

Sustainability Commitments

Cooperation Agreement with Local Communities

Oyu Tolgoi has reached US\$10 billion in total in-country spend since 2010, marking the largest foreign investment in the country to date. The total in-country spend has substantially contributed to the country's economic development through taxes, fees, national and local procurement, salaries, and other contributions provided to communities and the society over the past 10 years. 76 percent of the total spend has been with the purchase of goods and services from hundreds of Mongolian suppliers with Oyu Tolgoi working collaboratively with national and local suppliers to increase capability to ensure the highest international standards.

The company has also made a significant investment in people through not only employment but also the development of the workforce. Over 93 percent of Oyu Tolgoi's workforce are Mongolian nationals, who are professionals and young graduates from universities and colleges. Many employees have been given the opportunity to work at Rio Tinto operations in Australia, the United States, UK, Canada, and Singapore.

Oyu Tolgoi has had and continues to have a positive impact on the communities surrounding the mine, including partner communities (Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad soums), using formats such as the Cooperation Agreement signed in 2015 by the Umnugobi aimag, Khanbogd soum and Oyu Tolgoi LLC (the "Cooperation Agreement"). In Khanbogd, the partnership with Oyu Tolgoi LLC led to the connection of the town to a permanent power supply, funding for new educational and healthcare facilities, sealing of local roads, and programs to help improve social conditions. Construction of a new water supply system with capacity to support 13,000 residents was completed in 2016. Oyu Tolgoi LLC funded the construction of a 35.1 kilometres sealed road between Oyu Tolgoi and Khanbogd, which was commissioned in late 2018 and opened in early 2019. In 2019, Oyu Tolgoi LLC reached an agreement with local herders with regards to the complaint made to the Compliance Advisor and Ombudsman's Office. This agreement was made possible by the strong commitment of Oyu Tolgoi LLC's management as well as the extensive engagement by Oyu Tolgoi LLC's communities team with locals and international stakeholders to successfully implement a solution in compliance with agreed commitments.

In addition to the above achievements, under the Cooperation Agreement, Oyu Tolgoi LLC makes an annual contribution of US\$5 million to the Gobi Oyu Development Support Fund ("DSF"), an independent fund that supports sustainable community development. Since its creation in September 2015, the DSF has invested US\$22 million in 179 sustainable development projects and programs, which have resulted in the creation of more than 391 permanent jobs, benefits to over 390,000 community members, including scholarships for 187 students, among many other achievements.



“Ikh khurd” horse race, jockey medical check-up and protective equipment donation.

Examples of projects implemented through the DSF in 2019 include:

- The construction of a school and kindergartens to provide a convenient and comfortable learning and teaching environment to 640 students and 300 children;
- The construction of a health care centre in Mandal-Oyoo soum to provide easier access to health services;
- The construction of a new museum in Umnugobi aimag as well as the provision of required equipment;
- The co-funding of an integrated health care program to provide health related support to Umnugobi aimag women and youth;
- The co-funding of a three-year program to support small to mid-sized business through the establishment of a Business Innovation and Growth Centres;
- A heating plant in Manlai soum to provide heat to 2,400 residents;
- A Gobi grove in Manlai soum with 1,000 trees and a watering system over five hectares;
- A flood prevention dam in Khanbogd soum;
- Disinfection program assistance for 2.3 million livestock and over 5000 winter shelters across Umnugobi aimag;
- Three high output breeds of camels protection and creation of a local brand of cashmere ;and
- The protection of 42 historical sites along with local rangers education to ensure continuing protection and preservation of those sites.



UmUmnugobi museum which is under construction with Gobi Oyu DSF sponsorship.

New hospital in Mandal-Ovoo soums of Umnugobi aimag

In 2019, Oyu Tolgoi backed Gobi Oyu Development Support Fund has commissioned and completed the Mandal-Ovoolo Health Centre to provide quality and accessible medical care and services to 1700 people in the soum, plus seasonal tourists. This health centre is the second project funded by the DSF after Bayan-Ovoo soum Health centre built in 2016. The Centre has 12 beds and surgical rooms to conduct small scale surgical operations and equipped with standardized instruments and tools.

Mandal-Ovoo is located in the farthest northern part of Umnugobi aimag. The soum's old hospital was established in 1938.

In 2017, the State Specialized Inspection Agency concluded that the building cannot be used due to not meeting with hospital standards and accreditation criteria. Thus, it was required to build a new hospital in order to provide of quality health care services to communities in the soum.



Opening of new hospital with 10-bed capacity in Mandal-Ovoo soum.

“Gobi Oyu-Student Scholarship” programme

Every year since its establishment in 2015, Oyu Tolgoi-funded Gobi Oyu Development Support Fund (DSF) provide its scholarship awards to young people in Umnugobi aimag. In 2019, within the scope of “Gobi Oyu-Student Scholarship” programme, being implemented for the fourth year in a row, the DSF Selection Committee awarded scholarships to 45 students studying at Mongolian universities, majoring in fields of study that are priorities in Umnugobi province.

The applicants must meet the following requirements: they are from Umnugobi province and studying in the fields of education, health, culture, agriculture, construction, and they are performing well academically. Out of 45 scholarship recipients being awarded for this year, 16 students are receiving the scholarship for the second year, eight for the third year, and one student for the fourth year.

Overall in 2015 – 2019, the DSF provided scholarships to 187 students from each soum of Umnugobi aimag. These students will become the qualified specialists who will in turn contribute themselves to the local development. As of the end of 2019, 54 students have graduated with 87% (47) becoming employed in various professional fields in Umnugobi aimag. The DSF also reserves five per cent of the annual OT investment budget of \$5m for the “Future Generation Special Fund” which provides development opportunities to the younger generation.



Domestic scholarship rewarding ceremony.