

**REPORT ON THE IMPLEMENTATION ASSESSMENT OF THE "CORPORATE
GOVERNANCE CODEX"**

"Mongolian Stock Exchange"

Ulaanbaatar
2025

ASSESSMENT METHODOLOGY

The implementation assessment of the "Corporate Governance Codex" of the Mongolian Stock Exchange was conducted in accordance with this assessment methodology, and the results were reviewed and approved by the Chairman of the Board of Directors.

Assessment Structure

The assessment model for the "Corporate Governance Codex" consists of a report structured around 36 questions, covering the following areas:

1. Structure and organization of the Board of Directors (Board of Directors)
2. Committees under the Board of Directors and their functions
3. Reporting and information transparency
4. Audit and control systems
5. Risk management
6. Stakeholder interests
7. Remuneration of authorized officers
8. Corporate culture
9. Shareholder rights

SUMMARY OF ASSESSMENT RESULTS

No.	Title	Total Possible Points	Awarded Points	Control Points	Assessment Percentage
1	Structure and organization of the BoD	12	12		100%
2	Committees under the BoD and their functions	10	10		100%
3	Reporting and information transparency	6	6		100%
4	Audit and control systems	6	6		100%
5	Risk management	8	8		100%
6	Remuneration of authorized officers	6	6		100%
7	Stakeholder interests	8	8		100%
8	Corporate culture	6	6		100%
9	Shareholder rights	10	10		100%
	Total	72	72		100%

Assessment Methodology

For each question, a score of 2 is given if fully implemented or if a substantiated explanation is provided; a score of 1 is given if partially implemented or if there is an explanation of planned actions and timelines; a score of 0 is given if no assessment is provided. Implementation and explanations are included for each item.

Based on the total assessment score, the implementation of the organization's "Corporate Governance Codex" is evaluated as follows:

- 90% or above of the total possible points: Governance is sound and risk-free.
- 70-89%: Governance is moderate; recommendations are provided as risks may arise.
- 50-69%: Governance is insufficient; subject to remote and on-site inspections due to risk.
- 49% or below: Governance is poor; regulatory action is required due to high operational risk.

DETAILED ASSESSMENT REPORT

Mongolian Stock Exchange

Corporate Governance Assessment Questionnaire

Implementation of the Codex is reported according to the "Comply or Explain" principle. For each provision of the Codex, it is indicated whether it has been fulfilled; if not, the reasons and any alternative structures or measures taken or planned (with timelines) are explained.

I. STRUCTURE AND ORGANIZATION OF THE BOARD OF DIRECTORS

The Board of Directors shall have a structure that is appropriately composed of a diverse set of skills, knowledge, experience, and independence, ensuring it is visionary, creative, and effective.

No.	Item	Implementation	Explanation	Points	Percentage
1.1	The company regulates the roles and responsibilities of the Chairman, members, and the Secretary of the BoD in detail through its operational procedures.	Fully implemented	As stipulated in the "BoD Operational Procedures" approved on September 10, 2010, and amended on May 10, 2013, the roles and responsibilities of the Chairman, members, and Secretary are clearly defined.	2	100%
1.2	The company has a nomination procedure and succession policy for selecting and appointing BoD members.	Fully implemented	The succession policy of the Mongolian Stock Exchange was approved as an annex to BoD Resolution No. 42 dated November 16, 2023.	2	100%
1.3	Detailed information on each BoD member's experience, tenure, independence,	Fully implemented	As a state-owned joint-stock company, the Exchange follows relevant laws and government	2	100%

	shareholding, and meeting attendance is included in the annual report and published on the company website.		procedures for selection and disclosure of BoD members. Information is presented at the annual shareholders' meeting and regularly updated on the company website.			
1.4	The company has a policy document on the structure and composition of the BoD and its committees, including requirements for education, qualification, skills, experience, and gender balance.	Fully implemented	The company's charter and BoD procedures, as well as the independent member selection procedure, specify these requirements. Detailed in Chapter 5 of the company's charter (as amended on April 28, 2023).	2	100%	
1.5	Orientation and ongoing training are organized for newly appointed BoD members to ensure they have the necessary skills and knowledge.	Being implemented	The BoD operational procedures (Clause 4.15) stipulate regular training for new and existing BoD members.	2	100%	
1.6	The Secretary of the BoD is accountable to the Chairman regarding the proper conduct of BoD activities.	Fully implemented	The Secretary is appointed by the Chairman and operates under their direct supervision, fully responsible for BoD administrative functions.	2	100%	

Total: 12 points, 100%

II. COMMITTEES UNDER THE BOARD OF DIRECTORS AND THEIR FUNCTIONS

The Board of Directors shall implement its activities through committees under its direct responsibility, each with specific functions, and will bear ultimate accountability for these activities.

No.	Item	Implementation	Explanation	Points	Percentage	
2.1	The Chairman and the majority of BoD members should be independent.	Fully implemented	According to Article 7.1 of the Law on the Exchange of Mining Products, the Board consists of nine members, four of whom are independent. As per the extraordinary shareholders' meeting held on June 30, 2023, five regular and four independent members were elected.	2	100%	
2.2	The Audit Committee under the BoD has operational procedures	Fully implemented	The company's charter and BoD procedures regulate the activities of	2	100%	

	and an audit policy document. The Chair of the Audit Committee is not the Chair of the BoD. The company's executive management and employees attend the Audit Committee meetings only upon request.		the Audit Committee, whose Chair is an independent member. The CEO and other directors attend committee meetings only upon request.			
2.3	The Remuneration Committee under the BoD has operational procedures and a remuneration policy document. The Chair of the Remuneration Committee is not the Chair of the BoD and is an independent member. Executive management attends committee meetings only upon request.	Fully implemented	The operational procedures of the Remuneration Committee were approved by BoD Resolution No. 55 dated December 19, 2024. The Chair is an independent member, and executive management attends only upon request.	2	100%	
2.4	The Nomination Committee under the BoD has operational procedures and a succession policy document. The Chair of the Nomination Committee is not the Chair of the BoD and is an independent member.	Fully implemented	The succession policy was approved as an annex to BoD Resolution No. 42 dated November 16, 2023. According to the Minister of Finance's Order No. 140 dated June 23, 2014, the Chair of the Nomination Committee is an independent member.	2	100%	
2.5	The BoD may establish other permanent or temporary committees as needed. All committees have operational procedures and are composed of members with the necessary knowledge, skills, and experience.	Fully implemented	The company's charter provides for four committees: Audit, Remuneration, Nomination, and Risk Management. An information security risk management procedure (ISO 27001-2022) has been approved. Two-thirds of committee members must be independent.	2	100%	

Total: 10 points, 100%

III. REPORTING AND INFORMATION TRANSPARENCY

The Board of Directors shall ensure the truthfulness, completeness, and balance of financial and non-financial reporting and the transparency of information.

No.	Item	Implementation	Explanation	Points	Percentage
3.1	The BoD approves and monitors the implementation of the company's information transparency and reporting procedures.	Fully implemented	According to BoD Resolution No. 261 dated September 10, 2015, the company's comprehensive IT procedures govern information transparency, reporting, and control.	2	100%
3.2	The BoD discloses governance documents, rules, and procedures to the public via the company website.	Fully implemented	Through the official website (www.mse.mn), shareholders and investors receive regular updates on BoD information, company finances, operations, governance, and other key news.	2	100%
3.3	Financial and non-financial reports are balanced, clear, and accurate. Non-financial reports cover environmental, social, and economic factors affecting sustainable operations, as well as progress toward company goals.	Fully implemented	Annual operational and financial reports are improved each year. External audit opinions and clarifications are published in full. Non-financial reports include results, environmental and social responsibility, governance, BoD activities, risk management, and sustainability.	2	100%

Total: 6 points, 100%

IV. AUDIT AND CONTROL SYSTEMS

The Board of Directors shall ensure the independence and effectiveness of the audit and control systems.

No.	Item	Implementation	Explanation	Points	Percentage
4.1	The BoD ensures that the Audit Committee's procedures include provisions for interacting with external auditors and facilitating their statutory functions.	Fully implemented	The company's charter and BoD procedures stipulate that the Audit Committee selects the external audit firm, defines its tasks, and submits reports to the BoD.	2	100%
4.2	The external auditor attends the annual shareholders' meeting and provides information to shareholders regarding the audit.	Fully implemented	The external auditor's opinion is presented with clarifications at the annual shareholders' meeting.	2	100%
4.3	Information on the structure, organization, and functions of internal	Partially implemented	The company's charter defines the structure and functions of internal audit,	2	100%

	audit, as well as any changes, is disclosed in the annual report and on the company website.		and information is available on the company website.		
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Total: 6 points, 100%

V. RISK MANAGEMENT

The Board of Directors shall organize risk management and compliance monitoring in an appropriate and independent manner, and shall regularly oversee their effectiveness.

No.	Item	Implementation	Explanation	Points	Percentage
5.1	The company has a risk management policy and structure, and the BoD monitors the effectiveness and independence of risk management activities.	Fully implemented	The Risk Management Policy was approved by BoD Resolution No. 29 dated November 21, 2022. The Risk Management Committee operates accordingly and reports to the BoD.	2	100%
5.2	The BoD should have a Risk Management Committee with at least three members, the majority of whom are independent. Information on the committee's activities is disclosed in annual reports and on the website.	Fully implemented	The company's charter, as amended and registered on April 5, 2023, provides for a Risk Management Committee. Members were appointed at the BoD meeting on July 7, 2023	2	100%
5.3	The company assesses and discloses environmental, social, health, and safety risks, and explains how these are managed.	Fully implemented	Information is prepared by specialists and reported to the Risk Management Committee through executive management, as per the policy approved on November 21, 2022.	2	100%
5.4	The company has a compliance control policy and structure, and the BoD monitors the effectiveness and independence of compliance activities.	Fully implemented	According to Article 5.38 of the charter, the Risk Management Committee is also responsible for compliance. There is a compliance officer, and the committee reports to the BoD.	2	100%

Total: 8 points, 100%

VI. REMUNERATION OF AUTHORIZED OFFICERS

The remuneration and incentives of authorized officers shall be fair, transparent, and aligned with the company's vision and specific characteristics

No.	Item	Implementation	Explanation	Points	Percentage
6.1	The remuneration and incentives for BoD members, including form and frequency, are discussed and approved at the shareholders' meeting.	Fully implemented	As per the charter, remuneration and incentives for BoD members are discussed and approved at the shareholders' meeting. For state-owned companies, remuneration is capped at twice the minimum wage according to the State Property Policy and Regulation Agency.	2	100%
6.2	The company's remuneration policy specifies the components and performance evaluation criteria for remuneration and incentives.	Fully implemented	The revised internal labor regulations and the Remuneration Committee's charter specify performance evaluation criteria and job components.	2	100%
6.3	The company's annual operational report shall include the performance criteria for granting base salary, bonuses, and other incentives to executive management.	Fully implemented	The Exchange is a publicly listed company with 66% state ownership. The performance of the Chief Executive Officer, or the fulfillment of the contract, is evaluated in accordance with the "Procedure for establishing contracts with directors and chief executive officers of state-owned enterprises and legal entities with state ownership or state participation, evaluating contract performance through a balanced scorecard method, and granting incentives," which was approved by Resolution No. 166 of 2010 by the State Property Committee. This evaluation is conducted based on the methodology approved by the State Property Committee and is presented at the annual general meeting of shareholders.	2	100%

Total: 6 points, 100%

VII. STAKEHOLDER INTERESTS

Respect the interests of stakeholders involved in the company's operations.

No.	Clause	Implementation	Explanation	Points	Percentage
7.1	The company has policy documents approved by the Board of Directors regarding communication and collaboration with other stakeholders. The Board of Directors and executive management respect the rights and interests of stakeholders and foster a culture of cooperation with them.	Fully implemented	The Investor Relations Program was approved by Resolution No. 42 of the Board of Directors dated November 16, 2023	2	100%
7.2.	The company's annual operational report shall include details on which key issues were prioritized, the strategies pursued, and how stakeholder engagement was implemented.	Partially Implemented	The annual operational report of the Mongolian Stock Exchange includes the core strategies followed by the company, shareholder structure, the Board of Directors' activity report, the policies adhered to during the reporting period, key focus areas, and decisions made.	2	100%
7.3.	The company shall operate its official website effectively to facilitate stakeholder engagement, communication, and information exchange.	Fully implemented	In accordance with the "Regulation on Public Disclosure of Information by Securities Issuers," as set out in Resolution No. 08 of the Board of Directors of the Mongolian Stock Exchange dated May 10, 2022, information is promptly disclosed to the public as necessary.	2	100%
7.4.	The company shall have internal procedures and action plans in place for receiving and addressing employee suggestions, requests, and complaints, as well as for resolving social issues and supporting professional development.	Fully implemented	Employee suggestions, requests, and complaints are addressed in detail under the company's Internal Labor Regulations. Matters related to employee welfare and professional development are regulated through the	2	100%

			company's Human Resources Policy and internal procedures.		
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Total: 8 points, 100%

VIII. CORPORATE CULTURE

The Board of Directors (Board of Directors) shall set a high standard of business ethics within the company and lead by example, ensuring that executive management and employees adhere to these standards.

No.	Clause	Implementation	Explanation	Points	Percentage
8.1.	The BoD shall clearly define the company's values and vision, adopt a code of ethics to ensure lawful, ethical, and responsible operations, disclose it publicly, and monitor its implementation.	Fully implemented	The company regulates and monitors the ethical conduct of all employees through the "Employee Code of Ethics" approved on October 15, 2013, and the "Procedure for Organizing the Implementation of the Code of Ethics and Investigating Ethical Violations" approved on August 8, 2016. These documents are published on the company's official website.	2	100%
8.2.	There shall be a "whistleblower" system in place, allowing any illegal acts or ethical violations to be reported to the BoD or its relevant committee.	Fully implemented	The procedure is regulated by the "Whistleblower Policy" approved as Annex 5 to Resolution No. 42 of the BoD dated April 16, 2023, of the Mongolian Stock Exchange JSC. The "Procedure for Organizing the Implementation of the Code of Ethics and Investigating Ethical Violations" regulates the Ethics Committee, its structure, and functions, while the company's Internal Labor Regulations provide further details on whistleblowing.	2	100%
8.3.	The code of ethics shall regulate the prevention of corruption and official misconduct, as well as the company's policy on supporting (or not supporting) political activities and making	Fully implemented	The "Conflict of Interest Regulation" was approved as Annex 4 to Resolution No. 42 of the BoD dated November 16, 2022. The "Internal Control Program for Combating Money Laundering and Terrorism Financing" was approved as	2	100%

	(or not making) political donations.		Annex 2 to Resolution No. 29 of the BoD dated November 21, 2022. The "Employee Code of Ethics" is also enforced.		
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Total: 6 points, 100%

IX. SHAREHOLDER RIGHTS

The company and its Board of Directors shall respect and ensure equal treatment of shareholders, providing full access to information and enabling the exercise of their rights.

No.	Clause	Implementation	Explanation	Points	Percentage
9.1.	The company shall regularly provide stakeholders with information on its operations, financial status, governance structure, organization, and performance through its website.	Fully implemented	The company disseminates BoD resolutions, operational updates, annual financial statements, and major news to the public via its official website, www.mse.mn .	2	100%
9.2.	The company shall have an investor relations program and develop electronic channels for communication and information exchange with investors.	Fully implemented	The investor relations program, approved as Annex 6 to Resolution No. 42 of the BoD dated November 16, 2023, is being implemented.	2	100%
9.3	The company shall ensure that shareholders are able to participate in, propose agenda items for, vote at, and receive information regarding the general shareholders' meeting.	Fully implemented	This is regulated by the "Procedure for Delivering Notices of Shareholders' Meetings" approved as Annex 5 to Resolution No. 35 of the BoD dated December 2, 2022. The Exchange is a publicly listed company with 66% state ownership, and the Ministry of Finance exercises the rights of the state as a shareholder.	2	100%
9.4.	The company shall pay special attention to enabling shareholders to exercise their voting rights on matters related to the company's	Fully implemented	The Supervisory Council of the Exchange receives and addresses shareholder complaints and takes appropriate actions to protect their interests.	2	100%

	operations and ownership structure.				
9.5.	To prevent conflicts of interest between the company and shareholders, the company shall have a procedure for related-party transactions and disclose its implementation publicly.	Fully implemented	The "Conflict of Interest Regulation" was approved as Annex 4 to Resolution No. 42 of the BoD dated November 16, 2022, and its implementation is publicly disclosed.	2	100%

Total: 10 points, 100%

Overall Result:

- Total Possible Points: 72
- Awarded Points: 72
- Assessment Percentage: 100%

Report prepared:

Senior Registration Officer



D. Nyamdorj

Report reviewed and approved by:

Chairman of the Board of Directors



D. Togtokhbayar

April 28, 2025