Country Progress Report
Mongolia
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1. Country progress summary – Mongolia

**SBN Member:**
- Mongolian Central Bank (founding member since 2012)
- Mongolian Bankers’ Association (MBA) (member since 2013)

**SBN Working Group:** Measurement Working Group, IDA taskforce, and Green Bond Working Group

**Key policy documents:**
- Mongolian Sustainable Finance Principles (Mongolian Bankers Association, 2014)
- 4 Sector Guidelines – including agriculture, construction and infrastructure, manufacturing, and mining (Mongolian Bankers Association, 2014)

**Key milestones since 2018 SBN Report:**
- Creation of Mongolian Sustainable Finance Association (MSFA) (January 2018)
- Launch of National Sustainable Finance Roadmap of Mongolia (MSFA, 2018)
- Draft Green Finance Taxonomy (MSFA, 2019)

**SBN and IFC role:** IFC has provided advisory services to both MBA and Mongolian Central Bank in relation to policy development, implementation, and capacity building, in partnership with the government of Japan. Through SBN, MBA has shared its experience with other SBN members and benefited from the collective SBN knowledge base.
Figure 1: SBN Progression Matrix with Assessment Results¹
Assessment based on progress up to and as of June 2019²

Note:
1. Please refer to the SBN Global Progress Report for an explanation of the Progression Matrix.
2. Ghana and Thailand launched their policies and principles in August 2019, after the cut-off date of June 2019 for this report.
2. Overview of policy coverage by indicators

- Alignment with global E&S standards and best market practices
- Alignment to NDCs and with national/regional climate change targets
- Multi-stakeholder collaboration
- Defining sustainable assets and financial products
- Green finance product guidelines
- Tracking and disclosure of climate & green finance
- Calculation of environmental benefits
- Climate risk exposure assessment
- Financial and non-financial incentives
- Role of governing bodies on E&S
- Organization
- E&S policy
- Risk assessment
- E&S covenants
- Project supervision & portfolio review
- Training
- External communication mechanism
- E&S reporting
- Enforcement
3. Policy coverage developed

Pillar I: Strategic Alignment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
</tr>
</thead>
</table>
| Alignment with global E&S standards and best market practices | The Sustainable Finance Principles encourage banks to adhere to international risk management and green reporting standards when designing their E&S policies.  
The Principles also advise that E&S policies and performance should be externally verified.  
Although the Mongolian sustainable finance policy documents don’t have direct reference to the SDGs and Paris Climate agreement targets, the Principles have direct relevance to all SDG targets.                                                                                                                                                                                                                                                                                                                                                     | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 – Relevant International standards - p.7  
Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Relevant International standards - p.7 and p.23  
Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 6 - Demonstrating process - p.23  
Mongolian Sustainable Finance Principle 1 – SDG target 6,7,11,13,14,15; the Principle 2 - SDG 1,2,3,8,10,11,13; the Principle 3 - SDG 4,11; the Principle 4 - SDG 7,8,9,10,11,12,13; the Principle 5 - SDG 5,8,10; the Principle 6 - SDG 9, 12; the Principle 7 - SDG 10; the Principle 8 - SDG 16, 17 |

Alignment to NDCs and with national/regional climate change targets

| Indicator 2 | The framework is fully aligned with national laws on environmental protection.  
The main Principles are supplemented by sector-specific guidelines that identify climate-related risks for the four key sectors of Agriculture, Manufacturing, Construction, and Mining.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Definition - p.6  |

Multi-stakeholder collaboration

| Indicator 3 | The framework encourages banks to ‘actively support’ knowledge sharing and industry collaboration on E&S performance.  
The key stakeholders actively work together through the Mongolian Sustainable Finance Initiative, including the relevant ministries, government agencies, and NGOs.  
Participants include the Ministry of Environment and Tourism, Ministry of Finance, Energy Regulatory Commission, Green building council of Mongolia, Non-Banking Financial Institution Association, Mongolian Wool and Cashmere Association, and international NGOs, including AVSF (Agronomies and Veterinaries Sans Frontiers) and SFA (Sustainable Fiber Alliance).  
For example, the representatives of the Ministry of Environment and Tourism and Bank of Mongolia are the active members of the Sustainable Finance Working Group.                                                                                                                                                                                                                                                                                                                                                     | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Definition - p.23  
All Sustainable Finance Working Group meetings have been documented.                                                                                                                                  |
## Products and services

**Indicator 4,5** The 4th Principle encourages green finance flows and products that will promote green growth. It recommends that banks develop definitions of green products and services that are consistent with their business objectives.

The framework also encourages FIs to support their clients in improving their own sustainability.

The Mongolian Sustainable Finance Association (MSFA) has proposed a taxonomy to clarify the definitions of green sectors, assets, and financial products available to FIs in Mongolia, subject to review and clearance by the Financial Stability Council (which consists of Central Bank of Mongolia, Financial Regulatory Commission, and Ministry of Mongolia).

**Reference** Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 4 - Implementation - p.15

A proposal of Green Taxonomy Development for Mongolia (MSFA, 2019)

Central Bank of Mongolia Monetary Policy (2019)

Mongolian Sustainable Finance Principles - Agriculture Sector Guideline (MBA, 2014)

Mongolian Sustainable Finance Principles - Construction and Infrastructure Sector Guideline (MBA, 2014)

Mongolian Sustainable Finance Principles - Manufacturing Sector Guideline (MBA, 2014)

Mongolian Sustainable Finance Principles - Mining Sector Guideline (MBA, 2014) - Annex 1

## Climate and green investment reporting

**Indicator 6**

- Incentives from the Central Bank of Mongolia encourage banks to adhere to the framework, and to develop green incentives for clients.

The MSFA organizes dedicated sustainable finance events, and in 2015 launched an award to honor banks that have implemented the Principles well in terms of reporting, training, and advocacy to clients or borrowers.

**Reference** Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 4 - Demonstrating progress - p.17

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### Table: Pillar II: Climate and Green Finance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products and services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Climate and green investment reporting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Indicator 6</strong></td>
<td>Incentives from the Central Bank of Mongolia encourage banks to adhere to the framework, and to develop green incentives for clients. The MSFA organizes dedicated sustainable finance events, and in 2015 launched an award to honor banks that have implemented the Principles well in terms of reporting, training, and advocacy to clients or borrowers.</td>
<td>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 4 - Demonstrating progress - p.17</td>
</tr>
</tbody>
</table>
## Pillar III: ESG Integration

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Policy requirement</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance of E&amp;S</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator 10, 11</td>
<td>The E&amp;S Policy Framework Template states that the FI’s E&amp;S officer is responsible for proposing necessary amendments to the FI’s E&amp;S policy and a relevant committee shall approve the E&amp;S policy and the amendments to it.</td>
<td>E&amp;S policy framework template/Policy implementation - p.11 and p.12 and Changes to the Policy - p.16</td>
</tr>
<tr>
<td></td>
<td>The E&amp;S Policy Framework Template stresses the need for regular monitoring to ensure that FI’s operations comply with the FI’s E&amp;S policy.</td>
<td>Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) Principle 7 - Demonstrating progress - p.24</td>
</tr>
<tr>
<td></td>
<td>The E&amp;S Policy Framework Template clearly defines the roles and responsibilities in relation to the implementation of the E&amp;S risk management framework.</td>
<td>E&amp;S Policy Framework Template/Monitoring and Reporting - p.12</td>
</tr>
</tbody>
</table>

| E&S risk management | | |
| Indicator 12 - 18 | The Central Bank expects banks to publish a bi-annual ‘sustainability report’ covering progress against the eight Principles, based on a template issued by the MBA. | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 7 - Implementation - p.23 |
| | The Principles stress the need for banks to provide the resources, tools, and training to build staff capabilities in E&S risk management. The E&S Policy Framework Template supports this by detailing the roles and responsibilities banks need in order to establish robust E&S risk management. The MBA also provides participant-tailored training to help banks implement the framework. | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Demonstrating progress - p.8 |
| | Specific Guidelines require banks to categorize projects according to E&S risks for Mongolia’s four key sectors, to monitor and report on those risks, and to add E&S covenants to legal documents if required. | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 6 - Implementation of Principle 6 - p.18 |
| | Banks are not only required to conduct sector-based portfolio reviews, but to monitor and report on clients’ progress against E&S Action Plans – for example via site visits or project staff interviews. | Mongolian Sustainable Finance Principle Guidelines, (Mongolian Bankers Association (MBA), 2014) - Principle 1 - Implementation - p.7 |
| | The MSFA encourages banks to develop and implement a sustainable finance policy, and to conduct transaction and project level due diligence. | E&S Policy Framework Template/Policy Implementation/B. Resources and Training - p.12 |

| Enforcement | | |
| Indicator 19 | The implementation of the MSF Principles are verified regularly through monthly Working Group meetings. In addition, MBA/MSFA collects the sustainable finance implementation reports from all banks every 6 months. | The sustainable finance implementation reports collected from all the bank every 6 months |
## 4. Policy coverage to be developed

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Sub Pillar</th>
<th>Gaps</th>
<th>Areas for improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillar I: Strategic Alignment</strong></td>
<td>Alignment with global E&amp;S standards and best market practices</td>
<td>10%</td>
<td>➢ Reference to international climate finance reporting standards</td>
</tr>
<tr>
<td></td>
<td>Alignment to NDCs and with national/regional climate change targets</td>
<td>33%</td>
<td>➢ Defined main climate risks for local financial sector</td>
</tr>
<tr>
<td></td>
<td>Multi-stakeholder collaboration</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Pillar II: Climate and Green Finance</strong></td>
<td>Products &amp; services</td>
<td>13%</td>
<td>➢ Reference to existing standards ➢ Recommendation of external party verification</td>
</tr>
<tr>
<td></td>
<td>Climate &amp; green investment reporting</td>
<td>40%</td>
<td>➢ Requirement of report on portfolio climate risk exposure</td>
</tr>
<tr>
<td></td>
<td>Measurement</td>
<td>85%</td>
<td>➢ Requirement to calculate investments' environmental benefits ➢ Methodologies, tools, templates to measure/report impacts ➢ Requirement to monitor climate risk exposure at portfolio level ➢ Reference to specific climate exposure methodologies ➢ Encouragement of mitigation steps</td>
</tr>
<tr>
<td></td>
<td>Incentives</td>
<td>100%</td>
<td>➢ Incentives for green financial products/services ➢ Financial incentives on green products/services</td>
</tr>
<tr>
<td><strong>Pillar III: ESG Integration</strong></td>
<td>Governance of E&amp;S</td>
<td>20%</td>
<td>➢ Requirement to define role competencies</td>
</tr>
<tr>
<td></td>
<td>E&amp;S risk management</td>
<td>3%</td>
<td>➢ Encouragement of periodic review of E&amp;S risk at aggregate portfolio level</td>
</tr>
<tr>
<td></td>
<td>Enforcement</td>
<td>67%</td>
<td>➢ Financial and/or non-financial incentives for setting up ESRM ➢ Sanctions/penalties/warnings for non-compliance</td>
</tr>
</tbody>
</table>
Access the SBN Global Progress Report and Country Reports at:
www.ifc.org/SBN2019Report