

The project has generated significant employment opportunities for the region with a construction workforce peaking at about 14,800. The permanent workforce will be 3,500. OT has developed a Labour Management Plan detailing the methods, measures, and procedures to (i) achieve compliance with Mongolian labour law and international standards; (ii) achieve local and national employment targets; and (iii) ensure that recruitment, employment and training are carried out in a fair and transparent manner, consistent with good international industry practice.

Discrimination in the workplace based on nationality, race, sex, social origin or status, wealth, religion, or ideology is strictly prohibited, according to Mongolian regulations, although women are prevented from undertaking certain high risk forms of manual work as set out in separate regulations. Workers rights are also protected by means of collective agreements which may be concluded within professions or economic sectors and at the region, soum, aimag, or city level. Collective agreements also identify a range of the social benefits to which workers are entitled. All such collective agreements must be registered with the relevant legislative body. The Labour arbitration court settles collective labour disputes and a court or commission settles escalated individual labour disputes not resolved in the workplace. Mongolia has been a member of the International Labour Organisation (ILO) since 1968 and the country ratified the 'core' ILO Conventions, i.e. the eight conventions that have been identified by the ILO's Governing Body as fundamental to human rights at work.

As part of the Investment Agreement, the following commitments have been made: (i) OT will use its best endeavours to ensure that not less than 60% of the total construction workforce will be Mongolian nationals; (ii) in direct mining operations, OT must ensure that not less than 75% of mining contractors are Mongolian nationals; (iii) within 5 years of the commencement of production, OT will aim to ensure that no fewer than 50% of its employed engineers are Mongolian nationals and, within 10 years of the commencement of production, not less than 70% of engineers employed by the Project are Mongolian nationals; (iv) OT is organising training of its employees to upgrade employees' skills and provide further practical experience; OT upgrades selected employees' professional qualifications by enrolling them in studies inside or outside Mongolia on a contractual basis; and (v) OT has established and maintains health and safety systems and procedures at OT that comply with all applicable health and safety laws and regulations in Mongolia, while complying with all requirements under the Labour Law, including in respect of collective bargaining.

The Rio Tinto HSEQ management system standard adopted by OT was released in 2007 and replaced individual management standards for health and safety. Rio Tinto requires all its businesses and sites to implement an integrated management system that conforms to this standard.

The standard sets out the minimum requirements to address the management of health and safety and the environment, both across business activities as well as products. The standard's requirements are mandatory and their implementation will be verified during HSEQ business conformance audits.

The HSE MS provides a structured method to identify, assess and control HSE risks. The system is designed along the principles of Plan, Do, Check and Review as a continual improvement cycle.

The management system standard is divided into seventeen elements. Each element sets out to achieve a specific objective that enables a business or site to best identify and manage its various HSEQ threats and opportunities. Many of the elements are inter-related.

Every element includes a number of clauses, which spell out the minimum requirements to meet each objective. Some of the elements refer to set processes that must be followed, and these are defined in additional documents called “work cycles”. All elements are supported by individual Guidance notes and other supporting references.

The Health & Safety system implemented by OT meets good international industry practice and all relevant IFC health and safety guidelines.

Recruitment and hiring

OT has introduced; (i) a hiring policy with employment priority for locals, thus maximizing socio-economic benefits in communities closest to operations; (ii) workers accommodation policies intended to minimize population influx and other potential workforce negative impacts; and (iii) specific anti-discrimination policies and grievance management procedures. These policies are set out in the comprehensive Hiring Policy and Procedure (2010) developed by the Human Resources Department.

The Company has adopted a policy that states (i) OT and Project Contractors will recruit from designated recruitment locations/offices and not via informal requests, approaches or solicitations from community members, relatives of the currently employed personnel and other job seekers, either in the camps or at work sites; (ii) appropriate information signs and notices will be placed at work sites, offices, camps, and predominantly on the OT website. Job advertisements will indicate the designated locations where formal hiring takes place; (iii) all recruitment information distributed will clearly state that individuals appearing at the job site or at any other non-official recruitment venue elsewhere that have not been previously screened and approved by OT will not be hired; (iv) lists of “Preferred Individuals” will not be accepted; and (v) OT does not employ or work with any informal mediation individuals who claim to recruit the Project workforce. There is no fee or payment involved when an application for a job with OT is made.

Terms of employment, compensation and contracts

Contracts of employment are in writing and may be for a fixed or indefinite term. All Employees are provided with an employment agreement, which as a minimum addresses job title, job duties, basic salary and labour conditions. Working hours and pay are set in compliance with the Mongolian Labour Law. All relevant attendance and leave requirements are set out in individual employment contracts and other relevant HR policies and procedures.

The salary scale for all employees is reviewed during annual salary benchmarking surveys. An independent company is hired to conduct the surveys in the Mongolian market. OT determines salary ranges for roles of similar responsibility level determined on the following factors: (i) inflation and cost-of-living adjustments; (ii) market supply and demand conditions; and (iii) salary terms and conditions and benefit packages offered by competitors and other industries within Mongolia.

All employee terminations are performed strictly according to Mongolian Labour Law. OT has developed procedures to guide the retrenchment of employees including a formal Retrenchment Plan for consultation with workers prior to the need for any retrenchment.

Worker Accommodation

During the construction phase, workers will live in either purpose-built camp accommodation on site or in Khanbogd soum and travel to work on a daily bus-in/bus-out basis. The OT Camps are managed in accordance with relevant Mongolian standards and the guidance contained in the IFC/EBRD Guidance Note “Workers Accommodation. Processes and Standards.” OT has established a Camp Policy and Code of Behaviour for all employees to maintain good employee and camp relations, and to guide all staff with expectations of professional behaviour at the Project.

Oyu Tolgoi is still developing its operational-phase worker housing plans and how the issues of employee housing and supplier location will be handled. The current model based on predominantly FIFO arrangements is being reviewed to consider a model which considers a balance between some FIFO, and predominantly local (Khanbogd-based) family housing. In order to avoid a sudden influx to Khanbogd and the consequent: (i) overburdening of existing municipal infrastructure, services and facilities; and (ii) risk of social problems or conflict between native and new populations Oyu Tolgoi has adopted a number of principles to guide its actions and to provide reassurance to stakeholders that it will undertake this process and implement its worker housing and other influx management activities in a responsible manner consistent with the IA, Rio Tinto standards and GIIP.. Further details on the worker housing policy and its role in managing potential adverse impacts of population influx are provided in an Influx Management Plan.

Unions, Workers Representation and Collective Bargaining

The Project endeavours to work in good faith with trade unions and any other bodies that employees collectively choose for their formal representation, within the appropriate Mongolian legal framework. Organised workforces are common in Mongolia and an Oyu Tolgoi LLC Union of Mining Employees formed in August 2010. The right to negotiate collectively at different levels (including sector and enterprise) is recognized under Mongolian Labour Law and is respected by OT. In collective agreement negotiations, workers may be represented by a trade union or, by representatives elected from a meeting of employees. If, there are multiple trade unions that are relevant to collective agreement negotiations, the unions will participate in numbers relative to the proportion of workers that they represent however are required to form one body to negotiate with the employer.

A collective agreement (which provides for more favourable conditions than those set out in the Labour Code) has been negotiated with the OT Trade Union, which represents OT employees. This collective agreement is re-negotiated and renewed annually.

Management of Direct Contractors

OT will ensure that contractors and sub-contractors working at the Project sites will comply with all requirements described above. OT will also ensure that contractual provisions reflect these requirements.

The construction workforce has been sourced primarily from within Mongolia in keeping with the agreed targets. However, there are three major Chinese sub-contractors whose workers are recruited, mobilised and demobilised in China. During working rotational periods, all contractor workers remain on-site in a separate camp and are not be permitted off-site for recreational purposes during working periods.

Labour and working conditions for contractors and their adherence to the relevant policies and requirements is monitored by OT. The compliance verification process involves the review of recruitment, hiring and employment practices, as well as working conditions and training for all key contractors. Reviews assess contractors' performance against OT procedures, Mongolian Law, and international standards. Reviews are conducted directly by the OT HR Department or by authorized government inspection agencies. Reviews are undertaken periodically during the construction programme.

OT has established the Oyu Tolgoi Procurement Principles and Policies (2012) which sets out a range of expectations and commitments, relating to how business will be conducted between OT and its suppliers. All suppliers to the Project are expected to comply with the Mongolian labour standards, with the relevant standards of the ILO and with applicable human rights standards.

Training

OT has designed a Training Strategy and Plan to enhance the professional development of Mongolian staff and to ensure that the Project has an appropriately-trained and qualified workforce to meet the changing technical requirements of the Project as it progresses through construction, to open pit mining and underground mining.

OT has also committed to job-readiness and other bridging training for local workers. This training has been developed and is being implemented by the Oyu Tolgoi Community Relations Department. OT is also establishing two new TVET colleges, one new training facility and is contributing to the refurbishment of four existing TVET colleges. Planning work for both new colleges is well advanced and construction on one in Nalaikh started in April 2012. OT is also developing various training initiatives for local businesses, entrepreneurs, affected herders. This training forms part of Oyu Tolgoi's LBED Programme.

Grievances

OT has established an employee grievance process (the "Speak Out" programme). OT has also established a Fair Treatment Policy, which provides employees with a formal process for raising concerns to management, covering any issues that are work related, that affect an employee, or that an employee deems unfair.