

DOCUMENT NAME:

GOVERNANCE POLICY OF GOBI JSC

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1. GENERAL

1.1 Purpose

- 1.1.1 The purpose of this Governance Policy (hereinafter the "Policy") is to define the governance policies, objectives and principles to be followed by Gobi JSC (hereinafter the "Company") and to provide a comprehensive relationship between the stakeholders that make up the corporate governance system, with the aim to determine their participation in the implementation of governance.

1.2 Scope

- 1.2.1 This Policy is publicly available and applicable to the Company's shareholders, Board of Directors (hereinafter the "Board"), Executive Management, all employees, and other stakeholders.
- 1.2.2 This Policy is developed in compliance with the Company Law of Mongolia, the Law on Securities Market, the Corporate Governance Code approved by the Financial Regulatory Commission, and adheres to widely accepted international governance practices. It will be applied across the entire organization, providing clear guidelines for decision-making and achieving our governance objectives.

1.3 Definition of terms

- 1.3.1 The following terms are utilized within this Policy.
- 1.3.1.1 **Corporate governance:** A comprehensive system that directs and controls the activities of the company. It encompasses the structural and organizational framework that establishes the organization's goals, objectives, and performance monitoring methods. This concept also encompasses the intricate relationships between shareholders, boards of directors, executive management, and other stakeholders;
- 1.3.1.2 **Governance principles:** Fundamental principles to be upheld while implementing the company's governance goals, crafting policies and regulations, ensuring their implementation, and making decisions at all operational levels;
- 1.3.1.3 **Stakeholders:** All stakeholders of the Company, such as shareholders, investors, employees, customers, suppliers, financiers, herders, the public, government organizations, and others;
- 1.3.1.4 **Corporate governance code:** A set of governance principles that fosters the establishment of a sound and effective governance system within the company.

It ensures the protection of the interests of all stakeholders, promotes the adoption of internationally recognized best practices, and contributes to the creation of sustainable long-term value;

2. POLICY

2.1 Governance policy

- 2.1.1 Gobi JSC's Governance policy aims to create a fair, ethical, and transparent governance system that balances the interests of all stakeholders, by ensuring compliance with all applicable laws and regulations, promoting ethical behavior among employees, and protecting the interests of shareholders and other stakeholders.

2.2 Governance goals and objectives

2.2.1 Ensuring stakeholder interests

- 2.2.1.1 Develop a policy document on effective communication and collaboration with stakeholders, accurately identify their interests and needs, and ensure a balanced approach.
- 2.2.1.2 Apart from facilitating shareholders in exercising their legal rights, endeavors will be made to protect their rights and treat all shareholders equitably.
- 2.2.1.3 Establish a shareholder communication program, maintain an online platform for information dissemination to shareholders and stakeholders, and regularly update the information.
- 2.2.1.4 Establish an effective system for receiving and addressing feedbacks and complaints from stakeholders.

2.2.2 Establishing an effective board structure

- 2.2.2.1 The Board members shall have a visionary, creative, and effective structure that provides diverse skills, knowledge, experience, ethical leadership, and independence.
- 2.2.2.2 To ensure shareholder interests and strengthen governance, the chairperson of the Board and the majority of members shall aim to be independent.
- 2.2.2.3 The Nomination Committee under the Board shall determine the nomination procedure for selecting and appointing members, the criteria for candidates, the memorandum of the Board members, and their succession policy.
- 2.2.2.4 The Board shall be responsible for strategic management, exercising oversight over executive management, and making independent and objective decisions.

2.2.2.5 The Board shall be accountable to the Company and its shareholders, and prioritize and safeguard their interests.

2.2.2.6 The Board operates through dedicated committees, such as the Risk and Audit Committee, the Nomination Committee, and the Remuneration Committee, and bears ultimate responsibility for them.

2.2.3 Ensuring transparency in reporting and information

2.2.3.1 Strengthen internal communication flow, which is the foundation for effective company operations, and disseminate information to employees accurately and in a timely manner.

2.2.3.2 Consistently provide prompt, precise, and clear information regarding its financial status, operations, ownership, governance, and other legally required disclosures to shareholders, the public, and relevant authorities.

2.2.3.3 Ensure a balance of financial and non-financial information and reporting in the implementation of information transparency.

2.2.3.4 Continually improve the content of information delivered to the public and information distribution channels.

2.2.4 Conducting fair and ethical activities

2.2.4.1 Comply with Mongolian and international laws and regulations in our operations and create an ethical business environment.

2.2.4.2 Define and endorse fundamental ethical principles that guide the behavior of all employees, ensuring their implementation throughout daily activities.

2.2.4.3 Establish a transparent and impartial system for reporting, receiving, resolving, and assigning responsibility for ethical violations, including the implementation of a whistle-blowing system.

2.2.4.4 Consistently uphold the primacy of the organization's interests over personal interests, proactively mitigate any conflicts that may compromise the collective interests of the company and its shareholders, develop and implement robust procedures for addressing conflicts of interest, and provide regular updates on the outcomes to Annual general meeting.

2.2.5 Establishing a Control System

2.2.5.1 Risk and Audit Committee under the Board, shall oversee the creation, effectiveness, and implementation of an appropriate risk management, audit, and control system at the Company level.

- 2.2.5.2 The Company shall organize its internal control system according to the "Three Lines of Defense" model.
- 2.2.5.3 Internal Audit Division, reporting to the Risk and Audit Committee, shall independently and objectively execute the third-line control at the Company level.
- 2.2.5.4 Executive management shall establish a robust internal control structure for risk management, compliance, finance, and operations, oversee the first and second lines of control, and conduct regular risk assessments.

2.2.6 Cultivating corporate culture

- 2.2.6.1 Strengthen the company culture by defining the Company's vision, mission, values, and motto, introducing them to all employees, and implementing them in daily activities.
- 2.2.6.2 Support the initiative and creativity of employees, cultivate a culture of cooperation, and ensure universal participation.
- 2.2.6.3 The Board and Executive management shall respect the interests of all stakeholders and create a company culture of cooperation with them.

2.2.7 Creating an appropriate system of remuneration

- 2.2.7.1 Remuneration Committee under the Board shall monitor the creation, effectiveness, and implementation of an appropriate system of remuneration at the Company level.
- 2.2.7.2 The components of duties and criteria for evaluating work performance, which are the basis for determining the amount of salary and bonus, shall be determined optimally in accordance with the characteristics of the Company's operations.
- 2.2.7.3 A fair and effective salary and bonus system shall be created that provides opportunities for employees to grow and develop at the company level. Regular salary and bonus market research and economic situation research shall be conducted, and the salary and bonus amount shall be set at a competitive level in the market.
- 2.2.7.4 When determining the salary and incentives of the Company's authorized officials, the basic principle of fair and transparent performance criteria and composition shall be appropriate to the vision and characteristics of the Company.

2.2.7.5 The size, type, and frequency of remuneration and bonuses for the Board members shall be openly discussed and approved at the Annual general meeting.

2.2.8 **Developing initiatives of sustainable development**

2.2.8.1 The Board and Executive Management shall take the lead in developing sustainable development commitments, policies, and regulatory rules, and in creating a company-wide sustainable development management system.

2.2.8.2 Research and implement internationally recognized best practices in environment, society, and governance to ensure that we keep up with the latest developments.

2.2.8.3 To improve our operations, we will support new knowledge, green technology, and research and development.

2.2.8.4 We will also implement management methods that support the integrated management system.

2.2.8.5 We will annually evaluate our environmental, social, and governance activities to measure our progress towards our sustainability goals. Based on the results of the report, we will prepare a report and share it with the public. We are committed to continuously improving our sustainable development activities.

2.2.9 **Continuous improvement of corporate governance**

2.2.9.1 We will establish and approve a "Corporate Governance Code Implementation Program" to ensure that we comply with all applicable laws and regulations.

2.2.9.2 In addition to evaluating the implementation of the corporate governance code according to the evaluation methodology approved by the Mongolian Stock Exchange, we will prepare a report and share it with the public.

2.3 **Principles of governance**

2.3.1 **Ensuring transparency:** We prioritize operational and information transparency and provide accurate information to external and internal stakeholders in a timely manner.

2.3.2 **Ensuring the balance of interests of all stakeholders:** We respect and balance the interests of all stakeholders when making decisions and conducting activities.

2.3.3 **Adhering to laws and regulations:** We follow up and ensure the implementation of laws and regulations at every stage of our operations.

2.3.4 **Being fair and ethical:** We always prioritize the interests of the company over personal interests and work in accordance with ethical principles.

- 2.3.5 **Forming a control and responsibility system:** We create an appropriate control and responsibility system at the company level, identify risks in advance, and take measures to manage them.
- 2.3.6 **Cultivating corporate culture:** We adhere to the principle of decision-making and communication based on the company's vision, mission, and values, and cultivate a culture that ensures the activity and participation of all.
- 2.3.7 **Implementation of sustainable development concept:** We embed sustainable development commitments, policies, and goals in every decision-making and business process.
- 2.3.8 **Continuous improvement:** We continuously improve our governance system, operations, policy documents, and principles in accordance with international standards and norms.

3. LEADERSHIP, ROLES AND RESPONSIBILITIES

3.1 Roles and responsibilities of governance policy

Table no.1 RACI Matrix for Governance Policy

Process	Stakeholders	Board	Management team	Board office
<i>/R-Responsible (works on), A-Accountable, C-Consulted, I-Informed/</i>				
Development and approval of governance policy	I	A, R	C, I	R
Disseminating governance policies to stakeholders and provide necessary information	I	C, I	I	A, R
Implementation of governance policy in our operations	I	A, R	I	R
Providing a methodology for the implementation of governance policy	I	C, R	I	A, R
Monitoring and enhancing the implementation of governance policies.	I	A, R	I	R
Policy revision	I	A, R	C, I	R

- 3.1.1 The Board shall be responsible for approving the Governance Policy. Accordingly, the Company's strategic and operational plans must align with the defined governance goals and objectives. These goals and objectives shall be integrated into business processes to create favorable conditions for achieving planned results.

- 3.1.2 The Board shall oversee the implementation of the Governance Policy. They will evaluate the progress in meeting the governance goals and objectives, continuously seeking improvements, and making revisions if necessary.
- 3.1.3 Management team shall be responsible for implementing the governance policy and objectives, and actively support continuous improvement efforts and ensure the effectiveness of governance principles within the organization.
- 3.1.4 Board office shall be the responsible for developing and approving Governance policy and objectives. Additionally, the Board office shall take the lead in ensuring successful implementation, and provide the Board and the Management team with the necessary methods, monitor the implementation progress, drive continuous improvement, and furnish relevant information to stakeholders.