

Minutes of the meeting of the National Council of Mongolian Extractive Industry Transparency Initiative /2024-11-29/

The 22nd meeting of the National Council is organized on 29th November 2024 at 14:00 in the meeting room of Ministry of Industry and Mineral Resources.

In the National Council meeting participated:

On behalf of Mr. S.Javkhlanbaatar State secretary of the Ministry of Industry and Mineral Resources (MIMR) and secretary of EITI National Council Mr.B. Delgerjargal, head of the statistics and research department of MIMR, on behalf of the Minister of Finance Mrs. Bolormaa, head of Accounting Department, Ministry of Finance, on behalf of Minister of Environment and Climate change Mr.Z.Tsogtbayar, specialist of the Ministry of Environment and Climate Change, on behalf General Auditor of National Audit office Mrs.Erdenetsetseg, Audit manager, National Audit Office, on behalf of chairman of National Statistical Committee Mr.B.Enkhbold, expert, National Statistical Committee, Mrs.G.Erdenetuya, CEO of Mongolian National Mining Association, Mrs.Erdenetsetseg, Secretary of Coal Association, Mr.T.Munkhbat, Senior Manager of Oyutolgoi LLC, Mrs.Ts.Bolormaa, senior accountant of PetroChina Dachin Tamsag LLC, Mr.B.Tamir, Manager, Erdenet SOC, Mr.O.Anar, Local communication manager, Rio Tinto LLC, Mrs.Ts.Tuyatsetseg coordinator of the Publish What You Paid (PWYP) coalition, Mrs.D.Erdenechimeg manager of Open Society, Mrs.S.Tserenpurev, the head of the New Administration Initiative NGO, Mrs.N. Narantsetseg, head of the Nature Mother Rescue Fund of Mongolia NGO, Mrs.B.Oyuntuya, members of Mongolian Environmental Citizen Council, Mrs.G.Urantsooj, Human Rights and Development NGO, Mrs.Oyunchimeg, representative of newspaper Khovd Mirror NGO, and as observer Mr.Ch.Battsengel, senior inspector of the Mongolian Tax Administration (MTA).

Also, Mr.J.Erdenebileg general director, Mrs.E.Doljin vice director of business development and D.Sainbayar manager of SICA LLC, Mrs.T.Ganbat and D.Sainbayar auditors from Growth Finance Audit LLC attended this meeting and presented introduction of the report.

Mr.Sh.Tsolmon, Coordinator, Mr.B.Khosbayar Community and Local Communication officer, and Mrs.A.Otgontungalag financial officer from Mongolian EITI Secretariat attended and organized this meeting.

In the meeting participated 19 members from 29 of the National Council members that was 66 percent of attendance.

The meeting was opened by head of department B.Delgerjargal behalf Mr.Tuvaan of Minister of Minister of Industry and Mineral Resources, chairman of Mongolia EITI National Council.

B.Delgerjargal: Hello, distinguished members,

I am very pleased to open the 22nd meeting of the National Council of the Extractive Industries Transparency Initiative, implemented by the Government of Mongolia. Mongolia has been implementing the Extractive Industries Transparency Initiative since 2006, making a significant contribution to fostering responsible mining. Today, there are approximately 2,000 companies

with licenses in this sector, leading the country's investment and economic development. Our generation has an important role to play in developing responsible, well-governed, and transparent mining, so it will be a sector that has pioneered and continuously contributed to the country's development.

Our ministry has recently been reorganized. Our main goal is to develop transparent and responsible mining in Mongolia, enrich the mineral resources fund, and create a balanced multi-pillar structure for the economy. Since multi-stakeholder participation is essential to achieving this broad goal, we ask you to approach each issue responsibly and work together with active initiative.

According to the 2019 amendment to the Constitution of Mongolia, "The state policy for the use of natural resources shall be based on long-term development policies, ensuring the right of every citizen of the present and future generations to live in a healthy and safe environment, and concentrating the benefits of natural resources in the National Resources Fund for their equal and fair distribution." Citizens have the right to know about the environmental impact of using natural resources as part of their right to live in a healthy and safe environment. To ensure this amendment, the Law on the National Wealth Fund was approved by the State Great Khural in 2023 and is being implemented. The main provision of the law is that the benefits of mineral resources should be made available to the people in a meaningful and accessible manner. The transparency initiative will play a significant practical role in contributing to ensuring this right to know.

The new government's policies will focus on ensuring economic growth in Mongolia, increasing investment, intensifying the construction of mega projects, and improving the legal environment. Implementing these construction and investment activities in a transparent and accountable manner will help prevent mistakes and failures and ensure their successful implementation.

Since 1990, with the transition to a market economy, it has become possible to conduct mineral exploration and exploitation activities under special licenses and contracts with private sector enterprises. As a result, the number of enterprises operating in this sector has increased, making a significant contribution to the formation of state and local budgets. However, as the number and activities of sector participants have expanded, inappropriate practices such as keeping secret accounts, avoiding paying taxes, neglecting rehabilitation work, reducing the percentage of payments to the budget through corruption and bribery, and creating unregistered cash flows have emerged, which have negatively affected the reputation of the sector and the socio-economic development of the country.

In this regard, the mandatory adoption of the Extractive Industries Transparency Act and its implementation in a transparent manner will be an important step in eliminating negative attitudes.

Today's meeting will discuss the 18th annual report on transparency in the extractive industries of Mongolia for 2023, the progress of the implementation of the 2024 work plan, and the draft work plan for 2025. We encourage you to participate with practical ideas in discussing the issues to be addressed. We believe that the meeting will make important and appropriate decisions.

So, let me announce the opening of today's meeting. I wish you all success. I would like to invite J. Erdenebileg, CEO of SICA LLC, to present the 2023 or 18th consolidated report. First, please introduce your team.

J. Erdenebileg: Thank you. I am Erdenebileg, the CEO of SICA. Previously, our deputy director, Erdene, was responsible for this work and made the introduction. This time, due to medical reasons, he was unable to come. Our organization is working with the audit company Growth Finance. Let me introduce our team. Business Development Director Doljin will present the introduction of the report. Expert Sainbayar. Auditor Ganbat from Growth Finance Auditing Company. Our organization was established in 2010. Our company is based on statistical research that works to contribute to the development of research-based practice in Mongolia. Growth Finance was established in 2013 and has been developing and operating organically. I wish success for the meeting.

Doljin: Good morning to all of you. We prepared to present our 18th report. The 18th report includes information on which companies are included, how the consolidation and adjustment work was done, non-revenue information, recommendations, and recommendations from previous meetings. Our contract was concluded on 30th May 2024. During this period, an initial report was prepared once. The initial report was used to select companies, prepare the report, and present the first report on 30th October. Accordingly, the parties received feedback and revised the report based on the feedback. The team core consisted of 5 people, with 4 additional people from 2 companies working on the project, totally 9 people.

For company selection, here is a chart showing the total number of companies involved from 2006 to 2024. In 2006, 25 companies participated, but in 2009, more than 100 companies participated. This number has increased every year, but due to the lockdown during the COVID years, 60 companies participated in the consolidated report in 2020. In 2021, 63 companies, in 2022, 104, and in 2023, 125 companies included their consolidation results in the consolidation report. Since the lockdown, the number of companies has tended to increase without maintaining flexibility. The following chart shows the annual consolidated amounts in the EITI report. In 2023, the amount of 8.1 trillion tugriks was consolidated in the report. This chart shows data since 2006, and in 2023, the government reported income information for 1,193 companies, while only 710 companies reported that they had paid. There is a discrepancy in the data for 483 companies. The discrepancy has been increasing in recent years. How materiality and timing were determined is that out of 1,193 companies reporting to the government, 11 companies accounted for 85 percent of the total reported revenue. Out of these 1,193 companies, 125 were selected based on five criteria. 1st According to the scope of work, the company was selected for the extraction of gold, copper, and coal. 2nd What percentage of the total tax revenue is it? 3rd The percentage of mineral resource royalty and license fees is taken into account. 4th The percentage on the state budget is considered. 5th The report was prepared by including 125 business entities based on the information provided by the companies in previous years, along with suggestions from CSOs and NGOs.

Of the 125 companies, 31 are engaged in gold mining, 40 are in coal mining, 5 are in copper ore mining, and the remaining 49 companies were selected from enterprises that pay high taxes. The upper right corner shows the results of the selected enterprises in the consolidated report, which show what percentage of their income they received from the government since the 12th report. For the 18th consolidated report, the percentage of income received from the

government was 98.8 percent. The graph in the lower left corner shows the results for the year. The bottom right corner shows how much revenue was collected by 125 companies, sorted by type of business. The government reported that 31 companies engaged in gold-related activities received 511 billion tugriks in revenue. The initial shows that 40 companies engaged in coal mining had received revenue of 4.7 trillion tugriks. By first collaboration, 791 billion tugriks had been collected from copper mining companies, while others had collected 2.0 trillion tugriks. Of the 125 selected companies, 11.2% or 14 were state or locally owned companies, while 111 companies or 88.8% were private enterprises. These are shown in the pie chart in the lower right corner as a percentage of government revenue. The state-owned and local-owned companies were 68.4%, while private companies accounted for 31.6%. This means that the work done since the initial data was received has been explained. Starting in Chapter 2, we will explain the results of the integration adjustment and what results we are able to correct. Starting in Chapter 2, we will explain what the results of the integration adjustment were, and which results we were able to correct. The initial consolidation shows a difference of 605 billion tugriks. The government reported 7.9 trillion tugriks, and the company reported 7.3 trillion tugriks, resulting in a difference of 605 billion tugriks. After the initial discrepancy, we obtained information from the organizations themselves and continued to verify whether the initial figures provided by both sides were correct or incorrect from 125 selected business entities and government agencies that could provide relevant information. We made an upward adjustment of 369 billion tugriks to the government report and an upward adjustment of 1.1 trillion tugriks to the company's results, and the initial discrepancy of 605 billion tugriks was reduced to 133.6 billion tugriks after the adjustment. This means that the unexplained difference was 133.6 billion tugriks. The left side of this table provides more detailed information, which I just explained. On the right, the unexplained differences by revenue stream show that there are 50 entities that underreported their initial reports to the government, 46 that did not receive information from the government, 53 that underreported their initial reports to the companies, and 52 that were not registered on a cash basis. The aim was to show in detail what differences occurred after the adjustments were made over the last three years and what differences could not be explained.

The total unexplained difference in 2021 was 19.3 million tugriks, and in 2022, it was 7.1 billion tugriks. The 18th report of 2023 cannot be explained 133.6 billion tugriks. The rest has been corrected. I want to mention some of the major changes while we are making corrections and adjustments. For example, Erdenet reported that it paid 404.7 billion tugriks in corporate income tax. After the correction, it paid 449.7 billion tugriks, resulting in an underreporting of 44.9 billion tugriks. There were cases where some companies' stored data was missing due to the update of the reporting system. We contacted the companies in each case and corrected this. There were common errors and discrepancies in the accuracy of numbers, such as the commas in government data on taxes and license fees paid to local budgets.

This section shows the top 20 companies that paid the highest taxes. Overall, in 2023, the top 20 taxpayers paid 7.9 trillion tugriks in taxes to the state budget. The last 5 years in comparison, you can see from the graph at the top right of the screen that the total revenue from extractive industries is directly related to the activities of the top 5 taxpayers. The top 5 taxpayers have paid 17.1 trillion tugriks in taxes to the state in the last 5 years. In 2023, 6.3 trillion tugriks; in 2022, 3.8 trillion tugriks; etc. The total amount paid in taxes over the last 5 years is 17.1 trillion tugriks. This section shows the data collected through the form, illustrating its performance. The

results show that information on Production Sharing Agreements and barter agreements for infrastructure investments is the least completed, while information on the quality of financial statements for exploration licenses is the most completed. The worst and best attendances are shown in percentages in the table on the graph. This concludes the explanation of the results of non-revenue data.

Starting from Chapter 3, the issues related to non-revenue data will be discussed. Non-income data is collected from relevant government agencies that are able to produce official quantitative data and provide information, in accordance with the requirements set out in the 2019 EITI standards. In other words, secondary data is collected, and the results of this group are processed and recorded. The graph shows the overall trend of the mining sector's percentage of GDP over the last four years. When calculating GDP year-on-year, it was estimated that the GDP for the last four years since 2020 was 70.4 trillion tugriks, with a growth trend in the previous year. The mining sector is expected to generate 19.8 trillion tugriks in 2023. Its percentage of GDP is 28.1 percent, which shows that it is an important economic sector with a major impact. This section includes quantitative information on how exploration data has changed compared to previous years. All of this information is from official government agencies authorized to release this data.

The number of exploitation and exploration licenses was 2,636 in 2021, 2,544 in 2022, and increased to 2,552 in 2023, an increase of 8 licenses from the same period the previous year. The area is expressed in thousands of hectares. In 2023, 5.9 million hectares of land were under exploitation and exploration licenses. The table on the right shows where these 2,552 licenses are most common. As of 2023, there are 353 special licenses in Dornogovi Aimag, 96 special licenses in Dundgovi Aimag, and 14 special licenses in Orkhon Aimag. The table shows the changes in the production volume of major mining products over the past three years.

The main mining volumes of nine types, including coal, gold, molybdenum concentrate, etc., are shown. Compared to 2021, there was a huge increase in coal production, with 85.2 million tons of coal mined, almost doubling the amount of coal produced. 1.3 million tons of copper concentrate and 14.8 tons of gold were mined in 2023. This is a decrease compared to 2021. A graph showing the results of the survey in more detail over the last 10 years is presented here. In terms of value, coal exports are estimated to be worth \$8.8 billion by 2023. This is a 36.8 percent increase from the previous year, with 99.3 percent of total exports going to China. This section includes information about contract transparency.

The graph in the bottom left shows statistics on how many contracts have been transparent over the past four years. However, as of October 1, 2024, the transparent contract database contained 1,173 contracts, 162 contract clause explanations, and 8 legislative details. The order of priority is 112 for small-scale mining and 130 for land use agreements. 795 companies submitted their beneficial ownership information in the electronic report. Of these, 48.6 percent, or 387 companies, were able to report their beneficial ownership information. This was broken down and analyzed again at the individual level, and the information was updated to include 5 politically influential and 218 beneficial owners in management positions based on the results of the previous report. This section will talk about waste. In 2023, 48 companies collected a total of 745 billion tugriks in waste payments. This payment is concentrated in 18 aimags of Ulaanbaatar city. The information shown on the left is information about waste. The amount of waste generated by the factory, the amount of waste disposed of, and the amount of waste

transferred to professional entities were shown, categorized by waste type. On the right, the 10 companies that paid the highest fees are shown. The 10 companies include Erdenet Industrial Complex, Tech Khun, Step Gold, Erdenes Tavan Tolgoi, Khur Erdene Bayalag, Boroo Gold, and Olon Enkht Bayan.

Munkhbat: Let me ask you something. Is there one company on 6 and 7, or are there two different companies?

Doljin: This typo may have caused the same company to be listed in two different ways. We can check our data, and if there is one company, we can combine the results and add the 11th company to the 10th.

Well, in this section, information about water use is shown. Out of the 43.8 million cubic meters of water contracted for use in 2023, 29.9 million cubic meters of water were used, or 68.3 percent utilization. 69.4 billion tugriks were concentrated in total water use payments. The right panel shows the 10 companies that paid the highest fees. These are the companies that coincide with those that paid the highest fees for waste. Additionally, Oyu Tolgoi, Energy Resources, Baganuur, Zinc Mineral, Mongolrostsvetment, Sharyn Gol, and Mongolian Gold entered the list in a slightly different order.

The next section will discuss transparency. By whom we are talking about, we will analyze how transparent state-owned enterprises are in their reporting and how transparent their procurement is. How did they do this? They collected information that they were required to disclose under the Open data law, and they conducted an observational study to see if it was actually accessible and if it was possible to access the information. The results were presented.

In the section on preparing financial statements for state-owned enterprises, Tavan Tolgoi Company did not have any results. That is, it was not possible to see any results. The financial statements were audited. Other companies are open, meaning they prepare their reports transparently. The part that states the financial statements are audited should be transparent and open. It is unclear whether the Tavan Tolgoi and Darkhan Metallurgical Plants were audited, but other entities were transparent and open. The previously mentioned Tavan Tolgoi and Darkhan metallurgical plants failed to disclose their information regarding whether they prepare reports in accordance with international accounting standards. The two companies mentioned above also did not disclose their information to verify whether they were audited in accordance with international standards.

As for whether state-owned enterprises have made their reports transparent, companies such as Oyu Tolgoi, Tavan Tolgoi, and Badrakh Energy have not made their reports transparent. This is an area that needs to be more transparent regarding accounting practices as it relates to financial reporting. The following companies have all made their procurement plans publicly available. We were also able to check whether the procurement reports were available. We checked to see if there was an audit report related to this, but there wasn't one from the Tavan Tolgoi Company. Upon further inspection, it was clear that the general information about the tender, including purchases of more than or less than 5 million, contained information that should be classified and disclosed according to the law. This is a summary of the information included in the 18th report and a summary of the main findings. We will then present recommendations based on these findings. Companies and government agencies have been mandated to report on the transparency of extractive industries, and similar recommendations

have generally been made in the annual consolidated reports to ensure the accuracy of the mandated reports. However, due to the challenges we faced in working with the data, there has still not been much progress. We believe that it is appropriate for the Secretariat and all parties involved to make efforts to improve this situation in the future and focus on reducing these shortcomings. The common mistakes of misreporting and underreporting by governments and companies suggest that the level of attention being paid to implementing recommendations is perhaps insufficient.

Our main recommendation is to reduce the problem of discrepancies between government revenue and company payments by improving the rate of data entry into the reporting system, especially focusing on fully including local data. This year, attendance from local organizations was significantly lower. The Secretariat and the National Council are recommending that the Mineral Resources and Petroleum Authority, which is collecting additional information in accordance with the standards for preparing the consolidated report, pay attention to and plan to eliminate the difficulties encountered in collecting information. The contractor is recommending that you pay attention to this aspect, as collecting data and obtaining accurate figures during the execution of the work are time-consuming, difficult, and bureaucratic, and can lead to a lot of delays. Although we had planned to simplify our work this year by integrating our data and processing our results, we were still converting the data from the electronic reporting system to Excel files, just like in previous years, and repeating the same mechanical tasks we had done the year before. However, it is still not reduced, and further testing is recommended.

We are providing general recommendations that it is advisable to make greater efforts to implement the law and draft laws that are being initiated, which will make valuable contributions to the activities of the sector. Thank you for your attention.

Delgerjargal: Thank you. I would like to ask the members questions related to the 18th consolidated report and answer them. You can also state your opinions and conclusions. This progress report was released. Specific recommendations were made on it. There were issues that needed to be improved and reviewed. How were they resolved?

Doljin: Since the presentation of the 18th consolidated report on October 31, there have been suggestions from the Open Society Forum. Coordinator Tsolmon forwarded them. Suggestions have come from the office. The suggestions are reflected in a Word file. We have printed them out along with the reflected suggestions.

Delgerjargal. Please present.

Erdenechimeg: In the meantime, let me ask you a question. What is presented to us is the version that was distributed on October 31st. I compared some of my suggestions that were not included. Maybe if I give you a new, revised version, I'd like to see which of my suggestions are included and which are not. So, my vote on whether to accept this report is almost out.

Tsolmon: The latest version from SICA has been printed.

Doljin: We came up with the idea that there might be more recommendations, and people might have suggestions. We came up with the idea that we would reflect this in the report and ultimately prepare the act of acceptance of the work, not in this version, but in a book-like version, and accept the work. The version printed and distributed by the Secretariat is the latest version provided by us.

Tsolmon: The final version that you sent has been printed. If there are any suggestions from the National Council, we will print them separately and attach them later. Otherwise, we don't have time. We will attach additional items.

Doljin: The main part of the revised report is a 194-page Word file. The main part of the report printed here is 190 pages. We will review these two versions after the meeting.

The suggestions received after the October 31 meeting included checking the numerical data, citing official sources, providing more details about the implementation of the law, providing more details about the ultimate owners, and checking whether the information collected through the form was accurate.

Delgerjargal: If there are any members who would like to ask questions or make comments, please raise your hand.

Oyuntuya: From the Environmental Citizens' Council. I listened to the previous report. The people who are writing the report wrote it like this. I also expressed my opinion at the previous meeting. There are companies that are not included in this report. However, the companies included in this report are paying a lot of money.

They make reports. In the middle, they raise the issue of where the money went. There is no question about that. They make reports. In the middle, they raise the issue of where the money went. There is no question about that. Such companies are not included in this report at all. I would like to consider how to include them in the report. Here, there are recommendations and appeals. If you wish to listen recommendations, then you will. Then they bother the companies even though they pay them a lot of money. So, they dug up the environment and caused damage. It didn't matter. So, first, I've asked five questions. There are no companies that are not subject to this. Let me reiterate that you should pay attention to this.

Delgerjargal: It is planned to take action under the law on violations against companies that do not submit their reports. According to the Administrative violation Code, the minimum fine is 10 million tugriks. However, we will provide you with the information first. By the public television we will announce the warning that companies need to give reports. From now on, action will be taken under the Law on Violations. There are a total of 2,700 special licenses. The same measures will be taken for all of them. So, I think the reporting situation will be different from next year.

Bolormaa (Ministry of Finance): I would like to ask 3-4 questions. 1. Are Oyu Tolgoi and Badrakh Energy companies included in this report? Second, what would be the impact on the consolidation of this report if IFRS international standards were not implemented? I see that there are companies in this report that do not follow the standards. So, does this affect the collaboration of the report? Third, it is said that there are no financial statements for Tavan Tolgoi Company. A fully authorized representative has been appointed in this company; they have financial statements for that company. I think the Ministry of Finance has the report. Question 4: I wonder if you have made a few key conclusions that the gap is increasing. If this gap is indeed widening, how can we work to reduce it? Let's answer these four questions.

Doljin: We will answer as a team. Do companies have an international audit? Is that correct?

Bolormaa: My 1st question is, are the two companies, Oyu Tolgoi and Badrakh Energy, included in this report?

Erdenebileg: We'll discuss it a bit and then answer.

Bolormaa: I didn't ask for audited reports at all. I asked what impact this report has if the company follows international standards?

Doljin: This is important. The reason is that this section begins with Chapter 3, where we introduce non-revenue information. The issues you just mentioned are in line with the requirements of the 2019 EITI Standards for non-revenue information.

Erdenebileg: Sorry, the second question is whether IRFS registration will affect this, and our auditor, Ganbat, from the audit company will answer.

Bolormaa: What I'm asking is, are there any companies that don't follow IFRS? Are they being separated out?

Ganbat: The non-revenue information shows that in detail in numbers. I think you're asking what significance this report has in the consolidation. Since the government's data itself is reported on a consolidated basis, not in accordance with IFRS, differences arise when it is recorded according to corporate reporting standards. So, according to the Accounting Law, it is called a tax, but the information in the Government's records is recorded on a cash basis, so this is where the difference arises. That's why we think this data should be shown numerically, not in terms of income.

Bolormaa: Everyone knows that everyone has to follow IFRS requirements in terms of reporting. There are companies in the consolidation that don't use IFRS. So how do you clean up that part, or what? How do you put it in? Basically, that's information that's based on pure money.

Doljin: Regarding the remaining two questions. You asked where you got the information about Tavan Tolgoi Company. According to the Glass Accounts Law and the Transparency Law, it should be located on the company's own website, shilendans.gov.mn. How can we express transparency by conducting our searches? We searched to see if it was transparent like an ordinary citizen and then checked to see if the information was complete. So, when I looked it up, it wasn't on the glass account or on their company website. Tavan Tolgoi's information was not publicly available by law. Question 4: I understand the question of what should be done next, as the gap is widening. How to reduce the gap is beyond the scope of our work. However, I think that if we start by streamlining the tasks that are easy to solve first, the information will become more organized and better.

Erdenechimeg: I have reviewed the report. This is your revised version. We have submitted 21 proposals. We will not have time to review them all now, so we will take the time after the meeting to review them and submit a written proposal. The question is, in your presentation, the number of special licenses was 2522, but in this report, it was 2233. Was the number you just presented for 2024? Because there was a difference of about 200 licenses. The contextualization section of the financial report, other than financial and revenue information, does not necessarily have to be limited to 2023 data. The number of special licenses for 2023

listed in the section on special licenses is different from what is presented here. Please pay attention to that.

2- The October 31st proposal, which did not reflect my specific suggestions, is becoming more general. Please be more specific. We are not here to make conclusions or recommendations on how to produce this report, but rather, based on the information gathered here and the process of producing the report, we should make recommendations for governance reforms to fix what is not working in the extractive industry. Many parties are sitting down and correcting their mistakes, so they should give them to the government. That's why I think the National Council is working. Therefore, the recommendations need to be refined. For example, our Open Society Forum conducted research on the financial oversight of the oil sector. The results of the study have been included in the report. The Mineral Resources Authority should first issue a conclusion and then have the audit department review the conclusion each year. The relevant regulations are the 2014 Petroleum Law, but detailed regulations regarding financial supervision have not yet been issued. Because it has not been released, inspections of the oil companies' production, sales, and distribution are not being fully conducted. They should even mention the names of the companies and inspect them as if they were charging a fee for their annual inspection. There have been conclusions that this is not being done. I would like to say that if you have considered and included other issues in this report, in addition to transparency in the sector, please include them in your recommendations. For example, oil contracts are not fully disclosed. In general, there are 1,173 agreements related to contract transparency, but that does not mean that 1,173 agreements are currently in force. Because there is no legal guarantee that our companies and government agencies are required by law to make their contracts transparent, we do what we can. The local government enters contracts here whenever it is available or wants to, but new contracts signed in the same year are not included in our database. I would like to ask you to include things like this in your recommendations.

The PWYP coalition asked for companies to be added on a risk-based basis and provided the names of about 20 companies. Of those, the addresses of 6 companies were not found. The problem is that the addresses of the companies holding the special license are not available, at least at the Mineral Resource Authority. It probably has. If it is there but not being provided, it means that the main agency that implements the main issues of the mining sector is not cooperating well with the transparency report and is not giving it importance. Now, rather than the responsibility of companies, I would like to include in the recommendations the responsibility of the Mineral Resources Authority and support for cooperation in the reporting process. We gave several recommendations. It seems like they have been put in. If there's anything else, I'd like to give them again on this big piece of paper in a few days.

Doljin: Okay, we accept the offer.

Tuyatsetseg: Thank you to the company for the report. We have been meeting many times. We are talking about what is happening and what is not. We are making progress. Our proposals are coming in. They are saying that some of the tender procedures related to the main recommendations are not happening. We talked about this at the last meeting. Oyu Tolgoi Company does not put data in a glass account. What comes into the advice is that Oyu Tolgoi Company is an LLC, state-owned, and privately owned. Why does it not put data in a glass account? Oyu Tolgoi Company is saying that we will not keep a glass account. However, now that we have looked at the law, we are going to put in a glass account. So, in the first

recommendation, tender information is generally transparent. In general, I believe that Oyu Tolgoi should include in the recommendation that this glass account should work. Second, it says that the electronic reporting system needs to be configured. So now the World Bank has spent 460 million tugriks on electronic reporting, made huge changes, and spent a huge amount of money to consolidate the information that our civil society organizations want and get it all from one platform, but this situation has not yielded any results.

The recommendation states that there are no results and that the situation of mechanical work is still ongoing. However, I think it would be better to include it in the recommendation. I have two suggestions. What we need to pay attention to in the future is that we have 125 business entities, but 5 to 11 of them account for 80 to 90 percent of the total revenue received by the government. I would like to focus on this and make changes in the future. I would like to increase the share of the other 11 percent of companies. I would like to include this in my recommendations. Because every year we report internationally. There is a huge amount of revenue being reported, but behind it are only a few companies.

Munkhbat: I've said it before. I think I'll explain it to you in front of this crowd. As for why Oyu Tolgoi is not reporting in accordance with the glass accounting law, our legal department has studied it for many years and, after consulting with the Ministry of Finance and the Tax Authority, has concluded that Oyu Tolgoi's operations are a project implemented with 100 percent foreign investment. The explanation given is that Oyu Tolgoi is not using state budget funds but rather operating with foreign investment and therefore is not subject to the glass account law. That is legally correct. In addition, since the government owns 34 percent of Oyu Tolgoi, it is up to Erdenes Oyu Tolgoi to implement a certain level of transparency in its financial statements and operate on a transparent basis. Oyu Tolgoi is not a company that spends state budget funds. Therefore, I will reiterate that it is not a company subject to the glass account law. It would be right to clarify this again later. Thank you.

Tuyatsetseg: Of course, it would be right for the company to give such an explanation. There is a legal framework here, isn't there? There is 34 percent of the state-owned company No. 1, Erdenes Oyu Tolgoi. However, we, the citizens of Mongolia, are the ones who benefit from Oyu Tolgoi. Although the state-owned company is not spending money from the state, it is legally an LLC. If the audit doesn't reflect this well, the company will say something like this. They said they would consult with the Ministry of Finance. There are cases like this that are going to court.

I would like to clarify this further.

Doljin: I understood it as an offer and accepted it.

Erdenechimeg: The National Council and Working Group are different, so the members are seeing the report for the first time. I have a suggestion to hold the National Council meeting again this year after the vote of the members, Coordinator Tsolmon? I want to say something at that meeting. We have a new minister. I understand that there have been significant structural and personnel changes in the ministry. Over the past 4 to 5 years, our ministry has actually failed to give any real importance to the Transparency Initiative. The law could not be passed. There is a lot of problem with the gap increasing. Therefore, I hope that Minister Tuvaan will be present at the next meeting, understand the importance of this, and support it.

Because we are publishing this transparent report, Mongolia is receiving positive results in many international indices that measure the investment environment. It is included in the Natural Resource Governance Index, the Competitiveness Index, and the Open Governance Index. All of this, combined with the investment environment and the governance of investors entering Mongolia, is successfully implementing this 20-year-old transparency initiative.

It's good to have it implemented, but we don't want to weaken it. What we see from the perspective of civil society is that it has really weakened in the last few years. That's why we want to look at the problem anew and work with a new minister.

Delgerjargal: Let me tell them.

Tuyatsetseg: The National Council members are 10 from the government, 10 from business entities, and 10 from non-governmental organizations. It is necessary to discuss whether today's meeting is valid. Generally, government representatives are not present at National Council meetings. This is stated in the National Council's Rules of Procedure, which were approved at the 17th meeting of the National Council for Extractive Industries on December 21, 2017. Under this procedure, the National Council is headed by the Prime Minister. His Senior Advisor is the Secretary. The procedure states that a quorum is considered to be 6 people from each party. Do we always hold National Council meetings without attendance? In our view, the meeting is not legal. Even today's meeting is illegal. So, let's approve the law.

We were a little hopeful this year, thinking that if it were approved, the problem would be solved. The law has not been passed. The structure of this working group of the National Council is said to include a working group leader and an accountant or assistant. However, your workgroup has expanded to include accounting, support, local affairs, and IT. By the procedure, there are just two people. I assume that all decisions made at such an illegal national council meeting is illegal. I represent the PWYP coalition. My work is not illegal, but I have to do it now. It is said that the Prime Minister's decree will be issued by the Council. The decree is subject to mandatory execution. We make recommendations. They have lost their mandatory nature. The audit body issues recommendations every year. It is said that these are not implemented. It is giving a conclusion to our work. Looking at the structure of the National Council, there are four people from government organizations and six people from other organizations. There is a suggestion that if a meeting is held under an invalid procedure in order to conduct legal activities, it is time to review the meeting's decision to determine if it is valid.

Delgerjargal: Mr. Tsolmon, please answer regarding attendance. Aren't you saying you don't have the right to represent yourself? The regulations were approved during the Prime Minister's term. They need to be updated. The minister in charge of the sector has come forward. The previous regulations are from when the Prime Minister was in charge. They need to be updated urgently. The Secretariat needs to take the initiative in this regard.

Tsolmon: In terms of attendance, we send notices to all organizations. They send in place of the meeting because it overlaps. The main thing is that they are working with such confidence that the law will be passed and their work will improve. There is no concept of illegality. Since this is an organization, there is no problem if you come representing the organization, not as an individual. Therefore, it is reasonable to assume that it is legally justified. There is no dispute that the organization is involved. There is no reason to doubt it. I understand that you are treating this with respect. Since I represent my organization, I don't think it's any different from the PWYP

coalition. This is an organization, so I don't think it's strange to hear people say that this is illegal. We need to be treated with great respect. That's how our secretariat works. That is why the decisions we are making and the meetings we are holding are justified. This is something that we have seen and seen, even within the framework of our international certification, and it is being recognized internationally. That is why there should be no doubt about it.

Delgerjargal: I think it's stronger when the Secretariat is next to the Prime Minister. In the future, I think we need to take the direction of going to the Prime Minister. Certain ministers are in the National Council. The same minister leads. There are parliamentary and government meetings. In general, participation in the last 3-4 years has been insufficient. After we had a new minister, we made it very clear to the minister and the state secretary that this is what it means, this is how it works, and this is the most important thing for the future development of the mineral resources sector. The State Secretary is very supportive. He said you can meet often. You have the opportunity to meet and put your ideas together. I will let you know if it is possible to hold another National Council meeting and respond.

Tuyaatsetseg: This work is going by Mr. Tsolmon's many years of experience. But instead of approaching the issue with hope and expectation, are we meeting to submit a report to international organizations, or working to submit it to the government? It's going like formal. The Minister of Finance, who is supposed to be in the National Council, has never been in the National Council, nor has he been in the Standing Committee on Budget and Accounts of the Parliament. If there were 10 people in the current structure, I think 4 people are coming. There are the National Audit Office, the General Tax Administration, the Ministry of Mining, the Ministry of Environment, and the Ministry of Finance. There are companies that don't come from companies at all. There's MAC. There are several companies like Energy Resources. I discussed with Minister Tuvaan at the Mining Forum. He has no understanding. Also, Minister Ganbaatar left without any idea. The EITI capacity weakened. The number of employees decreased, so it seems that this is one unit of the Ministry of Mining. The question naturally arises as to whether we need to sit here like this.

Oyuntuya: This report is released every year. On the other hand, large companies are releasing this report. My suggestion is that if we choose 100 companies, then we need to take 10 companies that have never filed a report. Over 2,000 licenses mean over 2,000 companies. Looking at less than 200 companies out of that seems too small. and have paid the lowest taxes. It seems like we need to look at it this way. So we need to choose these 200 companies by different incomes; in other words, different resources. Of course, we are choosing by 5 different criteria. Income-related issues should be approached in different ways. On the other hand, the Ministry of Mining is legally obligated to maintain transparency. So, we need to monitor whether everyone is transparent, and if they are not transparent, we need to hold them accountable according to the law. It seems like this work should be done by the Ministry of Industry and Mineral Resources.

I think we need to understand that no matter how good the laws are, if we don't enforce them, we can implement any bad law well if we are willing to enforce it. I have a suggestion. I would like to say that special attention needs to be paid to every proposal. Has the issue of transparency in accounting to ensure environmental restoration been included? Please include this very carefully and include it in your recommendations. 2nd Local cooperation agreements. Please include this issue in your recommendations. Make each recommendation very clear and

specific. Accordingly, civil society organizations need to do their work. This report should be useful in the future. I don't think it's just general things like that. Thank you.

Erdenetuya: MNMA. I want to tell one thing. In addition to what the report will be, members are discussing how the National Council will operate. We are taking initiatives within the framework of responsible mining to make our work more productive, considering the work we have done in the past, the current situation, and what to do in the future. In addition, the projects that we report on are working together to develop a code, ensure its implementation, and promote it to the local community. We are not waiting for the law, we are taking the time to talk about the law and discussing it at every meeting. EITI itself is a voluntary initiative. We have come together to form a National Council for this. A similar voluntary code has been issued. The line ministry, the Department of Mineral Resources, and local authorities are starting to support it. We should focus more on this and push it forward. We'll talk about the non-existent law when it's ready, but discussing it now doesn't seem to yield any results. I support increasing the number of companies that report.

We must increase the number of companies that provide effectively. I see that instead of pushing a few companies that provide with criteria, we are not taking the ideas to involve other effective companies in the National Council. Anyway, this is our second or third year of holding a regional conference. These issues are discussed in the same way at the conference. It's become a conference where people gather for one day, defend each other, and then leave, with no results and no one to follow up on. This year, it will be 2 years since the conference was held after COVID. The problems are still the same. The problems are the irresponsible projects that the previous one talked about. On top of that, the local people oppose them, and so do the local leaders. The Ministry of Policy has not worked with every company. It doesn't seem possible to bring this in. Looking at the structure, I saw that we should work with local authorities who collaborate with more companies every day. While we were holding the regional conference, we had five representative offices. It seems that we should focus on how to expand cooperation by providing the right information to our representative office. We have to work very well with the representatives. We are very good at pressing our companies through the code. We are working on inviting them to participate in regional conferences and providing reports after hearing the news. I wish the government would work in this way too. This year, we will establish a tripartite council at the provincial level. Then, we will coordinate regional development from the province to the region. The first aimag to establish three parties was Umnugovi, and under the conditions of Umnugovi, every company operates three parties. Issues are being discussed at the company level. So, if the three parties sit in a trilateral meeting, come up with a work plan, implement it more effectively, and then meet at the end of the year or two years later at the regional conference, and say that the work has been done, and then leave, this is a situation where the meeting is in vain and then disperses. What we are urging companies to do is expand their environmental work. At the level of the group of deposit.

On the other hand, we should look at the level of the aimag, not just the soum and bag, and identify the problems, unite our forces, and solve problems on a larger aimag scale. The three parties discussed this issue and reached the conclusion at the recent meeting that we should establish the rules and approve the work plan before the end of the year. Let's connect with our EITI plans and do things not separately, but rather work together in a coherent manner. Local authorities, rather than ministries and agencies, are working with those same companies. Besides, we just meet in the city and then leave. No matter how many ministers come in, I don't

know if they can solve our problems. We need to work where there are more problems. We have to work locally. Companies have been very active in these three parties, with little result. Two years ago, at a meeting, they demanded that their procurement contracts be made transparent. Are our demands reasonable? Can we cover the 200 or 300 companies we're talking about, not just the few companies that are providing the implementation? Furthermore, we should focus on whether we can reach another 2000 companies. Our National Council needs to work together on this. We need to expand cooperation with the local community. These conferences should be held effectively. I thought I would inform the council members that the association is taking action, even though it has not done any work that has yielded results.

Erdenechimeg: Let me ask you something. What kind of council are you talking about, a tripartite council? There are sub-councils in every aimag that organize the work we do within the framework of EITI at the local level. It is very active in Umnugovi aimag. Are you talking about establishing a new council or making it more active?

Erdenetuya: I am talking about new councils. Our sub-councils are inactive. Since there are no actions on them, on the other hand, they said that they would provide the council with the opportunity to come in and work. The participation of existing civil society organizations must be ensured.

Delgerjargal: Please provide an explanation from SICA regarding the company's choice.

Doljin: All the suggestions received have been accepted. The suggestions will be included in the report to the extent possible. When preparing the work, a note will be made on how the suggestions were included and will be submitted to the Secretariat. Regarding the selection of the company, we are working within the scope of the terms of reference attached to the tender. The scope of work has been instructed to consider these factors and include at least these companies, and to include approximately this number of organizations, depending on the budget and time frame. So, what I see as a possible solution to this is that if you discuss how you can accommodate your desire for inclusion in the terms of reference without violating international requirements, and if you make changes to the terms of reference as much as possible and organize a tender, then other contractors, regardless of whether SICA is executing it, can include potential companies in accordance with the terms of reference and prepare their transparency reports.

Delgerjargal: Is it possible to incorporate the above suggestions?

Doljin: It's possible. I wrote down all the above-mentioned suggestions.

Battsengel: General Tax Administration. First of all, I would like to express my gratitude to the colleagues of SICA and Growth Finance. This year was very unique in terms of reporting. Things didn't work out and there were a lot of difficulties. So, were you able to get it from other government agencies? I highly doubt it. They worked on very different things. Companies didn't participate at all in the cases where they had a special permit and just sat there. However, the 1.5 trillion tugrik difference has been eliminated and brought down significantly. I conclude that they have carried out their audit duties well. In addition, if they decide not to issue reports after approving their laws and regulations next year, it would be more efficient for the countries that are reporting and auditing. I am not a member of the National Council, but a member of the Working Group. The law was drafted in 3-4 versions. I was also involved. The draft law went to

the Ministry of Justice and disappeared. Maybe it will be possible to approve the law. In any case, our problem is being resolved. I have the understanding that it was not thrown away. Thank you.

Delgerjargal: We are making a digital transition. There was a problem that cannot access old information. It is important to include this in the 2025 plan and have the contractors implement the provisions given in the very specific tasks. Please pay attention to this, Secretariat. Let's close the first part. Now, part two. I would like to ask the coordinator of the Secretariat, Mr. Tsolmon, to present the implementation of the 2024 plan of the MEITI and the draft plan for 2025.

Tsolmon: The presentations have been distributed. Let's be brief. A total of 37 activities are planned for 2024. Of these, 23 have been implemented. They are in the implementation stage. The implementation rate is 62 percent. It was estimated that World Bank funding would come in. But it did not come in. A request for an estimate has been sent to the World Bank. There has been no clear response yet. It is expected that funding will come in the year 2025. The draft law was discussed at the Ministry of Justice. There was a lively discussion in 2024. The draft law is on the website of the Ministry of Justice and Internal Affairs. It is still being to submit comments on the draft law. I have spoken with relevant officials in the new government. I do not know how to proceed further.

Reports from companies and government agencies have been prepared. This work has been initiated by signing an agreement with SICA and Growth Finance. Implemented an electronic reporting system. Implemented electronic adjustment of the ultimate owner. Organized training. Conducted online training on how companies and government agencies should file their reports. Participated in the activities of the Open Governance and National Program for Combating Corruption.

Organized a training and introduction discussion on EITI in collaboration with the sub-councils of Orkhon and Khentii aimags. Worked with the International Secretariat in June. The National Council and Working Group held a seminar and updated the plan. It was agreed to organize a meeting and seminar in Central Asia and the Caucasus to exchange experiences on beneficial ownership and to cooperate further, as appropriate. Trainings were organized within the framework of the Natural Resource Governance Institute and the European Bank for Reconstruction and Development project. The members of the National Council have provided many ideas for future work. It is considered appropriate to include their suggestions in the draft 2025 plan. We think the main focus of work for 2025 will be law. There are the Open Government Partnership First Commitment and commitments to create a legal framework in the relevant activities of the National Anti-Corruption Program. Of course, since it is reflected in two such large documents, there is a direction to work on this. The 2024 consolidated report will be prepared. The scope of work will be developed and distributed soon. You all need to give your opinion here. The validation work will be carried out in accordance with the validation advice. The main thing is that the validation recommendations will be implemented within the framework of the law. We have a schedule for validation in October 2026. If World Bank funding comes in, it will be possible to conduct training from 2024. However, a small amount of money has been allocated in the work plan from the state budget. It is about 40 million tugriks. If you have any questions, please ask.

Oyuntuya-Mongolian Citizens' Council for the Environment: No questions. They have done a good job with their budget. The part of the plan that was not implemented was due to the budget. The next thing is we need to pay attention to the attendance of the meeting. All these leaders couldn't bring, not even Mr. Tsolmon. This is how it comes across: on the one hand, the business of running the country, and on the other hand, the fatigue of having to juggle multiple roles. Again, I conclude that Secretariat have done their job well based on their own resources.

Urantsooj: Do you have any work planned related to the local subcouncil?

Tsolmon: A budget has been set for organizing online training. The Ministry of Finance received a draft budget, but we have to work carefully with localities because leaders will try to use it for their own benefit. I realized that the regional seminar should organize. Locally, regionally. We have learned that online training is possible.

Urantsooj: As Erdenetuyaa mentioned, it would be fine if they were invited to participate in the regional conference as a sub-council. In general, it seems like it would be better if the sub-council were closer to the local level. Our PWYP coalition has member organizations in rural areas.

Tuyatsetseg: EITI is not voluntary work. We have obligations to the international community and our government. Earlier, Erdenetuyaa said that EITI is voluntary work, and the code is also voluntary work. But we need to understand this very well. The 2025 work plan includes ethics training for National Council members. This is very correct. Thank you, Coordinator Mr. Tsolmon. The Sub-Council is a very large structure. The government has approved the structure. However, along with the sub-council, the association is again creating a third organization, saying that the sub-council is not doing well. This means that the association is judging the EITI work. That's why I want to do a great job of improving the work of this subcommittee. For PWYP, the finance issue is very important. PWYP is a voluntary organization. It is not a legal entity. Financial planning comes into play. It is classified as a civil society organization. However, the PWYP coalition has a very good foothold in the local area. It has been there for many years. I would like to see a good allocation of funds for training.

Erdenetuyaa, you need to work on strengthening the capacity of the sub-council. Trilateral local companies have come in. It has the same structure. Since there are already hands and feet there, I would like to include in the plan that we work more on strengthening the capacity of our sub-council rather than having a new tripartite council there. Thank you.

Tsogbayar: I will respond to that later.

Tuyaatsetseg: This collateral is in the government's special fund, worth billions of tugriks. The Ministry of Finance should probably inform you about this. It is being spent on other activities. The ministry itself cannot explain this. As a special government fund, the Ministry of Finance approaches the issue with greater authority.

Delgerjargal. The company cannot take it back; it has not been spent. What should be done is that the company should take it back after it has completed its rehabilitation. There is no case where it has been taken.

Munkhbat: There is a provision in the Minerals Law that states that if a mine is rehabilitated after it is closed, it will be returned. Tuyaatsetseg: We can probably include this in the work plan.

Because the Mineral Resources Law has a provision that states that if rehabilitation is not done, the special license will be revoked.

Tuyatsetseg: We can probably include this in the work plan. Because the Mineral Resources Law has a provision that states that if rehabilitation is not done, the special license will be revoked. So, they are coming in as collateral for how the rehabilitation will be done. In reality, the rehabilitation is not being done at all. They are just leaving with a few monies as collateral. It seems like the company has already paid.

Delgerjargal: The content is that if it doesn't work, it will be done with money. It is not being done. Also, it is not even taking the money.

Urantsooj: In this regard, if companies do rehabilitation work, they need a lot of money. Instead, they put a few tugriks in the fund and leave.

Tuyatsetseg: That money is being spent on other things. There needs to be an audit on this.

Delgerjargal: We do not have the right to conduct inspections.

Urantsooj: Neither the government nor the people have the right to conduct inspections, so what will happen to this country?

Delgerjargal: If there are no other questions, I will end the Q&A. I would like to present the draft minutes of the 22nd session.

The minutes of the 22nd meeting of the National Council of the MEITI discussed:

Let me introduce the draft resolution. There is a draft resolution that will incorporate the suggestions and recommendations of the members of the 22nd session of the National Council, and then deliver them to the members and publish them.

The draft resolution is to approve:

1. the Secretariat to pay the remaining 70 percent, or 70 million tugriks, under Contract No.23 on Consulting Service Agreement signed with SICA, and
2. to publish the implementation of the 2024 work plan and the draft 2025 work plan, reflecting the recommendations of the National Council members.
3. The main thing is that the consolidated report contains proposals in principle. These proposals should be contained and send members electronically.
4. The 2024 implementation and 2025 plan are also the same. Please give your comments electronically.

Members who support this decision, please raise your hands. I will forward to the Minister the request to reconvene the National Council. The Minister and the Secretary of State are very supportive. They said we can meet. However, we agreed on the principle that we will hold the meeting after we have put together a specific proposal to present. So it's better to submit your proposal to the Office first. Otherwise, there will be issues that take a long time to discuss and are discussed over and over again. Go in with a specific proposal. When and where you want to meet, you will meet at that time. Well, I wish everyone success in their work.

The meeting ended at 12:20

Familiarized with the minutes of the meeting
State Secretary of the Ministry of Mining and Heavy Industry
S.Javkhlanbaatar

The meeting chaired by:
Head of Research and Study Department of the MIMR
B.Delgerjargal

Reviewed the minutes of the meeting
Coordinator of EITI Secretariat
Sh.Tsolmon

Minutes of the meeting noted by:
EITI Secretariat, Community and local officer
B.Khosbayar