



# MONGOLIA SUSTAINABLE DEVELOPMENT GOAL FINANCE TAXONOMY PILOT

NOVEMBER 2024





# **MONGOLIA SUSTAINABLE DEVELOPMENT GOAL FINANCE TAXONOMY PILOT**

---

NOVEMBER 2024





Creative Commons Attribution-NonCommercial 3.0 IGO license (CC BY-NC 3.0 IGO)

© 2024 Asian Development Bank  
6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines  
Tel +63 2 8632 4444; Fax +63 2 8636 2444  
[www.adb.org](http://www.adb.org)

Some rights reserved. Published in 2024.

ISBN 978-92-9277-050-1 (print); 978-92-9277-051-8 (PDF)  
Publication Stock No. TCS240562-2  
DOI: <http://dx.doi.org/10.22617/TCS240562-2>

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use. The mention of specific companies or products of manufacturers does not imply that they are endorsed or recommended by ADB in preference to others of a similar nature that are not mentioned.

By making any designation of or reference to a particular territory or geographic area in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

This publication is available under the Creative Commons Attribution-NonCommercial 3.0 IGO license (CC BY-NC 3.0 IGO) <http://creativecommons.org/licenses/by-nc/3.0/igo/>. By using the content of this publication, you agree to be bound by the terms of this license. For attribution and permissions, please read the provisions and terms of use at <https://www.adb.org/terms-use#openaccess>.

This CC license does not apply to non-ADB copyright materials in this publication. If the material is attributed to another source, please contact the copyright owner or publisher of that source for permission to reproduce it. ADB cannot be held liable for any claims that arise as a result of your use of the material.

Please contact [pubsmarketing@adb.org](mailto:pubsmarketing@adb.org) if you have questions or comments with respect to content, or if you wish to obtain copyright permission for your intended use that does not fall within these terms, or for permission to use the ADB logo.

Corrigenda to ADB publications may be found at <http://www.adb.org/publications/corrigenda>.

Note:

In this publication, “\$” refers to United States dollars.

Cover design by Mike Cortez.



# Contents

<b>Tables, Figures, and Boxes</b>	<b>iv</b>
<b>Acknowledgements</b>	<b>vi</b>
<b>Abbreviations</b>	<b>vii</b>
<b>Executive Summary</b>	<b>viii</b>
<b>1 Introduction</b>	<b>1</b>
1.1 Background	1
1.2 Mongolia Sustainable Development Goal Finance Taxonomy	3
1.3 About This Report	8
<b>2 Results and Analyses</b>	<b>10</b>
2.1 Methodology	10
2.2 Results of Assessment on Golomt Bank	14
2.3 Results of Assessment on Khan Bank	26
2.4 Project Profile Examples for Potential SDG-Aligned Activities and Sectors	34
<b>3 Sustainable Development Goal Finance Taxonomy Revision and Adoption Recommendations</b>	<b>48</b>
3.1 Way Forward of the Sustainable Development Goal Taxonomy	48
3.2 Action Plan for Financial Institutions to Prepare for the Sustainable Development Goal Taxonomy Adoption	63
<b>Appendixes</b>	
1 Bank Questionnaire	69
2 Sample Sustainable Development Goal Finance Taxonomy Reporting Template	75

# Tables, Figures, and Boxes

## Tables

1	Overview of the Sustainable Development Goal Finance Taxonomy Categories	6
2	Structure and Components of the Mongolia Sustainable Development Goal Finance Taxonomy	8
3	Illustrative Example of Project Profile	14
4	Green Loan Issuance Process of Golomt Bank	17
5	Green Loan Portfolio Structure of Golomt Bank	18
6	Comparison of Golomt Bank's Green Loan Portfolio Against the Banking Sector's Green Loan Portfolio	19
7	Green Loan Products of Golomt Bank	19
8	Golomt Bank's Overall Loan Portfolio Analyzed Against the Mongolia Sustainable Development Goal Finance Taxonomy	21
9	Green Loan Portfolio Structure of Khan Bank	29
10	Comparison of Khan Bank's Green Loan Portfolio Against the Banking Sector's Green Loan Portfolio	30
11	Green Lending Products of Khan Bank	30
12	Khan Bank's Overall Portfolio Mapped Against the Mongolia Sustainable Development Goal Finance Taxonomy	32
13	Project Profile—Energy Efficiency Improvement	35
14	Project Profile—Water Management	37
15	Project Profile—Sustainable Agriculture	39
16	Project Profile—Health	43
17	Project Profile—Education	46
18	Revised Sustainable Development Goals Taxonomy Classification Table	49
19	Suggested Governance Structure for the Mongolia Sustainable Development Goal Finance Taxonomy	60
20	Suggested Overall Timeline for the Revision and Adoption of the Mongolia Sustainable Development Goal Finance Taxonomy	62
21	Suggested Steps for Financial Institutions to Prepare for the Adoption of the Mongolia Sustainable Development Goal Finance Taxonomy	68

**Figures**

1	Mongolia's Sustainable Finance Implementation Against Global Benchmarks	3
2	Green Loan Structure and Share in the Overall Loan Portfolio of Banks	5
3	Conceptual Approach to Sustainable, Green, and Climate Finance	10
4	Green Loan Principles	11
5	Golomt Bank's Contribution Strategy to the Sustainable Development Goals	15
6	Example of Taxonomy Website	56
7	Bank of Mongolia Green Loan Reporting Template	57
8	Financial Regulatory Commission Green Loan Reporting Template	57
9	Bank of Mongolia Green Loan Dashboard	59
10	Taxonomy Governance Structure Example	60
11	Key Elements of a Sustainable Finance Framework	67

**Boxes**

1	Target Population of Social Projects	64
2	Co-Benefits of Social Loans	65
3	Selection of Impact Metrics	65
4	Data Management	66

# Acknowledgements

This report was prepared as part of the technical assistance program Advancing the 2030 Agenda for Sustainable Development, 2021–2024, which aims to support the Asian Development Bank (ADB) developing member countries to advance the implementation of the Sustainable Development Goals (SDGs) in line with the ADB Strategy 2030. The work was carried out in close collaboration with the United Nations Development Programme (UNDP) office in Mongolia. The project to pilot the SDG Finance Taxonomy was conducted by the Mongolian Sustainable Finance Association (MSFA).

The pilot would not have been possible without the engagement of Golomt Bank and Khan Bank, particularly Munkhtuya Rentsenbat (Khan Bank), Erdenedelger Bavlai (Khan Bank), Mandakhmyagmar Myagmarjav (Khan Bank), Suvd Baasandorj (Khan Bank), Bulganchimeg Enkhtuya (Khan Bank), Javkhlan Otgonsuren (Khan Bank); and Odonbaatar Amarzaya (Golomt Bank), Enkhzaya Bayarsaikhan (Golomt Bank), Anujin Baatarkhuu (Golomt Bank), Munkhtuul Erdenebat (Golomt Bank).

The core team of authors comprised Nomindari Enkhtur (MSFA), Anudari Sharavdorj (MSFA), Enkhlin Davaajav (MSFA); Carla Ferreira (ADB); and Delgernaran Tumurtogoo (UNDP). Colleagues from ADB, UNDP and MSFA gave valuable support, feedback, and guidance: Xinning Jia, Lu Shen, Shannon Cowlin, Mercedes Martin, Simon Olsen, Beini Liu, Dave Pison, Edward Faber, Peter Rosenkranz, Batzaya Bayasgalan, Jennifer Romero-Torres (ADB); Zulbayar Badral, Tsolmon Dayanyaglbay (UNDP); and the MSFA secretariat.

The report also benefited from discussion at various consultation sessions with Davaasukh Damdinjav (Bank of Mongolia), Itgelsuren Begz (Financial Regulatory Commission), Dulguun Battulga (Financial Regulatory Commission), Temuulen Khurelsukh (Financial Regulatory Commission), Batbayar Banzragch (Shine Mongol School), Teso company, and MSFA member institutions.

Cherry Zafaralla edited the manuscript and Joy Quitazol-Gonzalez proofread the report. Publication design was by Mike Cortes and layout was by Edith Creus with support from Charlene Claret (ADB).



# Abbreviations

ADB	Asian Development Bank
E&S	environmental and social
EOI	expression of interest
ESG	environmental, social, and governance
FRC	Financial Regulatory Commission
GHG	greenhouse gas
IFC	International Finance Corporation
IFI	international financial institution
INFF	Integrated National Financing Framework
KPI	key performance indicator
LMA	Loan Market Association
MNT	Mongolian togrog
MSFA	Mongolian Sustainable Finance Association
NBFI	nonbank financial institution
NPL	nonperforming loan
OOP	out-of-pocket
Q	quarter
SDG	Sustainable Development Goal
SLP	Social Loan Principles
SMEs	small and medium-sized enterprises
UN	United Nations
UNDP	United Nations Development Programme

# Executive Summary

The Mongolia Sustainable Development Goal (SDG) Finance Taxonomy expands the Green Taxonomy framework adopted by Mongolia in 2019 as one of the first steps to support sustainable capital mobilization. The Green Taxonomy has enabled financial institutions and project developers to identify and compare opportunities for green finance, and boosted investor confidence to shift more capital into green projects. The Bank of Mongolia has adopted the Green Taxonomy in its reporting requirements and has started collecting green loan data from local banks in line with the Green Taxonomy since 2020.

Despite the 2019 Green Taxonomy, investments that aim to enable a “just transition” and address social development issues, such as human rights, access to health care, quality education, decent employment, equality, and leaving no one behind, have been lagging. This is partly due to the difficulty of defining what constitutes a “social or sustainable” investment, as has been done in the case of “environmental or green” investments. Recognizing this gap, in 2023, the Green Taxonomy was expanded into the Mongolia SDG Finance Taxonomy by adding social sectors such as education, health, information and communication, and accessible infrastructure to align the taxonomy with economic activities corresponding to the 17 SDGs and 142 indicators.

The vision of the Mongolia SDG Finance Taxonomy is to help Mongolia transition to a sustainable, low-carbon, climate-resilient, and just economy. Developed by the United Nations Development Programme (UNDP) and the Mongolian Sustainable Finance Association (MSFA), the Mongolia SDG Finance Taxonomy also includes criteria for measuring, verifying, and reporting impact, making Mongolia among the early developers of SDG and social taxonomies. With the support of UNDP and the MSFA, the Mongolia SDG Finance Taxonomy provides a common, nationally agreed classification framework of activities that are eligible for sustainable financing and make substantial contributions to Mongolia’s SDGs and targets.

With the planned adoption of the Mongolia SDG Finance Taxonomy from 2025, the Asian Development Bank (ADB), UNDP, and MSFA piloted the new taxonomy in two select banks, Golomt Bank and Khan Bank, by classifying commercial banks’ loan portfolios into sustainable business activities defined in the Mongolia SDG Finance Taxonomy. This report is the output of detailed research and analysis conducted as part of the pilot. Part 1 of the report provides some context and introduction to the project, and Part 2 describes the results and analysis of the pilot. Part 3 concludes the report with some identified barriers and strategic recommendations for improving the current version of the Mongolia SDG Finance Taxonomy and enabling a harmonized system for financial institutions and investors to identify, track, and communicate their SDG-aligned financing footprint.

The objectives of the assessment were to (i) understand the current lending strategy and portfolio of the banks in terms of client segments, target markets, and average loan terms and amounts; (ii) review existing green loans and products offered by the banks; (iii) identify sectors, segments, or projects with potential for green and sustainable lending in the future; and (iv) provide recommendations for the banks to expand sustainable financing in line with the new Mongolia SDG Finance Taxonomy.

The assessment analysis and results reveal some opportunities for increasing the levels of social and sustainable lending within the Mongolian financial sector, going beyond investments that target only environmental impact. The outcome of the assessment could be further used for project identification, pipeline development, and investor engagement.





# 1 Introduction

## 1.1 Background

The Sustainable Development Goals (SDGs) provide a blueprint for countries to achieve a more sustainable future, including ending poverty and hunger, improving health and education, combating climate change, and protecting oceans and forests. The SDGs are a collection of 17 interlinked goals and were adopted by the United Nations (UN) member states in 2015. In line with this global commitment, the Government of Mongolia approved “Vision 2050” in 2020, Mongolia’s long-term development policy aimed at transforming the country into a leading regional power by 2050 by fighting poverty, creating a greener economy, and improving the education system and gender equality for enhanced job access. Vision 2050 will redefine Mongolia’s social strategy to become more citizen-centered and will be pursued through 9 fundamental goals and 50 specific objectives to be achieved in the medium to long term.

Achieving Mongolia’s Vision 2050 development objectives will require a significant amount of financial resources, specifically from the private sector. Preliminary estimates suggest that to achieve the relevant global SDG targets, Mongolia needs annual additional spending to reach approximately 18% of gross domestic product on average during 2021–2030.<sup>1</sup> To fill the additional financing gap, Mongolia needs to attract private investment from both local and international markets. Recognizing this need, Mongolia’s financial sector has actively promoted the integration of climate, environmental, and social considerations into financial policy-making and financial institution practices.

On the policy side, the Mongolian government has made significant progress in developing the country’s Integrated National Financing Framework (INFF), which outlines how the national development priorities will be financed and implemented. In early 2022, the draft INFF was presented in a validation forum attended by multiple stakeholders, and in August of the same year, the National Committee for Sustainable Development endorsed the final strategy document. Furthermore, a National Sustainable Finance Roadmap was adopted in 2022 by the Financial Stability Council (representing the Bank of Mongolia, Financial Regulatory Commission, Ministry of Finance, and Deposit Insurance Corporation), which charts the country’s vision and target to transform the financial sector into a sustainable one by 2030. The National Sustainable Finance Roadmap sets quantitative targets to increase green and sustainable loans in the banking sector up to 10% and in the nonbanking sector up to 5%.<sup>2</sup>

---

<sup>1</sup> The baseline study of the Integrated National Financing Framework outlines additional financing needs in Mongolia for implementation of the SDGs. The total financing required to achieve the SDGs of Mongolian togrog (MNT) 285.4 trillion does not include some of the unaccountable indicators, which means that this amount is the least financing needed.

<sup>2</sup> United Nations Environment Programme, International Finance Corporation, and Mongolian Sustainable Finance Association. 2018. *National Sustainable Finance Roadmap of Mongolia: Unlocking Mongolia’s Potential to Become a Sustainable Finance Knowledge Centre in the Region*. <https://www.un-page.org/static/1b7d2f60ad5bd606708617f44e47302e/national-sustainable-finance-roadmap-of-mongolia.pdf>.

Following the adoption of the roadmap, the Central Bank of Mongolia and the Financial Regulatory Commission (FRC) issued several supporting directives:

- Environmental and Social (E&S) Risk Management Methodology for Banks,
- E&S Risk Management Methodology for Microfinance Institutions,
- Green Currency SWAP Incentives to Support Green Loans,
- Green Bond Issuance Guidelines, and
- Environmental, Social and Governance Voluntary Reporting Guideline.

The Ministry of Finance is also introducing efforts to promote sustainability in public finance through the development of a Government SDG Bond Framework, introducing SDG budgeting in select sectors, and developing green public procurement.

On the private sector side, Mongolian commercial banks have been actively engaged in sustainable finance through the Mongolian Sustainable Finance Initiative, locally known as TOC, which began in 2013 to introduce voluntary E&S risk assessment and management practices in banks' lending operations and increase financing to support environmentally friendly business activities aimed at reducing greenhouse gas (GHG) emissions, increasing resource efficiency, and improving the overall livelihood of households. As part of the TOC initiative, several important main documents and guidelines have been developed with successful implementation so far:

- Mongolian Sustainable Finance Principles;
- E&S Risk Assessment Sector Guidelines for the Agriculture, Mining, Construction, Manufacturing, and Textile Sectors;
- E&S Risk Assessment Tools and Policy Templates; and
- Green Finance Criteria for the Textile and Cashmere Sector,<sup>3</sup> among others.

The TOC initiative has now transitioned into an independent nongovernment organization named the Mongolian Sustainable Finance Association (MSFA), which bring together nearly 60 member organizations (all commercial banks, major nonbank financial institutions, some companies and related organizations) toward the common goal of promoting sustainable finance under market leadership.

This report on the Mongolia Sustainable Development Goal Finance Taxonomy (henceforth Mongolia SDG Finance Taxonomy) pilot was prepared by the Asian Development Bank (ADB), United Nations Development Programme (UNDP), and MSFA to test and pilot the newly adopted Mongolia SDG Finance Taxonomy in the portfolio and operations of two select local banks. Part 1 of the report provides some context and introduction to the project, and Part 2 describes the results and analysis of the pilot. Part 3 concludes the report with some identified barriers and strategic recommendations to improve the current version of the Mongolia SDG Finance Taxonomy and enable a harmonized system for financial institutions and investors to identify, track, and communicate their SDG-aligned financing footprint.

The Mongolia SDG Finance Taxonomy is expected to be a main tool to measure private sector financial flows for sustainable development.<sup>4</sup> It consists of 12 main sectors and 51 subsectors that will become mandatory from 2025, with a 1-year test period for stakeholders to review and provide feedback to revise and improve

<sup>3</sup> Mongolian Sustainable Finance Association. [www.toc.mn](http://www.toc.mn).

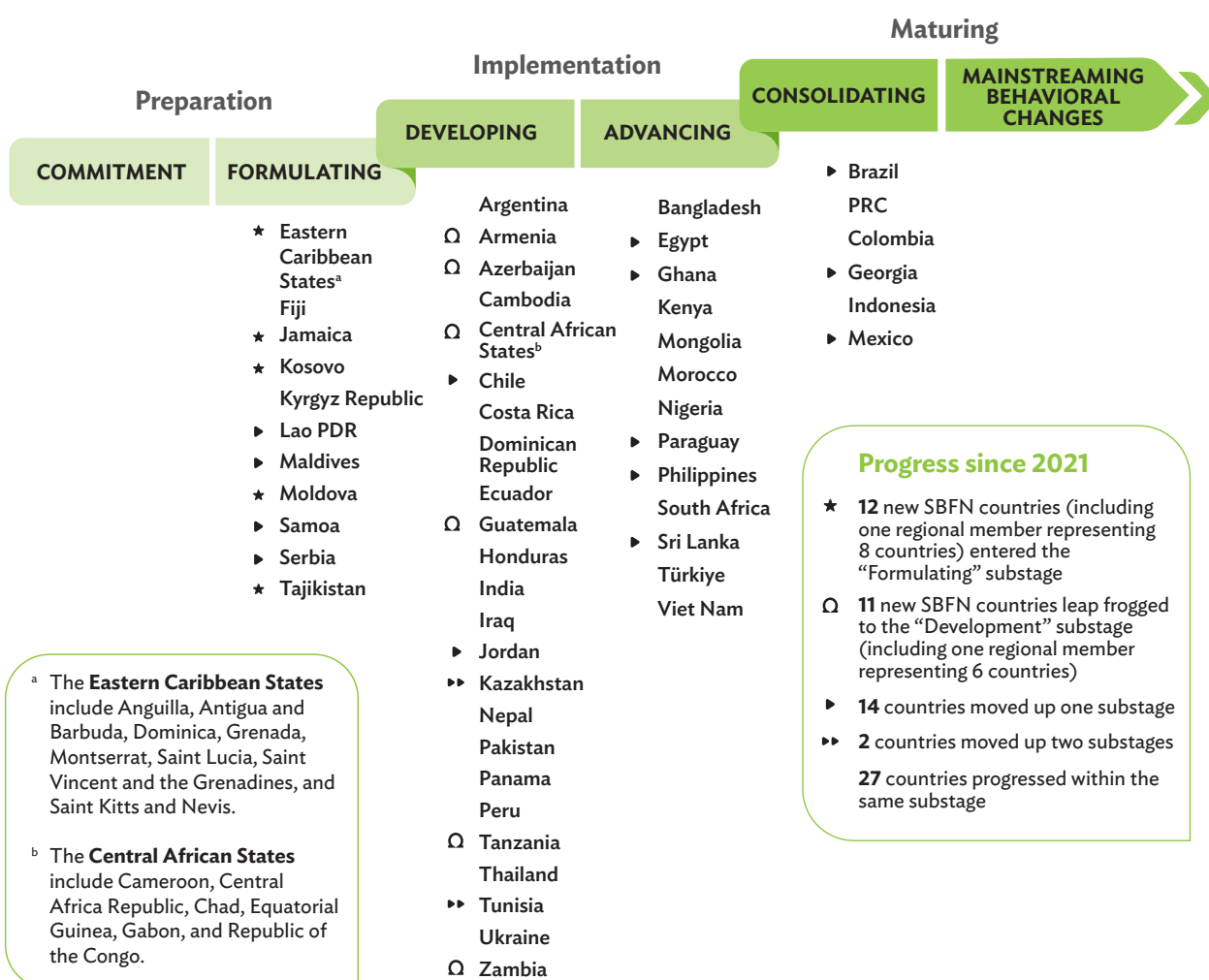
<sup>4</sup> Mongolian Sustainable Finance Association. 2023. *Mongolia SDG Finance Taxonomy*. [https://www.toc.mn/en/publication/mongolia-sdg-finance-taxonomy?fbclid=IwZXh0bgNhZW0CMTAAR33sBHPI1hKFAKLeFj3eKbvoJhWbjfev98C4YZXfTngx2hC-PpNXklSA3E\\_aem\\_tmxFUUGRhQTKJA9z7NJXvA](https://www.toc.mn/en/publication/mongolia-sdg-finance-taxonomy?fbclid=IwZXh0bgNhZW0CMTAAR33sBHPI1hKFAKLeFj3eKbvoJhWbjfev98C4YZXfTngx2hC-PpNXklSA3E_aem_tmxFUUGRhQTKJA9z7NJXvA).

the document where needed. In line with this, banks and microfinance institutions are expected to start to track financial flows in line with the new Mongolia SDG Finance Taxonomy from 2025, and report to the Central Bank and the FRC, respectively.

## 1.2 Mongolia Sustainable Development Goal Finance Taxonomy

According to the Sustainable Banking and Finance Network's Global Progress Brief 2024, Mongolia has continued to make progress in the implementation of sustainable finance among developing countries and has been recognized as one of the countries that has reached an "Advancing" stage (Figure 1).

**Figure 1: Mongolia's Sustainable Finance Implementation Against Global Benchmarks**



PRC = People's Republic of China, Lao PDR = Lao People's Democratic Republic, SBFN = Sustainable Banking and Finance Network.

Source: SBFN. 2024. *Global Progress Brief 2024*. International Finance Corporation.

Overall, sustainable finance development in Mongolia is considered relatively advanced especially among emerging economies, with the adoption of key sustainable finance frameworks, increasing capacity among financial institutions, and effective collaborative models between the public, private, and international communities. The challenge for the country now is to transition from policy development to policy implementation, with rapid mobilization of actual financial flows that contribute to positive E&S outcomes.

Mongolia adopted the Green Taxonomy in 2019 as one of the first steps to support sustainable capital mobilization, setting relevant criteria and categories of environmentally friendly, green projects and business activities focusing on eight main sectors:<sup>5</sup>

1. Renewable energy;
2. Low-pollution energy;
3. Energy efficiency;
4. Green building;
5. Pollution prevention and reduction;
6. Sustainable waste and water use;
7. Sustainable agriculture, land use, forest and ecotourism; and
8. Low-carbon transport activities.

The Green Taxonomy has enabled financial institutions and project developers to identify and compare opportunities for green finance, and boosted investor confidence to shift more capital into green projects. The Bank of Mongolia has adopted the Green Taxonomy in its reporting requirements and has started collecting green loan data from local banks in line with the Green Taxonomy since 2020.

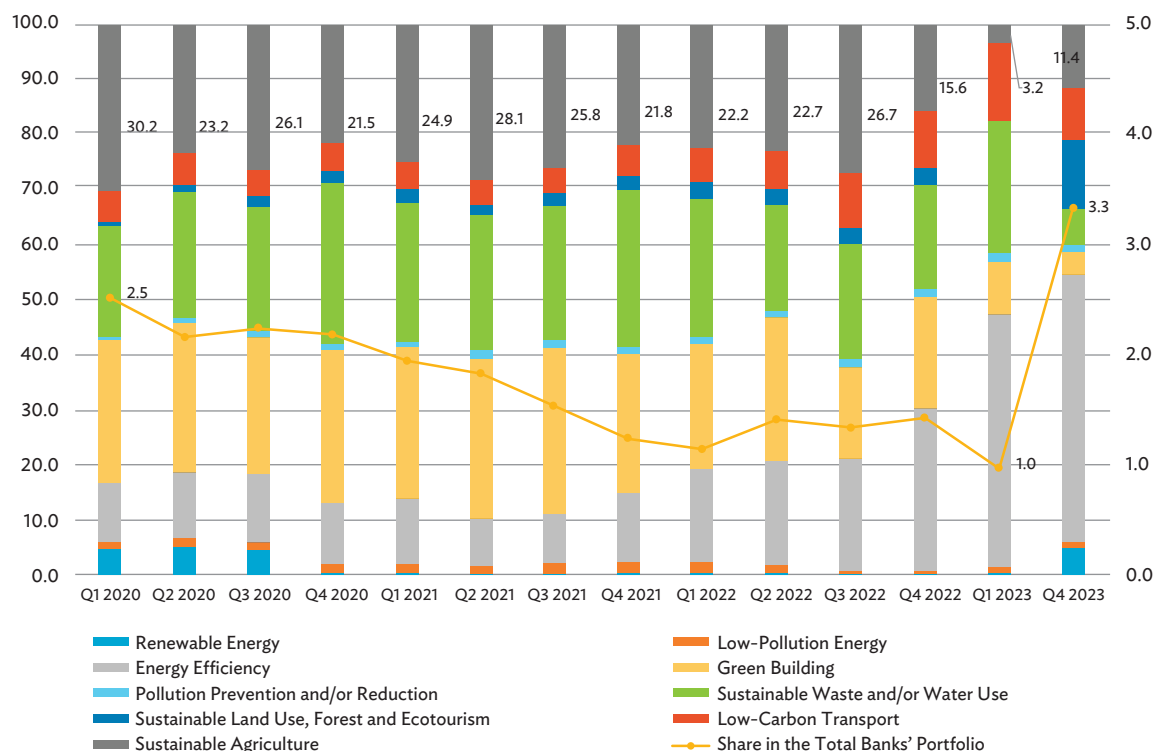
As of the fourth quarter (Q4) of 2023, the green loan portfolio of commercial banks stood at \$235.5 million accounting for 2.9% of the total outstanding loan portfolio of the country's banking sector. The growth of green loans compared to regular loans was faster with an average growth rate of 154% in 2023 vs. regular loan growth of 23.4% (Figure 2).

In terms of the use of proceeds of green loans, the majority is allocated toward energy efficiency; low-carbon transport; sustainable agriculture; and sustainable land use, forest, and ecotourism projects. To support more green loan issuance, the Bank of Mongolia introduced favorable swap arrangements for foreign-currency-denominated funding sources aimed at financing activities listed in the Green Taxonomy at a discount rate of 0.5% and reduced risk-weight ratios for green building loans to 75%.

The terms of green loans offered by the financial sector are usually more favorable compared to regular loans. For example, the average weighted duration of green loans outstanding was 42 months for Mongolian togrog (MNT) loans, and 29 months for loans denominated in United States dollars. This is 9–11 months longer compared to regular loan maturity. Average weighted interest rate of green loans was 10.8% for MNT loans, and 8.7% for United States dollar loans, lower by 2%–3% compared to the regular loans. In addition, some banks offer additional incentives for green loans such as subsidizing or reimbursing green impact measurement and

<sup>5</sup> Government of Mongolia. 2019. *The Mongolian Green Taxonomy*.

**Figure 2: Green Loan Structure and Share in the Overall Loan Portfolio of Banks (%)**



Q = quarter.

Source: Prepared by authors based on data from the Bank of Mongolia. <https://stat.mongolbank.mn/finance#report>.

audit costs pre- and post-green loan issuance. It is also notable that the quality of green loans is better than regular loans. Out of the total outstanding green loans, 1.4% (MNT4.3 billion) was in the watch list, while 6.4% (MNT21.2 billion) was classified as nonperforming. These are better indicators versus regular loans, where watch-list and nonperforming loans (NPLs) constitute 5.3% and 11.1% of total loans, respectively.

Nonbank financial institutions (NBFIs) regulated by the FRC are also required to report green loan statistics since 2022. The share of green loans in total loans disbursed by NBFIs was around 4% as of the end of 2023, mainly consisting of low-carbon transportation loans (e.g., hybrid cars). Furthermore, the Green Taxonomy framework is referenced in the new FRC Bond Registration Guidelines as a criterion to identify projects that can be financed through green bond use-of-proceeds. Overall, the approval of the Green Taxonomy has boosted the understanding and interest of financial institutions to allocate more capital for green projects and develop more green-labeled financial products.

However, investments that aim to enable a “just transition” and address social development issues, such as human rights, access to health care, quality education, decent employment, equality, and leaving no one behind, have been lagging. This is partly due to the difficulty of defining what constitutes a “social or sustainable” investment, as has been done in the case of “environmental or green” investments.

Recognizing this gap, the Green Taxonomy was expanded into the Mongolia SDG Finance Taxonomy in 2023 with the support of UNDP and the MSFA, adding social sectors such as education, health, information and communication, and accessible infrastructure to align with the economic activities corresponding to the 17 SDGs and 142 indicators. The Mongolia SDG Finance Taxonomy also includes criteria for measuring, verifying, and reporting impact, making Mongolia among the early developers of SDG and social taxonomies.

“The Mongolia SDG Finance Taxonomy provides a common, nationally agreed classification framework of activities that are eligible for sustainable financing and make substantial contributions to Mongolia’s sustainable development goals and targets. The vision of the SDG Finance Taxonomy is to help Mongolia transition to a sustainable, low-carbon, climate-resilient and just economy.”

#### SDG Finance Taxonomy Technical Report

The successful adoption of the Mongolia SDG Finance Taxonomy is interlinked with other steps outlined in the INFF and the National Sustainable Finance Roadmap, and is an essential prerequisite for the successful implementation of the other planned activities (Table 1).

**Table 1: Overview of the Sustainable Development Goal Finance Taxonomy Categories**

Category	Subcategory
1. Energy production and supporting infrastructure	1.1 Wind
	1.2 Solar
	1.3 Geothermal
	1.4 Hydropower
	1.5 Hydrogen
	1.6 Bioenergy
	1.7 Waste-to-energy facilities
	1.8 Supply chain and supporting infrastructure for low-carbon energy
2. Energy efficiency	2.1 Efficiency improvement in energy supply
	2.2 Energy efficiency improvement for all sectors
3. Energy-efficient and green buildings	3.1 Energy-efficient buildings
	3.2 Green buildings
	3.3 Green infrastructure
4. Pollution, prevention, and control	4.1 Air quality
	4.2 Soil
5. Sustainable water and waste use	5.1 Sustainable water and water efficiency
	5.2 Waste
	5.3 Rehabilitation of old and used waste disposal sites
	5.4 E-waste
	5.5 Mining waste
6. Sustainable agriculture and food security	6.1 Animal husbandry and related activities
	6.2 Agriculture crop, fruit, and vegetable farming
	6.3 Sustainable food processing and manufacturing
	6.4 Other agricultural support services
	6.5 Sustainable textile processing and producing

*continued on next page*

Table 1 continued

Category	Subcategory
7. Sustainable land use and biodiversity	7.1 Sustainable forestation
	7.2 Sustainable forest production
	7.3 Forest and tree protection
	7.4 Sustainable biodiversity management
8. Low-emission transport	8.1 Low-emission vehicles
	8.2 Low-emission freight and cargo transportation
	8.3 Low-emission transport infrastructure
	8.4 Low-emission information and communication technology
	8.5 Safe and inclusive public transportation
9. Information and communication technology	9.1 Accessible networks
	9.2 Accessible, safe software and e-platform
	9.3 Sustainable Internet of Things
	9.4 Green data center
10. Health	10.1 Medical care and sanitation services
	10.2 Technology innovation and promotion of health care
	10.3 Manufacturing and supply for medical and sanitation industries
	10.4 Health-care logistics services
	10.5 Storage and delivery
	10.6 Epidemic control
11. Education and culture	11.1 Education
	11.2 Culture and sports industry
12. Affordable basic infrastructure	12.1 Affordable and accessible housing
	12.2 Historical building redevelopment and preservation
	12.3 Green infrastructure
	12.4 Disaster risk prevention and management
	12.5 Utility corridor

Source: Prepared by the authors.

The structure of the Mongolia SDG Finance Taxonomy consists of six core components: (i) eligible activity, (ii) relevant SDG, (iii) core indicators or key performance indicators (KPIs), (iv) additional indicators or KPIs, (v) thresholds or exclusion, and (vi) verification. Table 2 provides an overall structure of taxonomy-aligned use of proceeds; subcategories and activities; related SDG goals; core and optional impact indicators that can be used for green or sustainable loan impact measurement and reporting; as well as relevant technical thresholds, criteria, and standards, where available or applicable.

**Table 2: Structure and Components of the Mongolia Sustainable Development Goal Finance Taxonomy**

1. Eligible Activity			2. Relevant Sustainable Development Goal	3. Core Indicators or Key Performance Indicators	4. Additional Indicators or Key Performance Indicators	5. Thresholds or Exclusion	6. Verification
Category	Subcategory Activities	Activities					
Example: 1. Energy production and supporting infrastructure	1.1 Wind	1.1.1 Energy generation facilities	SDG 13 SDG 7.2 SDG 8.4 SDG 9.2	1. Annual amount of GHG emissions reduced (tCO <sub>2</sub> e) 2. Total renewable energy capacity installed (MW) 3. Annual energy supply generated (KWh) 4. Annual energy supplied to the grid, if applicable (KWh) 5. Number of permanent, temporary, and contracted green jobs created by gender (no. of people)	1. Number of beneficiaries or reach, disaggregated by gender (no. of people) 2. Annual household cost savings resulting from shifts in spending on fuel (MNT) 3. Annual household cost savings due to health benefits (MNT) 4. Annual domestic purchase amount (MNT)	n/a	IEC 61400 ISO/TC 180: ISO 16079 ISO/TC 301: Energy management and energy savings IEC61400-2 (for small wind turbines)

GHG = greenhouse gas, KWh = kilowatt-hour, MNT = Mongolian togrog, MW = megawatt, n/a = not applicable, SDG = Sustainable Development Goal, tCO<sub>2</sub>e = tons of carbon dioxide equivalent.

Source: Prepared by the authors.

## 1.3 About This Report

With the planned adoption of the Mongolia SDG Finance Taxonomy in 2025, ADB, UNDP, and the MSFA collaborated on a project to pilot the new taxonomy in two select banks, by classifying commercial banks' loan portfolios into sustainable business activities as defined in the Mongolia SDG Finance Taxonomy. The objectives of the pilot are threefold:

First, review select banks' current sustainable lending policies, procedures, and products; estimate SDG-aligned portfolio exposure in the respective banks; identify any barriers or gaps with the adoption of the SDG taxonomy; reveal opportunities for future investments; and make recommendations to improve current practices in preparation for the taxonomy rollout from 2025. Second, based on the pilots at the two banks, identify areas of the Mongolia SDG Finance Taxonomy Framework and its economic activities that may require improvements and revisions and present these to the Financial Stability Council before its official adoption. Third, share the results and lessons from the pilot with the wider financial sector, to help financial institutions prepare and incorporate the Mongolia SDG Finance Taxonomy into their lending and investment policies, leveraging best practices.



This report is the output of detailed research and analysis conducted as part of the project, with close guidance by ADB, UNDP, and the two participating banks. The assessment analysis and results part also reveal some opportunities for increasing the levels of social and sustainable lending within the Mongolian financial sector, going beyond investments targeting only environmental impact. The outcome of the assessment could be further used for project identification, pipeline development, and investor engagement.

Important sources and reference materials used for this assessment are included as appendixes and linked throughout the report. The report and associated templates are designed as a pilot methodology that can be further refined and adjusted for the use of other interested financial institutions or in other contexts.

## 2 Results and Analyses

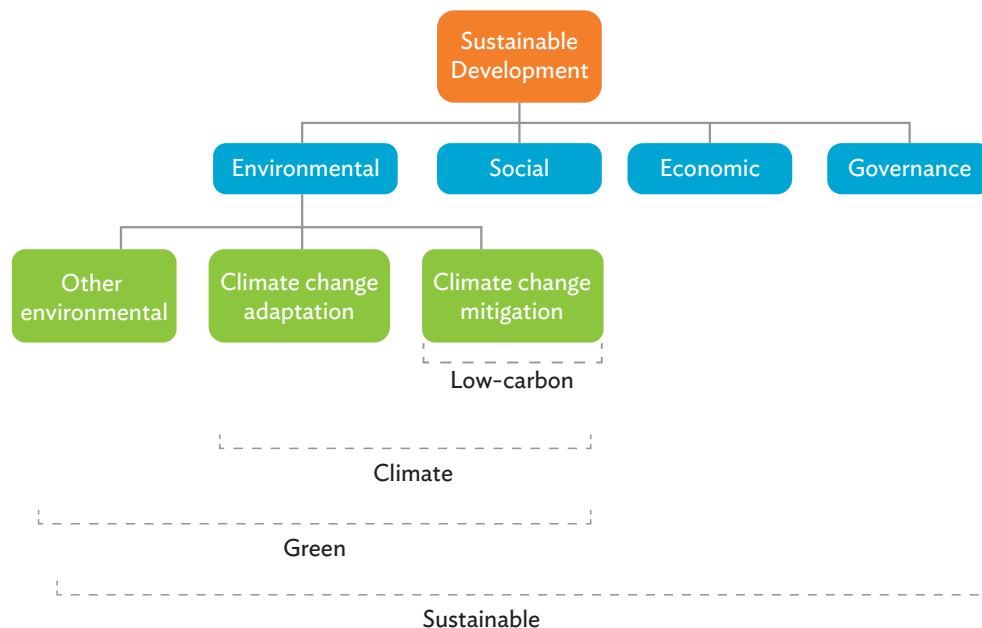
### 2.1 Methodology

#### Reference Standards

The report and methodology refer to sustainable finance definitions used by the Loan Market Association (LMA) and the European Union. The distinction between green, social, and sustainable proceeds is illustrated in Figure 3.

A green loan should be structured to align with the four Green Loan Principles issued by the LMA (Figure 4). A similar process is followed for social loans in line with the Social Loan Principles (SLP).

**Figure 3: Conceptual Approach to Sustainable, Green, and Climate Finance**



Source: Adapted from the European Commission.

Figure 4: Green Loan Principles



ESG = environmental, social, and governance; R&D = research and development.

Source: Loan Market Association.

## Selection Process

ADB and UNDP partnered with the MSFA to send out an expression of interest (EOI) request to its 11 founding, commercial banks. Interested banks were requested to fill out a short EOI template explaining their current green or SDG-aligned lending strategy and practices, as well as their interest and expectations to participate in the pilot project. As a result of the EOI request, four banks formally responded indicating their interest in participating in the pilot. The submitted EOIs were reviewed using the following selection criteria:

- Bank's green and sustainable finance commitment, strategy, efforts to date, and willingness to expand;
- Sustainable loan portfolio and products;
- Bank's commitment and approval at the senior management level; and
- Bank's commitment and willingness to (i) collaborate on the assessment; (ii) allocate time and human resources; and (iii) provide requested documents and loan information.

Golomt Bank and Khan Bank were selected as the two pilot banks.

## Terms of Access

Banks treat confidential information about their business with great sensitivity as this can be of strategic advantage over the competition. Access to this information is restricted and was provided on the basis that the integrity of the source and shape of the data will be protected at all times. Nondisclosure agreements were signed by the project team with both banks. The data received from each bank was only shared with ADB and UNDP in a combined manner, as presented in this report. Separate portfolio reports for each bank were also prepared. Any information shared with other stakeholders or third parties was given prior review and consent by the two banks.

## Data Collection

After the signing of the nondisclosure agreements, the project team requested the participating banks to share two levels of data and guided the respondents on the purpose and expected use of the data. The data requests included the following:

- (i) Data related to the bank's overall sustainable finance strategies, policies, procedures, and current lending process (see Appendix 1 for full questionnaire). This included information related to
  - sustainable finance policies, commitments, and targets;
  - sustainable finance governance structure and capacity;
  - list of sustainable lending instruments or financial products, criteria, and terms;
  - process to identify green or social investments (e.g., principles, standards, tools), diagram;
  - process to measure and monitor the impact of green or social investments, diagram;
  - process to report on the volume and impact of green or social investments (internal and external), diagram; and
  - market research for sustainable, social, or green products (if existing).

- (ii) Data related to the current outstanding lending portfolio and pipeline projects as of September 2023, including
- green loan portfolio (bank's report on its green loan portfolio in accordance with the 2019 Green Taxonomy),
  - social loan portfolio (if any),
  - general loan portfolio,
  - longer-term investment loans issued over last 12 months, and
  - pipeline investment loan requests under review.

The banks were requested to classify the requested data according to the following:

- Client segments (e.g., corporates, small and medium-sized enterprises [SMEs], consumer, etc.);
- Sectors (e.g., production, construction, agriculture, livestock, etc.);
- Terms (e.g., less than 12 months, from 12 to 36 months);
- Size groups and/or amounts disbursed (e.g., less than \$50,000; from \$50,000 to \$250,000, etc.);
- Purpose (e.g., working capital, investment loan, etc.); and
- Region.

## Portfolio Assessment Methodology

To assess the level of SDG-aligned portfolio exposure of the banks, the loan data was assessed through the following process:

- (i) **Activity tagging.** The current loan book and portfolio were tagged against the Mongolia SDG Finance Taxonomy categories. Loan sectors and subsectors were tagged by (a) potential alignment – category level, (b) potential alignment – subcategory level, and (c) not eligible or not available.
- (ii) **Clarifications.** Review meetings were organized with both banks to discuss their portfolio, and the SDG-related opportunities identified.
- (iii) **Client interviews.** Additional project assessments were conducted to decide whether certain projects tagged “potential alignment” could potentially qualify the taxonomy technical criteria with one of the pilot banks. The additional project assessments were conducted by (a) review of project description and/or (b) interview with clients.

## Analysis

As a result of the assessment above, an estimate of each bank's SDG-aligned portfolio exposure and sector breakdown was developed to understand the share or part of their loan book that could be broadly eligible for green and social financing, and which sectors or subsectors of their existing loan book could be migrated to assets eligible for SDG financing in the future.

## Project Profile Development

In addition to the portfolio-level tagging, some potential activities and/or sectors aligned with the Mongolia SDG Finance Taxonomy were selected from each banks' portfolio to demonstrate specific financing opportunities for the select banks. These projects were selected based on the respective bank's loan portfolio in line with the sector priorities of the Mongolia SDG Finance Taxonomy. For the selected activities and sectors, project profile examples were developed that could be used in the future for project identification or product development (Table 3).

**Table 3: Illustrative Example of Project Profile**

Sector for Green and/or Social Lending	Remarks or Description
Eligible activities	
Type of loan	
Activity description	
Eligibility criteria	
Impact indicators	
Alignment with SDGs and national goals	
Alignment with typical taxonomy and criteria	

SDG = Sustainable Development Goal.

Source: Authors.

## 2.2 Results of Assessment on Golomt Bank

### Sustainable Finance Strategy and Governance Approach

**General.** Established in 1995, Golomt Bank is one of the five systemically significant banks in Mongolia, and is the third largest in terms of asset size in the country. At the end of December 2023, the bank's total assets were MNT11.6 trillion (equivalent to \$3,411 million), gross loans were MNT 4.7 trillion (approximately \$1,390 million), and total outstanding deposits were MNT8 trillion (approximately \$2,350 million). Around 40% of the total outstanding loans is comprised of retail loans, 31% corporate loans, and 27% SME loans. The bank serves over 110,000 borrowers and 340,000 deposit clients.

Following the new banking law requirements, the bank became an open joint-stock company listed on the Mongolian Stock Exchange in 2022.<sup>6</sup> The priority market segments of the bank are retail banking, SME and corporate lending, and payment services. The bank is also considered a pioneer in terms of technology-based finance, offering various international transfer and settlement solutions, payment cards, and digital wallets. The bank has 102 branches throughout the country and a total of 2,494 employees. The bank received a rating of B3/Stable from Moody's and B+/stable from S&P Global as of October 2024.

**Strategy.** In terms of sustainable finance, Golomt Bank became one of the founding members of the Mongolian Sustainable Finance Initiative in 2013, as well as one of the founding signatories of the UN Principles for Responsible Banking, committing to strategically align its business with the SDGs and the Paris Agreement on Climate Change. In 2023, the bank joined the Partnership for Carbon Accounting Financials, committing to disclose and reduce its portfolio carbon emissions.

<sup>6</sup> Congress of Mongolia. 2021. *Amendments to the Banking Law of Mongolia*. <https://legalinfo.mn/mn/detail/108>.

The bank's Sustainable Development Strategy until 2025, approved in 2021, guides the bank's sustainability transition until 2025 with an emphasis on four areas: (i) sustainable governance, (ii) climate risk management, (iii) sustainable green financing, and (iv) stakeholders' engagement. The bank is committed to contributing to national emission reductions of 22.7% (nationally determined contribution commitment). In terms of focus impact areas, the bank has identified climate and water as priority sustainability topics. Figure 5 provides an overview of the bank's potential SDG contribution assessment and goals.

**Figure 5: Golomt Bank's Contribution Strategy to the Sustainable Development Goals**

ECONOMY		SOCIAL		ENVIRONMENT	
<b>SDG 8: Decent work and economic growth</b>	<b>Golomt</b>	<b>SDG 2: Zero hunger</b>	<b>Golomt</b>	<b>SDG 6: Clean water and sanitation</b>	<b>Golomt</b>
Optimized operation and employment	Financing, internal actions	Food security	Sustainable financing	Access to drinking water and sanitation	Green financing, internal actions
Equal opportunity for men, women, disabled in terms of employment and salary	Financing, internal actions	<b>SDG 3: Good health and well-being</b>		<b>SDG 13: Climate action</b>	
Unemployment reduction	Financing, internal actions	Access to sanitation	Sustainable financing	Climate risk adaptation and mitigation	Green financing, internal actions
Termination of child labor	E&S Risk Assessment, internal actions	Air pollution-related illness and death; access to hospitals	Sustainable financing	Reduce climate change, improve knowledge	Green financing, internal actions
<b>SDG 9: Industry, innovation, infrastructure</b>		<b>SDG 4: Quality education</b>		<b>SDG 15: Life on land</b>	
Inclusive infrastructure	Financing	School accessibility, by sex	Sustainable finance	Biodiversity and financing	Green financing
Inclusive, sustainable industries	Green financing	Education for sustainable development, sustainable lifestyles, human rights, and gender equality	Sustainable finance, domestic	Desertification and forestation	Green financing, internal actions
Increase opportunities for SMEs to enter the market and access financing	Sustainable financing	<b>SDG 5: Gender equality</b>		<b>SDG 7: Renewable energy</b>	
Optimize natural resources, introduce environmentally friendly technology and industries	Green financing	Women empowerment and leadership	Sustainable financing, internal actions	Renewable energy	Green financing
<b>SDG 10: Reduce inequality</b>		Financial inclusion and access	Sustainable financing, internal actions		
Financial inclusion, salary, social equality	Customers, employees	<b>SDG 11: Sustainable cities and communities</b>			
International remittance fee below 3%, if fee is above 5% then to terminate	Services	Affordable housing	Sustainable financing, internal actions		
		Waste management and air quality	Green financing, internal actions		
		Reduce climate change risks	Green financing, E&S risk assessment, internal actions		
		<b>SDG 12: Responsible consumption and production</b>			
		Hazardous waste management	Green financing, internal actions		
		ESG Reporting	Internal actions		
		Sustainable tourism	Sustainable financing		

Future Steps of Golomt Bank  
(UNEP FI + SDG Taxonomy)  
Human Rights  
Financial inclusion  
Biodiversity  
Climate change

E&S = environmental and social; ESG = environmental, social, and governance; SDG = Sustainable Development Goal; SMEs = small and medium-sized enterprises; UNEP FI = United Nations Environment Programme Finance Incentive.  
Source: Golomt Bank.

In line with the targets set under the government's National Sustainable Finance Roadmap, the bank aims to increase its green loan share in the overall loan portfolio to 10%, and reduce portfolio GHG emissions by 30% by 2030 and 50% by 2050. The current share of green portfolio is 2.8% as of third quarter (Q3) 2023, with 0% nonperforming loan (NPL) rate. In addition, the bank has set a quantitative target to reduce portfolio water consumption by 5% by 2030 and 10% by 2050. In terms of social, sustainable, and environmental, social, and governance (ESG)-linked financing, the bank has not set a target yet.

**Governance.** In terms of sustainability governance, the bank has set up a dedicated sustainable development committee headed by the bank's chief executive officer. The committee is responsible for overseeing and managing the implementation of the bank's sustainable development strategy. It convenes on a quarterly basis to address both internal and external matters related to sustainable development and green finance. The committee focuses on resolving issues aligned with the UN SDGs, ensuring strategic alignment with the Paris Agreement, monitoring the implementation of responsible banking principles, and enhancing bank supervision and reporting.<sup>7</sup> Day-to-day implementation, monitoring, and reporting of the sustainable development policy is led by the Sustainable Finance Department. The department also ensures the implementation of the Principles of Responsible Banking. The unit also provides expertise to loan officers and related business units on the identification of green loan proceeds and impact measurement, as well as E&S risk management.

**Risk management.** The bank set up sound ESG risk management practices beginning in 2015, guided by its Sustainable Finance Policy, and has conducted E&S due diligence on all business loans above the threshold of MNT100 million. Notably, Golomt was the first bank in Mongolia to measure the carbon emissions and water consumption of all loans and compile baseline data. The assessment revealed that agriculture, power generation and energy, mining, and land transportation are the most carbon-intensive sectors in the bank's portfolio. Agriculture, gold mining, iron and steel, power generation, and manufacturing were the most water-use-intensive sectors.

**Opportunities.** Golomt Bank currently offers sustainable, green business loans; energy-efficient and green housing or building loans, eco-car loans, green consumer loans, and green equipment lease products. These products are designed to encourage customers to adopt sustainable practices by providing favorable interest rates and terms compared to regular loans. Over the past few years, the bank has successfully accessed several sustainable funding (including green, SME, women entrepreneur) sources valued at \$69 million from Symbiotics Investment, Responsibility Investments, Global Climate Partnership Fund, Enabling Capital, WaterEquity, and Microfinance Enhancement Facility. To promote green loan issuance with the bank, green-finance-specific key performance indicators (KPIs) are incorporated into the work plans of all key positions including relationship and corporate managers and relevant business units.

**Monitoring and reporting.** The bank issues its annual Sustainable Development Report, and also discloses a progress report as part of its commitments under the Principles for Responsible Banking. The bank also regularly submits green loan and sustainable finance implementation reports to the Central Bank and the MSFA. As a publicly listed company, the bank has started disclosing ESG performance reports in line with the guidelines by the Mongolian Stock Exchange. Golomt has received several recognitions and awards from the MSFA such as Outstanding Sustainable Finance Bank (2022) and the Most Gender Responsive Bank (2023) in Mongolia.

## Sustainable Lending Process

Golomt Bank's sustainable lending process is guided by the Sustainable Development Policy (2015), Credit Operations Policy (2017), and E&S Risk Assessment Policy (2022). The policies cover both green, social, and ESG-linked impact lending activities. Table 4 describes the green loan issuance process of Golomt Bank.

**Use of proceeds.** Golomt Bank mainly refers to the 2019 Green Taxonomy for the identification and classification of green loans. For funds accessed from international investors, some additional or broader eligibility requirements sometimes apply. For example, the bank has accessed green funding from Water Equity that allows for financing of water access and efficiency-related projects beyond the Mongolian Green Taxonomy.

<sup>7</sup> Golomt Bank. 2022. *Sustainable Development Report*. <https://golomtbank.com/wp-content/uploads/2023/07/Golomtbank-Sustainable-Report-2022-eng.pdf>.



**Process for project evaluation and selection.** The bank receives green loan requests from clients through the relationship and corporate managers who send those requests to E&S risk officers through its internal system called JIRA. Relationship managers are responsible for the initial screening of loan use of proceeds against the 2019 Green Taxonomy. For potentially aligned projects, relationship managers make requests to the Sustainable Finance Team to provide additional levels of technical evaluation to ensure taxonomy alignment, provide guidance to identify the appropriate taxonomy category, and define the list of technical criteria and documentation requirements to be asked from clients. To demonstrate technical eligibility, clients are asked to provide detailed environmental assessment reports, feasibility studies, energy audits, or equipment technical specifications. Once these materials are collected from the client, the Sustainable Finance Team conducts full technical due diligence including pre-loan impact assessments such as GHG emissions calculation. In addition, loans above the threshold of MNT100 million undergo E&S risk due diligence. Based on the due diligence results, a green loan summary report is provided by the Sustainable Finance Team for submission to the Credit Committee. The bank is currently undergoing operational and system improvements to better identify and classify green loans (Table 4).

**Table 4: Green Loan Issuance Process of Golomt Bank**

Loan Cycle	Application	Appraisal		Approval	Monitoring
Green Alignment Evaluation	Initial Screening	Due Diligence	E&S Due Diligence	Green Loan Approval	Impact Monitoring and Reporting
<b>Actions</b>	<ul style="list-style-type: none"> <li>Initial screening of company operations and use of proceeds against the Green Taxonomy criteria</li> <li>For potentially aligned projects, additional Taxonomy evaluation and determination of technical criteria and document submission requirements in line with Taxonomy</li> </ul>	<ul style="list-style-type: none"> <li>Client and project due diligence against the Green Taxonomy technical criteria</li> <li>Review of evidence of green impact potential (e.g., audit reports)</li> <li>Site visit (if required)</li> <li>Independent audit (if required)</li> <li>Final Green Loan Summary</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S client and project due diligence</li> <li>Define corrective actions and/or action plan</li> <li>Define E&amp;S covenants and monitoring plan</li> <li>E&amp;S Risk Assessment Summary</li> </ul>	<ul style="list-style-type: none"> <li>Green loan and E&amp;S Summary integrated into credit documents</li> <li>Decision-making by Credit Committee or Board</li> <li>High-level green loan and E&amp;S loan provisions in contract</li> </ul>	<ul style="list-style-type: none"> <li>Annual review of green project impacts by SF team</li> <li>Review of compliance with E&amp;S requirements</li> <li>Site visits (where required)</li> </ul>
<b>Responsibility</b>	<ul style="list-style-type: none"> <li>Relationship managers and sustainable finance managers</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable finance managers</li> </ul>	<ul style="list-style-type: none"> <li>E&amp;S officers</li> </ul>	<ul style="list-style-type: none"> <li>Credit Committee or Board</li> </ul>	<ul style="list-style-type: none"> <li>Relationship managers and sustainable finance managers</li> </ul>
<b>Tools</b>	<ul style="list-style-type: none"> <li>Internal green transaction tagging system</li> <li>Green Taxonomy and related materials</li> </ul>	<ul style="list-style-type: none"> <li>Taxonomy and related materials</li> <li>GHG emissions calculation tool</li> <li>Other documents and tools (if required)</li> </ul>	<ul style="list-style-type: none"> <li>Action plan template</li> <li>Sample E&amp;S covenants</li> </ul>	<ul style="list-style-type: none"> <li>Credit approval documents</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring plan or template</li> <li>Monitoring reports</li> </ul>

E&S = environmental and social, GHG = greenhouse gas, SF = Sustainable Finance.

Source: Authors.

**Management of proceeds.** In line with the Green Loan Principles, the bank's green loan proceeds are separated in a dedicated account to ensure clear distinction between financing for general proceeds and green proceeds. The funding tranches recorded into green loan accounts are reported to the Central Bank ensuring credibility and transparency of green investments.

**Impact measurement and reporting.** The bank measures the impact of its disbursed green loans on an annual basis, focusing on indicators such as GHG emissions, energy efficiency, and water consumption. For GHG emissions calculations, the bank uses the entity-relationship tool jointly developed by the Ministry of Environment and Tourism and the MSFA. Currently, this process is conducted manually by the Sustainable Finance Team without strict reporting and monitoring requirements for clients. The bank also recently joined the Joint Impact Model Foundation to use their methods to assess overall portfolio sustainability impact. Regular efforts are taken by the bank to better collect data and measure and report on impacts. Data and statistics on sustainable loan amounts and impacts are included in external (e.g., annual report, ESG report), regulator (e.g., Central Bank), and investor reports.

**Verification.** Within 3 months of disbursement, the Branch is responsible for verifying the use of proceeds for every loan. If the loan is a green loan funded by international financial institutions' funds, the bank must verify the use of proceeds on a monthly or quarterly basis. Assurance of impact information submitted by clients is mainly provided by the Sustainable Finance Team.

## Green Loan Portfolio

As of Q3 2023, Golomt Bank's green portfolio size reported to the Bank of Mongolia is MNT120,604 million accounting for 2.8% of its total portfolio. This share is slightly higher than the average share of green loans in the Mongolian banking system (2.4% as of September 2023). In terms of breakdown of green proceeds, the portfolio is mainly concentrated around sustainable agriculture (64.0%), energy efficiency (24.8%), and sustainable waste and water management (8.0%) loans. Tables 5 and 6 provide a detailed breakdown of the bank's current green loans.

**Table 5: Green Loan Portfolio Structure of Golomt Bank**

Green Loan Taxonomy Category	Amount			Average Interest Rate (%)	Number of Borrowers
	MNT	\$	%		
Renewable energy	–	–	–	–	–
Low-pollution energy	865,699,241	254,617	0.7	13.2	2
Energy efficiency	29,691,044,527	8,732,660	24.8	15.1	9
Green buildings	–	–	–	–	–
Pollution prevention and control	–	–	–	–	–
Sustainable water and waste use	9,549,837,214	2,808,775	8.0	14.5	7
Sustainable agriculture, land use, forestry, and ecotourism	79,538,333,334	23,393,627	66.4	15.0	7
Clean transport	959,389,079	282,173	0.8	14.2	10
<b>Total</b>	<b>120,604,303,395</b>	<b>35,471,853</b>	<b>100.0</b>	<b>14.0</b>	<b>35</b>

– = data not available, MNT = Mongolian togrog.

Note: Numbers may not sum precisely and percentages may not total 100% because of rounding.

Source: Golomt Bank. 2024. Third Quarter Green Loan Report.

As of September 2023, Golomt Bank's green loans account for around 20% of the total green loans in Mongolia's banking system. Sustainable agriculture projects make up around 67% of total banking sector green loans for sustainable agriculture. The number of green loan borrowers compared to the banking sector is relatively low, indicating the dominance of more corporate-type green projects and transactions.

**Table 6: Comparison of Golomt Bank's Green Loan Portfolio Against the Banking Sector's Green Loan Portfolio**

Green Loan Taxonomy Category	Green Loan Amount				Green Loan Share (%)		Number of Borrowers	
	MNT million		\$ million		Sector	Golomt	Sector	Golomt
	Sector	Golomt	Sector	Golomt				
Renewable energy	45,092	–	13	–	7	–	65	–
Low pollution energy	7,323	865	2	0.2	1	1	133	2
Energy efficiency	282,065	29,691	83	8.7	46	25	2,287	9
Green buildings	31,580	–	9	–	5	–	107	–
Pollution prevention and control	10,152	–	3	–	2	–	458	–
Sustainable water and waste use	46,912	9,545	14	2.8	8	8	142	7
Sustainable agriculture, land use, forestry, and ecotourism	118,393	79,538	35	23.3	19	66	349	7
Clean transport	71,586	959	21	0.2	12	1	1,849	10
<b>Total</b>	<b>613,103</b>	<b>120,604</b>	<b>180</b>	<b>35.4</b>	<b>100</b>	<b>100</b>	<b>5,390</b>	<b>35</b>

– = data not available, MNT = Mongolian togrog.

Note: Numbers may not sum precisely and percentages may not total 100% because of rounding.

Sources: Bank of Mongolia. 2024. Third Quarter Green Loan Statistics; and Golomt Bank. 2024. Third Quarter Green Loan Report.

Golomt Bank offers various green loan products, using its own funding sources as well as international financial institutions (IFIs) sources. Table 7 lists Golomt Bank's existing green loan products available to the market.

**Table 7: Green Loan Products of Golomt Bank**

Name of Product	Taxonomy Category Use of Proceeds	Impact Requirements	Loan Amount (maximum)	Interest Rate	Customer Segment
Sustainable, green business loan	Overall green taxonomy categories	Alignment with taxonomy technical criteria Low E&S risk category	Investment loan: up to MNT10 billion Working capital loan: up to MNT5 billion	14.4%–16.8%	SMEs and corporates
Green housing loan	Green building	Qualified for EDGE certification	MNT160 million	Policy rate + 2%–4%	Individuals
Green housing mortgage	Green building	EDGE-certified houses	MNT300 million	Policy rate + 2%–4%	Individuals
Green car loan	Clean transport	Evidence or certificate from distributor or manufacturer	n/a	Hybrid: 15% EV: 14.4%	Individuals

EDGE = Excellence in Design for Greater Efficiencies, E&S = environmental and social, EV = electric vehicle, MNT = Mongolian togrog, SMEs = small and medium-sized enterprises.

Source: Golomt Bank. <https://golomtbank.com/en>.

## Potential Portfolio Aligned with the Mongolia SDG Finance Taxonomy

Golomt Bank has also conducted an assessment of the bank's pipeline projects in line with the new Mongolia SDG Finance Taxonomy. The assessment revealed an estimated SDG-aligned pipeline portfolio size of MNT1,140,250 million (or \$335 million), consisting of 94 projects or programs (in the case for retail loans). In terms of green and social loan balance, the pipeline portfolio is almost equal. Project categories with the largest funding potential are affordable basic infrastructure (34.0%), green buildings (24.3%), and energy efficiency (20.9%), contributing to 79% of the overall SDG-aligned pipeline size. Additional categories that indicate potential for growth include sustainable agriculture and food security (12.4%), sustainable water and waste use (9%), and renewable energy (6.4%). The pipeline portfolio is also well diversified in terms of market segments, including corporates (42%), SMEs (21%), and retail programs (36%).

In terms of number of pipeline projects or borrowers, SME projects that are approved at branch levels make up the majority (65%) of the pipeline portfolio with 62 projects identified. The number of green projects (64) is also twice as high as the number of social projects (30) identified. Ulaanbaatar is where 75% of the projects are located, with the rest of the projects (25%) located in rural areas.

The details of the pipelines including project description, client information, and technical specifications were not disclosed with the MSFA. In addition, it was not specified whether the projects covered required investment or working capital financing.

In addition to these pipelines classified in line with the Mongolia SDG Finance Taxonomy, Golomt Bank also offers some other loan products with certain social impact for SMEs, women entrepreneurs, herders, and older people. However, these loan categories are not included as a separate category in the new taxonomy considering the crosscutting nature of these target groups and to avoid potential double counting. Apart from the new taxonomy categorization, the bank may consider classifying its portfolio according to vulnerable or social impact target groups.

## Recommendations for Golomt Bank

To help Golomt Bank prepare for the adoption of the new Mongolia SDG Finance Taxonomy and identify potential hidden SDG-related investment opportunities in the portfolio, the team analyzed Golomt Bank's overall loan portfolio against each category and subcategory of the taxonomy. Each activity with SDG financing potential was labeled either "green" or "social" and referred to the relevant Mongolia SDG Finance Taxonomy activity line (Table 8).

**Table 8: Golomt Bank's Overall Loan Portfolio Analyzed Against the Mongolia Sustainable Development Goal Finance Taxonomy**

Economic Sectors	Subsectors	Golomt Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activities	Label
<b>Agriculture and forestry</b>	Cultivation of annual or biennial plants	0.12	1. Renewable energy 2. Energy efficiency 3. Energy-efficient and green buildings and infrastructure 4. Pollution, prevention and control 5. Sustainable water and waste management 6.3 Sustainable raw material sourcing 8. Clean transport	6.2 Sustainable agriculture crop, fruit, and vegetable farming	Green
	Animal husbandry	0.07		6.1 Sustainable animal husbandry	Green
	Mixed farming	0.20		6 Sustainable agriculture and food security	Green
	Forestry and tree preparation	0.03		7.1–3 Sustainable forestation; forest production; protection	Green
<b>Mining and quarrying</b>	Mining of coal	1.96		Usually not eligible for green loans	n/a
	Mining of metal ore	1.34		n/a	n/a
	Other mineral extraction	3.58			
	Support activities for mining	1.61			
<b>Manufacturing</b>	Manufacture of food	2.73		9.3.1 Organic or eco food and beverage	Green
	Manufacture of beverages	0.16			Green
	Manufacture of textiles	1.43		6.3.1 Sourcing of sustainable, certified, traceable raw materials	Green
	Manufacture of clothing	0.46			
	Manufacture of leather and leather products	0.22			
	Manufacture of wood products other than furniture	0.16		n/a	n/a
	Manufacture of paper and paper products	0.13		n/a	n/a

continued on next page

Table 8 continued

Economic Sectors	Subsectors	Golomt Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activities	Label
	Printing, duplicating and reproducing sound recordings	0.02		n/a	n/a
	Manufacture of chemicals and chemical products	0.01		9.3.4 Green and organic fertilizers	Green
	Manufacture of rubber and plastic products	0.02		5.2.3 Waste recovery, reuse, and recycling	Green
	Manufacture of articles made of nonmetallic minerals	0.03			Green
	Metal processing industry	0.17			Green
	Metal processing, except machinery and equipment	0.01		n/a	n/a
	Other manufacturing	0.17		9 Green manufacturing, trade, and sales	Green
	Assembly, installation and maintenance of machines and equipment	0.00			
	Refinery of coke and crude oil	0.00		5.2.3 Waste recovery, reuse, and recycling	Green
	Manufacture of furniture	0.02		n/a	n/a
Electricity, gas, steam, and air conditioning supply	Electricity, gas, steam, air conditioning	0.23		1 2.1 Renewable energy Efficiency improvement in energy supply	Green
	Gas production and pipeline distribution of gas	0.17		2.1.2 Waste heat recovery from gas power generation	Green

continued on next page

Table 8 continued

Economic Sectors	Subsectors	Golomt Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activities	Label
Water supply; sewerage, waste management and remediation	Water collection, treatment, and supply	0.01		5.1 Sustainable water management	Green
	Other process of waste management and purifying	0.01		5.2 Sustainable waste management	Green
	Collection, removal and reuse of waste	0.01		5.2.3 Waste recovery, reuse, and recycling	Green
Construction	Construction of buildings	3.35		3.1 Energy-efficient building	Green and social
				3.2 Green building	
				13.1 Affordable and accessible housing	
				13.2 Historical building redevelopment and preservation	
	Civil engineering activities	0.36		13.3 Utility corridor	Social
	Specialized construction work	1.53		3.3 Green area 3.4 Disaster risk prevention and/or repair	Green
Wholesale and retail trade; repair of motor vehicles and motorcycles	Sale of motor vehicles and motorcycles	2.39		9.1.5 Low emissions vehicles and components	Green
	Wholesale trade of other goods, except automobiles and motorcycles	13.84		9 Green manufacturing, trade, and sales 11.3 Manufacturing, trade, storage, and delivery of medical technologies	Green and social
	Retail sale of other goods, except machinery and motorcycles	4.63			
Transportation and storage	Land and pipeline transport	0.48		8 Sustainable transport	Green
	Air transport	0.45			
	Warehousing and support activities for transportation	0.15		3.1 Energy-efficient building	Green

continued on next page

Table 8 continued

Economic Sectors	Subsectors	Golomt Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activities	Label
Accommodation and food service activities	Accommodation service activities	0.18		7.5 Ecotourism	Green
	Food service activities	0.31		6.4.1 Organic restaurants and food services	Green
Information and communication	Publishing of books, periodicals	0.00		12.1.6 Publications and information and communication technology- based education	Social
	Motion picture, video, and television	0.01		12.2.1 Content for sustainable development, culture, and sports	Social
	Programming and broadcasting activities	0.01			Social
	Telecommunications	0.02		10 Information and communication technologies	Social
	Computer programming	0.06		10.2.1 E-platforms and other software systems for accessibility	Social
	Information service activities	0.08			
Financial and insurance activities	Other financial services auxiliary to insurance and pension funding	0.06		n/a	n/a
	Compulsory social insurance	0.01		n/a	n/a
	Other financial activities	1.13		n/a	n/a
Real estate activities	Real estate activities	0.94		n/a	n/a
Professional, scientific, and technical activities	Legal and accounting activities	0.01		6.4.2 Quality control, certification, testing, tracing, and skills training	Social
	Scientific research and development	0.01		6.4.3 Research and development	Green and social
	Advertising and market research	0.01		12.2.1 Content for sustainable development, culture, and sports	Social

continued on next page



Table 8 continued

Economic Sectors	Subsectors	Golomt Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activities	Label
	Other professional, scientific, and technical activities	0.00		6.4.2 Quality control, certification, testing, tracing, and skills training	Green and social
Administrative and support activities	Travel agency, tour operator	0.00		7.5 Ecotourism	Green
	Security and investigation activities	0.00		n/a	n/a
Defense; compulsory social security	Public administration and defense, compulsory social activities	0.01		n/a	n/a
Education	Education	0.51		12.1 Inclusive and equitable education	Green
Human health and social security activities	Human health activities	0.63		11.1 Accessible medical care and sanitation services	Social
	Residential care activities	0.00		11.1.5 Elder care	Social
Arts, entertainment, and recreation	Creative arts and entertainment	0.00		12.2 Culture and sports industry	Social
	Gambling and betting activities	0.00		Exclusion list	Excluded
	Sports activities and amusement	0.01		12.2 Culture and sports industry	Social
Other service activities	Membership organizations	0.00		n/a	n/a
	Repair of personal and household goods	0.00		n/a	n/a
	Other personal service activities	5.76		n/a	n/a
Other activities	Consumer loans	46.54		n/a	n/a

SDG = Sustainable Development Goal.

Source: Authors.

The assessment reveals potential hidden opportunities in almost each sector, with the exception of industries and activities related to coal mining, as coal-related activities are usually excluded from eligible green investments.

Investment-type business loans in any sector (except coal mining) that comply with the following taxonomy categories could be eligible for green loans: renewable energy, energy efficiency, energy-efficient and green buildings and infrastructure, pollution prevention and control, sustainable water and waste management, sustainable raw material sourcing, and clean transport. In terms of more sector-specific green investment opportunities, manufacturing, retail, wholesale, agriculture and food production, and construction sectors could be considered as target sectors for green financing. (Please refer to section 2.4 for project profile examples that were developed for potential activities and/or sectors aligned with the Mongolia SDG Finance Taxonomy, which were selected from each bank's portfolio to demonstrate specific financing opportunities for the select banks.)

## 2.3 Results of Assessment on Khan Bank

### Sustainable Finance Strategy and Governance Approach

**General.** Khan Bank, with over 545 branches nationwide, is the largest commercial bank operating in Mongolia, providing all types of banking services to an estimated 82% of the Mongolian population, or 2.8 million customers. The bank was established in 1991 as the Agricultural Cooperative Bank, with branches nationwide, following the dissolution of the State Bank of Mongolia, then privatized in 2003. At the end of December 2023, the bank's total assets were MNT17.3 trillion (equivalent to \$5 billion) and gross loans were MNT9.6 trillion (approximately \$2.8 billion). Around 48% of the outstanding loans are business loans followed by consumer loans (45%) and agricultural loans (7%). Khan Bank's main business segments are retail banking, corporate banking, and SME banking.

In 2023, the bank became an open joint-stock company listed on the Mongolian Stock Exchange in accordance with Bank of Mongolia's reforms requiring systemically important banks to be publicly listed. Khan Bank is considered the first to introduce many frontier fintech advances to the Mongolian market, such as mobile banking, internet banking, applications, and kiosks, thereby changing the paradigm of traditional banking models to technology-based digital banking. Khan Bank has now expanded its service channels by operating over 231 express banking centers; over 1,481 ATMs; and 340 kiosk machines and by working with over 29,000 merchants operating more than 37,000 point-of-sale terminals.

**Strategy.** In 2022, Khan Bank renewed its vision, mission, and value statements and defined "Sustainability is the future" as one of its new core values. Khan Bank was one of the founding members of the Mongolian Sustainable Finance Initiative in 2013 and has continued to reflect its commitment to advancing the field by becoming the 2024 Lead Bank of the MSFA. Khan Bank's Sustainable Development Policy, approved in 2020, is the main document defining the bank's sustainable development goals and principles and how they are implemented in daily operations; and setting roles and responsibilities for the bank's Board of Directors, executive management, employees, stakeholders, and customers. The policy document is based on international and domestic sustainable development goals and principles such as the UN SDGs, the Mongolian Sustainable Finance Principles, and the UN Global Compact. Based on these foundational principles, Khan Bank's Sustainable Development Policy focuses on (i) sustainable financing, (ii) sustainable operations, (iii) sustainable social investment (corporate social responsibility), and (iv) sustainable reporting and partnership.

Khan Bank aims to ambitiously increase the green loan share in its overall loan portfolio to exceed the targets set under the National Sustainable Finance Roadmap. Khan Bank is well on its way to reaching this goal with the massive expansion of its green loan portfolio in 2023, which more than tripled in a single year. Khan Bank has also committed to several international initiatives such as joining the Green Investment Principles in 2018 and the Partnership for Carbon Accounting Financials in 2023, committing to disclose and reduce its portfolio carbon emissions.

**Governance.** In 2013, to support the Mongolian Sustainable Finance Initiative, Khan Bank established an internal Sustainable Finance working group that later became the Sustainable Development working group in 2019. In 2022, the Sustainable Development working group was expanded into a main working group and four subworking groups: (i) Sustainable Financing, (ii) Sustainable Operations, (iii) Sustainable Social Investment, and (iv) Sustainable Workplace. Members of the bank's executive management team form the main Sustainable Development working group. Under the guidance of deputy directors, the subworking groups are composed of directors, managers, and senior specialists from relevant divisions. Additionally, in 2022, Khan Bank established an independent unit, the Sustainable Development Department directly reporting to the chief executive officer to oversee policy implementation, pioneer and implement sustainability initiatives, and develop sustainability reports. At the Board level, the Governance committee, a board of directors subcommittee, receives semiannual reports on the bank's sustainable development initiatives, increasing the Board's involvement and awareness in this area.

**Risk management.** Khan Bank approved its E&S risk assessment policy document in 2011 and has since established a robust ESG risk management framework in line with the International Finance Corporation (IFC) Performance Standards. Loans are screened for environmental and social risks and classified as green (low risk), yellow (medium risk), or red (high risk). Loans tagged green will undergo Khan Bank's standard credit assessment process. Projects tagged as yellow or red will undergo E&S risk assessment. The ESG due diligence will be conducted by in-house ESG risk officers. The bank performs E&S due diligence on loans above a certain loan amount threshold, as deemed appropriate by the bank. The bank monitors the client's E&S performance on a regular basis by conducting an on-site and off-site E&S performance review and identifies any noncompliance by developing and implementing an action plan to improve the client's E&S performance and including in the loan agreement signed with the client.

**Opportunities.** Khan Bank has been leading the Mongolian sustainable finance landscape by issuing the country's first green bonds in both international markets and Mongolia's capital market in 2023. It has paid particular attention to renewable energy, energy efficiency, green construction, and environmentally friendly agricultural projects, supporting green loans and the green economy and diversifying its financing sources. In recent years, with financing from the government and international financial institutions (IFIs), more than \$210 million in green funds have been successfully raised. As of the end of 2023, Khan Bank accounted for almost half of the MNT800 billion green loan portfolio of Mongolia's commercial banks and has more than tripled their own green loan portfolio since the beginning of 2023.

**Monitoring and reporting.** Khan Bank has been issuing its [Sustainable Development report](#) since 2019 and most recently issued its [ESG report](#) in 2023. The bank also regularly submits green loan and sustainable finance implementation reports to the Central Bank and the MSFA. In 2022, Khan Bank conducted a comprehensive ESG assessment of its operations in cooperation with an international rating provider where Khan Bank's Sustainable Development Policy, implementation and control systems were benchmarked against the ESG performance of international banking and financial institutions. Using this assessment, Khan Bank has been working to further improve their sustainable development policy and implementation, with a detailed materiality assessment underway this year. Khan Bank has also received several recognitions and awards from the MSFA such as the Best Sustainable Finance Bank for the last 3 years (2021–2023).

## Sustainable Lending Process

Khan Bank's green loan issuance process is managed by the Green finance team under the Credit Policy and Regulations Department, with oversight by the Head Office Credit Risk Committee of the bank. The bank currently offers green loan products in line with the Green Taxonomy. The following describes Khan Bank's green loan issuance process.

**Use of proceeds.** For identification and classification of their green loans, Khan Bank refers to the Mongolia Green Taxonomy and its Green Bond Framework. In cases where the loans will be funded by international green funding sources, they will cross reference with funding-source-specific green eligibility requirements, which in some instances may differ from the 2019 Green Taxonomy.

**Process for project evaluation and selection.** The bank receives green loan requests from clients at their various branches and SME support centers. When relationship managers at these branches receive green loan requests, they send a request through the bank's internal system to the Green finance team for permission to process the green loan application and to check the green eligibility of these requests. In this internal request, the relationship manager does an initial screening to specify which green taxonomy category the loan aligns with. The Green finance team is responsible for technical evaluation to ensure taxonomy alignment, providing guidance to identify the appropriate taxonomy category, and preparing the list of technical criteria and documentation requirements to be asked from clients.

To demonstrate technical eligibility, clients are asked to provide additional information such as energy audits or equipment technical specifications. Once these materials are collected from the client, the Green finance team conducts a green eligibility assessment of the loan request in different ways. If any of the methods verify the loan request's green eligibility, the Green finance team will attach the corresponding certificate or approval documentation to the green loan request and send it back to the relationship manager, allowing the green loan request to continue to the next step of the loan issuance process. The Green finance team also includes two E&S officers who perform E&S risk assessment on applicable loan applications. Based on the due diligence results, a green loan summary report is provided by the Green finance team for submission to the Credit Committee.

**Management of proceeds.** In line with the Green Loan Principles, Khan Bank green loan proceeds are separated to a dedicated account to ensure clear distinction between financing for green proceeds and general proceeds. Only the funding tranches recorded into green loan accounts are reported to the Central Bank, ensuring credibility and transparency of green investments.

**Impact measurement and reporting.** The bank measures the impact of its disbursed green loans with the help of the tools mentioned in the green loan identification process earlier. In cases where technical experts are consulted, they will provide calculations for project sustainability impacts. Otherwise, the green finance team will use tools such as the IFC Climate Assessment for Financial Institutions to calculate the project's sustainability impacts. Regular efforts are taken by the bank to better collect data and measure and report on impacts. Data and statistics on green loan amounts and impacts are included in external (e.g., annual report, ESG report); regulator (e.g., Bank of Mongolia); and investor reports.

**Verification.** Verification of use of proceeds is required for all green loan or bond-financed projects, but there is no requirement for verification of impact measurement yet. Assurance of impact information submitted by clients is mainly provided by the technical expert team and the Green finance team.

## Green Loan Portfolio

As of December 2023, Khan Bank's green loans account for 47% of total green loans in Mongolia's overall banking system. As of the end of 2023, Khan Bank's green loan portfolio size reported to the Bank of Mongolia was MNT377,397 million, accounting for 3.9% of the total loan portfolio. This share is higher than the average share of green loans in the Mongolian banking system (2.9% as of December 2023). Khan Bank has managed to grow its own green loan portfolio by 3.7 times since the beginning of 2023. In terms of breakdown of green proceeds, the portfolio mainly concentrates around energy efficiency (66.7%), renewable energy (12.1%), green building (8.3%), and sustainable agriculture (7.4%). Additionally, Khan Bank energy efficiency projects make up around 67% of total banking sector green loans for energy efficiency.

Tables 9 and 10 provide a detailed breakdown of Khan Bank's current green loans.

**Table 9: Green Loan Portfolio Structure of Khan Bank**

Green Loan Taxonomy Category	Amount			Number of Borrowers
	MNT million	\$ million	%	
Renewable energy	45,537	13.4	12.1	24
Low pollution energy	–	–	–	–
Energy efficiency	251,649	74.0	66.7	1,706
Green buildings	31,358	9.2	8.3	61
Pollution prevention and control	3,217	0.9	0.9	276
Sustainable water and waste use	2,434	0.7	0.6	12
Sustainable agriculture, land use, forestry, and ecotourism	27,814	8.2	7.4	45
Clean transport	15,387	4.5	4.1	210
<b>Total</b>	<b>377,396</b>	<b>111.0</b>	<b>100.0</b>	<b>2,334</b>

– = data not available, MNT = Mongolian togrog.

Note: Numbers may not sum precisely and percentages may not total 100% because of rounding.

Source: Khan Bank. 2023. Fourth Quarter Green Loan Report.

**Table 10: Comparison of Khan Bank's Green Loan Portfolio Against the Banking Sector's Green Loan Portfolio**

Green Loan Taxonomy Category	Green Loan Amount				Green Loan Share (%)		Number of Borrowers	
	MNT million		\$ million		Sector	Khan	Sector	Khan
	Sector	Khan	Sector	Khan				
Renewable energy	46,472	45,537	13.7	13.4	5.8	12.1	73	24
Low-pollution energy	7,180	–	2.1	–	0.9	–	224	–
Energy efficiency	440,457	251,649	129.5	74.0	55.0	66.7	2,878	1,706
Green buildings	36,864	31,358	10.8	9.2	4.6	8.3	130	61
Pollution prevention and control	9,976	3,217	2.9	0.9	1.2	0.9	455	276
Sustainable water and waste use	60,975	2,434	17.9	0.7	7.6	0.6	169	12
Sustainable agriculture, land use, forestry, and ecotourism	114,230	27,814	33.6	8.2	14.3	7.4	343	45
Clean transport	84,399	15,387	24.8	4.5	10.5	4.1	2,309	210
<b>Total</b>	<b>800,554</b>	<b>377,396</b>	<b>235.5</b>	<b>111.0</b>	<b>100.0</b>	<b>100.0</b>	<b>6,581</b>	<b>2,334</b>

– = data not available, MNT = Mongolian togrog.

Note: Numbers may not sum precisely and percentages may not total 100% because of rounding.

Sources: Bank of Mongolia. 2023. Fourth Quarter Green Loan Statistics; and Khan Bank. 2023. Fourth Quarter Green Loan Report.

Khan Bank offers various green loan products using its own funding sources as well as IFI sources. Table 11 presents a list of existing green loan products available to the market.

**Table 11: Green Lending Products of Khan Bank**

Name of Product	Subcategories	Key Eligibility Requirements	Loan Amount (maximum)	Interest Rate (per annum)	Customer Segment
Green economy financing facility loan	Investment loan	Minimum energy and GHG emissions reduction of 20%	Up to \$5 million	14.4%–15.0%	SMEs and corporates
Energy efficiency green business loan	Investment loan	Minimum energy and GHG emissions reduction of 20%	Based on project details	15.0%	SMEs and corporates
Green loan for promoting sustainable wool and cashmere supply	Investment loan	Responsible Nomads Standard MNS 68 91:2020 Certificate of Sustainable Fibre Alliance	Up to MNT1 billion	14.4%	Cooperative

*continued on next page*

Table 11 continued

Name of Product	Subcategories	Key Eligibility Requirements	Loan Amount (maximum)	Interest Rate (per annum)	Customer Segment
Electric vehicle loan	Investment loan	100% electric car	No more than the price of electric car	14.4%	Individuals
				15.6%–16.8%	SMEs
Green consumer loan	Investment loan	In accordance with the Green Taxonomy	Up to MNT20 million	15.0%	Individuals
Family green loan	Investment loan	Energy-efficient white goods	Up to MNT40 million	12.0%	Individuals
Green loan to support reduction of air and environmental pollution	Investment loan	11 purposes: air and soil pollution	Up to MNT50 million	2.0%–3.0%	Individuals
		19 purposes	Up to MNT200 million	8.0%	SMEs
Green project investment loan	Investment loan	In accordance with the Green Taxonomy	Based on project details	15.0%	SMEs and corporates
Green project working capital loan	Working capital loan	In accordance with the Green Taxonomy	Based on project details	12.0%	SMEs and corporates
Green herder loan (under development)	Investment loan	–	–	–	Individuals
Responsible herder loan (under development)	Investment loan	–	–	–	Individuals

– = data not available, GHG = greenhouse gas, MonGEFF = Mongolian Green Economy Financing Facility, MNT = Mongolian togrog, SMEs = small and medium-sized enterprises.

Sources: Bank of Mongolia. 2023. Fourth Quarter Green Loan Statistics; and Khan Bank. 2023. Fourth Quarter Green Loan Report.

## Potential Portfolio Aligned with the Mongolia SDG Finance Taxonomy

Khan Bank has conducted an assessment of its loan portfolio in line with the new Mongolia SDG Finance Taxonomy. The assessment revealed an estimated SDG-aligned portfolio size of MNT4,843,591 million (or \$1,424 million). In terms of green and social loan share, the potential social loan portfolio is much larger than the green loan portfolio at 85%. Khan Bank also included two social activity categories, (i) employment generation and (ii) socioeconomic advancement and empowerment, which are not included in the new taxonomy, but are aligned with the UN SDGs and general Social Bond and Loan Guidelines of the International Capital Market Association.<sup>8</sup> If these social categories were included, the social loan share would go up to 93%. Social impact project categories with the largest funding potential are affordable basic infrastructure and sustainable agriculture.

<sup>8</sup> International Capital Market Association. 2023. *Social Bond Principles: Voluntary Process Guidelines for Issuing Social Bonds*.

Details of the portfolio including project description, client information, technical specifications, loan segments, and loan locations were not disclosed to the MSFA. In addition to these transactions classified in line with the Mongolia SDG Finance Taxonomy, Khan Bank offers other loan products with certain social impact for women entrepreneurs, SMEs, herders, and older people. However, these loan categories are not included as a separate category in the new taxonomy considering the crosscutting nature of these target groups and to avoid potential double counting.

## Recommendations for Khan Bank

To help Khan Bank prepare for the adoption of the new Mongolia SDG Finance Taxonomy and identify potential hidden SDG-related investment opportunities in the portfolio, the team analyzed Khan Bank's overall loan portfolio against each category and subcategory of the taxonomy. Each activity with SDG financing potential was labeled either "green" or "social" and referred to the relevant Mongolia SDG Finance Taxonomy activity line (Table 12).

**Table 12: Khan Bank's Overall Portfolio Mapped Against the Mongolia Sustainable Development Goal Finance Taxonomy**

Economic Sectors	Khan Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activity	Label
Agriculture, forestry	2.69	1. Renewable energy 2. Energy efficiency 3. Energy-efficient and green buildings and infrastructure 4. Pollution prevention and control 5. Sustainable water and waste management 6.3 Sustainable raw material sourcing 8. Clean transport	6 Sustainable agriculture and food security (including sustainable animal husbandry, sustainable farming, sustainable raw materials sourcing)	Green
			7 Sustainable land use and biodiversity (including sustainable forest production, afforestation, reforestation)	Green
Mining and quarrying <sup>a</sup>	1.55		n/a	n/a
Manufacturing	5.29		9 Green manufacturing, trade, and sales including 9.1 Low emission and pollution reduction technologies, vehicles, and components 9.2 Sustainable water and waste management technologies 9.3 Sustainable food production and agriculture technologies and solutions	Green
Electricity, gas, steam, and air-conditioning supply	0.69		1 Renewable energy 2.1 Efficiency improvement in energy supply 2.1.2 Waste heat recovery from gas power generation	Green Green

*continued on next page*



Table 12 continued

Economic Sectors	Khan Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activity	Label
Water supply; sewerage, waste management, and remediation	0.03		5 Sustainable water and waste management	Green
Construction	6.95		3.1 Energy-efficient building	Green
			3.2 Green building	
			13.1 Affordable and accessible housing	Social
			13.2 Historical building redevelopment and preservation	
			13.3 Utility corridor	Social
Wholesale and retail trade; repair of motor vehicles and motorcycles	21.82		3.3 Green area	Green
			3.4 Disaster risk prevention and/or repair	
Transportation and storage	2.97		8 Sustainable transport	Green
			9 Green manufacturing, trade, and sales	Green
Accommodation and food service activities	0.85		8 Sustainable transport	Green
			3.1 Energy-efficient building	Green
			7.5 Ecotourism	Green
Information and communication	0.17		6.4.1 Organic restaurants and food services	Green
			10 Information and communication technology	Social
			12.1.6 Publications and ICT-based education	Social
Financial and insurance activities	0.17		12.2.1 Content for sustainable development, culture and sports	Social
			n/a	n/a
			n/a	n/a
Real estate activities	11.88		n/a	n/a
Professional, scientific, and technical activities	0.06		6.4.2 Quality control, certification, testing, tracing and skills training	Green and social
			6.4.3 Research and development	

continued on next page

Table 12 continued

Economic Sectors	Khan Bank Loan Portfolio Share (%)	SDG Taxonomy General Categories Applicable to All Loans Including Consumer Loans	SDG Taxonomy Categories Specific to Industries and Type of Activity	Label
Administrative and support activities	0.04		n/a	n/a
			n/a	n/a
Public administration and defense	0.03		n/a	n/a
Education	1.16		12.1 Inclusive and equitable education	Social
Human health and social security activities	0.63		11 Health (including primary, women's and children's, adolescent, older people, mental care and epidemic facilities, and provision of health equipment)	Social
Arts, entertainment, and recreation	0.07		12.2 Culture and sports industry	Social
Other service activities	2.44		n/a	n/a
			n/a	n/a
			n/a	n/a
Other activities	39.19		n/a	n/a

SDG = Sustainable Development Goal.

<sup>a</sup> The Mongolia Green/SDG Finance Taxonomy does not indicate activities and sectors excluded from green or social financing. However, other international taxonomies and investor requirements usually exclude fossil-fuel-related activities from eligible green categories.

Source: Khan Bank internal data.

Based on the above analysis and the potential SDG-aligned portfolio prepared by Khan Bank, the project team identified the following types of investments with the potential for further scaling of SDG-aligned product development and financing: sustainable water management, sustainable agriculture, education, and health. (Please refer to section 2.4 for project profile examples that were developed for potential activities and/or sectors aligned with the Mongolia SDG Finance Taxonomy, which were selected from each bank's portfolio to demonstrate specific financing opportunities for the select banks.)

## 2.4 Project Profile Examples for Potential SDG-Aligned Activities and Sectors

### Energy Efficiency in Industry

The increase in energy demand in Mongolia puts pressure on the government and industries to take energy conservation actions. Energy efficiency figures prominently in Mongolia's National Green Development Plan, nationally determined contributions, Energy Conservation Law, State Policy on Energy 2015–2030, and other

government policies. For example, the government aims to reduce GHG emissions in the energy sector through an increase in energy efficiency of 20% by 2030, while seeking to reduce building heat losses by 20% and 40% by 2020 and 2030, respectively. These targets present substantial opportunities for financial institutions to provide green financing for energy efficiency measures. Table 13 presents the project profile for energy efficiency improvement.

**Table 13: Project Profile—Energy Efficiency Improvement**

Taxonomy Category	2.2. Energy Efficiency Improvement for All Sectors
Eligible activities	2.2.1 Installation or replacement of energy-efficient equipment, technology, and processes in all industrial sectors 2.2.2 Installation of energy-efficient appliances and products for household and individual use 2.2.3 Delivery of energy conservation services
Target sector	All sectors
Type of loan	Investment type (use of proceeds)
Label	Green loan
Eligibility criteria	At least 20% reduction in energy consumption or direct and indirect GHG emissions
Description of eligible activities <sup>a</sup>	1. Adoption of processes and measures to achieve at least 20% primary energy savings or direct and indirect GHG emissions reduction compared to ex-ante baseline, which could consist of <ul style="list-style-type: none"> <li>• Actions identified by an energy audit (in line with MNS EN 16247-1 : 2017 or equivalent);</li> <li>• Actions as a result of an energy efficiency plan or certified energy management systems (ISO 14001 or equivalent);</li> <li>• Actions where suppliers or installers of equipment can demonstrate minimum 20% energy savings or net GHG emissions;</li> <li>• Investment aimed at phasing out emissions of GHGs (IPCC 2007, CFCs, CO<sub>2</sub>, CH<sub>4</sub>, HCFCs, HFCs, N<sub>2</sub>O, PFCs, and SF<sub>6</sub>), including for transition away from fossil fuels use</li> </ul> 2. New installation or replacement of stand-alone energy-efficient appliances or equipment that demonstrate minimum 20% energy savings or net GHG emissions. These may include upgrades or modernization of processing equipment and production lines, electrical equipment, machines, and cranes.
Documentation requirements	1. Control of use of funds: Documentation evidencing the cost(s) of the relevant expenditure, such as invoices, purchase contracts, price quotation or technical offer, project implementation documents, or a combination thereof 2. Technical documentation: Technical reports or certificates such as energy audits, internal calculations, certificates, labels or specification of equipment and technology, energy efficiency plans
Core impact indicators	1. Annual energy savings (kWh) 2. Annual GHG emissions reduced (tCO <sub>2</sub> e) 3. Energy and emissions per unit of output (tCO <sub>2</sub> e or kWh/unit of output) 4. Annual and total cost savings from improved efficiency (MNT)
Additional impact indicators	1. Number of beneficiaries or reach, disaggregated by gender (number of people) 2. Number of permanent, temporary, and contracted green jobs created by gender (number of people) <i>Others: See Mongolia SDG Finance Taxonomy for more indicators</i>

*continued on next page*

Table 13 continued

Taxonomy Category	2.2. Energy Efficiency Improvement for All Sectors
<b>Alignment with international and national standards</b>	
Alignment with SDGs	7.3 By 2030, double the global rate of improvement in energy efficiency 13. Climate Action
Alignment with national policies	Energy Conservation Law NDCs National Green Development Policy
Alignment with typical IFI taxonomy and criteria	Aligned (certain producers may be blacklisted)
<b>Supporting information</b>	
Helpful resources and tools	European Bank for Reconstruction and Development Green Technology Selector (source: Green Economy Financing Facility. <a href="https://ebrdgeff.com/mongolia/technologies/technology-selector-database/">https://ebrdgeff.com/mongolia/technologies/technology-selector-database/</a> .) Threshold for Mandated Energy Users by Energy Conservation Law (source: Unified Legal Information System. <a href="https://legalinfo.mn/mn/detail?lawId=16758497993181">https://legalinfo.mn/mn/detail?lawId=16758497993181</a> .)

CFC = chlorofluorocarbon, CH<sub>4</sub> = methane, CO<sub>2</sub> = carbon dioxide, GHG = greenhouse gas, HCFC = hydrochlorofluorocarbon, HFC = hydrofluorocarbon, IFI = international financial institution, IPCC = Intergovernmental Panel on Climate Change, kWh = kilowatt-hour, MNT = Mongolian togrog, N<sub>2</sub>O = nitrous oxide, NDC = nationally determined contribution, PFC = perfluorocarbon, SDG = Sustainable Development Goal, SF<sub>6</sub> = sulfur hexafluoride, tCO<sub>2</sub>e = tons of carbon dioxide equivalent.

<sup>a</sup> European Investment Fund. 2022. *Guideline on EIF's Criteria for Climate Action and Environmental Sustainability (CA&ES) Operations in EIF's Intermediated SME and Mid-cap Financing (April 2022)*. [https://www.eif.org/news\\_centre/publications/climate-action-sustainability-criteria.pdf](https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.pdf).

Source: Authors.

## Water Efficiency

Worldwide, the water crisis is growing, urging nations, households, and businesses to reconsider how they use and manage water. Mongolia is also facing these challenges, which include the following:<sup>9</sup>

Access to safe drinking water, sanitation facilities, and provision of effective wastewater treatment (in Ulaanbaatar, only 59% of the population have piped water supply connections, and only 20% are connected to piped sanitation);

- Conservation of water resources to satisfy the demand of a growing population and burgeoning industries, combined with an increase in mining activities and irrigated agriculture;
- Pollution of water resources, which at present is mainly a local problem caused by mining activities and inadequate wastewater treatment;<sup>10</sup>
- Restoration of water resources that were damaged by overuse or neglect;

<sup>9</sup> M. Fan. 2020. Making Water in Mongolia Available at the Right Time, at the Right Place, and in the Right Quality. *ADB Briefs*. No. 140. <https://www.adb.org/sites/default/files/publication/614221/adb-brief-140-making-water-available-mongolia.pdf>.

<sup>10</sup> A UNICEF study revealed that 38% of 3,582 groundwater wells that were examined all across the country do not meet the national standard for clean drinking water. Lead, arsenic, chromium, and copper are common in the drinking water in Mongolia, which presents serious health risks. (Source: E. Kouassi-Komlan. 2023. Time is Now to Revolutionize Water Usage: Op-Ed Dedicated to World Water Week 2023. *UNICEF Mongolia*. 23 August. <https://www.unicef.org/mongolia/stories/time-now-revolutionize-water-usage>.)

- Hazards arising from floods, droughts, *dzuds* (severe winter), and other disasters that threaten both population and livestock; and
- Awareness, research, monitoring, information, and data management for water resources management.

These challenges are further exacerbated by the impacts of climate change, dwindling freshwater sources, expanding desertification, pollution, geographical isolation, and insufficient prioritization in policies and budgets. Currently, the agriculture sector is the largest water user in Mongolia, with irrigation accounting for 30% and livestock for 24% of the total water demand. Mining accounts for 13% of the total water demand but is likely to become a major water user in the future. Drinking and household uses vary between 18% and 22%. Depending on the water supply ability scenario chosen, water demand in Ulaanbaatar can no longer be met by 2030. Therefore, there is an urgent need and opportunity to provide sustainable finance for integrated measures for sustainable water and sanitation supply and management. Table 14 presents the project profile for water management.

**Table 14: Project Profile—Water Management**

Taxonomy Category	5.1 Sustainable Water Management
Eligible activities	5.1.1 Water supply facilities 5.1.2 Water measurement, monitoring, saving, storage, and efficient distribution technologies and systems 5.1.3 Water reuse, recycling, and treatment facilities 5.1.4 Drainage and sewage collection, transportation, and disposal facilities 5.1.5 Infrastructure for flooding and waterlogging control facilities
Target sector	All sectors
Type of loan	Investment type (use of proceeds)
Label	Green loan
Eligibility criteria	At least 20% reduction in water consumption compared to baseline or business-as-usual (for savings related activities only)
Description of eligible activities <sup>a</sup>	1. Water supply: Construction, repair, and operation of water supply facilities that meet efficiency and sustainable management standards 2. Water measurement, monitoring, saving, storage, and efficient distribution technologies and systems: Deployment of water monitoring, saving, storage, and efficient distribution equipment and facilities such as water-efficient technologies and irrigation systems, groundwater reservoirs to collect snowmelt and overflow water, rainwater harvest systems, groundwater recharge systems, stormwater management or installation of water measurement equipment and smart systems 3. Water reuse, recycling, and treatment facilities: Construction and operation of water reuse, recycling, and treatment technologies and facilities such as wastewater treatment systems and use of mine runoff water for industrial, agricultural, or recreational use 4. Drainage and sewage collection, transportation, and disposal facilities: Deployment of technologies and facilities such as wastewater and sewage suction (e.g., waste suction from latrines and septic tanks), collection networks and drainage systems, disposal lines, sludge treatment facilities, and transportation services 5. Infrastructure for flooding and waterlogging control facilities: Construction and operation of water infrastructure for the purpose of flood and waterlogging control such as flood protection, dam operation, groundwater monitoring, water-level monitoring, early warning systems for droughts and floods 6. Sustainable water management: Implementation measures resulting in water savings of at least 20% in compliance with a certification scheme, such as Early Warning System Standard, Sustainability Certification Program

*continued on next page*

Table 14 continued

Taxonomy Category	5.1 Sustainable Water Management
Documentation requirements	<ol style="list-style-type: none"> <li>1. Control of use of funds: Documentation evidencing the cost(s) of the relevant expenditure, such as invoices, purchase contracts, price quotation or technical offer, project implementation documents, or a combination thereof</li> <li>2. Technical documentation. External certification or technical documentation to prove the improvement in water efficiency and/or consumption, technical specifications from installers and suppliers, proof of compliance with relevant certification scheme</li> </ol>
Core impact indicators	<ol style="list-style-type: none"> <li>1. Annual absolute and per production unit water use before (if applicable) and after the project (cubic meters)</li> <li>2. Annual reduction in water use (cubic meters and percentage)</li> <li>3. Amount of water recycled/reused compared to total water used (cubic meters and percentage)</li> <li>4. Annual amount and proportion of sewage collected and disposed safely and in compliance with standards (cubic meters and percentage)</li> <li>5. Annual cost savings from water use reduction, recycling, increased resilience (MNT)</li> </ol>
Additional impact indicators	<ol style="list-style-type: none"> <li>1. Number of beneficiaries or reach, disaggregated by gender (number of people)</li> <li>2. Number of permanent, temporary, and contracted green jobs created by gender (number of people)</li> <li>3. Annual GHG emission reduction (tCO<sub>2</sub>e and percentage)</li> </ol> <p><i>Others: See Mongolia SDG Finance Taxonomy for more indicators</i></p>
<b>Alignment with international and national standards</b>	
Alignment with SDGs	<ol style="list-style-type: none"> <li>6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all</li> <li>6.2 By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations</li> <li>6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</li> <li>6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</li> <li>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers, and lakes</li> <li>11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations</li> </ol>
Alignment with national policies	Sustainable Development Vision National Green Development Policy
Alignment with typical IFI taxonomy and criteria	Aligned
<b>Supporting information</b>	
Helpful resources and tools	European Bank for Reconstruction and Development Green Technology Selector. <a href="https://ebrdgeff.com/mongolia/technologys/technology-selector-database/">https://ebrdgeff.com/mongolia/technologys/technology-selector-database/</a> .

GHG = greenhouse gas, IFI = international financial institution, MNT = Mongolian togrog, SDG = Sustainable Development Goal, tCO<sub>2</sub>e = tons of carbon dioxide equivalent.

<sup>a</sup> European Investment Fund. 2022. *Guideline on EIF's Criteria for Climate Action and Environmental Sustainability (CA&ES) Operations in EIF's Intermediated SME and Mid-cap Financing (April 2022)*. [https://www.eif.org/news\\_centre/publications/climate-action-sustainability-criteria.pdf](https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.pdf).

Source: Authors.

## Sustainable Agriculture

The agriculture sector in Mongolia plays a significant role in contributing to climate change, accounting for approximately 48.5% of the country's total GHG emissions. The primary source of GHG emissions from the agriculture industry in Mongolia is livestock production. Of this, 57.3% comes from methane gas emitted directly by animals, 41.2% from pasture use, and 1.5% from animal manure management. According to the studies conducted in recent years, all the cultivated areas of Mongolia's agricultural regions are damaged, of which 26,100 hectares (4.5%) are weakly damaged, 202,000 hectares (34.9%) are moderately damaged, and 351,000 hectares (60.6%) are severely damaged.<sup>11</sup> In addition, 76.8% of the total area in Mongolia is affected by soil degradation, and by 2080, this number is likely to reach 92%. Furthermore, more than 40% of the total pasture area has exceeded the carrying capacity by 1–3 times.

On the other hand, the agriculture sector is highly vulnerable to the risks associated with climate change as the production and output of the agriculture sector are heavily dependent on nature and climate-related factors. Several major natural disasters have happened in the past, especially the *dzuds* of 2001 and 2010, which had a significant negative impact on the agriculture sector, particularly livestock production.<sup>12</sup> For example, between 1999 and 2002, due to the combination of drought and *dzud*, over 11 million head or about 29% of total livestock perished, and in 2010, due to heavy snowfall in the country, more than 10 million head or nearly 25% of total livestock were lost. This resulted in a 2.8% decrease in the total agriculture sector production, which in turn influenced the mass migration of herders to the capital city Ulaanbaatar and other towns that translates into other sustainability issues such as urbanization and pollution.

The above presents opportunities for financial institutions to provide green finance for sustainable agricultural practices that support climate change mitigation, adaptation, and the protection of ecosystems. Table 15 presents the project profile for sustainable agriculture.

**Table 15: Project Profile—Sustainable Agriculture**

Taxonomy Category	6. Sustainable Agriculture
Eligible activities	6.1 Sustainable animal husbandry 6.2 Sustainable agriculture crop, fruit, and vegetable farming 6.3 Sustainable raw material sourcing 6.4 Climate resilience in agriculture 6.5 Other sustainable agricultural support services
Target sector	Agriculture, other sectors that are implementing sustainable agriculture projects
Type of loan	Investment and working capital
Label	Green loan
Eligibility criteria	Compliance with sustainable agriculture standards mentioned below

*continued on next page*

<sup>11</sup> N. Nyamsambuu and D. Ikhubayar. 2010. Cropland use and soil erosion of Mongolia. Institute of Plant and Agricultural Sciences of Darkhan.

<sup>12</sup> National Statistical Committee. 2024. Catastrophic Events by losses. In 2001 and 2010, as a result of the *dzuds*, more than 10 million heads of livestock were lost. [https://www.1212.mn/mn/statistic/statcate/573072/table-view/DT\\_NSO\\_2400\\_012V1](https://www.1212.mn/mn/statistic/statcate/573072/table-view/DT_NSO_2400_012V1).

Table 15 continued

Taxonomy Category	6. Sustainable Agriculture
Additional guidance <sup>a</sup>	<p data-bbox="464 371 802 399">6.1 Sustainable animal husbandry</p> <p data-bbox="505 415 1417 615">Adoption of technologies and processes in line with code of practices or standards, including animal health and welfare standards for sustainable, organic, regenerative nomadic herding (e.g., MNS 6891) to sustainably manage pasture land, maintaining a balance between number of livestock and ecological carrying capacity of rangelands; reduce livestock number or herd sizes; and improve productivity and quality of livestock. Financing proceeds should be used for activities that directly contribute to improvements in sustainable herding practices such as purchasing high-productivity livestock breeds.</p> <p data-bbox="464 648 1057 676">6.2 Sustainable agriculture crop, fruit and vegetable farming</p> <p data-bbox="464 693 1370 747">Activities that boost local grain, fruits and vegetable, and other crops production in line with sustainable and organic agriculture practices and standards through the following objectives:</p> <ul data-bbox="505 764 1409 1241" style="list-style-type: none"> <li>• Resource (e.g., water, energy) efficiency in operations including traction, efficient irrigation, pumping, harvesting, crop cooling, storage, and transportation (e.g., energy-efficient tractor)</li> <li>• Implementation of techniques to protect and improve soil health and biomass for carbon sequestration and erosion control (e.g., reduced or no tillage, rehabilitation of degraded land, diversified cropping systems)</li> <li>• Pest management practices including buffer strips without pesticides, resilient pest-resistant crops, mechanical weed control</li> <li>• Infrastructure that uses natural or combined green or gray solutions that prevent runoff of agrochemicals and sediment into rivers or coastal basins</li> <li>• Cultivation of native or naturalized species that can more readily adapt to variations in production cycles, water quality/quantity, and temperatures</li> <li>• Purchase or switch from synthetic fertilizer and pesticide use to biofertilizer and other organic solution</li> <li>• Implementation of sustainable agriculture practices and standards (e.g., organic certification, Good Agriculture Practice, or European Union Eco Schemes)</li> </ul> <p data-bbox="464 1260 837 1287">6.3 Sustainable raw material sourcing</p> <ul data-bbox="505 1304 1349 1358" style="list-style-type: none"> <li>• Financing for the sourcing of raw materials (e.g., cashmere, wool) that meet sustainable livestock and farming practices and standards mentioned in 6.1 and 6.2</li> </ul> <p data-bbox="464 1377 818 1404">6.4 Climate resilience in agriculture</p> <p data-bbox="464 1421 1070 1449">Manufacture, purchase, installation, design, and promotion of</p> <ul data-bbox="505 1465 1406 1801" style="list-style-type: none"> <li>• Drought-tolerant crops or new crop variety</li> <li>• Aeroponic crop production</li> <li>• Digital or other applications for weather and hydrological monitoring, forecasting, and early warning</li> <li>• Storage construction</li> <li>• Fences and protection for livestock</li> <li>• Diversification of climate-resilient livestock breed</li> <li>• Fodder plantation and preparation</li> <li>• Other investments that demonstrate a significant increase in climate resilience of agricultural activities and practices</li> </ul>

continued on next page



Table 15 continued

Taxonomy Category	6. Sustainable Agriculture
	<p>6.5 Other sustainable agricultural support services</p> <ul style="list-style-type: none"> <li>• Sourcing of organic and/or sustainable raw materials for restaurants and food service providers that provide local or nearby access to fresh, organic, low-carbon and/or vegetarian food options</li> <li>• Sustainable agriculture quality control, certification, testing, tracing, and education and skills training</li> <li>• Sustainable agriculture research and development</li> </ul>
Documentation requirements	<ol style="list-style-type: none"> <li>1. Documentation evidencing the cost(s) of the relevant expenditure, such as invoices, purchase contracts, price quotation or technical offer, project implementation documents, etc. or a combination thereof</li> <li>2. Business and technical plan for implementing new measures, expansion of sustainable production that are within the scope of sustainable agricultural practices listed above</li> </ol>
Core impact indicators	<p><b>Livestock</b></p> <ol style="list-style-type: none"> <li>1. Number of herders that adopted sustainable herding practices</li> <li>2. Increase in scoring on MNS 6891 or equivalent from the baseline year (%)</li> <li>3. Increase or stability in rangeland health condition from baseline (number or percentage)</li> <li>4. Decrease or stability in livestock number from baseline year in accordance with herd management plan (number and percentage)</li> </ol> <p><b>Farming</b></p> <ol style="list-style-type: none"> <li>1. Farmland under soil conservation/regenerative agricultural practices (hectare and percent of area farmed)</li> <li>2. Improvement in soil humus levels (%)</li> <li>3. Reduction of GHG emissions as a result of soil conservation measures and land use change (percentage and tCO<sub>2</sub>e/hectare)</li> <li>4. Increase in area under certified organic or sustainable agriculture (hectare and percent of area farmed)</li> <li>5. Increase in the number of products certified through Good Agriculture Practice, organic food certification, or equivalent</li> </ol>
Additional impact indicators	<ol style="list-style-type: none"> <li>1. Number of beneficiaries or reach, disaggregated by gender (number of people)</li> <li>2. Number of permanent, temporary, and contracted green jobs created by gender (number of people)</li> </ol> <p><i>Others: See Mongolia SDG Finance Taxonomy for more indicators</i></p>
<b>Alignment with international and national standards</b>	
Alignment with SDGs	<p>2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding, and other disasters and that progressively improve land and soil quality</p> <p>13. Climate Action</p>
Alignment with national policies	<p>NDCs</p> <p>National Green Development Policy</p>

continued on next page

Table 15 continued

Taxonomy Category	6. Sustainable Agriculture
Alignment with typical IFI taxonomy and criteria	Mostly aligned
<b>Supporting information</b>	
Helpful resources and tools	European Commission. Sustainable Agricultural Practices and Methods. <a href="https://agriculture.ec.europa.eu/sustainability/environmental-sustainability/sustainable-agricultural-practices-and-methods_en">https://agriculture.ec.europa.eu/sustainability/environmental-sustainability/sustainable-agricultural-practices-and-methods_en</a> .

GHG = greenhouse gas, IFI = international financial institution, NDC = nationally determined contribution, SDG = Sustainable Development Goal, tCO<sub>2</sub>e = tons of carbon dioxide equivalent.

<sup>a</sup> European Investment Fund. 2022. *Guideline on EIF's Criteria for Climate Action and Environmental Sustainability (CA&ES) Operations in EIF's Intermediated SME and Mid-cap Financing (April 2022)*. [https://www.eif.org/news\\_centre/publications/climate-action-sustainability-criteria.pdf](https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.pdf).

Source: Authors.

## Health

The Mongolian health care sector faces several challenges in improving the overall efficiency and effectiveness of the health care system such as (i) continued underfunding of health care, (ii) high out-of-pocket (OOP) expenditure that exacerbates financial risks of households, and (iii) insufficient funding allocated for primary health care compared to the funding allocated for oversized and excessive hospital care. Total state health expenditure was 2.2% of gross domestic product, which remains well below the average of countries of the World Health Organization (7.1% as of 2018). While the population coverage in the social health insurance scheme is relatively high, OOP expenditure as a proportion of health spending in Mongolia is continually increasing (19.7% in 2000, 33.9% in 2018), creating significant burden to household budgets. The rural population in Mongolia that resides in remote areas has more barriers to accessing specialized health services and experiences higher OOP expenditure than those living in the capital city.<sup>13</sup>

The poor quality of health services in public hospitals is considered a major problem.<sup>14</sup> In public hospitals, outdated infrastructure, low quality of service, long waiting times, aging facilities, and obsolete medical procedures and technologies do not allow for the provision of modern medical services. As a result, public hospitals mostly serve poor and low-income to middle-income people, while higher-income people tend to seek medical services at private hospitals or abroad.<sup>15</sup> However, the private health sector also tends to be focused on less serious cases, accounting for only 22.8% of hospitalizations and 15.1% of specialist consultations due to its smaller-scale facilities, limited services, and lack of emergency and intensive care capacity.<sup>16</sup> The pharmaceutical supply system also faces significant challenges, with consumer prices for medicines among the highest in Asia (up to 5.5 times higher than international reference prices); prevalence of substandard, unregistered, or falsified medicines; and many low-quality medicines in the supply chain.<sup>17</sup> In terms of health risks, ischaemic heart

<sup>13</sup> A. Jigjidsuren and B. Oyun. 2022. Supporting Health-Care Financing Reform in Mongolia. *ADB East Asia Working Paper Series*. No. 55. Asian Development Bank. <https://www.adb.org/sites/default/files/publication/850416/eawp-055-health-care-financing-reform-mongolia.pdf>.

<sup>14</sup> Ts. Lkhagvasuren. 2016. *Quality and Safety of Hospital Care and Services in Mongolia*.

<sup>15</sup> ADB. 2010. *Technical Assistance to Mongolia for the Fourth Health Sector Project*.

<sup>16</sup> A. Jigjidsuren, B. Oyun, and N. Habib. 2021. Rationalizing Mongolia's Hospital Services Experiences, Lessons Learned, and Future Directions. *ADB East Asia Working Paper Series*. No. 37. Asian Development Bank. <https://www.adb.org/sites/default/files/publication/727531/eawp-037-rationalizing-mongolia-hospital-services.pdf>.

<sup>17</sup> ADB. 2023. *The Evolution of Mongolia's Health Care System—Reform, Results, and Challenges on the Road to a Healthier Population*. <https://www.adb.org/sites/default/files/publication/936456/evolution-mongolia-health-care-system.pdf>.

diseases, stroke, cirrhosis, and stomach cancer remained leading causes of death, with liver cancer and alcohol use disorder showing a substantial increase. Also, mortality from preventable causes such as injury, alcohol use, and dietary risks remain substantially high, suggesting that public and private efforts are needed to tackle these diseases.<sup>18</sup>

Due to the above, private financing to increase health system quality, efficiency, equity, accountability, sustainability, and resilience is critically needed to achieve Mongolia's health-related development goals. Table 16 presents the project profile for the health sector.

**Table 16: Project Profile—Health**

Taxonomy Category	11. Health
Eligible activities	11.1 Provision of accessible medical care and sanitation services including primary, public, and specialized health care; women's and children's health services; adolescent health services and reproductive health; mental health and substance use disorders; elder care; epidemic disease facilities; health services for other key vulnerable groups 11.2 Development and provision of medical technology ICT for health-care efficiency, and provision and investment in medical research and innovation 11.3 Purchase, manufacturing, trade, storage, and delivery of medical technologies, essential drugs and pharmaceuticals, sanitary, sterilization and medical supplies
Target sector	Human health and social security activities, all sectors
Type of loan	Investment type (use of proceeds)
Label	Social loan
Investment purpose	New development or upgrading of hospitals and health facilities (including equipment purchase) that provide various health-care services, with the objectives to offer new medical services or innovations, increase accessibility and/or affordability, and improve efficiency and quality of services.
Eligibility and/or exclusion criteria	Cosmetics and plastic surgery except those for reconstructive purposes are not eligible.
Core impact indicators	<b>Accessibility</b> <ol style="list-style-type: none"> <li>1. Number of additional hospitals/health-care facilities built/upgraded</li> <li>2. Number of additional hospital beds and/or decreased density</li> <li>3. Annual number of patient visits and consultations by gender, age, and vulnerable groups</li> <li>4. Annual number of people/children covered by preventative visits/screening/monitoring by gender and age</li> <li>5. Percentage of people who recover after treatment</li> <li>6. Ratio of qualified doctors and nurses to patients (e.g., 1:10)</li> </ol>

*continued on next page*

<sup>18</sup> O. Chimed-Ochir et al. 2022. Mongolia Health Situation: Based on the Global Burden of Disease Study 2019. *BMC Public Health*. 22 (1). 5. <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-021-12070-3>.

Table 16 continued

Taxonomy Category	11. Health
Core impact indicators	<p><b>Affordability</b></p> <ul style="list-style-type: none"> <li>7. Average cost and cost reduction of services provided for standard treatments (MNT and percentage)</li> <li>8. Number of people/children benefitting from subsidies/social and health insurance services</li> <li>9. Proportion of service fees covered from public health insurance system (%)</li> <li>10. Reduction in insurance claim processing time and cost (%)</li> </ul> <p><b>Additional indicators for women's and children's services</b></p> <ul style="list-style-type: none"> <li>11. Annual live births at the hospital (%)</li> <li>12. Annual maternal mortality rate at the hospital (%)</li> <li>13. Annual infant (&lt;1 year) mortality rate at the hospital (%)</li> <li>14. Incidence of birth defects (%)</li> </ul>
Additional impact indicators	<p><b>Quality of service:</b></p> <ul style="list-style-type: none"> <li>1. Annual average bed occupancy rate (%)</li> <li>2. Reduction in percentage of returning clients (%)</li> <li>3. Percentage of clients that provide a high satisfaction rating after their visit to the health facility (%)</li> <li>4. Number of annual cases transferred to public hospitals</li> <li>5. Number of permanent, temporary, and/or contracted jobs created by gender and vulnerable groups</li> </ul> <p><b>Technology and innovation:</b></p> <ul style="list-style-type: none"> <li>6. Number and value of new equipment purchased/upgraded</li> <li>7. Number of newly developed medical products and services</li> <li>8. Amount of expenses spent for medical research and development (MNT)</li> <li>9. Number and type of innovative advanced technologies introduced/adopted for better health access</li> </ul> <p><b>Public health/prevention:</b></p> <ul style="list-style-type: none"> <li>10. Number of people vaccinated</li> <li>11. Number of health-care outreach programs and/or activities including number of people reached and/or value of money spent (number and MNT)</li> <li>12. Outreach of rural, remote, isolated users (number of user groups)</li> <li>13. Improved proximity or connectivity of health-care systems (km)</li> <li>14. Increased population with ability to access medical care (%)</li> <li>15. Reduction in communicable disease rates</li> <li>16. Premature death rate caused by mental health issues (%)</li> <li>17. Premature death rate caused by substance abuse/overdose (%)</li> </ul> <p><i>Others: See SDG Taxonomy</i></p>
<b>Alignment with international and national standards</b>	
Alignment with SDGs	3.3, 3.4, 3.5, 3.8
Alignment with national policies	Vision 2050 – Objective 2.2 (see taxonomy for further details)

continued on next page

Table 16 continued

Taxonomy Category	11. Health
Alignment with typical IFI taxonomy and criteria	Aligned
<b>Supporting information</b>	
Helpful resources and tools	<ul style="list-style-type: none"> <li>• Mongolia SDG Finance Taxonomy Indicators. <a href="https://www.1212.mn/en">https://www.1212.mn/en</a></li> <li>• International Capital Market Association. <i>ICMA Handbook—Harmonised Framework for Impact Reporting</i>. <a href="https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/">https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/</a>.</li> </ul>

ICT = information and communication technology, IFI = international financial institution, km = kilometer, MNT = Mongolian togrog, SDG = Sustainable Development Goal.

<sup>a</sup> European Investment Fund. 2022. Guideline on EIF's Criteria for Climate Action and Environmental Sustainability (CA&ES) Operations in EIF's Intermediated SME and Mid-cap Financing (April 2022). [https://www.eif.org/news\\_centre/publications/climate-action-sustainability-criteria.pdf](https://www.eif.org/news_centre/publications/climate-action-sustainability-criteria.pdf).

Source: Authors.

## Education

Although Mongolia has achieved significant success in terms of education participation at all levels, the education system is facing numerous challenges, including the urgent need to improve quality of education at all levels, match skills to labor market demands, and ensure equal access to different population groups. According to the Mongolia Education Sector Medium-Term Development Plan 2021–2030,<sup>19</sup> Mongolian students struggle with basic literacy and numeracy, as well as science. Students are weak at information processing, critical thinking, and problem-solving. This reality implies that the means and mode of instruction are not adequate to provide the necessary learning environment for improving learning outcomes. Improvements in human resource capacity, curriculum, school learning environment, and system capabilities are needed to deliver quality education efficiently and effectively.

Current pre-service and in-service teacher development is not standards-based or coherent. Learning materials production is not defined by a specific policy, and the curriculum cycle is relatively inflexible to emerging learning needs. In terms of educational facilities and materials, water, sanitation, and health facility standards are inconsistent, particularly for students with disabilities, while the system to monitor food nutrition and safety standards is weak. In terms of equal access to education, skills gaps are high among children from rural areas, vulnerable families, and ethnic minorities, many of whom lag behind their peers in terms of cognitive, language, and emotional development. In view of these issues, Mongolia aims to enhance access for children with disabilities and special needs, with a particular focus on herder children's access, school readiness, safety, nutrition, and improved lifelong learning services supported by information and communication technology. Table 17 presents the project profile for the education sector.

<sup>19</sup> Government of Mongolia, Ministry of Education and Science. 2020. *Education Sector Mid-Term Development Plan 2021–2030*. <https://planipolis.iiep.unesco.org/sites/default/files/ressources/mongolia-education-sector-medium-term-development-plan-2021-2030.pdf>.

Table 17: Project Profile—Education

Taxonomy Category	12. Education
Eligible activities	12.1.1 Inclusive and equitable kindergarten and preschool education 12.1.2 Inclusive and equitable primary and secondary education 12.1.3 Inclusive and equitable higher education 12.1.4 Inclusive and equitable education for vulnerable groups 12.1.5 Inclusive and equitable vocational education and training 12.1.6 Publications and ICT-based education 12.2.1 Media for culture and sports 12.2.2 Cultural protection and development 12.2.3 Public fitness and physical activities
Target sector	Education, all sectors
Type of loan	Investment type (use of proceeds)
Label	Social loan
Investment purpose	Construction, expansion, and reconstruction of education facilities (including equipment purchase) or services with the objective to offer new educational services or innovations, increase accessibility and/or affordability, and improve efficiency and quality of services
Eligibility/exclusion criteria	n/a
Core impact indicators	<p><b>Accessibility</b></p> <ol style="list-style-type: none"> <li>1. Increase in number of newly built kindergartens and schools</li> <li>2. Area of classroom space or other facilities built, expanded, or repaired (square meters)</li> <li>3. Number of additional enrolments in kindergarten/school education, by gender</li> <li>4. Number of enrolments of students with disabilities and special needs enrolled in kindergarten/school, by gender</li> <li>5. Number of low-income students enrolled, by gender</li> <li>6. Area of classroom space per student (square meters)</li> <li>7. Reduced gender gap (focus on boys in rural areas)</li> </ol> <p><b>Affordability</b></p> <ol style="list-style-type: none"> <li>8. Annual kindergarten/school fees per student (MNT)</li> <li>9. Number/amount of financial aid, scholarship, child support services provided (number and MNT)</li> </ol> <p><b>Education quality</b></p> <ol style="list-style-type: none"> <li>10. Ratio of qualified teachers to students (%)</li> <li>11. Number of textbooks or digital educational resources per student provided</li> </ol> <p><b>Health and safety</b></p> <ol style="list-style-type: none"> <li>12. Share of classroom/facility space in compliance with safety and accessibility standards (%)</li> <li>13. Provision of healthy and nutritious food in line with national/international standards</li> </ol>

continued on next page

Table 17 continued

Taxonomy Category	12. Education
Additional impact indicators	14. Number of curriculums for children with special needs 15. Number of paraprofessionals for students with special needs 16. Number and type of innovative advanced technologies introduced and/or adopted for better education access 17. Prevention of bullying and reduced number of cases 18. Number of counselors available 19. Number of doctors and nurses available 20. Implementation of green campus practices, including curriculum on sustainability education <i>Others: See Mongolia SDG Finance Taxonomy for more indicators</i>
<b>Alignment with international and national standards</b>	
Alignment with SDGs	1.2, 1.4, 4.1, 4.2, 4.5, 4.6, 5.1, 10.2, 11.1, 13.3
Alignment with national policies	Vision 2050 – Objective 2.2 (see taxonomy for further details)
Alignment with typical IFI taxonomy and criteria	Aligned
<b>Supporting information</b>	
Helpful resources and tools	<ul style="list-style-type: none"> <li>• Mongolia SDG Finance Taxonomy Indicators. <a href="https://www.1212.mn/en">https://www.1212.mn/en</a></li> <li>• International Capital Market Association. <i>ICMA Handbook—Harmonised Framework for Impact Reporting</i>. <a href="https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/">https://www.icmagroup.org/sustainable-finance/impact-reporting/green-projects/</a>.</li> </ul>

ICT = information and communication technology, IFI = international financial institution, MNT = Mongolian togrog, SDG = Sustainable Development Goal.

Source: Authors.

# 3 Sustainable Development Goal Finance Taxonomy Revision and Adoption Recommendations

## 3.1 Way Forward of the Sustainable Development Goal Taxonomy

### Revision of Version 2.0 of the Sustainable Development Goal Taxonomy

The pilot project revealed the critical need to make further improvements to the Mongolia SDG Finance Taxonomy content, format, and technical criteria before its planned official adoption from January 2025. The project team made suggestions for changes to the Taxonomy draft. The main suggested revisions cover the following:

- **Overall taxonomy structure.** Revise to make a clear distinction between green and social categories, adding green and social labels for each activity, and allowing for both separate and combined reporting of green and social loans (see Table 18 for proposed framework revision).
- **Renaming of some taxonomy categories and subcategories.** Revise for consistency with the 2019 Green Taxonomy and allow for continued green loan tracking and comparison over different time periods.
- **Combining of some taxonomy subcategories.** Subcategories that do not have distinctive technical criteria and do not require specific reporting lines should be combined to allow for easier use by financial institutions, especially frontline staff.
- **Activities, impact indicators, metrics, and thresholds.** Revise so they align more closely with investor requirements and criteria (e.g., IFC Green Bond and Loan Framework, Dutch Entrepreneurial Development Bank Green Methodology, Green Climate Fund Sector Guidelines, Association of Southeast Asian Nations Taxonomy v. 3, and International Capital Market Association Handbook—Harmonised Framework for Impact Reporting) and with the Mongolian government's SDG Bond Framework. For example, revise the synthetic fertilizer threshold.
- **Discussion with technical experts on the inclusion or exclusion of some activities.** This will focus on activities that are treated differently by various investors, such as hybrid vehicles, sustainable timber production, fuel switch involving gas, sustainable textile and cashmere production, and sustainable aviation. On social activities, these can include potential addition of food security, women empowerment, SMEs, and employment creation categories.
- **Improvement of means of verification and national and international standards.** These are those referred to in the Mongolia SDG Finance Taxonomy to ensure consistency across categories and subcategories.
- **Formatting and language.** Improve the overall document, both English and Mongolian versions, using simple and concise language where possible.
- **Technical report rationale.** Rationale for the selection of SDG categories and eligible use of proceeds and target groups ([Japan example](#)).

Table 18 offers a revised structure of the Mongolia SDG Finance Taxonomy in consideration of the issues above.



Table 18: Revised Sustainable Development Goals Taxonomy Classification Table

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
<b>PART A: GREEN ACTIVITIES</b>				
1 Renewable energy	1.1 Wind	1.1.1 Energy generation facilities	Green	No change
		1.1.2 Distributed wind generation facilities	Green	New
	1.2 Solar	1.2.1 Power generation (PV and CSP)	Green	No change
		1.2.2 Small-scale distributed solar systems	Green	No change
		1.2.3 Solar thermal application facilities	Green	No change
		1.2.4 Small-scale appliances, which run on solar energy	Green	New
	1.3 Geothermal	1.3.1 Power and heat generation facilities	Green	No change
	1.4 Hydropower	1.4.1 Small- to medium-scale power generation facilities	Green	No change
	1.5 Hydrogen	1.5.1 Manufacture and storage of green hydrogen fuel, ammonia production, and direct use	Green	New
	1.6 Bioenergy	1.6.1 Bioenergy product facilities	Green	New
		1.6.2 Heat and power generation from bioenergy facility	Green	New
	1.7 Waste-to energy	1.7.1 Waste-to-energy facilities	Green	New
	1.8 Supporting infrastructure for low-carbon energy	1.8.1 Storage systems for renewable energy	Green	Description revised
		1.8.2 Other supporting infrastructure for renewable energy operation and distribution	Green	Description revised
2 Energy efficiency	2.1 Efficiency improvement in energy supply	2.1.1 Improving efficiency of energy generation, transmission, and distribution systems	Green	Description revised
		2.1.2 Waste heat recovery from gas power generation	Green	New
	2.2 Energy efficiency improvement for all sectors	2.2.1 Energy-efficient equipment and technology improvement for all industries	Green	Combined with efficient lighting
		2.2.2 Energy-efficient appliances and products for household and individual use	Green	Subcategory revised
		2.2.3 Energy conservation services	Green	Description revised

continued on next page

Table 18 continued

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
3 Energy-efficient and green buildings and infrastructure	3.1 Energy-efficient building	3.1.1 New energy-efficient buildings	Green	No change
		3.1.2 Efficiency improvements in existing buildings	Green	No change
	3.2 Green building	3.2.1 New green buildings	Green	No change
		3.2.2 Green data centers	Green	New
	3.3 Green area	3.3.1 Green and inclusive area development	Green	No change
		3.3.2 Green landscaping and redevelopment of private land	Green	No change
	3.4 Disaster risk prevention/repair	3.4.1 Resilient and disaster risk prevention infrastructure	Green	New
4 Pollution prevention and control	4.1 Air quality	4.1.1 Industrial (large-scale) air pollution treatment facilities	Green	New
		4.1.2 Industrial and household filters and other technologies for exhaust emissions	Green	No change
		4.1.3 Fuel switch in energy generation	Green	Subcategory revised
		4.1.4 Carbon capture and storage	Green	No change
	4.2 Soil quality	4.2.1 Soil pollution reduction and remediation facilities and infrastructure	Green	No change
		4.2.2 Self-contained and eco-sanitation toilet solutions	Green	No change
5 Sustainable water and waste management	5.1 Sustainable water management	5.1.1 Water supply facilities	Green	New
		5.1.2 Water monitoring, saving, storage, and efficient distribution technologies and systems	Green	Description revised
		5.1.3 Water reuse, recycling, and treatment facilities	Green	Description revised
		5.1.4 Drainage and sewage collection, transportation, and disposal facilities	Green	Moved from waste
		5.1.5 Infrastructure for flooding and waterlogging control facilities	Green	New
	5.2 Sustainable waste management	5.2.1 Waste collection, sorting, storage, and transportation	Green	Description revised
		5.2.2 Waste sorting and treatment	Green	Description revised
		5.2.3 Waste recovery, reuse, and recycling	Green	Description revised
		5.2.4 Rehabilitation of old and used waste disposal sites	Green	New
		5.2.5 Support activities for reducing waste at sources	Green	New

continued on next page

Table 18 continued

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
6 Sustainable agriculture and food security	6.1 Sustainable animal husbandry	6.1.1 Nomadic and seminomadic herding	Green	Description revised
		6.1.2 Intensive farming	Green	Description revised
	6.2 Sustainable agriculture crop, fruit, and vegetable farming	6.2.1 Fruits and vegetables production	Green	Description revised
		6.2.2 Cereal, forage crop production	Green	Description revised
	6.3 Sustainable raw materials	6.3.1 Sourcing of sustainable, certified, traceable raw materials	Green	New
	6.4 Other sustainable agricultural support services	6.4.1 Organic restaurants and food services	Green	New
		6.4.2 Quality control, certification, testing, tracing, and education and skills training	Green	New
		6.4.3 Research and development	Green	New
7 Sustainable land use and biodiversity	7.1 Sustainable forestation	7.1.1 Afforestation and reforestation	Green	No change
		7.1.2 Agroforestry	Green	New
		7.1.3 Urban forest	Green	New
		7.1.4 Seed and tree nursery	Green	New
	7.2 Sustainable forest production	7.2.2 Nontimber forest production and harvest	Green	New
		7.2.3 Sustainable forest management	Green	No change
	7.3 Forest and tree protection	7.3.1 Forest pest, insects, and diseases prevention	Green	New
	7.4 Sustainable biodiversity management	7.4.1 Restoration and rehabilitation	Green	Description revised
		7.4.2 Conservation	Green	Description revised
	7.5 Ecotourism	7.5.1 Sustainable or ecotourism ventures	Green	No change
		7.5.2 Sustainable tourism concessions and operations	Green	New
		7.5.3 Sustainable tourism concessions and operations outside conservation areas	Green	New

continued on next page

Table 18 continued

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
8 Clean transport	8.1 Low-emission vehicle	8.1.1 Purchase of low-emission vehicles	Green	No change
	8.2 Low-emission freight and cargo transportation	8.2.1 Low-emission freight and cargo transportation	Green	No change
	8.3 Low-emission transport infrastructure and technology	8.3.1 Public transport service	Green	No change
		8.3.2 Low-emission transport infrastructure	Green	No change
		8.3.3 Low-emission transport planning	Green	No change
		8.4.4 Information technology for low-carbon transport	Green	No change
9 Green manufacturing, trade, and sales	9.1 Low-emission and pollution reduction technologies, vehicles, and components	9.1.1 Renewable energy equipment, appliances, and components	Green	Changed category
		9.1.2 Energy-efficient equipment, appliances, and components	Green	Changed category
		9.1.3 Pollution treatment and prevention technologies	Green	Changed category
		9.1.4 Green building materials and products	Green	Changed category
		9.1.5 Low-emissions vehicles and components	Green	Changed category
	9.2 Sustainable water and waste management technologies	9.2.1 Water management technologies and systems	Green	Changed category
		9.2.2 Waste management technologies and systems	Green	Changed category
	9.3 Sustainable food production and agriculture technologies and solutions	9.3.1 Organic or eco food and beverage	Green	New
		9.3.2 Other organic products	Green	New
		9.3.3 Sustainable seed production	Green	New
		9.3.4 Green and organic fertilizers	Green	New
		9.3.5 Sustainable agriculture technologies	Green	New
	9.4 Other sustainable technologies	9.4.1 Digital technologies and systems, Internet of Things	Green	New

continued on next page

Table 18 continued

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
<b>PART B: SOCIAL ACTIVITIES</b>				
10 Information and communication technology	10.1 Accessible networks	10.1.1 High-speed fiber optic broadband networks	Social	New
		10.1.2 Mobile broadband networks	Social	New
	10.2 Accessible, safe software and e-platforms	10.2.1 E-platforms and other software systems for accessibility	Social	New
11 Health	11.1 Accessible medical care and sanitation services	11.1.1 Primary, public, and specialized health care	Social	New
		11.1.2 Women's and children's health services	Social	New
		11.1.3 Adolescent and reproductive health services	Social	New
		11.1.4 Mental health and substance use disorder care	Social	New
		11.1.5 Elder care	Social	New
		11.1.6 Health services for other key vulnerable groups	Social	New
		11.1.7 Epidemic disease control	Social	New
	11.2 Health technology	11.2.1 ICT for health-care efficiency and provision	Social	New
		11.2.2 Promotion of health care	Social	New
		11.2.3 Medical research and innovation	Social	New
	11.3 Manufacturing, trade, storage, and delivery of medical technologies	11.3.1 Medical and health equipment and devices	Social	New
		11.3.2 Essential medical drugs and pharmaceutical products	Social	New
		11.3.3 Sanitary, sterilization, and medical supplies	Social	New

continued on next page

Table 18 continued

Category	Subcategory	Activities	Label	Change from 2019 Green Taxonomy
12 Education and culture	12.1 Inclusive and equitable education	12.1.1 Preschool education	Social	New
		12.1.2 Primary and secondary education	Social	New
		12.1.3 Higher education	Social	New
		12.1.4 Education for vulnerable groups	Social	New
		12.1.5 Vocational education and training	Social	New
		12.1.6 Publications and ICT-based education	Social	New
	12.2 Culture and sports industry	12.2.1 Content for sustainable development, culture, and sports	Social	New
		12.2.2 Cultural protection and development	Social	New
		12.2.3 Public fitness and physical activities	Social	New
13. Affordable basic infrastructure	13.1 Affordable and accessible housing	13.1.1 New affordable housing	Social	New
		13.1.2 New accessible housing	Social	New
		13.1.3 New social housing	Social	New
	13.2 Historical building redevelopment and preservation	13.2.1 Maintenance of historical buildings	Social	New
	13.3 Utility corridor	13.3.1 Utility corridor	Social	New
		13.3.2 Independent engineering network	Social	New
	13.4 Safe and inclusive transport networks	13.4.1 Improvement of safety and inclusion	Social	New
		13.4.2 Rural transport facilities	Social	New

CSP = concentrated solar power, ICT = information and communication technology, PV = photovoltaic.

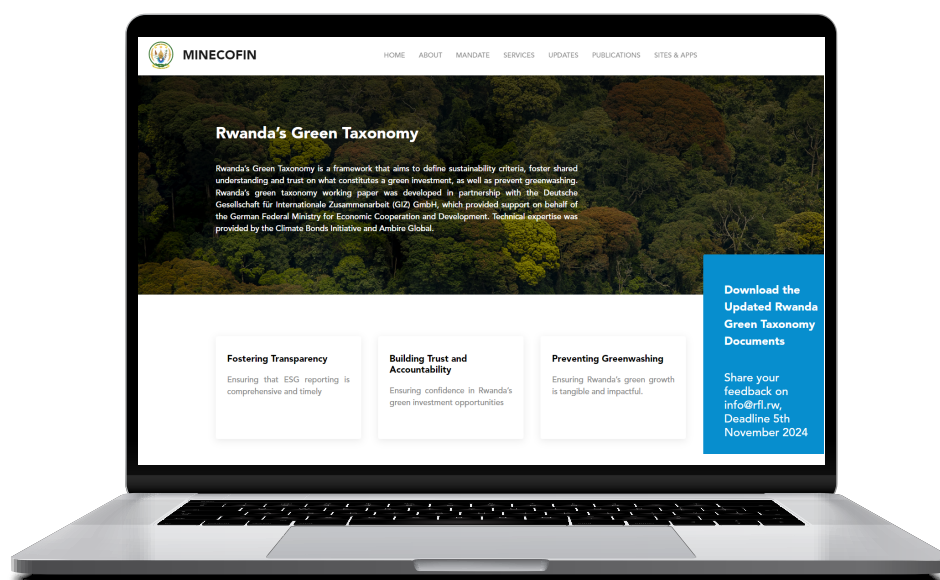
Source: Authors.

## Consultation and Feedback

Once the revised version 2.0 of the taxonomy becomes available, another round of stakeholder consultation is suggested to be organized under the leadership of the Financial Stability Council with support from the MSFA and development partners. This consultation process is critical for helping both regulators and financial institutions explore critical implementation questions and ensure that taxonomies are designed in a practical way. In addition, international financial institutions (IFIs) and other investors will also have the opportunity to provide comments on the taxonomy activities and technical criteria, with the aim of harmonizing the taxonomy with international standards where possible. Three types of consultations are recommended: (i) technical focus group consultations for categories that require some revisions; (ii) in-person consultation event for the overall taxonomy; and (iii) wider written consultations to gain formal endorsement on the taxonomy from key government agencies, industry associations, standard setters, and investors.

In addition, it is recommended to set up a dedicated taxonomy website to improve transparency of ongoing taxonomy work and facilitate the review and consultation process (Figure 6). The website could cover key information including the objective of the taxonomy, governance structure, timeline, and process for the development of the taxonomy, working versions of the taxonomy, updates on related consultation events, FAQs, references, contact information, and guidance to provide feedback. Examples of similar websites are provided here: EU Taxonomy; Thailand Taxonomy; Rwanda's Green Taxonomy.<sup>20</sup>

**Figure 6: Example of Taxonomy Website**



Source: Ministry of Finance and Economic Planning. Rwanda's Green Taxonomy. <https://www.minecofin.gov.rw/rwandagreentaxonomy#:~:text=Rwanda's%20Green%20Taxonomy%20will%20lay,in%20Africa%2C%20following%20South%20Africa.>

## Development of Reporting Template

The Bank of Mongolia officially adopted the Green loan reporting template (Figure 7) effective 2020 in accordance with the 2019 Green Taxonomy, and all commercial banks have been providing green loan reports on a quarterly basis since its enforcement. The template consists of 10 tabs, from general reporting guidance to types of loans and clients, location of projects, and types of funding sources. The overall nature and format of the Green loan reporting template is similar to the general loan reporting template prepared and submitted by banks on a quarterly basis. However, the green loan reports require the submission of loan data at a much more granular level, focusing on green subcategories and activities.

<sup>20</sup> See examples of similar websites in European Commission. EU Taxonomy for Sustainable Activities. [https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities\\_en](https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en); Bank of Thailand. Thailand Taxonomy—A Reference Tool for Sustainable Economy. <https://www.bot.or.th/en/financial-innovation/sustainable-finance/green/Thailand-Taxonomy.html>; Ministry of Finance and Economic Planning. Rwanda's Green Taxonomy. <https://www.minecofin.gov.rw/rwandagreentaxonomy#:~:text=Rwanda's%20Green%20Taxonomy%20will%20lay,in%20Africa%2C%20following%20South%20Africa.>

Figure 7: Bank of Mongolia Green Loan Reporting Template

Classification	Loan number	Outstanding loan at the beginning of the period	Loan issued						Total loan repaid
			Loan issued	Domestic project	Foreign project	Of which in Domestic currency	Domestic project	Foreign project	
11 TOTAL	1	2	3	4	5	6	7	8	
12 Renewable energy	9								
13 Subtotal	10								
14 Part due in interest	11								
15 Subtotal	12								
16 Part due in principal	13								
17 Subtotal	14								
18 Low pollution energy	15								
19 Subtotal	16								
20 Part due in interest	17								
21 Subtotal	18								
22 Part due in principal	19								
23 Subtotal	20								
24 Energy efficiency	21								
25 Subtotal	22								
26 Part due in interest	23								
27 Subtotal	24								
28 Part due in principal	25								
29 Subtotal	26								
30 Other	27								
31 Subtotal	28								
32 Part due in interest	29								
33 Subtotal	30								
34 Part due in principal	31								
35 Subtotal	32								
36 TOTAL	33								

Source: Bank of Mongolia's Green Loan Reporting Template.

The Financial Regulatory Commission (FRC) adopted the current Green Taxonomy in 2020, enforcing green loan reporting since 2021 by incorporating it into the quarterly financial performance reporting requirements of nonbank financial institutions (NBFIs) and/or microfinance institutions. The FRC's green loan reporting template (Figure 8) is simpler in format, and the NBFI supervision division is planning to update the green loan reporting

Figure 8: Financial Regulatory Commission Green Loan Reporting Template

MONGOLIAN GREEN TAXONOMY 8 SECTORS	Loan issued		Loan repaid		Outstanding at the end of the period	
	Amount	Number of borrowers	Amount	Number of borrowers	Amount	Number of borrowers
1 Renewable energy						
2 Low pollution energy						
3 Energy efficiency						
4 Green buildings						
5 Pollution prevention and control						
6 Sustainable water and waste use						
7 Sustainable agriculture, land use, forestry and eco tourism						
8 Clean transport						
Of which:						
Vehicle age is 0-5 years						
Vehicle age is 5-10 years						
Vehicle age is 10+ years						
TOTAL						

Source: Financial Regulatory Commission.



template format, extending the eight core sectors into 12 sectors to align with the Mongolia SDG Finance Taxonomy framework, targeting to release this change in Q4 2024. The FRC green loan share report is presented as a subsection of the NBFIs Integrated Financial Report issued on a quarterly basis. The green loan report shows green loan issuance in the reporting period, number of borrowers, total repayment balance, total outstanding green loan balance, and nonperforming loan (NPL) ratio.

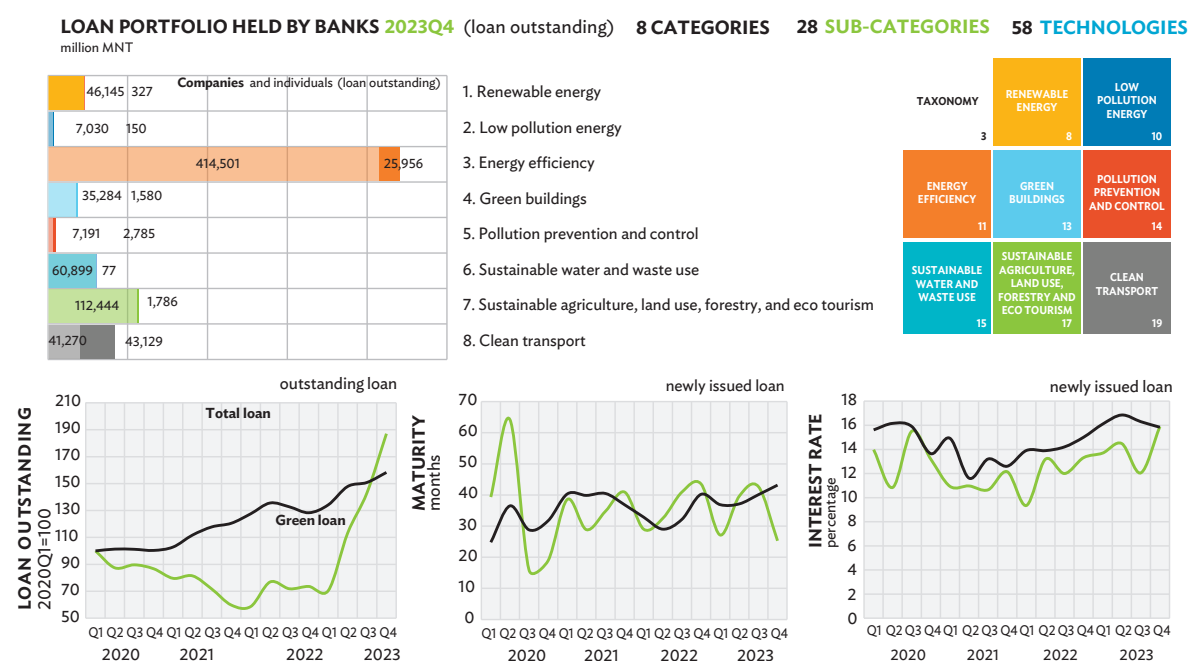
In preparation for the adoption of the Mongolia SDG Finance Taxonomy starting 2025, the project team engaged with the Bank of Mongolia and drafted an updated reporting template in line with the Mongolia SDG Finance Taxonomy framework. However, since the taxonomy is expected to go through some revisions as part of the development of version 2.0, the reporting template will need to be adjusted accordingly. The following are some additional considerations and suggestions to improve current green and social loan reporting practices in line with the new taxonomy:

- **Improve reporting format.** The preparation of green loan reports by banks is a time-consuming and manual task. With the expansion of the current taxonomy into social categories, the time required for the preparation of the report will increase significantly, especially until the market builds enough capacity and internal tracking systems to identify social transactions. Therefore, the reporting template and format could be simplified or improved to focus on the most critical information.<sup>21</sup>
- **Automate reporting.** The two select pilot banks have relatively advanced internal loan tracking and reporting systems where the 2019 Green Taxonomy is already fully integrated. However, some other banks and NBFIs with limited internal resources and capacity are still facing challenges with tracking, managing, and reporting green use of proceeds. One way to assist with this is to automate and add smart algorithms to the current Excel reporting template (e.g., automatically populating previous quarter balance and data), eliminating the need to do reconciliations each time the report is prepared. Moving forward, integrated, digital systems that allow for regular and/or real-time reporting of green and social loans, together with their impact, could be explored to reduce the time and cost associated with green loan report preparation for both financial institutions and regulators.
- **Add impact reporting.** So far, green loan reports only require financial institutions to report the balance of green loans. For future reporting in line with the Mongolia SDG Finance Taxonomy, it is suggested to consider adding a few voluntary aggregate and/or portfolio-level indicators related to key SDG impact areas to start measuring the impact and outcomes of sustainable investments at the sector level, while also ensuring the issuance of green loans in line with international standards and avoiding any potential green or social washing. Some key indicators may include
  - Annual amount of GHG emissions avoided or reduced (tons of carbon dioxide equivalent)
  - Annual amount of energy saved (kilowatt-hour)
  - Annual amount of water saved (liter)
  - Annual amount of waste properly recycled, reused, or recovered (ton)
  - Number of people with access to essential services
  - Number of additional SDG-aligned jobs created
  - Other indicators

<sup>21</sup> See, for example, [National Bank of Georgia. Green Loan Monthly Reporting Template.](#)

- Improve aggregate information disclosure.** Analyzing the green loan data provided by banks, the Bank of Mongolia presents sector and aggregate green loan data on its green loan dashboard on a quarterly basis (Figure 9). The dashboard in both English and Mongolian is a useful source for all stakeholders including financial institutions, investors, and policymakers, presenting the core performance of green loans, sector green loan disbursements and shares in all 56 eligible activities, types of funding sources, NPL ratio, and average loan interest rates in comparison to nongreen loan interest rates. The dashboard by the Bank of Mongolia and the FRC will need to be updated with the new categories of the new taxonomy and allow for separate analysis of green, social, and combined or SDG-related lending activities. It is also suggested to add more comparisons to regular loan issuances to better compare the growth and investment gap or potential of green loans in key economic sectors. Furthermore, analysis of financial sector-level green and social lending is required to fully track sustainable financial flows through various instruments including bank and NBFI loans, bonds, and equity investments.

**Figure 9: Bank of Mongolia Green Loan Dashboard**

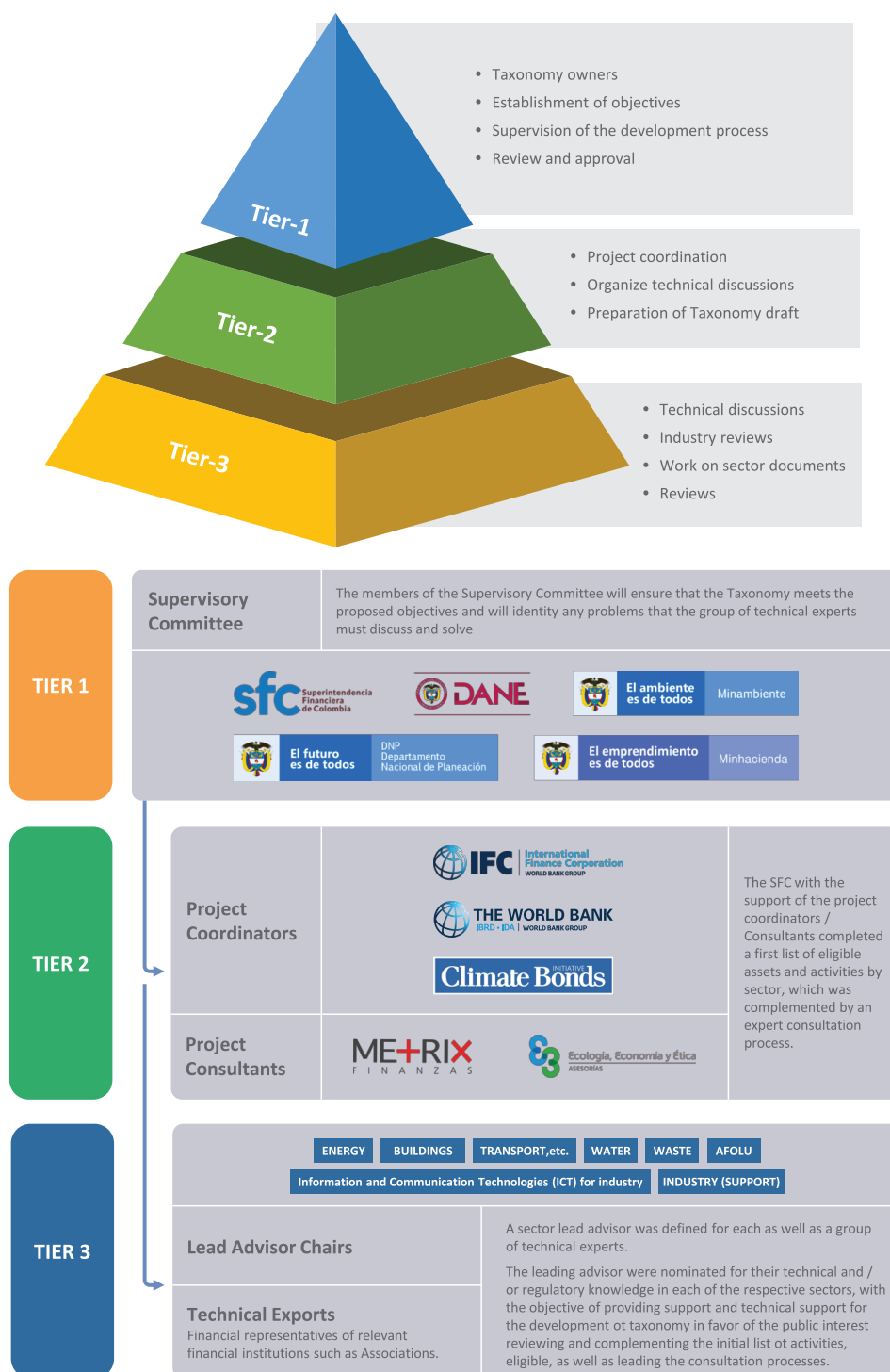


Source: Bank of Mongolia. Green Loan Dashboard (mongolbank.mn).

## Setup of Taxonomy Governance Structure for Continuous Improvement

Moving into the implementation phase of the taxonomy, a clear governance structure is essential to ensure clear ownership and accountability by adopting institutions, establish a process to respond to stakeholder grievances and suggestions, and define a timeline and approach for continuous review and update of the taxonomy in response to global trends; national priorities and targets; technology developments; and market adoption lessons, good practices, and challenges. In some countries, a three-tier governance structure is emerging as a good example for taxonomy governance as shown in Figure 10.

Figure 10: Taxonomy Governance Structure Example



Source: Sustainable Banking and Finance Network. 2024. *SBFN Toolkit: Sustainable Finance Taxonomies*.

For the Mongolia SDG Finance Taxonomy governance structure, the existing collaboration between the Financial Stability Council, MSFA, UNDP, and ADB could be leveraged to create a formal coordination and governance platform in line with international best practices (Table 19).

**Table 19: Suggested Governance Structure for the Mongolia Sustainable Development Goal Finance Taxonomy**

Tier	Main Role	Possible Entity in Charge
Tier 1	<ul style="list-style-type: none"> <li>• Taxonomy ownership and oversight</li> <li>• Alignment with wider sustainable finance policies and strategies</li> <li>• Supervision of the development process</li> <li>• Review and approval</li> </ul>	Financial Stability Council
Tier 2	<ul style="list-style-type: none"> <li>• Taxonomy drafting and revision coordination</li> <li>• Presentation and regular update to the Financial Stability Council</li> <li>• Organizing of technical expert group meetings and wider consultations</li> <li>• Regular tracking of relevant global and national developments that could be related to the taxonomy</li> <li>• Response to feedback and questions regarding the taxonomy</li> <li>• Maintenance of taxonomy website</li> </ul>	MSFA with assistance from UNDP and ADB
Tier 3	<ul style="list-style-type: none"> <li>• Technical discussions and review of feedback and comments</li> <li>• Review and update of taxonomy categories and technical criteria</li> <li>• Development of sector guidelines</li> <li>• Presentations and trainings where needed</li> </ul>	Technical WGs under MSFA

ADB = Asian Development Bank, MSFA = Mongolian Sustainable Finance Association, UNDP = United Nations Development Programme, WG = working group.

Source: Adopted from the Sustainable Banking and Finance Network. 2024. *SBFN Toolkit: Sustainable Finance Taxonomies*.

## Development of Guidelines, Tools, and Capacity

While the overall capacity of financial institutions to measure sustainable assets is improving, assessing and reporting the various environmental and social benefits of projects (especially smaller transactions) are still considered challenging for most financiers, requiring support in terms of standardized lending and impact measurement guidelines, databases, digital-based tools, and capacity-building programs. Given the complexity of the new Mongolia SDG Finance Taxonomy, enough time and resources need to be allocated to support staff within the implementing agencies to fully understand how the taxonomy works and how it will be implemented as part of daily financing processes. At a minimum, it is recommended to put in place the following guidelines, trainings, and resources to assist financial institutions and other users in the adoption of the taxonomy:

- **Overall standard or guideline to issue green and social loans in line with the new taxonomy.** Currently, there is no green loan issuance standard or reference guide available for the use of financial institutions. Major financial institutions are mainly following international best practices such as the Green Loan or Bond Principles. Because of the absence of a common standard (or minimum requirement), there are some potential risks related to the misuse of the taxonomy in the future. The development of a green and social loan issuance guideline in line with the International Capital Market Association and Loan Market Association's Green, Social, and Sustainability loan frameworks lending guidelines could reduce this risk by providing a common approach for financial institutions to follow.

- **Sector guidelines.** Common challenges that were observed from the introduction of the 2019 Green Taxonomy include the absence of aligned methodologies and standards for asset identification and impact assessments; underdevelopment of sector thresholds, screening criteria, baselines, and standards; lack of local technical experts and verification providers; and a general lack of environmental and social data by taxonomy sectors or categories. A possible mitigation measure for this could be the development of sector-specific guidelines supporting the taxonomy. Currently, the MSFA is working on the development of sector guidelines for energy-efficient appliances, and water- and waste-related activities. For a more user-friendly format, the taxonomy and sector guidelines can also be introduced as a digital tagging or review tool similar to the [European Investment Bank Green Checker based on the European Union Taxonomy](#). The pilot banks also mentioned the usefulness of developing practical templates aligned with the Mongolia SDG Finance Taxonomy that can be used by relationship managers to assist in green and social loan identification and due diligence processes.
- **Shared taxonomy-aligned technology and product database.** In addition to the design of sector guidelines, creating a database or platform to review and identify standardized taxonomy-aligned technologies and products could help reduce the eligibility assessment and impact measurement, reporting and verification cost, and processes for smaller sustainable finance transactions, especially those linked to consumer and/or retail loans. This could also support the issuance of sustainable loans by microfinance institutions. An existing example of a similar platform is the [European Bank for Reconstruction and Development Green Technology Selector](#) maintained under the Green Economy Financing Facility. This database could be further expanded by adding eligible technologies locally produced or imported from various countries including the People's Republic of China and Japan as a priority.
- **Capacity building.** Raising awareness and building capacity of financial institutions staff at various levels is key to the successful adoption of the new taxonomy. Standardized training modules and expert trainers need to be prepared for various target groups such as senior and middle managers, sustainable finance teams, and frontline officers and relationship managers who directly engage with clients. Financial regulators also need to build internal capacity to supervise the new taxonomy adoption. Furthermore, clients, companies, and the general public should understand the new taxonomy to assess eligibility of proposed projects and investments. This requires a systematic capacity-building approach for a broad mix of target groups, through in person and online trainings.

## Strengthening of Policy Incentives and Enforcement Mechanisms

Policy incentives or requirements are among the main tools that can be used by regulators to encourage or require use of taxonomies. There are a variety of financial and nonfinancial incentives currently being used across the world such as taxonomy-aligned reporting and disclosure requirements; mandatory performance targets (e.g., allocation of 10% of overall portfolio for green and/or social financing); refinance schemes in line with the taxonomy; grants to subsidize measurement, reporting, and verification costs related to the issuance of green and/or social loans;<sup>22</sup> and macroprudential incentives (e.g., differentiated risk weights). While some of these incentives and mechanisms are introduced by Mongolian financial regulators, the scale-up of SDG-aligned investments depends on stronger alignment of financial sector policies.

Table 20 offers an overall timeline for the revision and implementation of the new Mongolia SDG Finance Taxonomy.

<sup>22</sup> Monetary Authority of Singapore. Sustainable Loan Grant Scheme. <https://www.mas.gov.sg/schemes-and-initiatives/sustainable-loan-grant-scheme>.

**Table 20: Suggested Overall Timeline for the Revision and Adoption of the Mongolia Sustainable Development Goal Finance Taxonomy**

Objective	Action	Led by	Supported by	Timeline
1. Revision	<ul style="list-style-type: none"> <li>Revision of Mongolia SDG Finance Taxonomy</li> <li>Technical focus group meetings with MSFA members and sector experts</li> <li>Development of draft Mongolia SDG Finance Taxonomy reporting template</li> </ul>	FSC, MSFA	UNDP, ADB	Apr–Jun
2. Reporting and guidance	<ul style="list-style-type: none"> <li>Develop the new taxonomy reporting template and consult with reporting entities on complexity, readiness of the report generation, data entry, functionality</li> <li>Develop taxonomy user guidelines in line with green and social loan principles</li> <li>Release a dedicated web page for the Mongolia SDG Finance Taxonomy (one-stop online toolbox, relevant information, guidance, and public feedback button)</li> </ul>	BOM, FRC	MSFA, UNDP, ADB	May–Jun
3. Governance structure	<ul style="list-style-type: none"> <li>Design of new taxonomy governance structure</li> <li>Nomination or identification of organizations and technical experts</li> </ul>	FSC, MSFA	UNDP, ADB	Aug–Sep
4. Consultation	<ul style="list-style-type: none"> <li>Written consultation involving key government agencies, investors, and industry associations</li> <li>In-person consultation event</li> <li>Open public consultation on the new taxonomy website</li> <li>Incorporation of feedback</li> <li>No-objection consultation on revised version 2.0 among FSC members and MSFA members</li> </ul>	FSC, MSFA	UNDP, ADB	Aug–Sep
5. Approval and dissemination	<ul style="list-style-type: none"> <li>Approval of Mongolia SDG Finance Taxonomy version 2.0 by FSC</li> <li>Approval of new taxonomy governance structure</li> <li>Public dissemination and awareness activities</li> </ul>	FSC	MSFA, UNDP, ADB	Oct
6. Supporting tools and trainings	<ul style="list-style-type: none"> <li>Design and development of digital eligibility screening tool and technology database</li> <li>Development of sector guidelines, templates, and impact assessment tools</li> <li>Development of capacity building program</li> </ul>	FSC	MSFA, UNDP, ADB, other partners	2024–2025
7. Enforcement and incentives	<ul style="list-style-type: none"> <li>Introduction of incentives and enforcement mechanisms to support adoption of the new taxonomy</li> </ul>	FSC		2024–2025

ADB = Asian Development Bank, BOM = Bank of Mongolia, FRC = Financial Regulatory Commission, FSC = Financial Stability Council, MSFA = Mongolian Sustainable Finance Association, SDG = Sustainable Development Goal, UNDP = United Nations Development Programme.

Source: Authors

## 3.2 Action Plan for Financial Institutions to Prepare for the Sustainable Development Goal Taxonomy Adoption

The Mongolia SDG Finance Taxonomy is a critical framework that allows financial institutions to identify and measure SDG-related investment opportunities; track, classify, report, and benchmark their SDG financing flows in a comparable format; and define investment and business targets and strategies. However, it is important to recognize that this is a learning process for financial institutions, market participants, regulators, and all others. Therefore, sufficient time and resources need to be planned and allocated to prepare for the adoption of the new taxonomy by financial institutions. Below are some common steps recommended for financial institutions, in line with the overall taxonomy revision and approval process outlined above.

### Review and Feedback

Financial institutions have the opportunity to provide comments and feedback on the pilot version of the Mongolia SDG Finance Taxonomy before its official adoption in 2025. Therefore, financial institutions are encouraged to seize this opportunity; dedicate sufficient time for a detailed review of the taxonomy; and provide recommendations to improve the taxonomy structure, activities, and technical criteria (e.g., aligning with international investor requirements). To prepare for the new reporting requirements in line with the new taxonomy, financial institutions could prepare a test assessment and reporting process to identify practical recommendations for improvement and spot internal credit processing systems, policies, and other documents that require changes. Financial institutions are also encouraged to actively participate in the technical working group meetings and discussions to not only contribute to the taxonomy development process, but also build understanding of relevant technical standards and processes.

### Update of Internal Policies and Systems

Once the required changes are identified, financial institutions are expected to either integrate or newly develop policies and systems to allow for the identification, issuance, tracking and reporting of social loans, similar to green loan issuance practices.

The issuance of social loans should follow internationally recognized standards such as the Social Loan Principles (SLP) issued by the Loan Market Association. The following are the main components of the SLP that financial institutions are expected to integrate into their policies and processes:

**Use of proceeds.** The fundamental determinant of a social loan is the utilization of the loan proceeds for social projects, which should be appropriately described in the finance documents and, if applicable, marketing materials for the financing and/or social loan framework. All designated social projects should provide clear benefits of a social nature, which will be assessed and, where feasible, quantified by the borrower. The Mongolia SDG Finance Taxonomy offers a framework for financial institutions to identify and classify social projects. Where funds are to be used, in whole or part, for refinancing, it is recommended that borrowers provide an estimate of the share of financing versus refinancing (Box 1 and Box 2).



### Box 1: Target Population of Social Projects

Social projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes including for, but not limited to, a target population. A social issue may threaten, hinder, or damage the well-being of society or of a specific target population. To avoid doubt, it is acknowledged that the definition of target population can vary depending on local contexts and that, in some cases, such target population may also be served by addressing the general public. Examples of target populations include, but are not limited to, those who are

- living below the poverty line;
- excluded and/or marginalized populations and/or communities;
- people with disabilities;
- migrants and/or displaced persons;
- undereducated (including illiteracy and digital illiteracy);
- underserved, owing to a lack of quality access to essential goods and services;
- unemployed;
- women and/or sexual and gender minorities;
- aging populations and/or vulnerable youths; and
- other vulnerable groups, including as a result of natural disasters.

Providing evidence and rationale behind population targeting—e.g., explaining why these individuals or households are deemed vulnerable—is required usually by investors (quantitative information about access to employment, poverty, social inclusion, level of education, health conditions, etc.).

Source: Loan Market Association. *Social Loan Principles*. [https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf).

### Box 2: Co-Benefits of Social Loans

Certain eligible social projects may have environmental co-benefits. The classification of a use of proceeds loan as a social loan should be determined by the borrower based on the primary objective of the underlying projects.

Source: Loan Market Association. *Social Loan Principles*. [https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf).

**Process for project evaluation and selection.** The borrower of a social loan should clearly communicate to its lenders the following:

- the social objective(s) and the target population of the social projects, and
- the process by which the borrower determines how the project(s) to be funded fit within the Mongolia SDG Finance Taxonomy and other equivalent standards.

**Management of proceeds.** The proceeds of a social loan should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product. Management of proceeds should be attested to by the borrower in a formal internal process linked to the borrower's lending and investment operations for social projects. To avoid doubt, a facility



(or loan with different use of proceeds) cannot be labeled as social if it includes a social and nonsocial tranche(s); the social label applies only to the tranches and/or activities aligned to the four core components of the SLP. Financial institutions need to ensure that the use of proceeds of social loans issued is properly tracked using project documentation, reports, and onsite checks.

**Reporting.** Borrowers should make, and keep, readily available up-to-date information on the use of proceeds, which should be renewed annually until the social loan is fully drawn and to be maintained on a current basis in the event of material developments. This annual report should include a list of the social projects to which the social loan proceeds have been allocated and a brief description of the projects, target population, amounts allocated, and their expected (and, where possible, achieved) impact (Box 3). Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the SLP recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g., percentage allocated to certain project categories). Transparency is of particular value in communicating the expected and/or achieved impact of projects. The SLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g., number of beneficiaries, especially from target populations) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination (Box 4).

### Box 3: Selection of Impact Metrics

The Mongolia Sustainable Development Goal (SDG) Finance Taxonomy offers a set of key performance indicators (KPIs) that financial institutions could consider using for financing activities. These KPIs were drawn from commonly used international KPI frameworks, guidance, and examples such as the International Capital Market Association (ICMA) Harmonized Framework for Impact Reporting for Social Bonds, ICMA High Level Mapping of the SDGs, Harmonized Indicators for Private Sector Operations, ICMA KPI Database, and [IRIS+](https://iris.thegiin.org/).

Source: ICMA. 2022. *Harmonised Framework for Impact Reporting for Social Bonds*. [https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf](https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf); IRIS. <https://iris.thegiin.org/>.

### Box 4: Data Management

Good data management is foundational to developing accurate impact reports. Therefore, a data collection and management process and system are recommended to be developed outlining the procedures to document, collect, consolidate, report, and archive relevant impact data. Ability to carry impact analysis and draw impact conclusions from historical data and public data with third-party sources are key. In addition, a mechanism for quality assurance needs to be planned to review and conduct general quality checks of the data management.

Source: Authors.

The impacts resulting from the financed projects should be properly documented and integrated into internal (e.g., board reports) and external reports (e.g., annual reports). Financed projects can also be ring-fenced to build a portfolio of social projects that could be later refinanced or shared with future investors as an example of readily available pipelines. Appendix 2 provides an example of a social loan reporting template that can be used for both internal and external reporting. Main reporting data points include

- Project category including eligible category and subcategory of the Mongolia SDG Finance Taxonomy, and relevant SDGs that are addressed by the financed portfolio or project; eligible target populations;
- Financing information including the amount of signed and/or committed to the project or portfolio, share of Mongolia SDG Finance Taxonomy-aligned proceeds, tenor, allocated amount to date; and
- Reporting of the output, outcome, and impact of projects financed, including a transparent description of the method of estimation of the impacts.

**Verification.** Verification of social loan allocations and impact can provide assurance and accuracy for investors and other users. To verify the impact of green project finance, a transaction or portfolio-level approach can be considered depending on the size and complexity of the project. Given that the loan market is traditionally a relationship-driven market and therefore lenders are likely to have a broad working knowledge of the borrower and its activities, self-certification by a borrower, which has demonstrated or developed the internal expertise to confirm alignment of the social loan with the key features of the SLP, may be sufficient. Borrowers are recommended to document thoroughly such expertise, including the related internal processes and expertise of their staff. Where required, independent and technical verifiers should be engaged in the verification.

## Training

A further requirement for successful taxonomy implementation is the education of employees on the framework and technical criteria in relation to the identification and assessment of green and social loans. Designing and rolling out a comprehensive capacity-building program targeting various levels of the financial institution ranging from frontline officers and sales managers to the board and clients are critical to ensure success. Training should not only cover the technical aspects of green and social finance and projects but should also signal the need and benefits of green and social investments for the key client. Trainings need to be regularly conducted, requiring careful planning and sufficient allocation of resources. In addition, the creation of a specialized team (e.g., a dedicated department or various champions from different units) is often demonstrated as an effective way to mainstream sustainable finance understanding among financial institution staff, allowing various staff to get guidance and consultancy from the specialized trainers and experts. The inclusion of sustainable lending goals in the KPIs of relevant staff can also motivate and encourage performance.

## Pilot Projects, Strategy, and Scale-Up

Once possible social activities and measurement, reporting, and verification approaches are defined, targeted pilot projects and financial products can be designed and offered to the market. The pilot phase intends to test the product in a way that allows for enough flexibility to make changes to the product, where needed and based on lessons from the pilot rollout. For these types of pilots, engagement with various stakeholders including clients, industry associations, policymakers, technical experts, technology providers, and international organizations is critical to reflect their needs, access best practices and resources, and identify opportunities to link the pilot to existing efforts by partners, for greater efficiency and sharing of costs and responsibilities. Therefore, regular monitoring of the social finance landscape in Mongolia and worldwide is an important part of designing and

improving new products. After the successful demonstration of further market potential and increased financing opportunities, the financial institution could consider developing a sector-specific social investment strategy or integrating relevant targets into existing strategies and policies. Figure 11 provides an overview of the key elements required for the design of a sustainable finance framework. Table 21 outlines the suggested steps and timeline for the financial institutions to prepare for adoption of the Mongolia SDG Finance Taxonomy.

**Figure 11: Key Elements of a Sustainable Finance Framework**



Source: Authors.

**Table 21: Suggested Steps for Financial Institutions to Prepare for the Adoption of the Mongolia Sustainable Development Goal Finance Taxonomy**

Objective	Action	Timeline
Review and feedback	<ul style="list-style-type: none"> <li>Review in detail the Mongolia Sustainable Development Goal Finance Taxonomy draft version</li> <li>Test the taxonomy on loan assessment and reporting</li> <li>Provide feedback for the taxonomy revision</li> <li>Actively participate in consultations and focus group meetings</li> </ul>	Apr–Sep
Update of internal policies and systems	<ul style="list-style-type: none"> <li>Review and revision of relevant policies, procedures, templates in line with the Social Loan Principles</li> <li>Review and revision of relevant credit systems</li> <li>Review and revision of relevant loan reporting systems</li> </ul>	Sep–Nov
Training	<ul style="list-style-type: none"> <li>Sustainable finance core group and champions training</li> <li>Senior or middle managers training</li> <li>Relationship managers and business teams training</li> <li>Client training</li> </ul>	Aug–Dec
Pilots, strategy, and scale-up	<ul style="list-style-type: none"> <li>Design of pilot projects/transactions</li> <li>Estimation of market potential and design of sector strategies</li> <li>Scale up and access funding</li> </ul>	2024–2025

Source: Authors.

# APPENDIX 1

## Bank Questionnaire

### Sustainable Financing Questionnaire

Please note that this questionnaire does not apply to gender-focused financial products.

4.1 Sustainable financing policies and goals	Score
<b>4.1.1 Does your organization have a strategic plan and set portfolio targets to increase your green, social and sustainability-linked loan portfolio?</b>	
There is no portfolio target or strategic plan. (=0)	<i>Please input the score that applies to your organization</i>
Currently setting a portfolio target and developing a strategic plan. (=1)	
There is a portfolio target and strategic plan in place. (=2)	
Please provide more information regarding your institution's portfolio target and strategic plan for the reporting year: Green loan portfolio target: Social loan portfolio target: Sustainability/ESG-linked/transition loan portfolio target:	
<b>4.1.2 Please choose the applicable sustainable financing policies and procedures:</b>	
There are no policies or procedures governing the green, social, sustainable/ ESG lending process. (=0)	<i>Please input the score that applies to your organization</i>
Currently developing policies and procedures to govern the green, social, sustainability/ ESG-linked lending process. (=1)	
There are policies and procedures governing the green, social, sustainability/ ESG-linked lending process. (=3)	
There are policies and procedures governing the green, social, sustainability/ ESG-linked lending process and has been third-party verified. (=4)	
There are policies, procedures, and detailed methodologies governing the green, social, sustainability/ESG-linked lending process. (=5)	
Please provide the list of applicable policies, procedures (e.g., sector guidelines) and detailed methodologies (adoption year, revision year).	

<b>4.1.3 Please choose the applicable policy and procedure types:</b>	
<b>Type:</b>	
Green loan policy (stand-alone/integrated) (=2)	Please input the score that applies to your organization
Social loan policy (stand-alone/integrated) (=2)	Please input the score that applies to your organization
Sustainability/ESG-linked /transition loan policy (stand-alone/integrated) (=2)	Please input the score that applies to your organization
<b>Financial instruments:</b>	
Social bond (=2)	Please input the score that applies to your organization
Social loan (=2)	Please input the score that applies to your organization
Social savings and other products (=2)	Please input the score that applies to your organization
Please provide information about the applicable products and policies.	
<b>4.1.4 Please choose the national and global goals, policies, plans or standards that your institution's sustainable financing policies and procedures make reference to (can choose more than 1):</b>	
Paris Agreement (=0.5)	Please input the score that applies to your organization
UN Sustainable Development Goals (SDGs) (=0.5)	Please input the score that applies to your organization
The Mongolian sustainable finance principles and accompanying guidelines (=0.5)	Please input the score that applies to your organization
The Mongolian sustainable finance roadmap (=0.5)	Please input the score that applies to your organization
Green loan/bond principles (=1)	Please input the score that applies to your organization
Others:	Please input the score that applies to your organization
Note:	
<b>4.2 Sustainable financing structure and capacity</b>	<b>Score</b>
<b>4.2.1 Does your organization have a designated unit or role responsible for sustainable financing?</b>	
There is no designated unit or role responsible for sustainable financing. (=0)	Please input the score that applies to your organization
An employee, in addition to their regular duties, voluntarily takes on responsibilities related to sustainable financing. (=2)	Please input the score that applies to your organization
An employee, in addition to their regular duties, takes on responsibilities related to sustainable financing, which are officially approved and reflected in their job description. (=4)	
There is a designated unit or role responsible for sustainable financing. (=5)	
Please provide more information regarding the unit or individual responsible for sustainable financing and diagram of the lending process.	

<b>4.2.2 Please indicate the capacity and training of staff responsible for sustainable financing:</b>	
There is no training provided for staff responsible for sustainable financing. (=0)	Please input the score that applies to your organization
Staff responsible for sustainable financing receive training conducted by the Mongolian Sustainable Finance Association and other general capacity building. (=1)	
Staff responsible for sustainable financing regularly receive relevant professional training and capacity building. (=2)	
Please indicate what topics are included in training (green, social, sustainability/ESG-linked loans, gender, etc.).	
<b>4.2.3 Please indicate the capacity and training of other staff involved in the sustainable financing process:</b>	
There is regular training provided for loan officers. (=1)	Please input the score that applies to your organization
There is regular training provided for product development employees. (=1)	
There is regular training provided for credit committee members. (=1)	
Please indicate what topics are included in training (green, social, sustainability/ESG-linked loans, gender, etc.).	
<b>4.3 Sustainable products, services, and lending</b>	
	<b>Score</b>
<b>4.3.1 Please indicate the green, social, sustainability/ESG-linked products that your institution offers:</b>	
<b>Product name</b>	<b>Taxonomy category</b>
	Please choose
	Please choose
	Please choose
	Please choose
	Please choose
Scoring methodology: 1–2 products (5 points), 3–6 products (10 points), 7+ products (15 points)	
<b>4.3.2 Is information about your green, social, sustainability-linked products publicly available?</b>	
Not publicly available (=0)	Please input the score that applies to your organization
Publicly available (=1)	
Please provide the links to the publicly available information:	
<b>4.3.3 Are there any special terms or incentives (such as low interest rates, long term loans) offered to promote green, social and sustainability linked lending?</b>	
No (=0)	Please input the score that applies to your organization
Yes (=2)	
If yes, please provide more information on the special terms offered?	

<b>4.3.4 Please indicate the percentage of green loans issued by your institution in the reporting year:</b>	
No green loans were issued. (=0)	Please input the score that applies to your organization
Some green loans were issued under certain project loans and programs but there is no quantitative data available. (=5)	
Up to 3 percent of the total loan portfolio was comprised of green loans. (=10)	
4–6 percent of the total loan portfolio was comprised of green loans. (=15)	
7–10 percent of the total loan portfolio was comprised of green loans. (=20)	
More than 10 percent of the total loan portfolio was comprised of green loans. (=25)	
Total loan portfolio (in millions MNT): Total green loan portfolio (in millions MNT):	
<b>4.3.5 Please indicate the percentage of social loans issued by your institution in the reporting year:</b>	
No social loans were issued. (=0)	Please input the score that applies to your organization
Some social loans were issued under certain project loans and programs but there is no quantitative data available. (=5)	
Up to 3 percent of the total loan portfolio was comprised of social loans. (=10)	
4–6 percent of the total loan portfolio was comprised of social loans. (=15)	
7–10 percent of the total loan portfolio was comprised of social loans. (=20)	
More than 10 percent of the total loan portfolio was comprised of social loans. (=25)	
Total loan portfolio (in millions MNT): Total social loan portfolio (in millions MNT):	
<b>4.3.6 Please describe other types of sustainable products offered by your organization (card, savings, etc.).</b>	
<b>Product name</b>	<b>Criteria</b>
<b>4.4 Methodology for identifying projects eligible for sustainable financing</b>	<b>Score</b>
<b>4.4.1 Methodology for identifying green, social, and sustainable loans/activities:</b>	
There is no methodology for identifying green, social and sustainable loans/activities. (=0)	
There is a methodology for identifying green, social and sustainable loans/activities. (=2)	
Please provide more information about the relevant methodology or standards (taxonomy, investor requirements, organization's own developed methodology).	



<b>4.4.2 Process for identifying green, social, and sustainable loans/activities:</b>	
Identifying green, social and sustainable loans and activities has not been officially integrated into the lending process. (=0)	
The organization manually identifies green, social and sustainable loans and activities. (=1)	
The organization has automated the green, social, and sustainable loan/activity identification process and the whole loan portfolio can be filtered. (=3)	
Please provide more information about the relevant methodology or standards (taxonomy, investor requirements, organization's own developed methodology)	
<b>4.4.3 Please describe the lending process for green, social and sustainable loans and activities:</b>	
Note:	
<b>4.5 Measuring the impact of sustainable loans and projects</b>	
	<b>Score</b>
<b>4.5.1 Please describe the organization's system for measuring the impact of sustainable projects:</b>	
Does not measure the impact of sustainable loans/projects (=0)	<i>Please describe how the organization measures the impact of sustainable loans and projects.</i>
Measures the impact of some sustainable loans/projects (=2)	
Measures the impact of all sustainable loans/projects (=4)	
Measures the impact of all sustainable loans/projects and is third-party verified (=5)	
<i>Please indicate the impact of green and sustainable loans issued in the reporting year: Unit of measurement</i>	
Greenhouse gas reduced	
Energy saved	
Water saved	
Air pollution reduced	
Soil pollution reduced	
Waste recycled	
Others	
Notes (challenges, methodologies, etc.).	
<b>4.5.2 Please indicate how the organization's monitors and verifies the impact of sustainable finance loans and projects:</b>	
The organization does not take any measures to monitor sustainable loan impacts. (=0)	
Sustainable loan impacts are monitored through sampling. (=1)	
Sustainable loan impacts are monitored through reporting. (=2)	
Sustainable loan impacts are monitored through reporting and verified by site visits. (=3)	
Sustainable loan impacts are monitored through reporting and verified by site visits. Compliance with terms and conditions is monitored at the portfolio level, and compliance levels and implementation are recorded. (=4)	
Sustainable loan impacts are monitored through reporting and verified by site visits. Compliance with terms and conditions is monitored at the portfolio level, and compliance levels and implementation are recorded. In case of insufficient compliance, recommendations and warnings are given, and if necessary, measures are taken up to the point of stopping funding. (=5)	

4.6 Monitoring and reporting of sustainable loans and projects	Score
<b>4.6.1 Please indicate your organization's sustainable finance monitoring system:</b>	
Credit scoring and special terms and conditions are determined depending on the green loan's level of impact (e.g., projects with high energy efficiency receive lower interest rates or longer loan terms). (=3)	
The sustainable loan portfolio is evaluated at the total loan portfolio level and total loan amount and impacts are monitored and reported internally. (=3)	
Data and statistics on sustainable loan amounts and impacts are included in external reports and information. (=1)	
<b>4.6.2 Please indicate the NPL ratio of the sustainable loan portfolio.</b>	
No quantitative data available. (=0)	
Quantitative data available, recorded and monitored. (=1)	
Please indicate the NPL ratio of the sustainable loan portfolio and total loan portfolio. Also, please provide more information about real cases of nonperforming loans and risky sectors:	
<b>4.6.3 Please indicate how the organization monitors the implementation of sustainable loan portfolio targets and policies:</b>	
Implementation and assessment of the sustainable loan portfolio targets and policies are monitored at the designated unit level. (=0)	
Implementation and assessment of the sustainable loan portfolio targets and policies are monitored at the internal audit level. (=3)	
Implementation and assessment of the sustainable loan portfolio targets and policies are monitored at the management level and are tied to employee performance and KPIs. (=5)	

# Sample Sustainable Development Goal Finance Taxonomy Reporting Template

[illegible]





## Mongolia Sustainable Development Goal Finance Taxonomy Pilot

The Mongolia Sustainable Development Goal Finance Taxonomy is expected to be a main tool to measure private sector financial flows for sustainable development. In Mongolia, banks and microfinance institutions are expected to start to track financial flows in line with the new taxonomy from 2025, and report to the Central Bank and Financial Regulatory Commission. A pilot was conducted to test the new taxonomy in the portfolio and operations of two select local banks. The pilot aimed to provide feedback and revise and improve the taxonomy where needed. This report presents the results of the pilot.

### About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 69 members —49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



#### ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
[www.adb.org](http://www.adb.org)