

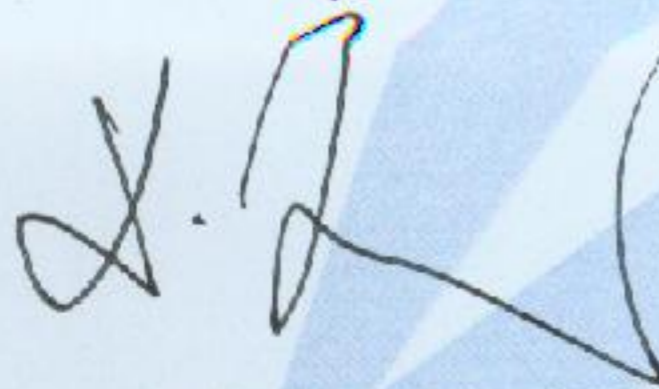
Communication on Progress

Year: 2009

## STATEMENT

Being a good corporate citizen is an ambition enthusiastically embraced at all levels within our company. As a member of the Global Compact, we believe that our business policies incorporate the ten principles. Our board fully supports our actions in working towards sustainability goals – in particular those contained in the UN Global Compact - and endorses the future priorities and specific targets we set out in our report. Through our support of the United Nations Global Compact, we also aim to move the agenda forward on performance related to human rights, labour rights, the environment and the fight against bribery and corruption. Here we summarised the progress we have made against these principles and we will continue to follow them up in future.

Sincerely,



D. ENKHTSETSEG  
EXECUTIVE DIRECTOR

	Global Compact Principle	Action Taken & Impact Achieved and/or Plans for the upcoming Year
<input type="checkbox"/>	<p><b>1:</b> Businesses should support and respect the protection of internationally proclaimed human rights;</p>	<p>MCS Group businesses support and respect the protection of the internationally proclaimed human rights in their businesses, assist in creating policy and environment where the rules can be implemented. Employees of the group company work in environment where human rights are respected not violated.</p> <p>Also, the group company operates, conducts its businesses in accordance with the Constitution of Mongolia and other relevant laws and regulations and substantiates its duty as a member of UN's Global Compact Principle to advocate human rights and understands its corporate responsibility towards contributing to society in times when human rights issues arise and expand more, in association with economic recession, poverty, unemployment, injustice, legal discrimination, and ecological safety.</p> <p>In Code of Conduct for MCS APB LLC states:  “ 2.1 All employees are expected to comply with the law prohibiting restraint of trade, predatory economic activities and unfair or unethical business practices.  2.2 All employees are expected to treat Customers and Distributors fairly and professionally. Our relationship with them must be built on trust and credibility.  2.3 All employees are expected to conduct our business activities without infringing any Competition Law or regulations. We are thus expected not to engage in anti-competitive practices that could break the law ”</p>
<input type="checkbox"/>	<p><b>2:</b> and make sure that they are not complicit in human rights abuses.</p>	<p>Within the Group companies, there are around 20 internal regulations that are related to labour and prevention of human right abuses and are included at all times in the legal acts and documents of the company and each company ensures every staff follows and complies with the regulations.</p> <p>HR dept organize induction trainings and regular updates on company Code of Conduct, labour relations and familiarize all staff, especially new staff with Labour Law and respective legislation.</p> <p>Internal regulation includes:</p> <ul style="list-style-type: none"> <li>- Organize and maintain labour effective and productive work environment</li> <li>- Common rights and obligations of employer and employee</li> <li>- Regulation of working and non working hours</li> <li>- Wages, discounts, bonuses, and awards</li> <li>- Leave days, and business trips</li> <li>- Training, development</li> <li>- Labour safety, and security</li> <li>- Issues like business morality and property responsibility are tailored to regulate equality and diminish miscommunication between employer and employee.</li> </ul>

	<p>The provision 2.4 of the Code of Conduct states that harassment of any kind whether sexual, racial or religious in nature is unacceptable and should be reported immediately and provides contact addresses of APBL, MCS group and company legal and HR staff.</p>
<p><b>3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p>	<p>The group employees are entitled to form parties and other public organizations, and/or unite voluntarily based upon their social and personal interests, and believes, and are working towards adapting a principle that is against imposing on or enforcing anybody into joining the above union or committee.</p> <p>The Group company internal regulation does not prohibit or limit any form of union of employees and we organize all staff meetings at least twice a year to update and modify on the company goals, and practices results and exchange views.</p> <p>The Group subsidiary, Spirt Bal Buram JSC has a voluntary Labour Union which successfully cooperates with employer based upon Cooperation agreement, and carry out yearly summary regarding the agreement review and update.</p> <p>Discrimination among employees based upon their political views and membership in some parties or joining any organizations is non-existent.</p>
<p><b>4:</b> the elimination of all forms of forced and compulsory labour;</p>	<p>We have built working environment where forced and compulsory labour is non-tolerant.</p> <p>Internal labour regulation and practices of the Company respect Mongolian labour law and other related legislations. Any malpractices, abuse, or wrongdoing, employees can report to :</p> <ul style="list-style-type: none"> <li>- Board of Directors of MCS Group</li> <li>- HR Department of Group Companies</li> <li>- Executive Director of Company</li> </ul> <p>“Productivity, effective working hour allotment during work hours, and work hour registry guidelines regulate employees’ working hours, and if an employee worked overtime due to a request by a senior, then the employee should compensate for the extra hours, take off days or payment. Evaluation and handing of salary, discount, and awards regulation states the overtime hours payment should be 1.5 times more than usual basic salary.</p>
<p><b>5:</b> the effective abolition of child labour</p>	<p>MCS Group respects and abides by the UN’s Children’s Right Convention and Mongolian rules and regulations regarding children’s rights and has stood against child labour and initiates constant activities that are pro children, and to name a few of them are:</p> <p>-“Spirt Bal Buram” has donated to 16 organizations for women, and children and physically challenged citizens and according to geminated figures 5376 people have merited from our company.</p>

	<p>-Within the scope of "Child living in Poor condition" program, our company built and installed a complete IT room or laboratory that is equipped with a complete high speed internet, and network, photo camera in one of the branches of international organization "World Vision" in Mongolia.</p> <p>- "MCS Coca Cola" company supported operations and activities of Badamlyankhva orphanage, which has looked after the lives and educations of orphans for the last 10 years, and our company donated 20.000 USD and a complete computer set for successful completion of evening study program in the orphanage. Besides, "MCS International" company gave away an electrical generator to the orphanage that is home for 130 children aged 0-16 to prevent from future electrical shortages.</p> <p>The group company is planning to continue to carry out more productive and well-organized pro children activities in the coming years.</p>
<p><input type="checkbox"/> <b>6:</b> and the elimination of discrimination in respect of employment and occupation.</p>	<p>Within MCS Group companies, fair and comfortable labour condition, non-discriminative working environment with fair payment, equal rights for both genders, protection from lay offs, and effective working hour control, paid annual holidays are all already regular and customary routines. For instance:</p> <ul style="list-style-type: none"> <li>- Staff vacancies, positions, and grades, salary networks are updated 1-2 times a year and compared to the lower and average state employee salary, it is estimated that our employees are paid by 30 to 50 % more.</li> <li>- Within the group scope, according to its "General directive manager, evaluation of employees' productivity, performance, and awarding regulations", following one unified awarding system, which enables our employees to get their quarterly, end of year bonuses.</li> <li>- Amount of discounts and grants and donations, compensations and payments for the employees have been updated and duly increased. Company employees enjoy discounts of 5-15 % when they purchase products and goods from within the group companies.</li> <li>- Creation of 1500 new jobs in the last two years is a result that cannot be understated.</li> </ul> <p>In this time of economic recession, MCS Group company continues its businesses regardless of its profit, keeps present vacancies, and refrains from lay offs, prevents from violation of gender rights within work environment, and creates and implements rules and regulations that are pro employees well being, and safety.</p>
<p><input type="checkbox"/> <b>7:</b> Businesses should support a precautionary approach to environmental challenges;</p>	<p>Our businesses comply with international and Mongolian environmental laws, regulations, and requirements. We have determined our own nature conservation policy, and have achieved certain results thanks to annual planning and reviewing. We working towards diminishing harmful effects to the environment and nature conservation by following package programs, which are:</p>

	<ul style="list-style-type: none"> <li>- Program for conserving ozone layer</li> <li>- Program for waste management</li> <li>- Program for waste water management</li> <li>- Program for downsizing water usage and conservation</li> <li>- Program for monitoring hazardous materials</li> <li>- Program for efficient energy management</li> <li>- Program for supervising the implementation of environmental law and regulations</li> <li>- Program for Transportation vehicles management</li> </ul> <p>Since 2008, the group subsidiary companies started to send their nature conservation reports to the EBRD and International Financial Corporation in order to meet international requirements for environmental assessment, and develop and achieve exceptional environmentally friendly operations.</p>
<input type="checkbox"/> <p><b>8:</b> undertake initiatives to promote greater environmental responsibility;</p>	<p>The group company products and goods are not only popular nationwide but also internationally recognized and up to the internationally accepted ISO9001 standards, environmental management system ISO14001, and operations safety management system OHSAS 18001 standards.</p> <p>Our company puts a goal of saving on operational raw materials, heating, and water, electricity usage and reviews performances in monthly, quarterly, and yearly manner. Compared to a previous year, we are seeing a decrease by 40 % in water and 35 % in electricity usage spent per unit product production. Conducting of International Food Safety and Quality Control System ISO 22000, ISO 9001, and Safety monitoring of critical point regulation has helped to improve regular operational monitoring which leads to reduction of natural resources consumption and ultimately great input towards saving the environment.</p> <p>Our environmental efforts were recognized and Mongolian National Chamber of Commerce and Industry awarded MCS Anun centre with Green Office 2008 award.</p>
<input type="checkbox"/> <p><b>9:</b> and encourage the development and diffusion of environmentally friendly technologies.</p>	<p>We have conducted ongoing researches with the purpose to recycle production waste thus apply environmentally friendly operation, use domestic reserves, increase productivity, and production of a new brand name product and we have achieved certain results.</p> <p>MCS International LLC in cooperation with MNCCT, and Embassy of Netherlands successfully completed TUUL 21 project that had been aimed at encouraging investment towards increasing power/energy productivity in the Mongolian industry sector. Goyo company installed a new cleaning structure in the waste pipe lines and ventilation equipment with the purpose of keeping factory microenvironment uncontaminated.</p> <p>In the coming years, the Group company has put its priority to decrease air, water, soil pollutions and utilize natural resources efficiently, with less waste, and renew and restore through advanced technologies.</p>

	<p>Our company also employs temporary specialists that are specialized in environmental issues such as health, safe operations, and environment.</p>
<p><b>10:</b> Businesses should work against all forms of corruption, including extortion and bribery.</p>	<p>The group company works towards decreasing obstacles that face businesses such as state organization bureaucracy, multiple level of spirals, and create environment that is intolerant towards extortion and bribery, improve better implementation of laws and regulations, and support fair competition. Internal regulations state:</p> <ul style="list-style-type: none"> <li>- Company must report on gifts and other expenses and those expenses can be allowed only upon getting the approval by the senior management. In each case, these expenses must have their relevant proofs and bills accordingly.</li> <li>- Gifts in cash form will not be allowed unless approved by Executive director's official decision in special occasions.</li> <li>- Communicating with the government, and state clerks is not the same with private businesses. Employees must be aware that state clerks and employees should abide by anti corruption and bribery laws, and if necessary need to apply for advice to the Legal and Administration Department of MCS Holding LLC.</li> </ul>