

MEC

MONGOLIA ENERGY CORPORATION

蒙古能源有限公司

Incorporated in Bermuda with limited liability

Stock Code: 276

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

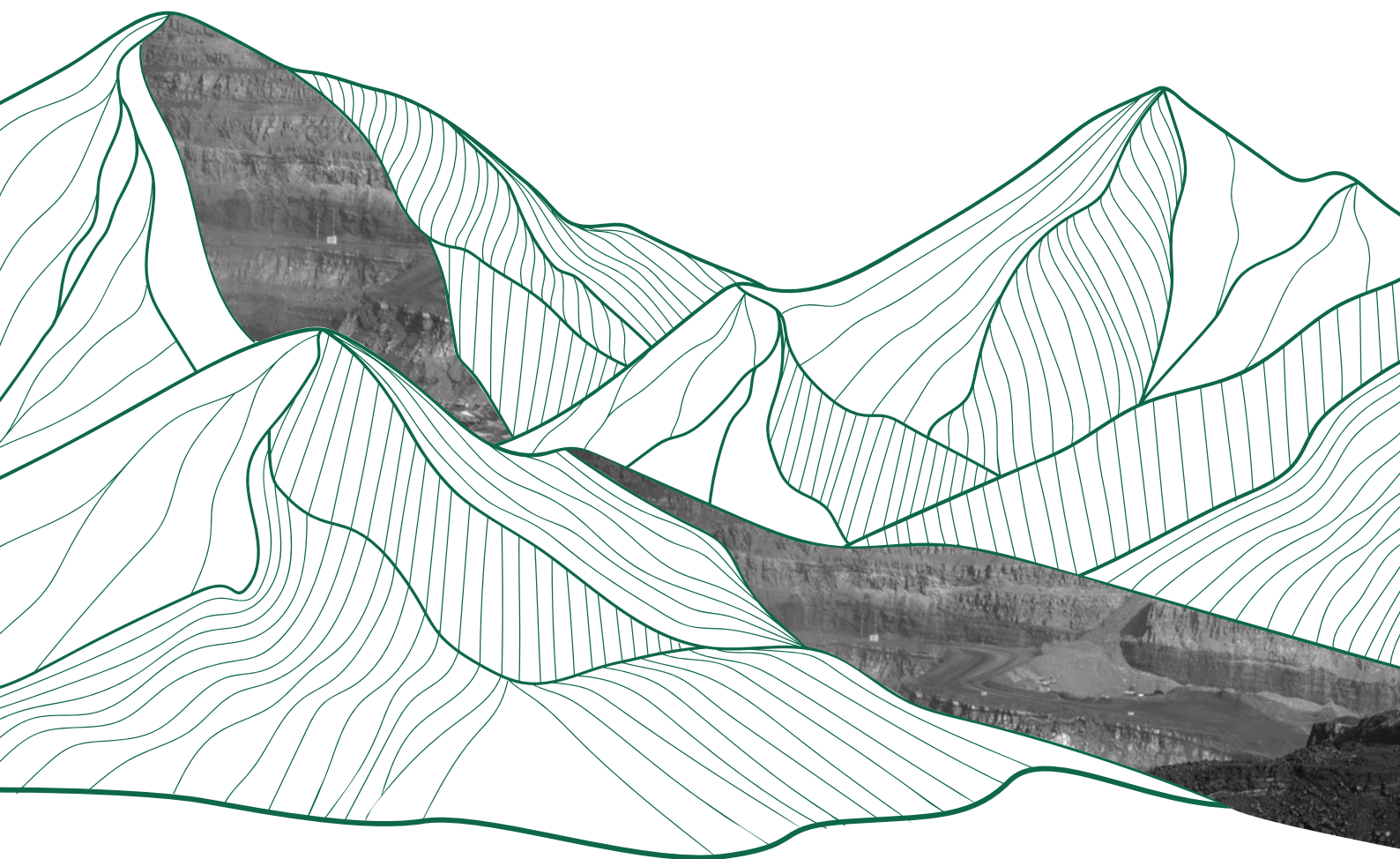


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An aerial, black and white photograph of a mining or construction site. The scene is dominated by a wide, dirt road or path that runs diagonally from the top center towards the bottom right. On the left side of the road, there is a large, dark, irregularly shaped pond. The surrounding terrain is rugged and rocky, with numerous large boulders scattered across the ground. In the center of the road, a large piece of heavy machinery, possibly a drilling rig or a large excavator, is positioned. To its right, a white truck with a large cylindrical tank on its back is parked. Further down the road, another smaller piece of machinery is visible. The overall atmosphere is one of industrial activity in a natural, rocky environment. The top of the image features a decorative graphic element consisting of a series of curved, overlapping lines that resemble a stylized mountain range or a topographic map, set against a dark green background.

ABOUT THE REPORT

This Environmental, Social and Governance Report (“**Report**” or “**ESG Report**”) provides information about the principles and actions of sustainable development of Mongolia Energy Corporation Limited (“**MEC**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) as a corporate citizen and its relationships with major stakeholders. The contents of this ESG Report have been prepared after taking into account the materiality of sustainability issues arising from the Group’s operations.

OUR PURPOSE

To acquire, explore, and develop energy and mineral resources related projects in a professional, sustainable, and responsible manner. We aim to become a globally recognized energy and resources company while maximizing returns to stakeholders.

OUR VALUES

MEC’s Sustainability Values are driven by integrity and responsibility:



- T:** We ensure the disclosure of relative information in a prompt and frank manner to our stakeholders.
- O:** We intend to seek the best potential outcome in each situation to create a better future for our Company and stakeholders.
- C:** We are keen to create a sense of unity through shared common goals and interests, not only with our shareholders, but also with our employees and local communities.
- A:** We do what is necessary to achieve our goals without compromising any of our core values and beliefs.
- R:** We abide by our Company’s moral obligations and the regulations of our host countries, and are always accountable for our actions.
- E:** We take pride in sharing our values and knowledge with all of our stakeholders, and believe that there is much we can learn from each other.

ABOUT THE REPORT (CONTINUED)

OUR STRATEGY

We carry out our purpose and values through the effective leadership of our board of directors (the “**Board**”), the effort of our management, our operations, and the contributions from our stakeholders including shareholders, staff members, customers, suppliers, local communities and governmental units.

INFORMATION OF THIS ESG REPORT

The disclosure of the ESG data in this Report not only provides MEC’s investors comprehensive information for evaluating the Group’s operations, but also acts as a platform to help us develop image and trust among all involved stakeholders such as MEC’s shareholders, clients, governments of the countries where we operate and the local communities. All information included in this Report is based on the data submitted to the relevant Mongolian governmental agencies and results of regularly monitored reports of performance from the Khushuut mine site and Xinjiang washing plant, as well as from data of other governmental authorities, and the information and sources which we believe to be true and correct.

BOUNDARY AND SCOPE OF THIS REPORT

The Report¹ presents the work that we had done on environmental and social aspects for the financial year, from 1 April, 2021 to 31 March, 2022 (“**Financial Year**”) and includes the environmental and social responsibility programs taken place at Khushuut mine site and the entire far-western province of Khovd, Mongolia, and at our washing plant in Xinjiang, the People’s Republic of China (“**PRC**” or “**China**”). However, some of the information is presented on calendar-year basis in order to ensure that it is consistent with the information submitted to the various governmental bodies in Mongolia and the PRC.

REPORTING GUIDE

The ESG Reporting Guide encourages companies to report on practices and performance that relate to sustainability in a manner that is transparent and uses a globally shared framework of indicators. Our Report is prepared in accordance with the ESG Reporting Guide under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

REPORTING PRINCIPLES

Materiality: As we are principally engaged in coal mining business for providing energy resources to our customers, it is inevitably that our environment will be disturbed. Therefore, it is our priority to preserve environment through our careful and thoughtful planning in the process of operation. That is, to minimise the impact of our operation on the environment and to improve, if not restore, the affected areas as best as we could to their original state before mining. Sustainability relates not only to our business and environment, but also to the people. In this connection, we regard our employees as the major assets of our Group. Therefore, health, safety and welfare of our staff members and our communities have been given major attention in our goal of sustainability. Through the communication and feedback from our stakeholders including management, staff member, shareholders, customers, suppliers and governmental bodies from various channels, our “to care” priorities are the environment, health and safety of people and communities in our goal of sustainability.

¹ For external assurance MEC has instructed a certified corporate law firm in Mongolia TemugeLaw LLC, (www.temugelaw.com) to verify the Report’s compliance facts in Mongolia.

Quantitative: Information on the standards, methodologies, assumptions and calculation methods employed in this ESG Report are set out in the relevant sections.

Consistency: For the purpose of ensuring the materiality and consistency of data presented in this Report, and to allow accurate trends of comparison and conclusions, we have been presenting, where possible, the annual data and indicators in the same uniform structure and format as the past reporting years unless otherwise stated.

CORPORATE GOVERNANCE STRUCTURE

We believe good corporate governance principles and practices are the foundation of a company's long-term success. MEC maintains the highest ethical standards when making decisions to protect the interests of the Company and its shareholders. Our governance policies and practices are well-established and apply to every business activity at all levels.

The Board of Directors is the highest governance body within the Group having the responsibility to review and maintain the corporate governance. It ensures that the Group is consistently conducting the business in a socially responsible and ethical manner, as well as handling alleged unethical conducts and violation of rules promptly and discreetly. Members of the Board have a diverse range of business and professional expertise, and possess appropriate experience and competencies to discharge their duties effectively. We are committed to follow the best practices in managing the environmental aspects of our operations. We pay utmost attention to minimize the impact and invest considerable amount of our resources in environmental management and community relations.

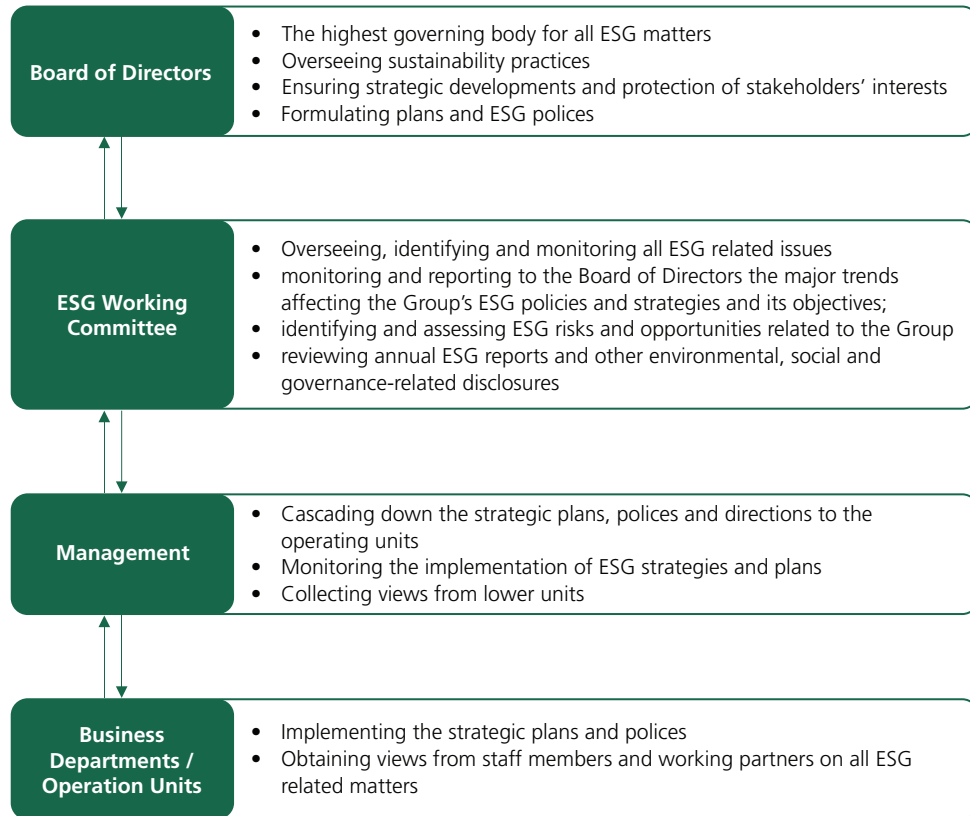
The Board sets and regularly reviews the policies of the Company in carrying out the purpose and values of the Group in the conduct of its business. It gives strategic directions as well as managing the implementation of our business strategies.

The Board is the highest authority of the Group to oversee the ESG issue. The ESG Working Committee is responsible to oversee the Group's strategies, policies, and practices on ESG matters, identify and review ESG issues, related risks, monitor ESG performance, make recommendation, and update the latest development to the Board.

Under the ESG structure, the management has the responsibility to cascade down the ESG strategic directions to the business units to monitor the implementation plans. The business units will comply with the directions given by the management and to implement the ESG policies in their daily operation, gather feedback from their working partners and reflect the relevant issues up to the ESG hierarchy.

ABOUT THE REPORT (CONTINUED)

ESG GOVERNANCE STRUCTURE





THE COMPANY



THE COMPANY (CONTINUED)

MEC is an investment holding company. The Group's principal business is coal mining and exploration which is operated by MoEnCo LLC ("**MoEnCo**") our indirect wholly-owned subsidiary in Mongolia. Our principal project is the Khushuut Coking Coal Project in Khovd province, Mongolia. We sell coking coal and thermal coal to our customers in China and Mongolia respectively.

As of early 2022, the Khushuut's project consists of:

- (i) open pit coal mine with approximately 270.47 hectares of mine-disturbed area;
- (ii) a dry coal processing plant ("**DPP**") with an annual two million tonnes capacity;
- (iii) a 400 people capacity camp at Khushuut mine site;
- (iv) an on-site chemical laboratory, repair workshops for heavy duty mine machineries and trucks, and other technical facilities;
- (v) 311 km heavy duty paved road from the mine to Bulgan border crossing point with PRC;
- (vi) Uyench Customs Bonded Yard ("**Uyench CBY**") and processing center with a 60-residents capacity camp, covering 50 hectares;
- (vii) a customs processing point near the border between Mongolia and China covering ten hectares; and
- (viii) a washing plant in China operated by our PRC subsidiary.

The mine is located at the height of 2,000 meters in average above sea level in Altai Mountains, exposing to extreme weather conditions throughout the year. Temperatures fluctuate between 28°C in summer and -40°C in winter. Winter is long with heavy snowfall and gale force wind between October and April. The wind is always strong and gusty on-site with wind speed of up to 20 meters per second. Extreme weather conditions and remote mountainous terrain not only make the mining operations challenging, but also call for the specific environmental conservation policies and measures. Significant resources are required to conserve the environment and minimize the impact of our operations on the local community.

MoEnCo has been ranked one of the top 100 Mongolian Companies for five consecutive years in 2017-2021 in Mongolia. The Group understands while operating as one of the top Mongolian mining companies, we have a duty to work responsibly and minimize the impact of our operations on the environment while maximizing the good return to all our stakeholders.



ENVIRONMENTAL

ENVIRONMENTAL (CONTINUED)

ENVIRONMENTAL POLICY AND MANAGEMENT

The Group has adopted an environmental policy focusing primarily on, among others, complying with the host-country legislations and regulations; establishing management systems and programs relevant to our environmental risks to prevent, reduce or mitigate impacts at all stages of our operations; regularly assessing our performance through evaluating our business processes and practices, and monitoring the surrounding environment in which we operate.

The Group's environmental responsibility principles and actions consist of:

- compliance with the laws and regulatory frameworks;
- environmental impact assessment;
- environmental management systems and programmes;
- environmental monitoring; and
- environmental auditing, including (i) internal, (ii) hiring independent third parties and (iii) through government agencies.

MEC sees the importance of promoting green culture at our workplace and encourages our employees to sustain green efforts in their daily lives. Our Hong Kong head office has participated in the World Green Organization ("WGO") Green Office Awards Labelling Scheme since 2015, which is a programme that strives to ensure environment sustainability as set out in the United Nations Sustainable Development Goals (UNSDG) and there has been eco-healthy workplace practice enriched the scheme in recent years. In recognition of our efforts and commitment to reduce energy consumption and waste, and move further towards a low carbon office operation, MEC has been awarded the WGO's "Green Office" Label since 2015. MEC has also been awarded the "Eco-Healthy Workplace" Label since 2017. The two awards demonstrate that we have done our utmost from the top level in Hong Kong in promoting green and healthy workplace practice.

Company's economic and social contributions in the host countries

Province & Soum Development Funds

Community development

Procurement & supply chain

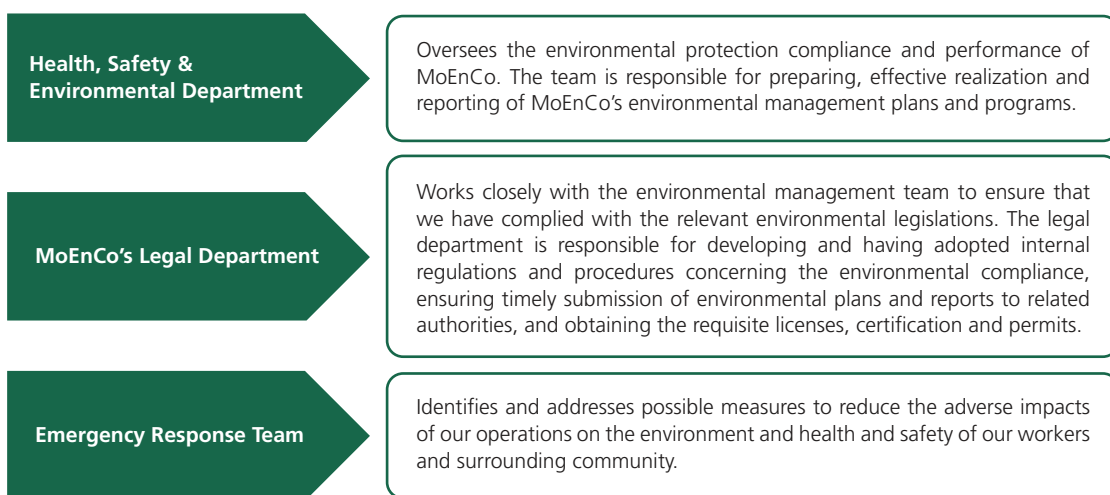
New infrastructure

Employment

MoEnCo's environmental management system ("EMS") is an important component of the overall environmental management system. It includes (i) established organizational procedures, (ii) environmental compliance and responsibilities, and (iii) government reporting processes. Effective implementation of the EMS helps us to comply with the environmental laws and regulations, identify technical and economic benefits, and ensure that corporate environmental policies are timely adopted, followed and reported to the Mongolian government and the shareholders.

On local level, we encourage open dialogue with the communities surrounding our operations in Khovd in order to maintain the platform for long-term collaboration, trust and sustainable community development that have been achieved over the past 12 years of MoEnCo's operations.

MoEnCo has adopted its EMS and integrated it into its mining and related operations for the purposes of clean production and environmental conservation. MoEnCo's environmental management team and their responsibilities include:

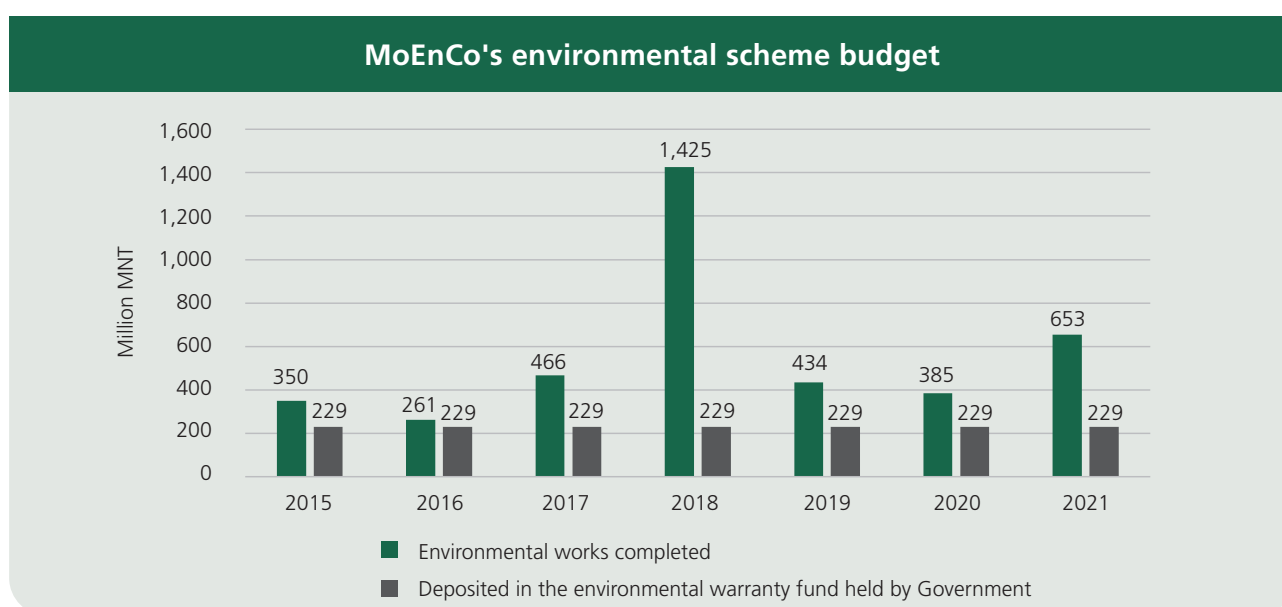


As a country with scarce water resources, harsh climate and lands prone to desertification and erosion, Mongolia imposes rigorous regulations, permit application requirements and procedures on environmental conservation, management and reporting. MoEnCo has to conduct its operations in compliance with the relevant environmental legislations strictly, including but not limited to, the Minerals Law of Mongolia, the Law on Environmental Protection, Law on Environmental Impact Assessment, Air Law, Land Law, Water Law, Law on Water, Climate and Environmental Monitoring as well as a number of national standards.

ENVIRONMENTAL (CONTINUED)

MoEnCo submits an annual environmental management plan for the coming year to the three Mongolian governmental agencies for approval: (i) the Ministry of Environment and Tourism of Mongolia, (ii) the Mineral Resources and Petroleum Authority of Mongolia and (iii) General Agency for Specialized Inspection. In addition, MoEnCo's environmental team holds meetings regularly with experts of the General Agency for Specialized Inspection, environmental and labour safety inspectors of Khovd province Government and other related government officers in relation to our environmental management strategy and efforts.

According to the General Environmental Protection Law and Minerals Law of Mongolia, a minerals license holder must deposit a certain amount of funds as assurance of its environmental reclamation. In 2021, MoEnCo accrued approximately 229 million togrogs (approximately HK\$609,415.33²) in a special warranty account of Ministry of Environment and Tourism. Moreover, MoEnCo disbursed approximately 652.8 million togrogs (approximately HK\$1,737,232.88) for realization of its 2021 Environmental Management Plan.



² In this report, conversion of Mongolian togrogs into HK\$ based on the exchange of HK\$1=MNT375.77. No representation is made that only togrogs can be or could have been converted at the above exchange rate or any other rates.

ENVIRONMENTAL COMPLIANCE AND REPORTING

As a mining license holder and operator of a large mine camp, MoEnCo has strict reporting obligations under a number of laws (General Law on Environmental Protection of Mongolia, Minerals Law, Law on Environmental Impact Assessment, Water Law, and so forth). Following the reporting procedure set forth in the law, the report of the MoEnCo's 2021 Environmental Management Plan performance has been presented to the Ministry of Environment and Tourism of Mongolia along with the Khovd Government assessment statement. After the review, our environmental management report endorsed by the Ministry of Environment and Tourism has been submitted to the Khovd office of General Agency for Specialized Inspection, Khovd Governor and representatives of the provincial Assembly and local administration of three soums where we operate (Tsetseg, Darvi, Uyenich of Khovd province).

The Group's reporting scheme

In Hong Kong	The Company reports to its shareholders through submission of the annual ESG report
In Mongolia	To central government: Ministry of Environment and Tourism ("MET") Mineral Resources and Petroleum Agency National Emergency Management Agency To local government: Khovd office of General Agency for Specialized Inspection Khovd province Governor Khovd province Governor Assembly and local administration of three soums where we operate (Tsetseg, Darvi, Uyenich of Khovd province)
External	Extractive Industries Transparency Initiative Mongolia database www.eitimongolia.mn

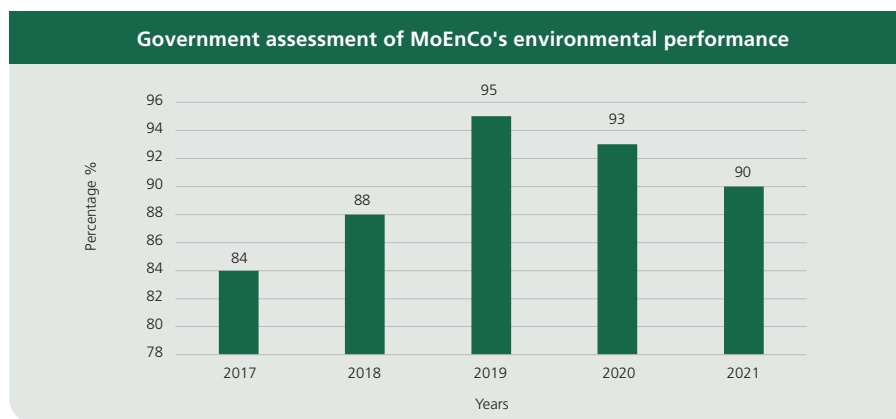
ENVIRONMENTAL (CONTINUED)

Corporate:

On regular basis, MoEnCo engages licensed independent environmental audit companies for full review and assessment of MoEnCo's environmental management, internal procedures, performance and rehabilitation activities. For example, in 2018 and 2020, we engaged external environmental auditors who reviewed the MoEnCo's environmental program and the Khushuut mine. They prepared audit reports which we further presented to the Environmental Department of Khovd province.

Government:

In accordance with the Law of Mongolia on Government Control and Inspection, the General Agency for Specialized Inspection must schedule and conduct regular and random inspections and assess MoEnCo's environmental performance. For example, In relation to the growing COVID-19 cases in Khovd and tightening the quarantine regime and sanitary inspections, in September 2021, the Governor of Khovd formed a 20-members group of provincial and soum executives with the purpose of evaluating the environmental management, occupational safety assurance and heightened sanitary precautions at Khushuut mine. In November 2021, an 11-members group of inspectors and other executives of Khovd office of General Agency for Specialized Inspection visited the Khushuut mine site for the regular government assessment exercise. After the thorough assessment, the working group concluded that our performance was 90 percent complete while some of the planned works were still in progress being delayed due to the delay caused by the COVID-19 epidemic restrictions.



Some additional reporting is mandatory with respect to specific parts of MoEnCo's operations. For example, the Comprehensive Water Reports are submitted annually to the local water authority, Emergency Response Plan is presented to the General Authority for Emergency Readiness of Mongolia, and the Khushuut camp hospital presents an annual detailed report of patients and disease cases to the Khovd province Health Department.

External:

Headquartered in Oslo, Norway, the Extractive Industries Transparency Initiative is the global standard to promote the open and accountable management of oil, gas and mineral resources. Mongolia joined this initiative as one of its 51 implementing countries. Under its national obligations, Mongolian government required mining companies to submit detailed reports to its database which is open to the public. MoEnCo submits its report every year in accordance with this requirement.

AIR EMISSIONS MONITORING

Rapid urbanization in Mongolia in recent decades caused a problem of unplanned settlements and increased air pollution in the capital city. In response, the Government took some critical actions in the past couple of years including the tightening of the relevant regulations and standards that are applicable throughout the country. Air quality concerns lead to more thorough government inspections of mining operations.

Regular monitoring of the air quality indicators and prevention and mitigation of air pollution at Khushuut mine site is the key part of MoEnCo's annual environmental management program. With regard to the air emissions and monitoring procedures, all MoEnCo's operations must be in compliance with:

- Air Law of Mongolia, Air Pollution Fee Law, and related regulations;
- permit requirements prescribed by the above laws;
- mandatory reporting to the government; and
- national air quality standard MNS 4585:2016 approved by the National Standardization and Measurements Committee of Mongolia in 2016.

ENVIRONMENTAL (CONTINUED)

MoEnCo carries out the air quality monitoring and testing against the standard requirements referenced below.

Air quality. General technical requirements MNS 4585:2016³

Name of the contaminant	Measured in average of	Measurement unit	Permissible amount	
Chemical impact				
Sulfur dioxide (SO ₂)	Average of 20 mins		450	
	Average of 24 hours	µg/m ³	50	
	Annual average		20	
Carbon monoxide (CO)	Average of 20 mins		60000	
	Average of 1 hour	µg/m ³	30000	
	Average of 8 hours		10000	
Nitrogen dioxide (NO ₂)	Average of 20 mins		200	
	Average of 24 hours	µg/m ³	50	
	Annual average		40	
Ozone (O ₃)	Average of 8 hours	µg/m ³	100	
Dust (total measurable particles)	Average of 20 mins		500	
	Average of 24 hours	µg/m ³	150	
	Annual average		100	
Coarse particles (PM ₁₀)	Average of 24 hours	µg/m ³	100	
	Annual average		50	
Small particles dust (PM _{2.5})	Average of 24 hours	µg/m ³	50	
	Annual average		25	
Lead (Pb)	Average of 24 hours	µg/m ³	1	
	Annual average		0.25	
C ₂₀ H ₁₂	Average of 24 hours	µg/m ³	0.001	
Physical impact				
Level of noise				
•	day time (07:00 in the morning-23:00)	Average of 16 hours	decibels	60
•	evening and night hours (23:00-07:00 of the next morning)	Average of 8 hours	decibels	45

As MoEnCo is engaged in mining activities, its operations will inevitably affect the air-quality around its mining areas. The air-pollution mainly come from its mining equipment such as diesel power generators, mining equipment, machineries in DPP for initial coal processing and truck transport in the mining process. MoEnCo is required to carry out air-quality test around its mine site annually in order to comply with the local applicable laws and regulations.

³ For more information, please visit the website <http://www.agaar.mn/article-view/546>, Air Quality, the Ministry of Environment and Tourism.

MoEnCo ensures its compliance with the air quality requirements through:

- integrating the air pollution prevention actions as an important part of our environmental management scheme;
- regular measurements of air particles at Khushuut using own equipment;
- hiring an independent evaluator – the relevant research institute for independent testing and assessment annually;
- joint measurements and tests together with the environmental inspectors of Khovd province as part of their inspection and assurance procedure; and
- periodical hiring of a private licensed auditing company for comprehensive audit of MoEnCo's compliance with its environmental obligations including the pollutants emissions.

MoEnCo engages annually a government agency, Information and Research Institute of Meteorology, Hydrology and Environment annually for conducting the mine air sampling and testing under the approved procedures. The Institute conducted the air pollution assessment survey as follows:

Khushuut mine site:

The last survey was conducted in late December 2020, when a team of six professionals sampled and measured sulfur dioxide (SO₂), nitrogen dioxide (NO₂), small particles dust (PM_{2.5}), coarse particles dust (PM₁₀) and heavy metals content in five locations within ten km radius of the mine pit. Method of measurements: (i) eight times in 24 hours when the measurement was carried out at the duration of 20 minutes each time over three or four days, and (ii) continuous 24 hours over six days.



Air quality testing points

- Settlement in 10 km
- Tahilt spring in 2.5 km from the mine office
- Khushuut river bank in 2.5 km
- Mine office
- Petroleum station in 1.2 km from the mine office

ENVIRONMENTAL (CONTINUED)

Uyench CBY:

the sampling measurements were carried out between November, 2018, in five locations within radius of up to 2.5 km from the Uyench CBY coal loading and unloading area, two to eight times in 24 hours when the measurement was carried out for duration of 20 minutes each time over three or four days, and for continuous 24 hours for three days.



Air testing points:

- 2.5 km north of the Uyench CBY
- CBY drinking water well, 2 km north of the Uyench CBY
- 1.5 km northeast of the Uyench CBY
- Tsagaantunge 1 point
- Tsagaantunge 2 point

The Information and Research Institute of Meteorology, Hydrology and Environment's measurements and report, as an independent government assessment, indicated that MoEnCo's mining operations were in compliance with the Mongolian air quality standards:

- All measured emission levels were within the permissible level of the Mongolian national standard except for the PM_{10} , which presented 1.2 higher level one day at Khushuut village sampling point. This representation is most likely to be caused by burning coal by households in Khushuut village and windless weather at the time of measuring rather than coal mining operations.
- No heavy metal contents in the air were measured above the permissible level.

The global COVID-19 pandemic forced the Mongolian Government to implement strict quarantine requirements and impose restrictions for inbound travel and to close the country's borders for various durations and locations depending on the situation through 2020 and 2021. The Bulgan border crossing port with China, through which MoEnCo transports its coal, was closed for a number of months in 2021 while other COVID-19 related restrictions and bans were in place too. In this critical time, no air emission measurements had been performed by the above government agency in 2021, which we duly communicated with the Khovd province Environmental Office and obtained its approval.

Greenhouse Gas Emissions	2021
Total greenhouse gas emissions (Tonne CO₂ equivalent)	25,417.28
Greenhouse gas emissions in Scope 1 (Tonne CO ₂ equivalent)	24,257.89
Greenhouse gas emissions in Scope 2 (Tonne CO ₂ equivalent)	1,159.39
Greenhouse gas emissions per tonne of production* (Tonne CO₂ equivalent/tonne)	0.01

* In this report, production refers to the total amount of raw coal without processing in 2021 in relation to calculating intensity, unless otherwise specified.

MoEnCo is a company in the growing trend in terms of its production and export. Coal export increments of the Group from financial years 2017/2018 to 2019/2020 (three financial years) were 19.6 percent and 44.3 percent respectively. Coal export in the financial year 2020/2021 recorded a decrease which was mainly due to the impact of the COVID-19 pandemic, and if such factor had not been taken into account, there was an average of around 31.8 percent annual increase in the Group's coal export. In the financial year of 2021/2022, coal export increased 37.4 percent compared with that of 2020/2021. As MoEnCo is in the growing trend, an increase of operational activities and production would result in additional use in fuel and electricity, inevitability resulting in more greenhouse gas produced. As such, it would not be appropriate at this stage to set a target for reduction in CO₂ and other gases produced in its operational activities. It would be more appropriate to set a target of reducing greenhouse gas emissions when we reach an optimal production level.

Measures to reduce greenhouse gas emissions

Mongolia's total carbon dioxide (CO₂) emissions is on a notably lower end of the global scale. However, due to its sparse country population it is counted in CO₂ emissions per capita, Mongolia's emissions rate was around six metric tonnes per person in 2021, which was higher than the global average of about 4.47 metric tonnes per person. Mongolian Parliament approved the National Action Programme on Climate Change in 2011 and Green Development Policy in 2014 which include not only the conceptual roots for the country's contribution to the climate change mitigation but also key sectorial action plans at the national level, indicators for measuring the progress and concrete measures in response to the climate change covering all principal sectors of economy including, among others, efficient use of energy and measures in mining operations. Recently, Mongolia has developed the Nationally Determined Contribution which was approved by the Cabinet decree No.407 of November 2019, with an aim to contribute to the Paris Climate Accords of 2015. In this document, Mongolia has enhanced its mitigation efforts with policies and measures to be implemented in key economic and natural resource management sectors by 2030. These and other relevant national level policy documents served as a basis for Mongolian companies to develop and implement their own climate change targets. The Group is committed to making its operations and supply chains in the PRC and Mongolia sustainable through reducing its greenhouse gas (GHG) footprint which, as the Group believes, shall support a more resilient and healthier environment and communities where we operate.

ENVIRONMENTAL (CONTINUED)

MoEnCo includes plans and actions in order to reduce the GHG emissions and ecological footprint in the annual Environmental Management Plan including, among others, those relating to

- improving our energy use efficiency and reduction of diesel consumption for energy generation;
- GHG mitigation through better mining land preservation and use techniques;
- air emissions measuring and monitoring;
- annual vehicles and equipment emissions certification;
- efficient organization of coal transportation and imposing strict requirements for the contractors' trucks;
- due reporting to the Government, and so on.

In addition to coal export, MoEnCo supplies its coal to power and heating stations in Khovd province center and 10 nearby soums annually, in November, 2021, it has been agreed with the Khovd province government in the 2021-2024 Cooperation Agreement that (i) MoEnCo shall not further increase the amount of coal supplied locally, and (ii) at the same time, we shall support the Government to build a coal briquette plant in Khovd and promote improved stoves with cleaner burning technologies and lower carbon emissions.

The Mongolian mandatory air and soil quality standards, with which MoEnCo strictly complies, do not require measuring and complying with GHG emission limits, but MoEnCo now contemplates to expand our GHG mitigation effort by way of (i) measuring, monitoring and reporting on more GHG elements during MoEnCo's annual emissions measuring session; (ii) hiring and seeking recommendations of a professional research institution, relevant government body and academia; (iii) developing and implementing a dedicated long-term program. In this regard, as of early 2022, MoEnCo and its contractor have been communicating with the Information and Research Institute of Meteorology, Hydrology and Environment (government agency) and National Committee for Environmental Pollution Reduction (semi-government, multi-agency body) for their potential input and policy recommendations.

DUST REDUCTION EFFORTS AT KHUSHUUT MINE

By its very nature, the cutting and breaking of rocks during coal mining operations, top soil stripping, coal loading and unloading, produce dust. Prevention of dust hazards and inhalation of dust emission during mining operations has been a main health and safety concern for MoEnCo.

We take various types of preventive and mitigation measures at several production phases through:

- A special fence for protecting against dust pollution around our DPP and the adjacent customs control area. It is 2,292 meters long and 12-15 meters high.
- The “water wall” technology. We adopted the fixed water misting systems, one of the best technologies available today to control dust in the air, at the coal loading and unloading area. Currently we have four systems operating to create 20-30 meters tall and 35-40 meters wide water walls at Khushuut mine and one at Uyench CBY.
- MoEnCo now has nine sprinkling machines, fixed and movable, which mist the air around the DPP and other heavy-dust locations. These machines are effective in dust reduction. Each of the machines could produce 16 tonnes of water spraying capacity around the site to reduce 40 percent dust concentration in the air throughout a day.
- Watering the roads and pathways within and adjacent to the mine pit. There are now five vehicles with total capacity of 100 tonnes which use the mine’s waste water for daily watering the mine pit inner roads and the coal loading and unloading areas for dust reduction. For dust reduction purpose, we use only the natural drainage water collected at bottom of mine pits due to rain, snow melting, etc. About 13,243.6 m³ water was used for this purpose in 2021.
- Measuring dust concentrations in the air using own equipment. MoEnCo’s environmental team measures fine particle contaminants (PM₁₀, PM_{2.5}) monthly using DUSTTRAK2 at 15 points around the Khushuut mine and reports the results to the camp director. The data will also be included in the annual environmental management reports presented to the Government.
- Enforcing speed limits when driving on the mine roads and sideways. MoEnCo adopted and enforced internal driving rules with 5-30 km/h speed limits for coal hauling trucks on mine roads, and also installed some speed measuring devices on roadways. In December 2021, the traffic regulation of Khushuut mine was approved.
- Covering the dirt road surfaces with gravel.
- Making purposed strips of vegetation along the roads close to the nearby village, camp and office buildings and between them and the mine pit, and planting trees and bushes on these strips.

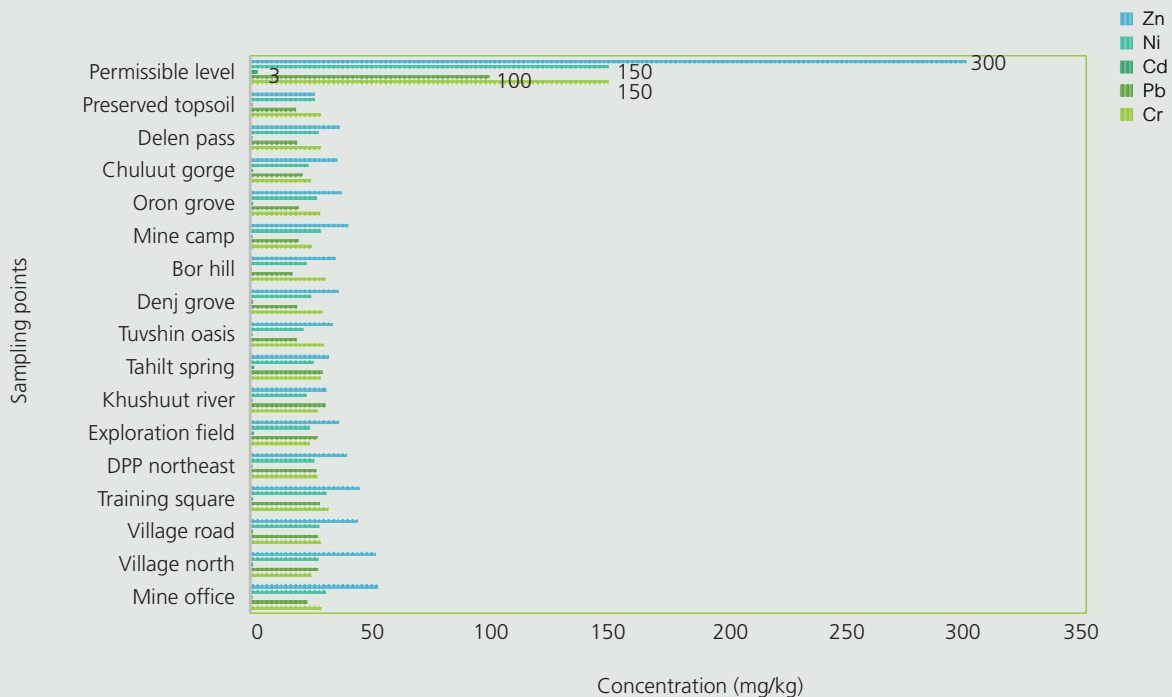
ENVIRONMENTAL (CONTINUED)

SOIL QUALITY MONITORING

The Group believes that monitoring the quality of soil around the Khushuut mine is extremely important for proper assessment of the associated hazards. Soil quality monitoring is important because the open cast mining operations routinely modify the surrounding landscape by exposing previously undisturbed earth materials. Erosion of exposed soils, extracted mineral ores, tailings, and fine material in waste rock piles can result in damage to soil. We also realize that mine disturbed lands may represent a greater source of GHG compared to undisturbed land surface in its natural state. Thus, regular and comprehensive soil quality monitoring has been in place at Khushuut mine since 2010. Soil quality monitoring at Uyench CBY had been started even before its operation in January 2017.

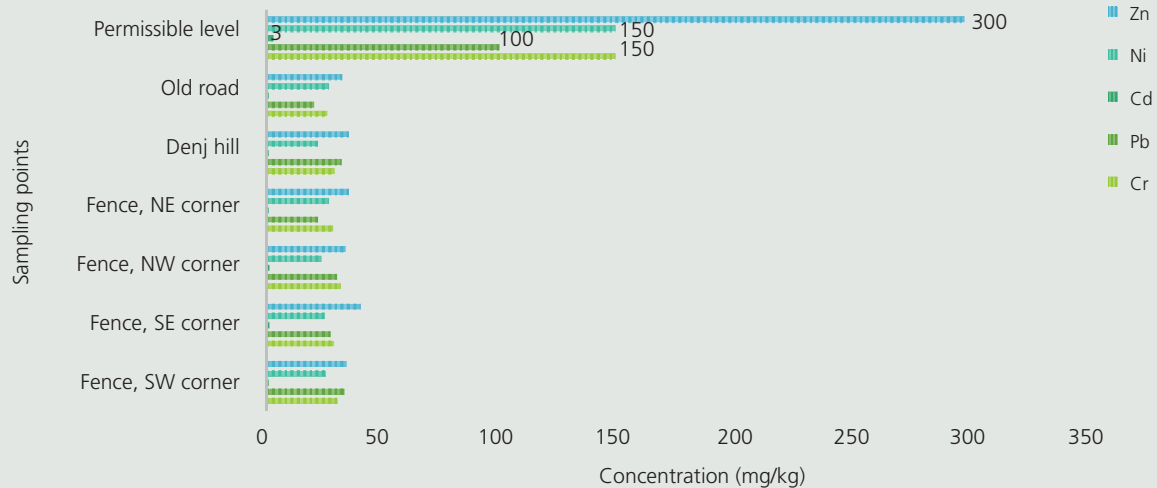
Soil quality monitoring at Khushuut is performed under the General Law on Environmental Protection of Mongolia, Land Law, Law on Subsoils, Law on Soil Protection and Desertification Prevention, and Law on Environmental Impact Assessment. The current 15 soil quality sampling points at Khushuut mine have been selected in 2012 by the Laboratory of Soil Science of Institute of Geography and Geo-ecology of Mongolian Academy of Science. In 2021, samples were collected quarterly at 16 soil quality sampling points at the Khushuut mine site and its vicinity of 5 km and bi-annually at seven sampling points around Uyench, and sent to the Laboratory of Soil Science where they were analyzed for general chemical composition, texture, moisture and heavy metals content. The results presented by this laboratory indicate that there was no soil pollution at Khushuut and Uyench, all samples contained normal levels of moisture and other chemicals where the heavy metals and other chemicals contents were well below the national standard MNS 5850:2019 (Soil quality: The maximum permissible levels of contaminants in the soil)⁴.

Khushuut soil heavy metals content, the fourth quarter of 2021



⁴ For more information, please visit the website: <https://estandard.gov.mn/standard/v/1300>

Uyench soil heavy metals content, the fourth quarter of 2021



In addition to monitoring the quality of soil, the Khushuut mine site environmental team prevents soil contamination by covering with protective cover film and layers of sand and gravel for heavy duty areas of the mine site (diesel generators areas, fuel stations, parts of the repair workshop).

For preventing spills of fuel and lubricants during the operations, spill protection kits (including absorbent materials, personal protective equipment, disposal bags, etc.) are kept at workplaces where contamination is potential. All relevant workers are trained in spillage prevention and cleaning procedures (safely remove and store contaminated soil) and in use of the kits. All potential workplaces are also inspected weekly for spillage of fuel or lubricants and level of decontamination for which the "BioPreparation EM-1" of effective microorganisms is used.

REHABILITATION OF MINE DISTURBED AREAS

Land rehabilitation is an important component of MoEnCo's mining activities. Timely and professional rehabilitation is essential for the Khushuut mine at altitudes and fragile, thin, sporadic topsoil with extreme weather conditions. Land rehabilitation program of MoEnCo is an important part of the annual Environmental Management Plan presented to the MET and annual Mining Works Plan (including the allocated budget), approved by the Mineral Resources and Petroleum Agency.

Inspection and assurance of compliance of MoEnCo's rehabilitation and soil conservation works with proper standards and approved techniques is a mandatory part of the regular inspection by environmental inspectors of Khovd province government. In protecting and rehabilitating its mine disturbed area, MoEnCo has complied with the relevant Mongolian laws, regulations and the national standard MNS 5916:2008 (Environment: stripping and storage of fertile topsoil during earthworks).

ENVIRONMENTAL (CONTINUED)

Our land rehabilitation program is realized through various land preservation and community support works. Some of the works are statutory but many of them are voluntary on the part of MoEnCo. They include the following:

- At the Khushuut mine site: geological or biological reclamation of mined area; preservation of fertile topsoil; planting and nurturing trees, bushes and making vegetation strips along the coal transporting roads; around the Khushuut village and the mine pit;
- In the community: offering land reclamation in non-mining areas in a volume corresponding to the size of our mined lands (so called Corresponding Protection Program); rehabilitating mine areas abandoned long ago at request of the administration of soums where we operate; caring for historic monuments in the isolated areas; land improvements and technical works at remote water sources such as natural springs; helping the local residents to protect their vegetable gardening land lots against grazing wild and domestic animals; supporting the communities to preserve and recreationally use the local natural sites.

Our environmental team along with our land works contractors at the camp ensures sound rehabilitation including (i) leveling and contouring, (ii) reshaping, (iii) preserving the fertile topsoil, (iv) re-vegetating through seeding of native grass and perennials and planting trees and bushes.

In 2021, there was no area reclaimed in full geological or biological terms within the Khushuut mine's current operation fields because of an initial stage of MoEnCo's operations and on-going mining activities. However, in accordance with the mine plans, some 3,569.7 m³ of topsoil was removed for new mining and piled separately for preservation. To prevent losing the topsoil fertility, this topsoil pile underwent biological restoration where seeds of various local perennial plants and grass were sprinkled over to protect against erosion. MoEnCo carries out its fertile soil conservation in conformity with the MNS 5916: 2008 standard (Environment: stripping and storage of fertile topsoil during earthworks). The quality of the topsoil was tested by way of taking samples from the preservation pile and using them for landscaping and greening around the workers' camp and mine office.

We also completed the following reclamation works and duly commissioned to the respective soum administration:

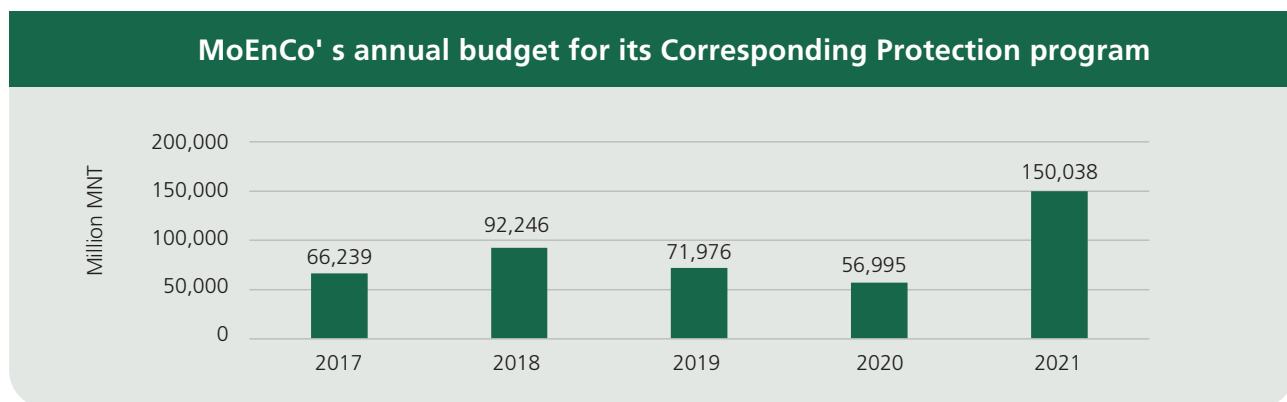
- technical rehabilitation of the eight hectares damaged area near an old hydropower plant building in Uyench soum center, where the damaged land was leveled, filled, and the surface was shaped;
- technical rehabilitation of the three hectares gravel quarry in Tsetseg soum;
- maintenance of ditches and canals and pruning of tree at the workers' camp, mine office, repair workshops and plants; and
- Tsetseg soum Governor's Office received some 1,500 tree seedlings (aspen, seabuckthorn, elm and willow) for distribution among local residents, and fencing materials (net packs, poles and wrapping wire, over 6,500 m) for protection and maintenance of green areas of the soum center.

Wide-ranging survey of pastures around Khushuut mine

Through a tender, MoEnCo contracted a professional environmental research organization called Mongolian National Association for Pasture Use to conduct a comprehensive pasture survey in the vicinity of Khushuut mine (namely, Murun bag of Darvi soum). The survey was conducted in summer and fall of 2021 to determine a carrying capacity of surrounding pastures, the impact due to the mine operations, if any, and other factors, and to provide recommendations on further mitigation measures. The Association presented its findings and recommendation to MoEnCo in December, 2021. The report indicates that in the surveyed area some moderately and severely degraded pastures account for 14.2 percent, and concludes that this “pasture degradation is highly correlated with livestock overgrazing and climate change while the dependence on proximity of the mine site was not statistically significant”. The report draws important conclusions, provides a number of valuable recommendations on improving the local pasture use practices and calls for more involvement of professional and government support in the pasture management in this soum. As the pasture use in areas surrounding Khushuut mine more relates to the local herding households, MoEnCo and Darvi soum government have planned to organize some training and awareness building events among the local community in the coming warm season as follow-up of this research and recommendations. There are academic studies that a larger portion of total methane released into atmosphere in Mongolia comes from grazing livestock husbandry including overgrazed, eroded pastures. That is why MoEnCo works to support more efficient local pastures management as part of our social responsibility.

CORRESPONDING PROTECTION PROGRAM

In collaboration with the Sustainable Mining Land Management Project of United Nations Development Programme office in Mongolia, MoEnCo initiated the “Corresponding Protection” program in 2016. The purpose is to offer land reclamation in close proximity to our Khushuut mining areas in a volume corresponding to the size of land used for mining and related operations. We also voluntarily take up the obligation of such corresponding restoration in the 2021-2024 Cooperation Agreement signed with the Khovd province Government. Moreover, we incorporate plans for the Corresponding Protection program in our annual Environmental Management Plan with allocated budget for each category of works contemplated, and duly report on the realization of the program to the MET and provincial government.



MoEnCo intends to fulfill its duties of a responsible corporate citizen and devote its resources for greater environmental rehabilitation, this is why we developed a longer term “Corresponding Protection Plan 2019-2023” which was adopted upon three public consultation sessions (at Khovd province center and Darvi soum center) with local communities and provincial and soum governments. Each dedicates longer term plans to ensure allocation of annual budgets and better coordination of our conservation efforts with local policies.

ENVIRONMENTAL (CONTINUED)

The MoEnCo's Corresponding Protection program does not contemplate to expand the current size of the rehabilitated lands under this program. Instead, the plan is to diversify the program activities within its land area. For example, measures in the 2017 and 2018 corresponding protection plan included (i) planting trees and bushes; (ii) fencing agricultural and gardening land parcels as protection against grazing animals; (iii) landscaping works and greening with grass seeds and local vegetation along local roads and settlements; and (iv) training session for local residents involved in our green efforts during which various soil works techniques, watering and tree planning procedures as well as general environmental protection awareness were taught. In addition to these "regular" activities, the 2021 Corresponding Protection Program included more diverse and advanced environmental works. For example,

- repairs and restoration of five hectares of the old irrigation system's bed and ditches in the zones that have been previously rehabilitated by MoEnCo and are currently used by local residents for vegetable growing (overall, 420 hectares have been rehabilitated and commissioned under this Corresponding Protection program in 2016-2018).
- restoration and rehabilitation of two natural water sources (such works are essential in this arid territory), with subsequent commissioning of our work to the Darvi soum government;
- logistical and financial support in organizing a capacity building training for local rangers with 25 participants through the provincial Environmental Office, and delivering some devices (GPS tracker and binoculars) to the Bulgan soum rangers and a motorcycle to Darvi soum environmental office.
- biotechnical measures were carried out in February, 2021, jointly with teams of environmental staff of Tsetseg and Darvi soums distributing four tonnes of saline fodder and 200 bales of hay over wildlife pastures and hill slopes to support the local wildlife to overcome harsh winter.

MoEnCo joining the national "Billion Trees" movement

In October, 2021, President of Mongolia U.Khurelsukh has issued a decree directing the Cabinet to develop a comprehensive program to combat climate change and desertification, for achieving the country's Sustainable Development Goals in line with its 'Vision 2050' long-term development policy. The goal is to create a legal environment in which at least one percent of Mongolia's GDP to be spent annually on combating climate change and desertification, and on increasing environmentally friendly and green facilities through public and local investment. This new national movement is called "Billion Trees" and shall be realized in three phases up to year of 2030. The Government also sees this campaign from the angle of "from welfare to employment" providing work through tree planting, irrigation and introducing various advanced technologies.

Realizing the importance of reducing GHG emissions from the mine, MoEnCo already planted over 40,000 trees and bushes in the mine vicinity, Khovd province center, along Khushuut road and the relevant soums over period of 2014-2021. We hire local residents for full-time or seasonal jobs of planting and maintaining our trees. Based on this experience and appreciation from the soums, MoEnCo joined the campaign initiated by the President, and signed our Certificate of Commitment to plant one million trees, and received this certificate from the Minister of Nature, Environment and Tourism in November, 2021. Plans for this meaningful work have already been included in the 2022 Environmental Management Plan. Despite the enthusiasm of our Khushuut camp workers and environmental team with its professional capacity and experience with tree seedlings, MoEnCo has to abandon the idea to run its own tree nursery due to unsuitable climate at Khushuut (high mountain altitude, strong winds throughout a year, etc.). Thus, MoEnCo is now in the process of selecting, through an open tender, two to three nurseries in Khovd to become our long term partners in this great endeavor. MoEnCo will not only procure seedlings and their labour but will also support these nurseries in modernizing and improving their green stock.

Support to the Sutai Mountain state protected area

The remote, rugged and sparsely populated hill lands surrounding the Khushuut mine site serve as an important habitat for diverse local ecosystems and a source of a number of creeks and rivers. This is why the provincial nature reserve called Sutai in close proximity to our mine site was upgraded to the category of a state protected area in 2018. Since then, MoEnCo has been closely working with the administration of this strictly protected area. In the past, we funded works of making and installing 40 demarcation pillars on borders of the protected area and five information boards, and also a training workshop for park rangers on preventing illegal hunting, improving the community network to monitor such hunting, and building capacity of voluntary resident rangers. In 2021, our planned installation of five sensor surveillance cameras to monitor wildlife movements has been delayed due to procurement and import hurdles caused by the COVID-19 movement restrictions, resulting its extended border closures. But we funded a large-scale research and field survey conducted by the Permafrost and Atmospheric Research Center, a non-profit professional research institution. This research determined the current status and changes in glaciers, snow cups and erosion of sloped of Sutai, Munh-Hairhan, Harhira and Turgen mountains which are ecologically connected, magnificent massifs in the far-western part of Mongolia. The research center presented its findings to the meeting, attended by representatives of Environmental Offices of Khovd province and three nearby soums, held at Khushuut mine in November 2021.

The beaver protection program

For diversifying activities under the Corresponding Protection program we launched a long-term beaver protection program in 2019 after discussions with relevant soums. It is being carried out 320 km away from the Khushuut mine but along our coal export road. Due to increased human activities over the past decades and the changes in local vegetation and river flow patterns caused by the climate change, Bulgan river beaver population has been decreasing. Through this program, MoEnCo expects to support beaver population and also to have long term effect on the Bulgan river ecosystem as a whole. In 2021 we donated (i) 1,500 young willow trees to the Uyench-Bodonch-Bulgan river basin administration for planting in the beaver habitat; (ii) fencing materials (net packs, poles and wrapping wire, over 6,500 meters in total) for protection of beaver nest areas against grazing wild and domestic animals; (iii) eight phosphorescent warning and information boards and erected them along the Uyench, Bodonch, Bulgan and Barlag rivers special protection zones.

WATER USE MANAGEMENT AND QUALITY MONITORING

Water use management is a critical part of the MoEnCo's environmental management. The need for sustainable water management and water quality monitoring within the mining industry is critical in Mongolia due to scarcity of water and the semi-arid climate. MoEnCo takes this necessity seriously and continuously improves its water management efficiency through various management channels including:

- Not using of fresh water in the mining operations. Khushuut mine uses water primarily for dust suppression, employees' needs at the camp, greening and nurturing trees and other vegetation. Except for the camp use, we only use waste water that naturally builds up at the bottom (mainly due to snow and ice melting with warmer seasons) of Khushuut mine pit.
- Obtaining permits for use of (i) fresh water and (ii) waste water. These water use permits are sought from:
 - Khovd province Environmental Office which issues Water Use Certificate annually upon satisfactorily concluding the water use agreement for the previous year.
 - the Huisiin Gobi – Tsetseg Lake Watershed Area Administration (the local water authority) and government-owned Mongol Us company (the local water provider) with which MoEnCo enters into the water use agreement annually.

ENVIRONMENTAL (CONTINUED)

- Preparing the annual Comprehensive Water Use Report and submitting it to the local water authority Huisiin Gobi – Tsetseg Lake Watershed Area Administration. The local water provider and the local water authority jointly evaluate and approve the report. Only upon satisfactory acceptance of MoEnCo’s reporting of its water conservation and quality monitoring efforts, they will issue a water permit for the subsequent year. MoEnCo’s 2021 report was accepted with good level of Government approval in December 2021.
- Planning and performing a set of medium and long-term water management actions at our Khushuut operations that are inserted in the annual Environmental Management Plan and having this Plan approved by the relevant Government agencies. The performance report on the annual Environmental Management Plan is assessed and endorsed by the MET, Khovd Government and General Agency for Specialized Inspection.
- Duly paying the water use fees to the Khovd province budget.
- Employing professional environmental specialists’ team at Khushuut camp including a hydrogeologist.
- Water saving awareness and techniques are one of topics of regular training sessions at Khushuut camp.
- Getting a permit from the provincial administration and hiring a local contractor to remove and dispose the camp sewage waste at the treatment facility in Khovd center.
- Quarterly cleaning and trash pick-up at the natural springs and other water sources in the vicinity of the Khushuut mine and in the surrounding area.
- Quarterly submission of the water use volume data and water testing results to the local water administration. Although not mandatory, such data sharing not only allows joint monitoring of MoEnCo’s water use but also proves our dedication to transparent local operations.

	2017	2018	2019	2020	2021
Amount of fresh water used for residential purpose (m ³)	13,980	19,255	14,637	12,221	17,891
Amount of water used for industrial purpose:					
underground water (m ³)	45,162	59,055	74,594	44,965	110,777
intensity (m ³ /t)	0.032	0.035	0.035	0.031	0.06
drainage water (m ³)	7,920	23,726	20,882	19,507	44,913
intensity (m ³ /t)	0.0056	0.014	0.010	0.013	0.024
Fresh water use fee	Exempt under the law				
Drainage water fee paid (million MNT)	14	31.77	13.3	12.3	28.5
Technical water use fee paid (million MNT)	4.47	24.97	15.5	11.3	21.6

In August, 2021, flood at Khushuut filled the mine pit with tens of thousands square meters of water which is still being used for various industrial purposes as of the first quarter of 2022. This water is reflected in the notably increase in water volume used by MoEnCo.

MoEnCo's water use management and quality assurance program must comply with Water Law, Law on Water Pollution Fee, Subsoils Law and Law on Hygiene and a large number of mandatory and voluntary standards, guidelines and regulations pertaining to (i) safety and standard of various types of water (drinking, technical, sewage, drainage, recycled, etc.), (ii) recycling procedures and (iii) safety of water related facilities and equipment.

In 2021, the Mongolian government carried out the Khushuut water quality assessment in accordance with the requirements and procedures of the relevant laws and standards:

- MoEnCo sent its water samples to the Institute of Geography and Geoecology of Mongolian Academy of Sciences for chemical analysis quarterly (instead of a monthly basis in previous years due to the COVID-19 quarantine restrictions). The laboratory reported on a regular basis that the Khushuut water consistently satisfied the Mongolian national water quality standard MNS 0900:2005 (Drinking water: assessment of the quality and safety); and
- MoEnCo also sent drinking water samples quarterly to the laboratory of National Center for Public Health under the Ministry of Health for bacteriological analysis. In both cases, the Center evaluated Khushuut water as "meeting requirements of the residential drinking water standards of Mongolia".

ENVIRONMENTAL (CONTINUED)

- We submitted samples of Khushuut drinking water and natural drainage water from the mine pit bottom (total of seven locations around Khushuut mine including nearby rivers and natural springs) and Uyench (total of 6 locations around Uyench CBY including 2 nearby rivers and 4 drinking water wells) to the laboratory of government-owned Mongol Us SOE for heavy metals testing. In September, 2021, the lab presented us its conclusion that all samples met the Mongolian national water quality standard MNS 0900:2018 (Health protection and security: hygienic requirements, quality and safety assessment of drinking water)⁵ and MNS 4586: 1998 (Water quality indicators: General requirements)⁶.

MoEnCo's principles of water use, conservation and monitoring

Operate without damaging the associated ecosystems

Do not affect the local residents's water use

Maximizing water recycling and

Minimize fresh water intake

MoEnCo's water quality monitoring data and government assessments have demonstrated that no water sources have been notably affected by water extraction for our current mining operation and there are no significant cases of water depletion. On regular schedules throughout the year, MoEnCo monitors, tests, measures or simply manages different types of water sources in its operations:

- Surface water flow, level and volume monitoring through rivers points measurements taken quarterly.
- Measurements of water flow and volume of natural springs in radius of 4 km around the mine site.
- Underground water level and flow monitoring at three special water monitoring boreholes.
- Monitoring the fresh water intake and usage at two existing wells through established meters and 24-hour surveillance through several external and internal cameras. The meter readings and camera recordings were submitted quarterly to the environmental inspector of Darvi district and Huisiin Gobi – Tsetseg Lake Watershed Administration.
- Measuring and using the drainage water produced at the bottom of Khushuut mine pit in warmer seasons. We put this water into use for sprinkling roads for dust suppression, mine and village greenery and irrigation, training against potential fire hazard and for drilling works.

All water wells, that MoEnCo uses, have duly installed and certified water meters and surveillance cameras which not only help measuring water intake and monitoring the water transportation but also play a role in water saving efforts. All our water meters are duly tested (and calibrated if needed) and verified by the local water provider's professionals annually. In 2021, we installed two additional cameras at our water wells and a new water level logger at CBY's drinking water well.

⁵ For more information, please visit the website: <https://estandard.gov.mn/standard/v/4763>

⁶ For more information, please visit the website: <https://estandard.gov.mn/standard/v/3394>

Mining is an industry which will invariably involve the use of water. More water will be used when extraction activities and production ramp up. As MoEnCo is in the growing trend, an increase of operational activities and production would result in an increase use of water. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to another similar to our air pollution control, it would not be appropriate at this stage to set an efficiency target for the water used in its operational activities. Nevertheless, MoEnCo will set out the table in relation to the water consumed during the prior years for reference. Having realised water is a scarce resource, MoEnCo has been striving to preserve this natural resource and will endeavour to use it in the most suitable ways.

To improve our residential water recycling at the mine site, MoEnCo has drilled two new boreholes near the sewage systems for identifying any leaks and monitoring if any subsoil and underground water is being polluted from the sewage. Samples are taken from these monitoring boreholes and tested every month.

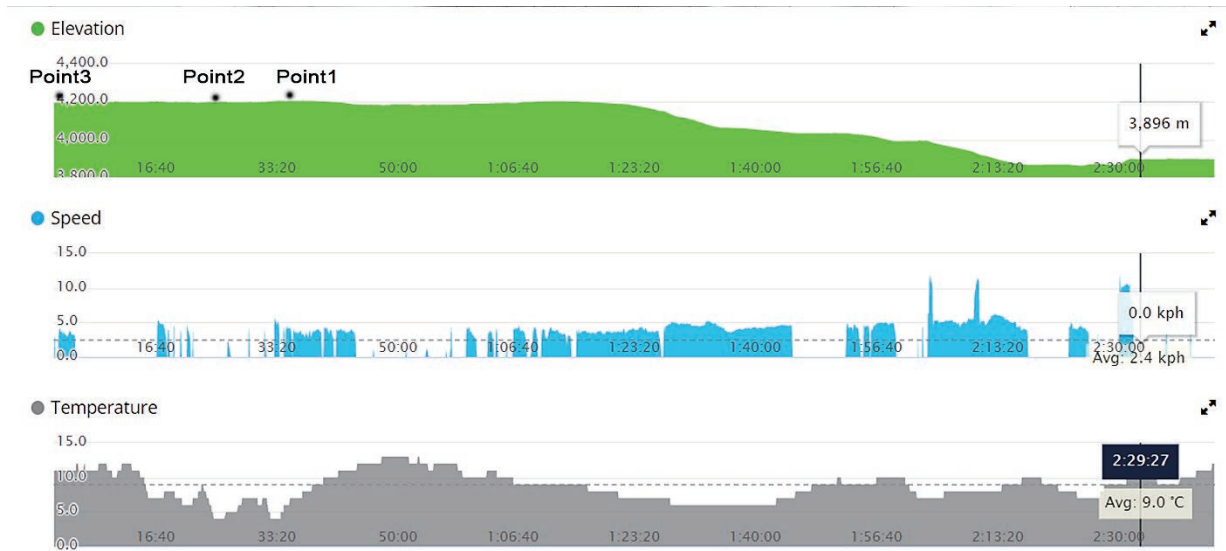
Because MoEnCo's hydrogeological data used for mining operations and environmental conservation works have been over a decade, we hired MIW LLC to study the hydrogeological conditions of the Khushuut coal deposit and determine the potential amount of water inflow to the open pit in the coming years, and conduct a groundwater survey at the license area and provide recommendations for the water use optimization in our operation. The contractor completed the study in July – September, 2021. This study shall help MoEnCo to better project its annual water use for mining operations, efficiently budget our water conservation works and plan the necessary equipment procurement in longer term.

In the arid lands like Khushuut area, protection of natural water source is an important technique of local ecosystems conservation. In the past, MoEnCo planted bushes and trees around natural springs in the area while in 2021 we erected tall net fences around Tsagaan davaa spring in Darvi soum to protect this water source against grazing domestic and wild animals and undue human interactions. Overall, a total of eight natural springs in Darvi, Tsetseg and Uyench soums have been fenced around and commissioned to the respective soum governments in years of 2018-2021.

Launch of the long-term glaciers study program

Responding to the local initiative, MoEnCo hired a specialized research institution called Permafrost and Atmospheric Research Center to carry a large scale research of the current status and changes in glaciers, snow caps and erosion of sloped of Sutai mountain located in about 20 kms of Khushuut mine and compare its finding with the data of Munh-Hairhan, Harhira and Turgen mountains located in the region. The research team studied and compared historic and current images of various satellite and geographic imaging systems such as Landsat TM, Sentinel and GPS, and calculated the glassier loss indexes for all these mountains where their snow caps are located at 3900-4500 m above sea level. The research found that the snow loss at all these mountains show 43 – 61.2 percent over the period of 1988 – 2021. Following these unpleasant findings, MoEnCo launched its own Glasiers Monitoring Program although the Permafrost and Atmospheric Research Center finds "no scientifically substantiated evidence that the Khushuut mine and related operations are contributing to the change in the Sutai mountain glaciers". MoEnCo and Huisiin Gobi – Tsetseg Lake Watershed Area Administration (the local water authority) formed a joint team with their eight professionals (hydrogeologist, GPS specialist, environmental expert, etc.) did some field work on the mountain in fall 2021. The team established three observation points at various positions on the slopes to take samples and measure a thickness of snow and ice, dust and coal residue, if any. MoEnCo plans to conduct this monitoring program annually for the life of Khushuut mine and involve other parties such as Khovd province Environmental Office and the research community. We believe the data and findings of our 2021 study and of future monitoring program shall be MoEnCo's contribution to the global climate change research.

ENVIRONMENTAL (CONTINUED)



WASTE MANAGEMENT

The Group believes a proper waste management is essential for long term environmental sustainability in the areas of our operations. The management of Khushuut camp waste, particularly hazardous materials, is stringently regulated not only by laws and regulations of Mongolia but also by the international standards adopted by the country. Such waste management requires planning, implementation and reporting on those plans and handling waste in complaints. When enforcing its waste management program, MoEnCo adheres to the following principles:

MoEnCo's waste management principles

Limit and reduce sources of waste

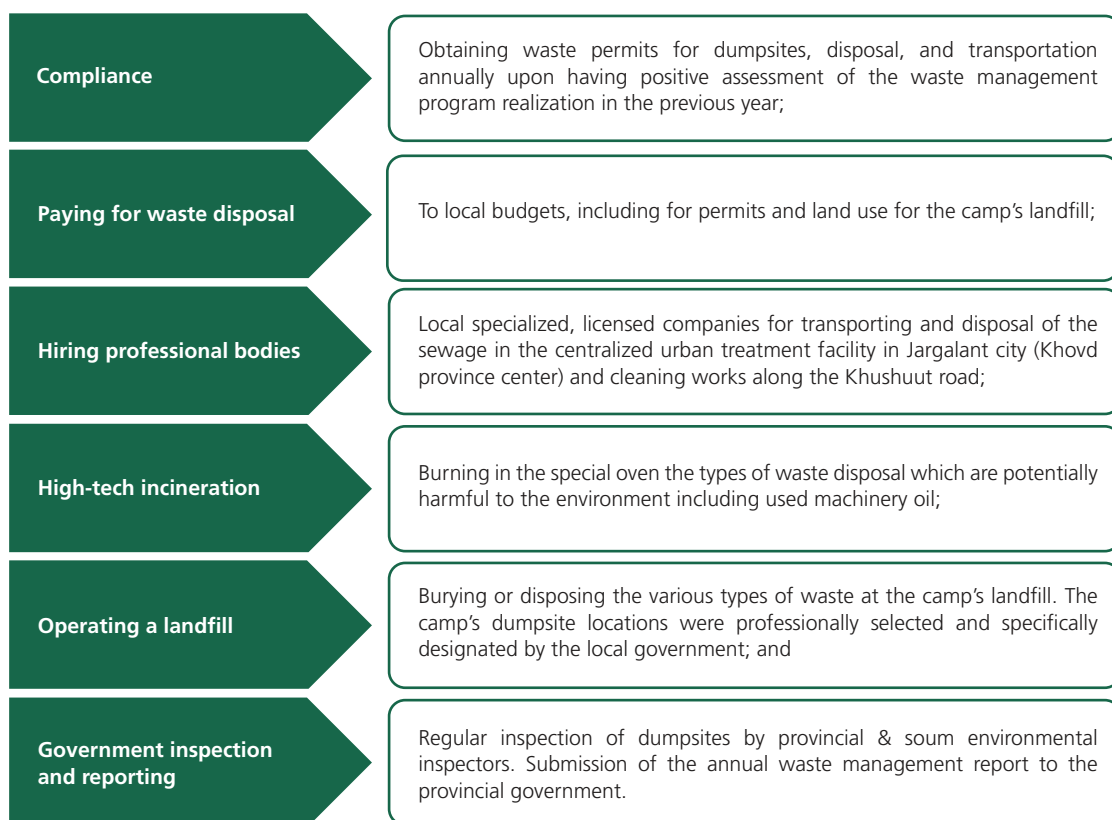
Sort the waste

Reuse and recycle the waste

Proper waste disposal

Waste treatment

Our waste management program has been in compliance with the Mongolian laws pertaining to waste management, occupational safety and hygiene, various regulations and national standards, and realized through a variety of different methods of management depending on the characterization of waste and availability of suitable facilities at the camp or nearby settlements, and contractual arrangements with local waste-related service providers. The due waste management is endured through:



MoEnCo's waste management plan is a part of its annual comprehensive Environmental Management Plan where the plan and its implementation report are presented to MET and provincial government. This waste management plan covers (i) types of waste produced at the camp and mine, their characteristics and management methods; (ii) incineration and ash disposal; (iii) waste water, its reuse and disposal; (iv) hazardous waste including waste in our health center at the camp; (v) non-hazardous and other waste streams; (vi) the camp's landfill management (vii) emissions information; (viii) contractor services in regard to the waste disposal; (ix) planned budget, and its breakdown, for the annual waste management works; and (x) all the permitting and compliance information.

ENVIRONMENTAL (CONTINUED)

MoEnCo conducts weekly internal audit of garbage and industrial waste management with aims to ensure that we have improved and developed the auditable management system continually. Then, MoEnCo's entire waste management system and dumpsites are annually inspected by the provincial environmental inspector and the hygienist as part of the mandatory scheduled government inspection.

Waste produced	2018	2019	2020	2021
Hazardous waste including medical waste	76 kg	75.49 kg	43.13 kg	72.5 kg
Intensity	0.000044 kg/t	0.000036 kg/t	0.000029 kg/t	0.0000395 kg/t
Non-hazardous waste including solid, residential, sewage	2,056.2 t	1,993.4 t	1,346.3 t	793.7 t
Intensity	0.0012 t/t	0.0009 t/t	0.0009 t/t	0.0004 t/t

As MoEnCo is in the growing trend, an increase of operational activities and production would require more workers and result in an increase quantity of waste. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to the other, it would not be appropriate at this stage to set a reduction target of waste in its operational activities. Nevertheless, MoEnCo will set out the table in relation to the waste produced for the prior years for reference.

Our waste management efforts extend to MoEnCo's Khushuut road. With ever increasing traffic on our road including Khushuut coal transportation, MoEnCo:

- works with vendors along the road to have their parts of the road trash-free;
- increased our cleaning works and trash removal, and trash bin placement at major rest stops along the road; and
- has signed a service contract with the public utility company of Tsetseg soum for cleaning, sorting, transporting and disposing of waste along the 311 km of Khushuut road mine twice a month.

Hazardous waste, if improperly handled is capable of having a harmful effect on human health or the environment, management of such waste has been a vital part of MoEnCo's environmental management. MoEnCo hires specialized licensed companies for transporting and disposing the potentially harmful waste. In addition, we collaborated with Green Chemistry LLC, one of the local largest producers, suppliers and training organizations in the chemicals industry, to organize two training sessions (in July and October, 2021) on chemical safety, procedures, modern equipment and potential risks of hazardous waste on the environment. MoEnCo's 15 employees took part in this training, 13 of whom received short term professional training certificates.

ENERGY CONSUMPTION

Cost-effective and reliable energy sources are essential to all mining operations. However, MoEnCo's mine site is located among remote hills of far western Khovd province of Mongolia and in 26 km from the nearest settlement of Tsetseg, and thus, uninterrupted supply of energy has been a challenge. Before 2019, Khushuut mine site and the village in its vicinity was not connected to the central electricity grid. Diesel fuel had to be transported over long distances to reach our camp site which incurred additional costs.

With improved power supply in the western regional electricity network, there is a connection with its camp and office facilities (i.e. residential consumption) to the regional centralized power supply in November 2019. Since then, we are able to purchase more electricity from the regional grid every year (save for associated operations slow down under the COVID-19), thus, reducing diesel consumption and saving operation costs. In 2021, MoEnCo used 14 diesel generators to produce electricity, down by seven diesel generators compared with prior years.

	2017	2018	2019	2020	2021
Diesel used for electricity production (million liters)	1.53	1.76	2.24	1.13	1.27
Intensity (kWh/t)			1.06	0.785	0.692
Electricity purchased from the provincial grid (kWh)			364,464.80	1,379,109.0	1,454,690
Intensity (kWh/t)			0.17	0.95	0.79
Total electricity consumption (kWh)	3,323,544	3,719,314	3,985,400	4,246,561	5,258,140
Intensity (kWh/t)	2.37	2.14	1.89	2.95	2.87

As MoEnCo is in the growing trend, an increase of operational activities and production would require an increase in power consumption. In addition, due to the complexity of the mine which the coal seams distribution may vary geologically from one area to the other, it would not be appropriate at this stage to set energy efficiency target for its operational activities. Nevertheless, MoEnCo will set out the table in relation to the waste produced for the prior years for reference.

We believe that with arrival of 110 kV aerial transmission line of the Mankhan-Khushuut route and the construction of a 110/35/10 kV electricity substation planned by the Government of Mongolia for building in 2022-2023, MoEnCo shall be able to purchase all its electricity for Khushuut project from the central grid.

Prior to 2019, the electricity produced by our generators served not only Khushuut operations but also the nearby Khushuut village with 174 households which most residents worked for the mine, used our free electricity 24 hours year-round. Subsequently, MoEnCo funded and organized a large-scale relocation of Khushuut village and built a new village in 20 km south west. Since then, MoEnCo does not supply electricity to local community. Instead, we offered financial support (loan) to the Khovd province government for construction of a new local electricity power plant.

ENVIRONMENTAL (CONTINUED)

VEHICLES EMISSIONS CONTROL

MoEnCo and its transporting contractors are required to operate in accordance with the requirements and adhere to the following procedures pertaining to the vehicles emissions:

- Transportation Law of Mongolia of 1999;
- Regulation on Technical Inspection of Vehicles of 2010 and Motor Vehicle Registration Procedure of 2020 enacted by the Minister of Road and Transport Development and other relevant regulations;
- National standard MNS 4598:2011 “General requirements and technical conditions for road vehicles”, national standard MNS 5013:2009 “Petroleum powered vehicles – maximum permissible levels of toxins in emissions, their composition, measurement methods and procedures”⁷, national standard MNS 5014:2009 “Diesel engine vehicles – maximum acceptable level and measuring method of opacity”⁸, approved by the Standardization and Measurement Agency.

As of the end of March of 2021, there were over 700 heavy duty trucks and other machineries belonging to MoEnCo and 26 transportation and haulage companies contracted to perform hauling, loading, unloading and carrying our coal to our domestic and the PRC customers. All trucks must undergo mandatory inspection in accordance with the applicable mandatory standard (MNS (ISO) 4804: 99 Vehicles – the method of measuring toxic gases during technical inspection) imposed by the government, purchase the due permits and pay annual emission taxes at the Khovd province Auto Vehicles and Transportation Center. Only vehicles that met the emission standards be granted a permit for driving. MoEnCo also ensures that all trucks engaging in coal transportation have been duly inspected, meeting the emission requirements and having obtained the necessary customs permits. All MoEnCo’s coal transport agreements include provisions ensuring the carrier’s obligation to comply with the emission standards.

Our vehicles control operate a daily checkpoint at the exit of the Khushuut mine. Coal transporting trucks are thoroughly monitored, and inspected if necessary, through their haulage on the Khushuut road and at the entrance of the Bulgan border crossing port by MoEnCo’s team of 15 supervisors. In addition to compliance and emission of MoEnCo’s vehicles and equipment, these supervisors, teamed up with MoEnCo’s safety managers, oversee the work of four heavy duty repair workshops operating at Khushuut and belonging to MoEnCo and its three transportation contractors.

In addition to MoEnCo’s monitoring, various government agencies including (i) National Auto Vehicles and Transportation Center, (ii) Mongolian Customs General Administration, and (iii) General Agency for Specialized Inspection, ensure that all trucks meet the general requirements and technical conditions specified in the standards and also may perform selective testing of emissions. These three agencies also perform their thorough inspection duties at the Bulgan border crossing point (before heading to the PRC) for trucks loaded with coal and the returning trucks after their loading. For instance, in May 2021, a 7-member team consisting of representatives of Khovd office of the National Auto Vehicles and Transportation Center and Traffic Police visited Khushuut mine site to inspect and measure emissions from 57 pieces of MoEnCo’s vehicles and mining equipment as well as all vehicles and equipment belonging to our contractors and subcontractors located at Khushuut.

⁷ For more information, please visit the website: <https://estandard.gov.mn/standard/reader/3974#2-eeyzggowewzdrxl.jpg>

⁸ For more information, please visit the website: <https://estandard.gov.mn/standard/reader/3978>

Aiming to reduce MoEnCo's carbon emission from heavy-duty trucks

We agreed in the 2021-2024 Cooperation Agreement with Khovd province Government the following arrangements and have already started to revise our transportation service contracts to include these specific requirements:

- MoEnCo shall (i) encourage the coal transportation contractors to renew their fleet, and (ii) request them to have dedicated camps with separate parking areas for long distance trucks and heated rest accommodations for drivers;
- MoEnCo shall not further increase a number of coal transportation trucks engaged in the Khushuut project while the Khovd Government shall not further register incorporation of heavy duty transportation companies during the term of this Agreement; and
- Khovd Government shall issue grade C driving permits only to trucks that meet the technical requirements and comply with Mongolian standards, new grade C driving permits shall be issued only to new trucks manufactured in the last 3 years.

Moreover, the Traffic Regulation of Khushuut Mine which was proved in December 2021 specifies that any vehicle with mileage exceeding 300,000 km or over ten years from the date of manufacturing shall not be allowed to participate in traffic or operations.

ENVIRONMENTAL MANAGEMENT AND PERFORMANCE AT XINJIANG WASHING PLANT

Coal quality control is an indispensable segment in the production process. We built the DPP at the Khushuut mine site for initial processing of coal before export. This could not only eliminate the unwanted rubbles and other materials to enhance our raw coal quality, but also reduce our export transportation costs. The processed coking coal is then washed by our Xinjiang Washing Plant in China and sold as clean coking coal to our customers. Coal washing is a process that is undertaken in a coal washery or coal washing plant where coal is refined or cleaned of impurities. Coal washing involves using water, mechanical techniques and relies on gravity and the difference of density between coal and its impurities which are usually more densely packed due to the fact that they are inorganic.

MAIN FEATURES OF THE XINJIANG WASHING PLANT

Our coal washing plant is located in Qinghe County, Xinjiang, some 30 kilometres from the Xinjiang Takeshiken border. It has a gross area of 200,000 square meters, and comprises the main plant and production area, the raw coal yard, and the office and living quarters. The main plant and production areas include clean coal bunker, waste rock bunker, preparation workshop, filtration workshop and sedimentation facilities, etc. It was commissioned by end of 2014 and the annual washing capacity is 1.5 million tonnes.

COAL STORAGE AND DISPOSAL

After the washing plant received the raw coal from Mongolia, the coal is placed in the raw coal yard of 63,300 square meters surrounded by the dust suppression wall including the enclosed raw coal bunker of 23,000 square meters where raw coal is mainly stored and pending for processing. Clean coal is produced after the raw coal has gone through various mechanical screening, filtering and washing processes. Clean coal is then temporarily stored in the clean coal yard for delivery to our customers.

ENVIRONMENTAL (CONTINUED)

WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS

Under the clean coal production process, it involves energy and water consumption and generates sewage and solid waste including hazardous and non-hazardous wastes.

Sewage disposal

Sewage is produced from flowing water, spraying, flushing and cleaning machines and facilities in the production process. With the sewage treatment system, it forms a closed-circuit circulation for re-use in the washing plant with no discharge to the outside. Therefore, it ensures no harm to the surrounding environment. For domestic sewage, the sewage undergoes waste water treatment before storing in a tank for winter which is used for irrigation in summer and greening. If sewage is produced due to equipment failure or other incidents, it is stored in the standby thickening tanks to ensure no discharge to the outside to affect the environment.

Waste disposal

A certain amount of non-hazardous coal gangue with sludge is screened out under the coal washing process, and the majority of which is used as raw materials for construction while the remaining would be piled up temporarily in an interim yard and sent out for rehabilitation of open-pit mines later and further to proceed towards pasture restoration.

Wastes such as hazardous ash also generated under the coal washing process. Used industrial oil of hazardous waste would be stored in a hazardous waste warehouse. We would frequently arrange the respective specialised waste recyclers to collect the wastes for proper disposal.

The table below shows the washing capacity, total amount of major energy and water consumed, hazardous wastes and non-hazardous wastes produced during the Financial Year:

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Raw coal for washing (tonnes)	425,098.08	646,546.18	768,958.10	1,206,390.98	905,300	1,231,700
Clean coal production (tonnes)	380,932.68	547,383.84	648,158.00	932,509.51	723,000	870,100
Electricity consumption (kWh)	4,279,430	4,765,320	5,482,050	8,759,040	7,220,079	9,589,335
Intensity ♦	10.07kWh/t	7.37kWh/t	7.13kWh/t	7.26kWh/t	7.98kWh/t	7.79kWh/t
Water consumption (m ³)	41,408	47,208	76,010	130,810	113,987	128,297
Intensity ♦	0.10m ³ /t	0.07m ³ /t	0.10m ³ /t	0.11m ³ /t	0.13m ³ /t	0.10m ³ /t
Total hazardous wastes (tonnes)	88,460#	99,380#	98,320#	4.5	2.5	5.04
Intensity ♦	0.21t/t	0.15t/t	0.13t/t	0.0000037t/t	0.0000028t/t	0.0000041t/t
Total non-hazardous waste (tonnes)	-▲	-▲	-▲	338,757*	264,795	371,253.87
Intensity ♦				0.28t/t	0.29t/t	0.30t/t

* Adjustment was made due to the coal gangue, and slime are inherent and natural and such wastes would be screened out and collected under our production process for land rehabilitation, such wastes were reverified as non-hazardous wastes according to the advice of respective environmental protection department.

Including coal gangue and sludge

▲ Non-hazardous substances produced under the process are negligible.

♦ Intensity is calculated based on the total amount of raw coal received by the washing plant for washing during the Financial Year.

The Indirect GHG emissions in tonnes of CO₂ equivalent by the washing plant in the coal washing process through the use of electricity was 5,571.4.

ENVIRONMENTAL PERFORMANCE

Although there is no statutory annual or periodical inspection for washing plants in China, officials from various governmental departments do visit our washing plant from time to time to monitor and review our environmental protection performance.

During the Financial Year, neither official nor surprise environmental inspections took place in our washing plant; still, various routine checks were conducted in accordance with the applicable laws and regulations. The directors of the local government, for instance, carried out a check on lightning protection and safety system. The grounding devices in 148 testing points were reliable as reported in May 2022.

In addition, we had engaged agencies, third parties and experts to carry out the following environmental monitoring:

- i) Testing the levels of noise, exhaust gas emission, particle pollution and carbon dioxide emission of the enclosed raw coal bunker. In May 2021, the environmental assessment of the entire raw coal yard construction project was completed and the yard passed the environmental inspections and tests;
- ii) Testing the ground water quality, soil quality, air quality and solid waste disposal of the interim yard where coal gangue and sludge plies up. The test report and its remedial proposals were completed in September 2021 and October 2021, respectively. The interim yard passed the vetting in which the panel was chaired by Deputy Governor of Qinghe province in December 2021;
- iii) Monitoring the mine pit, the capacity of which is 32 hectares of coal gangue and sludge and covers the rehabilitation area of approximately 4.39 hectares, in respect of the ground water quality, noise level, level of unorganised exhaust gas emission. The land rehabilitation and restoration project that implemented in last financial year with the aim of rehabilitating the mine pit by utilizing our wasted coal gangue and sludge had passed the expert's assessment in September 2021; and
- iv) Monitoring the mine pit, the capacity of which is 115 hectares of coal gangue and sludge and covers the rehabilitation area of approximately 119,958 square hundred meters in respect of the ground water quality, noise level, level of unorganised exhaust gas emission. The first phase environmental audit of this new rehabilitation and restoration project had been carried out in September 2021 and attained a pass. We will make further enhancement in infrastructure management for the second phase of the rehabilitation and restoration project to minimize adverse impact to the environment.

The environmental protection measures that we took in the washing plant were as follow:

- i) We put forward a plan to harden the grounds of the raw coal yard and clean coal yard last year to minimize dust emission. However, the unloading of incoming goods blocked the access road to raw coal yard which hindered the restructuring progress. We took alternative actions by sprinkling water frequently and improving sprinkling water system to minimize dust emission;
- ii) Turning the open-pit clean coal yard from an open-air set up to an enclosed structure to reduce coal ashes due to strong wind and extreme weather. The restructuring project commenced in May 2022 and it is expected to complete in November 2022;
- iii) Planting over 500 trees during the Financial Year; and
- iv) Reducing waste and cost in production and operation by improving resources management through scientific methods in the utilization of water, electricity, coal, oil and other resources.

In the long run, proper solid waste disposal and high utilisation of solid waste are the ultimate goal of the washing plant. The washing plant is looking for appropriate wastes collectors or recyclers to meet our demand.

ENVIRONMENTAL (CONTINUED)

Environmental performance overview			
ESG KPIs	Unit	2020	2021
Use of Resources			
Electricity consumption	kWh	11,466,640*	14,847,475#
Intensity	kWh/t	7.97	8.09
Water consumption	m ³	190,680*	301,878#
Intensity	m ³ /t	0.13	0.16
Diesel consumption	L	1,130,000	1,270,000
Intensity	L/t	0.79	0.69
Emission Management			
SO ₂	µg/m ³	The test result is within the Mongolian Standard ♦	No emission measurement was conducted due to the COVID-19. For details, please refer to the "AIR EMISSION MONITORING" section.
NO ₂	µg/m ³	The test result is within the Mongolian Standard ♦	
PM _{2.5}	µg/m ³	Above the permission level ♦	
PM ₁₀	µg/m ³	Above the permission level ♦	
Heavy metals	µg/m ³	The test result is within the Mongolian Standard ♦	
GHG emissions (Scope 1)	Tonne CO ₂ equivalent	–	24,246.39 [△]
GHG emissions (Scope 2)	Tonne CO ₂ equivalent	–	6,730.79#
Total GHG emissions	Tonne CO ₂ equivalent	–	30,977.18
Total hazardous wastes	t	2.54*	5.11#
Intensity	t/t	0.0000018	0.0000028
Total non-hazardous wastes	t	266,141.3*	372,047.57#
Intensity	t/t	0.18	0.20

* Including the data in the operation in the Company's washing plant in Xinjiang, China during the financial year from 1 April 2020 to 31 March 2021.

Including the data in the operation in the Company's washing plant in Xinjiang, China during the Financial Year.

♦ Measurement and test were conducted annually in pursuant to the Mongolian law and the test was taken in the period from 22 December 2020 to 27 December 2020.

△ Including the GHG removals from newly planted trees in Company's washing plant in Xinjiang, China during the Financial Year.



SOCIAL



SOCIAL (CONTINUED)

To promote wellbeing of employees and demonstrate social responsibility, the Group has been dedicating resources to our employees' benefits and development, and making every effort to operate through adhering to the highest standards of conduct.

EMPLOYMENT PRACTICE, WELFARE AND BENEFITS

Employees are the key to success of the Group. Hence, the Group takes employees as its valuable assets and recognizes the contributions of each individual employee. The Group is an equal opportunity company and all employees are treated with respect regardless of their age, sex, marital status, pregnancy, family status, disability, race, nationality and religion.

Our remuneration packages to employees are structured to take into account the level and composition of pay and the general market conditions in the respective geographical locations and businesses in which the Group operates. The remuneration policies of the Group are reviewed on a periodic basis. The Group respects the legitimate rights and interests of all its diverse employees. We adhere to labour laws, employment practices and business ethics of the different locations where we operate.

As at 31 March 2022, the Group had a total of 758 full time employees.

	Hong Kong	China	Mongolia
Headcount*	33	355	370
By gender			
Male	42.42%	81.13%	80.81%
Female	57.58%	18.87%	19.19%
By age group			
18-25	0%	7.88%	9.45%
26-35	18.19%	36.90%	47.57%
36-45	27.27%	28.17%	25.41%
46-55	27.27%	22.82%	11.89%
55 and above	27.27%	4.23%	5.68%
By nationality			
Chinese (HKSAR)	100%	0.3%	0%
Chinese (PRC)	0%	99.7%	7.84%
Mongolian	0%	0%	92.16%
Other	0%	0%	0%
Employment type			
Full-time	97.06%	97.80%	86.25%
Part-time	2.94%	2.20%	13.75%

* Full time employees and excluding contractors' employees

Employee Turnover Rate*	
Turnover rate:	24.70%
By Gender	
Male	26.64%
Female	18.00%
By Age Group	
18-25	38.46%
26-35	23.26%
36-45	26.67%
46-55	20.34%
55 and above	17.02%
By Region	
Hong Kong	6.06%
China	45.14%
Mongolia	9.51%

* Full time employees and excluding contractors' employees

Mongolia enforces stringent labour legislation and standards in line with the best international practices. MoEnCo has strictly complied with all requirements of Mongolian labour regulations. All terms and conditions under labor contracts are consistent with the Labour Law, Occupational Safety and Sanitary Law, Social Insurance Law and other relevant laws.

Total number of people working at Khushuut operations (including part-time, temporary and contractor's employees)	2,058
Of MoEnCo's employees working at Khushuut operation	
percentage of people working at the mine site	93.2%
percentage of local people hired	80.9%
men and women ratio at the mine site	84/16
men and women ratio at top management position	50/50

In 2021, the provincial labour inspector visited twice our Khushuut coal mine site for the scheduled government assessment. The provincial labour inspector not only scrutinized whether MoEnCo's operations had complied with the labour regulations but also held discussions with our mine and camp workers.

As MoEnCo is the frontline operations of the Group, we pay close attention to the needs, welfare and benefits to our Khushuut workers. In addition to covering all MoEnCo's workers and staff with mandatory Mongolian government social insurance (which includes health insurance, unemployment, old age pension, welfare, and industrial accidents insurance), we additionally subscribe all our workers to the voluntary "employer's liability" insurance under the private insurance schemes which provide a good level of extra coverage for potential medical expenses and lost wages of our employees, or their beneficiaries, if the employee is injured, sick or killed by job-related causes. Moreover, it is also our requirement that all MoEnCo's contractors and suppliers to take out, at the minimum, mandatory social and health insurances for all of their employees. Recognizing the devoted work of MoEnCo's people, the Group awarded two individuals and MoEnCo awarded 23 of its best employees with nominations and cash prizes in 2021 while one person received a top recognition from the Ministry of Mining and Heavy Industry of Mongolia. Then, we offered cash aid to 17 workers for emergency medical treatment and for overcoming some life circumstances.

SOCIAL (CONTINUED)

Following the border closure between the PRC and Mongolia due to the COVID-19 outbreak, the Group's coal operations between these countries halted for few weeks or months in 2020 and 2021. With the challenges and economic impacts arising from the pandemic, MoEnCo swiftly made a series of adjustments to its operations and work shifts and worked out the measures to facilitate utilization of human resources and ensure workforce stability.

MoEnCo'S TRAINING AND DEVELOPMENT PROGRAM

Mongolian laws require MoEnCo, as a mining license holder, to provide safety and health training to its employees. MoEnCo's comprehensive training program meets the requirements imposed by the relevant Mongolian laws including the Occupational Safety and Sanitary Law and Regulations on Organizing Training and Examining the Labor Safety approved by the Labour Minister in 2016. These regulations enforce certain ratios and minimum hours of training depending on the specifics of a workplace. Every year, MoEnCo offered training hours exceeding the required minimums or ratios under the Labour Minister's decree and under the national standard MNS 4969:2000 (Organization of Training for Labour and Sanitary Safety). In 2021, we could not achieve the required training hour/person number due to the periodic strict quarantine regimes and difficulty of holding online sessions at the isolated mountain camp.

We offer training free of charge to (i) our staff and (ii) the contractors' staff. We aim to train and develop our people through an array of training channels:

Training organized by MoEnCo	<ul style="list-style-type: none">• requisite occupational safety and health training prescribed by laws and regulations• a wide range of additional training on specific topics (use of occupational protective gear, mine safety training, first aid course, fire prevention, safety regulations, hygienic requirements, workplace risks assessment, etc.)• practical environmental protection training (land rehabilitation techniques suitable for the Khushuut area, local water conservation, etc.)• specific operational instructions (safe operations of various equipment, chemicals handling, fuel charging and discharging, traffic within the mine site, safe parking of heavy-duty trucks, etc.)
External training	<ul style="list-style-type: none">• sending our staff to paid short training organized by educational institutions and other organizations and companies• co-organizing or participating in joint practical drills
Personal development	<ul style="list-style-type: none">• co-organizing, sponsoring or participating in various conferences, industry forums and celebration events• allowing staff to take leave for continuing education

When organizing training and development activities, MoEnCo collaborates with various professional organizations and certified training institutions or involves its staff in their events. Under the 2021 training and development program, MoEnCo collaborated with leading occupational training bodies such as Fuchsia Saphir LLC, OSHMI Institute and Green Chemistry LLC as well as the Khovd province Emergency Commission. In total, 17 MoEnCo's employees participated in four external training sessions on topics of advanced sanitary procedures, ArcGIS Environmental program application, safe chemical handling, and so on. MoEnCo sent four representatives to various industry conferences and expos.

	2017	2018	2019	2020	2021
Number of internal safety training topics covered	31	30	32	31	28
Number of attendees	4,893	4,665	7,495	4,704	1,768
Total hours of training offered	5,197	6,457	9,584	5,075	1,864
Average training hours completed per					
Khushuut mine site employee	14.8	15.3	15.35	14.7	4.85
Average training hours (including MoEnCo's					
headquarter office staff)	11.2	13.97	12.87	13.4	4.51

The reduced numbers of training participants and total hours of training offered in 2020 and 2021 compared with the 2019 numbers are associated with the tightened social distancing measures imposed by the Government and by the internal camp quarantine regimes to cope with the COVID-19.

OCCUPATIONAL SAFETY

The health and safety policies of the Group are principally required to, among others, comply with applicable Mongolian legislation and regulations, and exceed those requirements where necessary, in order to maintain a healthy and safe working environment. Mining is a complex operation with dangers and therefore requires alert and healthy workers. To stay away from hazards at the Khushuut mine requires additional resources and strategy to enforce effective occupational safety and health management ("OSHM") program. MoEnCo ensures the occupational health and safety through the following strategies:

- Running the systems for identification, monitoring and preventing of known or unknown hazards at work places where this system is an amalgamation of the organizational unit responsible for OSHM, approved safety procedures and allocation of sufficient budgets for the OSHM measures.
- Developing, conducting and granting approval, periodic reviews and strictly enforcing of the internal safety regulations and procedures at all levels.
- Approval by and reporting on the realization of annual OSHM plans to the Government.
- Training, supervision, advice and obtaining feedback on safety compliance at all levels.
- Pre-employment health screening, annual health checks.
- Provision of medical services and health surveillance and treatment of illness and injury at the area with most occupations hazard. i.e. directly at the Khushuut mine site.
- Having professional teams of first responders, i.e. MoEnCo's own emergency response team, on site.
- Monitoring of health and safety parameters at each workplace.

SOCIAL (CONTINUED)

- Swiftly responding to the outside hazards, as such COVID-19 epidemic of 2020-2021, through redirecting resources, re-planning and adopting new management approaches.

In 2021, MoEnCo's OSHM team consisted of 19 professionals working full-time at the mine site. In addition to their regular work ensuring the mine's safe operations, this team conducted quarterly, monthly, bi-monthly or weekly work place safety inspections at seven important locations throughout 2021. Daily and weekly workplace inspections are conducted by supervisory staff and safety officers to identify potential workplace hazards, assess safety risks, and immediate actions are taken to correct any activity deviated from the policies and procedures. The schedule and frequency of inspections are defined according to the requirements stated in the law and relevant standards. For example, the temperature, humidity, lighting and noise levels are measured and recorded monthly at every workplace at the camp. Measurements are made with the Vital Environmental Meter EM5 and compared to the parameters of the relevant safety standard requirements. Lagging and leading indicators are adopted to measure the health and safety performance on a monthly basis, and to identify, assess, and manage the health and safety risks of our activities in all planning and operational decisions based on appropriate and systematic risk assessment processes.

Our OSHM team at Khushuut mine supervises and provides guidance to occupational safety and health managers of MoEnCo's contractors. MoEnCo's safety team regularly organizes meetings and consultations with these occupational safety and health managers and offers them additional and more vigorous training for compliance with not only the occupational safety and health laws and regulations but also MoEnCo's own safety standards. MoEnCo's contracts with large service providing companies mandatorily include (i) labour safety and compliance provisions and liabilities for safety violations or violations of worker's rights; and (ii) duty to engage a full-time or part-time occupational safety and health professionals.

A part of MoEnCo's production safety assurance is the annual review of our internal safety instructions against (i) newly adopted or revised national standards if any, (ii) lessons and recommendations after any accidents or challenges that have occurred or being present during the operations, and (iii) requests or proposals from workers, of MoEnCo and contractors alike.

Khushuut coal mine	2016	2017	2018	2019	2020	2021
Total MoEnCo's man-hours worked	757,556	952,348	2,671,690	3,998,036	2,760,200	3,886,907
No. of fatalities	0	0	0	0	0	0
No. of lost time (hour)	1	0	1	0	1	1
Injury frequency rate	0.67	0	4.54	1.66	0	2.83
Total recordable injury frequency rate	6.69	0	7	5.01	0	6.94

Adhering to its obligations under the law, MoEnCo presented its safety and health data to the Mineral Resources and Petroleum Authority of Mongolia, MET and Khovd Government in March 2021, as part of the MoEnCo's mining works, environmental and management report. In 2021, the government assessment team from Khovd provincial branch of General Agency for Specialized Inspection, including its occupational safety inspector, visited twice at our Khushuut mine site as part of the Government's mine safety assurance.

EMERGENCY RESPONSE PROGRAM

Our Khushuut mine site has strong on-site emergency response and mine rescue capability that suit the working environment and associated technical risks. Our emergency response team not only responds to incidents at the mine site but also ensures the community safety by responding to occasional calls from local residents.

In 2021, MoEnCo's emergency response team ("**ERT**") consisted of three full-time professionals, one support staff and 19 volunteers who were employees of MoEnCo and its contractors. The team offers 24-hour readiness and emergency response which is well beyond the Disaster Preparedness Law, Law on Fire Safety, Fundamental Rules of Fire Safety approved by the Cabinet in 2016, and other relevant standards require. They have been consistently receiving various "Best in Industry" nominations and prizes at regional joint drills and practical training and demonstration sessions over the past 3-4 years (excluding the COVID-19 pandemic years of 2020 and 2021). Our well-trained emergency response team has been an essential part of MoEnCo's COVID-19 mitigation efforts which realizes the internal quarantines and safety procedures, and communicates and reports to the central and provincial bodies in charge for the COVID-19 response.

A mine emergency response plan is a valuable organizational tool for preparing personnel to respond to a mine emergency and is a requirement under the Mongolian law. MoEnCo prepares the Emergency Response Plan annually and has it approved by the Mine Rescue Office of General Authority for Emergency Readiness of Mongolia. The objectives of this Emergency Response Plan are to (i) identify potential risks and emergency situations at Khushuut mine and effective response to these situations; (ii) establish responsibility levels and support coordination; (iii) minimize the effect of emergencies on the personnel, surrounding communities, property and equipment damage and losses to process that may result from emergencies; (iv) ensure timely communication and cooperation with government and external agencies; and (v) define the role and responsibilities of the emergency response and mine rescue team. The Khushuut mine administration distributes copies of the Emergency Response Plan to all internal units and contractors at the mine site. The main objective of the 2021 Emergency Response Plan was COVID-19 prevention and fight.

	2017	2018	2019	2020	2021
Total hours of training for disaster readiness offered	195	109	200	116	0
No. of calls to incidents at the mine	5	11	8	10	7
No. of calls to incidents on the Khushuut road or in the community	9	12	14	12	26

Our ERT is equipped with the latest communications and tracking systems and fire extinguishing equipment and machines. The team regularly participates in events and training of the Emergency Office and Fire Department of Khovd province and of the relevant agencies. Various training sessions (such as a bi-annual comprehensive one-day simulation training, by-monthly one-day practical exercise, mandatory training on emergency response procedures for all newcomers, etc) were cancelled in 2021 due to the COVID-19 response.

MoEnCo provides free emergency response to local incidents every time they call for help, and occasional incidents on our Khushuut road. Because MoEnCo operates in remote area with very low and sparse population, our ERT is sometimes called to residential urgent situations in the vicinity of the mine.

SOCIAL (CONTINUED)

HEALTH SERVICES FOR OUR WORKERS AND COMMUNITY

Our Khushuut coal mine site has one of the best equipped and modern health centers in the area which is operated by our subcontractor and provides free services to (i) MoEnCo employees; (ii) all contractors' employees at the Khushuut mine site and Uyench CBY; (iii) local residents of adjacent three districts; (iv) export coal truck drivers on the MoEnCo's Khushuut road, and (v) border customs staff and other workers along our Khushuut road. Our Khushuut mine site is located in a remote part of Mongolia among Altai Mountains with very low population density, few settlements and even fewer medical facilities. MoEnCo gives support to local communities by offering free health care services, transporting the sick and pregnant to the provincial hospital and providing aids for accidents, if any, on our Khushuut road.

Number of visits to MoEnCo's medical center	2016-2019	2019	2020	2021
Visits/calls/checks of the MoEnCo's and contractors' employees	15,646	5,832	14,269	41,838
Visits/calls/checks of local residents	924	237	126	96
Calls to accidents on Khushuut road	18	3	3	1

Significant surge of the number of individual health checks in 2020 and 2021 has been triggered by the increased frequency of health checks to prevent and treat the COVID-19 at the mine. Medical services to local residents has been notably decreasing starting from mid-2019 and continued in 2020-2021 because the Khushuut village in the vicinity of our mine site was relocated. All its residents now live in the new location in twenty km south west from the mine and three km to the Tsetseg soum center so the villagers would seek medical help at the soum hospital. On the other hand, since COVID-19 became an issue in Khovd, MoEnCo's hospital has been receiving more people working along our Khushuut road and at the Bulgan border port.

Over the period of 10 years since MoEnCo established a full service health center at its Khushuut camp (and later expanded to the Uyench location), the outreach, volume and effectiveness of our health services to employees and local communities as well as public health awareness program well exceeds the combined similar indicators for the other private health facilities operating in Khovd province as was recognized by the Khovd province Health Department in its medical statistics.

As of the first quarter of 2022, MoEnCo's health team consisted of six doctors and four nurses who provided free primary health care, medical emergency aid, stabilization, treatment, follow-up observation, first aid training and public health awareness instructions.

An important part of Khushuut medical center's function is offering general training for wellness and healthy habits. Annually, our medical center plans and carries training sessions on a number of essential topics attended by several hundreds of mine camp workers and local residents. However, due to (i) the COVID-19 related social distancing restriction, and (ii) much resources and time were devoted to the COVID-19 mitigation program, our health team did not conduct regular training sessions (on first aid, cardiopulmonary resuscitation (CPR) technique, general disease prevention and occupational injuries, etc.) for MoEnCo's and its contractors' workers in 2021.

The health center approved its first COVID-19 prevention plan in early February, 2020, abiding by recommendations of the Ministry of Health of Mongolia and the Infectious Diseases Protection Department of Khovd province. Preventive measures are being taken to increase the level of preparedness of the mine health staff to work in emergency situations. It conducted various training, discussions and demonstrations for own workers regularly and also involved them in all training events organized by the Khovd Emergency Commission. The health centre doubled the number of its medical doctors, efficiently managed the workload and tasks of all its staff and enhanced its services at the Uyenich CBY. Overall, operations, costs and the number of patient visits of the Khushuut medical center increased six-fold, as of end of 2021 compared with the 2019 data, realizing the MoEnCo's COVID-19 response actions.

In compliance with the legal requirements, all of our site employees undertake pre-employment medical examination to ensure that they are fit to perform their jobs safely without placing co-workers at risks. Subsequent extensive medical checkup is conducted bi-annually or annually subject to a job position to ensure that no health issues and occupational diseases are contracted as a result of operational activities. All costs for such pre-employment and annual medical checkup are borne by MoEnCo. In 2021, 249 Khushuut workers and 38 head office staff underwent annual medical checkups for which we engaged the services from one hospital in capital Ulaanbaatar and one in Khovd province center.

COVID-19 PREVENTION AND RESPONSE

With the global outbreak of the COVID-19, MoEnCo and its Khushuut mine camp administration started to implement effective response measures from January 2020. They promptly modified their policies and actions following the current situation with the virus outbreak in Mongolia and China and particularly in the neighboring border region of the two countries, and adhering to the policies of Mongolian Government and instructions of the Khovd province Emergency Commission, Health Department and Infectious Diseases Protection Department of Khovd province.

MoEnCo, its Khushuut mine camp administration, its emergency response team and medical center have taken the following measures:

- Starting from early February, 2020, MoEnCo head office and its Khushuut mine camp administration together with the camp health center promptly coordinating their actions and implementing various precautionary procedures including new camp entrance and exit rules, enhanced disinfection, procurement of sanitary supplies, and so forth. Khushuut camp has imposed mandatory strict quarantine for all employees who work in shifts at the camp.
- In November, 2020, a 15-member urgent response task force ("**Task Force**") was established by the order of the MoEnCo's deputy director with assignment to carry prompt prevention measures and coordination between MoEnCo's corporate units and the relevant provincial bodies. Throughout 2020-2021, the Task Force conducted monthly, weekly or even daily briefings, discussions of urgent needs and reviews of reports and proposals by the camp's occupational safety managers, food catering contractor and medical team. The Task Force presented its monthly and weekly reports to the Khovd province Emergency Commission.
- From January 2020 and throughout 2020-2021, MoEnCo tightened up its coordination and communication with Emergency Commissions of Khovd province and the nearby soums as well as with local police and customs agency for enforcing the effective prevention procedures at the camp, along the coal transportation route and during the border crossing. We also worked closely and communicated frequently with the Ministry of Roads, Transportation and Development and the Roads Transportation Agency under the Ministry. MoEnCo's emergency response team prepared an action plan for a potential COVID-19 emergency situation at the camp and submitted it to the Ministry of Mining and Heavy Industry.

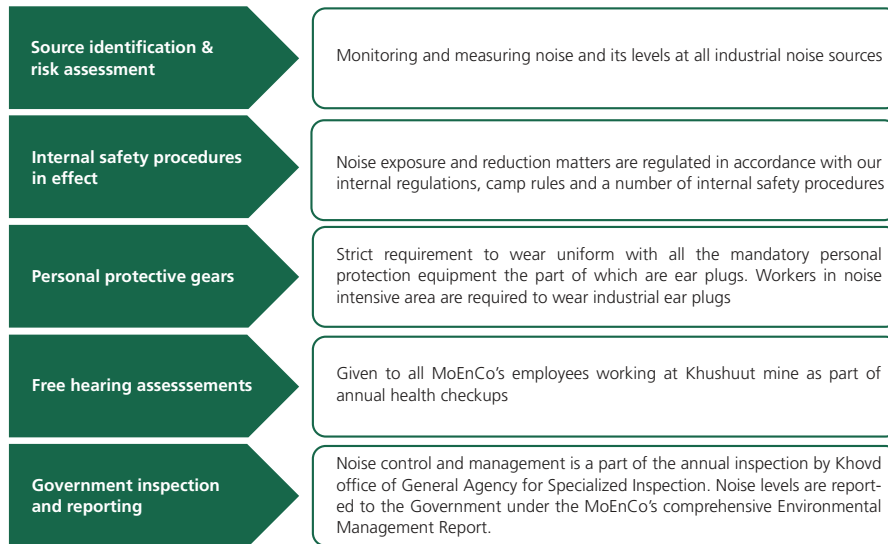
SOCIAL (CONTINUED)

- Various enhanced sanitary and social distancing rules, procedures and checks were put into daily practice and complied with by the Khushuut camp residents and specific staff (meal handlers, cleaners, etc.). Stockpiling and distribution of disinfectants, disposable protective gears and emergency medical supplies at both Khushuut camp and Uyench CBY increased four-fold in 2020 and five-fold in 2021 compared to the pre-COVID-19 numbers.
- Coronavirus vaccination at Khushuut camp started in April 2021. As of end of 2021, our health team administered 1,436 doses of vaccines to people of MoEnCo and seven contractors while the rest of people at Khushuut mine received their doses at Tsetseg soum health center. Also in 2021, our health centre staff administered 9,264 PCR tests and 12,392 quick tests.
- The food catering contractor at the mine camp improved their dietary content of meals, enhanced its hygienic procedures and frequency of disinfecting, covered all its meal handlers with regular COVID-19 tests and made available more dietary supplements at the camp's canteen.
- MoEnCo has promptly built an additional canteen of 221 m² with all modern utilities at Khushuut camp and six housing units, with utilities and comfort at three different locations (Khushuut mine, Uyench CBY and at the Bulgan border port where our coal transportation trucks stop for customs clearance before travelling further to PRC) for temporarily isolation of individuals with suspected COVID-19 and for preventive quarantine for all incoming workers shifts at the camp.

Assurance of safe coal transportation for export and prevention of cross-border virus transmission was the main mission of MoEnCo throughout 2020 and 2021. We adopted several strategies to assure this task. For example, coal transportation was arranged and modified in various arrangements. They were also coordinated and agreed with representatives of our coal transporters in China and the China Customs through the Embassies of the two countries. By creating a "green zone" at Uyench CBY, the transportation shifts were arranged in a way to avoid Mongolian drivers making contact with Chinese drivers through Khushuut road. MoEnCo has been financing the government laboratory staff to work at Uyench CBY full-time together with our medical team which conducted up to 200 tests daily in the months when the coal export went on. Disinfection of trucks on both sides of the borders became a norm as did free surgical masks and disposable protective overalls distributed to all cross-border truck drivers.

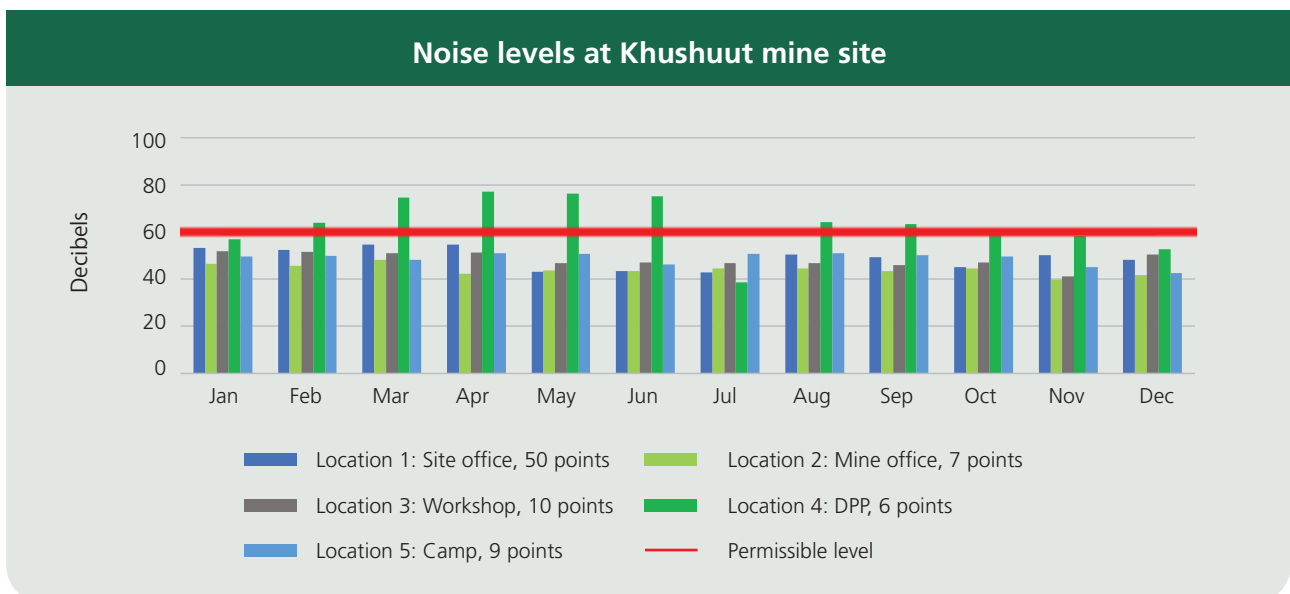
NOISE CONTROL AND REDUCTION MEASURES

As in most other heavy industries, mining can expose workers to high noise levels. Drills, crushers, mills, and some other items of mining and mineral processing at Khushuut are inherently noisy while requiring substantial attendance by the operators. MoEnCo utilizes a number of strategies for noise reduction including:



In its industrial noise management, MoEnCo has to comply with Law on Occupational Safety and Sanitary and numerous regulations, technical specifications and standards including the national mandatory standard MNS 6768: 2019 (General requirement for noise exposure measurement, occupational exposure limit, and employee's hearing protection)⁹.

Noise measurements and risk assessment allow us to define the actions which need to be taken to meet the standard requirements for noise exposure. In 2021, the noise measurements were conducted by using Digital Environment Multimeter EM5 device at five different locations at Khushuut mine site once in every two weeks where each measurement location also had 6-50 measurement points, the total number of measuring points were 82.



⁹ For more information, please visit the website: <https://estandard.gov.mn/standard/v/3237>

SOCIAL (CONTINUED)

The test results show that the overall noise level stays within the standard requirement throughout the year except for one location, the DPP which is a venue of our most equipment and machinery operations. Here the noise level rises above the standard level in periods corresponding to the months of the most mining operations of MoEnCo. Workers in this noise intensive area are mandatorily required to wear industrial ear plugs and also attend regular training on occupations safety at the camp including hearing protection techniques.

MAINTAINING A MODERN AND SAFE MINE CAMP

A well-maintained camp has a critical impact on the health and well-being of our employees and their productivity. MoEnCo devoted much efforts and resources into running an exemplary camp that is safe, pleasant and well suited for living in a remote mountainous location. Continuously meeting of the occupational hygiene requirements is an important part of the MoEnCo's safety programs and planning.

Reducing our carbon footprint

As of early 2022, MoEnCo's Khushuut mine camp housed 400 of our employees (i.e. excluding those contractors' workers who partially and fully rely on our camp services and housing per contractual arrangements). Recognizing the importance of reducing burning coal for heating the camp quarters, in 2019, MoEnCo started consecutively replacing workers' housing units with coal burning stoves by modern houses with central heating. Several such housing units were built in 2019-2020 with accommodation capacity of 160 people. In 2021 we invested more resources to build modern block accommodations with capacity of about 100 residents, with centralized heating, planned for commissioning in summer 2022.

Ensuring the sanitary standards

At the Khushuut camp, mine site and Uyench CBY camp, the hygiene and sanitation is ensured by two full-time hygienists. To safeguard the well-being of our workers by the recognition, evaluation, control and prevention of hazards from work and living arrangements, such measures are realized through the following channels:

- The team prepares and enforces annual health and hygiene assurance plan as part of the annual Occupational Safety Management Plan, its due realization is reported to the Mineral Resources and Petroleum Authority of Mongolia and to the Khovd province Specialized Inspection Agency.
- For ensuring a healthy and safe working environment for employees and mitigate workplace health and safety risks, the workplace assessment, inspection, sampling and testing daily, bi-weekly, weekly or monthly depending on a specific work place. For example, the temperature, humidity, lighting and noise levels are measured and recorded monthly at every workplace at the camp. Measurements are made with the Vital Environmental Meter EM5 and make comparisons with the parameters of the relevant safety standard requirements.
- Regular training of all MoEnCo and contractors' workers and specific staff, for example, camp canteen cooks, are carried out under the regular schedules for maintaining the due hygiene at the site. The sanitary procedures at the camp are mandatory part of the internal training program.
- The bi-annual "All Staff Cleaning Weekend" has become an environmental stewardship tradition for Khushuut mine. In 2021, the mine site organized such event two times which included cleaning, disinfecting, trash and debris collection and removal at the camp and the vicinity of three km radius.

Camp's response to the global COVID-19 pandemic

In 2020-2021, our camp's response to the COVID-19 has been swift and successful. Our occupational safety and health team (i) worked in daily collaboration and coordination with the Khovd province Emergency Commission which presented serious requirements pertaining to the camp daily sanitary routine; (ii) maintained various regimes (internal lockdowns) and shifts at the camp depending on the Khovd epidemic situation and government requests; (iii) enhanced the disinfection and inspection of workplace, eateries and living arrangements; (iv) boosted hygienic procedures related to meals handling at the Khushuut camp and Uyench CBY, and (v) conducted a number of training and demonstrations on health protection for the camp staff.

SUPPLY CHAIN MANAGEMENT

The supply chain management of the Group is organized as a process involving comprehensive planning, implementing and monitoring the everyday operations of the entire cluster of inter-related businesses in the western part of Mongolia and north-west of the PRC. The complexity of the cross-border business model necessitates strong supply chain management and compliance at the national levels in both China and Mongolia. The Group's approach to working with contractors and suppliers is based on the principles of fair competition, continuous improvement and focus on ethical conduct.

MoEnCo's supply chain is made up of two main elements:

- inbound supply and procurement of services, materials and products for the Khushuut mine operations, coal transportation and the camp living arrangements;
- outbound supply and sales of coal to domestic and Chinese coal buyers and for our free and discounted coal distribution program.

All contracts and agreements with contractors and suppliers include MoEnCo's compliance provisions. These requirements cover important issues such as anti-bribery, labour standards strictly enforced by the national governments in Mongolia and China, workers' health and safety, environmental preservation and rehabilitation schemes, workers' fair pay and hours of work and rest, and mandatory insurance provisions. We require our contractors and suppliers to subscribe all these mandatory schemes for their workers including the health insurance, unemployment, old age pension, welfare, and industrial accidents insurance.

When selecting our suppliers and contractors, MoEnCo adheres to two main selection criteria:

- priority is given to local, Khovd, companies and individuals interested in working with us; and
- products and services offered by suppliers and contractors should, first of all, satisfy needs and demands of our mine workers and the specifics of MoEnCo's operations in the remote region of Mongolia with harsh climatic and terrestrial conditions.

All contractors and suppliers, new or current, are assessed in accordance with the requirements regarding ethics, corruption, and labour standards risks prior to working with them. Significant support to the local economy comes from MoEnCo's procurement of goods and services. As a responsible corporate citizen, MoEnCo continues to put emphasis on community developments and partnerships by giving back to local citizens. We share the benefits with rural communities and generate economic values by creating jobs and procuring local services and goods. In order to support and strengthen local small and medium sized businesses, local companies in Khovd which meet our procurement requirements are given preference to be our suppliers. In 2021, MoEnCo engaged 103 businesses and citizens of Khovd province and purchased services and products worth of MNT125.62 billion (approximately HK\$334,300,236.85).

SOCIAL (CONTINUED)

The Group's supply chain management concentrates on cross-border logistics and chain coordination in China and Mongolia and also focuses on competition orientation at global and regional levels. At the local level, we strive to do business only with those companies who share our respect for the environment, law and ethical behavior. COVID-19 pandemic has struck at the core of global value chain hub regions, including China. Since the first quarter of 2020, the Group's supply chain management has closely followed the pandemic prevention measures taken by Governments of PRC and Mongolia. This includes, among other measures, working closely with our transportation companies to organize the coal hauling routes and logistics in a way that minimizes social contacts and complying with heightened sanitary requirements on both sides of the China-Mongolia borders.

Amid the COVID-19 supply disruptions of 2020-2021, MoEnCo concentrated on forecasting potential shortages in the inventory and promptly contracting new suppliers. For this purpose, we prepared a list of over 540 essential items sought from suppliers for medium-term delivery and placed them on the MoEnCo's website for potential suppliers. Effective management is one of tools of resolving supply shortages, so we also focused on more training on the current challenges. In 2021, MoEnCo's Procurement Department participated in two workshops which discussed cross-border supply chain and trade matters essential for overcoming the COVID-19 supply shocks:

- seven people including the Khushuut mine procurement managers and accounting team took part in the 5-days training organized by the Mongolian Customs General Administration on international trade codification, operational and financial consequences caused by COVID-19, planning and inventory placement challenges, ways to address them;
- three MoEnCo's procurement managers attended 3-days seminar held by the Market Research Institute which discussed procedures and problems faced in organizing tenders and award selection and ways to overcome them.

From 2020, MoEnCo started entering into so-called "master supply agreements" with existing long-term suppliers whose performance for the past years was good. MoEnCo believes that such longer term supply agreements (i) make the schedule of supply more efficient and improve the camp supply logistics, (ii) improve the product safety through better selection, (iii) reduce the cash handling and, overall, (iv) maintain our existing long-term productive supplier relationships. As of first quarter of 2022, there were 25 trusted long-term suppliers which made such master supply agreements with us.

PRODUCT RESPONSIBILITY

The Group sells coking coal, thermal coal and raw coal while coking coal is the main commodity for our target customers in Xinjiang, PRC. We understand the importance of product quality and customers' satisfaction; hence, we have always adhered to the philosophy of providing customer with products of good coal quality, and meeting the needs and demands of our customers to their satisfaction.

The Group has well established coal quality assurance and control system. We carry out quality management throughout the whole of our business process from production to after-sales.

Our mine team takes the lead role in the production process in compliance with the relevant laws in Mongolia while our coal quality department assures that we have strictly complied with the laws and regulations of the host countries and other applicable laws and regulations and requirements. During the reporting period, it did not come to our knowledge that our products have any health and safety issues or in violation of the relevant applicable laws.

Sampling and testing will be conducted subsequent to the arrival of coking coal in our customer's site. Our coal quality department will take coking coal samples each day and/or every ten vehicles for coal testing including but not limited to G-value, moisture contents, ash level, volatile matters, water testing, Y-value, etc. The unit price will be fluctuated according to the test result but within a range as stipulated in the sales contract. In general, it is not necessary for us to recall.

There is a standard procedure to follow in case our coal products are reported with quality defects, variations or dissatisfaction. When this happens, our coal quality department and sales department will immediately communicate with the customer and obtain information in details in relation to the quality issue concerned. Our representative will then collect coal samples on site for laboratory test. Depending on situations and cases, an independent testing institution will be engaged to carry out sampling, analytical and testing tasks. Our coal quality department and the respective sales will base on the internal guidelines keep to follow up the issues and keep the management and the respective customers updated until the problems are satisfactorily solved.

As we have stringent quality assurance procedures, from production to after sales, during the Financial Year, none of our coal sold or shipped had been subject to recall for safety and health reasons and no complaints on our coal quality had been received.

In relation to customers' privacy, we have committed to maintain highest standard of business ethics. We have clear practice instructions in the handling and protection of the sensitive commercial information and information provided by customers in our business transactions. We assure that all commercial contracts are private and confidential. Only the handling officer, related officers and management are permitted to have access to such information. All of these related officers are required to sign the mandatory confidential agreement.

ANTI-CORRUPTION MEASURES

The Group is committed to complying with all laws and regulations of the host countries against corruption and unfair business. Our overseas companies take extra measures, if necessary, to prevent bribery wherever we do business. We uphold a high standard on promoting anti-corruption requiring all its employees and directors to maintain impeccable business ethics. The Group works for preventing, detecting and reporting all types of fraud.

MEC's Audit Committee has responsibility to review and raise concerns about possible improprieties in financial reporting, internal controls and other matters. No incidents regarding bribery, corruption or unethical behavior were recorded or identified in the Financial Year.

MEC has a whistleblowing policy which is written in its internal regulations. This policy aims to provide a formal channel for our employees and stakeholders to report concerns about any suspected misconduct, malpractice or irregularity. This policy is intended to protect the whistleblower to report its concerns without fear of victimization, subsequent discrimination or disadvantage.

Mongolia has adopted the Anti-corruption Law in 2006, National Anti-Corruption Strategy in 2016 and its implementation Action Plan in 2017. According to OECD, "while awareness of corruption as well as its intolerance has increased in the society, Mongolia should do more to increase the trust and get the citizens on board of anti-corruption reforms". MoEnCo's approach to anti-corruption and ethical business conduct is outlined in its internal regulations which, among other matters, identifies our obligations, as a company, to comply with all applicable laws and to avoid and report bribery and corruption cases.

SOCIAL (CONTINUED)

MoEnCo ensures anti-corruption approach and prevention of nepotism through:

- due diligence of potential employees, contractors and suppliers;
- effective communication channels between the management and all staff including those working at Khushuut camp;
- dedicated assessment of bidders and their tender proposals offering their services to MoEnCo; and
- inclusion of anti-bribery provisions in the employment contracts with all MoEnCo workers and managers.

The Group ensures that all of its operations and interactions are conducted in an ethical, honest, and accountable manner and in accordance with all applicable laws and regulations. With thousands of workers, suppliers and contractors, the Group strives to ensure that not only is corruption contrary to our values and responsibility, it may also erode our ties with the communities where we operate. We expect all employees to identify and raise concerns about unethical business conduct, including potential bribery or corruption issues. The Group maintain strong anti-retaliation policy for those would raise concerns timely and in good faith.

The Group believes that transparency and reporting is a proper tool to ethical business conduct pursuant to the relevant laws and regulations as well as its own policies. The Group regularly reports its operations, revenues, taxes, environmental performance and social issues through several channels:

- the website of the Group and the HKEx;
- Mineral Resources and Petroleum Authority of Mongolia, MET of Mongolia;
- Khovd province Government;
- MoEnCo's website (<http://moenco.mn>);
- Extractive Industries Transparency Initiative (www.eitimongolia.mn).



COMMUNITY



COMMUNITY (CONTINUED)

INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY

Over the past five years of 2017-2021, MoEnCo got listed in the “Mongolia’s Top-100 Companies” list compiled by the Mongolian National Chamber of Commerce and Industry. The nominations reflect our effort and contributions to job creation in a remote rural area and our annual contribution to the local communities, among other criteria. The Company considers these nominations as a fair assessment of MoEnCo’s contribution to the regional economy and well-being of the local people.

MoEnCo invests into the economy and makes contributions to the communities of the region through various channels and at several levels where the key channels have been:

Local infrastructure development

Since commissioning of the MoEnCo’s Khushuut road in 2011, the regional border activities have become more active and prosperous as local people are now carrying on their businesses along the Khushuut road. It is the only hard-covered road within three neighboring rural districts stretching westward from our Khushuut coal mine to Bulgan border point on the Mongolian side, and Takeshenken border on the PRC side. With our road in service, local residents in Khovd province are given the opportunity to use the asphalted road, without any fees or tolls. Moreover, Khushuut road, located in the arid lands in extreme continental climate and used for heavy duty transportation, required much maintenance throughout the year (snow, ice, sand removal, natural sludge clearing, repairs, upgrades, replacement of road signs, etc.), thus, creating a substantial number of local jobs.

Moreover, through the Khushuut Development Fund the MoEnCo’s funding was used to build or repair local bridges, laying 1.1 km long paved road in Tsetseg soum center, construction or renovation of a kindergarten and hospital buildings, soum heating facility and other infrastructure development works. The 2021-2024 Cooperation Agreement, signed with the Khovd province government, contemplates to build a 1.5 km paved road connecting Khushuut bag center with Tsetseg soum during the term of this Agreement.

Creating local employment

Fulfilling its obligation stated in the Cooperation Agreements with the Khove province, MoEnCo recruited 70-80 percent of the total workforce from Khovd province in the past years. In the 2021-2024 Cooperation Agreement with Khovd government, we also pledged to increase job opportunities for local citizens and support businesses in Khovd. In 2021, over 80 percent of MoEnCo’s employees were Khovd residents. As a member of MoEnCo family, residents of Tsetseg, Darvi, Uyench and other districts of Khovd province are similar to all our employees, they undergo regular full medical checkups and have their social security and health insurance premiums paid by MoEnCo. Moreover, they get on-job training and enjoy the active social life at the camp.

MoEnCo's annual land rehabilitation and landscaping works, trash and sewage removal, the Khushuut road repairs and maintenance works engaged only local residents and businesses. Furthermore, all the construction, repairs, landscaping and other types of public works financed by the Khushuut Development Fund also has been providing jobs for many local citizens.

		%
Khushuut road workers	local Khovd residents	89.6
Landscaping contractors hired	local Khovd residents	100
Procured coal transportation companies	Khovd registered	100
Trash and sewage removal businesses contracted	Khovd registered	100

Prioritizing local procurement

Significant support to the local economy comes from MoEnCo's procurement of goods and services. In order to support and strengthen local small and medium sized businesses, local companies in Khovd which meet our procurement requirements are given preference to be our suppliers of petroleum products, water, foodstuff, work uniforms, various services including coal export transportation, and so on. MoEnCo mandatorily includes in its subcontracting agreements with its contractors and suppliers, for example, transportation companies or construction contractors, that they hire the majority of their personnel locally under legitimate labour contracts that meet all legal requirements and with the provisions of compulsory government social and health insurances.

	2018	2019	2020	2021
No. of contractors and suppliers	149	198	252	261
of which No. of local suppliers and contractors (individuals and businesses)	92	135	113	103

In 2021, total purchases of goods and services from local businesses and individuals amounted to MNT 125.62 billion (approximately HK\$334,300,236.85) which made up 84% of the total procurement. MoEnCo hired only local transportation companies for exporting coal to foreign buyers. For this purpose, we recruited 26 Khovd transportation companies and paid MNT 53.96 billion (approximately HK\$143,598,477.79) as coal transportation service fees.

	2017	2018	2019	2020	2021
Amount of locally purchased goods and services (including coal transportation)	MNT 35.7 billion (HK\$117.3 million)	MNT 47.8 billion (HK\$144.5 million)	MNT 123.7 billion (HK\$366.2 million)	MNT 76.1 billion (HK\$207.5 million)	MNT 125.6 billion (HK\$334.3 million)
of which, percentage of the total procurement	49%	68%	70.9%	59%	84%

COMMUNITY (CONTINUED)

The COVID-19 outbreak response in China and Mongolia with their severe mobility restrictions, border closure and quarantine measures caused much disruption in the supply chain routes existing between the mine and Xinjiang Washing Plant in China and between their respective domestic suppliers, service providers and buyers. For example, MoEnCo had to extend great efforts to maintain the existing contractors and suppliers or swiftly finding new ones, and made tough decisions to perform its contractual obligations, prevent any shortage of material resources for operations (petrol, for instance, has to be transported to Khushuut from remote areas of Mongolia) and provide sufficient stock of new products (industrial and personal-use sanitizers, various types of personal protective equipment, etc.) at the camp. Under the impact of the government-imposed travel bans and the demand for promptness and cost optimization, in 2020 the percentage of Khovd purchased goods and services within MoEnCo's total procurement declined to 59 percent. But in 2021, the Company's effective management of the COVID-19 related hardships and cross-border restriction in both PRC and Mongolia led to MoEnCo's procurement surpassing the pre-COVID-19 level and the share of local procurement reaching 84 percent despite the continuing COVID-19 regime.

More focus on community engagement

MoEnCo's community oriented actions get realized in various forms. For instance, in addition to (i) annual contribution to the Khushuut Development Fund, MoEnCo realizes (ii) free and discounted coal distribution program and (iii) in-kind services to local residents, (iv) provides donations and (v) organizes or sponsors local events. With advancement of MoEnCo's operations in Khovd province and strengthening of our role in the area, the Company decides to develop and implement sustainable development projects in the MoEnCo's impacted soums, namely, Tsetseg, Darvi, Altai, Bulgan and Uyench. Funding for these projects shall be in addition to our disbursements to Khushuut Development Fund. We envision that these projects shall be aimed at (i) supporting the local economy, (ii) empowering human resources, (iii) environmental protection and (iv) improvement of the local supply chains and procurement. In 2021, MoEnCo prepared an initial outline of this new social program and had the program included in the 2021-2024 Cooperation Agreement with Khovd province Government. As of early 2022, we are in the process of studying the local needs and collecting initiatives and comments from the communities, and we plan that selection, awarding and reporting on our social projects shall be an open, transparent and inclusive process.

Local Cooperation Agreements

Performing its obligations of a mining license holder, MoEnCo entered into three cooperation agreements, the 2014-2016, the 2017-2020 and the 2021-2024 with Khovd province Government.

The 2021-2024 Cooperation Agreement was entered in November 2021, is based on the principles of mutual respect of interests and aims of MoEnCo and of the province Government, non-interference and equal treatment as with any private business operating in the province. In the agreement, MoEnCo took upon itself wide range of obligations pertaining to the environmental conservation and to investing more into the local infrastructure. Fulfilling our duty specified in this agreement, we shall make no less than 70 percent of Khushuut jobs available to the Khovd province residents, and similarly, the locally registered suppliers and service providers shall be given preference in MoEnCo's contract awards. Since the task of relocating Khushuut village away from the mine location and providing better living conditions to the villagers was successfully completed in 2019-2020, MoEnCo shall direct its outreach to the herding households of nearby bags. So, several plans have been consented and specified in this agreement pertaining to the livelihoods of herders, among many other plans aimed at the local communities.

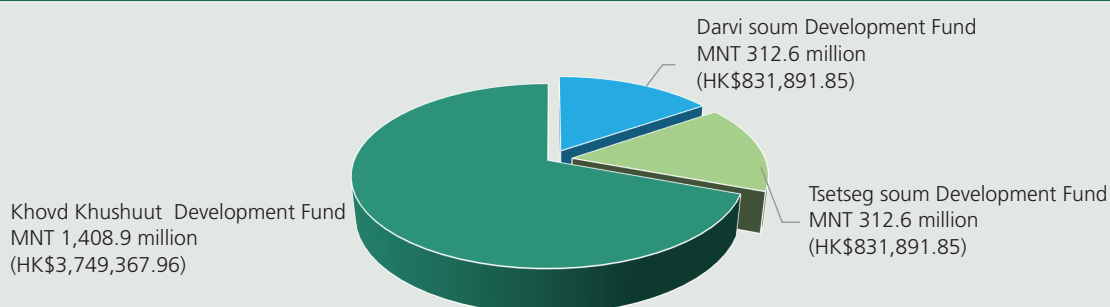
KHUSHUUT DEVELOPMENT FUND

MoEnCo established the Khushuut Development Fund jointly with the Khovd Government under the 2017-2020 Cooperation Agreement with Khovd province Government. The fund consists of (i) provincial Khovd Khushuut Development Fund, (ii) Tsetseg soum Development Fund and (iii) Darvi soum Development Fund, and operates under its regulation approved by Khovd Governor while the latter two Funds receive funding from MoEnCo for local projects. The Fund's annual plans and reports are approved by the Khovd province citizen's Khural (provincial assembly) and by soum Khurals respectively.

In 2021, MoEnCo contributed approximately 2,034.18 million togrogs (approximately HK\$5,413,364.56) to Khovd Development Fund.

	2014-2020	2018	2019	2020	2021
MoEnCo's contribution to Khushuut Development Fund	MNT 7,949.63 million (HK\$21.68 million)	MNT 1,604.93 million (HK\$4.85 million)	MNT 2,146.1 million (HK\$6.35 million)	MNT 1,598.8 million (HK\$4.36 million)	MNT 2,034.18 million (HK\$5.41 million)

MoEnCo's funding to the Khushuut Development Fund



In 2021, the Khushuut Development Fund disbursed its financing for various public projects including: (i) in the province health sector: two soum hospitals received funding for new medical equipment and building repairs; (ii) for infrastructure development: with financing from the fund, six soums realized a number of construction, maintenance and repair projects on their roads, stadium, kindergarten, heating facility, electricity plants, IT and seismic equipment, and so on; and (iii) for organization of various events aimed at public emergency preparedness, province youth development, etc.

COMMUNITY (CONTINUED)

DONATION AND SUPPORT

In addition to funding allocated to the Khushuut Development Fund, MoEnCo promoted the local development through donations, free coal distribution, in-kind services, and many other forms.

In-kind services

MoEnCo's health center at the mine site provides free outpatient medical care and emergency services for the local people in three nearby soums and people working along our Khushuut road and at the Bulgan border port.

We extend our environmental safeguarding beyond our mining lands. At request of soum administrations, each year MoEnCo invests into restoration and conservation of local natural and cultural sites. In 2010, MoEnCo contracted a field research team of the Mongolian Academy of Sciences to conduct archeological survey and excavations in the lands around Khushuut mine. The team registered a total of 114 natural and cultural monuments on the territories of Darvi and Tsetseg soums. Now we safeguard these distant burials, ruins and monuments through some conservation works, keeping their registry and placing direction signs, safety warnings and information boards. In 2021, we did maintenance at four cultural sites and updated their registry in MoEnCo's database.

Another example of our service to the community is support to local vegetable growers. Overall, MoEnCo's environmental team and its contractors rehabilitated or fenced against grazing animals and commissioned hundreds of hectares of land under the Corresponding Protection program in 2016-2018. In 2018, 36 households and two local companies used these land parcels for vegetable growing. But as of 2021, 47 households and two enterprises now grow and supply to market 17 types of products, thus, having an additional sustainable source of income other than livestock grazing.

Donation

MoEnCo's additional donations (i.e. in addition to the funds paid to the Development Fund) are usually necessitated by an emergency, either due to weather or medical conditions. In the past, for example, MoEnCo donated animal feed to some local herders and families of some of our site workers during harsh winter or drought in the spring as well as for community emergency preparedness, or offered various gifts and free coal vouchers to some local seniors and MoEnCo retirees. Supporting the Khovd people during the COVID-19 epidemic of 2021, MoEnCo donated to Emergency Commissions of Bulgan, Tsetseg, Uyenich and Darvi soums, Khovd province Emergency Commission and Khovd Communicable Disease Research Center over 18,000 pieces of face masks, various disposables and disinfectants, test kits as well as 1000 litres of fuel, with total value of MNT 58 million (HK\$154,349.74).

Free and discounted coal distribution

MoEnCo distributes free or significantly discounted coal for the local community households and small businesses and/or at occasional request of Khovd Governor's Office to help to overcome harsh winters of Mongolia.

	2018	2019	2020	2021
Tonnes of coal distributed free of charge	93	537	342	640.7
Tonnes of discounted coal sold	18,062.3	55,623	51,112	60,669
No. of local households, social organizations or companies which received discounted coal	3,470	4,124	8,027	8,337
No. of recipients of free coal	33	36	37	47

In 2021, most of our free coal was donated to Jarglan soum vulnerable households whose livelihoods were deteriorated due to long COVID-19 quarantine period. Also, MoEnCo retirees and other elderly people of Khushuut bag received MoEnCo's annual coal donations.

COMMUNITY COMMITMENT

Khushuut village of 650 residents in 174 households had been next to the Khushuut mine site since 1973. With planned expansion of MoEnCo's mining operations the proximity of the village to the open pit mining activities became even closer. Therefore, upon extensive discussions with governments of Khovd province and relevant soums in 2017-2020 and with their endorsement, MoEnCo carried a relocation of the village to a more suitable location 20 km away from the mine in 2019-2020. For the relocation program, MoEnCo organized and funded the following:

- Relevant surveys and prospecting of land and water for the new bag location conducted in 2016-2018.
- Planning and construction of the entire village for over 400 residents including residential and public buildings and utilities services infrastructure including a cultural center with 100 seats capacity, a fully equipped and modern kindergarten building, a village heating plant, village water supply facility, sewage treatment plant, individual houses and so on, completed in 2019-2020 with some construction works going on through 2021.
- The relocation of 174 households and allowance for each family to settle down comfortably in the new village that was completed in 2019-2020.
- Land clearing at the old location performed in 2019-2020.
- Compensation for those households who had to leave landed property and residential structures at the old Khushuut location. This Phase 2 of the Relocation Program involved winter camps of local herders and included the following:
 - A joint working group was set up with soum and bag authorities and representative of the Khushuut Development Fund, met with each herding household (a total of 70 households hold land lots for winter and spring camps in the vicinity of Khushuut mine) and took their suggestions.
 - We hired a local property appraisal company to assess units of property belonging to the neighbouring 70 herding families, for compensation.
 - Based on the appraisal, 24 herding households received MNT 209 million (HK\$556,191.29) as compensation and for relocation in 2021 with more arrangements planned for 2022.



HKEX ESG REPORTING GUIDE INDEX



Subject Areas, Aspects, General Disclosures and KPIs

Sections for Disclosure

A. Environmental

Aspect A1: Emissions

General Disclosure

Information on:

(a) the policies; and

- ENVIRONMENTAL POLICY AND MANAGEMENT
- AIR EMISSIONS MONITORING
- DUST REDUCTION EFFORTS AT KHUSHUUT MINE
- SOIL QUALITY MONITORING
- REHABILITATION OF MINE DISTURBED AREAS
- WASTE MANAGEMENT
- VEHICLES EMISSIONS CONTROL
- ENVIRONMENTAL PERFORMANCE

(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

- ENVIRONMENTAL COMPLIANCE AND REPORTING
- SOIL QUALITY MONITORING
- WASTE MANAGEMENT
- VEHICLES EMISSIONS CONTROL
- ENVIRONMENTAL PERFORMANCE

KPI A1.1

The types of emissions and respective emissions data.

- AIR EMISSIONS MONITORING
- DUST REDUCTION EFFORTS AT KHUSHUUT MINE
- WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS

KPI A1.2

Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

- AIR EMISSIONS MONITORING
- WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS

KPI A1.3

Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

- WASTE MANAGEMENT
- WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS

KPI A1.4

Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

- WASTE MANAGEMENT
- WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS

HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> AIR EMISSIONS MONITORING DUST REDUCTION EFFORTS AT KHUSHUUT MINE WASTE MANAGEMENT VEHICLES EMISSIONS CONTROL ENVIRONMENTAL PERFORMANCE
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> SOIL QUALITY MONITORING WATER USE MANAGEMENT AND QUALITY MONITORING WASTE MANAGEMENT WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS ENVIRONMENTAL PERFORMANCE
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	<ul style="list-style-type: none"> WATER USE MANAGEMENT AND QUALITY MONITORING ENVIRONMENTAL PERFORMANCE
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> ENERGY CONSUMPTION WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	<ul style="list-style-type: none"> WATER USE MANAGEMENT AND QUALITY MONITORING WASTE DISPOSAL AND ENERGY CONSUMPTION IN THE PRODUCTION PROCESS
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> ENERGY CONSUMPTION ENVIRONMENTAL PERFORMANCE
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	<ul style="list-style-type: none"> WATER USE MANAGEMENT AND QUALITY MONITORING ENVIRONMENTAL PERFORMANCE
KPI A2.5	Total packaging material used for finished product (in tonnes) and, if applicable, with reference to per unit produced.	<ul style="list-style-type: none"> N/A

Subject Areas, Aspects, General Disclosures and KPIs

Sections for Disclosure

Aspect A3: The Environment and Natural Resources

General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	<ul style="list-style-type: none"> • SOIL QUALITY MONITORING • REHABILITATION OF MINE DISTURBED AREAS • CORRESPONDING PROTECTION PROGRAM
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	<ul style="list-style-type: none"> • SOIL QUALITY MONITORING • REHABILITATION OF MINE DISTURBED AREAS • CORRESPONDING PROTECTION PROGRAM • WATER USE MANAGEMENT AND QUALITY MONITORING

Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	<ul style="list-style-type: none"> • MEASURES TO REDUCE GREENHOUSE GAS EMISSIONS • MoEnCo JOINING THE NATIONAL "BILLION TREES" MOVEMENT • LAUNCH OF THE LONG-TERM GLACIERS STUDY PROGRAM
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	<ul style="list-style-type: none"> • MEASURES TO REDUCE GREENHOUSE GAS EMISSIONS • MoEnCo JOINING THE NATIONAL "BILLION TREES" MOVEMENT • LAUNCH OF THE LONG-TERM GLACIERS STUDY PROGRAM

B. Social

Employment and Labour Practices

Aspect B1: Employment

General Disclosure	Information on:	
	(a) the policies; and	<ul style="list-style-type: none"> • EMPLOYMENT PRACTICE, WELFARE AND BENEFITS • OCCUPATIONAL SAFETY
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	<ul style="list-style-type: none"> • EMPLOYMENT PRACTICE, WELFARE AND BENEFITS • MoEnCo's TRAINING AND DEVELOPMENT PROGRAM

HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Sections for Disclosure	
KPI B1.1 Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	<ul style="list-style-type: none"> • EMPLOYMENT PRACTICE, WELFARE AND BENEFITS 	
KPI B1.2 Employee turnover rate by gender, age group and geographical region.	<ul style="list-style-type: none"> • EMPLOYMENT PRACTICE, WELFARE AND BENEFITS 	
Aspect B2: Health and Safety		
General Disclosure	<p data-bbox="453 709 702 737">Information on</p> <p data-bbox="453 743 702 771">(a) the policies; and</p> <ul data-bbox="833 743 1410 1015" style="list-style-type: none"> • OCCUPATIONAL SAFETY • EMERGENCY RESPONSE PROGRAM • COVID-19 PREVENTION AND RESPONSE • EMERGENCY RESPONSE PROGRAM • HEALTH SERVICES FOR OUR WORKERS AND COMMUNITY • COVID-19 PREVENTION AND RESPONSE • NOISE CONTROL AND REDUCTION MEASURES <p data-bbox="453 1058 805 1360">(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.</p> <ul data-bbox="833 1058 1410 1330" style="list-style-type: none"> • EMPLOYMENT PRACTICE, WELFARE AND BENEFITS • OCCUPATIONAL SAFETY • EMERGENCY RESPONSE PROGRAM • HEALTH SERVICES FOR OUR WORKERS AND COMMUNITY • COVID-19 PREVENTION AND RESPONSE • NOISE CONTROL AND REDUCTION MEASURES 	
KPI B2.1	<p data-bbox="453 1403 805 1539">Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p>	<ul style="list-style-type: none"> • OCCUPATIONAL SAFETY
KPI B2.2	<p data-bbox="453 1576 762 1604">Lost days due to work injury.</p>	<ul style="list-style-type: none"> • OCCUPATIONAL SAFETY
KPI B2.3	<p data-bbox="453 1647 805 1783">Description of occupational health and safety measures adopted, and how they are implemented and monitored.</p>	<ul style="list-style-type: none"> • MoEnCo'S TRAINING AND DEVELOPMENT PROGRAM • OCCUPATIONAL SAFETY • EMERGENCY RESPONSE PROGRAM • HEALTH SERVICES FOR OUR WORKERS AND COMMUNITY • NOISE CONTROL AND REDUCTION MEASURES • Maintaining a modern and safe mine camp

Subject Areas, Aspects, General Disclosures and KPIs

Sections for Disclosure

Aspect B3: Development and Training

General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	<ul style="list-style-type: none">• MoEnCo's TRAINING AND DEVELOPMENT PROGRAM
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<ul style="list-style-type: none">• MoEnCo's TRAINING AND DEVELOPMENT PROGRAM• SUPPLY CHAIN MANAGEMENT
KPI B3.2	The average training hours completed per employee by gender and employee category.	<ul style="list-style-type: none">• MoEnCo's TRAINING AND DEVELOPMENT PROGRAM

Aspect B4: Labour Standards

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<ul style="list-style-type: none">• EMPLOYMENT PRACTICE, WELFARE AND BENEFITS• EMPLOYMENT PRACTICE, WELFARE AND BENEFITS
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	<ul style="list-style-type: none">• EMPLOYMENT PRACTICE, WELFARE AND BENEFITS
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	<ul style="list-style-type: none">• EMPLOYMENT PRACTICE, WELFARE AND BENEFITS

HKEX ESG REPORTING GUIDE INDEX (CONTINUED)

Subject Areas, Aspects, General Disclosures and KPIs	Sections for Disclosure
Operating Practices	
Aspect B5: Supply Chain Management	
General Disclosure	<p>Policies on managing environmental and social risks of the supply chain.</p> <ul style="list-style-type: none"> SUPPLY CHAIN MANAGEMENT
KPI B5.1	<p>Number of suppliers by geographical region.</p> <ul style="list-style-type: none"> INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY
KPI B5.2	<p>Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.</p> <ul style="list-style-type: none"> SUPPLY CHAIN MANAGEMENT INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY
KPI B5.3	<p>Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.</p> <ul style="list-style-type: none"> SUPPLY CHAIN MANAGEMENT
KPI B5.4	<p>Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.</p> <ul style="list-style-type: none"> SUPPLY CHAIN MANAGEMENT
Aspect B6: Product Responsibility	
General Disclosure	<p>Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. <ul style="list-style-type: none"> PRODUCT RESPONSIBILITY PRODUCT RESPONSIBILITY

Subject Areas, Aspects, General Disclosures and KPIs		Sections for Disclosure
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<ul style="list-style-type: none"> PRODUCT RESPONSIBILITY
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	<ul style="list-style-type: none"> PRODUCT RESPONSIBILITY
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	<ul style="list-style-type: none"> N/A
KPI B6.4	Description of quality assurance process and recall procedures.	<ul style="list-style-type: none"> PRODUCT RESPONSIBILITY
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	<ul style="list-style-type: none"> PRODUCT RESPONSIBILITY
Aspect B7: Anticorruption		
General Disclosure	Information on <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	<ul style="list-style-type: none"> ANITI-CORRUPTION MEASURES ANITI-CORRUPTION MEASURES
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	<ul style="list-style-type: none"> ANITI-CORRUPTION MEASURES
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	<ul style="list-style-type: none"> ANITI-CORRUPTION MEASURES
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<ul style="list-style-type: none"> ANITI-CORRUPTION MEASURES

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Subject Areas, Aspects, General Disclosures and KPIs	Sections for Disclosure
Community	
Aspect B8: Community Investment	
General Disclosure	<p>Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p> <ul style="list-style-type: none"> • CORRESPONDING PROTECTION PROGRAM • OCCUPATIONAL SAFETY • EMERGENCY RESPONSE PROGRAM • HEALTH SERVICES FOR OUR WORKERS AND COMMUNITY • INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY • LOCAL COOPERATION AGREEMENTS • COMMUNITY COMMITMENT
KPI B8.1	<p>Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <ul style="list-style-type: none"> • INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY • KHUSHUUT DEVELOPMENT FUND • DONATION AND SUPPORT
KPI B8.2	<p>Resources contributed (e.g. money or time) to the focus area.</p> <ul style="list-style-type: none"> • INVESTMENT AND CONTRIBUTION TO THE COMMUNITY AND ITS ECONOMY • KHUSHUUT DEVELOPMENT FUND • DONATION AND SUPPORT

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