

3/10/2011

Dear OT Watch,

Thank you for your letter entitled **Summary of Issues for EBRD/IFC Due Diligence Team, 2010/10/05**. We are deeply committed to helping the Oyu Tolgoi project develop in a manner that will maximize its benefits to the people of Mongolia. As part of this process we are working with the company on an active stakeholder engagement programme to ensure that the views of organizations such as OT Watch are fully considered as the project develops.

The Senior Lenders (IFC, EBRD, EDC, SCB and BNP Paribas) are still undertaking due diligence. An Environmental and Social Impact Assessment (ESIA) meeting full international standards is currently being prepared by Oyu Tolgoi and its consultants and will be disclosed as part of the public consultation process in due course. The Senior Lenders to Oyu Tolgoi are working with the company to ensure that the water and human rights related issues that you raise are fully addressed in both a local and regional context. Thus we appreciate your input and have provided some responses to your main points. As the project progresses in its environmental and social planning, we hope that you will be available to participate in the discussion of these issues in greater detail.

- **Water resources** – the ESIA for the project will include detailed consideration of the availability of water within the context of regional resources and needs. There is also a separate DEIA (Detailed Environmental Impact Assessment) planned for the diversion of the River Umdai. Oyu Tolgoi has no plans to pipe river water to the project site. We would encourage you to contact the Government of Mongolia regarding the issue as we are aware that it has been discussed as a concept at national level for the Southern Gobi area in general. The ESIA will consider various participatory water monitoring approaches and Oyu Tolgoi commitments in that regard will be included in the final document.
- **Overall economic impact** – the ESIA will consider land use change in detail. Predicted and potential impacts on other parts of the economy and culture will be taken into account and appropriate mitigation measures will be developed.
- **Nomadic pastoralists** – the ESIA will include consideration of nomadic pastoralists and how they may be impacted and how any impacts will be mitigated. OT is developing a Pasture Land Management Plan. The ESIA will also consider in detail the issue of influx management.
- **Locally affected peoples** – Assessment of impacts on local people is a critical aspect of the ESIA and there will be ample opportunity for everyone to raise issues which they consider relevant. This will include input by the OT Community Relations team and Sustainable Development Team, the representative office in Khanbodg and consideration of grievance mechanisms. Regional Development issues are being addressed through the South Gobi Regional Development Council which will be assisted by the project

- **Environmental impact oversight** – the project will include independent auditing and monitoring of environmental and social issues and will fully disclose all relevant environmental and social documentation (including the independent audits) to stakeholders in a timely manner which allows for appropriate consultation that meets the standards of the various lenders such as IFC, EBRD EDC and bank signatories to the Equator Principles (such as SCB and BNP Paribas).
- **Community fund** – the ESIA will include creation of a Community Development Plan, the full details of which will be finalized in consultation with the impacted communities.
- **Road engineering and other construction** – the entire infrastructure that is part of current plans will be covered by the ESIA, Oyu Tolgoi will continue to consult affected stakeholders on planned infrastructure projects throughout the project's life cycle. As noted above participatory monitoring by stakeholders within safe and reasonable parameters will be included in the design of the monitoring programme.
- **Skills training program** – the Oyu Tolgoi community development plan is anticipated to include provisions for local skills building.

We trust that this answers some of your concerns but would point out that once the ESIA is publicly disclosed there will be ample opportunity for all stakeholders to enter discussions on the project and how it is developed.

Best Regards,

IFC