

**SUSTAINABILITY
REPORT
2022**

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Foreword

Since 2020, MCS Group has embarked on a strategic journey to implement an Environmental, Social, and Governance (ESG) framework that aligns with the United Nations Sustainable Development Goals (SDGs). Our ultimate goal is to transition into a net-zero company in the long run. This effort underscores our commitment to supporting Mongolia's "Vision 2050" and relevant key long-term policies and goals

In our commitment to align our policies with ESG principles, we have undertaken a revision and implementation of our labour management policy to ensure strict compliance with the updated Labour Law. It's worth noting that companies like Unitel LLC and MCS Coca-Cola LLC have introduced the concept of distributed offices, fostering flexible and adaptable work environments. Furthermore, we have taken a significant step by establishing two on-site childcare facilities adjacent to our offices, in full support of an integrated policy on early childhood development.

Throughout the reporting period, we have prioritized key ESG topics. These include the evaluation and responsible utilization of natural capital, the measurement of greenhouse gas emissions and reduction efforts, fostering a safe and inclusive work environment for our employees, and implementing transparent governance practices. Thus, we are now commencing the integration of environmentally and socially responsible operational practices across our entire group.

In our pursuit of comprehending our environmental impact, we have conducted assessments of greenhouse gas emissions using international methodologies across six of our subsidiaries with a notable reduction of 5.8 thousand metric tons of CO₂-equivalents in the year 2022. By implementing energy-efficient technologies, we achieved a conservation of 1,409 MWh of electricity. This, coupled with the adoption of clean energy sources, actively contributes to Mongolia's ambitious emissions reduction target, set at a 22.7 percent reduction by 2030.

Furthermore, we have launched waste recycling initiatives, including campaigns to collect PET and e-waste. One noteworthy example is MCS Coca-Cola's "World Without Waste" campaign, which strives to achieve full packaging recycling by 2030. In the reporting year, they achieved a significant milestone by successfully collecting approximately 61 percent of all PET packaging sold and diverting it to recycling facilities.

Through this report, our goal is to underscore our dedication to sustainable operations and production, as well as our approach to engaging with stakeholders, including our employees, customers, and suppliers. We encourage you to explore our mission and track our progress as we strive to transform into a "Net-Zero" company, dedicated to creating a sustainable future where our contributions exceed our environmental footprint.



Sincerely,

Gantumur Lingov
Chief Executive Officer, MCS Holding LLC



About MCS Group

Founded in 1993, MCS Group is a prominent conglomerate with diverse business crucial for the country's economic growth. Today, it stands as one of the largest conglomerates, overseeing leading enterprises in engineering, energy, telecommunications, property asset management, mining, fast-moving consumer goods, healthcare, and hospitality.

MCS Group is resolute in its dedication to advancing the economic development and progress of our nation. We accomplish this by integrating an ESG framework into our business strategy, upholding responsible corporate governance, adhering to ethical business practices, introducing advanced technology, and expanding our collaboration with stakeholders. These collective endeavours are firmly rooted in our unwavering commitment to securing long-term sustainability.

ENVIRONMENT

● GHG emissions

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



5.8 thousand metric tons of CO₂-eq reduced

● Energy

1,409 MWh of energy savings



2,418 MWh of energy generated by renewable sources

● Water

445 thousand metric tons of wastewater treated

45 thousand metric tons of treated water were reused for cleaning and irrigation purposes



SOCIAL

● Employees



- 41% - female employees
- 45% - female employees in a management position
- 40% - female employees in an executive management position

7 distributed offices established

2 on-site childcare facility with a capacity of 150 children

77,891 employees attended HSE trainings

21 community development projects implemented

CONTRIBUTIONS TO THE ECONOMY

● Total tax paid in the last five years

2.5 TRILLION MNT

in 2022



Contributions to CSR initiatives worth 32 billion MNT encompassing the implementation of 93 projects.

GOVERNANCE

35 ESG management team

27 compliance managers

16 risk managers

50 OSH specialists

VISION AND MISSION

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Our approach on Sustainability

Promoting ethical business practices, fostering transparency and governance

- Upholding Ethical Business Practices and Transparent Governance
- Managing Risk and Ensuring Compliance
- Achieving Sustainability Goals Through Stakeholder Engagement and Collaborative Partnerships



Incorporate environmentally friendly practices and minimize the adverse impact

- Measuring GHG Emissions and Reduction Strategies
- Promoting Energy Efficiency and Management
- Sustainable Natural Resource Use and Biodiversity Conservation
- Effective Waste Management and Reduction Practices



Creating a safe and healthy workplace

- Fostering Workplace Inclusion, Human Rights, and Diversity
- Enhancing Employee Skills and Development through Training
- Encouraging Volunteering and Advancing CSR Initiatives
- Cultivating a Safe and Healthy Workplace Environment



Materiality and Stakeholders

Stakeholders

Shareholders

Investors

Employees

Suppliers

Contractors

Clients

Government organisations

non-government organisations

General public

Ensuring a safe and inclusive workplace

Providing support for employee well-being

Encouraging employee participation, engagement, and inclusion

Cultivating workplace ethics and equality

Upholding human rights and embracing diversity

Introducing environmentally sound technologies

Promoting energy-efficient practices

Mitigating climate-induced risks

Establishing GHG inventory and reduction targets

Adhering to ethical business practices

Integrating sustainability principles into our business

Ensuring full compliance with legislation

Responsible tax payment

Transparency in ESG disclosure

Providing comprehensive financial disclosure

Active engagement and development within the community and rural areas

Upholding transparency

Engaging in socially responsible business practices

Embracing digital inclusion initiatives

Responsible management of natural resources and reducing environmental impacts

ESG topics

Environment

Social

Governance

Climate change and GHG emission reduction

Human capital and labor practices

ESG governance and management

Energy management

Human rights, Diversity and Inclusion

Anti-corruption policies and practices

Natural resource efficiency and biodiversity

Occupational Health and Safety

Risk Management and Compliance

Waste management

Community Engagement

Transparency and Disclosure

Stakeholder Engagement

"MCS Group has integrated the ESG framework into our business operations, aligning it with our sustainability principles and goals. We are committed to being accountable to all stakeholders, respecting their rights, and actively strengthening our collaborative partnerships.

MCS Group's objective is to cultivate and sustain relationships with our stakeholders through a variety of communication methods and channels. By incorporating their thoughts and inputs, we continually enhance and improve our performance



Stakeholders	Communication channels
Employees	<ul style="list-style-type: none"> • Organisational culture and employee satisfaction survey • Training and capacity-building programmes • Dialogues • Staff meetings • Internal communication channels • Speakout hotline
Executive management	<ul style="list-style-type: none"> • ESG strategy and oversight, management and monitoring • Annual and quarterly reporting • Management meeting • ESG and Sustainability internal meeting and communication
Investors	<ul style="list-style-type: none"> • Board meetings • ESG Committee meetings • ESG performance dialogues and review
Suppliers	<ul style="list-style-type: none"> • Supplier portal • Website and social media • Surveys and Speakout Hotline
Contractors	<ul style="list-style-type: none"> • Cooperation and meetings • Audits • Surveys and Speakout Hotline
Customers	<ul style="list-style-type: none"> • Brochures and pamphlets • Customers survey • Website and social media • Customer relationship management • Speakout
Governmental and municipal administrations	<ul style="list-style-type: none"> • Transparency and reporting • Internal and external audit • Participation in events and dialogues
Non-governmental organisations	<ul style="list-style-type: none"> • Volunteering • Collaboration and discussions • Corporate social responsibility, and aids
General public	<ul style="list-style-type: none"> • Sustainability Report • Community events and knowledge sharing through partnerships and projects • Engagement with the public and affected communities • Managing grievances • Website and social media

ENVIRONMENT

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Climate change and GHG emission

In 2022, MCS Coca-Cola LLC, Anungoo LLC, Energy Resources LLC, Unitel LLC, Total Distribution LLC and Wellbee LLC have conducted a GHG inventory and initiated efforts to cut their emissions.

During the reporting period

676 thousand metric tons of CO₂-eq were emitted under Scope 1 and Scope 2.

42

thousand metric tons of CO₂-eq

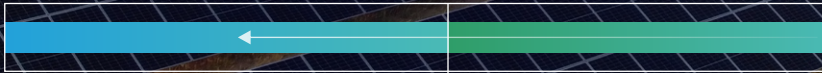
During the reporting period, FMCG and telecommunications companies emitted

634

thousand metric tons of CO₂-eq

Energy Resources LLC emission during the same reporting period

Some of our efforts to reduce GHG emissions have been measured using an appropriate methodology, resulting in a reduction of



4,800

tons of CO₂-eq

by using advanced heat boilers at MCS Coca-Cola LLC

952

tons of CO₂-eq

by implementing energy-efficient lighting solutions at Energy Resources LLC

5.8 thousand metric tons of CO₂-eq

Energy management

- Energy savings

In accordance with the Energy Conservation Law of Mongolia, MCS Coca-Cola LLC Energy Resources LLC, Unitel LLC, MCS International LLC, Erchim Suljee LLC, International Medical Center LLC, and Shangri-La Ulaanbaatar LLC have consistently conducted energy audits and implement energy management plans as part of their commitment to adopting effective measures for energy conservation.

in 2022

in alignment with the energy management plan, the following measures were implemented to enhance energy efficiency:

52 MWh

Unitel Group saved through the implementation of a cooling system, efficient lighting technology, and UPS

611 MWh

Energy Resources LLC is achieved by introducing an efficient lighting system and installing variable frequency drives for cooling towers.

24 MWh

MCS International LLC through upgrading efficient lighting system.

525 MWh

Erchim Suljee LLC was attained through the deployment of smart grid technology.

42 MWh

MCS Coca-Cola LLC saved by introducing efficient lighting, refrigerated containers, and UPS

19 MWh

International Medical Center LLC through energy-efficient lighting.

136 MWh

Shangri-La Ulaanbaatar LLC by upgrading its lighting system.



1,409 MWh

energy is conserved.

- Clean energy sources

Unitel Group has remained committed to transitioning the electricity generation for communication towers to clean energy sources. During the reporting period, 2,418 MWh of renewable energy were generated at 196 towers. This amount constitutes 8.2 percent of the total energy consumption, ensuring the positive impact of the solar panel installations on the company's long-term goals.



MCS Coca-Cola LLC efficiently consumed 57 million MJ of steam by utilizing LPG in its boilers, which are integral to its daily operations.



● Transportation

As part of its commitment to reducing emissions from mobile combustion, Total Distribution LLC initiated a pilot project aimed at transitioning to Euro-5 fuel standards. During the reporting period, the company introduced 33 vehicles equipped with Euro-5 engines into the fleet, marking the beginning of an assessment process focused on improving fuel efficiency.

Total Distribution LLC and MCS-Coca-Cola LLC have fully transitioned to electric forklifts in their daily operations.



Erchim Suljee LLC has embarked on a demonstration project to introduce and establish electric vehicle (EV) charging stations in the reporting period. This forward-looking initiative aligns with our commitment to supporting the growth of electric vehicles and infrastructure development, further contributing to our sustainable transportation efforts.

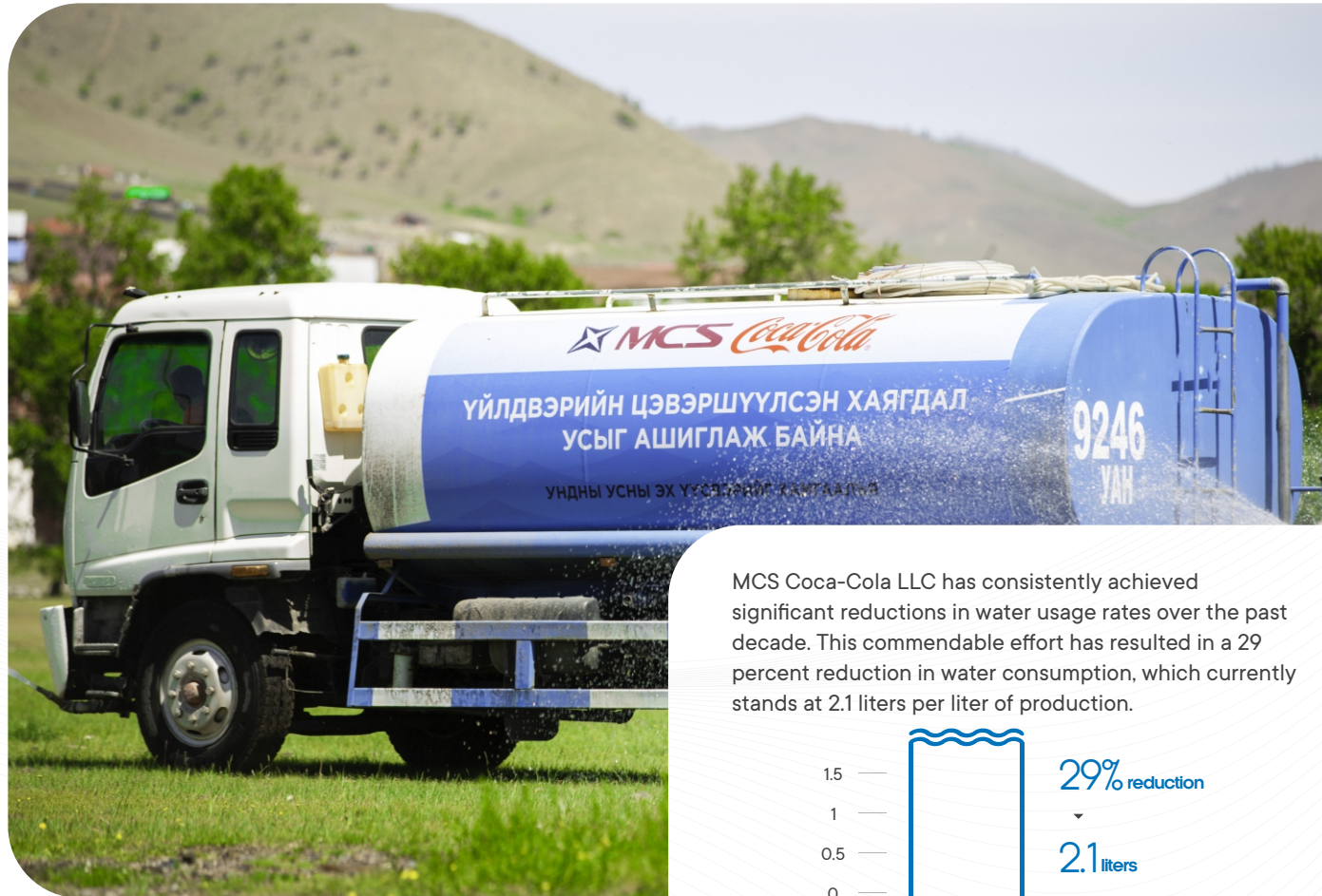


Water management

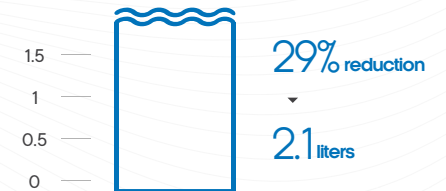
MCS Coca-Cola LLC, MCS International LLC and Energy Resources LLC treat their operational wastewater through dedicated treatment plants.

- During the reporting period, MCS Coca-Cola LLC treated 298 thousand tonnes of wastewater from its operation, with a 11 thousand tonnes of its being utilized for watering city roads and green areas
- MCS International LLC treated 13 thousand tonnes of wastewater and reused the treated water within the facilities and on-site, specifically for watering roads and trees.
- Energy Resources LLC demonstrated its commitment to the community by treating 134 thousand tonnes of domestic water in its water treatment facility. Additionally, 30 thousand tonnes of wastewater from operations were treated and subsequently repurposed for on-site use, primarily for dust prevention, as well as for watering trees.

 **93 thousand tonnes**
of treated water are being reused



MCS Coca-Cola LLC has consistently achieved significant reductions in water usage rates over the past decade. This commendable effort has resulted in a 29 percent reduction in water consumption, which currently stands at 2.1 liters per liter of production.



Waste management

- Our waste management approach responsibly handles both general and hazardous waste generated from our operations.
 - ▶ Our FMCG companies efficiently recycle 487.7 tons of generated waste through a third party, while 411.8 tons of waste are appropriately disposed of in a dedicated facility.
 - ▶ MCS International LLC and Energy Resources LLC ensured the proper disposal of 685.5 m³ of solid waste and 6951 m³ of waste in compliance with relevant standards and regulations.
 - ▶ During the reporting period, we effectively managed 225.2 tons of hazardous waste, adhering to proper management and disposal protocols. Additionally, we safely incinerated 730 m³ of waste. Furthermore, Total Distribution LLC and Energy Resources LLC carefully stored and subsequently transported 315 tons of used vehicle oils to approved facilities for third-party disposal.

Waste recycling

313 t MCS Coca-Cola LLC has achieved a 53 percent waste recycling rate for the total waste generated from its operations

183 kg Wellbee LLC has demonstrated its commitment to waste recycling by collecting and recycling 19 percent of aluminum tubes of hair products.

403 m³ Energy Resources LLC has effectively recycled 4.3 percent of the waste generated during its operations.



Waste Management



World Without Waste

MCS Coca-Cola LLC is dedicated to waste reduction, increased recycling, and the use of reduced plastic materials. Under the 'World Without Waste' campaign, MCS Coca-Cola LLC aims to achieve a 100 percent recycling rate for its plastic products.

In 2022, MCS Coca-Cola LLC reduced the weight of 500 ml and 330 ml bottles, resulting in a total plastic savings of 31 tonnes.

MCS Coca-Cola LLC has taken significant steps in PET recycling, successfully collecting and redirecting 61 percent of PET bottles to recycling facilities.

“PET Waste collection points” have been established in the outskirts of Ulaanbaatar, with plans to expand to various provinces and local areas. The initiative actively engages and empowers local communities to organise PET waste collection.

To encourage recycling, vending machines in ten areas of Ulaanbaatar city have been deployed to provide a convenient and rewarding way for consumers to participate in PET recycling by offering payment for their contributions.

An initiative to transport collected PET waste from remote provinces to TML recycling facilities was launched with Total Distribution LLC, underscoring the commitment to expanding efficient PET collection and recycling efforts.

Biodiversity

- Energy Resources LLC, Unitel LLC, and Erchim Suljee LLC have implemented an integrated management plan to underscore our dedication to safeguarding biodiversity and promoting responsible environmental stewardship. Within this framework, the companies assess the impacts on biodiversity, monitor their conservation efforts, and implement mitigation and offset measures as part of a broader program that aligns with the integrated management plan.

Habitat Restoration Efforts

- ▶ As an integral component of the biodiversity offset program, Energy Resources LLC is actively involved in restoring degraded ecosystems and rehabilitating 7 ha of damaged areas within the Gobi Gurvan Saikhan National Park. Additionally, the company has implemented a monitoring system, including sensors and surveillance cameras, to assess and monitor wildlife populations in the area.
- ▶ In 2022, Unitel Group took a step to improve wildlife habitats by creating four ponds in Umnugobi, Gobi-Altai, and Dundgobi provinces. To date, these efforts have resulted in the establishment of seven ponds that preserve crucial habitats and serve as water sources for local wildlife.



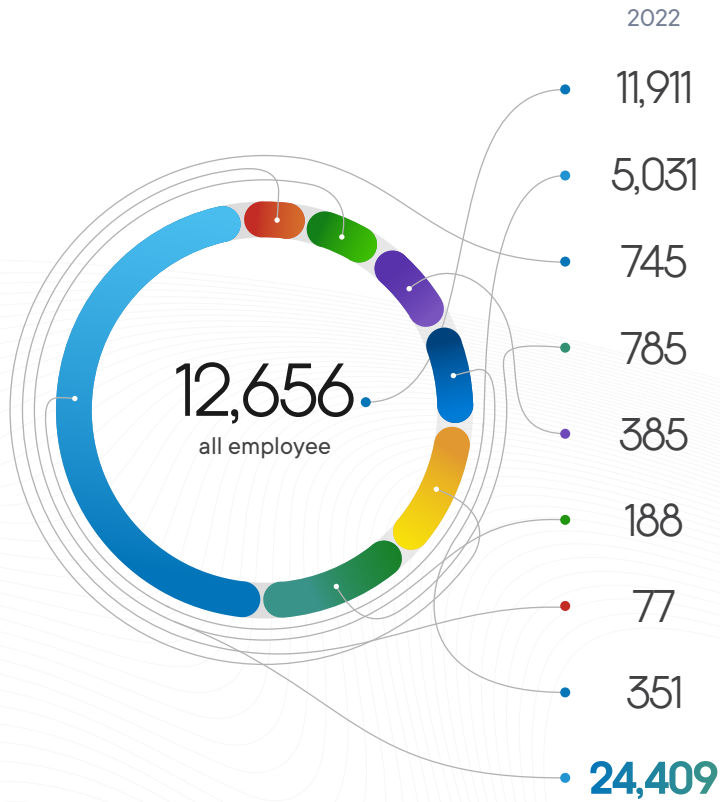
Wildlife Conservation Efforts

- ▶ Energy Resources LLC has collaborated with a team of experts to conduct a comprehensive field assessment of biodiversity in Tsogtsetsii Soum, with a specific focus on observing bird populations and migration patterns. This study documented a total of 18 distinct bird species across 44 sites.
- ▶ Unitel Group partnered with the Mongolian Bird Conservation Center to create 30 nesting sites in Bagakhangai district as part of a restoration effort for predatory birds impacted by habitat degradation.
- ▶ Erchim Suljee LLC conducted an assessment aimed at implementing preventive measures to deter birds from coming into contact with power lines. This effort involved the installation of 336 insulators as a proactive step to enhance safety and reduce potential collisions with electrical infrastructure.

SOCIAL

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Workplace and employees



We allocated **9.1 billion MNT** to assist our employees through our welfare policies.

4.3 / 5 **Employee satisfaction score** (from all employee satisfaction surveys)

2022	
Total	
Total employees (direct/full-time)	11,911
Female employees (direct/full-time)	5,031
Contract employment (part-time)	745
Employees in management positions	785
Female employees in management positions	385
Employees in an executive management position	188
Female employees in executive management positions	77
Employees with disabilities	351
Jobs created indirectly	24,409

We aim to cultivate an inclusive workplace environment characterized by efficiency, effectiveness, and diversity in our labour management while upholding Health, Safety, and Environmental standards. During the reporting period, we aligned our practices with the revised Mongolia Labor Law, integrating ESG principles such as equality, diversity, and inclusion into our policies. This encompassed areas such as recruitment, retention, labour management, and employment opportunities for individuals with disabilities.

- Core principles:
- ▶ Promoting gender and equality
 - ▶ Fostering a healthy work environment
 - ▶ Ensuring equal opportunities for all employees
 - ▶ Eliminating discrimination in any form
 - ▶ Prohibition on child labor
 - ▶ Preventing workplace violence and harassment

Diversity and inclusive workplace

Distributed offices

MCS Group is committed to fostering an inclusive workplace with a flexible environment for all employees. During the reporting period, Unitel Group has established distributed offices in various locations across Ulaanbaatar city that covering western, eastern, northern, and southern areas. Moreover, MCS Coca-Cola LLC has expanded its distributed offices to cover the western, eastern, and central areas of Ulaanbaatar.



Workplace Accessibility and Inclusion

To foster an inclusive workplace that prioritized accessibility, Unitel Group and MCS Coca-Cola LLC conducted an assessment to cater to the needs of our employees with disabilities. This evaluation covered the headquarters, the Data Center, as well as the distributed office in the eastern region. Subsequently, appropriate measures were taken to address potential issues, further improving workplace safety.

On-site Kindergartens

MCS Group has established onsite childcare facilities in support of the integrated policy on early childhood development, while also aiming to enhance employee support and boost workplace productivity.

During the reporting period, MCS Coca-Cola LLC established a childcare facility with a capacity for 75 children, while Intermed Medical Center LLC created a similar facility with a capacity for 80 children. These facilities are accessible not only to our employees' children but also to children from nearby districts.



Diversity and inclusive workplace

Training and Education

- ▶ As part of MCS Groups' ESG framework, we have conducted a 'Rightful Workplace' workshop/training in collaboration with the 'Women for Change' NGO. During the reporting period.

This training involved 79 employees in management positions from MCS Coca-Cola LLC, Unitel LLC, Total Distribution LLC, Anungoo LLC and Wellbee LLC. It covered a wide range of keytopics, including human rights, diversity, inclusion, and gender sensitivity in the workplace, offering both theoretical and practical knowledge in our management.



- ▶ MCS Property LLC actively provided training aimed at promoting gender-inclusive participation, along with capacity-building sessions addressing crucial areas such as preventing workplace harassment, gender-based discrimination, child labour prohibition, and adherence to our Code of Ethics. In 2022, these efforts resulted in the participation of 186 employees across 64 training sessions on these topics.

- ▶ Energy Resources LLC is committed to fostering an inclusive workplace and creating job opportunities for women through training programs. These programs include courses on heavy machinery equipment maintenance and operation. During the reporting period, a full training course enrolled 18 participants, and all graduates secured job opportunities.

Since the inception of the operator training program, 41 women are currently employed as operators out of the initial 174 women who enrolled in the program.



Training and capacity building

During the reporting period, MCS Group invested 933 million MNT toward employee training and skill development.

3,229

Total training sessions

345

MCS Academy training

230

In-house training

2,654

Other training

Total participants

15,072



Training and capacity building

In 2022, MCS Academy training sessions experienced a 39 percent increase, contributing to an additional 44 training hours delivered.

- MCS Coaching Program**
 MCS coaching program empowers newly-appointed managers to overcome challenges and achieve their goals through mentoring and knowledge-sharing sessions led by experienced mid-level managers. During the reporting period, 11 coaches provided a total of 288 training hours to 72 newly appointed managers
- Tailored training**
 Customized training programs, designed specifically for various industries within MCS Group companies, are a key component of our tailored employee development program. In 2022, 1,950 employees from 15 companies participated in industry-specific training programs, totaling 410 training hours.



Training and capacity building

- Internship programme

The MCS scholarship program, which initially provided scholarships to over 300 students in previous years, has evolved to include the MCS internship initiative. This program offers paid internships with the goal of providing students with valuable job experience, preparing them for the workforce, and helping them launch their careers..

In 2022, the program offered 63 students from 10 national and international universities, with the majority of them receiving standing offers for full-time positions within our companies.

16

Company Participation

9

Disciplines

63

Interns

42

Offers Extended



Employer-Supported Volunteering

- In 2019, we initiated the “Employer-Supported Volunteering” program, which encourages our employees with the opportunity to participate in volunteering initiatives during their working hours, with a full day of paid leave.

In 2022, our employees dedicated an average of 3.8 hours each to volunteer work, primarily focusing on education while also promoting social awareness, charity, and environmental activities. These efforts included the following initiatives:

- MCS Group employees planted over 8,000 trees in 9 locations across Ulaanbaatar city and rural areas, collaborating with NGOs to ensure ongoing nursing of afforestation activity.
- Under the 'Let It Be Green' campaign, Unitel Group, with the participation of over 1,700 volunteers, cleaned up and collected approximately 200 tons of waste along the shores of the Tuul River
- Uniservice Solution LLC contributed to the community by providing cleaning services in the outdoor areas of Kindergarten No. 62 and the 'Magic Land' kindergarten in Ulaanbaatar city as part of their volunteer efforts.

Additionally, our employees voluntarily offered financial contributions and in-kind donations to rural and remote communities.



Occupational safety and health

Metrics	2021	2022
OSH training participation (including duplicated participation)	47,727	92,949
Total OSH Training Costs	167 million MNT	279 million MNT
Total OSH-related expenditure	7 billion MNT	5 billion MNT
Lost time injury frequency rate (LTIFR) per 100 employees	0.21	0.11
Severity rate (SR) per 100 employees	3.08	2.98

Fire safety inspections

MCS Group prioritizes safety through regular fire inspections, fire safety training, and emergency drills for all employees, aligning with our risk management strategy and strict adherence to national laws and regulations. During the reporting period, we conducted fire inspections at 21 sites across 17 companies, leading to plans to mitigate the risks associated with 195 identified violations.



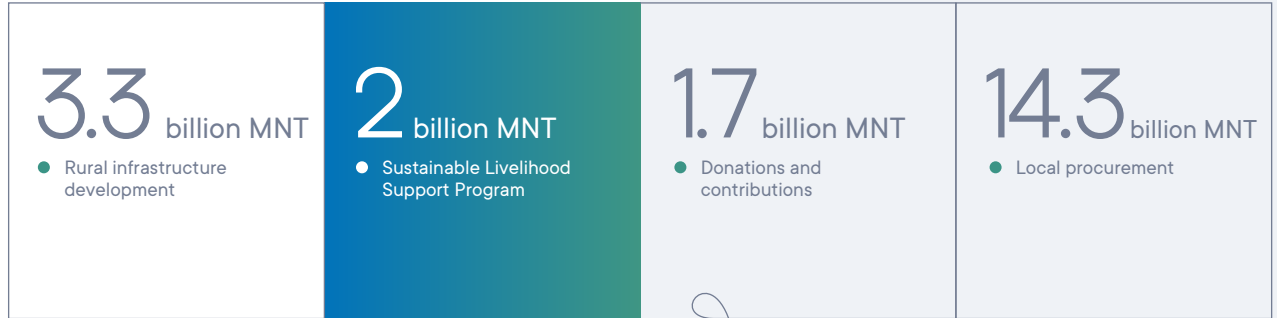
Community Engagement and Social Contribution

Rest Area 240 ↓

Rest Area 240 complex is aims to promote regional development and enhancing tourism in the area. This facility incorporates a hybrid energy generation system that combines solar panels and gas. Furthermore, the project created employment opportunities for ten local residents and included a traveller's corner, actively promoting tourism in this historically significant area.



Energy Resources LLC actively supports rural communities through engagement initiatives that address water supply, livestock water accessibility, and energy demands. In 2022, within the framework of the Sustainable Livelihood Support Program, the company successfully implemented 21 projects, with a total investment, donations, and contributions amounting to 21.3 billion MNT.



Energy Resources LLC supported the rural communities with a total investment, donations, and contributions amounting to

21.3
billion MNT

Community Engagement and Social Contribution

Energy Resources LLC, in partnership with stakeholders, has been actively implementing a range of long-term development programs aimed at supporting local communities.

- ▶ **Fodder support** - Since 2008, the program has annually supplied local herders and the Umnugobi province fund with fodder to assist them during harsh winter and spring seasons. In 2022, the company distributed 8,000 hay bales and 45 tonnes of fodder to support the local community. Additionally, as part of our environmental offset program, the company provided 230 grass bales for wildlife.
- ▶ **Improving water access for pastoral community** - Since 2012, Energy Resources LLC has been installing water taps to enhance water supply in response to the needs of local herders. This effort involved the establishment of two wells with small reservoirs in Tsagaan-Ovoo soum, providing water access to approximately 6,000 livestock across 8 households. Additionally, this initiative has improved water access for grazing livestock in the broader community.
- ▶ **Supporting vulnerable communities** - The economic challenges and increased consumer goods prices due to the COVID-19 pandemic have disproportionately affected vulnerable rural communities. In an effort to bolster the livelihoods of these households, we distributed 200 food packages to vulnerable families in Tsogttsetsii soum.



Community Engagement and Social Contribution

Supporting local SMEs

As part of the 'Sustainable Livelihood Support Program' aimed at fostering small and medium-sized enterprises within the local herders' community, Energy Resources LLC partnered with Xac bank to provide 23 individuals with reduced-interest loans totalling 225 million MNT over a three-year period during the reporting year.

Local Education Support Program

Energy Resources LLC facilitated 555 students from two secondary schools of Tsogttsetsii soum to engage in the "Suraad" online mathematics training program for a duration of five months. This initiative aimed to help students address learning gaps and enhance the overall quality of education in the region.

To enhance inclusivity and provide support to rural kindergartens, Energy Resources LLC entered into a cooperation agreement which resulted in the provision of furniture, equipment, and toys valued at 85 million MNT. Furthermore, in 2022, the company continued its support by donating a set of toys and essential educational items to this kindergarten.



Community Engagement and Social Contribution

▶ “Forest belt” project

Since 2011, Energy Resources LLC has undertaken the 'Forest Belt' project, which has now grown to encompass an area of 23 ha in Tsogttsetsii soum. This afforestation project aims to enhance biodiversity within the project site. In 2022, the company took a significant step by planting 93,000 trees across 42 ha as part of the 'Billion Trees' initiative.

▶ Supporting local agri-business

In 2022, Energy Resources LLC actively supported local agri-businesses, involving 57 households and one organization, covering 5 ha of land. This successful initiative yielded a diverse range of crops, including potatoes, vegetables, and fodder, totalling 20 different types. To ensure the program's success, we employed field workers for a duration of five months and utilized a total of 17,000 m³ of water for irrigation. Additionally, in collaboration with the Tsogttsetsii soum Governor's office, the company organized the 'Golden Autumn – 2022' harvest festival and trade fair, which over 70 individuals and businesses participated in.



Corporate Social Responsibility and Collaborative Initiatives

Education

MCS Group has signed MOUs with universities such as NUM, MUST, MULS, GMIT, and UFE, fostering knowledge sharing, experience exchange, and the organization of training initiatives. These collaborative efforts center around Sustainability and ESG as primary focus areas.



International Medical Center LLC has awarded one-year scholarships to ten graduating undergraduate students specializing in nursing, obstetrics, laboratory technology, and sonography fields for the second consecutive year.

Total Distribution LLC organized an annual essay competition for children with hearing impairments to promote social awareness and inclusivity within the community. In the reporting period, more than 41 children, aged 13 to 21, participated in this competition.



Corporate Social Responsibility and Collaborative Initiatives

Health

Wellbee LLC distributed Vitamin D supplements to mothers and children receiving treatment at the National Center for Maternal and Child Health across 13 soums in five aimags, as well as two hospitals in Ulaanbaatar city as part of our Vitamin D supplementation campaign.

MCS Estates LLC partnered with the Merciful World NGO to raise awareness and aid children with cerebral palsy, including providing support for their guardians. The company offered a 293 sq.m area at Viva City free of charge, providing daycare services for 50 children with cerebral palsy and creating stable employment opportunities for their family members.

Digital inclusion and transformation

Unitel Group established the 'Unitel HUB' center in Darkhan-Uul aimag to enhance information technology inclusivity in rural communities. The center serves as a space for fostering digital education and knowledge sharing, making services accessible to people of all ages. During the reporting period, the center conducted 13 open training sessions, benefiting a total of 1,600 residents.



Corporate Social Responsibility and Collaborative Initiatives

● Culture heritage

With the support of government grants from the Cultural Heritage Preservation program of the Federal Republic of Germany and MCS Groups' Uv Erdene Cultural Heritage Grants program, in collaboration with the Arts Council of Mongolia, we have established Mongolia's first-ever 'Arts Restoration Laboratory' at the National Art Gallery.

This state-of-the-art laboratory is fully equipped with international standard tools, equipment, and materials. It is poised to restore 300 artworks that portray diverse aspects of Mongolian history, nature, society, daily life, and culture.



Corporate Social Responsibility and Collaborative Initiatives

The 'Disability Expo-2022' aimed to foster inclusivity and enhance employment opportunity for people with disabilities. This collaborative effort involved the Ministry of Labour and Social Protection of Mongolia and Hand Pro LLC. The primary objectives were to create job opportunities and offer comprehensive employment services. Twelve subsidiaries within MCS Group extended their support to the event, allowing attendees to explore job opportunities from our companies.

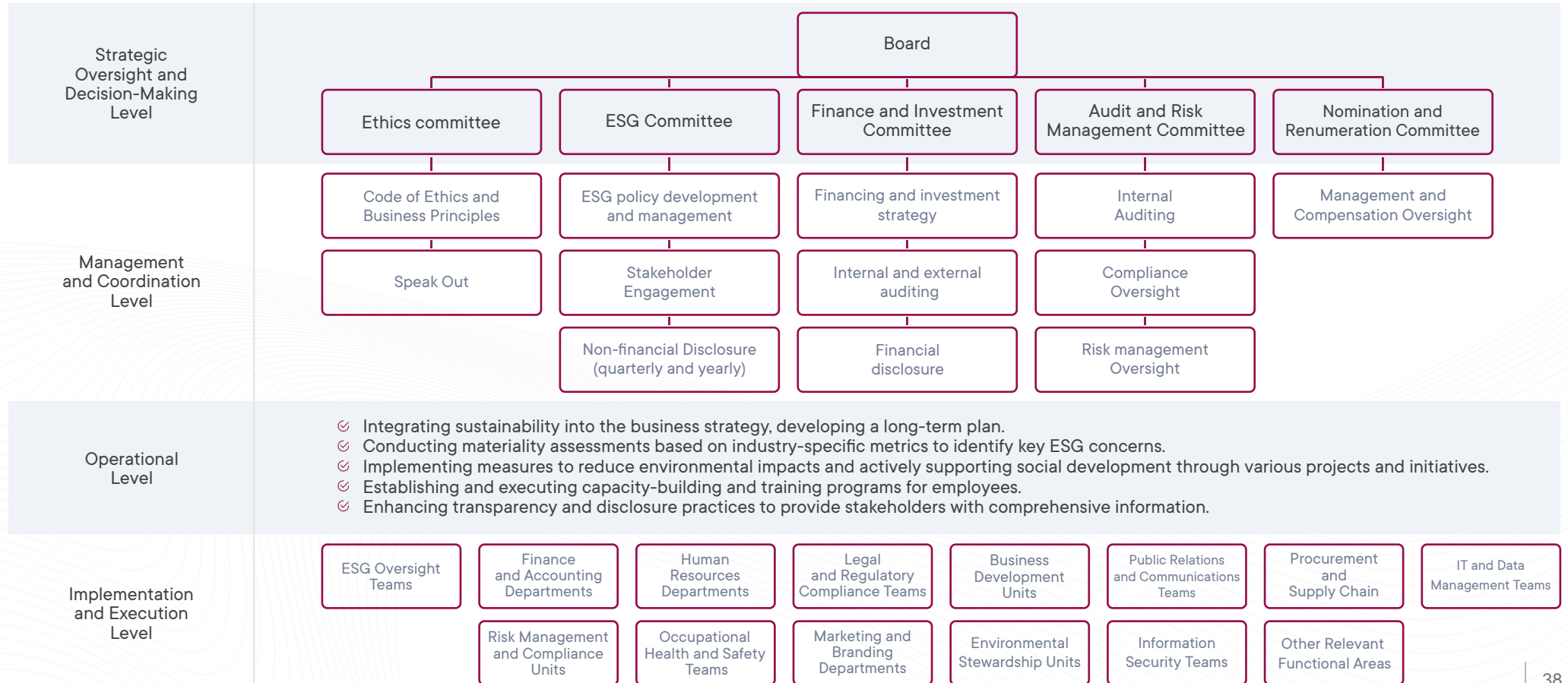
12 subsidiaries within MCS Group, which include Total Distribution LLC, Unitel LLC, M bank LLC, Ashid Capital NBF I LLC, MCS Estates LLC, Erchim Suljee LLC, Wellbee LLC, Uniservice Solution LLC, DDishTV LLC, Anungoo LLC, MCS Coca-Cola LLC, and MCS International LLC, extended their support to the event. Their involvement allowed attendees to explore job opportunities and submit job applications.



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Sustainability Governance



Structure

ESG COMMITTEE

- FMCG and Telco companies have adopted their ESG policies.
- Developed long-term targets aligned with sustainability principles, monitored implementation progress, and established corporate KPIs.
- A quarterly reporting mechanism has been established for the ESG committee.
- Dedicated FMCG and Telco ESG oversight teams have been appointed, comprising members from various departments within their respective companies.

AUDIT AND RISK COMMITTEE

Risk Management

- Incorporated with ISO 31001:2018 standards, the risk management framework has been initiated to identify and manage risks effectively.
- A quarterly reporting mechanism has been established for the Audit and Risk Committee, with active reporting from 12 companies..
- A total of four training sessions, involving 95 employees in relevant fields, have been conducted.
- Sixteen dedicated risk managers have been appointed.

Compliance Oversight

- A compliance management framework based on ISO 37301 standards has been established, featuring six dedicated compliance departments and units..
- A quarterly reporting mechanism has been established for the Audit and Risk Committee
- A total of 209 participants at the management level from 15 companies, have participated in compliance trainings.
- Twenty-seven dedicated compliance managers have been appointed

ETHICS COMMITTEE



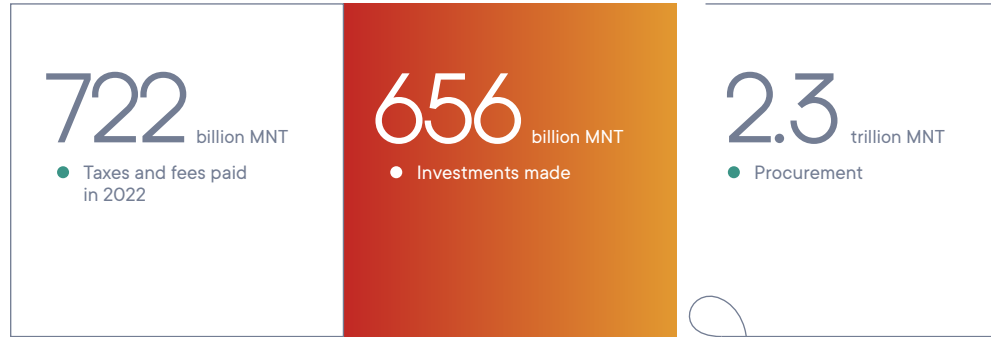
ECONOMY

Contributions to the economy

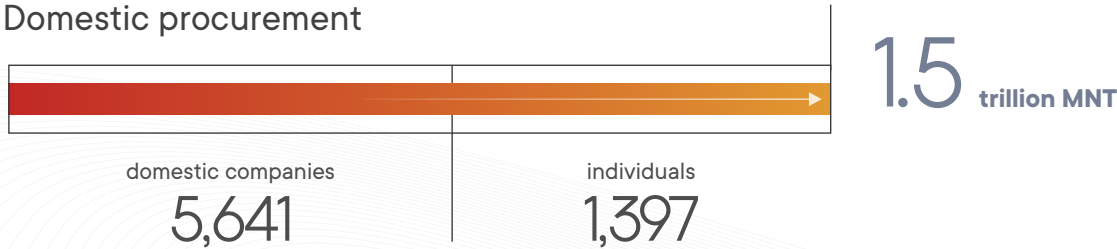
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Contributions to the economy

Contributions to the economy in 2022



Domestic procurement



Corporate Social Responsibility



- ▶ Contributions to CSR initiatives worth 32 billion MNT encompassing the implementation of 93 projects.
- ▶ This includes the donation of clean, washed thermal coal, provided free of charge, aimed at mitigating air pollution in Ulaanbaatar city, with a total worth 23 billion MNT.



● Abbreviations

CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
ESV	Employer supported volunteering
EV	Electric vehicles
FMCG	Fast-moving consumer goods
GHG	Greenhouse gas
GHG inventory	A list of emission sources and the associated emissions quantified using standardized methods.
GMIT	German-Mongolian Institute for Resource and Technology
IT	Information Technology
KPI	Key performance Indicator
LLC	Limited Liability Company
LPG	Liquefied petroleum gases
LTIFR	Lost time injury frequency rate
MNT	Tugrik, Mongolian national currency
MOU	Memorandum of understanding
MULS	Mongolian University of Life Sciences

MUST	Mongolian University of Science and Technology
NBFI	Nonbank Financial Institution
NGO	Non-governmental organization
NUM	National University of Mongolia
OHS	Occupational Health and Safety
PET	Polyethylene terephthalate
Scope 1	Direct emissions from owned or controlled sources.
Scope 2	Indirect emissions from the generation of purchased energy
SDG	Sustainable Development Goals
SME	Small-medium enterprise
SR	Severity rate
UFE	University of Finance & Economics
UPS	Uninterruptible power supply

● Metrics and units

CO ₂ -eq	carbon dioxide equivalent
ha	Hectare
kg	kilogram
L	Litre
m ³	cubic meter
MJ	Megajoule
ml	milliliter
MWh	Megawatt hour
Sq.m	square metre
t	tonnes
W	Watt



Introducing World Standards