

# COMPLIANCE REPORT



Reporting period: H1 2024

## Content

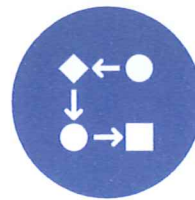
Compliance obligations



Compliance risk



Continuous improvement of Compliance



Combating Money Laundering And Terrorism Financing



At the beginning of the year, the Compliance Unit prepared the annual action plan and presented it to the Committee under the Board of Directors for approval. During the first half of 2024, we have diligently monitored the implementation of the company's compliance obligations. Our efforts have focused on ensuring adherence to applicable laws and regulations, providing recommendations to mitigate compliance risks, and raising awareness about the importance of strengthening the compliance culture. We have also ensured compliance with laws and regulations related to combating money laundering and terrorist financing.

Additionally, Moncertf LLC conducted an audit of the ISO 37301:2021 standard. We are pleased to report that the certification was awarded successfully. We remain committed to effective task implementation and will continue to address any compliance-related matters as they arise.

## Compliance obligations

Ensure compliance with laws and regulations



Ensure that the implementation of the tasks is not neglected



Support optimal decision-making



### A. Requirements

Requirements according to regulations passed by state authorities

During the reporting period, by the applicable laws, rules, and regulations governing the company's activities, 27 types of reports were submitted a total of 80 times to the Financial Regulatory Commission, the Central Bank, the

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Stock Exchange, the General Department of Taxation, and other regulatory authorities.

## **B. Commitments**

Requirements that the company selected voluntarily to comply

The implementation of the company's commitments is regularly monitored through the task system, and monthly reports are sent to the top management. In case of potential compliance risks, the company cooperates with departments and units by preparing proposals and recommendations.

Contractual Obligations

### ***Khulan bonds issued in the international market:***

Hulan bonds issued in the international market: On 18.01.2024, "MIK HFC" LLC, in collaboration with Deutsche Bank AG and Korea Investment & Securities Asia Limited, effectively finalized the transaction for the issuance of a \$225,000,000 "Khulan" bond on the international capital market. Under the contract's obligations, the Activity Report and other information were delivered to the Investors on time.

### ***Mortgage-backed bonds:***

During the reporting period, bond payments secured by mortgage loans were made on time, and relevant reports were delivered promptly through the efforts of the contractor and asset trust leader.

International standards

The requirements of the following international ISO standards are met and certified by an external audit organization:

- ISO 27201:2013 Information Security Management;
- ISO 31000:2015 Risk Management;
- ISO 37301:2021 Compliance Management Standard.

Social responsibilities

Supporting the Billion Trees initiative launched by the President of Mongolia, MIK has pledged to plant one million trees. We have already planted over 5,200 trees and will continue to contribute to reducing desertification and increasing water yield by planting and growing trees each year according to the plan.

Additionally, we donated B. Sainjargal's book "Financial and Economic Analysis of Business Organizations /2024/" to the Business School of the National University of Mongolia's library. MIK is also cooperating with events organized in conjunction with the 100th anniversary of Mongolia's banking sector's establishment.

## Compliance risk

**Risk protection**



**Increase business efficiency**



**Improve transparency**



At the beginning of the year, the compliance unit determines external compliance obligations and assesses potential risks to the company due to non-implementation. Compliance is monitored monthly and reported to the Management Committee, with a comprehensive assessment and report submitted to the Board of Directors semi-annually. We provide recommendations to mitigate and prevent medium and high compliance risks across all units.

During the reporting period, the company identified 113 compliance obligations. No financial, operational, or reputational risks arose from their non-fulfillment, and no customer complaints were reported. The company adheres to business ethics in all its activities, with no cases of ethical violations by employees.

## Continuous improvement of Compliance

**Increase responsibility**



**Prevention of unethical practices**



**Increase the participation of employees**



### **Training and development:**

At the beginning of each year, the Compliance Unit develops and approves the Annual Compliance Training Plan in collaboration with the Human Resources Management Division. The unit provides regular training and information to enhance employee knowledge and support ethical and responsible work practices. During the reporting period, classroom training was conducted quarterly for new employees and semi-annually for all employees, while electronic training and updates were delivered monthly to foster a compliance culture and prevent potential compliance risks.

### **Reporting:**

The Compliance Unit regularly monitors the implementation of compliance obligations and provides monthly reports to the Management Committee by the 10th of each month. Additionally, a compliance operational report, including recommendations for improving company operations and preventing risks, is presented to the Risk Management Committee of the Board of Directors on a semi-annual basis.

**Controlling program/Task system/:**

The control program "Task System" has been developed to monitor the regular implementation of compliance obligations. This program automates task registration and quickly provides management with the necessary information, ensuring unified record-keeping. The Compliance Unit collaborates with the Information Technology Department to implement program improvements and provides users with guidance and recommendations.

**Combating Money Laundering And Terrorism Financing**



Under Mongolia's Law on Combating Money Laundering and Terrorism Financing, as well as international agreements and sanctions requirements, customer due diligence has been conducted with partner banks and non-bank financial institutions to prevent risks and maintain regular monitoring.

Additionally, external stakeholders such as Deutsche Bank, U.S. International Development Finance Corporation (DFC), and Ernst & Young Mongolia Audit LLC regularly conduct customer due diligence analyses on the MIK Group, and the Compliance Unit has collaborated by providing the necessary documents.

Reported by: Chief Compliance Officer .....  ..... /Bolortuya.B/