# SUSTAINABLE DEVELOPMENT REPORT 2

0

GOLOMT BANK

Juvesting for a brighter future

## About the Report

his report shows the results of the bank's work on socio-economic, environmental and welfare in 2020 within the framework of Golomt Bank's Sustainable Development Policy.

The report is prepared as a part of a strategy for sustainable business, social and environmental issues, and the creation of sustainable and satisfactory work environment.

If you have any questions or comments regarding this report or the work done, please contact us at sustainablefinance@golomtbank.com. You can also fnd information of Golomt Bank's recent work on Sustainable Development and Social Responsibility at www. golomtbank.com/en/About Us/Sustainable Development.

## Table of contents

## **GREETINGS**

06-07

Greetings from the CEO

## **BUSINESS STRATEGY**

08-11

- · Our business
- · Our participation in society
- · Sustainable development's strategic direction



Sustainable development means meeting the needs of the present without limiting the needs of the future.

In addition
to economic
development, the
efficient use of natural
resources and the
focus on health and
social issues are
signs of sustainable
development.

SUSTAINABLE DEVELOPMENT REPORT 2020 12-21

- · Sustainable finance
- · Green loan
- · Gender Equality Committee
- Cooperation
- · Customer financial security

## **SOCIETY AND ENVIRONMENT**



22-29

- · Environmentally friendly business
- · Educational activities
- · Health-oriented activities
- · Protection of traditional heritage

## SUSTAINABLE WORKPLACE



30-38

- · Satisfactory workplace
- Strengthen sustainable financing capacity training
- · Sustainable use of Natural resources

## ACHIEVEMENTS AND KEY PLANS FOR SUSTAINABLE DEVELOPMENT



39-40

- Achievements of Sustainable Finance Activities in 2020
- 2021 key plans for Sustainable Development

FIRST REPORTING ON PRINCIPLES FOR RESPONSIBLE BANKING

5

## SUSTAINABLE DEVELOPMENT REPORT

## GREETINGS FROM THE CEO

We are committed to harmonize our policies and operations with society's needs, to align our portfolio to limit global warming well below 2 degrees and to finance low-carbon, climate-resilient economy.

Dear stakeholders,

Thank you for your unwavering encouragement and support for Golomt Bank; I am pleased to present you our 1st Sustainability Report of Golomt Bank. Taking this opportunity, I'd like to extend my sincere gratitude to all our stakeholders.

The year 2020 was uniquely challenging when the whole world suffered from the COVID-19 pandemic. It has still been a tough situation for many people and businesses all over the world. I am hoping that better days are coming soon.

In the last year, we have witnessed realignment of connection between business and sustainability. Companies were increasingly focusing on understanding and managing their impact on environment and society, and developed strategies to address environmental, social and governance issues, climate risk, human rights, diversity and safety. 2020 reminded us the importance of sustainable relationship with the nature.

In 2020, Golomt Bank implemented many important sustainable activities, driving our efforts in both external and internal operations. The highlights were:

## Enhancement of the Sustainable Development Policy

We outlined the Bank's overall principles towards

environment and society at all levels of operations and aligned them with the Sustainable Development Goals and the country's National Determined Contribution.

## Improvement of Environmental and Social Risk Management

We aligned E&S risk management with IFC's risk categories and introduced E&S risk assessment by E&S risk expert in our credit approval process.

## Comprehensive training program on Sustainability for all employees

80 percent of our total employees are trained in sustainable development, green finance and E&S risk assessment.



## Management of Bank's own E&S footprints

We introduced internal waste sorting system and initiated reduction of energy and water consumption.

## Green loans development and reporting

We increased green loans and started reporting to the Bank of Mongolia in accordance with the Green Loan Taxonomy.

As a result of our continued efforts, we achieved "A" rating, a higher rating than in the previous year, in Sustainable Finance Assessment performed by Mongolian Sustainable Finance Association, Bank of Mongolia and IFC. Also, Golomt Bank was awarded as a "Featured Sustainable Finance

Bank" by Bank of Mongolia for our enhancements in E&S risk management and green financing practices.

Golomt Bank is an original signatory member of UNEP FI's "Principles for Responsible Banking" and also a member of its "Collective Commitment on Climate". We are committed to harmonize our policies and operations with society's needs, to align our portfolio to limit global warming well below 2 degrees and to finance low-carbon, climate-resilient economy. Thus, moving forward, we will extend our efforts on representing a responsible banking and implementing our commitment whilst collaborating with our clients and partners for the sustainable growth of the country. Yours sincerely,

Chief Executive Officer

Norihiko Kato



## 9

## BUSINESS STRATEGY

Golomt Bank, a leader in the Mongolian Banking sector, is the first system-wide bank in the industry, the first Mongolian Commercial Bank which introduced innovative products and services in the sector and prime in the financial market since its establishment in 1995.

## **Our business**

## **Vision**

Mongolia's global benchmark bank

## **Mission**

The genesis of prosperity

## **Strategy**

Customer centric

## **Values**



## INTEGRITY

We support fair and ethical doing and will be role models of it.



### **ACCOUNTABILITY & RESPONSIBILITY**

We take full responsibility for the consequences of our decisions, find mistakes, and learn from them.



### INNOVATION

Always learn from best practices as the world develops.



### **PASSION**

Everything we do is sincere.



## CONSISTENCY

Perseverance leads to success. We will be the right decision makers and will be true to our decisions



### COLLABORATION

We prefer team interests to personal success.



### CONTRIBUTION

Always motivate ourselves and contribute to the development of the bank and the country.



### **CUSTOMER ORIENTED**

We always put our customers first and work with simplicity.

## Our participation in society

Golomt Bank has an important role in the economic and financial stability of Mongolia. In 2020, the following contributions were made.

## Contribution to economic growth

- Best taxpayer: 119.9 billion MNT was transferred to the state budget
- The organization that created the most jobs: 2334 employees
- **Total assets of the Bank:** 7.3 trillion /20% of Mongolia's banking sector/
- Customer deposits: 5.3 trillion MNT
- Loan balance: 3.2 trillion MNT

## Contribution to financial stability

- 200,000 customers purchased the bank's product named "National Savings Account" for encouraging savings.
- For customers' financial convenience, the bank took a lead in introducing credit cards in Mongolian market.

## Contribution to financial infrastructure



Transactions with Internet Banking and Smart Banking 19.555.388



Transactions made through SocialPay SocialPay **1,564,875** 



Transactions made on POS machines 64.760.790



Transactions on e-merchants 557.976



## Financial accessibility



Self-service center 10



Kiosk



Branch



CDM 116



ATM 241

POS machines 18,283 Golomt Bank officially joined UNEP-FI's Principles of Responsible Banking, as one of founding signatories, on September 22, 2019 making commitment to align our operations with the Sustainable Development Goals and the Paris Agreement on Climate Change.

## Sustainable development goals





































Golomt Bank first adopted Sustainable Finance Policy in 2015. In 2019, we broadened the scope of the policy and upgraded into "Sustainable Development Policy" which outlines bank's overall principles towards environment and society at all level of operations.

Within the framework of our sustainable development policy, we aim to implement the economic changes needed to achieve climate balance through our products and services, and to make our internal operations more environmentally friendly. The main direction of our strategy is to run a sustainable business, focus on social and environmental issues, and create sustainable and satisfying workplace.

## The main direction of our strategy





Focus on social and environmental issues



Create sustainable and satisfying workplace



## SUSTINABLE BUSINESS

For a financial institution, sustainable financing is one of the most important areas for making significant contribution to the environment and society, and supporting the United Nations Sustainable Development Goals and other climate actions.

## Sustainable finance







For a financial institution, sustainable financing is one of the most important areas for making a significant contribution to the environment and society, and supporting the United Nations Sustainable Development Goals and other climate actions. Since its establishment, Golomt Bank has been financing environmentally friendly projects and programs as part of its social responsibility, and has been actively involved in more than 40 project loan programs to increase bank's positive environmental and social benefits.

In 2020, Golomt Bank provided total of MNT 57.5bn sustainable project loans to 55 entities, creating more than 400 new jobs and retaining more than 706 jobs. During the Covid-19 pandemics, Golomt Bank supported the local economy by providing discounted project loans to support SMEs, startup companies and sole proprietors.

As part of our environmental and social responsibility:

- Cooperated with the Mayor's Office of Ulaanbaatar and the Ministry of Food, Agriculture and Light Industry to implement a program to stabilize meat prices and create meat reserves for the winter and spring of 2019-2020. Under the program, total of MNT 10.2bn was financed and more than 1,850 tons of meat was reserved. As a result, the meat market price in March-June was stable, when usually a shortage of meat happens in the market. In addition, during the national state of emergency announced on November 11, 2020, the reserve meat produced under the program was sold at a discounted price for the needs of the population of the capital city.
- Within the framework of the JICA- Environmental Program two-stage project, MNT 800ml was financed to the regional health sector, and the project had the following positive social impacts:
  - Prevention of diseases in the population;
  - Maternal and child health protection;
  - Reducing the risk of common contagious and non-contagious diseases;

SUSTAINABLE
DEVELOPMENT
REPORT
2020

- Improving the quality and accessibility of basic social services;
- Commissioning of a modern 5-storey hospital building that meets international standards in order to provide standard services and treatment to the local community;
- Increase employment.
- Within the framework of the "Agriculture and Rural Development Project Loan", supported the regional farmers to grow and sell organic vegetables to the population of the capital city.
- Successfully participated in sustainable project loan programs such as "Gold Program" which significantly supports the domestic economy, as well as "Agriculture Program" and "Cashmere Program" which increases exports, by providing discount loans to customers in these sectors.

## Green loan

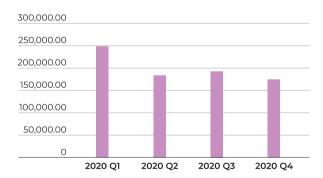


In December 2019, the Bank of Mongolia, the Ministry of Finance, the Financial Regulatory Commission and the Deposit Insurance Corporation issued a joint order approving the Green Taxonomy of Mongolia. Green Taxonomy is a classification and criterion for green activities that are environmentally and socially friendly, and banks, financial institutions, investors, and policymakers can use green taxonomy to identify green loans and projects.

With the adoption of the Green Taxonomy, Mongolian commercial banks began to classify their green loans and report to the Bank of Mongolia on a voluntary basis, beginning in the fourth quarter of 2019.

Golomt Bank also reports its green loan portfolio quarterly in accordance with the Green Taxonomy and aims to increase the green portfolio size every year.

### Green loan portfolio of 2020 (mln MNT)

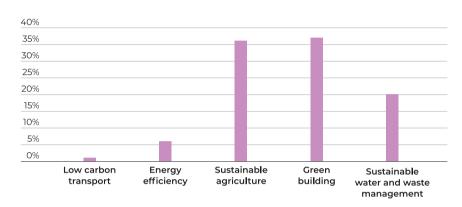


As Q3 of 2020, the total amount of Golomt Bank's green loan portfolio was 192,685.9 million MNT, which is 6.4% of the total portfolio, whereas in Q3 2018, the green loan portfolio accounted for only 1.74%. This means in 2019 and 2020, the bank was able to increase the portfolio size by 5% by supporting customers' green projects and programs.

The green loan portfolio is divided into 8 main categories, including renewable energy, low-polluting energy, energy efficiency, green building, pollution prevention and mitigation, sustainable water and waste management, sustainable forest management and forest protection, and low carbon transport.

Golomt Bank's Green Loan Portfolio is sub-categorized as follows.

## Green loan portfolio (percent)



## **Gender Equality Committee**



## Gender equality at the workplace

In 2018, Golomt Bank began implementing our "Gender Equality Policy" the primary goal was to ensure equal representation and compensation for all staff in regards to workplace communication, decision making and operations.

This policy has enhanced corporate culture through improving information sharing, lowering gender biases, increased responsibility at all levels.

The change in culture has also improved productivity and satisfaction in the workplace. Total number of employees of Golomt Bank as of 2020 was 2,344. Among them 69% are female and 31% are male employees. In the case of personnel at leadership positions the gender ratio was 52% male and 48% female, exemplifying the effectiveness of our "Gender Equality Policy".

Golomt Bank not only strives to support gender equality at the workplace with initiatives in place, but we have also been supporting gender equality among our customers through improved access to financial products and services in order to support their business enterprises. As part of this initiative we have established the "Gender Equality Committee" in 2020.

### SUSTAINABLE DEVELOPMENT REPORT 2020

## Golomt Bank is implementing policy to promote women business owners

In the case of SME industrial production and services over 60% of the proprietors are women. These enterprises play a leading role in the economic development of the country, creating value and providing jobs.



70% of all customers at Golomt Bank are female, with their economic importance for the bank increasing every year.

Golomt bank strives to give the best access to financial products and consulting services in order to better educate and help women business owners to improve and expand their businesses. Over the last three years the number of female borrowers has increased by 26% and currently women represent over half of the borrowers at the bank.

Supporting women business owners is in alignment with our gender equality initiative further the bank's core values. As part of this process we have planned numerous actions to achieve this goal. The following are some of the planned activities:

- Introducing specialized financial products and services in order to help overcome the negative economic impact of the COVID-19 virus and promote business growth in the future;
- Establish a financial and business consulting services academy specifically for women business owners and entrepreneurs;
- Coordinate and cooperate on programs with international and domestic government entities and NGOs that promote gender equality and female empowerment;
- Promote gender equality to the public and to help women strengthen their voice in the public arena.

## Cooperation



In the context of sustainable development and green financing, Golomt Bank values cooperation and works with local and international organizations to learn from best practices and apply them in our business operations.

## Mongolian Sustainable Finance Association (MSFA)



Golomt Bank has been a major member of MSFA since its initiation, supporting and voluntarily implementing the 8 Principles of Sustainable Finance of Mongolia. In addition, Golomt Bank's management team member

is elected to the Board of Directors of MSFA and has contributed to the improvement of the Association's operations and governance. Golomt Bank actively participates in projects, programs and trainings organized by MSFA and builds its sustainable financing capacity and implements them in own operations.

### 8 Principles of Sustainable Finance of Mongolia



Conservation of Ecosystem



Protection of Human rights and society



Conservation of Cultural Heritage



Promoting Green economic growth



Promoting Access to finance



Support Ethical financing and Corporate governance



Promoting transparency and accountability



024

## **United Nations Environmental Program Financial Initiative (UNEP FI)**



In September 2019, Golomt Bank officially adopted the "Principles of Responsible Banking" issued by UNEP FI, contributing to climate change actions and supporting the Paris Agreement and Sustainable Development

Goals of UN. Golomt Bank first joined the UNEP FI Banking Committee in 2017 and is one of the 30 founding members of the "Principles of Responsible Banking". Currently, 197 banks around the world have joined the Principles and are working together to develop a plan on how to implement and report on these Principles. In 2020, Golomt Bank worked as a member of "Climate Change Cooperation" working group to study how to measure, calculate and reduce the climate impacts of the bank's loan portfolio. From 2021, banks incorporated in the Principles will begin to implement and report on the principles in accordance with their plans.



## **Collective Commitment to Climate Action (CCCA)**

In September 2019, 38 voluntary banks, which joined the United Nations Responsible Banking Principles, signed the joint commitment on actions against climate change. Golomt Bank is one of these 38 banks and has joined this initiative to fulfill its commitment to keep global warming at 2 degrees Celsius and to contribute to the transition to a net zero economy on behalf of the banking sector. On December 8th of 2020, the UNEP FI released a collective report about the first year work of CCCA banks, highlighting Golomt Bank's updated environmental and social risk management system.

SUSTAINABLE DEVELOPMENT REPORT







## **Collective Commitment to Climate Action**

We are pleased to present the Collective Report of 38 global signatory banks of the "Collective Commitment to Climate Action". The report provides an overview of the concrete measures taken by the CCCA signatory banks in the first 12 months to deliver on their commitment to support the transition to a net-zero economy by 2050.



## Download the report here.



## **Customers' financial security**



As a financial institution, adherence to international and domestic law, high ethical conduct in business relations, protection of financial security of our customers, and prevention of financial crimes and fraud are important factors for long-term and stable operations. In this sense, Golomt Bank implements a comprehensive Compliance Policy and Information Security Policy.

## **Compliance policy**

Golomt Bank has approved a Corporate Governance Codex, which includes a Code of Ethics that clearly states the required standards of conduct. Every employee should read the Code and provide a written acknowledgement. Board has a Risk Management Committee, Audit Committee where Compliance related issues are discussed on a quarterly basis.

Risk Management Committee under CEO which is organized on a monthly basis and discusses all types of risks including Compliance. Compliance Department is responsible for managing compliance risk together with daily monitoring AML related issues such as suspicious transactions and Know Your Customer function etc.

The Bank has strongly supported and invested in compliance and gives great importance to the international certification of its employees. As a result, we now have an automated transaction monitoring system and internationally recognized, professionally certified Experts in Compliance.

With the goal of maintaining a strong bank compliance culture, reaching out to every employee, and increasing their participation, understanding, and awareness, we are implementing the Compliance Ambassador program. In other words, we appoint this representative from each unit and organize the compliance function quickly and efficiently.

Compliance Department function covers Compliance policy implementation as well as procedures such as Anti-money laundering and counter terrorism financing, Code of Ethics, Anti-bribery and corruption, Conflict of interest, Whistleblowing and other written rules that states required standards of conduct. The Bank has published high-level statements on its website to demonstrate its adherence to international and local Compliance standards.

## **Customers' financial security**

Globally, technological changes such as the Digital Transition, the Evolution of Cloud Technology, Cyber Threats, and Personal Data Security are beginning to affect businesses and the country's development the most. The World Economic Forum 2020 concluded that cyber threats ranked third in identifying the top risks to countries and businesses. Cybercrime also caused \$ 2 trillion in damage, or 1 percent of the world's gross domestic product. By 2021, this figure is expected to reach \$ 6 trillion. Therefore, it is important for every organization to implement a comprehensive information security solution and protection, and to disseminate information security knowledge.

### International standards



Golomt Bank implements international information security standards such as ISO27001 and PCI-DSS. The implementation of ISO27001, the information security standard, has created an information security management system. In addition, the

implementation of the PCI-DSS or Payment Card Information Security Standard will help protect the security of the card at all levels, increase control, and reduce card fraud. Validation audits of ISO27001 and PCI-DSS standards are successfully conducted annually.

### "The more persuasive, the more careful" campaign

In order to provide financial education to customers and citizens, and to prevent fraud, with the Bank of Mongolia, in cooperation with the Police Department, the Bank has launched the "The more persuasive, the more careful" campaign. The campaign called for safe access to banking products and services and prevention of cyber attacks.

## "Guard tie" competition



Golomt Bank organizes the "Guard Tie" competition every year in order to disseminate accurate and objective information security knowledge to the public, to discover new ideas and talents in the field of information security, and to train skilled professionals. In addition, an annual "Security Guard U18" cyber security competition is organized for high school students.

### Information security services for customer organizations

In today's digital transition, information is the organization's most valuable asset. Integrity, accessibility, and confidentiality of information are important for a business to achieve its goals. Recent reforms in the telecommunications sector have led to the restructuring of many organizations, accelerating the development of information technology and increasing its use. Therefore, it is important to take appropriate Information Security measures to protect our communication infrastructure. An important part of this process is getting a trusted information security professional. Golomt Bank provides the following comprehensive services to ensure the information security of its customers.



## SOCIETY AND FNVIRONMENT

Golomt Bank, a signatory bank to the "Principles of Responsible Banking, is committed to align our business and operations with Sustainable Development Goals and to support environmentally and socially friendly projects and programs of our customers.

## **Environmentally friendly business**



Golomt Bank is reducing the usage of paper by introducing Digital Banking and an environmentally friendly product, services based on the behavior and needs of its customers.

## Paperless bank

## Digital Bank 5.0 services

Updated and introduced our new version of digital banking which features Internet Banking and Smart Banking channels. The updated version of digital banking not only saves customer time but also significantly saves bank's transaction paper use.

## **Digital wallet SocialPay application**

When making a purchase, the customer can pay with digital wallet using a QR code. This allows customers to make payments on their mobile phones without having to carry a card.

## **SocialPay Virtual Card**

The successful introduction of Mongolia's first international virtual card in the SocialPay application allows customers to make any payment virtually without having to wait in line at the bank. Currently, more than 200,000 cards in use, which reduces the cost and material consumption of card printing.

## Shopping with digital wallet

For the first time, SocialPay has made it possible to shop in stores and all other services without having to carry a wallet with your smartphone.

## **Credit policy**

Within the framework of our Sustainable Development Policy, Golomt Bank assesses credit environmental and social risks when making financing decisions.

In September 2019, we hired an environmental and social risk assessment expert specializing in loan operations and updated our environmental and social risk assessment methodology to reflect the principles of IFC, Bank of Mongolia and Sustainable Finance Principles of Mongolia. The Sustainable Finance Principles of Mongolia include:

- Protect our natural environment
- · Protect human rights
- · Protect our historic and cultural heritage
- Promote "green growth"
- · Promote financial inclusion
- · Comply with a list of items prohibited to be financed
- · Promote transparency and accountability
- · Practice what we preach

The upgraded E&S risk assessment system was introduced to the loan operations, and enabled the system to create credit E&S risk level database, and to enhance reporting and monitoring procedures.

According to our E&S risk assessment principle, the Bank assesses all types of business loans in potentially environmentally and socially risky economic sectors with the amounts of higher than MNT 100 million and with the tenor longer than 12 months.

Within the framework of Credit Policy, The Bank does not provide financing to businesses engaged in prohibited activities and conducts a detailed E&S risk assessment for businesses listed in cautionary activities before providing loans.

Prohibited businesses and activities that are highly harmful to the environment and society:

- Gambling
- · Trafficking in human beings, pornography, child labor
- · Arms trade and production
- Multilevel marketing business
- · Cultivation, production and transportation of narcotic plants
- · Sale of unlicensed drugs and toxic substances
- · Endangered species hunting, worst forms of hunting and trade
- · Transportation and disposal of hazardous waste
- · Logging in significant areas
- Online gaming business

## **Educational activities**



## Student scholarship program

Golomt bank's student scholarship program Launched as the first corporate social responsibility program in Mongolia, Golomt Bank has so far provided more than MNT1 billion for scholarships to 1,400 students to invest in their desire to learn. Students who qualifies for the Golomt Bank Scholarship Program receive a scholarship, opportunity to attend "Research student program" and to work for the bank after graduation.

In 2020, one hundred students were selected among 700 students from 30 accredited universities. Our scholarship qualified students of 2020 are from 20 accredited universities of Mongolia who studies 23 different professions.





## Research student program

Since 2005, Golomt Bank has been implementing the "Research student" program in order to apply the theoretical knowledge of students in practice. The program provides students having the opportunity to work on real business projects, take challenges and attend comprehensive development training to gain knowledge with monthly salary. In 2020, 41 students from 11 specialties successfully participated.

## **Internship opportunity 2K20**

For the fifth year in a row, Golomt Bank has launched the Internship Opportunity Program for students. This program gives the opportunity to experience Golomt bank's digitalization within Information technology division, take part in range of activities, projects and networking events.

The students collaborate with senior leaders and colleagues to create and implement quantitative solutions using different systems. They also attend educational presentations and workshops throughout the internship program to enable keeping up to date with the fast-paced environment of Information technology. Being provided such many opportunities is a great investment for students.

## **Supporter for Hackateen-2020**

Golomt Bank supported the Hackateen 2020 National Programming Olympiad organized by Nest Education School with advanced training in information technology, received the finalists, introduced them to the World Museum of Financial History, and Trainings and presentations on many important topics such as the impact of information technology and trends in technology development were organized.

## Mongolia's first financial guide to comprehensive financial education /finedu.mn/



In order to support the financial education of its citizens and customers, Golomt Bank has introduced Finedu, Mongolia's first financial guide, which explains the Bank's financial and economic concepts in the simplest and most realistic way. Finedu is the simplest, clearest, and most realistic database of basic financial and economic concepts for individuals, businesses, and students.

## DUA research platform to help you make informed research-based decisions /dua.golomtbank.com/



SUSTAINABLE DEVELOPMENT REPORT 2020 Golomt Bank has been providing consulting services to its customers for the last 3 years and has created DUA /www.dua.golomtbank.com/, the first economic research platform in Mongolia, to expand this service to a wider range. DUA is a web-based research platform for financial managers, economists, entrepreneurs and researchers.

The platform allows you to feel the external and internal environment, view the situation 360 degrees, and deliver news analysis, articles, financial advice, and podcasts to help you make the best decisions.

## **Health-oriented activities**



## "The Heart does not forget" project



Golomt Bank has signed a memorandum of understanding with Ulaanbaatar Songdo Hospital as an official partner of the "Heart Will Not Forget" project. The project provides free treatment for children with

congenital heart disease in motherland. The Altantulkhuur Foundation of Golomt Bank fully covers the medical expenses of 12 children and joins the "The Heart does not forget" project for all public and private companies operating in Mongolia.



## **Blood donation campaign**

Golomt Bank successfully organized a Blood Donor Day in cooperation with the National Blood Transfusion Center to celebrate World Blood Donor Day as part of its social responsibility. A total of more than 50 employees attended the event.

## **Donations during the Covid-19 pandemic**

Due to the widespread outbreak of the new coronavirus (Covid-19) around the world, the Government of Mongolia, the Ministry of Health, and the State Emergency Commission are taking immediate action to move to a Disaster Preparedness level. Golomt Bank expresses gratitude to all the doctors, nurses and staff of the National Center for Infectious Diseases (NCCD) who are at the forefront of the health of the people of Mongolia and are constantly fighting against the growing epidemic of infectious diseases. The Bank thanked and donated 100 million MNT.





## **Protection of traditional heritage**



## Official partner of the Mongolian Morin Khuur Ensemble

Official partner of the Mongolian Morin Khuur Ensemble For the seventh year in a row Golomt Bank has been the official partner and general Sponsor of the Morin Khuur Ensemble of Mongolia in order to disseminate the national art and promote it around the world.

## Supporter of the Mongolian State Academic Theatre of Opera and Ballet

To disseminate and promote Mongolian classical art, the Bank cooperates and supports Mongolian State Academic Theatre of Opera and Ballet.



SUSTAINABLE DEVELOPMENT REPORT 2020



## SUSTAINABLE WORKPLACE

Golomt Bank carries out a wide range of activities to improve the skill of its customers but also all of the employees; strengthen the organizational culture, helping to make their social condition better, providing opportunities to learn and develop.

## Satisfactory workplace



## **Employee health programs**

Well prepared employee health programs that is held under in guidance of a doctor with master's degree in medicine, Golomt bank monitors, instructs, and examines its' employee health continuously.

Employee participation result of health program that implemented in 2020









## **Employee benefit packages**

In order to increase employee satisfaction, we signed cooperation agreements with a total of 25 organizations in the field of sports, leisure, medical services, trade and services, and training at a discounted price.

## Elder's day event

Golomt Bank organizes that event twice a year, during Tsagaan Sar and Mongolian Elder's day, for all retired employees that worked steadily and productively at Golomt Bank.

## Sports events

Golomt Bank's Sports Club regularly organizes and supports about 15 competitions, contests and sports activities annually. For the 23 years in a row, Golomt Bank has successfully organized an annual snow festival and adventure sports walk for all employees.

## "Gratitude letter" campaign

The campaign activity began in 2019, and implements ahead of Christmas time. Sending letters to appreciative management team members and colleagues improves the organization's internal atmosphere and have a positive impact on employee satisfaction and productivity in workplace. The program, which is highly appreciated by employees, has been successfully organized for the second year in a row.

## "Happy Virtual Hour"

In 2020, we launched a new "Happy Virtual Hour" program that focuses on our employees' learning and development by encouraging them to spend their free time or global pandemic quarantine period actively useful.

- As part of the program, we delivered following contents and competitions to our employees. That are:
- Daily posts with new sentences in English language to improve employee professional language level
- · Discussion of the bestselling books and movies
- · Cognitive contests, fun competitions
- Video content to share the work experiences of top Executives

Since 2018, The Human Resource Management Division has been annually implementing "Good vibes" training program for the children of the bank's employees.

## Goodvibes 2.0

The main goal of the program is to increase employee satisfaction and help employees spend their children's summer vacations effectively by providing following trainings:

- · Behaviour, health and hygiene training for adolescents
- Aesthetics training
- · Crime prevention training
- Team working
- · Opportunities for self-development in the digital environment

In 2020, for 2 months, 20 children participated in this interesting training and events provided program.

## Student internship program

Since 2019, Golomt Bank has been successfully implementing the "Student Internship" program. The advantage of the program is providing employee children that aged 13-16 are to become acquainted with their parents' workplace and gain professional guidance.

Training hours 124.796

Number of participa 28.904



Training hours per employee

**3** 65.6

## **First Pension Fund**



The "First Pension Fund" was established and started operating on July 2, 2010 at the initiative of employers and employees with the main purpose of reforming the pension system of Mongolia, creating great conditions for employees to have sufficient additional pension income when they reach retirement age. Since the establishment of the First Pension Fund, overlapping, 3,080 Golomt Bank employees have received pension savings or personal pension accounts with the

support of the bank. By 2020, the First Pension Fund has a total of 1,300 employees with pension accounts, with a total savings of MNT 5.2 billion. In 2020, Golomt Bank also provided MNT 350 million for the pension savings of its employees.

### **Awards**

On top of rewarding the best employees who have led others by their work permance among more than 2,400 employees, the Bank also launched the "Seasonal Pride" achievement commendation program since beginning of 2020.

## "Knowledge sharing" training

It is a program that encourages and provides employees to have a great opportunity to learn from each other by sharing experiences. In 2020, a total of 560 hours of knowledge sharing training was successfully organized.

## Flexible time management

In 2020, we implemented "Flexible working hour" in the bank, which allows employees to set and schedule their own working timetable by choosing work start and finish time in accordance with their workload and plan. Moreover, working remotely up to 3 days a week is welcome. Pregnant employees are entitled to leave work 2 hours earlier a day and take up to 2 hours of paid leave from work due to health condition.

## **Training activities**

We provide Yoga class, guitar class and ballet training in the workplace at a discounted price for employees who do not have much time to attend training activities.

## Summer camp "Oin Bulag"

Each year, during the summer time the bank employees and their families have the opportunity to stay in a comfortable and well-kept summer camp.



## Strengthen sustainable financing capacity training

As part of its efforts to strengthen sustainable financing capacity, Golomt Bank has provided its employees with a comprehensive system of knowledge in the following three areas in 2020. These include:

- Introduce all employees to the importance of sustainable development and sustainable financing
- Training and development activities
- Events and appeals among employees

84% of all employees were involved in Sustainable Finance training as follows. These include:



SUSTAINABLE

DEVELOPMENT REPORT





Loan operation new employee preparing training 51 employees



Sustainable development and sustainable financing training 34 employees



Sustainable financing and environmental risk assessment mployees



Online training that co-operated with Mongolian sustainable development association 173 employees

A total of 38 poster information were disseminated to promote the importance of Sustainable Development and Sustainable Finance through internal networks, employees computer screen replacement, and employee social media pages.

Additionally, podcast and videos were delivered to employees in order to introduce various topics of sustainable development and its values.

## As part of the work to introduce Sustainable finance to young generation we organized following events

- Successfully organized a competition of DIY of making recycled products among the bank employees' children.
- Our scholarship program required writing an essay about Youth Participation in Sustainable Development.

## Sustainable use of Natural resources







Within the framework of sustainable development, we are taking systematic measures in our internal activities to combat climate change and limit its negative impact on the environment. Our main focus is to reduce carbon emissions.

## Water saving

Installation of a water volume reducer in the toilet is saved 10% water compared to an average of the previous 6 months.

## **Energy saving**

Energy consumption greatly increases greenhouse gas emissions and contributes to climate change. Golomt Bank is implementing the following activities to save electricity.

## Renewable energy equipment installed

Golomt Bank is testing the installation of renewable energy equipment in at one of the offices. The capacity of renewable energy equipment is 1080 kW per month. It is estimated to supply 6% of electricity that the Third Office uses.



## Low power consumption LED lights are used selectively

If we need to replace office lights, low-power LED lights are used selectively. All newly replaced lights in accordance with 390 lamp replacement requests replaced by LED light. Also, only for new building renovations the LED light is installed.

### Reducing heat loss in buildings

Heat loss in buildings can lead to wear, tear and adverse health effects. In addition to the inconvenience, it increases energy consumption. Therefore, in order to reduce heat loss, window insulation and porches were built at the branch buildings



## Paper savings

The "Standards for printing and copying machines" regulating the rational use of paper has been developed and approved. The UV light emitted by the copier is adversely affects the health of specialists. So, in order to reduce number of many small printers, we replaced 1 multifunction copier device at the printing station. The paper consumption of units that have introduced multifunction copiers has decreased by 20%. During the reporting period, 660 toners were recharged due to the mandatory recharging of printer toxins twice.

## Started to refuse plastic

Disposable cups, spoons, straws, napkins and plastic bags are half the waste and only 9% of plastic waste can be recycled. In order to reduce plastic use at Golomt Bank offices, We are taking measures to use glass cups and glass water jug for meetings and trainings. A total of 44 glass containers and 323 glass cups have been placed in 5 offices of the center.

## SUSTAINABLE DEVELOPMENT REPORT

### Started to sort waste

In order to reduce waste, classification bins are placed in offices and staff are instructed on how to sort waste. The sorted waste is transported to the recycling plant in cooperation with the "Be colorful" project under the "Mongolian National Waste Recycling Committee". A total of 104 classification bins are placed in 6 offices and 52 branches in Ulaanbaatar and transported in paper, plastic, plastic bags, bottles and cans.





#### **Green Christmas**

"Green Christmas" office decoration competition was organized by 3R / Reduce, Reuse, Recycle / principle and decorated office in an environmentally friendly way.





### "Tree planting" challenge

Starting from May 23, 2020, Golomt Bank announced a "Tree Planting" challenge among its staff, planted a total of 336 trees and more than 1,000 employees from the bank's 28 units voluntarily joined the wave.

#### **Green purchasing**

Procurement contracts and procurement procedures include provisions for sustainable financing and the selection of environmentally friendly products and services. We have prepared recycled and eco-friendly products for New Year's gifts. Golomt Bank supported small and medium enterprises and prepared "Moil" and "Khunchir" brand products as customer gifts. Also was packed in "Ur Mine" brand cotton bags, and baskets made by mothers of children with disabilities woven from waste newspaper.





A study on the environmental friendliness of the bank's inventory was conducted, and it was found that out of 28 types of stationery, 5 were eco-friendly, 12 can be replaced with eco, and 11 can`t be replaced with eco. A study on the environmental friendliness of the equipment purchased by the bank found that 12 out of 17 pieces of office equipment are energy efficient.

SUSTAINABLE DEVELOPMENT REPORT 2020

#### 39

## ACHIEVEMENTS AND KEY PLANS FOR SUSTAINABLE DEVELOPMENT

## **Achievements of Sustainable Finance Activities in 2020**

Golomt Bank received an "A" rating in Sustainable Finance assessment, ranking in the first 3 of the banking sector.





Since 2016, MSFA has been conducting sustainable finance implementation assessments for its member banks and

providing recommendations on their improvements. In 2020, the assessment methodology was further developed by applying principles of Mongolian Sustainable Finance, IFC's assessment standards, funding requirements of Green Climate Fund (GCF) and other international standards. During the assessment, an evaluation team, consisting of representatives of MSFA, Bank of Mongolia and IFC, visited each bank and conducted an interview and assurance.

Golomt Bank received an "A" rating in 2020 and ranked in the first 3 places of banking sector. As a result of the assessment, the bank's environmental, social and governance risk management was assessed as good, and its funding and human resource capacity to finance green projects was assessed high, and sustainable finance policy and training activities received high scores. In 2019, Golomt Bank received "B" rating in sustainable finance and we have been improving the quality of sustainable finance implementation every year.

#### Designated as "Featured Sustainable Finance Bank" of 2020

Within the framework of the "Mongolian Sustainable Finance Program", the Bank of Mongolia and the MSFA annually organizes the "Best Sustainable Finance Bank" competition and nominates the banks that have made significant progress in implementing the sustainable finance policy. Golomt Bank was selected as the "Featured Sustainable Finance Bank of 2020" and was recognized as a leader in environmental and social risk management, green financing, and sustainable finance capacity building.

SUSTAINABLE DEVELOPMENT REPORT This year's competition was co-organized by the International Finance Corporation and conducted in accordance with IFC criteria, which was a novelty for banks.



The important criterion of Golomt Bank was that in 2020, the bank fully updated its environmental and social risk management system, assessed the environmental and social risks of loans in details based on the operations sector, and provided recommendations to clients about reducing their environmental and social risks. In addition, the organizers emphasized the bank's internal operation initiatives such as placing classified trash bins

at all offices and branches and delivering the sorted waste to waste to recycling centers, internal improvements to reduce energy and water consumption, and effective trainings on sustainable finance including 72 online and classroom trainings with total of 3,259 hours/person.

### 2021 Key Plans for Sustainability Development

In the framework of Sustainable Finance, in 2021, we plan the following key activities:

- Annually measure and reduce climate impacts of Golomt Bank's total loan portfolio. To do so,
  we plan to provide our customers with important knowledge on the objectives of the Paris
  Agreement and the "Nationally Determined Contributions"; to work together to reduce direct
  greenhouse gas emissions from customers' business activities, and to provide all financial and
  technical guidance to our customers.
- Increase the size of the green loan portfolio by 5% compared to the previous year. Within this framework, we plan to offer green loan products that meet the needs of customers and have a positive impact on the environment and society, and to increase funding opportunities for green projects and programs.
- Golomt Bank has been supporting the MSFA since its establishment and was first selected as
  the Sustainable Finance Leading Organization in 2016. Golomt Bank has been re-elected as the
  Sustainable Finance Leading Bank in 2021 and will lead the development of sustainable finance
  next year.
- Develop a comprehensive training program of Sustainable Finance for all employees. Develop more technical training programs including detailed environmental and social risk assessment and analysis of loan portfolio greenhouse gas emissions.
- Enhance bank's internal operations to better mitigate bank's own E&S footprints. Establish watersaving technology solutions at offices.
- Improve reporting capabilities on Sustainable Development. Study more on applying international reporting standards on environmental and social impacts.

# FIRST REPORTING ON PRIN-CIPLES FOR RESPONSIBLE BANKING

Reporting and Self- Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant
		information

#### Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 Describe (high-level)
your bank's business
model, including
the main customer
segments served,
types of products and
services provided, the
main sectors and types
of activities, and where
relevant the technologies
financed across the main
geographies in which
your bank has operations
or provides products and
services.

Golomt Bank is one of the top 3 commercial banks in Mongolia, which main operations are loan, guarantee and deposit activities. We provide products and services in retail, SME and corporate baking business areas. As of 2020, retail lending constitutes 35% of our loan book, while SME and corporate lending constitutes 23% and 43%, respectively.

Our main products include loans, deposits, guarantees, trade finance, mortgage, local and foreign remittances.

The loan portfolio consists of following main economic sectors as of 2020YE:

Retail 25%, wholesale 19%, mining and exploration 16%, manufacturing 10%, construction 9%, financial services 5%, and other 15%.

See the section "Major projects and financing in 2019" on pg32 of our Annual Report 2019. https://golomtbank.com/wp-content/uploads/2020/08/2019-1.pdf

1.2 Describe how your bank has aligned and/ or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks. Golomt Bank's main direction of sustainable strategy is to run a sustainable business, focus on social and environmental issues in the country, and create sustainable satisfying workplace. We aim to implement the economic changes needed to achieve climate balance through our products and services.

Golomt Bank has developed its "Sustainable Development Policy," and through this policy we have aligned our strategy and operations with the SDGs, Paris Climate Agreement, Mongolia's National Determined Contribution, Green Taxonomy and Sustainable Finance Principles of Mongolia. In lending operations, we follow the List of Prohibited and Cautionary activities approved by the Central Bank (BoM).

We also implement a comprehensive E&S risk assessment management where we identify E&S risks and impacts of all business loans. Our E&S risk assessment methodology is based on IFC's risk categories and recommendations from the Mongolian Sustainable Finance Association. We thoroughly assess environmental and social risks of loans and evaluates loans' E&S risk levels as high, medium and low. For high and medium risky clients, we issue covenants and recommendations to reduce negative impacts, and for low risky and non-risky clients, we aim to provide green business opportunities.

In accordance with the Green Taxonomy of Mongolia, Golomt Bank quarterly prepares and reports on its green loan portfolio. We identified our high priority issues as:

- · Commit to the NDC of Mongolia:
  - Decrease GHG emissions by 22.7% by 2030:
  - Increase in renewable energy source by 30%
  - Reduction of carbon emissions in construction, agriculture, manufacturing and waste.
- As Mongolian economy is mining dependent, we commit to financing a transition to low carbon and less brown economy.
- Mongolia stands in 8th place as a vulnerability to climate change, thus we will support climate change mitigation and adaptation projects.
- Support SME and women owned businesses. Address gender equality.

We analyzed our portfolio to assess how we could strategically support to these priority issues. So,

in the next PRBs implementing years, we plan to:

- Take into account required transition towards renewable energy. Strategically support, finance and collaborate on renewable energy projects.
- Thoroughly assess credit E&S risks, specifically carbon emissions in priority areas of NDC, support/ advise/set loan covenants for clients on their carbon emission reduction.
- Develop climate change impact assessment in E&S risk methodologies. Develop financial products/services for climate change mitigation and adaptation green projects.
- Strategically focus on SME and women owned business clients. Support their financial growth through special loan products and capacity building programs.

SUSTAINABLE DEVELOPMENT REPORT Please see "Sustainable Development's strategic direction" on pgl1 of our Sustainable Development Report 2020. https://www. golomtbank.com/en/ about-bank/sustainabledevelopment/report

#### **Principle 2: Impact and Target Setting**

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

- 2.1 Impact Analysis:
  Show that your bank
  has identified the areas
  in which it has its most
  significant (potential)
  positive and negative
  impact through an
  impact analysis that
  fulfills the following
  elements:
  - a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.
  - b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.
  - c) Context & Relevance:
    Your bank has
    taken into account
    the most relevant
    challenges and
    priorities related
    to sustainable
    development in the
    countries/regions in
    which it operates.
  - d) Scale and intensity/
    salience of impact: In
    identifying its areas
    of most significant
    impact, the bank has
    considered the scale
    and intensity/salience
    of the (potential)
    social, economic
    and environmental
    impacts resulting
    from the bank's
    activities and
    provision of products
    and services.

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

We have identified below areas as the most significant negative impacts:

- Mining and exploration- a) The sector is in the scope of bank's core business area, b) has the 3rd largest exposure, c) is in the context of our commitment to support the transition to low carbon economy d) Associated impacts include climate impacts (carbon emission, severe dust), air, soil and water pollution, decent labour conditions, indigenous people.
- Manufacturing- a) The sector is in the scope of bank's core business area, b) has the 4th largest exposure, c) is in the context of our commitment to support NDC and a reduction of carbon emissions from manufacturing d) Associated impacts include climate impacts (GHG emission, carbon emission), soil and water pollution, decent labour conditions, heath problems.

Per our green loan portfolio analysis, we have identified below areas as the most significant positive impacts:

- Sustainable Agriculture- a) The sector is in the scope of bank's core business area, b) is strategically important sector for the country, c) is in the context of our commitment to support NDC and reduction of carbon emissions from agriculture sector d) Positive impacts: energy efficiency, sustainable use of water, sustainable waste management.
- Green Building- a) The sector is in the scope of bank's core business area, b) has the biggest exposure in green loan portfolio, c) is in the context of our commitment to support NDC and reduction of carbon emissions from construction sector d) Positive impacts: reduction of carbon emission, energy efficiency, green plant area, health and wellbeing of the residents.

The above analysis is an initial risk assessment analysis of Golomt Bank's portfolio. Therefore, we further plan to undertake a comprehensive impact analysis of our portfolio and set objective and systematic approach to identify areas of significant impacts, not solely based on the economic activities.

However, the initial portfolio risk analysis helped us to determine the main directions to further research about the associated impacts of the above activities.

Based on the above risk analysis, we identified the strategic business opportunities to reduce our negative impacts as:

- Collaborate with our clients to reduce negative impacts, provide recommendations on more sustainable operations.
   Set loan covenants on implementing the recommendations.
- Study and advise our clients on more sustainable technologies to reduce negative E&S impacts.

Strategic business opportunities to increase our positive impacts:

- Continuously support green projects in sustainable agriculture and green building sectors.
- Develop innovative green loan products to increase the green loan portfolio size.

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.

We have undertaken our portfolio risk analysis and initially identified significant sectors and their impacts that are associated with our business loan portfolio. The next step in our process will be to undertake a comprehensive impact analysis. In order to do that we will set an objective and systematic approach to determine the areas of most significant impact across our portfolio, and we will engage the related stakeholders in our impact analysis.

#### 2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Timebound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/ climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

As we mentioned before, at this stage Golomt Bank is in a process of identifying the significant impacts across our portfolio. Thus, after determining the significant impacts, we plan to set most realistic targets to increase our positive impacts and to reduce our negative impacts.

SUSTAINABLE DEVELOPMENT REPORT 2020

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. We have not developed the plans for target implementation and 2.3 Plans for Target Implementation and monitoring. Monitoring Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent. Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring. Not applicable as we have not developed the plans. 2.4 Progress on Implementing Targets For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets

#### **Principle 3: Clients and Customers**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include highlevel information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.

Golomt Bank has implemented the below practices to promote responsible relationships with our customers:

- E&S risk assessment- Assesses and evaluates client's E&S risks and provides recommendations on more sustainable operations. Set loan covenants on implementing such recommendations. Some of our major mining clients have successfully managed to implement our recommendations and covenants.
- Strategically support clients' sustainable projects with significant positive E&S impacts. We have financed 2 waste recycling projects: chemical recycling and waste paper recycling plants. Both of the projects are the first recycling plants in Mongolia.
- Support SME and women owned businesses, capacity building on financial management- Cooperation with SME fund, Women owned business club.
- Engagement in various on lending programs- Support clients in strategically chosen sectors to deliver government support.

Please see "Sustainable Finance," on pg13, "Gender Equality Committee" on pg15, "Credit Policy" on pg25 of our Sustainable Development Report 2020.

3.2. Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.

Over the last year we have been building capacity among all bank employees to raise awareness on sustainability and our (our bank's and our country's) commitments towards SDGs, Paris Agreement, PRBs and other national frameworks. As a result, 80% of our employees received trainings on Sustainable Development, Green Financing and credit E&S risk assessment. Our corporate and branch managers are learning to encourage clients to practice sustainability.

Currently, we plan to do the below activities in order to encourage sustainable practices and enable sustainable economic activities:

- Develop strategy green loans (energy efficiency housing, home insulation etc.) for our retail customers.
- Increase green funding opportunities to finance corporate clients' green projects.
- Capacity building of employees on identifying clients' sustainable business opportunities and effectively advise on use of sustainable, energy efficient technology.

Please see "Strengthen sustainable financing capacity" section on pg35 of Sustainable Development Report

#### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Describe which stakeholders (or groups/ types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a highlevel overview of how your bank has identified relevant stakeholders and what issues were addressed/results

achieved

Golomt Bank has engaged with following stakeholders:

- Mongolian Sustainable Finance Association and peer banks- Collaboration with peer banks on sustainable finance development, study and promote sustainability disclosure standards.
- Mongolian Green Finance Corporation- Support and engage in the establishment of the first Mongolian green financing institution to reduce total of 3.38 mn tn CO2 emission through USD 50mn funds from Green Climate Fund, Mongolian Government and local banks.
- Regulators- Participation int the development of Green Taxonomy, engagement with the Central Bank to propose policies that promote sustainable finance.

In the next PRB implementing years we plan to:

- Engage with regulators, policy makers, to advocate regulations and policies that are in line with PRBs.
- Identify and map key stakeholders. Pay special attention to "affected" stakeholders by the bank's indirect impacts, such as communities or wildlife.
- Develop a stakeholder engagement strategy (relevant stakeholders, what and who engages them, how and when).
   Engage relevant stakeholders in our impact analysis process and effectively address the significant impacts of our portfolio.

Please see "Cooperation" section on pg17 of our Sustainable Development Report 2020.

SUSTAINABLE DEVELOPMENT REPORT

## Principle 5: Governance & Culture We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

Golomt Bank's current governance structure, policies and procedures put in place to support effective implementation of the Principles:

- Comprehensive training for all employees on Sustainable Development. External training program from MSFA.
- Initiation of new sustainable development practices culture-Establishment of a Sustainable Finance working group to address key 5 operations: E&S risk assessment, Green Finance, Capacity Building, Bank's E&S own footprints, PR and Reporting.
- · Establishment of "Gender Equality Committee".
- Management of bank's internal operation and its E&S footprints- Sustainable Procurement Policy, energy and water consumption reduction, sustainable waste management, use of renewable energy.
- Assigned a specific team/department on sustainable finance leadership and overall implementation of the PRBs.
- Approval of Sustainable Development Policy of the Bank- Internal oversight and monitoring of the policy implementation.
- Frequent communication and reporting to CEO and senior management on sustainable finance.

As the operation of the bank's Sustainable Finance WG was successful, we are now discussing to appoint a similar working group on the implementation of the Principles. The WG will consist of sub-WGs related to each Principle, and member of the Sub-WGs will be the key employees from the related departments to each Principle. The sub-WGs will ensure the implementation of planned activities of each principle. Regarding the impact analysis procedure, a specific sub-WG will work on the analysis and target setting. The impact analysis sub-WG will include employees from credit, risk, corporate and retail banking departments as well as E&S risk officer. The Financial Development Department will lead and support the overall implementation of the WG on PRBs.

5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

We have developed a comprehensive training program for all employees to foster a culture of sustainable and responsible banking. In 2020, total of 80% (1377) employees were trained in Sustainable Development, Green Finance, and E&S Risk Management.

The Green Finance training content includes a detailed introduction of UNEP FI's Principles for Responsible Banking, and Golomt Bank's commitment on these Principles. Through these training programs, our employees obtain knowledge on the required activities and performance in PRBs future implementation.

Please see the
"Sustainable Work
Place" section in pg31
on our Sustainable
Development Report

5.3 Governance Structure for Implementation of the Principles

> Show that your bank has a governance structure in place for the implementation of the PRB, including:

- target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

Golomt Bank plans to include PRB related targets in KPI of each section of the bank and thus reflects the implementation of the Principles in performance evaluation of each units and staff of the bank

Financial Development Department of the bank takes the leading role to implement the Principles in general.

The management team of the bank supports and oversees the implementation of the Principles. Remedial actions will be taken by the management initiative.

Overall, the Board of Directors of the bank supports and gives an important attention to Golomt Bank's commitment on PRBs and the implementation of the principles across the bank. As an example of board's support on PRBs, our chairperson (Mrs Munkhtsetseg Chultem) fully supported bank's participation in founding banking committee of the PRBs, and joined and represented Golomt Bank in the UNEP FI regional roundtable meeting in 2019. Also, the board emphasizes the sustainable and responsible banking practices as an important area of the bank, thus in the next implementing years, board will ensure a continuous implementation of PRBs across the bank and provide strong support on bank's commitment on responsible banking.

Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.

Golomt Bank has established a governance structure for ensuring that the Principles are implemented effectively. We have assigned a specific department that is in charge of the day to day implementation of the Principles and in process of establishing a designated working groups that will implement the planned activities of each principle. The management team closely oversees the progress made to achieve and general implementation of the Principles. The Board of directors ensure continuous implementation of PRBs and provide support on bank's commitment on responsible banking.

#### Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

1.1 Progress on Implementing the Principles for Responsible Banking

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

We have developed our 1st Sustainable Development Report, introducing our sustainable development and sustainable finance policy, practices and procedures implemented in 2020. We will publicly report our PRB Reporting and Self-Assessment Template integrating in our Sustainable Development Report.

We plan to do the following in order to align with existing good practice:

- Align disclosures with the requirements of sustainable disclosure frameworks commonly used in the banking sector.
- Allocate adequate resources, study well about the requirements on transparency and accountability, and develop an exemplary report among the peer banks.

We are currently studying about the TCFD reporting practices and organized international webinar with UNEP FI and MSFA on Climate Reporting Practices:

- Over 100 participants from local banking sector joined the webinar
- Guest speakers from GCF, EBRD introduced their climate reporting experiences and lessons learned
- Research more about the TCFD reporting and adopt international standard on climate reporting for Golomt Bank.

SUSTAINABLE DEVELOPMENT REPORT

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

Golomt Bank has made a good progress over the first 18 months of implementing the Principles. We have developed our "Sustainable Development Policy" which outlines our principles towards environment and society at all functions of the Bank and is aligned with all important commitments and frameworks. We have upgraded our E&S risk assessment methodology and hired in house expert on credit E&S risk assessment. The 80% of our employees are trained in Sustainable Finance. We also established a "Gender Equality Committee" to support gender equality among bank employees and to promote our women owned businesses.

#### **Annex: Definitions**

- a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
- b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/ business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of "materiality".

SUSTAINABLE DEVELOPMENT REPORT 2020



