



Business Integrity (conflicts of interest) standard

Contents

Top things you must know	1
Introduction	1
Definitions	2
Disclosing conflicts of interest: Who, when and how	3
1.0 Avoiding, disclosing and managing conflicts of interest	4
2.0 Disclosure process	5
3.0 Management process	5
4.0 Reporting violations	6
5.0 Communication	7

Top things you must know:

- 1. We all must ensure that our personal activities and interests do not conflict with our responsibilities to SouthGobi. Even the appearance of a conflict of interest should be avoided.**
- 2. We all must disclose conflicts of interest on an ongoing basis.**
- 3. It is essential to properly manage conflicts of interest.**

Introduction

Why is it important to manage conflicts of interest?

Conflicts of interest can influence (or appear to influence) the impartiality of your decisions. By creating potential divided loyalties between your personal interests and your obligations to SouthGobi, they have the potential to adversely affect the way you perform your duties at SouthGobi. A conflict of interest may unconsciously influence you; even the mere appearance can cause others to question your actions, reputation and integrity.

Conflicts can have severe consequences for you, your co-workers and SouthGobi.

How to manage a conflict of interest?

You can manage an actual, potential or perceived conflict of interest by making disclosure and having that disclosure reviewed and managed in accordance with this Standard.

What is this Standard?	This Standard contains mandatory requirements relating to the management of conflicts of interest (whether actual, potential or perceived).
Who does the Standard apply to	All SouthGobi personnel must comply. Failure to comply may result in discipline up to and including termination.
When does this Standard start?	This Standard comes into effect on September 1, 2013 unless otherwise advised by the SouthGobi Corporate Secretary.

Who owns this Standard	SouthGobi Corporate Secretary.
Who is accountable for this Standard	The executive team of SouthGobi Resources Ltd. and each SouthGobi subsidiary.
Where can I get more information	If you have any questions or are in any doubt as to whether any conduct would fall within the scope of this Standard, you should speak to your manager and/or contact SouthGobi's Corporate Secretary.

Definitions

The following terms have the meanings assigned to them in the *Business Integrity (anti-corruption) standard*:

- Contractor
- Employee
- Government official
- SouthGobi
- SouthGobi personnel

Conflicts of interest occur when personal interests (e.g. relationships, activities or obligations) are inconsistent or interfere in any way (or appear to do so) with the interests of SouthGobi or your duties and obligations to SouthGobi. An actual conflict of interest exists when your duty to give undivided commercial loyalty to SouthGobi or your ability to perform your work for SouthGobi objectively, impartially and effectively is affected by an actual or potential benefit from, or is unduly influenced by, another source. A potential conflict of interest exists when an actual conflict of interest could eventually develop. A perceived conflict of interest exists if a third party could reasonably conclude that an actual or perceived conflict of interest exists.

Senior roles: mean employees in managerial roles and contractors.

Disclosing conflicts of interest: Who, when and how

Who	When	How
Everyone		Report to SouthGobi’s Corporate Secretary
All SouthGobi personnel	Ongoing obligation Immediately on becoming aware of a conflict of interest	
Senior roles		
Existing SouthGobi personnel in senior roles	Annually and Ongoing Obligation Immediately on becoming aware of a new or potential conflict of interest and annually to confirm no awareness of any existing conflict of interest	
SouthGobi personnel hired, transferred or promoted into senior roles	Before commencement in role And then as for existing senior roles	

1.0 Avoiding, disclosing and managing conflicts of interest

We all must ensure that our personal activities and interests do not conflict with our responsibilities to SouthGobi. Even the appearance of a conflict of interest should be avoided.

- a) **Ensure personal interests do not create a conflict.** You must always ensure that your personal interests and activities do not conflict with your responsibilities to SouthGobi. Your “personal interests” include the interests of your Relatives, and Associates (as such terms are defined below).
- b) **Know when conflicts can arise.** Always be alert to potential or perceived conflicts of interest. Whenever possible, you must avoid situations that create, may create or appear to create, a conflict of interest
- c) **Disclose potential conflicts early.** If you are aware of, or think that there may be, a conflict of interest, you must always disclose that conflict of interest promptly. If you are in doubt as to whether a situation may be a conflict of interest, you should discuss it with your manager and/or SouthGobi’s Corporate Secretary.
- d) **Disclose relatives who are government officials.** You must disclose immediately any Relative or Associate that is a government official with whom SouthGobi has a business relationship.

NOTE:

Associate includes a:

- Person with whom personal business is conducted;
- Close friend;
- Person who is a trustee of a trust in relation to which you may benefit;
or
- Director or officer of a company or other entity over which you have substantial control

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).

2.0 Disclosure process

We all must disclose conflicts of interest on an ongoing basis.

- a) **SouthGobi must implement a conflicts management process that supports the disclosure of conflicts as follows:**
 - Senior roles:
 - prior to commencement in role; and
 - thereafter, on an annual basis;
 - All SouthGobi personnel (whether in senior roles or otherwise):
 - as and when actual or potential conflicts arise.
- b) **SouthGobi personnel must disclose** any conflicts of interest as set out in paragraph (a).
- c) **Report to SouthGobi's Corporate Secretary.** All disclosures under this Standard must be made to SouthGobi's Corporate Secretary in order that an appropriate record is retained.

3.0 Management process

It is essential to properly manage conflicts of interest.

- a) **SouthGobi must use this management process fairly.** SouthGobi must ensure conflicts of interest that are disclosed under this Standard are managed in a consistent and fair manner.
- b) **Senior management should determine whether conflicts exist.** Whether a conflict of interest exists must be determined by the SouthGobi personnel's manager once removed or a more senior manager ("appropriate manager").
- c) **Conflicts should be acted upon.** If the appropriate manager determines that:
 - i. a conflict of interest exists, and
 - ii. the negative impact of the conflict of interest can be satisfactorily eliminated or mitigated,

then the relevant SouthGobi entity and the affected SouthGobi personnel must manage the conflict of interest in the manner and timeframe that the appropriate manager determines. The appropriate manager must ensure that any required action is taken.

d) **Some conflict decisions may require changes or additional controls to be implemented.** If the appropriate manager determines that:

- i. a conflict of interest exists, and
- ii. the negative impact of the conflict of interest cannot be satisfactorily managed,

then the SouthGobi entity must prevent the SouthGobi personnel from engaging in aspects of the role or performing the role at all until the conflict of interest ceases to exist.

e) **Always record conflict management decisions.** The appropriate manager must record any actions decided to be taken under this section 3.0 and, where the SouthGobi personnel so requests, any decision that no action is required, to SouthGobi's Corporate Secretary.

NOTE:

Certain conflicts may only require documentation. If the appropriate manager determines that a conflict of interest exists but the conflict does not have a reasonable likelihood to negatively affect SouthGobi, the SouthGobi personnel involved or any relevant third party, no further action will be required other than to document that decision to SouthGobi's Corporate Secretary.

4.0 Reporting violations

Everyone at SouthGobi has a responsibility to report violations of this Standard.

If you are aware of, or suspect the occurrence of, an act that may be a violation of this Standard, you must report the matter to your manager. If you feel that it would be inappropriate to report the matter to your manager, the matter must be reported to another member of management, whose position is more senior than yours. The person receiving the report must report the matter to SouthGobi's most senior executive.

Remember, you can:

- talk to your manager or supervisor. as this is often the best person to contact first;
- contact SouthGobi's Corporate Secretary; or
- use our whistle-blowing program, *EthicsPoint*.

5.0 Communication

The requirements of the Standard must be communicated to SouthGobi personnel.

SouthGobi must communicate periodically to SouthGobi personnel reminding them of the requirement to disclosure conflicts of interest as they arise.

NOTE:

SouthGobi subsidiaries in particular should consider whether there are parts of their business where they should require annual disclosure of conflicts of interest for their personnel who are not in senior roles; such areas could be those engaging regularly with external parties, including procurement, marketing, logistics and government relations.

Approved: August 2013

Amended: November 2015

Amended: November 2017