

# **Corporate Social Responsibility Sustainable Economic and Environmental Development in Kazakhstan and implications for Mongolia**

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CAREC INSTITUTE RESEARCH CONFERENCE

Resilience and Economic Growth in Times of High Uncertainty in CAREC Region

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# Corporate Social Responsibility (CSR) in Kazakhstan

## Current situation and Challenges



### Main pillars of Kazakhstan's economy



OIL

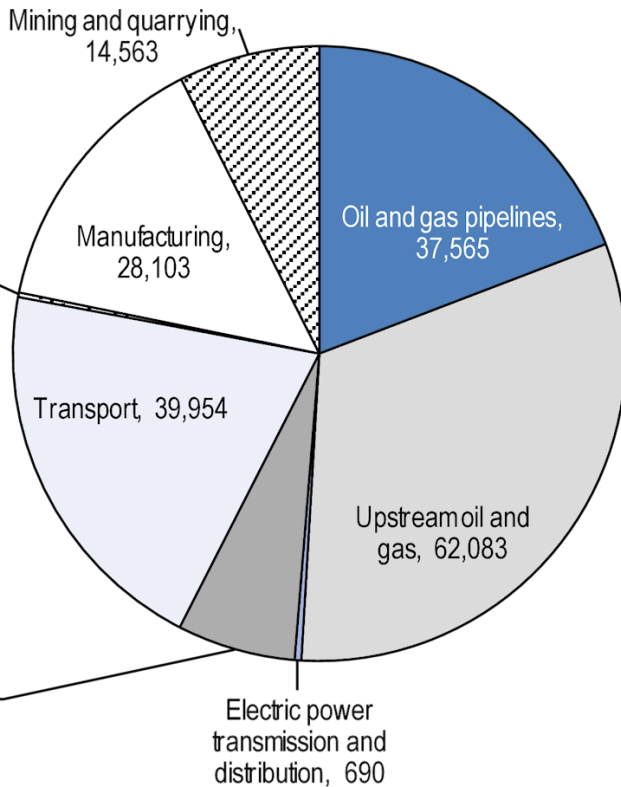


GAS



MINING

**17% share**  
in country's  
GDP in  
2019



Infrastructure projects in Kazakhstan by sector  
Planned and under construction in USD million

### Challenges of CSR in Kazakhstan

- Low CSR awareness and expectations
- Highly controlled economic environment
- Social and environmental criteria are ill-founded
- Nascent corporate governance (CG) (EBRD, 2016)

Source: OECD analysis based on accessed databases as of June 2019

# CSR Cases of Mining and Extractive Industries in Kazakhstan: Tengizchevroil



**Tengizchevroil**



50%



20%



25%



5%

**EXPLORATION, DEVELOPMENT, PRODUCTION, AND MARKETING OF PETROLEUM AND RELATED PRODUCTS**



TCO Gas Utilization



Water reuse rate



Types of waste are sent for recycling



Helping Kazakhstan in dealing with the COVID-19 pandemic

## Contribution to the Economy of Kazakhstan

Direct payments to the Republic of Kazakhstan

**\$ 6,6B**

Goods and Services purchased from Kazakhstani Suppliers in 2020 - more than

**\$ 3,5B**

Since 1993, TCO has purchased Goods and Services from Kazakhstani suppliers of over

**\$ 36,4B**

## Workforce Development



Kazakhstani personnel employed in the Base Business, including FGP-WPMP

**84%**

Share of Kazakhstani Managers and Supervisors assigned to the Base Business

**85%**

## List of egilik projects, 2019-2020



*Throughout the history of TCO, social investment has been part of our company's sustainable development. We are convinced that good business development is possible only when business is ethically related to the community in which it is situated. In the past two years, \$50 million was spent on social support of the community and \$4.2 million on long-term development projects for social business.*



**Rzabek Artygaliyev,**  
General Manager of Government and Public Affairs at TCO

# CSR Cases of Mining and Extractive Industries in Kazakhstan: KazMinerals



Responsible developer and operator of mining assets in the CIS. Improved the sustainability of its operations and transitioned to modern, large scale open pit mining.



Invested in Leica 'GeoMos' system to monitor pit wall stability

Energy intensity

**0.24**

TJ/kt sulphide ore processed.



Pre-split drilling and blasting at Aktogay to preserve pit wall stability

**0.22**



In 2019, the Group launched a comprehensive new safety initiative, 'Goal Zero' aimed at reducing safety, health, and environmental incidents to zero. KAZ Minerals is committed to implementing further improvements to its robust safety management systems, training and risk management to achieve the ambitions of the Goal Zero initiative

**0.20**

Transition to in-pit tailings disposal at Nikolayevsky Switching from above ground to in-pit disposal improves safety and reduces environmental impact



**0.20**



East Region Environmental Waste Improvement Initiatives

Yubileyno-Snegirikhinsky closure plan completed, including rehabilitation of the site and forestry reclamation

Apprentice scheme launched at Bozshakol

2017

2018

2019

2020

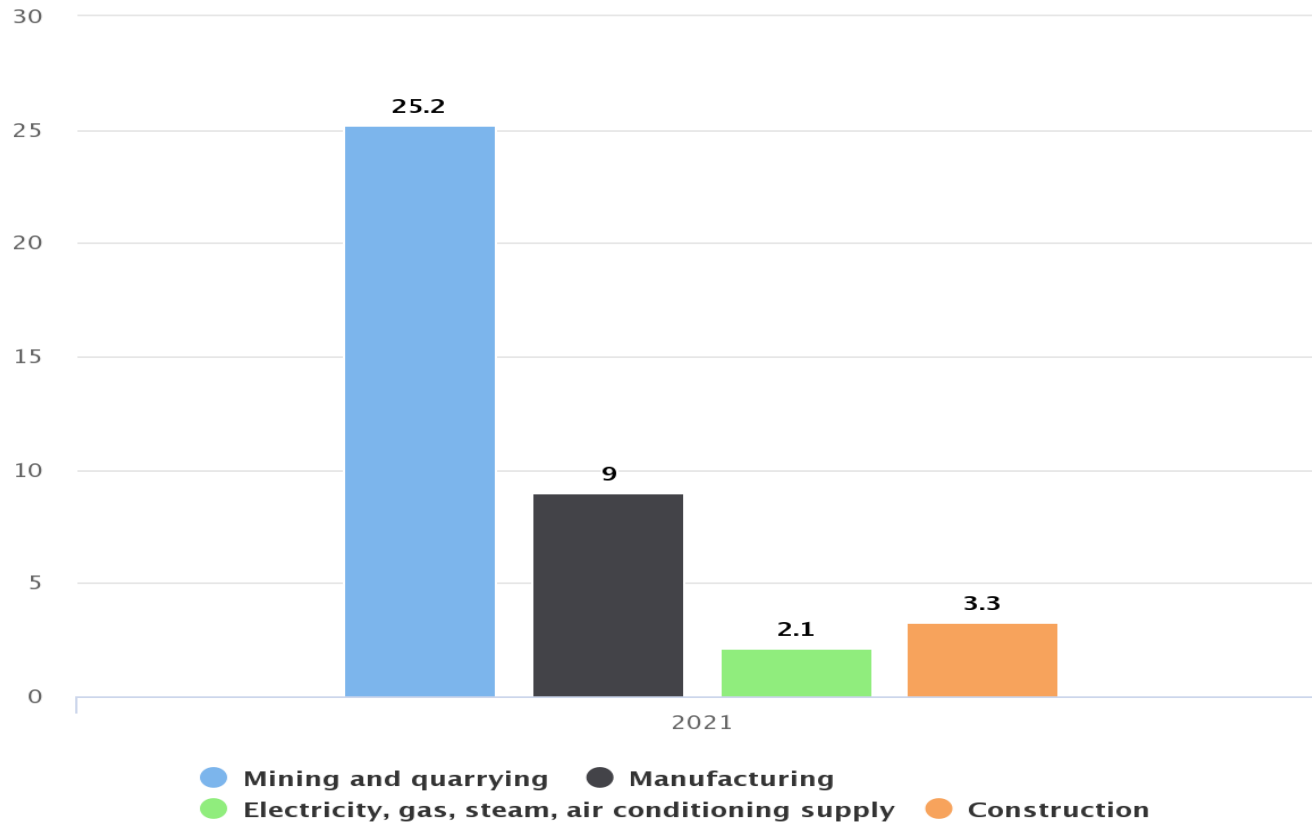
# Corporate Social Responsibility (CSR) in Mongolia

## Current situation and Challenges

- Industry sector: one of the main pillars of Mongolia's economy
- Mining (mineral and coal): A key source of FDI (71%) & export (94%)



### INDUSTRIAL COMPOSITION OF GDP BY MAIN SUB-SECTORS, 2021, %



### Challenges of CSR in Mongolia

- Misconception: broadly understood as a mere social assistance tool
- No legal & regulatory framework governing CSR & no specific institutional body
- Unstable economic & financial conditions, political instability, lack of transparency & corruption (CGDC\*, 2017)
- Current mining related policies do not sufficiently highlight environmental aspects
- Weak law enforcement & delayed implementation

\* Corporate Governance Development Center of Mongolia

# Mining and Extractive Industrial Cases of CSR in Mongolia: Oyu Tolgoi

## OYU TOLGOI: Joint venture



## OUR VISION, OUR FUTURE

<b>Vision</b>	<i>Natural wealth to enduring value, knowledge and skill</i>				
<b>Mission</b>	<i>Together deliver a safe and globally competitive copper business that contributes to the prosperity of Mongolia</i>				
<b>Values</b>	<b>Safety</b>	<b>Teamwork</b>	<b>Respect</b>	<b>Integrity</b>	<b>Excellence</b>

Priorities	Safety	People	Cash	Partnership	Growth
<b>Focus Areas</b>	<p>Lead the mining industry in safety, and influence broader progress</p> <p>Maintain world class environmental performance</p>	<p>Build a capable and highly engaged workforce</p> <p>Ensure fairness in employment, build a more inclusive and diverse workplace</p> <p>Continue focus on developing talent pipeline</p>	<p>Optimize business performance, increasing efficiency through continuous improvement</p> <p>Build a learning organization with an embedded 'Owner's Mindset' across the whole workforce</p>	<p>Maintain a productive and positive relationship with stakeholders</p> <p>Support the creation of an empowered and sustainable local community, with an entrepreneurial South Gobi</p> <p>Develop a competitive and sustainable national supply chain</p>	<p>Deliver the underground development on schedule, with a reliable ramp up, to secure the long term future of Oyu Tolgoi</p> <p>Continue to develop customer relationships underpinned by sustainable value</p> <p>Develop a mine-to-market supply chain capable of delivering underground volumes safely and efficiently to market</p>

## Quick overview:

- ❖ One of the largest copper and gold deposits in the world
- ❖ Site discovery & start of mine construction: 2001 & 2010, respectively
- ❖ First batch of copper shipping: 2013
- ❖ Ownership: Mongolian Government (Erdenes Oyu Tolgoi) 34%, Turquoise Hill Resources 66% /Rio Tinto 50,8%



Location: South Gobi Desert Region, Omnogovi province

# Mining and Extractive Industrial Cases of CSR in Mongolia: Erdene Tavan Tolgoi

## ***Erdenes Tavan Tolgoi (ETT): SOE***



**Vision:** WORLD-CLASS MINE – “ERDENES-TAVANTOLGOI”

**Values:** High professional capacity and leadership ; Transparency ;  
Premium quality products ; Sustainable development ; Consumers and Partners

- Quick overview:**
- ❖ One of the largest reserve of untapped coking and thermal coal deposits in the world
  - ❖ An estimated 6,4 billion tons
  - ❖ Formed in 2010
  - ❖ Up to 100 years reserves

Parliament Resolution N39, 7 July 2010

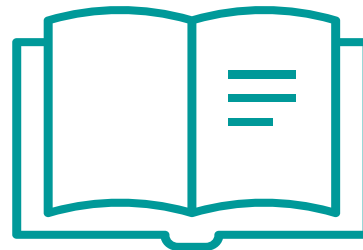
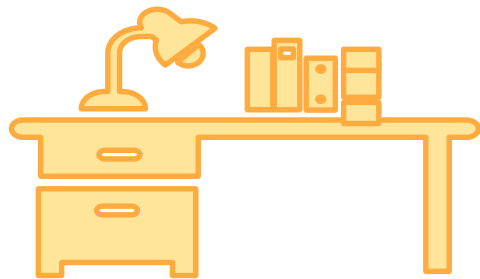
- ❖ Establishment of Erdenes Tavan Tolgoi (ETT) –state owned company (sister company of Erdenes MGL)
- ❖ Up to 50% of shares of the ETT Co to be allocated:
  - 10% to Mongolian citizens equally, free of charge
  - 10% to Mongolian national taxpayers/entities to be sold
  - 30% for IPO at international Stock Exchanges
- ❖ Requirements:
  - Meet international standards on infrastructure
  - Support value added national production
  - Recruit Mongolian citizens in priority
- ❖ Conditions:
  - Transit transportation
  - Prepayment
  - Favorable conditions of investment
  - Tender among international companies/consortiums



Location: South Gobi Region, Omnogovi province

# Impact Evaluation and Benchmarking Analysis

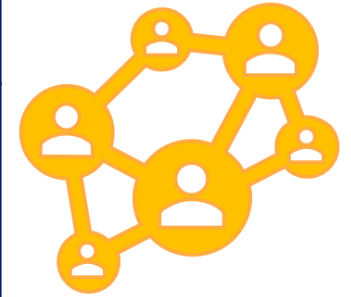
- **Impact Evaluation Analysis (IEA)** is considered a tool to evaluate outcomes from a particular implemented policy; focus on results than on initial inputs and resources used
- IEA attempts to answer the *cause-and-effect* relationship by focusing on the direct impact of a given policy
- The **Extractive Industries Transparency Initiative (EITI)** reports (EITI 2019 Standard) are used for benchmarking the performance of national and multinational corporations that operate in Kazakhstan and Mongolia.





# Benchmarking Indicators for CSR Cases in Kazakhstan and Mongolia

KEY CATEGORIES OF INDICATORS	DEFINITION	SOURCE
<b>Social and Economic Investment</b> Revenues and Taxes % of CSR investments	Company's contribution to the local and national economy	UNCTAD, 2008
<b>Respect for Human Rights and Promotion of Diversity and Inclusion</b> Wages and benefits % of local employees	Contribution to the creation of jobs, development of human capital to the community in which they operate through wages and benefits	
<b>Environmental Impact</b> Environmental certifications Water management and consumption of water	Contribution to the restoration of the natural environment	Compagnie de Saint-Gobain, 2014



# Findings on Case Studies in Kazakhstan and Mongolia

Companies	Indicators				
	Socio-economic			Environmental	
	Trade & CSR Investments		D&I	% of local employees	Certifications
<b>TengizChevroil (JV)</b>	\$ 10,482 billion (2016)/ \$4,649 million	\$ 25 million	Satisfactory	84% local employees	ACGIH
<b>Kaz Minerals (SOE)</b>	\$1,431 million/ \$1,692 million)	\$ 27 million	21% of women in total staff	97% local employees	N/A
<b>Oyu Tolgoi (JV)</b>	US\$2,9 billion/16.58% (466,940,447 MNT th.)	Total social investment US\$33,1 million (2013)	Weak	more than 90 % (2013)	Cooper Mark; ISO; OHSAS
<b>Erdenes Tavan Tolgoi (SOE)</b>	US\$1billion (2019) 14.78% (416,328,509 MNT th.)	Social investment 4,2 billion MNT (2020)	Poor	No specific data	ISO 9001:2015; 45001:2018; 14001:2015

## **Policy Recommendations**

**Consider CSR as an essential part of the modern economic development course both in Kazakhstan and Mongolia**

**Adopt CSR Concept on the legislative level and authorize the local executive bodies to mandate, facilitate, partner, and endorse CSR**

**Incentivize companies through tax deductions and accreditation systems**

**Focus on better communication and collaboration among key stakeholders and improvement of regulatory frameworks**

**THANK YOU!**

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