MONGOLIAN SUSTAINABLE FINANCE INITIATIVE

March 3, 2014
Lagos, Nigeria
1. General Information
2. Mongolian Banking and Finance Sector
3. Key Banking Sectors and E&S Issues
4. Mongolian Sustainable Finance Initiative
5. Key Factors for Successful Implementation
General Information

- Second largest landlocked country
- GDP per capita USD 3,673 (2012)
- 2.9M population, 1.3M in Ulaanbaatar, young population
- About 40 million livestock
- Market economy since 1990
- Rich Mineral Resources (coal, copper, iron-ore, gold, uranium, molybdenum, zinc, rare metals, etc.)
  
  Oyu Tolgoi (OT): copper 36M ton, gold 1300 ton
  Tavan Tolgoi (TT): coal 6.4B ton (coking coal 1.8B ton)

- Rapid economic growth
- Underdeveloped infrastructure
- Religions: Buddhism, Shamanism, Muslim
Mongolian Financial Sector

- In 1991, a completely new 2 level banking system was established in Mongolia
- 13 commercial banks, 1 development bank, 195 small NBFIs, 162 savings & credit cooperatives, and 17 insurance companies
- 5 foreign banks have representative offices; ING, Standard Chartered Bank, and Bank of China, SMBC and BTMU
- 90-95% percent of financial sector assets are held by commercial banks
- The sector assets grew 66% y-o-y to MNT18,5bn (US$10.5bn) by the end of 2013

Source: MBA banking Industry
The four economical sectors with the highest percentages were selected as the key banking sectors, that is:

- Mining 11-12%
- Construction 12-14%
- Agriculture 12-15%
- Manufacturing 11%
The key environmental and social issues associated with the four key banking sectors are:

- Ecological degradation: biodiversity loss, air quality, soil, water;
- Pollution: soil, water, air, which will lead to climate change;
- Resource depletion: eg water;
- Community health and safety;
- Pasture land and water access loss;
- Cultural and natural heritage loss
The Mongolian Sustainable Finance Initiative

• **Mongolian Sustainable Finance Forum - May 2013**
  - Initiated by: Dutch Development Bank (FMO), Trade and Development Bank of Mongolia (TDB), International Finance Corporation (IFC), Mongolian Bankers Association (MBA) and the Banking and Finance Academy (BFA)
  - CEOs Roundtable: establishment of Sustainable Finance Working Group (SFWG) lead by MBA, development of Joint Commitment Statement

• **SFWG Kick-off Meeting - September 2013**
  - SFWG members include representatives from: all banks, Bank of Mongolia, Ministry of Environment and Green Development, and Financial Regulatory Commission
The SFWG (Working Group)
The Mongolian Sustainable Finance Initiative

- Joint Statement of Commitment - November 2013
  - All 14 banks

DEVELOPING SUSTAINABLE BANKING PRACTICES IN MONGOLIA
JOINT STATEMENT OF COMMITMENT

As financial institutions playing a major role in Mongolia’s economic development, we hereby unite to support the development of appropriate financing principles into Mongolian banking practices by committing to integrate environmental and social responsibilities into business decisions.

Whilst economic prosperity creates new opportunities, it presents us with a challenge to find solutions to a range of issues including air and water pollution, climate change, water and arable resource scarcity, environmental degradation, growing population density and poverty. At this outset of rapid economic development in Mongolia, it is pivotal that we align the rapid economic growth with environmental protection, preservation of our unique nomadic culture, our way of life, history and values, and reconcile it in harmony with sustainable livelihoods and education, health and the lifestyle of Mongolians.

We are fully confident that our joint efforts in pursuit of solutions to the pressing problems and our solidarity towards a healthy, safe, and green working and living environment will result in decisions that will, through our products and services, operations and partners and clients, lead to sustainable economic development which takes into consideration the environment and society in Mongolia.

Hence, we hereby declare our commitment to the following actions and appeal to the State Great Khural, the Cabinet, the ministries and civil society organizations, our clients and the general public for their involvement in this endeavor:

- Upholding the guiding principle of respecting nature, the environment and social responsibility when making financial decisions;
- Developing principles designed for addressing our business decisions and their impact on financial stability, environmental and social sustainability, and appealing for universal application;
- Raising awareness of the banking and financial community, customers and partner organizations with regard to our actions through effective communication, and support the expansion of sustainable development;
- Engaging in all stakeholders interested in this effort.

With the aim of acknowledging our will and commitment to the creation of sustainable economic development and calling on for the general public to join this endeavor, we are hereby signing this Joint Statement of Commitment.

November 21, 2013
Mongolian Sustainable Banking Principles (Draft) - Dec 2013
1. Protecting Our Natural Environment
2. Respecting Human Rights
3. Protecting Our Historic and Cultural Heritage
4. Promoting “Green Economy”
5. Promoting Financial Inclusion
6. Promoting Transparency and Accountability
7. Complying with a List of Items Prohibited to be Financed
8. Practice What We Preach
<table>
<thead>
<tr>
<th>Date</th>
<th>Activities</th>
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<tr>
<td>Jan - April 2014</td>
<td>• Development of Sustainable Finance Principles</td>
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<td>Jan - April 2014</td>
<td>• Development of Sector Specific Guidelines (Mining, Agriculture, Construction and Manufacturing)</td>
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<td>May - Sep 2014</td>
<td>• Stakeholders Engagement</td>
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<td>Jun - Jul 2014</td>
<td>• Finalizing principles, implementation guidelines and reporting framework</td>
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<td>Sep 2014</td>
<td>• Mongolian Sustainable Finance Forum-2</td>
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<td>Ongoing</td>
<td>• Capacity Building and awareness raising</td>
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<td>Sep 2014</td>
<td>• Adoption and launch of SF Principles (+ongoing implementation support)</td>
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Mongolian Sustainable Finance Initiative in 2014

Key factors to help the successful implementation of the initiative:

- “Good quality” policy papers (principles, sector guidelines…)
- Adoption of principles by the regulator
- Common requirements and standards for clients
- Equal participation and ownership of banks
- Capacity building (creating culture… not only for bankers but also for clients)
- Continuous commitment of senior level management of banks
Member Banks of the MSFI
THANK YOU FOR YOUR ATTENTION!