

DOCUMENT NAME:

INTERNAL CONTROL POLICY OF GOBI JSC

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I. GENERAL

- 1.1 This Internal control policy (hereinafter the “Policy”) outlines the internal control system and principles of Gobi JSC and its subsidiaries (hereinafter the "Company"), governing the implementation of control-related activities.
- 1.2 The Policy shall be prepared and approved by the Board of Directors (hereinafter the “Board”) in accordance with the Law on Company and the Corporate Governance Code of Mongolia. This Policy shall be implemented throughout the company.

II. PURPOSE OF THE INTERNAL CONTROL POLICY

- 2.1 The purpose of this policy is to regulate, monitor, and control the relationships necessary for the effective conduct of the company's activities. It includes the following:
 - 2.1.1 Efficiently managing the Company's activities in compliance with applicable laws and regulations;;
 - 2.1.2 Safeguarding the company's assets and ensuring their reliability;
 - 2.1.3 Preventing, detecting, and promptly rectifying abuse, fraud, and errors;
 - 2.1.4 Ensuring completeness and accuracy of accounting records.;
 - 2.1.5 Producing operational and financial information promptly and accurately;
 - 2.1.6 Regularly monitoring and managing risks.

III. PRINCIPLES OF INTERNAL CONTROL

- 3.1. The Company shall adhere to the following principles when implementing internal control:
 - 3.1.1 **Fairness** – Ensure fairness throughout the control process by allowing individuals to provide additional comments, ensuring unbiased reporting and resolution of outcomes;
 - 3.1.2 **Ethical compliance** – Ensure fairness throughout the control process by allowing individuals to provide additional comments, ensuring unbiased reporting and resolution of outcomes;
 - 3.1.3 **Legal compliance**– Conduct control activities strictly within the boundaries of applicable laws and regulations;
 - 3.1.4 **Independence** – Exercise control with integrity and a proper mindset, avoiding conflicts of interest between personal affairs and company duties;
 - 3.1.5 **Impartiality and equality** – Approach control activities impartially, assessing the situation objectively without external influence, and treating all units and employees involved in the control process equally;
 - 3.1.6 **Professional competence** – Possess effective communication skills, a positive attitude, and the necessary expertise as a supervisor;
 - 3.1.7 **Confidentiality** – Maintain the confidentiality of information obtained during the control process, disclosing it only as required within the scope of duties;

- 3.1.8 **Continuous improvement**– Regularly enhance the implementation process of internal controls to ensure risk-free, accurate, and transparent operations of the Company.

IV. COMPONENTS OF INTERNAL CONTROLS

- 4.1. The internal control system of the Company shall have the following components:
- 4.1.1 **Control Environment** – By developing and implementing Company-wide rules of conduct, internal control policies, and related regulations, responsibilities will be clarified, ethical standards and fairness will be fostered in the organization, and a strong control foundation will be established with regular participation from the management.
 - 4.1.2 **Risk Assessment** – The Company will implement the Risk Management Policy to identify and assess any risk and define its objectives with the necessary precision. This includes identifying, assessing, and controlling the risks involved in achieving them.
 - 4.1.3 **Control Activities** – The Company ensures the implementation of ways to reduce and manage risks identified throughout the company to an acceptable level at each stage.
 - 4.1.4 **Information and Communication** – The Company shall ensure the processing and use of information aimed at ensuring the proper functioning of the internal control system. They exchange information in the top-down, bottom-up, and horizontal directions within the organization through operational, financial, and compliance reports.
 - 4.1.5 **Monitoring** – The Company increases efficiency by regularly evaluating the effectiveness of the internal control system and continuously improving it.

V. IMPLEMENTATION OF INTERNAL CONTROL

- 5.1. The Company shall implement internal control in the following order: All employees, Unit management, Executive management team, Internal audit division, Risk and audit committee under the board, Board of directors, Independent audit.
- 5.2. **Rights and Obligations of All employees**
- 5.2.1 All employees must understand the Code of Conduct, implement it in their daily activities, and adhere to the relevant laws and regulations.
 - 5.2.2 Employees shall be aware of the identified risks, internal control goals and activities, expected communication, and the importance of monitoring activities within their respective units.
 - 5.2.3 Employees must follow the internal control procedures of their affiliated units.
 - 5.2.4 Employees should be active and proactive in reporting changes in risk factors, internal control deficiencies, and violations.

5.3. Rights and Obligations of Unit Management

- 5.3.1 Unit management provides instructions to staff and ensures the implementation of internal control policies and related regulations.
- 5.3.2 Unit management creates an internal control environment for their responsible unit, including risk identification, assessment, response, and control activities.
- 5.3.3 Based on reports and information received from employees, unit management evaluates the monitoring and control results of their responsible unit.
- 5.3.4 If deficiencies or weaknesses of internal control are found, unit management addresses them on a case-by-case basis, reports violations and deficiencies to the relevant officials.
- 5.3.5 If there is a change in the risk factors of the responsible unit due to changes in the external and internal environment, unit management considers the appropriateness of internal control and proposes improvements to the relevant officials.

5.4. Rights and Obligations of Executive Management Team

- 5.4.1 The company develops and implements an effective and appropriate internal control system at all stages of operations.
- 5.4.2 Within the framework of the internal control policy, the company establishes its structure, reporting processes, and distribution of powers and responsibilities to achieve the company's goals.
- 5.4.3 Provide information about the goals defined by the Board of Directors and Executive Management to unit management and all employees in an understandable manner, and creates an information flow aimed at making them understand their role in achieving the goals.
- 5.4.4 The Company attracts, develops, and sustains human resources with the necessary skills to achieve its goals.
- 5.4.5 The Company cultivates awareness of internal control in its employees and partner organizations, creates a control environment, and updates and improves it as necessary.
- 5.4.6 The Company regularly identifies and evaluates external and internal changes that will significantly affect the implementation of the company's internal control..

5.5. Rights and Obligations of Internal Audit Division

- 5.5.1 Internal control shall be carried out independently in accordance with laws, approved policies, and regulations.
- 5.5.2 The internal audit department conducts internal control system and performance evaluations and reports the results to the Risk and Audit Committee.
- 5.5.3 The internal audit department reports any identified internal control violations, deficiencies, weaknesses, or violations to the executive management team. They also provide recommendations for improvement and monitor their implementation.
- 5.5.4 High-risk control violations and other significant deficiencies are reported to the Risk and Audit Committee.

5.6. Rights and Obligations of Risk and Audit Committee under the Board of Directors

- 5.6.1 The Risk and Audit Committee reviews the implementation of internal control policies, rules, and regulations and reports to the board of directors on an annual internal control evaluation.
- 5.6.2 The committee reviews the reports of the Internal Audit Department and the Risk Management Team. Based on their findings, they make recommendations and provide the Board of Directors with relevant information related to the company's internal control.
- 5.6.3 Whistleblowers' information is received in accordance with the appropriate procedure, and independent investigation is conducted with the participation of the Internal Audit Division.

5.7. Rights and Obligations of Board of Directors

- 5.7.1 The Board of Directors defines and approves the internal control policy. They also lead its improvement when deemed necessary.
- 5.7.2 The Board of Directors oversees the internal control activities of the company through the Risk and Audit Committee under the Board of Directors.
- 5.7.3 When evaluating the internal control system of the company, the Board of Directors maintains independence from the Executive Management Team.
- 5.7.4 The Board of Directors maintains regular and effective communication with stakeholders, including shareholders, customers, consumers, suppliers, employees, and regulatory bodies. They provide opportunities for stakeholders to contact the Board directly, provide information, and report concerns without going through Executive Management Team.

5.8. Rights and Obligations of Independent Audit

- 5.8.1. Material errors and shortcomings of the company's internal control are reported to the Risk and Audit Committee and Executive Management, along with suggestions for improvement.

VI. MISCELLANEOUS

- 6.1. This Policy shall be effective from the date of its approval by the Board of Directors.
- 6.2. The Board of Directors has the right to amend the Policy based on a proposal made by the Risk and Audit Committee under the Board of Directors. Upon approval of the amendment, it will be enforced in the same way as this Policy.

BOARD OF DIRECTORS