

**OPEN JOINT STOCK COMPANIES LISTED ON THE  
MONGOLIAN STOCK EXCHANGE (JSC)  
2023**

**Executed by:**

A.Avir, Head

L.Munkhzaya, Senior referent

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## **CORPORATE GOVERNANCE CODE’S PERFORMANCE OF ISSUERS LISTED IN THE “MONGOLIAN STOCK EXCHANGE” – 2023**

### **1. TIMELINE**

#### **2006**

The Parliament of Mongolia adopted the Chapter of the Financial Regulatory Commission (FRC) of Mongolia, granting it legal authority to introduce and elaborate on corporate governance principles.

#### **2007**

The FRC approved the inaugural Corporate Governance Code, hereinafter referred as the Code..

#### **2014**

The Code underwent amendments .

#### **23 March, 2022**

FRC’s Resolution No.145 revised the Code and included appendices containing report forms with assessment methodologies, as well as model forms of internal policy documents, rules, and regulations. These align with the internationally accepted principle of “comply or explain”.

#### **2022.04.15**

The Code came into effect upon registration in the “State Register of Administrative Norms Acts” and integration into the legal information system [www.legalinfo.mn](http://www.legalinfo.mn). Publicly listed companies, insurers, nonbank financial institutions providing trust services, and investment management companies are required to adhere to the Code.

#### **2022.06.22**

In 2022, FRC Chairman’s Order No.336 approved the “Guideline for Ensuring the Implementation of the Code” which outlines the organizational framework for introducing corporate governance principles and specifies the obligations to be followed by market participants.

#### **2022.11.03**

Six training sessions and discussions were organized for the board chair, members, secretaries, and chief executives of 66 companies registered in the first and second categories of the “Mongolian Stock Exchange” JSC.

#### **2022.12.30**

The FRC conducted an assessment of the implementation of the “Corporate Governance Code” across 116 regulated entities, including insurers, nonbank financial institutions providing trust services, and investment management companies, spanning three regulatory sectors. Following the assessment, the FRC issued recommendations or assignments within a specific timeframes, rated sectors based on their performance, and disclosed the result to the public. In August 2022, the initial assessment of the Code’s performance yielded a score of 55.3%. By December 2022, this score had increased by an average of 16.4% following the FRC’s provision of recommendations, guidance, or assignments within specific timeframes.

### **2023.01.02**

The FRC has initiated the assessment of the implementation of the Code among open joint-stock companies listed on the “Mongolian Stock Exchange” JSC.

### **2023.03.01**

The FRC reviewed reports from a total of 108 JSCs, including 68 classified in the “first” and “second” categories and 40 classified in the “third” category, and provided assignments within a specific timeframes.

### **2023.06.30**

The FRC conducted re-assessment of reports from a total of 47\* issuers, and resulting an average increase of 12.7% in the Code performance. Based on the assessment of corporate governance quality and the Code’s performance, a rating system was established. Quality indicators necessary for improving the regulatory environment and aiding customers and investors in making informed decisions were defined during the evaluation of the Code’s performance. This process involved releasing an integrated report and assigning a rating according to the methodology.

### **2023.12.28**

By the end of 2023, the average performance of 124 licensed companies, including insurers, non-bank financial institutions, and investment management companies, had increased by over 30% compared to 2022. Additionally, the average performance of 104 JSCs registered in the Mongolian Stock Exchange showed a progress of more than 17% by the end of the year.

## **2. RESEARCH**

The introduction of corporate governance not only ensures the long-term sustainability of business activities but also contributes to creating a fair and transparent market environment, aligning with the expectations of investors and customers. Therefore, it is crucial to give critical attention to this socially significant concept and consistently develop it.

International practice emphasizes the use of risk-assessment-based rating methods when evaluating the quality of corporate governance and the implementation of the Code. Corporate governance ratings play a positive role in aiding investors and customers in making informed and risk-aware decisions. These ratings serve as valuable information for assessing the risk associated with a company's operations, thus contributing to more informed decision-making.

## **3. GOAL AND SIGNIFICANCE**

- Evaluate the implementation of the Code using a standardized method and develop an integrated report;
- Determine the company's governance approach and identify potential risks;
- Assess the risk factors affecting investors and clients, and establish governance indicators to aid decision-making processes;

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\* As of May 15, 2023, because "Trade Development Bank" JSC and "Khas Bank" JSC were not registered in the Stock Exchange, the initial evaluation report of the implementation of the code of these issuers was not reviewed and confirmed for the half year of 2023, so the progress was not determined.

- Identify top-performing securities trading organizations in each category based on governance practices and rate them accordingly;
- Outline standards of corporate governance to serve as a benchmark for comparing and enhancing self-governance in open joint-stock companies;
- Optimize legislation and internal rules and regulations adopted by joint-stock companies;
- Generate statistical data in the form of time series.

#### **4. METHODOLOGY**

This research was conducted based on the results of the initial assessment of 104 JSCs, followed by assessment reports from 56 JSCs registered in the Mongolia Stock Exchange JSC. The assessment utilized 36 questionnaires to evaluate the implementation of the Code.

##### **4.1. MAIN TOPIC:**

**a. The function, structure, and composition of the Board and its Committees under the Board;**

**b. Transparency of internal legal regulations and website updates;**

- Policies and documentation;
- Code of ethics and conduct;
- Company charters and internal operational procedures;
- Regulations and guidelines for information transparency, reporting, compliance monitoring and risk management;
- Training programs for company's authorized officials.

**c. Code indicators implemented well and worse.**

##### **4.2. RESEARCH SUBJECTS:**

**The open joint-stock companies listed on the Mongolian Stock Exchange JSC:**

a. The Corporate Governance and Compliance Division conducted an initial assessment of 104 JSCs and assigned fixed-term duties. Subsequently, a follow-up assessment was carried out for 56 JSCs using questionnaires aligned with the Code, resulting in a scored evaluation.

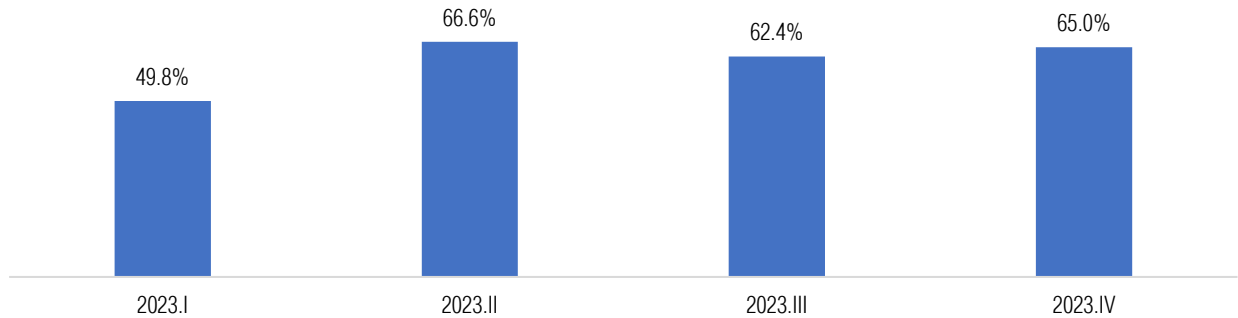
b. The total score and percentage of assessment control were calculated based on evidence provided in the remote assessments submitted by the companies.

c. Recommendations and directions were provided to each company based on the overall assessment results, and progress in remote assessments was gauged by their performance.

The overall assessment of companies is instrumental for the Financial Regulatory Commission (FRC) in decision-making regarding issuing licenses or permissions and registration. It captures the current state of corporate governance, aids in analyzing the legal environment, and facilitates disclosure through an integrated study of corporate governance ratings.

## 5. RESEARCH RESULT

**FIGURE 1. CHANGES MADE AFTER FIXED-TERM DUTIES BASED ON REMOTE ASSESSMENT OF THE "CORPORATE GOVERNANCE CODE" PERFORMANCE:**



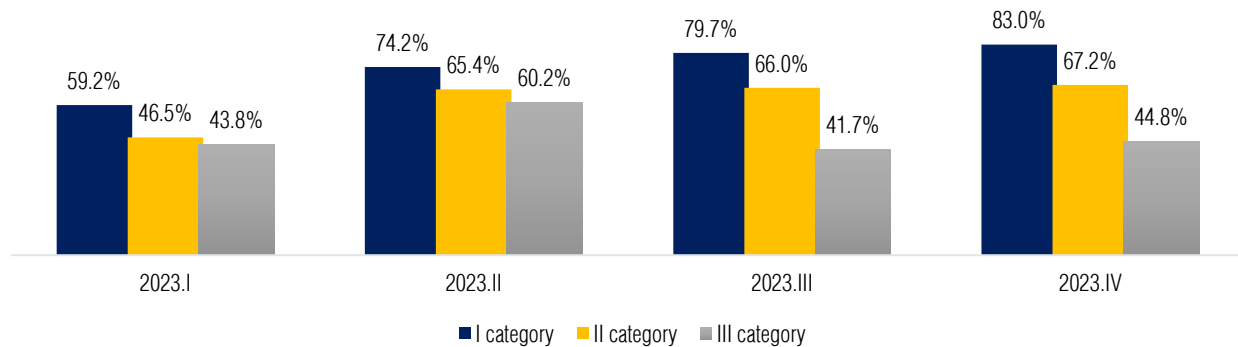
**Note 1:**

After the follow-up assessment of 56 JSCs, the implementation of the Code increased by 15.2% compared to the initial assessment.

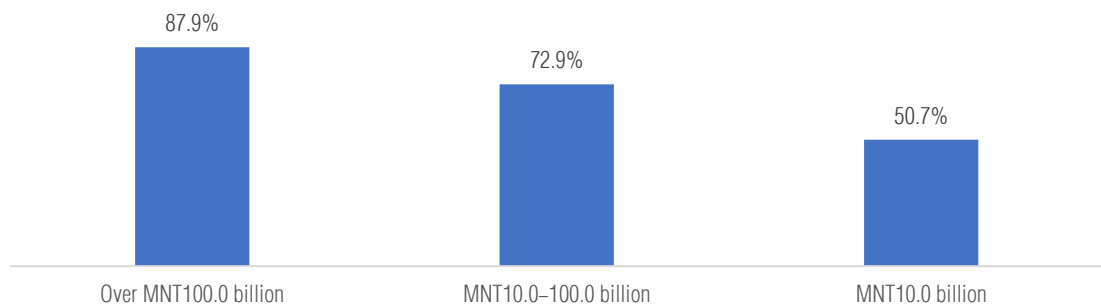
**Note 2:**

The companies listed in the MSE's classification demonstrated varying increases in Code implementation: 23.8% in the first category, 20.7% in the second category, and 1.0% in the third category.

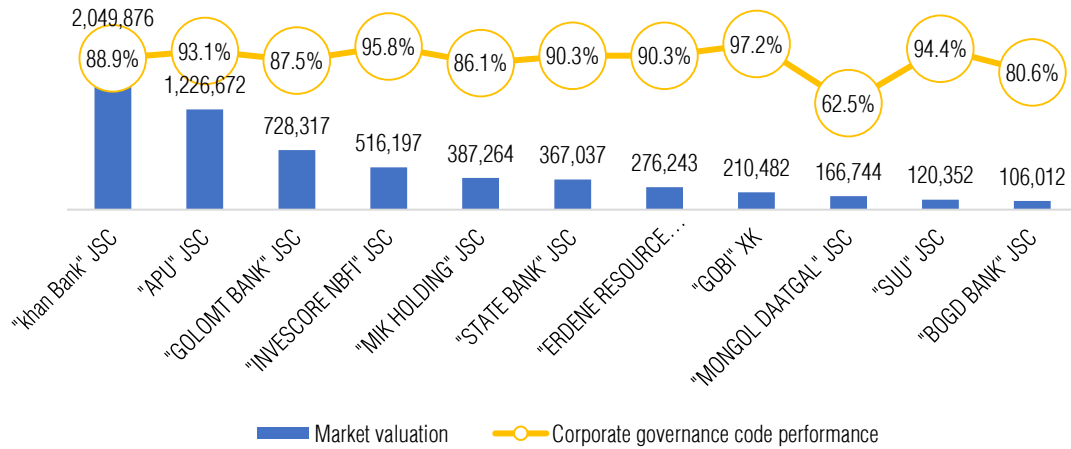
**FIGURE 1. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND EXCHANGE LISTING CATEGORY:**



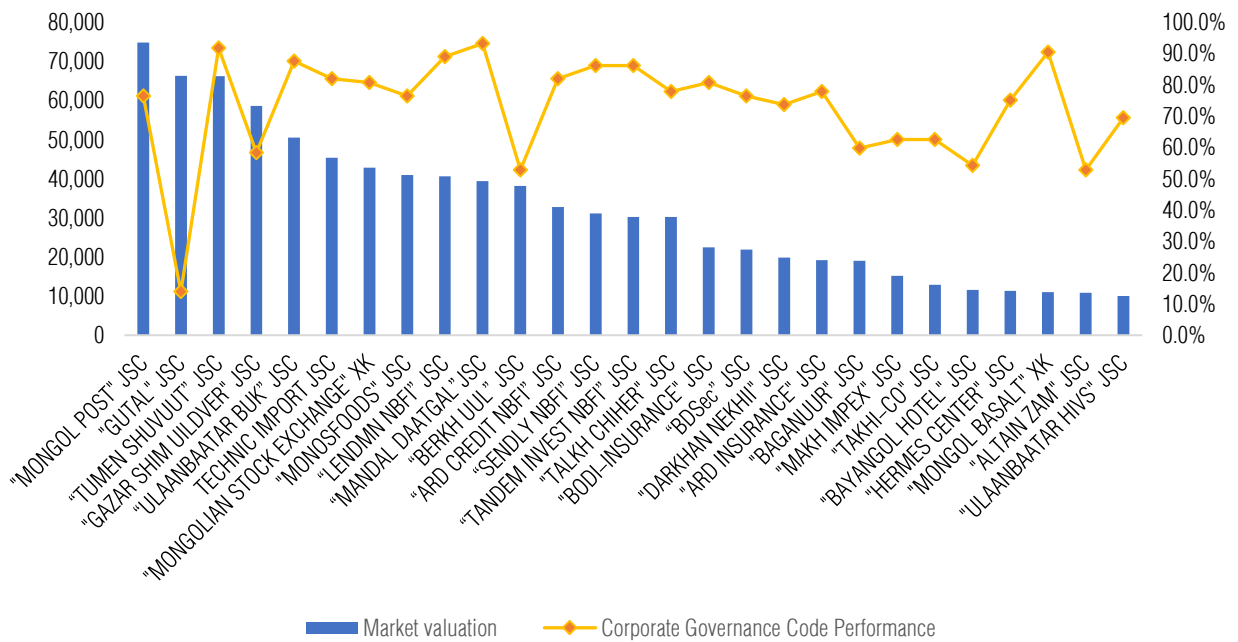
**FIGURE 2. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND MARKET VALUATION:**



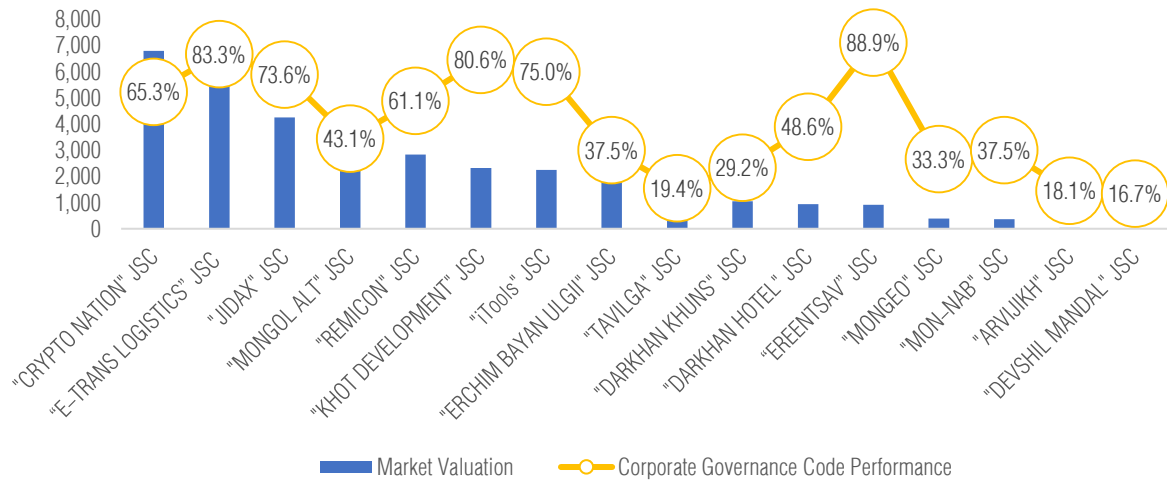
**FIGURE 3. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND MARKET VALUATION (OVER MNT100.0 BILLION)**



**FIGURE 4. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND MARKET VALUATION (MNT10.0-100.0 BILLION)**



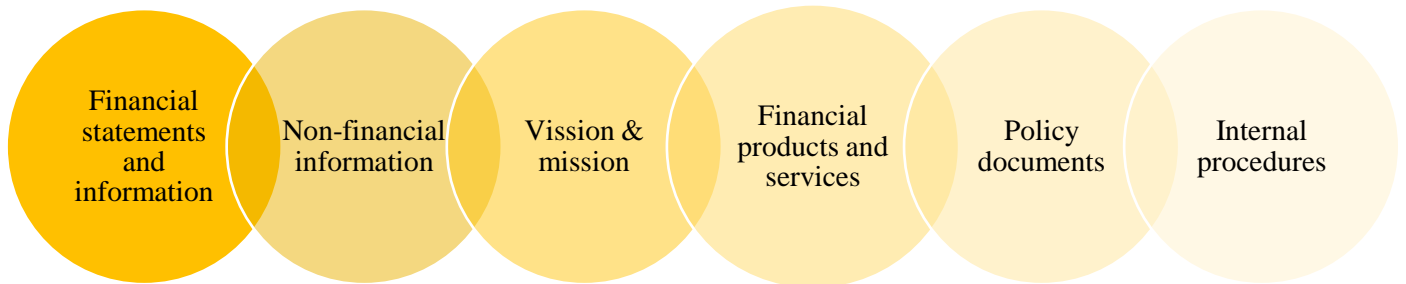
**FIGURE 5. COHERENCE BETWEEN THE CORPORATE GOVERNANCE CODE PERFORMANCE AND MARKET VALUATION (MNT 10.0 BILLION)**



**Note 3:**

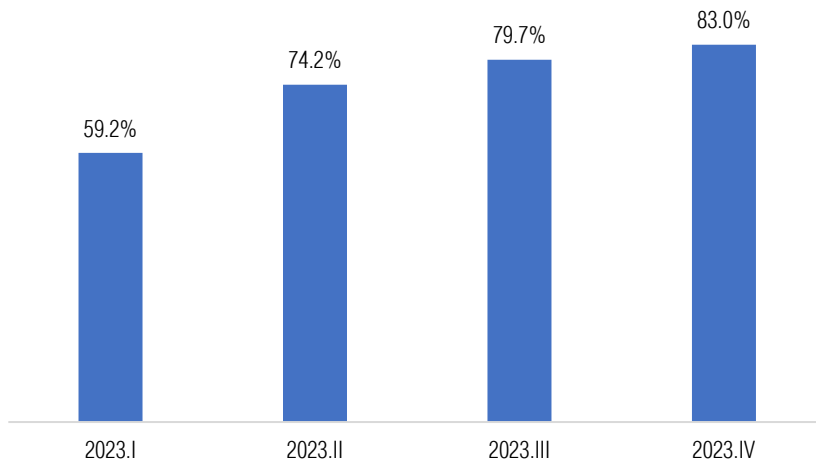
*We observed coherence between the performance of the corporate governance code and market valuation, as well as between the corporate governance code performance and listing categories*

**FIGURE 6. INFORMATION DISCLOSED ON THE WEBSITE:**



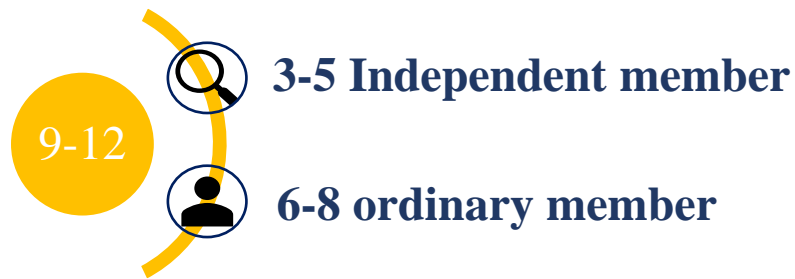
6. FIRST CATEGORY OF THE MONGOLIAN STOCK EXCHANGE JSC

FIGURE 7. PROGRESS OF THE CODE'S IMPLEMENTATION:



**Note 4:**  
 The follow-up assessment on the Code's implementation conducted for **25** companies listed in the MSE's first category showed an increase of **23.8%**.

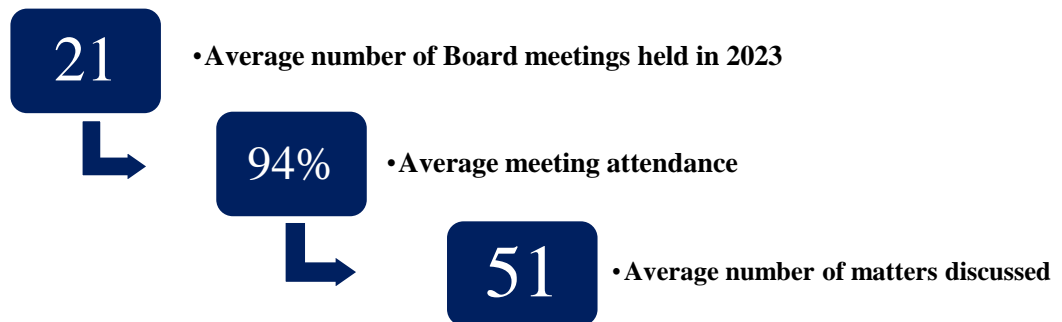
FIGURE 8. BOARD COMPOSITION:



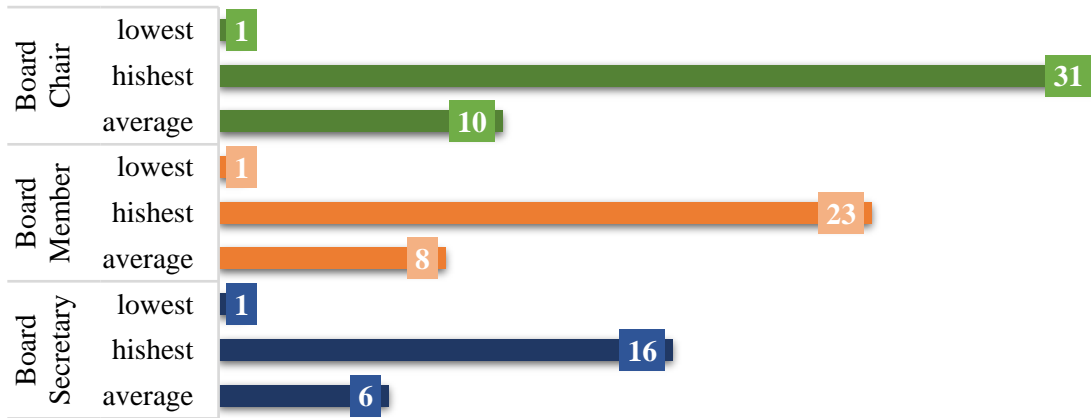
**Note 5:**  
 The board of directors comprises 9–12 members, with 44.0% being independent members.

**Note 6:**  
**28.0%** of all board members are women.

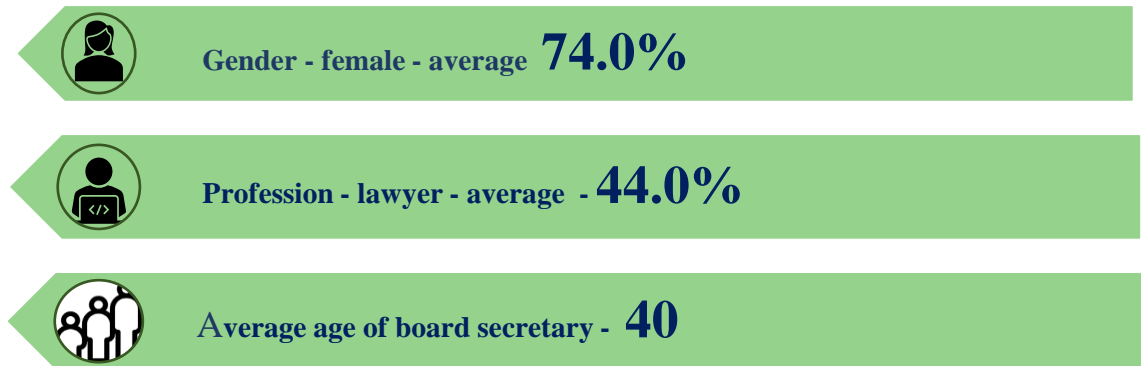
FIGURE 9. BOARD OPERATION



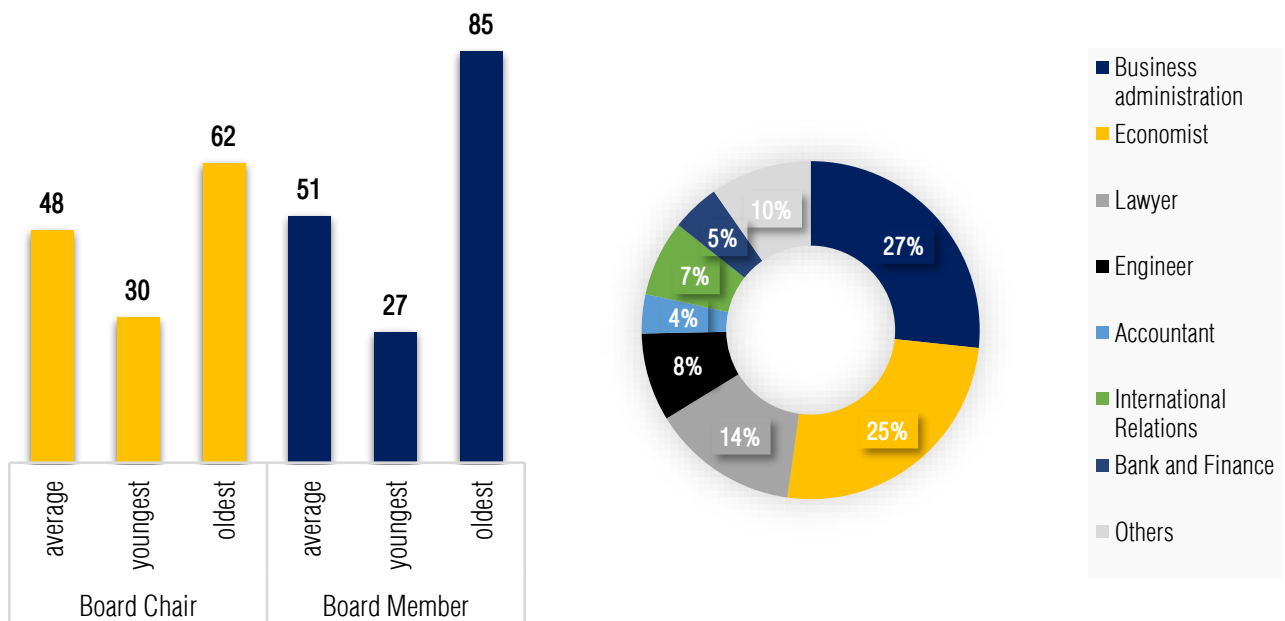
**FIGURE 10. WORK EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS /annual/:**



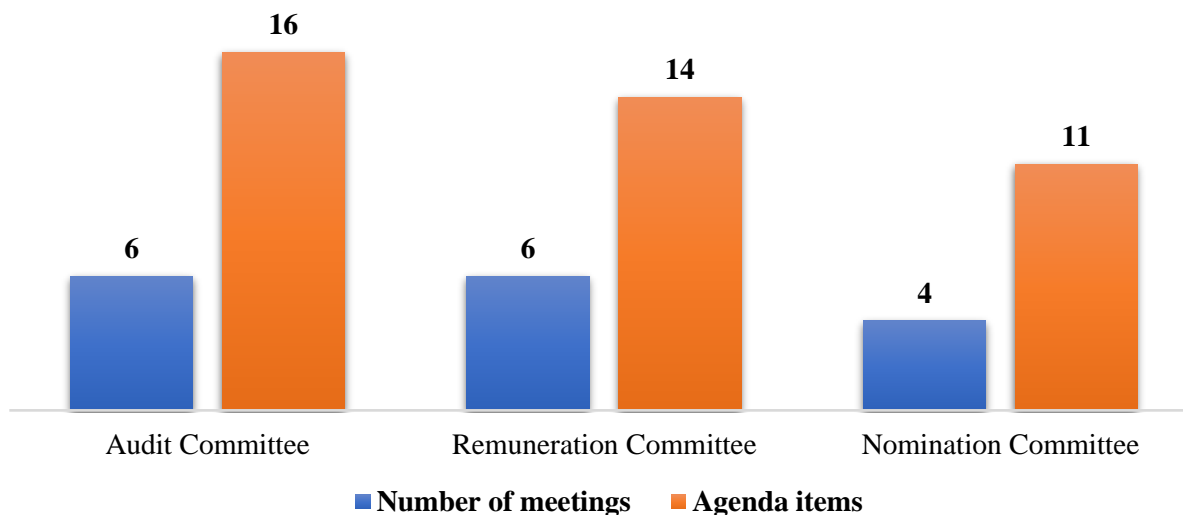
**FIGURE 11. BOARD SECRETARY:**



**FIGURE 12. AGE AND PROFESSION OF BOARD MEMBERS:**

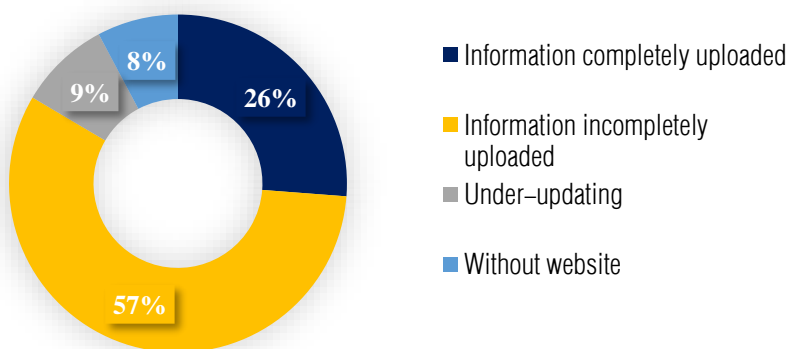


**FIGURE 13. NUMBER OF MEETINGS AND DISCUSSED MATTERS OF EACH COMMITTEE UNDER THE BOARD /average/:**



**Note 7:**  
 Each committee under the Board consists of 3-5 members.

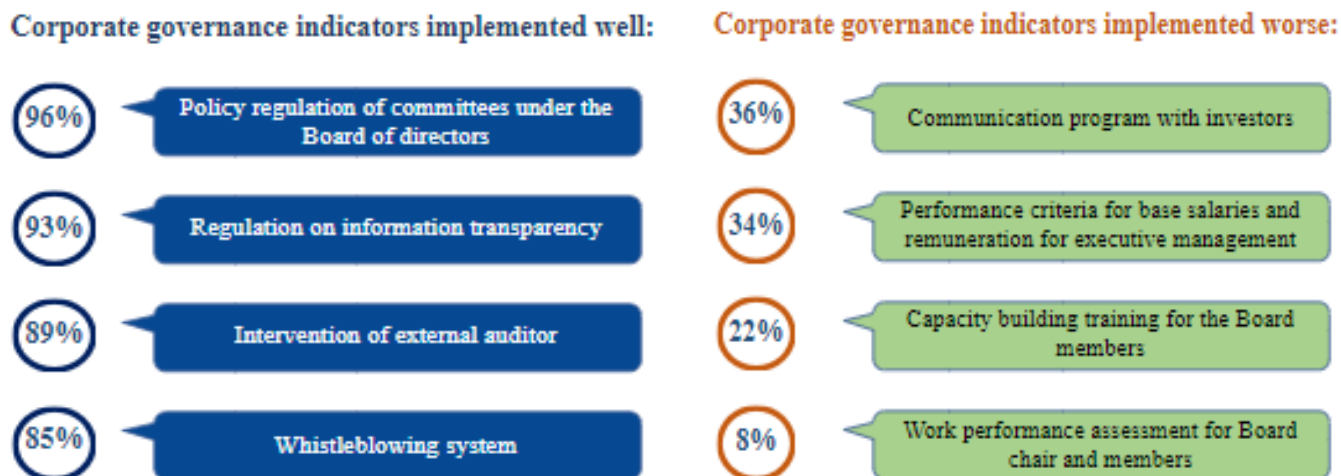
**FIGURE 14. OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:**



**Note 8:**  
 As of Q1 2023, 92.0% of companies have posted their Company Charter on their website.

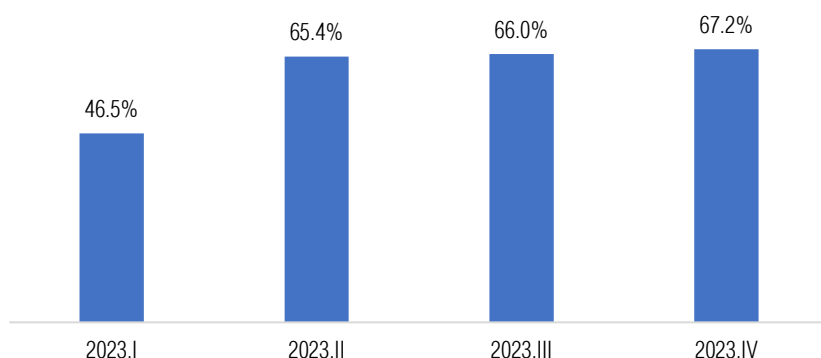
**Note 9:**  
 During the reporting period, 56.0% of companies disclosed their internal rules and regulations.

FIGURE 15. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:



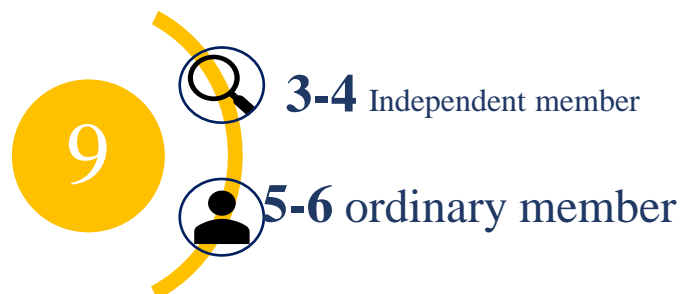
7. SECOND CATEGORY OF THE MONGOLIAN STOCK EXCHANGE JSC

FIGURE 16. PROGRESS OF THE CODE'S IMPLEMENTATION:



**Note 10:**  
 The follow-up assessment of Code implementation for 20 companies listed in the MSE's second category revealed an increase of 20.7%.

FIGURE 17. BOARD COMPOSITION:



**Note 11:**  
 The Board of Directors comprises 9 members, with 38.0% being independent members.

**Note 12:**  
 32.0% of all board members are female.

FIGURE 18. BOARD OPERATION:

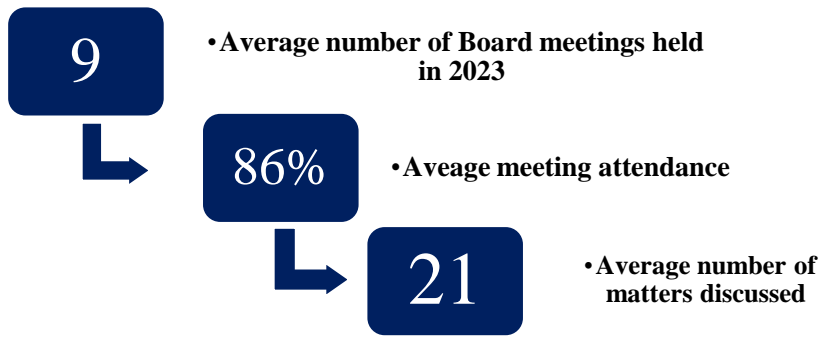


FIGURE 19. WORK EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS /annual/:

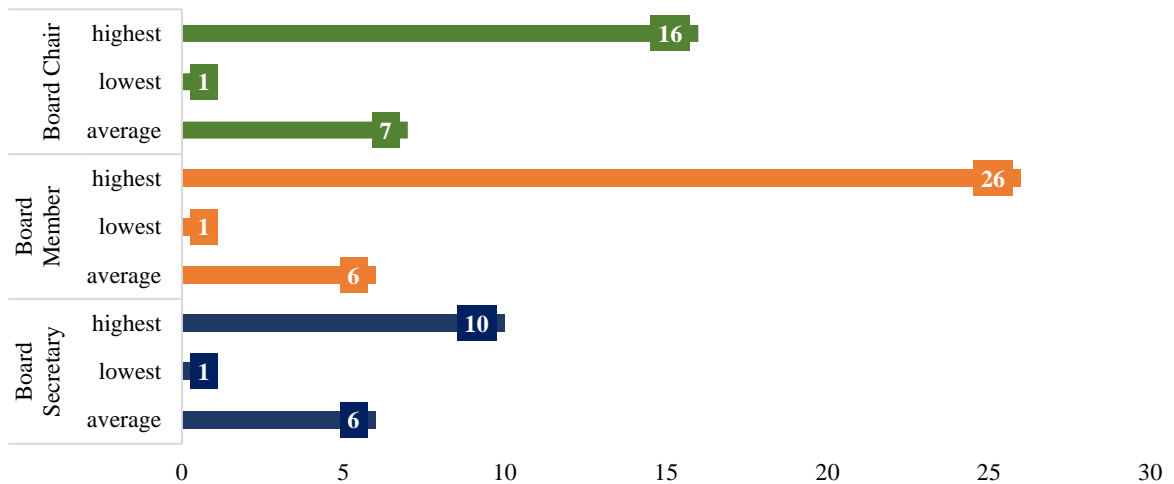
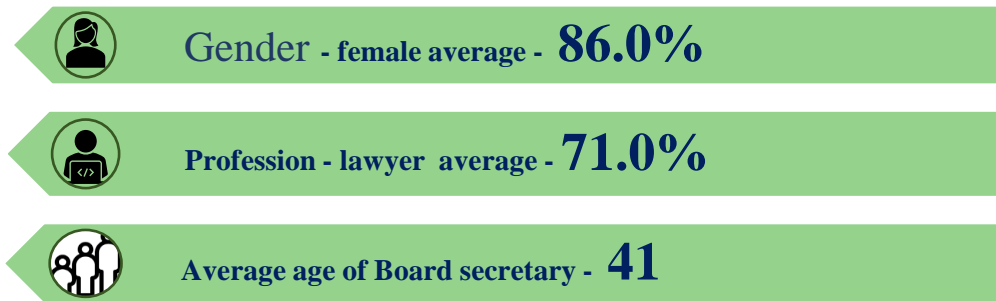
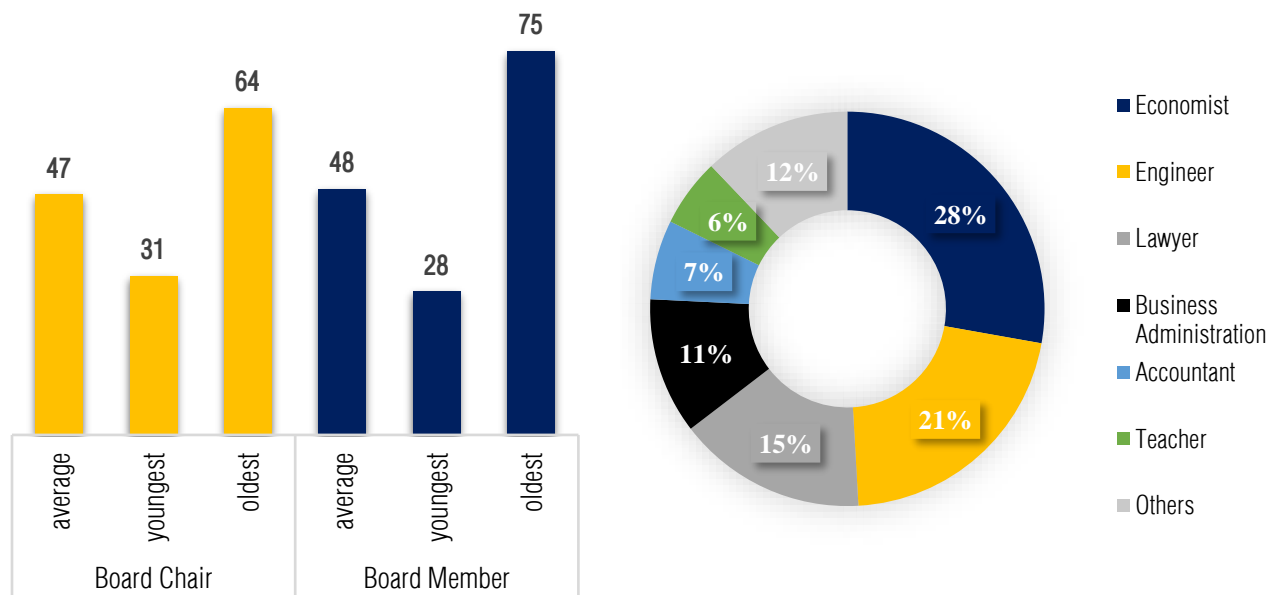


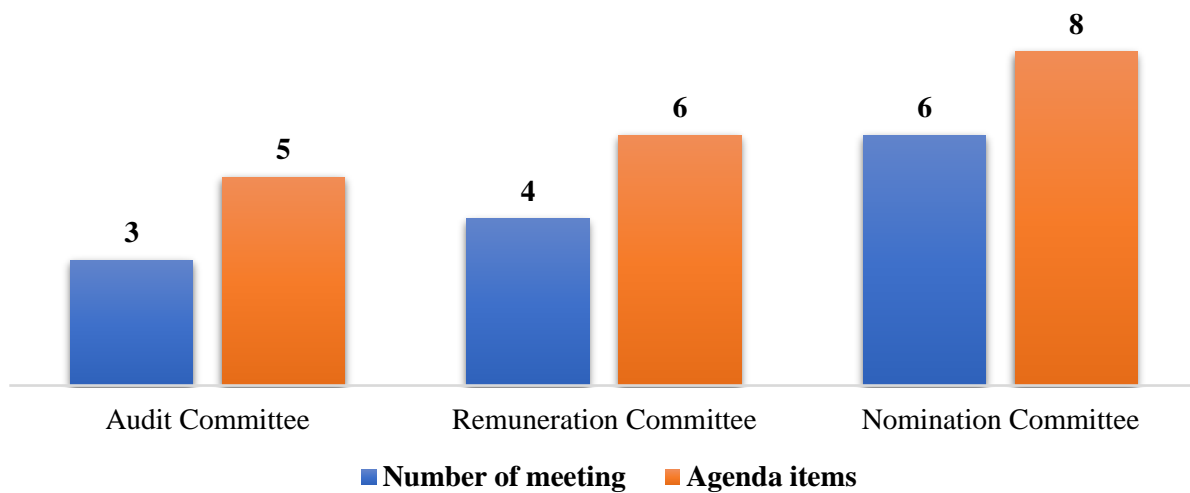
FIGURE 20. BOARD SECRETARY:



**FIGURE 21. AGE AND PROFESSION OF BOARD MEMBERS:**

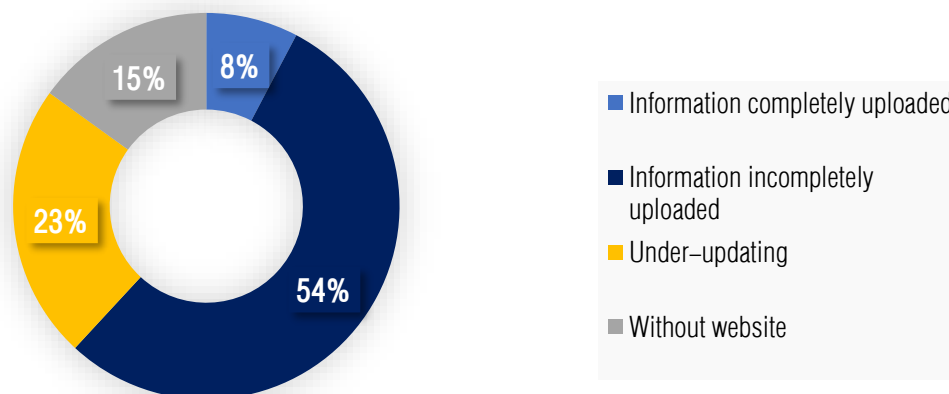


**FIGURE 22. NUMBER OF MEETINGS AND DISCUSSED MATTERS OF EACH COMMITTEE UNDER THE BOARD IN 2023 /average/:**



**Note 13:**  
 Each committee under the Board consists of 3-5 members.

**FIGURE 23. OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:**



**Note 14:**  
As of 2023, 81.0% of companies have posted their Company Charter on their website.

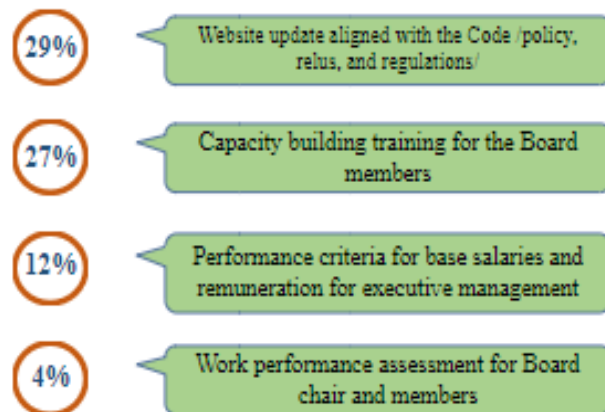
**Note 15:**  
During the reporting period, 54.0% of companies disclosed their internal rules and regulations.

**FIGURE 24. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:**

**Corporate governance indicators implemented well:**

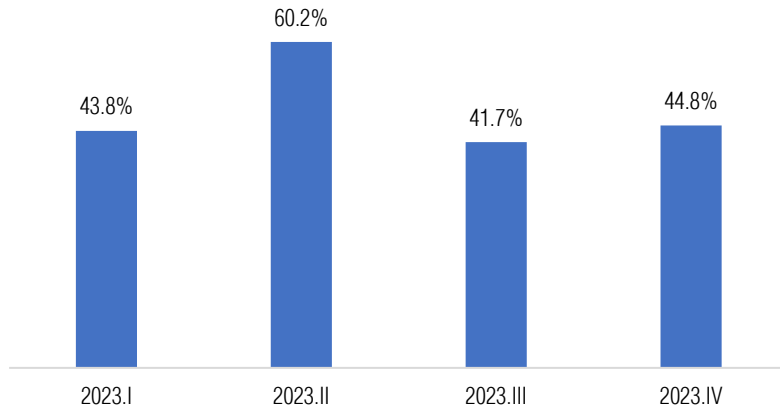


**Corporate governance indicators implemented worse:**



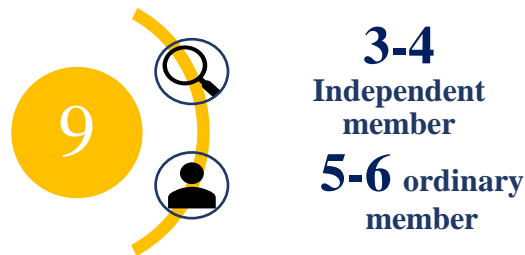
**8. THIRD CATEGORY OF THE MONGOLIAN STOCK EXCHANGE JSC**

FIGURE 25. PROGRESS OF THE CODE'S IMPLEMENTATION:



**Note 16:**  
 The follow-up assessment on the Code's implementation conducted for **11** companies listed in the MSE's first classification showed an increase of **1.0%**.

FIGURE 26. BOARD COMPOSITION:



**Note 17:**  
 The board of directors consists of **9** members, with **38.0%** being independent members.

**Note 18:**  
**31.2%** of all board members are women.

FIGURE 27. BOARD OPERATION:

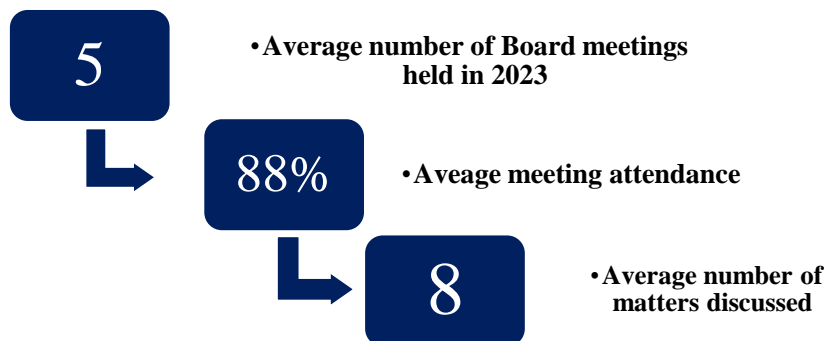


FIGURE 28. WORK EXPERIENCE OF BOARD MEMBERS WORKING AS AUTHORIZED OFFICIALS /annual/:

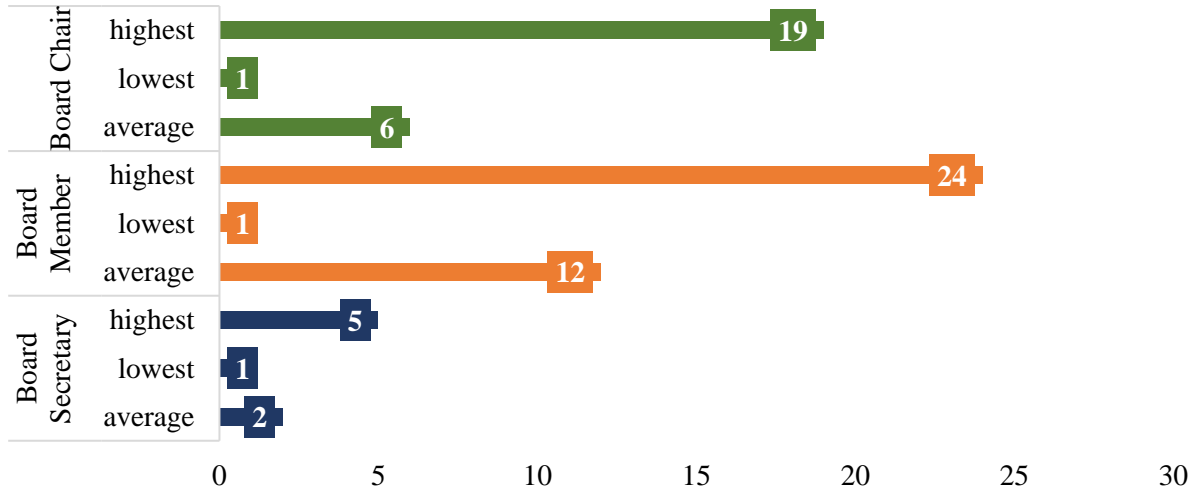


FIGURE 29. BOARD SECRETARY:

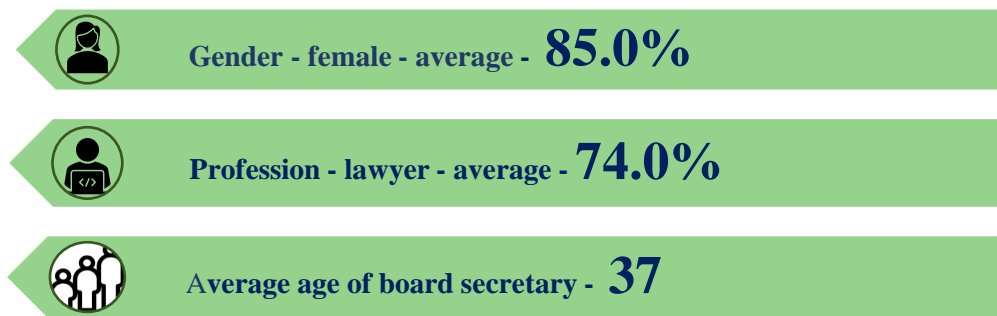
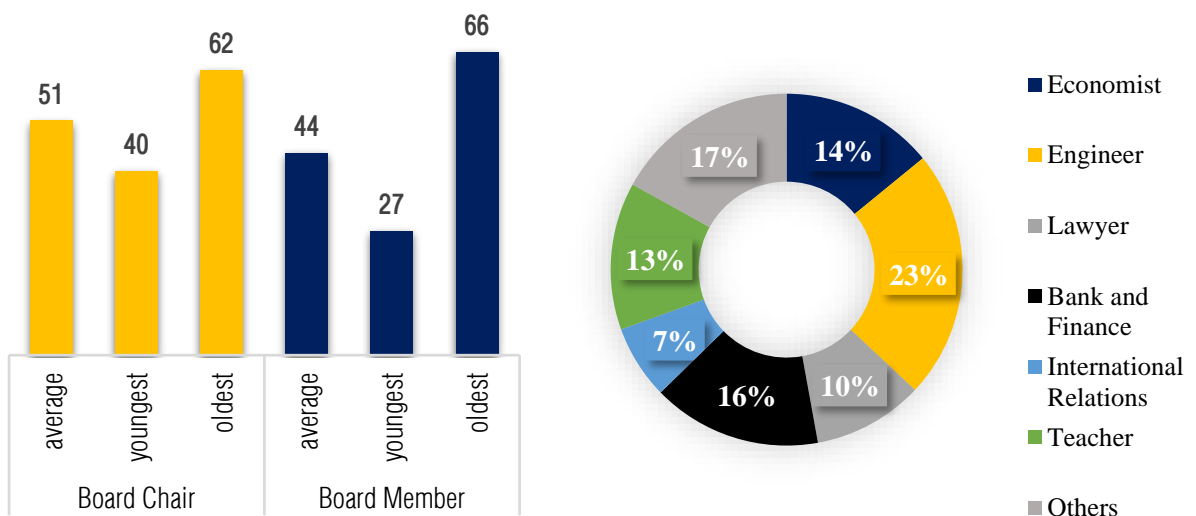
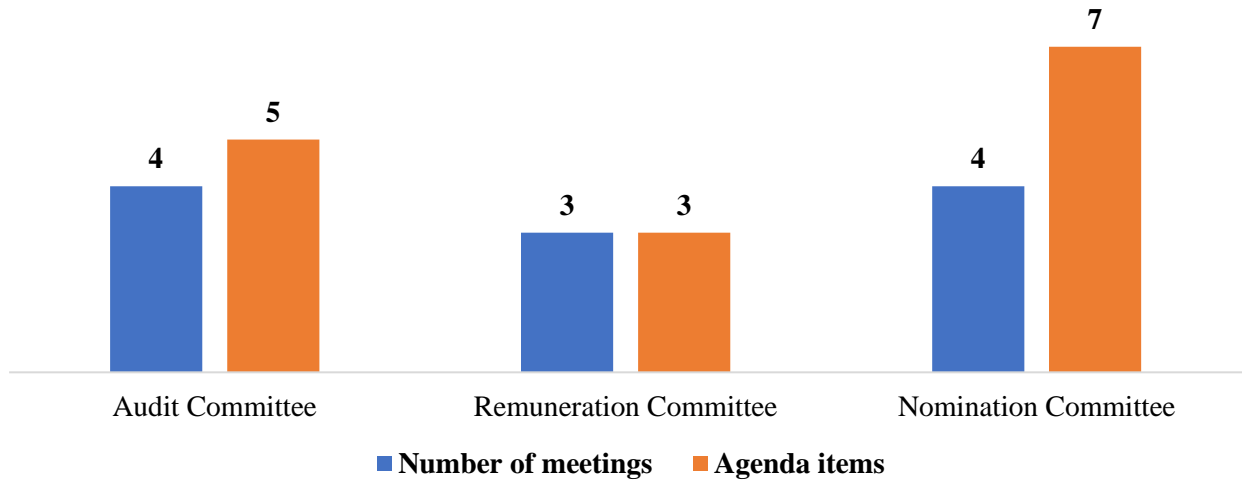


FIGURE 30. AGE AND PROFESSION OF BOARD MEMBERS:

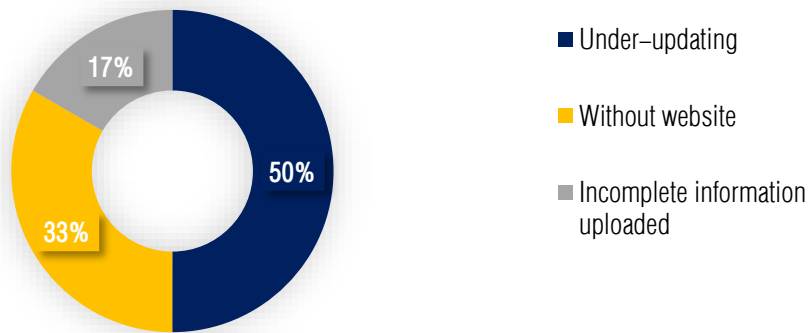


**FIGURE 32. NUMBER OF MEETINGS AND DISCUSSED MATTERS OF THE COMMITTEE UNDER THE BOARD OF DIRECTORS IN 2023:**



**Note 19:**  
 Each committee under the board of directors typically has an average of **3–5** members.

**FIGURE 31. . OPEN AND TRANSPARENCY OF INTERNAL RULES AND REGULATIONS POSTED ON THE WEBSITE:**



**Note 20:**  
 As of Q2 2023, **43.0%** of companies have posted their company rules on the website.

**Note 21:**  
 During the reporting period, **37.0%** disclosed their internal rules and regulations.

FIGURE 32. CODE'S INDICATORS IMPLEMENTED WELL AND WORSE:



## 9. ADDITIONAL ADJUSTMENTS MADE TO THE ASSESSMENT METHOD OF THE “CORPORATE GOVERNANCE CODE”

By the end of 2023, adjustments were made to the assessment methodology of the Corporate Governance Code, leading to changes in the assessment results. The FRC mandated publicly listed companies to incorporate their implementation details in the assessment report and submit it to the FRC by the first quarter of 2024.

- Assess the annual work performance of the Board of Directors, Board Chair and members, and committees under the Board.
- Include a 30 percent gender representation quota for the Board in the Nomination Committee's relevant documents.
- Outline the objective of having the Board Chair and a majority of members as independent in the Nomination Committee's relevant documents.
- The Board Chair is prohibited from concurrently serving as the Chair of the Audit Committee.
- The Remuneration Committee Chair must be an independent member.
- The Nomination Committee Chair must be an independent member.

As a consequence of non-implementation of the above directions, adjustments were made to deduct 1 point from the results of the relevant indicators in the integrated assessment report.

## 10. LEADING TOP 20 COMPANIES BY CORPORATE GOVERNANCE ASSESSMENT

- |                               |   |
|-------------------------------|---|
| 1. "ARD CREDIT NBFI" JSC      | 12. "SUU" JSC                                     |
| 2. "APU" JSC                  | 13. "TANDEM INVEST NBFI" JSC                      |
| 3. "GOBI" JSC                 | 14. "STATE BANK" JSC                              |
| 4. "GOLOMT BANK" JSC          | 15. "TUMEN SHUVUUT" JSC                           |
| 5. "INVESCORE NBFI" JSC       | 16. "ULAANBAATAR BUK" JSC                         |
| 6. "LENDMN NBFI" JSC          | 17. "KHAN BANK" JSC                               |
| 7. "MANDAL DAATGAL" JSC       | 18. "ERDENE RESOURCE DEVELOPMENT CORPORATION" JSC |
| 8. "MIK HOLDING" JSC          | 19. "EREENTSAV" JSC                               |
| 9. "BASALTWOOL" JSC           | 20. "E-TRANS LOGISTICS" JSC                       |
| 10. "SENDLY NBFI" JSC         |   |
| 11. "CENTRAL EXPRESS CVS" JSC |   |

## 11. RATING BY ASSESSMENT OF THE "CORPORATE GOVERNANCE CODE" PERFORMANCE /Companies that submitted follow-up assessments are highlighted in green/

Rank	Name of Companies	Rank	Name of Companies
1	"GOBI" JSC	53	"BAYANGOL HOTEL" JSC
2	"INVESCORE NBFI" JSC	54	"EURASIA CAPITAL HOLDING" JSC
3	"SUU" JSC	55	"BERKHU UUL" JSC
4	"APU" JSC	56	"ALTAIN ZAM" JSC
5	"MANDAL DAATGAL" JSC	57	"DARKHAN HOTEL" JSC
6	"CENTRAL EXPRESS CVS" JSC	58	"TEEVER DARKHAN" JSC
7	"TUMEN SHUVUUT" JSC	59	"HBOil" JSC
8	"STATE BANK" JSC	60	"KHAR KHORUM" JSC
9	"BASALTWOOL" JSC	61	"BLUE SKY SECURITIES" JSC
10	"ERDENE RESOURCE DEVELOPMENT CORPORATION" JSC	62	"MONGOLYN ALT" JSC
11	"LENDMN NBFI" JSC	63	"UVS KHUNS" JSC
12	"KHAN BANK" JSC	64	"GREEN DEVELOPMENT NATIONAL UNION" JSC
13	"EREENTSAV" JSC	65	"ERCHIM BAYAN ULGII" JSC
14	"GOLOMT BANK" JSC	66	"MON-NAB" JSC
15	"ULAANBAATAR BUK" JSC	67	"MOGOIN GOL" JSC
16	"SENDLY NBFI" JSC	68	"MonGeo" JSC
17	"TANDEM INVEST NBFI" JSC	69	"ERDENET ELECTRICITY DISTRIBUTION NETWORK" JSC
18	"MIK HOLDING" JSC	70	"DARKHAN KHUNS" JSC
19	"E-TRANS LOGISTICS" JSC	71	"MONGOL SAVHI" JSC
20	"ARD CREDIT NBFI" JSC	72	"SHIVEE OVOO" JSC
21	"TECHNIC IMPORT" JSC	73	"IKH BARILGA" JSC
22	"BOGD BANK" JSC	74	"ARIG-GAL" JSC
23	"BODI-INSURANCE" JSC	75	"BAYAN TEEG" JSC
24	"MONGOLIAN STOCK EXCHANGE" JSC	76	"MRX" JSC

25	“KHOT DEVELOPMENT” JSC	77	“ERDENES SOLUTIONS” JSC
26	“MONGOLIA TELECOM COMPANY” JSC	78	“MONGOL SHILTGEEN” JSC
27	“ARD INSURANCE” JSC	79	“LUX ZANADU GROUP” JSC
28	“TALKH CHIHER” JSC	80	“STATE DEPARTMENT STORE” JSC
29	“BDSec” JSC	81	“TAVILGA” JSC
30	“MONGOL POST” JSC	82	“ARVIJIKH” JSC
31	“MONOSFOODS” JSC	83	“DEVSHIL MANDAL” JSC
32	“iTools” JSC	84	“SHARIIN GOL” JSC
33	“HERMES CENTER” JSC	85	“DORNOD HUDALDAA” JSC
34	“JIDAX” JSC	86	“AZIK” JSC
35	“DARKHAN NEKHII” JSC	87	“GUTAL” JSC
36	“MONGOLIAN MILL COMPANY” JSC	88	“NEHEESGUI EDLEL” JSC
37	“ULAANBAATAR HIVS” JSC	89	“KHUVSGUL” JSC
38	“TENGERLIG MEDIA GROUP” JSC	90	“SOR” JSC
39	“UNDURKHAAN” JSC	91	“KHISHIG UUL” JSC
40	“CRYPTO NATION” JSC	92	“SHINEST” JSC
41	“ADUUNCHULUUN” JSC	93	“22nd BASE” JSC
42	“FRONTIER LAND GROUP” JSC	94	“STANDARD PROPERTY GROUP” JSC
43	“MAKH IMPEX” JSC	95	“SILIKAT” JSC
44	“MONGOL DAATGAL” JSC	96	“MND” JSC
45	“TAKHI-CO” JSC	97	“DARKHAN-SELENGE ELECTRICITY DISTRIBUTION NETWORK” JSC
46	“REMICON” JSC	98	“TAVAN TOLGOI” JSC
47	“BAGANUUR” JSC	99	“BUTEELCH UILS” JSC
48	“HASU-MANDAL” JSC	100	“MATERIALIMPEX” JSC
49	“BULIGAAR” JSC	101	“GENCO TOUR BUREAU” JSC
50	“GAZAR SHIM UILDVER” JSC	102	“GANKHIITS” JSC
51	“MONINJBAR” JSC	103	“ATAR-URGUU” JSC
52	“ARD FINANCIAL GROUP” JSC	104	“MONGOL TEXTILE” JSC

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