



SUSTAINABILITY REPORT 2021

Contents

OVERVIEW

About MCS Group	4
Foreword	5

» 4-5

SUSTAINABILITY

Alignment with the Sustainable Development Goals	6
Contributions toward SDG and CSR	7

» 6-7

ECONOMY

Economic Contribution	9
Procurement	10

» 9-10

COMMUNITY AND PEOPLE

Rightful workplace	12
Employee engagement	13
Training and capacity building	14
Employer supported volunteering	16
Community engagement and support	17
Health	18
Corporate Social Responsibility	19

» 12-20

ENVIRONMENT

Climate and GHG	24
Energy	25
Fuel efficiency	26
Water	27
Waste management	28

» 21-28

GOVERNANCE

Structure	30
Compliance	32

» 29-32



About MCS Group

Set up in 1993, MCS operates businesses in many sectors which are significant for the development of Mongolia's economy. Today, MCS is one of the largest business conglomerates in Mongolia, operating leading companies in the fields of engineering, energy, communication, property asset management, mining, FMCG, health, and hospitality.

MCS is committed to further developing the economy and the nation through its pursuit of responsible corporate governance and behavior, and the implementation of progressive technology. As our family and business expand, we ensure our growth benefits the communities and will continue to implement our mission of introducing world standards. Therefore, by integrating ESG framework, we believe in our role that advocates partnership with stakeholders, playing a crucial part in accomplishing our collective goal to achieve a sustainable future.



Foreword

In the last 30 years, MCS Group aspired to introduce world standards on governance, and corporate social responsibility, while making the principles of preferring to contribute to our society, nature and environment and considering occupational safety as a priority to be one of our core values.

By forging a partnership with one of the forefronts of private investment funds in the world, our joint ventures with Cerberus Capital Management, L.P. is a stepping stone to our goal of becoming a publicly traded company in international and domestic markets. Given this opportunity, we are committed to aligning our future capital expenditure and business model with social responsibility and sustainable development principles.

For instance, 5 subsidiaries of MCS Group, namely in the FMCG and Telecommunications sector, have introduced Environmental, Social, and Governance frameworks in their operations, setting up their long-term goals, with ambitions towards achieving sustainable long-term creation in our portfolio while paving a road, transitioning to achieve net-zero emission across our operation from 2030.

Through our first sustainability report, we aimed to highlight our sustainable business operations and production, our employees, stakeholders, and suppliers, as well as our approaches directed to social well-being, volunteering, partnership and socially responsible activities.

Importantly, subsidiaries of MCS Group estimated their greenhouse gas emissions (GHG) for the first time, and further intend to contribute to Mongolia's target of reducing GHG emissions by 22.7% by 2030.



MCS Group and Sustainable Development

“

One of our key principles set out our commitments to conduct business with social integrity and low environmental footprint while adopting sustainability principles

”



Alignment with Sustainable Development Goals (SDGs)

Through our business model and approach, our contributions to the SDGs align with the following 6 strategic areas, which we seek to advance to a sustainable future.

Sustainable Operation	   
Sustainable Production	    
Employee engagement	     
Sustainable Value Chain and Customers	      
Partnership and Volunteering	   
Community Engagement and Corporate Responsibility	       



Economy

“

*Striving to contribute to socio-economic wellbeing,
made through our sustainability and corporate social responsibility, to create a
sustainable future for everyone*

”

Taxes paid by MCS Group in the last five years: **2 trillion MNT**

Taxes and fees paid in 2021

462 billion MNT

Investments

382 Billion MNT

Procurement

1.5 billion MNT

Procurement from domestic
businesses

1.0 billion MNT

Jobs created



10,000

Direct employment



30,000

Indirect employment

We have striven to create
a stable working environment that
we sustained during the outbreak
of the COVID-19 pandemic

Procurement

“ We run our development and investment approach with diverse businesses by prioritizing procurement goods from the local businesses ”

MCS Group standard operating procedures of procurement are based on the principles of openness and fairness, ([Procurement Policies](#)), and invite businesses' access to our corporate procurement opportunities through www.mcs.mn.

We are aiming to create a sustainable supply chain through our procurement procedures, with respect to human rights, and reduce the negative impact on the environment while providing equal opportunity and effective cooperation for our suppliers.

ESG principles in the procedures of procurement

- Comply and respect all relevant laws and legal obligations
- Respecting human rights, and reducing negative impacts on the environment
- Provide our suppliers with equal opportunities to compete

In the event of equal bids after evaluation, preference may be granted subject to the following ESG-relevant conditions:

- Bidder that supplies goods with Mongolian origin
- Entity that is registered and operates in the local areas
- Business that employ persons with disabilities in line with laws and legislation
- Women owned business or a company with at least two-thirds of the employees are women
- Business that is transparent in their compliance, environment and governance-related policies



Community and People

“
One of the main principles of
MCS Group is to prioritize to be responsible to our society,
nature and environment
”

Contributions toward SDG, CSR
and on mitigating the impact of
the pandemic

31 billion MNT

Including free-of-charge donations of
washed thermal coal to help reduce air
pollution of Ulaanbaatar worth

17 billion MNT

In 2021, as a part of our community engagement, we supported and implemented 85 projects, in partnership with 34 local NGOs.








	Total	2021
	Total employment (direct/full-time)	9,329
	Contract employment (part-time)	1,273
Jobs created indirectly		28,697

We aim to create a safe work environment, in compliance with occupational safety and health standards, while implementing an effective, multilateral labour relations approach to engage with our employees, and further improve productivity.

Introducing the concept of human capital to our corporate culture and operations is one of the important steps to reaching sustainable development goals. As such, we uphold a comprehensive policy, in which we ensure equality, diversity and inclusion, and free of workplace harassment.

Gender equality, diversity and inclusion

“
We promote gender equality,
diversity and equal opportunity
”

	Total	2021
	Female employees (Full-time/direct employment)	3,456
	Employees in a management position	635
	Female employees in a management position	289
	Employees in an executive management position	175
	Female employees in an executive management position	76
	Employees with disabilities	332

Code of Ethics

- CEOs of 20 companies attended “Gender equality, diversity and inclusion” training.
- 17 female CEO's from 15 companies attended the “Woman Leadership” workshop.
- Energy Resources LLC provided training and career opportunities to 271 women, by organizing “heavy machinery operator” training, offering the graduates with a job upon successful completion of the course.

Employee support

- We aim to support our employees social and health welfare while promoting their personal development, with opportunities to grow together.

With our welfare policies, we granted



9.3 billion

MNT

in aid for health, housing, training, donations and other in-kind reliefs.

Training and Capacity Building

We value business endeavors and ethics in our corporate culture and in our business. With this approach, we continue to invest in training and development for our employees by enabling access to in-house and external training and courses.

Since 2005, MCS Academy has been continuously building capacity of our employees, with 4 full-time employees and over 70 internal trainers. During the reporting period, the academy provided over 100 training courses and tailored programmes for the setting of leadership behaviour and skills, and for developing core competencies of our employees.



- Due to the restrictions caused by the COVID-19 outbreak, we readjusted to create an online learning environment and implemented a programme to promote and encourage our employees to engage in online training and capacity-building. During the reporting period, 199 training, out of 250 total have been conducted remotely.

Total training

1,700

training

with

13,000

participants

Total training expenditure	261 million MNT
MCS Academy training	182 million MNT
In-house training	4.7 million MNT
External training	74 million MNT

MCS Academy training	250
----------------------	-----

In house training	273
-------------------	-----

External training	1,211
-------------------	-------

Training related to the environment	14
-------------------------------------	----

Training on social issues	9
---------------------------	---

Training on governance	19
------------------------	----

Employee self-development training	78
------------------------------------	----

Total number of participants	13,047
------------------------------	--------

Total number of female participants	2,474
-------------------------------------	-------

MCS Academy training participants	4,779
-----------------------------------	-------

In-house training participants	4,403
--------------------------------	-------

External training participants	3,865
--------------------------------	-------

Active trainers	72
-----------------	----

Active female trainers	42
------------------------	----

Employer supported volunteering (ESV) programme

To promote and encourage our employees to participate in volunteering community works, the group launched the “Employer supported volunteering” programme in 2020, enabling the opportunity for our employees to engage in volunteering, during working hours with a full day of paid leave.

In 2021, our employees engaged in volunteer work for an average of 2.5 hours per person in the field of education, encouraging social awareness, charity and environmental activities.

Community engagement and support

FMCG and Telecommunications companies at the MCS Group have started submitting quarterly ESG Report. During the reporting period, FMCG and Telecommunications companies have cooperated with 2,332 domestic entities, 232 of which were female-owned, and 219 rural businesses.

To strengthen civil societies in Mongolia, we have been in close collaboration with NGOs and CSOs with exemplary governance, to deliver on our social responsibility projects and programmes.

In 2021, we have carried out 29 projects and programmes aimed to support and develop the community, and have reached 1,200 people in rural areas and 330 members of vulnerable groups.



Community engagement and support

Unitel Group launched a partnership programme with the UN FPA Mongolia, to teach teenagers and young adults in Mongolia about family planning, and reproductive health using innovative technical solutions. With the partnership programme, the Unitel Group is pledging over 300 million MNT worth of goods, services and in-kind donations to create an AI-based online assistant chatbot “Mandukhai” over the course of the next 3 years.



As part of our effort to improve social awareness and inclusion in the disability community, Total Distribution LLC organizes an annual essay competition for hearing-impaired children. During the reporting period, over 70 children engaged in an effort to explore attitudes and barriers around disability inclusion.

In 2021, Anungoo LLC expanded their efforts to empower young girls and women. The company reached over 600 school-age young girls from isolated districts to build confidence and improve their knowledge of menstruation, while providing menstrual hygiene products.

Since 2018, MCS Estates LLC have been in partnership with the “Merciful World” NGO, to raise awareness and support children with cerebral palsy. Last year, the partnership focused on creating benefits and social security for the caretakers, and family members of children with cerebral palsy.

Health

The COVID-19 pandemic continued to be a pressing issue for both the country and the private sector. To help fight the outbreak, MCS Group has spent 5.4 billion MNT in 2021 for employee support and for donations to campaigns, organisations and officials, and individuals.

For instance, Unitel LLC has increased the internet bandwidth of NEMA, SEC, and government offices of the provinces, while providing communication for an emergency response without charge. In addition, a fully equipped emergency vehicle, and other in-kind donations were provided to combat the COVID-19 crisis.

Moreover, Intermed hospital has cooperated with the SEC, with a fully equipped emergency vehicle working for the response units. Intermed has also provided services to test for COVID-19 immunity, inoculation of the Sputnik-V vaccine, and Telemedicine services to offer advice to those in quarantine.



Community Development

Sustainable Livelihood Support Program

- Since 2012, Energy Resources LLC has been focusing on providing financial support to local community start-ups and SMEs under the Sustainable Livelihood Support Programme. The programme aims to outreach herdsman and small business owners with up to 10 million MNT in interest-free loans. During the reporting period, 15 applicants received the microloan.

Fodder support

- Energy Resources LLC, supports herders and the local community by providing free-of-charge hay and fodder in the harsh winter season. During the reporting period, more than 400 herders of Tsogttsetsii and Khankhongor soum received over 5,000 bales of hay and 45 tonnes of fodder.



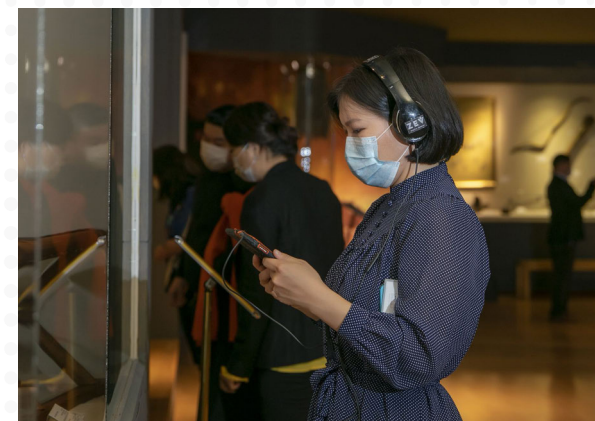
Water for pastoral community

- Taking effective groundwater management into account to support the livelihood of local herders, Energy Resources LLC has been constructing livestock wells since 2012. During the reporting period, the company continued to provide water access to pastoral communities by building two wells with small reservoirs in Tsagaan-Ovoo soum, enabling water access to around 8,000 livestock of 10 households.

Education and Culture

Unitel Group, in partnership with the National Museum of Mongolia, and Gerege Digital System LLC, have digitised rare historical artifacts from the 13th century into 3D models for the “Zev Digital Museum” project, with over 6,500 visitors touring the public virtual museum.

In collaboration with the Gerege Digital System LLC, 1,027 schoolchildren from 8 schools in rural districts of Ulaanbaatar have been able to visit the “Zev Digital Museum”, using AR/VR technology.



Education and Culture

Intermed hospital has granted 10 students with a one-year scholarship, with opportunities for future full-time employment at the hospital.



Energy Resources LLC and MCS International LLC, on the occasion of World Water Day, have instructed over 3,000 schoolchildren of Tsogttsetsii soum in Umnugovi aimag, with around 130 students attending the “Water consumption” training. In addition, “Suraad” online mathematics platform was made available to 650 students in grades 5-11 of public general education schools.

Sports

Energy Resources LLC has been the official sponsor of the top national 3x3 basketball teams for the last three years. During the sponsorship, Energy Resources LLC have created opportunities for the national teams for trainings, and enabled them to attend regional and global competitions, by establishing the “Energy 3x3”, the first professional club in Mongolia. Women's national 3x3 team attending the Olympics for the first time was the highlights of this year.



MCS Coca-Cola LLC has sponsored the refurbishing of the museum at the National Olympic Committee this year. MCS Coca-Cola will also be the official sponsor of the National Olympic Committee on the “Tokyo-2020”, “Beijing-2022”, and “Paris-2024” Olympics, until the end of 2024.



Occupational Health and Safety (OHS)

MCS Group is continuously improving, and developing frameworks, policies and regulations for occupational safety and health, by systemising our operations, strengthening the safety culture, and by introducing international guidelines and standards, with our priority of safety and well-being of all our employees and contractors in mind.

Our Group operate in full compliance with occupational health, safety and environmental management, in accordance with national and international regulation, guidelines and standards

ISO 9001

ISO 14001

ISO 45001

We have 50 dedicated **occupational health and safety officers**.

During the reporting period, the group carried out occupational health and safety training with

47,727

employees participating
(excluding Energy Resources LLC)

A total OHS training expenditure

167 million MNT

Total OHS, and environment-related expenditures

7.1 billion MNT



Environment

We made sustainability part of our business by starting to introduce Environment, Social and Governance (ESG) framework. As part of our commitment, we consider the ESG to be a critical step to reducing our environmental footprint, increasing energy efficiency and minimizing water consumption, while exploring ways to mitigate our impacts in the next steps.



Featured projects



- MCS Coca-Cola, in joint collaboration with MCS International, have commissioned heat-only boilers, becoming the first food manufacturing plant in Mongolia to introduce emission-free, innovative engineering solution. By eliminating the consumption of raw coal, MCS Coca-Cola company has passed the important milestone of its climate protection goals.

Featured projects

- To help fight with pollution in Ulaanbaatar city, Energy Resources LLC have supplied over 1.6 million tonnes of processed coal, worth 39.7 billion MNT, free-of-charge to “Tavan Tolgoi Tulsh” LLC since 2018
- Since 2009, to support the vegetation gardening initiatives of the local community while combating desertification in the Gobi region, Energy Resources LLC have successfully planted over 130 thousand trees. During the reporting period, approximately 8000 trees were planted with an 85 percent growth rate and 5,500 seedlings were harvested from the nursery field for use in various tree planting, landscaping and gardening projects. Furthermore, the Forest Belt Project in the Gobi was successfully expanded to 23 hectares and has over 15,000 trees in Tsogtsetsii soum.



Climate and GHG emission

In order to control and manage our carbon footprint, MCS Coca-Cola LLC, Anungoo LLC, Energy Resource LLC, Unitel Group, Total Distribution LLC, and Well Bee LLC conducted their first GHG inventory, enabling us to address our carbon footprint in the future.

During the reporting period,

297 thousand metric tons of CO₂-eq
(Scope 1 and Scope 2) were emitted.

- Total carbon footprint of FMCG and Telecommunication companies is reported to be 37 thousand tonnes of CO₂-eq
- Energy Resources emitted 260 thousand tonnes of CO₂-eq.
As part of the effort to reduce carbon emissions, Energy Resources LLC introduced energy-efficient lighting technology at the power plant, saving 21,1MW of energy in 2021 and reducing carbon emissions by about 16.7 tCO₂-eq.



Energy efficiency approach

In accordance with the Energy Conservation Law of Mongolia and in compliance with its' requirement on energy management standards, we conduct an external energy audit to monitor, track targets and to further improve our energy performance.

For the **5 MW**
"Solar Power and Storage Battery" project,
we have installed

10192 solar panels

each with a power output rating of 540W.

127 MW
energy is saved

- Unitel Group - installed efficient cooling systems and energy-efficient LED lighting
- Energy Resources LLC – introduced energy-efficient lighting system in the UHG power plant
- Intermed hospital - renovating and retrofitting to prevent heat loss
- MCS Coca-Cola LLC, Intermed hospital, Uniservice Solutions LLC – by introducing energy-efficient lighting systems.

Fuel efficiency

In an effort to transition toward a less carbon-intensive shipping approach, the company has strengthened our transportation system by effectively tracking distribution routes using a smart GPS system.

Since 2010, FMCG companies of MCS Group have started to transition towards an efficient fleet, by restructuring with fuel-efficient vehicles. Moreover, we are aimed at the fuel consumption quality while reducing our environmental footprint and started to switch towards Euro-5 diesel engines.

In the long term, we are seeking to switch to low-carbon or alternate fuels. Under this approach, MCS Coca-Cola LLC has fully shifted to electric forklifts, while Total Distributions LLC has started the implementation process.

Water Management

In 2021, a total volume of **405,235 m³**
of wastewater has been treated and reused.

MCS Coca-Cola LLC, improved its water
usage ratio (WUR) in the last decade.

1.97 WUR

↓
46 percent
reduction

at MCS Coca-Cola LLC

210,235 m³
of wastewater treated

5,400 m³
of greywater provided

to the city municipality for irrigation,
road watering and maintenance
purposes.

Energy Resources LLC, water usage per
tonne of coals washed were reduced from

142 L/ROM tn

↓
137 L/ROM tn

Energy Resources LLC continues to
provide up to

97%
filtered water
for the Tsogttsetsii
community

45,000 m³

domestic wastewater
treatment plant

has been established
at the Ukhaa Khudag Thermal power plant.

Waste Management

The waste management approach at MCS Group is to sort and minimize waste generation, ensuring safe handling, treatment, storage and disposal of generated wastes from daily operations. In 2021, we have reduced our waste generation by 464.5 tonnes, with a total of 379.2 tonnes of solid waste properly treated and disposed of, and 301 tonnes of solid waste properly sent to the recycling facilities.



We continue to encourage our employees to build waste sorting habits, and to use proper waste collection bins.

We also promote active participation in the collection of used batteries to send them to proper waste management facilities.

- Under the packaging strategy to reduce the amount of materials used for production, MCS Coca-Cola LLC has cut back on a total of 438 tons of PET for beverage production in 2021.
- To manage the life cycle footprint of its products, Well Bee LLC has collected 11.9kg of aluminium tubes and sent them to the waste recycling facilities, while raising awareness for their customers.

Hazardous waste

Depending on the types of hazardous waste, 225.97 tonnes of hazardous waste were disposed of, and 1542.61 tonnes were stored in accordance with appropriate procedures and standards.

Intermed hospital disposed of a total of 38 tonnes of hazardous waste - 1.4 tonnes of regulated medical (sharps) waste, 0.6 tons of biohazardous, 2 tonnes of pharmaceutical waste, and 622 litres of chemical waste were collected and sent to an authorized waste handling facility for proper disposal.

At Energy Resources LLC, 279 tonnes of used oil were collected in a designated tank, and 364 used batteries of heavy machinery were sent to an authorized waste handling facility respectively.

At Total Distribution LLC, 225.7 tonnes of coal ash were properly collected and sent to the waste handling facility.



Compliance with the law and regulations is an essential part of our Code of Ethics and Business Principles, ensuring that they are reflected in our daily operations

The Board of Directors at MCS Group has the ultimate responsibility to manage business risks and ethics, and regularly assess the performance of IT and ESG matters with the aim of helping improve our contribution toward achieving sustainability as well as our long-term success. Therefore, we introduced the Environment, Social and Governance policy.

During the reporting period, we introduced the ESG reporting mechanism for FMCG and Telecommunications companies as the initial stage. Recognizing that it will make progress toward achieving sustainable long-term value creation in our portfolio, we are taking systematic approach to integrate ESG into our businesses.

Structure

Committee	Roles and Responsibilities	Members
Finance and Investment Committee	Oversee and evaluate short and long-term financing and investment plans, with a reporting mechanism	1 independent, 1 female, a total of 3 members
Audit and Risk Management Committee	Oversee the internal auditing, risk management framework, and compliance	1 independent, 1 female, a total of 3 members
ESG Committee	Oversee the planning, implementation, and reporting procedures related to sustainability and ESG performance	1 independent, 1 female, a total of 3 members
Nomination & Remuneration Committee	Regulate and manage compensation plans and level of compensation	1 independent, 1 female, a total of 3 members
Ethics Committee	Oversee and manage conflict resolution, and compliance related to company's ethic policies	0 independent, 2 female, a total of 3 members
IT Committee	Manage and review the information technology strategy	0 independent, 0 female, a total of 3 members

Compliance Policy

We introduced the compliance policy in the group, by adopting ISO 37301, the international standard on compliance management. In line with the standard, the following four policies were established:

Set of policies

Compliance Policy

Policy and procedures for bribery prevention

Charitable Donation Regulation

Money Laundering and Terrorism Financing Regulation

Objectives of these set of policies are:

- ✕ To introduce compliance policy and control with legal and regulatory requirements into our corporate governance and corporate behavior
- ✕ To oversee compliance risk management, eliminate risks, and maintaining appropriate control systems
- ✕ To improve company's good governance and its effective implementation
- ✕ To monitor and review the Company's compliance related implementation
- ✕ To oversee and build relation between stakeholders such as investors, business partners and public

List of Abbreviations

AI	Artificial Intelligence
AR/VR	Augmented reality / Virtual reality
CSO	Civil society organisations
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
ESV	Employer supported volunteering
FMCG	Fast-moving consumer goods
GHG	Greenhouse gas
GPS	Global Positioning System
ISO	International Organisation for Standardisation
IT	Information Technology
L.P.	Limited partnership
LED	Light-emitting diode
LLC	Limited Liability Company
MNT	Tugrik, Mongolian national currency
NEMA	National Emergency Management Agency
NGO	Non-governmental organisation
OHS	Occupational Health and Safety

PET	Polyethylene terephthalate
ROM	Run-of-Mine
SDG	Sustainable Development Goals
SEC	State Emergency Council
SME	Small and medium-sized enterprise
UHG	Ukhaa Khudag
UNFPA	United Nations Population Fund
WUR	Water usage rate

Metrics and units

CO2-eq	Carbon dioxide equivalent
kg	Kilogram
L	Litre
m3	Cubic meter
MWh	Megawatt hour
L/ROM tn	Water usage per tonnes of run-of-mine coals washed
t	Tonnes
W	Watt



Introducing world standards