



**Business integrity (anti-corruption) standard**

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## TOP things you must know

### Matters for all

- SouthGobi prohibits bribery and corruption in all forms.
- Gifts, entertainment, travel and per diem reimbursements must not be given or received as a reward or encouragement for preferential treatment.
- SouthGobi does not participate in party politics. It does not make payments to political parties or individual politicians.
- SouthGobi does not make charitable donations or sponsorships that could be perceived as bribes or payments to gain an improper business advantage.
- Everyone at SouthGobi has a responsibility to report violations of this *Business integrity (anti-corruption) standard*.

### Further matters for SouthGobi management

- SouthGobi will investigate all suspected violations.
- SouthGobi's books and records must be accurate.
- Employees in potential high exposure roles must undertake training to reduce the risks of non-compliance with this *Business integrity (anti-corruption) standard*.
- SouthGobi wants all businesses in which it has an interest to adopt and apply anti-corruption standards similar to this *Business integrity (anti-corruption) standard*.

## Introduction

<b>What is this Standard?</b>	This <i>Business integrity (anti-corruption) standard</i> (Standard) contains mandatory requirements relating to the mitigation of bribery and corruption risk, and recommended practices to assist SouthGobi in achieving the principles and standards of conduct set out in SouthGobi's code of business conduct, <i>The way we work</i> .
<b>Who does the Standard apply to</b>	All SouthGobi personnel must comply. Failure to comply may result in discipline up to and including termination. There may also be civil and criminal penalties.  The anti-bribery due diligence guidelines set out in this Standard also apply to agents or partners who have existing arrangements with SouthGobi which are terminable at will with or without notice.
<b>What happens if I comply but we lose business?</b>	SouthGobi fully supports its employees and contractors who comply with this Standard. No employee or contractor will suffer for refusing to engage in conduct that violates this Standard, even if we lose business as a result.  If this Standard differs from local law, SouthGobi will comply with whichever standard is more stringent.
<b>When does this Standard start?</b>	This Standard comes into effect on September 1, 2013 unless otherwise advised by SouthGobi's Corporate Secretary.
<b>Who owns this Standard</b>	SouthGobi's Chief Financial Officer is the custodian of this Standard. The Chief Financial Officer and Board of Directors will formally review this Standard periodically.
<b>Who is accountable for this Standard</b>	The executive team of SouthGobi Resources Ltd. and each SouthGobi subsidiary.

<b>Where can I get more information?</b>	If you have any questions as to whether any conduct meets this Standard or complies with applicable laws, speak to your line manager and/or contact SouthGobi's Chief Financial Officer.
<b>Definitions</b>	Defined terms which are used only in one section appear at the start of that section. Terms used in more than one section appear in the Definitions section

## SouthGobi integrity and compliance commitment

**SouthGobi's commitment to integrity and compliance is set out in *The way we work*:**

**“Each of us has a responsibility to work with integrity when acting on behalf of SouthGobi. In every country in which we operate, all SouthGobi personnel are expected to comply with the law, *The way we work* and SouthGobi policies and standards. Ignorance of the law is not an acceptable reason for non-compliance, so we must all be familiar with the applicable laws that relate to our work.”**

This commitment flows from our core values. It enables us to be the employer and neighbour of choice. It helps us to comply with the law and is critical to the long term success of our business.

To support this commitment and to create a robust and transparent culture of integrity and compliance, we have implemented an Integrity and Compliance Program. This *Business integrity (anti-corruption) standard* is a key component of that Program

## **General definitions**

**Anything of value** means anything of more than nominal or token value (e.g. pens, notepads, calendars, golf umbrellas)

**Associate** includes:

- a person with whom personal business is conducted;
- a close friend;
- a person who is a trustee of a trust in relation to which the employee or core contractor may benefit; or
- a director or officer of a company or other entity over which the employee or core contractor has substantial control.

**Contractor** means contractors, consultants and other service providers of SouthGobi or its subsidiaries.

**Employee** includes directors, officers and staff (whether permanent or casual, full time or part time) and temporary hires employed directly by SouthGobi or its subsidiaries, but does not include contractors.

**Government official** includes:

- an official or employee of a government or government owned enterprise;
- an official or employee of a government agency or regulatory authority;
- an official or employee of a political party or a political candidate;
- any official or employee of an international public organization such as the United Nations, World Bank or International Monetary Fund;
- a member of the judiciary;
- an individual who holds or performs the duties of an appointment, office or position created by custom or convention, including some members of royal families and some tribal leaders;
- a person who is, or holds themselves out to be, an authorized intermediary of a government official; or
- a relative or associate of such a government official.

NOTES:

- a) “Government officials” include police officers, customs and tax officials, employees of state owned enterprises, political party officials as well as children or other relatives of a government or political party official.
- b) If you are in doubt as to whether a person is a government official or the entity is a government owned enterprise, you should consult SouthGobi’s Chief Financial Officer.

**Internal controls** include *The way we work*, and other policies, standards, and internal controls designed by SouthGobi to ensure its compliance obligations are met and compliance risks are managed.

**Nominated country** is one with a score of less than 6.5 on the most recently published Transparency International (TI) corruption perceptions index available at [www.transparency.org](http://www.transparency.org).

**Relative** means an immediate family member and includes a spouse, partner, parent, child and sibling whether by blood, marriage or adoption (including in-laws) and includes anyone residing in a person’s home (other than a tenant or domestic employee).

**SouthGobi** means SouthGobi Resources Ltd. and any subsidiary which is directly or indirectly wholly or majority owned, or managed, by SouthGobi Resources Ltd.

NOTE:

This definition does not include entities where SouthGobi Resources Ltd. is not a majority owner. If you are in doubt as to whether an entity is part of SouthGobi, please contact SouthGobi’s Corporate Secretary for advice.

**SouthGobi personnel** means SouthGobi’s employees and contractors.

## Part A – Matters for all

### 1.0 Bribery, corruption and extortion

**SouthGobi prohibits bribery and corruption in all forms.**

*For the purposes of this section, the following definition applies:*

**Facilitation payments** are unofficial payments (usually involving a small amount) to a government official (often at a low level) to secure or expedite a routine action or service to which an individual or company is entitled. They are prohibited.

**Bribery is prohibited.** SouthGobi personnel must not commit, or be a party to, or be involved in bribery or corruption in any form.

You cannot, directly or indirectly, offer, promise, give, demand or accept anything of value in order to obtain, retain or direct business or secure any other advantage in the conduct of business. This applies whether dealing with government or with private individuals or enterprises.

**Facilitation payments are prohibited.**

SouthGobi personnel must not offer or make facilitation payments, directly or indirectly, to government officials.

Never make a payment to a government official except as set out in this Standard. SouthGobi personnel must not make payments to a person who is a government official except as set out in this Standard.

**Payments to protect your safety are permitted.** When SouthGobi personnel face extortion demands that involve explicit or implicit threats to personal safety, they may make payments which would otherwise be prohibited. In such circumstances, payments must be:

- recorded in SouthGobi's books of account accurately as extortion payments made to preserve personal safety; and
- reported as quickly as reasonably practicable to SouthGobi's Chief Financial Officer.

### 2.0 Gifts, entertainment, travel and per diem reimbursements

**Gifts, entertainment, travel and per diem reimbursements must not be given or received as a reward or encouragement for preferential treatment.**



*For the purposes of this section, the following definitions apply:*

**Benefit** means gifts, entertainment and travel.

NOTE:

This term does not include per diem reimbursements.

**Entertainment** excludes reasonable (non-lavish) meals that are associated with promoting, demonstrating or discussing SouthGobi's business.

**Expense management system** means the system(s) used by SouthGobi to process expense claims by employees.

**Gifts** mean anything of value given or received where the recipient does not pay fair market value.

**Per diem reimbursement** means a payment (normally calculated on a daily basis) that genuinely estimates the reasonable cost of travel, meals, accommodation and other reasonable costs that a third party will incur to attend a SouthGobi business meeting or event.

## **2.1 Gifts, entertainment or travel benefits can be bribes**

Gifts, entertainment, travel and per diem reimbursements must not be provided or received, directly or indirectly, with the intention or effect of improperly obtaining, retaining or directing business or securing any improper advantage in the conduct of business.

Any benefit must be permitted by and comply with local law, the policies of third parties and this Standard (whichever standard is the most stringent in the circumstances). SouthGobi personnel must not promise, offer or give to third parties, directly or indirectly, any benefit that local law, this Standard or the known policies of the third party's employer prohibit. Similarly, they must not accept or receive, directly or indirectly, any benefit that local law, this Standard or the known policies of the third party's employer prohibit.

**Never give cash.** You must not give money or cash equivalents (such as gift cards, certificates or coupons) as gifts or in lieu of entertainment or travel.

NOTE:

In a very few situations, it may be customary to make cash payments (e.g. funerals in Japan). This course of conduct must be pre-approved by a member of SouthGobi senior management and, if approved, recorded in SouthGobi's books of account accurately.

**All benefits** that you promise, offer or give to, or accept or receive from, third parties must:

- be given or received in the name of SouthGobi and not in the personal name of the employee or contractor;
- be customary, in type and value, in the relevant country and be given or received at an appropriate time or season and/or in appropriate circumstances;
- be given or received openly; and
- not be given to, or received from, a person who has been given, or has received, benefits more than three times within a 12 month period.

**NOTE:**

Where a third party offers benefits to a group of employees or contractors, the most senior person present must seek approval as required under this Standard for the whole group.

**Entertainment of third parties.** All entertainment that you promise, offer or provide to third parties must:

- have the SouthGobi host present (i.e. the SouthGobi employee or contractor giving the entertainment);
- involve executing or performing a contract or be in the normal course of promoting, demonstrating or explaining SouthGobi's business; and
- for:
  - government officials, and
  - other third parties, where the entertainment is lavish (such as an invitation to sporting or cultural events where tickets are expensive or keenly sought, e.g. tennis tournament or World Cup finals or first nights at concerts or shows),

be preceded by:

- a) written invitation describing the arrangements from SouthGobi to the employer of the recipient being offered the entertainment, and
- b) written acceptance from that employer.

**Travel for third parties.** All travel (including accommodation and other associated expenses) that you promise, offer or provide to third parties must:

- involve executing or performing a contract or be in the normal course of promoting, demonstrating or explaining SouthGobi's business;
- be provided to appropriate individuals
- for:
  - government officials, and
  - other third parties, where the travel is interstate or international,

be preceded by:

- a) written invitation describing the arrangements from SouthGobi to the employer of the recipient being offered the travel, and
- b) written acceptance from that employer;
- be at a level no greater than permitted for equivalent SouthGobi employees;
- not include travel (or accommodation) for a relative, associate or other guest of the recipient; and
- not include paid or reimbursed stopovers.

NOTE:

If there is a decision relating to SouthGobi or its business pending within the next 12 months from a government official or their employer, you **cannot** provide a benefit to that official without the prior approval of a member of SouthGobi senior management as set out in paragraph 2.2.

## 2.2 When are approvals for benefits needed?

**No approval:** If **all** the rules in paragraph 2.1 are met **AND** the benefit is of a value equal to or less than a material amount, then you do not need prior approval from a manager **under this Standard**.

NOTE:

Even when this Standard does not require prior approval, some SouthGobi subsidiaries may have requirements that you must meet.

**Senior Management's prior approval:** If the value of the benefit is a material amount, then, whether or not all the rules in paragraph 2.1 are met, the SouthGobi personnel giving or receiving the benefit must obtain the prior approval of a member of SouthGobi senior management.

NOTES:

- a) **Where prior approval is required**, it must be **in writing** (which can include email) and must be obtained **before** a benefit is promised,

offered or given. Where possible, it must be obtained before a benefit is accepted by SouthGobi personnel – if that is not possible, then as soon as possible.

b) **No one is authorized to approve any benefit that is or may be a bribe – see the first sentence of paragraph 2.1.**

## **2.3 Per Diem reimbursements to third parties**

### **NOTES:**

- a) Payment of per diem reimbursements is exceptional. SouthGobi discourages such payments. However, in limited circumstances, it is acceptable to make such payments.
- b) All per diem reimbursements need to be separately recorded. They cannot be handled solely through the expense management system.

### **The payment of per diem reimbursements to third parties must:**

- **not** be made to influence a third party in order to improperly obtain or retain business or for favours or benefits;
- be permitted by this Standard, local law and the known policies of the third party's employer;
- be customary, in type and value, in the relevant country;
- be made openly;
- be agreed in writing with the employer of the person receiving the per diem reimbursement;
- **not** include any reimbursement for a relative, associate or other guest of the recipient;
- **not** have been otherwise paid by SouthGobi;
- be in connection with executing or performing a contract or be in the normal course of promoting, demonstrating or explaining SouthGobi's business; and
- be less than a material amount.

**Approval for per diem payments to third parties is always required.** If the

per diem reimbursement is for a non-government official and meets all the above requirements, then you must obtain prior approval in writing from your manager. For government officials, you must obtain prior approval from a member of SouthGobi senior management.

NOTES:

- a) **Prior approval** must be **in writing** (which can include email) and obtained **before** the per diem reimbursement is promised, offered or given.
- b) Remember “government official” includes employees of government owned enterprises.
- c) **No one is authorized to approve any per diem reimbursement that is or may be a bribe – see the first sentence of paragraph 2.1.**

## **2.4 SouthGobi personnel who receive offers of a per diem reimbursement require approval**

Neither you nor your relative or associate can, directly or indirectly, accept any per diem reimbursements from third parties due to your position at SouthGobi without the prior written approval of:

- where the per diem is less than a material amount, your manager;
- in any other case, a member of SouthGobi senior management.

Any such per diem reimbursement must be properly and transparently recorded and documented. All payments must be made to SouthGobi.

## **2.5 Make sure you record benefits and per diem reimbursements**

You must accurately record all benefits provided to, or received from, third parties in the accounts of SouthGobi, **unless** they are of purely **nominal** value. All per diem reimbursements must be accurately recorded in the accounts of SouthGobi.

**The records must include** the following details:

- whether it is a gift/entertainment/travel/per diem reimbursement;
- its nature and purpose;

- date it was given or received;
- amount and/or value of the benefit/s (per recipient) and for per diem reimbursements, the basis on which the calculation was made;
- status of the non SouthGobi recipient/giver - a commercial entity/individual or a government/government entity/official; and
- details on the non SouthGobi recipient/giver - full name, title, department and commercial entity/government authority.

**Where the benefit requires the prior approval of a manager or the payment is a per diem reimbursement**, the records must also include:

- details of any other benefit that you provided to, or received from, the non-SouthGobi recipient/giver in the previous 12 months;
- copies of approvals required under this Standard; and
- details of any action or oversight with respect to SouthGobi that person has had in the past 12 months or likely will have during the next 12 months.

**SouthGobi may elect to record benefits given or received in its expense management system or in a register(s)** maintained for that purpose. Per diem reimbursement must be made in a register(s) maintained for that purpose. The register(s) becomes part of the books and records of SouthGobi.

**NOTES:**

- a) A template register is available from SouthGobi's Chief Financial Officer.
- b) All entries in the expense management system for benefits provided by or to employees and contractors must be fully documented including any required written approval and related supporting documentation (including all receipts, invoices and bills, etc.).

## **2.6 Determining the value of gifts and entertainment**

The value of a gift must be calculated as the greater of:

- the actual cost (e.g. what it cost to buy the gift); and
- the fair market value of the gift (e.g. what a reasonable person would pay for the gift).

The value of entertainment is the greater of (i) total actual cost (e.g. what it cost to buy the entertainment) and (ii) the fair market value (e.g. what a reasonable person would pay for the entertainment) of the entertainment divided by the number of participants.

**NOTE:**

If the gift or entertainment is provided by a third party and the cost is unknown, reasonable estimates should be made as to the value.

### **3.0 Political involvement**

**SouthGobi does not participate in party politics. It does not make payments to political parties or individual politicians.**

**We do not engage in politics.** SouthGobi must not, directly or indirectly, participate in party politics or make payments to political parties, individual politicians or political candidates.

**Staff may engage in politics but only in their own capacity.** SouthGobi must not restrict employees or core contractors from participating in the political process where they act purely as individual citizens and where the participation does not involve SouthGobi funds, assets, resources, time or personnel.

**Exercise caution when appointing or engaging government officials.** SouthGobi must not, without the approval of SouthGobi's Chief Financial Officer and the most senior SouthGobi executive:

- engage a politician or government official as a consultant; or
- appoint a politician or government official (or a politician or government who has retired or resigned from office within the previous 12 months) to a company position.

**SouthGobi personnel must not:**

- use SouthGobi or shareholder funds, assets, resources, time or personnel, including in-kind contributions of supplies, equipment or services, to make any political contribution, or assist any political party, individual politician or political candidate;
- use SouthGobi or shareholder funds to make payments, loans, donations, or gifts to political parties, individual politicians or political candidates;
- use SouthGobi or shareholder funds to pay admission fees to conferences, dinners, or similar events organized by political parties, individual politicians, political candidates or their supporters, or to

- purchase their publications, where there is a fund raising element involved;
- provide politicians or political candidates or their staff with travel and accommodation other than in accordance with this Standard;
  - use SouthGobi or shareholder funds to match contributions to political parties, individual politicians or political candidates;
  - during SouthGobi time or by using SouthGobi or shareholder funds, assets, resources or personnel, suggest to other employees or contractors – directly or indirectly – that they support or contribute to political parties, individual politicians or political candidates; or
  - use SouthGobi or shareholder funds to make payments to organizations which are fronts for political parties, individual politicians or political candidates, or which provide means to channel funds to them.

## 4.0 Charitable donations and sponsorships

**SouthGobi does not make charitable donations or sponsorships that could be** perceived as bribes or payments to gain an improper business advantage.

### NOTE:

Nothing in this section detracts from our goal of building enduring relationships with our neighbours that demonstrate mutual respect, active partnership, and long term commitment.

For the purposes of this section, the following definitions apply:

**Charitable donations** include donations to charitable organizations (including academic institutions such as universities), charitable contributions, charitable giving and philanthropic activities.

**Donations** mean small or large amounts of resources (time, financial, property or human) provided voluntarily to an organization (charitable or otherwise) or individual person to support a cause or initiative with no expectation of commercial gain in return. Donations differ from sponsorships which provide commercial benefits.

**Sponsorships** refer to support for an event, initiative or organization (including academic institutions such as universities) by providing financial, property and/or other resources, in return for certain rights, benefits or associations that may be exploited. Sponsorships are intended to be mutually beneficial. They may be small or large scale. Sponsorships may be a one off



investment or part of a longer term commitment. They may be local sponsorships used to promote a commitment to a local community or reinforce SouthGobi values.

**Charitable donations and sponsorships must not be made to gain unfair advantages.** Charitable donations and sponsorships must be for legitimate purposes; they cannot be a bribe in disguise.

**Charitable donations must not be made to individuals.** SouthGobi businesses must only make charitable donations or sponsorships (and the associated payments) to incorporated community groups, clubs, associations, not-for-profit organizations, non-government organizations, other community related commercial organizations and/or academic bodies such as universities.

**Charitable donations and sponsorships must not be politically connected.** SouthGobi must not make charitable donations to, or sponsor, organizations that are linked to political parties or politicians.

Charitable donations and sponsorships must be:

- permitted by local law;
- accurately recorded in the SouthGobi accounting records;
- for charitable or community purposes; and
- pre-approved by a member of SouthGobi senior management.

Sponsorships must be transparently documented in an agreement with the organization.

## 5.0 Reporting bribery, corruption and violations

**Everyone at SouthGobi has a responsibility to report violations of this Standard.<sup>1</sup>**

For the purposes of this section, the following definition applies:

**Warning signs** means any evidence suggesting bribery or non-compliance with this Standard, *The way we work* or the business integrity aspects of an agent, consultant, contractor, advisor or business partner's agreement with SouthGobi.

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<sup>1</sup> Subject to local laws.

**Be alert and speak up.** SouthGobi personnel must be alert to warning signs in relation to bribery and corruption and raise such warning signs with their manager or SouthGobi senior management as soon as possible.

**Reporting is key to compliance.** Any SouthGobi personnel who are aware of, or are concerned about, an act or suspect activity that may be a violation of this Standard must report the matter to their manager. If you feel that it would be inappropriate to report the matter to your manager, you must report it to another member of management, whose position is more senior than yours. The person receiving the report must report the matter to a member of SouthGobi senior management.

**Always report if you are asked to engage in illegal activity.** Any SouthGobi personnel who:

- are approached, directly or indirectly, to be involved in activity relating to bribery or corruption, or
- suspect activity relating to bribery or corruption,

must immediately report the matter to their manager.

Remember – you can:

- talk to your manager or supervisor, this is often the best person to contact first; or
- contact SouthGobi's Chief Financial Officer; or
- use the SouthGobi whistle-blowing program, *EthicsPoint*.

## 6.0 Anti-Bribery Guidelines

**Because SouthGobi may be held responsible for illegal activities of our partners or agents, and the prior illegal activities of acquired companies, we need to ensure acquired companies have not committed illegal actions and partners and agents do not commit or attempt to commit any illegal actions on our behalf, including bribery. Before a contract is signed, we must commence the process of ensuring that our agents and partners do not make or attempt to make bribes and that our acquisition targets have not paid bribes. This process starts with an analysis of the bribery risk related to the proposed agent, partner or acquisition.**

*For the purposes of this section, the following definitions apply:*

**Agent** means anyone who is paid to represent SouthGobi and includes all consultants, contractors and advisers whose ability to represent SouthGobi is established or implied

by the terms of their arrangement.

**Due diligence** means the investigation and evaluation of a prospective agent, partner or acquisition target by way of background checks and research to assess its risk for bribery.

**Partner** means a joint venturer in an unincorporated or incorporated joint venture, significant shareholders in a company in which SouthGobi invests, a company in which SouthGobi invests but does not control, and a partner in a limited or unlimited partnership or similar arrangement.

**Warning signs** means any evidence suggesting a potential agent or partner presents a material risk regarding bribery, or any evidence suggesting that a current agent or partner is not or may not be adhering to *The way we work* or this Standard, or the business integrity aspects of its agreement with SouthGobi.

## 6.1 Consultation with Senior Management

- SouthGobi's Chief Financial Officer should be consulted if:
  - an agent is hired;
  - a partnership is entered into; or
  - a company is acquired.
- Where a SouthGobi personnel approaches SouthGobi's Chief Financial Officer on one of the above matters, the Chief Financial Officer must determine:
  - whether or not to conduct due diligence;
  - the degree and manner of due diligence required; and
  - the form and substance of the anti-bribery certifications and contractual representations and warranties that may be required in, or in conjunction with, the proposed agency, partnership or acquisition agreement.
- If due diligence is required, it should be completed before:
  - (Partners and agents) – the contract with an agent or partner is signed or renewed;
  - (Agents) – the agent does any work;
  - (Partners) – the partnership undertakes any activities;
  - (Acquisitions) – the company is acquired.

You should consult SouthGobi's Chief Financial Officer if there is any question as to whether or not a contractor or consultant is an agent, or if you have additional questions regarding key elements that should be considered in due diligence.

Due diligence requires time and should be completed before we sign a contract with a prospective agent or the prospective agent undertakes any work for SouthGobi. Consequently, due diligence investigations should be started well in advance of engaging an agent.

The SouthGobi business proposing to engage the agent will bear the costs of due diligence.

## **6.2 Periodic reviews**

The anti-bribery risk of all arrangements with an agent and partner should be assessed with a member of SouthGobi senior management periodically and whenever any warning signs appear. All warning signs should be monitored and investigated.

## **6.3 Due diligence and agent arrangements to be documented**

Due diligence procedures and arrangements in respect of agents should be documented.

New arrangements, agreements, agreement modifications, and agreement renewals with agents should be drafted or reviewed by SouthGobi's Chief Financial Officer.

SouthGobi subsidiaries should create adequate documentation, including any due diligence material, to support the selection of a particular agent.

## **6.4 Due diligence failure**

No arrangements should be signed or renewed with an agent or partner, nor an acquisition target acquired, where a prospective agent, partner or acquisition target refuses to cooperate in due diligence, or where the results of due diligence raise concerns regarding their anti-bribery risk unless prior written approval is obtained from SouthGobi's Chief Financial Officer.

## **6.5 No cash payments or payments to tax havens and similar countries**

Without the prior written approval of the Chief Executive Officer or the most senior executive of the relevant subsidiary and of SouthGobi's Chief Financial Officer, none of the following payments should be made under any arrangements relating to agents, partners or acquisition targets:

- payments to agents and partners in, or to accounts in, tax havens and similar countries with a reputation for money laundering;
- payments in cash;
- payments to third parties;
- payments in relation to unsubstantiated or extravagant travel, entertainment or other miscellaneous expenses.

Payment should be by cheque payable to the agent (or other relevant entity) or by wire transfer to a bank account in the name of the agent and in a major business location for the agent. In contracts with sales agents, allowing the agent to withhold its commission from proceeds collected is permissible provided the agent's contract has appropriate anti-bribery and audit provisions.

## **6.6 Success fee arrangements**

Any agreement involving the compensation of agents or partners on a "success fee" basis or any agreement engaging an agent or partner to obtain business or sales for SouthGobi, should receive the prior written approval of the chief executive officer or chief financial officer (or the most senior executive) of the relevant subsidiary.

## **6.7 Minority owned, non-managed business**

- SouthGobi representatives to proposed arrangements such as joint ventures or strategic partnerships where SouthGobi holds a minority interest and does not manage the business should, prior to committing to such joint venture or partnership, review arrangements for the business in relation to anti-bribery compliance and SouthGobi's rights to audit. These should be reviewed and approved by SouthGobi's Chief Financial Officer.
- SouthGobi representatives to SouthGobi minority owned, non-managed businesses should:
  - use their reasonable best efforts to convince such businesses to comply with all applicable anti-bribery legislation and to establish controls substantially similar to this Standard to prevent bribery;
  - be alert to warning signs which may arise in the conduct of the business. Any such warning signs must be reported to SouthGobi's Chief Financial Officer and appropriate action taken; and
  - require (or where this right does not formally exist, request) that the majority

partner, manager or entity provides written certification of anti-bribery compliance on an annual basis and as requested by SouthGobi.

## **Part B – Further matters for SouthGobi management**

### **7.0 Reporting to senior levels and investigations**

**Suspected violations must be investigated.**

**Notify the right people when issues arise.** SouthGobi must ensure that its managers escalate matters reported by SouthGobi personnel. Managers must report any suspicion, allegation, report or occurrence of violation of this Standard as if they were frauds. In addition, SouthGobi's Chief Financial Officer must be advised immediately if a matter represents a serious breakdown in internal controls, who would then report the matter to the Audit Committee if warranted.

**Investigations.** SouthGobi must conduct an investigation of all such matters – see the SouthGobi *Compliance Guidelines and Guidelines for investigations into allegations of serious wrongdoing*.

### **8.0 Books and records and internal controls**

**SouthGobi's books and records must be accurate.**

**Always record payments correctly and transparently.** SouthGobi businesses must have an effective system of internal controls, including financial, accounting and tax accounting systems, to ensure accurate books and records and a true and fair view of their business affairs and to prevent:

- bribery and corrupt practices;
- unrecorded, misidentified or secret accounts; or
- the creation of records which do not properly and fairly record the transactions to which they relate or which omit transactions that should be recorded.

**Management is responsible for compliance.** Management is responsible to ensure that there are appropriate internal controls in place to prevent and detect violations of this Standard.

**Losses and fines are charged locally.** Any losses due to violation of this Standard must be allocated against the profit/cost centre in which the event occurred.

**Always consider corruption risks in new projects and new countries.** SouthGobi must, before it commences any project or any new activity in a nominated country, undertake a compliance risk analysis with a particular

emphasis on business integrity and the matters covered in this Standard and the *Anti-Corruption Due Diligence Guidelines*. The risk analysis must be documented – see the *Compliance standard*.

NOTE:

Nominated country is a defined term.

## 9.0 Compliance risk reduction training

**Executives in potential high anti-corruption exposure roles must undertake training to reduce the risks of non-compliance with this Standard.**

*For the purposes of this section, the following definitions apply:*

**Entrusted role** has the meaning assigned to it in the *Compliance Guidelines*.

**High exposure entrusted roles** include:

- a) all SouthGobi personnel who are likely to confront significant corruption issues in their work. These would include those involved in marketing decisions, procurement decisions, customs clearance, buying and selling of businesses or significant assets, legal advisers, and members of exploration teams who interact with regulatory authorities not previously dealt with, and where such roles are located in, or deal with, nominated countries.
- b) line managers of those SouthGobi personnel; and
- c) all members of senior management, regardless of location or role.

**SouthGobi must:**

- a) on the basis of a risk analysis, determine which roles are entrusted roles and identify its employees and contractors who are in those entrusted roles;
- b) determine which entrusted roles are high exposure entrusted roles;
- c) ensure those high exposure entrusted roles receive approved anti-corruption training;
- d) ensure any employee or contractor being relocated to a nominated country receives approved anti-corruption training prior to arrival in that country; and
- e) ensure:

- i. records of anti-corruption awareness training of high exposure entrusted roles are kept; and
- ii. an up to date list of its employees and contractors in those roles is maintained and provided to SouthGobi's Chief Financial Officer.

## 10.0 Business partner ventures

**SouthGobi wants all businesses in which it has an interest to adopt and apply similar anti-corruption standards.**

For the purposes of this section, the following definitions apply:

**SouthGobi's business integrity standards** include *The way we work*, this Standard, the *Business integrity (conflicts of interest) standard*.

**SouthGobi must:**

- communicate to all SouthGobi personnel the importance of adopting and complying with the SouthGobi business integrity standards; and
- in respect of any newly acquired or formed majority owned and/or managed ventures:
  - include, in the contractual arrangements, clauses requiring the venture to adopt and comply with SouthGobi's business integrity standards; and
  - ensure that the venture complies with the clauses in the contractual arrangements and SouthGobi's business integrity standards.
- Where such clauses cannot be included in the contractual arrangements:
  - SouthGobi's Chief Financial Officer must approve the form of the clauses to be included; and
  - the body approving entry into the contractual arrangements (e.g. the Board) must be advised as to the contractual position in this regard.
- Where there are no such contractual arrangements (e.g. an on-market takeover), SouthGobi's Chief Financial Officer must approve the timetable for the business to adopt and comply with SouthGobi's business integrity standards.

**For any new venture in which SouthGobi will hold a minority interest and/or which will not be managed by SouthGobi, SouthGobi must:**



- seek to include, in the contractual arrangements, clauses requiring the venture to adopt and comply with principles and standards substantially similar to SouthGobi's business integrity standards;
- where such clauses cannot be included in the contractual arrangements,
  - SouthGobi's Chief Financial Officer must approve the form of the clauses to be included; and
  - the body approving entry into the contractual arrangements (e.g. the Board) must be advised as to the contractual position in this regard; and
- monitor the managing business partner and the venture in order to be alert to any increased corruption risk and/or non-compliance with the clauses included in the contractual arrangements.

Approved: August 2013  
Adopted: September 1, 2014  
Amended: November 8, 2017

