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ESG & SUSTAINABILITY REPORTING GUIDANCE

FOR MONGOLIAN COMPANIES





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FOREWORD



Mongolia made ambitious commitments as part of the Paris Agreement and the Vision 2050 to lower its carbon emissions by 22.7% against the business-as-usual scenario by 2030 and achieve a development pathway that is green and inclusive, with improved quality of life, better human development, good governance and quality education. The achievement of these goals requires significant additional financing and can only be realized if all types of financing are channeled into the right direction. Recognizing this importance and needs, the Financial Stability Council of Mongolia recently approved a National Sustainable Finance Roadmap, a core policy document that provides an integrated, multistakeholder, strategic approach towards accelerating the development of a sustainable financial system in the country by 2030 in alignment with the country's sustainable development and climate targets.

One core element of the Roadmap focuses on increasing the environmental, social, and governance (ESG) performance transparency in the stock market. For a growing number of investors sustainability is often at the heart of their investment and as such ESG is no longer a topic that listed companies can ignore. The Mongolian stock market has grown extensively in 2021 with 180 listed issuers contributing to a total market capitalization of MNT 5.98 trillion. This represents a huge opportunity for the capital market to play a leading role in driving Mongolia's sustainability agenda. The decisions and practices listed companies undertake has a direct ability to influence the wider market. This underpins a strong responsibility for both FRC and market participants.

By introducing this ESG disclosure and sustainability reporting guidance in line with international standards, we hope to harness good ESG management and disclosure market practice and help issuers and businesses in creating long-term value that benefits Mongolia as a whole. We also believe investors will benefit from improved transparency and disclosure practices.

FRC also promotes sustainable finance in other parts of the financial system including microfinance, insurance and the bond market. For example, FRC introduced a green insurance framework and integrated green bond issuance requirements and standards in the new Company Debt Instrument Registration Procedure. We also encourage the adoption of sustainable finance principles by microfinance institutions and will continue to promote this agenda. This guidance is one key step of the series of proposals for sustainable capital market reforms to be implemented in 2022 and beyond.

We are grateful to the Mongolian Sustainable Finance Association, the Mongolian Stock Exchange, IFC, FC4S, UNEP and UNDP for the partnership and support provided to develop this guidance. We hope to be a catalyst for sustainable development in the Mongolian stock market and create integrated capital markets that properly consider long term sustainable development issues and help secure our common future.

D.Bayarsaikhan, Chairman
Financial Regulatory Commission

NOTE FOR USERS

This ESG Disclosure & Sustainability Reporting Guidance document (Guidance) was developed to improve disclosure and transparency of existing and future listed companies and issuers. While this Guide is intended to provide the relevant information and guidance for listed issuers to prepare their Sustainability Reports and disclose ESG information, it may not be exhaustive in its coverage. Listed companies are encouraged to report beyond these minimum requirements, including the economic, social, and environmental impacts that are most material to their organizations.

ABOUT THE GUIDANCE

This Guidance was developed through a partnership between FRC, the Mongolian Stock Exchange (MSE), the Mongolian Sustainable Finance Association (MSFA), the International Finance Corporation (IFC), the International Network of Financial Centres for Sustainability (FC4S), the United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) Country Office, and the United Nations (UN) Resident Mission in Mongolia, with the generous support of the Global Environment Facility (GEF) and the UN Joint SDG Fund. The Project Team that developed this Guidance include Dulguun Battulga, Altai Khangai, Javkhlan Ivanov, Nomindari Enkhtur, Tumurkhuu Davaakhuu, Delgermaa Begz, Batmunkh Batbold, Anar Aliev, Ralitza Germanova, Enkhzul Dambajantsan, Delgernaran Tumurtogoo, Stephen Nolan, Florencia Baldi, Delfina Monteverdi, Mahenau Agha, Nana-Ofori Okyere, Marcos Mancini, Bolortuya Baatarkhuu and Bayarmagnai Baasansuren.

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The Guidance was designed through a consultative process involving surveys, interviews with issuers, and stakeholder consultations. The project team would like to thank all individuals and organizations that provided key insights to the process. All inputs were instrumental in developing the main content of the document. The Guidance also draws on various publicly available global reporting and transparency related resources. Any questions or comments related to this Guidance should be sent to info@frc.mn.

STRUCTURE OF THE GUIDANCE

This Guidance consists of 4 Chapters.

- Chapter 1 provides an introduction and rationale to the Guidance.
- Chapter 2 contains an overview of commonly used global reporting frameworks.
- Chapter 3 describes a stepped approach to sustainability reporting and disclosure.
- Chapter 4 details the recommended ESG reporting indicators together with some guidance notes on each disclosure topic.
- The Annexes provide various useful resources that companies can further explore when developing their sustainability reports.

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ABBREVIATIONS

BAU	Business-as-Usual
BOD	Biological Oxygen Demand
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CEO	Chief Executive Officer
CFA	Chartered Financial Analyst
CSR	Corporate Social Responsibility
E&S	Environmental and Social
ESG	Environmental, social, and governance
ESMS	Environmental & Social Management System
FC4S	International Network of Financial Centres for Sustainability
FRC	Financial Regulatory Commission
FTEs	Full-time Equivalents
GDP	Gross Domestic Product
GEF	Global Environment Facility
GHG	Greenhouse Gas
GoM	The Government of Mongolia
GRI	Global Reporting Initiative
GWP	Global Warming Potential
EU	European Union
EIA	Environmental Impact Assessment
HR	Human Resource
IFC	International Finance Corporation
IFRS	The International Financial Reporting Standards
IIRC	The International Integrated Reporting Council
IPCC	Intergovernmental Panel on Climate Change
IR	Integrated Reporting

ISSB	International Sustainability Standards Board under IFRS Foundation
MNT	Mongolian National Tugrik
ISO	International Organization for Standardization
ILO	International Labor Organization
MNS	Mongolian National Standard
MSE	Mongolian Stock Exchange
MSSEI	Mongolian Sustainable Stock Exchange Initiative
MSFA	Mongolian Sustainable Finance Association
NDC	Nationally Determined Contributions
NGO	Non-government Organization
OECD	Organization for Economic Co-operation and Development
OHS	Occupational Health and Safety
SASB	The Sustainability Accounting Standards Board
SDGs	Sustainable Development Goals
SIA	Social Impact Assessment
SSE	Sustainable Stock Exchange
SMS	Sustainability Management System
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Task Force on Nature-Related Financial Disclosures
TSS	Total Suspended Solids
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
WRI	World Resources Institute
WBCSD	World Business Council for Sustainable Development





1

INTRODUCTION

1.1 BACKGROUND

Sustainability policies and initiatives both in Mongolia and globally have progressed significantly, due to the intensifying impacts from climate change and sustainability-related risks and the growing recognition from investors, regulators and the public about the importance of effectively addressing these risks and impacts. Some of the key developments that drive sustainable business and reporting practices include the adoption of the Sustainable Development Goals (SDGs) and the Paris Agreement by countries around the world. In line with these global goals, the Mongolian government has made several strong policy commitments through the approval of the Vision-2050 and the Nationally Determined Contributions (NDC). Mongolia strives to achieve a 22.7% reduction in total national greenhouse gas (GHG) emissions compared to a Business-as-Usual (BAU) scenario and reach a development path in which economic growth, environmental balance and social stability co-exist.

Figure 1. Sustainable Development Goals and Paris Agreement



Source: UNDP; UNFCCC

Following these new transition pathways, business perspectives on environment, sustainability and related transparency and accountability have changed as well. The goal of business has shifted from focusing on only generating shareholder value to creating long-term stakeholder value and sustained growth that takes into consideration the environmental, social, and governance (ESG) performance of companies. Similarly, sustainability factors have evolved into a critical component of financial decision making across all asset classes. Investors are increasingly interested in companies' sustainability strategies and approaches to better understand their exposure to various ESG risks and their ability to manage and mitigate those risks and create business value. There is empirical evidence that investors value ESG information, driving rapid growth on its demand. According to a global survey of mainstream investment organizations, conducted by the University of Oxford and Harvard, "The clear majority of respondents (82%) suggest that they use ESG information because it is financially material to investment performance"¹.

A holistic approach to business management, incorporating ESG considerations alongside financial ones, will serve as a sound business model that supports business continuity and competitiveness over the long term.

However, ESG integration into financial analysis is strongly hindered by the low quality of ESG information. In its recent survey, the Chartered Financial Analyst (CFA) Institute found that the main factor limiting investors' ability to use nonfinancial information in investment decisions was the lack of appropriate quantitative ESG information, followed by the lack of comparability across firms and the questionable data quality and lack of assurance. FC4S latest surveys and reports conclude that Data quality and availability is a persistent challenge faced by most financial centres. Approximately two thirds of the 24 and 29 financial centres surveyed, in 2020 and 2021 respectively, reported that data quality and availability is among the top 3 barriers to scaling up sustainable finance. Issues regarding accessibility, reliability, incompleteness, noncomparability, as well as lack of necessary skills or analytical capabilities are currently hindering progress in mainstreaming sustainable finance across the globe².

BOX 1: BASELINE ASSESSMENT ON CURRENT REPORTING PRACTICES OF MSE LISTED COMPANIES

The project team conducted a baseline assessment of the current sustainability reporting practices of MSE listed companies. The assessment covered 42 companies (around 25% of listed issuers) and revealed that current reporting practices of listed companies on sustainability issues is limited with more information being disclosed on governance related indicators while companies lack the technical knowledge and skills to report on environmental and social indicators such as GHG emission reduction, climate risks etc. However, the survey results also highlighted that **companies are willing to engage on sustainability reporting** and believe the relevant information can be collected and disclosed if given the right guidance and capacity building support. In addition,

issuers noted that the successful introduction of ESG reporting rules will support the current implementation and advance the reporting practices of companies by assisting the disclosure of information that is not yet available to investors and the public, and give investors the opportunity to benchmark the ESG performance of companies. Interviewees mentioned that companies need to be given comprehensive capacity building and technical assistance support not only related to reporting and disclosure, but more generally on **setting up and implementing sustainability and E&S management systems**. The organizing of regular knowledge exchange events and annual forums for companies would also encourage them and enhance collaboration and buy-in.

Figure 2. Sustainability management systems of MSE listed companies

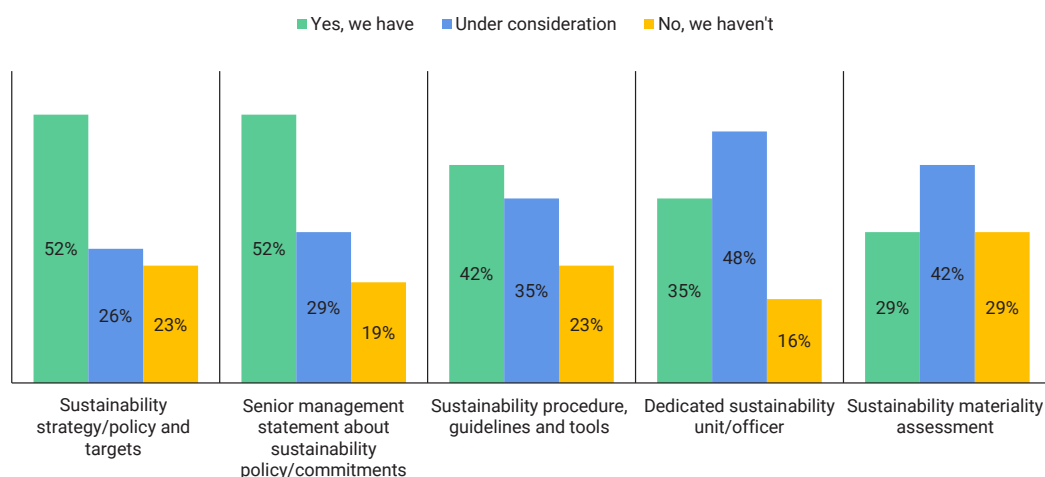
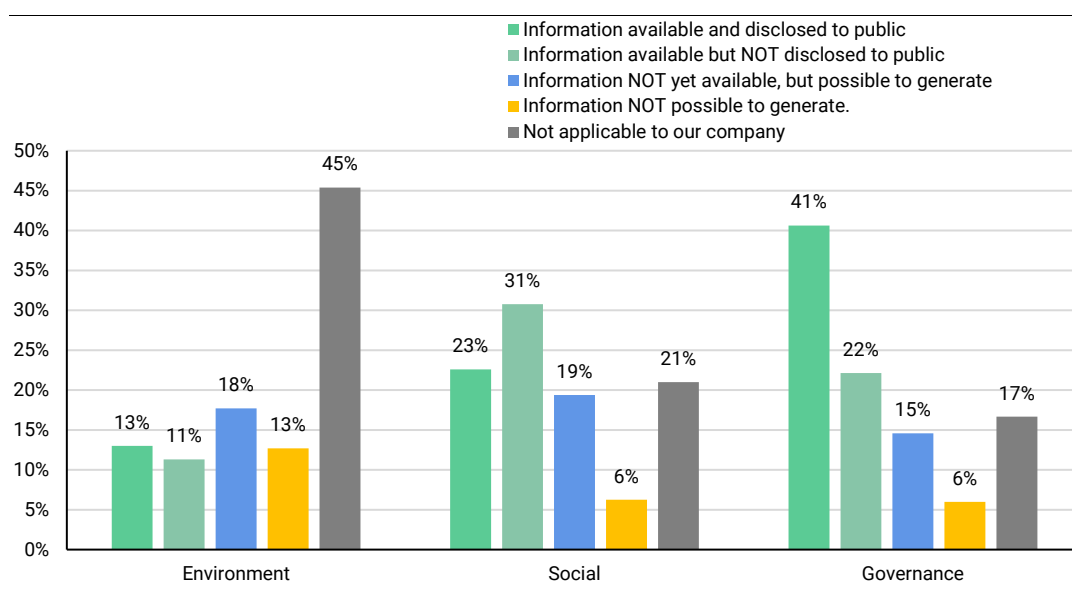


Figure 3. Comparison of current reporting on ESG indicators



Source: Project team analysis (2021)

Therefore, it is becoming more and more important for companies to fill this gap and respond to this demand for information by clearly and credibly disclosing the ESG and sustainability aspects of their performance. FRC seeks to recognize companies with sound business models and support them in attracting capital. At the same time, FRC seeks to promote an investment climate that is transparent and sustainable by supporting investors in making informed and sustainable decisions and providing them with the information they need to assess issuers' risk profile and future growth prospects in a consistent and comparable manner across different companies and sectors.

With these goals in mind, FRC partnered with MSE, MSFA, IFC, FC4S, UNEP and UNDP to develop this reporting and disclosure guidance. The guidance was developed in line with key global reporting standards, frameworks and guidance including the Global Reporting Standards, Sustainability Accounting Standards Board (SASB) Standards, Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, IFC Performance Standards and Corporate Governance methodology.

Sustainability reporting is an organization's practice of reporting publicly on its significant economic, environmental and/or social impacts, in accordance with globally accepted standards. Such disclosures enable organizations to measure, understand and communicate their ESG performance and then set goals, and manage change more effectively. - GRI

1.2 PURPOSE AND TARGET AUDIENCE OF THE GUIDANCE

While this Guidance is voluntary, it aims to:

- Raise awareness amongst issuers and investors on the importance of sustainability reporting and help issuers navigate the rapidly evolving landscape of sustainability disclosure
- Outline simple steps for companies to help prepare annual sustainability reports
- Suggest a set of key ESG indicators that companies should consider reporting on
- Provide some practical resources that companies can explore when preparing their sustainability or integrated reports
- Assist in contributing to the achievement of national and international sustainable development commitments and priorities, such as the National Development Plan and UN SDGs

“Sustainable Development” as defined by the Brundtland Commission of the United Nations is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”

When applied to companies, sustainability (or corporate sustainability) refers to the creation of economic value, taking into account the interests of various stakeholders of the firm, including workers, customers, local affected communities, and the environment. It typically includes social and environmental impacts that companies may impose, and that can affect their long-term performance.

The Guidance can be used by both large and small issuers either listed or non-listed as well as organizations that already have a long history of sustainability performance and those that are just starting on the journey. Listed issuers are strongly encouraged to refer to this Guidance in the implementation of sustainability practices, as well as annual reporting. Organizations that are not listed on the stock exchange (e.g., limited liability companies, state owned enterprises, non-governmental organizations) may use this document as a guide to assess their sustainability reporting practices and identify and address any gaps. Companies are encouraged to move at any time beyond these minimal requirements and disclose more information than those described in this Guidance. Chapter 2 provides an overview of commonly used global reporting frameworks and best practices.

1.3 BENEFITS OF SUSTAINABILITY REPORTING

Companies that have strong sustainability management and reporting practices can benefit from a wide range of financial risk and opportunity-related key value drivers, as described below:



FINANCIAL DRIVERS:

Meeting investors' demand: A growing number of investors are incorporating ESG aspects in their investment decision making process. For these investors, a company's sustainability report provides insight into the quality of corporate management and helps them forecast performance. For example, Mongolian banks have introduced the Mongolian Sustainable Finance Principles, a set of guidelines they use to assess the environmental and social risks of companies requesting loans³. Similarly, more and more capital market investors are asking companies to communicate how they are managing ESG-related risks and opportunities⁴.

The view of 'ESG' as being primarily about 'enterprise value' is widespread in the investment community. As IOSCO puts it: "ESG ratings, rankings and scorings serve the same objective, namely the assessment of an entity, an instrument, or an issuer's exposure to ESG risks and/or opportunities." This focus on enterprise value is at the heart of the Value Reporting Foundation (VRF), comprising of SASB and IIRS and is informing the standards being developed by the International Sustainability Standards Board (ISSB). VRF is joining ISSB in June 2022. Whether the term 'ESG' is necessarily limited to a focus on enterprise value might be up for debate, but there is a strong case to be made that this is how it is predominantly applied, certainly in the investment sector.

'Sustainability' takes a much broader focus and recognises the need to drive systemic change in achieving a more equitable society and economy that operates within ecological boundaries. This understanding of sustainability focuses on an organisation's impacts on society, the environment, and the economy (on 'people, planet and prosperity') enabling an assessment of the organisation's contribution toward global commitments such as the UN SDGs. This approach informs the work of the GRI's Sustainability Reporting Standards developed by the Global Sustainability Standards Board and is also evidenced in the EU's sustainable finance regulation, which defines 'sustainable investment' as "an investment in an economic activity that contributes to an environmental objective.... or a social objective... (such as) tackling inequality or that fosters social cohesion, social integration, and labour relations... and under the memorandum of understanding between ISSB and GRI.

Access to finance: Companies that publish high quality information on sustainability indicators are improving their potential access to capital by enhancing the company's ability to attract a diverse range of longer-term investors, including development finance institutions and green investors. According to the CFA Institute Survey, 73% of the survey respondents answered that they take into account ESG issues in their investment analysis and decisions⁵. Having a sustainability report in place increases a company's ability to access diverse funds and raise new capital to finance sustainable projects by demonstrating effective management of material sustainability risks and opportunities. Furthermore, it can drive profitability and growth by generating increased financial value for the company, prompting innovation, and enhancing market differentiation and competitiveness, and enabling strengthened management and board scrutiny of promoting greater company-wide alignment on goals.



RISK-RELATED DRIVERS:

Risk management: Sustainability reporting is also used as a management tool to assess and manage a company's ESG-related risks and opportunities that are often overlooked by traditional risk management tools⁶. A risk management approach that incorporates ESG considerations provides the company with useful data to identify emerging risks arising from mega trends such as climate change, new regulations, technology change, and develop internal responsibilities and systems to address these risks and improve performance over time. On the other hand, poorly identified and managed ESG issues may become a reputational risk to the company, which may subsequently affect its ability to obtain funding. Sustainability-related issues, therefore, can significantly affect an issuer's risk profile, potential liabilities, and its value⁷.

Regulatory compliance: Governments around the world are responding to demands for ESG information by taking action to introduce corporate sustainability disclosure regulations⁸. In line with international developments, FRC has integrated ESG requirements into the MSE Listing rule that aims to improve the disclosures made by issuers on ESG topics. In addition, MSE recognizes companies that have operations in line with the SDG targets and offer several administrative benefits to these companies. Establishing protocols for sustainability reporting can help companies address mandatory reporting requirements, mitigating compliance risks related to financial disclosure obligations, staying ahead of new regulatory developments, and accessing regulatory incentives and benefits.





OPPORTUNITY-RELATED DRIVERS

Brand enhancement and customer engagement: Companies that report on their sustainability performance demonstrate corporate adherence to ethical standards, regulatory frameworks, as well as global and national sustainability goals. These in turn enhance corporate reputation by building trust and dialogue with stakeholders. In addition, consumers around the world are increasingly concerned about purchasing products that satisfy sustainability requirements. A study revealed that 70% of consumers said they had purchased an environmentally friendly product, even if it costs more, while 66% confessed to having avoided a particular product or brand for environmental reasons⁹.

New market opportunities and Improved Resource efficiency: Where challenges arise, opportunities also lie. Sustainability challenges present exciting business development opportunities for companies, unlocking new markets and customer demands. Leading companies are managing their business portfolios to capture trends in sustainability¹⁰. Also, companies are identifying opportunities to save costs via reduced energy and water consumption. By doing so, they are discovering ways to transform ESG issues and impacts into opportunities for market differentiation and revenue growth, while creating value for the wider society.

Motivated workforce: Creating a sustainability report requires a concerted effort from companies' employees, exposing them to the companies' commitment to sustainability. Research have shown that there is a significant positive relationship between perceived environmental performance and employee satisfaction¹¹. Knowing that the company is environmentally and socially conscious increases morale and motivates the workforce to work hard for the company.

Improving information flow: Strengthened disclosure and reporting ensures that key stakeholders have the relevant information that is needed to make informed decisions about the company's ability to create value in the short, medium, and longer term. It also enhances the flow of relevant information between the board and management.

For investors and external stakeholders, integrated ESG reporting helps provide context and give a broader view of strategy and performance and can provide confidence in the long-term viability of the business model (more about reporting types see Table 5. Commonly used reporting formats). Some nonfinancial dimensions of performance, such as employee turnover or product quality, may even be thought of as pre-financial or leading indicators of long-term financial performance.

ESG reporting can also help external stakeholders and investors assess how a company is creating value over time and whether it is making a positive contribution to society, a factor that is increasingly important, given the rise of impact investing and the increased perception that companies should participate in economic and social development and the realization of a sustainable, climate resilient economy. It provides an account of a company's total contribution beyond economic and financial—its human capital, relationships, and destruction or preservation of natural resources as well as its effect on other dimensions of society's wellbeing.

2



GLOBAL REPORTING FRAMEWORKS AND GROWING CONVERGENCE

Companies throughout the world are now expected to manage and report on all important aspects of their business—including ESG issues. Unfortunately, there is no equivalent to the International Financial Reporting Standards (IFRS) (as a common standard, description of the standard is shown in table 1 below) for ESG reporting. Multiple ESG reporting standards and norms exist, and the rapid evolution of the ESG landscape have created some complexity. ESG issues that are relevant to some stakeholders or material for some sectors may not always be relevant or material or could have a different degree of importance. However, various stakeholders are collaborating to streamline and align standards, and facilitate the dialogue between investors, issuers, regulators, and other market players.

Frameworks and standards are tools to help companies produce useful, comprehensive and transparent disclosures to meet stakeholders' information needs. Not all reporting frameworks seek the same outcomes, and different reporting organizations have different goals. Companies should choose reporting frameworks by carefully considering the following: the type of organization that is reporting; objectives of the reporting organization; reporting requirements for the market or sector; and the information needs and communication preferences of the company's stakeholders.

This section provides a general overview of existing key reporting frameworks and standards. **IFC Disclosure & Transparency Tools**¹ can also be used to help companies with preparation of reports in line with best practices². The table below provides an overview of different reporting standards and frameworks:

¹ IFC's Disclosure and Transparency Toolkit is the latest addition to its suite of innovative tools designed to unlock private sector investment and improve transparency. Its purpose is to meet the need of investors for better information. The Toolkit is based on IFC's comprehensive new integrated approach to assessing environmental, social, and governance practices in the context of its own investments in emerging markets. To learn more about the IFC Toolkit for Disclosure and Transparency:

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/toolkits+and+manuals/beyond+the+balance+sheet+-+ifc+toolkit+for+disclosure+and+transparency

² IFC offers reporting guidance, in both its toolkit and e-learning modules, to help companies move toward more robust disclosure and data quality, in preparation for assurance of non-financial or ESG disclosure. IFC's reporting guidance includes information on how to identify and assess material issues, and how to use this materiality determination in shaping and prioritizing disclosure.

Table 1. Existing Reporting Standards and Frameworks

Guideline/ Framework	Objective	Strengths	Limitations	Best Use
Broad-Based Frameworks				
 UNITED NATIONS GLOBAL COMPACT	Companies that commit to the 10 principles of the UN Global Compact are required to annually report on their progress and sustainability performance.	Covers environmental and social issues and human rights.	Principle-based framework does not offer specific key performance indicators for measuring performance, comparability.	Creating accountability for upholding broad-based international norms. Topics and flexible framework relevant for emerging markets and smaller companies.
 ISO STANDARDS	Guidance to maximize contributions to sustainable development. Includes external communication on improving performance related to social responsibility.	Guidance on core social responsibility topics. Guidance on integrating social responsibility throughout an organization.	Reporting guidance is limited.	Reporters who want to use global best practice but want a great deal of flexibility in how they report. Topics and flexible framework relevant for emerging markets.
GLOBAL REPORTING INITIATIVE 	To improve sustainability of organizations and support sustainable development. Guidelines are developed using a multi-stakeholder approach.	Reporting standards geared to economic, social and environmental disclosure for all companies. Additional targeted disclosure guidance provided for specific sectors.	Primarily used for standalone sustainability reports.	Communicating a broad range of sustainability/ nonfinancial management practices to many different types of stakeholders. Topics relevant for emerging markets.
VALUE REPORTING FOUNDATION INTEGRATED REPORTING FRAMEWORK³ 	To increase long-term, integrated thinking within companies, and improve the allocation of financial capital. Reporting is targeted to all stakeholders, but investors are prioritized.	Can help drive internal change, embedding environmental and social considerations in core operations.	Principle-based framework does not offer specific KPIs.	Reporting on value-creation processes and explaining how sustainability issues are managed strategically. Approach relevant for emerging markets.
Targeted Frameworks—for specific stakeholders or specific issues				
IFRS 	Accounting standards that help reporters describe financial performance and position so that company <u>financial statements</u> are understandable and comparable across international boundaries.	A well accepted international standard for financial performance.	Of limited use for intangibles and non-financial performance.	Fostering comparability, trust and transparency in financial disclosure.
VALUE REPORTING FOUNDATION SASB STANDARDS⁴ 	To promote decision-useful sustainability information. Primary audience is investors.	Specific for each sector and subsector. Fully embedded within financial reporting.	Primarily designed for U.S.-listed companies. Integrating sustainability information and financial regulatory filings; not a user-friendly format.	Explaining sustainability management and performance to investors. Focus is listed companies, particularly in the US.

³ IR will be part of International Sustainability Standards Board as of June 2022.

⁴ Same as IR, SASB will be part of International Sustainability Standards Board as of June 2022.

Guideline/ Framework	Objective	Strengths	Limitations	Best Use
UN GUIDING PRINCIPLES REPORTING/ FRAMEWORK 	Improve transparency of human rights performance and adoption of the UN Guiding Principles on Business and Human Rights.	Focused on governance and management of salient human rights issues. Can be used with other guidelines or frameworks.	Very process oriented. Indicators are qualitative.	Detailed communication regarding human rights management, adoption of UN Guiding Principles on Business and Human Rights ("Ruggie Framework"). Topic relevant for emerging markets.
CARBON DISCLOSURE PROJECT 	CDP requests standardized climate change, water, and forest information through annual questionnaires sent on behalf of institutional investors.	Provides comparable and aggregate information on key climate-related measures of corporate performance.	Standalone disclosure, not integrated in annual reports. Sophistication and comprehensiveness limits application to very large companies.	Specialized disclosure to investors. Industries with significant climate change impacts and/or those with regulatory requirement to report on climate change. Focused on large, listed companies.
CLIMATE DISCLOSURE STANDARDS BOARD⁵ 	Provide information for investors on how climate change affects strategy, performance, and future prospects. Intended for use with financial reporting.	Harmonizes climate-related disclosures and supplements financial statements, placing climate information in context for investors.	Format may not be user-friendly for stakeholders other than investors.	Integrated reporting for large, listed companies. Industries with significant climate-change impacts and/or those with regulatory requirement to report on climate change.
TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES 	Develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders.	Comprehensive and integrated disclosure of climate risks, including governance, strategy, risk, and performance. Includes scenario planning and industry-specific metrics.	Sophistication and comprehensiveness limits application to very large companies.	Integrated reporting for large, listed companies. Industries with significant climate-change impacts and/or those with regulatory requirement to report on climate change.
TASKFORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD) 	Delivering a risk management and disclosure framework for organizations to report and act on nature-related risks.	The first beta version of the TNFD framework marks an important step by the market to tackle the risk of nature loss and incorporate nature-related risk and opportunity analysis into the heart of corporate and financial decision making.	Sophistication and comprehensiveness limits application to very large companies.	G7 Finance Ministers and the G20 Sustainable Finance Roadmap are amongst those that have endorsed TNFD.

As a general principle, **only material information should be reported in a company's annual report**. Financially material information is defined as information necessary for investors to make an informed decision about the company. In the context of sustainability, it relates to ESG issues that substantively affect, or have the potential to substantively affect, the organization's strategy, governance, performance, or its stakeholders. Whether ESG issues are material for an organization will depend on its stakeholders and industry sector. The table below includes further information to help companies choose between reporting frameworks and standards:

⁵ CDSB became part of International Sustainability Standards Board as of February 2022.

Table 2. Comparing Reporting Frameworks and Standards: Stakeholders & Purpose of Reporting

	IFC's Disclosure and Transparency Toolkit	International Financial Reporting Standards	GRI	ISO	Value Reporting Foundation IIRC integrated reporting framework ⁶	Value Reporting Foundation SASB standards ⁷	Taskforce on Climate Change Disclosure (TCFD)
What is this reporting framework/ standard designed for?	To improve understanding of how companies manage risks and pursue opportunities in emerging markets, for the purpose of attracting additional investors and capital to foster economic development.	Provide high quality, transparent and comparable information for investors, provide world capital markets with a common language for financial reporting, promote capital market stability through transparent financial reporting and promote consistent application of standards	Enabling all organizations – regardless of size, sector or location – to report about their impacts on the economy, the environment, and/or society.	Provide guidance on how businesses and organizations can operate in a socially responsible way	Increase holistic, long-term, integrated thinking – considering multiple capitals – and improve allocation of financial capital	Provide investors with a more complete view of a corporation's performance on material issues likely to affect long-term value	To help identify the information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities
Who is this reporting framework/ standard designed for?	All stakeholders, but particularly investors interested in emerging markets	Investors	Multi-stakeholder focus	Multi-stakeholder	All stakeholders are addressed, investors are prioritized	Primarily investors	Investors, lenders and insurance underwriters
What information is considered?	All stakeholders, but particularly investors interested in emerging markets	Information is material if omitting it or misstating it could influence decisions made on the basis of financial information about a specific reporting entity.	Issues that • Have significant economic, environmental and social impacts • May influence stakeholder decisions	Organizations choose relevant topics from a list of core issues based on an assessment of their organization's impacts and significance to stakeholders	Matters that substantially effect value creation over the short, medium and long-term	Varies by sector	Information that could promote more informed investment, credit [or lending], and insurance underwriting decisions and, in turn, would enable stakeholders to understand systemic exposure to climate-related risks.

Source: IFC's *Beyond the Balance Sheet: Toolkit for Disclosure and Transparency*

Quality of ESG information is another important factor that helps investors and stakeholders to make informed decisions about the company. Market regulators are encouraging companies to improve their corporate ESG disclosure to provide investors and other stakeholders with better quality information. ESG frameworks and standards provide guidance on the scope and quality of information that should be included in a report (e.g., contents of the annual report, disclosure of key environmental, social and corporate governance practices).

⁶ The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) officially announce in June 2021 their merger to form the [Value Reporting Foundation](#). The Value Reporting Foundation supports business and investor decision-making with three key resources: Integrated Thinking Principles, Integrated Reporting Framework and SASB Standards.

⁷ The International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) officially announce in June 2021 their merger to form the [Value Reporting Foundation](#). The Value Reporting Foundation supports business and investor decision-making with three key resources: Integrated Thinking Principles, Integrated Reporting Framework and SASB Standards. In June 2022, VRF consolidates under the International Sustainability Standards Board under the IFRS Foundation.

Table 3. Comparing Reporting Frameworks and Standards: Completeness and Robustness

	IFC's Disclosure and Transparency Toolkit	International Financial Reporting Standards	GRI	ISO	Value Reporting Foundation IIRC integrated reporting framework	Value Reporting Foundation SASB standards	Taskforce on Climate Change Disclosure (TCFD)
Reporting relevant to operations and processes							
External or operating environment	✓	✗	✗	✗	✓	✗	✗
Business model	✓	✗	✗	✗	✓	✗	✗
Stakeholder engagement	✓	✗	✓ (in relation to sustainability)	✓ (in relation to corporate responsibility)	✓	✗	✗
Strategy and strategic objectives	✓	✗	✓ (in relation to sustainability strategy and objectives)	✓ (in relation to corporate responsibility)	✓	✗	✓ (only in relation to financially material climate-change risks)
Risk assessment and mitigation	✓	✗	✓ (in relation to sustainability risks)	✓ (in relation to corporate responsibility)	✓	✗	✓ (only in relation to financially material climate-change risks)
Governance	✓	✗				✗	✓
Reporting relevant to performance							
Financial performance/ Profitability/ Financial value creation	✗	✓	✗	✗	✓	Designed to be disclosed WITHIN financial report.	Designed to be disclosed WITHIN financial report.
Social impact/ human capital/ social value creation	✓	✗	✓	✓	✓	Depends on sector	(except where env and financial impacts may have social impacts)
Environmental impact/natural capital/net environmental value	✓	✗	✓	✓	✓	Depends on sector	✓ (env impacts are included to the extent they relate to financial performance)
Financial performance/ Profitability/ Financial value creation	✗	✓	✗	✗	✓	Designed to be disclosed WITHIN financial report.	Designed to be disclosed WITHIN financial report.

Source: IFC's *Beyond the Balance Sheet: IFC Toolkit for Disclosure*

Best practice increasingly involves following not just one standard, and reporting to not just one stakeholder group. It is also worth noting that the trend in ESG reporting initiatives currently under development is to move to required third-party assurance for non-financial or ESG information. The EU, France, Italy and Spain have already begun mandating assurance and it is likely that greater use of assurance will become more common, and ultimately required, in the coming years.

Future Trends

There are currently initiatives underway to better align and streamline reporting standards, moving to greater global coherence and convergence. Such coherence and consistency could be achieved by flexible co-construction and adaptation of existing international sustainability reporting standards.

Co-construction can be a way to collectively consider how different approaches could borrow from and complement each other. Over time, this could result in enhanced, more comprehensive and coherent standards that are more useful for both reporting organizations and report users.

The initiatives underway do tell us a great deal about the future of reporting, and this is useful information for companies looking to 1) stay ahead of evolving reporting requirements and 2) achieve leadership.

The two primary initiatives underway are:

The IFRS Foundation has established a working group for a potential international sustainability reporting standard. The initial work toward this is focused on environmental issues, particularly climate, using financial materiality from the point of view of investors and creditors. The initial work uses GRI, IIRC, SASB, CDP, CDSB and TCFD as building blocks. The IFRS initiative has a longer-term intention of including other material ESG issues and a broader view of materiality.

- In September 2020, the five leading voluntary framework- and standard-setters on sustainability and climate-related disclosure – CDP, CDSB, GRI, IIRC, and SASB – for the first time committed to work towards a joint vision.
- In 2020, the International Federation of Accountants (IFAC) called for the creation of an International Sustainability Standards Board (ISSB) to sit alongside the International Accounting Standards Board (IASB) under the auspices of the IFRS Foundation.
- In early 2021, the IIRC and SASB combined to establish the Value Reporting Foundation (VRF), and in November 2021, the VRF and the CDSB announced their intention to consolidate with the IFRS Foundation, jointly positioning their resources to serve as a framework to connect the work of IASB and the ISSB

At COP26 in November 2021, the IFRS Foundation announced three significant developments to provide the global financial markets with high-quality disclosures on climate and other sustainability issues:

- The formation of a new [International Sustainability Standards Board \(ISSB\)](#) to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs;
- A commitment by leading investor-focused sustainability disclosure organisations to consolidate into the new board. The IFRS Foundation will complete consolidation of the [Climate Disclosure Standards Board](#) (CDSB—an initiative of CDP) and the [Value Reporting Foundation](#) (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022;
- The publication of prototype climate and general disclosure requirements developed by the [Technical Readiness Working Group \(TRWG\)](#), a group formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB.
- In March 2022, the ISSB delivered two proposals that create comprehensive global baseline of sustainability disclosures that meets the needs of the financial stakeholders, launched for public consultation. One sets out [general sustainability-related disclosure requirements](#) and the other specifies [climate-related disclosure requirements](#). It will also consolidate by June 2022 the Value Reporting Foundation and the CDSB.

- In March 2022, [IFRS Foundation and GRI signed a cooperation agreement](#) to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures.

In the EU, which requires non-financial disclosure along with financial disclosure from most businesses, but has allowed the use of a variety of standards, preparatory work and a roadmap for a potential EU non-financial reporting standard has recently been completed. The intention is to create an advanced integrated reporting solution with a combination of elements from various reporting initiatives and the addition of new elements to be developed. The EU's efforts aim to achieve both the EU and global sustainability ambitions and use a dual materiality lens looking at both financial and sustainable development impacts.

The European Commission is revising its Non-Financial Reporting Directive (NFRD), adopting a proposal for a Corporate Sustainability Reporting Directive (CSRD) that would inter alia extend the scope of the NFRD to all large companies and all companies listed on regulated markets (except micro-enterprises), as well as introducing more detailed reporting requirements, aligned with the GRI Sustainability Reporting Standards. In order to achieve the European green deal and define a common language and a clear definition of 'sustainable', "EU taxonomy" was developed in 2020. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities. A summary table of sustainability disclosure regulation in EU can be found in Annex 2.

The SDG Impact Standards¹² have been developed by SDG Impact – a flagship initiative of the United Nations Development Programme (UNDP) – to help investors and enterprises operate more sustainably and contribute positively to sustainable development and the United Nations Sustainable Development Goals (SDGs).

The [SDG Impact Standards](#) are provided as a best practice guide and self-assessment tool. Organizations can use them to align their internal processes, practices and decision making. Organizations are encouraged to use the Standards in their entirety as a gap analysis and self-assessment tool, and to fill gaps and improve practice over time. The Standards are organized around four interconnected themes – strategy, management approach, transparency, and governance - each of which plays an important role in fully integrating sustainability and contributing positively to the SDGs into organizational systems and decision making.

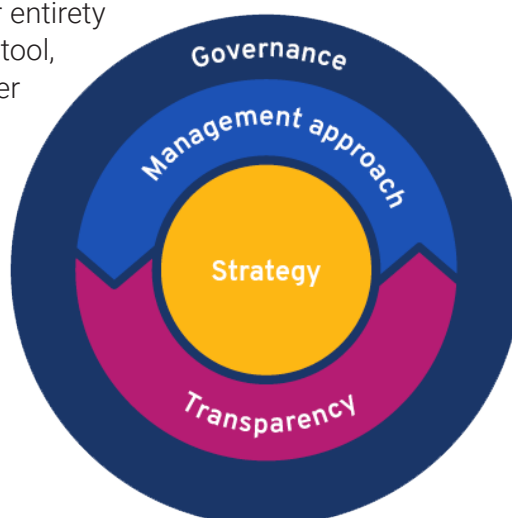


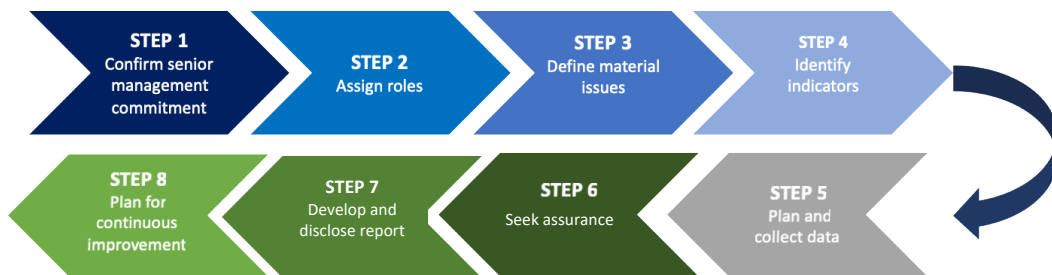
Figure 4. The SDG Impact Standards

3

HOW TO REPORT

Sustainability reporting can be time and resource-intensive for companies that do not have previous experience with it. However, setting up a clear process to obtain, verify, and disclose the data required for sustainability reporting can help companies minimize these costs and maximize the benefits. This process goes beyond data collection and involves awareness raising and capacity building at both the management and execution levels of the company. The following 8 steps can help companies establish efficient and effective reporting systems¹³:

Figure 5. Steps to Prepare a Sustainability Report



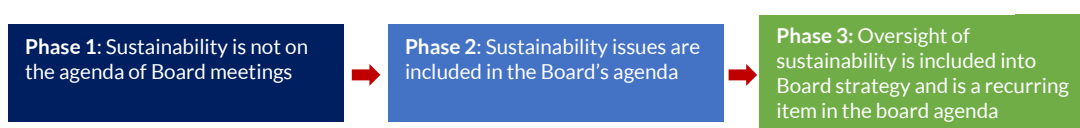
STEP 1: CONFIRM COMPANY COMMITMENT AND SENIOR MANAGEMENT SUPPORT

The decision to implement sustainability reporting should be embedded in the company's core business and sustainability strategies and should be supported by the board and senior management. This entails setting a vision for the company to publish a sustainability report, explaining the business implications of sustainability reporting to employees and other stakeholders, assigning key responsibilities to be in charge of the reporting process, supporting any operational and financial adjustment that may be required, defining key ESG priorities and performance indicators to report on, and reviewing and signing off the final report¹⁴. Board and senior management should act as sustainability champions and provide support and leadership to ensure sustainability is integrated into the strategic planning process of the company. If the company has

already produced a sustainability report the year before it should start with assessing feedback on report from stakeholders and benchmark report against peer companies. Prior to collection of data, a gap assessment on data availability needs to be done early in the process.

Commitment is needed both from senior management and the board, as both review and sign-off on the annual report. The United Nations Environment Programme Finance Initiative (UNEP FI) explains that the journey of embedding sustainability at the Board level usually goes through three phases as set out in Figure 5 below:

Figure 6. The journey of embedding sustainability at the Board Level



The desired-state is where sustainability is considered as 'business-as-usual', integrated within the business strategy, and governed by the Board. A **Sustainability Statement** that reflects its commitment to take into account material sustainability matters in a comprehensive and strategic manner must be presented by the organization in its annual disclosures to stakeholders. This is to set the tone from the top.

MATERIALITY: Meeting the information needs of the report user, Standard setters have provided diverse perspectives on the issue of materiality for the purposes of an organization's sustainability disclosure, reflecting the different intended purpose and outcome of the standard setting organization.

- **Materiality** is about identifying and addressing what matters most to you and to your most important stakeholders; what you have most impact on; and what impacts you the most. In other words, 'materiality' means 'priority'. – Deloitte
- The International Accounting Standards Board defines 'material' information as that which, if omitted, misstated, or obscured, could influence the economic decisions of readers relying on the financial statements.
- The Value Reporting Foundation's Integrated Reporting Framework suggests a matter is material if it "substantively affects the organization's ability to create value over the short, medium and long term."
- The IFRS Foundation's recommendations to the ISSB, maintains that sustainability-related financial information is material "if it influences users' assessments of the value, timing and certainty of the entity's future cash flows."
- The GRI's 2021 Sustainability Reporting Standards suggests that a sustainability topic is material when it "represents the organization's most significant impacts on the economy, environment, and people, including impacts on their human rights."

STEP 2: ASSIGN ROLES FOR THE PREPARATION OF THE REPORT

Sustainability reporting is a multi-stakeholder process. Senior management should determine who within the company is best placed to lead and coordinate the preparation of the report and engagement of various internal and external stakeholders. Depending on the structure of the company, the coordinator or sustainability reporting champion is typically a person with expertise in sustainability, reporting, communications or other related areas and should have access to top management. Especially for the first-time report, this effort should be led by the senior manager or director. It is also recommended to establish an ESG/sustainability working group with representatives from different departments such as sustainability, finance, investor relations, risk, legal, communications, human resources, sales and operations. The mission of the working group, under the mandate of the senior management, is to implement sustainability strategies in their departments, build organizational capacity, and plan and collect sustainability data for the annual report.

STEP 3: DEFINE MATERIAL ISSUES TO REPORT ON

An organization is faced with a wide range of sustainability topics on which it can report. Therefore, it is important for companies to go through a materiality assessment to define and prioritize the most essential ESG topics that should be included in the report.

The below is an example guidance to conduct a materiality assessment process building on KPMG's recommendations¹⁵.

Not all material topics are of equal importance, and the emphasis within a report is expected to reflect their relative priority. The degree to which each indicator is relevant will vary greatly among companies and the materiality of each factor should be based on a combination of i) the company's own view of what's most important and relevant, and ii) concerns expressed by stakeholders¹⁶. The company should be able to explain the process it has followed to define the material topics it has chosen to report on.

The recently published prototypes developed by the IFRS Foundation for the ISSB, SASB materiality matrix explanation, and the TCFD recommendations, both focus on informing an assessment of enterprise value by investors and other participants in the world's capital markets, while the GRI's Sustainability Reporting Standards and the EU's proposed Corporate Sustainability Reporting Directive looks at materiality through the lens of impacts on the economy, society, and the environment.

Table 4. Toolbox: Guide to the materiality process based on recommendations by KPMG:

Phase	Expected activities
PHASE 1: Define purpose and scope	Define what materiality means to your organization and be clear about your objectives and audience. Outline what you will do with the outcome of the process, consider your audience, and define the regions, boundaries and which parts of your business (e.g., business unit vs. group level) will be covered.
PHASE 2: Identify potential topics	Create a long list of potential material topics by researching internal and external research, and benchmarking sources. Include areas of opportunity in addition to risks. Internal: e.g., previous annual and sustainability reports, business strategy and sustainability/CSR strategy, company's vision and values External: e.g., FRC and MSE requirements, national regulations and policies, UN SDGs, SASB (Materiality Map attached in Annex), GRI, TCFD, rating frameworks such as CDP, Dow Jones Sustainability Index, industry specific publications such as the World Bank Environmental, Health and Safety Guidelines Benchmark: e.g., competitors' and peers' sustainability strategies and reports
PHASE 3: Categorize	Refine the long list of potential material topics by clustering them into categories. Cluster topics into a limited number of higher level categories, check that the categories are on the same level, and make sure everyone involved in the process understands each topic clearly.
PHASE 4: Gather information about the impact and importance of topics	Explore each material topic in detail to understand its relevance to the business and stakeholders. Gather information about the relevance of each material topic by considering the relevant stakeholders for each topic and assessing the importance of each topic to them, defining the methodology to score each topic, assessing the strategic importance of each topic to the business.
PHASE 5: Prioritize	Prioritize material topics based on the strategic importance to the business, importance to stakeholders and the social, economic and environmental impact of each topic in the value chain. Identify relevant business functions and stakeholders that should be involved in prioritizing topics and prioritize topics based on the business impact by assessing the economic, social and environmental impact of each topic on your company's value. Set a threshold or cut-off point for defining which topics will be considered material.
PHASE 6: Engage management	Test the results of your materiality assessment with key internal audiences to validate the outcome. Ensure that the materiality assessment is signed off by senior management and review again to ensure the process and outcome is considered credible both internally and externally.
PHASE 7: Seek stakeholder feedback	Identify key external stakeholders and conduct consultations through face-to-face meetings, online surveys, phone interviews to score and rank the long list of potential material topics. Stakeholders could include customers, investors, suppliers, regulators, local communities, industry associations, NGOs etc. Document results from stakeholder input and describe the impact this will have on future reporting.

DOUBLE MATERIALITY: Recognizing these different interests for disclosure purposes, in 2017 the European Commission introduced the concept of 'double materiality', comprising:

- Financial materiality, referring to the entity's "development, performance [and] position"; and
- Environmental and social "impact" materiality, referring to the "impact of [the entity's] activities".

STEP 4: IDENTIFY REPORT CONTENT AND KEY INDICATORS

Often, sustainability reports include too many CSR and philanthropic project descriptions and flashy photos and miss a critical forward-looking analysis of how the company is performing on material sustainability issues. Once the material issues are identified, the reporting content and indicators to measure and demonstrate actual impact and progress in those areas should be defined.

The project team, based on global best practices and in consultation with various financial, sustainability and industry stakeholders, has developed **a set of key minimum ESG performance indicators** that are described in the next section of this Guidance. The indicators are intended to provide basic comparable sustainability information. However, the indicators still need to be prioritized. Therefore, companies can go beyond these indicators, and also set targets to demonstrate progress and commitment to sustainability.

In addition to the key performance indicators, plans of the company to improve its sustainability performance in the future, explanations for any missing or incomplete data, other key messages that the issuer aims to convey to investors and other stakeholders, should be included in the report.

Figure 7. IFC Model for Integrating ESG in Corporate Value and Reporting

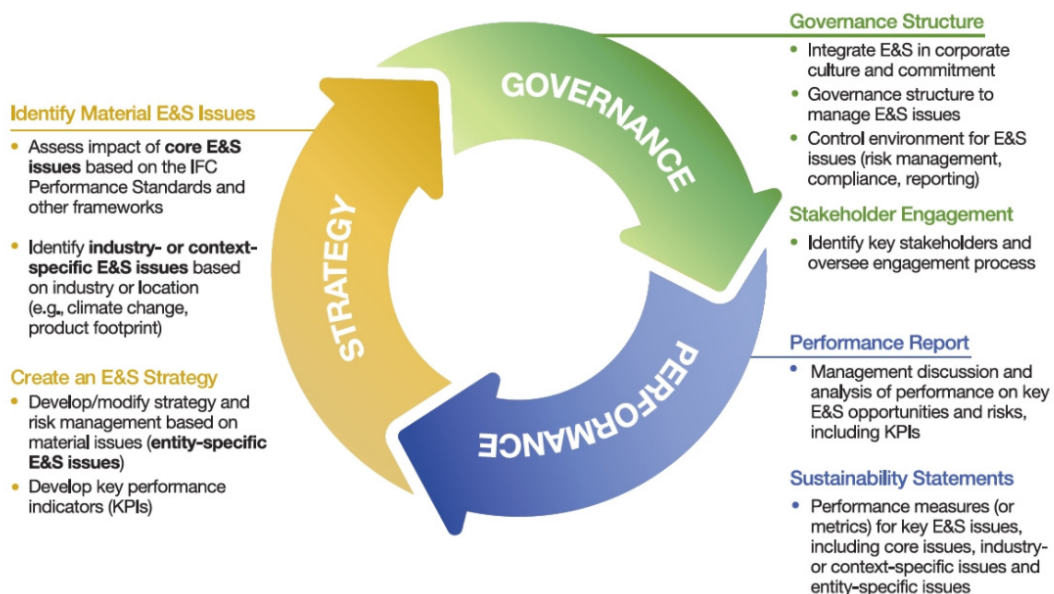


Figure 8. Toolbox: Reporting on the SDGs

In September 2015, all 193 United Nations member states adopted “Agenda 2030” - a plan to solve the world’s most pressing environmental, social and economic problems over 15 years. It consists of 17 goals and 169 targets that cover a broad set of challenges such as economic inclusion, geopolitical instability, depleting natural resources, environmental degradation and climate change. Mongolia is committed to Agenda 2030 through its Vision 2050 and integration of SDG targets in various national and sectoral documents.

The SDGs are increasingly seen by companies as a roadmap for businesses to assess and manage their sustainability risks, while contributing to improve their own reputation, image and strategic position in the market. With the SDGs gaining traction across the world, businesses are expected to demonstrate to governments, investors and other stakeholders, their contributions to the SDGs by adopting relevant goals and targets and embedding them into their business strategy and processes. This may include disclosing how an organization has prioritized the SDG targets, their own set objectives and targets to achieve them, the relevant indicators and the current progress.

The **‘SDG Compass - A Guide for Business Action to Advance the SDGs’** outlines a five-step process for organizations to align their strategies, as well as measure and manage their contribution to the realization of the SDGs:



STEP 5: PLAN AND COLLECT DATA

Once you have selected the indicators, the next step is to identify the quantitative data and qualitative information you need for your report. A good sustainability report provides concise, credible, comparable, and, where possible, quantifiable performance data.

The ESG working group should involve relevant staff to identify existing sources of data, or to develop a process by which missing data could be collected for future reporting. This will require communication and engagement with different business units and stakeholders. Some typical challenges related to data collection may include chasing people to acquire data and information, receiving numbers and data in different formats, and calculation and conversion mistakes. Encountering these barriers is normal and part of the process¹⁷. Requests for information should be timely: people may need a reasonable amount of time to collect data and carry out quality checks to verify accuracy. Indicators that are new to the company may need time to develop. The introduction of new data gathering processes may take a

year or more depending on the size of your organization or the need to introduce new systems for collection and measurement. Once received, data can be consolidated on a corporate basis. If the company is new to reporting, it is recommended to develop a roadmap or plan for the next 2-3 years on how to continuously improve its annual report.

Many companies establish a **starting point or base year** to maintain data consistency and track performance over time. This helps monitor internal performance, supports decision making and demonstrates progress towards targets. When choosing a reference year, consider the quality of your historical data and the frequency and/or significance of unusual events¹⁸. To **store data** in a structured way, companies are encouraged to incorporate sustainability data points into existing data management systems. If internal systems are currently not sufficient, the company may choose to invest in building reporting capacity and adopting tailored data tools such as the Future-Fit Progress Calculator, [MultiCapital Scorecard](#), [Reporting 3.0 Blueprints](#).

Data normalization / intensity measures

Readers with an interest in performance information usually look for two types of indicator data:

- **Absolute quantities:** values that reflect the absolute magnitude or size of an output, input, or result, typically expressed as a physical unit of measurement and readily convertible. For example, total greenhouse gas emissions expressed in tonnes of CO2 equivalent.
- **Normalized quantities:** relative values that are ratios between two absolute quantities of the same or different kind. Normalized quantities are also referred to as 'intensity measures' in relation to an output, such as production, and provide comparable measures. For example, greenhouse gas intensity expressed as tonnes of GHG emissions per unit of production.

STEP 6: SEEK ASSURANCE

Accuracy and reliability of sustainability information are important for informed business decision-making. One of the methods to instill confidence in the accuracy and reliability of sustainability-related information is via the provision of assurance. Organizations should familiarize themselves with their stakeholders' (especially investors) preference for the types of assurance they need.

External assurance of sustainability reports by auditing firms, sustainability rating agencies or certified third-party assurance providers can lend an added degree of trust, credibility and recognition, just as financial auditing does. External assurance can also help prevent from reputational and market risks involved in disclosing misleading or inaccurate data¹⁹.

At the moment, there are no certified local reporting assurance providers, but companies can seek assurance from the Big 4 global accounting firms that have local offices in Mongolia. As sustainability reporting practices of companies improve, it is expected that a new market of assurance providers will emerge. At the initial years companies should start with limited assurance of sustainability data.

STEP 7: DEVELOP, REVIEW, AND DISCLOSE THE REPORT

Using the data collected on the material issues identified, the reporting team will analyze the data and develop the sustainability report. The sustainability report can take a range of formats according to different stakeholder needs. The right formats and disclosure channels ensure investors receive relevant, easily accessible, comparable and timely information. Some of the most commonly used formats are described below with links to sample reports of companies:

Table 5. Commonly used reporting formats

Type of report	Description	Example
Annual report	Annual reports are intended to give shareholders and other stakeholder groups information about the company's activities and financial performance. Some companies integrate ESG issues into their annual reports, aiming to provide investors with ESG disclosure at the same time as wider information about the company. However, due to concerns about length and complexity, companies tend to discuss ESG issues briefly in annual reports focusing only on key ESG issues that investors care about. In addition, ESG-related content may not fit the flow and structure of the annual report.	GOBI Khan Bank
Sustainability report	Introducing a standalone sustainability is an approach favored by most companies. As of 2019, 32,700 reports have been listed on the GRI Sustainability Disclosure Database ; these reports are in line with the GRI standards. Sustainability reports provide a company's consolidated ESG content at a single location and address the relevant ESG information needs of investors and other stakeholders, such as consumers and civil society.	Energy Resource Golomt Bank
Integrated report	An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value. ESG information and data are presented in an integrated manner within the annual report. This model offers investors a more rounded, concise and holistic insight into business performance and impact over the short, medium and long term.	IDLC Finance

While various forms exist, this Guide promotes a comprehensive and **integrated approach** to corporate reporting. This approach presents strategic and corporate governance information together with financial results— providing investors with a better understanding of how the company is likely to perform in the future. It also calls for disclosure of the impact that environmental and social issues may have on the company's strategy, risk profile, and performance, and how key opportunities and risks are managed as part of the company's corporate governance. The table below outlines the main content elements of a model integrated annual report, as recommended in the [IFC Disclosure and Transparency Toolkit](#).

Table 6. Model Structure of Integrated Annual Report

1. Strategy
• Strategic Overview and Business Model • Strategic Context: External Environment and Stakeholder Engagement • Strategic Implementation: Strategic Objectives, Key Performance Indicators and Targets, Risk Management, Material Sustainability Opportunities and Risks
2. Corporate Governance
• Leadership and Culture: Commitment to ESG • Structure and Functioning of the Board of Directors • Control Environment • Treatment of Minority Shareholders • Governance of Stakeholder Engagement
3. Financial Position and Performance
• Performance Report • Financial Statements • Sustainability Statements • Audit and Assurance

Source: IFC Disclosure and Transparency Toolkit

The Global Reporting Initiative (GRI) also recommends a set of **Reporting Principles** to achieve high quality sustainability reporting, including its proper presentation²⁰. These principles are:

Table 7. GRI Reporting Principles

#	Principles for defining report content	Description
1	Stakeholder Inclusiveness	The reporting organization shall identify its stakeholder and explain how it has responded to their reasonable expectations and interests.
2	Sustainability Context	The report shall present the reporting organization's performance in the wider context of sustainability.
3	Materiality	The report shall cover topics that reflect the reporting organization's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders.
4	Completeness	The report shall include coverage of material topics and their Boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.
#	Principles for defining report quality	Description
1	Accuracy	The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.
2	Balance	The reported information shall reflect positive and negative aspects of the reporting organization's performance to enable an unbiased assessment of overall performance.

3	Clarity	The reporting organization shall make information available in a manner that is understandable and accessible to stakeholders using that information.
4	Comparability	The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.
5	Reliability	The reporting organization shall gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.
6	Timeliness	The reporting organization shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

Source: GRI (2016)

In addition, a few overarching practices are recommended to be considered by companies:

- Publish sustainability and financial reports for the same reporting period to allow investors to consider financial information within the context of ESG information. A 12-month reporting period is generally recommended.
- Ensure consistency of information across different communication channels.
- Make information easy to find, for example by providing an online content index with links indicating where specific ESG information can be found. To see an example, visit the www.electroluxgroup.com and explore their annual sustainability reports and frameworks.
- Use language that is clear, concise and relevant for key stakeholders²¹.

STEP 8: PLAN FOR CONTINUOUS IMPROVEMENT

Sustainability reporting is a valuable ongoing process for driving continuous improvements in the company's corporate sustainability strategy. Lessons learned from the first report should be incorporated into the planning for the next reporting cycle as well as the company's overall sustainability strategy and governance approach. Sustainability reporting standards and indicators (climate, biodiversity, gender, etc.) are also rapidly evolving. Therefore, companies are encouraged to closely follow these developments and adjust their sustainability systems and reporting processes where needed. If the company is new to reporting, it is recommended to develop a roadmap or plan for the next 2-3 years on how to continuously improve its annual report.

4

WHAT TO DISCLOSE

The project team has identified 30 ESG indicators that are considered essential or minimum to report in alignment with the recommendations of key global reporting frameworks. These indicators are identified in the following section as 'core' indicators. The indicators are also mapped against GRI, SDGs, SASB, TCFD, IFC, IFRS and other reporting standards.

In addition to the 'core' or mandatory indicators, a set of optional indicators together with guidance on describing the management approach related to the reporting topic/issue is included. These management approaches can be in the form of organization policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms as well as processes, projects, programs, and initiatives. See GRI 103 for more guidance on the management approach. Organizations can use the guide to report to FRC and the stock exchange, but also to develop their annual sustainability reports.

It is recognized that the scope and depth of sustainability disclosure will be unique to each sector of activities as well as the companies' own operations. Therefore, companies may choose to look beyond this guide to explore comprehensive reporting frameworks or guidelines such as the GRI or the Integrated Reporting (IR) framework. The SASB materiality map is also included in Annex 5. Companies are encouraged to review the map and focus on reporting issues that are more material to the company according to its industry classification.

Every reasonable effort must be made to obtain data to report on the indicators. In circumstances where there are difficulties in acquiring the necessary data, the omissions along with an explanation should be stated in the report. It is recommended that companies set out the steps they are taking to acquire the information for future reporting.

Table 9. Core indicators suggested to disclose

TYPE	REF.	REPORTING TOPICS
Sustainability Management System Indicators	MS1	Senior management commitment
	MS2	Sustainability strategy/policy and procedures
	MS3	Governance structure
	MS4	Materiality assessment
	MS5	Organization capacity
	MS6	Monitoring
	MS7	Sustainability reporting and verification
	MS8	Memberships
Environmental Indicators	E1	Energy
	E2	GHG emissions
	E3	Climate change
	E4	Water
	E5	Waste
	E6	Biodiversity
Social Indicators	S1	Human capital development
	S2	Occupational, health and safety
	S3	Equal opportunity
	S4	Access & inclusion
	S5	Community engagement & disclosure
	S6	Supply chain management
Governance indicators	G1	Corruption and ethics
	G2	Corporate governance
	G3	Compliance
	G4	Stakeholder engagement
Additional sector specific indicators	FS	Financial services
	A	Agriculture & food production
	T	Textile
	MA	Manufacturing
	MI	Mining
	CO	Construction

4.1 MANAGEMENT SYSTEM INDICATORS (MS)

A management system is a set of processes and practices to consistently implement your company's policies to meet your business objectives. The goal is to make sure that you have the appropriate policies and procedures in place and that people consistently follow them. The management system helps to assess and control your risks and is the key to lasting improvement. A key feature is the idea of continual improvement – an ongoing process of reviewing, correcting and improving your system.

This section provides information on the sustainability systems your company has in place, including strategies, commitments, materiality assessments and governance arrangements, that demonstrate that you effectively manage your activities with regard to sustainability issues, impacts, risks and opportunities. Organizations can benefit most when they successfully embed sustainability into their operations rather than considering it separately, on a standalone basis.

MS1. Senior management commitment statement

What is this about?	
Core performance indicators	MS1.1 Does your company have a sustainability commitment statement in place? (Yes/No)
Why it matters?	A move towards embedding sustainability in your organization is only possible with a supportive culture and strong leadership. It is the leaders within an organization i.e., Board members and the Chief Executive Officer (CEO) who need to provide strong stewardship towards incorporating sustainability into an organization's business strategies and applying a sustainability lens in business decisions, pushing the focus beyond compliance. Committing to environmental and social policies probably requires some change in the behavior of the company, workers, contractors and suppliers. This can be challenging. There are different strategies and different techniques for changing organizational behavior, but experts agree that in order to create lasting change, senior management must be committed to the effort.
Guidance	This indicator refers to a statement from the highest governance body or most senior executive of the organization about the relevance of sustainable development to the organization and its strategy for contributing to sustainable development. The statement should describe: – Strategic priorities and key topics for the short/ medium-term with regard to sustainability, including respect for internationally agreed standards (e.g., SDGs, Paris Agreement) and how they relate to long-term organizational strategy and success – Broader trends (e.g., macroeconomic or political) affecting the organization and influencing sustainability priorities – Key events, achievements, and failures during the reporting period – Views on performance with respect to materials topics and targets – Outlook on the organization's main challenges and targets for the next year and goals for the coming 3-5 years – Other items pertaining to the organization's strategic approach.
References	
Useful sources	GRI 102-14: Statement from senior decision-maker GRI 102-20: Executive-level responsibility for economic, environmental, and social topics GRI 102-32 Highest governance body's role in sustainability reporting IFC ESMS Implementation Handbook

Useful sources	IFC ESMS Toolkit SDG Impact Standards IFC Corporate Governance Methodology
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MS2. Sustainability policy/strategy and procedures

What is this about?	
Core performance indicators	MS2.1 Does your company have a sustainability policy and/or strategy with targets? (Yes/No) MS2.2 Does your company have a set of sustainability procedures? (Yes/No)
Why it matters?	The cornerstone of your Sustainability Management System or Environmental and Social Management (SMS/ESMS) is your set of policies. Policies are used to drive and delegate responsibility throughout the organization and represent the organization's commitment to management of the sustainability matters identified. It is important for everyone to have a common understanding of the core values of the company, how you expect people to behave and how external stakeholders can expect you to operate.
Guidance	This disclosure covers the organization's publicly available policy/strategy commitments and procedures for responsible business conduct. The commitments can be set out in a stand-alone policy document or be included within one or more other policy documents, such as codes of conduct. The policy should be clear and simple, and tailored to the company operations, including specific risks and opportunities you face in your industry. The policy should cover the following key elements: – the expectations, values, principles, and norms of behavior set out in the policy commitments – scope of the policy in terms of the company's activities and business relationships – all relevant environmental, social and governance issues that are most material to the company (see MS1.4 Materiality Assessment and IFC's checklist for developing a company policy) – reference to other standards or initiatives that it participates in – human right considerations, including those of indigenous peoples; women; national or ethnic, religious and linguistic minorities; children; persons with disabilities; and migrant workers and their families – Categories of stakeholders that the organization gives particular attention to, which can include consumers, customers, employees and other workers, and local communities. The Policy should be approved by the most senior level management or board of the company.
References	
Useful sources	GRI 102-14: Statement from senior decision-maker GRI 102-20: Executive-level responsibility for economic, environmental, and social topics GRI 102-26: Role of highest governance body in setting purpose, values, and strategy GRI 103-1 The management approach and its components IFC ESMS Implementation Handbook IFC ESMS Toolkit ISO14001 The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, OECD Due Diligence Guidance for Responsible Business Conduct, and UN Guiding Principles on Business and Human Rights set out expectations for organizations in relation to these policy commitments SDG Impact Standards

MS3. Governance structure

What is this about?	
Core performance indicators	MS3.1 Does your company have dedicated committees that are entirely/partially responsible for sustainability? (Yes/No) MS3.2 Does your company have a dedicated ESG/sustainability director/s (full-time/part-time) at the board level? (Yes/No) MS3.3 Does your company have a dedicated ESG/sustainability manager/s (full-time/part-time) at the executive level? (Yes/No) MS3.4 Does your company have a dedicated ESG/sustainability officer (full-time/part-time) at the operational level? (Yes/No) MS3.5 Does your company cover sustainability issues in board meetings as part of the official agenda on a regular basis? (Yes/No)
Why it matters?	How sustainability is positioned and governed within an organization ("sustainability governance") is key to its successful alignment with corporate strategy. Organizations with strong corporate governance culture will be better positioned to manage sustainability risks and opportunities. Without strong corporate governance, environmental and social opportunities and risks would lack a decision chain that assures accountability and sound management across the company. Therefore, it is recommended that the implementation of environmental and social management systems be placed within strong corporate governance mechanisms, including a designated unit/person responsible for sustainability issues.
Guidance	This indicator is intended to describe your generic approach to high-level governance of sustainability-related matters. - List the committees of the highest governance body that are responsible for decision making on and overseeing the management of the organization's impacts on the economy, environment, and people. - Indicate if your company has a dedicated ESG/sustainability director/s (full-time/part-time) at the Board level. In order to embed sustainability effectively, accountability should be at the highest level. Board-level involvement is crucial as it is the Board that sets the strategic direction of the organization. Such commitment is also important towards ensuring that sustainability is embedded across the organization and adequate resources, systems and processes are in place for managing sustainability issues. - Indicate if your company has a dedicated ESG/sustainability manager/s (full-time/part-time) at the executive level. Executive management commitment starts with adopting the sustainability policies, but it must go beyond that. Senior management support is critical to implementing a sustainability management system. It is the responsibility of senior management to lead the effort, if not on a day-to-day basis, by sending a clear message to all employees at all levels that this is a long-term, critical commitment by your organization. - Indicate if your company has a dedicated ESG/sustainability officer/s (full-time/part-time) at the operational level. Beyond senior management commitment, organization need a team that takes responsibility for sustainability management issues. This does not need to be a full-time job for all companies, but senior management needs to ensure realignment of reporting duties, allocation of appropriate time and authority to carry out the work involved. - Disclose if sustainability issues are covered as part of board meeting agendas. Good international practices suggest that the board should have oversight of E&S matters as part of the regular agenda of board meetings, and that it should approve E&S policies and strategies and routinely review performance. The board should also oversee the dialogue with key stakeholders and ensure effective communication. This means that the board must have the expertise required to evaluate E&S management systems and understand ESG risks. A well-balanced sustainability team is a prerequisite for meaningful engagement with peers and colleagues. It should include knowledgeable professionals from environment, health and safety, operations, marketing, human resource (HR), procurement and other key business units. The key is to involve people across the range of functions.

References	
Useful sources	GRI 102-22: Composition of the highest governance body and its committees GRI 102-24: Nominating and selecting the highest governance body GRI 102-32: Highest governance body's role in sustainability reporting GRI 103 Management Approach IFC ESMS Implementation Handbook IFC ESMS Toolkit IFC Corporate Governance Methodology SDG Impact Standards

MS4. Materiality assessment

What is this about?	
Core performance indicators	MS4.1 Does your company have publicly available materiality process, assessment and/or matrix, explaining how your company avoids, mitigates, or remediates negative impacts to the economy, environment, and society, and enhances positive ones? (Yes/No)
Why it matters?	Sustainability opportunities and risks are specific to a company's business model, its industry, and the location of its operations and markets. Materiality can differ significantly from one company to the next. Sustainability issues are material when they constitute trends, opportunities, or risks that can meaningfully affect a company's operational and financial results. Materiality assessment is an integral part of sustainability reporting. It provides a basis for an organization to determine which information should be included or excluded from its sustainability disclosure in order to enable effective communication with stakeholders. Comprehensive disclosure of the materiality assessment process demonstrates an organization's understanding of its sustainability matter and is an important yardstick for stakeholders, particularly investors to assess the quality of the organization's management of material sustainability matters. The nature and outcome of the processes in place to determine the organisation's material sustainability issues, including an assessment of: - the organization's most significant positive and negative impacts on the economy, society, and the environment, over the short, medium, and long term; and - the most significant sustainability-related risks and opportunities that the organization reasonably expects could positively or negatively impact its business model, strategy, and cash flows over the short, medium, and long term – and the impact of these risks and opportunities on enterprise value.
Guidance	Disclose if your organization has a materiality assessment and matrix in place, explaining how the company avoids, mitigates, or remediates negative impacts to the economy, environment, and society, and enhances positive ones. Guidance on conducting a materiality assessment is provided in Chapter 3: How to report.
References	
Useful sources	GRI 102-15: Key impacts, risks, and opportunities GRI 102-29: Identifying and managing economic, environmental, and social impacts GRI 102-46: Defining report content and topic Boundaries GRI 102-47: List of material topics GRI 103-1 Explanation of the material topic and its Boundary Value Reporting Foundation SASB Standards IFC ESMS Implementation Handbook IFC ESMS Toolkit

MS5. Organizational capacity

What is this about?									
Core performance indicators	MS5.1 Annual average hours of sustainability training per employee (hr), by gender								
Why it matters?	Your Sustainability Management System (SMS) extends beyond documented policies and procedures. You need trained, committed people at all levels in your company to effectively implement your SMS. You should use progressive training techniques: initially, the training should raise participants' awareness about the SMS; next, training should develop participants' commitment to the SMS; and finally, it should teach participants how to implement the SMS.								
Guidance	Identify the average number of SMS training hours undertaken by employees during the reporting period. Use the following formula: $\text{Average SMS training hours per employee} = \frac{\text{Total number of SMS training hours provided to employees}}{\text{Total number of employees}}$ Where possible, identify the average number of SMS training hours undertaken by employees during the reporting period, by gender. Below is an outline of the key concepts the training should cover: <table border="1"> <thead> <tr> <th>Training objective</th><th>Training topic</th></tr> </thead> <tbody> <tr> <td>They need to be aware of the SMS</td><td>What is it? What are its goals? What do I need to do?</td></tr> <tr> <td>They need to understand that the SMS is necessary and will improve the company</td><td>How does this help our company? How does it help my department? What will change? What is in it for me?</td></tr> <tr> <td>They need to obtain the skills and knowledge to be effective in their roles</td><td>What are the new policies and procedures? What exactly do I need to do? How do I do that? What will happen if I don't do that?</td></tr> </tbody> </table> In addition to the detailed training of the team, everyone will need to receive awareness training so there is a shared understanding of the goals of the SMS.	Training objective	Training topic	They need to be aware of the SMS	What is it? What are its goals? What do I need to do?	They need to understand that the SMS is necessary and will improve the company	How does this help our company? How does it help my department? What will change? What is in it for me?	They need to obtain the skills and knowledge to be effective in their roles	What are the new policies and procedures? What exactly do I need to do? How do I do that? What will happen if I don't do that?
Training objective	Training topic								
They need to be aware of the SMS	What is it? What are its goals? What do I need to do?								
They need to understand that the SMS is necessary and will improve the company	How does this help our company? How does it help my department? What will change? What is in it for me?								
They need to obtain the skills and knowledge to be effective in their roles	What are the new policies and procedures? What exactly do I need to do? How do I do that? What will happen if I don't do that?								
References									
Useful sources	GRI 102-16: Values, principles, standards, and norms of behavior IFC ESMS Implementation Handbook IFC ESMS Toolkit								

MS6. Monitoring

What is this about?	
Core performance indicators	MS6.1 Is sustainability included under the scope of the audit committee (and other relevant board committee) and internal control functions?
Why it matters?	Monitoring and review are critical components of the management system because these two activities enable you to check and adjust your system. You need to monitor your action plans to ensure that they are implemented and that your procedures are being followed. You also want to make sure that your SMS is addressing the most relevant risks and promoting lasting improvements in your company.

Guidance	Disclose if sustainability issues are covered by your audit committee and internal control functions. Also describe the role of the audit committee in ensuring the quality of non-financial and sustainability information. Information on internal reward systems can also be disclosed, including the incorporation of any performance metrics and targets on material sustainability issues within remuneration policies.
References	
Useful sources	GRI 102-31: Review of economic, environmental, and social topics IFC ESMS Implementation Handbook IFC ESMS Toolkit IFC Corporate Governance Methodology

MS7. Sustainability reporting and verification

What is this about?	
Core performance indicators	MS7.1 Does your company disclose a sustainability report (stand-alone/or integrated into annual report) at least annually? (Yes/No) MS7.2 Does the company prepare a TCFD-aligned climate disclosure? (Yes/No) MS7.3 Are the sustainability data assured by an independent third-party? (Yes/No)
Why it matters?	Strong sustainability management systems are supported by reporting systems that document and disclose to the organization's stakeholders how you assess and control sustainability risks, impacts and threats while constantly seeking opportunities to be more sustainable, effective and successful.
Guidance	Define if your company discloses a sustainability report either stand-alone/or integrated into the annual report. The report needs to be timely and ideally published in advance of the company's annual general meeting. Provide a link or reference to the report. Identify if your company discloses a TCFD-aligned climate report either stand-alone/or integrated into the annual report. Provide a link or reference to the report. Specify whether your sustainability data has been verified by a third party. If the organization's sustainability reporting has been externally assured, provide a link or reference to the external assurance report or assurance statement. Please highlight the Key Performance Indicators (KPIs) that have been verified if any.
References	
Useful sources	GRI 102: General Disclosures GRI 102-56: External assurance IIRC SASB Standards ISSB prototypes TCFD - Recommendations of the Task Force on Climate-related Financial Disclosures, TCFD Knowledge Hub CDP – formerly Carbon Disclosure Project IFC Beyond the Balance Sheet Toolkit for Disclosure SDG Impact Standards SDG 12.6 and SDG 13 (climate)

MS8. Memberships

What is this about?	
Core performance indicators	MS8.1 Number of sustainability associations, networks, and national or international advocacy organizations in which the company participates with a significant role including business declaration on human rights.
Why it matters?	Membership in sustainability networks demonstrate to stakeholders the companies' leadership role in not only integrating sustainability within its organization but also in promoting sustainability considerations at the sector, national and global level, through partnerships with relevant organizations.
Guidance	Identify the number sustainability associations, networks, and national or international advocacy organizations in which the company participates with a significant role such as commitments on human rights and net zero targets. The organization may have a significant role in a sustainability association, network, or advocacy organization when it holds a position in the governance body, participates in projects or committees, or provides substantive funding beyond routine membership dues. The role may also be significant when the organization views its membership as strategic to influencing the mission or objective of the association that is critical to the organization's own activities.
References	
Useful sources	GRI 102 SDG 17 Partnerships for the Goals

4.2 ENVIRONMENTAL INDICATORS (E)

The environmental dimension of sustainability concerns the organization's impact on living and non-living natural systems. The environmental category covers impact related to inputs (such as energy and water) and outputs (such as emissions, effluents and waste). In addition, it covers biodiversity, and product and service-related impacts, as well as environmental compliance and expenditures.

Environmental risks are of increasing importance to a growing number of stakeholders. Financial institutions in Mongolia, for example, use enhanced due diligence processes when financing assets that operate in industries that are considered high risk from an environmental perspective. Rating agencies consider environmental concerns and the strength of a company's response to environmental risk management. Companies themselves carry out due diligence to examine environmental risks that could negatively affect them both operationally and financially. Poor environmental management can add risk, damage a company's reputation, and impact finances.

Using a robust sustainability management system, with the consideration of environmental issues, helps companies demonstrate continuous improvement in reducing their impact on the environment and also identify opportunities for green business and innovation.

The following section outlines a set of common environmental indicators that companies can report on.

E1. Energy

Why is it important?	The environmental footprint of an organization is shaped in part by its choice of energy sources. Changes in the balance of these sources can indicate the organization's efforts to minimize its environmental impacts. Using energy more efficiently and opting for renewable energy sources is essential for combating climate change and for lowering an organization's overall environmental footprint and related costs. Large energy consumers are also mandated through the Law on Energy Conservation to decrease their energy use and report on it through an energy audit every year. As of 2020, there are 229 Designated Entities that are required to comply with this Law and this number is expected to increase in the coming years. For some organizations, electricity is the only significant form of energy they consume. For other organizations, other energy sources might also be important, such as direct consumption of coal and gas. The consumption of non-renewable fuels is usually the main contributor to direct greenhouse gas (GHG) emissions, which are reported in Indicator E2.
Recommended Indicators	
Core performance indicators	E1.1 Total direct energy consumption (kWh) and cost spent (MNT) E1.2 Total electricity consumption, cost spent (kWh, MNT), and reduction (year-to-year) E1.3 Total heat consumption, cost spent (Gj - Gegajoule or kWh, MNT), and reduction (year-to-year) E1.4 Total fuel consumption (coal, oil, gas etc.) (Liter / kg &%, Gj), cost spent (MNT), and reduction (year-to-year) E1.5 Share of non-renewable energy consumption (%) E1.6 Share of renewable energy consumption, and type of renewable energy source (%)
Additional indicators (optional)	- Energy consumption intensity by revenue / output / employee / square meters (MWh) - Cost saved from energy efficiency improvements (MNT) - Disaggregation of energy data by activity or product / business unit or facility / source type
Description of management approach	Disclose company's management approach and initiatives to measure and reduce energy consumption, including references to the standards, methodologies, assumptions and calculation tools used.
Guidance	This indicator discloses the total quantity of energy consumed by your company and information on your related efficiency measures for your operations and other business activities. Identify the types of energy (fuel, electricity, heating, steam) consumed within the organization, in kWh or gigajoule. Energy may be purchased from sources external to the organization or produced by the organization itself (self-generated). Total energy consumption should be calculated using following formula: Total energy consumption within the organization = Nonrenewable fuel consumed + Renewable fuel consumed + Electricity, heating, and steam purchased for consumption + Self-generated electricity, heating, cooling and steam – Electricity, heating, cooling and steam sold Total fuel consumption within the organization = Fuel consumption for heating + fuel consumption used for transportation Non-renewable fuel sources include fuel for combustion in boilers, furnaces, heaters, turbines, flares, incinerators, generators and vehicles, which are owned or controlled by the organization. Non-renewable fuel sources cover fuels purchased as well as fuels generated by the organization's activities. Renewable fuel sources are sources owned or controlled by the organization and can include solar, hydro, wind, and bioenergy sources. For energy reductions, calculate or estimate the energy saved in the reporting year by initiatives to reduce energy use and increase energy efficiency. Initiatives could include process redesign, conversion and retrofitting of equipment and building, changes in employee behavior, operational changes etc.

Documentation	Potential sources of information include energy audits, invoices, measurements or calculations by energy audits, supplier information (such as energy-related specifications of new machinery, energy saving light bulbs), or estimations. The reported units may be taken directly from invoices or meters or converted from the original units to the reported units.
References	
SDG alignment	 
Useful sources	GRI 302 WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Electricity Price Structure by Energy Regulatory Commission of Mongolia (ERC) Heat tariffs by ERC Resolution of the Government of Mongolia: Rules on consumption of electricity and heat Guideline to calculate electricity price by Ulaanbaatar Electricity Distribution Network (UBEDN) IFC Performance Standard 3

E2. Emissions

Why is it important?	Man-made emissions are the largest contributor to climate change. In 2015, almost 200 UN members states met in Paris and agreed to combat climate change with a central aim of ' holding the increase in the global average temperature well below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels .' Following the Paris Agreement, emissions-related regulations and policies as well as incentives and opportunities are coming into force.
Recommended Indicators	
Core performance indicators	E2.1 Total Scope 1 and 2 emissions (CO2e metric tons) E2.2 Reduction of total Scope 1 and 2 emissions (CO2e metric tons) E2.3 Total carbon offset (CO2e metric tons)
Additional indicators (optional)	- GHG emissions related targets, and progress on its achievement - Breakdown of Scope 1 and 2 emissions (CO2e metric tons) by emission source - Total Scope 3 emissions (CO2e metric tons) - GHG emissions intensity by e.g., revenue, sales, per, employee, m2 (CO2e metric tons)
Description of management approach	Disclose company's GHG emissions management strategy, including plans, commitments, targets, investments, and activities to mitigate GHG emissions within your operations, including standards, methodologies, assumptions, and tools used.
Guidance	This indicator demonstrates how your company measures and monitors GHG emissions, from combustion and other processes. Reporting of GHG emissions is based on the reporting requirements of the WRI and WBCSD 'GHG Protocol Corporate Accounting and Reporting Standard' (GHG Protocol). The major GHGs covered by the Kyoto Protocol and GHG Protocol are: Carbon dioxide (CO2), Methane (CH4), Nitrous oxide (N2O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur hexafluoride (SF6), Nitrogen trifluoride (NF3). The GHG Protocol includes a classification of GHG emissions called 'Scope' – Scope 1, Scope 2 and Scope 3. Scope is a classification of the operational boundaries where GHG emissions occur. Scope classifies whether GHG emissions are created by the organization itself, or are created by other related organizations (electricity suppliers), as follows: Direct (Scope 1) emissions arise from organization-owned and operated vehicles, plant and machinery such as fleet vehicles, air conditioning, boilers and generators.

- Energy Indirect (Scope 2) emissions result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within the organization.
- Other Indirect (Scope 3) emissions are all indirect emissions (not included in Scope 2) that occur outside of the organization, such as business travel or financing issued. Reporting Scope 3 emission is usually optional.

To calculate your company's total GHG emissions, first select a consistent consolidation approach (equity share, financial control, or operational control methods) for emissions. Then identify direct (Scope 1) and indirect (Scope 2) emissions sources owned or controlled by the organization (see Annex for list of emission sources). Using the sources identified, collect the activity data for each source (for example total electricity purchased, total coal used). Lastly, calculate the organization's GHG emissions using relevant GWP rates and emissions factors, in CO2 equivalents.

Activity data x emissions factor = GHG emissions

Emission factors may originate from Government guidance where no appropriate conversion or translation factor is available from the Government range, organizations may make use of other emission factors available such as voluntary reporting frameworks, industry groups, or global/regional averages. Estimates of GWPs change over time as scientific research develops. Organizations may use the GWPs from Assessment Reports from the Intergovernmental Panel on Climate Change (IPCC). While calculating GHG emissions is relatively straightforward, data organization and unit conversion in calculations require good planning. Further details about emission calculations are provided in the GHG Protocol.

Carbon offsetting involves calculating your emissions and then purchasing credits from emission reduction projects. The projects have prevented or removed an equivalent amount of carbon dioxide elsewhere. Carbon offsets must be separately disclosed.

If the company set any emission reduction target, it is highly encouraged to add.

Documentation

Companies may engage external firms/consultants to calculate emissions or decide to do the calculations internally. Potential sources of activity data are included in the Energy Indicator.

References

SDG alignment



Useful sources

[GRI 302](#)
[WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard](#)
[IPCC Sixth Assessment Report](#)
[Mongolia's National Inventory Report to UNFCCC \(2017\)](#)
[TCFD Recommendations](#)
[ERC – MRV Guidance for CO2 emissions in the energy sector \(Mongolian only\)](#)
[Construction sector MRV Guideline for CO2 emissions](#)

Project/Portfolio level Emission Reduction Assessment Tool (ER tool)⁸ developed by South Pole in collaboration with the Ministry of Environment and Tourism, Mongolian Sustainable Finance Association and Trade and Development Bank of Mongolia.

GHG Protocol

⁸ Currently used by few commercial banks.

E3. Climate Change

Why is it important?	Climate change impacts such as extreme weather events and temperature rise are one of the largest threats to long-term, sustainable business development. While risks are growing, climate related opportunities also exist. Following these risks and opportunities, many companies are already reviewing the breadth and depth of their climate reporting within the context of their own business. Financial institutions and investors are increasingly seeking access to consistent, transparent, comparable climate-related decision-useful information in reports ²² .
Recommended Indicators	
Core performance indicators	E3.1 Does your company have a stand-alone/integrated climate change policy? (Yes/No) E3.2 Did your company conduct a climate risk and opportunity assessment (scenario analysis, stress test, set science-based targets etc.)? (Yes/No) E3.3 Total amount of economic loss faced due to climate related disasters and events (MNT) E3.4 Total amount invested, annually, in climate-related infrastructure, resilience, and product development (MNT) E3.5 Does your company have activities/steps to prevent and (if not preventable) adapt to the impact of climate change? (Yes/No)
Additional indicators (optional)	- Total amount invested in climate mitigation and adaptation technology, infrastructure or management approaches (MNT million)
Description of management approach	• Disclose the company's governance approach, including responsibilities, accountabilities, processes and assurance for managing climate change risks and opportunities. • Disclose the company's strategy, including plans, commitments, investments, and activities to manage climate risks and opportunities. • Disclose how the company identifies, assesses, and manages climate-related risks. • Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities
Guidance	This indicator provides a description of your principal positions and policies on climate-related risks and opportunities, including board oversight and management. Climate-related risks can be classified as physical risks or transition risks. Transition risks are risks to the company that arise from the transition to a low-carbon and climate-resilient economy. They include: • Policy and legal risks, for example as a result of energy efficiency requirements, carbon-pricing mechanisms which increase the price of fossil fuels, or new climate reporting regulations. • Technology risks, for example if a technology with a less damaging impact on the climate replaces a technology that is more damaging to the climate. • Market risks, for example if the choices of consumers and business customers shift towards products and services that are less damaging to the climate. • Reputational risks, for example the difficulty of attracting and retaining customers, employees, business partners and investors if a company has reputation for damaging the climate. Physical risks are risks to the company that arise from the physical effects of climate change. They include: • Acute physical risks, which arise from particular events, especially weather-related events such as storms, floods, fires or heatwaves, that may damage production facilities and disrupt value chains. • Chronic physical risks, which arise from longer-term changes in the climate, such as temperature changes, rising sea levels, reduced water availability, biodiversity loss and changes in land and soil productivity.

	On the other hand, climate-related risks can often be converted into opportunities by companies offering products and services that contribute to climate change mitigation or adaptation. Climate change adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimize the damage they can cause. It includes business opportunities such as new technologies to use scarce water resources more efficiently, or the building of new flood defenses. Climate change mitigation refers to efforts to reduce or prevent GHG emissions. Examples of business opportunities associated with mitigation include renewable energy or the development of more energy efficient buildings and transport systems. The Mongolia Green Taxonomy aims to identify and classify green and climate-related opportunities. For more information on climate-related information disclosure, please refer to the TCFD Recommendations.
Documentation	Companies' internal policies and documents. Information on the physical impacts of climate change may be held at facilities or risk/sustainability departments or expressed in insurance contracts.
References	
SDG alignment	
Useful sources	GRI 201 IPCC Sixth Assessment Report TCFD Recommendations TNFD Recommendations ERC – MRV Guidance for CO2 emissions in the energy sector (Mongolian only) Construction sector MRV Guideline for CO2 emissions Value Reporting Foundation SASB Standards World Economic Forum IFRS Climate-related Disclosure Prototype CDP Questionnaire GHG Protocol UN SSE Model Climate disclosure Guidance Science based targets

E4. Water

Why is it important?	Water is an essential resource for human development, agriculture and industry. The UN considers access to water and sanitation to be a human right. As clean, fresh water becomes increasingly scarce in Mongolia, businesses are posed by risks related to disruptions to water supplies and cost increases. As a result, effective water management is essential, in terms of the volumes of freshwater and non-freshwater withdrawn or consumed, the protection of water quality and the maintenance of access to reliable resources. More companies are developing water management strategies, improving their understanding of water scarcity risk management, developing water technology, recycling, utilizing alternative water sources (such as produced water) and developing collective participatory approaches to water management, within the industry and with other sectors.
Recommended Indicators	
Core performance indicators	E4.1 Total amount of water withdrawn/used (m3/L), by source E4.2 Total amount of water saved due to conservation and efficiency improvements (m3/L) E4.3 Percentage and total volume of water recycled and reused (%) E4.4 Total wastewater discharged by destination (m3/L)

Additional indicators (optional)	- Water usage per product / output - Total amount of water conserved (%) - Water sources significantly affected by withdrawal of water
Description of management approach	Disclose company's management approaches and initiatives to reduce water consumption, including standards, methodologies, assumptions, and tools used.
Guidance	This indicator considers consumption and efficiency of water usage for industrial processes and general purposes. Identify the total volume of water withdrawn directly by the organization or through intermediaries such as water utilities. Resource may include: • Surface water, including water from wetlands, rivers, lakes • Ground water • Rainwater collected directly and stored by the organization • Wastewater from another organization • Municipal water supplies or other water utilities Then, identify the volume of recycled and reused water. Identify if water or flow meters do not exist and estimation by modeling is required. For discharge, identify planned and unplanned water discharges by destination and indicate how it is treated. Organizations that discharge effluents or process water report water quality in terms of total volumes of effluent using standard effluent parameters such as Biological Oxygen Demand (BOD) or Total Suspended Solids (TSS). The specific choice of quality parameters will vary depending on the organization's products, services and operations.
Documentation	Information on organizational water withdrawal may be drawn from water audits, water meters, water bills, calculation derived from other available water data or the organization's own estimates. Sources of information about the volume of water discharged by the organization include flow meters (point-source discharges or when discharges are released through a pipe) and regulatory permits.
References	
SDG alignment	
Useful sources	GRI 303 IFC Performance Standards 3

E5. Waste

Why is it important?	The generation, treatment and disposal of waste – including its improper transportation – can pose harm to human health and the environment, as well as financial implications. Data on waste generation figures over the years indicates the level of progress the organization has made toward waste reduction. It also indicates potential improvements in process efficiency and productivity. From a financial perspective, the reduction of waste contributes directly to lower costs for materials, processing, and disposal.
Recommended Indicators	
Core performance indicators	E5.1 Total amount of waste discharged (tons) E5.2 Waste recycling percentage (%) E5.3 Total amount of hazardous waste (including e-waste) discharged (tons)

Additional indicators (optional)	- Reduction in total waste generation - Ratio of waste to production - Ratio of waste (e.g., empty fruit bunches; kernels) repurposed and disposed
Description of management approach	Disclose context about your activities and the specific materials your produce or use that have potential impacts on the environment. Then describe company's management approaches, policies and initiatives to dispose, avoid, reduce and recycle waste as well as procedures to manage hazardous waste.
Guidance	Waste is broken down into hazardous and non-hazardous waste. • Non-hazardous waste: industrial waste (solid and liquid) resulting from your operations disposed either on- or off-site. Includes industrial waste and other office, commercial or packaging-related waste. Excludes hazardous waste as defined above. • Hazardous waste: waste that is defined as toxic, dangerous, special by an applicable country, regulatory agency or authority. Includes e-waste. Report the total weight of hazardous and non-hazardous waste, by the following disposal methods: • Reuse • Recycling • Composting • Recovery, including energy recovery • Incineration (mass burn) • Deep well injection • Landfill • On-site storage • Other (to be specified by the organization) Report how the waste disposal method has been determined: • Disposed of directly by the organization • Information provided by the waste disposal contractor • Organizational defaults of the waste disposal contractor If no weight data are available, estimate the weight using available information on waste density and volume collected, mass balances, or similar information.
Documentation	Potential sources of information include external waste audits by providers of disposal services (e.g., office waste collections) as well as the organization's internal billing and accounting systems, and the procurement or supply management department. Direct measurement of quantity can also be done by waste disposal contractor at the point of waste disposal or by transporters, at the point of shipping or loading.
References	
SDG alignment	
Useful sources	GRI 306 IFC Performance Standards 3

E6. Biodiversity

Why is it important?	Protecting plant and animal species, natural ecosystems, and land has important implications for businesses and the livelihood of surrounding communities. It is a common expectation that companies set out their approach to how they manage their direct, indirect and cumulative impacts on biodiversity. Ensuring the integrity of biodiversity can enhance the reputation of the organization, the stability of its surrounding natural environment and resources, and its acceptance by surrounding communities. A biodiversity strategy contains a combination of elements related to the prevention, management, and remediation of damage to natural and animal habitats resulting from the organization's activities.
Recommended Indicators	
Core performance indicators	E6.1 Share of sustainably managed public space, or green space created as of total area (%) E6.2 Number of species conserved E6.3 Share of operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity or cultural value
Additional indicators (optional)	- Habitats restored - Areas of High Conservation Value avoided
Description of management approach	Describe your biodiversity management approach, including policy, positions, goals, strategies, risk / impact assessments, mitigation plans and outcomes. Provide examples or case studies of operating areas where you have put biodiversity management activities and adaptive management in place. Reference to any multi-stakeholder initiatives or partnerships you work with to promote improved understanding of biodiversity and ecosystems, or to address potential impacts to biodiversity.
Guidance	National regulations require companies to dedicate at least 20% of its operations for green and common public spaces. Identify the location and size of operational sites that are owned, leased, managed in, adjacent to, or that contain, protected areas or areas of high biodiversity value outside protected areas.
Documentation	Information on protected areas can be found in the documentation of the organization's environmental management system, site plans, environmental and social impact assessments, or organizational policies. On the national level, public agencies responsible for environmental protection and conservation may keep information on protected areas and areas of high biodiversity value. Potential sources of information on the presence of species include national or regional conservation agencies, local authorities, or environmental NGOs. For organizations operating in or adjacent to protected areas or areas of high biodiversity value, planning studies or other permit materials may also contain information about the biodiversity within the protected areas.
References	
SDG alignment	 
Useful sources	GRI 304 IFC Performance Standard 5,6 TNFD

4.3 SOCIAL INDICATORS (S)

The social dimension of sustainability concerns the organization's impact on the social systems within which it operates. Social factors include considerations that affect the wellbeing of employees, customers, and local communities and that are under the control or influence of the company. This includes fair treatment of workers, health and safety of workers and consumers, access to and affordability of basic services, economic impact on local communities, and conditions of relocation and livelihood restoration for resettled communities. Investors and stakeholder expectations of how companies manage community and indigenous relations continue to expand, especially with the outbreak of COVID-19.

The following section outlines a set of common social indicators that companies can report on.

S1. Human capital development

Why is it important?	Employees are the most important assets to a company. Failure to do so can result in high employee turnover which can indicate levels of uncertainty and dissatisfaction among employees or may signal a fundamental change in the structure of the organization's core operations. It can also impact productivity with direct implications either in terms of reduced payroll or greater expenses for recruitment of workers. Success relies on a systematic process underpinned by robust policies and procedures, including professional development.
Recommended Indicators	
Core performance indicators	S1.1 Year-over-year change of full-time employees (%) S1.2 Increase in the total number of full-time employees compared to the same period of the previous year (%) S1.3 Annual average hours of training per employee (hr)
Additional indicators (optional)	- Percentage of employees receiving regular performance and career development reviews, by gender - Number of employees promoted, by gender - Results of annual employee satisfaction survey, by gender - Number of discrimination incidents, by gender - Number of child labor incidents
Description of management approach	Discussion of HR policy and other strategies and initiatives targeted at supporting the continued employability of employees and assisting them in managing career paths, including training, career development support, programmes for lifelong learning, life insurance, health care, disability coverage, parental leave, retirement provision, stock ownership, others.
Guidance	• Identify the total number of new employee hires during the reporting period • Identify the employee turnover during the reporting period by dividing the number of employees who leave in a year by the average number of employees at the organization during the same period • Identify the average number of training hours undertaken by employees during the reporting period. Use the following formula: Average training hours per employee = Total number of training hours provided to employees / Total number of employees • Where possible, provide gender disaggregated data on the above.
Documentation	Potential sources of information include employee records and training schedules and reports.
References	
SDG alignment	3 GOOD HEALTH AND WELL-BEING 

Useful sources	GRI 401 ILO conventions & standards ISO 30414 International Standard for human capital reporting
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S2. Occupational Health and Safety

Why is it important?	In accordance with the International Labor Organization, occupational safety and health (OHS) refers to the anticipation, recognition, evaluation, and control of hazards arising in or from the workplace that could impair the health and well-being of workers. Healthy and safe work conditions are recognized as a human right and should be addressed by organizations in line with national and international norms and standards. Health and safety performance is a key measure of an organization's duty of care. Prevention of illness and promotion of healthy lifestyles, particularly through training that expands the knowledge base of employees, provide lasting benefits for the workforce, their families and the general public. Safety, health and security protection therefore remains a material issue for reporting.
Recommended Indicators	
Core performance indicators	S2.1 Does your company have an OHS Policy (stand-alone or integrated)? (Yes/No) S2.2 Annual work-related injury rate (%) S2.3 Annual average hours of OHS training per employee (hr) S2.4 Percentage of employees covered by voluntary health programs such as medical checks (%)
Additional indicators (optional)	- Breakdown of injuries and fatalities - Accident frequency rate - Severity rate - Occupational disease rate
Description of management approach	Disclose your OHS policies, processes and programs, including health promotion programs, trainings, and emergency assessments and plans. Outline your overall approach to managing safety, health and security risks, including planned initiatives and measures to reduce risk and improve performance. Include management systems, auditing and assurance – as well as efforts to enhance leadership regarding these issues within your organization. You can include process improvements, investments in equipment to protect individuals.
Guidance	This Indicator shows whether health and safety management practices are resulting in fewer occupational health and safety incidents. • Policy: This is an employer's written commitment to the health and safety of their employees and their workplace. Mongolia's national health and safety legislation²³ requires all employers to implement workplace health and safety programs. • Injury Rate: Identify the system used to track and report on health and safety incidents and performance. Ensure that this system covers all significant operations and geographic locations. In some cases, multiple systems may be used across an organization. Use the information in these systems to calculate the annual injury rate experienced during the reporting period, including fatalities. Where possible report this information by gender. • Average training hours: Identify the average number of OHS training hours undertaken by employees during the reporting period, by gender. Use the following formula: Average OHS training hours per employee = Total number of OHS training hours provided to employees / Total number of employees • Health programs: Identify the share of workers that were covered by health programs such as medical checks. Describe the type of health programs.

Documentation	Potential sources of information include employee records, employee contracts, attendance records, accident records, and training schedules.
References	
SDG alignment	
Useful sources	GRI 403 ILO conventions & standards ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases IFC Performance Standard 2

S3. Equal Opportunity

Why is it important?	An organization can take an active role in reviewing its operations and decisions, in order to promote diversity, eliminate gender bias, and support equal opportunity. The level of equality within an organization provides insights into the human capital of the organization. Equality is a factor in retaining qualified employees in the workforce. Where imbalances exist, an organization runs a risk to its reputation and legal challenges on the basis of discrimination. Therefore, important organizational building blocks that create an enabling environment for equality, enable organizations to set and track progress towards goals, and support organizations to develop a business case for gender equality.
Recommended Indicators	
Core performance indicators	S3.1 Does your company have a Gender Policy (stand-alone or integrated)? (Yes/No) S3.2 Does your company have an anti-sexual harassment policy (stand-alone/integrated)? (Yes/No) S3.3 Does your company have a non-discrimination policy (stand-alone/integrated)? (Yes/No) S3.4 Percentage of total employee headcount by men and women (%) S3.5 Percentage of board-level positions held by men and women (%) S3.6 Percentage of C-level positions held by men and women (%) S3.7 Percentage of junior-level positions held by men and women (%) S3.8 Ratio of average male salary to average female salary
Additional indicators (optional)	- Male to female promotion ratio - Gender ratio of customers and clients
Description of management approach	Describe the policies, programmes or procedures you have in place to support gender equality, non-discrimination and anti-harassment to address workforce diversity and inclusion, illustrated by case studies or examples of implementation.
Guidance	- Policy: Disclose whether you have the following policies in place: Gender Policy, Anti-Sexual Harassment Policy, Non-discrimination Policy. - Gender balance: Identify the percentage of your employee headcount by men and women, at the board, executive, and junior level. Reported for Full Time Equivalent (FTEs) only. - Pay gap: Identify the remuneration for women and for men. Base remuneration upon the average pay of each gender grouping. Using this information, calculate the ratios of average salary and remuneration of women to men. Use total compensation, including all bonus payments and incentives.
Documentation	Potential sources of information include employee records, pay-scales, and payment records.

References	
SDG alignment	
Useful sources	GRI 405 ILO Convention 100 'Equal Remuneration Convention' Women Empowerment Principles IFC Gender Based Violence Resources

S4. Access and Inclusion

Why is it important?	Organizations play an important role in creating access to employment opportunities, products and services for disadvantaged people. A diverse workforce, inclusive of people with disabilities, is seen by many as important and also required by national regulations. People with disabilities are, or could be, employees, consumers, business partners, such as suppliers and investors, and members of the local community in which the organization operates. As such, the opportunities and benefits that businesses can realize from actively incorporating consideration of people with disability needs into all business spheres are vast. Employees with disabilities also contribute to diversity, creativity and workplace morale in an organization ²⁴ . Recognizing this, many pioneering companies have begun to integrate the rights of people with disabilities in their business strategies and started to develop innovative practices, products and services.
Recommended Indicators	
Core performance indicators	S4.1 Publicly available disability policy (stand-alone/integrated) (Yes/No) S4.2 Percentage of employees with disability (%), by gender S4.3 Assessment of facility accessibility (Yes/No) S4.4 Amount of fines paid for noncompliance with laws and regulations regarding disability (MNT)
Additional indicators (optional)	- Percentage of facilities that are labeled/assessed as accessible (%) - Total number of hours in the reporting period devoted to training on policies or procedures concerning aspects of people with disabilities' rights that are relevant to operations - Number of products and services that include "design for all" or "universal design" considerations.
Description of management approach	Discussion of measures and initiatives to enable access to facilities, products, and services for vulnerable and disadvantaged people, including people with disabilities. These may include policy statements related to inclusion of disabled persons and other special need groups, benchmarking activities to assess the accessibility of the organization's facilities, measures to make the workplace, printed materials, the online environment and commercial outlets or distribution points accessible, and disability awareness training for management and co-workers.
Guidance	• Disclose if your company has a stand-alone policy commitment on the inclusion of people with special needs including people with disability or if relevant measures and considerations are integrated into existing policies such as HR policies, non-discrimination policies, procurement policies etc. • Identify the number of workers with disabilities and calculate the percentage of employees with disability against total workforce, and where possible disaggregate by gender • Disclose if your organization has undergone an assessment to define the accessibility level of your facilities. This assessment can be conducted by a third-party provider in line with international and national standards or conducted internally using tools such as the ILO Global Business and Disability Network (GBDN) Charter Model Self-Assessment Tool • Disclose the total amount of fines your company paid in the reporting period due to non-compliance with laws regarding disability and accessibility
Documentation	Potential sources of information include directory of policies and employee records.

References	
SDG alignment	
Useful sources	GRI Convention on the Rights of Persons with Disabilities (CRPD) UN Guiding Principles on Business and Human Rights ILO standards & conventions Mongolian Sustainable Finance Principles IFC Performance Standard 2

S5. Community Engagement

Why is it important?	An organization's activities and infrastructure can have significant economic, social, cultural, and/or environmental impacts on local communities. Where possible, organizations should anticipate and avoid negative impacts on them. A key element in manage the impacts on people in local communities is assessment and planning in order to understand the actual and potential impacts, and strong engagement with local communities to understand their expectations and needs. Engagement, impact assessments, and development programs, combined with the consistency of their application, provide insight into the overall quality of an organization's efforts, as well as its degree of follow-up on policies.
Recommended Indicators	
Core performance indicators	S5.1 Does your company have a stakeholder/community engagement policy approved by the Board? (Yes/No) S5.2 Does your company have a policy or process for social impact assessment and land acquisition? (Yes/No) S5.3 Does your company have an easily accessible and publicly available grievance policy/mechanism? (Yes/No) S5.4 Does your company have a grievance mechanism and system to disclose relevant information to affected communities? (Yes/No) S5.5 Percentage of community complaints i) addressed and ii) resolved (%) S5.6 Percentage of revenue invested in community programs and initiatives, by SDG breakdown (%)
Additional indicators (optional)	- Number of people physically or economically displaced and compensated, broken down by gender and location - Total number of grievances about impacts on society filed through formal grievance mechanisms during the reporting period - Of the identified grievances, report how many were: Addressed during the reporting period; Resolved during the reporting period - Set out social investment expenditure broken down by region
Description of management approach	Discussion of policies and plan to engage with affected local communities, including social impact assessments, consultations and public disclosure, local community development programs, community work, and local community grievance processes.
Guidance	This indicator relates to the impact organizations have on society and local communities. Disclose your social impact assessment (SIA) performed (if any) and current practices in order to mitigate negative impacts. Disclose whether the company has an accessible grievance mechanism to address complaints and questions from affected local communities, and provide the number of community complaints i) addressed and ii) resolved.

Guidance	Identify the amount of total community and social investment in the reporting year and compare it against the organization's revenue in the same period. Community investment generally includes organization-financed investments and donations to community programmes. It includes contributions that create shared value and inspire community development through the provision of expertise, access to facilities, training, and other non-financial resources.
Documentation	Potential sources of information include project baselines studies, social impact assessments, environmental impact assessments, public consultation notes and plans, grievance/complaint mechanisms.
References	
SDG alignment	
Useful sources	GRI 413 IFC Performance Standard 1 IFC Corporate Governance Methodology IFC Stakeholder Engagement Practice Handbook

S6. Supply Chain Management

Why is it important?	Supply chains can be highly complex. They often span many countries and include multiple tiers. They are also essential to the success of almost all businesses and can be a significant source of value creation and innovation. As supply chains fall outside of a company's core operations, they expose them to hidden and uncontrollable risks typically driven by ESG factors, such as natural resource depletion, human rights abuses and corruption. ²⁵ On the other hand, Given how much industry activity is dependent on suppliers and contractors, the way in which an organization sources locally and supports suppliers is critical to the development of local supply chains, as well as supporting a stable local economy and sharing global work practices with local companies. The indicator focuses on the actions the company take to increase the participation of local and ESG/green suppliers and contractors in the supply chain and create wider economic benefits.
Recommended Indicators	
Core performance indicators	S6.1 Does your company have a policy in place to related to local procurement and supply chain ESG risk and opportunity management? (Yes/No) S6.2 Percentage of the procurement budget used for significant locations of operation that is spent on local suppliers (%) S6.3 Percentage of new suppliers selected by ESG/sustainability criteria (%)
Additional indicators (optional)	- Percentage of suppliers engaged in sustainable procurement programs/trainings organized by the company (%) - Percentage of procurement budget used on women-owned suppliers (%) - Percentage of procurement budget used on small, medium enterprises (SMEs) (%) - Percentage of suppliers identified as having significant actual and potential negative impacts on society with which improvements were agreed upon as a result of assessment (%)
Description of management approach	Discussion of strategies and initiatives to engage with suppliers on ethical and sustainable business practices, such as application of supplier code of conduct and sustainable sourcing standards. You may describe activities or investments that particularly assist supplier development or initiatives. For example, initiatives that aim to help small and medium-sized enterprises, or organizations owned by women or other marginalized groups. Describe further activities designed to assist supplier development, such as engagement in collaborative groups (e.g., with other companies or chambers of commerce) to promote local enterprise and economic development. Demonstrate how your activities can lead to indirect job creation and economic development, for example providing case studies / examples of local business development that are a result of the economic activity and opportunities created by a project, even if not directly meeting current company needs ²⁶ .

Guidance	This Indicator informs stakeholders about the percentage of suppliers selected or contracted subject to local operations and due diligence processes for positive and negative impacts on society and the environment. Due diligence should be initiated as early as possible in the development of a new relationship with a supplier. Disclose if your organization has a specific policy that encourages local procurement as well as guides the management of ESG risks and opportunities in the supply chain. Provide the percentage of procurement budget used on local suppliers and suppliers selected by ESG/sustainability criteria. For definitions and criteria for local and ESG/sustainable suppliers, organizations may use global standards and definitions or base their selection on their own definitions set out in procurement policies. Companies refer to resources such as the UN Global Compact Supply Chain Sustainability: A Practical Guide for Continuous Improvement.
Documentation	Potential sources of information include the organization's procurement, purchasing, ESG and legal departments and policy directory.
References	
SDG alignment	
Useful sources	GRI 204, 414 Supply Chain Sustainability: A Practical Guide for Continuous Improvement, Second Edition

4.4 GOVERNANCE INDICATORS (G)

Governance issues such as legal violations, operational negligence, corruption, or the failure to follow acceptable standards of corporate governance can have swift, dramatic consequences for a company's reputation or financial stability. These consequences do not just affect employees and shareholders, but communities, families, suppliers and customers. As a result, investors are looking for assurance that the organization is systematically managing challenges that relate to corporate governance, ethical behavior and corruption. The reporting guidance and indicators in this section will help you describe your approach to business ethics, including your anti-corruption and business practices that provide the principles, codes and rules to be followed by management, employees and suppliers at every level.

G1. Corporate Governance & Board

Why is it important?	Organizations are expected to have strong corporate governance policies and frameworks. Corporate governance defines the relationship between all stakeholders (including shareholders), management and the board of directors of a company. Good governance provides direction on how the company will achieve its goals, control risk and benefit its stakeholders, including workers, suppliers, local communities and the natural environment. An important part of strong corporate governance is related to the arrangement of the board and the treatment of shareholders. The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders.
Recommended Indicators	
Core performance indicators	G1.1 Does your company have a Corporate Governance policy/code? (Yes/No) G1.2 Percentage of board seats occupied by independent members (%) G1.3 Does your company have a policy to protect minority shareholders? (Yes/No)

Additional indicators (optional)	- Separation of executive and board positions - How performance criteria in the remuneration policies relate to the highest governance body and senior executives' objectives for economic, environmental, and social topics, as connected to the company's stated purpose, strategy and long-term value. - Tax transparency
Description of management approach	Discussion of policies and programs to promote strong corporate governance and board arrangement, including information on board nomination processes, remuneration policies, director training, auditing, due diligence and monitoring systems, reporting violations, guidance for conflicts of interest, etc. Companies should also report their alignment with the new Corporate Governance Code²⁷ (Directive No 145) approved by FRC in line with international standards. The newly adopted code set nine principles as below. The governance code also follows a "comply or explain" approach. 1. Board structure and governance 2. Committees under the Board and their functions 3. Reporting and transparency 4. Audit, monitoring mechanism 5. Risk management 6. Remuneration of authorized officials 7. The interests of stakeholders 8. Company culture 9. The rights of shareholders
Guidance	This indicator is intended to describe your generic approach to corporate governance, board independence and treatment of minority shareholders. • Identify the share of board seats occupied by independent members, who are not major shareholders and do not otherwise work for the company or have relationships or business links, formal or informal, that enable significant influence on company decisions—and therefore are independent of management and controlling or major shareholders. • Disclose if your company has a stand-alone or integrated policy to protect minority shareholders. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Abusive self-dealing should be prohibited. There should also be in place processes for engaging with minority shareholders. It is important that they receive adequate notice and the agenda for all shareholder meetings and are permitted and encouraged to participate and vote in shareholder meetings • Disclose if your company has a stand-alone or integrated policy/code on corporate governance
Documentation	Potential sources of information include board composition information, policy directories and the corporate secretary.
References	
SDG alignment	
Useful sources	GRI 201 FRC Corporate Governance Code ((Directive No 145) MSE corporate governance guidance OECD Principles of Corporate Governance IFC Corporate Governance Methodology IFC Beyond the Balance Sheet Toolkit for Disclosure (Governance section) Mongolia Corporate Governance Code 2022 (Directive No 145)

G2. Corruption and Ethics

Why is it important?	Demonstrating a "good faith effort" to prevent illegal acts may reduce the financial risks associated with government fines for ethical misconduct. Prevention of bribery and corruption is an essential value for all employees and your business partners, including suppliers, contractors and other intermediaries.
Recommended Indicators	
Core performance indicators	G2.1 Anti-corruption policy and/or Code of Ethics (Yes/No) Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. Total number and nature of incidents of corruption confirmed during the current year, related to this year and previous years. Description of the organization's provision for whistleblowing, and the number and nature of issues raised through the whistleblowing facility, and how these were resolved.
Additional indicators (optional)	- Percentage of employees undergone ethics and anti-corruption training (%) - Percentage of operations assessed for risks related to corruption (%) - Total number of confirmed incidents of corruption and actions taken - Gender ratio of board members
Description of management approach	Discussion of policies and programs codes of conduct and internal controls to prevent corruption such as whistleblower policy, audit, special committees, and training. You should refer to mechanisms and initiatives that promote your anti-corruption policies and programmes, including resources for raising awareness with employees and business partners. Discuss how your anti-corruption policies and due diligence procedures apply to your business partners, including suppliers and contractors. Outline your processes for reporting, review and follow-up of suspected non-compliances.
Guidance	This indicator provides an overview of your controls and other processes to manage employee and business partner compliance with your anti-bribery / anti-corruption policies and applicable laws. Corruption is the abuse of entrusted power for private gain and can be instigated by individuals or organizations. In the Guidelines, corruption includes practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering. It also includes an offer or receipt of any gift, loan, fee, reward, or other advantage to or from any person as an inducement to do something that is dishonest, illegal, or a breach of trust in the conduct of the enterprise's business. This may include cash or in-kind benefits, such as free goods, gifts, and holidays, or special personal services provided for the purpose of an improper advantage or that may result in moral pressure to receive such an advantage²⁸. At the minimum, you are expected to disclose whether your organization has any anti-corruption, code of ethics and/or any other relevant policies in place, how you make sure they are implemented and monitored. As an additional indicator, you may identify the total number of confirmed incidents of corruption. Confirmed incident of corruption refers to each individual case of corruption that has been found to be substantiated.
Documentation	Potential sources of information include legal, compliance departments.
References	
SDG alignment	
Useful sources	GRI 417 OECD Principles of Corporate Governance OECD Anti-corruption and Integrity Hub Mongolia Corporate Governance Code 2022 (Directive No 145)

G3. Compliance

Why is it important?	Compliance is crucial for the integrity and efficiency of markets. Poor compliance practices reduce a company's potential and can lead to financial problems and fraud. Companies that have strong compliance culture typically outperform their competitors and attract investors who can help finance future expansion. From an economic perspective, ensuring compliance helps to reduce financial risks that occur either directly through fines or indirectly through impacts on reputation. The strength of an organization's compliance record can also affect its ability to expand operations or gain permits.
Recommended Indicators	
Core performance indicators	G3.1 Does your company have a Compliance policy? (Yes/No) G3.2 Does your company have a compliance program including information on employee training, auditing, and monitoring systems, reporting violations, guidance for conflicts of interest, sanctions etc.? (Yes/No)
Additional indicators (optional)	- Does your company have a dedicated compliance officer? (Yes/No) - Does your company have a senior management person dedicated to the oversight of compliance policies and programs? (Yes/No) - Total number and monetary value of significant instances of non-compliance with laws and regulations during the reporting period, and a breakdown of this total by i) instances for which fines were incurred; ii) instances for which non-monetary sanctions were incurred (MNT)
Description of management approach	Discussion of policies and programs to promote strong corporate compliance, including information on employee training, auditing, and monitoring systems, reporting violations, guidance for conflicts of interest, sanctions etc.
Guidance	This disclosure addresses policies that ensure compliance with laws and regulations that apply to the organization. Non-compliance with laws and regulations can give insight into the ability of management to ensure that the organization conforms to certain performance parameters. Laws and regulations can be issued by various bodies, including local, regional, and national governments; regulatory authorities; and public agencies. Compliance policy and procedure documents are the foundation of any compliance program, establishing and ensuring the effectiveness of internal controls, ethics, and compliance programmes or measures to comply with applicable laws, regulations, and standards related to bribery and corruption, as required under the OECD Anti-Bribery Convention. Moreover, compliance must also relate to other laws and regulations such as those covering securities, competition and work and safety conditions. Other laws that may be applicable include those relating to taxation, human rights, the environment, fraud, and money laundering. Such compliance programmes will also underpin the company's ethical code. To be effective, the incentive structure of the business needs to be aligned with its ethical and professional standards so that adherence to these values is rewarded and breaches of law are met with dissuasive consequences or penalties. Compliance programs should also extend to subsidiaries and where possible to third parties, such as agents and other intermediaries, consultants, representatives, distributors, contractors and suppliers, and joint venture partners²⁹. Additional indicators could include significant instances of non-compliance that resulted in administrative or judicial sanctions and fines that are being appealed during the reporting period. If there were no significant instances of non-compliance with laws and regulations or no fines were paid during the reporting period, a brief statement of this fact is sufficient to comply with the disclosure.
Documentation	Data sources include organization policy directory, audit results, regulatory tracking systems operated by the legal department, or environmental management systems. Information regarding the aggregate value of monetary fines can be found in accounting departments.

References	
SDG alignment	
Useful sources	GRI 201 MSE corporate governance guidance OECD Principles of Corporate Governance IFC Corporate Governance Methodology Mongolia Corporate Governance Code (Directive No 145)

4.5 INDUSTRY SPECIFIC INDICATORS

The following 6 sectors (financial services, agriculture, textile, manufacturing, mining, construction) have been identified by the project team as sectors that are most impacted by environmental, social, and governance issues. Each sector is subject to a number of material issues that are specific to the industry context. This section identifies the 6 sectors' most significant impacts and reflects stakeholder expectations for sustainability reporting.

FS. Financial services

Why this sector?	Financial institutions as capital providers have a unique role to play in sustainable development and low-carbon transition. Financial institutions recognize that their business activities involving a client with poor environmental and social performance may potentially expose a financial institution to risk, whether legal, credit or reputational risk. Furthermore, a financial institution's business operations, if not managed properly, can have potentially negative impacts on the environment and surrounding communities. Therefore, within the financial sector, addressing environmental and social issues is considered integral to the proper management of transaction, client, portfolio and reputational risks. Financial institutions also can take a leadership role in supporting sustainability, green development and financial inclusion via the products and services they provide to the public.
Recommended Indicators	
Core performance indicators	FS1 Annual number of participants in financial literacy and inclusion initiatives FS2 Percentage of transactions assessed by ESG risk criteria and Exclusion lists (%) FS3 Share of green/sustainable loans in compliance with Mongolia green/SDG taxonomy as of total loan portfolio (%)
Description	Financial inclusion: Certain parts of Mongolian society have poor access to financial services due to barriers (e.g., irregular income, lack of employment, financial literacy, lack of physical access to banks, high cost of services, inappropriate products, regulatory barriers, lack of trust in financial institutions, etc.). In response to these financial institutions have an important responsibility to promote financial inclusion through financial literacy trainings and activities targeted at increased access to finance. This indicator refers to the number of people that benefitted from such activities. E&S risk management: ESG factors are increasingly contributing to the financial performance of specific projects and companies at large. Financial institutions that fail to address these risks and opportunities could face diminished returns and reduced value for shareholders. Companies should subsequently disclose how ESG factors are integrated into lending processes and disclose the share of total transactions assessed by ESG criteria and Exclusion lists³⁰.

Description	Green/sustainable loans and instruments: The global development transition in line with the Paris Agreement and SDGs provide financial institutions with new market opportunities to develop new green financial products and services, and tap into new markets and clients, including green loans and bonds. A comprehensive list of various economic activities that could be considered as “green” are provided in the Mongolia Green/SDG Taxonomy. This indicator refers to financial institutions’ assets that are in line with the Mongolia Green/SDG Taxonomy.
Documentation	Data on financial institutions’ loan portfolio, reports to regulators, training and event records.
References	
SDG alignment	
Useful sources	Mongolian Sustainable Finance Principles and Sector Guidelines Mongolia Green Taxonomy & Mongolia SDG Finance Taxonomy IFC Performance Standards SASB Industry Standards SFRD Sustainable Finance Disclosure Regulation EU Taxonomy ICMA GSS Principles and Guidelines

AF. Agriculture and Food Production

Why this sector?	The agriculture sector is fundamental to supporting food systems and ensuring the right to food is enjoyed by all. In the context of sustainable development, significant impacts associated with the sector activities are linked to intensive use of natural resources, pesticide handling, land and pasture management, as well as food quality and safety issues. Moreover, more than 70% of Mongolia’s land is degraded through overgrazing, deforestation, and climate change. This poses risks to businesses that rely on livestock through their operations or supply chains.
Recommended Indicators	
Core performance indicators	AF1 Does your company have a policy/procedures to manage pesticide use (Yes/No) AF2 Percentage of pasture and grazing land managed to MNS 6891:2020, “Responsible Nomads” (%) AF3 Percentage of products recalled due to food quality and/or safety issues (%)
Description	Policy/procedure needs to include regulation for safe storage, handlings & usage of pesticides, and control of persistence on food product and soils, and control of contamination on surface & groundwater. Pesticide use: Fertilizers, both organic and inorganic, as well as pesticides have an impact on soil health. Incorrect fertilizer and pesticide application results in runoff to water, which can affect local communities, including indigenous peoples, and their human rights to health, food, clean water, and livelihoods. To address this, companies should have stand-alone/integrated policies/procedures to manage pesticide use and disclose those publicly. Land management: Mongolia hosts one of the world’s most extensive and biodiversity-rich grassland ecosystems. However, this ecosystem is degrading rapidly and that biodiversity is being lost due to the degradation of grasslands, attributed primarily to overgrazing. In response to this, many companies are adopting sustainable land management practices and this disclosure asks to identify the share of land that is managed in accordance to MNS 6891:2020, “Green Gold Responsible Nomads” or similar sustainable pastureland standards.

Description	Food quality: Agricultural products are sold directly to consumers in raw form or are further processed into a wide variety of foods. Maintaining product quality and safety is critical, as it can lead to consumer-driven demand changes and regulatory action. Product recalls can harm brand reputation, reduce revenues, and lead to costly fines. To help investors better understand these risks, this indicator requires companies to identify the percentage of products recalled due to food quality and/or safety issues.
Documentation	Data sources include organization policy directory, sustainability/E&S/OHS departments, regulatory tracking systems operated by the legal department, environmental impact assessments or environmental, OHS management systems.
References	
SDG alignment	   
Useful sources	MNS 6891:2020, "Requirements for Responsible Nomads Code of Practices for sustainable nomadic livestock production" IFC Performance Standards FAO standards GRI 304

T. Textile

Why this sector?	The Mongolian textile sector, dominated by cashmere and wool production, represents a significant share of the country's GDP and employment, but it is vulnerable to a set of issues related to its inadequate control of raw material sourcing, land degradation, and various other environmental, social and economic challenges. In addition, there is demand from foreign processors (sourcing & production) and investors to build-in more sustainable and quality-driven production in line with international best practices.
Recommended Indicators	
Core performance indicators	T1. Number of livestock and percentage of pasture managed to MNS 6891:2020, "Responsible Nomads" T2. Number of products produced according to MNS 6926:2021 sustainable textile production standard T3. Policy/procedures to manage sensitive chemicals and materials (Yes/No)
Description	Policy/procedure needs to include regulation for safe storage, handlings & usage of sensitive chemicals and materials, treatment of contaminated water, and control of contamination on surface and groundwater. Land management: Mongolia hosts one of the world's most extensive and biodiversity-rich grassland ecosystems. However, this ecosystem is degrading rapidly and that biodiversity is being lost due to the degradation of grasslands, attributed primarily to overgrazing. In response to this, many companies are adopting sustainable land management practices and this disclosure asks to identify the share of land that is managed in accordance to MNS 6891:2020, "Green Gold Responsible Nomads" or similar sustainable pastureland standards. Sustainable production: Sustainable production practices can help textile companies identify and manage the various ESG risks associated with their production, and also identify opportunities for green products. As such, this indicator asks companies to disclose the number of products produced according to sustainable textile production standards such as the National MNS 6926:2021 - Standard for Sustainable Textile Production, and the Voluntary Code of Practice for Sustainable Textile Production, developed by the EU Switch Asia-funded STeP EcoLab project.

Description	Chemicals management: Chemicals should be stored, handled and managed correctly to avoid harm to workers, communities, property and the environment. The difficulty in controlling diverse health or environment-related chemical hazards lies not only in the vast volume of chemicals used in the manufacturing process, but is also due to the complexity and multi-tiered textile supply chain which spans worldwide. Chemical information is not always transparent and does not always move smoothly along the supply chain. Manufacturers often lack awareness and competence to manage chemicals effectively. Therefore, this indicator aims to reveal companies' policies and practices about management harmful substances and chemicals, especially those that are prohibited by national and international laws and regulations.
Documentation	Data sources include organization policy directory, sustainability/E&S/OHS departments, environmental impact assessments or environmental, OHS management systems.
References	
SDG alignment	   
Useful sources	MNS 6926:2021, "Sustainable Textile Production – Code of Practice" MNS 6891:2020, "Requirements for Responsible Nomads Code of Practices for sustainable nomadic livestock production" Mongolia Textile Sector-specific Green Loan Criteria³¹ IFC Performance Standards FAO standards GRI 304, 307

MA. Manufacturing

Why this sector?	The manufacturing sector is typically resource intensive and presents opportunity for operating efficiency improvements, especially around sustainable materials use and handling. On the other hand, production processes also pose various risks with one of the key risks being the handling of chemicals.
Recommended Indicators	
Core performance indicators	MA.1 Policy/procedures to manage sensitive chemicals and materials (Yes/No) MA.2 Percentage of materials used that are recycled input materials (%) MA.3 Percentage of products that acquired eco/green labeling/certification (%)
Description	Chemicals management: Chemicals should be stored, handled and managed correctly to avoid harm to workers, communities, property and the environment. The difficulty in controlling diverse health or environment-related chemical hazards lies not only in the vast volume of chemicals used in the manufacturing process, but is also due to the complexity and multi-tiered textile supply chain which spans worldwide. Chemical information is not always transparent and does not always move smoothly along the supply chain. Manufacturers often lack awareness and competence to manage chemicals effectively. Therefore, this indicator aims to reveal companies' policies and practices about management harmful substances and chemicals, especially those that are prohibited by national and international laws and regulations. Policy/procedure needs to include regulation for safe storage, handlings & usage of sensitive chemicals and materials, treatment of contaminated water, and control of contamination on surface and groundwater.

Description	Recycled input materials: Effective materials management can help minimize local risks to the environment and communities and can enhance resource use and cost efficiency. This Indicator seeks to identify the organization's ability to use recycled input materials. Using these materials helps to reduce the demand for virgin material and contribute to the conservation of the global resource base. For internal managers and others interested in the financial performance of the organization, substituting recycled materials can contribute to lowering the overall costs of operation. The trends revealed by this Indicator indicate management's progress in reducing the organization's dependence on natural resources. Calculate the percentage of recycled input material used by applying the following formula: Percentage of recycled input materials used = (Total recycled input materials used / Total input materials used) x 100 Green labeling: Environmental issues also present opportunities for companies to adopt new technologies and solutions, and introduce innovative, green products and services. The assessment on whether a product is green or not usually involves an independent assessment (audits, certification, labeling) by technical experts that can confirm the environmental benefit/impact of the product in line with internationally accepted standards. This indicator allows companies to disclose their efforts to green their products and services by providing the number of products that acquired eco/green labeling/certification
Documentation	Potential sources of information include the sustainability/E&S/OHS units, procurement or supply management department, and internal production and waste disposal records.
SDG alignment	  
Useful sources	IFC Performance Standards GRI 304, 307, 403, 417

MI. Mining

Why this sector?	Mining is a key sector in many economies including Mongolia, making a sizable contribution to production, exports and government revenues. Minerals produced by this sector can also be fundamental for large parts of the economy. Mining also has a high environmental and social impact, often concentrated in and around extraction sites. Mining can require exclusive access to large areas and the influx of large workforces and may operate in regions where there is a higher risk of human rights abuses or effects on indigenous peoples' rights.
Recommended Indicators	
Core performance indicators	MI.1 Total area of land rehabilitated or restored as percentage of total operational land MI.2 Number of incidents of non-compliance with environmental permits, standards, and regulations MI.3 Number of people affected by economic displacement and resettlement
Description	Rehabilitation: There is a clear expectation that companies should dismantle and remove or reuse facilities in accordance with environmental standards and take account of the needs of stakeholders and communities. This indicator provides an opportunity for you to share information on current and future rehabilitation projects and to describe your plans and processes for environmental protection and restoration. To demonstrate progress, indicate the total area of land rehabilitated or restored as percentage of total operational land.

Description	Environmental compliance: The level of non-compliance within the organization helps indicate the ability of management to ensure that operations conform to certain performance parameters. From an economic perspective, ensuring compliance helps to reduce financial risks that occur either directly through fines or indirectly through impacts on reputation. In some circumstances, non-compliance can lead to clean-up obligations or other costly environmental liabilities. The strength of the organization's compliance record can also affect its ability to expand operations or gain permits. Resettlement: Organizational operations related to entering, operating, and exiting can have a number of significant negative impacts on local communities. The indicator informs stakeholders about an organization's awareness of its impacts on local communities. It also enables an organization to better prioritize and improve its organization-wide attention to local communities. For this indicator, identify the number of people affected by economic displacement and resettlement.
Documentation	Potential sources of information include organizational policies and risk assessment procedures; environmental impact assessment and audit reports, results of data collection from local community programs; and analysis results of external stakeholder forums, joint community committees, stakeholder reports, and other inputs.
SDG alignment	 
Useful sources	Extractive Industries Transparency Initiative IFC Performance Standards GRI 307, 203

CO. Construction

Why this sector?	Buildings are responsible for more than 40% of global energy use and over one third of global GHG emissions. Reducing GHG emissions in the building industry is widely recognized as the least expensive way to mitigate impacts. The construction and real estate sector have the potential to play a significant role in the response to climate change. Activities associated with constructing, managing, occupying and demolishing buildings and infrastructure also deplete natural resources and lead to many kinds of pollutants in land, air and water. In addition, construction companies in Mongolia also have a critical role to play in ensuring the development of accessible and green public areas.
Recommended Indicators	
Core performance indicators	CO1.1 Percentage of building projects that acquired any green building labels/certificates (%) CO1.2 Percentage of building projects that comply with accessibility laws and regulations in Mongolia, including accessibility consideration for people with disabilities (%) CO1.3 Percentage of building projects comply with green area and community space laws and regulations in Mongolia (%)

Description	Green building: To tap into the opportunity side of sustainability management, many construction companies are opting to integrate green elements into building design and acquire green certifications or labels. These certifications/labels such as IFC EDGE, LEED, BREEAM exist globally and can be adopted by local construction companies. At the national level, companies can acquire energy labels and energy passports issued by certified energy auditors. Schemes often look at issues regarding energy and water use, indoor air quality, materials use, and accessibility, among other factors. Companies are expected to disclose the percentage of building projects that acquired any green building labels/certificates. Accessibility: Construction companies play an important role in creating accessible environments and facilities for disadvantaged people, that will further foster employment opportunities and economic empowerment for these people. However, many companies do not strictly follow accessibility and inclusion regulations and standards and therefore, this indicator aims to disclose to investors their conduct around compliance with accessibility standards. Compliance can be assessed by a third-party provider in line with international and national standards or conducted internally using tools such as the ILO Global Business and Disability Network (GBDN) Charter Model Self-Assessment Tool. Green area/community space: Chemicals should be stored, handled and managed correctly to avoid harm to workers, communities, property and the environment. The difficulty in controlling diverse health or environment-related chemical hazards lies not only in the vast volume of chemicals used in the manufacturing process, but is also due to the complexity and multi-tiered textile supply chain which spans worldwide. Chemical information is not always transparent and does not always move smoothly along the supply chain. Manufacturers often lack awareness and competence to manage chemicals effectively. Therefore, this indicator aims to reveal companies' policies and practices about management harmful substances and chemicals, especially those that are prohibited by national and international laws and regulations.
Documentation	Data sources include organization policy directory, sustainability/E&S/OHS departments, design and planning departments, environmental/social/accessibility impact assessments, project design and planning sheets.
SDG alignment	
Useful sources	IFC Performance Standards ILO Standards & Conventions IFC EDGE Green Building Certification World Green Building Council Mongolia Building Energy Label

ANNEXES

Annex 1. Overview of suggested core ESG indicators (ESG Reporting Template)

1	Name of issuer:	
2	Issuer code:	
3	Sector/industry:	
4	Reporting boundary (legal entities/ subsidiaries included in this report):	
5	Reporting period:	
6	Full name, job title, contact information of the person responsible for this report:	
7	Full name, job title, contact information of CEO and Chairman of the Board:	
8	Sign off by CEO and Chairman of the Board:	

Ref	Area	Indicator	Description	Unit of measure for target/ indicator
MS	Sustainability Management System Indicators			
MS1.1	Sustainability Management System	Senior management commitment	Does your company have a sustainability commitment statement in place?	Yes/No
MS2.1		Sustainability policy and procedures	Does your company have a sustainability policy with targets?	Yes/No
MS2.2			Does your company have a set of sustainability procedures?	Yes/No
MS3.1		Governance structure	Does your company have dedicated committees that are entirely/partially responsible for sustainability?	Yes/No
MS3.2			Does your company have a dedicated ESG/ sustainability director/s (full-time/part-time) at the board level?	Yes/No
MS3.3			Does your company have a dedicated ESG/ sustainability manager/s (full-time/part-time) at the executive level?	Yes/No
MS3.4			Does your company have a dedicated ESG/ sustainability officer (full-time/part-time) at the operational level?	Yes/No
MS3.5			Does your company cover sustainability issues in board meetings as part of the official agenda on a regular basis?	Yes/No

MS4.1	Sustainability Management System	Materiality assessment	Does your company have materiality process, assessment and/or matrix, explaining how your company avoids, mitigates, or remediates negative impacts to the economy, environment, and society, and enhances positive ones?	Yes/No
MS5.1		Organizational capacity	Annual average hours of sustainability training per employee (hr), by gender	hr
MS6.1		Monitoring	Is sustainability included the scope of the audit committee (and other relevant board committee) and internal control functions?	Yes/No
MS7.1		Sustainability reporting and verification	Does your company disclose a sustainability report (stand-alone/or integrated into annual report) at least annually?	Yes/No
MS7.2			Does the company prepare a TCFD-aligned climate disclosure?	Yes/No
MS7.3			Are the sustainability data assured by an independent third-party?	Yes/No
MS8.1		Memberships	Number of sustainability associations, networks, and national or international advocacy organizations in which the company participates with a significant role including business declaration on human rights.	No.

E	Environmental Indicators			
E1.1	Energy	Total energy consumption	Total direct energy consumption and cost spent	kWh, MNT
E1.2		Electricity	Total electricity consumption, cost spent, and reduction (year-to-year)	kWh, MNT
E1.3		Heat	Total heat consumption, cost spent, and reduction (year-to-year)	Gj - Gegajoule or kWh, MNT), %
E1.4		Fuel	Total fuel consumption (coal, oil, gas etc.), cost spent, and reduction (year-to-year)	(Liter / kg &%, Gj), %
E1.5		Non-Renewable energy	Share of non-renewable energy consumption	%
E1.6		Renewable energy	Share of renewable energy consumption	%
E2.1	GHG emissions	Emissions	Total Scope 1 and 2 emissions	tCO2e
E2.2		Emissions reduction	Reduction of total Scope 1 + 2 GHG emissions (year-to-year)	tCO2e
E2.3		Carbon offsetting	Total carbon offset	tCO2e
E3.1	Climate change	Climate policy	Does your company have a stand-alone/integrated climate change policy?	Yes/No
E3.2		Climate risk and opportunity assessment	Did your company conduct a climate risk and opportunity assessment (scenario analysis, stress test etc.)?	Yes/No
E3.3		Economic loss	Total amount of economic loss faced due to climate related disasters and events	MNT

E3.4	Climate change	Climate investment	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	MNT
E3.5		Prevention/ adaptation to climate change	Does your company have activities/steps to prevent and (if not preventable) adapt to the impact of climate change?	Yes/No
E4.1	Water	Water used	Total amount of water withdrawn/used	m3/L
E4.2		Water saved	Total amount of water saved due to conservation and efficiency improvements	m3/L
E4.3		Water reuse	Percentage of water recycled and reused	%
E4.4		Water discharged	Total water discharged	m3/L
E5.1	Waste (solid waste)	Waste discharged	Total amount of waste discharged	tons
E5.2		Waste recycled	Waste recycling percentage	%
E5.3		Hazardous waste	Total amount of hazardous waste (including e-waste) discharged	tons
E6.1	Biodiversity	Landscape planning, design greenery	Share of sustainably managed public space, or green space created as of total area	%
E6.2		Wild plants and animals	Number of species conserved	no.
E6.3		Activities negatively affecting biodiversity-sensitivity	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity or cultural value	%
S	Social Indicators			
S1.1	Human capital development	Employee turnover	Year-over-year change of full-time employees	%
S1.2		Jobs created	Increase in the total number of full-time employees compared to the same period of the previous year	no.
S1.3		Training	Annual average hours of training per employee	hr
S2.1	Occupational, health and safety	OHS policy	Does your company have an OHS Policy (stand-alone or integrated)?	
S2.2		Incidents	Annual work-related injury rate	%
S2.3		OHS training	Annual average hours of OHS training per employee	hr
S2.4		Health programs	Percentage of employees covered by voluntary health programs such as medical checks	%
S3.1	Equal opportunity	Gender policy	Does your company have a Gender Policy (stand-alone or integrated)?	Yes/No
S3.2		Anti-sexual harassment policy	Does your company have an anti-sexual harassment policy (stand-alone/integrated)?	Yes/No
S3.3		Non-discrimination policy	Does your company have a non-discrimination policy (stand-alone/integrated)?	Yes/No
S3.4		Gender balance	Percentage of total employee headcount by men and women	%
S3.5		Board level gender balance	Percentage of board-level positions held by men and women	%

S3.6	Equal opportunity	C- level gender balance	Percentage of C-level positions held by men and women	%
S3.7		Junior level gender balance	Percentage of junior-level positions held by men and women	%
S3.8		Gender pay gap	Ratio of average male salary to average female salary	Ratio
S4.1	Access & inclusion	Disability policy	Does your company have a publicly available Disability policy (stand-alone/integrated)?	Yes/No
S4.2		Employees with disability	Percentage of employees with disability	%
S4.3		Access to facilities	Assessment of facility accessibility	%
S4.4		Fines	Amount of fines paid for noncompliance with laws and regulations regarding disability	MNT
S5.1	Community engagement & disclosure	Stakeholder engagement	Does your company have a stakeholder/community engagement policy approved by the Board?	Yes/No
S5.2		Policy and process for social impact assessment and land acquisition	Does your company have a policy or process for social impact assessment and land acquisition?	Yes/No
S5.3		Grievance policy	Does your company have a grievance policy/mechanism?	Yes/No
S5.4		Disclosure to communities	Does your company have a mechanism and system to disclose relevant information to affected communities and stakeholders?	Yes/No
S5.5		Worker/community complaints	Percentage of community complaints 1) addressed and 2) resolved	%
S5.6		Community investment	Percentage of revenue invested in community programs and initiatives, by SDG breakdown	%
S6.1	Supply chain management	Procurement policy	Does your company have a policy in place to related to local procurement and supply chain ESG risk and opportunity management?	Yes/No
S6.2		Local procurement share	Percentage of the procurement budget used for significant locations of operation that is spent on local suppliers	%
S6.3		Sustainable procurement share	Percentage of suppliers selected by ESG/ sustainability criteria	%
G	Governance indicators			
G1.1	Corporate governance	Corporate governance policy	Does your company have a Corporate Governance policy/codes?	Yes/No
G1.2		Board independence	Percentage of board seats occupied by independent members	%
G1.3		Treatment/ rights of minority shareholders	Does your company have a policy to protect minority shareholders?	Yes/No
G2.1	Corruption and ethics	Anti-corruption policy	Does your company have an Anti-corruption policy and/or Code of Ethics?	Yes/No

G3.1	Compliance	Compliance policy	Does your company have a Compliance policy?	Yes/No
G3.2		Compliance program/procedures	Does your company have a compliance program including information on employee training, auditing, and monitoring systems, reporting violations, guidance for conflicts of interest, sanctions etc.?	Yes/No
Additional sector specific indicators (only fill out questions relevant to your company's operating industry/sector)				
FS1	Financial services	Access to finance	Annual number of participants in financial literacy and inclusion initiatives	no.
FS2		E&S risk management	Percentage of transactions assessed by ESG risk criteria and Exclusion lists	%
FS3		Sustainable issuance	Share of green/sustainable loans in compliance with Mongolia green/SDG taxonomy as of total loan portfolio	%
A1	Agriculture & food production	Pesticide use	Does your company have a policy/procedures?	Yes/No
A2		Sustainable land	Percentage of pasture and grazing land managed to MNS 6891:2020, "Responsible Nomad"	%
A3		Products recalled	Percentage of products recalled due to food quality and/or safety issues	%
T1	Textile	Sustainable livestock	Number of livestock and percentage of pasture managed to MNS 6891:2020, "Responsible Nomad"	no. & %
T2		Sustainable products	Number of products produced according to MNS 6926:2021 "Sustainable Textile Production"	%
T3		Chemicals handling	Does your company have a Policy/procedures to manage sensitive chemicals and materials?	Yes/No
MA1	Manufacturing	Chemicals handling	Does your company have a Policy/procedures to manage sensitive chemicals and materials?	Yes/No
MA2		Recycled materials	Percentage of materials used that are recycled input materials	%
MA3		Green labeling	Percentage of products that acquired eco/green labeling/certification	%
MI1	Mining	Rehabilitation	Total area of land rehabilitated or restored as percentage of total operational land	%
MI2		Fines	Number of incidents of non-compliance with environmental permits, standards, and regulations	no.
MI3		Resettlement	Number of people affected by economic displacement and resettlement	no.
CO1	Construction	Green building labels/certificates	Percentage of building projects that acquired any green building labels/certificates	%
CO2		Accessibility	Percentage of building projects that comply with accessibility laws and regulations in Mongolia, including accessibility consideration for people with disabilities	%
CO3		Green area and community space	Percentage of building projects comply with green area and community space laws and regulations in Mongolia	%

Annex 2. Commonly Used Global Sustainability Reporting Standards

The Global Reporting Initiative (GRI) is an international, not-for-profit organization working in the public interest towards a vision of a sustainable global economy where organizations manage their economic, environmental, social, and governance performance and impacts responsibly. Thousands of corporate and public sector reporters in over 90 countries use the GRI Guidelines. More than 24,000 reports have been registered in GRI's Sustainability Disclosure Database and 27 countries and regions reference GRI in their policies. GRI's activities are twofold: firstly, the provision of sustainability reporting guidelines and secondly, the development of engagement activities, products and partnerships to enhance the value of sustainability reporting for organizations.

The United Nations Global Compact (UNGC) is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. It comprises more than 13,000 organizations in 80 local networks worldwide. Business participants are expected to publicly report on their progress in an annual Communication on Progress.

The Task Force on Climate-Related Financial Disclosures (TCFD) was set up in 2015 by the Financial Stability Board (FSB) to develop voluntary, consistent climate-related financial risk disclosures for use by companies, banks, and investors in providing information to stakeholders. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities will strengthen the stability of the financial system, contribute to greater understanding of climate risks and facilitate financing the transition to a more stable and sustainable economy.

CDP (formerly the Carbon Disclosure Project) is a global not-for-profit organization, founded in 2000 and headquartered in London. CDP requests standardized climate change, water and forest information from some of the world's largest listed companies through annual questionnaires sent on behalf of institutional investors that endorse them as 'CDP signatories'. These shareholder requests for information encourage companies to account for and be transparent about environmental risk.

The Sustainability Accounting Standards Board (SASB) (Value Reporting Foundation), a non-profit U.S.-based organization, has a mission to create and disseminate accounting standards that reporting issuers can use to disclose material sustainability factors in filings with the Securities and Exchange Commission. Developing provisional standards for more than 80 industries in 10 sectors, SASB researches material factors within industries, convenes industry working groups, and conducts a public comment period to establish accounting metrics, and provides education on recognizing and accounting for material nonfinancial factors. The SASB Materiality Map is a visual tool that helps users identify SASB disclosure topics on an industry-by-industry basis and compare the potential materiality of various sustainability factors across different industries and sectors.

In November 2021, IFRS Foundation announced the establishment of the International Sustainability Standards Board, consolidation with CDSB and the Value Reporting Foundation (SASB and IIRC) by June 2022, and publication of prototype disclosure requirements on ESG and climate (Climate-related Disclosures Prototype).

The International Integrated Reporting Council (IIRC) (Value Reporting Foundation) is a group of international leaders from the corporate, investment, accounting, securities, regulatory, academic, standard-setting and civil society areas with a mission to create the Integrated Reporting framework. The Framework will provide material information about an organization's strategy, governance, performance and prospects in a concise and comparable format, a fundamental shift in corporate reporting.

IFC Beyond the Balance Sheet Disclosure and Transparency Toolkit. The toolkit supports the broader World Bank Group's effort to enhance disclosure and transparency standards in the countries and companies it works with, either as an investor or an adviser, through better annual reporting. It provides guidance on preparing comprehensive and integrated annual reports that include critical environmental, social, and governance information to companies, stock exchanges, market regulators and investors alike.

Sustainability disclosure regulations in EU

THE EUROPEAN GREEN DEAL		FINANCING SUSTAINABLE GROWTH ACTION PLAN
NFRD (Directive 2014/95/EU)/ CSRD (proposal)	EU Taxonomy (Regulation (EU) 2020/852)	SFRD (Regulation (EU) 2019/2088)
Who: Large companies with more than 500 employees. What: Disclosure should cover relevant policies, main risks (incl. due diligence processes) KPI, and the company business model. The disclosure requirements will be expanded as NFRD is replaced by CSRD. When: CSRD (legislative proposal adopted in April 2021).	Who: Large financial market participants and non-financial companies under the scope of NFRD. What: The EU Taxonomy is a classification system used to define "environmentally sustainable" business activities in six environmental objectives. Disclosure should indicate to what extent carried out activities meet the criteria of the EU Taxonomy. When: July 2020	Who: Financial market participants and financial advisers. What: Disclosure should cover integration of sustainability risks in investment decision-making process, principal adverse impacts, as well as additional disclosure on green funds. When: March 2021
Additional guidelines: • Non-binding Guidelines on non-financial reporting (2017) • Non-binding guidelines on reporting climate-related information (2019) integrating TCFD recommendations	Delegated Acts will define Technical Screening Criteria (TSC) to facilitate practical implementation. • TCS for climate mitigation and adaptation (April 2021) • TCS for the remaining objectives (to be published in H1 2022)	Regulatory Technical Standards (RTS) provide further clarity for companies with respect to their sustainability disclosures: • Legally binding with the SFDR Regulation • Metrics, templates and methodologies
Covered topics: Environmental matters Social & employee matters Human rights Corruption and bribery Board diversity	Covered topics: Climate change mitigation and adaptation Use and protection of water and marine resources Transition to a circular economy Pollution prevention and control Protection & restoration of biodiversity & ecosystems	Covered topics: Sustainability risks Principal adverse impacts as they relate to: climate, environment, social and employment issues, human rights, anti-corruption & bribery Green assets

Source: Appendix B. https://www.bvb.ro/info/Rapoarte/Ghiduri/ESG_Reporting_Guidelines.pdf

Annex 3. Sustainability Reporting Resources

GRI Standards Report Registration System provides a database of annual and sustainability reports that are verified and developed in line with the GRI standards. The following section highlights some reporting examples of Mongolian and global companies in various industries. The reporting examples below can be found on the internet and the soft version of this document comes with the associated weblinks. For accessing the soft version, please visit www.toc.mn.

Sector	Company
Agriculture, F&B	APU (2018; 2020; 2021) Coca Cola Coca Cola HBC Pepsico McDonald's Whitbread
Finance	Golomt Bank Khan Bank Allianz AXA UBS HSBC
Health care	Baxter
Hospitality	Edwardian Group London The Hongkong and Shanghai Hotels, Limited
Construction & infrastructure	REIT
Manufacturing	MSC Group Gobi Cashmere Marks and Spencer Group plc Plan A Report GM Ikea Johnson & Johnson L'Oreal
Mining	Oyu Tolgoi BP Shell
Power	Energy Resources CLP EDF Energy Ofgem requirements for UK electricity suppliers UK Power Networks
ICT	Vodafone Apple Siemens Telefonica
Education	Stanford University University of California, Berkeley

Annex 4. SASB Materiality Map

■ Issue is likely to be material for more than 50% of industries in sector

■ Issue is likely to be material for fewer than 50% of industries in sector

○ Issue is not likely to be material for any of the industries in sector

		Consumer goods	Extractives & Mineral processing	Financials	Food & Beverage	Health care	Infrastructure	Renewable resources & Alternative energy	Resource transformation	Services
Dimension	General Issue Category									
Environment	GHG Emissions		■		■	■	■	■	■	
	Air quality		■				■	■	■	
	Energy management	■	■		■	■	■	■	■	■
	Water & Waste water management	■	■		■		■	■	■	■
	Waste & Hazardous material management		■		■	■	■	■	■	
	Ecological impacts		■		■	■	■	■		■
Social capital	Human rights & Community relations		■			■		■	■	
	Customer privacy	■		■						■
	Data security	■				■			■	■
	Access & Affordability			■		■				
	Product quality & Safety	■			■	■			■	
	Customer welfare				■	■				■
	Selling practices & Product labeling			■	■	■				■
Human capital	Labor practices	■	■		■	■	■			■
	Employee health & Safety		■		■	■	■		■	
	Employee engagement, diversity and inclusion	■		■		■				■
Business model & Innovation	Product design & Lifecycle management	■	■	■	■	■	■	■	■	
	Business model resilience		■				■			
	Supply chain management	■	■		■	■	■	■	■	
	Materials sourcing & Efficiency	■			■	■	■	■	■	
	Physical impacts of climate change			■		■	■	■		■
Leadership & Governance	Business ethics		■	■		■			■	■
	Competitive behavior		■							■
	Management of the legal & regulatory environment		■				■	■	■	
	Critical incident risk management		■				■	■	■	
	Systemic risk management			■			■			

Annex 5. Example Materiality Matrix (Nestle)

Importance to stakeholders	Major			- Responsible sourcing - Human rights	Climate and decarbonization
	Significant		Biodiversity	- Bottled water and water stewardship - Retailer relationships - Geo-political and economic context - Product regulation/taxation - Responsible marketing and brand communication - Business ethics - Community relations	- Changing consumer behaviors - Product packaging and plastic - Innovative business models - Digital and technology - Competitiveness and productivity - Nutritional value of portfolio - Product quality and safety
	Moderate		Animal welfare	- Cyber security - Acquisitions and investments - Zero waste - Diversity and inclusivity - Accessible nutrition	Talent attraction and retention
	Negligible		Pension management	Data privacy	
		Negligible	Moderate	Significant	Major

Impact on Nestle's success - Internal Stakeholders

• People and pets

• Communities

• Planet

• Maximising long-term value

Annex 6. Emission Scopes and Sources (GHG Protocol)

Scopes and categories ⁹	Metric tons CO _{2e}
Scope 1: Direct emissions from owned/controlled operations	
Scope 2: Indirect emissions from the use of purchased electricity, steam, heating, and cooling	
Upstream scope 3 emissions	
Category 1: Purchased goods and services	
Category 2: Capital goods	
Category 3: Fuel- and energy-related activities (not included in scope 1 or scope 2)	
Category 4: Upstream transportation and distribution	
Category 5: Waste generated in operations	
Category 6: Business travel	
Category 7: Employee commuting	
Category 8: Upstream leased assets	
Other	
Downstream scope 3 emissions	
Category 9: Downstream transportation and distribution	
Category 10: Processing of sold products	
Category 11: Use of sold products	
Category 12: End-of-life treatment of sold products	
Category 13: Downstream leased assets	
Category 14: Franchises	
Category 15: Investments ¹⁰	
Other	

⁹ Further disaggregation certain categories may be necessary. Additionally, if categorization of scope 3 activities is not followed as prescribed in the standard, indicate where they are included.

¹⁰ If the reporting company is an initial sponsor or lender of a project, also account for the projected lifetime emissions of relevant projects financed during the reporting year and report those emissions separately from scope 3.

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