



# Environmental, social and corporate governance reporting

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Environmental, social and corporate governance (“ESG”) reporting requirements have been introduced in Mongolia under the Corporate Governance Code (Renewed Version) (“Code”) approved by the Financial Regulatory Commission (“FRC”) on 23 May 2022 and the Regulation on Information for Public Disclosure by Issuer adopted by the Mongolian Stock Exchange (“MSE”) on 10 May 2022. Moreover, FRC, MSE and other development partners released “The ESG and Sustainability Reporting Guidance for Mongolian Companies” in August, 2022.

Introduction of the ESG disclosure and reporting requirements and guidance aims to bring Mongolian market practice in line with international standards and improve transparency and disclosure for the public, investors and other stakeholders.



## Who will be affected?

- ✓ **Mandatory public disclosure on ESG-related matters:**
  - ✓ Public companies
  - ✓ Insurance companies
  - ✓ Non banking financial institutions that offer savings trust service
  - ✓ Investment management companies
- ✓ **Voluntary disclosure on ESG-related matters:** Whilst not required by the law, the Code recommends companies other than those mentioned above to voluntarily disclose ESG related matters.



## What has changed?

### 1. Mandatory public disclosure on ESG matters

ESG reporting obligations are relatively minimal under the Code which provides that public companies and other specified companies should assess their environmental, social, health and security risks and publicly disclose such risks along with actions taken to manage the identified risks. Furthermore, Implementation of this obligation along with other obligation in the Code, will be reported to MSE annually as well as disclosed on the company’s website and annual report. The Code further provides that ESG matters may be reported in a separate sustainability report and emphasizes importance of regular disclosure to stakeholders.

### 2. Voluntary ESG reporting

Companies that are not subject to the requirements under the Code may still make disclosure on ESG matter voluntarily. Privately listed companies, non listed companies or other organizations may use ESG indicators as set out in the Annex 1 of the MSE’s regulation. Pursuant to this annex, the general structure of an ESG report comprises of sustainability management, environmental, social, governance and specific industry-related matters.



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## What to disclose?



### Environmental matters

- ☐ Energy consumption and efficiency
- ☐ Greenhouse gas emission
- ☐ Climate change
- ☐ Water
- ☐ Waste
- ☐ Biodiversity



### Social matters

- ☐ Human capital development
- ☐ Occupational health and safety
- ☐ Equal opportunity
- ☐ Access & inclusion
- ☐ Social responsibility and transparency
- ☐ Sustainable value chain management



### Governance matters

- ☐ Corruption and ethics
- ☐ Corporate governance
- ☐ Compliance
- ☐ Stakeholder engagement

- ☐ These indicators are minimum to report as set out in the MSE's regulation and "The ESG and Sustainability Reporting Guidance for Mongolian Companies". There are additional sector specific indicators such as financial services, manufacturing, mining, construction etc.
- ☐ The guidance further encourages companies to use internationally accepted reporting framework and standards such as GRI, TCFD, SASB etc.



## What are the penalties?



Failure to comply with the Code for companies that have mandatory obligations may result in a fine of 20,000,000 pursuant to the Law on Infringements.



Pursuant to MSE's regulation on Stock registration, the stock classification will be changed into a lower classification if the issuer does not comply with the Code.



[CLICK HERE](#) OR SEE THE NEXT PAGE FOR OUR OFFERING SERVICES ON ESG MATTERS



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## How can we help?

### Tax services



- ☐ Advising on alignment of tax strategy with sustainability strategy
- ☐ Advising on tax communication and transparency strategy
- ☐ Assisting to review and refine tax governance and controls framework to cater for ESG investors and stakeholders
- ☐ Develop metrics to measure tax impacts of ESG endeavours
- ☐ Tax structuring and transfer pricing advice on value chain transformation associated with ESG investments and net zero commitments
- ☐ Implementing integrated tax reporting within the broader ESG reporting framework
- ☐ Implementing technology enabled management of tax compliance

### Legal services

- ☐ Preparation of corporate and other documentation and policies relating to ESG
- ☐ Ongoing legal support on ESG matters
- ☐ Legal assistance during issuance of 'green bonds' and other securities (within the limits of risk management procedures)
- ☐ Legal trainings on ESG, including new and international requirements
- ☐ ESG compliance including deal/contract evaluation and negotiation, trading of carbon credits, regulatory risk management, litigation
- ☐ ESG due diligence
- ☐ Human rights due diligence

### Assurance services

- ☐ Preparation of ESG and sustainability report in accordance with non-financial Information disclosure standards (GRI, SASB, IIRC, etc.).
- ☐ Assurance/verification of ESG report information
- ☐ Support for the Companies to obtain international ESG rating (e.g. TCFD, CDP, etc.)
- ☐ Development of internal regulatory documentation, determination of the organizational structure, etc.
- ☐ Carbon footprint calculations / roadmap to Net Zero
- ☐ Digital ESG Solutions
- ☐ Corporate Governance diagnostics

### Advisory services

- ☐ Incorporation of ESG principles in the corporate governance
- ☐ Establishment of a coherent ESG strategy including areas such as environment, diversity, equity and inclusion, that can enhance your growth and reputation
- ☐ Assistance on developing net zero strategy and a roadmap to implement
- ☐ Development of new green banking products
- ☐ Assistance on promoting diversity, equity and inclusion in the workplace
- ☐ Support for obtaining international ESG rating
- ☐ ESG due diligence and ESG embedded services in mergers and acquisitions deals
- ☐ Tech-enabled ESG reporting and creation of ESG dashboard
- ☐ Green bond framework development



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