power supply currently via a dedicated 220 kilovolt (kV) overhead power line from the Inner Mongolian electricity grid in northern China, coal-fired central heating plant (CHP), water supply and treatment systems, maintenance facilities and warehouses, administration buildings, waste disposal facilities, fuel storage depots, administration facilities and accommodations camps, roads and transport facilities.

The Project achieved the operation phase in 2013 with open pit mining ongoing, the concentrator production rates progressively increasing, and the concentrate exported to China. For 2015, OT's second full year of production, the mine operated at record levels. Productivity improvements in the concentrator implemented throughout the year led to throughput exceeding nameplate capacity by year end. Copper production for 2015 was 202,200 tons, and gold production was 653,000 ounces. Concentrator throughput through the second quarter of 2016 was approximately 105,000 tons per day. As expected, copper production in the second quarter declined about 10% relative to the first quarter, reflecting lower grades from reduced mining in Phase II of the Open Pit, and lower recovery from Phase IV ore. OT is on track to meet 2016 annual production of between 175 and 195 kt of copper and 255 to 285 koz of gold; the reduction in gold compared to 2015 is expected to result from mining in lower-grade gold areas and processing of lower-grade stockpiled ore.

Development of the underground mine was suspended in August 2013 while the Project shareholders and the Government of Mongolia worked to resolve certain differences that had emerged between them. At the time underground development was suspended, Shaft #1 was complete, 1,167 meters of Shaft #2 (out of a planned 1,284 meters) had been sunk, Shaft #5 had reached a depth of 208 meters out of a planned 1,174 meters and 16km of underground lateral development had been completed. Underground mining activities

under a Restart Readiness program resumed in 2016 with an update to the feasibility study capital estimate. With completion of underground development and cave establishment, the mine plans substitution of open pit ore with higher grade underground ore resulting in significantly increased copper production. Average annual production of payable metals over the first five years following Project Completion (2026-2030 inclusive) is estimated at about 555kt of copper and 409koz of gold.

During the IESC August 2016 field visit, Restart program activities for the underground mine include recommencement of work on Shaft 2 and 5, the tie-in of Shaft 2 to mine workings to provide improved ventilation and serve as a second egress, installation of ground support elements, improvements or upgrades to other mine infrastructure, and training and skills development for the underground work force.

No further decisions have been made regarding the potential development of a coal-fired project Power Plant and the expansion of the concentrator's capacity above 100 ktpd, both items subject to further environmental and social impact assessment as established in the ESAP.

2.2 REPORT ORGANIZATION

Subsequent sections of this report are organized as follows:

- Section 3.0– Issues Table;
- Section 4.0 – Health, Safety, Environment and Social Performance Management Systems;
- Section 5.0 – Environment;
- Section 6.0 – Social;
- Section 7.0 – Health and Safety; and
- Section 8.0 – Cultural Heritage.

The basic findings of the IESC review are presented in the form of observations, comments and recommendations that are generally described within this report. Two types of findings are included:

- non-conformances, included in the Issues Table (Section 3), which refer to issues related to Project commitments included in the Operational Management Plans and/or GIIP; and
- recommendations, included at the end of each section (4 – 8) which are suggestions for the proper implementation of required actions and closure of open issues and which are based on the collective experience and expertise of the IESC team members.

IESC's "recommendations" are not considered mandatory and therefore their implementation is not critical. However, the IESC encourages the Project to consider the usefulness of all these recommendations and incorporate them, as appropriate and if technically/economically feasible, into new management activities.

3 ISSUES TABLE

This chapter tabulates a summary of key non-conformances raised in this report based on observations made during the site visit, interviews with OT staff, as well as review of documentation provided during and after the site visit and consistent with our scope of work.

The table has been structured to provide a color-coding for strict non-conformances referenced with respect to Project commitments as included in the Operational Management Plans, in the ESAP and in the underlying OT monitoring documents and procedures which all together define how the OT operations comply with applicable Lenders' Environmental and Social Standards. The nomenclature of the color-coded categorizations is assigned based on the same non-conformance levels defined in the OT ESMP⁷ which reflects the RT HSEC Management System classification.

The following descriptions are provided:

- **Class IV** - A critical non-conformance, materially inconsistent with the Project Standards or Management Plans, resulting in or reasonably likely to result in irreversible impacts to sensitive receptors or important resources or significant damage or irreversible harm or damage to an ecologically or socially sensitive resource or has the potential for an extreme health and safety incident.
- **Class III** - A material non-conformance, materially inconsistent with the Project Standards or Management Plans, that has not resulted in clearly identified impacts to sensitive receptors or important resources or material damage or irreversible harm or damage to an ecologically or socially sensitive resource or have the potential for an extreme health and safety incident, but it is reasonably likely to have such effects.
- **Class II** - A material non-conformance with the Project Standards or Management Plans, but not reasonably likely to result in impacts to sensitive receptors or important resources or material damage or irreversible harm or damage to an ecologically or socially sensitive resource or have the potential for an extreme health and safety incident.
- **Class I** - An incident not materially consistent with the Project Standards or Management Plans and not reasonably likely to present a threat to the environment, community or worker health and safety.

Action items are identified by the number of the mission (MX.Y), where X is the mission number and Y is the related action item number. It should be noted that the text description of the recommendations could be revised from one visit to the next to better reflect current field conditions; however the original item numbers are retained until closed as they refer to the same main issue.

Each non-conformance identified in the table will require actions from OT and will be followed-up by the IESC in subsequent site visits. The table includes a description of the finding, the level of non-conformance assigned, the reference to the Project commitments and/or relevant project document as well as recommendations for improvement based on the collective experience and expertise of the IESC. Please also note that non-conformances not sufficiently addressed, according to IESC opinion, could result in a level increase, independent from the actual material consequences due to the conditions, unless an explanation is provided to justify the decision to avoid any corrective action.

Overall, results of the audit are as follows:

- No Class IV non-conformances have been identified;
- No Class III non-conformances identified;
- Nine Class II non-conformances identified; and
- Five Class I non conformances identified.

⁷ *Environmental and Social Management Plan (ESMP) - Doc. No. OT-10-PLN-0003 dated 01.09.2013.*

Starting from the October 2013 IESC site visit, eight non-conformances were closed during the March/April 2014 site visit, two during the August 2014 Desktop audit, ten during the November 2014 site visit, three during the April 15 desktop audit, six during the September 2015, nine during the April 2016 desktop audit, and two during this audit.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
Environment – Water and Wastewater Management							
M1.5	Oct.13 April 14 Desktop Audit Aug. 14 Nov.14 Desktop Audit April 15 Sept.15 Desktop Audit April 2016 Aug. 16		Mitigations are required in the event of interconnection of hydrogeological units. These mitigations have not yet been implemented in all instances. OT is progressing efforts to abandon or convert to productive use these interconnecting bores.	II	IESC - April 2013 Audit Water Resources Management Plan (WR04, 14)	Open	See Section 5.1.2.8. Evidence exists of exploration bores interconnecting hydrogeological units within the Gunii Hooloi borefield. OT has coordinated with the TPC to action abandonment of cascading bores during the 2016 field season. Additional abandonment of bores with similar construction specifications as those with recognized cascading behaviour will be completed during the 2017 field season.
M2.3	April 14 Desktop Audit Aug. 14 Nov.14 Sept.15 Desktop Audit April 2016 Aug. 16		The drilling and installation of supplementary monitoring bores, as discussed in the WMP, has not yet been implemented.	II	Water Monitoring Plan, Section 3.2.6, 3.3.5 Water Resources Management Plan (WR14, WRm06)	Open	See Section 5.1.2.9. The drilling and installation of supplementary monitoring bores, as discussed in the WMP, has not fully been completed. 14 supplementary bores were installed in 2015 prior to halting of the work over drilling safety concerns. Remaining bores in and near the MLA will be completed in the 2016 field season, with supplementary monitoring bores in the Gunni Hooloi installed during the 2017 field season.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
Environment –Non-Mineral Waste Management							
M8.1	Aug. 16		All contracts with local recyclers are expired since July 2015 and a timeframe for replacing these contracts has yet to be defined. In the meantime, recyclable waste such as plastic, metals, etc. are accumulated at the Interim Waste Recycling Center (IWRC) and at the new Waste Management Centers (WMC).	I	Non-Mineral Waste Management Plan (WM01, WM05)	Open	See Section 5.3.2. Although the IESC understands that contracts are under finalization with two recycling companies for plastic and metal, the practice at the time of the audit to accumulate recyclable waste at the IWRC and at the new WMC is not consistent with the principles and strategy of the Waste Management Plan as well as with GIIP and Lenders' requirements. OT should put in fast track the process to identify reliable recyclers to manage recyclable wastes and avoid further accumulation. The option to provide the old contractors with stewardship and training on HSE aspects to bring them in compliance with OT health and safety standards could be also considered in the interim until final vendors or recyclers are identified.
Environment – Air Quality							
M1.11	Oct.13 April 14 Desktop Audit Aug. 14 Nov. 14 Desktop Audit April 15 Sept. 15 Desktop Audit April 16 Aug. 16		Significant dust (particulate) emissions are generated intermittently at the coarse ore stockpile. A foam dust suppressant system has been installed with overall good efficacy when operational; additional mitigations are needed.	II	Atmospheric Emissions Management Plan (AQ05)	Open	See Section 5.5.2.1. There has historically been significant dust generation at the coarse ore stockpile (COS) facility. As mitigation in March 2015 a foam dust suppressant system was put into continuous use. This has resulted in visual reduction in TSP presence within the COS facility vicinities. However ambient monitoring results still significantly exceed the Project Standard. Additional mitigations are planned for the Q3 shutdown which should lead to improved ambient air quality relative to current and historic values.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M1.12	Oct.13 April 14 Desktop Audit Aug. 14 Nov. 14 Desktop Audit April 15 Sept. 15 Desktop Audit April 16 Aug. 16		There are limitations to the existing ambient air monitoring network. The revised AQMP describes additional necessary equipment to monitor ambient air conditions relative to Project Standards.	II	Atmospheric Emissions Management Plan (AQMP-KPI02; Air Quality Monitoring Plan Sections 2.5, 4.1; Appendix B;)	Open	See Section 5.5.2.1. As noted in prior audits the existing ambient air monitoring network requires improvement to meet commitments made in the revised AQMP, and to monitor ambient air quality relative to Project Standards. In Q1 2016 the Project approved a Capital Expenditure Request allowing for the purchase and installation of additional monitoring equipment as well as training on its use. It is anticipated that this work stream will be completed in Q3 2016
M1.13	Oct.13 April 14 Desktop Audit Aug. 14 Nov. 14 Desktop Audit April 15 Sept. 15 Desktop Audit April 16 Aug. 16		Stack emission sampling results from boilers at the Central Heating Plant (CHP) and KB airport do not meet Project Standards.	II	Atmospheric Emissions Management Plan (AM03) Air Quality Monitoring Plan – Appendix B)	Open	See Section 5.5.2.2. Emissions quality of the CHP has been a persistent issue. Emissions quality has historically been poor as CHP boilers have not been operated at design loads. Additional mitigations are planned during a Q3 2016 shutdown including replacement of bag filters and refractory jobs at all boilers. Performance cards, providing information on optimum settings for the boilers, will be obtained once winter full load conditions are realized. It is hoped that full implementation of action items will result in improvement in stack emission quality; however to date monitoring data at the CHP reflect continued poor performance relative to Project Standards. This has been maintained as a Level II non-conformance due to near-term plans to improve performance of the CHP. However, it is noted that there are long-standing issues with CHP operations and resultant non-compliance with emission Project Standards. This item has the potential to be escalated to a Level III non-conformance if Project Standards continue to be exceeded.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M2.4	April 14 Desktop Audit Aug. 14 Nov. 14 Desktop Audit April 15 Sept. 15 Desktop Audit April 16 Aug. 16		Stack emission sampling results from the incinerator do not meet Project Standards.	II	Atmospheric Emissions Management Plan (AM06) Air Quality Monitoring Plan – Appendix C	Open	See Section 5.5.2.2. A December 2015 site visit by the manufacturer of the project incinerator noted key improvements that are necessary to improve performance of the unit. These include installation of a new chimney damper section and replacement of the differential gauge. This has been maintained as a Level II non-conformance due to near-term plans to achieve successful operation of the incinerator via implementation of action items from the December 2015 site visit by the unit manufacturer. However, it is noted that there are long-standing issues with incinerator operations and resultant non-compliance with emission Project Standards. This item has the potential to be escalated to a Level III non-conformance if Project Standards continue to be exceeded.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M7.1	Desktop Audit April 16 Aug. 16		Greenhouse gas emissions inventoring requires review to ensure consistency with international best practice reporting requirements (e.g., World Business Council for Sustainable Development).	I	Atmospheric Emissions Management Plan (AQ02 and AQ07)	Open	<p>See Section 5.5.2.4. A third party <i>Review of Oyu Tolgoi's Greenhouse Gas Emissions</i> report was finalized in February 2016. This report describes current GHG tracking efforts undertaken to comply with RT's Greenhouse and Energy Usage workbook requirements; however recommendations are made to improve and coordinate accounting practices with Lender guidelines. Recommendations of the review include, among others:</p> <ul style="list-style-type: none"> • Checking the consistency of emission estimation methods used by the Rio Tinto workbook approach; • Establishment of "baseline" GHG emission values for the operation. • Development of a GHG Management Plan and an Energy Efficiency Opportunity Plan in consideration of established baseline and future expansion of the mine or production schedules. <p>The recommendations of the February 2016 <i>Oyu Tolgoi's Greenhouse Gas Emissions</i> report were well communicated during the site visit. Implementation of the recommendations is in progress via an internal action plan to ensure accurate accounting of GHG emissions. This in turn will allow successful tracking of on-going GHG reduction initiatives.</p>

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
Environment – Biodiversity and Ecological Management							
M2.6	Apr. 14 Desktop Audit Aug. 14 Nov.14 Desktop Audit April 15 Sept.15 Desk Audit April 16 Aug.16		Stakeholder Engagement Plan for biodiversity and ecosystem services.	I	Biodiversity Management Plan (B05) LBAP ID 24, (BMP Annex C)	Open	Section 5.9.2.2. Through the BAP OT committed to develop a “targeted Stakeholder Engagement Plan” (SEP) to cover implementation of on-site mitigation, OMP implementation and engagement related to regional/landscape level planning (BAP16). The Ecosystems Working Group has developed a biodiversity-related Stakeholder Engagement Plan (SEP) as an annex to OT’s overall SEP and a draft was submitted to lenders for review in July 2016. This is well-structured and goes a long way to meet the (BAP16) requirement. However the need for more detailed, topic-specific stakeholder engagement action plans has been identified in the audit. These will improve programming of key engagement activities for OT’s four offset projects as well as providing a basis to complying with the BAP17 requirement for verifying OT’s progress in stakeholder engagement to Lenders. There is also a specific requirement in the BAP to raise awareness of illegal hunting and collection of wild plants, and include the necessary stakeholder engagement activities in the SEP (BAP19). OT needs to submit a revised plan that addresses these issues, at which point the non-conformance will be reassessed.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M4.5	Nov.14 Desktop Audit April 15 Sept.15 Desktop Audit April 2016 Aug.16		Monitoring of critical Ecosystem Services	I	LBAP 17 ESAP Item 7; Pastureland and Livelihood Improvement Strategy; RAP Entitlements Matrix BAP ID6	Open	Section 5.9.2.3. Through the Ecosystem Services Group, OT undertook to develop a Monitoring and Evaluation Program for critical ecosystem services. A draft monitoring framework was submitted to Lenders for review in June 2016. To comply with the requirements of PS6, OT must indicate its planned approach to monitoring, with appropriate consideration of ecosystem functioning and use, benefits or values. The monitoring framework must allow for any necessary corrective action that might be needed if a decline in the value or functionality of critical ecosystem services is detected over time. Lenders requested inclusion of indicators for ecosystem service use and benefit to respond to this requirement and finalise the monitoring plan.
M5.3	Sept.15 Aug.16		Planning of Land Disturbance to support appropriate application of the mitigation hierarchy.	II	LBAP ID 18c (BMP Annex C)	Closed	Section 5.9.2.4. The OT Project has a large infrastructure footprint on natural and critical habitat and is required to comply with national and local government requirements for rehabilitation as well as Lender requirements for No Net Loss outcomes in natural habitat. IFC PS6/ EBRD PR6 require avoidance of impacts on critical habitat before moving to subsequent steps in the mitigation hierarchy. The IESC audit in September 2015 concluded that OT's approach to land disturbance planning and permitting was not allowing risks to natural habitat and RT priority plant species to be assessed sufficiently far in advance for effective avoidance of priority features. OT has now taken steps to revise its procedures and establish an integrated approach to planning and permitting of land disturbance. OT's approach to strategic management and environmental assessment of land disturbance now allows design alternatives to be considered as a means of avoiding impacts on priority features. Examples of effective avoidance of priority plants by adjusting infrastructure footprints were presented in the audit. Minutes from planning meetings between relevant departments were provided. This non-conformance is therefore closed.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M8.2 ⁸	Aug. 16		Road Mitigation Strategy	II	BAP (13)	Open	Section 5.9.2.5. OT undertook to “develop and implement an OT-GSK road mitigation strategy that explores, but will not necessarily be limited to, the following elements: a) road closures, restrictions on vehicle movements; b) formal engagement with regional bodies and institutions involved with regional-scale sustainable development on the implementation of certain mitigation measures that have relevance to regional-scale sustainable development; and c) traffic monitoring of the OT – GSK road as well as non-OT roads and monitoring of its impact on animal behavior”. The draft Strategy s submitted to lenders in July 2016 did not cover all aspects required to conform with the specification in the BAP. In particular it did not explore mitigation options, give any indication of proposed approach to monitoring of traffic or explain how animal behavior and responses would be addressed, for example through modeling or other interpretive approaches.

⁸ M8.2 Road Mitigation Strategy - OT disagrees with the IESC opinion, specifically related to non-compliance to Biodiversity Action Plan item 13 and has provided the following statement in response:

"Oyu Tolgoi (OT) welcomes the IESC's monitoring visit report conclusion that OT is in substantive compliance with Lender requirements. However, OT has a different perspective about the assertion that OT is not in compliance with the Biodiversity Action Plan (BAP) 13 requirements to develop and implement an OT-GSK road mitigation strategy. OT considers that the Road Mitigation Strategy submitted to the lenders for review, and now pending review by the Independent Panel (planned for 2017), is aligned to the BAP requirements and further fits with the business and regional context considering OT's overall commitments as well as existing monitoring data and known impacts. The strategy is aligned with the OT Adaptive Management approach towards biodiversity. Given this, the strategy does not, at this time, cover all possible eventualities but rather is a targeted and implementable strategy that provides a focused path forward considering the current context and data in existence. OT acknowledges that knowledge of actual road impacts is not yet complete and as understanding is gained the strategy will be refined."

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
M8.3	Aug. 16		Monitoring vegetation plots for potential effects of dust on pastureland	I	BMP B15	Open	Section 5.9.2.6. OT undertook to monitor vegetation plots for potential effects of dust pollution, as livestock production from pasture is a critical ecosystem service for the project and some complaints were made during the construction phase about elevated dust levels suppressing vegetation growth. It is unlikely that dust from OT currently has significant impacts on pastureland growth, but there are no data to back this up or provide a basis for responding to any future complaints. Resources have not been allocated to monitoring OT's 32 permanent vegetation plots for the last two years. No other targeted dust monitoring of vegetation has taken place and the Annual Environment Report only includes data on emissions, not deposition or its effects.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
Social - Labor & Working Conditions							
M5.4	Sept 15 Desktop Audit April 2016		In the Collective Agreement between OT LLC and the Trade Union there is a commitment to provide gifts (of monetary value) for recognition of long-service.	I	Labour Management Plan, OT LLC Collective Agreement	Closed	Section 6.2.2.1. Corrective action has been taken to recognize long service of employees, in accordance with the Collective Agreement between OT LLC and the Trade Union. In the first round of awards, 227 employees were recognized for service of 5 years (143 people), 10 years (29 people), 15 years (4 people) and 20 years of service (1 person). OT reports that approximately 170 employees will be recognized in the next round in July 2016, in what will be the second round of service awards for employees meeting these significant milestones with the Company. Following discussion with the Trade Union/other relevant employees, this non-conformance is closed.

Mission / Issue No.	Site Visit	Closing Date	Description	Non-Conformance	Reference	Status	Comments / Report Reference
Social –Resettlement, Compensation and Livelihoods Improvement							
M1.23	Oct.13 April 14 Desktop Audit Aug. 14 Nov. 14 Desktop Audit April 15 Sept 15 Desktop Audit April 2016 August 16		An Outcome Evaluation of affected herders is a specific commitment in the Resettlement Action Plan and is due to be conducted for economically displaced and other affected herders in Khanbogd <i>soum</i> .	I	Resettlement Action Plan (Sections 10.1, 10.2 and 10.4)	Open	Section 6.3.2.2. The Multi-disciplinary Team (MDT) study commenced in early 2016. The MDT team has been selected and methodology and timeframe discussions have occurred, including engagement on the research approach of 100 participant herder households in Khanbogd and a control group in Sevrei <i>soum</i> . A joint fact finding mission and conflict resolution training have also been conducted with the TPC, MDT and IEP, organized by the IFC/CAO. Fieldwork was undertaken in May 2016, during which 110 households were interviewed (10 more than design), with a draft report to be provided to the Tripartite Council in mid-September. The work is expected to be complete by Q4/2016. It is positive to see tangible progress has now been made that will contribute to addressing this outstanding action. The process of evaluating outcomes for herders in Khanbogd has been significantly delayed and it is important that this study reaches a timely conclusion. Now that the MDT (and outcome evaluation) are reaching a conclusion, it is timely to reiterate the importance of all parties agreeing to success criteria or ‘outcomes’ that once achieved, will enable the economic displacement program to be eventually considered closed.