



AMCHAM ^{e-journal} CSR

KHAN BANK
FOUNDATION
FUNDED
OVER
4.6 BILLION ₮

SUPPORTING
OVER
430 PROJECTS

The first issue of AmCham
CSR committee journal featuring
NARAN MANDAL and KHAN BANK



"...Carrying out CSR is about sustainable,
long-term social investment."

John Bell CEO of Khan Bank

ISSUE 01 SEPTEMBER 2020



Personal letter from ERIK VERSAVEL
Former Country Representative for ING Bank Mongolia

Dear Amcham Members

I was delighted to see that in April this year, AmCham Mongolia launched its long-awaited Corporate Social Responsibility Committee (CSR). I watched this from faraway, as I have been locked out of Mongolia since Tsagaan Sar 2020, and am now “working from home” in my home country Belgium. To be “faraway” is both a luxury and a burden. Most members will know that I have also officially left Mongolia and am heading for another destination, with my employer ING Bank, to Sri Lanka.

Having chaired AmCham’s Financial Services Committee for nearly four years, I wish the CSR Committee, chaired by Ms. Bulgansaikhan Chuluunbat, lots of success!

CSR is commonly believed to be a “must-have” for every company, small or large, local or international, and is usually associated with projects and initiatives to support people who are less fortunate, or live in the margins of society. Companies build kindergartens, support orphans and provide bicycles for children where there is no public transportation.

In fact, CSR over recent years has become a truly global, comprehensive and essential strategic driver, not just for companies, but for national development. I therefore prefer to translate CSR as Country Social Responsibility. CSR has become synonymous with sustainability. In that sense, there is a lot of work on Mongolia’s plate, and AmCham’s CSR Committee will need to set very high standards and goals.

Mongolia is highly dependent on Foreign Direct Investment (FDI), especially in the mining industry. Focus of industry groups and chambers of commerce have been focused on private enterprise, the rule of law and investor friendly policies. But increasingly it has become difficult for large corporates to invest in Mongolia as their investor base find Mongolia’s ignoring and breaching of the most fundamental principles of CSR and sustainability unacceptable. CSR is therefore entirely interwoven with FDI and inclusive economic development. CSR is essential for Mongolia’s social prosperity.

Globally, several frameworks have been developed to guide companies and countries towards the best possible sustainability models. From my studies at the Singapore Institute of Directors, I have found the United Nations Global Compact Model (UNGC) very suitable for Mongolia. Though it was developed for companies, it can be used as a proxy for a Sovereign Nation to make international and public statements about its intention to improve its sustainable and social development.

UNGC contains 10 high level principles in 4 core issue areas of Human Rights, Labour, Environment and Anti-Corruption. These areas are the most applicable and practical for Mongolia at this stage of its development. They provide objective and reliable guidance to embrace corporate and sovereign sustainability.

All steps of this management model is usually challenging for the Government: commit, assess, define, implement, measure and communicate. I know, none of these come easily to Mongolia.

According to the UNGC model, in respect of Human Rights, Mongolia would need to take steps in respect of internal migration, independent judiciary and due process of law. In respect of Labor, the model provides milestones for freedom of association and collective bargaining, the elimination of forced and compulsory labour, the abolition of child labour, and the elimination of discrimination, such as gender equality, the protection of minorities and the integration of handicapped people (all these issues relate to a poor social safety net).

Thirdly, UNGC would require Mongolia to take a precautionary approach to environmental challenges, such as dealing with pollution, waste management and recycling. This would require the creation of an embryonic sense of environmental responsibility. For example,

related to littering and overgrazing. This topic would also require the country to take responsibility for the development and distribution of environmentally friendly technology, and this topic then directly relates to the poor investment climate.

Lastly, UNGC would require the country to work systematically towards the eradication of corruption at all levels, in all its forms, including extortion and bribery, abuse of authority etc.

UNGC includes multiple additional benchmarks and is very granular about milestones and targets in many other areas. But the ones mentioned above are the most relevant and challenging for Mongolia, and that is why I detail them.

The stakeholders of such an approach include chambers of commerce, such as AmCham and the international community, the government and businesses, as parties with a high level of influence and interest, and lastly, the employees, workers and the population at large, as having a high level of interest, but unfortunately, not always a commensurate level of influence.

Mongolia is often presented internationally as having pristine landscapes and eternal blue skies, but unfortunately all of us who have traveled extensively in the country (as I have, with my wife and many friends) know that the landscapes are increasingly not pristine, and that there are cracks in the eternal blue sky.

It is possible for Mongolia to stand up and become a global CSR and sustainability leader! Let AmCham’s CSR Committee lead Mongolia to the next level of global leadership!

Let AmCham encourage and convince the government to launch a “Grand Initiative” to commit, assess, define, implement, measure and communicate philanthropic projects. Let AmCham show the way as to how the government should engage with Chambers of Commerce and industry leaders to define and implement a proper Country Strategic Responsibility plan, and establish a proper communication strategy as an integral part of the initiative.

AmCham, there is a lot on your plate! Temuujin will be proud of you if you succeed!

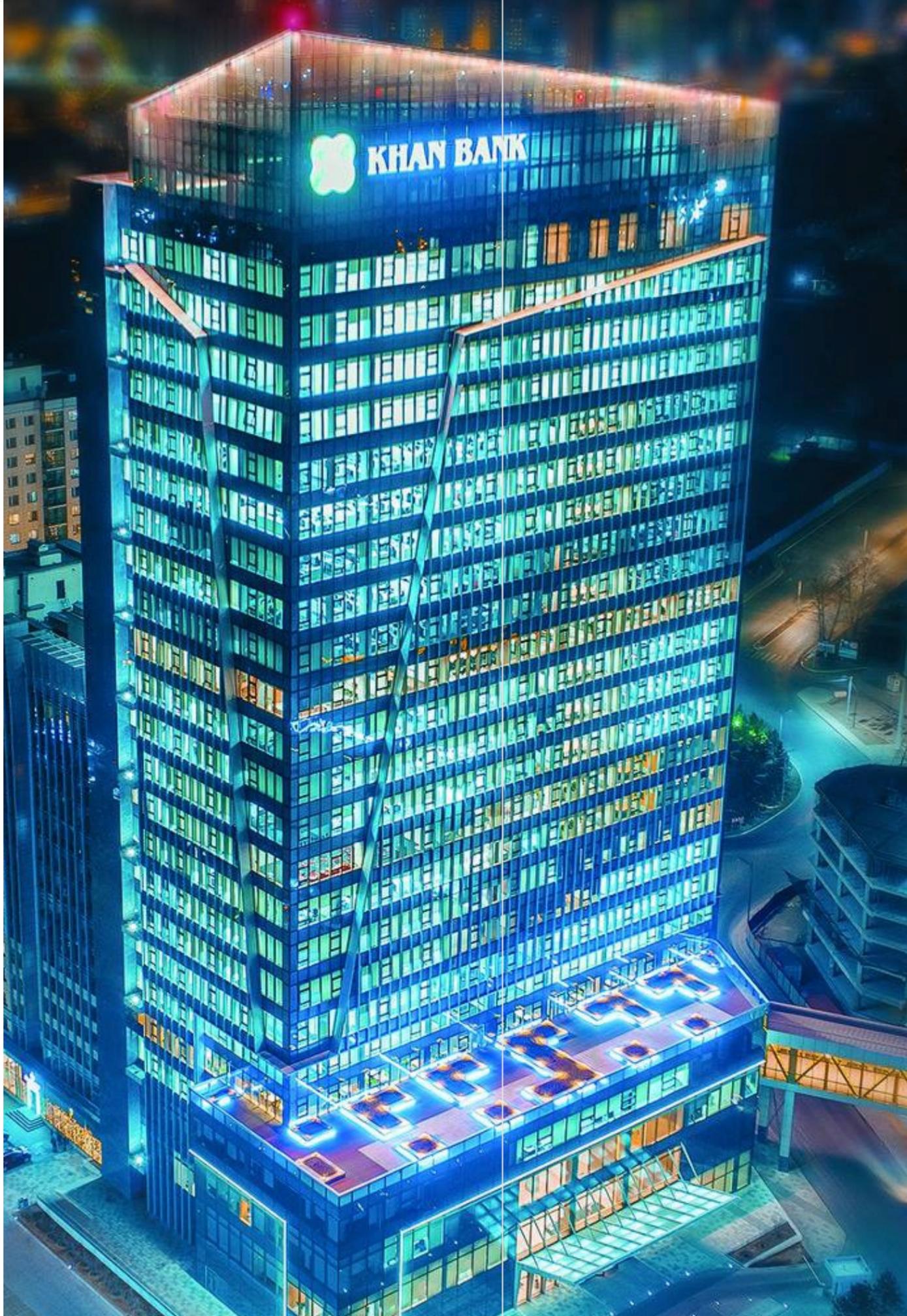
Khan Bank Foundation

CSR principles go beyond goodwill and financial services at Khan Bank. As ingrained in their mission statement, the CSR policy of Khan Bank encompasses five main fields; environmental issues, education, effective governance, health, and benefitting the communities their employees and customers live in.

Established in February 2007, [Khan Bank Foundation](#) executes all philanthropic projects of the bank and truly sets a benchmark for how Corporate Social Responsibility should be. Since its inception, Khan Bank Foundation has funded 4.6 billion MNT worth of projects in a vast array of fields such as education, culture, art, rural development, efforts for environmental preservation, and decreasing poverty. All of these aspects of the foundation are aligned under the direction and oversight of an independent board.

Scholarships

As part of the sustainable development policy and corporate social responsibility initiative of Khan Bank, the bank takes great pride in its commitment to empowering the future generation of Mongolians through its well-known [Khan Bank Freshman Student Scholarship Program](#). As the longest-running scholarship program for local university students, the program awards full scholarships to 60-100 of the country's brightest minds in recognition of their exceptional academic achievements and active participation and engagement in their communities. Since 2007, Khan Bank has helped lift the financial burden of receiving an education for a total of 1,800 university students. That is a total of two billion MNT in monetary form and an unmeasurable impact on educating the next generation leaders of Mongolia.

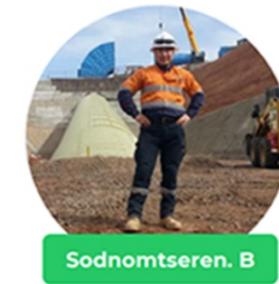


Khan Bank Scholarship recipients:



N.Tergel,
2017-2018 Khan Bank Senior Student Scholarship recipient, Graduate of National University of Mongolia:

"I successfully took part in the Khan Bank Student Scholarship Program in 2018. The scholarship gave me the opportunity to focus on my studies without worrying about my tuition in my final semester, which also lifted some of the financial burden from my parents. Because I came to have more time, I started to prepare myself for competitions I wanted to participate in and I was able to take part in extracurricular activities that year. I received two job offers from major Mongolian companies. These achievements and progress came with the help of the Khan Bank Scholarship. I wish all the best to everyone at Khan Bank and sincerely thank you."

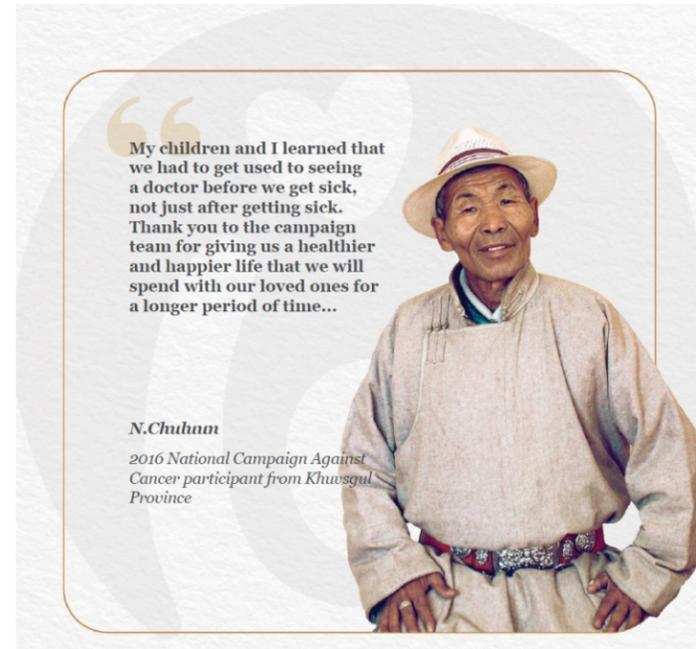


B.Sodnomtseren.
2007-2008 Khan Bank Student Scholarship Program recipient:

"I was awarded the Khan Bank Student Scholarship in 2008. When I first learned that I was being granted the scholarship, I was extremely glad to lift the burden of paying my university tuition off my parents' shoulders. Being granted a scholarship from Khan Bank during my freshman year, I grew to be more confident and participated in other scholarship programs, and was eventually recognized as one of the university's best students. Since graduating from university in only 3.5 years, I've been working as a general manager in charge of construction projects at Oyu Tolgoi LLC. I am most grateful to Khan Bank for giving me such a boost and encouragement to start my university life and career."

THE NATIONAL CAMPAIGN AGAINST CANCER:

Among the many projects the Khan Bank Foundation has implemented over the years, the National Campaign Against Cancer is definitely at the top of the list. Having started in 2011, the National Campaign Against Cancer is the largest public health campaign in Mongolia. The ultimate goal of the program is to increase the reach of quality healthcare to rural communities by training healthcare professionals and social workers in the area and improving the diagnostic capabilities of rural health centers. Moreover, in partnership with the National Cancer Center, and Mongolian National Broadcaster, Khan Bank Foundation aims to raise awareness of the importance of prevention and early detection of cancer.



Over the last nine years, the campaign team has traveled over 70,000 kilometers across Mongolia, performing about 600 urgent surgeries, providing preventative screening to more than 130,000 people, and have rendered over 1.2 billion MNT in funding. Moreover, the campaign team has provided professional training to over 10,000 physicians and healthcare workers, and over 2,700 Khan Bank employees have been trained as healthcare volunteers.

World Cancer Day is an international day marked on February 4 to raise awareness of cancer and to encourage its prevention, detection, and treatment. World Cancer Day is led by the Union for International Cancer Control (UICC) to support the goals of the World Cancer Declaration, written in 2008.





**IN THE LAST 9 YEARS,
THE NATIONAL CAMPAIGN AGAINST CANCER HAS:**



130,500

free cancer prevention and detection screenings were done



traveled all across Mongolia 3 times



513 emergency surgeries carried out



610 malignant tumors detected

Liver



Anyone age 40 and over and anyone with hepatitis B or C
Every 6 months

Stomach



Anyone age 40 and over
Once a year

Intestines



Anyone above the age of 50
Once every 2 years

Cervix



All women above the age of 30
Once a year

Breast



All women above the age of 20
Once a year

**PLEASE GET IN THE HABIT OF GETTING REGULAR
CANCER DETECTION CHECK-UPS**

The campaign team has pledged "I am and I will" this year to raise awareness in the general public that an act of prevention is the most effective way of fighting against this lethal disease.

As cancer is the second leading cause of death in Mongolia, the campaign focuses on promoting regular health screenings among the population in a prevention effort. Early detection and effective treatment plans are pivotal to increasing survival rates. Please see the examples of testimonials from patients, the National Campaign Against Cancer, diagnosed and treated.

7



JOHN BELL CEO of Khan Bank

How do you ideally envision and define CSR?

I personally uphold CSR as an essential and imperative part of doing business. If a business is creating wealth and operating for profit, it's only ethical to give back to the community. Investing a portion of your wealth for the common good creates a benevolent balance between businesses and its costumers. Above all, CSR encourages and reinforces society to be more charitable and generous. I want to highlight that CSR does not suffice through a one-time donation, and businesses must commit to long-term, sustainable projects that represent their mission and objectives.

Why do you think it's important for the private sector to embark on a path to CSR?

The main driver of social development and economic growth is the private sector. The private sector is implementing the work that the public sector fails to do. Responsible, private organizations can truly make a contribution to a country's stable and sustainable development. Although CSR began with the aim to promote brand recognition, public relations and marketing, it has grown to become the hallmark of development. CSR is also a good incentive to increase employee productivity, and to imbue in them a deep understanding of ethics. Most importantly, as a large-scale organization or a business, they immediately are burdened with a big responsibility to represent their community and work not only for personal gain, but the common good.

Why is CSR important to Khan Bank's success?

Khan Bank has a history of implementing CSR in Mongolia since the early 2000s. In order to organize its CSR activities in a systematic and effective way, a private foundation was established in 2007. Through Khan Bank Foundation, for 14 years, we have been implementing projects and programs that bring real and positive results to the well-being of our society. These long-term activities show how stable, accountable, and reliable our bank is. It also demonstrates Khan Bank's commitment to contributing to the well-being of society through an independent policy that regulates its CSR activities, keeping it separate from our business.

What are the most recent projects the Khan Bank Foundation has been working on?

The Khan Bank Foundation (KBF) implements an average of 15-20 projects and programs every year. About 70 percent of projects are on-going or annual projects. For example, last month we successfully announced our 14th annual Khan Bank New Student Scholarship Program. In addition, the RISE New Student Development Program was successfully implemented to support a younger generation.

KBF also supports public health. As a part of this cause, we opened a new room at the Children's Central Sanatorium, improving the environment where our infants receive medical care. In the current context of the COVID-19 pandemic, we are not able to organize public events, but we haven't stopped working on our social programs. We have continued to implement them in accordance with the current situation.

How does Khan Bank decide which CSR projects to implement or fund?

KBF has clear operational policies and procedures. Accordingly, the KBF has a Board of Directors that determine which projects, programs, and principles are to be implemented. The KBF Board is, of course, separate from the bank's Board. With this structure, we have a well-established process for carefully researching, planning, and making our future plans.

The main driver of social development and economic growth is the private sector. The private sector is implementing the work that the public sector fails to do. Responsible, private organizations can truly make a contribution to a country's stable and sustainable development.

What social or environmental issues do you think Mongolia should prioritize right now?

We live in a particularly turbulent time where environmental issues such as climate change, social issues such as inequality and poverty, governance issues such as corruption, and health issues such as the current pandemic, destabilizes and threatens our daily lives. As for Khan Bank, we have begun to focus more on environmental, social, and economic issues as an extension of our CSR. Starting in 2018, Khan Bank expanded its CSR activities to focus on and contribute to UN's Sustainable Development Goals. From my personal observation, Mongolia needs to focus more on environmental and social issues, and encourage law, and decision-makers to take these factors into account. To set an example, Khan Bank approved an internal sustainable development policy this year and is working to address this issue comprehensively.

What do you think makes the Mongolian case special, or different, compared to other countries you have lived in?

From my experience, having lived in numerous countries, the Mongolian population is particularly savvy and adaptable. Nowhere else in the world, e-banking is as developed as it is here. This shows that Mongolia has every opportunity for a digital transformation. Taking advantage of this characteristic, Mongolia can prolifically address its many issues, such as digitalization of its public services.

From your experience, how are global CSR trends changing?

As mentioned earlier, CSR has evolved to become not only about corporate branding, but about genuine philanthropy. Many wealthy people are opening their own charitable foundations and organizations. Businesses are recognizing their responsibility as representatives of a way of life, philosophy and ethics. Even SMEs such as local coffee shops embrace sustainable and eco-friendly operational systems because they recognize that these changes are made not only on large-scales but is highly dependent on individuals. By virtue, businesses are creating a wave of responsible and ethical lifestyles.

What advice can you offer to new businesses in terms of being socially responsible?

As one of the most prominent commercial banks in Mongolia, we have a 30-year history and a wealth of experience in regards to CSR. I encourage all businesses, small or large, to truly embody ethical ways of doing business. We want start-up businesses to be confident in their ability to operate responsibly, and to focus on ensuring that the wealth they create is not only for profit, but that it is also environmentally, socially, and economically viable.

What are you most grateful for?

When I first came to work at Khan Bank, we already had a very good foundation for CSR. I was very proud that more than 6,300 of our employees felt that they were part of an organization that prioritizes CSR. I also liked the fact that the bank had many projects and programs, and a clear history of success. I'd like to thank all the Khan Bank employees who have created this corporate culture and who are contributing to the success of Khan Bank. We are also grateful to all our customers for giving us the opportunity to be the nation's largest bank and for giving us the confidence to run a responsible business.

NARAN MANDAL LLC TORCHING A LIGHT OF DEVELOPMENT IN BAYANKHONGOR AIMAG

One out of every four MNT in circulation in Mongolia is related to the mining sector. Nine out of 10 goods we sell internationally are natural resources. There is no doubt that Mongolia's economy, development, and pillars depend on the mining sector. The mining sector alone accounts for 25% of the country's GDP, 90% of export revenues, and 25.4% of budget revenues. This very important sector of the economy carries a very high level of risk. RESPONSIBLE MINING is the most effective way to prevent risk. The culture of responsible mining is still at its development stage in Mongolia, but the development varies from province to province. Naran Mandal Enterprises LLC, one of the most responsible mining companies in Bayankhongor aimag, values the people involved in the project and their quality of life. Naran Mandal, who has a strong commitment to social responsibility, has always paid close attention to the development and social issues of their staff, by implementing local projects and programs in the aimag.

"We have formed an international management team and are working to become a model of responsible mining in Bayankhongor aimag by introducing international standards not only in our operations, but also in a way that is beneficial and environmentally friendly in the local area".

Their main philosophy is to create jobs in the local area, to follow the principle of sourcing goods and services locally, and to fulfill their obligations to the aimag. Naran Mandal currently directly employs more than 400 local employees, which benefits more than 1,500 households. In 2019, Naran Mandal was named as the top taxpayer organization in terms of the amount of tax paid. In addition to valuing the positive benefits they bring to society in each of their activities, they have also implemented a variety of social responsibility projects and programs. They have also implemented many research and data projects in the areas of health, child protection, education, herder livelihoods, and infrastructure. Key activities include:

INFRASTRUCTURE:

In terms of infrastructure, one of the company's main projects was the installation of lighting along the aimag's main street.



LIVELIHOODS OF HERDERS:

Every year, the company organizes a complex of winter shelters to support the livelihoods of herders in the baghs around the mine. This year, they are working to decide on the winter shelter investment for 20 households.

There is a shortage of drinking water for Gobi households. So Naran Mandal took it upon themselves to drill a well in Guagiin Shand, Bayan Owoo soum in 2020. The well has a capacity of providing 3.8 tons of clean water per hour to 140 people from 40 households and 7,000-8,000 livestock.

The company also fully finances the operation of the "Retirement Home" in Bayan-Owoo soum. It has become a hub for soum elders to come and spend their free time productively at the resort.



EDUCATION

In an effort to support education, Naran Mandal funds the provision of school supplies, scholarships for university entrants, support for teacher development programs, the renovation of school buildings that have not been renovated for many years, and the provision of a healthy learning environment for children.

From 2020, the young management team of mine is organizing a Naran Mandal Mentor Day to raise awareness among soum and aimag secondary school graduates about choosing the right profession and becoming competent and responsible citizens.

ARTS AND SPORTS:

Providing funding for sports competitions is an initiative to encourage the youth to lead an active lifestyle. Since 2019, Naran Mandal has become the main sponsor of the Bayankhongor Cricket Association, supporting the national and judo federations, as well as sponsoring a variety of traditional sporting events and competitions.



HEALTHCARE:

The company funds annual health screening for all residents of Bayan-Owoo soum. Over the last few years, an international team of physicians has provided more than 1,500 inpatient examinations

and treatments on more than 600 people, performing on-site surgeries if necessary.

In addition, Naran Mandal funded operations of the "Evan" NGO, an organization that provides nursing and first aid services to the elderly and the vulnerable members of the community. As part of the funding, they commissioned vehicles, equipment, and necessary medicines.





MICHAEL FISCHER CEO of Naran Mandal LLC

Please tell us about Naran Mandal?

Naran Mandal is a Foreign Direct Investment (FDI) company with our parent company Mongold PTE Limited, a Singapore based Investment Company. Mongold's investment strategy is to develop gold mine projects in Frontier and Emerging Markets and this strategy lead Mongold to Mongolia in 2011. By 2014 Mongold had started to focus on the current Project King Mine site and by mid-2017 had established a small gold plant on the current mine site. Since July 2017 Naran Mandal has expanded production from the underground narrow vein gold system that typify this area and expanded plant throughput and now employs a total of 407 employees.

What is successful CSR in your opinion and what role does CSR play in Naran Mandal's success?

Corporate Social Responsibility (CSR) in my opinion is more than maintaining "Social License to Operate" it is rather creating sustainable "Social Value" in the communities in which we operate, and by so doing people look at us as a respected part of their community and our employees respect both the company and are respected within the community.

Hence our success as a company is not only determined by operating an underground narrow vein Mongolian Gold Mine, but by developing a sustainable company culture that ensures we create social value for both the communities which we work with and impact but for our employees and their families.

Is there a general policy around how Naran Mandal chooses its CSR projects?

The choice of CSR Projects is a collective choice with the primary focus on long term sustainable projects that will create Social Value. Hence at Naran Mandal you will find that every year we have our base projects that are done every year such as the community health screening now in its third year and done in conjunction with a South Korean Medical Community team who like Naran Mandal now come back every year. As Naran Mandal grows each year we add to our sustainable projects with winter shelters now added to the yearly projects which will develop into a series of shelters in the district for winter shelter of stock for our Nomadic Herders in the district.

Do you think successful mining companies are able to get by without implementing CSR projects? Why do mining companies, especially gold mining companies in Mongolia, need to embark on CSR in your opinion?

All successful mining operations are based on a "Social License to Operate". You do not run a successful mine operation without a "Social License". As a gold mining company the key to obtaining our Social license and maintaining it is our CSR Function and the projects they do. This lays the foundation of our Social License renewal every year, and creates the environment for longer term "Social Value".

Please share your experience of how you started to work in the mining industry? And why?

I am a New Zealand educated, South African trained Mining Engineer. I started my mining career by doing my University Degree in Mining Engineering because I wanted to do a job that enabled me to travel internationally as well as do a job that was physically demanding as well as requiring Office Work.

What is it like to work and live in Mongolia? What are you most grateful about Mongolia?

I enjoy working with our Naran Mandal team both at the mine site and in our UB Office. I enjoy being able to share some of my own experiences with both our underground operators and supervisors and the mine team in general. What I like about Mongolia is the honesty of the people I work with.

How do you envision the mining industry and the country?

Naran Mandal uses narrow vein underground mining methods that are specific to the type of narrow vein Orogenic gold systems that we have at the mine site. It appears that these type of vein systems are very common in Mongolia but mining companies that can mine them are not. I see a great potential for narrow vein underground gold mining in Mongolia a potential that is currently not realized.



What makes Mongolia special and what would you say to the prospective investors abroad?

Naran Mandal is a Foreign Direct Invested company that is developing itself as a narrow vein underground gold mining company in Mongolia with very little of these types of deposits being mined to-date. For other investors I would say there is opportunities for those investors that know what they are good at.

As a leader of the company - what values are embedded in your working style?

As a Mining Engineer I have spent many years managing mines and large work forces across the world. I would describe my management style as Hands On and an "Operator". I believe the key to managing as a person irrespective who he / she is, is respect. A person must first gain the respect of his / her workers, management team, Peers, and reporting hierarchy before he can effectively manage and expect people to work with you.

What are you most proud of in your company?

Since July 2017 to September 2020 we have grown our company from 60 employees to 407 employees, and continue to create employment opportunities for upwardly mobile young Mongolians.

OUR MEMBERS IN 2020

