



SUSTAINABILITY  
**REPORT**  
**2023**

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**About Us** »



## » Foreword

At MCS Group, our unwavering commitment to sustainability is reflected in our ongoing integration of the Environmental, Social, and Governance (ESG) framework into our business, acknowledging our responsibility to both society and the environment.

Through this Sustainability Report, we aim to track and measure our advancements, accomplishments, and progress in aligning our business strategy with ESG principles and sustainable practices. This report also serves as a document of our long-term journey toward becoming a net-zero company, reinforcing our contribution to Mongolia's "Vision 2050" and other key national policies and goals.

We prioritize identifying and mitigating our environmental footprint, with a particular focus on reducing carbon emissions. Since 2021, we have been estimating our greenhouse gas (GHG) emissions using internationally recognized standards and methodologies. These efforts have provided us with the necessary data to set carbon reduction targets, particularly for our carbon-intensive businesses. Our collective aim is to support Mongolia's Nationally Determined Contributions goal to cut emissions by 22.7% by 2030.

In 2023, we expanded our waste management initiatives to include a broader range of materials, such as aluminum and electronic waste, alongside our ongoing efforts to collect and recycle plastic waste. Notably, we made significant progress by implementing a system to collect and

recycle out-of-service IPTV devices, marking an important step toward circular economy practices. These efforts are part of our broader strategy to enhance our waste management capabilities and ensure responsible resource use throughout the product lifecycle.

This year was especially significant as we celebrated 30<sup>th</sup> anniversary of MCS Group - a milestone that allowed us to reflect on our contributions to Mongolia's development. We also deepened our commitment to employee welfare and well-being. One of the highlights is the introduction of the MCS Benefits platform, which provides our employees with access to products and services offered by us.

As we look back on the past 30 years, MCS Group remains firmly rooted in the principles of corporate governance excellence and social responsibility. Looking ahead, we are focused on achieving net-zero through the continued integration of sustainability and the ESG framework. With this Sustainability Report, we invite you to join us in exploring our mission and tracking our progress as we continue our journey towards building a more sustainable future.



## » About MCS Group

Established in 1993 as a consultancy in the energy and power sector, MCS Group has grown to offer a world-class portfolio of products and services across diverse industries, including energy and engineering, telecommunications, construction and real estate, mining, agriculture, banking and finance, fast-moving consumer goods, and healthcare. MCS is committed to advancing the nation's economy through responsible corporate governance and the adoption of progressive technologies.

MCS Group is steadfast in its dedication to driving the nation's economic growth. We integrate an ESG framework into our business strategy, uphold responsible corporate governance, adhere to ethical business practices, introduce advanced technologies, and foster collaboration with stakeholders. These efforts reflect our unwavering commitment to long-term sustainability.





## » Scope of the Report

At MCS Group, we are committed to sustainability across all our business operations, spanning a diverse range of industries. This sustainability report aims to provide a detailed disclosure of our operational footprint, environmental stewardship, social contributions, and ethical business practices, with a commitment to transparency in communicating our ongoing efforts.

Our sustainability report serves as a comprehensive overview of our efforts to address environmental and social challenges, as well as our broader contribution to the value chain. In addition to reducing our environmental impact, we prioritize fostering ethical business practices and establishing transparent governance structures, which are the foundational principles of our Environmental, Social, and Governance (ESG) strategy.

The report also focuses on delivering insights to our stakeholders, including our sustainability strategy, progress, performance and the key challenges observed in our sustainability journey.

Given the diverse nature of our businesses, we adopt an integrated approach that, while not adhering to a single reporting standard, draws upon key principles, metrics, and boundaries from frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB), among others.

» 2023 Sustainability Summary

### Environment

**1,226 thousand**  
tonnes of CO<sub>2</sub>-eq Scope 1 and Scope 2 emission

**3,899 MWh**  
generated by renewable energy sources

**6,641 tonnes**  
of CO<sub>2</sub>-eq emission reduction was achieved

**1.2 million tonnes**  
of water reused

**1,100 MWh**  
in total energy savings

**461 tonnes**  
of waste from our operations were sent to be recycled

### Social

**13 thousand**  
full-time employees

**39%**  
female employees

**51%**  
female managers

**41%**  
female executives

**115 thousand**  
employees attended OSH training

**14.3 thousand**  
employees training participation

**4.3**  
Employee satisfaction score

### Contributions to the Economy

**966 billion MNT**  
paid in taxes and fees

**3.5 trillion MNT**  
total procurement

**47 billion MNT**  
invested in CSR initiatives, with implementations of 45 projects and programmes

**987 billion MNT**  
in investments

**2.2 trillion MNT**  
purchased from 8,600 national suppliers

**20,000+**  
jobs created indirectly

# Our Sustainability Strategy »





## Materiality and Stakeholders

### Stakeholders →

- ✔ Shareholders
- ✔ Investors
- ✔ Employees
- ✔ Suppliers
- ✔ Contractors
- ✔ Customers
- ✔ Governmental and Non-Governmental Organisations
- ✔ General Public

### ESG topics →

#### Environment

- ✔ Encouraging Clean Technology
- ✔ Promoting Energy Efficiency
- ✔ Climate Change & GHG Emission Reduction
- ✔ Natural Resource Efficiency & Footprint Reduction
- ✔ Waste Management
- ✔ Biodiversity Protection and Conservation

#### Social

- ✔ Healthy and Safe Workplace & Employee Well-being:
- ✔ Employee-Driven Human Resource Policies
- ✔ Employee Development Opportunities
- ✔ Diversity and Inclusion
- ✔ Workplace Ethics and Equality
- ✔ Human Rights
- ✔ Social Responsibility and Contribution
- ✔ Community Development and Engagement

#### Governance

- ✔ Transparent Governance
- ✔ Ethical Business
- ✔ Regulatory Compliance
- ✔ ESG Disclosure
- ✔ Digital Transformation
- ✔ Sustainable Supply Chain Management

### ESG Strategy →



#### Environmental

Incorporate environmentally friendly practices and minimize the adverse impact



#### Social

Creating a safe and healthy workplace and community engagement



#### Governance

Promoting ethical business practices, fostering transparency and governance



## » Environmental, Social and Governance Strategy

At MCS Group, we have integrated an Environmental, Social, and Governance (ESG) framework tailored to the diverse nature of our business operations and the specific demands of the industries in which we operate. Our ESG strategy is designed to minimize our environmental footprint, enhance social contributions, and promote ethical business practices across all levels of the organization. With a long-term goal of establishing sustainable and responsible business practices, we aim to drive lasting value for both our stakeholders and the communities we serve.

ESG Strategy		
 Environmental	 Social	 Governance
Contribution to climate change mitigation	Creating a healthy and safe workplace	Upholding business ethics and independent management practices
Promoting energy efficiency and responsible consumption	Labour management and employee engagement	Ensuring regulatory compliance
Responsible management of natural resources and biodiversity conservation	Fostering gender equality, diversity, and inclusion	Establishing transparency and accountability
Waste management	Contributing to community development and stakeholder engagement	Sustainable supply chain management



## GHG Emission Reduction Approach

At MCS Group, we are committed to addressing carbon emissions by prioritizing the reduction of our operational GHG emissions. As part of this commitment, we estimate our emissions in accordance with internationally recognized standards and methodologies, ensuring accuracy and consistency in our reporting.

We recognize that measuring our carbon footprint is the key step in this approach, allowing us to develop and implement targeted strategies for meaningful reductions.

Our multifaceted approach to emission reduction focuses on the following key areas:



### Improving Energy Efficiency

- ✔ Incorporating advanced technologies
- ✔ Transitioning to low-carbon alternatives



### Increasing Use of Renewable Energy

- ✔ Expanding renewable energy sources in operations
- ✔ Investing in renewable energy projects



### Reducing Fossil Fuel Usage

- ✔ Switching to alternate energy sources
- ✔ Increasing fuel efficiency



### Production & Operation Optimization

- ✔ Reducing emissions from products and services
- ✔ Addressing indirect emissions
- ✔ Engaging with supplier



Environment »

 **Climate Change Mitigation**

● **GHG Inventory and Reduction Measures**

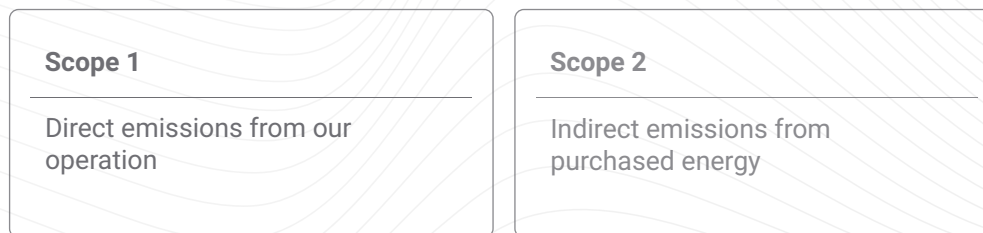
At MCS Group, we are committed to managing and reducing our greenhouse gas (GHG) emissions as part of our ESG strategy. We conduct a comprehensive GHG inventory, covering Scope 1 & Scope 2 emissions across operations.

In the reporting period, our FMCG, Telecommunications and Mining business have estimated their GHG emissions.

<b>Business sectors</b>	<b>Scope 1</b>	<b>Scope 2</b>
Fast-Moving Consumer Goods	18.9	6.8
Telecommunications	0.7	13.8
Mining*	1,168.5	16.8
	thousand metric tonnes of CO <sub>2</sub> -eq	thousand metric tonnes of CO <sub>2</sub> -eq

\*In 2023, Energy Resources updated and enhanced GHG methodology and was verified by a third party in accordance with the ISO 14064-3:2019 requirements.

**GHG emission categorization:**



» Climate Change Mitigation

• Emissions Reduction and Low Carbon Technology Implementation

4,800 metric tonnes of CO<sub>2</sub>-eq emissions reduction was achieved.

MCS Coca-Cola and MCS International installed an advanced heat boiler system that replaces coal with liquefied petroleum gas (LPG). The project is part of the Joint Crediting Mechanism (JCM) under the "Low Carbon Development Partnership" between the Government of Mongolia and Japan, focusing on emission reduction through the introduction of low-carbon technologies.



1,841 metric tonnes of CO<sub>2</sub>-eq emissions were avoided from being released into the atmosphere.



1,281 metric tonnes of CO<sub>2</sub>-eq

Unitel Group and Erchim Suljee have renewable energy generated through solar power

361 metric tonnes of CO<sub>2</sub>-eq

MCS Coca-Cola, Unitel Group, Energy Resources, MCS International, International Medical Center, Shangri-La Ulaanbaatar through targeted energy conservation efforts

2 metric tonnes of CO<sub>2</sub>-eq

Erchim Suljee through the introduction of electric vehicles

197 metric tonnes of CO<sub>2</sub>-eq

Erchim Suljee through optimizing the coefficient and capacity of the current transformers

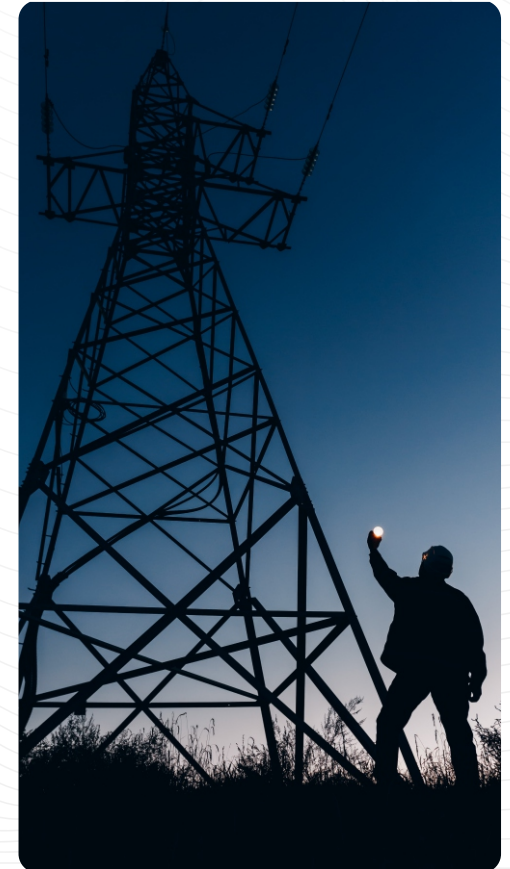
» Energy Management

• Energy Conservation and Efficiency Measures

▶ In 2023, the energy management efforts resulted in the saving of approximately 1,100 MWh of energy.

MCS Coca-Cola, Energy Resources, Unitel, MCS International, International Medical Center, and Shangri-La Ulaanbaatar, are designated as obligated energy consumers under national regulations. These companies implement energy efficiency measures, and develop energy management plans to continually improve their energy conservation performance.

Moreover, Erchim Suljee has conducted a technical assessment to reduce losses in its substations. These measures include optimizing the coefficient of transformers and adjusting transformer capacities to align with actual load demands, ensuring that energy is used efficiently.





## » Energy Management

### ● Clean Energy Utilization



# 3,899 MWh

Unitel Group and Erchim Suljee have made significant steps in increasing their use of clean, renewable energy, marking a significant milestone in our ongoing transition to sustainable energy sources. During the reporting period, the companies have collectively generated and consumed 3,899 MWh of electricity from solar power.

Since 2022, Unitel has installed solar panels on 216 of their telecommunication towers across the country. In 2023, these installations have generated 3,897 MWh of solar energy, accounting for approximately 8% of the total energy consumption of the Unitel Group.



MCS Coca-Cola has generated and consumed 67.5 million MJ of steam and heat utilizing their advanced LPG boilers during the reporting year.







## » Energy Management

### ● Energy Intensity Performance

As obligated energy consumers under the National Energy Conservation Law, MCS Coca-Cola, MCS International, and the International Medical Center constantly monitor and manage their energy intensity performance in addition to their energy efficiency measures.

**19.98 KWh**

MCS Coca-Cola achieved an energy consumption rate of 19.98 KWh per liter of product produced, marking an 8.5% reduction compared to the previous year.

**9.67 KWh**

MCS International also demonstrated improvements in their energy efficiency. The energy consumption for its energy generation activities was 9.67 KWh per unit produced, representing a 0.16% reduction.

**28.57 KWh**

International Medical Center has recorded an energy intensity of 28.57 KWh per service unit in 2023, achieving a 3.8% reduction compared to 2022.





## » Energy Management

### ▶ Fuel Efficiency

As part of its commitment to lower emissions from mobile combustion and enhance overall fuel performance, Total Distribution has made continuous progress in transitioning to Euro-5 fuel standards.



### ▶ Electric Vehicle Infrastructure

Erchim Suljee has initiated the development of electric vehicle (EV) infrastructure through its “EV+” project, aimed at promoting EV adoption and supporting cleaner transportation methods. In 2023, the company established nine EV charging stations across five locations in Ulaanbaatar, while also incorporating EVs into its operations.

The “EV+” project not only helps reduce direct GHG emissions but also brings co-benefits by avoiding the release of air pollutants typically associated with mobile combustion.





## » Natural Resource Management

### ● Water Intensity Performance

MCS Coca-Cola, Energy Resources, and MCS International utilize water treatment facilities for operational use and wastewater treatment. These facilities ensure that water is used efficiently and responsibly treated before being reused or discharged.

The Ukhaa Khudag Power Plant stands out for its efforts to minimize water consumption by using minimal water due to its' dry cooling system suited for the arid Gobi region. In 2023, the plant consumed 13,371 tonnes of recycled wastewater, treated using reverse osmosis technology. Furthermore, the company used 26% of treated wastewater for purposes such as road watering, dust control, and other operational needs, ensuring compliance with MNS 4943:2018 standards for wastewater quality.

MCS Coca-Cola wastewater treatment facility, commissioned in 2010, is fully compliant with MNS 6734:2018 and MNS 4943:2018 standards. The facility treats approximately 180,000 tonnes of wastewater per annum, with a treatment efficiency rate of nearly 99.99%.

The treated wastewater is reused for various purposes, including watering green spaces, trees, and urban areas, as well as for car washing facilities. MCS Coca-Cola provides this water free of charge to local entities.

In 2023, approximately 5% of the treated water was reused for these purposes.





## » Natural Resource Management

### ● Water Intensity Performance

The Belt Filter Press facility at the Coal Handling and Preparation Plant at Energy Resources efficiently processes sludge, recycling up to 95% of the wastewater. In the reporting period, 1,145,000 m<sup>3</sup> of water was reused as a result of this process. Additionally, 81,000 m<sup>3</sup> of surface run-off water was collected and stored in a designated reservoir for operational use.

The company also utilized 180,699 m<sup>3</sup> of treated domestic wastewater from nearby communities, repurposing the 7 thousand tonnes for watering trees and dust control.

# 1,145,000m<sup>3</sup>

Energy Resources have reused 1,145,000 m<sup>3</sup> of water

# 4%

MCS Property has reused the 4% of wastewater generated during the construction for dust control.

# 49%

Top Motors achieved a water reuse rate of 49% for its car washing operations.



### ▶ Water Intensity Performance

MCS Coca-Cola achieved a water usage rate of 2.18 liters per liter of product produced, representing a 17% reduction over the past decade.

Energy Resources made progress in optimizing its water consumption, recording a usage rate of 207 liters per tonnes of coal processed during the reporting year.



## » Natural Resource Management

### ● Reforestation Efforts

in 2023

**67,000 trees were planted**

As part of its commitment to preventing soil degradation and promoting biodiversity, Energy Resources and Metagro have collaborated on the establishment of windbreaks in agricultural areas. In the reporting year, they successfully planted a 17,000 tree forest belt spanning 18 km in Kherlen soum, Khentii province.

Energy Resources is focusing on the reforestation of saxaul forests in the Bayandalai soum of Umnugobi province, where 10,000 saxaul seedlings were planted.

In 2023, MCS Group employees planted around 3,000 trees in Khurkhee Valley of Bogd Khan Mountain, while planting another 5,900 trees in other locations.





## » Natural Resource Management

### ● Reforestation Efforts

#### ▶ Seed and Seedling Preparation

Energy Resources is preparing seedlings at its 2.5 ha nursery field with a capacity to grow approximately 30,000 seedlings in Tsogtsetsii soum, cultivating 26 species suitable for the Gobi region. In 2023, the company nurtured and prepared 1,100 trees and bushes from seeds.

Metagro is also engaged in seedling preparation, utilizing both greenhouses and nursery fields. In 2023, the company prepared 34,000 seedlings in their greenhouses and an additional 7,000 seedlings in nursery fields with plans to further expand these efforts by increasing both capacity and the variety of species grown.



#### ▶ Urban Forestry Initiatives

In 2023, Energy Resources planted a total of 29,000 trees in urban areas and in their employee facilities in Tsogtsetsii soum, with an additional 2,500 trees planted at the Baruun Naran mine.

MCS International contributed to local greening efforts by planting 888 trees in the vicinity of the Ukhaa Khudag power plant, while Metagro planted 125 trees around their employee homestead.



As part of "Uv Erdene" cultural heritage programme, the Group has created a 3,000 m<sup>2</sup> grass area at the Setsen Khan Palace in Khentii province in 2023.

This initiative also includes ongoing care and maintenance of green spaces at the Choijin Lama Temple Museum in Ulaanbaatar.



## » Biodiversity Protection and Conservation

Unitel Group, Energy Resources, Metagro, and Erchim Suljee actively assess their potential environmental impacts and continuously implement environmental management plans to address these challenges.

As part of this effort, they take mitigation actions to reduce negative impacts, vulnerability, and potential risks, while also conducting ongoing monitoring and control of affected biodiversity.

Comprehensive approaches to biodiversity offsetting are integrated into their management plans.

Energy Resources has conducted bird monitoring in collaboration with dedicated professionals at locations near the Tavantolgoi Airport and a forest area in Tsogtsetsii soum. The assessment involved three monitoring stations, documenting a bird population of 200 individuals across 21 species in 44 locations. The results indicated the discovery of three new bird species, while the overall number of birds had decreased by 653.



Erchim Suljee has implemented preventive measures to reduce bird collisions with high-voltage power lines based on thorough assessments. The company installed 50 bird diverters, which are crucial for protecting biodiversity, mitigating impacts on their habitats and migration and reducing avian mortality, marking an important step in minimizing the effects of human infrastructure on wildlife.



Unitel Group initiated the creation of ponds to establish wildlife habitats in isolated parts of national protected areas that have limited water resources. In 2023, the company successfully established 16 new ponds across 10 protected areas, bringing the total number of these ponds to 23. These efforts are contributing significantly to habitat restoration in the region.





## » Waste Management

- We are committed to responsible waste management practices for both general and hazardous waste generated from our operations. We take appropriate measures to ensure safe handling and disposal.

### ▶ 461 tonnes

of waste from our offices and operations were sent to dedicated facilities for proper management.

### ▶ 317 tonnes

of hazardous waste were safely disposed of through partnerships with specialized organizations.

Around 4 tonnes of used batteries and oils from DC auxiliary supply of substations are being stored.

### ▶ 1,146 tonnes

of general waste were handled appropriately in compliance with regulatory requirements.



- ▶ Metagro made an effort in sustainability by composting 2.3 tonnes of bio-organic and food waste, integrating this compost into agricultural processes to enhance soil health.

- ▶ Since 2014, MCS Coca-Cola has actively worked to reduce the total weight of PET used in its operations. In this reporting period, the company successfully saved 48 tonnes of PET.





## » Waste Management

### ● Waste Collection, Recycling, and Reusing Initiatives

#### ▶ World Without Waste

As part of the World Without Waste campaign, MCS Coca-Cola has established numerous plastic collection points in Ulaanbaatar and across 16 provinces.

In 2023, Total Distribution, contributing to this initiative, successfully transported 24 tonnes of PET from provinces to recycling facilities in Ulaanbaatar.

MCS Coca-Cola has also made significant progress in its efforts, recycling 40% of the total sold PET product packages for recycling.



#### ▶ No E-Waste

In an effort to address electronic waste, Unitel Group launched the “No E-Waste” campaign. This initiative focuses on collecting expired, outdated, and out-of-service IPTV devices through collection centres, branch offices, and call service agents. A total of 17,000 devices, weighing approximately 3.7 tonnes, were collected.

To support a circular economy, the collected equipment is dismantled, and the components are segregated. Motherboards are stored for future repurposing, while outer shells are repurposed as construction materials - rebar spaces, used in construction project at MCS Property.

#### ▶ Go Recycle

Wellbee has initiated the “Go Recycle” campaign, aimed at recollecting aluminum tubes and plastics from both B2B and B2C customers. Collection bins were established in 40 locations, resulting in the recollection of 260 kg of aluminum tubes and 40 kg of HDPE, LDPE, and PP plastics. These materials have been sent to recycling facilities for proper processing.



Social »



**» Diverse and Inclusive Workplace**

● Workplace and Employees

<b>12,906</b> Total employees	<b>570</b> Contract employees	<b>20,000+</b> Jobs created indirectly
<b>825</b> Managers	<b>210</b> Executives	<b>372</b> Employees with disabilities

▶ Employee Diversity



39% - Female employees  
 51% - Female managers  
 41% - Female executives

Employee satisfaction survey score

**4.3**

We conduct an annual employee satisfaction survey based on 14 key indicators, across the entire workforce.

Employee engagement survey score

**4.4**

The employee engagement score, which highlights employee motivation, commitment and attitude which is determined by 8 key indicators.

▶ Inclusive Workplace and Employee Engagement

We are committed to fostering an inclusive and flexible environment, where our corporate culture is driven by the contributions and initiatives of our employees. Our goal is to create a workplace where employees feel valued and satisfied, contributing to a positive and nurturing atmosphere.



 **» Diverse and Inclusive Workplace**

● **Employee Benefits**

We provide our employees with the opportunity to work with confidence and satisfaction by addressing social and health concerns while promoting a collective learning environment that supports individual development. We are creating a workplace where our employees can thrive with confidence, knowing that their social and health needs are addressed. We believe that fostering a collective learning environment that promotes individual development is crucial to ensuring employee satisfaction and retention.

**12.4 billion MNT**

of benefits and welfare are provided in 2023

▶ **Benefits package at MCS Group**



Gifts for newlyweds, on Children's Day, newborns, and elderly employees



Preventative health screenings and wellness checkups



Discounted health insurance, customized to the nature of our operations, covering both employees and their families



Discounted lunches and access to a variety of products and services at reduced rates from MCS Group subsidiaries, as well as discounts from over 40 partner companies.



One-time allowance for elderly employees



Opportunities for preferential loan terms through partnerships with various banks



Paid leave for key life events, including employee birthdays, new parenthood, and volunteer activities



Access to professional development programs, including courses at the MCS Academy and international training opportunities to foster continuous growth.

▶ **MCS Benefits Platform**

In 2023, to ensure that employees are fully informed about their available benefits, we launched the "MCS Benefits" platform. This platform provides a centralized hub where employees can explore and access a wide range of benefits offered by MCS Group subsidiaries and partner companies.

Furthermore, we introduced additional allowances as an incentive for the MCS Benefits platform.

In 2023, this initiative added a bonus of 11 billion MNT to employees' salaries, demonstrating our commitment to improving the overall employee experience.



## » Diverse and Inclusive Workplace

### ● Employee Wellbeing

We strive to maintain the health and well-being of our employees by providing comprehensive health support with preventive health assessments as part of our labour management. In 2023, we invested 1.5 billion MNT\* for employee health screenings.



\*Energy Resources not included

### ▶ Supporting Employee Initiatives

MCS Group provides opportunities for employees to transform their innovative ideas into tangible projects. In 2022, we launched the "Corporate Innovation Programme" to empower employees to develop and implement ideas that contribute to business improvement and social impact.

The programme encourages employees to initiate projects that enhance business processes, boost productivity, and explore new product and service ideas. It also supports ventures that promote environmental sustainability and social responsibility by facilitating collaboration between stakeholders and driving innovation into new business opportunities.

Several successful initiatives have already emerged from the programme, including the MCS Benefits platform, which offers employees access to a wide range of benefits and discounted services, and EV+, a project focused on developing an electric vehicle infrastructure management.

In 2023, four new projects, involving 19 employees, were selected as part of the Corporate Innovation Programme. These projects have now entered the research and development phase, bringing innovative concepts closer to implementation.





## » Diverse and Inclusive Workplace

### ● Employee and Families Events

We are dedicated to promoting a healthy lifestyle and fostering an inclusive community among our employees and their families. To achieve this, we regularly organize a wide variety of sports, cultural, artistic, and leisure activities that encourage engagement and well-being.

One of our key events in 2023 was “MCS Land”. This event provided a platform to showcase the companies within MCS Group, highlighting their operations and commitments to sustainability, including environmentally and socially responsible initiatives. The event attracted over 20,000 attendees, including employees and their families.

In addition, we organize a diverse range of activities throughout the year aimed at enhancing employee well-being. These include basketball, volleyball, table tennis, chess, e-sports championships, and talent show.





## » Employer-Supported Volunteering

In 2023, 2,687 employees dedicated a total of 2,440 hours to various volunteer efforts through our “Employer-Supporter Volunteering” programme. These included environmental activities such as tree planting and cleanup initiatives, as well as social projects like blood donations and charitable efforts aimed at supporting children in remote areas.

### What is Employer-Supported Volunteering (ESV)?

ESV allows employees to voluntarily participate in environment and social-related initiatives organized by non-governmental organizations. Employees who take part in these initiatives are granted a full day of paid leave.



Intermed Medical Center staff donated gifts to children staying in the hospital during New Year's Eve and Children's Day.

Unitel Group mobilized 2,100 employees to gather and distribute approximately 510 New Year's gifts to schoolchildren in grades 1 to 3 of Dornod, Uvs, and Govi-Altai provinces.

M bank, in collaboration with the “M Garid” basketball team, organized a basketball day for around 80 students from public schools in Songinokhairkhan district. The event aimed to promote physical activity and teamwork among the children.



Shangri-La Ulaanbaatar participated in cleanup efforts around the Terelj River as well as the 143<sup>rd</sup> public kindergarten. Unitel Group employees, in partnership with the Tuul River Basin Authority, contributed to cleaning the Tuul River with the help of volunteers. Anungoo joined efforts to clean the areas surrounding the Tuul River.

**» Training and Capacity Building**

**» MCS Academy**

MCS Academy is dedicated to fostering a culture of continuous improvement, collective learning, and knowledge sharing among employees.

With a team of over 70 active in-house trainers, the MCS Academy leads more than 100 training sessions and programs annually, designed to enhance professional skills and develop core competencies essential for employee growth.

**1,441**

Total training sessions

**362** MCS Academy training

**568** In-house training

**511** Other external training

**14,311**

employee participation

**5,981** Female participation

**3.4 billion MNT**

Total training expense

**6,990**

employees attended the MCS Academy courses

**46%**  
female

**1,757**

hours of training provided



In 2023, MCS Academy expanded its curriculum by introducing 20 training courses, of which 9 were fully online. This transition to digital learning platforms allows employees to engage in training at their own pace, providing them flexibility and ease of access. Moreover, 4 previously in-person courses were transitioned to an online format, further expanding the availability of training options.

Furthermore, 6 new courses aimed at promoting employee well-being. These courses cover a variety of topics such as mindfulness, lifestyle adjustments, adapting to change, and personal finance management.



 **Occupational Safety and Health**

MCS Group is committed to ensuring the safety of all employees and contractors. We continuously improve our occupational safety policies, systematize our operations, and cultivate a robust safety culture by integrating international best practices into our frameworks.

Metrics	2022	2023
OSH training participation (including duplicate participation)	92,949	114,945
Total OSH training expense in MNT	279 million	354 million
Lost Time Injury Frequency Rate (LTIFR) per 100 employees	0.11	0.17
Severity Rate (SR) per 100 employees	2.98	5.12
Mitigated risk rate		<b>79%</b>

► **Fire Safety**

MCS Group prioritizes fire safety as a critical component of our risk management strategy. We conduct regular fire inspections, offer fire safety training, and carry out emergency drills for all employees. These efforts are designed to align with national laws and regulations.

During the reporting period, we performed fire inspections at 32 sites across 21 companies, achieving an average inspection score of 83. By systematically addressing these issues, we enhance our fire safety protocols and mitigate potential risks.

Fire Safety	2022	2023
Companies inspected	17	23
Locations and sites assessed	21	32
Identified violations	195	223
Average score	<b>73%</b>	<b>83%</b>



## » Corporate Social Responsibility and Community Development

### ● Cultural Heritage

MCS Group “Uv Erdene” cultural heritage grants programme, focused on preserving and conserving Mongolia's national heritage and cultural monuments.

Since the programme's inception, 2.5 billion MNT has been allocated to support 15 projects, including the Choijin Lama Temple Museum, Bogd Khan Palace Museum, and Zanabazar Fine Arts Museum.

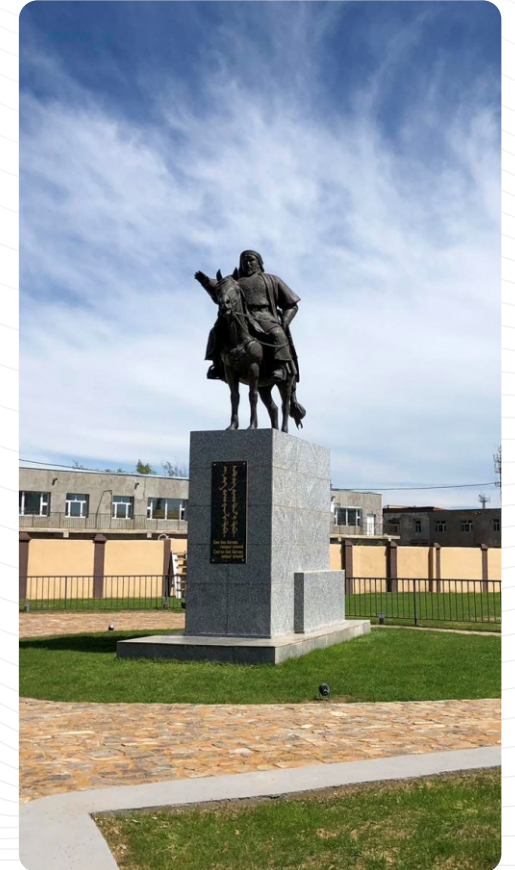
These efforts are carried out in partnership with the Arts Council of Mongolia, with the support of the Ministry of Culture, the National Center for Cultural Heritage, and a network of both domestic and international restoration specialists and advisors.



In 2023, the programme completed landscaping and restoration work at the Palace of Setsen Khan Museum, a site of immense historical and cultural significance. This project involved renovating the outer grounds, creating green spaces, preserving important structural elements, and installing lighting fixtures, effectively transforming the site into a public leisure area while maintaining its cultural integrity.

Additionally, the “Uv Erdene” cultural heritage grants programme funded the production of the “Mongolian Melody” dual vinyl record by Morin Khuur Ensemble of Mongolia.

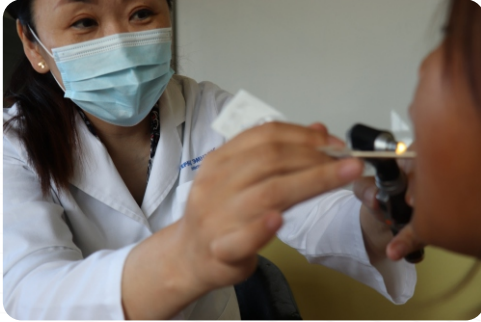
The programme also provided funding for the maintenance and care of the green spaces at the Choijin Lama Temple Museum in the reporting period.





## » Corporate Social Responsibility and Community Development

### ● Access to Healthcare



Anungoo, in collaboration with the Education Office of Ulaanbaatar and Intermed Medical Center, organized the “Health Education for Adolescent Girls” programme. The initiative provided essential training to grade 6 and 7 students in public schools, focusing on health education for adolescent girls.

In a continued effort to support maternal and child health, Wellbee distributed supplements free-of-charge to healthcare centers.

In 2023, the company donated over 4,000 healthcare products to two hospitals in Ulaanbaatar and eight hospitals in rural areas.

In 2023, Intermed Medical Center to support community health by providing free health screenings and annual flu vaccinations to 50 children residing at the Narkhan Child Nursing Home, which is supported by the Christina Noble Children's Foundation.



As part of its Local Health Support Programme, Energy Resources collaborated with the National Center for Maternal and Child Health to dispatch pediatric specialists to Tsogttsetsii soum. This initiative provided free pediatric screenings to over 900 local school and preschool children.



## » Corporate Social Responsibility and Community Development

### ● Equal Access to Education

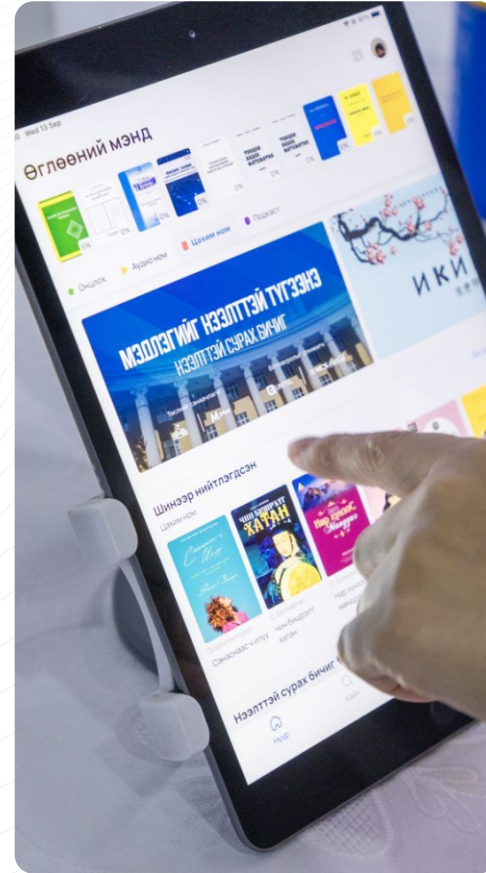
The “MCS Internship” programme is designed to provide opportunities for students, empowering them to build successful careers and develop professionally and personally while allowing them to gain invaluable real-world work experience, explore corporate culture, and develop key professional skills. In 2023, the MCS Internship programme provided fully paid internships to 80 students.



In our efforts to enhance access to educational resources, MCS Coca-Cola and Unitel supported the “Open Textbook” initiative in partnership with the M book platform.

This initiative focuses on improving access to rare textbooks, preserving academic works, and facilitating remote learning for students and teachers.

In 2023, over 20 science publications and textbooks were digitized and made freely available on the platform as open-access resources.



Further contributing to the development of future healthcare professionals, Intermed Medical Center hosted 36 interns specializing in nursing from Etugen University.

These interns gained practical, hands-on experience, developed essential soft skills, and deepened their medical knowledge through their internship.



## Corporate Social Responsibility and Community Development

### Equal Access to Education

Total Distribution demonstrates its commitment to social inclusion and education through its annual essay competition for children with hearing loss, organized in collaboration with the “Deaf Club of Mongolia”. This initiative provides a platform for these children to enhance their reading and writing skills while expressing their thoughts and experiences. In 2023, 41 students from Ulaanbaatar and rural areas participated in the fourth edition of the competition.



As part of its local education support efforts, Energy Resources established an Education Center in 2023 in Tsetsii miners' town.

The center offers a range of extracurricular programs aimed at improving the academic performance of local secondary school students.

Around 200 students from grades 4 to 12 participated in supplementary courses on subjects such as Mathematics, English, Chinese, Emotional Intelligence (EQ), and Coding.



In addition to its academic programmes, Energy Resources continued its summer employment programme for local students.

This initiative provides work experience for students from Tsogttsetsii, Tsogt-Ovoo, and Khankhongor soums in Umnugovi province. Over a period of two months during their summer holiday, 33 students worked with salary at the mine office and supporting facilities.





## » Corporate Social Responsibility and Community Development

### ● Contributions to Disaster Relief

In response to the heavy rainfall and flooding in Ulaanbaatar in 2023, MCS Coca-Cola, Unitel Group, and MCS Property collectively contributed 30 million MNT in in-kind donations, including essential supplies and services, to assist emergency personnel engaged in mitigation and recovery operations.



### ▶ Gender and Inclusion

As part of the Environmental Management Plan for the “Wastewater Recycling Plant” project, MCS Property engaged actively with residents from the nearby community, ensuring transparency and regular updates on the project's progress.

Recognizing the importance of inclusivity, the company made efforts to involve women-owned small and medium enterprises (SME) in the project area, ensuring that the economic benefits were distributed equally.

This approach ensured that women entrepreneurs had equal access to opportunities generated by the project.

### ▶ Digital Transformation and Equal Opportunity

Launched in 2022, the Unitel HUB project is part of Unitel Group's broader digital outreach program aimed at improving access to information technology and narrowing the digital education gap between urban and rural areas.

In 2023, the company opened Unitel HUB in 11 rural provinces, each equipped with high-speed internet and desktop computers to provide comfortable and modern learning environments for local communities. In collaboration with UNFPA, the Ministry of Labour and Social Protection of Mongolia, and the Women in Tech programme, these centers also offer workshops designed to enhance digital literacy and provide comprehensive learning resources, empowering individuals to develop essential technology skills.

Additionally, the centers host introductory electronics and robotics training for children aged 8-14, helping to provide foundational knowledge in technology and encouraging in STEM subjects. In 2023, more than 30 participants enrolled in these courses, bringing the total number of graduates to 323 since the programme's inception.





## » Corporate Social Responsibility and Community Development

### ● Community Engagement and Social Contribution

Energy Resources has consistently invested in projects that promote long-term sustainable outcomes for local communities, with a total contribution of 25.3 billion MNT in grants, donations, and community development programmes in 2023.

#### ▶ Local SME Support Programme

In partnership with XacBank, Energy Resources has granted interest-free loans around 140 million MNT to 13 new applicants, providing support to local start-ups and SMEs. Additionally, the company organized a local SME Forum in Tsogttsetsii soum, Umnugobi province, which attracted over 200 local SMEs. The forum facilitated the exchange of experiences, and business opportunities.

#### ▶ “Good Neighbour” Programme

Energy Resources continues its “Good Neighbour” programme, delivering essential services to Tsogttsetsii soum, including the supply of 24-hour electricity and drinking water. During the winter months, the company provided 36,000 tonnes of thermal coal free of charge to the Dalanzadgad soum power plant and 11 soums in Umnugovi province.

To support the local herding community, the company also contributed 9,000 bales and 45 tonnes of fodder to the winter reserve funds of Tsogttsetsii and Tsogt-Ovoo soums, benefiting over 430 herders. In addition, food packages were distributed to more than 140 low-income families in Tsogttsetsii soum.



#### ▶ Promoting Agriculture in the Community

Energy Resources actively promotes agriculture within local communities by organizing professional training programmes. These programmes are conducted in the company's 8-hectare forest belt area located in Tsogttsetsii soum. In 2023, 15 new households and 1 local entity participated in the initiative, successfully growing over 20 types of vegetables. Additionally, over 100 households took part in the annual Harvest Festival

## 25.3 billion MNT

spent by Energy Resources on community investment, grants, donations and related activities



## » Corporate Social Responsibility and Community Development

### ● Community Engagement and Social Contribution

Metagro has established an agricultural complex combining intensified livestock and arable farming practices, which has created over 200 jobs in Khentii province, with 60 positions filled by members of the local community.

In 2023, Metagro organized a job fair in Khentii province, aiming to increase community involvement, ensuring that local residents continue to benefit from employment opportunities.

Metagro also actively collaborates with herders, regularly procuring pasture-raised young cattle from them which provides a stable year-round income, fostering long-term partnerships.



In addition to community engagement, Metagro supported and hosted the Eastern Mongolia Agriculture Summit at Metagro's Garden Camp homestead in the Chandgana Steppe, in collaboration with the Mongolian National Farmers' Association, the Municipal Office of Khentii province, and the Department of Food and Agriculture.

The event covered topics such as government policies and measures, future goals for the sector, and innovative farming practices.

Over 90 attendees participated, including farmers from Khentii, Dornod, and Sukhbaatar provinces, alongside experts from the Ministry of Food, Agriculture, and Light Industry and the Mongolian University of Life Sciences.





Governance »

 **Governance Structure**

- The comprehensive ESG governance framework at MCS Group focuses on embedding sustainability within our management practices to ensure long-term value creation for all stakeholders.

The Board of Directors, appointed by the shareholders' meeting, is composed of individuals with diverse experience in the business and financial sectors, providing the leadership necessary for robust governance.

The ESG Committee operates under the Board, tasked with overseeing, guiding, and shaping the company's sustainability and ESG-related strategies, while continuously monitoring progress and performance.

MCS Holding, as the management body, is responsible for the integration of these strategies across all business units and ensuring transparent disclosure of ESG efforts.



 **Risk Management**

- All companies and subsidiaries within the MCS Group implement a comprehensive risk management system and monitor potential risks.








Each MCS Group company has a designated position responsible for overseeing risk management, and quarterly meetings are carried out to share knowledge, best practices and updates.

Additionally, the Audit and Risk Committee Charter was approved. This charter outlines the structure, roles, and responsibilities of the Risk Committee, including its function, decision-making processes, and meeting protocols, ensuring robust governance and effective risk oversight across all operations.

During the reporting period, Risk Management Regulation of the MCS Group was updated to align with ISO 31000:2018 standards.

**The updated regulation encompasses:**

-  Risk Management System
-  Definition of Risk Appetite
-  Risk Categories
-  Risk Management flow chart, and roles and responsibilities
-  Templates of relevant supporting documents



## » Sustainable Supply Chain Management and Procurement



MCS Group prioritizes local sourcing in its investment efforts and development activities, actively fostering partnerships with domestic businesses to drive shared value creation by ensuring transparency and promoting fair competition principles throughout our procurement processes.

To enhance supplier engagement and foster broader participation, all procurement announcements are published on our official website,

ensuring open access and equal opportunity for all potential suppliers.

Through our supply chain management, MCS Group expects all suppliers, partners, employees, contractors, and affiliates to uphold and align with our core values. We encourage our suppliers to comply with the principles outlined in our [Supplier Code of Conduct](#) and ensure the code is well introduced in their operations.

### ► Procurement Selection Method at MCS Group

Our procurement process is guided by the principles of transparency, fair competition, anti-trust, and responsibility. We implement the following structured selection method based on procurement thresholds:

#### Procurements of up to 300 million MNT:

A minimum of three price quotations is required to ensure competitive pricing and fair evaluation.

#### Procurements exceeding 300 million MNT:

A formal tender process is conducted to promote comprehensive competition.

#### Procurement Principles for Suppliers

- ✔ Comply with all applicable Mongolian laws and regulations
- ✔ Respect human rights and reduce environmental impact
- ✔ Ensure fair and equal competition

## Sustainable Supply Chain Management and Procurement

### Supplier Portal

In 2023, MCS Group launched the Supplier Portal to streamline the procurement process and ensure transparency, inclusivity, and accessibility for all suppliers and businesses.

Additionally, when new procurement announcements are posted, suppliers are notified via email, making it easier for them to stay informed and respond promptly to opportunities.

This user-friendly system allows suppliers to easily access procurement announcements, register for procurement opportunities, participate in bidding processes, and track the progress of their submissions.

As of 2023, the Supplier Portal has:

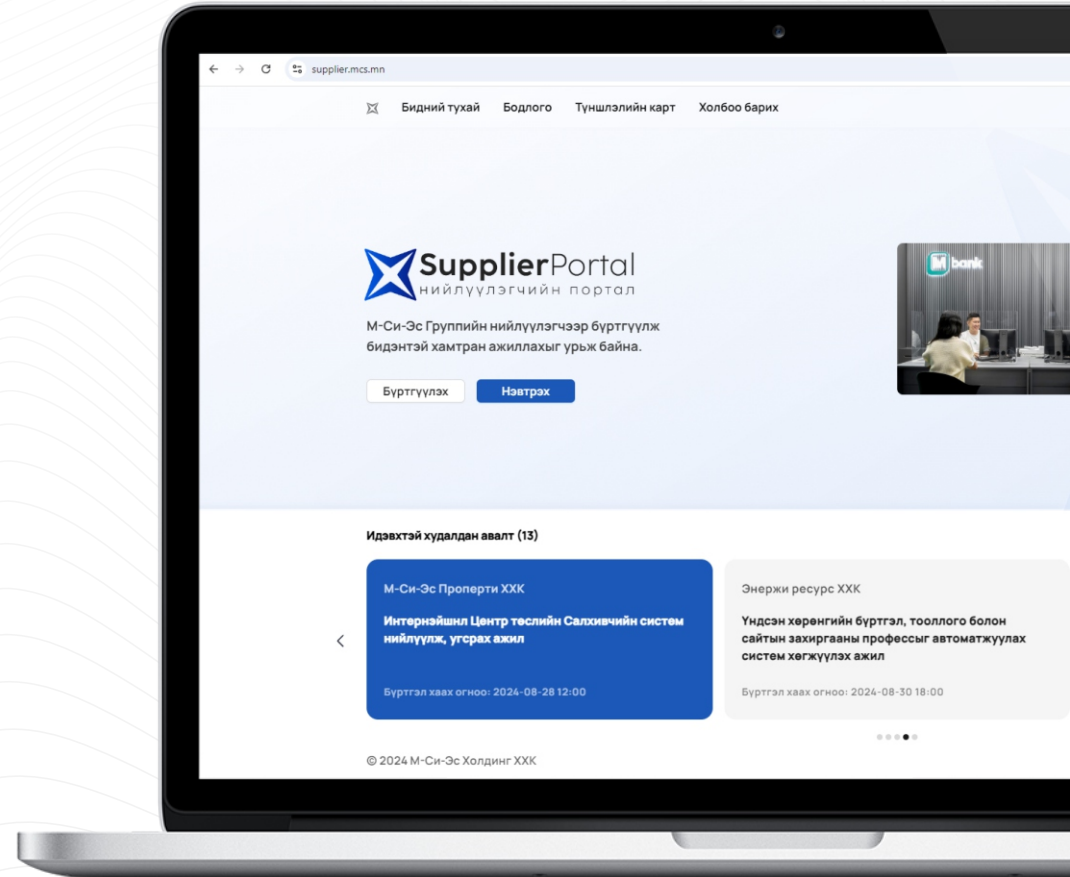
**2,400**  
Registered Suppliers

**680**  
Procurement Notices posted

**90**  
Tender bids

**590**  
Price quotations

The portal also facilitates inquiries, ensuring all relevant procurement information is available promptly.





### » Economic Contribution

► MCS Group and its affiliates made contributions to the socio-economic development of Mongolia in 2023:

**966 billion MNT**

in taxes and fees paid

**987 billion MNT**

in investments, contributing to the socio-economic development



**13 thousand**

employees, with average 43 billion MNT spent monthly on salaries and benefits

**20,000+**

indirect jobs created through our operations and value chain

**3.5 trillion MNT**

spent on procurement

**2.2 trillion MNT**

worth goods and services purchased from

**8,600**

national suppliers

**47 billion MNT**

invested in CSR initiatives, with implementations of 45 projects and programmes

**38 billion MNT**

worth of washed thermal coal donated to contribute in efforts against air pollution



## List of Abbreviations

GHG	Greenhouse gas	ISO	International Organization for Standardization
IPTV	Internet Protocol Television	PET	Polyethylene terephthalate
ESG	Environmental, Social, Governance	HDPE	High-Density Polyethylene
GRI	Global Reporting Initiative	LDPE	Low-Density Polyethylene
SASB	Sustainability Accounting Standards Board	PP	Polypropylene
CO <sub>2</sub> -eq	Carbon dioxide equivalent	LTIFR	Lost-Time Injury Frequency Rate
OSH	Occupational Safety and Health	ESV	Employer-Supported Volunteering
MNT	Mongolian Tugrik	B2B	Business-to-Business
CSR	Corporate Social Responsibility	B2C	Business-to-Consumer
FMCG	Fast-Moving Consumer Goods	EQ	Emotional Intelligence
LPG	Liquified Petroleum Gas	SME	Small and Medium-sized Enterprise
JCM	Joint Crediting Mechanism	UNFPA	United Nations Population Fund
EV	Electric Vehicle	STEM	Science, Technology, Engineering and Mathematics
DC	Direct Current	CEO	Chief Executive Officer
MNS	Mongolian National Standards		

## Metrics and Units

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MWh Megawatt-hour

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KWh Kilowatt-hour

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MJ Megajoule

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m<sup>3</sup> cubic metre

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ha hectare

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m<sup>2</sup> square metre

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kg kilogramme





Introducing World Standards