



*The **AMERICAN CHAMBER** of Commerce in Mongolia*

# **Promoting Good Business Ethics in Mongolia: A synthesis of best practices and success stories**



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## **Promoting Good Business Ethics in Mongolia: A synthesis of best practices and success stories**

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The American Chamber of Commerce in Mongolia (AmCham), in partnership with the Asia Foundation (TAF), is working together to promote good business ethics in Mongolia through a focus on promoting best practices and positive stories, which will contribute effectively to creating an anti-corruption culture and behavior in society, and especially among the private sector community.

This synthesis is based on a desk review and select engagements with members to outline the key points of existing documentation related to codes of ethics; regulations on gift giving and government relationships; the management of conflicts of interest; corporate transparency and reporting; and challenges and incidents/cases related to ethics, conflicts of interest, and corruption.

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## Background

The American Chamber of Commerce in Mongolia (AmCham), in partnership with the Asia Foundation (TAF), is working together to promote good business ethics in Mongolia through a focus on promoting best practices and positive stories, which will contribute effectively to creating an anti-corruption culture and behavior in society, and especially among the private sector community.

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The synthesis also outlines ways to disseminate this knowledge and expertise to the broader business community, with a particular focus on SMEs in Mongolia that do not have in place similar policy frameworks and regulations.

Another round of engagements with select corporate entities will take place, to identify the nature and impact of these practices, their potential for replication, and emerging trends in ethical business practices.

## Overview of Desk Review

AmCham Mongolia members represent a range of leading international and national companies with the highest standards for codes of conduct, strict rules in managing relations with the government, preventive frameworks for corrupt practices, and ensuring transparency and accountability.

The synthesis illustrates a range of corporate cases illustrating how global standards are being applied in Mongolia, and the adoption of local regulations:

**Oyu Tolgoi** has comprehensive frameworks and policy documents in place to promote an ethical way of doing business. The company implements a business integrity standard with principles prohibiting bribery and corruption in all forms; avoidance and disclosure in the instance of a conflict of interests; the prohibition of fraud; protecting data privacy and confidentiality; ensuring anti-trust practices; and encouraging a speak-out format for instances of possible misconduct.

An important policy framework is linked to procurement practices at OT, which are regarded as highly sensitive, requiring vigilant management. The company follows a Procurement Personnel Code of Conduct, establishing guidelines for procurement employees and contractors to follow in their representation of OT's spend requirements.

OT also conducts 3rd party due diligence to assess potential suppliers, in terms of codes of conduct, integrity, and affiliations, political or otherwise.

**MCS Holdings** is one of the nation's leading companies in the enforcement of a code of conduct across all of its functions and subsidiaries. All employees, suppliers and contract workers have to follow the Code of Conduct. The document specifies the values and principles of MCS Group, a code of ethics for employees, conflicts of interests, government relations, and reporting.

**XacBank** presents an example of a corporate entity with a comprehensive framework that adopts five key principles, including know your customer, customer protection, social and environmental risk management, ethical finance, and a code of ethics.

The theme of compliance is a relatively a new concept for both private and state-owned companies in Mongolia, including **Tenger Insurance**, a subsidiary of Tenger Financial Group, which has been developing within a framework of diligent corporate governance.



**Trade and Development Bank (TDB)**, in collaboration with the Netherlands Development Finance Company (FMO), has been implementing a new environmental and social responsibility risk management system since 2012, a concept unknown in Mongolia before. Through the system, TDB introduced responsible financing mechanisms, the evaluation of funding impacts, and avoiding financing projects which are environmentally and socially harmful. TDB trained its employees, especially its loan officers, in environmental and social impact analysis.

**Wagner Asia Equipment** is an example of a corporate entity adopting the international standard Quality Management System ISO 9001:2005. This policy covers how the Product Support Division of Wagner Asia Equipment LLC and its subsidiaries are to handle all quality and continuous improvement. The Director and General Managers of Wagner Asia workgroups are responsible for ensuring that employees know the international standards and/or contractual standards for expected quality. All employee suggestions for improvement of a product, process, or service can be made as a recommendation to the employee's direct supervisor, to make the recommendation actionable if approved by management.

**MSM** has in place clear guidelines on dealing with government officials, emphasizing that political contributions, payments, gifts, loans or services provided by MSM to any political party or committee, or a candidate for (or a holder) of a political office are permitted only if in compliance with applicable law and local policy, and approved in advance by the MSM Board of Management. Additionally, payments of loans from corporate, subsidiary or personal funds, or transfers of anything else of value to a government official or employee for the purpose of obtaining, retaining or directing business to MSM or any of its subsidiaries or affiliates, or other persons, are prohibited.

**ING** explicitly pursues a zero tolerance approach to bribery and corruption. In 2015, ING introduced the Orange Code. Inspired by the aim to put “integrity, above all”, the code is designed to strengthen ING's relationship of trust with their customers. The Orange Code encompasses ING values (honesty, prudence, and responsibility), behaviors, and anti-bribery and corruption policies enforced by a whistleblower policy, which applies to concerns about suspected or actual criminal conduct, unethical conduct, or other misconduct by or within ING.

Similarly, **SouthGobi Sands LLC** uses the document, The Way We Work, as the basis for its code of business conduct. The Way We Work reflects their strong commitment to undertaking their business with integrity, and requires them to stick to rigorous standards of corporate governance in order to achieve sustainable development. Delivering on their sustainable development commitment means making sustainable development considerations an integral part of their business plans and decision making processes.

Equally important, **Cummins, Deloitte, PwC, and Crown** present examples of businesses adopting their global practices in code of conduct in a Mongolian context.

There is a wealth of knowledge and expertise available from AmCham members that can be replicated by Mongolian SMEs.

Individual discussions with members identify some ways to engage in knowledge sharing and dissemination, including but not limited to:

- Large forums
- Targeted thematic workshops bringing together specific companies by sector, whereby AmCham members can present case studies
- Face-to-face training programs
- Conducting comprehensive training programs
- External audit checks and recommendations
- Providing a template for good business ethics
- Mutual secondment

## Knowledge sharing and dissemination



For instance, **Oyu Tolgoi** has in place the Capacity Building Program for Mongolian SMEs, carried out in partnership with IFC and GIZ. The key aim of the program is to facilitate training for SMEs in various sound business practices, such as HSE, business integrity, business management, supply chain management, etc., to improve their competitiveness and sustainability, while meeting world class mining standards and standards in other industries, and also facilitating financial literacy and capacity building programs.

This program provides a rare opportunity for SMEs to develop standards matching international benchmarks and potentially become suppliers.

Oyu Tolgoi considers gender equality in the hiring process and also supports the economic empowerment of rural women in the South Gobi province through their business development programs, scholarship programs, and partnership and sponsorship programs at the national level. For instance, an inspiring case illustrating Oyu Tolgoi's efforts is provided below: A woman miner with an aspiration of becoming Oyu Tolgoi's "First Woman Blaster" Sh. Davaasuren has a bachelor degree in engineering and is one of the 2,500 female miners who is contributing to the development of Oyu Tolgoi. Not long after joining OT, she participated in "Blast Handler" training with the suggestion of her supervisor and became the first woman miner of Oyu Tolgoi to acquire a certificate on "Blast Handling". She credited her achievements and success to her supervisor and colleagues and constantly learning from the diverse experience of fellow teammates as well as their support, reinforcement, and advice on each individual's urge to develop and challenge themselves further. Sh. Davaasuren doesn't want to stop at just receiving "Blast Handler License". She has a big ambition to also obtain "Blaster Permit" and has an aim to achieve this mission of hers by 2019 and become Oyu Tolgoi's first woman miner with "Blaster Permit".

Another way to replicate good practices is the adoption and application of systems and processes related to disclosing information on gifts and incentives, for instance, the various declarations, manuals, online forms, and registration systems commonly used by AmCham members. AmCham could organize comprehensive training sessions, or conduct training programs with our members and interested Mongolian companies regarding their procedures and processes related to disclosing information on gifts and incentives.

AmCham can also ask our members to organize independent audits or to assign experts to interested Mongolian SMEs who would be able to review their documents on ethics; regulations for gift giving and government relations; the management of conflicts of interest; corporate transparency and reporting; and challenges and incidents and cases related to ethics, conflicts of interest, and corruption. These experts can come up with recommendations for improvement within Mongolian SMEs in these areas.

Additionally, AmCham can develop a template for good business ethics, based on the best practices of its members, and share it with Mongolian SMEs through the Asia Foundation. This template should include minimum requirements for a code of ethics, so that Mongolian SMEs can customize it for their own needs and interests, and implement it in their businesses.

Furthermore, AmCham can facilitate mutual secondment between AmCham members and Mongolian SMEs. This means that Mongolian SMEs would be able to send their employees to AmCham member companies to gain experience and knowledge in areas concerning ethics and policy, or vice versa.

These solutions for knowledge sharing and dissemination ensure that the best practices of AmCham Mongolia members will be replicated and implemented in Mongolian SMEs, so that businesses can become more competitive and responsible in their operations.



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