

Meeting Minutes for the Mongolia EITI MSWG

29 November 2019

The 49th MSWG meeting started at 10.00 a.m. in the Conference Hall of 2nd floor of the Puma Imperial Hotel on 29 November 2019.

The meeting was attended by: Ch. Tsogtbaatar (Senior Officer of Strategy Policy and Planning Department, Ministry of Mining and Heavy Industry (MMHI) as a substitute for G.Nandinjargal, State Secretary of MMHI); A.Purev (Senior Officer as a substitute for E.Batbold, Director of Strategy Policy and Planning Department of MMHI); B.Buyannemekh (Senior Officer of Department of the Environment and Natural Resources, Ministry of Environment and Tourism (MET) as a substitute for P.Tsogtsaikhan, Director of the Department); M.Enkhjargal (Deputy Director of Mineral Resources and Petroleum Authority (MRPA)); G.Oyuntuya (Officer of the MRPA); J.Battsengel (Inspector of the General Department of Taxation (GDT)); Ts.Munkhtsetseg (as a substitute for N.Tsagaankhuu, Chair of the General Agency for Specialized Inspection (GASI)); T.Saruul (Communication Specialist of Publish What You Pay Coalition as a substitute for D.Erdenechimeg, Manager of the Open Society Forum Mongolia); D.Tserenjav (Executive Director of the Transparent Foundation NGO); N.Bayarsaikhan (Head of the Step without Boundaries NGO); Bayaraa (as a substitute for D.Sukhbaatar Board Members of the Initiative for Responsible Mining Assurance NGO); B.Bayarmaa (Head of the Owners of the Khuvsgul Lake NGO); D.Tserenpurev (Head of the Administrative New Initiation NGO); L.Bor (Head of the Great Bayan Sharga NGO); L.Byambajav (Head of the Mongolian Association of the Alumni of Irkutsk State and People's University); Suvdmaa (Assistant as a substitute for B.Batbold, Board Member of the Mongolian Environment Civil Council); N.Erdenesaikhan (Member of the Mongolian Environment Civil Council); D.Enkhbold (CEO of the Mongolian National Mining Association); B.Ryenchinpagma (Specialist as a substitute for T.Munkhbat, Senior Manager of the Oyu Tolgoi LLC); Ts.Enkhjargal (Director of the Badrakh Energy LLC); Boldtumur (Gold Producers' Association); D.Erdenetsetseg (Secretary of the Board of the Mongolian Coal Association); Kh.Bayarmaa (Director of the Government and Community Relations Department of the South Gobi Sands LLC); and Sh.Tsolmon (Secretary of the MSWG and Coordinator of the EITI Secretariat). There are 25 out of 33 members were present and attendance was at 75.8 per cent.

Also present: Radkhule (International Consultant of the BDO Audit LLC); G.Bayanmunkh (Managing Partner); L.Bayartsogzol (Partner) and other relevant auditors of the BDO Audit LLC; N.Zoljargal (Worker of the Natural Resource Governance Institute); A.Otgontungalag (Finance Officer of the EITI Secretariat) and O. Munkhbat (IT Consultant of the EITI Secretariat).

The meeting began as Ch.Tsogtbaatar (Senior Officer of the Mining Policy Department of the MMHI) delivered an opening remarks.

Ch.Tsogtbaatar: First of all, I would like to inform you that I am participating in this meeting as obligated to chair today's working group meeting in accordance with terms of reference (TOR) of the State Secretary of the Ministry. I am grateful to see all the members of the working group today.

I would like to mention that the core aspects regarding the transparency that we are discussing, are reflected in the Amendments to the Constitution that had been ratified few days ago. Also, an important issue that the citizens have a right to know about environmental impacts through using natural resources within the frame of their rights to live at a healthy environment is safeguarded by the Constitution of Mongolia. The EITI Secretariat's financing has been resolved under the negotiations of the MMHI with European Bank for Reconstruction and Development (EBRD) and Asian Development Bank (ADB). The EITI Secretariat concluded a short-term contract with EBRD and a cooperative contract with ADB for a period until November of 2021, I hope that the Secretariat will not have any financing difficulties in the near future.

During today's meeting, we will discuss about the draft EITI Reconciliation report for 2018, implementation of the performance of the Action Plan for 2019, draft Action Plan for 2020, the amendment to be reflected in the additional information form and draft government resolution respectively. Mongolia is ranked as a second country that achieved EITI standard, this not only increased our country's reputation, but also this can be the pilot example that proven development of extractive plant as a responsible mining and improvement of mutual cooperation between the parties.

Our further objective is to work hard on fulfilling the standards. Even next validation is scheduled to be held in February of 2021, but we need to work hard on fulfilling the standards and accelerating our work without losing time. In my opinion, we have full possibility and ability to fulfill them, more than that, the initiation and cooperation are important for us too. I am fully confident that we will be able to achieve the goals within the prescribed time.

In addition to mention that the works done by MMHI in the field of implementing EITI, Law on Transparency in the Mineral Resources Sector is being drafted, concepts of the draft are basically ready, comments have been received and finalized, the surveillance survey has been carried out in accordance with related legislations, as well as estimation of expenses incurred by the public and private organizations after implementing this law. Once the concept has been approved, we will start our core work on drafting law based on previously ratified draft law. Also, the work on fulfilling contract transparency has been intensifying within the frame of the scope of our Ministry. About 130 contracts and transactions of 14 types have been disclosed and published in the system of transparent contracts.

Also, we are working towards making the contracts transparent, including administrative contracts made with the ASM partners and contract on sharing petroleum products. Accordingly, I wish you a success to the meeting and would like to inform that today's meeting is open.

The agenda and procedure of the meeting was read and presented.

I. AS DISCUSSED: DRAFT EITI MONGOLIA 2018 RECONCILIATION REPORT

G.Bayanmunkh: I would like to stress that BDO Audit LLC has been working hard on preparing 13th EITI Mongolia 2018 Reconciliation report since October 3. Also, our planned period has coincided with a heavy load of government agencies and mining enterprises and numbers of difficulties faced during gathering related information regarding the report. For instance, I would like to add that the information preparation

process has been delayed due to overlap of state budget approval period and submission of report for Q3 of the entities. Due to it, it was difficult to work on integration setup. We are assigned to present draft reconciliation report not later than November 29 as specified in the contract. We have just finalized draft report this morning through increasing human resources and working for prolonged hours. This draft has not been reviewed by an editor yet, so, there is a need for more revision of given data, including pronunciation, composition and digits of thousand etc. Accordingly, next presentation will be presented by a partner Bayartsogzol, who has been supervising our validation site.

This report includes wide range of information, then we will make a shortcut focusing on the key points as much as we can. Thank you for your attention.

L.Bayartsogzol: The BDO Tunisia Joint Consortium completed 13th EITI Reconciliation report. The report pursued to report outcomes of the EITI 2018 Mongolia Reconciliation report, which included required information to be provided by the reporter entities. By this report, we carefully considered the industries of mine, petroleum, natural gas and minerals. We are working on making this report in line with the EITI standard 2016. The team comprised of a total of 16 consultants, including Radkhule (an international consultant) who is attending today's meeting, other two international consultants worked from the local areas, from Mongolian side, Bayanmunkh (Senior Manager); Altansukh (Quality Monitoring Manager) and other relevant national consultants.

As per a data of the EITI e-reporting system, there are 1986 entities have submitted their reports according to the report by the government. But, there are 1490 entities have submitted their reports according to the report by the companies. 68 companies have not submitted their reports to the government and 564 entities have not submitted their report to the company's report. Largest 240 companies have been researched, this brought a conclusion that 39 companies of them are not applying to the extractive field.

As of December of 2018, there are 3447 companies that hold special licenses of which 2140 are the entities. 202 companies have been selected in the EITI 2018 Reconciliation report, 22 of them have been conducting an extracting activity, 12 of them have been conducting an exploiting activity, 51 of them have been conducting the both of extracting and exploiting activities, eight of them have been conducting the activities of extracting of natural gas and petroleum and one company have been conducting the activities of exploiting minerals, natural gas and petroleum.

We planned to prepare reconciliation report in five stages as specified in the TOR. Also, this draft report includes related information regarding the 2.4.c; 2.6.a.1; 6.3; 6.1; 6.4; 3.2; 3.3 and 4.8 that upgraded in the reconciliation report for 2018. The beginning discrepancy of the companies listed in the reconciliation report was MNT 110.8 billion which was equivalent to four per cent of total revenue. As of today, total amount of discrepancy after adjustment is MNT 4.1 billion which is equivalent to 0.15 per cent of total revenue. MNT 98.3 billion in the company's report and MNT 8.4 billion in the government's report have been corrected which totaling to MNT 106.7 billion. We identified main reasons why MNT 4.1 billion has not been adjusted as follows: MNT 5.1 billion is not found in the detailed payments of the government, MNT 1.3 billion of non-reporting taxes of the government, MNT 76.7 million of non-reporting taxes of the companies that did not match with supporting records of the government and companies.

In accordance with standard requirement, we reflected related information in the draft reconciliation report. Also, within the legal frameworks and state policies, we mentioned and included the legal acts, policies and regulations relating to the field of extractive in the report.

We entered mining cadastral information in our system, after reconsolidating them with information provided by the Cadastral Office. Other related information regarding the water, employer's information and strategic deposits are included in the draft report. The implementations of the recommendations of previous years' reconciliation reports and recommendations to be provided in reconciliation report for 2018 are included too.

With this reconciliation report, we prepared and provided the recommendations on ensuring gender equality, enhancing activities of the sub-councils, ensuring transparency of information, enhancing information of the beneficial owners, eliminating information gaps between the governmental agencies, ensuring comprehensive and complete reporting of the governmental agencies and companies and improving report forms and e-reporting system.

Thank you for your attention. (Draft report and presentation are appended).

Ch.Tsogtbaatar: I would like to extend my gratitude the BDO Audit LLC team for your presentation. Is there any member to propose the comments regarding the topic?

N.Bayarsaikhan: I can see that information regarding the rehabilitation collateral is included in the draft, is it possible to disclose it through an expense or an imbursement? Did the MET provide this kind of information? Also, is it possible to disclose information about the waste by each company? If it is exported, is it possible to disclose with the breakdowns such as crossing which border point? It seems incomplete, because I can see the amount of the revenues only. How much information about the concentrator plant and processing plant are included? Also, are the minerals with common spreading such as petroleum and uranium are included in the special licensing transition?

B.Buyannemekh: The MET provided us with information on the rehabilitation and its natural environmental collateral. It is reported that about MNT 1.2 billion of collateral received in 2018, otherwise there is no more reimbursement. We incorporated information about the waste through an additional information form based on the information received by the companies. There is no waste export information received from the Customs General Administration (CGA) and less information about the concentrator plants found. However, we submitted our request to get concentrator plant's information, but also no information received yet. Information about the special license is received from the MRA. Information that you are asking is disclosed with its breakdowns.

N.Enkhjargal: Please, explain why there are different numbers found in the listed companies in the reconciliation report, such as 194, 202 and 179. The recommendation of the report states that expired special license is still valid. An expired license would not be seen as valid in the website of MRA, please, provide clarification on this issue?

B.Buyannemekh: We agreed to include 196 companies in the inception report, but, the working group submitted additional request to add more eight companies. With this regard, 202 companies are disclosed in the revenue stream reconciliation with their breakdowns. We obtained information on special license from the EITI e-reporting system. We have not received any information from MRA yet. Within the frame of this topic, it was recommended to upgrade information about the special license holders in the EITI e-reporting system on a timely basis.

D.Tserenjav: Our EITI reports have been improving from year to year, now we can see it as a highlight of the EITI. One main drawback is previous year's information. Relating to that, the appendices following the report and raw information are playing important role. After upgrading this kind of information, the researchers and other people are able to use them. Is there any limit to disclose and distribute the numbers presented in today's draft report? Please, provide us with clarification. Did the MET provide sufficient information? For instance, last year, the names of the companies who had rights to rehabilitate were listed only. We requested to disclose their names, localities and names of the local areas etc, is there any changes showed in the progress? In addition, every year, there is a talking about CGA, what was your explanation for that? Please, answer this question.

B.Buyannemekh: We are preparing this report based on the quantitative data taking from the reconciliation report for 2018. Other related information and legislations will be included in the additional information form of the report in a written form.

G.Bayanmunkh: I think that we are able to incorporate collected information set through the appendices as much as possible, expect secret information safeguarded by the law. Depending on the capacity of the information, I think that we need to discuss on appending files through which form. We could receive certain amount of data from the MET after making a lots of efforts and holding several meetings with relevant officials. Maybe this brought us some progress.

B.Buyannemekh: As of 2018, total amount of current balance of the rehabilitation collateral is about MNT 14 billion. In October, 2019, the collateral was disclosed by each company, but still we haven't received yet. The MET has provided information that all the related information will be disclosed on its website soon. Finally, we received information from the CGA after sending three request letters, but we received different information. Most of unadjusted discrepancy was MNT 4.1 billion is at CGA. With this regard, we disclosed amount of discrepancy by each company and sought a clarification on it again. The clarification is received on last Friday, based on this clarification, we are able to decline the discrepancy as much as possible until the deadline for presentation of the final report. Even, we requested to get other related information, but we haven't received any of them yet.

L.Bayartsogzol: The amounts reflected in the EITI e-reporting system were incorrect. In response our request letters, this had been corrected but provided different amounts again. We are unable to believe in this information directly, thus, we re-asked for more detailed evidence. There was a difference when we reconciling with company's information, hence, we requested to provide a clarification on it again. Maybe the difference is causing by some port missing or retrieval of their information.

G.Bayanmunkh: We have less information about the previous reporting. Most of our key human resources focused on approving state budget for 2020, due to it, information submission has been delayed behind its schedule. Furthermore, if we manage to finalize this report within the first half of the year, this will not coincide with quarterly reporting period, it seems that we will have more possibilities to work close with other related governmental agencies. Once again, I would like to recommend that take into account the contract signing and report preparing processes in further actions.

Sh.Tsolmon: It looks like there is no information about the beneficial owners reflected in the report. Can I understand that the companies did not submit their additional information form on this?

B.Buyannemekh: Information form of the beneficial owners was sent to all the companies, of which 60 provided us with their information. We incorporated last year's information unchanged and prepared updated information provided by above 60 companies disclosed by an appendix.

Ch.Tsogtbaatar: According to the report, there are reportedly around 32211 employers within the mining industry. As I remember, the number of employers who had been working in the mining field was 52 thousand in 2017. There might be unilateral understanding that the Oyu Tolgoi LLC has 16 thousand employers, remaining employers are working at other mining companies. Please, provide a clarification on this. Also, the report discloses that the revenues from the mining industry to the state budget. It is probably the main companies. Moreover, a huge amount of numbers might be occurred in the information regarding the sub-contractors, is it possible to include them in the report? Most of the freights forwarding by railway are the oil and fuel that are consumed by the extractive plant. Also, most of the electricity is consumed by this plant too.

Then, if these information are included in the EITI report, this will bring a huge amount of affecting to the economy. So, was it not possible to incorporate information regarding the sub-contractors in the report?

B.Buyannemekh: About the employers' information, we incorporated them based on the information provided by the companies in line with the form, some of the companies provided general information without filling out an additional information form. We included their information as provided by them, but we had less time to look back on these information. So, we will reconcile their information with statistical data for further check.

We included related information regarding the main companies only, because there is no detailed information about the sub-contractors to fill out in the report form. If such information is disclosed, it is effective to estimate company's impacts to the socio-economics.

G.Bayanmunkh: Prior to making final report, we will double check the numbers of the employers, highlight reflected information more, provide explanations on which scope to be covered as well as include the resources. With regard to the affecting of the extractive plant to the economy, we should pay special attention in the fact that we are preparing information based on the quantitative data provided by the companies that had been selected in the validation only.

About economic information that had been provided by the governmental agencies are being upgrading, because we believe that this kind of information is more source-specific. I would like to outline that it is difficult for us to incorporate information that are not included within the scope of our TOR.

N.Bayarsaikhan: Also, information and clarification to be included in the EITI e-reporting system provided by the companies are being revised. Our electronic reporting is coming with the signature of management accountability, is that weak? If so, we need to prepare proposal and comment on how to improve it. The numbers of the permissions and size of the land to be granted to the ASM have been increasing from year to year. Hence, we can see that officially permitted entity has been conducting irresponsible activity, but unofficially permitted entity has been conducting responsible activity. What is your conclusion on this issue? I would like to ask for including this issue in your conclusion. Information regarding the water use is included, but it would be more important to disclose additionally how much revenue is generated. The donations and contributions are divided into four categories, what are included in the fourth category? Also, there are information about the highly donated category, did the Development Fund of Dornogovi aimag make their reporting? Information shows that this fund accumulated MNT 2.2 billion in 2017, but not included in its annual report. Is it possible to make it transparent?

In addition, the rehabilitation imbursement is not included in 2017 not also in 2018. Is there no money to get this imbursement or the companies did not apply for claiming this money? Or is there any secret decision made not to allocate them? I am proposing that if as to clarify the reasons why money is not allocated and provide related recommendations might be given us its importance.

Also, concentrator and processing plants have been conducting similar activities as the sub-contracted companies. Then, it is necessary to categorize the plant into two groups, first one is to have concentrator plant itself, second one is to have concentration served by others and thereby information regarding their types, capacity and exported products of each group are needed to be disclosed. I think that we need this kind of overall mapping. It is because, an issue relating to exempting of the royalties had been brought a lot of gossip. Therefore, this will be discussed on draft Law on Transparency in the Mineral Resources Sector and tax in 2020, of which EITI 2018 report will be the main fundament, then I would like to ask you to enter such information in the report. This is very important.

Accordingly, it is recommendable to disclose information regarding the waste by each company and there is no degree of secrecy. The MET and CGA are the agencies that have the status of participating in the EITI reporting, but from year to year there is a still talking about their slow approach to the annual report and not attending meetings. Hence, it is necessary to focus on how to activate these two agencies. Thank you for your attention.

Bayaraa: As you mentioned that you have got the information regarding the employers from their companies, but in practice, the statistical data to compare are easily found. The data would be too dependence and incomplete, if making them without comparing to other resources.

Besides, I would like to suggest you to compare the information with the information about the tax and social insurance. As per information about the ASM, the amount of their paid taxes are higher. With above matter, we need to gather the data, whether it is really paid by the ASM miners or the entities reflected their extracted minerals in the information about the ASM. Also, it looks like the rehabilitation is made by the ASM miners, but, again I am proposing that we need to clarify whether they really made it by themselves or they paid due taxes.

L.Bor: The EITI report has been improving from year to year, but delivering report to the public has been abandoned. It would be appropriate to make a decision by the resolution to distribute report to the officials of the local governmental agencies and to enhance the responsibility of the mining industry.

Therewith, we all are able to get much information from the EITI reports, thus, I think that this report should not be considered as false. Previously, two governmental resolutions had been ratified. Herewith, I would like to recommend to reflect the instruction on how to accelerate their implementations at a local level.

J.Battsengel: First of all, I would like to congratulate and extend my gratitude the BDO Audit LLC team for reconciling and reducing the discrepancy up to 0.15 per cent. As per the report, the receivables worth with MNT 109 billion are not included. Please, provide a clarification on that. Such large amount should not been included in the government report. There is a talking about our organization adjusted the information after working on the report of the Erdenet, but there is a discrepancy found in the report prior to submitting report. Furthermore, I would like to seek a clarification on this issue.

B.Buyannemekh: There is a large amount of taxes and dividends are found that received by the Erdenet. In addition, the information regarding the donations received by the companies has not been reported. There is a huge amount of discrepancy found in local donation and dividends to the state budget, but these are not been reported too. Even we received the clarifications from the relevant authorities.

Ch.Tsogtbaatar: In my opinion, the information regarding the ASM miners cannot be disclosed in this way. In conformity with related legislations, the citizens are able to commission the golds and this can be recorded that the workers of the company can commission the gold under the names of the family member. I would like to say that while the largest gold mining companies, do not confuse us to understand that the ASM miners are more dominant. The issues regarding the local donations and contributions have been attracted. In Dornod aimag, under signing contracts with the companies, three per cent of the revenues were taken, which is almost the same as the royalty taxes. In that case, there are many such contracts. Thus, it is necessary to make them more open at a local level. I think that we need to take from Dornod aimag particularly. It is obvious that this not used in private purpose, but this is necessary to make its spending through local development fund transparent at a local level. There are many instances to receive large amount of donations and contributions from the companies in the rural areas.

Bayaraa: 30 per cent of taxes shall be paid when transferring license, thus, I would like to recommend to pay the same amount of tax when transferring deposits.

B.Buyannemekh: This can be reflected in the recommendation to be given to the working group on how to improve report form.

Bayaraa: Later on, we need to check and impose whether the comments proposed by the members are reflected in the report, otherwise we will not know which one is reflected.

Ch.Tsogtbaatar: I have a proposal that firstly, we need to summarize the comments proposed by the members of the working group and check which comment will be reflected in the report and request for its approval. It is possible for you?

N.Bayarsaikhan: There are a lot of insufficient things when I am looking back on this report, of which depends on our side as well as on your side. This will be presented in the National Council meeting scheduled to be held on 19 December 2019. I hope that the proposed comments might be reflected and improved before this meeting. Also, we need to work towards checking carefully prior to publishing not just looking back while the financing has been presented and approved by the National Council meeting. Otherwise, we will be leaving with some questionable information. In addition, I am proposing that we need to pay close attention the details, including composition, pronunciation as well as English translation and to reflect them in the draft meeting decision.

L.Bor: At the previous meeting, we have discussed and agreed to reflect an issue concerning the uranium separately in the category of mineral resources sector. Is this information included in the report?

L.Bayartsogzol: The information about the uranium companies is reflected in the report. We will contact you back for guiding on which section included this information.

Ch.Tsogtbaatar: Also, I have a proposal that we need to work well towards improving the report.

N.Bayarsaikhan: There were some difficulties that the MET and CGA did not provide respective information, in connection with that I have a proposal to reflect in draft meeting decision on government agencies is to support and provide relevant information.

M.Enkhjargal: I would like to suggest to provide below with a table including a description of how many companies were included in the impact assessment. Otherwise, this will be unclear whether the impact assessment made within the entire mining sector or within the companies that included in the report, this leads insufficient assessment result. That's why I am proposing that you need to provide a description below.

Ch.Tsogtbaatar: Recently, a regulation named the requirements to the concentrator plants has been ratified by an Order of the MMHI. Following the regulation, the concentrator plants started to conduct their operation without special licenses, if there is an information, our Mining Information and Technology Department is able to receive this kind of information. Maybe there is no information on that, now you can understand that this issue will be settled down by next year.

N.Bayarsaikhan: I would like to propose to assign the MET and GDT to provide due information through a decision of this meeting.

Ch.Tsogtbaatar: Since the officials from the MET is included in the composition of the working group, this would be a good chance that the Secretariat will provide relevant

officials with respective information and work closely with them. Well, let's finish the first topic now, the draft decision has been approved. Once again, I would like to gratitude the audit team of the BDO Audit LLC.

II. AS DISCUSSED: Performance of the Action Plan Implementations for 2019 and presentation of Draft Action Plan for 2020

Sh.Tsolmon: First of all, I would like to extend my gratitude the working group members for making core decisions regarding the EITI 2018 Reconciliation report. In 2019, we included a total of 40 works in the Action Plan, of which 11 had been completed. Our financing had been stumbled, but we have started to be provided with financing from the EBRD and ADB respectively in connection to the MMHI has taken an urgent measure in cooperation with the MOF. The EBRD has approved a EUR 49.000 and the ADB has approved a USD 300 thousand technical assistant to implement for a period until November, 2021. It was planned that the ADB's financing will be funded after EBRD's financing. Due to delaying of EBRD's financing, some of our planned works has been stopped behind their schedule and some staff of the Secretariat transferred to the different positions. O. Mukhbat has been recruited as an IT Consultant, a recruitment of the position for the Communication Officer has been delayed due to lack of human resources in this field.

One of the main works conducted in 2019 is to lay the foundation of commencing the EITI 2018 Reconciliation report. Most importantly, the special license holders worked closely with a team in the preparation of the EITI report. According to our estimation, 1490 companies submitted their reports out of 2139 companies totally and six agencies and nine districts of the capital city submitted their reports and received revenues from 1986 companies. Relevant ministries and agencies have issued a protocol and worked closely regarding the contract transparency. We have awarded the contracts with local and central governmental agencies that are obligated to make EITI report in order to organize the activities, including providing them with information and methodological advices, as a result, six agencies, eight districts of the capital city and 13 aimags have submitted their reports through receiving revenues from 1986 companies. Also, we included in the composition of the working group was assigned to ensure the preparation of organizing official opening of the portal named Contract Transparency, which was organized by the MMHI and Open Society Forum jointly in April. 280 contracts have been disclosed and published. Within the frame of above activity, we organized the multipartite discussion on the local contract issue, in addition to delivering the presentation and chairing conference as well as organized a discussion on the contract transparency. In addition, we invited the members of the National Council and working group in purpose with presenting the issues relating to the "Project Progress Reporting". Moreover, we have made an introduction of an additional new requirement to the EITI standard. In May, we arranged the visits of Mr. Mark Robinson, CEO of International EITI Secretariat and Ms. Olyana Valigura, Director of International EITI Secretariat, although the meeting requests were addressed to the Minister of Mining and Heavy Industry, Chief Cabinet Secretariat of the Government, MMHI, GDT, Erdenes Mongol LLC, EITI Company, representatives of the civil society organizations, representatives of the donor countries and the meetings were succeeded with the organizations and officials except Chief Cabinet Secretariat and Minister of Mining and Heavy Industry.

During this visit, we arranged the roundtables and discussions addressing to the members of the National Council and working group and state administrative bodies.

G.Temuulen, Member of the Parliament attended the meeting and delivered a speech. We visited A.Undraa, Member of the Parliament in the presence with the representatives of the Natural Resource Governance Institute (NRGI) and Transparency International NGO and made an EITI progress presentation and exchanged respective views regarding the works to be done in the near future. Our delegates comprised of G.Nandinjargal (State Secretary of the MMHI); T.Munkhbat (Manager of Oyu Tolgoi LLC); B.Bayarmaa (Coordinator of Publish What You Pay Coalition) and G.Ganbat (IT Consultant of the EITI Secretariat) attended the EITI Global Conference 2019 which was held at Paris in June. Also, B.Delgermaa (Communication Officer of the EITI Secretariat) participated in the conference financed by the EITI Company and G.Sugarmaa (Director of Energy Resource LLC) participated in the conference financed by the company. L.Tur-Od (Coordinator of Mongolia, Transparency International NGO) participated in this conference too. Former evaluation committee was assigned to carry out the recruitment of an independent administrator who will be assigned to work towards EITI 2018 Reconciliation report held its meeting five times, thus, the MOF decided to re-advertise the vacancy in connection with one of the applicants filed a complaint. Also, the evaluation committee has been re-organized. The vacancy had been re-advertised in July and completed successfully dated August 15. As evaluated as a responsive candidate, the BDO Audit LLC has been recruited as a contractor and the contract was signed on August 30. The BDO Audit LLC commenced its assignment starting from September 2. We are making a brief presentation due to the operational report is distributed to the members. (Presentation is appended).

In 2019, we included a total of 40 works in the Action Plan, of which 11 had been completed as above mentioned. We have planned to transfer remaining incomplete works to 2020 and the proposals have been distributed to you. We included a total of 40 works in the Action Plan for next year within 11 objectives. **First**, 16 operations with four objectives within the objective of “Introduction of new requirements to the EITI standard and accustoming of works towards making transparent though networks addressing to the governmental agencies and companies”. **Second**, five operations within the objective of “Re-development and introduction of the draft Law on Transparency in the Mineral Resources Sector for Parliament approval”. **Third**, six operations with two objectives within the objective of “Improvement of datasets and registration system to ensure the transparency of the beneficial owners and gather the information as pilot”. **Fourth**, five operations within the objective of “Improvement of the processing of the EITI 2018 Reconciliation report of Mongolia for its discussion and approval”. **Fifth**, eight operations with three objectives within the objective of “Activation of the training and promotion activities towards benefits and importance of the EITI implementation at the national and subnational levels”. Do the stakeholders have any comments to be reflected in the draft Action Plan for the next year? I would like to propose to present all the comments to the National Council meeting. I hope that all the members will work closely with us.

Ch.Tsogtbaatar: I would like to express my gratitude Mr. Tsolmon for presenting the implementations of the Action Plan for 2019 and a draft Action Plan for 2020. The report and draft plan have been distributed to the members of the working group. Do the members have any comments regarding the draft plan?

Sh.Tsolmon: We have left a time less than a month until presenting the draft to the National Council meeting, in the meantime, you can add respective comments that are missing. We are likely to work hard on next two topics to be presented now, afterwards

our works to do in 2020 will be clear. Then, we can summarize and provide the proposals after the following presentation. (Presentation is appended).

III. AS DISCUSSED: Presentation on upgrading the report form in accordance with the EITI standard

Sh.Tsolmon: We distributed the report form to be updated in accordance with the standard in advance. As you know, in accordance with 14 forms, the auditors summarized the information provided by companies that have been selected in the reconciliation, afterwards the summarized information will be reflected in the validation. The forms have been revised a bit in accordance with new standard of 2019, this is not newly done. The forms are available in our system of which are filled out by the companies selected in the reconciliation report. Almost 70 to 80 per cent of the companies selected in the EITI 2017 Reconciliation report have submitted their reports without filling out this form. Summarizing and disclosing datasets relating to the companies in the table of data sheet of the form, this will be easier and convenient to use the information regarding the special license holders. The datasets of the Board of Directors has been added and the information of the last three columns, including numbers, dates of the decisions of their appointments, how many years spent at Board of Directors, whether a member of any political party or coalition and still a member of political party or coalition.

Moreover, the datasets of the employers and information relating to the gender issue are included in line with the standard. The datasets of the beneficial owners has been revised and other related information have not been revised by the Secretariat yet. This will be ratified by the working group first, then the National Council meeting and National Statistical Office (NSO) finally. Issues concerning the secrecy and information relating to the law on the privacy have been removed. Information regarding the waste, loan guarantee and dividend have not been revised. If these forms are ratified by the NSO, these will be the subject to mandatory reporting form, this will not be a burdensome to the companies. Most of the companies selected in the reconciliation have started to learn on how to fill out these forms, with this regard, I hope the companies will work closely with us as well. (The presentation is appended).

IV. AS DISCUSSED: Presentation on the draft annex to a resolution to be issued by the government on uploading information provided by the governmental agencies and state-owned companies in the system addressed to the community in line with the EITI standard

Sh.Tsolmon: At the meeting of National Council which was held in 2017, we expressed our interest in establishing a working group to develop a draft annex to a resolution to be issued by the government on uploading information provided by the governmental agencies and state-owned companies in the public system in accordance the EITI standard.

But in 2018, any works not had been done due to the restructuring made in the Ministry of Mining (former), after this restructuring Secretariat's financing had been stopped. Now the situation is getting better, that's why we need to work towards issuing the government resolution which will include the issues within the scopes of the MOF,

MET and other relevant agencies and aimags, otherwise a ministerial order may not be accepted. With this regard, this necessitates to issue a government resolution.

Therefore, in accordance with the survey on uploading which information as a transparent, we prepared information dividing into the following categories such as information to be provided by the state administrative bodies at all levels, to be reflected in the EITI report and lists of the information to be uploaded in the system. For instance, the MMHI has included a total of five kinds of information to be disclosed as transparent as follows: detailed information about its policies, legislations, rules and regulations towards minerals and the functions of the relevant governmental agencies, information regarding the policy reform in the field of minerals, state policy papers on the contract transparency, information about their operations, upload information of all contracts to the database into "www.iltodgeree.mn" and link of EITI electronic portal. Two new information will be added and others are still available and the same in our system. In addition, the MOF has prepared five kinds of new information, including its budget policy, information regarding the budget allocation, local transactions, local development funds and direct transactions out of ten kinds of information. Like this instance, we prepared the listing by each ministry and agency. Herewith, we are presenting these issues that will be able to reflect in the National Council. Thank you everyone for your consideration. (Presentation is appended).

A.Purev: 1.3 of form 4 states that extracting and sales information, is this only about the petroleum extracting sales or products extracting sales?

Sh.Tsolmon: This is only about extracting and sales, not products.

A.Purev: If so, I think that it is better to remove a word of product, also it is needed to remove concurrent information from the forms of 4.1.3 and 4.1.3a.

Sh.Tsolmon: Sure. We will remove all of them from the forms.

A.Purev: Our Ministry has awarded a contract on petroleum exploration. The Ministry has been pursuing to make the contracts on petroleum exploration transparent. In my opinion, it is better to reflect information regarding the exploration separately, beside extracting and sales, there are about ten companies who have been running their activities in this field, and is it possible to reflect them separately in this form?

Sh.Tsolmon: Yes, it is. We will set up a new form to entering them separately.

Ch.Tsogtbaatar: This form includes water use information too. If you add the respective information on how many per cent of them are circulating water and it will be possible to find out that what percentage of total water is re-used. I would like to add to reflect an indicator of how much money paid for water charge. Besides, is it possible to include the energy and fuel use information? If it is, this will be a useful information. In our country, the power plants have not been working at their full capacity, the power is being imported from Russia and China, especially in the eastern region, where losing from 30 to 40 per cent of their production due to malfunctioning of the power plants. With this matter, I have a proposal that why don't we reflect the issue concerning the energy and fuel use.

J.Battsengel: It was told that the information relating to the taxes to be included. Now, you are able to upload information to be provided by our organization as a link, but you need to consider that the tax reports have been changing on a regular basis. Other information may have changed, when someone using the reflected information in her/his research works after downloaded them. The financial statements of the companies are the subject to amend and revise when making an audit opinion, in case of making their expenses and incomes through incorrect account, due to the circumstances of resolving issues by the police and court. If the financial statements are revised, the tax payment will go up and down. The newly opportunities are being provided, including compensation of the deficits from other resources based on making contracts with the tax office in conformity with newly passed legislation. Therefore, I would like to ask you to suspend uploading information through a link of GDT. If information is uploaded by our link, may this not meeting the qualitative requirements. In connection with this issue, the representatives of the companies will probably share their opinions with us. You just put the amount in the name of the sales, but also it is needed to differ them by its products like ore and uranium, if not, this will not be a sufficient information.

Sh.Tsolmon: The tax office is making the majority of the revenues transparent. When there is a change in the revenues, our audit firms review and make up their adjustments. Accordingly, the followings after the adjustment is included in the report of the company, this will be provided clean view of changed information. I understand that this will be done with this meaning. I guess that the people might be interested in seeing the information with large sums not their discrepancies. I can see that the discrepancy will be adjusted by the relevant specialists. I hope that the members will share their comments with us on this issue.

L.Bor: Information about the radioactive substance is included in the 4.1.3 of the appendix, can this information be included separately? This information is belong to a secret class of the information. There are a total of nine companies who are authorized to use the radioactive substances, but there is no information provided on which productions are produced.

Sh.Tsolmon: I have less information pertaining to the state secrets.

Ch.Tsogtbaatar: I think that there is no need to differ them in the form like uranium, it looks that it is possible to write down what kind of mineral since the form includes the types of the minerals. Currently, there is no available use of uranium, only one pilot plant of uranium has been conducting its operation within the industry, but still unable to work at its full capacity.

D.Tserenpurev: I would like to include the donation information in order to make company governance transparent. I can see less information addressing to the community.

Sh.Tsolmon: Related Information regarding the donation is included in the company's report, which is an addition to the previous information.

B.Bayarmaa: Will every mining company provide information about their employers? Please, provide a breakdown of that information such as who are included in the category of officials at managing level. Can we place the person's name in the part of the information about the contract? Practically, the companies conclude the contracts with

the local administrative officials or governors. Is this information so important? The purpose and provision of the contract are long and general, does it mean to write down all of them? The contract has been concluded with the purpose of fulfilling three conditions as prescribed in the law, but some of large-scale contract, such as Oyu Tolgoi agreement specified by its provision that a USD 5 million shall be granted to the local development fund on an annual basis. Like this instance, it is important to reflect the information regarding the contracts with such specific provisions and to monitor their implementations. What kind of information do I get from the part of the composition to the Cooperation Committee? Does it mean that the composition or the number of the members? I think that it is good idea to divide them into three groups taking into account their equal participation.

Sh.Tsolmon: Information will be provided by all the companies. Generally, numbers of the members will be taken.

B.Bayarmaa: It is good idea to divide them into three groups taking into account their equal participation as mentioned above. Will the datasets of the water use include the information about the water pollution fee? At this time, a Law on Water Pollution Fee is being implementing. If the water user paid the water pollution fee, this must be included in this report. This will be a significant amount of fee and its by-laws had been passed and now are being implementing. The fees, including the water pollution fee and fee for water exceeding the permitted standard might be occurred newly. In addition to this, the information about the amount of the polluted water must be included. The amount of the water to be used shall be estimated on the basis of the conclusion. These are interrelated issues whether the conclusion is made, had a permission and using the water as prescribed in the conclusion. The permission are different from each other, such as a permission with using and a permission with industrial purpose. Some of the companies is granted with a water use permission, but using the water with industrial purpose. With this regard, the water use in the mining sector is becoming a serious issue. There is no specified information about the amount of used water. Also, there is an issue relating to the fee for the amount of used water. Due to it, a conflict might be arose between the local citizens, companies and civil society organizations? This kind of conflict might be continuing longer due to water shrinkage. Hence, I would like to propose to include the information about water use with a slight details in compliance with above legislation.

Bayaraa: I would like to add to enter the information about the sub-contracted companies through an additional form. However, the main company has less workers, but also sub-contracted company has more workers. Due to it, the sub-contracted companies are high-paid. In my opinion, it would be appropriate to enter information on what type of contracts had been awarded with sub-contracted companies and how much cost had been disbursed, for instance, Oyu Tolgoi LLC has been working with more than 700 sub-companies on a contractual basis. We have talked about that we don't know about amount of used water. Amount of the industrial used water is easy to determine, the companies does not need to claim on how much water used. Anyone is able to estimate amount of water to be used through an equipment with high capacity. Some of the water users might have issues of hiding the amount of water openly without using water meter. I think that it is possible to estimate a pilot calculation of the companies that have been using water without water meter.

N.Bayarsaikhan: May I ask you that what percentage of implementation of the Action Plan do you achieve in 2019? I would like to suggest you that in addition to reflect

them in the draft resolution, we may need to print them out. We all have got acquainted with draft Action Plan for 2020. Following this, you may need to enter in the Action Plan for 2020 the processing of the implementations of recommendations given by the BDO Audit LLC in the EITI 2018 Reconciliation report. Since they gave the recommendations which not might be implemented, if we are making different plans here, hence, we need to improve the preparation process of the operational plans. In the audited opinion, it was mentioned that there is a need to build sub-council's capacity, here we just hold one or two meetings per annum, if doing so, and the EITI activities will not go any further without building sub-council's capacity. This issue was at a Prime Ministerial level before, now it is turning to be an issue at Ministry's of Mining and Heavy Industry level. The MMHI and MET are the organizations with same status, who is to preside over? Therefore, I am proposing to call for making this year for building the sub-councils' capacity at a regional areas. Even we called a year of 2017 for building the sub-councils' capacity, but at that time, no works had been done due to lack of financing. Thus, I am proposing that it will be more effective when you plan to do works towards the sub-council, focus on exact plan and determine what outputs will be achieved. Also, I would like to add that we need to bring out a conclusion after incorporating summarized comments and proposals provided by the members pertaining to the implementations of the performance of the Action Plan for 2019 and draft Action Plan for 2020. This will be more reliable when we forward a draft plan to the members and get their comments and proposals back within December 15 for National Council's approval. Publish What You Pay Coalition has submitted its respective comments to be incorporated in the form, but the comments had not been incorporated here, please look back on it. In addition to get the names of the members of the Board of Directors specified in 4.1.1 of the form, also, this is recommendable to enter information on how much intensive is granted to the members on a monthly basis. Thank you everyone.

Sh.Tsolmon: Yes, it is possible. There is a hope that the remaining financing of the EBRD will be entered, according to our plan, a few works will be completed during that time. This will be causing to increase the percentage of the implementations of our performance. We forwarded the comments provided by Publish What You Pay Coalition to an auditor. We are expected to re-formulate the draft having reflecting all these comments and will distribute a revised version to you again.

N.Bayarsaikhan: I think it is better to highlight our comments. For instance, is there any foundation included in the contract that had been awarded with local administrative officials? In other words, I would like to add a column, if it was regulated to establish a foundation within the frame of the type of the contract. Like this, I would like to propose to highlight our comments.

L.Bor: What kind of information will be entered exactly in the information regarding the gender issue?

Sh.Tsolmon: Are there any information regarding the management and other related information included?

Bayaraa: I was told that the data is to be entered into the site of the Ministry, it is not clear that this aims at providing public with information or not, because how many people access to a site, this leads insufficient accessibility. Then, I would like to suggest you that you need to deliver information addressing to the public through a slight different way, because there is nothing as easy as entering information into the site of the Ministry.

N.Bayarsaikhan: Have you received any comments and proposals on disclosing information from the ministries? Also, there is a need to clarify the readiness of the ministries. There are two kinds of new information to be entered by the MET. I would like to enter the data of the chemicals in there. It probably be necessary to know about what type of information is being received per annum and how do the people use them. Also, I would like to include the report and balance regarding the financial and monitoring activities in the database of the National Audit Office (NAO). Did the GDT provide any information regarding the entities who failed to pay due taxes within prescribed time?

J.Battsengel: It is unable to disclose this kind of information separately. If it is not included in our report, this means that the taxpayer fails to pay due taxes. There is no way to find out the reasons of their failure.

N.Bayarsaikhan: With regard to the datasets of the beneficial and real owners of the entities who have been conducting their activities in the field of extractive industry in the data to be provided by the General Authority for State Registration (GAST), do you mean that the special license holder's information or sub-contractor's information what we are taking about? Which information will be entered in the datasets to be provided by the GAST? It looks like that all the entities are included, I would like to come to a decision on whether include data of the special license holders first? It is appropriate to enter information about the chemicals in the monthly reports on the minerals and petroleum products. Also, I am proposing to add that the aimags need to provide information about the exploration collateral in the data to be provided by the Governor's Offices of aimags, capital city and districts. I have a proposal to enter information on making the funds, including Development Fund of Dornogovi aimag, Gobi Oyu Fund and Khusuut Fund transparent in the data to be prepared by the Governors and Governor's Offices of aimags and capital city. Information about the state-owned companies are still closed. For instance, a tender on coal transportation had been carried out by the Erdenes Tavan Tolgoi LLC, but what kind of tender bidding process did they use? In practice, a selection of the tender shall be carried out in compliance with related legislations on the bidding tender. It would be appropriate if enter information of the sales contract and selected company to be transparent due to this kind of information are not being transparent. Finally, the state-owned companies need to make the names of the supplying companies transparent, as well as if we assign them to make the export contracts transparent, this will bring out the importance that will show a leadership to the other companies.

Ch.Tsogtbaatar: Hereby, I would like to assign the Secretariat to incorporate the comments proposed by the members. If a draft government resolution is supported, we are expected to request all the ministries for providing their respective proposals, when a draft resolution is approved by the National Council meeting. At that time, it is not known whether this information is available or not. All the proposals provided by the ministries shall be summarized and introduced to the government session for its approval. In general, if you digging in the information like I need this kind of information, this will not go to an end. From this review, it is adequate to adhere to EITI international standards and to work towards preparing information to be consistent with these standards.

The chair of the meeting read and presented a draft meeting decision and held the votes among the members. A meeting decision has been approved and supported by the majority of the members.

Ch.Tsogtbaatar: Today's meeting took place successfully. I would like to extend my gratitude the members for participating actively and providing respective comments. Please, send us your comments to be entered in the draft Action Plan and additional information form via e-mail.

Herewith, I would like to emphasize that the Secretariat has been working as satisfactory in 2019, even some of the planned works had been delayed behind its schedule due to lack of financing. I would like to wish you to have a year of 2020 filled with success and ends the year of 2019 with filled with achievements.

The meeting ended at 14:45 p.m.

Meeting minutes were presented by:

State Secretary of MMHI and
Head of the working group

G.Nandinjargal

Meeting chaired by:
Senior Officer of Strategy Policy and Planning
Department, MMHI:

Ch.Tsogtbaatar

Meeting minutes reviewed by:
Coordinator of the EITI Secretariat

Sh.Tsolmon

Meeting minutes prepared by:

Financial Officer of the EITI Secretariat

A.Otgontungalag