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OT PROCUREMENT PERSONNEL CODE OF CONDUCT

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Introduction

1. Policy Number

This document is known as PR-08: **OT Procurement Personnel Code of Conduct.**

2. Purpose

This policy establishes guidelines for procurement employees and contractors to follow in relation to their representation of OT's spend requirements.

Specifically, this policy provides a clear understanding of OT's position on:

- Gifts and third party incentives
- Conflicts of Interest
- Competition and antitrust
- Bribery and corruption
- Confidentiality
- Training.

3. Application

This policy applies to:

- all Procurement staff and to all relationships with Suppliers, Contractors and Consultants.

This policy replaces the following documents that previously governed procurement for OT:

- Procurement # 7, Procurement Personnel code of Conduct

As outlined in Figure 1, the OT Procurement Code of Conduct is one of eight core policies underpinning OT's overarching procurement process and philosophy.

Figure 1: Core policies governing OT Procurement



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.

It will be reviewed annually or whenever required.

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 and will be subjected to the appropriate review and approval processes.

Policy

1. Core Values

OT's reputation for acting responsibly plays a critical role in our success as a business and our ability to generate shareholder value.

OT undertakes its business with integrity, honesty and fairness at all times, building from a foundation of compliance with Mongolian laws and regulations and OT's standards.

All Procurement employees and contractors are required to act in accordance with OT's stated policies and procedures and their terms of employment. In addition to procurement specific policies, personnel are reminded of the core values underlying Procurement's working practices.

- Safety comes first;
- We are professional and ethical in all we do;
- We are uncompromisingly value driven;
- We conduct ourselves with integrity and respect for others;
- We value and develop our people; and
- We drive to innovative solutions.

2. Code of Conduct

Procurement requires that each person working for Procurement conduct his or her activities in a manner consistent with OT's values as embodied in the OT Procurement Principles and this policy. Procurement personnel are expected to:

- Maintain the highest ethical standards in their procurement activities;
- Maintain honesty and integrity in all dealings;
- Perform their duties diligently and effectively, and in line with fair commercial and competitive practices;
- Comply with all relevant laws, regulations, copyrights, professional standards, and contractual obligations;
- Respect the dignity and rights of others;
- Ensure their actions do not endanger the safety and well-being of themselves, others, or the environment; and
- Protect the interests and assets of OT and avoid conflicts of interest.

3. Gifts and Third Party Incentives

3.1. Procurement Policy

Procurement conducts its business with integrity, fairness and honesty, and seeks to avoid even the appearance of impropriety. Procurement requirements with regards to gifts or improper payments are as follows:

- OT seeks to avoid conflicts of interest;

- OT supports free and fair competition and prohibits bribery in all its forms; and
- The extension of personal gifts and gratuities by suppliers to OT personnel and their families in a manner that could be interpreted as seeking preferential treatment is expressly prohibited.

3.2. Key Principles

The Procurement policy prohibiting gifts by suppliers to employees or their families covers anything of value given as a result of or motivated by a business relationship, where the recipient does not pay a fair market value.

Gifts may take any form, including entertainment, favours, gratuities and discounts not available to the general public ("Gifts"). The following are guidelines for implementing the Procurement policy:

- The direct or indirect offer, payment, solicitation or acceptance of bribes or kickbacks in any form is not permitted, and employees or suppliers who participate in these activities are subject to dismissal or contract termination, and criminal prosecution.
- Soliciting or receiving donations (or sponsorships) from current or prospective suppliers (in the form of money, goods or services) for the benefit of third parties, (e.g. charities, schools, churches, sporting teams etc) is prohibited without prior written approval from Vice President, Procurement and Infrastructure Development.
- Gifts or services that could be interpreted as being in exchange for a favour or seeking preferential treatment are not acceptable and will be viewed as a contravention of Procurement policy. If in doubt, the employee should raise the matter with their Manager. Where such gifts have been received they should be returned to the supplier and the supplier briefed on Procurement policy.
- Acceptable items must be of such a nature and value, that they could not be perceived by a reasonable person to affect the judgment of the recipient or secure preferential treatment, and that public disclosure would not be embarrassing to OT, Business Units, Procurement or the recipient. Promotional items with nominal value (logo pens, hats) are generally acceptable, but caution should be exercised not to convey the impression of favouritism.
- Entertainment must fill a legitimate business purpose. Excessive entertainment is not acceptable, including trips, golf games, event tickets and the like. Any entertainment is excessive if it appears to have the intent of subverting Company loyalty to any degree.
- Occasional meals with suppliers or contractors may be acceptable during travel or if coincident with business meetings. Elaborate settings should be avoided and Procurement (the senior Procurement person attending) should pay for the meal a proportionate share of the time.
- If incentives (or deal sweeteners) are offered during contract negotiations (such as if an airline offers upgrades or club memberships), they should not be used by personnel associated with the negotiations or award decision, and should not be considered in decisions to award business.

- This policy does not prohibit incentives available to all personnel, such as frequent-user reward programs or personal access to Procurement pricing, but such incentives should not be considered in decisions to award business. Any direct or indirect payment, gifts or services less than the value of 50 USD should be declared, and values at and over 50 USD should not be accepted and should be returned to the supplier and declared to OT Procurement General Manager accordingly.

4. Conflicts of Interest

4.1. Key Principles

- The ethical conduct of OT's employees and transactions with individuals outside OT and with other business concerns is of vital importance and, in each and every case the best interest of OT must be the only consideration.
- It is required that no employee be subject, or even appear to be subject, to commercial influences, interests, or relationships that conflict with the best interests of OT.
- A conflict of interest exists when an employee's duty to give undivided commercial loyalty to OT can be prejudiced by actual or potential benefit or undue influence from another source. Therefore, each employee is expected to avoid any investment, interest, association or activity that interferes, might interfere or might be thought to interfere with the independent exercise of judgment in OT's best interests.

4.2. Conflict of Interest Examples

It is not practical to describe every situation that would constitute a real or apparent conflict of interest. For example, conflicts of interest would exist in the following situations:

- When an employee, a relative of the employee by blood or marriage, or a trust in which the employee is involved has a significant direct or indirect financial interest in, or obligation to, an actual or potential competitor, supplier or customer of OT;
- When an employee conducts business on behalf of OT with a supplier or customer of which the employee or a relative by blood or marriage is a principal, officer or representative;
- When an employee, a relative by blood or marriage, a trust in which the employee is involved, or any other person or entity designated by the employee accepts gifts of more than token or nominal value or excessive entertainment from an actual or potential competitor, supplier or customer;
- When an employee engages in an outside activity that interferes with the proper performance of his or her Company duties or that appears to have Company endorsement or representation by virtue of that participation;
- When an employee receives compensation from outsiders for work paid for by OT;

- When an employee uses Company property or facilities for personal activities without prior approval; and
- When an employee misuses or inappropriately discloses confidential information of OT or of any person or entity with which OT has an actual or potential business relationship.

4.3. Dealing with Conflicts of Interest

Situations that might constitute conflicts of interest are to be dealt with as follows:

- An employee facing a possible conflict of interest at any time shall disclose the circumstances immediately, in writing, to his or her superior for review by the appropriate OT Procurement General Manager or the Vice President, Procurement and Infrastructure Development, Oyu Tolgoi LLC.
- No employee having a possible conflict of interest shall conduct any business that could involve the conflict, without the prior written approval of the Vice President, Procurement and Infrastructure Development, Oyu Tolgoi LLC (or delegate).
- If, in the judgment of the Vice President, Procurement and Infrastructure Development, Oyu Tolgoi LLC (or delegate), a conflict of interest or apparent conflict of interest between OT and employee potentially prejudices the interests of OT or impairs the employee's performance of his or her regular duties, the employee may be reassigned to other duties, or may be required to terminate the actual or apparent conflict as a condition of continuing employment.

4.4. Conflict of Interest Declarations

New employees will declare any potential conflict of interests at the time of employment. Where appropriate, Procurement personnel will be requested to complete a new conflict of interest declaration annually. Senior Management team will review all actual and possible conflicts reported with the appropriate OT Procurement General Manager and the Vice President, Procurement and Infrastructure Development, Oyu Tolgoi LLC and record any actions.

Knowledge by buy and/or sourcing people where there is a relative by blood or marriage or a person with shared interest with has to be declared in the event of potential interface.

5. Competition and Antitrust

OT is committed to the principles of free and fair competition. Employees and contractors are expected to speak to an OT lawyer if they are in doubt about the appropriate action to take.

6. 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.

7. 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, must be treated in the strictest confidence and only used for the purpose for which it was provided. It is held securely in accordance with OT procurement policy and documentation standards.

8. Training

OT will conduct annual training sessions for all staff on acceptable codes of conduct as well as training on other related compliance standards.

9. Disciplinary action

A potential and actual breach of this policy will be identified, disclosed and explained in sufficient details to enable valid judgement to be made. The Vice President Human Resource and Vice President, Procurement and Infrastructure Development, would jointly review such details as matter of priority and implement disciplinary action where applicable.