

GOBI
MONGOLIAN CASHMERE



2022

SUSTAINABILITY PROGRESS REPORT



The era when companies solely pursued profit is now a thing of the past. Today, it is essential to focus on sustainable development, which means working with respect for the environment and the betterment of society.

This commitment to sustainability has become ingrained in the consciousness of most stakeholders in the corporate world. The success of a company is now evaluated based on ethical criteria, including respect for the planet and values that prioritize employees, consumers, and the community.

In addition to the moral imperative, responsible behaviour also leads to long-term cost savings in production. It enhances consumer satisfaction and boosts investor confidence, opening doors to domestic and international green financing opportunities.

Gobi Cashmere, as a leading company in the textile sector, took action by establishing a division in November 2021 to consolidate responsible manufacturing practices. This division aims to make informed choices and implement necessary changes that meet the new needs.

Throughout 2022, extensive work was done to determine the policy and commitments that will be upheld over the next three years. The policy was divided into five essential points: sustainability management, environment, society, governance, and operations. One of the key objectives within these points is to disseminate these ideas among our employees, fostering a corporate culture and identity that aligns with our intentions.

However, achieving these commitments and goals cannot be accomplished solely by the leaders and the Sustainability Development Division. It requires the awareness, participation, and contribution of everyone, including employees, partners, and consumers.

GREETINGS FROM THE CHAIRWOMAN OF BOARD OF DIRECTORS

2022 was a year of profound changes and great progress in terms of corporate sustainability.

The Board of Directors and the Management team of Gobi Cashmere have approved the commitments and the policy which reflect the intent that within the next three years, we can be defined, as a responsible company with full merit.

Great attention is given to these programs, with continuous and careful monitoring, making the appropriate changes and improvements when necessary.

This project, in addition to representing a long-term investment, is a dutiful contribution to our society, in order to respect and ensure the needs of future generations.

Our example would also like to be an appeal/a call and an invitation to every entrepreneur and leader to make those decisions which, even if minimally, can contribute to the necessary changes.

I am pleased to present the Gobi Cashmere 2022 Sustainability report.

CHAIRWOMAN OF THE BOARD
(Ph.D.) D.GERELMAA





COMPANY INTRODUCTION



GOBI SUSTAINABLE DEVELOPMENT POLICY



GOBI – ENVIRONMENT

- RESPONSIBLE COLLECTIONS
- ENERGY, CO2, RENEWABLE ENERGY
- USE OF WATER AND CHEMICALS
- WASTE MANAGEMENT



GOBI - SOCIETY

- HUMAN RESOURCES MANAGEMENT
- SOCIAL RESPONSIBILITY



GOBI - GOVERNANCE

- GOVERNANCE POLICY
- ETHICAL COMPLIANCE
- WHISTLE BLOWING SYSTEM

COMPANY INTRODUCTION



Number of Employees



1,548

(68% female employees)

Factory capacity

1,150

raw cashmere

1,500,000

Knitwear products

Number of Stores



Domestic

Ulaanbaatar city - 2
Darkhan city - 1



International

Subsidiary – 4
Branch store – 1
Franchise store – 22



Online

7

Business operation:

Processing, Manufacturing, and Sales of Finished Goods and Garments Made from Cashmere Goat Fibers.

Company Management:

Chairwoman of the Board:
Gerelmaa Damba

Chief Executive Officer:
Baatarsaikhan Tsagaach

Date of foundation:

September 5, 1981

Company name: "GOBI" Joint Stock Company

Official address:

GOBI JSC, Industrial Street, 3rd khoroo, Khan-Uul District, Ulaanbaatar-17062, Mongolia
Postal address: Ulaanbaatar -17062, PO Box 36/434, Gobi JSC

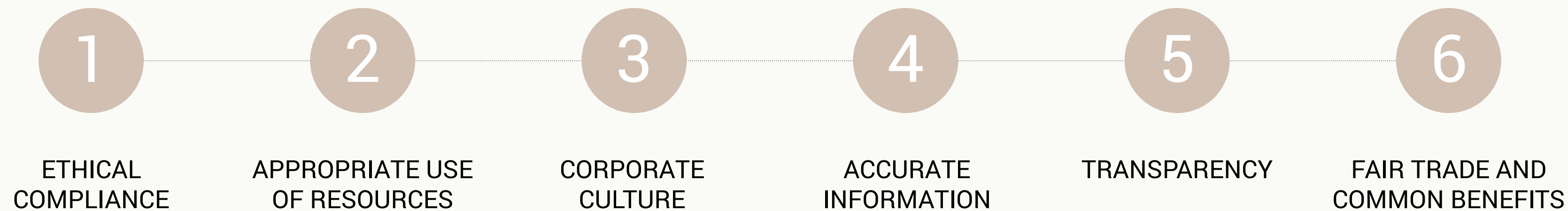
GOBI JSC – SUSTAINABLE DEVELOPMENT POLICY

/2022 – 2025/

Achieving the goal of sustainable development requires diligent focus on environmental and social values, accompanied by ongoing and responsible monitoring of activities and risks. This approach will ultimately enhance productivity and create values.

We are dedicated to ensuring that our policies are transparent and clear, fostering harmony and collaboration with our supply chain and stakeholders. In today's global market, it is crucial for Gobi to wholeheartedly commit to conscientious and responsible manufacturing practices.

PRINCIPLES OF DOCUMENTATION



GOBI - ENVIRONMENT

“The climate crisis, protection of environmental resources, and the balance of nature are the primary challenges facing humanity.” This assertion is substantiated by the numerous occurrences of extreme climatic events in recent years, resulting in significant environmental catastrophes. These issues transcend geographical boundaries and affect everyone. Therefore, it is imperative

that we collaborate for collective solutions and encourage each individual to contribute to environmental preservation before it becomes too late. Gobi Cashmere has made a firm commitment to minimize its environmental impact by implementing eco-friendly measures at every stage of production. We continuously update and enhance our criteria to ensure continuous

improvement. Additionally, we prioritize raising awareness about the importance of embracing a “green culture” among our employees. To this end, we have aligned our operations with ISO 14001:2015 standards.

Our three-year plan to achieve these objectives can be summarized as follows:

ENVIRONMENT POLICY 2025



Energy saving

20%



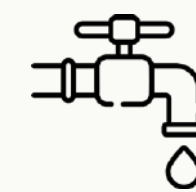
Renewable energy

15%



Reduction of CO2 emission

10%



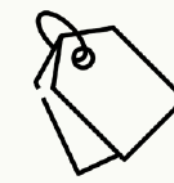
Water saving and reuse

10%



Enhanced recycling and repurposing

30%



Expansion of responsible collections

+++

RESPONSIBLE COLLECTIONS

Throughout our company's history, we have endeavoured to strike a balance between our nomadic cultural heritage and the advancements of modern industry. The progress of our products and operations can be encapsulated in the following commitments



QUALITY



AFFORDABILITY



STYLE



SUSTAINABILITY

To uphold these promise, we have formulated plans to expand our responsible collections. As a result, our confidence in becoming a fully accountable company continues to strengthen.



A woman with dark hair pulled back stands on a rocky, elevated terrain overlooking a vast, hazy landscape of rolling hills and valleys. She is wearing a light beige, long-sleeved, belted knit cardigan over a matching pleated skirt, and light-colored flat shoes. The scene is bathed in the warm, golden light of a sunset or sunrise, with the sun positioned behind her, creating a soft glow and long shadows. The overall mood is serene and contemplative.

ORGANIC COLLECTION

ORGANIC COLLECTION

Mongolian cashmere differs from other countries by its unique characteristic of coming in four natural colors. Building upon this feature, we have created the "Organic Collection," offering garments in these natural colours without the need for dyes or chemicals.

The Organic Collection boasts the following advantages:

- No chemicals are used to dye the cashmere yarns, which reduces the amount of water used.
- Saves energy and reduces CO2 emissions.
- Maintains the quality of cashmere yarn without losing its natural structure.
- Cashmere is naturally hypoallergenic, making organic cashmere delicate for those with sensitive skin.

Quantitative achievements of the collection include:

-20.3%
WATER SAVING

-20.6%
ENERGY SAVING

20.7%
CO2 REDUCTION

-15%
MINIMIZED USE OF
CHEMICALS





WHOLEGARMENT (OR 3D) COLLECTION

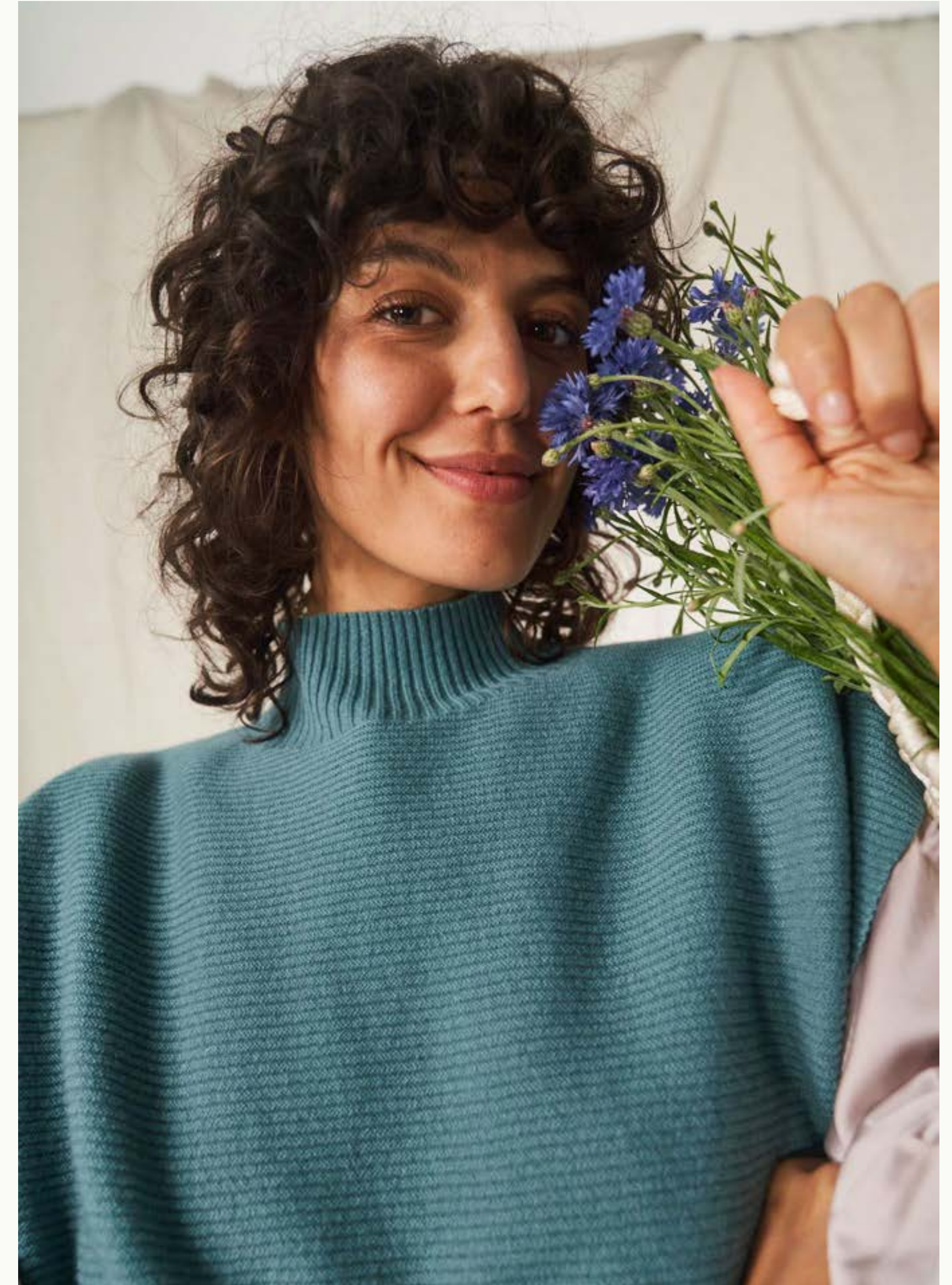
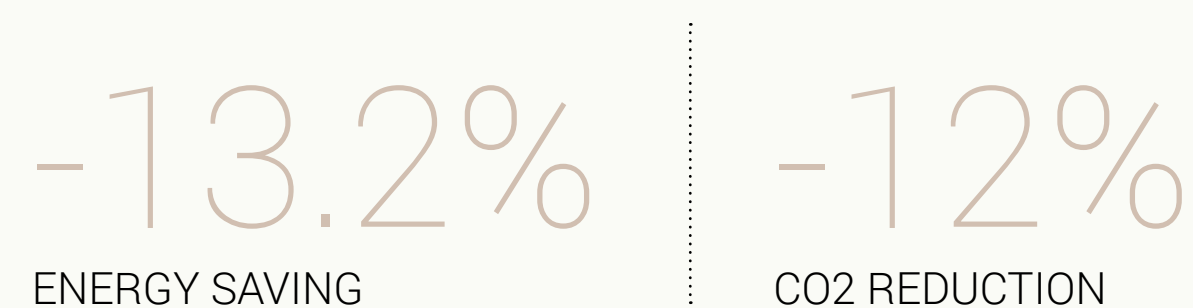
3D OR WHOLEGARMENT COLLECTION - SEAMLESS CASHMERE

Cashmere wholegarment garments differ from other traditional garments because they have no parts and joining seams. They are produced with Shima Seiki machines that perform their tasks according to the programmed design.

3D Collection Features:

- Comfortable to the body. There are no seams or joints. If you have sensitive skin, it won't irritate.
- Environmentally friendly. Low energy, water consumption and high productivity and efficiency.
- Reduces technological waste. In the production of this collection, there is no technological waste due to pattern matching.
- Long-lasting due to high technology and low production duration.

The numerical expressions of the collection are:



High productivity: It takes 128 minutes to knit a jumper on a traditional machines, while it takes 100 minutes on a Shima Seiki machine.

A woman with short dark hair and bangs is shown in profile, looking back over her shoulder. She is wearing a beige ribbed sweater and light-colored trousers. She stands on a wooden pier or walkway overlooking a large body of water. The background features a calm sea and distant, hazy mountains under a soft, twilight sky. The overall mood is serene and minimalist.

CASHMERE BORN COLLECTION

CASHMERE BORN COLLECTION

In recent years, Gobi Cashmere has undertaken various initiatives to use natural resources more wisely and support responsible production. One of them is the CashmeReborn Collection, presented for the first time in 2022.

With this collection, technology waste from the manufacturing stages is used to create new and original products.

The particularity of this collection is represented by:

- Reduced production wastage, water and energy consumption, and CO2 emissions.
- Environmentally friendly and economical.
- The collection featured unique colors and designs that made the line more exclusive.

The advantages of the CashmeReborn collection can be expressed in numbers:

-13%
WATER SAVING

-31%
ENERGY SAVING

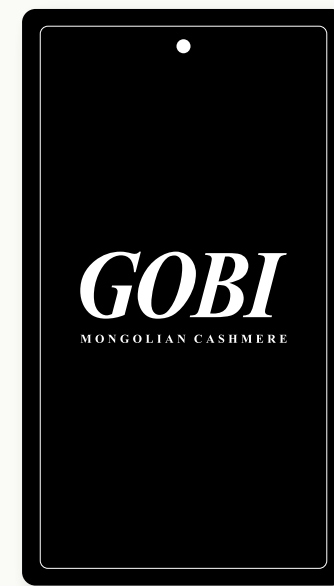
-31%
CO2 REDUCTION

-16%
CHEMICALS
SAVING



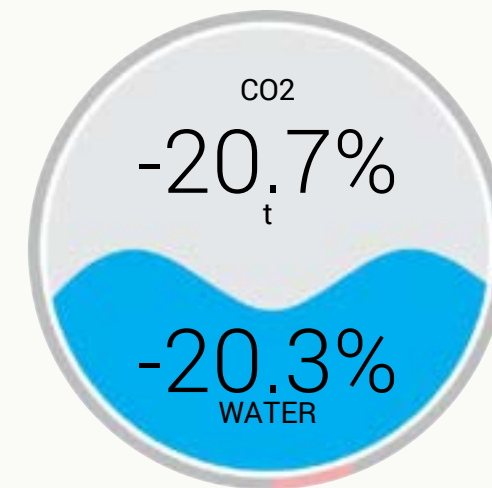
Indicator of impact per unit of product in the production process

Signature Line



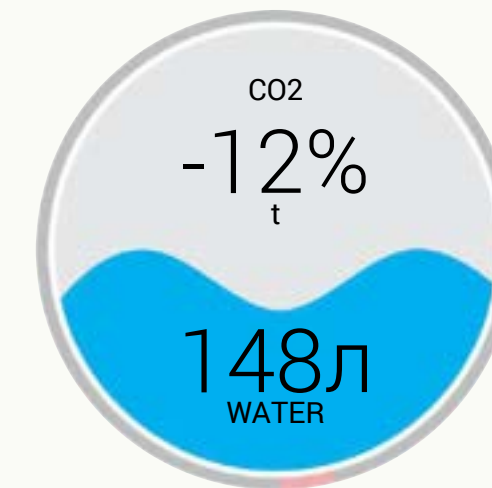
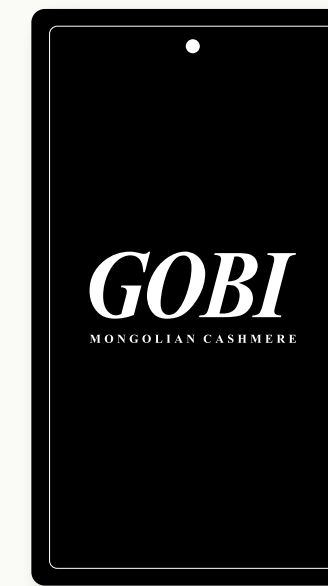
37,44 кВт
ENERGY CONSUMPTION

Organic



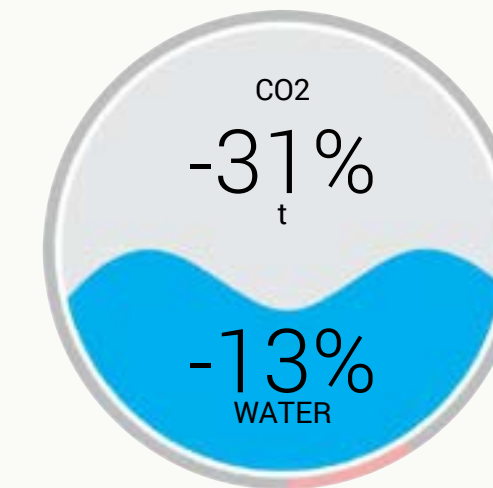
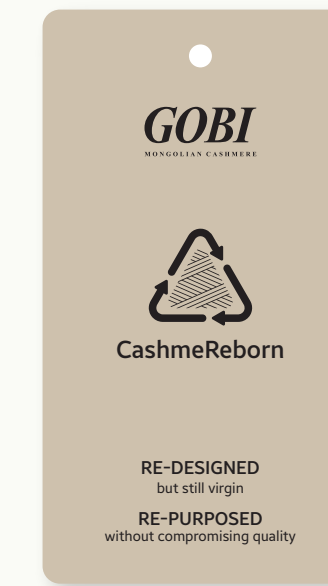
-20%
ENERGY CONSUMPTION

3D

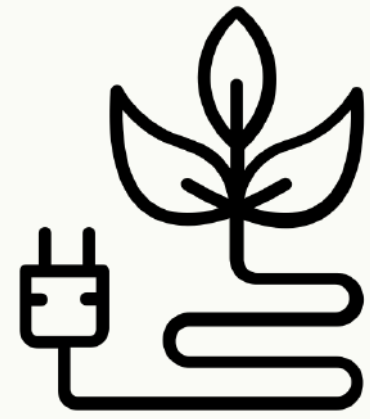


-13%
ENERGY CONSUMPTION

CashmeReborn



-31%
ENERGY CONSUMPTION



ENERGY,
CO₂ EMISSIONS,
RENEWABLE ENERGY

The continuation of our business, which we also consider a duty towards our employees, requires an energy supply that tends to increase along with the growth of our company.

Considering the problems that can be connected to both supply and consumption, it is our duty to evaluate the consumption and to have an energy conservation.

For the well-being of our customers, 1,500 employees and stakeholders, we have introduced the following energy-saving measures:

Some of the activities implemented in 2022 include:

- We reduce 30% of our energy consumption annually with the use of frequency-converting (inverter) devices in machines that use the most energy.
- Smart energy meters have been installed to monitor our continued progress.
- Sensored LED lights are used within the company as they use less energy than standard lighting.

In 2022, GOBI JSC's production volume increased by 47% compared to previous years. Energy consumption only increased by 1.2%, which is attributed to our energy-saving measures.

Total energy consumption in 2022:

9,649
GWH ELECTRICITY

55
TJ STEAM ENERGY

24
TJ THERMAL ENERGY

We saved 252,000 kWh of energy, preventing 189 tons of CO₂ emissions.

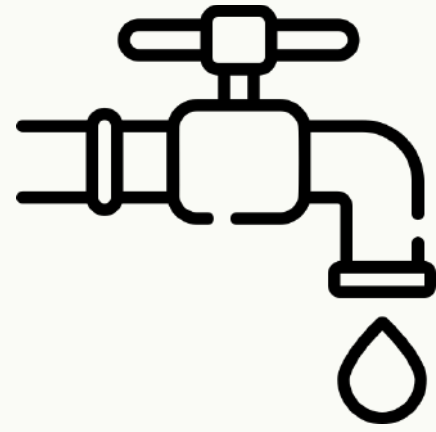
We plan to introduce solar panels to our operations as part of our Sustainable Development Policy. By 2025, we calculate that 14% of our annual energy consumption will be through renewable energy.

945
t
CO₂ REDUCTION
IN A YEAR

300
EQUALS TO 300 FAMILIES'
ELECTRICITY CONSUMPTION
WILL BE PRODUCED BY RE-
NEWABLE ENERGY IN A YEAR.

277
t
WATER SAVING
IN A YEAR

630
t
REDUCTION IN THE USE
OF COAL IN A YEAR



WATER

Smart water management is essential to the development and growth of GOBI JSC. It is our duty as responsible cashmere producers to respectfully use natural resources.

We generally use water in these three ways, which are monitored in each workshop to ensure water efficiency:

1. For technical needs
2. For domestic purposes
3. For irrigation and fire extinguishing

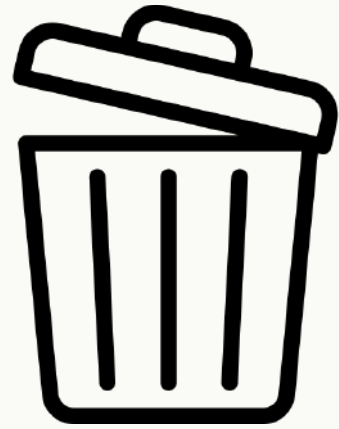
GOBI JCS regularly has water, soil, and air quality analyzed by a laboratory licensed by the Mongolian Ministry of Environment.

Lab tests conducted:

- General content analysis - once per quarter.
- Analysis of heavy-metal indicators - every six months.

In 2022, the following water-saving initiatives were achieved:

- We used an estimated 125.1,000 m³ of water.
- GOBI JSC's cleaning facility sterilized and repurified 13,000 m³ of wastewater, which is 10% of water consumed.
- Nine tons of water were saved by installing water-saving faucets.
- We reused 2.9 tons of water from our washing facility's cooling ventilation system saving 2.3% of water.
- We have installed an ionizing purifier on the freshwater line that supplies our food production areas.
- Water purifying devices were installed in our factories, workshops and offices.
- We plan to increase our capacity for purified gray water by renewing our facilities.



WASTE MANAGEMENT

In October 2021, we updated our waste management regulations and implemented them into our operations. Our waste regulations are designed to minimize any adverse effects on humans and the environment.

Waste at GOBI JSC consists of:

- Hazardous waste
- Technology waste
- Office and food waste
- Post-purchase waste

Hazardous waste:

In 2021, 2.28 liters of chemicals were used per unit of product. To decrease our chemical usage in 2022, we used 0.7 liters less bleach in our dyeing process.

We also have 13 battery collection boxes throughout our factory to prevent them from polluting our water, soil, and air. In 2022, 2,802 batteries were collected and transferred to a professional organization for proper disposal.

Medical waste

221 kg



44% infected

38% highly infectious

18% sharp waste

Battery

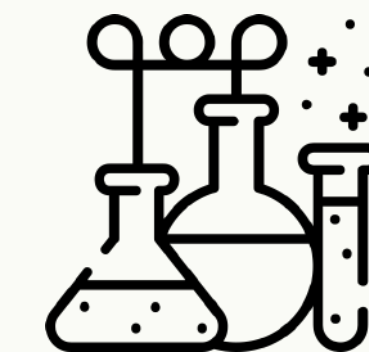
2802 pcs



Prevented contamination of 2802 m2 soil and 22,426 tons of ground water.

Chemical waste

1760 pcs



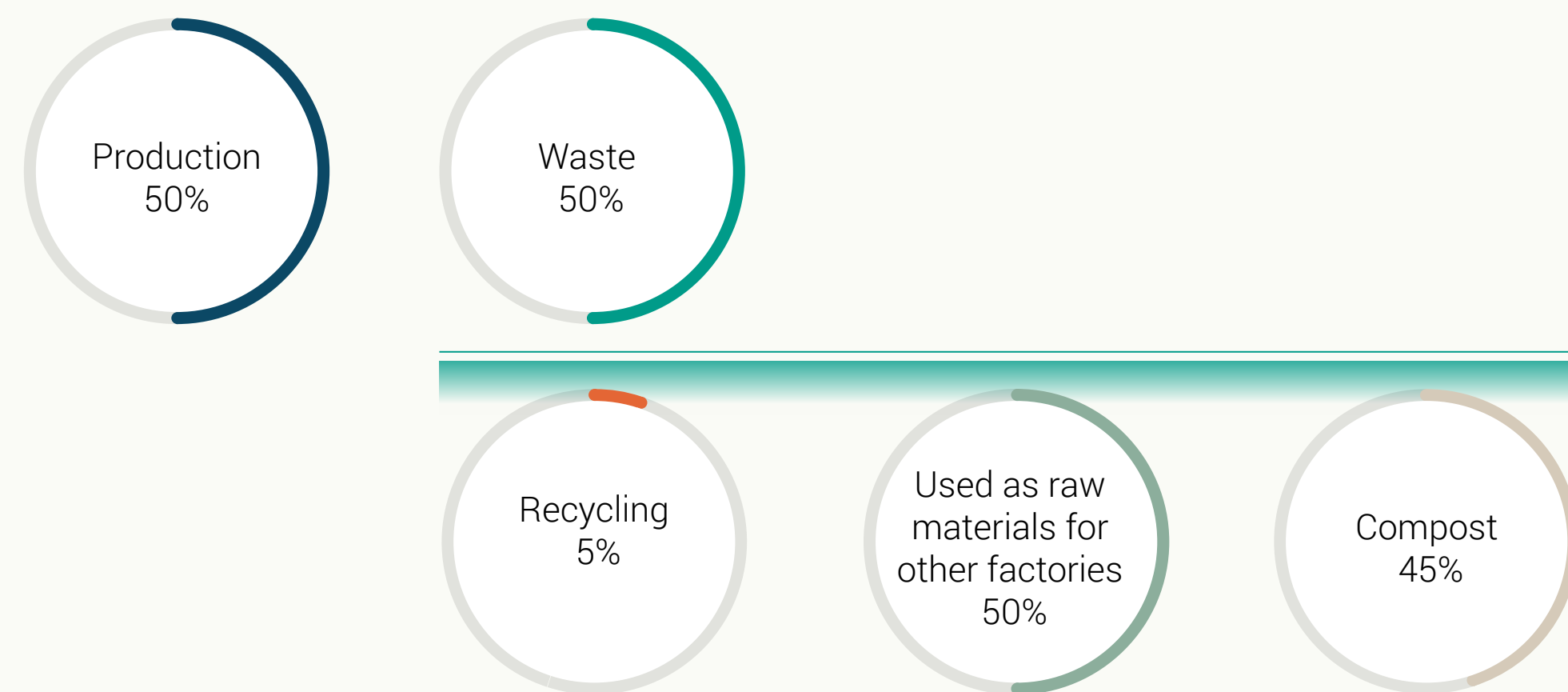
Transferred chemicals to professional organizations to reduce the negative impact on the environment.

Production waste:

GOBI JSC operates high-production, complex cashmere factories which process raw materials to produce high-end products.

Half of these raw materials are withdrawn from production. Half of these leftover materials are supplied to other factories. The remaining raw materials are used as compost.

Reuse of raw materials



We are always looking for creative ways to reuse our production materials. In 2022, we used some of our leftover raw material to create the CashmeReborn Collection.

Domestic waste:

In 2022, 307 tons of domestic waste was generated (paper, plastic, food, hazardous waste) of which 26.3% was sent to contractors and recycled.

Food waste:

In 2022, we produced 440 kg or 5.3 tons of food waste each month. We made arrangements to have the food used as animal feed.

Post-purchase waste – Packaging

After any product reaches the consumer

The packaging becomes a post-purchase waste. To reduce this waste, GOBI JSC uses disposable natural fiber bags, refusing non-disposable

Plastic bags.

Starting from the 3rd quarter of 2023, we are aiming to offer minimal and environmentally friendly packages for each product and formed a research team to make it work.

Environmental goals for the next three years and performance of 2022

2025	100%	100%	100%	100%	100%	100%
2022	30%	50%	42%	3.5%	0%	46%

The bar chart displays environmental goals for 2025 and performance in 2022. The 2025 target is 100% for all categories. The 2022 performance is as follows: Хүлэмжийн хийн ялгарал (30%), Дахин цэвэршүүлсэн ус (50%), Ногоон байгууламжийн талбай (42%), Хүлэмжийн хийн ялгарал (3.5%), Эрчим хүчний хэрэглээний бууралт (0%), and Дахин боловруулсан хог хаягдал (46%).

2025

- Reduce CO2 by 10%
- Increase usage of the recycled water by 10%
- Increase the green areas by 15%
- Reduce energy consumption by 15%
- Increase use of renewable energy by 20%
- Recycle waste by 30%.

Product Lifetime Care, Repair, Recycle

Product quality and longevity is a sign of responsible production. At GOBI JSC, we pay attention to the quality of our materials from processing to finished products by adhering to strict quality standards at all stages of production.

We empower our customers to maintain their cashmere garments by providing them with care information and comprehensive cleaning and restoration services.

It is our ambition, for the years to come, to offer such services to international consumers as well.

Our 100% cashmere products are biodegradable and recyclable.



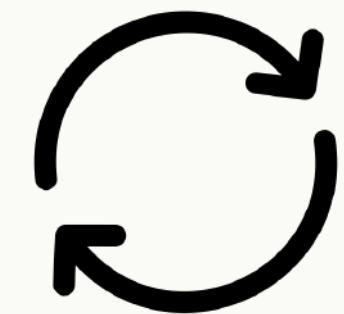
PRODUCT QUALITY



ADEQUATE CARE



REPAIR SERVICE



CIRCULAR ECONOMY

GOBI & SOCIETY

The Gobi's Sustainability policy of pursuing social objectives moves in two directions, each with specific goals:

- Management of human resources (directed inward to the company)
- Social Responsibility (outwards- facing)

RESPONSIBLE HUMAN RESOURCE MANAGEMENT

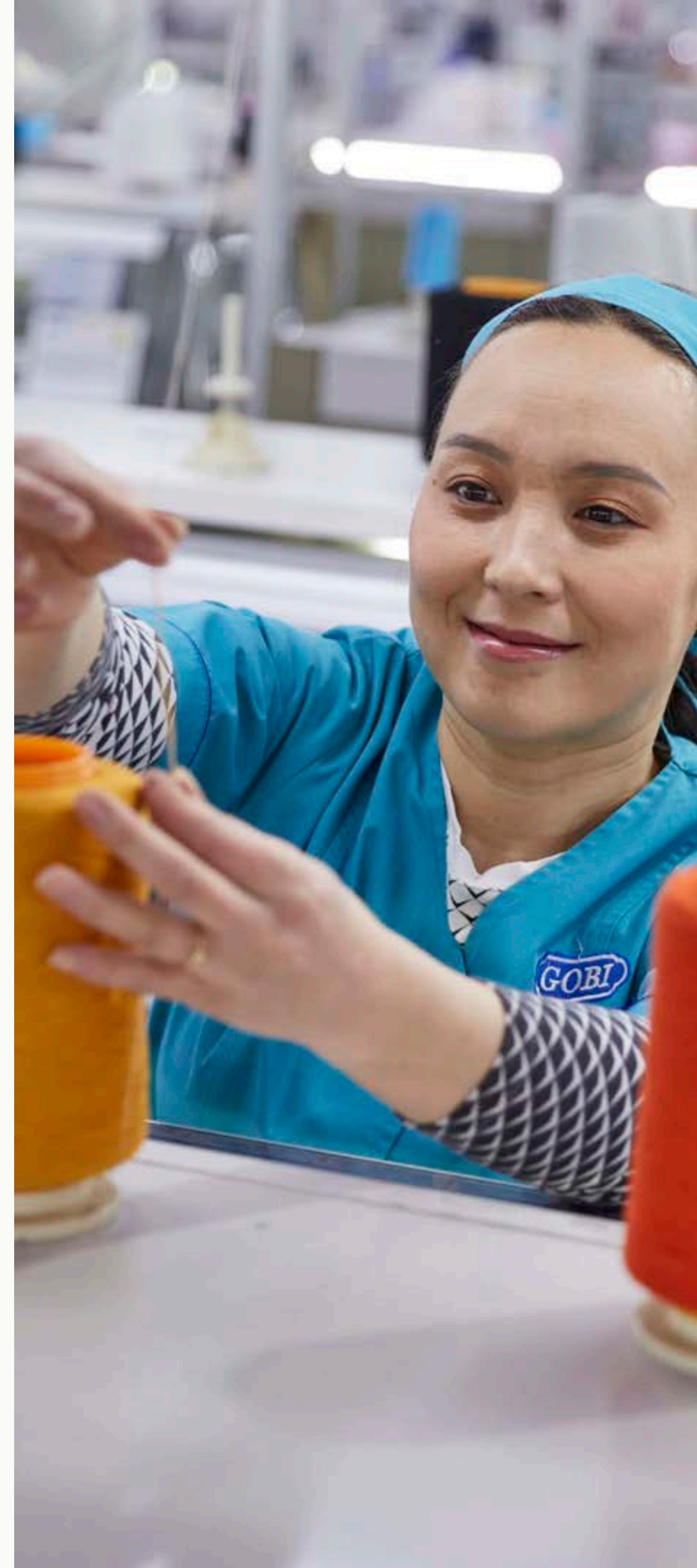
Gobi Cashmere, a textile company excels in the industry, has pledged to stably maintain the number of employees assigned and resolve any inherent issues. In addition, we established 58 new positions and related jobs, reaching a total of 1548 employees.

Most of them, given the particularity of the industry, are women. This trend also dominates in management and decision-making. Expressing it in numbers we have the following female percentages:

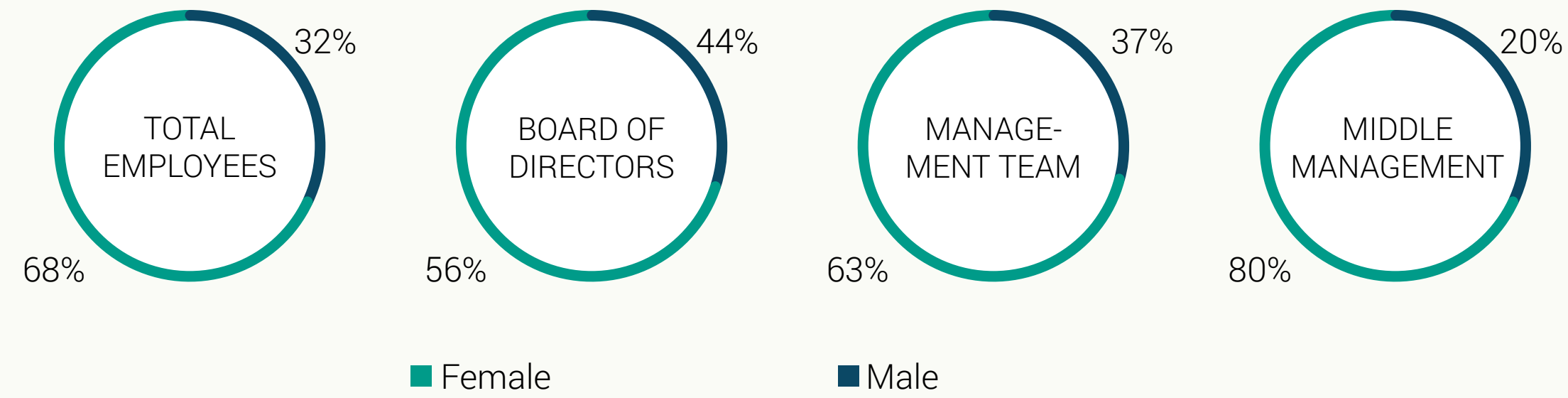
68% of employees, 56% of the members Board of Directors, 63% of executive board, 80% of middle management (department heads and office supervisors)

To be noted, with satisfaction, a considerable number of exponents of the new generations working in the management area. In our policy of selecting and recruiting human capital, great importance is attributed above all to real skills and positive attitudes such as commitment and determination, placing data such as gender, age and previous experience in the background. In a manner consistent with legal requirements, 1% of employees are workers with various disabilities. An increase in this percentage is foreseen for the coming years, in parallel with the necessary adjustments to the working environment. As clearly described in our policy, child and forced labour, underpaid work, discrimination and violence of any kind are absolutely prohibited.

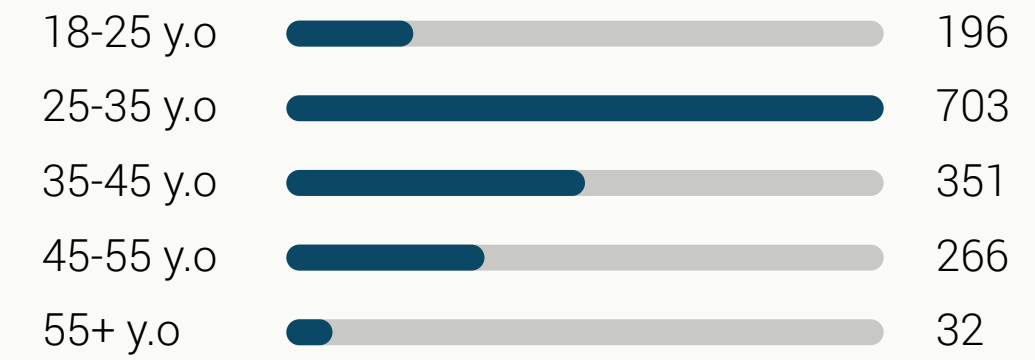
Poor management is a cost, whereas well management is an inexhaustible resource.



HUMAN RESOURCES STATISTICS



AGE GROUP OF EMPLOYEES



Our employees are our most valuable resource.

GOBI JSC concentrates on the following areas of human-resource management:



- Occupational Health & Safety



- Fair Remuneration & bonuses



- Pleasant workplace environment, work - life balance



- Employees Personal Development

- **PROVIDING SAFE & HEALTHY WORKING ENVIRONMENT**

Occupational safety and health is a vital indicator for organizations. We stand by safety first. We aim to keep accidents, potential accidents, occupational-related illnesses, and injuries to a minimum.

As part of this goal, 300 employees working in particular conditions were included in the 2022 preventive health check-up according to the plan. A three to five-year health plan to improve and maintain the health of our employees. on it, the “Planning to improve and maintain the quality of health” of the employees is being worked on every year.

In 2022, under the motto “Stop work if you feel dangerous”, the department of Health and Safety provided approximately, 15,444 man/hours of training, in-

structions and dedicated total of 2,396,160 man/hours to the health and safety of the employees, thus preventing costly injuries and accidents.

In addition, our organization has an emergency unit at its workplace that provides a combination of traditional and modern treatment to its employees free of charge. The unit provides employees with access to health care, prevention, medical checkups, and quick first aid.

It is important to save time, money and health of employees. In the coming years, we are preparing to support the “Mental Health” of our employees and implement the “E-Doctor” program.

- **THE MOST COMPETITIVE SALARY IN THE INDUSTRY**

The average salary at GOBI JSC is 12% more than the median wage in Mongolia. Women and men are equally compensated. Our employees are compensated generously for their work and efforts.

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GOBI JSC’s Sustainability Policy regarding wages and bonuses:

- Create a productive and safe work environment
- We do not tolerate discrimination and provide equal opportunities for all
- We reward employees based on merit
- Adhere to fair structures around recruitment, compensation, training, decisions, resignations, and retirement

- **EMPLOYEE WORK-LIFE BALANCE**

In recent years, apart from the pandemic period, an ethical evaluation of the world of work has grown worldwide, both in terms of the working environment and the possibilities of modulating working hours.

For example, 4 days of workdays were experimented in the Britain. In the experiment which the leading companies participated, the result was happy employees with high performance indicators in the business. 92% of the participants decided to extend the trial duration and 30% decided to transition to 4 working days..

This year our company implemented the following changes:

- We implemented flexible working hours for more work-life balanced lifestyle. It resulted our employees to plan their life more efficiently with focusing on their life outside work.
- GOBI JSC have 2 food courts in different locations to provide delicious

and healthy meals. Our chefs worked together with “Chefs association” to develop menu with 3 types of meals rich in vitamins with a choice of salty and un-salty. By doing this, our employees get to enjoy time saving, cost efficient and healthy meals at their workplace.

- GOBI JSC offers shuttle bus services for our employees. Everyday there are 280 employees, 5280 each month and 63360 each year using this service to get to their work, contributing to reduce CO2 emissions by 114.4 tons.
- In 2022, the emergency department in the organization offered their services to 3,774 employees in duplicate numbers with daily check-up and treatments.
- Gobi JSC has invested heavily in improving the comfort of our work environment and, consequently, the well-being and culture of our employees

GOBI JSC'S ON-SITE KINDERGARTEN

As a socially responsible employer, it was important to provide safe childcare for our employees. We established the GOBI Kids Kindergarten to provide our employees and their children with a well-rounded work-life balance.

The kindergarten provides regular care and education to a total of 120 children, spanning from primary to preparatory age.

As 68% of our employees are women, it was essential to provide childcare to give financial independence and stability to this segment of our workforce.



GOBI JSC provides the following development opportunities to our employees for higher productivity and continued success.

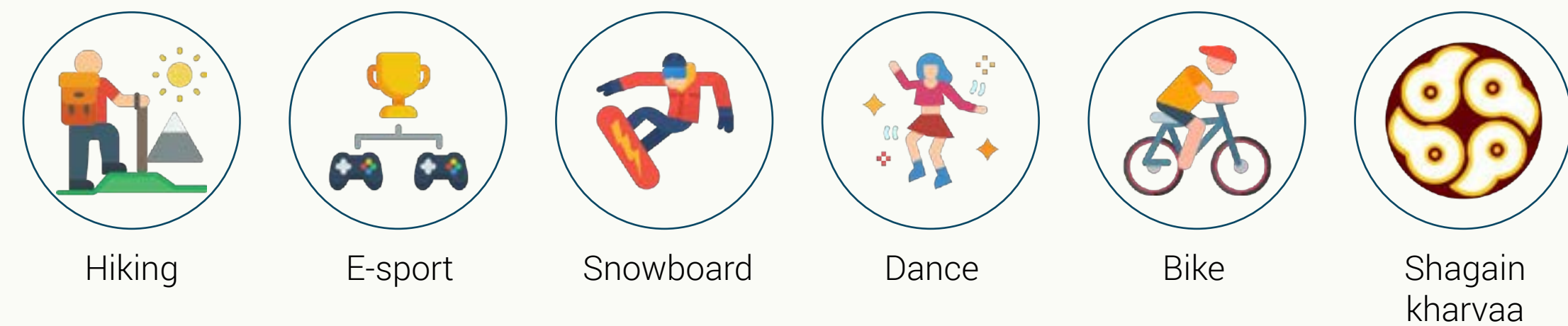
Sustainability training

For us to be a fully sustainable company, we need to provide sustainability training to our employees. In 2022, our Sustainability Development Division provided 9,784 man/hours of training on the importance of sustainability.

Sustainability training was added to our employee orientation program in 2023.

Company culture

In 2022, we trained 8,662 employees to develop their professional and personal skills.



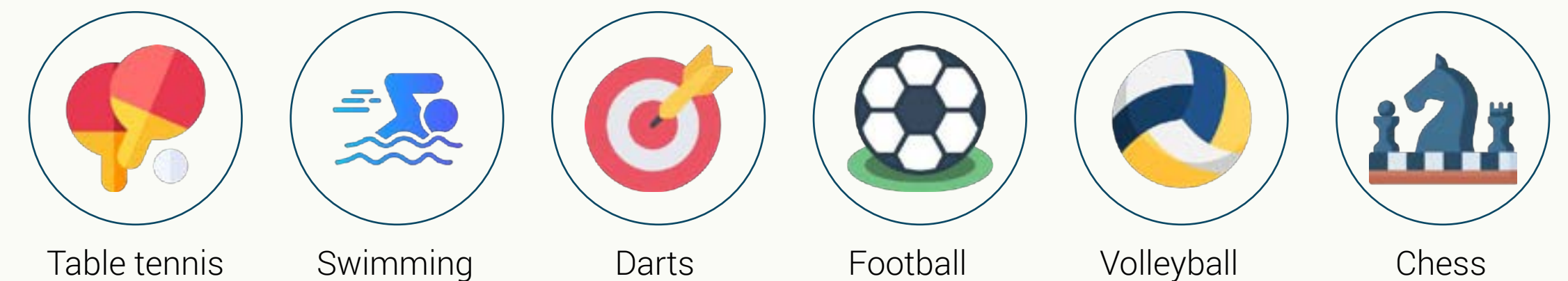
We operate 12 clubs to encourage a strong company culture. We offer our employees a gym, yoga room, dart room, and teamwork space.

Professional development

We send leading employees to certificate programs in Italy, France, Germany, Japan and Korea to make them globally competitive. Our employees also have professional development opportunities at world-class Mongolian institutions.

We offer a plethora of training programs to increase employee development, satisfaction, and productivity.

Furthermore, we are working hard to meet the needs of our employees both personal and career-wise with an implementation of training programs to increase accessibility.



SOCIAL RESPONSIBILITY



As part of the social responsibility of the sustainable development policy, we need to initiate projects and programs every year with investments and budgets approved to create sustainable society with a contribution from everyone to perform more than 90%. In the framework of this goal, we highlighted the following projects from 2022.

“YOUTH EMPLOYMENT PREPARATION” PROJECT

The government of Mongolia ran a project to prepare the youth for employment. We participated in 4 events regarding this project by organizing 3 GOBI factory trips and providing employments to the participants.

DONATION TO THE NURSING HOME

The dedicated team at our textile factory utilized innovative leftover materials to create a specialized pillow designed to protect the skin from chafing. This innovative product was generously donated to the “Nursing Home for the Elderly”.

INVOLVEMENT IN THE EVENT FOR PARENTS WITH DISABLED CHILDREN

Our company actively participated in the gathering arranged by the Department of Labor and Welfare Services of Khan-Uul district, which aimed to bring together parents with disabled children. As a gesture of support and celebration for Children’s Day, we presented gifts to the children who attended the event.

FUTURE WEALTH BUILDER PROGRAM

We implemented the “ETHICAL PERSON OF THE SOCIETY” communication and attitude training program for graduating students from the University of Science and Technology and the Mongolian-Korea Polytechnic College. The program aimed to equip these students with the necessary skills and mindset to excel in their respective fields and contribute to the prosperity of our society.

EXPERIENCE EXCHANGE VISITS

UB Railway JSC, Govi Khangai Furniture LLC, and BOSA Holding LLC participated in an sharing experience trip to learn about the ISO 9001:2015, ISO 45001:2018, and ISO 14001:2015 standards. The companies also got acquainted with the operations of our Sustainable Division and the OSH division.

SUSTAINABLE CASHMERE, TRILATERAL PROJECT



*In Mongolia, herders make up 9,6% of the whole population and 24.5% of total workforce. The majority, 98.1%, tend to their livestock in a traditional way and the rest is engaged in farming. A socio-economic survey shows that 58% of their income comes from cashmere.

In the recent years, As the number of goats has increased significantly in recent years and this phenomenon is linked with environmental desertification, there has been criticism from all parts the world. While at first analysis the simplest solution would be to reduce the number of goats, we cannot overlook the economic consequences for the herder families. Finding an environmentally friendly solution to this problem is one of the major challenges facing Mongolia.

Gobi Cashmere, in its role as a pioneering company, as well as one of the largest companies in the light industry sector, in order to help solve these problems and work alongside the state in its sustainability objectives is implementing the “Sustainable Cashmere, Trilateral Project”, as part of its ESG programs.

The project is aimed to improve the alignment between Science – Producer – Herders in order to improve the health, care and reproduction of animals on a scientific basis, which leads to cashmere quality improvement and as a result increase herders’ income.

As part of this project, the Animal Breeding Technology Operations Unit at the soums provides professional services to ensure the hygiene and welfare of animals and to manage breeding and selection work.

Mongolian University of Life Science participates in trainings on proper goat husbandry practices, scientific work and advice on breeding.

GOBI JSC, in addition to financing the project, it conducts annual quality analysis of cashmere in its own laboratory and manages the project.

In addition to the advantage of improving the composition of the goats and proper goat husbandry practices such as cashmere preparation practice, the herders participating in the project have started directly supplying the cashmere from their goats to the manufacturers at the market price.

In implementation of this project, which is expected to end in 2025, in addition to having created two “core flocks” in the Bayankhongor and Khuvsgol provinces.

GOBI - GOVERNANCE

The policy of honest and ethical governance was created by drawing inspiration from the principles of social responsibility and environmental sustainability, with a view to long-term investments, financial stability and business continuity, finally pursuing a balanced harmony of interests among all stakeholders.

Gobi Cashmere's governance policy was approved by the Board of Directors in November 2022.

In this policy, fundamental principles were highlighted:

Objectives of governance

1. Ensure the interest of all stakeholders.
2. Create adequate organizational structures in the BoD
3. Improve corporate governance.
4. Conduct fair and ethical operations.
5. Having a strong company culture.
6. Appropriate employee compensations.
7. Transparent reporting and information.
8. Build upon sustainable development.
9. Accountability and monitoring

Principles of Governance

1. Ensure transparency.
2. Balance the interests of all stakeholders.
3. Comply with all laws and regulations.
4. Be fair and ethical.
5. Have a control and accountability system.
6. Have a strong company culture.
7. Be sustainably minded.
8. Continuous improvement

2022 was a year of exceptional progress for our responsible governance. Especially, we are sure that we leveled up our company's ETHICAL COMPLIANCE system.



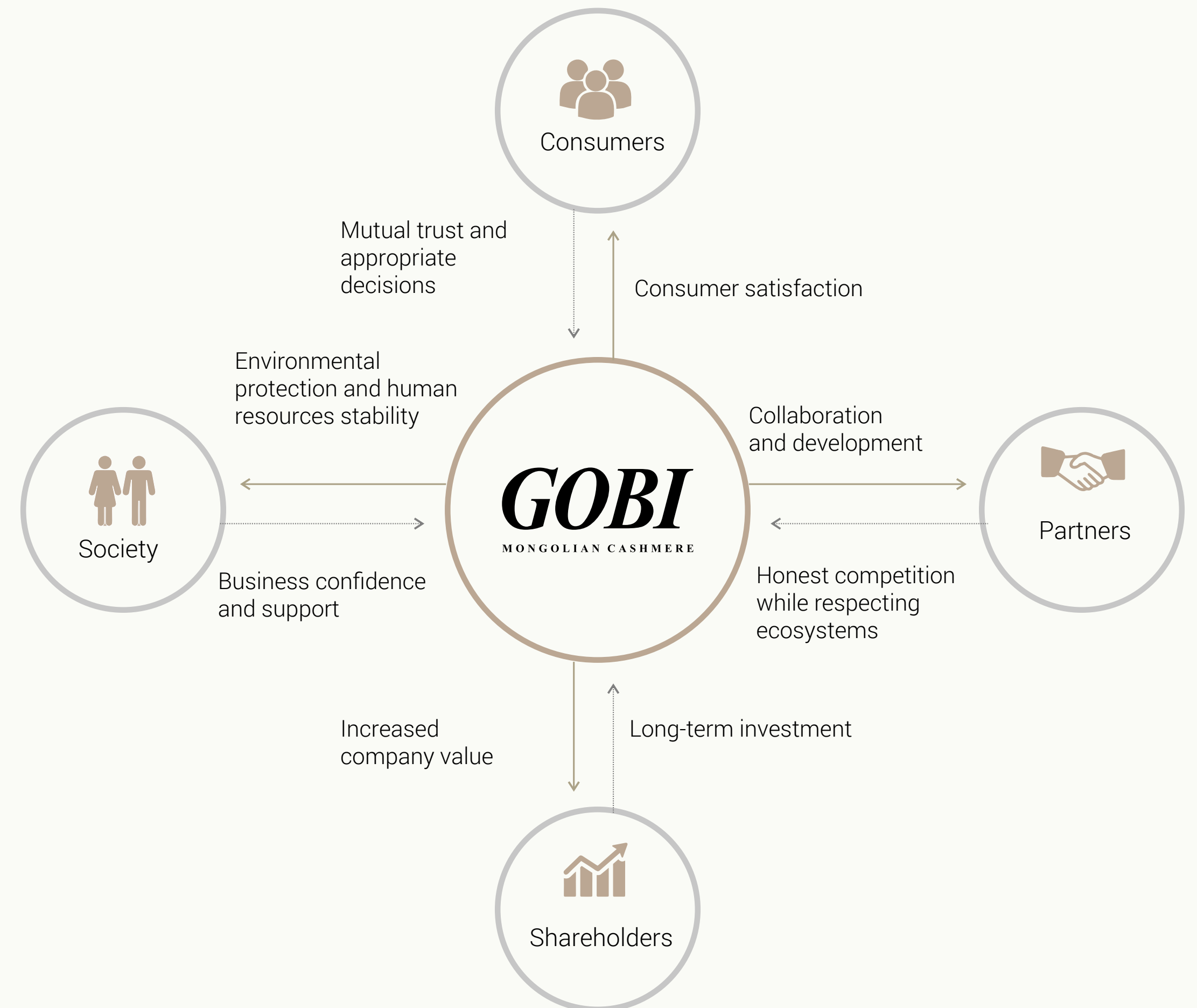
COMPLIANCE MANAGEMENT

In Gobi's sustainability policy, compliance with ethical standards is placed high on the agenda. We define compliance as every measure, activity and initiative in favor of a code of ethics and applicable regulations.

Implementing a compliance management system builds confidence in our employees, customers, domestic and international investors to prevent potential risks and strengthen their trust in our company significantly.

In 2022, we confirmed our Compliance policy and objectives. The policy has made its respective functions based on the UN's 17 goals "Goal 5: Gender equality, Goal 8: Decent work and economic growth, Goal 16: Peace, justice and strong institutions Goal 17: Partnership for the goals".

In the same year, we also updated our Code of Conduct and Our Values. We are all working together to provide affordable, sustainable, high quality, and stylish Mongolian cashmere to our global and domestic customers.



**OUR
VISION**

We envision cashmere going beyond the boundaries of being a winter material to becoming everyone's favourite material year round, for any occasion and at every stage of life.

**OUR
MISSION**

We provide everyone with stylish, affordable and quality cashmere.

**OUR
SLOGAN**

Cashmere for all

CORE VALUES

RESPECT

We embrace diversity and exchange ideas openly with mutual respect.

PASSION & SINCERITY

We are a team, full of determination and desire to achieve our goals.

**HONESTY &
TRANSPARENCY**

We value the participation of each stakeholder and operational transparency.

RESPONSIBILITY

We are driven to act responsible towards our society and environment, our stakeholders, our actions and consequences and strive for the goal of sustainability.

CREATIVITY

We seek new ideas and creative development while aiming to exceed expectations.

WHISTLE BLOWING MANAGEMENT SYSTEM

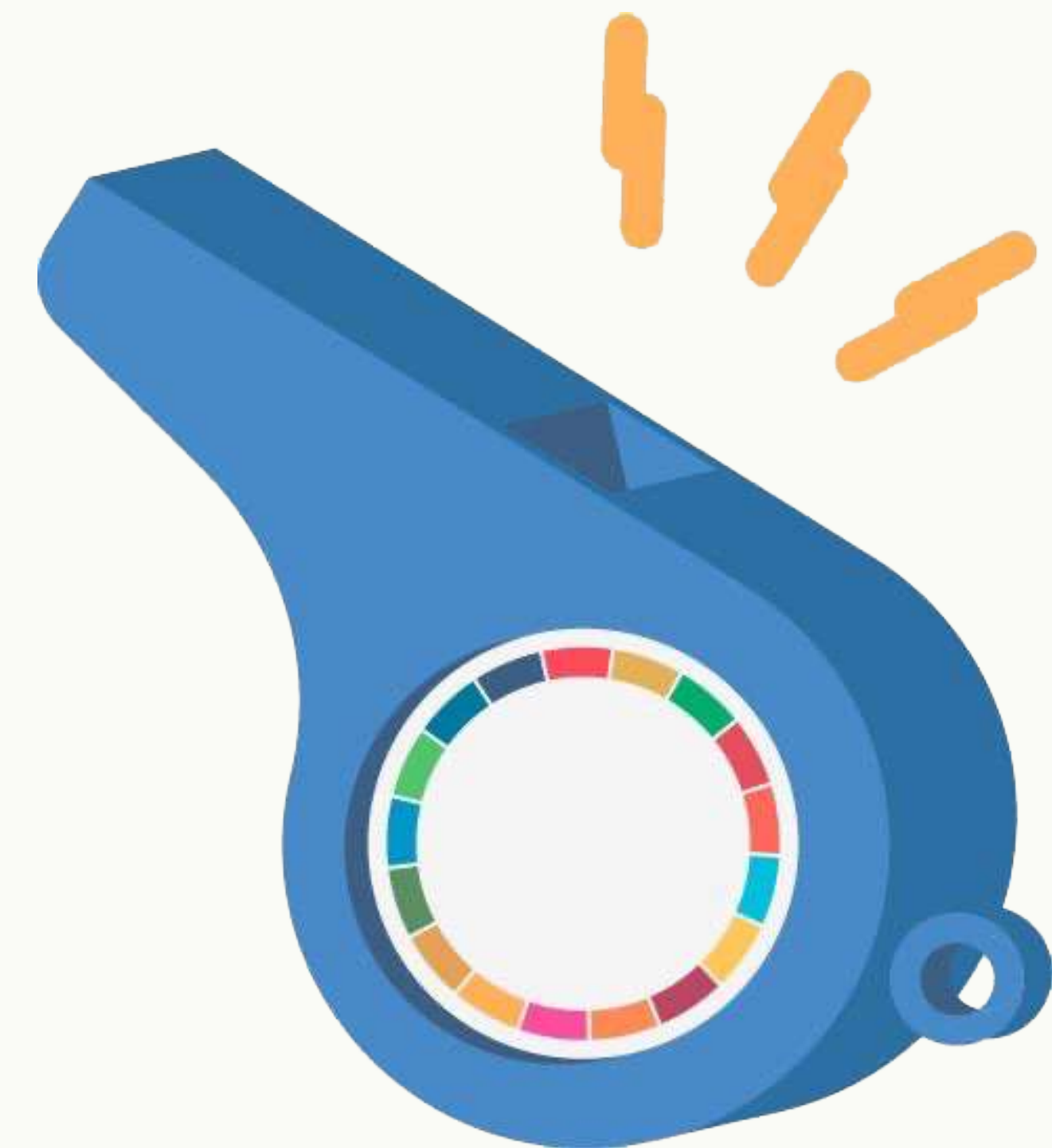
One of the most significant projects we undertook in 2022 was the establishment of our Whistleblowing System, which can be accessed at <https://info.gobi.mn/whistleblowing>.

As part of this initiative, Ms. D. Gerelmaa, Chairwoman of the Board of Directors elected a human rights representative to oversee the whistle-blowing operation.

Any information about ethical misconduct we received in the system, depending on the scope, will be discussed, prevented, solved and improved by the fair system of the Board of Directors and the Ethics Committee.

The members of ethics committee were elected through open election from the representative of all employees and from different departments and units and differs from each other by their principles, knowledges and experiences.

Furthermore, we will focus on monitoring and improving the operation of the Ethics Committee and Whistleblowing system to bring more awareness of the Code of Conduct.



HIGHLIGHTS OF 2022



The Board of Directors approved the Sustainable Development Commitment.



Gobi JSC has successfully updated its core Values and the Code of Ethics.



Whistle blowing system is launched.
<http://info.gobi.mn/whistleblowing>



Published GOBI JSC's sustainability report.



2021.11

2022.04

2022.04

2022.06

2022.07

2022.11

2022.12

2023.03

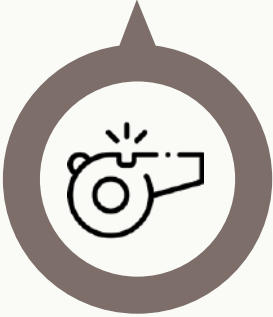
Sustainability Development Division is established



Compliance policy, objectives, and goals are approved.



GOBI JCS has established its Sustainability Policy.



The Ethics committee is established.





**PROVIDING FINE CASHMERE WITH
RESPONSIBILITY IN MIND**

GOBI
MONGOLIAN CASHMERE