

MMC – 15 April 2022

Foreign Investment – Opportunities & Challenges

Гадаадын хөрөнгө оруулалт, санхүүжилт татах боломж болон асуудлууд

Agenda:

- Investment and Financing types
- Investor/Lender questions over the years
- New Financial Risk: ESG
- Other Risks

Investment and Financing types

	Bank Debts	Corporate Bonds	Convertible Notes	IPO	Equity Rights Offering
Description	<ul style="list-style-type: none"> • Senior un/secured revolving syndicated debt facility • Tenor from 1 to 5 years • US\$30-300m 	<ul style="list-style-type: none"> • Senior un/secured bonds • Key investor groups include Fixed Income Funds, Hedge Funds, Arbitrage Funds • US\$419-600m 	<ul style="list-style-type: none"> • Unsecured junior notes with possibility to convert into stock • Key investor groups include Fixed Income Funds, Hedge Funds, Arbitrage Funds • US\$75-190m 	<ul style="list-style-type: none"> • Strategic and institutional investors • Potential to include new strategic investors • US\$651m 	<ul style="list-style-type: none"> • Investors based on existing shareholder base • Potential to include new strategic investors • US\$200m
Rationale	<ul style="list-style-type: none"> • Flexible working capital solution • Ability to understand, assess and manage risk more flexibly • Flexibility to prepay • Financial covenants tailored to Company's needs 	<ul style="list-style-type: none"> • Long-term, patient capital • Incurrence based covenants • No amortization requirements • Typically callable 	<ul style="list-style-type: none"> • Less dilutive than issuing common equity • No financial covenants and maximum structural flexibility • Long term or perpetual in maturity 	<ul style="list-style-type: none"> • Long reputation for execution which sets long term governance practices • Opportunity to create institutional demand and diversify shareholder base • Reduces / limits leverage in the capital structure 	<ul style="list-style-type: none"> • Rapid execution available to take advantage of attractive market windows • Opportunity to create institutional demand and diversify shareholder base • Reduces / limits leverage in the capital structure

Investor/Lender questions over the years

- Where is Mongolia?
- No country limit
- Which office is in charge of Mongolia?

- How do regulations work?
- When would new laws be effective? Applied how?
- Info on sector/peers and economy/politics?

- Another appointee? New working group? New feasibility? Again?
- Another election?

- We cannot do business in Mongolia

- Political system?
- What is the approval process?
- Not enough business
- More volume

- What were the regulatory changes?
- How are they applied?
- Why did the government make this decision?
- What is happening with the banks?

- We are still on KYC and compliance stage

2000

2005

2010

2015

2020



New financial risk: ESG

Sustainability is measured by Environmental, Social and Governance areas.



ENVIRONMENT



SOCIAL



GOVERNANCE

Carbon

- Carbon Emissions
- Product Carbon Footprint
- Financing Environmental Impact
- Climate change vulnerability

Natural Resources

- Water Stress
- Water Sensitivity
- Biodiversity & Habitat
- Raw Material Sourcing

Pollution & Waste

- Toxic Emissions & Waste
- Packaging Material & Waste
- Electronic Waste

Natural Resources

- Clean Tech
- Renewable Energy

Human Capital

- Labor Management
- Health & Safety
- Human Capital Development
- Supply Chain Labor Standards

Product Liability

- Product Safety & Quality
- Chemical Safety
- Financial Product Safety
- Privacy & Data Security
- Responsible Investment
- Health & Demographic Risk

Stakeholder Opposition

- Controversial Sourcing

Social Opportunities

- Access to Communications
- Access to Finance
- Access to Health Care
- Opp's in Nutrition & Health

Corporate Governance

- Board
- Pay
- Ownership
- Accounting

Corporate Behavior

- Business Ethics
- Corporate Governance & Compliance
- Ethical & Transparent
- Anti-Competitive Practices
- Corruption & Instability
- Financial System Instability
- IT Security & Data Protection
- Risk Management & Resilience
- Board Diversity



Regulators are tightening emission measures



Investors are pushing companies to become more



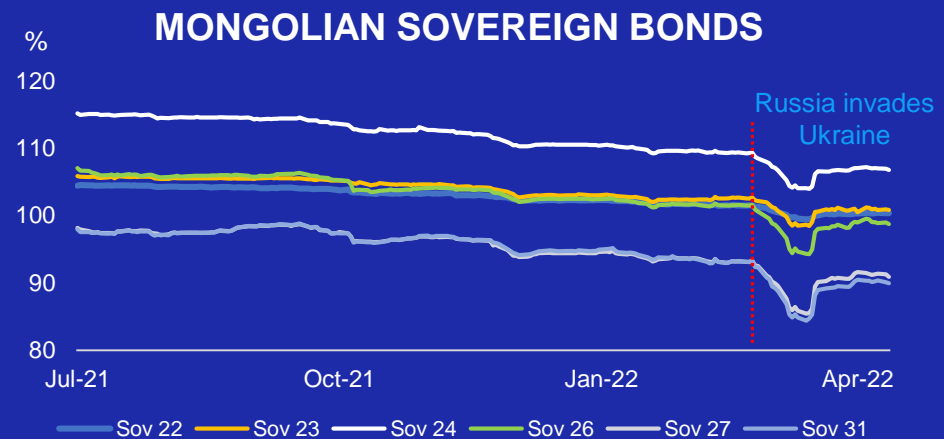
Investors now consider ESG as a financial risk

Other risks

- **High inflation** pushing for rate hikes (the end of low interest period, refinancing risk and USD strength)
- **Unstable supply chains** leading to labor shortages and cost increases due to COVID
- **Return to safe heaven assets**
- **China property shock** impacting construction, steel and coal sectors

War in Ukraine:

- About 29% of imports come from Russia (almost all fuel);
- Increase in oil and gas prices;
- Increase in agricultural commodity prices such as wheat, soy and fertilizer
- Increase in commodity prices such as coal, copper, aluminum and nickel;
- High inflationary expectations and further issues with supply chains;
- Volatile capital markets





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