



XACBANK SUSTAINABILITY REPORT 2024

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Introduction

Introduction

About this report

Since its establishment, XacBank has embraced the principles of sustainable development in its daily operations, with a strong emphasis on governance, transparency, ethics and a culture of compliance. Each year, we publicly disclose our sustainable strategies, goals, and performance.

In 2023, we published our inaugural Sustainability Report. With this second report in 2024, we aim to provide a comprehensive overview of our sustainable development strategies, performance, achievements, and the risks and opportunities we face particularly within the scope of Environmental and Social and Climate Risk Management.

This report has been prepared in alignment with internationally recognized sustainability and climate risk management standards, including Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) standards, and the Task Force on Climate-Related Financial Disclosures (TCFD).

CEO Message

To our Shareholders, Customers, and Employees,

I would like to start by extending my heartfelt gratitude to all those who have been instrumental in our continued success. This includes our esteemed Board of Directors, loyal Shareholders, dedicated Management Team, the 1300 passionate employees of XacBank, as well as our valued international partners. It is precisely because of their unwavering commitment and support that XacBank has been empowered to elevate our focus on integrating social and environmental responsibility into the very core of our business strategy. Through their collective efforts, we have been able to embed these critical values not only in our daily operations but also in our lending practices and the development of our financial products. Their dedication is what makes XacBank's positive and lasting impact on the communities we serve possible. It is with their support that I am proud to present our second annual Sustainability Report, featuring XacBank's key achievements in the commitment to conscientious business standards and sustainable finance. I will provide an update on key initiatives in addition to our new steps, outline our ongoing dedication to environmental and social priorities, and share our outlook for 2025 as we continue to lead the transition to not just a sustainable economy, but a sustainable Mongolia.

I would like to begin by highlighting some of the key steps we have taken in 2024 to elevate our ceiling of impact and strengthen our commitment to sustainability. Since our last report, we've made notable improvements in our reporting standards. Specifically, we have introduced measurements for our financed emissions through our Scope 3 calculations, which will become a core component of our sustainable reporting, in addition to our already reported Scope 1 & 2 emissions. Furthermore, with the support of the EBRD we have made significant achievements in the form of our Materiality Assessment and Transition Plan. Continuing our leadership in green finance domestically, we are proud to be calculating and publicly sharing these critical metrics. Most importantly, the enhanced data quality, new insights, and tools we've developed will inform the design of our future products and initiatives. We remain committed to being pioneers in climate action and driving innovation in sustainable finance.

2024 has been a year of significant achievement and recognition for XacBank. We are proud to announce that the Global Climate Partnership Fund (GCPF), managed by the Swiss impact asset manager Responsibility Investments AG,

has awarded us this year's prestigious Global Climate Partnership Award. This marks the first time a Mongolian institution has received this honor, recognizing our contributions to sustainable development through innovative financial solutions with measurable environmental and social impact. It was specifically cited that sustainable policies and unwavering commitment over the past 15 years to developing the energy-efficient construction lending sector along with creating innovative financing mechanisms is what distinguished XacBank from other international candidates.

Throughout all our endeavors, XacBank remains committed to its three main pillars for growth: People, Planet, and Prosperity. Our success is not only measured by new achievements, but also by our ability to honor previous commitments and uphold high standards across all aspects of our business. In 2024 we continued to embrace renewable energy and energy efficiency across both our offices and branches integrating green technologies and ultimately reducing our emissions. We also extended these opportunities to our customers through a range of eco-friendly products and initiatives in collaboration with many international and bilateral organizations. These efforts make sustainable living accessible to everyone, regardless of income.

We are deeply proud of our accomplishments, and we strive to ensure that our success benefits all those we serve. To uphold this sentiment we donated MNT 100 million to the for the "Hearts Never Forget" Project as a New Year's gift. This initiative provides life-saving support to children in need, further demonstrating our commitment to creating a positive impact in our communities. Our social impact is further strengthened by XAC NGO, who has worked diligently to implement a range of projects that benefit the diverse communities we reach. Internally, we became the first bank in Mongolia to institute seven hour workdays reinforcing our dedication to the work life balance of our employees, while also maintaining our staff's access to mortgage programs, long-term savings programs, health check-ups, additional holidays, and other benefits to ensure the well-being of our staff in every aspect of life.

As we continue our journey forward, building a brighter and more promising future, XacBank will always strive to find creative and innovative solutions to the diverse problems facing the world. We challenge ubiquity and ensure that our shared future reflects the safety and sustainable environment we foster at XacBank. As a responsible and forward-thinking financial institution we have already begun laying the groundwork for the years ahead, eager to embrace the many new opportunities we can bring to life. With new partners, fresh ideas, and a new year ahead – XacBank will do everything in its power to usher in the prosperity we all deserve.

TSEVEGJAV Gumenjav
Chief Executive Officer of XacBank



HIGHLIGHTS OF 2024



Greenhouse gas emissions

Operational GHG emissions

3,243.39 tCO₂e

Financed GHG emissions

413,645 tCO₂e

GHG emissions reduction

2,938,167 tCO₂e
(since 2013)



Energy consumption

Renewable energy usage

26,500 kWh

Electricity consumption

3,008,718.65 kWh



Eco banking unit



GCPF
award 2024



Total employee

1300+



Employee mortgage program

180



Flexible working hours

7hours



Our many Firsts!



Our Sustainable Development Milestones

2002

- Approved Environmental and Social Management Policy; and
- Launched the first long-term savings product - "Future Millionaire" for children.

2003

- Founded the Golden Development Fund NGO; and
- Implemented "Employee Stock Ownership Program".

2004

- Became the first bank in Mongolia to be rated by "Planet Rating" International rating agency; and
- Awarded an "Honorable mention" by the World Bank's Consultative Group to Assist the Poor (CGAP).

2006

- Revised the Bank's procurement policy process and began adopting the Exclusion list of IFC;
- Upgraded to an "A" rating in "Planet Rating"; and
- Received the Financial Transparency Award from the CGAP for the third time.

2007

- Joined Global Reporting Initiative and UN Global Compact principles.

2008

- Initiated a group lending program to support of low-income women in rural area; and
- Established the Public Advisory Committee.

2009

- Received MNT 6.5 billion of syndicated loans from the FMO, which enabled 1,788 consumption loans for energy-efficient products;
- Became the first micro-finance bank in the Northern Hemisphere to sell its carbon offset;
- Established an Eco-Unit and launched its Eco Products Program; and
- Launched a girl's financial education program and new savings product - "Temuulel-Aspire" for girls.

2010

- Implemented the Energy Efficient Product Distribution program, allowing nearly 80% of ger area households to purchase energy-efficient products;
- Received a high rating from Planet Rating on the implementation of corporate social responsibility efforts; and
- Received an Silver award in the Social Performance Reporting Category for the second time.

2011

- Received reimbursement from the World Microcredit Submit for offsetting greenhouse gas emissions serving as the very first case in the world; and
- Adopted the Code of Conduct.

2012

- Developed the first mobile banking app in Mongolia;
- Became the first bank in Mongolia to implement the "Service Excellence" project; and
- Received USD 20 million in sustainable financing from the Global Climate Partnership Fund (GCPF).

2013

- Received USD 10 million from the EBRD through the Mongolian Sustainable Energy Finance Facility (MonSEFF);
- Launched business loan program for GHG emission reduction; and
- Registered with the Clean Development Mechanism to enable the sale of CER credits.

2014

- Granted the grade of "4", which is the highest grade in Asia given by Planet Rating agency, on its social performance; and
- Launched the Eco Car Loan Program.



2015

- Certified by the Smart Campaign Certification for implementation and achievement of Customer protection principles; and
- Conducted a purchase agreement for the sale of CER credits to the Government of Sweden.



2016

- Became the first private entity from a developing country to be accredited by Green Climate Fund (GCF).



2017

- Received USD 9.5 million in loan financing and USD 0.5 million in grant funding from the GCF to scale the Business Loan Program for GHG Emission Reduction;
- Organized the first Green Financing forum under the theme "Let's make the opportunity a reality"; and
- Became the first local commercial bank in Mongolia to finance a commercial scale renewable energy facility.



2018

- Financed Mongolia's first LEED Platinum-certified building project, developed by MyMonSource LLC;
- Launched Green Pasture Pilot with Mercy Corps;
- Successfully developed a GCF Readiness support programme to establish and strengthen the National Designated Authority (NDA) and National Focal Point (NFP) for the GCF; and
- Organized the second annual Green Financing Forum under the theme of "Energy saving" with the slogan "We support".



2019

- Successfully completed the GCF's Project Preparation Facility (PPF) for the establishment of the Mongolia Green Finance Corporation (MGFC);
- Launched the Energy-Efficient Consumption Loan Program in collaboration with the GCF; and
- Organized the third annual Green Financing Forum, which was held under the slogan "We Support Eco Thermal Solutions".



2020

- Launched the energy-efficient housing loan program in collaboration with the Mongolian Sustainable Finance Association (MSFA).



2021

- Completed GCF's Project preparation facility programme to determine the feasibility of a mini-grid/off-grid energy generation and heating solution in the ger-area.

2022

- Partnered with UNICEF to provide loans for the all-in-one heating and insulation solution which targets Ger district residents in both rural and urban settlements;
- Established an MoU with the Mongolian Housing Innovation Center to promote green building solutions in the Mongolian housing market;
- Signed agreements with EBRD, IFC, and FMO to source green financing facilities amounting to USD 79 million to expand our impact to waste management and resource efficiency;
- Relaunched the Eco Car Loan Program, financing 100% Electric Automobiles through XacLeasing in an effort to reduce UB's air pollution, of which 10% is derived from vehicles; and
- Successfully implemented the GCF's next NDA Readiness Support Program. The program facilitated the NDA/FP process by developing and implementing concise policy guides for various stakeholders.

2023

- Started our Climate Corporate Governance project;
- Approved our Climate Risk Transition Plan and Sustainability Governance structure;
- Successfully finished the GCF's readiness support program, collaborating with BASE and Tenger Insurance, to launch an innovative Energy Savings Insurance (ESI) mechanism in Mongolia; and
- Constructed 10kWh solar photovoltaic systems at three of our branches.

2024

- Implemented the "Program for introducing ISO standards for small and medium-sized businesses" to support SMEs in adopting international standards;
- Launched a workplace-based training program in cooperation with the University of Finance Economics;
- Released the first Sustainability report;
- Signed an agreement with FMO (Netherlands Development Agency) and PROPARCO (French Development Finance Organization) to receive USD 50 million and USD 25 million to support women entrepreneurs, green business and energy efficient initiatives;
- Received USD 25 million from EBRD to support green business;
- Adopted a 7-hours working day to ensure employee well being and work-life balance;
- Received the Best Project Award of 2024 from the Global Climate Partnership Fund (GCPF);
- Signed an agreement with ADB to receive USD 50 million to support micro, small and medium businesses and environmentally friendly projects and programs aimed for reducing climate change; and
- Announced the "Student Scholarship Program".

Strategy

Strategy

Mongolia's climate commitments serve to anchor our ambition level and transition planning. We recognize that climate-related risks and opportunities are deeply interconnected, and our Climate Transition Plan Framework is built upon this understanding. These interdependencies influence how we gather and analyze data, how we plan to steer our portfolio, how we engage and finance clients in their own transitions, and how we align with the expectations of our broader stakeholders.

XacBank is guided by the triple bottom line of People, Planet and Prosperity in its operations while also implementing the sustainable development concept of responsible banking services in society and the environment. We strive to lead the green transition within Mongolia's financial sector, aligning our operations not only with international standards and requirements, but also with Mongolia's national policies, vision, and roadmap for sustainable development.

XacBank's social environmental management policy and system meets the eight performance standards of IFC and our activities and performance is regularly reviewed and evaluated by other international financial institutions. The Bank's governance, operations, social and environmental risk management have twice been recognized as complying with GCF accreditation standards.

Mongolia has articulated its climate ambitions through its Nationally Determined Contribution (NDC), aiming for a 22.7% reduction in total national greenhouse gas (GHG) emissions by 2030 compared to projected emissions under a business-as-usual scenario. This target encompasses mitigation strategies across key sectors, including energy production, transportation, industry, agriculture, and waste management. Furthermore, with the implementation of additional measures such as carbon capture and storage, Mongolia envisions achieving a 27.2% reduction, and by enhancing forest carbon sequestration, the total mitigation target could reach 44.9% by 2030.

Complementing its NDC, Mongolia's Vision 2050 outlines a long-term development policy to transform the nation into a leading regional power by mid-century. This vision emphasizes the development of a low-emission, productive, and inclusive green economy. The strategy is structured into three stages:

- 1. 2021-2030:** Establish a national green financing system and promote environmentally friendly technologies.
- 2. 2031-2040:** Develop smart consumption and production practices while increasing climate finance sources.
- 3. 2041-2050:** Strengthen climate change adaptation and enhance sustainable production and consumption.

Achieving these goals requires a comprehensive approach across all areas of the Bank's operations and relationships with stakeholders:

- **Our Clients:** Operating in the real economy, our clients are at the forefront of the transformation and require guidance on their transition pathways. We are committed to providing suitable and innovative products and services that help them achieve their transition goals and maintain competitiveness.
- **Our Investors:** Investors increasingly seek financial institutions with credible climate strategies, ensuring financial intermediation is conducted with a climate-focused approach and aligns with the Paris Agreement. The IFRS S2 framework significantly enhances scrutiny and transparency in this regard.
- **Our Employees:** Our people are crucial to achieving our climate goals. As a purpose-driven institution, we strive to foster an environment that embraces climate practices, attracting and retaining top talent committed to sustainability.
- **Our Regulatory Authorities:** Regulatory bodies increasingly view the financial sector as a key enabler of the transition. While the financial sector in Mongolia is not under formal climate-related guidelines, we are proactively preparing for future regulatory expectations by enhancing our reporting and disclosure frameworks to align with evolving sustainability requirements.

We are enhancing climate-related considerations in governance, strategy, risk management, metrics, and targets. We have identified priority actions to strengthen our market leadership in climate finance and ensure alignment with Mongolia's low-carbon objectives.

In prioritizing these strategic actions, we reaffirm our commitment to contributing meaningfully to Mongolia's climate objectives while ensuring economic viability and competitiveness in a continually evolving global landscape.



Governance

Governance



Sustainable Development Governance

Our approach to sustainable governance is to provide oversight and leadership for our sustainable development strategy, including our strategic ambition, and risk management frameworks. We acknowledge that a stable governance structure is crucial for integrating sustainable development into daily operations. To this end, we identify senior personnel for dedicated oversight and implementation roles, and where a structure allows, linking remuneration to achieve progress on our low-carbon journey. Sustainability-related issues and initiatives are regularly discussed by the Board of Directors, Executive Management, and Sustainable Development Committee.



The Board of Directors (BoD)

The Board of Directors at XacBank plays a vital role in shaping the sustainable development strategy and integrating social and environmental factors into decision-making. The Board also ensures that the Bank's long-term goals align with sustainable development objectives by allocating the necessary funds and resources to achieve them. Further BoDs will also to oversee the management of climate risks and ensure that appropriate risk management systems and controls are in place. The Risk Management Committee is accountable to provide support to BoD on the Bank's current and future climate risk appetite and climate risk strategy, as well as support BoD in monitoring the Climate Transition Plan implementation. The BoD will remain informed on sustainable development performances, climate trends and risks for Xacbank to ensure these are understood, assessed, managed and actioned by management through regular reporting and dedicated BoD training sessions.

The Sustainable Development Committee

The Sustainable Development Committee at XacBank, chaired by the Chief Executive Officer, consists of management representatives from all relevant units. The committee is responsible for establishing the framework of sustainable development and green financing, implementing the Paris Agreement under the United Nations Framework Convention on Climate Change, and overseeing the transition plan related to the Nationally Determined Contributions. All issues discussed and outcomes achieved by the Committee are reported to the Bank's Executive Management Committee.

Social, Environmental, and Climate Risk team

The Social, Environmental, and Climate Risk team is responsible for implementing and monitoring sustainable development policies and procedures. It is part of the Risk Policy and Control Department and is in direct control of the Chief Risk Officer.

Environmental and Social Management framework, policy

Environmental, Social and Governance (ESG) risk factors refer to environmental, social and governance issues that could affect the Bank's financial performance and liquidity, either positively or negatively. XacBank has recognized the importance of these factors since its establishment and has been implementing Social and Environmental Management System (SEMS) policy since 2002.

As part of Social and Environmental Management System, the Bank evaluates the social and environmental risks associated with its customers, and reports them within its ESG framework. Business loans exceeding MNT 100 million with a tenor of more than 12 months undergo a social and environmental assessment before approval, while focusing on key issues such as air pollution, environmental impacts, and compliance with labor laws. Loan officers play vital role in conducting E&S assessment and the Social, Environmental, and Climate Risk team focuses on monitoring E&S issues within client operations. In fiscal 2024, a total of 3,519 business loans were assessed, of which 2,497 were classified as lower risk and 1,022 as medium risk.

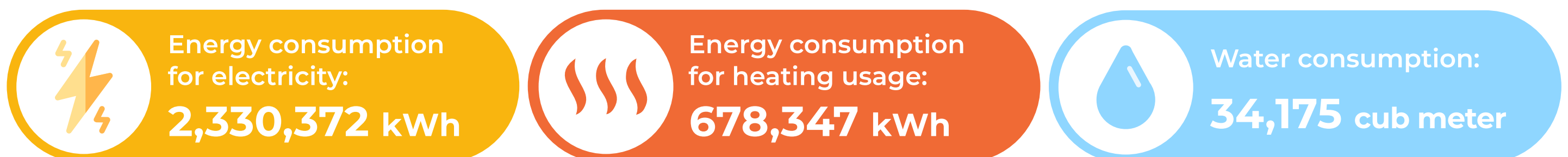
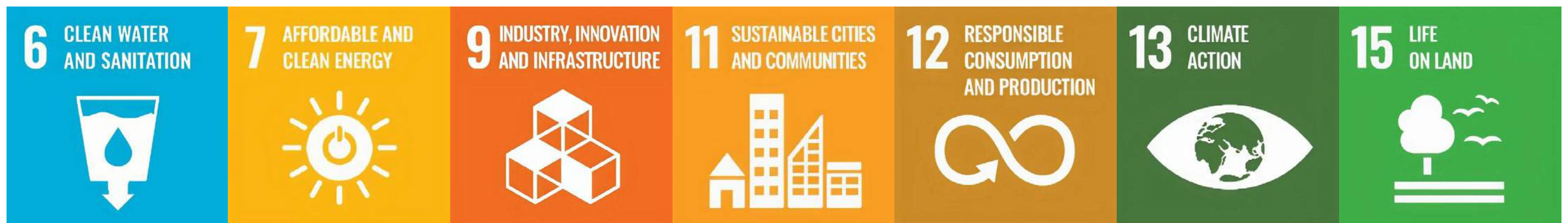
Furthermore, the Bank does not provide any type of financing to the businesses on exclusion list due to their significant negative social and environmental impacts.

A high-angle, wide-angle photograph of a vast, calm lake under a bright blue sky with scattered white clouds. The lake's surface reflects the sky and the surrounding landscape. In the foreground, a lush green hillside slopes down towards the water's edge. A dirt road or path winds through the grassy area, and a small, rocky outcrop is visible in the lower right. The overall scene is serene and natural.

Environment

Environment

Environmental Performance 2024



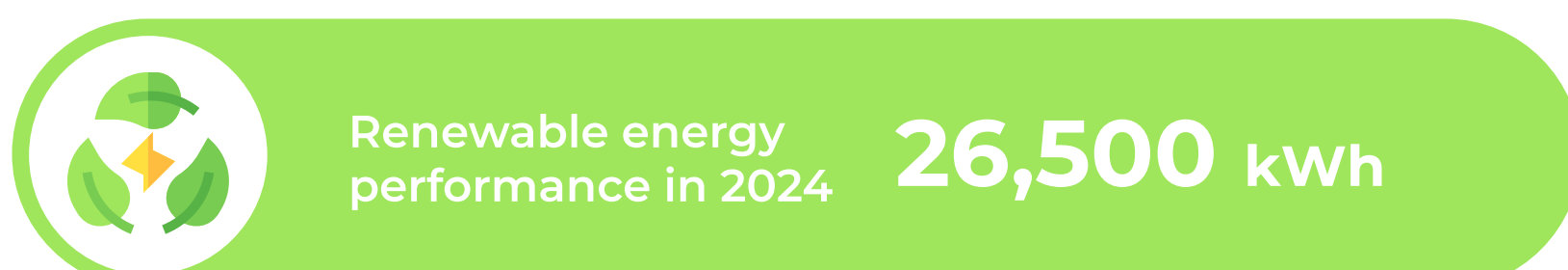
We continuously monitor the environmental impact of our operations, actively seeking opportunities to reduce negative impacts and implement environmentally friendly solutions.

Environmentally friendly solutions:



Renewable energy consumption:

In 2023, we installed 9.8 kW solar panels on the buildings of the Selenge, Baganuur and Central HQ office, which reduce energy consumption by up to 40%.



Greenhouse gas emissions reduction:

Since 2013, the Bank has reduced GHG emissions by

2,938,167 tonnes of **CO₂** through its green loan initiatives.

This amount is equivalent to planting and growing

211,681,062 deciduous and coniferous trees over **10 years**.

If we assume that **300 trees** are planted per hectare, it would be equivalent to cover

1.5x times the size of Ulaanbaatar.

Climate Risk Management Framework

Integrating climate risks into our overall risk management framework is a critical step to ensure diligent oversight of climate-related financial exposures. This integration will outline how we identify, assess, and manage climate risks within existing prudential frameworks, enabling informed and responsible financing decisions. Our Climate Risk Management Framework will focus on the following key aspects:

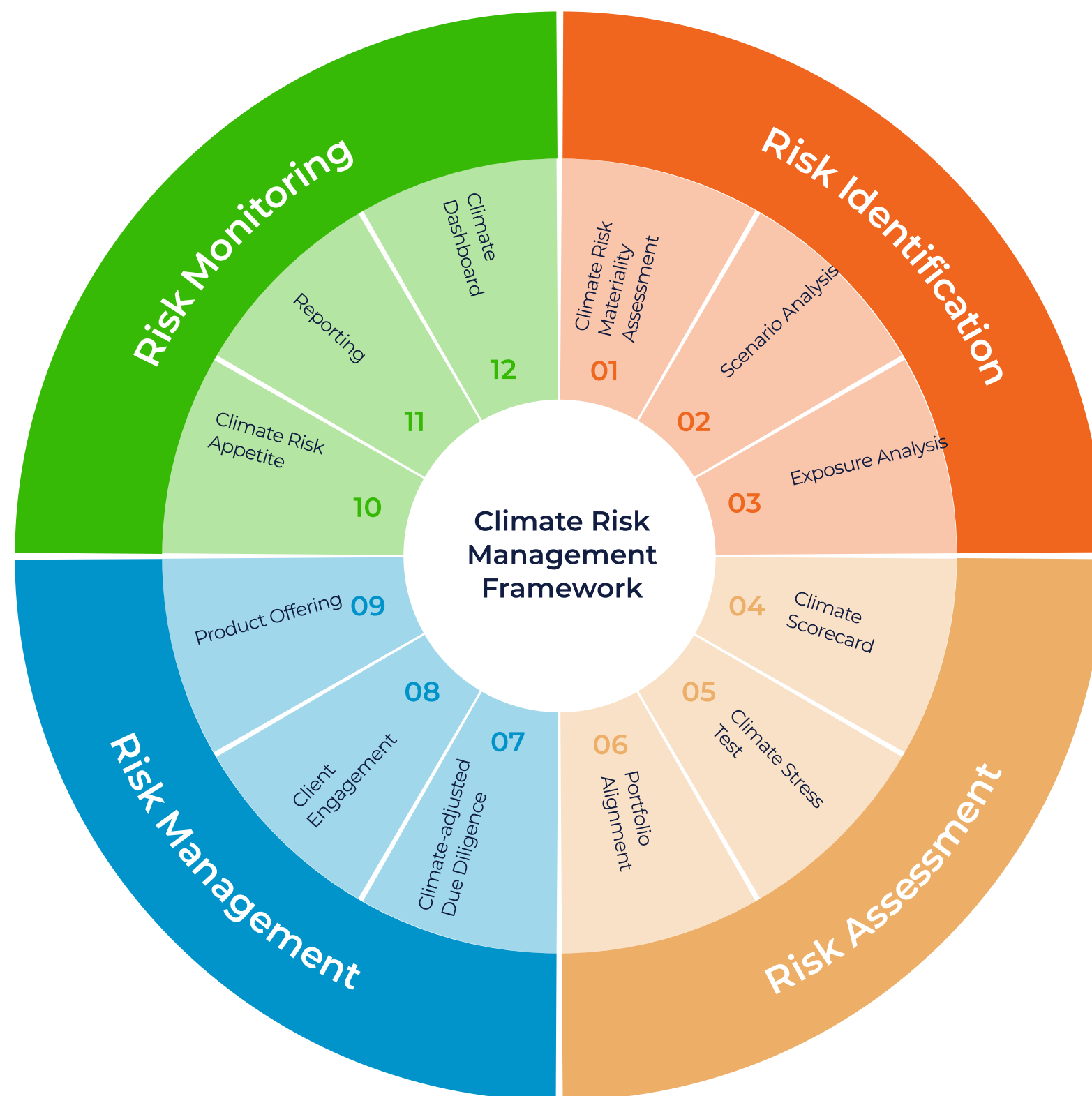
- **Embed climate risk into credit risk assessment:** Ensuring that climate-related risks are factored into credit decisions and loan underwriting processes.
- **Introduce climate stress testing and scenario analysis:** Developing methodologies to evaluate the potential financial impact of climate risks on our portfolio.
- **Align with regulatory requirements:** Ensuring compliance with global climate risk management frameworks and Mongolia's regulatory expectations.
- **Support transition risk management:** Providing clear criteria for client engagement and ensuring financed companies have credible transition plans aligned with science-based targets

By embedding climate risk into our governance structures and decision-making processes, we aim to proactively manage risks, support clients in climate adaptation and mitigation, and safeguard the bank against long-term financial vulnerabilities arising from climate change. Through our climate risk management framework, we will drive systemic change, ensuring that our financing activities align with sustainable and responsible banking principles.



Building on the assessment of climate-related risks and opportunities and emissions footprint, we have designed a comprehensive climate risk management framework composed of four pillars: 1) Risk identification, 2) Risk assessment, 3) Risk management and 4) Risk monitoring.





Climate Risk Management Framework

Risk identification

Managing climate risk requires correct identification of the climate risks that may have negative impact on the business. The Bank has defined climate-related risks in its risk universe and categorized climate risks into two groups as informed by the TCFD and other non-governmental organizations.

- **Physical risks**, which arise from the increasing frequency and severity of extreme weather events, such as floods, droughts, dzuds (severe winter conditions), and rising sea levels.
- **Transition risks**, which arise from shifts in government policies, regulations, technologies, and market demand as economies move from high-emission to low-carbon models.



Physical and Transition risk

Climate scenario analysis & materiality assessment

Our scenario analysis framework

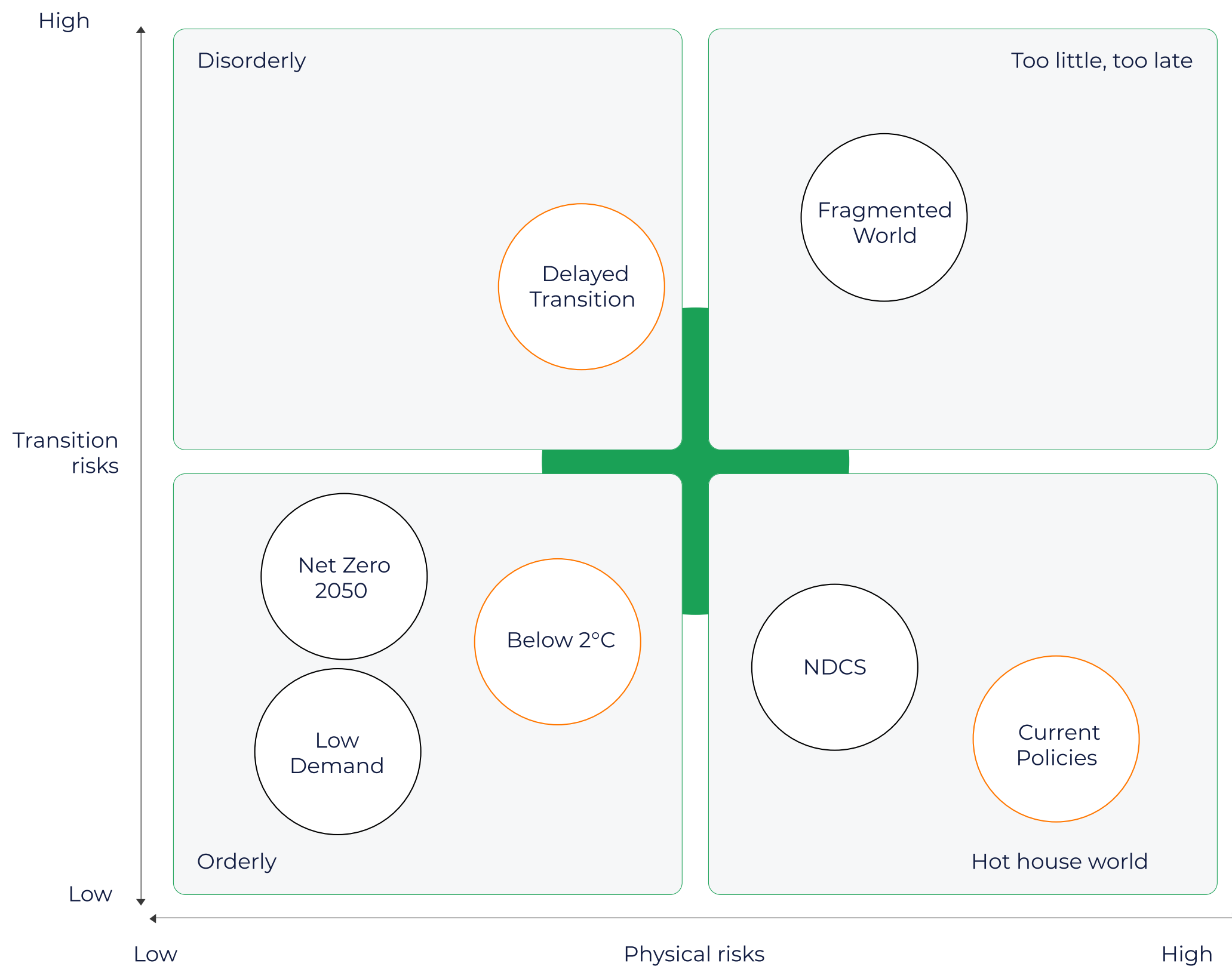
Climate materiality analysis, utilizing advanced climate-related risks and opportunity assessment, allows us to home in on the main growth and risk drivers to help shape our future positioning. Overall, these assessments help us identify and prioritize vulnerabilities that need to be addressed, and opportunities that can be realized.

We use scenario analysis to understand how climate-related risks and opportunities could affect our portfolio and the broader Mongolian economy. Our approach is grounded in globally recognized climate scenarios developed by the Network for Greening the Financial System (NGFS), which provide consistent assumptions and data inputs. When selecting scenarios, we assess whether they:

- Present outcomes that are both plausible and appropriately severe
- Are commonly used by regulators and peer financial institutions
- Offer sufficient granularity by sector and geography

Introduction to NGFS Climate Scenarios:

The NGFS framework assesses the level of physical and transitional risk under seven scenarios categorized into four main types.



Orderly: It assumes that early climate action, along with gradual implementation of more stringent policies, leads to a low-carbon economy. As a result, both physical and transition risks are relatively subdued.

Disorderly: It assumes that a late climate action or divergent climate policies across countries and sectors lead to a high level of transition risks.

Too little, too late: It assumes that delayed and uncoordinated climate action fails to limit physical risks.

Hot house world: It assumes that while some countries implement climate policies, the efforts are not enough to halt global warming. As a result, physical risks intensify, leading to severe and irreversible natural disasters, causing widespread economic, social and environmental disruptions.

The Bank uses below 2C, delayed transition and Current policies scenarios (severe physical risk scenario) to assess transition and physical climate risks respectively. These scenarios simulate the financial impacts of climate-related physical and transition risks over multiple time-horizons, quantifying the potential value at risk for each sector. For financed emissions pathways, we also incorporate country-specific scenarios, such as Mongolia's Nationally Determined Contributions (NDCs) and Vision 2050, to explore potential sectoral decarbonization trajectories.

Details of scenarios used in the materiality assessment:

	Delayed Transition	Below 2C	Current Policies
Description	Used to test our resilience to high transition risk, in a scenario of rapid	A scenario of early transition risk impact due to rapid decarbonization in the next decade, and limited increase in current levels of physical risk	Used to test our resilience to physical risk, in a scenario of severe temperature increase resulting in severe physical risk
Global warming by 2100	1.1°C-2.6°C	67% changes 1.6°C	2.6°C-4.8°C
Cost of emission by 2050 (\$/tCO ₂ e)	161.9	131.1	6.16
Transition Scenarios	NGFS v5	NGFS v5	NGFS v5
Physical Scenarios (RCPS)	RCP 4.5	RCP 2.6	RCP 8.5
Our transition risk rating	High	High	Low
Our physical risk rating	Medium	Low	High

Data gaps and quality review

We recognize the critical importance of high-quality climate data as a foundational element across governance, risk management, strategy, metrics, and targets. We have made significant strides in capturing climate risk and opportunity data to better understand and manage our climate-related exposures. For instance, our efforts to track financed emissions are closely linked to climate risk indicators under IFRS S2, which also support scenario analysis, stress testing frameworks, performance targets, portfolio steering, and transition planning. These indicators are essential to our broader strategies and governance structures aimed at addressing climate change.

Our climate risk materiality assessment framework

Climate-related physical risk assessment approach

Climate-related physical risks refer to the potential impacts on systems, infrastructure, and economies caused by climate change. These risks are divided into two sub-categories:

- **Acute risks:** which result from extreme weather events like floods, heatwave, and storms; and
- **Chronic risks:** which arise from long-term shifts in climate patterns, such as rising temperatures or sea level rise.

Both risk types can cause disruptions in businesses, supply chains, and communities, leading to significant financial and operational challenges. Addressing these risks involves assessing vulnerabilities, implementing adaptation strategies, managing and monitoring exposure to climate-related events. Effective management of climate-related physical risks is essential for enhancing resilience in the face of ongoing climate change.

For climate-related physical risk to become manifest, climate hazard is not sufficient alone. In the face of these hazards, the Bank has differing levels of exposures and vulnerability, including:

- **Climate hazards** are utilizing climate data probabilities of occurrence in Mongolia, focused on five climate hazards, including heatwave, droughts, extreme precipitation, floods and dzuds across multiple scenarios and time horizons.
- **Sectoral vulnerability** level provides a comprehensive evaluation of the impacts of physical climate risks—heatwave, droughts, extreme precipitation, floods, and dzuds—on various economic sectors. These impact levels reflect sector-specific characteristics, including their dependence on natural resources, infrastructure, and operational resilience, as well as exposure to climate hazards.
- **Exposure** is used in the classic financial sense of outstanding balance distributed across economic sectors.



Detailed approach on climate-related physical risk assessment

Climate-related transition risks approach

Transitioning to a lower-carbon economy may entail extensive policy, regulatory, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. These risks are divided into several sub-categories:

- **Policy and regulatory changes:** Actions around climate change continue to evolve. Their objectives generally fall into two categories—policy actions that attempt to constrain actions that contribute to the adverse effects of climate change or policy actions that seek to promote adaptation to climate change.
- **Technology shifts:** Improvements or innovations that support the transition to a lower-carbon, energy efficient economic system can have a significant impact on organizations. To the extent that new technology displaces old systems and disrupts some parts of the existing economic system, winners and losers will emerge from this "creative destruction" process. The timing of technology development and deployment, however, is a key uncertainty in assessing technology risk.
- **Market risk:** While the ways in which markets could be affected by climate change are varied and complex, one of the major ways is through shifts in supply and demand for certain commodities, products, and services as climate-related risks and opportunities are increasingly considered.

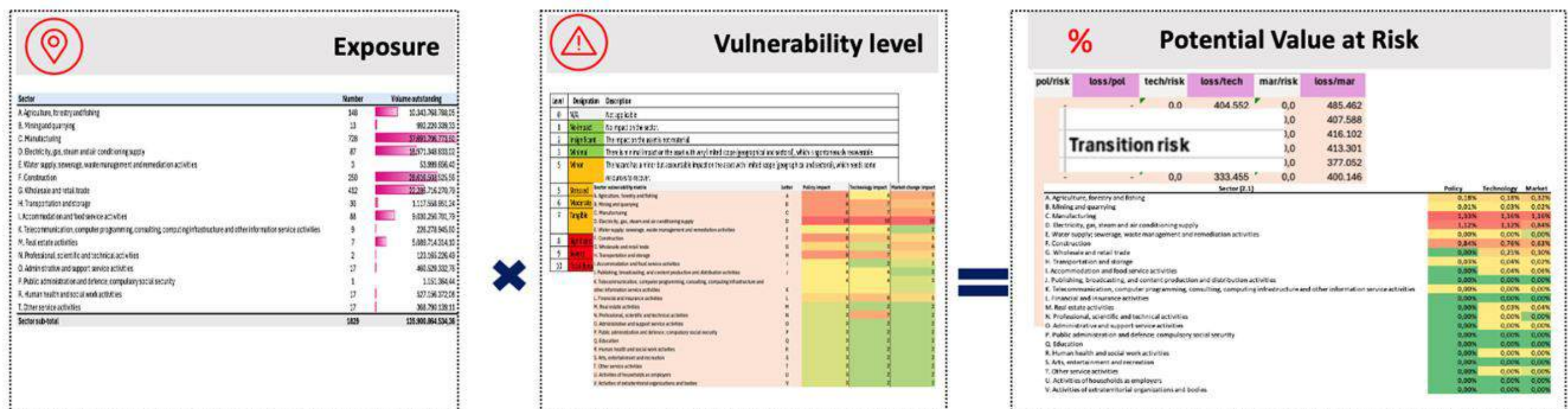


Figure: Sector breakdown of physical and transition risks, 2040 (Below 2°C)

Sector	Physical risk					Transition risk	
	Hotdays	Drought	Precipitation	Flood	Dzuds	Direct emissions	Indirect emissions
Agriculture, forestry and fishing							
Mining and quarrying							
Manufacturing							
Electricity, gas, steam and air conditioning supply							
Water supply; sewerage, waste management and remediation activities							
Construction							
Wholesale and retail trade							
Transportation and storage							
Accommodation and food service activities							
Information and communication							
Financial and insurance activities							
Real estate activities							
Professional, scientific and technical activities							
Administrative and support service activities							
Public administration and defense; compulsory social security							
Education							
Human health and social work activities							
Arts, entertainment and recreation							
Other service activities							
Activities of households as employers							
Activities of extraterritorial organizations and bodies							

Importance: PCR Score ● Low ● Medium ● High

Figure: Sector breakdown of physical and transition risks, 2040 (Delayed transition)

Sector	Physical risk					Transition risk	
	Hotdays	Drought	Precipitation	Flood	Dzuds	Direct emissions	Indirect emissions
Agriculture, forestry and fishing	Low	Low	Low	Low	Low	Low	Low
Mining and quarrying	Low	Low	Low	Low	Low	Low	Low
Manufacturing	Low	Medium	Low	Low	Low	Medium	Medium
Electricity, gas, steam and air conditioning supply	Low	Low	Low	Low	Low	Medium	High
Water supply; sewerage, waste management and remediation activities	Low	Low	Low	Low	Low	Low	Low
Construction	Low	Low	Low	Low	Low	Low	Low
Wholesale and retail trade	Low	High	Low	Low	Medium	Low	Low
Transportation and storage	Low	Low	Low	Low	Low	Medium	Medium
Accommodation and food service activities	Low	Low	Low	Low	Low	Low	Low
Information and communication	Low	Low	Low	Low	Low	Low	Low
Financial and insurance activities	Low	Low	Low	Low	Low	Low	Low
Real estate activities	Low	Low	Low	Low	Low	Low	Low
Professional, scientific and technical activities	Low	Low	Low	Low	Low	Low	Low
Administrative and support service activities	Low	Low	Low	Low	Low	Low	Low
Public administration and defense; compulsory social security	Low	Low	Low	Low	Low	Low	Low
Education	Low	Low	Low	Low	Low	Low	Low
Human health and social work activities	Low	Low	Low	Low	Low	Low	Low
Arts, entertainment and recreation	Low	Low	Low	Low	Low	Low	Low
Other service activities	Low	Low	Low	Low	Low	Low	Low
Activities of households as employers	Low	Low	Low	Low	Low	Low	Low
Activities of extraterritorial organizations and bodies	Low	Low	Low	Low	Low	Low	Low

Importance: PCR Score ● Low ● Medium ● High

Figure: Sector breakdown of physical and transition risks, 2040 (Current policies)

Sector	Physical risk					Transition risk	
	Hotdays	Drought	Precipitation	Flood	Dzuds	Direct emissions	Indirect emissions
Agriculture, forestry and fishing							
Mining and quarrying							
Manufacturing							
Electricity, gas, steam and air conditioning supply							
Water supply; sewerage, waste management and remediation activities							
Construction							
Wholesale and retail trade							
Transportation and storage							
Accommodation and food service activities							
Information and communication							
Financial and insurance activities							
Real estate activities							
Professional, scientific and technical activities							
Administrative and support service activities							
Public administration and defense; compulsory social security							
Education							
Human health and social work activities							
Arts, entertainment and recreation							
Other service activities							
Activities of households as employers							
Activities of extraterritorial organizations and bodies							

Importance: PCR Score ● Low ● Medium ● High

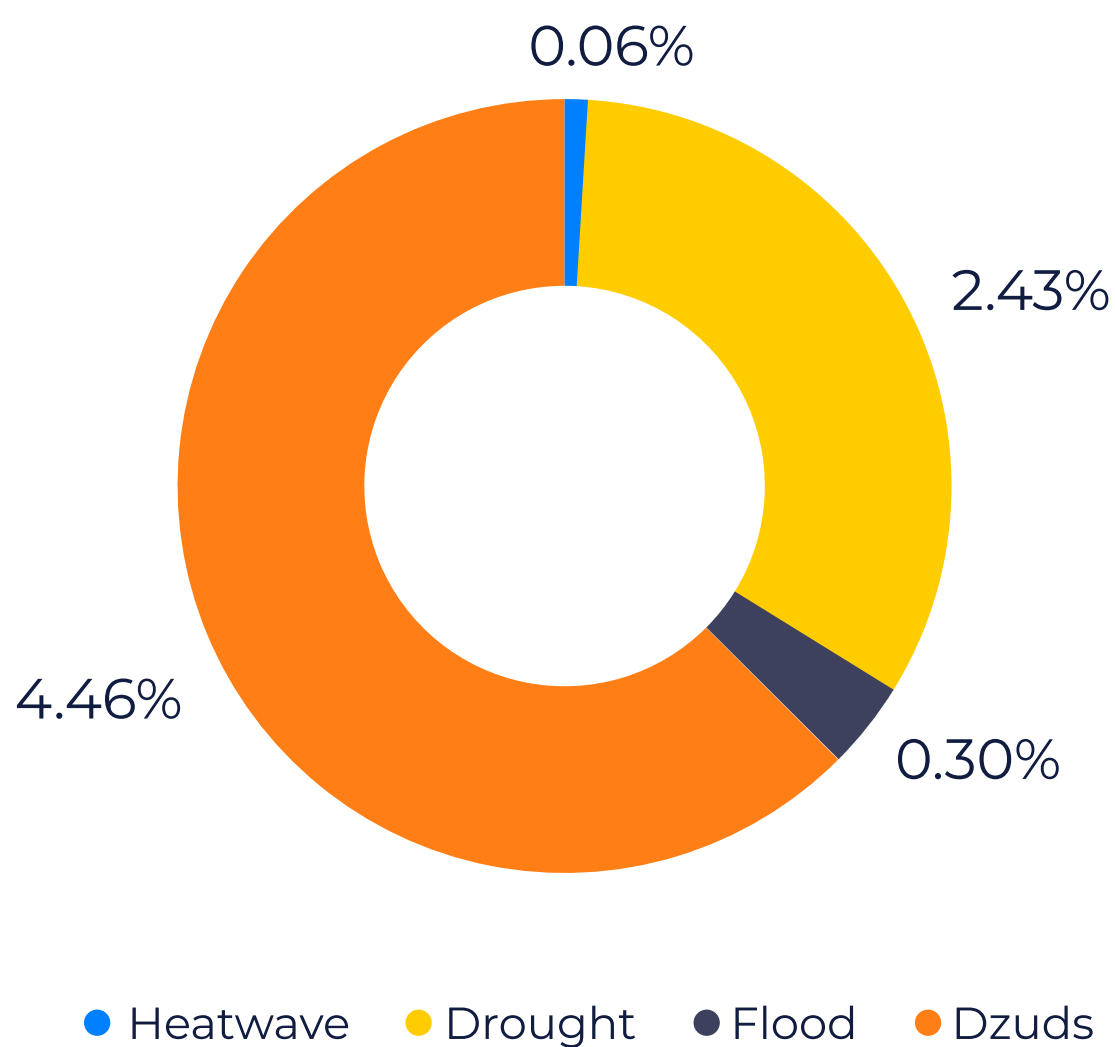
Portfolio exposure to climate risks

As of 31 December 2024, we evaluated our medium & corporate business loan portfolio's exposure to physical and transition risks, focusing on the medium-term horizon of 2040.

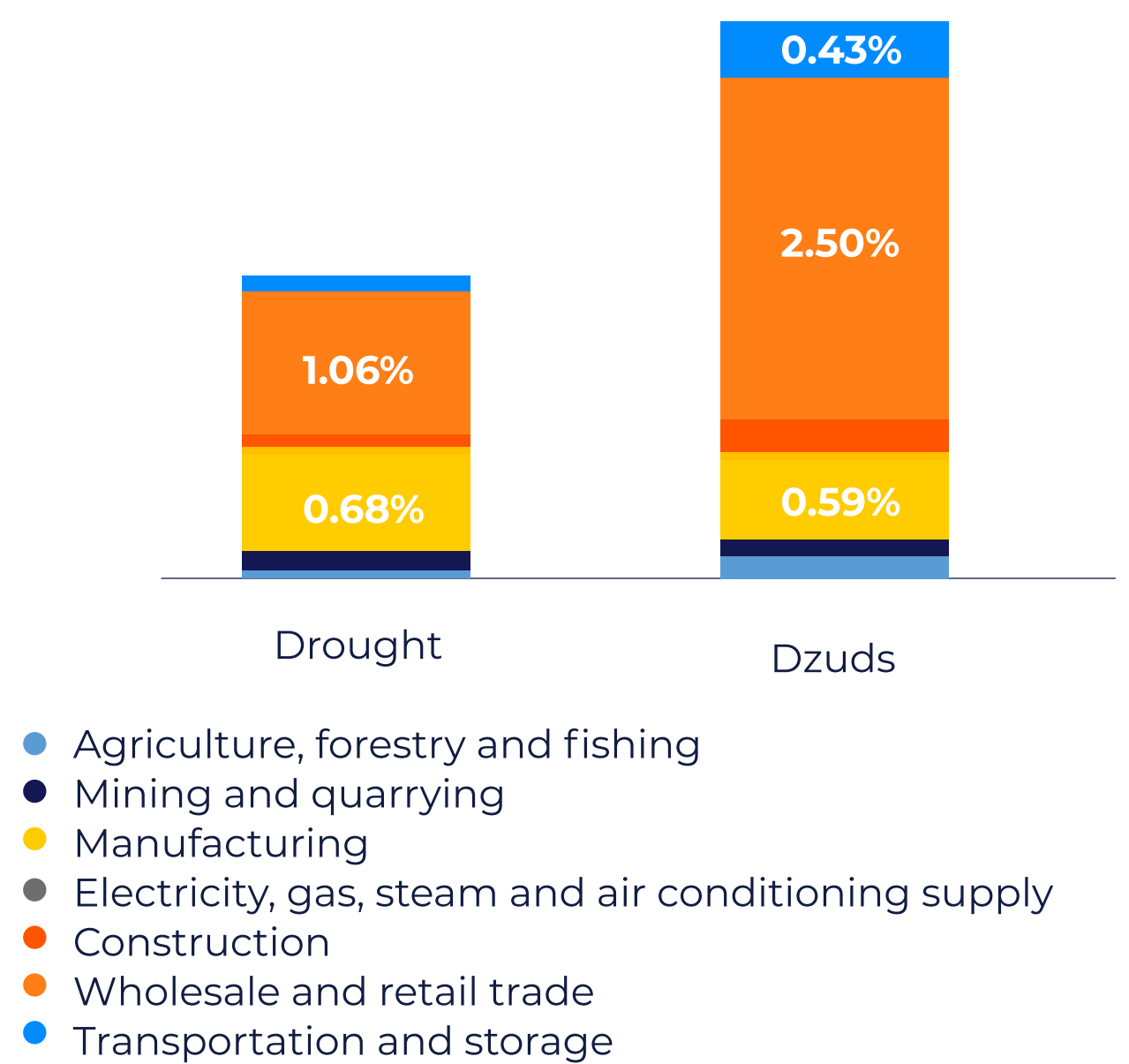
Physical risks exposure (Current policies scenario)

Under the current policies scenario, our analysis indicates that physical risks are primarily concentrated in drought and dzuds, particularly impacting the manufacturing, wholesale & retail trade, and transportation & storage sectors, driven by outstanding amounts, hazard intensity, and sector vulnerability.

Share of business loans exposed to physical risks, (% of total business loan portfolio)



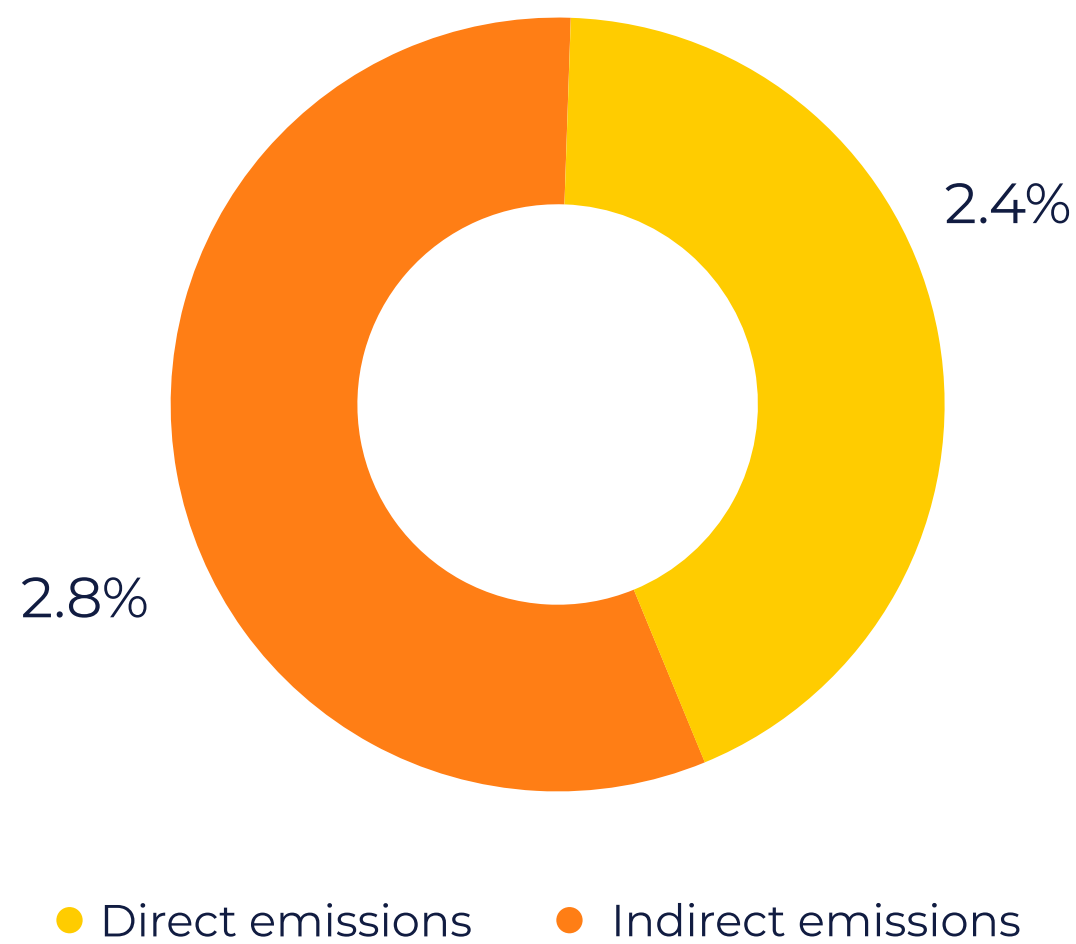
Share of business loans exposed to climate hazards (% of total business loan portfolio)



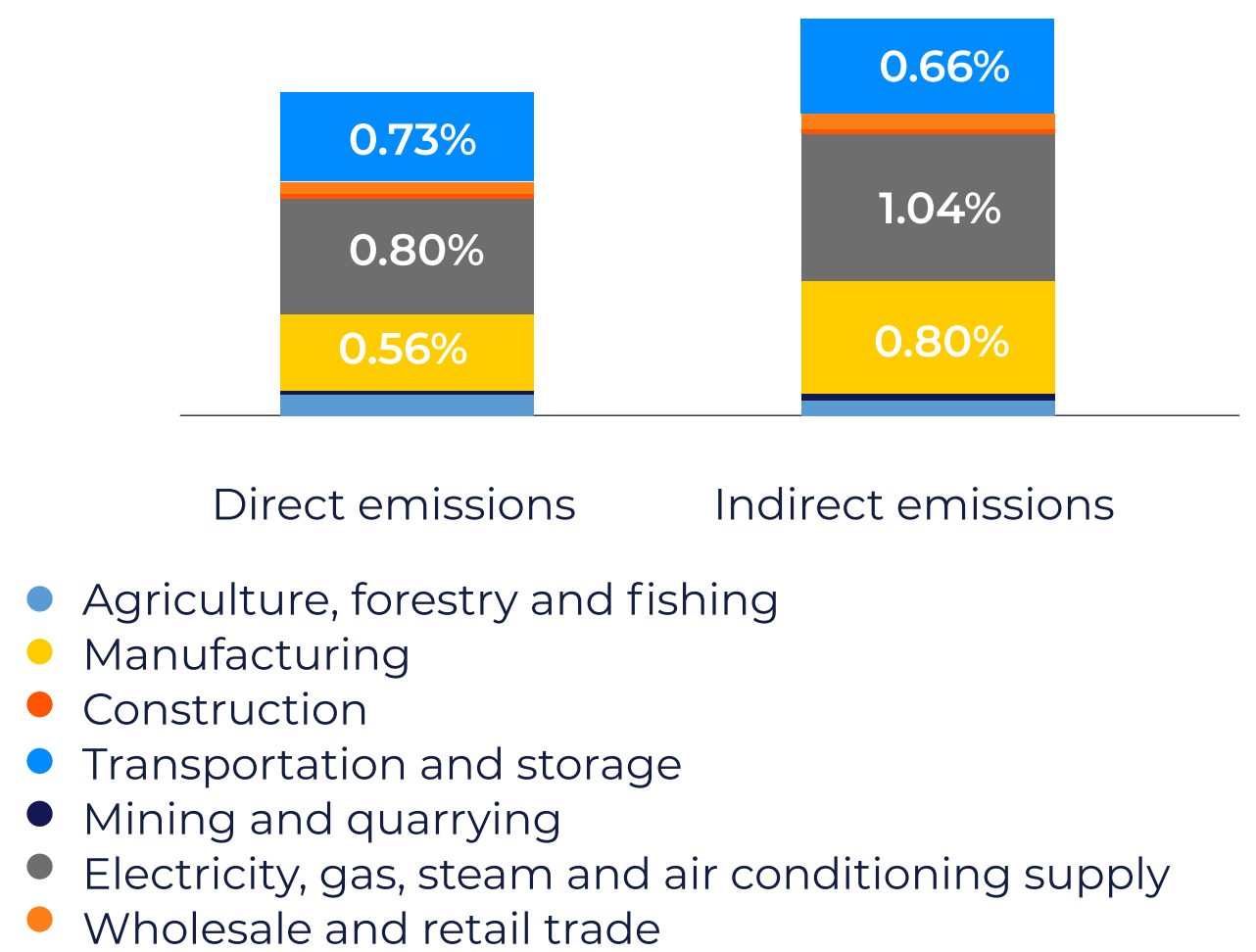
Physical risks, 2040, Current Policies

Transition risks exposure (Delayed transition)

Share of business loans exposed to transition risks (% of total business loan portfolio)



Share of business loans exposed to transition risks, (% of total business loan portfolio)



Transition risks, 2040, Delayed Transition

For transition risks under the Delayed Transition scenario, the most significant exposures are concentrated in the manufacturing, transportation and power sectors. Under the Delayed Transition scenario, higher emitting firms face higher exposures to transition risks from indirect emissions (IDE) and direct emissions (DE) due to sudden and disruptive policy shifts that increase carbon costs abruptly, impacting high-emission sectors and their value chains. The Current Policy scenario results in limited transition risk exposure as policies remain unchanged, allowing carbon-intensive activities to continue without significant financial impact.

Carbon footprint measurement

A robust inventory of our Scope 1, 2, and 3 GHG emissions will be a crucial building block for our transition planning, representing a baseline against which we will set our emission reduction targets for our operations and loan portfolio. In line with the IFRS S2 Climate-Related Disclosures standard, our carbon footprint measurement approach follows the accounting standards provided by the GHG Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol, 2004), Corporate Value Chain (Scope 3) Accounting and Reporting Standard (GHG Protocol, 2011), and Partnership for Carbon Accounting Financial (PCAF) Financed Emissions Standard (PCAF, 2022).

For emission factors, we used the leading global databases including ADEME, CDP, IEA, Eurostat, DEFRA and Exiobase. Calculation approach (ie. spend-based vs. activity based) depended on the availability of data.

Operational emissions

Our operational emissions calculation approach followed the GHG Protocol guidelines. The primary data used for calculation of operational GHG emissions included physical activity data and expense data, with corresponding emission factors applied to each data point.

Overview of our operational emissions

Our operational emissions for the year 2023 and 2024 are summarized in the table below.

Emission Scope	Emission Category	2023 GHG Emissions (tCO ₂ e)	2024 GHG Emissions (tCO ₂ e)
Scope 1	Mobile fuel consumption	442.20	440.42
Scope 2	Electricity consumption	2,750.41	2,659.71
Scope 1+2 Total		3,192.61	3,100.13
Scope 3	Business travel	116.24	143.26
Scope 1+2+3 Total		3,308.85	3,243.39

Table: Operational GHG Emissions by Scope



Scope 1 GHG emissions represent direct emissions originating in mobile fuel combustion, owned or controlled by the organization. In 2024, we consumed 179,630.71 litre of mobile fuel for our cars and buses. Our Scope 1 GHG emissions amounted to 440.42 tCO₂e in 2024.



Scope 2 GHG emissions represent indirect emissions generated from the purchased electricity and heating steam. In 2024, we procured and consumed 3,008,718.65 kWh of electricity, which resulted in emissions of 2,659.71 tCO₂e.



Scope 3 GHG emissions represent indirect emissions that occurred in the upstream and downstream value chain of a company and span across 15 emissions categories. Our Scope 3 operational GHG emissions included only category 6, business travel. In 2024 our Scope 3 operational emissions amounted to 143.26 tCO₂e.

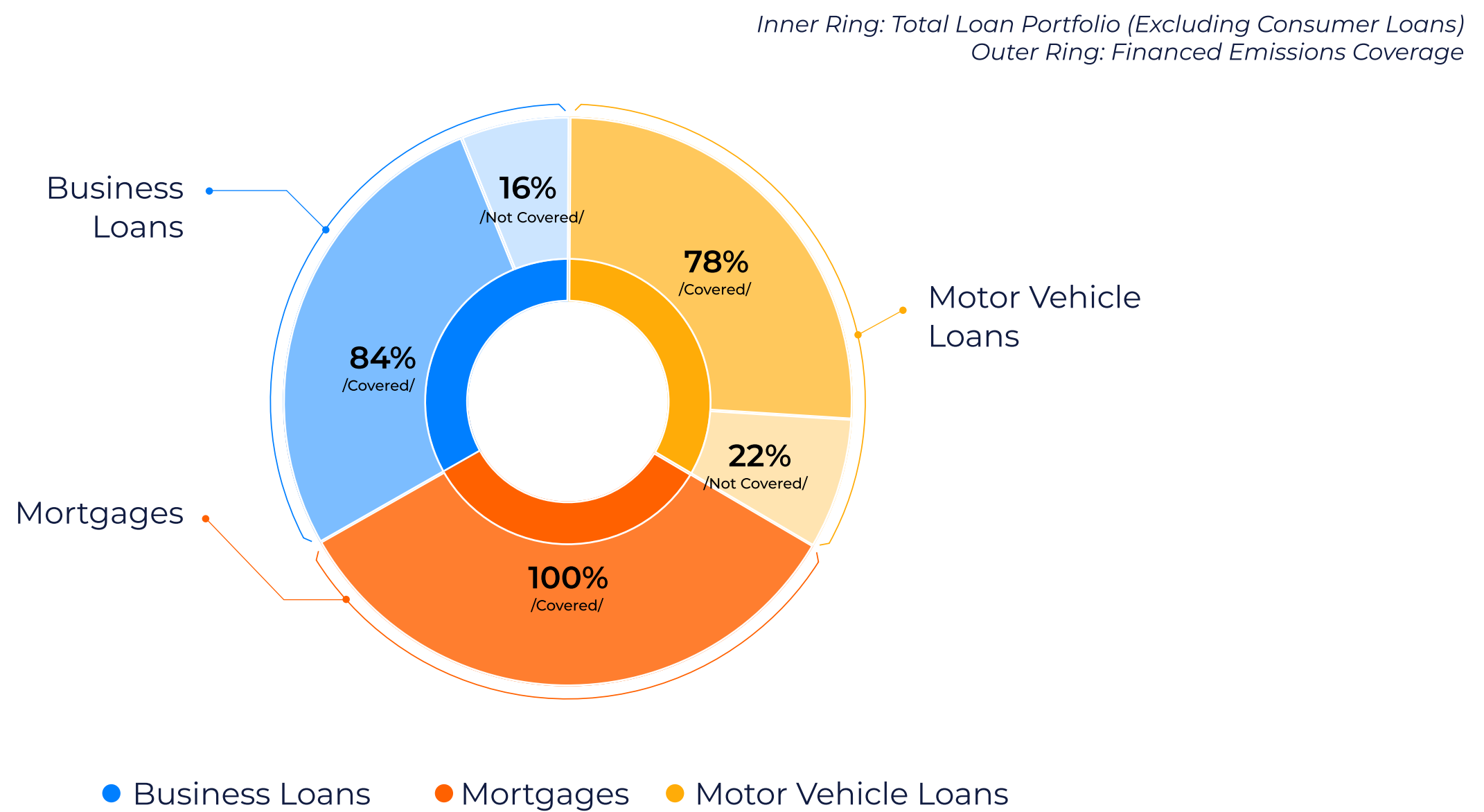
Financed emissions

XacBank is a founding member of the Global Alliance for Banking on Values (GABV) whose purpose is to transform the banking system to be more transparent, support economic, social, and environmental sustainability, and comprise a diverse suite of banking institutions that support the real economy. Through GABV, XacBank became one of the signatories of PCAF in 2019. The Bank has started to calculate GHG emissions from investment, Scope 3 Category 15 (ie. Financed emissions) from this year using the PCAF methodology.

Data coverage of financed emissions

The Bank's financed emissions calculation covers business loans, mortgages, and motor vehicle loans portfolios for 2024, which accounts 60.1% percent of total loan portfolio.

Financed Emissions Coverage of the Total Loan Portfolio (Excluding Consumer loans)



Data quality score and limitations

We use the PCAF data scoring methodology to determine the quality of our data and to provide transparency related to the accuracy and quality of our calculation inputs. These scores indicate the quality of the source of the emissions data underlying our calculations, on a scale from 1 to 5, with 1 being the highest quality and 5 being the lowest quality. Company's reported emissions with a higher data quality are more accurate and may be third-party verified, while economic activity-based emissions factors, which are used to estimate company emissions, are considered lower data quality.

As per the PCAF Standard, our weighted average data quality score was 4.48 for business loans, 4.0 for mortgages and 3.0 for motor vehicle loans. To enhance the quality of our financed emissions data, the bank plans to implement a structured data improvement roadmap, prioritizing engagement with key clients to obtain primary activity data and emissions disclosures. This will involve integrating climate-related data collection into loan origination and client due diligence processes, leveraging sector-specific benchmarks, and collaborating with a selected group of priority clients to assist them in calculation of their GHG emissions. In the mortgage asset class, efforts will focus on incorporating energy performance certificates (EPCs) and actual energy consumption data from utility providers to replace estimations based on property surface area. Additionally, the bank will enhance internal systems for automated data collection and validation, ensuring a progressive shift from estimated to reported emissions over time.

Calculation approach

For business loans, company emissions were estimated based on the revenue data and corresponding sectoral emission factors for the given country from the PCAF database. Company emissions were then multiplied by the corresponding attribution factor in order to derive XacBank's financed emission attributed to investment in a given company. Then, financed emissions were aggregated from asset level to the portfolio level. For mortgages, financed emissions were estimated based on property value, floor area data and corresponding emission factors. For motor Vehicle loans, financed emission were estimated based on property value, vehicle and fuel type data and emission factors. For detailed approach, please refer to the appendix.

Overview of our financed emissions

Our financed emissions for the year 2023 and 2024 are summarized in the table below.

Categories	2023		2024	
	tCO2e	PCAF weighted average data quality score	tCO2e	PCAF weighted average data quality score
Business	268,004	4.495	386,172	4.488
Mortgages	14,033	4.000	22,897	4.000
Motor vehicle loans	2,481	3.000	4,576	3.000
Total	284,519		413,645	

Financed Emissions by PCAF asset classes

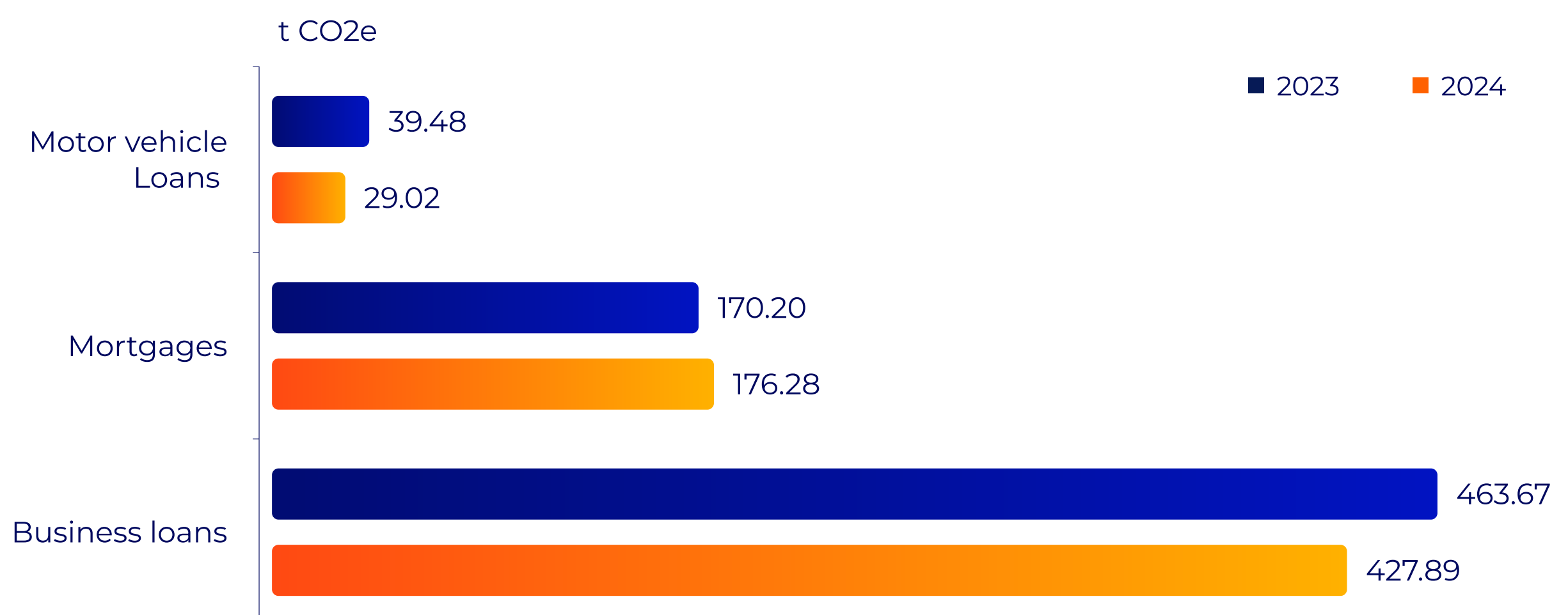
Sector	Financed emissions (tCO ₂ e)	% Total
Manufacturing	181,355	50%
Wholesale & retail trade	96,286	27%
Mining and quarrying	49,120	14%
Construction	27,413	8%
Agriculture, forestry and fishing	7,895	2%
Total	362,069	100%

Top 5 sectors contribution to 2024 Financed Emissions from business loans

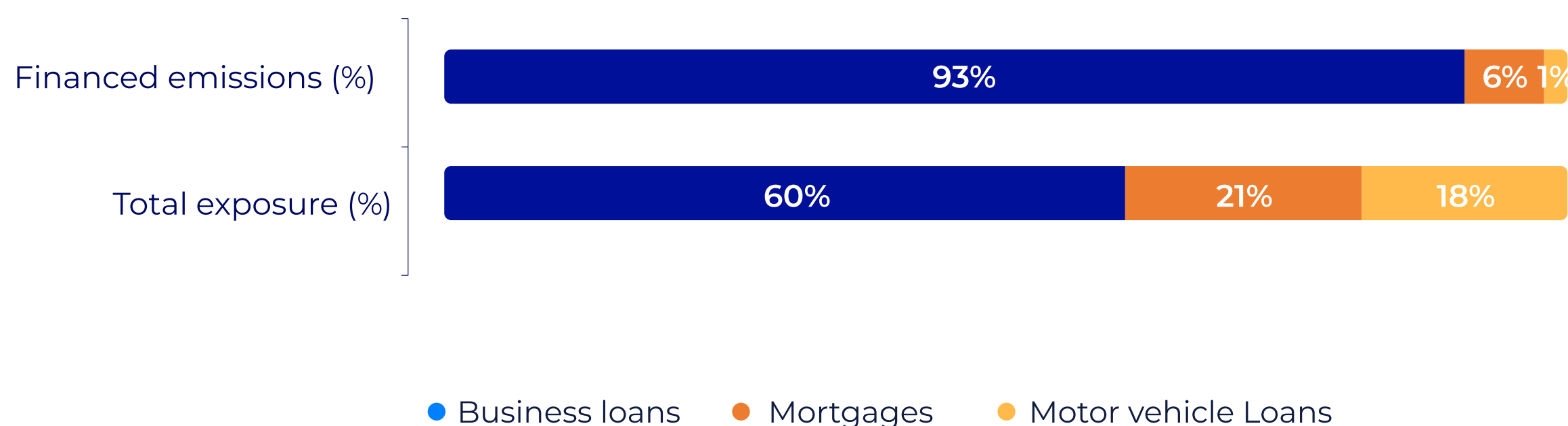
Emission intensity

Emission intensity represents the amount of carbon emitted by clients for each USD 1 million in lending committed by the firm as of year-end.

Tonnes of CO₂e per USD million borrowed



Absolute Financed emissions by Asset Class



Sustainable Finance

Overview of Sustainable Finance Initiatives

XacBank continues to actively drive sustainable finance in Mongolia through our lending programs and project initiatives. In 2024 XacBank contributed to the reduction of half a million tons of CO2 raising the Bank's total reduction nearly to 3 million tons since 2013. This achievement is the result of our diverse range of financial products and services that uplift Micro, Small, and Medium-sized Enterprises (MSMEs), incentivize the adoption of energy efficient technologies, and support vulnerable communities. Our green lending framework, based on Mongolia's Green Taxonomy and aligned with international standards, has helped the Bank's green portfolio rise to 4.1%. Additionally, this framework enabled us to secure over USD 95 million in external financing sources for green purposes by the end of 2024, both are figures we are committed to expanding. By integrating sustainability into key areas such as lending and investments we have not only advanced the Bank's broader social goals, but also solidified our role as a leader and pioneer of green finance within Mongolia's financial sector.

EcoBanking Division

XacBank's Eco Banking Division, established in 2009, was the first of its kind among Mongolian financial institutions. The division specializes in delivering sustainable financial solutions, which is accomplished by developing eco-friendly banking products and services, promoting the adoption of renewable energy and energy-efficient technologies, and utilizing the Bank's influence to raise awareness around climate-related issues. Since its inception, the division has both launched and expanded a range of initiatives aimed at supporting Mongolia's low-carbon development and significantly increased its impact by collaborating with a variety of stakeholders. This includes international partners, government agencies, local NGOs, and customers.

Notably, XacBank maintains a close partnership with the Green Climate Fund (GCF). Being the first commercial bank in the world to sign an Accredited Master Agreement with the GCF we have leveraged our position as a responsible financial institution to tangibly improve Mongolia's sustainable growth. In the first five years of accreditation, the Bank has implemented nine projects in cooperation with GCF of which six projects have been completed and three are currently ongoing. After being reaccredited in 2022, XacBank received an additional USD 8 million in October 2023 for our energy-efficient heating, insulation, and affordable housing financing programs. In 2024 XacBank's efforts were recognized when the Global Climate Partnership Fund awarded XacBank with the Global Partnership Award for our contributions to sustainable development through innovative financial solutions with measurable environmental and social impact. Key attention was given to XacBank's efforts towards expand the market for energy-efficient housing in Mongolia.



It is precisely because of the support from the GCF and other partnerships that XacBank is able to provide affordable, concessional financing for energyefficient and renewable energy technologies for domesticbusinesses and households, but most importantly,contribute to a greener and healthier Mongolia.

Projects and Programs

XacBank’s sustainable finance activities are centered around capacity building, awareness raising, green lending, and monitoring program implementation.

MSME Business Loan Program for GHG Emissions Reduction - 2016

Goal: Support MSMEs with investing in energy efficiency and adopting low carbon business models



Total Project Value:
60 Million USD

Projected Tons of CO2 Reduction
1.2 Million Tons

Over 90% of businesses in Mongolia fall under the MSME category, and many utilize inefficient equipment and processes. Approved in 2016, XacBank’s MSME Business Loan Program for GHG Emission Reduction is our first partnership with the GCF. The program is designed to encourage the adoption of energy efficient and renewable energy solutions in Mongolia's MSME market. The program also aims to support women-led MSMEs by offering more concessional loan terms. Project activities include capacity building trainings for XacBank’s MSME clients, trainings for credit officers on eco loans, technology lists to facilitate loan identification, and Green Financing Forums for MSMEs.

Energy-Efficient Consumption Loan Program - 2018

Goal: Provide loans for heating appliances and housing products that reduce energy usage by at least 20%



Total Project Value:
21 Million USD

Projected Tons of CO2 Reduction
0.47 Million Tons

In 2019, XacBank initiated the Energy Efficiency Consumption Loan Program (EECLP). The program encourages Mongolian households to transition to energy-efficient products, reducing reliance on low-grade coal and inefficient cook stoves. Offerings include electrical heating appliances, insulation improvements, retrofitting options, and loans for energy-efficient housing. In 2022, the Bank focused on capacity building for geographical expansion, conducting training sessions with energy auditors and partnering with UNICEF for case studies and marketing campaigns. XacBank also strengthened ties with policy-implementing entities, such as the Energy Regulatory Commission, through training sessions and an MOU with the Mongolian Housing Innovation Center. In its fourth year, XacBank, in collaboration with the GCF and the Ministry of Environment and Tourism, provided consumption loans with interest rate subsidies for clean heating appliances and insulation. Through EELCP, XacBank successfully reduced greenhouse gas emissions by a total of 5,557 tons from disbursing eco-consumption loans.

Mongolian Green Finance Corporation - 2020

Goal: Borrow through local partner financial institutions (PFIs) for thermal insulation, energy efficiency for businesses, and mortgages for green affordable housing



Total Project Value:
49.7 Million USD

Projected Tons of CO2 Reduction
3.8 Million Tons

Our fourth Funding Proposal, FP153: Mongolia Green Finance Corporation (MGFC), was approved by the GCF Board. MGFC is Mongolia's first green financial institution and advances the Mongolia's 2050 Development Vision to "Establish and develop a joint public-private national green financial system to finance environmentally friendly green projects and activities." The project will be implemented by co-financing between GCF, the Government of Mongolia, and local private sector actors. The three-party collaboration will play an important role in supporting Mongolia's green finance development, capacity building, and legal environment.

HIGHLIGHTS OF 2024

1. GCPF award 2024



XacBank's Energy-Efficient Housing Loan Program was awarded as the Global Climate Partnership Fund (GCPF)'s 'Best Project of 2024,' receiving the prize at a ceremony held on October 18 in Zurich, Switzerland. This marks the first time the fund's award has been granted to a project from Mongolia. The Global Climate Partnership Fund (GCPF) has recognized XacBank's Energy-Efficient Housing Loan Program as the best initiative, highly commending its environmental contributions as well as its social and economic impacts. XacBank has clearly stood out among international competitors through its 15 years of

consistent policies and steadfast efforts in developing the energy-efficient building finance sector and establishing financing mechanisms.

After being accredited as a National Implementing Entity of the UN Green Climate Fund (GCF) in 2016, XacBank has successfully launched the GCF co-financed Energy-Efficient Housing Loan program. This product enables Mongolian households to access homes with healthy living conditions, thermal comfort, and clean heating technologies.

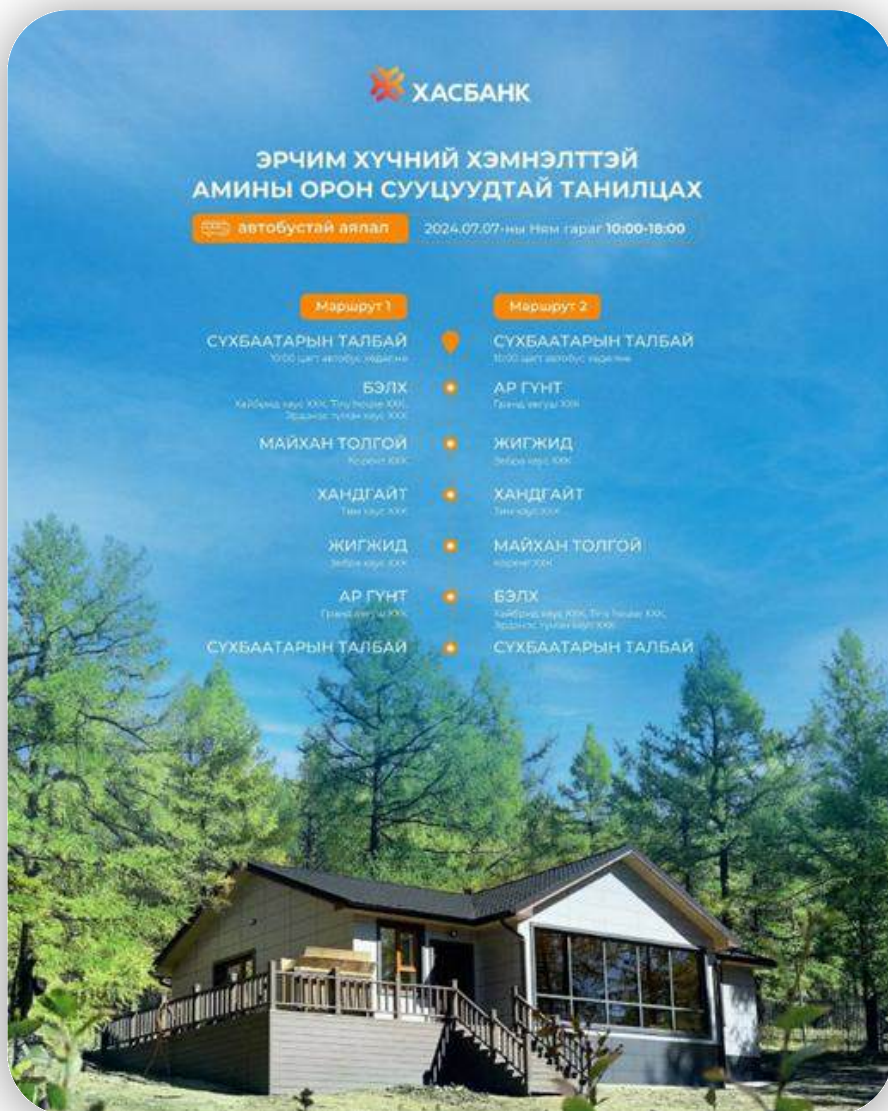
The Global Climate Partnership Fund (GCPF), managed by the Swiss impact asset manager responsibility Investments AG, has awarded this year's Global Climate Partnership Award to XacBank of Mongolia. This award honors institutions that contribute to sustainable development through innovative financial solutions with measurable environmental and social impact. This marks the first time Mongolia has received this prestigious award.

It was highlighted that XacBank's unique approach set it apart from other international candidates through its sustainable policies and unwavering commitment over the past 15 years to developing the energy-efficient construction lending sector and creating innovative financing mechanisms.

Through its "Expanding the Market for Energy-Efficient Housing in Mongolia" project, XacBank has developed affordable, energy-efficient housing in Ulaanbaatar's growing areas. With specially designed financing solutions, the Bank enables households to purchase energy-efficient homes that lower both energy consumption and CO₂ emissions.

Since becoming a National Implementing Agency of the United Nations Climate Fund (UNFCCC) in 2016, XacBank has been offering the Energy Efficient Residential Housing Loan, co-financed by the fund. This initiative not only provides citizens with the opportunity to live in healthy, warm, and comfortable homes, but also improves their living conditions while addressing Mongolia's challenges with severe winters and air pollution.

2. Bus Tour to Introduce Energy-Efficient Housing & Townhouse Loans to Citizens



In July, 2024, XacBank organized an informative bus tour, offering participants a firsthand view of model houses from seven collaborating companies. Additionally, during the tour, energy-efficient housing options from ten other partner companies were showcased through electronic presentations. This event attracted 120 attendees, providing them with a comprehensive insight into the latest sustainable housing solutions.

The program introduced energy-efficient house designs to the public, showcasing the full potential of energy-efficient insulation and heating solutions. It also provided guidance on building homes that offer a comfortable, healthy living environment with an economical and environmentally friendly design, demonstrating real, tangible results.

3. "Program for implementing ISO standards to small and medium-sized businesses"



On March 25, 2024, XacBank launched the "ISO Standard Implementation Program for Small and Medium Enterprises" to provide practical support to businesses seeking to expand their operations, improve product and service quality, enhance competitiveness, and ultimately supply goods for export. The Bank is financing up to 80% of the costs for consulting services and ISO certification, with a total investment of MNT 250 million.

To raise awareness about ISO standards, XacBank, in collaboration with the Standard Measurement and Control Agency, organized free training courses on April 12 and 19. Over 100 enterprises participated in these sessions, with attendees from Uvs, Khovd, Zavkhan, Umnugovi, and Selenge aimags joining online. The training provided general information, along with expert advice on implementing management system standards and key considerations for adopting ISO standards.

In June 2024, XacBank, together with the Department of Standards and Metrology, selected 16 enterprises to receive up to 80% funding for consulting services and certification costs. Of these, 14 were based in Ulaanbaatar, while two came from local areas, Khuvsgul and Choir. Half of the selected enterprises were food producers, with other sectors such as animal feed, livestock, tourism, and services also represented.

Social

Social



Employees and Gender Diversity

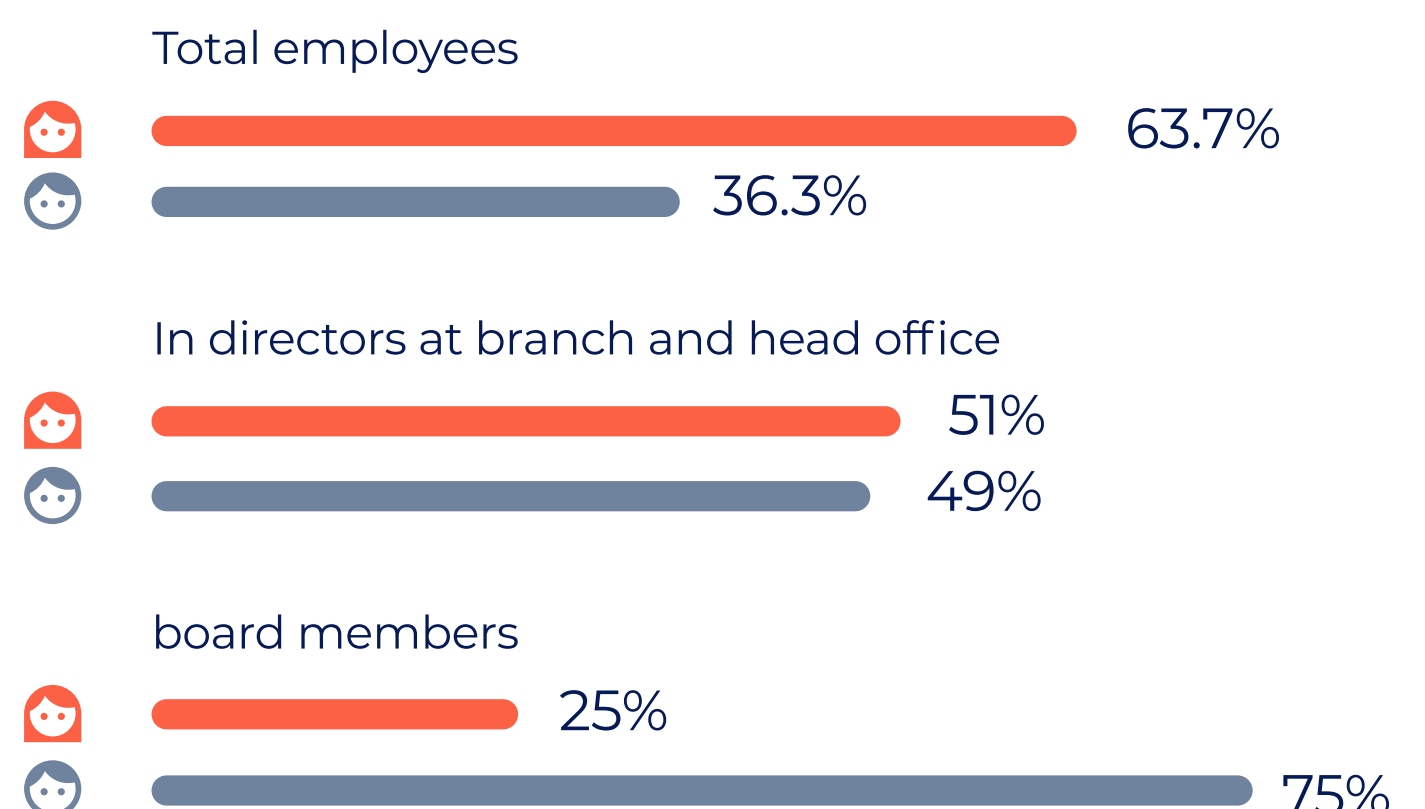
The Bank follows the principle of non-discrimination in all its internal and external business activities, ensuring equal treatment regardless of an individual's origin, ethnicity, age, gender, sexual orientation, marital status, disability, race, social background, wealth, occupation, position, religion, beliefs, education, culture, customs, and political views.

Employees



Average working year at XacBank: 8.2 years
Average employee age: 35.2

Gender diversity



XacBank conducts an annual satisfaction survey among all employees, and last year's satisfaction result was

88.6%



Employee wellbeing, Work-Life Balance and Benefits

XacBank implements comprehensive policies and programs, including annual employee satisfaction surveys to enhance staff motivation and well being. These efforts are designed to ensure healthy, fulfilling lives while cultivating a creative, stable, and pleasant work environment. Our employees enjoy the advantages of a range of benefits, including competitive compensation, health insurance, and a mortgage loan program, all in accordance with applicable laws and regulations. Additionally, we provide long-term savings account program to support their long-term financial security.



Birthday leave
1 day



CEO's leave
2 days



Health check-up
leave **1 day**



Remote working
opportunity



Flexible working
hours



7 working
hours



7-Hour Workday

To foster work-life balance and enhance both employee productivity and satisfaction, we have reduced our working hours by one hour, adopting a 7-hour workday. This adjustment allows employees to dedicate an additional 22 hours per month - or 264 hours, equivalent to 33 days per year - to their families or personal-development.



Health check-ups

XacBank prioritizes the health and well-being of its employees. Since 2013, the Bank has provided comprehensive "Health and Accident Insurance" coverage for all employees every year. We also offer annual preventive health check-ups to help employees detect and prevent potential health risks. A total of 880 employees underwent preventive health examinations during the reporting year.

Long-Term Savings

Since 2007, XacBank has been implementing a long-term savings program to help employees build their savings and secure their future. The savings account is opened on the employee's first day of work, with the Bank making an initial deposit equal to the employee's net monthly salary. Afterwards, both the employee and the Bank contribute an equal amount to the account each month.

Mortgage program

Since 2003, XacBank has offered the mortgage program designed to help employees actualize better living conditions. The program provides flexible terms, including down payment options, interest rates, terms, and repayment plans. Employees who have worked at XacBank for more than 12 months and can make a 10% down payment on an apartment are eligible to apply for a mortgage with these favorable conditions.

In 2024, 180 employees benefited from the mortgage program

Employee training and development

XacBank's training and development policy focuses on enhancing employees' professional skills, knowledge and overall job performance. We are committed to fostering a culture of continuous learning, integrating both internal and external resources to facilitate a shared learning experience and collaborative environment. To support this, we regularly engage our employees in a variety of international and local training and development programs.



Information on training organized by Eco Banking for employees and customers:

In the reporting year, a total of 246 employees and 635 customers were provided with training on green loan products.

Social Responsibility and Engagement

XacBank views its contribution to sustainable development as a key aspect of the social responsibility. With a strong sense of commitment, the Bank organizes and sponsors activities aimed at protecting and preserving the environment, supporting environmental restoration, caring for employees and customers, promoting Mongolia's cultural heritage, enhancing the knowledge of children and youth, and fostering the development of arts and sports.

The following activities were supported in 2024.



We provided MNT 100 million in support to the 'The Heart Never Forgets' project, which carries the slogan 'Let's Gift Life to a Little Heart.'



We announced and implemented the 'Future Millionaire' scholarship program, selecting 100 undergraduate students from accredited domestic universities to receive tuition support of up to MNT 5 million.



We supported the ICOT-2024 international conference organized by the Mongolian Association for Organ Transplantation, held under the theme 'Transplantation Enhanced by Innovation'



We have been proudly sponsoring and partnering with the professional basketball team 'Broncos' for 20 consecutive years since 2004.



In collaboration with the University of Finance and Economics, we signed a Memorandum of Understanding to implement the international ERASMUS program, focused on work-based learning, for a duration of six months.



We are collaborating with the Mongolian National Olympic Committee (MNOC) as a 'Gold Partner' organization for the 2023–2025 period.



XacBank regularly carries out and implements community-focused projects and initiatives through its NGO, the Golden Development Fund.

Main activity of NGO:

- Child development
- Child education
- Environment

Members:

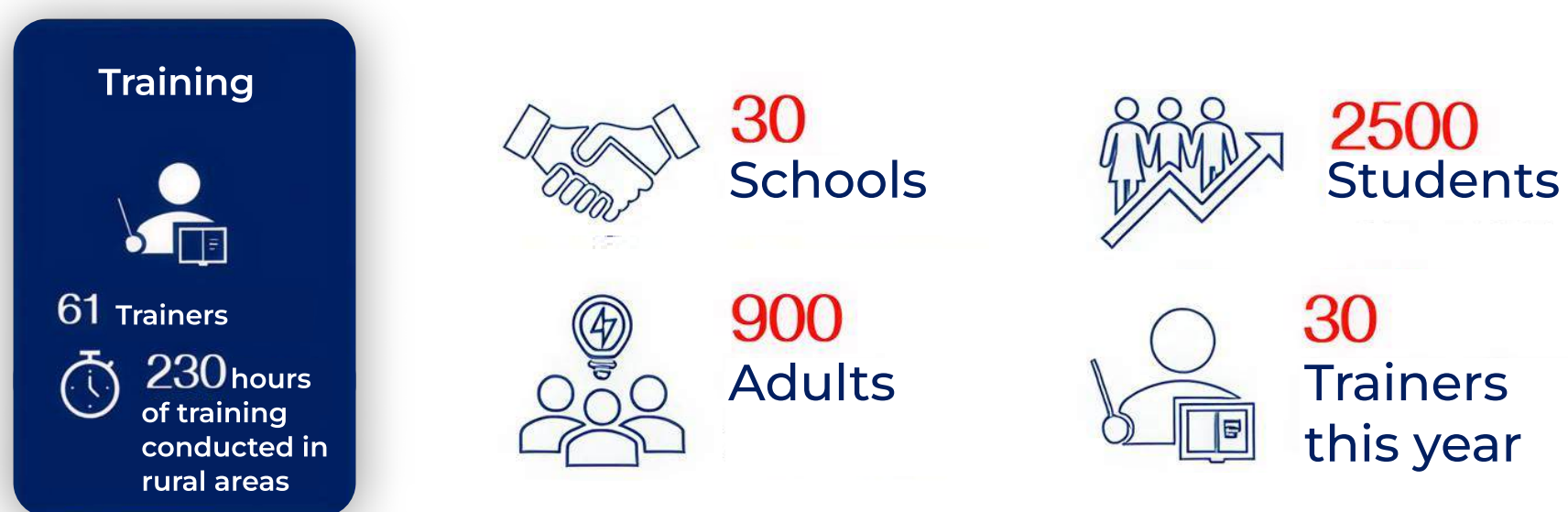
- XacBank's employees who join voluntarily

Total members: 840

The Golden Development Fund NGO implemented the following projects and programs in the reporting year.

Aflaton social and financial education program

Purpose of project: To provide social and financial education to children.



The Aflaton program served 27,000 children aged 8-13 between 2010 and 2019.

XacLab computer department renovation

Purpose is to provide children with the opportunity to receive a global education and develop equally, regardless of their learning environment. As part of this initiative, the computer departments of three rural schools were fully equipped with computers, desks, and chairs. This project will bring positive changes to the learning conditions for a total of 6,000 students.

XAClab – 1. School #2, Saikhan Soum, Selenge Province



XAClab – 2. Delgermurun School, Khuvsgul Province



XAClab – 3. School #2 Dormitory, Uvs Province



Each year
the program will benefit
6000
students.

Outcome:

- Moving away from old-fashioned theoretical lessons;
- Preferring the use of a computer over a phone for more efficient learning;
- Ensuring easy access to internet;
- Encouraging a passion for education;
- Equal accessibility;
- No time limit; and
- Promoting an effective learning.

Donation campaign for children

Purpose is to contribute and support the learning environment for children in the target group. As part of the campaign, 45 children from remote areas in Chingeltei district and 70 children from 19 other locations, totaling 115 children, were provided with essential educational materials.

Sponsorship Program for Gifted children

A total of 19 children were supported in 6 types of sports.

Outcome:

- Qualified for the FIDE chess master title;
- 2 gold medals and a trophy in dance; and
- Bronze medal in wooden wrestling,

Other Donation and Sponsorship:

A total of 200 children were supported.

Outcome:

- 2 fully equipped computers in the electronic library;
- 100 children make eco-friendly tote bag at eco-friendly youth conference;
- Children's Day gifts for SBU football players; and
- "Bright Colors" project painting the walls of a childcare home



The Tree Project

A total of 4 schools have participated in the Tree with Ownership project, planting trees in 4 different locations. From 2010 to 2024, we have planted over 33,000 trees and created over 30 groves. Ultimately offering students the opportunity to actively engage in improving their environment while creating a personal connexion to the natural world.



Santa Market holiday sale and Secret Santa

The Sale event was organized to create a New Year atmosphere among bank employees along with to raise funds for the Secret Santa project.

To fulfilling the children's wish and sharing happiness we organized Secret Santa project in remote area.

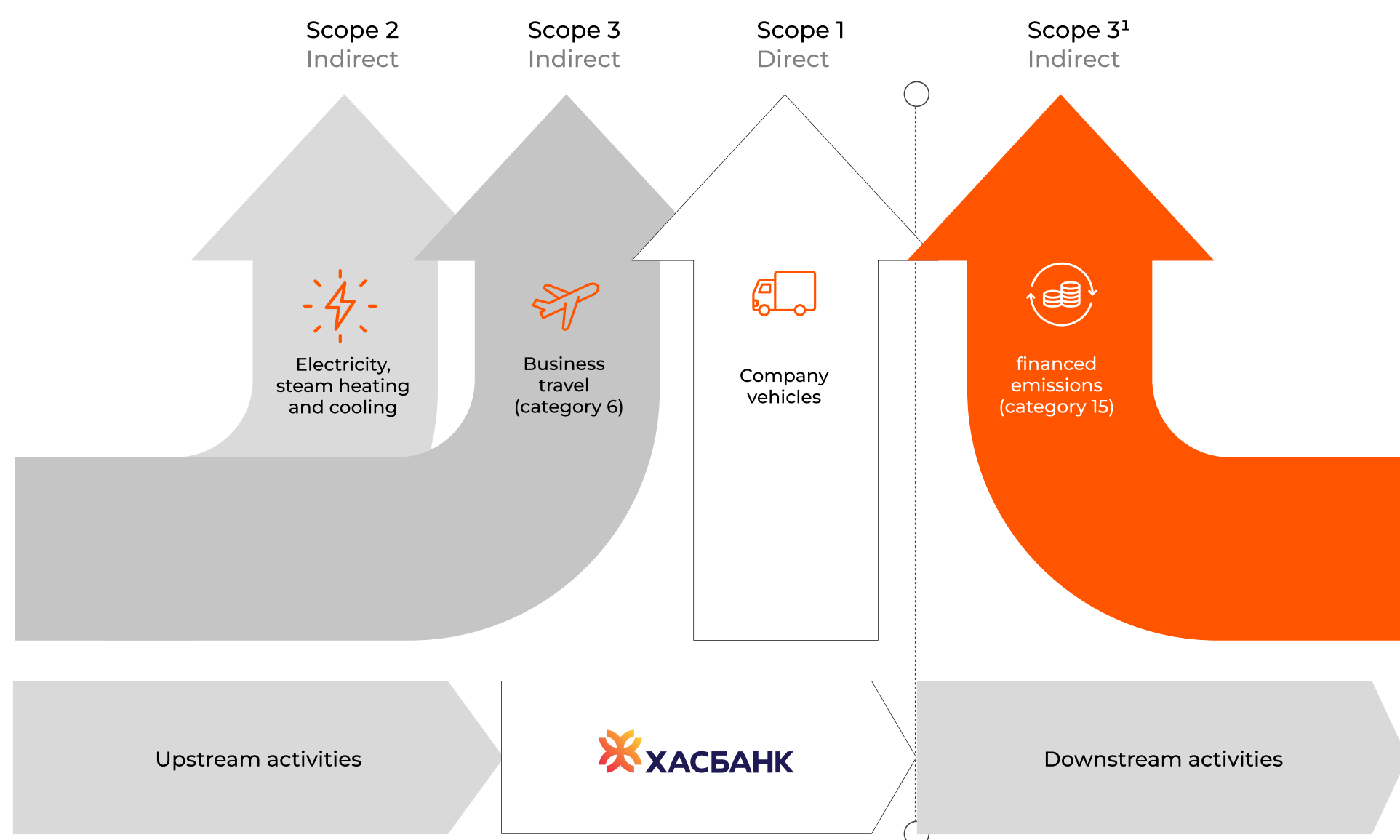
Total of 78 children living in Dornod province received New Year gifts.



APPENDIX

Understanding scope 1,2 and 3 of GHG Emissions and Calculation Methodology

Greenhouse gas calculations are conducted in accordance with the international GHG Protocol standard for GHG calculation and reporting. This methodology classifies, greenhouse gas emissions into three categories based on their source.



- Scope 1: Direct emissions from sources that are owned or controlled by the company. E.g. fuel consumption
- Scope 2: Indirect emissions from the consumption of purchased electricity, heating or cooling .
- Scope 3: Indirect emissions that are not produced by the company itself, but produced throughout the value chain, both upstream and downstream such as emissions from employee commuting and business travel. These emissions are further divided into 15 categories.

GHG Calculation methodology:

Operational GHG emissions calculation is based on the greenhouse gas Protocol (GHG Protocol), while financed emissions calculations are based on the methodology of the Partnership for Greenhouse Gas Accounting Finance (PCAF). The financed emissions calculation covers medium and corporate business loans, mortgages, and motor vehicle loans portfolio.

Operational emissions

XacBank's GHG emissions from its own operations were calculated for Scope 1, 2 and 3 (Business Travel). The following emission factors were applied in the calculations. For business travel (flights), emissions were calculated based on the flight distances and corresponding Defra emission factors.

Financed emissions

Financed emissions were calculated using the 2022 PCAF methodology. A brief overview of the calculation for each loan type is provided below.

Business loans:

Classification type	NACE.v2
Methodology Option	Option 3a, 3c
Activity variable	Asset or Revenue
Country or Region	Asia Pacific
Emission factor source / Year	Exiobase, 2019
Data quality	4 or 5

The equation used to calculate business loans emission is:

Option 3c:

$$\text{Financed emissions} = \sum_c \text{Outstanding amount}_c \times \text{Company GHG emissions}_c$$

Option 3a:

$$\text{Financed emissions} = \sum_c \frac{\text{Outstanding amount}_c}{\text{Total equity} + \text{Debt}_c} \times \text{Company GHG emissions}_c$$

Mortgage loans:

Classification type	NACE.v2
Methodology Option	Option 2b
Activity variable	Floor area (m2)
Country or Region	Kazakhstan
Building type	Residential buildings
Emission factor source / Year	PCAF Global building dataset, 2024
Data quality	4

The equation used to calculate mortgage loan emission is:

$$\text{Financed emissions} = \sum_{b,e} \frac{\text{Outstanding amount}_b}{\text{Property value at origination}_b} \times \text{Estimated energy consumption from statistics}_{b,e} \times \text{Floor area}_b \times \text{Average emission factor}_e$$

Motor vehicle loans:

Classification of cars	PCAF classification
Methodology option	Option 2b
Activity Variable	Vehicle-year
Country	Mongolia
Emission factor source/Year	EEA Passenger Vehicles, 2020
Data quality	3

$$\text{Financed emissions} = \sum_{b,e} \frac{\text{Outstanding amount}_v}{\text{Property value at origination}_v} \times \text{Distance traveled}_r \times \text{Efficiency}_{v,f} \times \text{Emission factor}_f$$

PCAF data quality score

The PCAF data quality score ranges from 1 to 5, with 1 representing the highest quality and 5 representing the lowest quality.

Data quality scoring from 1 to 5....		
<div> <div>Certain</div> <div>↑</div> <div>Uncertain</div> </div>	Score 1	Audited GHG emissions data or actual primary energy data
	Score 2	Non-audited GHG emissions data, or other primary data
	Score 3	Averaged data that is peer/(sub)-sectorspecific
	Score 4	Proxy data on the basis of region or country
	Score 5	Estimated data with very limited support

Materiality assessment methodology

Physical risks assessment

The materiality of physical risks is evaluated based on the probability of climate hazards occurring in Mongolia and the sector's vulnerability to these hazards.

We define physical risk as follows:

$$\text{Risk} = f(\text{Hazard, Exposure, Vulnerability})$$

**Climate hazard - The probability of specific climate events such as heatwave, drought, dzuds, floods, and extreme precipitation changes occurring in a specific province./*

**Exposure – Outstanding amount of SME & Corporate business loans;*

**Vulnerability – The susceptibility of a sector to climate hazards, including the potential impact, and its ability to recover.*

Transition risks assessment

The materiality of transition risks is assessed based on the likelihood of shifts in policy, technology, and market demand, as well as the sectoral vulnerability to these shifts.

We define transition risk as follows:

Risk = f (Hazard, Exposure, Vulnerability)

**Probability of the change - The probability of shifts in policy, technology and market demand, related to direct and indirect emissions pathways.*

**Exposure – Outstanding amount of SME & Corporate business loans;*

**Vulnerability – The susceptibility of a sector to changes in policy, technology and market demands, including the impact of these shifts and the sector's adaptability;*

Glossary

Corporate Social Responsibility (CSR)

The ethical and responsible conduct of businesses, considering the impact of their activities on social, environmental, and economic aspects, beyond financial considerations.

European Bank for Reconstruction and Development (EBRD)

An international financial institution supporting the development of market-oriented economies and promoting private sector investment in countries undergoing transition.

Energy Efficiency (EE)

The measure of how efficiently energy is utilized to perform a specific task or produce a certain output, often aimed at minimizing energy consumption.

FMO

The Netherlands Development Finance Company, providing finance and support for sustainable private sector development in emerging markets.

Green Climate Fund (GCF)

A financial mechanism under the United Nations Framework Convention on Climate Change (UNFCCC), supporting projects, programs, policies, and other activities in developing countries to combat climate change.

Greenhouse Gas (GHG)

Gases, such as carbon dioxide and methane, that trap heat in the Earth's atmosphere, contributing to the greenhouse effect and climate change.

Greenhouse Gas (GHG) Protocol

The Greenhouse Gas Protocol provides recognized standards, guidance, tools and training to measure and manage GHG emissions.

Partnership for Carbon Accounting Financials (PCAF)

An industry-led initiative enabling financial institutions to measure and disclose GHG emissions of loans and investments.

Network for Greening the Financial System (NGFS)

A group of central banks and supervisors committed to sharing best practices, contributing to the development of climate related risk management and mobilising finance to support the transition.

Global Reporting Initiative (GRI)

A widely used framework for sustainability reporting, providing guidelines for organizations to measure and report their economic, environmental, and social performance.

International Finance Corporation (IFC)

A member of the World Bank Group, offering investment and advisory services to promote private sector development in developing countries.

International Financial Reporting Standards (IFRS)

A set of international accounting standards governing the preparation of financial statements, ensuring consistency and comparability in financial reporting globally.

Social and Environmental Management System (SEMS)

Our structured framework to integrate and manage social and environmental considerations into decision-making processes and operations.

Sustainability Accounting Standards Board (SASB) Standards

Industry-specific standards for companies to disclose financially material sustainability information to investors.

Task Force on Climate-related Financial Disclosures (TCFD)

A framework providing recommendations for companies to disclose climate-related financial risks and opportunities in their annual financial filings.

Voluntary Emission Reduction (VER)

Greenhouse gas emission reductions that are achieved and verified outside of regulatory compliance, often used in voluntary carbon markets.

