

2022



**ENVIRONMENTAL, SOCIAL,  
AND GOVERNANCE REPORT**



## DISCLAIMER

This disclaimer is intended to clarify the scope and limitations of the Environmental, Social, and Governance (ESG) report produced by Central Express CVS JSC. The ESG report provides information on our company's efforts and performance related to environmental sustainability, social responsibility, and corporate governance practices. However, it is important to understand the following:

1. **General Nature of the Report:** The ESG report is prepared solely for informational purposes and does not constitute financial, legal, or investment advice.
2. **Accuracy of Information:** While we strive to provide accurate and up-to-date information in our ESG report, it may contain certain assumptions, estimates, projections, and forward-looking statements.
3. **Limited Scope:** The ESG report focuses on specific aspects of our company's ESG practices and does not provide a comprehensive assessment of all our operations or activities.
4. **External Factors:** Our ESG performance may be influenced by various external factors, including regulatory changes, market conditions, and global events. The report may not reflect the full impact of these factors on our ESG performance.
5. **Future Performance:** This ESG report may include statements about future ESG goals, targets, or aspirations. These statements should not be interpreted as guarantees of future performance or outcomes.
6. **Reliance and Liability:** While we make reasonable efforts to ensure the accuracy of our ESG report, we disclaim any responsibility or liability for any errors, omissions, or inaccuracies in the report or for any actions taken based on its content.

By accessing or using our ESG report, you agree to the terms and limitations outlined in this disclaimer. If you do not agree with any part of this disclaimer, please refrain from using the report.

For further inquiries or clarification regarding our ESG practices or this disclaimer, please contact at [info@cumongol.mn](mailto:info@cumongol.mn) and [bolortuya.b@cumongol.mn](mailto:bolortuya.b@cumongol.mn).

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## **SUSTAINABILITY MANAGEMENT SYSTEM ASSESSMENT**

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Sustainability policy and procedures  
Governance structure  
Materiality assessment  
Organizational capacity  
Monitoring  
Reporting and verification  
Membership and partnership

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## SECTOR SPECIFIC INDICATORS

Agriculture & food production  
Manufacturing



## GREETINGS

On behalf of the management team and staff at Central Express CVS LC, I'm pleased to share our 2022 ESG report with you.

At the core of CU's business strategy is the concept of "Shared Value". It is a fundamental principle that influences all our decisions and guides all our actions. In 2022, driven by this vision, we experienced a year of immense growth, we continued to create more jobs, we supported the business success of our suppliers, and we increased the accessibility of safe, high-quality food and services for the urban population.

"Shared Value" drove us to strengthen our governance practices to ensure we operate with integrity, accountability, and transparency. We invested in people, processes, and systems



that ensure ethical behavior across the organization. We also made it a priority to develop ourselves as a socially conscious company. One of the highlights for 2022 was the implementation of HACCP (Hazard Analysis Critical Control Point) Management System in our food production center. Of equal importance, we also trained and helped our suppliers to adopt this crucial food safety control ethos and system. In 2022, CU continued to introduce new urban solutions, quality services, and enhanced standards of convenience to the market. Our goal is simple : to improve the overall quality of urban life in Mongolia.

As a result of these concerted efforts, we have been able to lay the foundation for a sustainable future, and for strengthened relationships with our customers, suppliers, and employees. Based on this foundation, we are now ready to start a new chapter in our company's development, one with "ESG" written in bold. We know we have much more to achieve, we are confident that we will do so.

Our 2022 ESG report gives you a glimpse into who we are as a company and where we stand. We are fully cognizant of the impact our operations can have on the environment and on the well-being of our society. We take our responsibilities seriously and remain committed to delivering long-term value for our stakeholders. Moving forward, we plan to continue our robust risk management efforts, to invest in people and resources, to find the most efficient ways to do business, and to promote sustainable and low-carbon practices across our value chain. We commit ourselves to drive positive and meaningful change for our world and its people.

It is with excitement that I invite you to join us in our efforts towards sustainability. Together, we can make a positive impact and increase our "Shared Value" for all.

**I SINCERELY  
THANK YOU  
FOR YOUR  
CONTINUED  
SUPPORT.**

**Gary Stephen Biondo**

Director of the ESG Committee of the Board of Directors

The Environmental, Social, and Governance (ESG) report was developed by “Antifragile” LLC by providing external assurance and further recommendations on the request and partnership of Central Express CVS JSC during the period from March 12 to April 11, 2023. As a listed company on the Mongolian Stock Exchange (MSE), following the MSE’s guidelines on public information for issuers, this is the second year of publishing their ESG Issues and Impacts to its shareholders, customers, partners, and the general public.

## INTRODUCTION

In preparing the report, the consultant team has used the “ESG & Sustainability reporting guidance for Mongolian companies” developed through the partnership between the Financial Regulatory Commission (FRC), the Mongolian Stock Exchange (MSE), the Mongolian Sustainable Finance Association (MSFA), the International Finance Corporation (IFC), the International Network of Financial Centres for Sustainability (FC4S), the United Nations Environment Program (UNEP), the United Nations Development Programme (UNDP) Country Office, and the United Nations Resident Mission in Mongolia, and other internationally recognized reporting standards and guidelines when collecting, analyzing, and verifying necessary ESG data points and associated recommendations for further improvement.

This report covers the operations of Central Express CVS JSC and its subsidiaries Central Foods LLC and Central Commerce LLC through the year 2022 and includes historical data where applicable.

The following issues were analyzed and included in the context of this ESG and sustainability report.

### Sustainability Management System

- MS1 Management commitment
- MS2 Sustainability strategy/policy and procedures
- MS3 Governance structure
- MS4 Materiality assessment
- MS5 Capacity building
- MS6 Monitoring
- MS7 Sustainability reporting and verification
- MS8 Memberships

### ENVIRONMENT

- E1 Energy
- E2 Greenhouse gas emissions
- E3 Climate change
- E4 Water
- E5 Waste
- E6 Biodiversity



The consultant team commends the company for developing the ESG and sustainability report that complies with the relevant international standards and discloses it openly to its stakeholders. It is believed that the company is contributing to the stable growth of the capital market in Mongolia and long-term value creation in the trade and food industry by leading and preaching other market players and listed companies to introduce good governance and sustainability practices in their day-to-day operations. And lastly, many opportunities for growth have been observed for the company when emerging this report, and it can be realized through regularly enriching the ESG report and disseminating it throughout the public and by correcting and improving the identified incompliances in the ESG over the years, the company will not only lead the industry but also increase the confidence of domestic and international investors, creating direct and indirect values for the society.

The readers of this report and stakeholders of the company may contact the consultant team for further clarifications through the following contacts.

Oyungerel Munkhbat, [oyungerel@airee.mn](mailto:oyungerel@airee.mn)

Nandin-Erdene Enkhtuvshin, [nandinerdene.enkhtuvshin@gmail.com](mailto:nandinerdene.enkhtuvshin@gmail.com)



# METHODOLOGY

## Data collection and verification

This ESG report is developed based on the data collected and verified through the following ways.



### Site visit

10 convenience stores  
Food production center, cold chain distribution center  
Distribution center

### Stakeholder survey

This includes the following stakeholders: Board members, high level executives, shareholders, staff at the office and branch stores, suppliers, public and private partners, and customers.

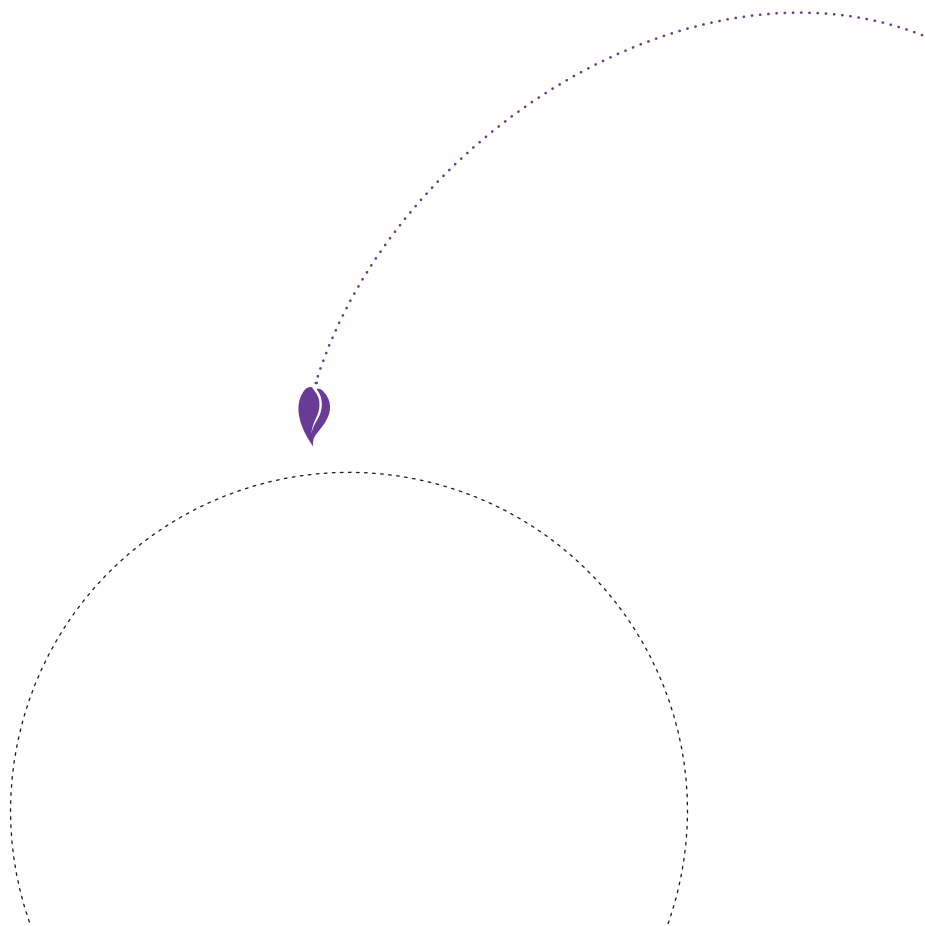
### Online due diligence

Complaints, claims, feedback publicly available online.

We developed the ESG report using data disclosed by the client, in accordance with the MSE ESG Reporting Guideline, and used the Global Reporting Initiative as guidance. We weren't able to collect some data due to the quality, inconsistency, or general lack thereof, we also put the mark n/a, which stands for Not Applicable. These shall serve as guidance for data collection in the future.

## Data analysis

The greenhouse gas calculation was developed using the 2006 National Inventory methodology by the Intergovernmental Panel on Climate Change, including its methodology and conversion and emission factors. The Japanese Joint Credit Mechanism emission factor calculation was used in calculations specific to the Mongolian grid system. This refers to the 797 gCO<sub>2</sub>e emissions per 1 kWh of energy produced.



## SUMMARY OF THE REPORT

1	Date	April 11, 2023
2	Name of issuer:	Central Express CVS JSC
3	Issuer code (MSE symbol):	CUMN
4	Sector/Industry (MSE classification):	Retail
5	Reporting boundary (legal entities/subsidiaries included in this report):	Central Express CVS, Central Foods LLC, Central Commerce LLC
6	Reporting period:	January 1, 2022 – December 31, 2022
7	Full name, job title, and contact information of the person responsible for this report:	Nominzul Ch., Financial Analyst at Central Express CVS JSC, Nominzul.ch@cumongol.mn
8	Full name, job title, and contact information of the CEO or Chairman of the Board:	Gary Biondo, Independent board member, Head of ESG Committee under the Board of Directors, Gary.b@cumongol.mn

Reference	Classification	Indicator	Description	Central Express CVS Unit for measuring for target indicator	Central Foods Unit for measuring for target indicator
MS	Sustainability management system indicators				
MS1.1	Sustainability management system	Senior Management commitment	Does your company have a sustainability commitment statement in place?	No	
MS2.1		Sustainability policy and procedures	Does your company have a sustainability policy with targets?	No	
MS2.2		Governance structure	Does your company have a set of sustainability procedures?	No	

				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
MS3.1		Governance structure	Does your company have dedicated committees that are entirely/partially responsible for sustainability?	Yes	
MS3.2		Governance structure	Does your company have a dedicated ESG/ sustainability director/s (full-time/part-time) at the board level?	Yes	
MS3.3		Governance structure	Does your company have a dedicated ESG/ sustainability manager/s (full-time/part-time) at the executive level?	No	
MS3.4		Governance structure	Does your company have a dedicated ESG/ sustainability officer (full-time/part-time) at the operational level?	No	
MS3.5		Governance structure	Does your company cover sustainability issues in board meetings as part of the official agenda on a regular basis?	Yes	
MS4.1		Materiality assessment	Does your company have materiality process, assessment and/or matrix, explaining how your company avoids, mitigates, or remediates negative impacts on the economy, environment, and society, and enhances positive ones?	No	
MS5.1		Organizational capacity	Annual average hours of sustainability training per employee (hr), by gender	0	0
MS6.1		Monitoring	Is sustainability included in the scope of the audit committee (and other relevant board committee) and internal control functions?	No	No
MS7.1		Sustainability reporting and verification	Does your company disclose a sustainability report (stand-alone/or integrated into the annual report) at least annually?	Yes	
MS7.2		Sustainability reporting and verification	Does the company prepare a TCFD-aligned climate disclosure?	No	
MS7.3		Sustainability reporting and verification	Are the sustainability data assured by an independent third party?	Yes	No

				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
MS8.1		Memberships	A number of sustainability associations, networks, and national or international advocacy organizations in which the company participates with a significant role including a business declaration on human rights.	No	
E	Environmental indicators				
E1.1	Energy	Total energy consumption	Total direct energy consumption and cost spent	133,972,214 kWh	E1.1
E1.2		Electricity	Total electricity consumption, cost spent, and reduction (year-to-year)	13,044,404 kWh	E1.2
E1.3		Heat	Total heat consumption, cost spent, and reduction (year-to-year)	435,337 GJ	E1.3
E1.4		Fuel	Total fuel consumption (coal, oil, gas etc.), cost spent, and reduction (year-to-year)	14 tn coal 299,955.6l diesel 66,450l LPG	
			Total fuel consumption for heating	14 tn coal 66,450l LPG	
			Total fuel consumption for transportation	299,955.6l diesel	
E1.5		Non-renewable energy	Share of non-renewable energy consumption	100%	100%
E1.6		Renewable energy	Share of renewable energy consumption	0%	0%
E2.1	GHG emissions	Emissions	Total Scope 1 and 2 emissions	109.253.9тн CO2e	
E2.2		Emissions reduction	Reduction of total Scope 1 + 2 GHG emissions (year to-year)	Cannot report (n/a)	

				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
E2.3		Carbon offsetting	Total carbon offset	N/a	N/a
E3.1	Climate change	Climate policy	Does your company have a stand-alone/integrated climate change policy?	No	No
E3.2		Climate risk and opportunity assessment	Did your company conduct a climate risk and opportunity assessment (scenario analysis, stress test etc.)?	No	No
E3.3		Economic loss	Total amount of economic loss faced due to climate related disasters and events	N/a	N/a
E3.4		Climate investment	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	N/a	N/a
E3.5		Prevention/Adaptation to climate change	Does your company have activities/steps to prevent and (if not preventable) adapt to the impact of climate change?	No	No
E4.1	Water	Water usage	Total amount of water withdrawn/used	31'467 m3	31'992 m3
E4.2		Water saved	Total amount of water saved due to conservation and efficiency improvements	N/a	No
E4.3		Water reuse	Percentage of water recycled and reused	0%	0%
E4.4		Water discharged	Total water discharged	0%	0%
E5.1	Waste (solid waste)	Waste discharged	Total amount of waste discharged	Cannot report (n/a)	
E5.2		Waste recycled	Waste recycling percentage	Cannot report (n/a)	
E5.3		Hazardous waste	Total amount of hazardous waste (including	100kg	

				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
E6.1	Biodiversity	Landscape planning, design greenery	Share of sustainably managed public space, or green space created as of total area	Cannot report (n/a)	13.60%
E6.2		Wild plants and animals	Number of species conserved	N/a	0
E6.3		Activities negatively affecting biodiversity sensitivity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity or cultural value	N/a	0%
S	Social indicators				
S1.1	Human capital development	Employee turnover	Year-over-year change of full-time employees	70%	72%
S1.2		Jobs created	Increase in the total number of full-time employees compared to the same period of the previous year	1,912	27
S1.3		Training	Annual average hours of training per employee	62	30.6
S2.1	Occupational health and safety	OHS policy	Does your company have an OHS Policy (standalone or integrated)?	Yes	Yes
S2.2		Incidents	The annual work-related injury rate	0%	0%
S2.3		OHS training	Annual average hours of OHS training per employee	5 hours	97.2
S2.4		Health programs	Percentage of employees covered by voluntary health programs such as medical checks	3,000 people	Regular medical checkups 80, preventative health examination 391, Helicobacterial test 68, early detection test 24
S3.1	Equal opportunity	Gender policy	Does your company have a Gender Policy (standalone or integrated)?	No	No
S3.2		Anti-sexual harassment policy	Does your company have an anti-sexual harassment policy (stand-alone/integrated)?	Yes	Yes
S3.3		Non-discrimination policy	Does your company have a non-discrimination policy (stand-alone/integrated)?	Yes	Yes
S3.4		Gender balance	Percentage of total employee headcount by men and women	Male-34% Female-66%	Male-20%, Female-80%



				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
S3.5		Board-level gender balance	Percentage of board-level positions held by men and women	Male-100%	n/a
S3.6		C-Level gender balance	Percentage of C-level positions held by men and women	Male-27% Female-73%	Male-75%, Female-25%
S3.7		Junior-level gender balance	Percentage of junior-level positions held by men and women	Male-37% Female-63%	Male-39%, Female-61%
S3.8		Gender pay gap	The ratio of average male salary to average female salary	Female / Male =1.14	Female / Male=1.22
S4.1	Access and Inclusion	Disability policy	Does your company have a publicly available Disability policy (stand-alone/integrated)?	Yes	No
S4.2		Employees with disability	Percentage of employees with disability	4 %	4 %
S4.3		Access to facilities	Assessment of facility accessibility	No	No
S4.4		Fines	Amount of fines paid for noncompliance with laws and regulations regarding disability	0	0
S5.1	Community engagement & disclosure	Stakeholder engagement	Does your company have a stakeholder/community engagement policy approved by the Board?	No	
S5.2		Policy and process for social impact assessment and land acquisition	Does your company have a policy or process for social impact assessment and land acquisition?	No	No
S5.3		Grievance policy	Does your company have a grievance policy/mechanism?	Yes	
S5.4		Disclosure to communities	Does your company have a mechanism and system to disclose relevant information to affected communities and stakeholders?	Yes	
S5.5		Worker/Community complaints	Percentage of community complaints 1) addressed and 2) resolved	100%	100% of complaints received from all parties involved are resolved and corrective measures are taken.

Reference	Classification	Indicator	Description	Central Express CVS Unit for measuring for target indicator	Central Foods Unit for measuring for target indicator
S5.6		Community investment	Percentage of revenue invested in the community programs and initiatives, by SDG breakdown	There is no specific data on investments made in this direction.	
S6.1	Supply chain management	Procurement policy	Does your company have a policy in place to related to local procurement and supply chain ESG risk and opportunity management?	The Standard contract states that child labor will not be tolerated and environmental pollution shall be cleaned up.	
S6.2		Local procurement share	Percentage of the procurement budget used for significant locations of operation that is spent on local suppliers	91 %	90%
S6.3		Sustainable procurement share	Percentage of suppliers selected by ESG/ sustainability criteria	No	
G	Governance indicators				
G1.1	Corporate governance	Corporate governance policy	Does your company have a Corporate Governance policy/codes?	Yes	
G1.2		Board independence	Percentage of board seats occupied by independent members	1/3	
G1.3		Treatment/rights of minority shareholders	Does your company have a policy to protect minority shareholders?	Yes	
G2.1	Corruption and ethics	Anti-corruption policy	Does your company have an Anti-corruption policy and/or Code of Ethics?	Yes	
G3.1	Compliance	Compliance policy	Does your company have a Compliance policy?	Yes	
G3.2		Compliance program/ procedures	Does your company have a compliance program including information on employee training, auditing, and monitoring systems, reporting violations, guidance for conflicts of interest, sanctions etc.?	Pending approval	
	Sector specific indicators				
AF1	Agriculture & Food production	Pesticide use	Does your company have a policy/procedures?	N/a	N/a
AF2		Sustainable land	Percentage of pasture and grazing land managed to MNS 6891:2020, "Responsible Nomad"	0	0

				Central Express CVS	Central Foods
Reference	Classification	Indicator	Description	Unit for measuring for target indicator	Unit for measuring for target indicator
AF3		Products recalled	Percentage of products recalled due to food quality and/or safety issues	0.035% or MNT 103'609'484	N/a
MA1	Manufacturing	Chemicals handling	Does your company have a Policy/procedures to manage sensitive chemicals and materials?	Yes	Yes
MA2		Recycled materials	Percentage of materials used that are recycled input materials	0%	
MA3		Green labeling	Percentage of products that acquired eco/green labeling/certification	Cannot report (n/a)	0%



Chapter

# 1

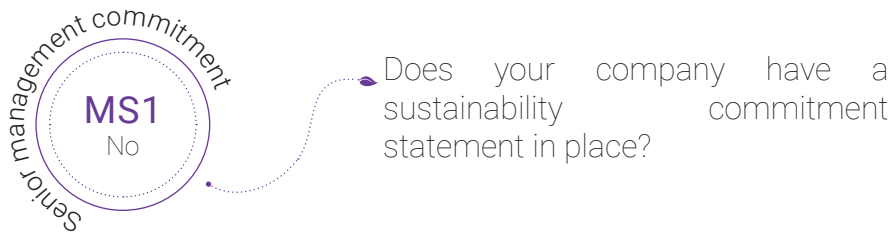
## **SUSTAINABILITY MANAGEMENT SYSTEM ASSESSMENT**

- Senior management commitment
- Sustainability policy and procedures
- Governance structure
- Materiality assessment
- Organizational capacity
- Monitoring
- Reporting and verification
- Membership and partnership



## SENIOR MANAGEMENT COMMITMENT

There are no endorsed management commitment or announcement by the management of the company in the areas of sustainable development currently.



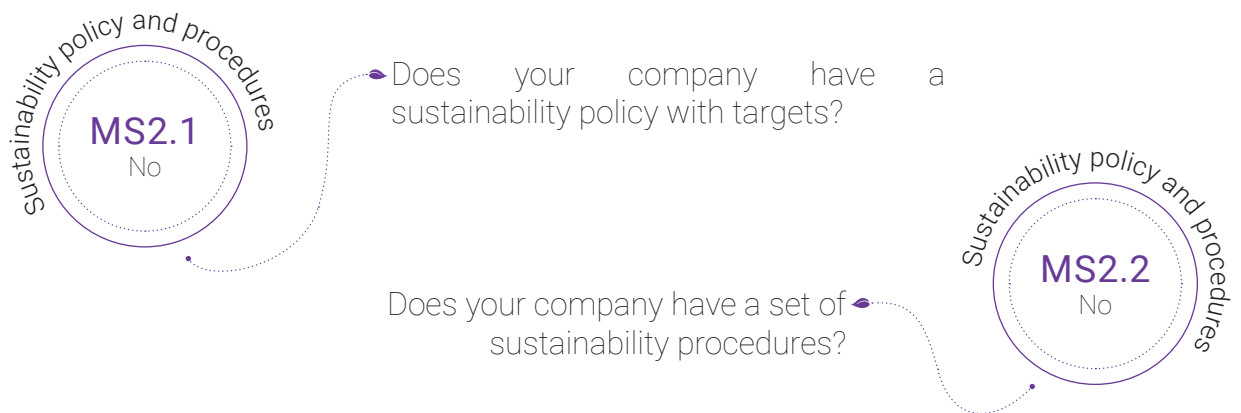
Given the growing attention of the new and emerging markets to the international initiatives against global warming and climate change, the company should consider including sustainability issues as one of their priorities in their long-term strategy and make necessary changes to the relevant documents and presenting management leadership to all of their employees and the industry they operate.

### RECOMMENDATIONS

The nearest possible good practice to learn from:

- To follow BGF Retail Co., Ltd, a main shareholder of the company's Environmental Management Strategy, adjusting in accordance with its operations;
- Same as BGF Retail Co., Ltd, identify their ESG issues in a participatory manner and incorporate those issues into the company's mid and long-term policies and align them with the United Nations Sustainable Development Goals;
- Develop a Sustainability Framework, and disseminating this document to all employees, shareholders, suppliers, partners, and customers on the importance and scope of the policy.

## SUSTAINABILITY POLICY AND PROCEDURES



- Same as BGF Retail Co., Ltd, identify their ESG issues in a participatory manner and incorporate those issues into the company's mid and long-term policies and align them with the United Nations Sustainable Development Goals;

### RECOMMENDATIONS

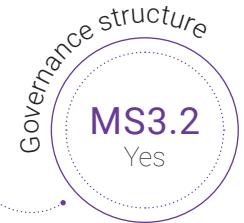
- Developing a Sustainability Framework, disseminating this document to all employees, shareholders, suppliers, partners, and customers on the importance and scope of the policy.

## GOVERNANCE STRUCTURE



Does your company have dedicated committees that are entirely/partially responsible for sustainability?

Does your company have a dedicated ESG/sustainability director/s (full-time/part-time) at the board level?



According to the Resolution No.7 of the Board of Directors of Central Express CVS JSC dated February 25, 2022, the “ESG Committee” has been established under the BOD. The ESG Committee has the following members.

Name of the Committee	Name of the Members	Position	Date appointed
The ESG Committee	Gary Biondo	Head of the Committee, Independent member of the Board	12/28/2021
	Batmunkh O.	Member of the Board	10/31/2019
	Bat-Erdene B.	Member of the Board	12/28/2021



Does your company have a dedicated ESG/sustainability manager/s (full-time/part-time) at the executive level?

Does your company have a dedicated ESG/sustainability officer (full-time/part-time) at the operational level?





The committee is responsible for introducing international good corporate governance practices, developing the company's ESG related strategy, policies, and regulations, providing continuous monitoring, and, conducting internal control and risk management operations.

## RIGHTS AND RESPONSIBILITIES OF THE COMMITTEE

Recommendations that came from the ESG Committee are optional and the BOD doesn't necessarily have to follow them.

The committee has a full right to claim the necessary documents from the relevant departments or staff and involve them in the meetings as observers.

The committee has a right to hire external experts and consultants.

The committee shall report their operations to the BOD at least 2 times annually and they can report after every committee meeting, if necessary.

Define key materiality issues to affect the company's operations and its main stakeholders interest in terms of ESG.

Develop and monitor the company's ESG strategy, targets, scope, and other relevant procedures, and deliver opinions to the BOD, to ensure effective implementation of the policies and guidelines approved by the BOD.

## OPERATIONS OF THE COMMITTEE

Develop and renew the company's policies and procedures on occupational health and safety, environmental protection, CSR management, and corporate governance.

Introduce policies and procedures on human rights, business ethics, integrity, diversity, and ESG issues by researching key performance indicators and integrating them into the company's business model.

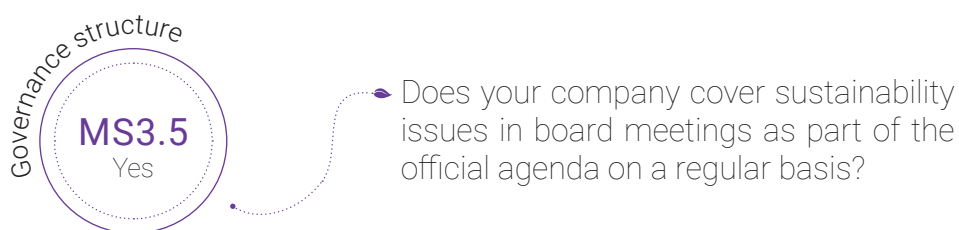
Create an ESG action plan, monitor and improve performance, and provide recommendations accordingly.

Conduct and monitor risk assessment on occupational health and safety and the environmental and social impact of the company.

By approving sustainability policy and framework, requires much time and energy to implement key activities included in the policy, inform stakeholders, provide recommendations, conduct continuous monitoring, and report. At the same time, it provides an opportunity to build strong capacity within the company. Considering these facts, it is recommended that the company should further create a dedicated position for full-time ESG officer(s).

## RECOMMENDATIONS

It is very important to have management leadership and commitment when adopting and accepting sustainability and ESG issues as one key part of the operations of the company. Therefore, the company should consider having a Chief Sustainability Officer or a similar level of manager to oversee the sustainability issues to show the company's willingness and leadership to all stakeholders on that matter.



As indicated in the ESG Committee's operations procedure, the Committee shall report its operations to the BOD at least two times annually. In 2022, a total of 37 Issues were discussed and resolved and seven Board meetings were organized.

Board operations	Unit	2020	2021	2022
Number of board meetings organized	No.	3	5	7
Number of issues discussed	No.	10	24	37
Participation of the CEO in the board meetings	%	100%	100%	100%
Participation of independent members in the board meetings	%	n/a	100%	100%



# MATERIALITY ASSESSMENT



Does your company have a materiality process, assessment and/or matrix, explaining how your the company avoids, mitigates, or remediates negative impacts on the economy, environment, and society, and enhances positive ones?

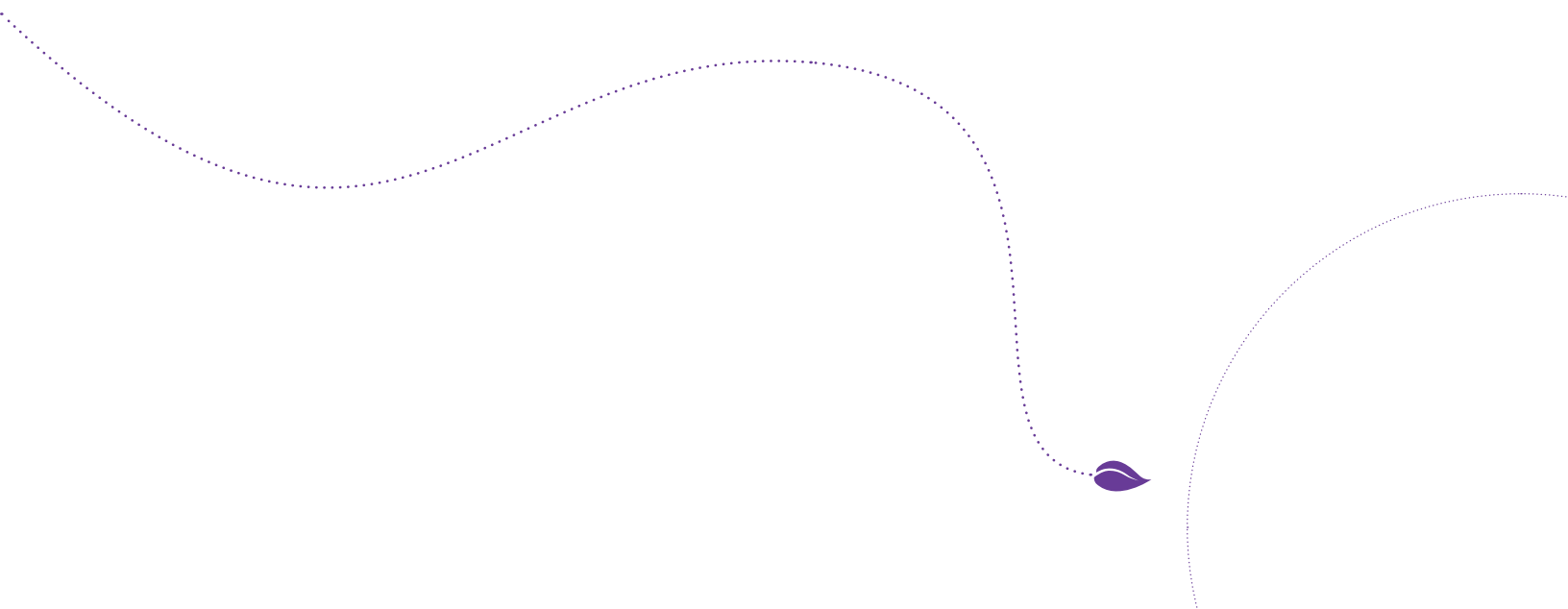
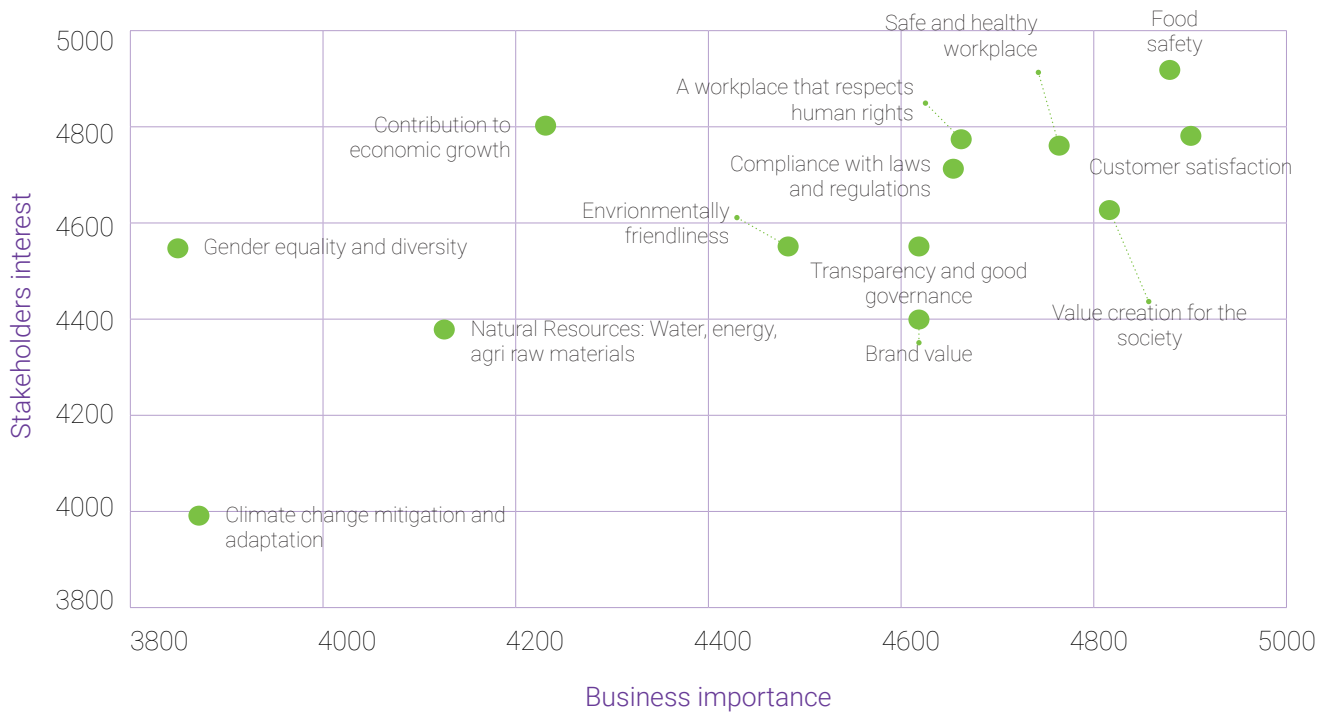
The materiality assessment of the Central Express CVS JSC has been conducted based on the questionnaire from its Board members, Executive directors, shareholders, officers from the HQ and branches, workers from Central Foods LLC and Central Commerce LLC, suppliers, partnering NGO and government organizations, and its customers when developing this ESG report.



The Materiality assessment has been developed through the following stages.








Based on the findings from the company's materiality assessment, the following five issues were selected, analyzed, and listed by priority with a description of actions toward each issue as they have a high impact on the company, at the same time they are in the main focus of the company's stakeholders.

# MATERIALITY ASSESSMENT



No	Key material issues	Significance		Impact			Actions taken toward the issue	SDG
		CU Mongol	Stakeholders	Cost	Benefit	Risk		
1	Food safety	+	+	100%	50%	50%	<p>CU Food Factory supplies packaged foods to CU convenience stores and food safety International Hazard Analysis Critical Control Point and Good Manufacturing Practices Practice) is the first one-way catering industry in Mongolia that meets the conditions of the system.</p> <p>The food factory produces 30,000 pieces of 20 types of food every day without food extenders or stabilizers. The advantage of the construction of the factory is that the food factory and the cooling room were made with special EPS and polyurethane panels with round corners, which created the conditions to prevent the growth of bacteria.</p>	
2	Safe and healthy workplace	+		50%	0%	100%	<p>To ensure the safety of employees, all stores are equipped with cameras and a security company has been contracted. A special button has been placed to call a security guard in the event of a dangerous situation in the store. Accident insurance for factory and warehouse workers included. In this way, in the event of an accident or sudden attack at the workplace, or on the way home or to work, it is possible to receive compensation, and we are working to provide safe working conditions for employees.</p> <p>“Central Express CVS” JSC won the “Good Workplace with Best Leadership in HR Policy” award at the “GOOD WORKPLACE AWARDS 2022” event for selecting the best employer.</p>	

No	Key material issues	Significance		Impact			Actions taken toward the issue	SDG
		CU Mongol	Stakeholders	Cost	Benefit	Risk		
3	Customer satisfaction	+	+	0%	100%	50%	<p>Time-saving, one-stop service: In addition to introducing new SIM card acquisition and online shopping Stora box services, increasing the number of ATMs located in stores, 1,615 new products were introduced in the third quarter of 2022.</p> <p>The number of CU app users reached 598,448 as of the end of 2022 and offers up to 50 percent off through the app. It includes:</p> <ul style="list-style-type: none"> <li>- Check-in bonus</li> <li>- Coupon service</li> </ul> <p>With a total of 285 branch stores in Ulaanbaatar increasing the number of public toilets. In addition, the following conditions have been created for customer satisfaction. It includes:</p> <ul style="list-style-type: none"> <li>- Fully furnished, it is possible to sit and eat and drink coffee</li> <li>- Free WiFi</li> <li>- The closest and most branches</li> <li>- Open 24 hours a day</li> </ul>	
4	A workplace that respects human rights	+		0%	100%	50%	<p>More than 65% of all employees are students. Students have the advantage of being able to work from a location close to them in addition to their studies, with regular income and a flexible schedule.</p> <p>The company has more than 3,400 employees and currently employs approximately 140 people with disabilities. "CU" does not publish special job ads for people with disabilities, but it is possible to register according to ordinary job ads or to get a job according to the invite-a-friend program.</p>	
5	Value creation for the society		+	0%	100%	50%	<ul style="list-style-type: none"> <li>- The most accessible services: Apartments, offices, hospitals, schools, bus stations, airports, bus stations, gas stations</li> <li>- Modeling public awareness of waste in action: sorting and separating waste at source, collecting waste batteries, "Cupless Coffee" program to reduce the use of plastic waste, "Cup Coffee" recyclable "Rainforest Alliance Certified" cups</li> <li>- Child protection program "Let CU help you".</li> <li>- Alcoholic beverages with an alcohol content of more than 18 percent will not be sold at night</li> <li>- Supporter of local SMEs: more than 50 types of products from 17 companies are sold in branch stores</li> </ul>	  

## ORGANIZATIONAL CAPACITY



The company pays great attention to maintaining high standards of trade and service and regularly attends training for new employees, such as introducing the organizational culture, familiarizing them with the service culture, correct hygiene practices, and imparting knowledge and skills to employees. As of 2022, a total of 136,674 man-hours of training was organized for the employees of “Central Express CVS” JSC, and a total of 535.7 million MNT has been invested in the training and development of employees. Due to the nature of the industry, there is a high turnover of employees, so new employees are introduced to the culture of the organization, understand it, get used to the service culture, and have proper hygiene practices and work skills. However, there are no topics related to sustainability in the staff training content at this moment.

- After defining the company’s sustainability and ESG framework and getting it approved by the Board, the company should consider including the following topics in the training sessions such as sustainable development, climate change, diversity, and equality. By doing this, the company can ensure the effective implementation of its sustainability and ESG policy throughout the company.

### RECOMMENDATIONS

- Incorporate sustainability and ESG topics in the orientation training as mandatory for new employees.
- “You can only improve what you can measure”. The company should further collect, log, keep, and analyze all data by disaggregating sex. Also, the company must ensure the safety of both company and customers’ data.



## MONITORING



Is sustainability included in the scope of the audit committee (and other relevant board committee) and internal control functions?

The ESG Committee under the BOD is responsible for developing the company's ESG-related policies and procedures and providing internal control and risk management measures. Thus, it is irrelevant to the Audit committee.

## REPORTING AND VERIFICATION



Does your company disclose a sustainability report (stand-alone/or integrated into the annual report) at least annually?

The company is developing and disclosing its externally assured ESG to the public since 2021 (even before announcing its IPO).



Does the company prepare a TCFD-aligned climate disclosure?

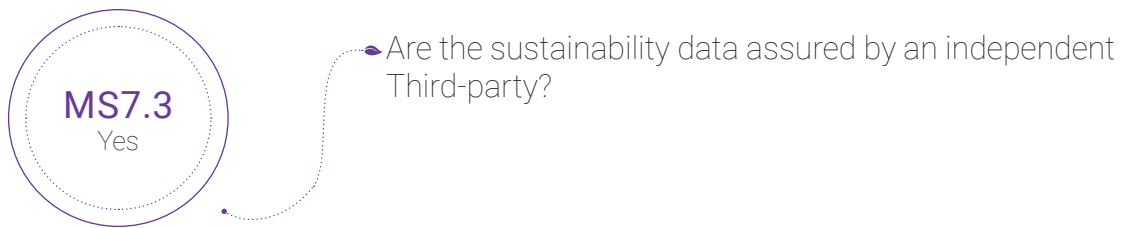
Currently, there is no practice of integrating their ESG and sustainability report with internationally recognized climate risk disclosure standards.

- It is recommended that the company should introduce a climate risk management system by defining its direct and indirect climate risks and determine relevant and measurable climate change adaptation and mitigation strategies.

- Before setting climate targets, the company should calculate current CO2 emissions as a baseline. The emission calculation of the company should be classified as Scope 1, Scope 2, and Scope 3 framework.

## RECOMMENDATIONS

- Furthermore, the company should compare the current climate risk assessment with the previous year's and the baseline emission indicators, measure them in line with international climate disclosure standards, get them verified by an external and independent organizations, and disclose them to all stakeholders.



As noted before, Central Express CVS has been developing and having an external assurance on their ESG report since 2021. In 2021, "Resilience consulting service" LLC developed and provided a second opinion, and for this year (2022), "Antifragile" LLC provided an external assurance on the report.

## MEMBERSHIP AND PARTNERSHIP

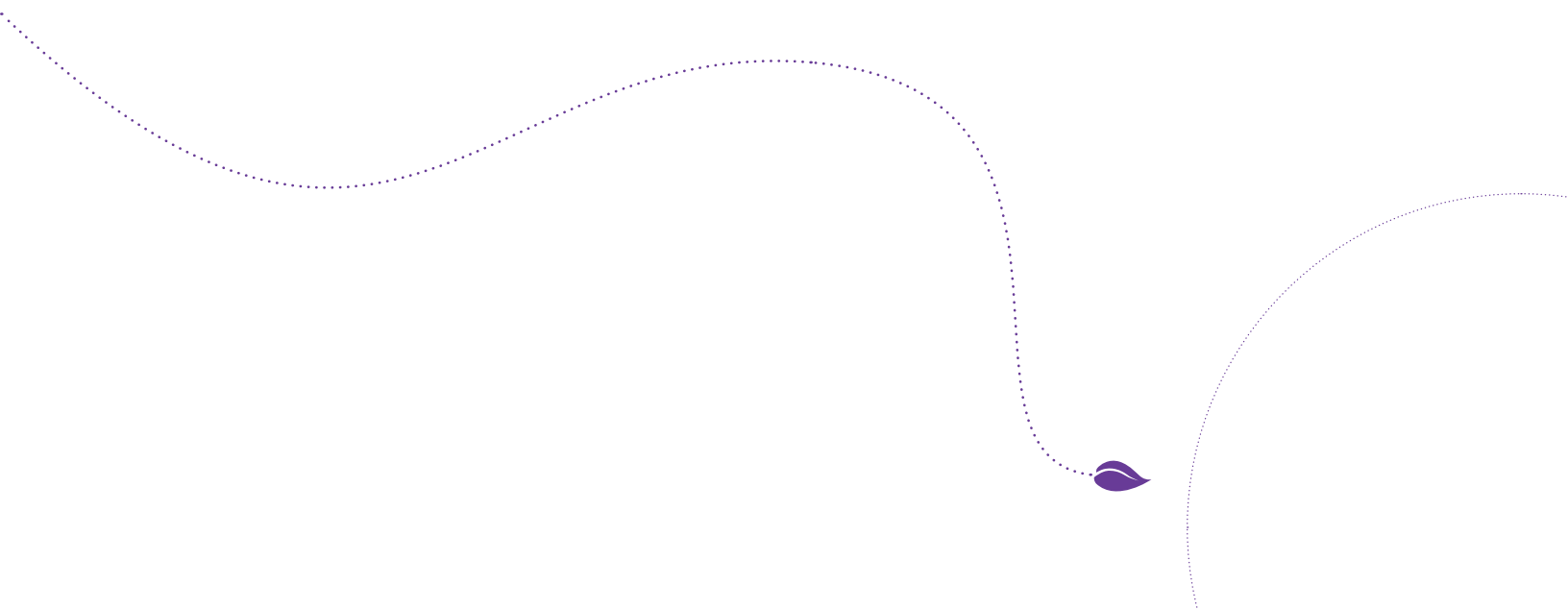


Number of sustainability associations, networks, and national or international advocacy organizations in which the company participates in a significant role including a business declaration on human rights.

The Central Express CVS JSC does not have any membership with the domestic and international organizations that operate in the field of sustainable development currently.

Many international organizations provide technical support and assistance to integrate SDGs into their members operations and expand their global partnerships. By joining these organizations or principles, the company can extend its capacity, improve its reputation, and get practical support in the journey of introducing sustainable practices. Thus, it is recommended to improve the company's ESG and sustainability performances by joining and partnering with well-known domestic and international organizations or networks and sticking to their compact/principles.

### RECOMMENDATIONS





Chapter

# 2

## ENVIRONMENTAL ASSESSMENT

Environmental management plan  
Energy  
Greenhouse gas emissions  
Climate risk  
Water  
Waste  
Biological diversity

## ENVIRONMENTAL MANAGEMENT PLAN

The food production center and cold chain distribution center has a Detailed Environmental Impact Assessment and had the relevant Environmental Management Plan approved by the Ministry of Environment and the management plan is being renewed for the year of 2023.

## ENERGY

Central Express CVS LC and Central Foods LLC is responsible for 285 facilities in addition to their office building, including their convenience sector branches, food production center, its corresponding cold chain distribution center, and the ambient temperature distribution center (further referred to as 'distribution center').

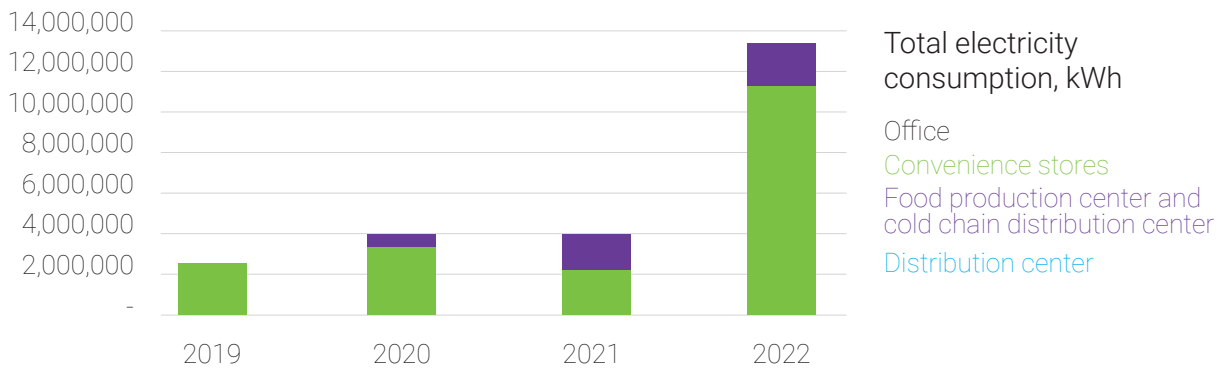
These facilities have used a total of 133,972,214 kWh energy equivalent, 13,044,404 kWh of it being electricity, and 435,337 GJ of energy between January 1 and December 31 of 2022.

Energy indicators	Energy consumption (annual)	Energy cost, MNT
E 1.1: Total direct energy consumption and cost spent	133,972,214 kWh	2,553,769,703.5
E 1.2: Total electricity consumption, cost spent, and reduction (year-to-year)	13,044,404 kWh	2,322,571,913.3
E 1.3: Total heat consumption, cost spent, and reduction (year-to-year)	435,337 GJ (equivalent to 120,927,811 kWh)	231,197,790.2
E 1.4: Total fuel consumption (coal, oil, gas etc.), cost spent, and reduction (year-to-year)		218,495,708.0
For heating	14 tn improved coal 66,450 l LPG	218,495,708.0
For transportation	299,955.6 l diesel	
E 1.5: Share of non-renewable energy consumption	100%	
E 1.6: Share of renewable energy consumption	0%	

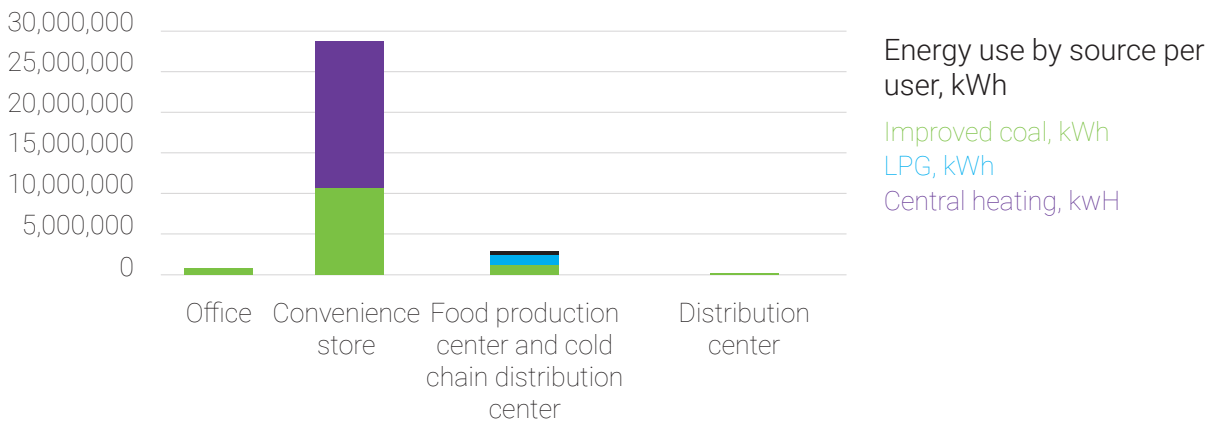
All the facilities are connected to the electricity grid. The food production center and the cold chain distribution center have established their own infrastructure, with a voltage regulator connected to the central grid. The freezers are powered by electricity and the food production equipment by natural gas, and heating by low pressure boilers respectively. The

low pressure boilers have an installed air filter and use improved coal. A diesel generator is used to substitute heating source in time of power outages and gas pipe issues. The used diesel is contained safely within the diesel generator, and has an installed air filter preventing air pollutant emissions.

The electricity use increased by 60% in 2022 compared to 2021, due to the increase in the expansion in convenience store branch numbers. Of the total electricity consumption, the convenience stores account for 86.3%, the cold chain and food production center accounting for 13.5%, whereas both the office and the distribution accounting for less than 0.1% each.



The cold chain distribution center introduced a semi-automatic order preparation equipment in September, which increased productivity by 30-40%, without significance increase in electricity use. The company is currently installing this equipment in the distribution center and plan to deploy it in 2023.



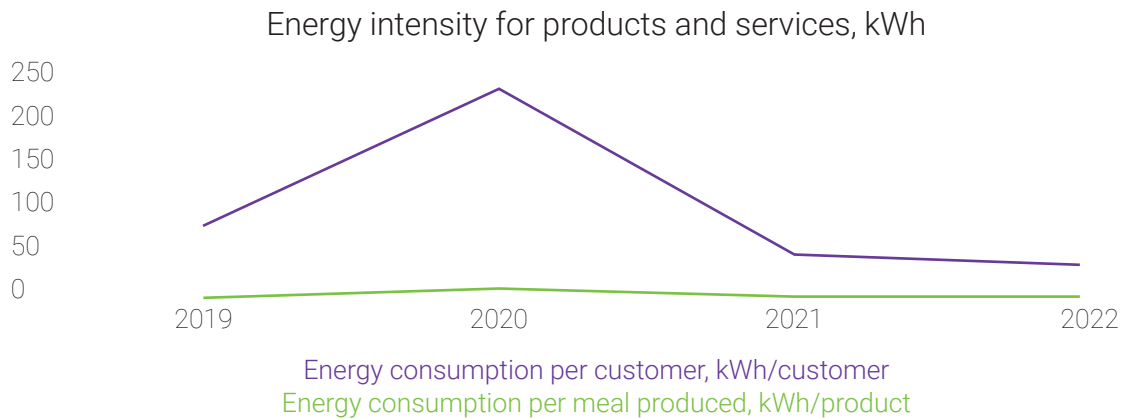
Furthermore, to improve power supply stability, the food production center is establishing a gas facility with capacity of 50 tons. The company's starting to conduct research on installing a solar power supply on the roof of the food production center.

## ENERGY INTENSITY

Of the total electricity consumption, 86.3% is attributable to the convenience stores. This results in 43.93 kWh electricity use per customer served and 512.75 kWh electricity use per 1,000,000 MNT sales. Compared to that of 2019, the data shows that energy intensity decreased by 2 times per customer served, and decreased 5 times per 1,000,000 MNT sales.

The food production center accounts for 13.5% of the total electricity consumption, which shows that they use 0.33 kWh electricity per product produced, which is slightly decreased from the previous year. The energy intensity indicator is a measurement of energy efficiency per its products and services, and helps measure company productivity and progress over time.

ENVIRONMENTAL ASSESSMENT



All CU convenience stores have an installed electricity meter and have installed battery backups that can withstand power outages for an average of 1.5 hours. The stores have an offline POS system and cash register used in times of power outages.

## EQUIPMENT AND ELECTRICAL APPLIANCE USE

The food production center equipment, air conditioners, and refrigeration systems create different temperature settings and have a temperature control system.

CHAPTER 2



Electrical appliances with the highest energy consumption are listed below.

Electrical appliance	Number	Energy efficiency
CU convenience stores		
Refrigerator (Food, beverages, ice-cream)	2,084	34-42%
Air conditioner	989	34-42%
Production center		
Production center equipment, freezers, cold storage	n/a	30 – 40%

Central Express CVS outsources a distribution company, with all deliveries conducted between 4AM and 8AM with a predetermined route.

**LOW-CARBON  
TRANSPORTATION**

- 1) Food manufacturers and suppliers bring their goods to the cold chain distribution center located in the eastern part of the city in a refrigerated truck. From the cold chain, 39 refrigerated vehicles distribute approximately 80,000 – 100,000 meals of over 200 types,
- 2) The ambient temperature distribution center located at the western part of the city deliver its goods through 29 vehicles.

The company invested 15 billion MNT to establish the cold chain distribution center infrastructure in 2022, enabling the collection of goods from over 400 suppliers. Previously, all manufacturers and suppliers sent their own vehicles to the convenience stores. The infrastructure has reduced the number of travels from 6.6 million to 132,000 travels, contributing to the overall decrease in city traffic and related emissions. Compared to the prior model, this management model has decreased air pollutant emissions by 98%.

Implementing off-peak delivery not only saved four times the time, but also reduced fuel consumption by 80% (Treiber et al, 2007). In addition, more diesel was saved as the vehicles would drive at a constant speed in shorter periods of time without traffic, thereby reducing air pollution and greenhouse gas emissions.

In addition, with the implementation of the smart transportation system which will be deployed in the distribution center in 2023, the company is working to track the routes and distance travelled and calculate various types of information, such as the total amount of gasoline consumed and the distance traveled.

**Convenience stores turn off idle equipment for an average of 3 hours a day:** Starting from 2021, stores have been taking measures to turn off equipment that is not in use during their off-peak hours, which is usually between 2 a.m. and 5 a.m., depending on their location. This includes food processing equipment in the convenience stores.

## ENERGY SAVINGS AND EFFICIENCY MEASURES:

**Regular maintenance of equipment:** Daily and regular monitoring of the production center equipment ensures normal and optimal operation, which ensures efficiency and does not consume more electricity than intended.

**Uses natural light whenever possible:** The distribution center saves energy to light the 4,200 m<sup>2</sup> area by turning off redundant lighting during the day when it is sunny and using natural light.

**100% LED lit:** The convenience store and production center lights meet standards and have energy-efficient LED lighting.

**The food production center has energy savings signs printed out to remind staff to turn off lights.**

**Energy saving activities of suppliers.** As of the end of 2022, Central Express has a total of 22 domestic food producers as suppliers. The interviews showed that they are conducting the following energy-saving activities:

- Choosing and installing energy-efficient equipment for production,
- Use energy-efficient lighting,
- Turn off all lighting and equipment during idle periods,
- Renovation and insulation of their own factory buildings and measures to reduce heat loss.

<sup>1</sup>Treyber M. (2007) "How Much does Traffic Congestion Increase Fuel Consumption and Emissions? Applying a Fuel Consumption Model to the NGSIM Trajectory Data" TU-Dresden. [https://www.akesting.de/download/How\\_Much\\_does\\_Traffic\\_Congestion\\_Increase\\_Fuel\\_Con.pdf](https://www.akesting.de/download/How_Much_does_Traffic_Congestion_Increase_Fuel_Con.pdf)

**Develop an energy management system for recording and reporting energy data:** Most objects have independent electricity meters with easy data collection opportunities, whereas for facilities where the landlord is responsible for the meter, the company can make arrangements to obtain energy consumption data digitally. The energy consumption data for electricity, heating, cooling and, if necessary, steam respectively, shall be collected in the company's integrated data collection system.

## RECOMMENDATIONS

**Reduce coal and natural gas by exploring renewable energy opportunities:** For instance, heat pump, geothermal energy, solar and wind power etc

**Include the following in the company procurement procedure:**

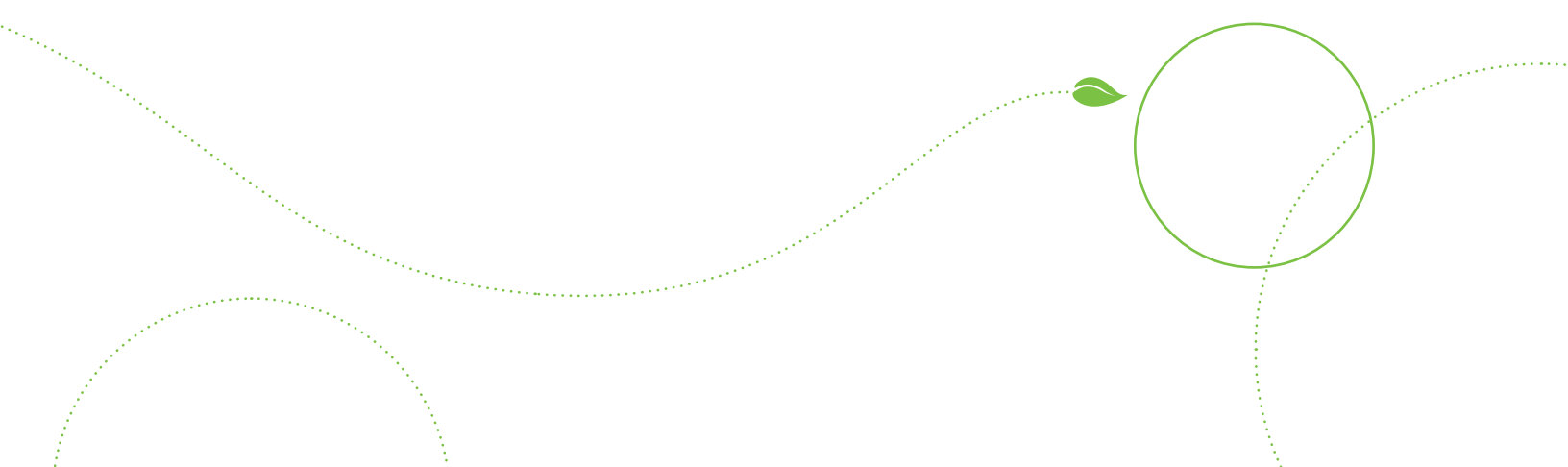
**Refrigeration:** For electrical appliances procured or provided by the supplier, include a requirement for energy efficiency (which would translate to reduced maintenance cost). The requirement can include an Energy Star certificate or an energy rating for refrigeration equipment procured.

**Include an introduction to energy saving measures in the training for employees.** For instance: what activities increase energy use, the common problems related to energy consumption and electrical appliances that the call center receives, and give guidance.

**Explore warehouse to warehouse management system for ambient temperature goods:** Currently, suppliers of normal temperature goods transport their product to the distribution center, sometimes with little efficiency. The company can work with another warehouse to gather the goods of their small suppliers, which would increase efficiency and reduce the fuel spent for suppliers' inefficient transportation.

**Increase fuel efficiency:** Use Euro-5 fuel for their delivery vehicles and choose vehicles with mileage and age according to the law

**Require supplier factories to measure, report and monitor their energy consumption.**



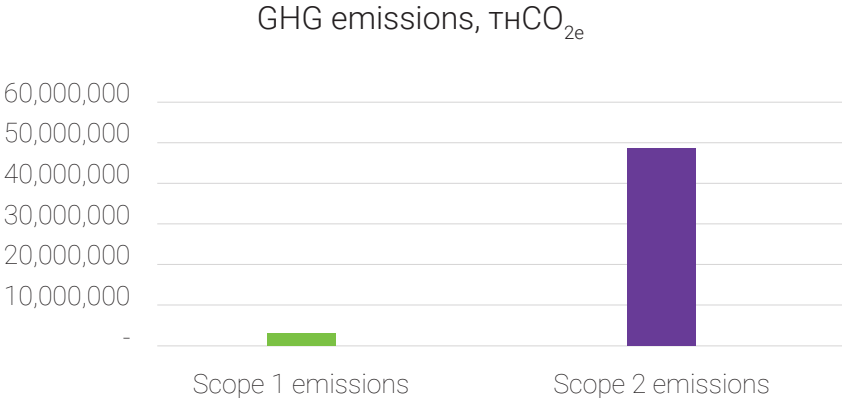
## GREENHOUSE GAS EMISSIONS

E 2.1: GHG Emissions	Total Scope 1 and 2 emissions	109,253.9тнCO <sub>2e</sub>
	Scope 1	2,030,695.12 кгCO <sub>2e</sub>
	Scope 2	107,223,228.33 кгCO <sub>2e</sub>
E 2.2: GHG Emissions reduction	Reduction of total Scope 1 + 2 GHG emissions (year to-year)	0 CO <sub>2e</sub> /ТОНН
E 2.3: Carbon offset	Total carbon offset	0 тнCO <sub>2e</sub>

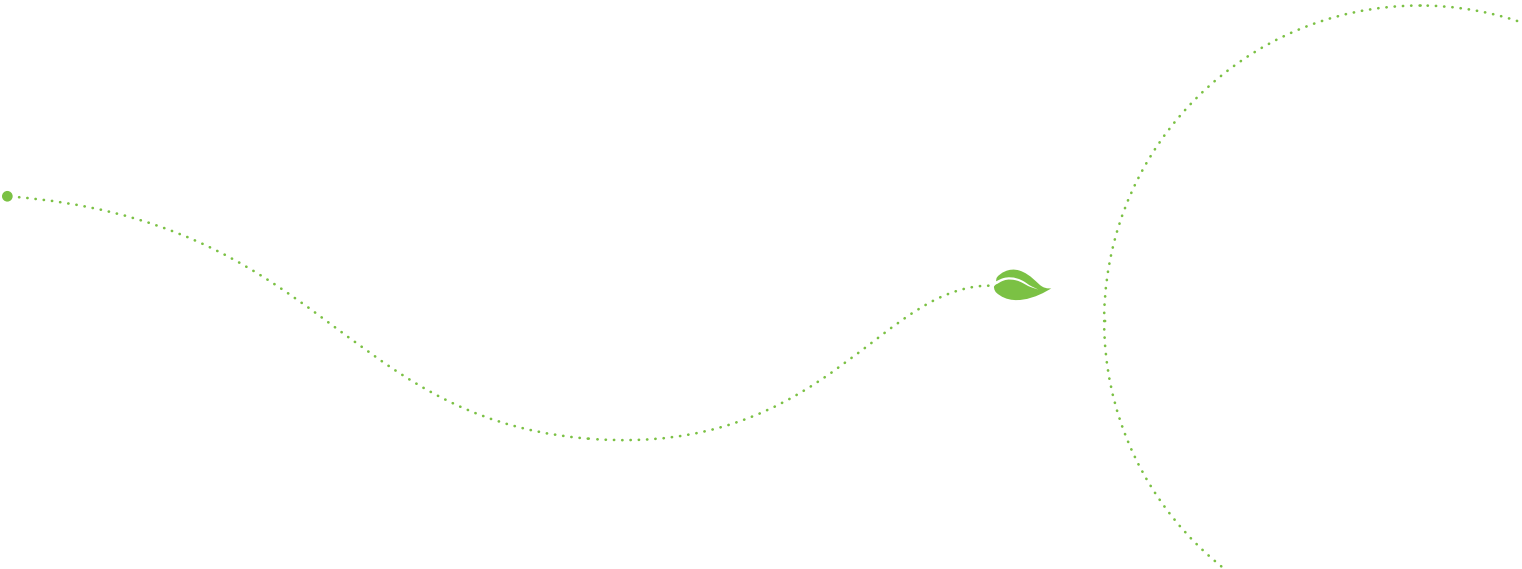
Scope 3 greenhouse gas (GHG) emissions cannot be calculated within the scope of this report, so emissions from self-produced energy (scope 1) and consumption of energy from other sources (scope 2) are calculated based on available data. As the company only produces its own energy through their coal and gas consumption, the Scope 2 GHG emissions are higher.

Data available for calculation	Data unavailable for collection/calculation
Scope 1: • Energy consumption: - LPG, coal, and diesel used in the food production center • Fuel consumption: - Staff bus. Scope 2: • Energy consumption: - 285 convenience stores, - 1 food production center, - 2 distribution center • Fuel consumption: - Delivery vehicles.	Scope 1: - Refrigerant/coolant emissions, - Other direct emissions from operations. Scope 2: - Emissions from Mongolian suppliers. Scope 3: - Total waste landfilled. - Transportation for business trips, - Emissions from imported products, - Waste by type, - Waste recycled by type, - Other transportation.

Scope 1 calculations included their own energy production. The GHG emissions do not include the production emissions, transportation, and waste data from the production and processing of their import products.



GHG emissions calculations are unavailable for the previous year and therefore, any GHG reduction measures cannot be calculated.



Source	GHG emissions, kgCO <sub>2e</sub>	Scope
<b>Energy</b>		
Electricity	10,403,401.15	2
Heating	96,007,733.31	2
Improved coal (lignite)	45,088.39	2
LPG	107,097.48	1
<b>Total</b>	<b>106,563,320.33</b>	
<b>Transportation</b>		
Delivery vehicles	812,093.87	2
Staff bus	1,878,509.25	1
<b>Total</b>	<b>2,690,603.12</b>	
<b>TOTAL</b>	<b>109,253,923.45</b>	<b>1, 2</b>

### GHG INTENSITY

The stores emit 34.63 kgCO<sub>2e</sub> per customer and 410.2 kgCO<sub>2e</sub> per 1,000,000 MNT sales.

The food production center emits 0.21 kgCO<sub>2e</sub> per meal produced.

**Adopt a greenhouse gas registration system:** The table above with list of data analyzed or not included shall serve as guidance for which data to collect. Additional indicators aligned with the company goals shall also be determined and collected. The system would be used for collecting, registering, calculating and monitoring progress in a concerted manner.

### RECOMMENDATIONS

Amendments to the “procurement procedure” taking into account the following:

**Global warming potential of coolant:** Internationally, R-410 (hydrofluorocarbon compound) coolants are starting to be phased out due to its GHG emissions. Therefore, we recommend choosing air conditioners, refrigerators, and freezers models which use A2L group or simple compound (propane, ammonium etc.) refrigerants with low global warming potential (GWP).

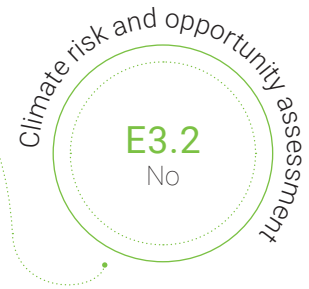


# CLIMATE RISK



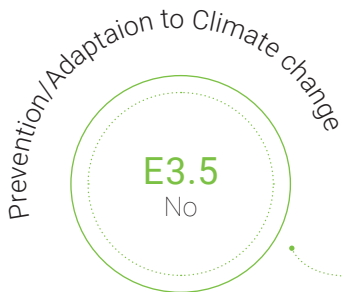
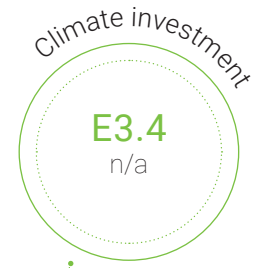
Does your company have a stand-alone/integrated climate change policy?

Did your company conduct a climate risk and opportunity assessment (scenario analysis, stress test etc.)?



Total amount of economic loss faced due to climate related disasters and events

Total amount invested, annually, in climate-related infrastructure, resilience, and product development



Does your company have activities/steps to prevent and (if not preventable) adapt to the impact of climate change?

ENVIRONMENTAL ASSESSMENT

Conduct a climate stress test to determine the areas of exposure for the company,

Identify prevention and adaptation measures to manage the climate risk determined during the stress test, and reflect them in the company's ESG policy and strategies,

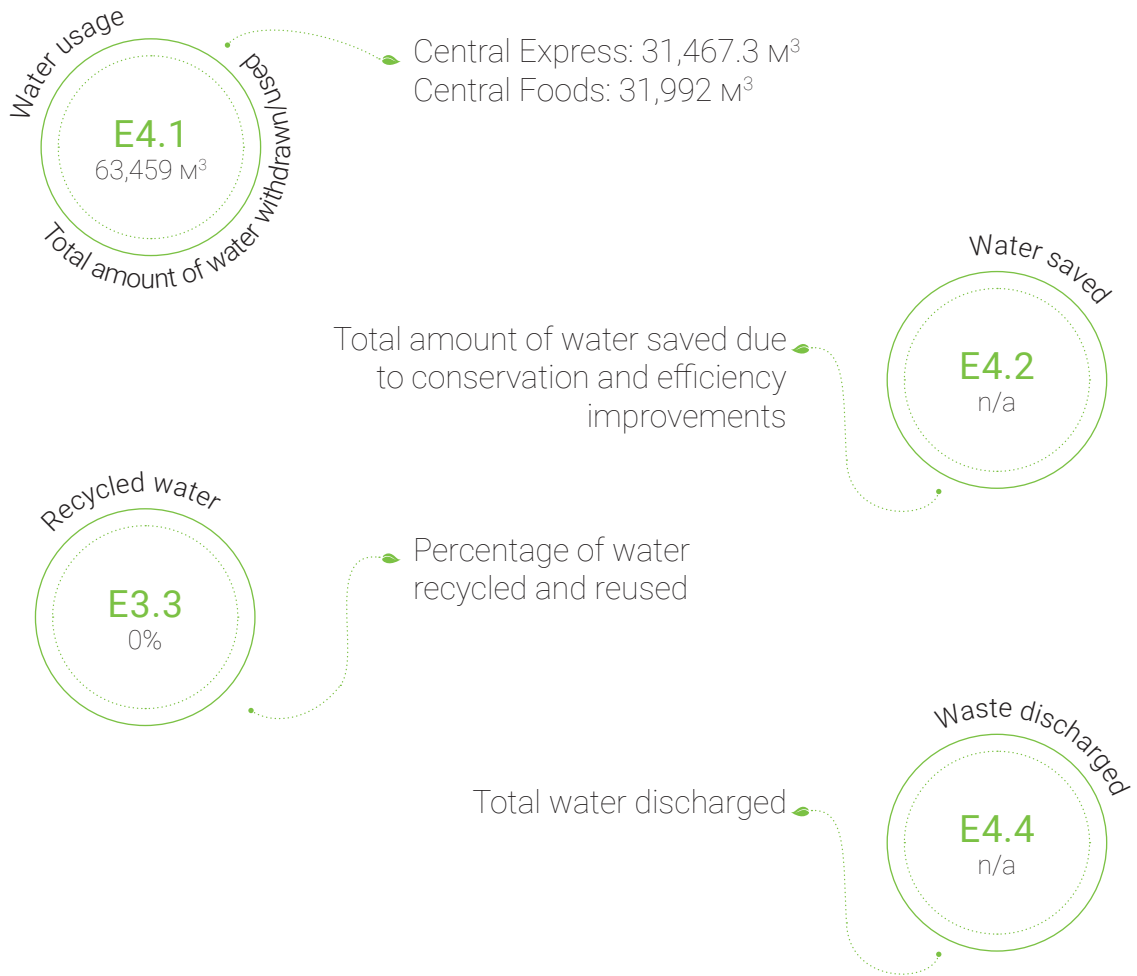
Communicate related issues, knowledge, and information to the necessary stakeholders and incorporate the content in the training materials.

## RECOMMENDATIONS

CHAPTER 2



## WATER



## WATER SUPPLY

Only a few convenience stores located in the outskirts of the city are not connected to the centralized sewage system and rely on portable water supply. The food production center has also decided on a portable water system with a 10-ton water tank, and has built infrastructure to connect to the city water supply and sewage lines. In 2023, the company plans to increase its capacity, installing additional tanks to use them as reserves. The water used in the food industry is filtered through physical, chemical and microbiological purification with 4 types of membrane filters. The filters are changed once a year. Water quality is tested quarterly by relevant laboratories in accordance with the company Hygiene Regulations. The waste water from the factory is supplied to the centralized sewage system.

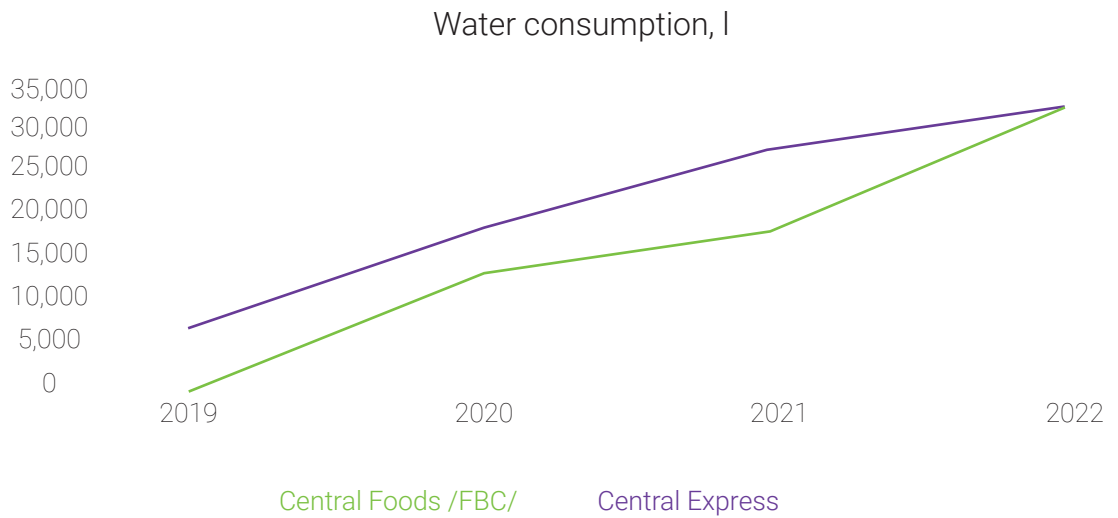
For convenience stores, fresh water is consumed to prepare hot tea and other beverages, for cleaning, and in the restrooms.

Other water consumption is used for the main purposes of food production, industrial equipment cleaning, domestic use, and laboratory cleaning.

**WATER CONSUMPTION**

Stores are cleaned 2-3 times daily when the shift changes, and cleaning agents are used according to standard operating procedure. The production center conducts regular cleaning once a day, and every quarter, a general cleaning is performed by a professional cleaning organization.

ENVIRONMENTAL ASSESSMENT



**Water saving measures**

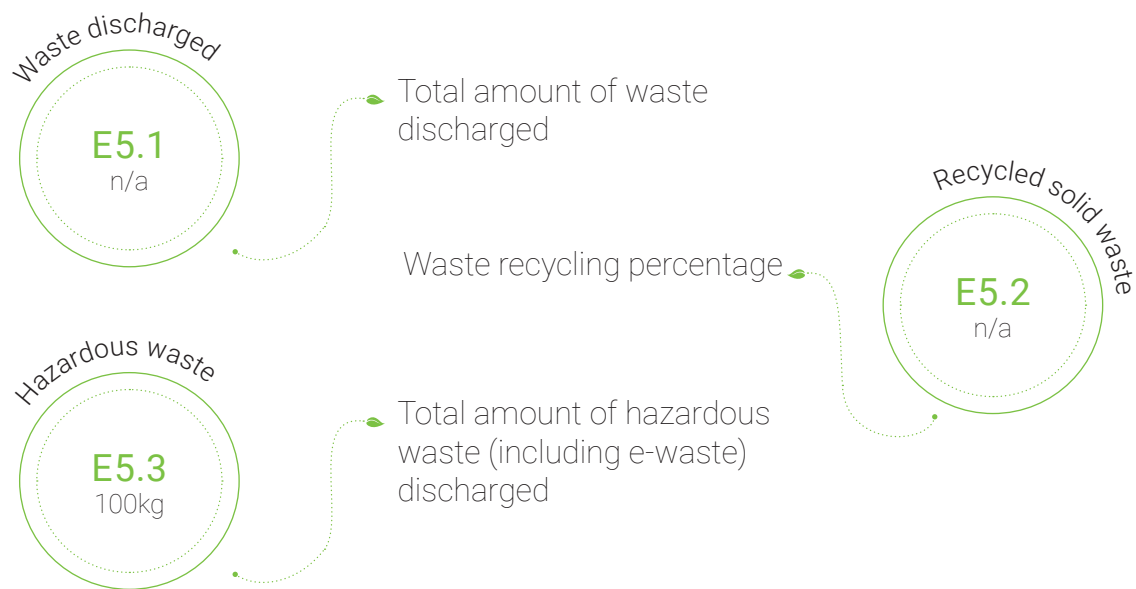
**RECOMMENDATIONS**

Installed water saving technology: The number of sinks with sensors increased by 8, and the water discharge of 20 toilets were reduced by 50%.

The convenience stores could benefit from technology which use less water in the restrooms.

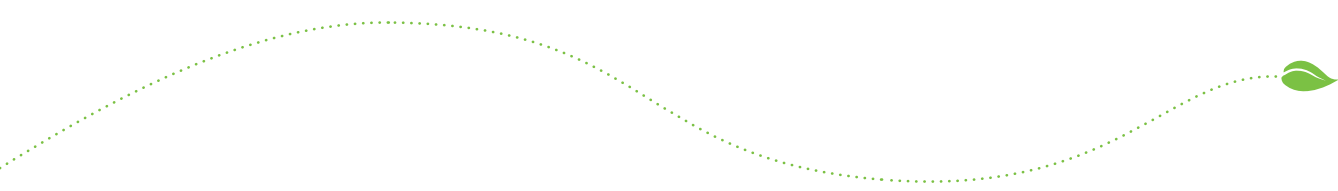
CHAPTER 2

## WASTE



All facilities have a waste contract with the relevant state-owned companies, and for some CU stores, the tenant is responsible for the waste. All objects included in the sample survey and inspection had valid contracts.

Source	Activities	Type of waste generated
Stores	Sales of all types of goods	All kinds of packaging
	Meal preparation and sales	Liquid and solid food waste, single-use cutlery and napkins
	Cash registry	Cash receipt
	Хугацаа дууссан/Чанарын доголдолтой бараа актлах	Liquid and solid food waste, packaging
	Hygiene and household waste	Hygiene products
	Administration waste	Paper



Food production center, cold chain distribution center	Food production	Vegetable peel, cooking oil, other auxiliary materials, packaging, cans, food waste from unqualified food produced,
	Laboratory analysis	Food sample, laboratory reagent waste
	Maintenance of hygiene	Mask, gloves and other single use hygiene products, and OHS equipment and clothing changed every half year,
	Burning coal	Ash
	Hygiene and household waste	Hygiene products
	Administration waste	Paper
Ambient temperature distribution center	Prepare wholesale products for retail, according to the varying orders from the convenience stores	All kinds of packaging
	Hygiene and household waste	Hygiene products
	Administration waste	Paper

The convenience stores don't sort their waste at the source, but the waste is sorted into liquid and dry waste bins. The stores are a large source of one specific unrecyclable waste, which is the thermal receipt paper.

## CONVENIENCE STORES

The amount of waste generated at the stores is also not measured. Some stores cooperate with recycling initiatives and companies, but it's not tracked and need to be verified. A good starting point for waste management in the convenience stores will be to conduct a waste composition analysis.

The CU convenience chain and its import goods are from South Korea, where waste management systems and infrastructure are well developed. Taking this into the context of Mongolia with poor infrastructure and waste management services, the company is placed to put extra effort into managing waste well, in par with the polluter pays principle. Therefore, waste shall be prioritized as the company's most significant environmental concern.

## DISTRIBUTION CENTER

The distribution center reuses cardboard boxes without turning them into waste, which is a good practice. A semi-automatic order preparation system is also being installed, which has the potential to reduce the office paper consumption by 2 times, which on average will result in 3,000 sheets saved or 1.8 kg per day, and 630 kg paper annually.

According to the recommendations by NGO Ungu Nem in 2021, the company has placed trash cans in specific locations in the factory and office environment, continued sterilization records, and is currently exploring cooperation opportunities to recycle.

## CENTRAL FOODS

Central Foods also has its own Procedures on Waste Management, which covers each stage of waste sorting, collection, storage, reuse, and transportation. Accordingly, sorting bins were placed in the food production and office areas, and a warehouse for temporary waste placement and waste storage was created. There is a waste disposal facility outside and inside, waste bins are classified into 3 types. The waste registry tracks waste shipment and disinfection, in accordance with the company Hygiene Regulations. The registry shows that waste is collected 2-3 times every week but there's no collection by recycling plants. However, the company is discussing cooperation with a company to recycle their cooking oil. On average, it's estimated that they produce 20 tons of waste every week.

The procedure states that at the source, domestic and industrial waste is classified into reusable and non-reusable types, and the following 5 types of waste are specified to be collected:

- Green or recyclable waste
- Blue or paper waste
- Brown or food and organic waste
- Black or other waste, and
- Red or hazardous waste.

Despite the sorting, recycling plants haven't solved their logistics which inhibits further recycling opportunities. Recycling during the food production process also face certain challenges in terms of hygiene. The General Authority for Specialized Inspection regulations prevents the production center from placing normal recycle bins close to the production line, which means that the bins for disposable hygiene products such as masks and gloves are located far from the staff. While the food production line is running, the staff end up disposing their gloves in the same bin as the food waste, which makes sorting food waste impossible. The food production center is a source of organic waste which has high global warming potential. When organic waste decomposes, it releases methane which has 8 times the potential of carbon dioxide. Therefore, it's important to find a solution to this issue.



## SUPPLIERS

The company contractually requires its suppliers to take responsibility for the waste. This includes disposing of all waste generated during the contracted work at a legally allowed space, without creating additional waste or pollution, and cleaning affected spaces within the day that the work is conducted.

The company reuses cardboard waste. For instance, the distribution center reuses all cardboard waste and some convenience stores gain income from selling their cardboard waste, which suffices to pay for some disposable items such as their masks.

Through a collaboration with GP battery collected 100 kg of battery waste, disposed safely.

## WASTE REDUCTION MEASURES

“Cupless coffee” initiative decreased 90,415 single-use cups use, serving 83,307 customers who brought their own cup.

The company has invested in a semi-automatic order preparation system, which is expected to reduce paper waste by 630 kg annually.

Discussions are in place to supply their waste cooking oil to a soap factory.

### PACKAGING TO REDUCE FOOD WASTE

The sandwich packaging uses MAP, or Modified Atmosphere Packaging technology, which prolong shelf life. This creates an oxygen-controlled environment which decreases oxidation and inhibits growth of bacteria and micro-organisms.

### SUPPLIER GOOD PRACTICE

Food waste is therefore reduced thanks to a prolonged shelf-life and disposed before it reaches the hands of customers.

As food waste generates a lot of methane, preventing food waste is a big contribution for climate change in the food production industry. This is also reflected in international goals. For instance, the UN Sustainable Development Goal 12 aims to reduce food waste by 50% by 2030.



Regional waste management program is recommended as suppliers near the food production center manufacture either the same or similar types of waste, and can be managed based on a multilateral cooperation to circulate it economically.

Sort food waste and create a registry.

Create a composting facility at the food production center.

**RECOMMENDATIONS** Introduce ebarimt solutions through the CU application to reduce the print of receipts

Explore opportunities to improve packaging for the meals prepared by the company and its suppliers

Find solutions to the issues preventing from effective sorting: Place a well sealed container for the sanitary waste during the food production line.

Conduct a waste composition analysis and identify how much of the waste generated can be recycled.

Using the network effect, start cooperation with recycling plants. The changes can be implemented incrementally, first sorting the most profitable waste, such as aluminum cans for a few months, then plastic bottles, and then soft plastics such as wrappers.



## BIOLOGICAL DIVERSITY

As for the food production center, it does not emit noise, air or soil pollution, is located near the highway, and has a low impact on biodiversity.

According to a survey conducted on CU convenience stores, of the 285 branch stores surveyed at the time of writing, 90 branches or 30% responded that they had outdoor green space available. However, there is no quantitative data to measure and confirm the number of green structures built for a specific area.

As for the food production center, greenery is planted on 13.6% of its land area, which is an increase of 7.6% compared to the previous year.

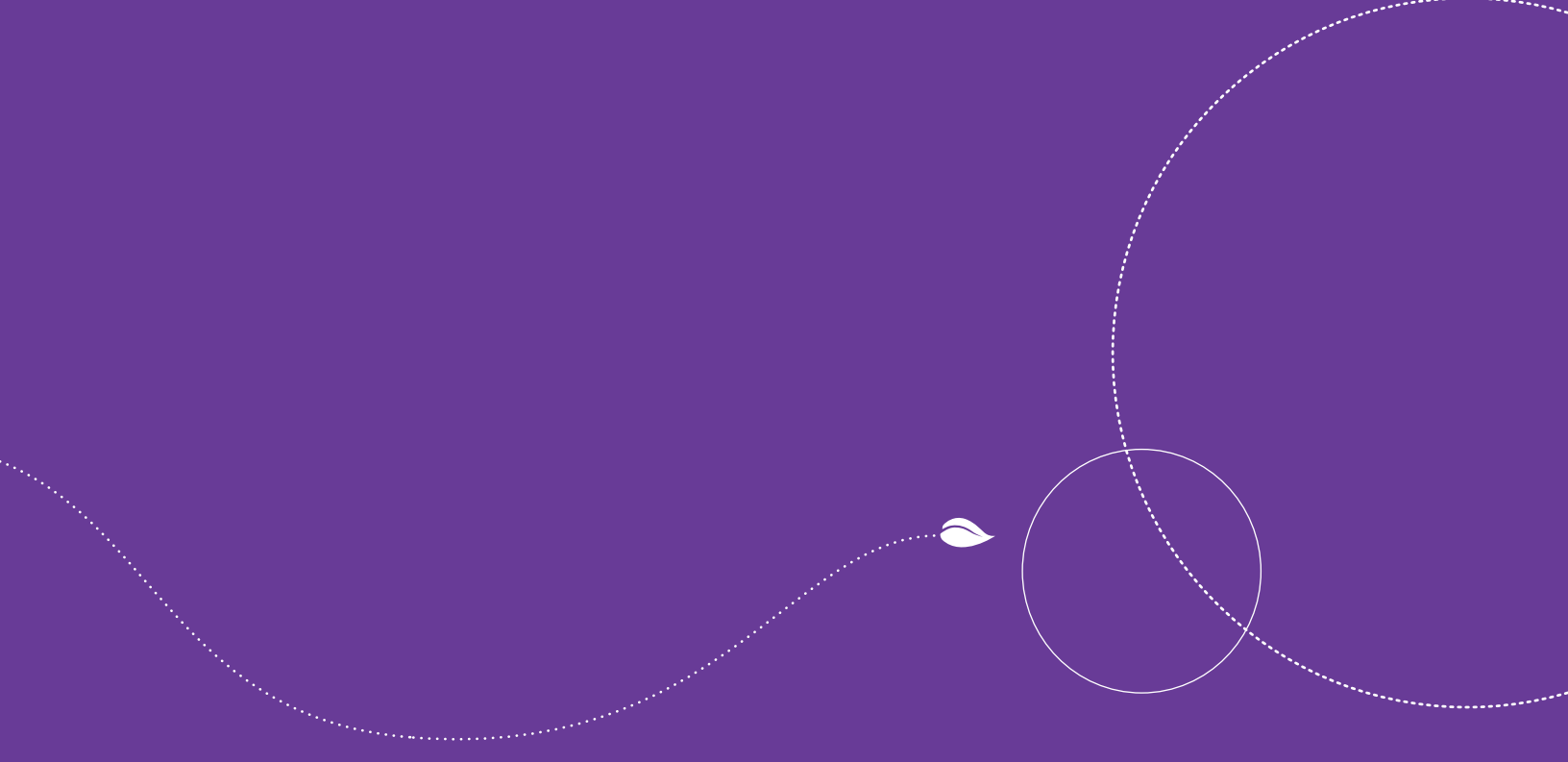


All the facilities are recommended to increase their green public space amount to 30%.

## RECOMMENDATIONS

Require the planting of trees or greenery for every convenience store branch, and in cases where it's not achievable, offset by planting elsewhere.



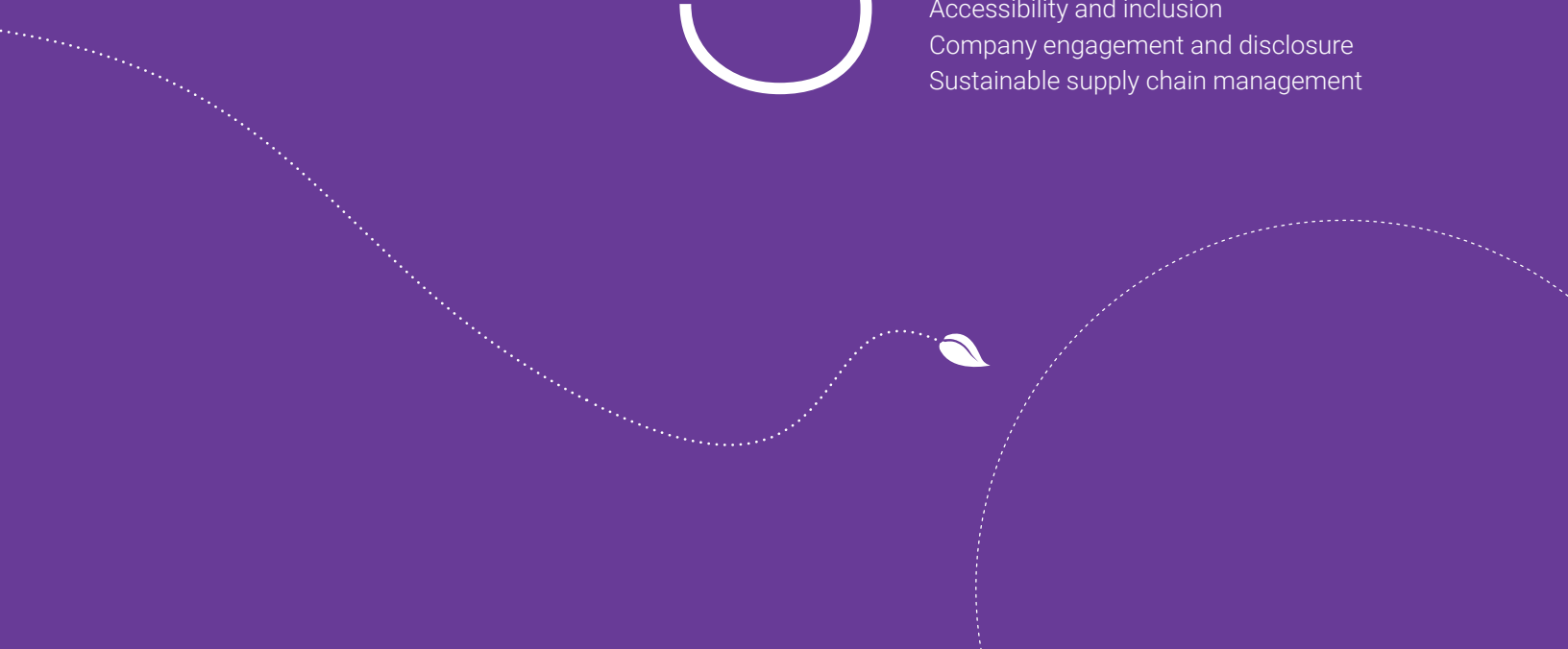


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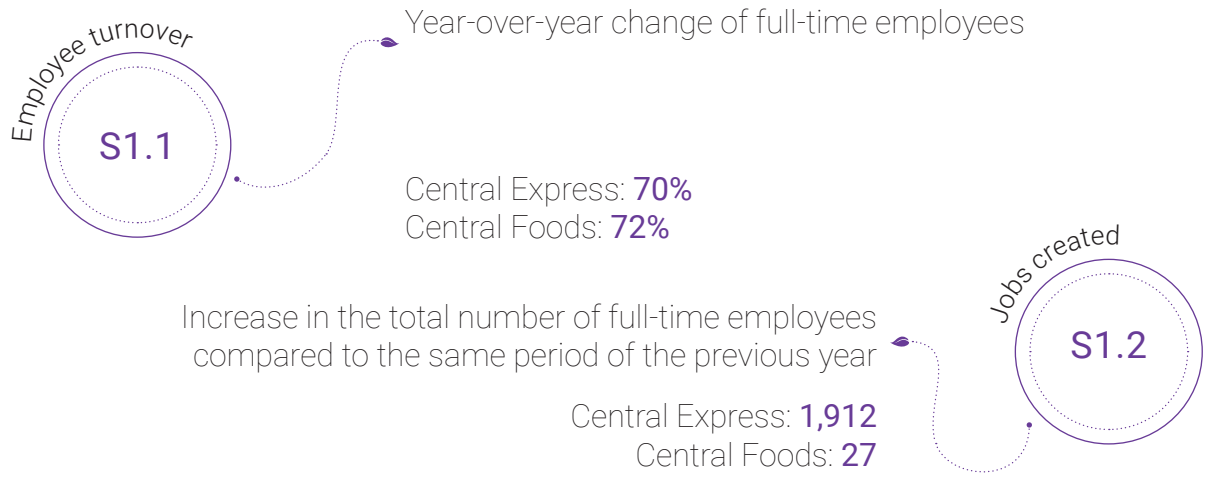
# 3

## **SOCIAL ASSESSMENT**

- Human capital development
- Occupational health and safety, hygiene
- Equality
- Accessibility and inclusion
- Company engagement and disclosure
- Sustainable supply chain management



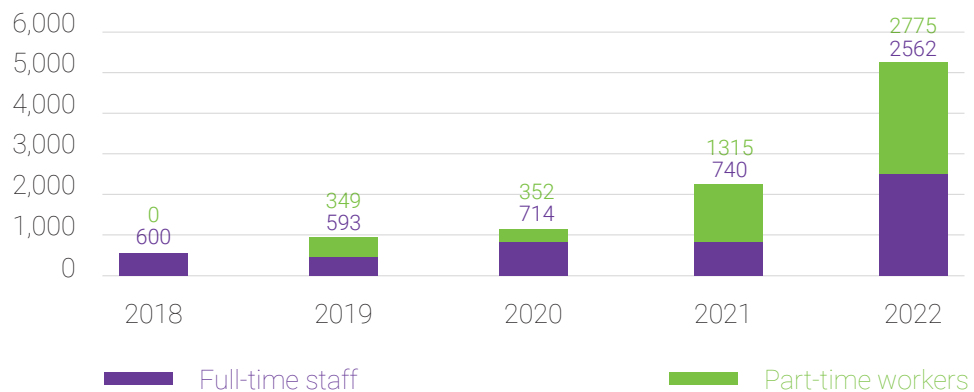
## HUMAN CAPITAL DEVELOPMENT

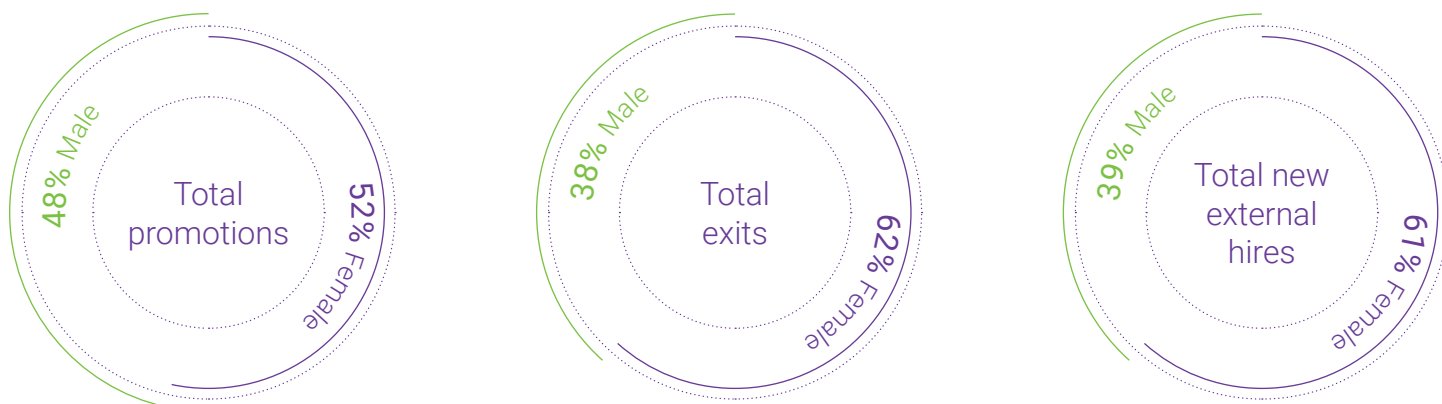


As the number of convenience stores are adding up, more jobs were created. As of the end of 2022, Central Express CVS JSC provided 3,200 people new jobs compared to the previous year. They are known for introducing “hourly work” in Mongolia, now 52 percent of the total employees are part-timers, mostly students. The company provides its student workers to have stable incomes and flexible working hours, and they offer an opportunity to work nearest possible location they want.

Looking at the total promotions in the last 12 months by gender, women share 52 percent of It. And for total exits and new hires in the last 12 months by gender, women share 62.6 percent and 60.6 percent each.

Total number of jobs created, 2018-2022





Promotions	Male	Female	Total	Female %
Total promotions to C-Suite positions in the last 12 months	1	3	4	75.00%
Total promotions to Senior Manager positions in the last 12 months	5	1	6	16.67%
Total promotions to Manager level positions in the last 12 months	17	21	38	55.26%
Total promotions to Manager level or higher level positions in the last 12 months	23	25	48	52.08%
Exits	Male	Female	Total	Female %
Total exits from C-Suite positions in the last 12 months	1	1	2	50.00%
Total exits from Senior Manager level positions in the last 12 months	1	1	2	50.00%
Total exits from Manager level positions in the last 12 months	6	10	16	62.50%
Total exits from Entry level positions in the last 12 months	1,567	2,586	4,153	62.27%
Total exits	1,575	2,598	4,173	62.26%
New hires	Male	Female	Total	Female %
New external hires to the C-Suite positions in the last 12 months	1	1	2	50.00%
New external hires to the Senior Manager level positions in the last 12 months	3	13	16	81.25%
New external hires to the Manager level positions in the last 12 months	163	266	429	62.00%
New external hires to the Entry-level positions in the last 12 months	563	842	1,405	59.93%
Total new external hires	730	1,122	1,852	60.58%

## OCCUPATIONAL HEALTH AND SAFETY, HYGIENE



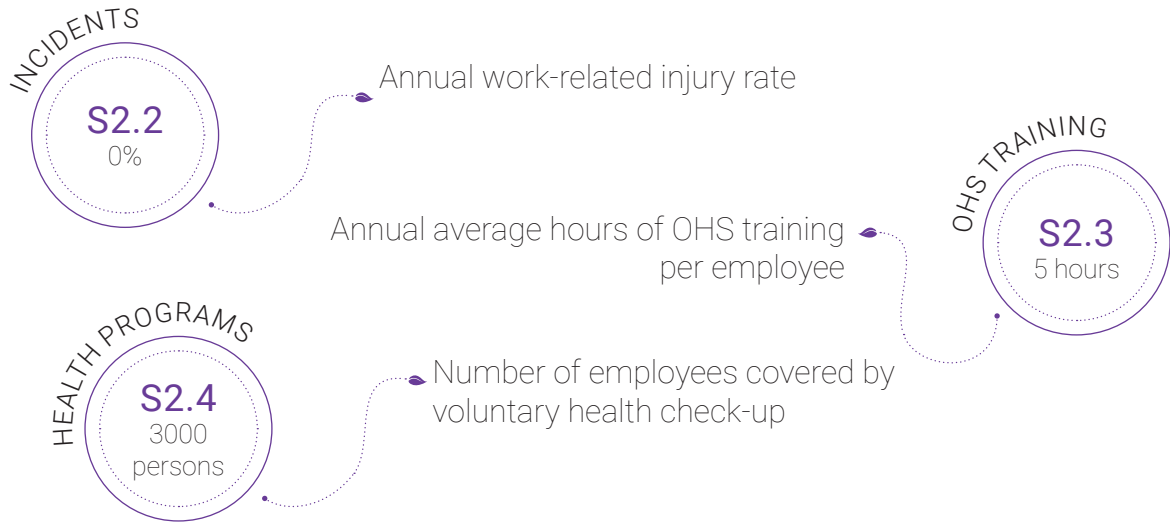
Central Express CVS LC first approved its Occupational Health and Safety (OHS) and Hygiene policy according to the CEO order of June 3, 2020, number A/20-29. The following are the accompanying set of regulations:

1. General OHS Policy
2. Regulation on personal protective equipment
3. Hazard detection, reporting and correction procedures
4. Procedures for investigation and registration of Health Safety and Environmental industrial accidents, acute poisoning, dangerous incidents, and near-accident incidents
5. Fire safety procedures
6. OHS Internal control procedures
7. OHS Standard operating procedure
8. OHS training, guidance procedure
9. Regulations of part-time OHS council.

The company's OHS manager under the leadership of the CEO, is responsible for the OHS management system, to develop relevant and necessary policies and procedures, and provide supervision and advice, followed by OHS employees. The distribution center has an OHS consultant, and the factory has one full-time employee. In this system, the Director in charge of Operations is responsible for ensuring and implementing safety operations, while department heads, managers, and senior employees are responsible for providing leadership to the staff. Employees, contractors and subcontractors are responsible for ensuring safe operations and not putting themselves or others at risk.

### OHS MANAGEMENT SYSTEM

As a part of this, a short meeting is held every morning at stores, factories, and distribution centers, and information from the previous shift, standard operating procedure, and OHS instructions are given. Every morning, employees of factories and distribution centers sign a that they have gotten and agreed to the OHS instructions. At each shift change for the stores, the Record Book is filled out by managers containing information from the previous shift and the shift supervisor gives written and verbal instructions for the following shift.



In addition to accidental injury insurance, there is general liability insurance covering bodily injury, health, and life damage to third parties and related parties, as well as property damage. The company also requires that the suppliers and subcontractors meet OHS requirements.

OHS training is on average 5 hours a year per employee per year, and OHS information is placed in a visible manner in applicable places.

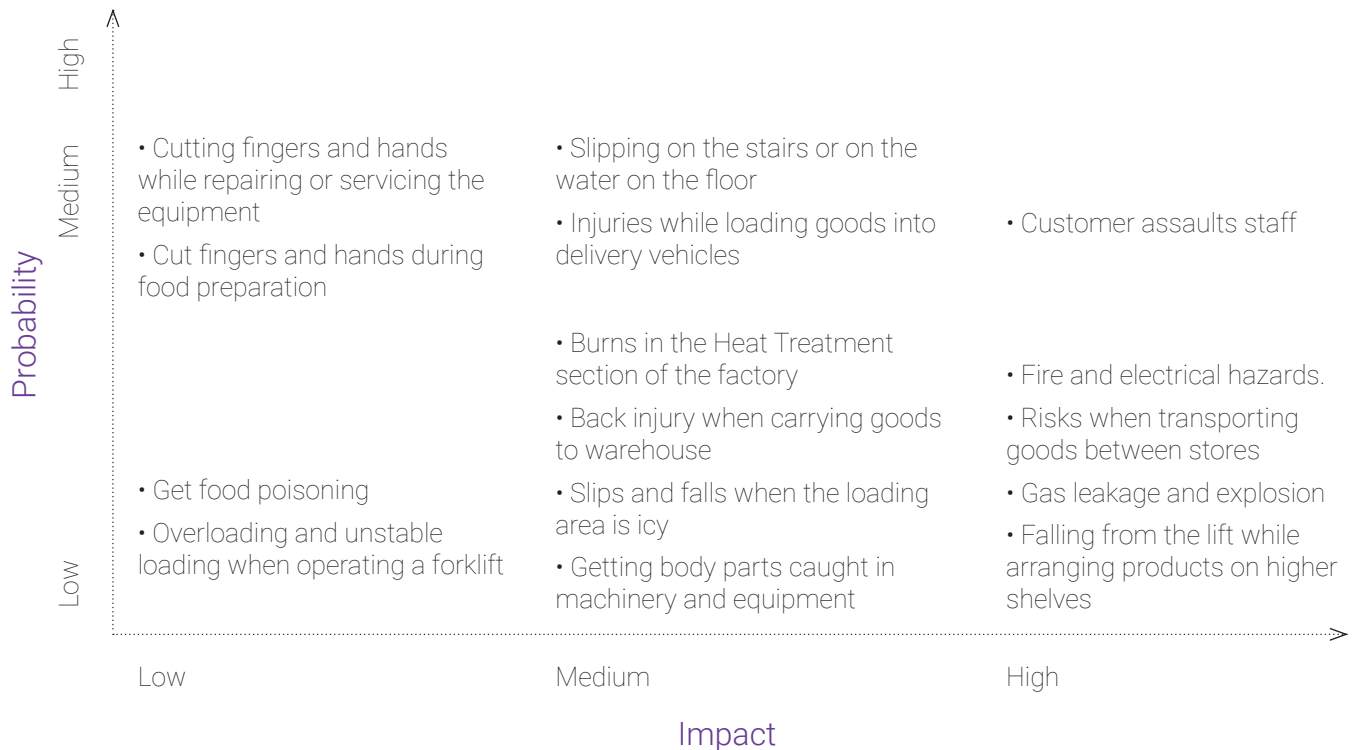
The company regularly organizes health and safety training for all its employees, enrolls them into accidental injury insurance coverage, and conduct annual medical examinations.

A total of 3,000 people are tested for infectious diseases in accordance with regular hygiene requirements, for relevant units and employees. Among them, 80 workers underwent periodical health examinations, 391 preventive health examinations, 68 Helicobacter pylori tests, and 24 early detection tests.

## RISK ASSESSMENT

Activity	Risk	Probability	Impact
Convenience store	Fire and electrical hazards	Low	High
	Burns during food preparation	Low	Low
	Cutting fingers and hands while repairing or servicing the equipment	Medium	Low
	Back injury when carrying goods to warehouse	Low	Medium
	Customer assaults staff	Medium	High
	Risks when transporting goods between stores	Low	High
Food production center, cold chain distribution center	Burns in the Heat Treatment section of the factory	Low	Medium
	Slipping on the stairs or on the water on the floor	Medium	Medium
	Fire and electrical hazards	Low	High
	Gas leakage and explosion	Low	High
	Get food poisoning	Low	Medium
	Cut fingers and hands during food preparation	Medium	Low
Ambient temperature distribution center	Overloading and unstable loading when operating a forklift	Low	Medium
	Falling from the lift while arranging products on higher shelves	Low	High
	Getting body parts caught in machinery and equipment	Low	Medium
	Slips and falls when the loading area is icy	Low	Medium
	Injuries while loading goods into delivery vehicles	Medium	Medium

SOCIAL ASSESSMENT





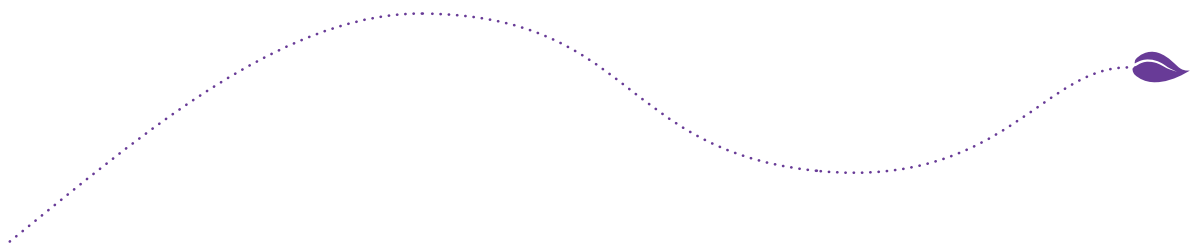
## OHS PERSONAL PROTECTIVE EQUIPMENT

- Store workers wear disposable caps and masks to maintain hygiene.
- When entering the factory premises, food production center workers wear shoes provided by the company (changed once a year), full-body clothing (changed twice a year), and wear a disposable mask. Workers transferring goods to cold storage (-18C) wear coats from the company.
- All the doors and exits within the factories and distribution centers have manual operation, in addition to having sensors (one, in some cases two), so there is no chance of getting caught or injured by the doors.

Each store is equipped with 2 fire extinguishers, fire blankets, and carbon monoxide sensors to ensure fire safety, and their expiry dates are monitored monthly.

## FIRE SAFETY

The food production center has a 100% automatic fire protection system. Also, the gas facility is equipped with sensors, which automatically closes the valve and turns during a gas leakage.



## EQUALITY



Does your company have a Gender policy (stand-alone or integrated)?

Central Express CVS JSC does not have any policy document on gender equality. But considering their readiness and availability of sex-disaggregated data on most key indicators, it is feasible to conduct gender assessment and further develop gender equality policy or procedure based on the findings and introduce it throughout the company.

Gender policy to ensure gender equality is not for supporting women only or to keep the numbers equal. Gender equality is about accepting different groups or individuals with different sex, nationality, ethnicity, religion, and sexual orientation in terms of society, culture, and economy, and is an attempt to allocate their rights, responsibilities, and given opportunities equally. On the other hand, equality does not mean men and women should become the same, but the rights and opportunities of men and women shall be equal regardless of their sex.

- To conduct gender assessment at the company level, and to plan further actions with gender-responsiveness based on the gender assessment findings.
- To develop and ensure effective implementation of gender policy or procedure.

## RECOMMENDATIONS

- Gender-mainstreaming: When developing, initiating, and implementing any actions, always consider the Impact of these policies, decisions, or actions on men and women. And after analyzing the impact the company may decide on gender-responsiveness. The company should always strive for allocating any benefit or value to men and women equally and contribute to ending the social norms and inequality within the society. The main objective of mainstreaming gender is to ensure gender equality.



- Ensure women’s participation at the decision-making level.
- Close the gender pay gap between men and women working at the same level of positions.
- Provide equal opportunity for men and women to get access to knowledge and experience, and the opportunity to excel in career and personal development.
- Organize training and capacity-building sessions on gender-responsive operations for all its employees.



- Offer inclusive, gender-responsive, and free of social- norms service to all of its customers
- Ensure a safe environment for customers, free of gender-based violence, discrimination, and harassment, and have a policy in place to prevent or respond to these circumstances.
- When sharing the information, the company should ensure they have provided gender-sensitive, respectful of human rights, and inclusive information on all of its marketing channels.



- Require all of its partners and suppliers to follow their principles defined in the gender policy and call upon their joint effort on gender equality.
- The company should disseminate and disclose its gender policy and its activities to the general public, and show leadership in the industry they operate.
- Under the frame of CSR, the company should strive to support any project or program to promote gender equality with their own resource and capability.



Does your company have an anti-sexual harassment policy (stand-alone / integrated)?

Does your company have a non-discrimination policy (stand-alone / integrated)?



Central Express CVS JSC does not tolerate any kind of violence or discrimination and regulates the issue of prevention and response to sexual harassment, discrimination, and violence that may arise between employers, employees and third parties in the labor contract.

## PROHIBITED ACTIVITIES

In employment and labor relations, it is prohibited to discriminate people directly or indirectly against based on race, ethnicity, language, race, age, gender, social origin, social and marital status, wealth, religion, opinion, political opinion, trade union membership, state of health, pregnancy, limit or give preference to the rights of women based on whether or not they have given birth, sexual or gender orientation, expression, disability, or appearance.

It is prohibited to create an intolerable workplace environment by causing psychological or sexual harassment, violence, or threats to each other verbally, physically, electronically, or in any other form in employment and labor relations.

In employment and labor relations, It is prohibited to use sexual harassment in the form of intimidation, coercion, or setting conditions when employers, employees, and third parties express their sexual motives verbally, in person, electronically, or in other forms when they do not want each other, or to encourage them in economic or other ways, such as work, position, or salary, depending on whether or not they engage in sexual relations.

If the employee commits all kinds of coercive violence, sexual harassment, or inaction, the employment contract will be immediately terminated.

## RESPONSE MEASURE

Persons who commit harassment, violence, or sexual harassment in employment and labor relations shall be held liable as provided for in the Law on Violations and the Criminal Code, and the imposition of such liability shall not be grounds for exemption from labor disciplinary punishment.



- At the current level, the response to sexual harassment is regulated within the framework of the employment contract, but in case of sexual harassment or other verbal or physical abuse or insults to the employee by the customer or third-party other than the employer, whistle-blowing, victim protection, and response actions are not clear.

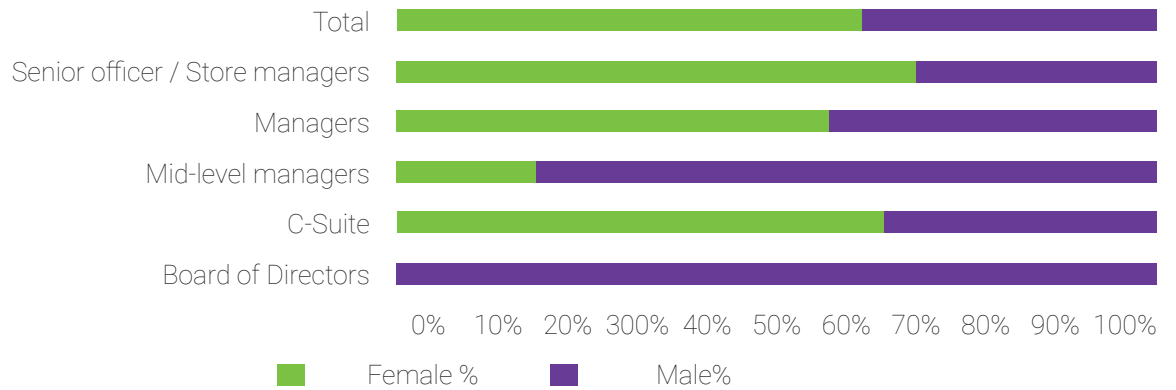
## RECOMMENDATIONS

- Therefore, it will be possible to have a special policy/procedure for prevention and response to sexual harassment, so that the risk can be defined in a wider scope, and it will be possible to protect employees, employers, and third parties from risks, receive complaints safely, and determine measures to protect the victim. Also, introduce the scope of the policy and the implementation process to all employees through training.
- It is highly recommended to have a line to receive complaints, suggestions, and requests from customers and employees about all kinds of violence, harassment, and discrimination, to register them with the appropriate official to protect the interests of the complainant, to register the number, to inform the relevant decision-makers, and to create a system for further policy measures. If it can be measured, it will be taken into account and measures will be implemented.

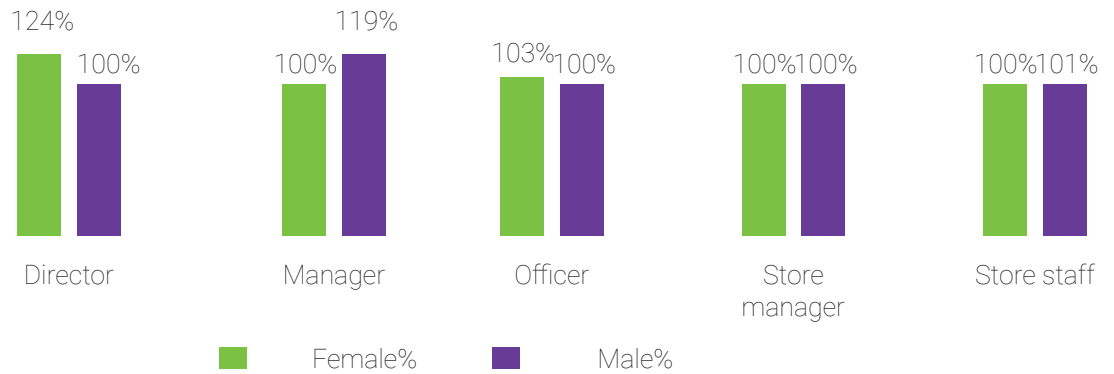
Women make up the majority of Central Express CVS JSC's total staff and middle and entry-level staff. On the other hand, the representation of women on the board of directors is 0 percent, and in the executive management team, women occupy 73 percent. Looking at the gender pay gap, women earn 1.14 times more than men.

		Central Express	Central Foods
S3.4: Gender balance	Percentage of total employee headcount by men and women	Male-34% Female-66%	Male-20%, Female 80%
S3.5: Board-level gender balance	Percentage of board-level positions held by men and women	Male-100%	n/a
S3.6: C-Level gender balance	Percentage of C-level positions held by men and women	Male-27% Female-73%	Male-75%, Female-25%
S3.7: Junior-level gender balance	Percentage of junior-level positions held by men and women	Male-37% Female-63%	Male-39%, Female-61%
S3.8: The gender pay gap	The ratio of average male salary to average female salary	Female/ Male=1.14	Female/ Male=1.22

### Gender balance of employees



### Pay gap by gender



SOCIAL ASSESSMENT

In addition to the indicators mentioned in the ESG and sustainability reporting guidelines, the following is an additional analysis of the provision of personal development and leadership opportunities for employees, the promotion of gender awareness, and the promotion of gender mainstreaming by suppliers.

Access to leadership program by sex	Male	Female	Total	Female %	Male %
Total number of middle management employees who participated in leadership and management training or programs in the last 12 months	5	7	12	58.33%	41.67%
Total number of junior-level managers who participated in leadership and management training or programs in the last 12 months	5	16	21	76.19%	23.81%
Number of total employees who participated in leadership and management training or programs in the last 12 months	0	6	6	100.00%	0.00%
Total	10	29	39	74.36%	25.64%

Gender training	Male	Female	Total	Female %	Male %
Total number of middle management employees who participated in gender-related training or programs in the last 12 months	0	0	0	0%	0.00%
Total number of junior-level managers who participated in gender-related training or programs in the last 12 months	0	1	1	100%	0.00%
Total number of front-office employees who participated in gender-related training or programs in the last 12 months	0	0	0	0%	0.00%
Number of total employees who participated in gender-related training and programs	0	0	0	0%	0.00%
Total	0	1	1	100%	0.00%

Suppliers and companies with partnerships	Male	Female	Total	Female %	Male %
Number of suppliers (business partners) worked within the last 12 months	n/a	n/a	453	n/a	n/a

Gender-mainstreaming	No.
Total number of media mentions of the company's gender equality policies and commitments in the last 12 months*	2
Number of measures and support implemented to ensure gender equality	n/a
Amount of support and measures taken to ensure gender equality	n/a
Number of opportunities to present and talk about gender equality	n/a

From the above gender analysis, it can be seen that the Company provides opportunities for female employees to learn and develop in management and leadership, and 74.36 percent of the beneficiaries of leadership training are female employees.

However, there is only 1 manager-level employee who has received gender training and information, and there is currently no practice of gender-segregating supplier records. In the past 12 months, the company has shared information on gender equality, inclusion, and diversity twice.

- Determine the representation of women at the decision-making or management level so that it is not less than 40 percent

- Reduce the wage gap between men and women in the positions of managers and store managers, and provide equal wages in the future

## RECOMMENDATIONS

- After the gender policy is approved, organize training on gender equality for all employees and conduct internal capacity-building activities in this direction.

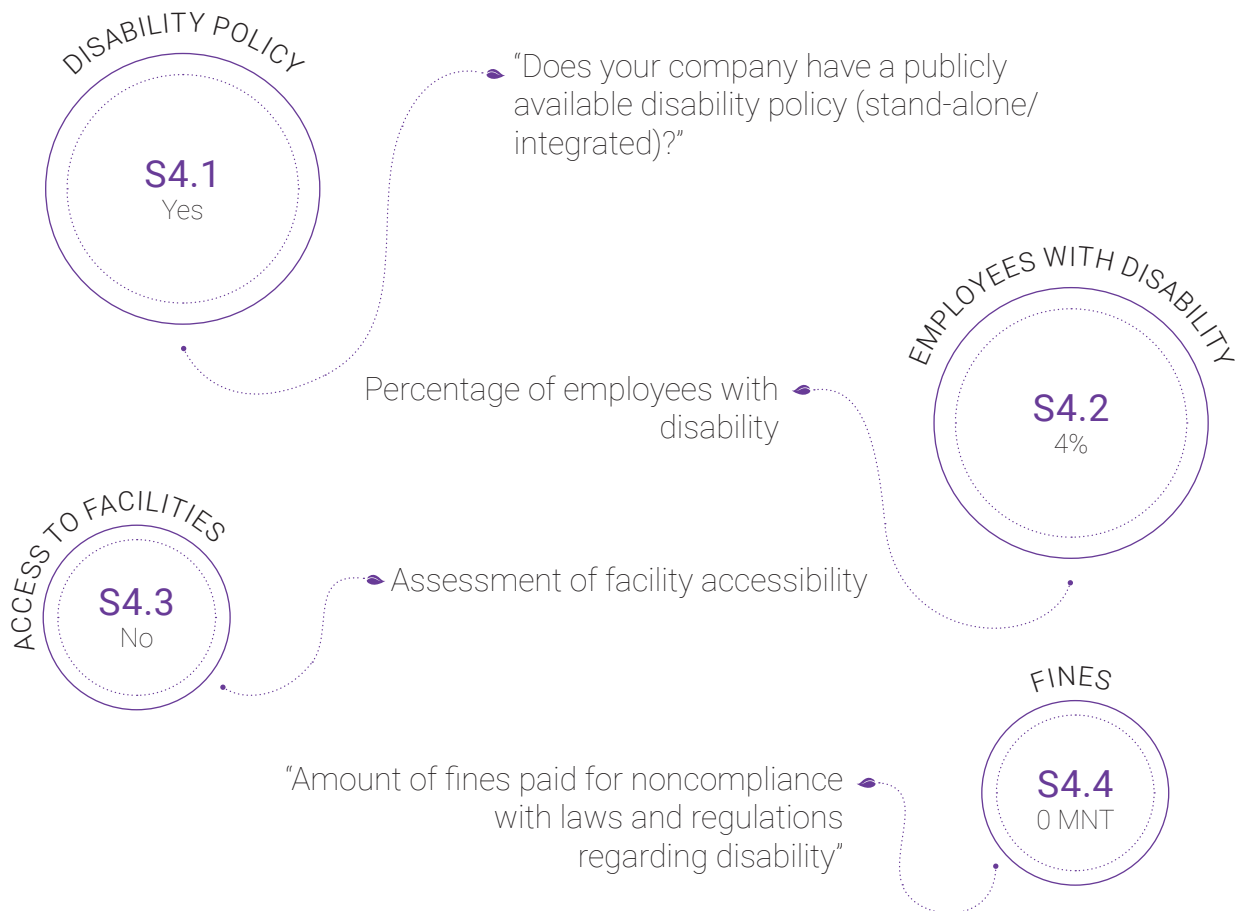
- Openly present to all suppliers and stakeholders about measures taken to ensure gender equality, accessibility, and diversity of the company, and work with the same requirements

- Register the data of cooperating partner organizations and suppliers by gender. In this way, the basic conditions for making gender-sensitive decisions will be created in the future.

- Based on the adoption of the Gender Policy, the company should make public events and announcements about its commitment to gender equality, call on and set an example for other participants in the industry, and further support and collaborate with projects and initiatives to mainstream gender equality within the limits of company's own possibility in terms of monetary and in-kind contribution.



## ACCESS AND INCLUSION

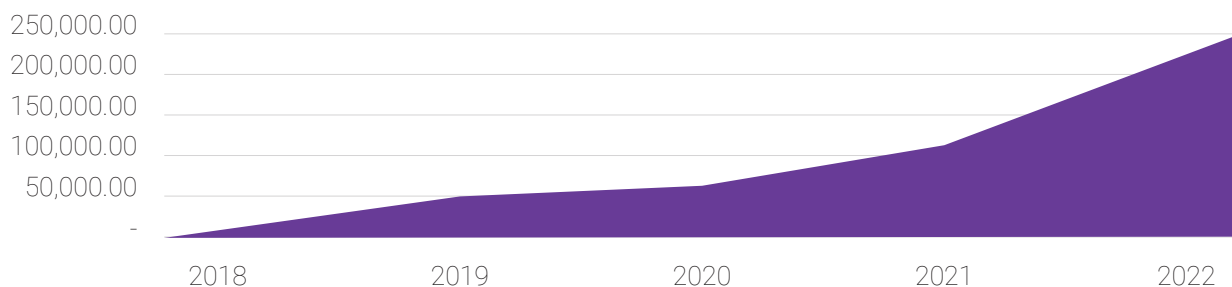


### HR inclusion

Since the company was founded, CU has supported the employment of people with disabilities and the stores have fulfilled the legal quota of jobs. This has also set a precedent for suppliers to provide jobs to people with disabilities.

In 2022, Central Express employees and Central Foods employees, totaling 4.0% were people with disabilities. The stores often hire people with disabilities and hearing impairments. There are some suppliers where people in wheelchairs can work in their food production. When listening to the atmosphere and comments of colleagues and managers, disabled employees are usually excellent and hard-working people, so there is no issues such as discrimination, absenteeism, or inability to work. Depending on the disability, in addition to cleaning, they can perform a variety of roles, such as running the cash register, inventory, and food preparation. However, the requirement of 40 hours a week doesn't apply to them.

Jobs created for people with disabilities, labor hour



In addition, 50% of the food production center are locals from the Nalaikh district, and half of those employees belong to Kazakh minority group. In cases where they don't speak Mongolian, a buddy system is implemented assigning another Kazakh who speaks Mongolian to train them. The work conditions are flexible and respectful for Kazakh traditions and celebrations.

**Wheelchair ramps:** As CU stores lease their facilities, there are cases where facilities do not have ramps that allow wheelchair access. Even if there are ramps, some are not built according to standards, such as handrails being too far away or too steep.

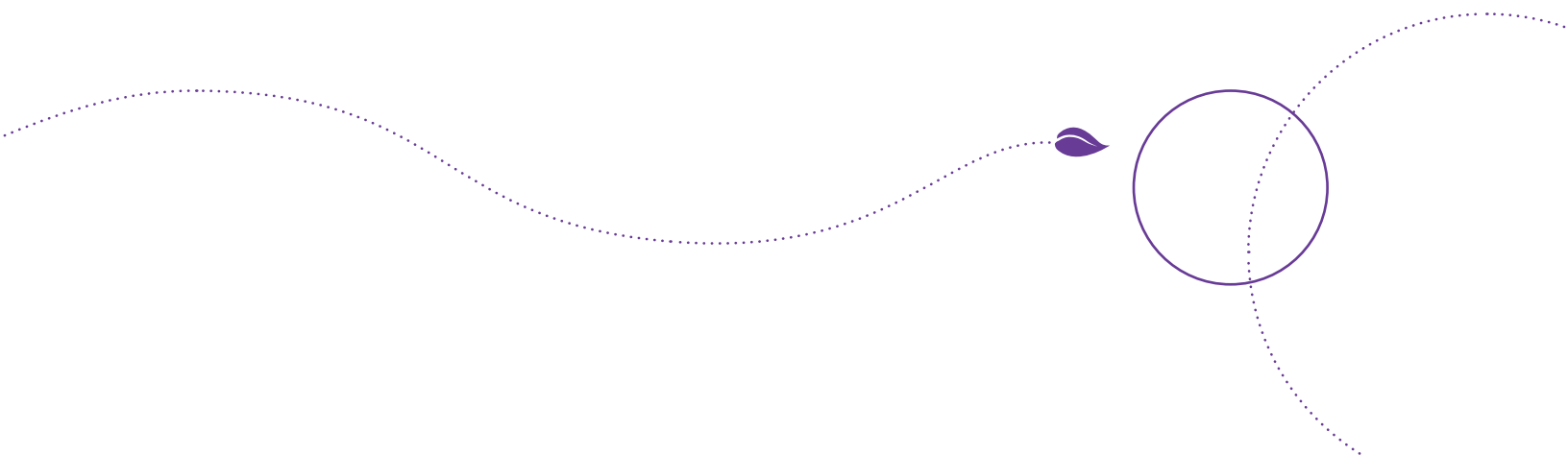
## ACCESS TO FACILITIES

In the case of industrial facilities, there is a lack of accessibility solutions for people with disabilities. There are cases where some manufacturers can't hire or retain their disabled workers due to accessibility issues of the building.

It's been 4 years since CU stores offered the following services to millions of customers without any conditions to purchase, bringing the culture and standards of local food service in the capital city and branch stores to another level.

## IMPROVEMENT OF URBAN INFRASTRUCTURE AND SERVICES

- Free public restrooms: The company solved the public restroom problem, that remained unsolved for many years.
- Outdoor area cleaning: CU store staff are required to clean 50m radius outdoor area without icy and slippery surfaces, and keep them well-lit.
- 24-hour cameras: The camera recording is saved for a period of 1 month, and it was used as evidence in cases where people forget things, theft, crime, etc.
- Free Wi-Fi spot: This serves the same service as a coffee shop not only in the city center, in the outskirts of the city where they're devoid of such services.
- Postal service: Stora delivery points are located in specific CU stores. The company is also working with relevant government agencies to place government service kiosks.
- Delivery Service: The delivery service was implemented during the COVID-19 pandemic as a philanthropic service to give the fastest delivery from the customer's nearest branch, keeping the principle of being close to the customer, even during the pandemic. The delivery service has been discontinued this year.



## COMPANY ENGAGEMENT AND DISCLOSURE



Does your company have a stakeholder/ community engagement policy approved by the Board?

Although the company has not adopted a specific policy and procedure for working with stakeholders and the community, it is already carrying out activities that ensure the joint participation of stakeholders within the framework of the company's social responsibility.

Central Express CVS JSC and the Mayor's Office signed a memorandum of understanding on October 13, 2022, with the aim of creating public-private partnerships in the social, economic, and small and medium-sized commercial and service sectors of Mongolia, developing urban culture, and meeting the current and future needs of the commercial and service sector. The parties are working in the following directions. It includes:

### COOPERATION WITH THE MAYOR'S OFFICE

- Providing healthy food to the population of the capital
- Dissemination of urban culture
- Increase jobs and support employment
- Prevention of crime and violations
- Support for start-ups
- Support sustainable development of environment and society

### COOPERATION WITH THE OFFICE OF THE GOVERNOR OF DARKHAN-UUL PROVINCE

On November 24, 2022, a memorandum of understanding on cooperation in the "Green Darkhan" program established for the citizens of Darkhansum to acquire knowledge, skills, and practices that meet the requirements of entrepreneurs, to work in the production and service sectors, to support the employment of the target group of youth was signed.

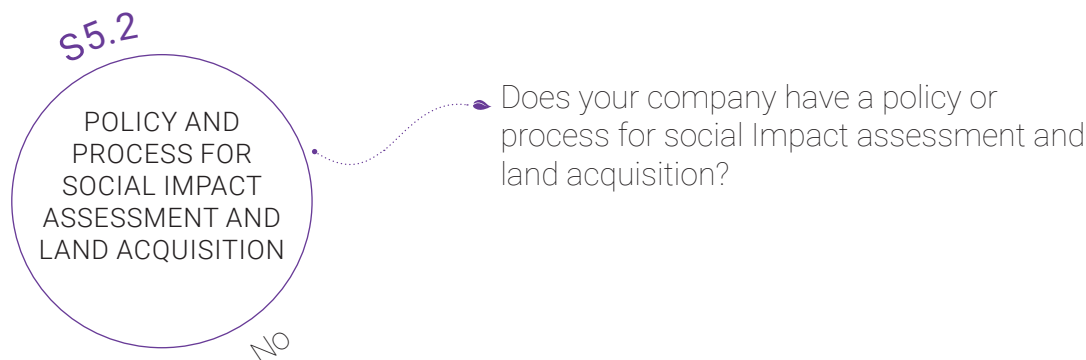
As part of the "Let CU help you" child protection program, which is implemented in cooperation with the Domestic Violence and Crimes Against Children Department of the Metropolitan Police Department, 7 children who were lost from their parents and guardians and sought help were safely handed over to their parents and guardians through the police.

**"LET CU HELP YOU"  
CHILD PROTECTION  
PROGRAM**

The purpose of the project is to prevent children from getting lost, to keep lost children safe, and to prevent crime through its 285 branch stores. We are working to quickly contact and deliver the information and safely hand over the child to his family.

**RECOMMENDATIONS**

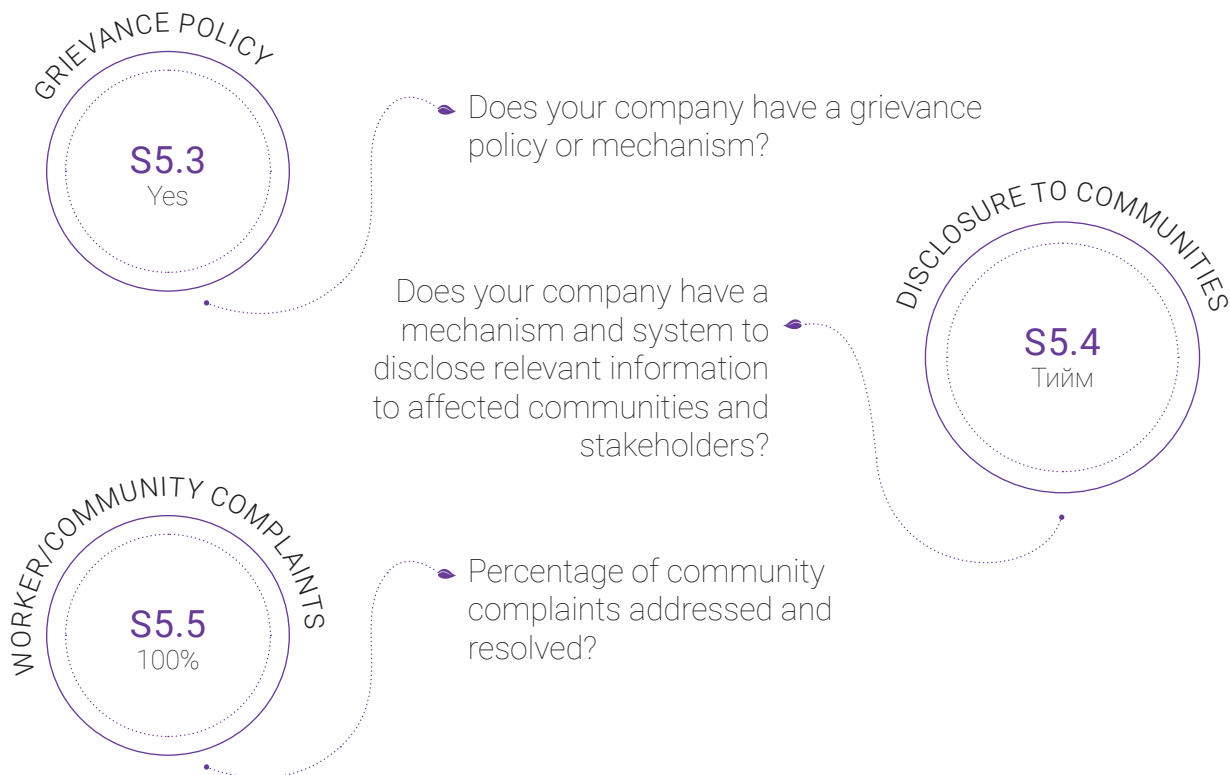
In the future, the company should develop and get approval for the "Guideline on Communication and cooperation with the stakeholders" based on determining the impact of the company's activities on each of the stakeholders and defining the impact of the company's activities on each stakeholder. Upon the approval of the guideline by the company's top management, the company must ensure to provide equal information to all stakeholders about the approved policy document.



The company does not have any policy or procedure on social impact assessment at this moment.

**RECOMMENDATIONS**

Within the Environmental, social, and governance policy framework, it is recommended that the company shall conduct an assessment of the impact of ESG and develop a social Impact policy based on the assessment findings and have it approved by the top management.



SOCIAL ASSESSMENT

Central Express CVS LLC’s “Customer Feedback and Complaints Resolution Procedure” was issued by the Executive Director’s order dated June 20, 2022, and Central Foods LLC’s “Customer Feedback and Complaints Resolution Procedure” was issued by the Executive Director on November 15, 2022, respectively.

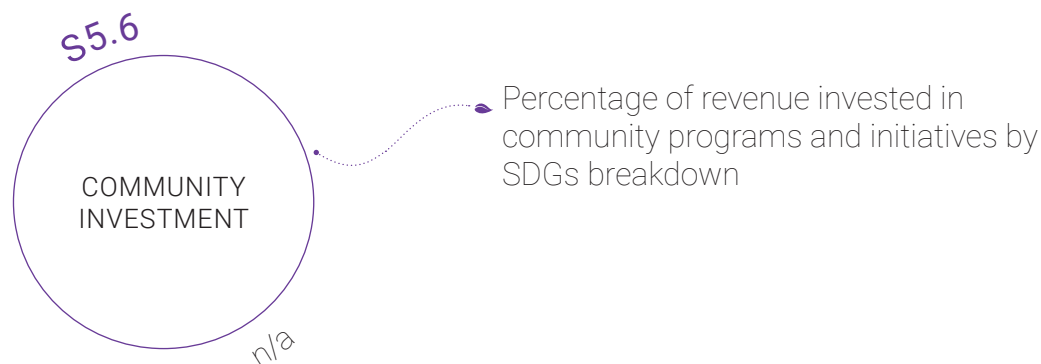
According to the regulations, customer complaints are classified into 2 types: serious and non-serious and are received through the following channels. The call monitoring center will receive complaints and suggestions received through all channels and create a unified register.

Serious complaints	Non-serious complaints	Channels to receive complaints
<ul style="list-style-type: none"> <li>Food poisoning</li> <li>A foreign object was detected in the product</li> <li>Expired products were sold and products were spoiled</li> <li>Rude treatment by staff</li> <li>Damage to the life and health of employees and customers</li> </ul>	<ul style="list-style-type: none"> <li>Bad taste</li> <li>Unpreparedness for service</li> <li>Delivery service</li> <li>Cleanness/comfort of service/</li> <li>Related to CU App</li> <li>Others</li> </ul>	<ul style="list-style-type: none"> <li>Call Monitoring Center</li> <li>Telephone: 77330101</li> <li>Email: callcenter@cumongol.mn</li> <li>CU App</li> <li>Social media: ChatBots on Facebook and Instagram</li> <li>In person at the branch store</li> </ul>

CHAPTER 3

As of the end of 2022, 100 percent of complaints from employees and the public have been resolved.

#	Classification	Number of Complaints	Number of Feedback	Complaint %	Feedback %
Complaints and feedback	Related to CU App	12		1.0%	0.0%
	Damage to the health of employees and customers	9		0.7%	0.0%
	Staff treatment/attitude	114	14	9.4%	23.3%
	Bad taste and look	242	18	19.9%	30.0%
	Complaints from employees/ customers' families	12		1.0%	0.0%
	Other	37	3	3.0%	5.0%
	Product spoilage, quality loss	241	1	19.8%	1.7%
	Product disruption	1	1	0.1%	1.7%
	The shelf life of the product has expired	16		1.3%	0.0%
	Foreign body detected	303	1	24.9%	1.7%
	The packaging is damaged	2		0.2%	0.0%
	Distribution driver's treatment/ attitude	5		0.4%	0.0%
	Unpreparedness for service	58	18	4.8%	30.0%
	The storage mode is declined	2		0.2%	0.0%
	Allergy	1		0.1%	0.0%
	Address labels and packaging are defective	9	1	0.7%	1.7%
	Poisoning	105		8.6%	0.0%
	Delivery service	36	1	3.0%	1.7%
	Cleanness and comfort of service	12	2	1.0%	3.3%
	<b>Total</b>		<b>1217</b>	<b>60</b>	<b>100%</b>

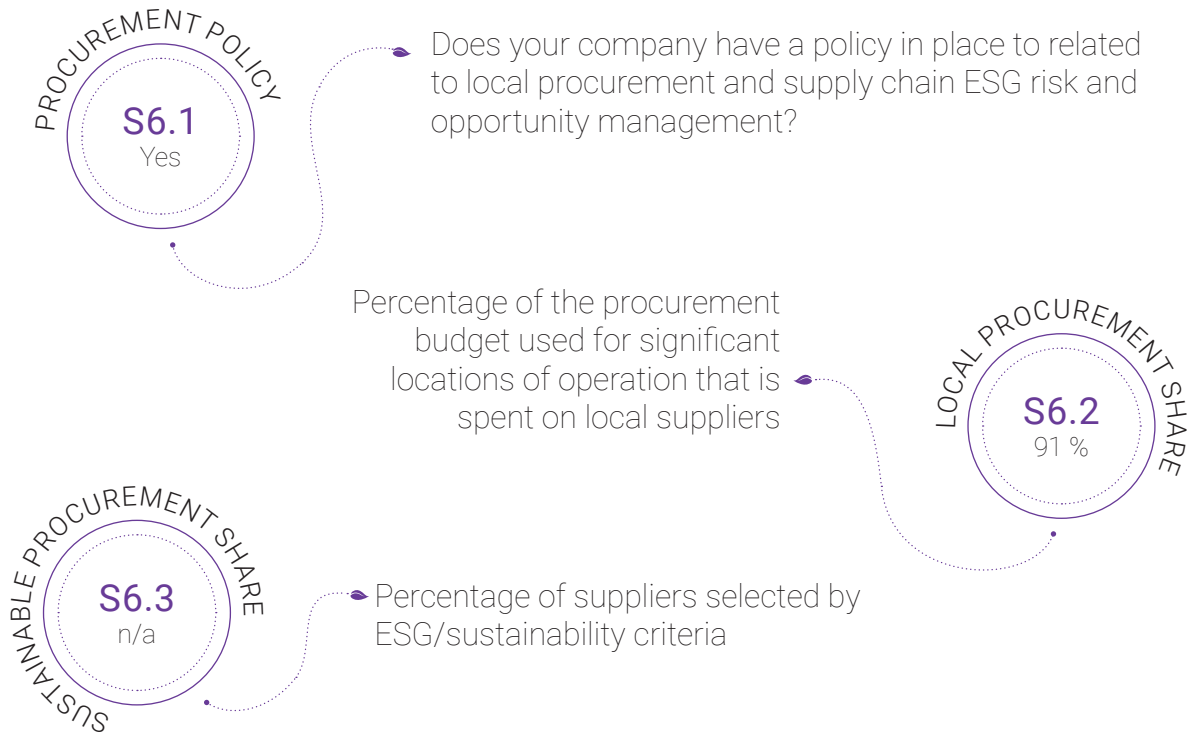


Currently, the community investment data is not available or in place.

## RECOMMENDATIONS

In the future, it is customary to register the amount of investment made in the framework of Social Responsibility by classifying it according to its contribution to the SDGs, calculating the percentage of total income and expenses, and presenting it in the reports.

## SUSTAINABLE SUPPLY CHAIN MANAGEMENT



SOCIAL ASSESSMENT

The company's supplier contracts and documents required from the supplier cover all possible health and safety issues, and further recommendations and requirements for making the value chain environmentally friendly can be included in these documents. For example, the contract with the suppliers include the requirement not to engage in child labor, and in the annex to the contract, the contractor and subcontractors are obliged to follow the same Occupational Health, Safety and Hygiene regulations. It has a monitoring system in accordance with the Supplier Evaluation Procedure approved by the CEO's Order A-21/06. Also, in the "requirements for suppliers and contractors" there is a requirement to measure and monitor the impact on the environment. There is also a Supplier Inspection Procedure and a Preparatory Supplier Inspection Procedure. The company is also working to approve food safety and supply chain controls and guidelines.

CHAPTER 3



Also, domestic suppliers account for 91% of total purchases of Central Express CVS and 90% of Central Foods. As a result, domestic cash flow of MNT 53.3 billion was created, and indirect taxes paid by suppliers can be estimated at MNT 5 billion. In addition, as the company grows, the food manufacturers it supplies also expand their scale, creating new stable jobs and further contributing to increasing the amount of taxes paid to the state.

CU stores cooperate with a total of 17 food producers in Mongolia. Interviews with 3 suppliers for the purpose of the report revealed that since the contract with CU, new jobs have been created, income and taxes have increased as follows:

### INDIRECT JOB CREATION: FOOD SUPPLIERS

- The supplier grew from a company with 5 employees to 30 employees,
- From 4 employees to 35 employees,
- from 4 employees to 15 employees.

In order to improve supplier resource management, production efficiency, product hygiene and quality, a 2-stage program “Let’s develop together” was implemented and included a total of 12 factories. During the interviews, food manufacturers and suppliers said that it was very effective, and further tailored recommendations from the trainers helped them a lot after the training.

The CU chain stores cooperate with a total of 17 Mongolian food manufacturers and 12 of them were chosen to attend a 2 tier training with the following topics:

### LET’S GROW TOGETHER: TRAINING FOR SUPPLIERS

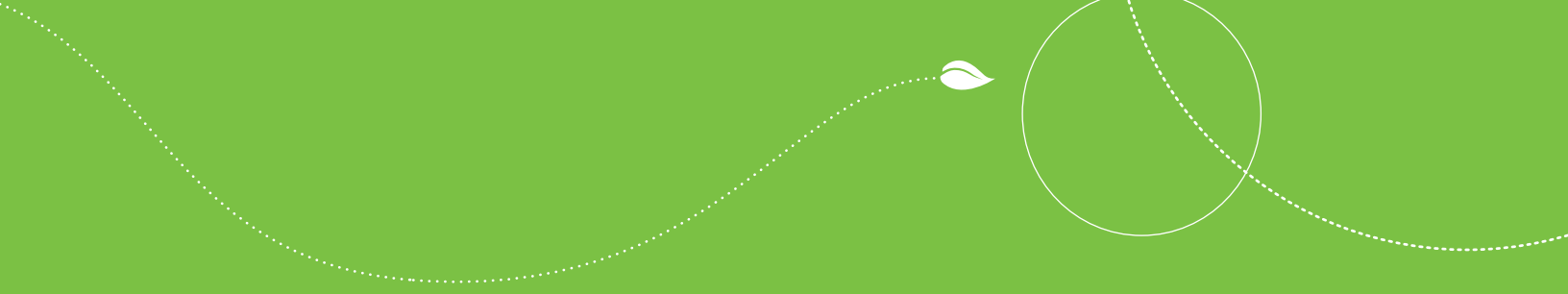
- 1) Food quality and food safety training
- 2) HACCP certification training

The training on good practices was carried out at the level of factory managers and technicians and resulted in many improvements for the supplier performance. To name a few, the following was observed: improvement in documentation, internal control systems, workers’ hygiene and sanitation practices, and factory premises, as well as elimination of production line overlaps thereby reducing inefficiencies, and workers’ were more engaged.

## RECOMMENDATIONS

The ESG indicators could be measured for suppliers and included in Central Express CVS LC's future ESG reports.

Include in the regulations, more priority on investment and procurement of goods which are most exposed to climate risks.



Chapter

# 4

## GOVERNANCE ASSESSMENT

Corporate governance  
Corruption and ethics  
Compliance

## CORPORATE GOVERNANCE



Does your company have a Corporate governance policy or codes in line with the newly approved Governance codex by the FRC?

The governance structure of Central Express CVS JSC complies with the Law on Companies, the Law on Securities Market, and other relevant laws and regulations, and it has ensured the favorable condition of determining strategic direction and conducting Internal control and risks.

Also, the company is working towards approving the “Company Governance Code Implementation Program” to confirm and follow the internal policy documents, rules, regulations, and instructions of the company by the principles of the Corporate Governance Code, and to introduce and make it a routine in their operations.

GOVERNANCE ASSESSMENT

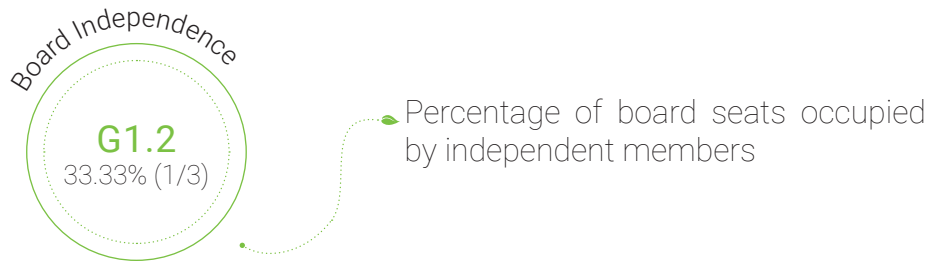


- Ensuring shareholder rights
- To bring the accountability system of the board of directors and the executive director to the international standards
- Improve reporting and information transparency
- Improve risk management
- Improve the control system



- Implementation of policy documents, rules, regulations, and instructions contained in relevant laws and regulations by the basic principles and norms of corporate governance
- Regularly conduct compliance monitoring in the implementation of company policy documents, regulations, and instructions
- Instruct authorized officials in corporate governance training
- Reporting on program implementation

CHAPTER 4



To create long-term value for shareholders and other stakeholders, the board of directors determines the main operational directions, policies, and strategies that are in the interests of shareholders, forms an internal control system, and guides and supervises executive management. The Board of Directors consists of 9 members, of which 6 are ordinary members and 3 are independent members.

## BOARD OF DIRECTORS

Member type	Board member's name	Sex	Position	Date appointed	Background, education, work experience
Ordinary board member	Gankhuyag A.	Male	Board Chairman	10/31/2019	Mr. Gankhuyag Adilbish is the founder of Premium Group LLC, the Chairman of the Board of Directors of Premium Group LLC and Central Express CVS LLC, and has experience working at the most influential and largest companies in Mongolia for the past 20 years as a vice president at MCS Group, the chairman of MCS Coca-Cola LLC and Unitel LLC, and as a director of the board of directors and as a chief financial officer at Mongolian Mining Corporation (HKEX: 975). He has made a valuable contribution to bringing the activities of companies to the international level and has successfully led many large-scale foreign investment projects in the fields of energy, mining, light industry, infrastructure, construction, and trade. Mr. Adilbish graduated from the National University of Mongolia with a bachelor's degree in finance and economics
Ordinary board member	Chinzorig G.	Male	Board member and CEO	10/31/2019	Mr. Chinzorig Ganbold is a director of the Board of Directors and CEO of Central Express CVS LLC. He has experience in software, business processes, business intelligence, information technology master planning, and engineering. He has worked as an IT consultant for the Innovation and Competitiveness Project, the Asian Development Bank's Capital Market Development Project, and the Stock Market Information System and Financial Infrastructure. During his tenure at the ITPTA, he oversaw the implementation of the e-government program and developed a policy on Mongolia's telecommunications, internet, post, media, and satellite communications, as well as a regulatory policy for the introduction of 4G mobile services in Mongolia. Mr. Ganbold holds a bachelor's degree in computer science from the Mongolian University of Science and Technology and a master's degree in business administration from the University of Louisville, USA.

Member type	Board member's name	Sex	Position	Date appointed	Background, education, work experience
Ordinary board member	Ganbold A.	Male	Board member	10/31/2019	Mr. Ganbold Adilbish is a director of the Board of Directors of Central Express CVS LLC, the founder and a director of the Board of Directors, and CEO of Premium Group LLC and has been instrumental in the implementation of strategic directions and objectives of subsidiaries and affiliates of Premium Group LLC. He also served as the CEO of National Development LLC, a Mongolian road construction and urban infrastructure company, and is the founder of Ganbros LLC, a luxury furniture manufacturer. His contribution to the development of the construction industry was highly appreciated by the government and was awarded the Polar Star medal. He holds a bachelor's degree in electrical engineering and systems engineering from the Mongolian University of Science and Technology (MUST) and studies at the Kharkov Institute of Civil Engineering in Russia
Ordinary board member	Bat-Erdene G.	Male	Board member	10/31/2019	Mr. Bat-Erdene Gansukh is a director of the Board of Directors of Central Express CVS LLC, a director of the Board of Directors, and a vice president of Premium Group LLC and is responsible for Premium Group's financial stability and risk management system. He started his career as a head of the financial planning department at MCS Coca-Cola LLC, the leading company in manufacturing and trade. For the past 18 years, he has worked in the manufacturing, sales, mining, energy, industrial, and construction industries, managing the financial operations of Mongolian Mining Corporation (HKEX: 975) and MCS. He also served as a deputy director of MCS Energy LLC and a vice president for finance of Mongolian Mining Corporation. Mr. Gansukh graduated from Khan-Uul University with a bachelor's degree in business administration and applied mathematics
Ordinary board member	Batmunkh O.	Male	Board member	10/31/2019	Mr. Ochirbat Batmunkh is a director of the Board of Directors of Central Express CVS LLC, a director of the Board of Directors and a vice president of Premium Group LLC, and CEO of Premium Concrete LLC, and is responsible for Premium Group's mining, construction, and concrete business. He has 15 years of experience in business management and successfully implementing concrete crushing plant design, construction, and operation for major projects such as New Ulaanbaatar International Airport (NUBIA), Shangri-La Hotel Complex Project, Salkhit (50 MW), Sainshand (55 MW), Tsogtsetsii (50 MW) Wind Farm Projects, Oyu Tolgoi Concrete Batching Plant Complex No. 4. Mr. Ochirbat graduated from the National University of the United States with a bachelor's degree in computer science and a master's degree in business administration

Member type	Board member's name	Sex	Position	Date appointed	Background, education, work experience
Ordinary board member	Bat-Erdene B.	Male	Board member	12/28/2021	Mr. Bat-Erdene Boldbaatar is the Mongolia Country Representative of the Polish Investment and Trade Agency, a subsidiary of the Polish Development Fund Group. He is also a founder of Horizon Partners LLC, a fundraising boutique firm specializing in international debt and equity investments, particularly PE investments. Mr. Boldbaatar has over a decade of experience in investments, international trade, and cooperation. He studied in Poland, the United States, and Switzerland and started his career as a market analyst at the first foreign (Japan) investment bank in Mongolia. Later, he worked as a business and research analyst at Mongolia's first-ever private equity fund (US\$50 million AUM) anchored by the International Finance Corporation and the European Bank for Reconstruction and Development. He also served as the CEO of a PolishMongolian trade company and led a local fundraising, strategy, and management consulting firm which was selected by the Asian Development Bank and Ministry of Finance to conduct a national-level feasibility study for the "Potential Development of Private Equity and Venture Capital Industries in Mongolia". Mr. Boldbaatar graduated from the University of Finance and Economics with a bachelor's degree in accounting.
Independent board member	Enkhbold N.	Male	Independent board member	1/28/2022	Mr. Enkhbold Nyamjav is an independent member of the board of Central Express CVS JSC. He has been the CEO of Newcom Group since 2016 and the chairman of the board from 2017 to 2022, working with the executive management team to ensure continuous growth and value creation of the group worked. He played an active role in all divisions of Newcom, including investment, asset management, finance, project development, corporate strategy, business development, and operations, and also served as the chairman of the board of directors of the group's investee companies. Previously, he was the vice director for strategy and business development of MCS Group and worked as an executive in other companies of the group for 17 years. He has experience in many fields such as information technology, communication, finance, and real estate. He was awarded the highest state award, the Polar. N. Enkhbold graduated from the Maastricht School of Management in the Netherlands with a master's degree in corporate strategy and business management, and a bachelor's degree in electronic engineering from NUM.



Member type	Board member's name	Sex	Position	Date appointed	Background, education, work experience
Independent board member	Ganzorig V.	Male	Independent board member	6/10/2022	<p>Mr. Ganzorig Vanchig is the chairman of the Board of Directors of Bat Solution Partners LLC, a specialist in strategy and communication, the president of the "CEO" club, the head of the Mongolian Down Association, the head of the Mentorship program for Young professionals, a member of the Board of Directors of the Special Olympics Committee of Mongolia, a member of the "Global Teacher Prize" academy, moderator of "Syndicate" talk show, and publisher of leading news sites. He has experience working in the management team of Trade Development Bank, XacBank, MOSDAK, and Shunkhlai Group, and was selected as a young global leader In 2014 by the World Economic Forum. V. Ganzorig graduated with a master's degree in e-business management from the International University of Japan and a master's degree in business administration from the University of Notre Dame in Australia. He is a qualified consultant of the State of Mongolia who has attended professional courses in the fields of management, leadership, policy innovation, geopolitics, and change management.</p>
Independent board member	Gary Biondo	Male	Independent board member	12/28/2021	<p>Mr. Gary Stephen Biondo is currently the Chairman of the Board of the International School of Ulaanbaatar, a senior consultant for New Juulchin Tours, LLC, and the Executive Director / CEO of Edelweiss Art Hotel. He has previously also held the position of Vice-Chairman for the Board of Directors of AmCham Mongolia. He is a retired hotel executive and has over 30 years of experience working in the hotel management industry, including successfully implementing and monitoring employee training programs, occupational health &amp; safety standards, quality assurance programs, and fire &amp; life safety risk management systems. His career included 28 years as a senior executive and general manager for the highend Shangri-La International Hotels and Resorts. He has worked and lived in many Asian countries enjoying the experience of new cultures and societies. He has lived in Ulaanbaatar since 2014. Mr. Biondo is an honors graduate with a bachelor's degree in classical literature and philosophy from Colorado College in Colorado, USA.</p>

## COMMITTEES UNDER THE BOARD:

№	Name of the Committee	Name of the Members	Position	Томилогдсон огноо
1	ESG Committee	Gary Biondo	Head of the Committee, Independent board member	12/28/2021
		Batmunkh O.	Ordinary board member	10/31/2019
		Bat-Erdene B.	Ordinary board member	12/28/2021
2	Nominating Committee	Gankhuyag A.	Chairman of the Board	10/31/2019
		Enkhbold N.	Head of the Committee, Independent board member	1/28/2022
		Ganzorig V.	Independent board member	6/10/2022
3	Remuneration Committee	Ganbold A.	Ordinary board member	10/31/2019
		Enkhbold N.	Independent board member	1/28/2022
		Gary Biondo	Head of the Committee, Independent board member	12/28/2021
4	Аудитийн хороо	Bat-Erdene G.	Ordinary board member	10/31/2019
		Ganzorig V.	Head of the Committee, Independent board member	6/10/2022
		Gary Biondo	Independent board member	12/28/2021

## BOARD OPERATION

	Unit	2020	2021	2022
Number of board meetings organized	Times	3	5	7
Number of issues discussed	Number	10	24	37
CEO participation in the board meetings	%	100%	100%	100%
Independent board members participation in the board meetings	%	n/a	100%	100%

## REMUNERATION FOR BOARD

Type		Unit	2020	2021	2022
Executive / Non-Executive	Total number of persons	Number	5	6	6
	The total amount of remuneration	MNT mln	0	0	3
	Average remuneration per person	MNT mln	0	0	0
Independent member	Total number of persons	Number	n/a	3	3
	The total amount of remuneration	MNT mln	n/a	0	3
	Average remuneration per person	MNT mln	n/a		
Audit committee member	Total number of persons	Number	n/a	3	3
	The total amount of remuneration	MNT mln	n/a	0	0
	Average remuneration per person	MNT mln	n/a	0	0



Does your company have the policy to protect minority shareholders?

To protect the rights of minority shareholders, the following clauses are included in the operating procedure of the board of directors. It includes:

- When appointing an independent member of the board of directors, a person who does not own more than 5% of the ordinary shares of Central Express CVS JSC shall be appointed by himself or jointly with an affiliated party.
- The independent member of the board of directors shall be responsible for the proper and fair resolution of potential conflicts of interest between the Company’s management and shareholders and between large and small shareholders. The board of directors will provide equal information to all shareholders and stakeholders at the same time.
- The board of directors will allow an authorized representative of the external auditor to attend the shareholders’ meeting and provide the shareholders with the opportunity and right to ask him questions.

# CORRUPTION AND ETHICS



Does your company have an Anti-corruption policy and/or Code of Ethics?

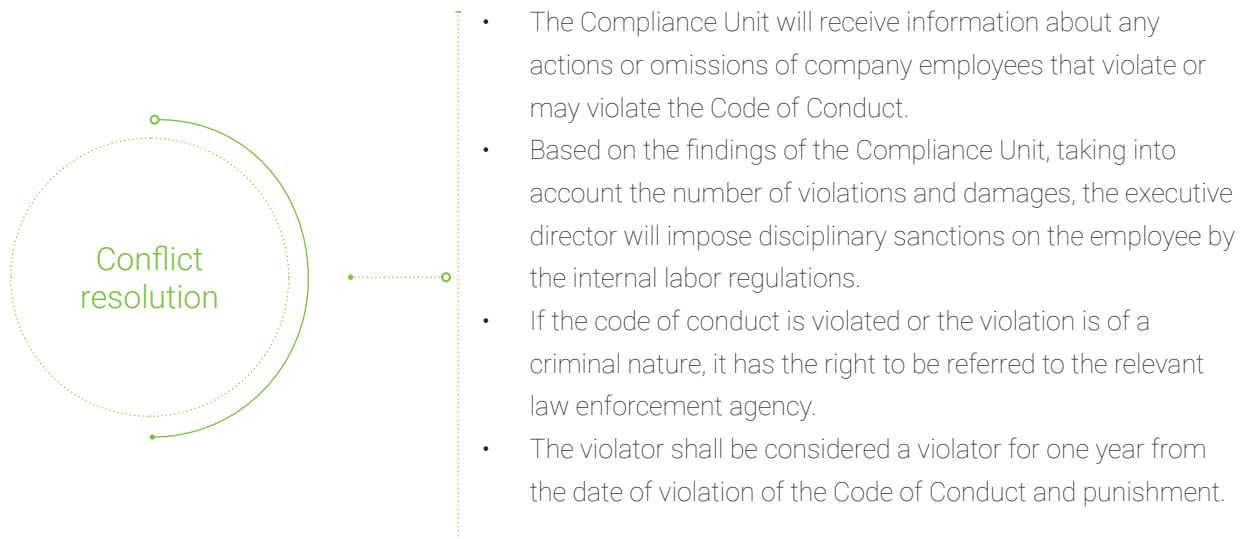
The company's "Code of Conduct" was approved by Central Express CVS LLC Board of Directors' Resolution No. 19 dated June 13, 2022, and "Conflict of Interest Reporting Procedure" was approved by Premium Group LLC's Board of Directors Resolution No. 17 dated April 4, 2019, respectively.

According to the "Code of Conduct" of the company, the following ethical standards will be followed, and the following measures will be taken in case of violation.

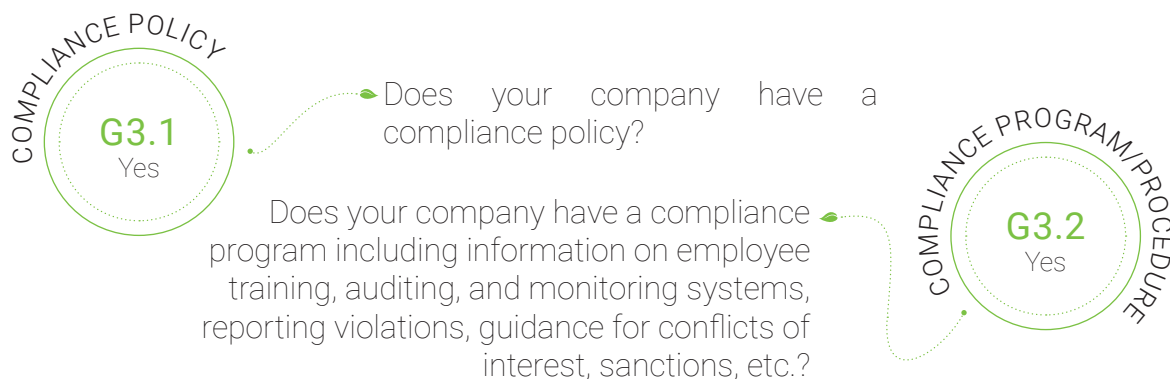


Authorized officials and employees of the company are prohibited from taking the following actions or omissions in order to prevent conflicts of interest and corruption. It includes:

- Directly or indirectly favoring yourself or your affiliates in the performance of your duties;
- Negotiating, making promises, receiving bribes, receiving gifts, favors, discounted services, loans, and other illegal benefits with participating parties;
- Double work outside of current employment that may adversely affect work performance and create a conflict of interest;
- Acceptance of non-monetary obligations, expectations, hopes, unsolicited, open, or normally addressed gifts from individuals or institutions.



## COMPLIANCE



The Board of Directors approved the "Compliance Control Model" with guidelines for internal implementation and monitoring of laws, regulations, and standards approved by regulatory agencies to be followed by Central Express CVS JSC and its subsidiaries on September 30, 2022, approved by Resolution No. 32.

Compliance monitoring guidelines have the following objectives: It includes:

- Improve corporate governance by establishing risk management;
- Development and implementation of internal control and risk management programs, rules, and regulations aimed at combating money laundering and terrorist financing;
- Forming and developing the company's compliance culture and organizing training;
- Conduct whistleblowing or reporting violations.

Type	Name of standard/license	Date issued	Effective date	Issued organization
Standard	Retail stores and their services. Certificate of Conformity to General Requirements MNS 5021;2019	2021	2024	MASM
Standard	MNS CAC/RCP 1:2003 General principles of food hygiene			
Standard	MNS ISO 22000:2019 Food safety management system. Chapter 8 of Requirements for food production facilities	2023	2026	Moncertif LLC
Management system	Hazard Analysis and critical point control system - HACCP			
Special license	Liquor license	Valid for 2 years after issuance		Office of the Mayor of the capital
	Tobacco license	Valid for 3 years after issuance		Department of Food and trade services in each district

Chapter

# 5

## SECTOR SPECIFIC INDICATORS

Agriculture & food production

Manufacturing



# SECTOR SPECIFIC INDICATORS

## AGRICULTURE & FOOD PRODUCTION

SECTOR SPECIFIC INDICATORS

PESTICIDE USE



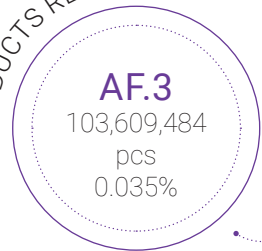
Does your company have a policy/procedures?

“Percentage of pasture and grazing land managed to MNS 6891:2020, “Responsible Nomad””

SUSTAINABLE LAND

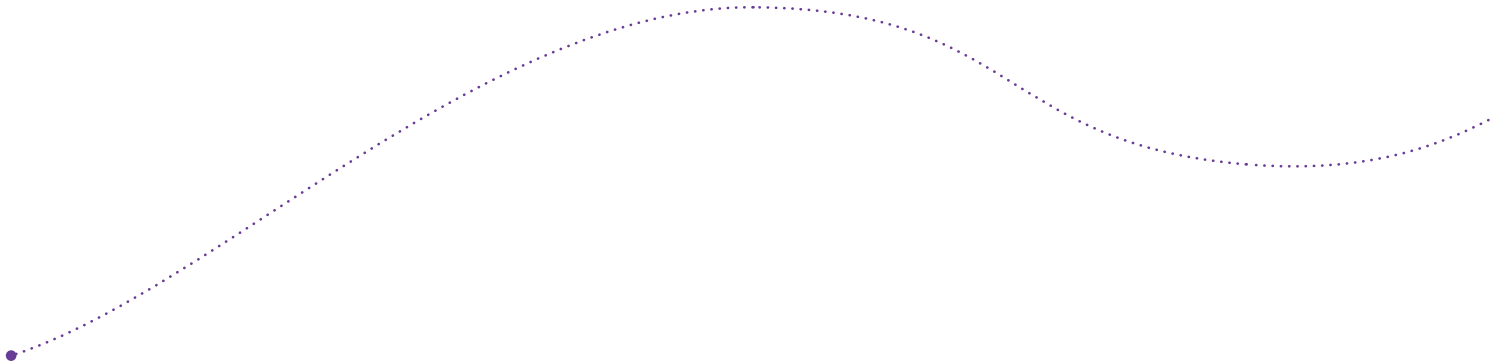


PRODUCTS RECALLED



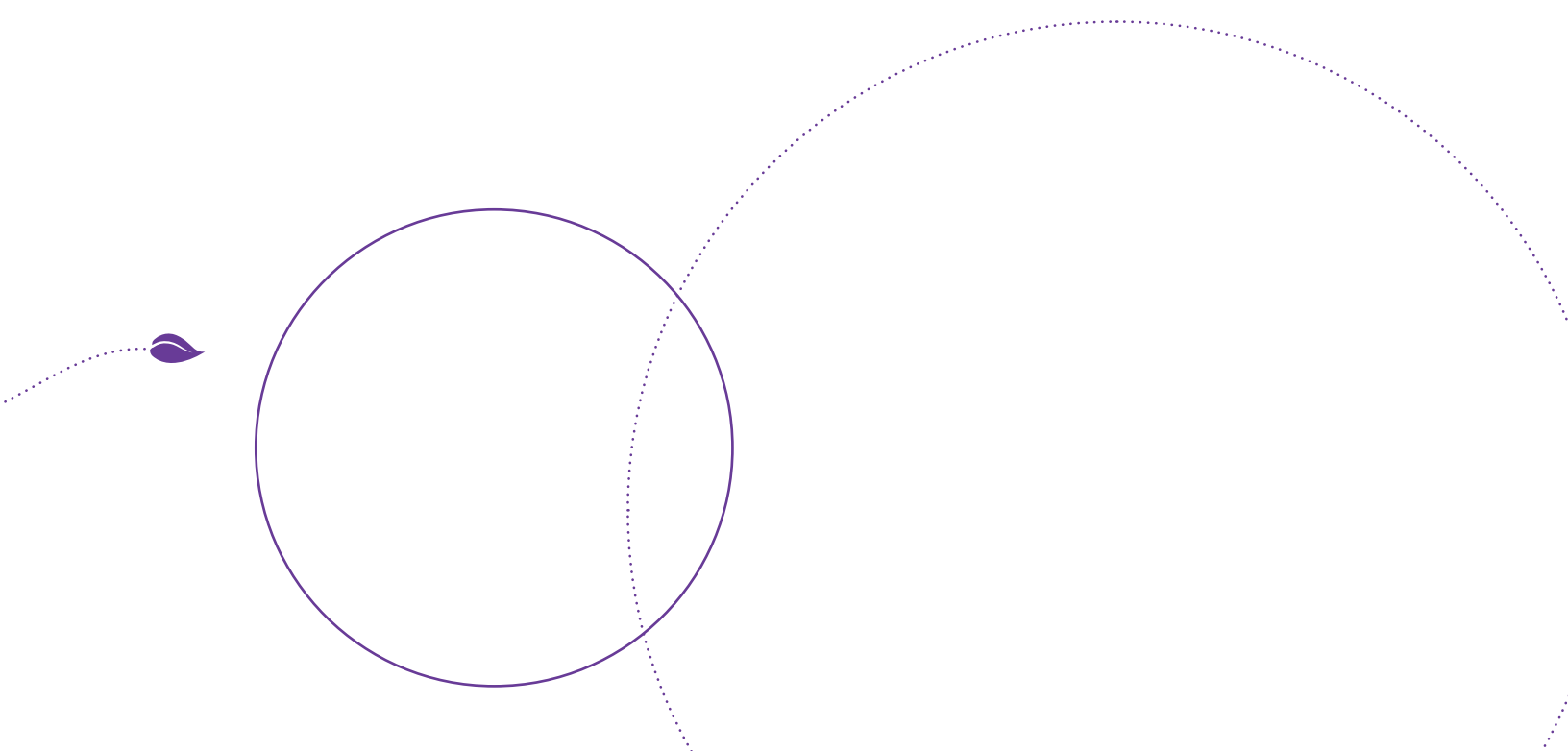
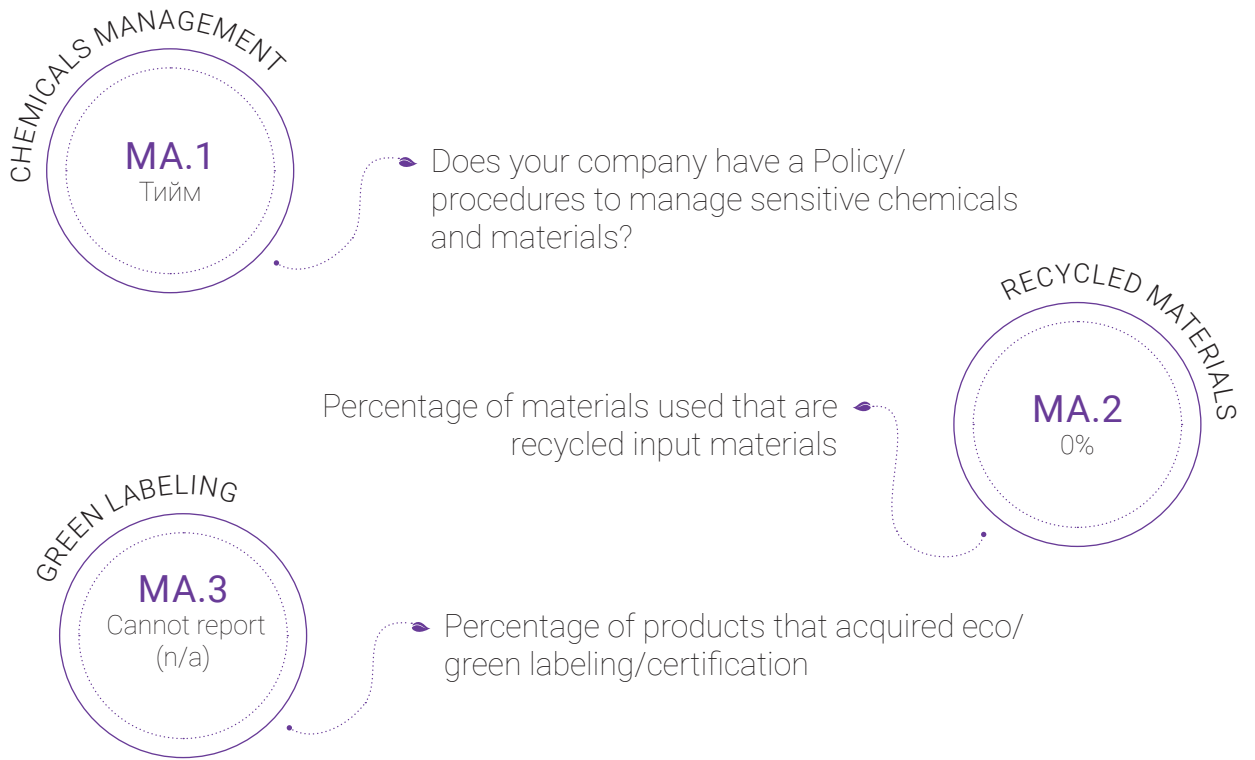
Percentage of products recalled due to food quality and/or safety issues

CHAPTER 5







# MANUFACTURING





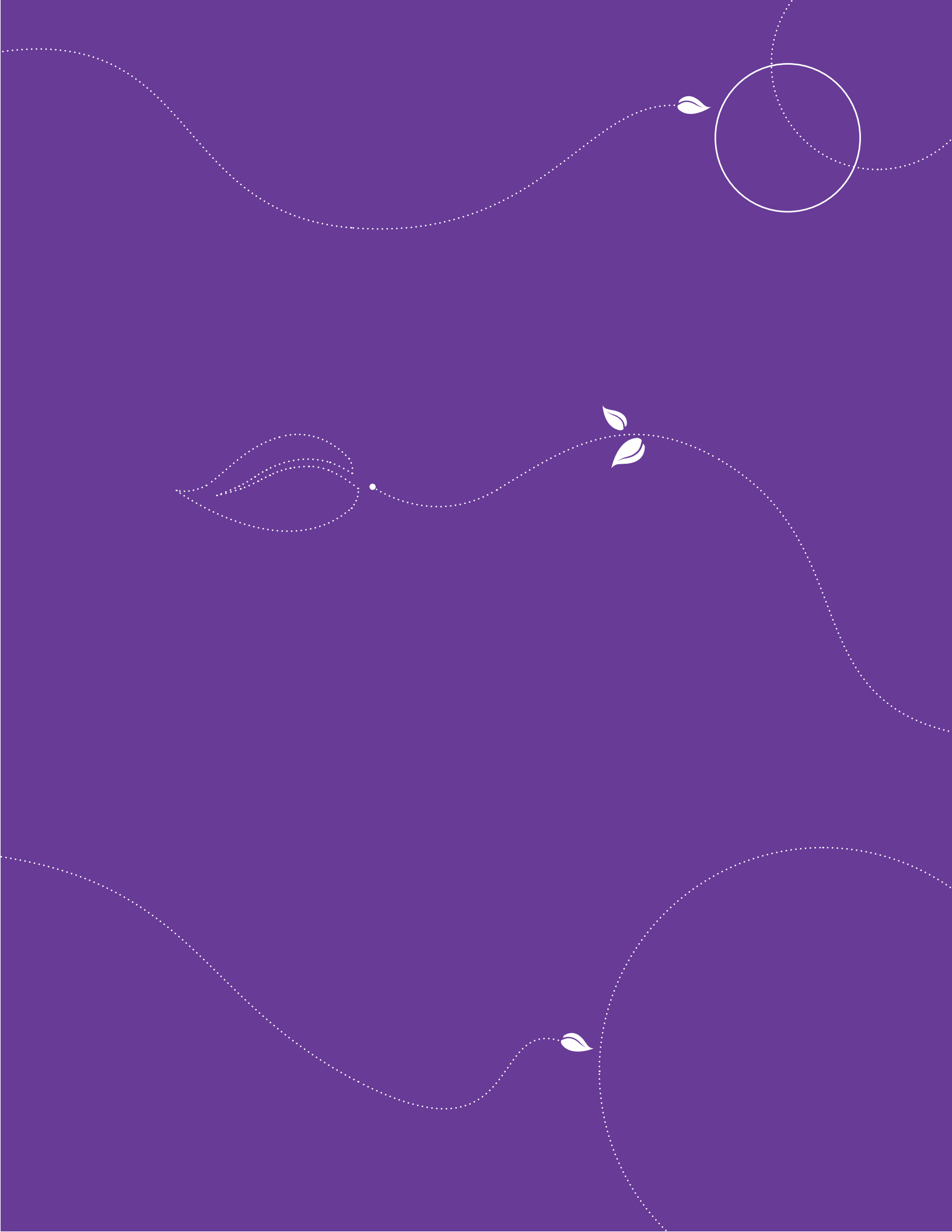
# CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

Central Express CVS JSC intends to make positive contributions to the environment, society, and economy within the framework of corporate social responsibility, to maintain the trust of its shareholders, and to be a leader in the industry. In this context, it contributes to 9 of the 17 UN Sustainable Development Goals as follows (quantitative data as of February 2023).

SDG	Company contribution
<p>No poverty</p> 	<p>Since its establishment, Central Express CVS JSC has been creating jobs with flexible hours that every member of the family can work, thus offering new sources of income to all citizens. Having a source of income for every member of the household is a very important effect in reducing poverty.</p> <p>Provide more than 10,000 people with jobs in 5 years Job creation equal to a total of 17,286,720 man hour 52% of all jobs are part-time employees</p>
<p>Good health and well-being</p> 	<p>To protect the health of our customers, in 2020, a food factory that meets international quality and control requirements was put into operation and received the HACCP certificate. Since its establishment, the factory has produced a total of 12,461,391 meals and delivers healthy, safe, and reliable meals to consumers every day.</p> <p>A total of 12,461,391 fresh, healthy, and safe foods were produced and supplied. Certified by HACCP certificate. 100% control of the supply chain from raw materials to the hands of the consumer</p>

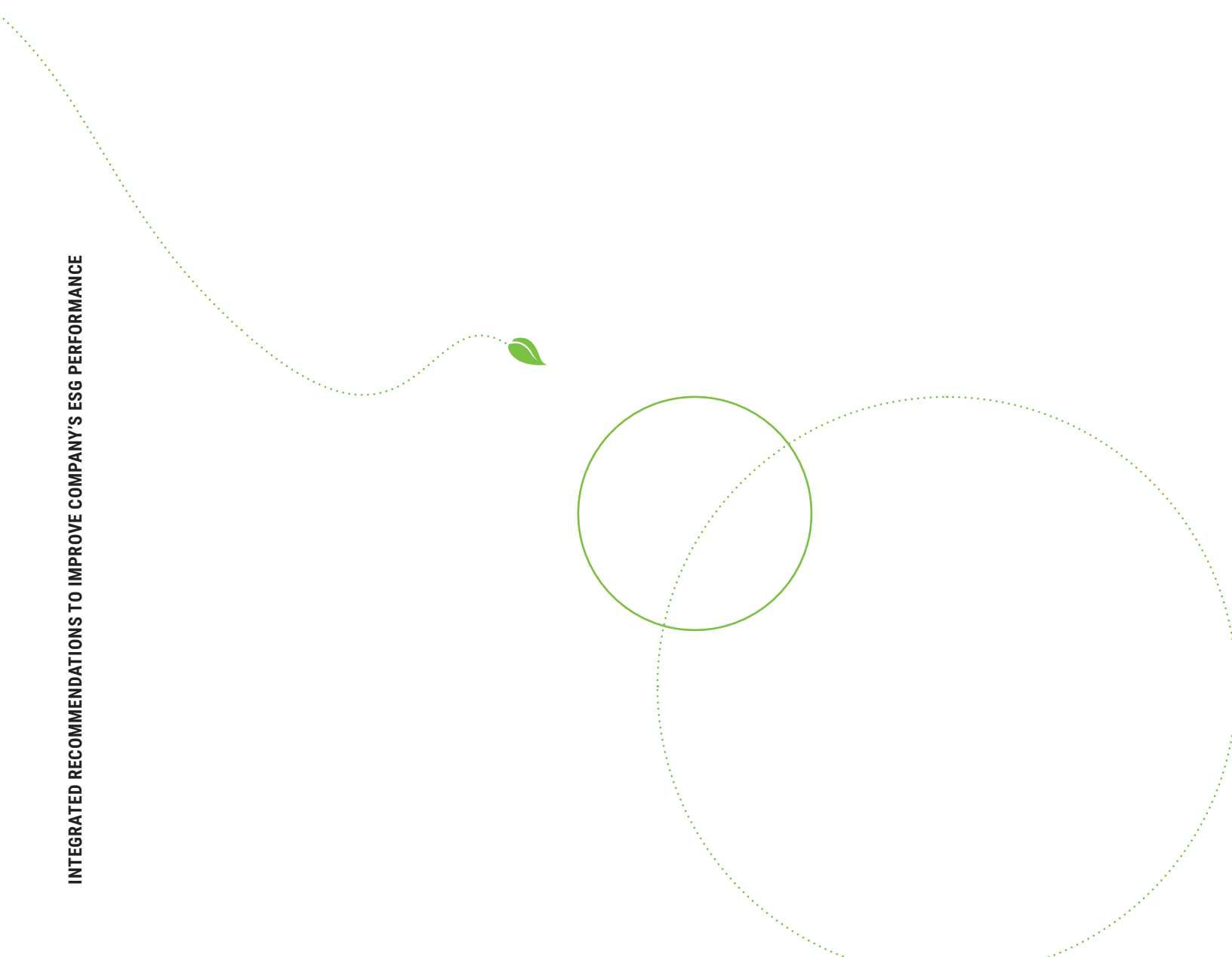
<p>Gender equality</p> 	<p>Central Express CVS JSC works with special attention in the direction of ensuring gender equality and equal participation in society. 67% of the approximately 2,800 employees and managers working in the company's headquarters, distribution centers, food factories, and more than 300 branch stores are women.</p> <ul style="list-style-type: none"> <li>61.5% of top management are women</li> <li>63% of middle management are women</li> <li>67% of all branch store managers are women</li> </ul>
<p>Clean water and sanitation</p> 	<p>As part of our goal of providing convenient services, 96% of CU chain stores are equipped with quality toilets and hand washing stations, which are provided free of charge to our customers.</p> <ul style="list-style-type: none"> <li>91% of the total 300 branches have toilets and dedicated hand washing atrioms</li> </ul>
<p>Decent work and economic growth</p> 	<p>CU chain stores are opening a total of 201 branches in new non-residential locations where food sales are not often located, such as offices, hospitals, and roadsides, and creating stores and services that meet people's daily needs.</p> <ul style="list-style-type: none"> <li>201 new service points were opened</li> <li>A total of 122,516,898 products were delivered to customers</li> <li>14'241'886'183.9 MNT was collected for the social insurance fund by closely following the tax laws.</li> </ul>
<p>Industry, Innovation, and Infrastructure</p> 	<p>The company builds a reliable food chain and distribution chain to deliver fresh, healthy, and safe food to our customers every day. With the help of this infrastructure, more than 2,000 types of products needed by the store every day were solved with only 2 deliveries, reducing the total number of 6,600,000 deliveries to 132,000, reducing the traffic load of the city.</p> <ul style="list-style-type: none"> <li>Created a reliable food chain and distribution network and reduced traffic congestion in the city by reducing 6,600,000 trips to 132,000.</li> <li>DAS/DPS solution for classification and differentiation of warehouse goods was introduced for the first time in Mongolia, creating an order system with 99% optimization.</li> <li>CU app has 600,000 downloads and 116,000 active users</li> </ul>
<p>Reduced inequalities</p> 	<p>Creating equal opportunities for disabled people to participate in social relations and providing reliable jobs is important for increasing self-confidence and life activity. That is why we offer equal opportunities to people with disabilities and create a total of 421,000 man-hour jobs.</p> <ul style="list-style-type: none"> <li>Created 421,000 man-hour jobs for disabled workers.</li> </ul>

<p>Sustainable Cities and Communities</p> 	<p>We greet every customer who visits all branches with respect and strives to provide them with sincere and friendly service. We sincerely believe that this effort will help each client get rid of the stress of city life, recharge themselves with new energy, and then spread positive energy and energy to others. That's why we regularly conduct communication and service culture training for all employees, and as of today, a total of 224,115 man-hours of training and inculcated friendly communication habits in our employees.</p> <p style="text-align: center;">Man-hour training: 224,115 man-hour training</p> <p>The CU chain store is expanding rapidly and making a real contribution to the prevention of crime by creating a safe, lighted, guarded, and full-camera environment inside and outside the streets of UB.</p> <p style="text-align: center;">Indoor and outdoor camera monitoring Prompt security service</p> <p>Also, the «Let CU help you» project, which aims to protect children from danger and return lost children to their parents and guardians, is being implemented in cooperation with the Metropolitan Police Department. The program not only protects lost children but also provides a temporary shelter and safe environment for children in dangerous situations caused by domestic violence.</p> <p style="text-align: center;">7 missing children were handed over to their parents and guardians.</p>
<p>Responsible consumption and production</p> 	<p>We always serve our customers with hygienic, new accessories and boxed products. Consequently, to prevent the waste of these accessories from harming the environment, we use biodegradable plastic lids and Rainforest Alliance-certified cups for our best-selling coffees. Also, by implementing the Cupless Coffee Program, we managed to prevent 90,415 coffee cups from being thrown away.</p> <p style="text-align: center;">Coffee cups and lids are 95% biodegradable, thus we prevent 372,000 kg of waste from polluting the environment.</p>



# INTEGRATED RECOMMENDATIONS TO IMPROVE COMPANY'S ESG PERFORMANCE

INTEGRATED RECOMMENDATIONS TO IMPROVE COMPANY'S ESG PERFORMANCE



Classification	Areas for improvement
Sustainability management system	<p>MS1: Senior management commitment</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>Given the growing attention of the new and emerging markets to the international initiatives against global warming and climate change, the company should consider including sustainability issues as one of their priorities in their long-term strategy and make necessary changes to the relevant documents, and presenting management leadership to all of their employees and the industry they operate.</li> </ul> <p>The nearest possible good practice to learn from:</p> <ul style="list-style-type: none"> <li>To follow BGF Retail Co., Ltd, a main shareholder of the company's Environmental Management Strategy, adjusting in accordance with its operations;</li> <li>Same as BGF Retail Co., Ltd, identify their ESG issues in a participatory manner and incorporate those issues into the company's mid and long-term policies and align them with the United Nations Sustainable Development Goals;</li> <li>Developing a Sustainability Framework, disseminating this document to all employees, shareholders, suppliers, partners, and customers on the importance and scope of the policy</li> </ul> <p>MS2.1 &amp; MS2.2: Sustainability policy and procedures</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>Same as BGF Retail Co., Ltd, identify their ESG issues in a participatory manner and incorporate those issues into the company's mid and long-term policies and align them with the United Nations Sustainable Development Goals;</li> <li>Developing a Sustainability Framework, and disseminating this document to all employees, shareholders, suppliers, partners, and customers on the importance and scope of the policy.</li> </ul> <p>MS3.3 &amp; MS3.4: Governance structure</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>By approving sustainability policy and framework, it requires much time and energy to implement key activities included in the policy, inform stakeholders, provide recommendations, conduct continuous monitoring, and report. At the same time, it provides an opportunity to build strong capacity within the company. Considering these facts, it is recommended that the company should further create a dedicated position for full-time ESG officer.</li> <li>It is very important to have management leadership and commitment when adopting and accepting sustainability and ESG issues as one key part of the operations of the company. Therefore, the company should consider having a Chief Sustainability Officer or a similar level of manager to oversee the sustainability issues to show the company's willingness and leadership to all stakeholders on that matter.</li> </ul>

Classification	Areas for improvement
Sustainability management system	<p>MS4.1: Materiality assessment</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>The materiality assessment was carried out with a small number of stakeholders represented in the short time frame for preparing this report. In the future, it is necessary to carry out a materiality assessment accurately by conducting surveys from more stakeholders within CU's leadership.</li> </ul> <p>MS5.1: Organizational capacity building</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>After defining the company's sustainability and ESG framework and getting it approved by the Board, the company should consider including the following topics in the training sessions such as sustainable development, climate change, diversity, and equality. By doing this, the company can ensure the effective implementation of its sustainability and ESG policy throughout the company.</li> <li>Incorporate sustainability and ESG topics in the orientation training as mandatory for new employees.</li> <li>"You can only improve what you can measure". The company should further collect, log, keep, and analyze all data by disaggregating sex. Also, the company must ensure the safety of both company and customers' data.</li> </ul> <p>MS7.2: Sustainability reporting and verification</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>It is recommended that the company should introduce a climate risk management system by defining its direct and indirect climate risks and determine relevant and measurable climate change adaptation and mitigation strategies.</li> <li>Before setting climate targets, the company should calculate current CO2 emissions as the baseline. The emission calculation of the company should be classified as Scope 1, Scope 2, and Scope 3 framework.</li> <li>Furthermore, the company should compare the current climate risk assessments with the previous year's and the baseline emission indicators, measure them in line with international climate disclosure standards, get them verified by external and independent organizations, and disclose them to all stakeholders.</li> </ul> <p>MS8.1: Membership and Partnership</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>Many International organizations provide technical support and assistance to integrate SDGs into their member's operations and expand their global partnerships. By joining these organizations or principles, the company can extend its capacity, improve its reputation, and get practical support in the journey of introducing sustainable practices. Thus, it is recommended that they improve their ESG and sustainability performances by joining and partnering with well-known domestic and international organizations or networks and sticking to their compact/principles.</li> </ul>



Classification	Areas for improvement
<p>Environment</p>	<p>E1: Energy</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Develop an energy management system for recording and reporting energy data: Most objects have independent electricity meters with easy data collection opportunities, whereas for facilities where the landlord is responsible for the meter, the company can make arrangements to obtain energy consumption data digitally. The energy consumption data for electricity, heating, cooling and, if necessary, steam respectively, shall be collected in the company's integrated data collection system.</li> <li>• Reduce coal and natural gas by exploring renewable energy opportunities: For instance, heat pump, geothermal energy, solar and wind power etc.</li> <li>• Include the following in the company procurement procedure:</li> <li>• Refrigeration: For electrical appliances procured or provided by the supplier, include a requirement for energy efficiency (which would translate to reduced maintenance cost). The requirement can include an Energy Star certificate or an energy rating for refrigeration equipment procured.</li> <li>• Include an introduction to energy saving measures in the training for employees. For instance: what activities increase energy use, the common problems related to energy consumption and electrical appliances that the call center receives, and give guidance.</li> <li>• Explore warehouse to warehouse management system for ambient temperature goods: Currently, suppliers of normal temperature goods transport their product to the distribution center, sometimes with little efficiency. The company can work with another warehouse to gather the goods of their small suppliers, which would increase efficiency and reduce the fuel spent for suppliers' inefficient transportation</li> <li>• Increase fuel efficiency: Use Euro-5 fuel for their delivery vehicles and choose vehicles with mileage and age according to the law</li> <li>• Require supplier factories to measure, report and monitor their energy consumption.</li> </ul> <p>E2: Greenhouse gas emissions</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Adopt a greenhouse gas registration system: The table above with list of data analyzed or not included shall serve as guidance for which data to collect. Additional indicators aligned with the company goals shall also be determined and collected. The system would be used for collecting, registering, calculating and monitoring progress in a concerted manner.</li> <li>• Amendments to the "procurement procedure" taking into account the following:</li> <li>• Global warming potential of coolant: Internationally, R-410 (hydrofluorocarbon compound) coolants are starting to be phased out due to its GHG emissions. Therefore, we recommend choosing air conditioners, refrigerators, and freezers models which use A2L group or simple compound (propane, ammonium etc.) refrigerants with low global warming potential (GWP).</li> </ul>

Classification	Areas for improvement
Environment	<p>E3: Climate risk</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Conduct a climate stress test to determine the areas of exposure for the company,</li> <li>• Identify prevention and adaptation measures to manage the climate risk determined during the stress test, and reflect them in the company's ESG policy and strategies,</li> <li>• Communicate related issues, knowledge, and information to the necessary stakeholders and incorporate the content in the training materials.</li> </ul> <p>E4: Water</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• The convenience stores could benefit from technology which use less water in the restrooms.</li> </ul> <p>E5: Waste</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Regional waste management program is recommended as suppliers near the food production center manufacture either the same or similar types of waste, and can be managed based on a multilateral cooperation to circulate it economically.</li> <li>• Sort food waste and create a registry.</li> <li>• Create a composting facility at the food production center.</li> <li>• Introduce ebarimt solutions through the CU application to reduce the print of receipts</li> <li>• Explore opportunities to improve packaging for the meals prepared by the company and its suppliers</li> <li>• Find solutions to the issues preventing from effective sorting: Place a well sealed container for the sanitary waste during the food production line.</li> <li>• Conduct a waste composition analysis and identify how much of the waste generated can be recycled.</li> <li>• Using the network effect, start cooperation with recycling plants. The changes can be implemented incrementally, first sorting the most profitable waste, such as aluminum cans for a few months, then plastic bottles, and then soft plastics such as wrappers.</li> </ul> <p>E6: Biodiversity</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• All the facilities are recommended to increase their green public space amount to 30%.</li> <li>• Require the planting of trees or greenery for every convenience store branch, and in cases where it's not achievable, offset by planting elsewhere.</li> </ul>

Classification	Areas for improvement
Society	<p>S3.1: Equal Opportunity / Gender Policy</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• To conduct gender assessment at the company level, and to plan further actions with gender-responsiveness based on the gender assessment findings.</li> <li>• To develop and ensure effective implementation of gender policy or procedure.</li> <li>• Gender-mainstreaming: When developing, initiating, and implementing any actions, always consider the Impact of these policies, decisions, or actions on men and women. And after analyzing the impact the company may decide on gender-responsiveness. The company should always strive for allocating any benefit or value to men and women equally and contribute to ending the social norms and Inequality within the society. The main objective of mainstreaming gender is to ensure gender equality.</li> </ul> <p>S3.2: Anti-sexual harassment policy</p> <p>S3.3: Non-discrimination policy</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• At the current level, the response to sexual harassment is regulated within the framework of the employment contract, but in case of sexual harassment or other verbal or physical abuse or insults to the employee by the customer or third-party other than the employer, whistle-blowing, victim protection, and response actions are not clear.</li> <li>• Therefore, it will be possible to have a special policy/procedure for prevention and response to sexual harassment, so that the risk can be defined in a wider scope, and it will be possible to protect employees, employers, and third parties from risks, receive complaints safely, and determine measures to protect the victim. Also, introduce the scope of the policy and the implementation process to all employees through training.</li> <li>• It is highly recommended to have a line to receive complaints, suggestions, and requests from customers and employees about all kinds of violence, harassment, and discrimination, to register them with the appropriate official to protect the interests of the complainant, to register the number, to inform the relevant decision-makers, and to create a system for further policy measures. If it can be measured, it will be taken into account and measures will be implemented</li> </ul> <p>S3.4: Gender balance</p> <p>S3.5: Board-level gender balance</p> <p>S3.6: C-level gender balance</p> <p>S3.7: Junior-level gender balance</p> <p>S3.8: The gender pay gap</p>

Classification	Areas for improvement
Society	<p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Determine the representation of women at the decision-making or management level so that it is not less than 40 percent</li> <li>• Reduce the wage gap between men and women in the positions of managers and store managers, and provide equal wages in the future</li> <li>• After the gender policy is approved, organize training on gender equality for all employees and conduct internal capacity-building activities in this direction.</li> <li>• Openly present to all suppliers and stakeholders about measures taken to ensure gender equality, accessibility, and diversity of the company, and work with the same requirements</li> <li>• Register the data of cooperating partner organizations and suppliers by gender. In this way, the basic conditions for making gender-sensitive decisions will be created in the future.</li> <li>• Based on the adoption of the Gender Policy, the company should make public events and announcements about its commitment to gender equality, call on and set an example for other participants in the industry, and further support and collaborate with projects and initiatives to mainstream gender equality within the limits of company's possibility in terms of monetary and in-kind contribution.</li> </ul> <p>S5.1: Stakeholders' engagement</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• In the future, the company should develop and get approval for the "Guideline on Communication and Cooperation with the Stakeholders" based on determining the impact of the company's activities on each of the stakeholders and defining the impact of the company's activities on each stakeholder. Upon the approval of the guideline by the company's top management, the company must ensure to provide equal information to all stakeholders about the approved policy document.</li> </ul> <p>S5.2: Social impact assessment</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• Within the Environmental, social, and governance policy framework, it is recommended that the company shall conduct an assessment of the impact of ESG and develop a social Impact policy based on the assessment findings and have it approved by the top management.</li> </ul> <p>S5.6: Community investment</p> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>• In the future, it is customary to register the amount of investment made in the framework of Social Responsibility by classifying it according to its contribution to the SDGs, calculating the percentage of total income and expenses, and reflecting it in the reports.</li> </ul>

Classification	Areas for improvement
Governance	G1.1: Corporate governance policy G3.1: Compliance policy <i>Recommendations:</i> <ul style="list-style-type: none"><li>• Although there is a corporate governance and compliance implementation program and control model, there is no specific "Corporate Governance Policy" and "Compliance Policy". Develop and work on these policies in the future.</li></ul>
Additional	

