

DOCUMENT NAME:

SUSTAINABLE DEVELOPMENT POLICY OF GOBI JSC

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1. General

1.1 Purpose

- 1.1.1 The Sustainable Development Policy of Gobi JSC (hereinafter the "Company") aims to ensure the long-term sustainability of the Company's operations, increase productivity and value, and improve risk and opportunity management within the framework of environmental, social, and governance (ESG) considerations.
- 1.1.2 This Policy shall be developed in accordance with Sustainable Development Goals of the United Nations and the Ten Principles of the World Economic Forum for the Responsible Conduct of Business. The Company shall work in accordance with the principles of this Policy when implementing the goals.

1.2 Scope

- 1.2.1 This Policy is open to the public and shall apply to the Board of Directors (hereinafter the "Board"), Executive management, all employees, subsidiaries, suppliers, and other stakeholders of the Company.
- 1.2.2 This Policy shall be consistent with other relevant rules, policies, procedures, and instructions of the Company. It shall be aimed at supporting the Company's core activities.
- 1.2.3 This Policy document is developed with objectives in five areas: management, environment, society, governance, and sector activities.

1.3 Definition of Terms

- 1.3.1 **Merit principle:** The principle of rewarding individuals based on their talents, efforts, and skills, regardless of their social background;
- 1.3.2 **Supply Chain:** The network of organizations, people, activities, information, and resources involved in moving a product or service from conception to the end user;
- 1.3.3 **Stakeholders:** Individuals or organizations that have a vested interest in the success or failure of an organization;
- 1.3.4 **Sustainable Raw Cashmere:** Cashmere that is produced in a way that minimizes its environmental impact and respects the well-being of animals;
- 1.3.5 **Sustainable Development:** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs;
- 1.3.6 **Zero-waste Economy:** Анхнаас нь дахин хэрэглэж болох бүтээгдэхүүнийг үйлдвэрлэх, улмаар хэмнэлттэй, үр дүнтэй, ашигтай байх нөхцлийг бүрдүүлэх эдийн засгийн загвар;
- 1.3.7 **Responsible sourcing:** The practice of selecting suppliers based on their environmental and social performance;

1.3.8 **Indirect greenhouse gas emissions:** Greenhouse gas emissions that are generated by the activities of an organization but that are not directly controlled by the organization;

1.3.9 **Direct greenhouse gas emissions:** Greenhouse gas emissions that are generated by the activities of an organization that are directly controlled by the organization, such as vehicles, power plant, machinery, air conditioners, etc;

2. Policy

2.1 Sustainable development policy

2.1.1 By ensuring transparency and openness with stakeholders throughout the supply chain and continuously improving the Company's sustainable development indicators, Mongolian cashmere clothing will be known to the world.

2.2 Objectives of sustainable development activities

2.2.1 The implementation of this Policy shall be reviewed annually, and the following goals shall be fully met by the end of 2025.

2.2.2 A detailed environmental, social, and governance impact assessment will be conducted every three years, and the goals may be updated accordingly.

2.2.3 Sustainable development management:

2.2.3.1 The Company's short-, medium-, and long-term plans shall include sustainable development goals. The Company will ensure the implementation of these goals and issue an activity report once a year. The Company shall continuously improve performance by managing environmental, social, and governance risks.

2.2.4 Environment:

2.2.4.1 Implement the ISO 14001:2015 Environmental Management System and report on the implementation and performance of the Company's Environmental Policy once a year.

2.2.4.2 Continuously improve data on key impacts such as greenhouse gas, energy, water, waste, and chemical management, and increase efficient use.

2.2.4.3 Implement the ISO 50001:2018 Energy Management System guidelines in its operations.

2.2.4.4 Reduce total energy consumption by 15% and greenhouse gas emissions from direct and indirect company activities by 10%.

2.2.4.5 Increase the use of renewable energy in its operations by 20%.

2.2.4.6 Water: improve its clean and wastewater meters, and up to 10% of domestic and industrial wastewater from the Company's operations shall be purified again.

- 2.2.4.7 Sort and register total waste and increase waste recycling by 30%.
 - 2.2.4.8 Chemicals: Use internationally recognized green certified paints and chemicals and use them according to standards.
 - 2.2.4.9 Climate change: take measures to reduce and prevent the negative effects of climate change, such as supporting grassland stability, planting trees, and increasing the responsible use of water and energy. These measures shall be in line with the Company's business activities.
 - 2.2.4.10 Landscape the area owned by the Company and the public area of up to 50 meters of the surrounding area when planning buildings and facilities. Protect important places and historical and cultural heritage at all times.
 - 2.2.4.11 Adhere to green principles when constructing a new building. Save energy, water, and materials by 20% or more. Create a comfortable environment for people with special needs.
 - 2.2.4.12 Increase the proportion of green space in the Company's total area to 15%.
- 2.2.5 Society:
- 2.2.5.1 Human resources: Keep human resources turnover at 20% or less and coordinate to maintain human resources stability at 80% or more.
 - 2.2.5.2 Adhere to the merit principle when evaluating and encouraging employee skills. Strengthen the culture of sustainable work to attract skilled human resources.
 - 2.2.5.3 Increase the number of green jobs within the scope of meeting the Company's sustainable development activity goals.
 - 2.2.5.4 Support the work-life balance of all employees under the motto "Happy employee." Create a pleasant workplace environment and increase satisfaction.
 - 2.2.5.5 Create a working environment in accordance with the requirements of the workplace. Provide equal opportunities without discrimination in hiring, salary payment, decision-making, training and development, incentives, termination of employment, and retirement.
 - 2.2.5.6 Stakeholders related to the Company's activities shall work free from labor exploitation, forced and minor employment.
 - 2.2.5.7 Based on the needs of the Company and the personal and career planning of employees, implement training programs and report training availability and results 1-2 times a year.
 - 2.2.5.8 Occupational health and safety: Implement the ISO 45001:2018 Occupational health and safety management system, Report on the implementation and performance of the Company's Occupational health and safety policy once a year.

- 2.2.5.9 Monitor the labor health and safety indicators of the working environment every quarter and ensure that they meet the requirements.
- 2.2.5.10 Adhering to the principle of "Safety first", aim to keep the frequency of near-accidents, industrial accidents, and occupational diseases to zero.
- 2.2.5.11 Accessibility: Human resource policies and procedures shall reflect the workplace environment and labor rights of employees with special needs. Increase the number of workplaces that are accessible to these employees.
- 2.2.5.12 Social responsibility: Make sustainable social investments every year through cooperation in accordance with approved projects and programs. Ensure that the performance of these investments is more than 90%.
- 2.2.5.13 Information security: The Company shall ensure the the information security in regards with the its operations and employees, protect the private information of its customers, and aim to minimize risks.
- 2.2.5.14 Financial operations: Report the total investment and loan information aimed at supporting sustainable development goals regularly in the Company's year-end financial report.

2.2.6 Governance:

- 2.2.6.1 The Board and Executive management shall monitor the implementation of the Sustainable development policy and make decisions related to it.
- 2.2.6.2 The number of independent members on the Board
- 2.2.6.3 shall be regulated to be more than 51%, and the rights of internal and external stakeholders shall be protected and their diverse participation ensured.
- 2.2.6.4 The open mechanism for receiving, discussing, resolving, and responding to complaints from internal and external stakeholders that affect the Company's operations shall be improved.
- 2.2.6.5 All employees shall fully understand the Company's values and Code of conduct and follow them in their actions as they work towards the vision of "We make cashmere a lifestyle".
- 2.2.6.6 New knowledge, green technology, and research and development will be supported in order to constantly improve the productivity of the Company's operations.
- 2.2.6.7 The ISO 9001:2015 Quality Management System shall be introduced and the overall performance of the Company's structure and operations shall be improved.

2.2.7 Industry activities:

2.2.7.1 Responsible Sourcing: The number of goods and services produced in an environmentally and socially friendly manner shall be increased up to 30% in purchases related to the Company's operation.

2.2.7.2 Product Digital Passport: When producing finished products with sustainable raw materials and delivering them to end users, detailing the impact indicators related to the unit product will increase the productivity of business operations and customer satisfaction.

2.2.7.3 Zero-waste economy: The use of recyclable and biodegradable raw materials and materials in products, labels, containers, packaging, and services shall be increased to 50% and the life cycle of products shall be extended.

2.3 Principle

2.3.1 **Compliance:** The concept of sustainable development of the United Nations and Mongolia, the "Paris Agreement on Climate Change," the 10 principles of the Global Compact, and other relevant laws, standards, and regulations will be followed.

2.3.2 **Coёл:** Knowledge and understanding of sustainable development will be disseminated to stakeholders and integrated into their daily lives.

2.3.3 **Appropriate use of resources:** We adhere to the appropriate use of resources in pursuit of sustainable development.

2.3.4 **Accuracy of information:** We ensure the accuracy of information when delivering information related to our company's operations to internal and external stakeholders.

2.3.5 **Mutual benefit:** We work to increase the mutual benefit of all stakeholders in the supply chain.

2.3.6 **Transparency:** We emphasize transparency in all our operations.

3. LEADERSHIP, ROLES AND RESPONSIBILITIES

3.1 Roles and responsibilities of sustainable development policy

Table no.1 RACI Matrix for Sustainable Development Policy

Process	Senior management	Middle management	Employee	Sustainable development division
<i>/R-Responsible (works on), A-Accountable, C-Consulted, I-Informed/</i>				
Development and approval of sustainable development policy	CI	I	I	R, A
Dissemination of sustainable development policy to all employees and increasing awareness	C	C	I	R, A

Providing accessibility to stakeholders	R, C	I	I	A
Implementation of sustainable development policy in our operations	A, R	R	R	R
Providing a methodology for the implementation of sustainable development policy	C	I	I	R, A
Policy revision	R, C	C	I	R, A

- 3.1.1 The Company shall implement the Sustainable Development Policy and ensure compliance with sustainable development commitments, policies, and goals by monitoring performance and continuously improving.
- 3.1.2 Senior management shall integrate sustainable development policies and objectives into the company's strategic plan, business processes, and provide the necessary conditions for achieving planned results.
- 3.1.3 Middle management shall implement the Sustainable Development policy and objectives, support continuous improvement, and encourage staff participation to ensure effectiveness.
- 3.1.4 Employees shall support the Company's Sustainable Development commitments, policies, and objectives, actively participate, and adhere to the principles of Sustainable Development.
- 3.1.5 The Sustainable Development Division shall be responsible for developing, approving, implementing, monitoring, and continuously improving Sustainable Development policies and objectives. They shall provide information to all stakeholders.