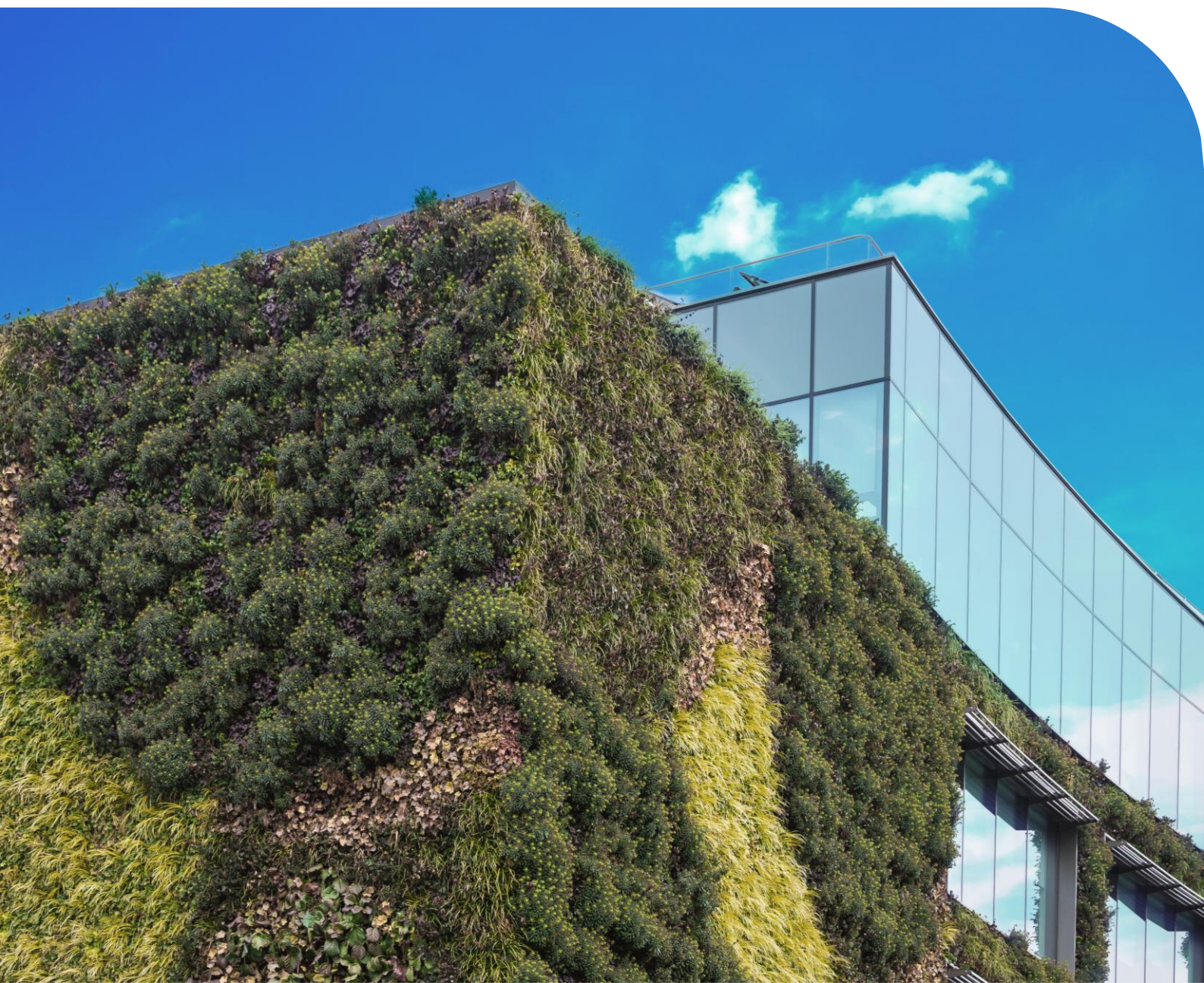


ESG and Sustainable Finance: South Caucasus and Central Asia

Mongolia

October 2026



Executive Summary

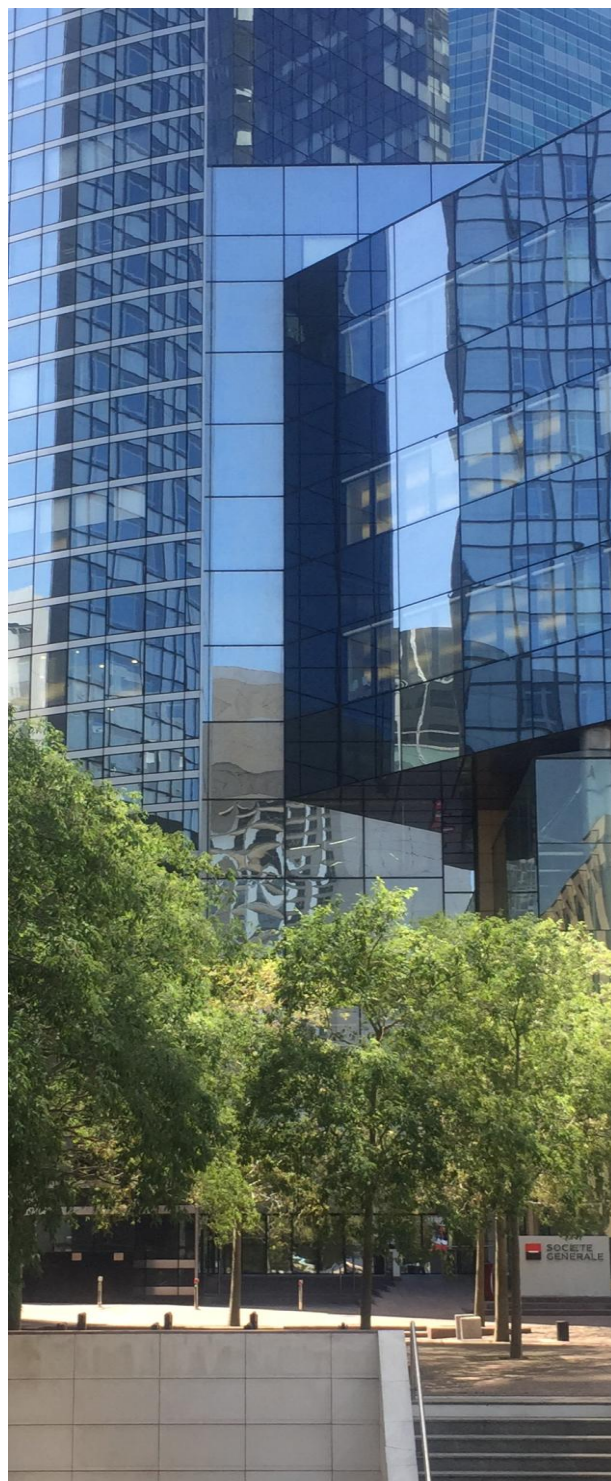
Mongolia has one of the longest-running sustainable finance frameworks in this series, dating to 2018. In 2025, the Bank of Mongolia expanded the evidence base for climate-risk supervision through a Banking Sector Climate Scenario Analysis undertaken with ESCAP and a separate Banking Sector Climate Risk Exposure Assessment conducted with IFC.

On 22 July 2026, the Bank of Mongolia and IFC signed an MOU to enhance supervisory requirements, strengthen climate-risk data infrastructure and integrate climate-related financial risks into banking supervision. In July 2026 Parliament also adopted Mongolia's first Law on Climate Change, in force from 3 August 2026. Together these developments mark a transition from framework-building and risk assessment toward supervisory implementation.

Two features distinguish Mongolia from every other country in this series. Its framework was industry-led before it was regulator-led — the Mongolian Sustainable Finance Association published voluntary principles in 2018, years before the central bank issued formal guidance. Its oversight structure is also among the most formally distributed in the series, with a four-institution apex council at the top and distinct regulators below it.

The gap between policy ambition and implementation remains, but it has narrowed. Reported green lending reached MNT 2.54 trillion, equivalent to 5.7% of total bank lending, by the end of Q1 2026 (Bank of Mongolia reporting), compared with the 10% target for 2030.

The 2025 assessments identified material banking-sector exposure to physical and transition risks — the Bank of Mongolia-ESCAP scenario analysis found expected credit losses rising most sharply under delayed-transition and severe physical-shock scenarios, and put bank-financed emissions at around 23% of national emissions — while the July 2026 Bank of Mongolia-IFC MOU established a programme for strengthening supervisory requirements, climate-risk data and risk-management practices.



Introduction

This publication is part of a seven-country series examining ESG and sustainable finance regulation across Central Asia and the South Caucasus. The series covers Armenia, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan — seven countries building regulatory infrastructure for sustainable finance at markedly different speeds and from different starting points. Mongolia is covered as a regional peer rather than as a Central Asian or South Caucasus state. Each publication draws on primary regulatory documents, IFI technical reports, and company-level disclosures, including sources published after August 2025 to reflect the most current available material.

Mongolia's sustainable finance story is the series' most organically developed. Unlike every other country here, where central bank or ministry action initiated the process, Mongolia's framework began with the financial industry itself — the Mongolian Sustainable Finance Association's 2018 voluntary principles predated the first formal regulatory instrument, the 2019 Green Taxonomy, by a year. What followed was a methodical framework build encompassing the Green Taxonomy, Sustainable Finance Roadmap, microfinance guidelines, listed-company reporting guidance, bank ESG-risk methodology, the SDG Finance Taxonomy, climate-disclosure guidance and climate-risk assessments. In 2026, this architecture expanded through a National Sustainability Disclosure Roadmap, SDG Finance Taxonomy Version 2.0 and a formal programme for integrating climate-related risks into banking supervision.

This publication series covers:



Mongolia



Georgia



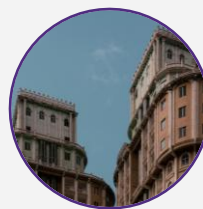
Kazakhstan



Kyrgyz Republic



Armenia



Tajikistan



Uzbekistan

1. The Regulatory Framework

Mongolia has one of the longest-developed sustainable finance frameworks in the series — eight years of layered instruments, and, as of 2025, increasingly grounded in actual risk data. In 2026 it began moving from voluntary instruments toward supervisory implementation.



MSFA Principles (2018)

A voluntary industry commitment, published years before any regulatory mandate existed — the only country in this series where the private sector led the public sector into sustainable finance.



Green Taxonomy & Roadmap

The Green Taxonomy (2019), approved by the Financial Stability Council, provided the classification anchor; the 2022 National Sustainable Finance Roadmap was jointly signed by four institutional heads and embedded the 10% green loan target by 2030.



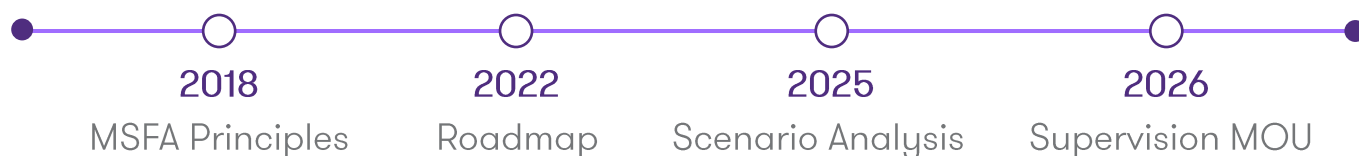
Sectoral & Governance (2021-23)

The FRC's ESRM Guidelines extended the framework to microfinance; its 2021 Green Bond Guidelines enabled domestic green bond issuance and its 2022 Corporate Governance Code set issuer governance standards.



SDG Taxonomy, Disclosure Roadmap & Climate Supervision (2023-2026)

The 2023 SDG Finance Taxonomy made Mongolia one of the first countries globally to adopt one, and Version 2.0 followed in August 2026 with a technical screening criteria methodology; the July 2026 Bank of Mongolia-IFC MOU on climate-risk supervision is the framework's most significant supervisory step to date.



2. Oversight and Sectoral Reach

Four-Institution Apex Council

The Financial Stability Council — the Minister of Finance, the Governor of the Bank of Mongolia, the Head of the FRC, and the Director of the Deposit Insurance Corporation — has approved every major cross-system decision.

Below it, the Bank of Mongolia supervises banks, the FRC supervises non-bank institutions, and the Mongolian Stock Exchange oversees listed companies.

The Mongolian Sustainable Finance Association has no equivalent in this series — it wrote the original 2018 principles and still co-designs today's instruments.

Wide Sectoral Reach

Mongolia's sustainable finance framework extends across commercial banks, non-bank financial institutions, insurers, securities companies, listed companies and selected infrastructure and development-finance activities.

The applicable instruments differ in legal status and include regulatory methodologies, voluntary disclosure guidance, environmental and social risk-management frameworks and sector-specific financing initiatives.

In 2026, the Development Bank of Mongolia issued a USD 500 million international bond in June and a USD 250 million tap in July that took its 2031 notes to USD 750 million, provided financing to the Mongolian Green Finance Corporation, and launched a Green Inclusive Regional Agribusiness Fund in August.

4 bodies

sit on the Financial Stability Council, the apex body approving every major cross-system decision.

6 sectors face a formal ESG instrument



Banks



MFIs



Insurance



Securities



Listed companies



Infrastructure

3. Disclosure in Practice & Standards in Use

Multiple Bank Leaders, Expanding Market Practice

Mongolia's sustainable finance market includes several active commercial banks.

Golomt Bank issued a USD 50 million green and social bond in January 2025 and published a Green and Social Bond Impact and Allocation Report in June 2026.

Khan Bank has issued international and domestic green bonds and, in March 2026, secured approval for an AIIB green loan of up to USD 130 million. Trade and Development Bank has also issued a green and social bond and updated its Sustainable Financing Framework in May 2026. Listed-company non-financial reporting is developing, although coverage across the wider market remains uneven.

Rich Guidance, No Mandatory Floor

Classification is provided through the Green Taxonomy and SDG Finance Taxonomy Version 2.0.

Disclosure instruments include the voluntary IFRS S1/S2-aligned Climate-Related Financial Disclosure Guidelines, the 2022 listed-company reporting guidance and the Bank of Mongolia's bank ESG-risk methodology.

Mongolia's National Sustainability Disclosure Roadmap now provides a phased 2026–2032 strategy for adopting IFRS Sustainability Disclosure Standards.

This establishes a dated implementation pathway, although it does not constitute a comprehensive mandatory reporting requirement already in force.



1 Classification
Green Taxonomy + SDG Finance Taxonomy Version 2.0

2 Disclosure Guidance
IFRS S1/S2 + bank ESG methodology

3 Company-Level (Voluntary)
GHG Protocol + PCAF + UN PRB [Golomt], ICMA GBP [Khan Bank]

4. IFI Engagement

Mongolia's IFIs operate at three levels simultaneously — regulatory framework development, supervisory tool-building, and direct capital market investment — a combination rare in this series.



IFC

The longest-standing partner — an MOU with the FRC, co-developed the 2022 ESG reporting guidance, and co-invested in Khan Bank's inaugural green bond (2023), the deal that launched Mongolia's green capital market.



ESCAP

A technically intensive contributor — co-developed the 2025 Climate Disclosure Guidelines, conducted the 2025 ESG Risk Supervision Analysis, and led the Climate Scenario Analysis with the Potsdam Institute.



ADB

Co-published the 2024 SDG Finance Taxonomy Pilot — the basis for Version 2.0, testing the 2023 national SDG Finance Taxonomy against bank loan portfolios. Invested USD 12.5M in Khan Bank's second green bond tranche (2024) alongside EBRD.



EBRD

Co-invested USD 12.5M in Khan Bank's local green bond (2024) alongside ADB's USD 12.5M, jointly subscribing the USD tranche. Expanded into agriculture via its GEFF programme in May 2026.



UNDP

Co-developed the 2022 ESG and Sustainability Reporting Guidance through its FC4S network and co-published the SDG Finance Taxonomy Pilot with ADB.



FMO

The Dutch development bank co-invested in Khan Bank's inaugural international green bond (2023) alongside IFC — one of the founding investors in Mongolia's green capital market.

Why it matters: this three-level engagement explains why Mongolia's framework has both policy depth and market transactions. The financier base is still widening — AIIB approved a green loan of up to USD 130 million to Khan Bank in March 2026 — and ESCAP's work with the Potsdam Institute on the Climate Scenario Analysis remains qualitatively different from standard IFI technical assistance.

Conclusions & What's Next

Mongolia's trajectory demonstrates how sustained multi-stakeholder framework-building can progress from voluntary principles to market instruments, risk assessment and supervisory reform.

The framework now includes multiple green and social finance transactions, a phased sustainability-disclosure roadmap, SDG Finance Taxonomy Version 2.0 and a formal Bank of Mongolia-IFC programme for incorporating climate-related financial risks into banking supervision.

The 2025 climate-risk assessments provide the analytical foundation, while the 2026 initiatives establish clearer pathways for implementation.

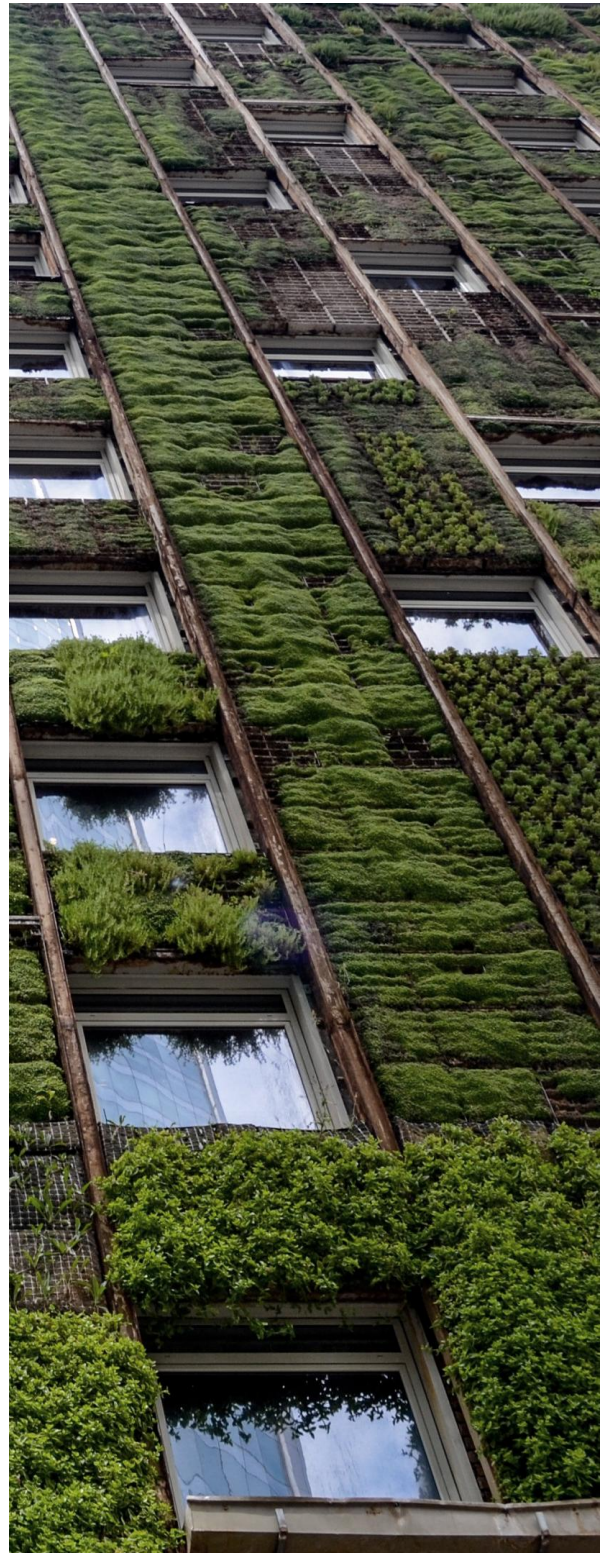
The first binding step came in 2026: Parliament adopted the Law on Climate Change on 2 July 2026, in force from 3 August 2026, establishing a statutory framework for climate policy, GHG accounting, green and climate finance and carbon markets, with the implementing regulations still to be adopted.

The sustainable finance framework itself, however, remains largely voluntary. The 10% green loan target still has a benchmark and no penalty.

The IFRS S1/S2 guidelines remain voluntary, although the National Sustainability Disclosure Roadmap now sets a phased 2026–2032 adoption pathway.

The SDG Finance Taxonomy provides classification without binding adoption, now extended by Version 2.0.

The next chapter will be defined by how far the new law's implementing regulations turn these instruments into binding obligations — and the 2025 climate-risk assessments and the July 2026 Bank of Mongolia-IFC supervisory programme supply both the empirical rationale and the institutional vehicle.



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You have questions? We have the answers.



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