

SCOPING STUDY ON EXTRACTIVE SECTOR STATE OWNED ENTERPRISE DISCLOSURES IN MONGOLIA

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1. Introduction

Background

This report presents the scoping study on the disclosures of Mongolia's state-owned mining enterprises, conducted by the Natural Resource Governance Institute (NRGI). The study was supported and funded by the Extractive Industries Transparency Initiative (EITI) International Secretariat and the European Bank for Reconstruction and Development (EBRD).

Mongolia's extractive sector is significant for its economy, contributing 31.6 percent of government revenue, 92 percent of export earnings[1], and 28.2 percent of GDP[2]. A variety of companies operate in the sector, with state-owned enterprises (SOEs) playing key roles in the exploration, extraction, and management of mineral resources. Erdenes Mongol LLC is the biggest player, acting as a holding company. For instance, it holds stakes in the Oyu Tolgoi copper mine (34 percent ownership), Tavan Tolgoi coal mine (65 percent), Shivee-Ovoo coal mine (90 percent) and Baganuur coal mine (75 percent)[3], as well as Erdenet Copper Mine and projects managed by Mongolrostsvetmet[4]. These are all projects exploiting deposits that are defined as "strategic", meaning that the equity holding in these projects is prescribed by legislation. Erdenes Mongol also has stakes in gold, silver, and uranium exploration and operation companies.

Despite playing a key role in Mongolia's economy, state-owned enterprises (SOEs) in the mining sector face challenges related to governance and transparency. This is evident in the NRGI's Resource Governance Index (RGI) scores, where Erdenes Mongol is among the "poor" performers due to its lack of transparency in financial transactions and production. The EITI validation report[5] highlights a need for more comprehensive disclosure on Mongolia's SOEs in the extractive sector. This includes financial relations, spending practices, and corporate governance. In addition, mining SOEs have been marred by high-profile corruption and bribery cases over the years. The CEO of Erdenes Mongol, for example, admitted to taking bribes, leading to his dismissal[6], and most recently a former CEO of Erdenes Tavan Tolgoi, the key coal exporter and a subsidiary of Erdenes

[1] Ministry of Mining and Heavy Industry. "Minerals Sector Statistics 2023." Ministry of Mining and Heavy Industry, 2023. www.mmhi.gov.mn/%d1%81%d0%b0%d0%bb%d0%b1%d0%b0%d1%80%d1%8b%d0%bd-%d1%81%d1%82%d0%b0%d1%82%d0%b8%d1%81%d1%82%d0%b8%d0%ba/.
[2] National Statistical Office, "National Accounts."
[3] Andrew Bauer and Dorjdari Namkhaijantsan, "Wild Growth: An Assessment of Erdenes Mongol."
[4] Government of Mongolia, "Government Decision on Erdenet and Mongolrostsvetmet."
[5] EITI International Secretariat, "Mongolia 2022 Validation Report."
[6] "CEO of Erdenes Mongol D.Khayankhyarvaa Admits Taking Bribes."

Mongol, was convicted of abuse of power.[7] In December 2023, the State Great Hural, or the parliament of Mongolia, held public hearings on the so-called 'coal theft' scandal which revealed significant problems associated with SOE coal sales, transportation and tax payment irregularities or outright squandering of public assets. For instance, hearing witnesses testified that a significant number of trucks crossed the border empty, raising concerns that this was a scheme to evade royalty and tax payments. Under these circumstances, the importance of transparency and public scrutiny of SOEs is unquestionable.

The EITI, being a leading initiative to promote good governance in the extractive sector, has long recognized that transparency of SOEs is a crucial element of transparency and good governance in mineral resources. Its 2010 EITI Rules, for instance, emphasized the need for the EITI reports to include all companies including SOEs, and to specifically disclose SOE production in addition to the requirements for all companies.[8] Since then, the Rules evolved into a global standard, and its latest edition, the 2023 EITI Standard, includes many more detailed requirements and expectations on SOE transparency and state participation. Specifically, the Standard states the objectives of EITI in terms of disclosures related to the state participation, defines the scope of the term SOE, and provides a list of specific information that is required, encouraged, or expected to be disclosed under the national EITI reports that are disclosure requirements for all companies.[9] Given that the latest version of the standard was adopted in 2023, countries including Mongolia need to revisit their own documents and plans to ensure that the national EITI reports meet the standard in full, including in terms of disclosure requirements for SOEs.

While EITI is one of the leading initiatives driving reforms and increased disclosures in Mongolia, other initiatives and developments led by the government also contribute to the increased disclosures and strengthening of the transparency of SOEs. For instance, Mongolia is a member of the Open Government Partnership, under which the government pledged to improve the transparency of SOEs. Also noteworthy are the Public Information Transparency Law[10] and Glass Accounts Law[11]. The former details specific information that the government and SOEs are required to disclose to the public, and the latter builds an integrated framework for public reporting of budget entities and SOEs. For example, Glass Accounts contains information on

[7] "Former Parliament Member T.Ayursaikhan, Former CEO of ETT B.Gankhuyag Imprisoned."
[8] "EITI Rules 2010."
[9] EITI International Secretariat, "2023 EITI Standard."
[10] Public Information Transparency Law.
[11] State Great Hural, Glass Accounts Law.

disclosures of individual financial transactions by SOEs, which has led to disclosure of information with granularity that allows all stakeholders to analyze the state of financial affairs at SOEs at an unprecedented level.[12] Another important player that contributes to good governance and transparency of SOEs is the Independent Agency Against Corruption (IAAC). The IAAC leads the implementation of the National Anti-Corruption Program which aims to limit political interference at SOEs, streamlining procurements processes, enhancing transparency and disclosures, and improving clarity of objectives and policies such as dividend policies[13]. However, many of these initiatives are not comprehensive in addressing extractive sector governance challenges, and coordination among these initiatives is weak. In that light, EITI remains a key process in the sector with its enhanced global standard, functioning processes, and involved stakeholders. As such, this report will inform EITI stakeholders with the aim of taking the EITI in Mongolia to the next level, focusing on one of the key areas of sector governance, namely SOE disclosures and reporting.

Objectives

Against this background, this scoping study examines the legal framework and current practices for disclosing information pertaining to mining SOEs in Mongolia, focusing on what actions need to be taken by the government and other stakeholders to ensure Mongolia fully complies with the EITI Standard and implements transparency requirements for SOEs. The primary objective is to identify areas where Mongolia's mining SOEs deviate from the 2023 EITI Standard and other relevant regulations and provide recommendations to the EITI Mongolia on addressing such deviations. The study reviews existing documents and analyzes both EITI requirements and how effectively SOEs have complied with them and examines barriers to disclosure of specific information. As part of the study, NRGI aims to strengthen understanding and awareness of SOE related requirements and expectations under the EITI and facilitate dialog around actions that EITI Mongolia can undertake to highlight the initiative's importance and improve its relevance and impact.

[12] Dorjdari Namkhaijantsan, "Mongolia's State-Owned Mining Enterprises: A Deeper Look Into Glass Accounts Data."
[13] Parliament of Mongolia. "2023-2030 Anticorruption National Program," 2023. www.legalinfo.mn/mn/detail?lawId=16760139781851.

2. Approach

Methodologies

The study focuses on searching for answers to the following questions:

- What information are mining SOEs required or expected to disclose under the EITI Standard 2023?
- What are the current legal requirements and commitments for SOE disclosure in Mongolia? Are there any gaps or overlaps with the EITI Standard?
- How do current SOE disclosure practices in Mongolia compare to the EITI Standard 2023, Are there any deviations and obstacles?

Based on the findings from these questions, the study provides recommendations to the EITI stakeholders in Mongolia on closing any gaps that exist or addressing barriers and challenges that have been revealed.

The study employs a mixed-methods research approach to gather and analyze data. This involves extensive desk research, interviews with experts and engagement with stakeholders. Qualitative and quantitative analytical tools are applied to the data and information collected during the process. For instance:

- An extensive review of all available annual EITI workplans and reports has been carried out. Additionally, relevant literature, reports, EITI Standard guidelines and requirements, and legal documents have been thoroughly examined. This comprehensive desk research serves as the foundation for the analysis, providing a deep understanding of the existing landscape of extractive SOEs disclosure in Mongolia.
- To gain a holistic perspective on extractive SOEs disclosure practices, interviews and consultations have been held with key stakeholders. This includes government officials, who have provided insights into the legal framework and regulatory environment. Engagement with the EITI Secretariat has provided valuable information on the EITI Standard and best practices, as well as the history behind SOEs disclosures and current priorities and challenges. Civil society organizations and industry representatives have also been consulted to understand their perspectives and experiences with SOEs disclosures.

These stakeholder engagements have enriched the analysis by allowing the incorporation of diverse viewpoints and experiences in the report.

Scope

These methods help to understand the landscape of SOEs, current policy and legal framework, observe established and emerging practices, and identify barriers to the extractive sector SOE disclosures in Mongolia.

The study does not focus on specific mining SOE related policy evaluation, nor does it advocate for a specific position on the issue of state participation in the mining sector.

In studying SOEs under this approach, we focus on the EITI Standard, domestic and international regulations and commitments by the government, and current practices of disclosures and reporting under the EITI and other initiatives.

The EITI Standard is a set of principles, requirements and expectations for the stakeholders, as well as the rules for EITI processes and governance mechanisms. The EITI Standard consists of three parts. The first part covers the principles of EITI and a set of requirements and expectations for implementing countries and extractive companies, as well as policy documents related to civil society participation in the process and open data. The second part deals with issues of EITI standard setting, implementation, and oversight, with EITI Board and Validation included. The third part of the document covers issues related to the governance and management of the EITI. For the purposes of this study, Part 1 of the EITI Standard 2023 is most relevant.

The Open Government Partnership (OGP), another international initiative to promote good governance, requires countries joining it to develop commitments focused on strengthening governance. Mongolia has been a member of the OGP since 2013, and the last round of commitments was announced in 2023. These commitments include legislating EITI processes and promoting further transparency of SOEs, among other issues.[14]

Along with the above international commitments, Mongolia has a set of laws and regulations directed at improving SOE governance and transparency. Key among these laws, as mentioned before, are Public Information Transparency Law[15] and Glass Accounts Law[16]. The former lists

[14] Open Government Partnership, “Mongolia OGP Action Plan 2023-2027.”
[15] Public Information Transparency Law.
[16] State Great Hural, Glass Accounts Law.

information that should be public, while the latter provides details on the processes of how budget entities and SOEs should disclose that information. The State Great Hural, or the parliament of Mongolia, enacts laws. In addition, the parliament can issue resolutions on various aspects of economic and social life in the country. The implementation of the laws and resolutions enacted by the parliament is the responsibility of the executive branch, or the government of Mongolia, which comprises the Cabinet members, who head various ministries or portfolios. The Cabinet also issues resolutions to implement policies and legislation approved by parliament. Sectoral ministries and various government agencies can also issue decrees that are directed at clarifying and implementing the decisions by the higher ranked policy institutions.

It should be noted that international standards and norms usually represent the minimum level of disclosures expected from SOEs or the governments regarding SOE operations. Some SOEs have taken steps to strengthen their transparency going beyond the minimum level of requirements by these standards and norms, and sometimes even those of domestic legislation. For instance, Erdenes Tavan Tolgoi, a majority state owned coal mining and exporting company, has made strides in disclosing information regarding buyers, suppliers, and transporters at levels that exceed the expectations of the EITI or domestic legislation. However, such cases are still more of an exception than the norm.

In terms of specific SOEs whose disclosure practices we looked at in greater detail, they were identified based on a wider range of resources. It should be noted that different sources offer somewhat differing lists of SOEs that are active in the extractive sector in Mongolia. The first source for the SOE list was the EITI reconciliation reports for 2021 and 2022. The reconciliation is done for a small portion of companies which submitted their EITI reports, based on the materiality thresholds. For example, reports of 104 companies were independently reconciled out of a total of 1184 company records provided by the government in 2022. The selection criteria are based on the materiality of payments by the companies, and the ownership type, namely state ownership, is not considered in creating the subset of companies subject to reconciliation. Of the 104 companies, we found that 13 companies are state or locally owned companies. These 13 companies are the main target for the purposes of our study. We also looked at the data from the State Property Policy Coordination Committee (SPPCC), Erdenes Mongol holding company reports, and the state business registry to arrive at the list of a more comprehensive list of SOEs operating in the mining sector, as shown in Annex 5.

Mining sector SOEs play multiple and important roles in Mongolia's economy. In recent years, the management of these SOEs has gradually moved under Erdenes Mongol, a holding company that provides management services to its subsidiary SOEs. Some of these subsidiaries, such as Erdenes Tavan Tolgoi, Erdenet, Baganuur, Shivee-Ovoo or Mongolrostsvetmet, operate some of the largest mining projects in Mongolia, also known as strategic deposits. Some of the subsidiaries manage the company's partnerships with private sector actors in managing and operating specific projects, such as Erdenes Oyu Tolgoi which holds the shares in Oyu Tolgoi in partnership with the multinational corporation Rio Tinto, or Mon-Atom which holds shares, among others, in Badrakh Energy, a partnership with French giant Orano. A few subsidiaries focus on exploration for various commodities, such as Erdenes Methane, Methan Gas Resources, or Erdenes Bayanbogd. Other companies are focusing on developing processing potential, such as Mongolian Oil Refinery Plant, providing infrastructure services, such as Gashuun Sukhait Road, or financial services, such as Erdenes Ashid. SOEs are large taxpayers, and often provide significant contributions to various government projects that are not necessarily linked to the extractive sector or mining and exploration activities. Erdenes Mongol has supported projects such as Mongolia Commodity Exchange, one billion tree planting initiative, or other social programs. SOEs are often seen as the vehicles for promoting Mongolia abroad for investors and the knowledge hub for negotiating various deals with foreign investors. In some regions, mining SOEs are effectively the biggest employers and provide infrastructure and other services to the communities. In short, the role of SOEs in the country's economy and the social life of communities is significant.

The governance of SOEs has evolved in recent years. The shares of most mining SOEs have been transferred to Erdenes Mongol and its subsidiaries. In the past, some other government agencies such as ministries or SPPCC would formally hold shares in SOEs. In addition, the government would appoint an agency or SOE to exercise the rights of a shareholder on behalf of the government, including various ministries, the cabinet secretariat, or Erdenes Mongol. Shareholders would appoint their representatives to the board of directors of SOEs who would formally make decisions for the company on behalf of the government or the shareholders. Shareholders provide guidance to the board members on voting on critical issues. The board members are often government officials from various ministries and agencies, but increasingly SOEs have invited independent board members.

3. Key findings

In this section, we present our findings on the role that SOEs play in Mongolia's mining sector and the state of transparency and disclosures by SOEs in Mongolia. We look at the role that SOEs play in the economy, the standards and practices of mining SOE disclosures and reporting using the structure of the EITI Standard requirements pertinent to mining sector SOEs. Under each requirement, we discuss whether these issues are addressed by the EITI annual reports, and whether domestic and international regulations and commitments by the government support these requirements. The discussion concludes with our assessment of current practices for disclosures and reporting by mining SOEs.

Extractive SOE disclosure requirements

As mentioned above, there are multiple international and domestic norms that have emerged in recent years and focus on extractive sector SOE disclosures. In this section, we detail the EITI requirements pertaining to SOE disclosures, and describe such requirements in key domestic legislation, namely the Public Information Transparency Law and the Glass Accounts Law.

The EITI Standard contains seven sets of requirements, of which at least six contain provisions that are directly or indirectly relevant to SOE disclosures. Some of these provisions are required, some are expected, while some others are encouraged, as shown in Table 1 below. Most of the EITI Standard requirements that are relevant to SOE disclosures are related to the legal environment, contracts and licenses, and revenue collection; overall, there are 16 required, 4 expected, and 15 encouraged provisions. The full list of EITI Standard requirements is provided in Annex 2. It should be noted that the EITI Standard defines fully or majority state owned companies as subject to the disclosure requirements, meaning that where the state holds minority shares in a company, they may not be required to report on all or some of the SOE relevant requirements.

Table 1. EITI Standard requirements by their levels

	Requirement Level	Count of Requirement
Requirement 1. Oversight by the multi-stakeholder group (MSG)		
	required	1
	expected	1
Subtotal	—	2
Requirement 2. Legal and institutional framework, contracts, and licenses		
	required	8
	expected	1
	encouraged	4
Subtotal	—	13
Requirement 3. Exploration and production		
	encouraged	5
Subtotal	—	5
Requirement 4. Revenue collection		
	required	4
	expected	2
	encouraged	3
Subtotal	—	9
Requirement 5. Revenue management and distribution		
	encouraged	1
Subtotal	—	1
Requirement 6. Social and economic spending		
	required	3
	encouraged	2
Subtotal	—	5

Given this large number of requirements that Mongolia should meet under the EITI, it is important to distinguish between those requirements that the country already meets and those that require additional efforts by the EITI MSG. To do so, we examine the domestic legislation and practices that shape SOE disclosures. Mongolia's SOEs are regulated by a set of laws and regulations, and two laws are particularly relevant in terms of the SOE disclosures: the Public Information Transparency Law (2021) and the Glass Accounts Law (2014). Many of the EITI Standard requirements relevant to SOEs are already covered by these laws.

The Glass Accounts Law has been a revolutionary initiative in the area of government transparency and accountability, providing a list of operational and financial documents that should be made public by all budget entities and most state-owned companies. The government, through the

Ministry of Finance, established a central repository of all disclosures, and the government entities required to report have created Glass Accounts sections on their websites. However, there is an important limitation in terms of the coverage, as some SOEs are not required to comply with this law. Specifically, only fully or majority state or local government owned companies fall under the coverage of the law. While this coverage is similar to that of the EITI Standard, it means that some of the important mining companies where the government holds an important but minority equity share, such as Oyu Tolgoi, are not subject to the disclosures under the law.

Under the Glass Accounts, SOEs are required to disclose 14 types of information that are mostly relevant to their budgets and financial position, as indicated in Table 2. The full list of requirements for SOE disclosures under the Glass Accounts is provided in Annex 3.

Table 2. Types of disclosures under the Glass Accounts

	Type of Information	Count of Requirements
1	financials	11
2	budgets	8
3	contractors	5
4	processes	5
5	amendments	2
6	audits	2
7	contracts	1
8	operations	1
9	sales	1
10	social	1
Total	—	37

With the adoption of the Public Information Transparency Law in 2021, the government legalized a list of specific information that the government entities and SOEs should disclose, complementing the Glass Accounts, which primarily provides procedures for disclosure of information, with the specific content that should be provided to the public through disclosures. From the long list of documents that should be made public, there are 40 types of information that SOEs should disclose under this law, which cover 88 aspects of SOE operations. Compared to the Glass Accounts, the Public Information Transparency Law requires disclosures of information on various

processes and operations as well as on the governance of SOEs at a significantly higher rate, as shown in Table 3. A complete list of disclosure requirements in the legislation is provided in Annex 4.

Table 3. Types of Disclosures under the Public Information Transparency

	Type of Information	Count of Requirements
1	processes	18
2	operations	15
3	financials	11
4	governance	11
5	budgets	5
6	contractors	5
7	audits	4
8	environment	4
9	contracts	3
10	social	3
11	projections	2
12	shareholding	2
13	soe role	2
14	beneficial ownership	1
15	projects	1
16	transport	1
Total	—	88

In combination, EITI Standards and the two key transparency laws described here provide a solid foundation for promoting SOE transparency in Mongolia.

Do all relevant SOEs disclose their information?

Most of the rules in the EITI Standard apply to extractive companies in general, and do not differentiate between privately and state-owned companies. For example, the requirement that "companies must be fully, actively and effectively engaged in the EITI process" applies to all companies in the sector and is relevant to state-owned enterprises as much as to privately held companies. However, the universe of SOEs globally and in Mongolia is complex and can take many legal forms and operational differences. Domestic legislation also requires certain information

regarding all businesses to be public, including SOEs, but SOEs can also be subject to additional transparency requirements. In addition, some of the SOE transparency requirements may not apply to all SOEs but only to certain types depending on their legal form and operational specifics. For instance, the Glass Accounts Law requires only fully and majority state owned companies to disclose their financial reports under Glass Accounts, whereas minority owned SOEs do not have to.

The EITI Standard provides a definition of SOEs, "a SOE is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government." The EITI encourages national multi-stakeholder groups to discuss their own definition of SOEs based on the EITI definition and the specifics of domestic legislation.[17] It should be noted that the term "majority government-owned" could mean the ownership of at least 50 percent of shares in a company by the state, but that some other definitions could mean owning more shares than any other shareholder. As such, such a discussion of what majority government-owned means for implementing EITI could help prevent misunderstanding and align expectations among stakeholders.

While we have not found the documentation of any discussions of the EITI Mongolia on the definition of SOEs for the purpose of EITI reporting, the EITI reconciliation reports contain information about various types of SOEs that exist in Mongolia.[18] However, we find that not all SOEs operating in the mining sector are included in these reports, as multiple other sources report lists of SOEs active in the mining sector that differ from the list of companies in the EITI reports. It should be noted that many of these SOEs are not necessarily mining or exploration companies; as such, they would not be subject to EITI reporting. However, this is not readily clear and requires an explanation. The full list of SOEs collected from the EITI reports and through other sources is available in Annex 5, and we present the list that we compiled in Table 4, broken down by those SOEs that report under EITI and those that do not.

[17] p.21, EITI International Secretariat, "2023 EITI Standard."
[18] p.107, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

Table 4. List of SOEs by main activity type and EITI reconciliation

Main activity	List of SOEs in the Extractive Sector
holding	**Erdenes Mongol**
mining	**Aduunchuluun**, **Baganuur**, **Bayanteeg**, Erdenes Alt Resource, Erdenes Oyu Tolgoi, **Erdenes Tavantolgoi**, **Erdenet**, **Mogoin Gol**, **Mongolrostsvetmet**, **Oyu Tolgoi**, Selenge baigalyn noots, **Shivee-Ovoo**, **Tavantolgoi**
exploration	**Badrakh Energy**, Bayan Hishig Kharaa, Erdenes Bayanbogd, Erdenes Methane, Gurvan Saikhan, Methane Gas Resource, Mon-Atom, MonCzechUranium
processing	**Darkhan Metallurgical Plant**, Erdenes Steel, Mongolian Oil Refinery Plant, Tavan Tolgoi Fuel
service	Baganuur Ilch, Erdenet Medical Hospital, Erdenet Mineral Solution, Shivee Service
infrastructure	**Cement Shohoi**, Erdenes Shivee Energy, Erdenes Technology Park, Gashuun Sukhait Road, MMExchange, Mon Tsahim, Tavan Tolgoi Railway, **Ulaanbaatar Railway**
finance	Erdenes Ashid, Erdenes Asset Management

Companies in Bold were included in the EITI Reconciliation report for 2022

Source: EITI Reconciliation for 2022 and Erdenes Mongol website

Mongolia's key legislation on SOEs distinguishes between state-owned legal entities and legal entities with state participation. State-owned legal entities are fully state-owned entities, and the commercially operating ones take the legal form of state-owned enterprises, which are subject to the State and Local Property Law. Except for explicitly referring to the legal form of state-owned enterprises, we use this term in this study more generally to refer to all state-owned legal entities. Legal entities with state participation, or partially owned legal entities, take the form of limited liability companies or joint stock companies, and are regulated by the Company Law.

Another layer of complexity in terms of defining state ownership is Mongolia's demarcation between state and local property. Some mining companies are owned by local governments and are referred to as 'locally owned' meaning that provincial Citizens' Representative Hurals, or assemblies, exert control of these companies. This is significant because some locally owned companies, like Tavan Tolgoi, export a large amount of coal and play a very important role in the economy of Umnugovi province where they operate. But even if locally owned companies were not producing or exporting at the rate of Tavan Tolgoi, they still may play significant roles in the economic life of a given province and be vital for the local communities; as such, EITI should capture them to remain a relevant initiative for local communities.

It is clear that SOEs play a significant role in the mining sector of Mongolia, but we find that it is not even straightforward how many companies or SOEs operate in the sector. The Business Registry, the official statistics by the government, reports only six state or locally owned companies

operating in the sector.[19] The government agency responsible for state property management and coordination reported that 12 SOEs operate under the umbrella of Erdenes Mongol, a state owned holding company, and another four companies outside Erdenes Mongol in the mining sector.[20] Erdenes Mongol itself reports that it is a conglomerate of 14 companies in its annual financial report, but the company's website also lists at least 17 other companies[21], which are subsidiary companies that may operate on specific projects but also act as support service companies and may not be directly involved in the mining exploration and extraction[22]. Then, EITI Reconciliation Reports for Mongolia provide a list of SOEs included, which totals eight, but the annex file to this report, while not providing the explicit list of SOEs, assesses the disclosure of information under Glass Accounts for 12 state and locally owned companies.[23]

In addition, Mongolia's EITI Validation Report for 2022 assesses that 20 SOEs have been covered in the 2020 EITI report, but only five were included in the reconciliation, although descriptions of all 20 were included. Differences from year to year may be due to changes in the status of companies or the emergence of new companies, but sometimes EITI reports include even some government agencies such as judicial decision enforcement agency (prisons) as a SOE because they held some licenses for mining construction materials.

Under such circumstances, EITI Mongolia needs to hold a dedicated discussion of how a unique list of SOEs in the mining sector can be prepared, and what criteria should be used to select companies that should be reporting under the EITI. Annual EITI reconciliation reports should contain information clearly indicating whether companies are state owned in full or in part.

What information should SOEs disclose?

The EITI Standard provides a set of requirements, expectations, and encouragements for the implementing countries in relation to SOE disclosures. Some of these are applicable to all companies while others are specific to SOEs operating in the extractive sector. In this section, we examine the specific rules that apply to SOEs and assess whether they are being met by EITI Mongolia. We will quote the EITI Standard requirement and provide our assessment of whether this specific requirement has been implemented or not.

[19] National Statistical Committee, "Business Registry."
[20] "Key Financial and Economic Performance Indicators of SOEs for 2022."
[21] "Erdenes Mongol Financial Report 2022."
[22] "Erdenes Mongol website."
[23] EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

Requirement 1. Oversight by the multi-stakeholder group (MSG)

1.2.a "Companies must be fully, actively and effectively engaged in the EITI."

SOEs are important participants in EITI implementation in Mongolia. The EITI Validation found that "…while MSG members from industry actively engaged in EITI activities, there was little evidence of full, active, and effective engagement in the EITI process on the part of the broader industry constituency" and that "there is evidence of significant industry participation in EITI reporting, particularly among larger companies, although there is significantly less indication of industry engagement in other aspects of EITI implementation, such as participation in outreach and dissemination."[24] The same report also questions whether companies participate in the process proactively, for example, "stakeholder consultations did not indicate proactive engagement by companies in outreach and dissemination activities". While these findings apply to all types of companies, they are pertinent to the sector SOEs.

The main body in charge of implementing EITI in Mongolia is a 29-member National Council. Only two SOE representatives and one representative of a partially state-owned company are members of this National Council. All three represent leading mining companies in the country.[25] Similarly, the 33-member Working Group, the key MSG for the implementation of EITI, list four representatives of SOEs as members.[26] Given the prominence of SOEs in the mining sector in Mongolia, the industry constituency in EITI Mongolia should consider ways to ensure SOEs are duly represented in key institutions of EITI and lead the sector in actively engaging in all aspects of the implementation of the initiative.

1.2.b Reporting companies are expected to publish an anti-corruption policy, including their beneficial ownership data

Mongolia's anti-corruption legislation is somewhat vague in terms of explicitly requiring the adoption of anti-corruption policies by SOEs. While the anticorruption legislation does not have specific requirements for adopting such policies at SOE level, the national anti-corruption program and its implementation plans include reference to such policies or plans at SOEs. For instance, the program sets an overarching goal of "strengthening public service void of corruption and enjoying

[24] EITI International Secretariat, "Mongolia 2022 Validation Report."
[25] EITI Website, National Council Composition.
[26] EITI Website, Working Group Composition.

public support" and sets an objective of "mainstreaming the development and implementation of risk-based anti-corruption activity plans".[27]

We found that only a few SOEs publish their anti-corruption engagement plans. Specifically, companies such as Erdenet, Erdenes Tavan Tolgoi, Baganuur and Shivee-Ovoo, in addition to Tavan Tolgoi Fuel (which is not a mining company), published their plans on their respective websites.[28] EITI annual reconciliation reports do not contain information on whether companies have such plans. EITI should discuss this issue and mandate companies to provide information on whether they have such anti-corruption plans and whether they are disclosed.

In terms of beneficial ownership information, EITI reconciliation reports contain information on individuals as beneficial owners and, in the case of public companies, the names of stock exchanges they are listed on.[29] The list of beneficial owners contains some legal entities as beneficial owners, attesting to the deficiencies of reporting of the owners, as by definition they cannot be the ultimate owners of companies as opposed to individuals. Also, these lists do not include SOEs. In terms of beneficial ownership information disclosed, while not related to SOEs per se, the listing of ethnicity of owners for Mongolian citizens[30] is concerning and EITI Mongolia should address this issue.

Mongolian legislation with regard to the disclosure of beneficial ownership information has improved significantly with the adoption of the Public Information Transparency Law in 2021. Specifically, the law defines fully and partially state and locally owned legal entities as "entities in charge of information"[31] and requires them to keep information "about beneficial owners of legal entities"[32] "transparent and open on a regular basis"[33]. While this legal requirement serves as a strong basis for beneficial ownership disclosure, the requirement to disclose "about" the owners rather than "owners" could cause discrepancies in understanding the term and implementation of the law. Companies are also required to share the beneficial ownership information with the tax and state registry authorities.

More on SOE beneficial ownership reporting will be discussed below under Requirement 2.5.c.

[27] Article 2.6.2, State Great Hural, "2023-2030 Anticorruption National Program."
[28] For example, Erdenet mine's anticorruption workplan can be found at www.erdenetmc.mn/anti-corruption-activities/plan.
[29] Annexes 20b and 20c, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."
[30] Annex 20b, EITI Mongolia Secretariat.
[31] Article 6.1.2, Public Information Transparency Law.
[32] Article 8.6.19, Public Information Transparency Law.
[33] Article 8.6, Public Information Transparency Law.

Requirement 2. Legal and institutional framework, contracts, and licenses

A set of EITI requirements under this section are devoted to promoting beneficial ownership disclosures by extractive companies including SOEs, and SOE financial and operational disclosures. NRGI's Corruption Risks Assessment found that SOE governance is one of the high-risk areas in the extractives in Mongolia[34], and Resource Governance Index continuously pointed out that SOE governance is the area where Mongolia lags the most[35]. In general, beneficial ownership information collection and disclosures have become an important policy issue in recent years to address corruption risks in the extractive sector, and important actions have been undertaken by the government through several initiatives. An important milestone was the introduction of the Public Information Transparency Law in 2021, which mandated beneficial ownership disclosure by law. In addition, Mongolia collected beneficial ownership information as a response to being grey listing by FATF and faced difficulties in dealing with transfer pricing and the collection of taxes from multi-national companies.[36] EITI Mongolia developed a roadmap for beneficial ownership transparency disclosures, and the EITI reports collect this information, but the country still faces problems in collecting and disclosing accurate and timely information and building verification mechanisms. That beneficial ownership disclosures can be an important tool for fighting corruption has been recognized through specific corruption scandals in the extractive sector. For instance, in the case of the Tavan Tolgoi coal mine, politicians and minority shareholders in the majority locally held company were accused of setting up trading companies to siphon off coal from the company on beneficial terms, and the knowledge of beneficial owners would have prevented such behavior.[37]

2.4.a "Implementing countries are required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals, as well as material exploration contracts."[38]

Transparency of contracts is one of the main requirements under the EITI Standard to ensure stakeholders are able to monitor compliance of mining companies with their obligations. Contract

[34] "How to Fight Corruption in Mining."
[35] NRGI, "Mining Governance in Mongolia Improves Slightly, But Public Disclosures and Governance of State-Owned Enterprises Require Attention."
[36] "Mongolia FATF Assessments."
[37] "Who Said What in the First Session of the Coal Hearing."
[38] EITI International Secretariat, "2023 EITI Standard."

transparency requirements under the EITI are not specific to SOEs, yet many of the most important contracts in the extractive industries that need to be disclosed are signed by SOEs or in relation to SOE-operated projects. The universe of extractive sector contracts is complex and includes a large number of contracts. A separate scoping of contract disclosures is being undertaken by EITI and NRGI.

Most significant contracts involving SOEs are investment contracts (providing investment guarantees and property security as well as stabilization of taxes), stability certificates (stabilizing taxes), shareholder agreements (in cases of joint ventures between the state and the private sector), and local level agreements (between mining companies and local communities). The latter are required to be disclosed by the Public Information Transparency Law. The other agreements are not required for disclosure by the domestic legislation. In fact, the EITI reconciliation report for 2022 contained 30 contracts signed by SOEs, all of which are with the local government and are either local cooperation agreements or land use agreements. For joint ventures such as Oyu Tolgoi, the key agreements such as the Investment Agreement and Shareholder Agreement with Rio Tinto have been made public through various company and government resources. Otherwise, it appears that SOEs mostly disclose local level agreements as prescribed by law. One exception is Erdenes Tavan Tolgoi, which has disclosed its offtake and infrastructure barter agreements with various companies and has provided a model sales agreement.

EITI Mongolia should continue working on ensuring a legal environment for contract disclosures for a set of contracts broader than local level agreements and ensuring contract transparency of SOEs, especially when joint ventures with the private sector take place.

2.5.c "...companies are required to publicly disclose, beneficial ownership information."[39]

The issue of beneficial ownership disclosure in general is addressed under section 1.2.b above. Specifically, for SOEs, if they are not fully owned by the state, they should provide the beneficial ownership information for the SOE partners in relation to those entities who fall under the definition of beneficial ownership agreed by Mongolia's EITI (for example, holding shares above the five percent threshold). EITI reconciliation reports do not contain the beneficial ownership information for SOEs; however, some partially state-owned public companies provide the names of stock exchanges they are listed on. EITI Mongolia should address this apparent gap and ensure

[39] EITI International Secretariat.

that those SOEs that are not fully owned by the state provide ownership information for the partners who qualify as beneficial owners.

2.5.e.3 "Publicly listed companies, including wholly owned subsidiaries, are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed to facilitate public access to their beneficial ownership information."

Several state-owned companies in Mongolia are formed as joint stock companies and shares of some of these companies are floated openly on Mongolian Stock Exchange while others are closed (not traded) joint stock companies. While listed on the Mongolian Stock Exchange, neither Baganuur[40] nor Shivee-Ovoo[41] disclose the exchange name, filings, or beneficial ownership information on their websites. In contrast, Tavantolgoi joint stock company' website provides a link to their company profile on the Mongolian Stock Exchange website[42]. The EITI reconciliation report contains information on stock exchanges where companies' shares are floated[43] and this listing contains some SOEs, including Baganuur, listed on the Mongolian Stock Exchange. However, for the most significant SOEs, such as Erdenes Tavan Tolgoi, no information is provided, alluding to the poor quality of reporting. In addition, some of the information provided is not accurate or lists the stock exchanges for shareholding entities rather than the companies themselves. For example, Oyu Tolgoi, which is minority held by the government but not a stock company, is referred to as being listed on the Australian Stock Exchange, apparently referring to the ultimate majority owner company, Rio Tinto. EITI Mongolia should address this issue and work on ensuring the accurate reporting of such information, especially with regard to SOEs.

2.5.e.5 "State-owned enterprises (SOEs) are required to disclose the name of the state(s) owning or controlling the SOE, the level of ownership and details about how ownership or control is exerted. If the SOE is not fully owned by the state, beneficial ownership information must be disclosed in accordance with Requirement 2.5(c)."

EITI reconciliation reports do not contain information on foreign state holdings in Mongolian mining companies. In the case of Mongolian government holding equity stakes in mining companies, this information is largely available in EITI reports and from other sources.

[40] Baganuur website. "Baganuur Website," n.d. www.baganuurmine.mn.
[41] Shivee-Ovoo website. "Shivee-Ovoo Website," n.d. www.shivee-ovoo.mn.
[42] Tavantolgoi JSC website. "Tavantolgoi JSC Website," n.d. www.tavantolgoi.mn.
[43] Annex 20c, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

Mongolian legislation on state equity in mining companies is largely relevant to so-called "strategic deposits". Currently, 16 deposits are considered strategic. Minerals Law allows the government to acquire up to 34 percent of carried interest equity if such deposits are discovered using private funds, and up to 50 percent if they are discovered using state budget funds, assuming the government decides to partner with others.[44] For uranium deposits, the government is entitled to a minimum of 34 percent and 51 percent of free equity, respectively.[45] The establishment of state-owned companies can, in principle, be mandated by the State Great Hural, the legislative body. For instance, the requirement of the Nuclear Energy Law means that the government has to establish an SOE to manage the ownership of uranium exploration and mining companies. However, in most cases, it is the prerogative of the government, or the executive body, to establish SOEs and decide whether the government will exercise its right to participate in mining projects through the ownership of mining companies. The government can also delegate its authority to establish SOEs to other entities such as Erdenes Mongol, for instance, if they need to establish a subsidiary company. The government determines which government agency or SOE should be a shareholder in a SOE, and at the same time, allocates the entity that exercises shareholder rights or exerts control, which can be the same agency or SOE as the shareholder entity.

The government's shares in mining companies are disclosed under the EITI reconciliation reports and through other means such as the State Property and Policy Coordination Committee or by specific companies such as Erdenes Mongol, which holds shares in most significant mining SOEs as a holding company.

The beneficial ownership information disclosure by SOEs is discussed under Requirement 2.5.c above.

2.5.g "Companies are encouraged to disclose their ownership structure, including the full chain of legal entities leading to the beneficial owner."

While the Mongolia EITI reporting templates capture information on beneficial owners, they fall short by not including detailed questions that are directed at disclosing the full chain of legal entities that lead to the beneficial owners in the ownership structure of companies[46]. EITI

[44] Mineral Resources Law.
[45] Nuclear Energy Law.
[46] "Mongolia EITI Template 1," n.d. www.resource4.sodonsolution.org/eitimongolia/File/2022/06/16/mtqisa3dat6jvban/EITI-Template-1_v3.pdf.

reconciliation reports do not provide the structure of ownership that leads to beneficial ownership information.[47]

Mongolia's state registration of legal entities provides open access to information on shareholders of companies.[48] However, the information is limited to shareholders and not beneficial owners, and if the shareholding involves legal entities, the shareholders of these entities can only be searched separately. In other words, the registry data disclosed is not in an open data format that could easily be retrieved or used.

2.6.a "Where state participation in the extractive industries gives rise to material revenue payments, implementing countries are required to disclose…"

State participation in the extractive industries gives rise to material revenue payments. For example, the EITI reconciliation report for 2022 provides information on total payments reported by the government for 104 companies. Of these companies, 12 with full or partial ownership by the state have contributed 72.5 percent of government revenue received from all companies.[49] The selection of companies to be included in the EITI reconciliation is a decision made by EITI Mongolia in consultation with auditors. For example, for the 2022 report, the MSG agreed to include all companies that provide at least 98 percent of all payments that are reported – this ensures that smaller companies are not included. In addition, four companies were added at the request of civil society organizations. In other words, the materiality threshold does not need to be tied solely to payment amounts, and EITI Mongolia could consider including all extractive sector SOEs in the reconciliation regardless of their size given the importance of these companies in the sector.

2.6.a.i "…implementing countries are required to disclose …An explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs (including the rules and practices governing transfers of funds between the SOE(s) and the state; retained earnings; reinvestment; and third-party financing). This must include disclosures of transfers; retained earnings; reinvestment; and third-party financing related to SOE joint ventures and subsidiaries."

[47] EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."
[48] General Authority for State Registration, "General Authority for State Registration Website."
[49] Annex 10, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

Given the number and complexity of SOEs operating in Mongolia's mining sector, this requirement is important for the public to understand the rules governing these SOEs. The EITI reconciliation report provides information on the legislation that governs SOEs in Mongolia[50] and the financial relationship between the government and SOEs[51]. The same report provides a listing of whether the financial reports, which include information on retained earnings and reinvestment, are made public, but it covers only eight SOEs. Third-party financing is not shown explicitly, but the report contains information on the liabilities of six SOEs. The report does not provide detailed information on these indicators for joint ventures or subsidiary companies.

SOEs disclose their detailed financial information through the Glass Accounts Portal. The list of items required for disclosure under this portal is given in Annex 3. EITI Mongolia should improve its reporting by linking the EITI reports with the reports under this portal as well as ensuring that all relevant SOEs are included. In addition, some of the majority SOEs, such as Baganuur and Shivee-Ovoo, are listed on the Mongolian Stock Exchange and provide detailed financial reports through the stock exchange website.

2.6.a.ii ""…implementing countries are required to disclose …disclosures from the government and SOE(s) of their level of ownership in oil, gas and mining companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period."

The EITI annual reports provide information on the level of ownership in key SOEs operating in the mining sector. However, the listing is limited to only eight companies and while joint venture partnerships are revealed, no subsidiaries are provided. The changes to the level of ownership during the reporting year are also explained.[52]

The State Property Agency prepares annual reports on SOEs. These reports, while not focused on the extractive sector, contain detailed information on state equity positions in SOEs.[53] EITI Mongolia needs to improve coordination between this agency's reports and EITI reporting on SOEs. For instance, many mining SOEs are not included in the EITI reports, while the State Property and Policy Coordination Committee report does not include any local government-owned

[50] Section 5.7.2, EITI Mongolia Secretariat.
[51] Section 5.7.7, EITI Mongolia Secretariat.
[52] Section 5.7.3, EITI Mongolia Secretariat.
[53] "Key Financial and Economic Performance Indicators of SOEs for 2022."

enterprises. One such locally owned company was included in the EITI report for 2022. At the same time, some shares, such as those for Erdenes Tavantolgoi, the key coal producer in Mongolia, differ in these two reports, with one reporting the state ownership at 85.2 percent while the other reports it at 81.5 percent, even though both reports are for 2022. Without a clear picture of the chain of ownership for subsidiaries and joint ventures, the level of ownership in these companies is not easily available in any report.

Glass Accounts is an important source of information on fully or majority owned SOEs. In its new version, the portal provides metadata for the companies under the section "Detailed Information". It should be noted that this metadata is not required by the law per se, but the Ministry of Finance added this section to all entities reporting. This section provides information on the state equity share in the company as a percentage. The other window in the metadata section is "Subsidiary entities" which provides the list of subsidiary companies. For example, Erdenes Mongol lists 15 companies as subsidiaries, while Baganuur lists two. However, not all companies list their state equity share or subsidiaries, and this needs to be improved further.

Company websites are also often a good source of information on shareholding and equity positions for some companies. The list of mining SOEs and their respective state equity holdings in them are shown in Annex 1.

2.6.b "SOEs are required to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available. Legal and regulatory barriers inhibiting the timely disclosure of audited financial statements must be clearly documented by the reporting entity."

The EITI report provides details on whether SOE financial reports were audited and whether these reports were disclosed to the public.[54] The National Audit Office also maintain a repository of audit reports. However, on their website, it is not clear whether all mining SOEs have been audited, and whether all reports have been disclosed to the public. For example, in searching for audit reports for 2021 performed in 2022, reports for some key companies like Erdenes Tavantolgoi could not be found.[55] Glass Accounts contains financial reports of SOEs, but often the attached files are

[54] Sections 5.7.9 and 5.7.11 of EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."
[55] National Audit Office, "National Audit Office Website."

unaudited reports. The list of SOEs that provide information on Glass Accounts is provided in Annex 6. Some SOEs also disclose their audited reports through their websites.

Mongolian legislation requires that SOEs undergo annual audits by the supreme audit institution.[56] The National Audit Office performs three types of audits, financial, performance and compliance. The audit office uses international auditing standards in its operations and is a member of an international supreme auditing institution. The EITI Reconciliation for 2022 states that the the supreme auditor follows International Standards for Supreme Audit Institutions. However, due to the large number of entities that need to be audited, some audit work is outsourced to private audit companies; the quality assurance remains with the National Audit Office.

The Glass Account Law requires that SOEs submit their audited reports to the Glass Accounts system.[57] The Public Information Transparency Law also unequivocally requires that SOEs themselves disclose audit conclusions and reports on a regular basis.[58] Some larger companies also have their financial reports audited by private audit companies for various reasons, such as if a lender requires such audits. However, it appears that the actual disclosure of audit reports is not regular and comprehensive, mostly due to poor implementation of existing rules. Also, some of the laws such as the Glass Accounts Law, do not apply to companies where the government holds a minority interest. This may result in some companies not disclosing audited reports despite the importance of these companies for the economy. EITI Mongolia should work with the government agencies in charge of implementing the laws mentioned above, and with companies directly, to ensure that the audit reports of SOEs and all major companies, even if the state holds a minority interest, are fully disclosed.

2.6.c "Implementing countries are required to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance (e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct)."

EITI Mongolia provides detailed information on the rules and practices related to SOE's expenditures, procurement, and subcontracting.[59] Information on SOE's operating and capital

[56] Article 8.1, State Great Hural, Law on State Audit.
[57] Article 6.1.5, State Great Hural, Glass Accounts Law.
[58] Articles 8.4.3 and 8.4.9, Public Information Transparency Law.
[59] Section 5.7.12, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

expenditures is usually contained in the full financial statements of SOEs. The Glass Account Law[60] requires government entities and SOEs to disclose detailed financial and operational information through a public website. In addition to the main financial statements, most of the mining SOEs are required to disclose their financial transactions above MNT5 million (around USD1,480) on the Glass Account Portal[61]. However, the law's requirement regarding which SOEs must report is ambiguous, leading to uneven reporting across mining SOEs. [62] This lack of clarity about which SOEs must report results in a notable company in the mining sector, the Oyu Tolgoi copper mine (minority state-owned), which is arguably the most significant player in the sector, not reporting under the Glass Accounts system. EITI should address this issue and suggest recommendations to ensure the inclusion of all important SOEs in the Glass Accounts reporting.

The Glass Account Law also mandates that all mining SOEs disclose their annual procurement plans by January 10th of each year. While many mining SOEs complied for 2024, some companies, including Erdenes Metan and Gashuun Sukhait Road, have not disclosed their plans. Additionally, a designated government procurement portal exists at tender.gov.mn where SOEs and other government entities announce their tender invitations. This portal allows for public scrutiny and promotes transparency in the SOE procurement process.

Rules governing the corporate governance of SOEs are described in the EITI annual reports as a separate section.[63] The reports also contain information on actual board members for a select list of companies including seven SOEs.[64] The key holding SOE, Erdenes Mongol, lists on the company website its subsidiaries and joint ventures. However, the list appears incomplete, as it excludes Darkhan metallurgical plant, Mongolian oil refinery plant, Mongolrostsvetmet, Tavan Tolgoi Fuel, and Erdenes Bayanbogd. Additionally, the website lacks information on the appointed boards of directors for these subsidiaries and joint ventures. While some subsidiary and joint venture websites might have board information, the reporting is inconsistent. In many cases, either the information is missing entirely, or the websites themselves are unavailable. Baganuur, Shivee-Ovoo, Erdenes Tavan Tolgoi and Erdenes Mongol list their appointed board members and have

[60] State Great Hural. Glass Accounts Law (2014). www.legalinfo.mn/mn/detail?lawId=10497.
[61] Ministry of Finance. "Glass Account Portal." Shilen Dans, n.d. www.shilendans.gov.mn/.
[62] Dorjdari Namkhaijantsan. "Mongolia's State-Owned Mining Enterprises: A Deeper Look Into Glass Accounts Data," May 2022. www.resourcegovernance.org/sites/default/files/documents/mongolia_mining_soe_deeper_look_into_glass_accounts_data.pdf.
[63] Section 5.7.13, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."
[64] Annex 19, EITI Mongolia Secretariat.

published announcements for recruiting independent board members. The Mongolian Oil Refinery Plant and Erdenes Oyu Tolgoi list their board members, but there is no information on whether they are open to recruiting independent members.

2.6.c "SOEs are expected to publish their anti-corruption policies and are encouraged to engage in rigorous due diligence processes."

Following the EITI Standard Requirement 1.2.b, a few SOEs currently publish their anti-corruption engagement plans on their websites. The list of companies that have disclosed or failed to disclose such plans through their websites is provided in Table 5. EITI annual reconciliation reports lack information on whether these plans even exist.

Table 1. Status of SOE disclosure of anticorruption policies through company websites

Status	Companies
yes	**Baganuur**, **Erdenes Tavantolgoi**, **Erdenet**, **Shivee-Ovoo**, **Tavan Tolgoi Fuel**, **Tavan Tolgoi Railway**
no	Badrakh Energy, Bayan Hishig Kharaa, Bayanteeg, Cement Shohoi, Darkhan Metallurgical Plant, Erdenes Alt Resource, Erdenes Bayanbogd, Erdenes Methane, Erdenes Mongol, Erdenes Oyu Tolgoi, Gashuun Sukhait Road, Mogoin Gol, Mon-Atom, Mongolian Oil Refinery Plant, Mongolrostsvetmet, Oyu Tolgoi, Selenge baigalyn noots, Tavantolgoi, Ulaanbaatar Railway

To address this transparency gap, the EITI should discuss this issue and mandate companies to report whether they have anti-corruption plans and, if so, where they are publicly disclosed. In addition, the Public Information Transparency Law could explicitly include anticorruption plans as the information that should continuously be disclosed on company websites and perhaps the Glass Accounts portal.

2.6.d "Where applicable, SOEs are encouraged to disclose investments in the extractive industries (including assets and liabilities). SOEs are also encouraged to disclose how their investment decisions are aligned with energy transition and climate risk considerations."

The Glass Account Law requires all SOEs to submit their investment project lists and budgets. However, only few major companies including Baganuur, Darkhan Metallurgical Plant, Mongolrostsvetmet, Erdenes Tavan Tolgoi, Erdenet and Erdenes Mongol, have complied by publishing their investments on the Glass Account Portal. Other companies either reported "no information available" or failed to submit entirely. Erdenet offers a glimpse into its climate change efforts through its reported allocation of funds for the President's One Billion Tree[65] initiative.

[65] *Montsame*. "'One Billion Trees' Approved." March 15, 2023. www.montsame.mn/en/read/314707.

While some SOEs have joined the President's One Billion Tree initiative, either through their environmental plans or social responsibility efforts, only three companies have publicly disclosed the specific investment amount they have allocated for tree planting on their websites.

While the EITI reconciliation report details infrastructure investments exceeding MNT100 million (around USD29,670) for some companies, including three SOEs[66], it lacks information on SOEs' investment decisions related to energy transition and climate risks.

2.6.e "Where feasible, SOEs are encouraged to disclose the identity and beneficial ownership of their agents or intermediaries, suppliers or contractors for material transactions."

The current EITI template does not mandate SOEs to disclose beneficial ownership of their agents, intermediaries, suppliers, or contractors involved in material transactions. Even for SOEs listed on the Mongolian Stock Exchange[67], the exchange website only discloses information on the company's board of directors and shareholders and not of those doing business with these SOEs. Information on shareholders is available from the legal entity registry by the State Registration Authority, and the Public Information Law now requires beneficial ownership disclosures, but this information could not be used to trace beneficial owners back to specific SOEs.

Requirement 3. Exploration and production

3.1.b "…companies are encouraged to disclose data on proven economic oil, gas or mineral reserves, where available."

The EITI template inquiries about companies' proven reserves. However, due to a system upgrade at the time of this report, the number of companies that reported this data remains unknown. Furthermore, the reconciliated EITI report lacks detailed information or annexes with this data aggregated by company. While an annex supposedly lists reserve information, it appears to be missing. This limitation extends to the Mineral Resources and Petroleum Authority of Mongolia, which also does not publish data on proven reserves by company. While some information might be available – six major companies disclose their proven reserves on their websites - finding this data can prove to be challenging.

3.2.d "Companies are encouraged to disclose realized sales volumes and values by project."

[66] Annex 33, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."
[67] Mongolian Stock Exchange. "Mongolian Stock Exchange," n.d. ww.mse.mn.

While the EITI template only encourages companies to disclose sales volumes by project, the EITI 2022 report[68] reveals this data for just four SOEs and not explicitly disaggregated by project: Baganuur, Badrakh Energy, Oyu Tolgoi and Erdenes Silver Resources. The reporting by project becomes complex if companies operate several projects at the same time, but it is not impossible given that most SOEs operate only a few projects. In general, if SOEs manage large-scale projects, it may be useful to establish separate SOEs for a given specific project, so that there will be no discrepancy between reporting by legal entities and projects.

The EITI Reconciliation Report contains information on sales volumes and values for each company. The quality of data remains an issue as production numbers across EITI and other government statistics do not always match. This is partially related to the inclusion of only a select number of companies in the reconciliation and that the reconciliation focuses much more on the accuracy of payments data than that of sales data. The EITI reports do not provide project-by-project data, neither do the Glass Accounts and Public Information Transparency laws require such reporting. Only when a legal entity is a company focusing on a single project's reports can they be considered project-level.

3.3.d "Exporting companies and buyers of commodities, including commodity traders, are encouraged to disclose realized sales volumes and values by project."

The EITI template, as discussed in Requirement 3.2.d, only encourages companies to disclose sales volumes by project. The EITI report and its annexes contain only scant information on buyers of commodities and intermediaries between miners and buyers. For SOEs, the Glass Accounts portal provides data for individual cash transactions above five million tugrug threshold, which contains information on who the transaction is made with. Through this information, sales income from commodity traders can be observed indirectly. However, the information on buyers (or those who SOEs report as receiving income from) cannot be easily identified from lists containing multiple names, and the Glass Accounts portal does not provide additional detail on transactions in a systematic way. In addition, the Glass Accounts law does not apply to all SOEs, namely not those relevant to minority state owned companies, which could be large entities like Oyu Tolgoi and be subject to public interest.

[68] Annex 22, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

3.3.e "Exporting companies and implementing countries are encouraged to disclose whether the buyer is a related party."

This information is absent from both the EITI report and the websites of the majority of companies. Financial reports submitted by companies to the tax authority and the Ministry of Finance contain information on related party transactions, but such information, mostly contained in the annexes of key financial reports, is often omitted during the company disclosures of these reports.

3.4.a "Companies are encouraged to disclose greenhouse gas (GHG) emissions in alignment with existing leading disclosure standards."

The EITI report currently does not contain information on companies' greenhouse gas emissions. While some progress has been made, with Badrakh Energy and Oyu Tolgoi reporting their GHG emissions on their websites, a more comprehensive approach is needed to ensure all SOEs prepare such data for public consumption. The GHG emissions data is not required for disclosure under the Public Information Transparency Law.

Requirement 4. Revenue collection

4.1.a "…companies are expected to routinely disclose the requisite information [i.e. all material payments by oil, gas and mining companies to governments] through government and corporate reporting (e.g. websites, annual reports)"

The EITI annual reports in Mongolia contain detailed information about payments by extractive companies to governments. The reports provide extensive detail in terms of types of revenues. Mongolia's EITI report contains detailed information for 104 companies, including 14 SOEs.[69] These companies were selected from more than 2,000 companies that submitted their reports using materiality thresholds. The EITI report does not clearly classify participating companies in terms of their state ownership status; as such, the report or its annexes do not allow for an easy understanding of which companies are state owned. Additionally, the payments data contains information on 13 state and locally owned companies. EITI Mongolia should ensure that SOEs are clearly identified and easily observable.

[69] EITI Mongolia Secretariat.

SOEs provide their tax and payments information through their annual financial reports as well. These reports are published through Glass Accounts. Further details on Glass Accounts are discussed in the sections above related to Requirement 2.6. The requirement to disclose transactions over MNT 5 million by SOEs through Glass Accounts allows for distinguishing payments to the state in a granular manner, with the limitation that Glass Accounts do not apply to all SOEs. SOEs are subject to all taxes and payments that their private counterparts pay, and EITI reporting templates are comprehensive and contain all payments information.

4.1.d "…All oil, gas and mining companies making material payments to the government are required to comprehensively disclose material payments in accordance with the agreed scope."

The reporting by SOEs on material payments to the government is discussed above under Requirement 4.1.a.

4.1.e "Companies are expected to publicly disclose their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows and effective tax rates) where financial statements are not available at country level. Companies are encouraged to disclose tax deductions and incentives in the period under review."

SOEs undergo audits through the National Audit Office, the supreme state audit institution. They disclose most of the financial audit reports through their own website. In addition, audited reports should be disclosed by SOEs through the Glass Accounts portal. However, neither resource contains audited reports for all companies. EITI Mongolia should work on ensuring that the NAO provides a list of all audited reports for SOEs completed by the agency, so that it is clear to everybody if all reports are being disclosed.

EITI reports do not contain information on company tax deductions and incentives. Some information can be deducted from annual financial reports that are available through Glass Accounts, but these reports also lack specifics that prevent a complete understanding. EITI should explore how this optional provision of the EITI Standard could be implemented for SOEs.

4.2.a "Where the sale of the state's share of production of oil, gas and/or mineral resources or other revenues collected in kind is material, the government, including state-owned enterprises (SOEs), are required to disclose the volumes received and sold by the state (or third parties appointed by the state to sell on their behalf); the revenues received from the

sale; and the revenues transferred to the state from the proceeds of oil, gas and minerals sold. Where applicable, this must include payments (in cash or in kind) related to swap agreements and resource-backed loans (see definition in Requirement 4.3)."

The EITI Reconciliation reports provide the monetary value of government oil proceeds from oil extraction companies.[70] However, the information provided lacks details on what the government's share of oil is and whether it is received as sales proceeds or as a commodity that the government sells independently. There are no SOEs involved in the extraction of oil at present.

Information about what percentage of oil production constitutes profit, cost or government oil can be found in the oil sector production sharing contracts. However, these contracts are not subject to disclosures by law, and the ones that were disclosed through the Contracts Portal are redacted to exclude this information. As mentioned above, there are no SOEs active in the oil sector.

The EITI annual report also contains information on debt positions of SOEs.[71] However, this information does not provide details and does not allow for an understanding of whether there are any resource-backed loans or swap agreements. The report contains information on barter agreements made by companies mostly with the local governments. However, the information provided does not necessarily represent resource-backed loans or swap agreements.

In the coal sector, SOEs are discouraged to enter into advance sales or hedge agreements following the 'coal theft' scandal in 2023. Additionally, the coal exporters are required to submit their sales agreements to the tax authorities. EITI could collaborate with the tax authorities to ensure that they disclose information on all contracts they collect, including details on whether resource-backed loan or swap agreements are part of these agreements.

4.2.b "Implementing countries, including SOEs, are encouraged to disclose a description of the process for selecting the buying companies; the technical and financial criteria used to make the selection; the list of selected buying companies including beneficial ownership information (where available); the identity of intermediaries or agents (where applicable); and any material deviations from the applicable legal and regulatory framework governing the selection of buying companies and the related sales agreements."

[70] Annex 12, EITI Mongolia Secretariat.
[71] Annex 30, EITI Mongolia Secretariat.

The EITI annual report contains information on the legal environment that SOEs should follow in their procurements of buyers or suppliers. Some of these are discussed in the above section related to Requirement 2.6.c. Some of the companies, such as Erdenes Tavantolgoi, provide detailed information on how they select buyers, including invitations to bid and other details on their websites. However, most of the SOEs do not provide sufficient details on the process for selecting buying companies, including the criteria used, beneficial ownership information, the use of any intermediaries or agents. Recently, the tax authorities started requiring all exporting companies to submit their buyer information. This information, or at least the list of contracts submitted by the companies, could be included in EITI reporting.

4.4.a "Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) must disclose the revenues received."

EITI Reconciliation Report contains a section supported by an annex on SOE transportation activities. For example, the key coal hauling road from Tavan Tolgoi coal basin to the border with China is owned by Erdenes Mongol, the holding SOE, generating a significant revenue stream for the company. However, the information collected through EITI is not complete, and lacks detailed information on the transport companies involved in their product sales. EITI should discuss this requirement and ensure that the information is collected and disclosed consistently and meaningfully. Gashuun Sukhait Road, a SOE operating the coal hauling road and a subsidiary of Erdenes Mongol, reports through the Glass Accounts portal. EITI Mongolia and EITI reports should verify which SOEs are engaged in such activities so that the Glass Accounts can be used to monitor information on the revenues of SOEs engaged in transportation. Currently, no information on SOE transportation companies is available through EITI or other sources.

4.5.a "The multi-stakeholder group is required to ensure that the reporting process comprehensively addresses the role of state-owned enterprises (SOEs), including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs."

The EITI reports include fairly detailed information on the role of SOEs, the rules governing disclosures of payments, and SOE transfers,[72] but they have some limitations in detailing practices in accordance with the EITI Standard. The reliability of disclosures is also an issue, including the list

[72] Section 5.7, EITI Mongolia Secretariat.

of SOEs, shareholding positions, board membership information, and transfers between SOEs and the government. EITI Mongolia should study in more detail which specific information collection processes have not been captured by the EITI and develop methods to clearly distinguish between SOEs and other companies regarding reporting differences and overlaps.

SPPCC produces annual reports on the state of SOEs, which contain detailed financial and operational information on SOEs from all sectors. The National Audit Office produces performance audits for some SOEs which typically contain information on the role they play in the economy, but such audits are not regular and not mandatory, unlike financial audits. Transfers from SOEs to others, including government agencies and other SOEs, are principally captured under the MNT 5 million cash transactions disclosures through the Glass Accounts. However, minority SOEs are not included, and the beneficiaries of these transactions could not be readily analyzed or distinguished between private and government entities.

4.10.c "Companies and implementing countries are encouraged to disclose declared costs disaggregated by project, and by costs related to operating and capital expenditures. Operating expenditure declared in the reporting year may include amortization or depreciation of costs incurred in prior years. Companies and implementing countries are encouraged to disclose costs incurred since the commencement of the project."

Project-by-project reporting is one of the challenge areas for Mongolia SOEs, partly because many taxes are paid by a legal entity, and the definition of mining projects is not straightforward. Suggestions to use licenses as a project do not work if several licenses are allocated for some projects. Assumptions that one company would work on only one project, and thus eliminating differences between legal entities and projects, are simplistic and inaccurate. Under such circumstances, project-level reporting is challenging. While Mongolia's EITI Reconciliation Report attempts to define a project and contains an annex on project level information, the information provided is neither complete nor detailed enough to address key issues such as tax payments. Mongolia EITI needs to revisit the issue of project-by-project reporting, including for SOEs, and ensure that the current reporting based on legal entities enables the dissection of project-level information. Historic costs, or those incurred from the commencement of the project, have not been included in the EITI reports or elsewhere, with the exception of a few large-scale projects which have mostly scant and narrative information on accumulated project costs.

Requirement 5. Revenue management and distribution

5.3.c "When requested by the multi-stakeholder group, oil, gas and mining companies are encouraged to disclose projected project production levels, and estimated timelines related to cost recovery."

There is no information on projected project production levels or estimations on cost recovery in EITI reconciliation reports. The information relevant to this requirement can usually be found in technical feasibility studies, which are not publicly available. There have been cases where information about projected production levels and cost recovery estimates has become the subject of public scrutiny and debates, mostly for larger-scale projects that required government contracts or public support. For instance, during the negotiation of an investment agreement between the government and investors, such information became public for projects like Oyu Tolgoi or Tavan Tolgoi. These instances are exceptions rather than standard practice on a larger scale. We have found no evidence that EITI Mongolia has requested such information from companies at any point in time.

Requirement 6. Social and economic spending

6.2.a "Where state participation in the extractive industries gives rise to material revenue payments, implementing countries are required to include disclosures from state-owned enterprises (SOEs) on their quasi-fiscal expenditures. The multi-stakeholder group must develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures."

The EITI Reconciliation Report contains a section on the quasi-fiscal spending of SOEs, directing readers to the Glass Accounts reports of SOEs.[73] However, there is no clear definition of quasi-fiscal spending, and Glass Accounts does not provide specific reports where one can easily dissect information on such spending. For instance, coal subsidies or price caps for SOE coal mines are not described in Glass Accounts. Companies report on their corporate social responsibility or other social investments if they are linked to donations and grants by companies to others as part of the EITI process.

[73] Section 5.7.14, EITI Mongolia Secretariat.

6.3.a.iv "…Companies are encouraged to disclose the gender pay gap."

EITI strives to collect such information from companies through its online system.[74] The EITI Reconciliation Report contains information on the number of employees by companies disaggregated by gender,[75] but does not provide details on the pay gap. A few large companies, such as Oyu Tolgoi or Baganuur, provide information on gender through their annual reports or corporate social responsibility reporting, but these reports do not go beyond workforce numbers by gender.

6.4.b "Implementing countries and reporting companies are required to ensure that public environmental, social and gender impact assessments, monitoring reports, permits, and licenses that are mandated by law or contract, are publicly accessible in practice."

Environmental, social and governance (ESG) impact assessments are not routinely prepared or disclosed by most companies. EITI reports, while containing useful information that relates to ESG issues, such as the use of chemicals, water use, local community related information, local cooperation agreements etc., do not contain data on or assessment of ESG impact. EITI could use its platform to ensure that SOEs provide detailed information on their ESG activities through their EITI reporting. Some large SOEs such as Baganuur, have prepared ESG reports in the past, but they are neither regular nor universal.

The Public Information Transparency Law requires that information on the impact of mining on the environment, health and animals be disclosed to the public on a regular basis. We have not found any documentation regarding the extent of implementation of this requirement.

6.4.c "Companies are encouraged to disclose further information about their social, gender and environmental management and impact."

The issue was discussed above under Requirement 6.4.b.

[74] The online reporting system of EITI has been inactive in recent months due to rework of the system, and as such we could not confirm or attest to the level of disclosure and quality of such information.
[75] Annex 14, EITI Mongolia Secretariat, "2022 Mongolia EITI Reconciliation Report."

4. Conclusions and Recommendations

Conclusions

Mongolia's extractive sector is the backbone of the country's economy, with various companies operate through exploration and mining licenses and engaging in dealings with license holding entities. A number of SOEs are involved in the sector, managing, operating or exploring various mining or mining related projects. Given the significant role of SOEs in this sector, transparency and good governance of these SOEs become crucial, especially amidst recurring cases and scandals related to corruption, mismanagement, and poor commercial performance of SOEs and their management. Contributing factors include the large number of SOEs operating in the sector, the relative ease of establishing new SOEs, the diverse types of SOEs, non-commercial activities undertaken by SOEs, and political appointments to key positions. Establishing basic internal controls and ensuring efficient public scrutiny mechanisms remains challenging, as management and key appointments are frequently replaced, and reporting mechanisms are not always effective. Various reports and assessments address these issues, including those by NRGI.[76]

EITI provides a comprehensive set of requirements directed at governments and mining companies, specifically including mining SOEs. Since its inception in 2003, the EITI requirements have evolved significantly. The 2023 EITI Standard marks an important milestone with extensive disclosure requirements aimed at improving the transparency and governance of SOEs. Mongolia, as an EITI-implementing country, should leverage the EITI Standard and processes to enhance its systems for managing mining sector SOEs. However, it is acknowledged that EITI does not operate in isolation; many EITI requirements are related to the country's extensive legal framework for managing SOEs and the long history of EITI implementation in Mongolia, dating back to 2006. Nevertheless, EITI offers the most comprehensive and systematic method for regularly disclosing information about SOEs, utilizing its reporting systems and multi-stakeholder approaches. Mongolia must make strides to ensure full compliance with EITI requirements.

Current EITI reporting and disclosures have made significant progress, building a foundation for ensuring information accuracy, relevance, and utility for stakeholders. However, challenges persist, and improvements are needed in several areas:

[76] For example, Andrew Bauer and Dorjdari Namkhaijantsan, "Wild Growth: An Assessment of Erdenes Mongol." and NRGI, "Mining Governance in Mongolia Improves Slightly, But Public Disclosures and Governance of State-Owned Enterprises Require Attention."

- Current disclosures provide information on many aspects of SOE operations in the mining sector, but often information from different sources on the same issue is not identical or comprehensive. For instance, there are issues related to how many SOEs operate in the sector or what the government's stakes in these companies are. Without clear and accurate information on these fundamental issues, there is a chance that information would be manipulated, lack credibility, and not used for policy or oversight purposes.
- EITI collects many types of information from companies and SOEs, but the quality and completeness of information provided varies significantly across the types of information and from company to company. Information on tax and other payments is comprehensive and generally of good quality, while information on such aspects of EITI reporting as beneficial ownership in joint ventures, commodity sales etc. is of limited quality. In addition, it appears that EITI reconciliation reports, while containing a lot of information, are descriptive in nature and do not focus on reconciling information in terms of quality and details, especially for non-tax data.
- Mongolia's Glass Accounts portal is a significant source of information on SOEs. However, the system is not necessarily linked to other government information systems, and certainly not to the EITI data. It also does not apply to certain categories of SOEs. The reporting under Glass Accounts by SOEs, while still having some limitations, is generally a very positive development that should be strengthened and could be used to streamline data collection for EITI and other purposes. The same observation can be made for financial and economic statistical reports developed by the State Property and Policy Coordination Committee. Some key information that is required by the EITI Standard for disclosures, such as government share in companies, payments to the government, list of subsidiaries, and information about buyers and suppliers of SOEs, is already reported under the Glass Accounts, albeit some information being not directly comparable to the EITI template or requirements. Some other information, such as production and exports, is not covered, mainly due to the focus of the Glass Accounts on financial aspects of SOEs.
- The overwhelming majority of current data and information on SOEs prepared by various sources do not meet open data format requirements, especially very useful information on Glass Accounts. For instance, full financial reports are often posted as image files rather than machine-readable data.

- EITI Mongolia and its multi-stakeholder governing structures have not held specific discussions in relation to some aspects of SOE reporting that are either mandatory or optional under the 2023 EITI Standard. Current discussion of a draft law on EITI could be used for this purpose.

These are the general conclusions that we are providing in addition to detailed findings described in the "Key Findings" section of this report.

Recommendations

Based on the key findings and conclusions presented in the previous sections of the report, we recommend the following general areas of action to improve SOEs disclosures in Mongolia's extractive sector to EITI stakeholders in Mongolia.

- Based on this scoping report, organize multi-stakeholder meetings on addressing the findings, develop actions that EITI should undertake, and create a roadmap for implementing identified actions.
- Organize meetings with the Ministry of Finance who oversees the Glass Accounts portal, the tax authority, the State Property and Policy Coordination Committee, and Erdenes Mongol to align and streamline data collection, reporting and exchange. For example, automatic retrieval of relevant data from tax or Glass Accounts by EITI online electronic systems could be implemented to improve data quality and reduce the reporting burden on companies. In parallel, EITI should recommend that the government improve the Glass Accounts by including information required by the EITI Standard that is currently missing from the portal. Ideally, the Glass Accounts could serve as the channel to systematically disclose all EITI requirements for SOEs. However, currently, the two mechanisms differ in terms of the coverage of companies and reporting points, as well as in terms of required data formats, timelines, and the level of audit or reconciliation requirements. These could be aligned so that the Glass Accounts is the place where SOEs provide reports on all requirements of the EITI Standard.
- Develop recommendations for changing EITI reporting templates and online reporting systems with the aim of ensuring comprehensive, accurate, and timely reporting by all mining sector SOEs and enhancing data share by different entities. This should include requiring information on transportation activities by SOEs, contract transparency, GHG

emissions and fossil fuel investments, gender pay gap, and any other information required by the EITI that is currently not covered.
- Revise terms of references for consultants who prepare annual reconciliation reports, focusing more on SOE related information quality assurance.

In addition to these high-level recommendations, we recommend the following actions by the EITI Mongolia on some specific reporting practices on SOEs.

- Ensure that all major SOEs, represented by high level officials, are duly represented in EITI governance structures, and actively participate in all deliberations, especially on SOE related reporting issues.
- Revisit annual materiality thresholds for companies to be included in the reconciliation reports, with the requirement that all SOEs are subject to the reconciliation.
- Develop a clear definition of SOEs for EITI purposes, aiming to include all types of SOEs that play a major role in the economy, including those where the state holds only partial interest. This should be accompanied by creating a regularly updated list of all types of SOEs operating in the sector.
- Revisit beneficial ownership reporting templates by SOEs, focusing on reporting partners in joint ventures where state holds partial ownership and on key suppliers and commodity buyers.
- Encourage SOEs with partial ownership to consider adhering to the Glass Accounts Law even if the minority ownership by the state in these SOEs does not require their compliance. EITI Mongolia could also work with the government to develop proposals to amend the Glass Accounts Law to include all SOEs, even those where state holds a minority share, possibly limiting this to strategic deposits.
- Work with the National Audit Office and SOEs directly to ensure that all audited reports for mining SOEs are disclosed, easily located, and the list of all audits and auditors is provided in the EITI annual reports. This should expand to any audits performed by private auditors.
- Work with the Independent Agency Against Corruption, the State Property and Policy Coordination Committee, Erdenes Mongol, and SOEs directly to ensure all SOEs prepare and disclose anti-corruption policies and report on the implementation of these policies.
- Collaborate with the State Property and Policy Coordination Committee and SOEs directly to ensure all SOEs board membership and rotations are regularly disclosed and updated in a timely manner.

- Work with the Ministry of Finance and tax authorities to have the list of all sales contracts by SOEs submitted to them and disclosed to the public on a regular basis.
- Hold discussions and develop actionable plans for reporting GHG emissions under EITI.

We believe that the implementation of these recommendations will be in line with the interests of all stakeholders engaged in the EITI.

Annex 1. List of SOEs and the Level of State Ownership (percentage stake)

SOE Name and Sector	Government Share (in %)
holding	
Erdenes Mongol	100.00
mining	
Aduunchuluun	0.00
Baganuur	75.00
Bayanteeg	70.00
Erdenes Alt Resource	100.00
Erdenes Oyu Tolgoi	100.00
Erdenes Tavantolgoi	73.51
Erdenet	100.00
Mogoin Gol	51.00
Mongolrostsvetmet	100.00
Oyu Tolgoi	34.00
Selenge baigalyn noots	NA
Shivee-Ovoo	90.00
Tavantolgoi	51.00
exploration	
Badrakh Energy	34.00
Bayan Hishig Kharaa	NA
Erdenes Bayanbogd	34.00
Erdenes Methane	100.00
Gurvan Saikhan	85.00
Methane Gas Resource	NA

SOE Name and Sector	Government Share (in %)
exploration	
Mon-Atom	100
MonCzechUranium	51
processing	
Darkhan Metallurgical Plant	100
Erdenes Steel	50
Mongolian Oil Refinery Plant	100
Tavan Tolgoi Fuel	49
service	
Baganuur Ilch	100
Erdenet Medical Hospital	NA
Erdenet Mineral Solution	NA
Shivee Service	NA
infrastructure	
Cement Shohoi	100
Erdenes Shivee Energy	50
Erdenes Technology Park	100
Gashuun Sukhait Road	42
MMExchange	100
Mon Tsahim	NA
Tavan Tolgoi Railway	100
Ulaanbaatar Railway	50
finance	
Erdenes Ashid	34
Erdenes Asset Management	100

Annex 2. EITI Requirements Pertinent to SOE Disclosures

Requirement 1. Oversight by the MSG

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 1. Oversight by the multi-stakeholder group (MSG)	required	1.2.a "Companies must be fully, actively and effectively engaged in the EITI."	no	yes
	expected	1.2.b "Reporting companies are expected to publish an anti-corruption policy, including their beneficial ownership data"	no	yes

Requirement 2. Legal and institutional framework

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 2. Legal and institutional framework, contracts, and licenses	required	2.5.c "...companies are required to publicly disclose, beneficial ownership information."	no	yes
		2.5.e.3 "Publicly listed companies, including wholly owned subsidiaries, are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed to facilitate public access to their beneficial ownership information."	no	some
		2.5.e.5 "State-owned enterprises (SOEs) are required to disclose the name of the state(s) owning or controlling the SOE, the level of ownership and details about how ownership or control is exerted..."	yes	yes
		2.5.e.5 "...If the SOE is not fully owned by the state, beneficial ownership information must be disclosed in accordance with Requirement 2.5(c)."	yes	yes
		2.6.a.i "Where state participation in the extractive industries gives rise to material revenue payments ...implementing countries are required to disclose ...An explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs (including the rules and practices governing transfers of funds between the SOE(s) and the state; retained earnings; reinvestment; and third-party financing). This must include disclosures of transfers; retained earnings; reinvestment; and third-party financing related to SOE joint ventures and subsidiaries."	yes	no
		2.6.a.ii "Where state participation in the extractive industries gives rise to material revenue payments...implementing countries are required to disclose ...disclosures from the government and SOE(s) of their level of ownership in oil, gas and mining companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period."	yes	no
		2.6.b "SOEs are required to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available. Legal and regulatory barriers inhibiting the timely disclosure of audited financial statements must be clearly documented by the reporting entity."	yes	yes
		2.6.c "Implementing countries are required to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance (e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct)."	yes	no
	expected	2.6.c "SOEs are expected to publish their anti-corruption policies..."	yes	yes
	encouraged	2.5.g "Companies are encouraged to disclose their ownership structure, including the full chain of legal entities leading to the beneficial owner."	no	some
		2.6.c "SOEs ...are encouraged to engage in rigorous due diligence processes."	yes	yes
		2.6.d "Where applicable, SOEs are encouraged to disclose investments in the extractive industries (including assets and liabilities). SOEs are also encouraged to disclose how their investment decisions are aligned with energy transition and climate risk considerations."	yes	yes
		2.6.e "Where feasible, SOEs are encouraged to disclose the identity and beneficial ownership of their agents or intermediaries, suppliers or contractors for material transactions."	yes	yes

Requirement 3. Exploration and production

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 3. Exploration and production	encouraged	3.1.b "...companies are encouraged to disclose data on proven economic oil, gas or mineral reserves, where available."	no	yes
		3.2.d "Companies are encouraged to disclose realized sales volumes and values by project."	no	yes
		3.3.d "Exporting companies and buyers of commodities, including commodity traders, are encouraged to disclose realized sales volumes and values by project."	no	some
		3.3.e "Exporting companies and implementing countries are encouraged to disclose whether the buyer is a related party."	no	some
		3.4.a "Companies are encouraged to disclose greenhouse gas (GHG) emissions in alignment with existing leading disclosure standards."	no	yes

Requirement 4. Revenue collection

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 4. Revenue collection	required	4.1.d "...All oil, gas and mining companies making material payments to the government are required to comprehensively disclose material payments in accordance with the agreed scope."	no	some
		4.2.a "Where the sale of the state's share of production of oil, gas and/or mineral resources or other revenues collected in kind is material, the government, including state-owned enterprises (SOEs), are required to disclose the volumes received and sold by the state (or third parties appointed by the state to sell on their behalf); the revenues received from the sale; and the revenues transferred to the state from the proceeds of oil, gas and minerals sold. Where applicable, this must include payments (in cash or in kind) related to swap agreements and resource-backed loans (see definition in Requirement 4.3)."	yes	yes
		4.4.a "Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) must disclose the revenues received."	yes	some
		4.5.a "The multi-stakeholder group is required to ensure that the reporting process comprehensively addresses the role of state-owned enterprises (SOEs), including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs."	yes	no
	expected	4.1.a "...companies are expected to routinely disclose the requisite information [i.e. all material payments by oil, gas and mining companies to governments] through government and corporate reporting (e.g. websites, annual reports)"	no	yes
		4.1.e "Companies are expected to publicly disclose their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows and effective tax rates) where financial statements are not available at country level..."	no	yes
	encouraged	4.1.e "...Companies are encouraged to disclose tax deductions and incentives in the period under review."	no	yes
		4.2.b "Implementing countries, including SOEs, are encouraged to disclose a description of the process for selecting the buying companies; the technical and financial criteria used to make the selection; the list of selected buying companies including beneficial ownership information (where available); the identity of intermediaries or agents (where applicable); and any material deviations from the applicable legal and regulatory framework governing the selection of buying companies and the related sales agreements."	yes	yes
		4.10.c "Companies and implementing countries are encouraged to disclose declared costs disaggregated by project, and by costs related to operating and capital expenditures. Operating expenditure declared in the reporting year may include amortization or depreciation of costs incurred in prior years. Companies and implementing countries are encouraged to disclose costs incurred since the commencement of the project."	no	yes

Requirement 5. Revenue management and distribution

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 5. Revenue management and distribution	encouraged	5.3.c "When requested by the multi-stakeholder group, oil, gas and mining companies are encouraged to disclose projected project production levels, and estimated timelines related to cost recovery."	no	yes

Requirement 6.

Requirement Grouping	Level of Compliance	Provision Details	Specific to SOEs?	Do all SOEs have to comply?
Requirement 6. Social and economic spending	required	6.2.a "Where state participation in the extractive industries gives rise to material revenue payments, implementing countries are required to include disclosures from state-owned enterprises (SOEs) on their quasi-fiscal expenditures..."	yes	no
		6.2.a "...The multi-stakeholder group must develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures."	yes	no
		6.4.b "Implementing countries and reporting companies are required to ensure that public environmental, social and gender impact assessments, monitoring reports, permits, and licenses that are mandated by law or contract, are publicly accessible in practice."	no	yes
	encouraged	6.3.a.iv "...Companies are encouraged to disclose the gender pay gap."	no	yes
		6.4.c "Companies are encouraged to disclose further information about their social, gender and environmental management and impact."	no	yes

Annex 3. Glass Accounts SOE disclosures requirements

Glass Accounts Requirements for SOEs
6.1.1. annual budgets, procurement plans and local development fund plans shall be disclosed prior to 10 January each year
6.1.2. half-year annual budget performance shall be disclosed within 15 August, previous year annual budget performance shall be disclosed within 25 April, and monthly and quarterly performances shall be disclosed within 8th of the following month;
6.1.3. budget for the following year shall be disclosed within 15 September each year;
6.1.4. year-end financial report shall be disclosed within 25 April of the following year, and half-year financial report shall be disclosed within 15 August;
6.1.5. audit report with respect to budget of the general budget governor shall be disclosed within 25 April, and [report on] implementation measures and activities reflected in such audit reports shall disclosed within 1 July;
6.1.6. budget savings, surplus and their reasoning shall be disclosed on quarterly basis;
6.4.1. amendments and changes made to the current annual budget;
6.4.2. amendments made to the organisation's accumulation of payment, commissions and fees for regulatory services;
6.4.3. tender/bid documents, tender/bid procedures, tender/bid invitations, criteria for the bidders who are participating in the tender/bid, introduction of entities that have been selected as well as those have not been selected, and the legal basis or other reasons for their selection and nonselection;
6.4.4. names of goods and services procured which have total value of more than five million togrogs, their financing amounts and name and contact details of the relevant supplier;
6.4.5. information regarding incomes and expenditures, excluding salaries, that have value of more than five million togrogs shall be disclosed transaction by transaction, along with names of the recipients and the relevant transaction notes;
6.4.6. audit reports, conclusions and other results of monitoring [activities] of procurement processes;
6.4.7. amendments to approved employment positions in the organisation;
6.4.8. bonds, loans, promissory notes, guarantees and other similar financial instruments, public private partnership agreements, concessions, budgets, and [other] decisions relating [state] property, assets or monies which created receivables and/or payables; and

Annex 4. Public Information Transparency Law SOE disclosure requirements

Requirements related to financing and budgets

PIT Law Finance and Budget Related Requirements for SOEs
8.4.1.execution of the previous year's budget, current year's budget, next year's budget draft;
8.4.2.budget performance and half-year and full-year financial reports;
8.4.3.audit opinions on financial statements;
8.4.4.amount of fees, payment, and regulatory service fees to be collected in accordance with the law;
8.4.5.budget savings and overruns, explanations of their causes;
8.4.6.name of purchased goods, works and services with the value of MNT five million or more, and amount of financing, name and address of a supplier.
8.4.7.cash flow of income and expenses with the value of MNT five million or more, excluding salary expenses, for each transaction, alon with details of the transaction, and name of a recipient;
8.4.8.bonds, loans, debentures, guarantees, other similar financial instruments, public and private sector partnership agreements, concessions, or budgets, property, assets, money spending, or any decision on debts and receivables;
8.4.9.information on measures taken according to audit reports and recommendations, records of glass account and its implementation;
8.4.11.evaluations and audits conducted in procurement activities, and reports and conclusions on other inspections;
8.2.3.economic and social development indicators, operations reports, and reports of monitoring, evaluation, internal audit, financial auditing conducted in activities of information respondent, relevant acts, conclusions, official requirements, and recommendations;
8.6.5.name, address, charter, direction of activity of the state-owned or local-owned legal entity, state or locally partially owned private legal entity, share of capital contributed by an authorized entity, profit and loss report, amount of taxes paid to the consolidated budget dividends;
8.6.7.amount of taxes and capital contributed to the unified budget and the National Wealth Fund for the legal entity holding a license t use mineral deposits of strategic importance;
8.6.8.information on the use, transfer and privatization of state and local property by individuals or legal entities, the use of budget funds and their decommissioning, and revenue earned from decommissioning;

Requirements related to governance and processes

PIT Law Governance and Processes Related Requirements for SOEs
8.4.9.information on measures taken according to audit reports and recommendations, records of glass account and its implementation;
8.4.10.plans, reports, tender documents, procedures for the procurement of goods, works and services with state and local property funds, tender invitations, criteria for tender applicants, brief information on successful and unsuccessful bidders, and legal grounds or reasons for the selected and unselected tender;
8.4.11.evaluations and audits conducted in procurement activities, and reports and conclusions on other inspections;
8.4.27.research and analysis work ordered by the information respondent, and its report;
8.2.2.function, structure, organization, address, location, contact phone number, postal address, social network address for communicating with the public and delivering information;
8.2.3.economic and social development indicators, operations reports, and reports of monitoring, evaluation, internal audit, financial auditing conducted in activities of information respondent, relevant acts, conclusions, official requirements, and recommendations;
8.2.6.legislations, government decisions and other legal acts that are applied in activities;
8.2.7.job description, name or surname /father/mother's name/ of officer, official contact phone number, official e-mail address;
8.2.8.reports and news on resolution of applications and complaints;
8.3.2.procedure for selection of officials and employees;
8.3.3.code of conduct for officials and employees;
8.3.4.procedures for monitoring and evaluating human resource strategy and its implementation;
8.3.5.measures taken to ensure transparency of human resources management;
8.3.6.procedure for performance evaluation of civil servant.
8.5.2.grounds and procedures for granting, extending, suspending, restoring, revoking permits, or information on permits granted, extended, suspended, restored, or revoked, and name, address, branch, representative office of permit owner, and permit issued or validity period .
8.6.2.list of intellectual property rights that are owned;
8.6.4.information on the land owned by information respondent;
8.6.5.name, address, charter, direction of activity of the state-owned or local-owned legal entity, state or locally partially owned private legal entity, share of capital contributed by an authorized entity, profit and loss report, amount of taxes paid to the consolidated budget, dividends;
8.6.6.structure and composition of the board of directors and controlling board of the state-owned or local-owned legal entity, state or locally partially owned private legal entity, and names, salaries, bonus amount, official e-mail address of their members' and executive management, and requirements for the management of a legal entity, management selection procedure, selection dates, and information on participants in the selection process;
8.6.8.information on the use, transfer and privatization of state and local property by individuals or legal entities, the use of budget funds and their decommissioning, and revenue earned from decommissioning;
8.6.21.name, surname /father/mother's name/ of a student, and country of study, name of school, majoring subject, duration of study, amount of study cost financed by information respondent, and implementation of the contract;

Requirements related to other issues such as role of SOEs, operations, contractors, ESG, beneficial ownership

PIT Law Other Requirements for SOEs
8.4.12.information on provision of procurement expertise and methodical advice and instructions to the relevant entity at the request of information respondent or client organization;
8.4.23.information other than confidential information of a concessionaire and his/her organization every time a concession contract is concluded, or any information on concession items, work to be performed, and services to be provided;
8.2.1.mission, operational strategic objectives, goals, priorities, measures taken within their scope, and their outcomes;
8.2.10.program of public events to be organized by information respondent.
8.3.1.information on job vacancies;
8.6.9.information on the environmental impact assessment that determined potential adverse impacts and consequences to the environment during the operation, production, and services of person or legal entity, as well as measures to eliminate such consequences, and information on impacts on the environment by using subsoil resources;
8.6.10.Information on current impacts or impacts to be provided from operation, production, services, equipment and technologies used by the information respondent on the health of people, animals, and the environment;
8.6.12.certificate granted for land use in specially protected areas, signed agreements, land use payments;
8.6.13.agreement made by a local administrative organization with a license holder on increase of jobs and development of infrastructure related to the environmental protection, mining and establishment of plant as set out in Article 42 of the Minerals Law;
8.6.19.final owner of a legal entity and information on final owner;

Annex 5. SOEs in Mining Sector by Type of Product

	Commodity	Count of SOEs
	service	14
	coal	10
	uranium	4
	copper	3
	iron ore	2
	gold	2
	cement	1
	unconventional oil	1
	methane	1
	oil	1
	fluorspar	1
Total	—	40

Annex 6. The State of Disclosures of SOEs on Glass Accounts

Company and subsector	Reports on Glass Accounts
uranium	
Badrakh Energy	no
Gurvan Saikhan	no
MonCzechUranium	no
coal	
Baganuur	yes
Erdenes Bayanbogd	yes
Erdenes Tavantolgoi	yes
Mogoin Gol	yes
Shivee-Ovoo	yes
Tavantolgoi	yes
cement	
Cement Shohoi	yes
iron ore	
Darkhan Metallurgical Plant	yes
gold	
Erdenes Alt Resource	yes
Selenge baigalyn noots	no
service	
Erdenes Mongol	yes
Ulaanbaatar Railway	yes
copper	
Erdenet	yes
Oyu Tolgoi	no
fluorspar	
Mongolrostsvetmet	yes

Annex 7. EITI Requirements vs. Systematic Disclosures

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EITI Provision	Legal requirement	Practice Notes
Requirement 1		
1.2. Company engagement "Companies must be fully, actively and effectively engaged in the EITI."	NA	No legal basis for the company participation in EITI except for Minerals Law provision 48.10 requiring companies to disclose their sales quantities and payments to the government; Government Resolution #1 of 2006 resolving Mongolia joining EITI and the subsequent tri-partite MoU where some leading companies are signatories remain the main legal grounds; need a strengthened legal ground.
Requirement 2		
2.5. Beneficial ownership "...companies are required to publicly disclose, beneficial ownership information." "Publicly listed companies, including wholly owned subsidiaries, are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed to facilitate public access to their beneficial ownership information." "State-owned enterprises (SOEs) are required to disclose the name of the state(s) owning or controlling the SOE, the level of ownership and details about how ownership or control is exerted..." "...If the SOE is not fully owned by the state, beneficial ownership information must be disclosed in accordance with Requirement 2.5(c)." "Companies are encouraged to disclose their ownership structure, including the full chain of legal entities leading to the beneficial owner."	By the Public Information Law, the government is required to disclose beneficial ownership information of legal entities; investment levels of authorized entities in the company.	Legal entity registry by the government contains information on the legal form of all companies, among which the joint stock company form could be identified as well as information on shareholders of companies; EITI reconciliation reports contain information on beneficial ownership, but there is no verification of the quality of data. State Property Policy and Coordination Committee produces reports with an extensive list of companies, but excludes subsidiaries of SOEs. Mongolian Stock Exchange contains information on all joint stock companies. Improving the Glass Accounts to require this information is needed.
2.6. State participation Where state participation in the extractive industries gives rise to material revenue payments ...implementing countries are required to disclose ...An explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs (including the rules and practices governing transfers of funds between the SOE(s) and the state; retained earnings; reinvestment; and third-party financing). This must include disclosures of transfers; retained earnings; reinvestment; and third-party financing related to SOE joint ventures and subsidiaries." "Where state participation in the extractive industries gives rise to material revenue payments...implementing countries are required to disclose ...disclosures from the government and SOE(s) of their level of ownership in oil, gas and mining companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period." "SOEs are required to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available. Legal and regulatory barriers inhibiting the timely disclosure of audited financial statements must be clearly documented by the reporting entity." "Implementing countries are required to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance (e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct)." "SOEs are expected to publish their anti-corruption policies..." "SOEs ...are encouraged to engage in rigorous due diligence processes." "Where applicable, SOEs are encouraged to disclose investments in the extractive industries (including assets and liabilities). SOEs are also encouraged to disclose how their investment decisions are aligned with energy transition and climate risk considerations." "Where feasible, SOEs are encouraged to disclose the identity and beneficial ownership of their agents or intermediaries, suppliers or contractors for material transactions."	The Law on Glass Accounts requires disclosure of investment plans, audited reports and financial reports with balance sheets that include information on retained earnings. The Public Information Law mandates disclosures of information on the main activities, as well as taxes and dividends paid. The Public Information Law also mandates disclosure of information on SOE equity and composition of Board members and appointment of selection.	EITI reconciliation reports contain information on the role of SOEs in the sector as well as key legislation that govern SOE activities and SOE-government financial relationships, including dividends and retained earnings. The EITI annual reports provide information on the level of ownership in key SOEs operating in the mining sector. However, the listing is limited to eight companies only, and does not provide details or subsidiaries. State property agency prepares annual reports on SOEs. These reports, while not focused on the extractive sector, contain detailed information on state equity positions in SOEs. EITI Mongolia needs to improve coordination between this agency's reports and EITI reporting on SOEs. The EITI report provides details on whether SOE financial reports were audited and whether these reports were disclosed to public. SOEs disclose their detailed financial information through Glass Accounts Portal. However, some laws, like Glass Accounts Law, do not apply to companies where the government holds a minority interest. This may result in some companies not disclosing audited reports despite the importance of these companies for the economy. EITI Mongolia should work with relevant agencies and companies directly to ensure full disclosure of SOEs and major company audit reports, regardless of their government ownership stake . Rules governing the corporate governance of SOEs are described in the EITI annual reports as a separate section. The reports also contain information on actual board members for a select list of companies including seven SOEs. However, as with the board membership information, the list appears incomplete. Additionally, the website lacks information on the appointed boards of directors for these subsidiaries and joint ventures. While some subsidiary and joint venture websites might have board information, the reporting is inconsistent. A few SOEs currently publish their anti-corruption engagement plans on their website. EITI annual reconciliation reports lack information on whether these plans even exist.

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EITI Provision	Legal requirement	Practice Notes
Requirement 3		
3.1.b "...companies are encouraged to disclose data on proven economic oil, gas or mineral reserves, where available."	No requirement	The EITI template inquiries about companies' proven reserves. However, due to a system upgrade at the time of this report, the number of companies that reported this data remains unknown. Furthermore, the reconciliated EITI report lacks detailed information or annexes with this data aggregated by company
3.2.d "Companies are encouraged to disclose realized sales volumes and values by project."	No requirement	EITI Reconciliation Report contains information on sales volumes and values for each company. The quality of data remains an issue as production numbers across EITI and other government statistics do not always match. the EITI 2022 report reveals this data for just four SOEs and not explicitly disaggregated by project.
3.3.d "Exporting companies and buyers of commodities, including commodity traders, are encouraged to disclose realized sales volumes and values by project."	The Law on Glass Accounts requires disclosure of individual cash transaction above five million tugrug threshold.	Through disclosure of individual cash transaction above five million tugrug threshold, sales income from commodity traders can be observed indirectly. However, the information on buyers (or those who SOEs report as receiving income from) cannot be easily identified from multiple names, and Glass Accounts do not provide additional detail on transactions in a systematic way. In addition, Glass Accounts do not apply to all SOEs.
3.3.e "Exporting companies and implementing countries are encouraged to disclose whether the buyer is a related party."	The Law on Glass Accounts requires disclosure of audited reports and financial reports with balance sheets.	This information is absent from both the EITI report and the websites of many companies. Financial reports submitted by companies to tax authority and Ministry of Finance contain information on related party transactions, but such information, mostly contained in the annexes of key financial reports, are often omitted during the company disclosures of these reports
3.4.a "Companies are encouraged to disclose greenhouse gas (GHG) emissions in alignment with existing leading disclosure standards."	No requirement	The EITI report currently does not contain information on companies' greenhouse gas emissions. While some progress exists, with Badrakh Energy and Oyu Tolgoi reporting their GHG emissions on their websites, a more comprehensive approach is needed to ensure all SOEs prepare such data for public consumption

Part 3 of 4

EITI Provision	Legal requirement	Practice Notes
Requirement 4		
4.1. Disclosure of taxes and revenues "...companies are expected to routinely disclose the requisite information [i.e. all material payments by oil, gas and mining companies to governments] through government and corporate reporting (e.g. websites, annual reports)" "...All oil, gas and mining companies making material payments to the government are required to comprehensively disclose material payments in accordance with the agreed scope." "Companies are expected to publicly disclose their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows and effective tax rates) where financial statements are not available at country level..." "...Companies are encouraged to disclose tax deductions and incentives in the period under review."	The Law on Glass Accounts requires disclosure of audited reports and financial reports with balance sheets.	The EITI annual reports in Mongolia contain detailed information about payments by extractive companies to governments. The reports provide great detail in terms of types of revenues. SOEs undergo audits through the National Audit Office, the supreme state audit institution. They disclose most of the financial audit reports through their own website. In addition, audited reports should be disclosed by SOEs through Glass Accounts portal. However, both resources do not contain audited reports for all companies. EITI Mongolia should work on making sure that the NAO provides the list of all audited reports for SOEs that have been completed by the agency so that it is clear to everybody if all reports are being disclosed.
4.2. Sale of the state's share of production... "Where the sale of the state's share of production of oil, gas and/or mineral resources or other revenues collected in kind is material, the government, including state-owned enterprises (SOEs), are required to disclose the volumes received and sold by the state (or third parties appointed by the state to sell on their behalf); the revenues received from the sale; and the revenues transferred to the state from the proceeds of oil, gas and minerals sold. Where applicable, this must include payments (in cash or in kind) related to swap agreements and resource-backed loans (see definition in Requirement 4.3)." "Implementing countries, including SOEs, are encouraged to disclose a description of the process for selecting the buying companies; the technical and financial criteria used to make the selection; the list of selected buying companies including beneficial ownership information (where available); the identity of intermediaries or agents (where applicable); and any material deviations from the applicable legal and regulatory framework governing the selection of buying companies and the related sales agreements."	No requirement	The EITI Reconciliation reports provide the monetary value o government oil proceeds from oil extraction companies. However, the information provided lacks details as to what the government oil share is, and whether this is received as sales proceeds or as a commodity that the government sells on its own. There are no SOEs involved in the extraction of oil as of today. In the coal sector, SOEs are discouraged to enter into advance sales or hedge agreements following the 'coal theft' scandal in 2023. Also, the coal exporters are submitting their sales agreements to the tax authorities. EITI could work with the tax authorities to ensure that they disclose information on all contracts they collect, including details on whether resource-backed loan or swap agreements are part of these agreements. The EITI annual report contains information on the legal environment that SOEs should follow in their procurements of buyers or suppliers. However, most of the SOEs do not provide any or many details on the process for selecting the buying companies including criteria used, beneficial ownership information, the use of any intermediaries or agents etc. Recently, the tax authorities started requiring all exporting companies to submit their buyer information. This information, or at least the list of contracts submitted by the companies, could be revealed through EITI reporting.
4.4.a "Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) must disclose the revenues received."	No requirement	EITI Reconciliation Report contains a section supported by a annex on SOE transportation activities. However, informatio collected through EITI is not complete, and does not provide great details in terms of who the transport company is for their product sales. EITI should discuss this requirement and ensure that the information is collected and disclosed consistently and in a meaningful way.
4.5.a "The multi-stakeholder group is required to ensure that the reporting process comprehensively addresses the role of state-owned enterprises (SOEs), including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs."	The Law on Glass Accounts requires that SOEs disclose individual cash transaction above five million tugrug threshold.	The EITI reports include a fairly detailed information on the role of SOEs, the rules governing disclosures of payments and SOE transfers, but has some limitations in terms of detailing practices in accordance with the EITI Standard. The issue of reliability of disclosures is also an issue including the list of SOEs, shareholding positions, board membership information, and transfers between SOEs and the government. EITI Mongolia should study in more detail what specific information collection processes have not been captured by the EITI and create ways to clearly distinguish between SOEs and other company reporting differences and overlaps.
4.10.c "Companies and implementing countries are encouraged to disclose declared costs disaggregated by project, and by costs related to operating and capital expenditures. Operating expenditure declared in the reporting year may include amortization or depreciation of costs incurred in prior years. Companies and implementing countries are encouraged to disclose costs incurred since the commencement of the project."	No requirement	Project-by-project reporting is one of the challenge areas fo Mongolia SOEs, partly because many taxes are paid by a legal entity, and the definition of mining projects is not easy While Mongolia's EITI Reconciliation Report tries to define a project and contains an annex on project level information, the information provided is neither complete nor detailed enough to on key issues such as tax payments. Mongolia EIT needs to revisit the issue of project-by-project reporting, including for SOEs, and ensure that the current reporting based on legal entities allow the dissection of project level information.

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EITI Provision	Legal requirement	Practice Notes
Requirement 5		
5.3.c "When requested by the multi-stakeholder group, oil, gas and mining companies are encouraged to disclose projected project production levels, and estimated timelines related to cost recovery."	No requirement	Historic costs, or those incurred form the commencement of the project has not been included in the EITI reports or elsewhere, with the exception of a few large-scale projects which have mostly scant and narrative information on accumulated project costs.
Requirement 6		
6.2.a "Where state participation in the extractive industries gives rise to material revenue payments, implementing countries are required to include disclosures from state-owned enterprises (SOEs) on their quasi-fiscal expenditures..." "...The multi-stakeholder group must develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams and should include SOE subsidiaries and joint ventures."	No requirement	EITI Reconciliation Report contains a section on the quasi-fiscal spending of SOEs, directing to the Glass Accounts reports of SOEs. However, there is no clear definition of quasi fiscal spending, and the Glass Accounts does not provide specific reports where one can easily dissect information on such spending.
6.3.a.iv "...Companies are encouraged to disclose the gender pay gap."	No requirement	EITI Reconciliation Report contains information on the number of employees by companies disaggregated by gender, but does not provide details on pay gap.
6.4. Environment and social impacts "Implementing countries and reporting companies are required to ensure that public environmental, social and gender impact assessments, monitoring reports, permits, and licenses that are mandated by law or contract, are publicly accessible in practice." "Companies are encouraged to disclose further information about their social, gender and environmental management and impact."	No requirement	Environmental, social and governance (ESG) impact assessments are not routinely prepared or disclosed by most companies. EITI reports, while containing useful information that relates to ESG issues, such as the use of chemicals, water use, local community related information, local cooperation agreements etc., do not contain data on or assessment of ESG impact. EITI could use its platform to ensure that SOEs provide detailed information on their ESG activities through their EITI reporting.

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