

Policy

In addition to meeting the requirements of Mongolian Law and the IFC Performance Standards, the project will comply with Rio Tinto's applicable standards on environment, occupational health & safety, community health, safety and security. The Rio Tinto Communities Standard includes support to health and/or livelihood initiatives that address community priorities.

These standards are the basis for a project-specific Health, Safety & Environment Policy defining environmental and social objectives and which is operationalized through a Health, Safety & Environment Management System (which reflects the key elements of ISO14001) and a Community Management System.

Identification of Risks and Impacts

The five-volume Oyu Tolgoi integrated ESIA builds upon an extensive body of existing studies and reports prepared since 2002 for project design and development purposes and for Mongolian approvals. A range of project component-specific detailed environmental impact assessments (DEIAs) were prepared for Mongolian approval and permitting purposes under the Environmental Protection Law (1995), the Law on Environmental Impact Assessment (1998 and amended in 2001) and the Minerals Law (2006). These initial EIAs were prepared over a 10 year period from 2002 to date.

Since 2002, OT has collected baseline data for planning and impact assessment: (i) field sampling programmes and surveys, such as surface and groundwater quality, dust measurement, fauna surveys and vegetation surveys; (ii) verbal evidence provided through interviews both with permanent residents and with settlers and herders; (iii) specific monitoring programmes undertaken by OT in accordance with Mongolian requirements and in compliance with international standards; (iv) laboratory assessment; and, (v) secondary data review through public sources of information, mapping and graphics sources.

In 2008-2009 OT commissioned the Omnogovi Social, Economic and Environmental Baseline Survey, the first such study to be undertaken in Mongolia. The survey's results have provided an excellent database for a number of follow-up initiatives to be taken by both the aimag government and community-based organisations and the Company.

There has also been ongoing work with the OT design engineering team on the design and management of the TSF and the Waste Rock Dump (WRD); an assessment of biodiversity resources potential project impacts and requirements for biodiversity offset implementation conducted by leading Mongolian and international experts in order to meet Rio Tinto's biodiversity commitment of a 'net positive impact' and preparation and implementation of a resettlement action plan to manage the expected economic displacement and to evaluate and document the effectiveness of the resettlement and compensation process for herders whose winter shelters were within 10 km of the OT site and who relocated in 2005.

Management Programmes

Within the management systems outlined above is a detailed Environmental & Social Management Plan (ESMP) for the construction phase and a framework ESMP for the operational phase. The operational phase ESMP will be completed and disclosed prior to IFC disbursing funds.

Taken together with more recent monitoring and survey data and additional social analysis, the integrated ESIA seeks to assess the environmental and social baseline in the project's 'area of influence', and to evaluate the likely environmental and social impacts of the project. Based on the analysis of impacts, it sets out how these will be addressed in planning, construction, operation, decommissioning and closure through various environmental and social management processes (including the ESMPs) implemented by OT LLC.

With respect to biodiversity, IFC's due diligence of the Project did identify shortcomings in the use of baseline information to inform the routing of the 220 kV high voltage transmission line through the Galbyn Gobi IBA, an area that contains 'lekking' (display) and nesting sites of the Houbara Bustard and other birds. Prior to construction, due diligence was thus not sufficient to fully characterize the risks and impacts associated with the siting of the powerline. IFC is working with OT to address these issues. For example, the Project committed to a set of measures to minimize impacts on Houbara Bustards from transmission line stringing (e.g., adoption of an accelerated timeline to complete stringing work prior to the lekking season, use of discrete line pulling points and lekking site identification by a Houbara Bustard surveyor). The Project has also agreed to avoid future construction and maintenance activities in the IBA during the lekking season (with the exception of emergency and time sensitive work).

For each area of impact, the ESIA contains mitigation measures describing the steps and actions to be taken, addressing project phases through construction to operation, decommissioning and closure. The dynamic nature of the project is resulting in the need for additional assessments and the process for undertaking these is covered by OT's Management of Change Procedures. Such assessments cover the MLA to Khanbogd power line and the road diversion in the SGSPA border area.

Cumulative impacts assessment has considered water, airshed, biodiversity and cultural heritage. Although there is currently no other industry within about 200 km of OT, the assessment of cumulative impacts is a critical part of the ESIA due to concerns about the cross-cutting issues associated with water and the potential for other mineral discoveries that may need to use the same natural resources.

Organisational Capacity and Competency

Responsibilities for the Construction Phase Management System have been integrated into procedures, and extend to all personnel, contractors, subcontractors, service providers and activities at OT.

The Executive Vice President – Construction and the Chief Operating Officer retain overall accountability for the adequacy, maintenance, implementation and certification of the Environmental Management System (EMS). The OT Environment Department ensures that the

requirements of the EMS are met in all activities. However, the Principal Environmental Advisor has been delegated accountability for:

- (i) Ensuring that the Management System has been established, implemented and maintained in accordance with the requirements of ISO14001; and
- (ii) Reporting to senior management on the performance of the Environmental Management System for review, including recommendations for improvement.

In addition two other key posts have been established – General Manager Environmental Health & Safety and Principal Biodiversity Advisor. All staff and contractors maintain general responsibilities under the EMS. These include ensuring that the OT Health, Safety and Environment Policies are adhered to.

The OT Environment Department assists where technical skills, know-how and inputs to assist or implement the EMS are required. Contractor managers are responsible for ensuring contractors understand their responsibilities under the EMS.

Responsibilities for social impact management have been integrated into the Project procedures, and extend to all personnel, parties and activities at OT. The Social Management System (SMS) is aligned to the Rio Tinto Communities Approach as outlined in the Rio Tinto Communities Standard.

The Vice President – Regional Development & Communities retains overall accountability for the adequacy, maintenance, implementation and certification of the SMS. However, the Manager – Community Relations has been delegated accountability for:

- (i) Ensuring that the SMS has been established, implemented and maintained in accordance with the requirements of the Rio Tinto Communities Standard; and
- (ii) Reporting to senior management on the performance of the SMS for review, including recommendations for improvement.

Responsible parties for the implementation of specific mitigation and monitoring controls are defined within each Construction Phase Management Plan.

OT has also developed procedures that define contractor health, safety, environmental and social requirements and management controls. These procedures set out the requirements and the nature of the management control relationship of OT towards its contractor(s) and provide guidance to contractors on the identification and management of HSE risks and impacts.

The OT Project Construction Phase is led by a Project Management Team (PMT) which is comprised of Fluor as the Project Management Contractor (PMC) and key members of OT management. The key contractor for underground works is Redpath. The PMT reports to the OT Project Director. The PMC Project Director and his team coordinate project execution. In practice, the OT Environment Department has assumed control and oversight of environmental management issues and works in coordination with the PMT HSE function to supervise the activities of contractors both on-site and off-site.

The Project environment, health, safety and security personnel in place during the construction-phase are approximately as follows (i) OT Environment Department – 48 staff; (ii) OT Communities and Social Performance Department – 46 staff; (iii) OT Health and Safety Department – 12 staff; (iv) Fluor HSES Department – 70 staff; and (v) Redpath Safety Department – approximately 20 staff and underground volunteers.

Emergency Preparedness and Response

A project-wide Emergency Response Plan has been developed and implemented. As part of the Plan, specific procedures are in place to address: (i) natural disasters; (ii) pandemics; (iii) medical emergencies; (iv) fires and explosions; (v) traffic incidents; (vi) civil unrest; (vii) bomb warnings; and (viii) environmental incidents including release of fuels and hazardous substances. This is further described in the section on PS4.

Monitoring & Evaluation

In addition, in September 2010, the Lenders contracted an Independent Environmental and Social Consultant (IESC) to undertake a third party review of the ESIA against Senior Lenders' requirements. As part of this assessment, audits of project construction have been undertaken.

Extensive internal and external monitoring of EHS parameters is already underway (eg: independent external construction EHS auditing process). An Environmental Monitoring Plan has been developed as a part of the ESIA and covers the three phases of development, namely construction, operation and decommissioning/closure. Periodic external monitoring post IFC-investment conducted by qualified independent consultants will be undertaken but has yet to be finalized. The capacity for surface water monitoring, institutional monitoring capacity and participatory monitoring by the government is expected to be improved through working with OT.

Stakeholder Engagement

OT's comprehensive stakeholder engagement activities are guided by the Stakeholder Engagement Plan (SEP), which has been developed to manage the many aspects of stakeholder engagement by the company and it is publicly available from OT's web-site. The SEP and related issues of external communications and grievance mechanisms are further discussed in the Stakeholder Engagement section below.