



SUSTAINABLE DEVELOPMENT AND ESG REPORT

2023



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LETTER FROM THE CHAIR OF THE BOARD

Greetings,

On behalf of the Khan Bank Board of Directors, I am pleased to present the Bank's 5th annual Sustainable Development, Environment, Social and Governance Report.

This report outlines our contributions to building a sustainable future through the impacts of our operations, lending experience, governance, and social development.



In March 2023, Khan Bank issued the first-ever Mongolian green bond in the international market in the amount of 60 million USD and raised 17 billion MNT by issuing green bonds on the Mongolian Stock Exchange last December. Khan Bank's green loan portfolio reached 377 billion MNT by December 31, 2023, representing 47.1 percent of all green loans in Mongolia's banking sector. Over the last 17 years, the Khan Bank Foundation has provided over 12 billion MNT in financing to 510 projects.

Khan Bank continues its commitment to align sustainable development principles with its business strategy while complying with our mission to bring our customers the best and most innovative financial resources at every step of their financial journey. On behalf of the Board, I would like to thank our 5,000 employees for their skilled and passionate efforts to build sustainability by implementing the Sustainable Development Goals in our operations, bringing positive impacts to society and value to our shareholders.

I would like to invite you to find details about our progress toward sustainable development in 2023. Let's join hands in building a sustainable future where we develop together.

Respectfully,



DARIBUM Tudev

(Chair of the board)

LETTER FROM THE CHIEF EXECUTIVE OFFICER

Greetings,

Dear investors, customers, shareholders, employees, and partners, I am pleased to present Khan Bank's 2023 Sustainable Development and Environment, Social, and Governance Report.

This past year was a success as Khan Bank carried out many concrete actions in the scope of one of the Bank's core values, "Sustainability is the Future". Our Mid-term Sustainable Business Strategy was approved by the Board of Directors in 2023, and we updated our Sustainable Development Policy, which had been in place since 2020, by adding climate change and gender equality objectives. We also established the Sustainable Development Committee, with members at the executive management level, to build comprehensive and complex sustainability governance and ensure further progress on the Sustainable Development Goals.



Khan Bank JSC focuses on sustainable finance in its business operations and plays a crucial role in building a greener economy through financial leverage. Furthermore, as a leading financial organization with second-place ranking in Mongolia's TOP-100 Enterprises, we aim to ensure the engagement of all stakeholders in our Sustainable Development Policy. Our Sustainable Development Policy includes four pillars: sustainable financing and climate change, sustainable operations, sustainable social investment, and sustainable partnership and reporting. You can read detailed information about each pillar in this report.

At the end of 2023, Khan Bank's green loan portfolio reached 377.4 billion MNT, resulting in a 47.1 percent share of green loan portfolios among Mongolia's commercial banks. In 2022, the Financial Stability Council approved the Mongolian Sustainable Finance Roadmap. The roadmap includes bringing green loans to 10 percent of all banking and financial sector loans by 2030. Khan Bank aims to reach that goal by 2025. To strengthen Mongolia's green economy, we raise long-term financing from international investors every year and issued Mongolia's first-ever green bonds in the domestic and international markets during the reporting period.

To mitigate the negative environmental and social impacts of the Bank's operations, the Bank installed a solar energy system at the Seoul Office in Ulaanbaatar, which produces 20 percent of the building's energy consumption. Moreover, five rural branches now operate 100 percent on solar energy, and we plan to increase that number in the future. These are concrete contributions to the national goal to mitigate climate change and greenhouse gas emissions and the best example of implementing one of the eight principles of the Mongolian Sustainable Finance Roadmap: leadership by setting a good example.

We provide all Khan Bank employees with an equal opportunity to learn and develop in a healthy and safe environment. We have introduced the opportunity to work remotely or to work flexible hours to avoid workplace pressure in the scope of maintaining sustainable employment. We focused on implementing a shared office concept, complying with international best practices and applying environmental, social, and governance principles for sustainable development.

Khan Bank has made concrete contributions to society through the Khan Bank Foundation, the Bank's corporate social responsibility implementer since 2007, by financing more than 510 projects with 12.7 billion MNT.

In 2023, the Bank was named the Best ToC Organization by the Mongolian Sustainable Finance Association (MSFA) for the 3rd consecutive year in recognition of our initiatives and actions toward sustainable development and the MSFA's Leading Bank in 2024. We are grateful that Khan Bank was recognized as one of the Most Influential Companies in Asia for the Asia Corporate Excellence & Sustainability Awards 2023, organized by MORS Group, and the Leading Organization for Social Responsibility and Sustainable Development by the American Chamber of Commerce in Mongolia.

Lastly, as a leader in sustainable development, please allow me to present Khan Bank's 2023 report on initiatives that allow us to grow together.

Respectfully,



MUNKHTUYA Rentsenbat

(Chief executive officer)



INTRODUCTION



OVERVIEW

Focusing on the UN's SDGs and contributing to Mongolia's economic growth, social development, and environmental protection have long been important initiatives at Khan Bank.

To report on these activities, since 2018, we have been publishing the annual Sustainable Development Report to share with all stakeholders.

The report includes information on activities carried out within Khan Bank's Sustainable Development Policy's four main pillars: sustainable financing and climate change, sustainable operations, sustainable social investment, and sustainable partnership and reporting.

Khan Bank is committed to responsible engagement with domestic and international associations, initiatives, and communities in the area of sustainable development. We regularly report on our activities to the Bank of Mongolia, the Mongolian Sustainable Finance Association, the United Nations Global Compact, Green Investment Principles, and international financial institutions and development banks, implementing the principles of transparency and cooperation.

If you have any feedback on Khan Bank's sustainable development initiatives, feel free to send it to sustainability@khanbank.com.

KHAN BANK HIGHLIGHTS

General highlights

(As of December 31, 2023)

 Customers
2,789,841


 ATMs
1,297

 Corporate customers
64,077

 Kiosk machines
444

 Pos machines
43,626

 Branches
545

 Merchants
34,280

 Employees
4,689

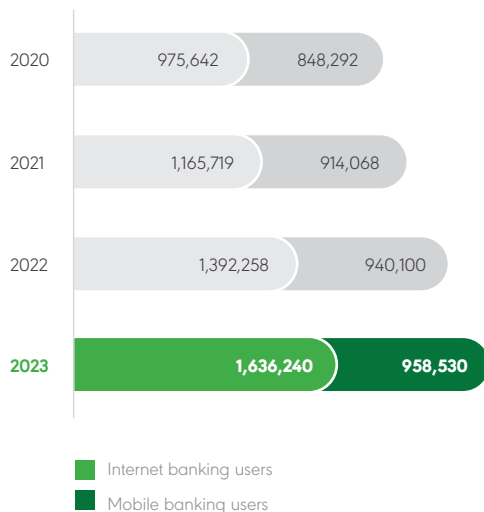
 Digi Go
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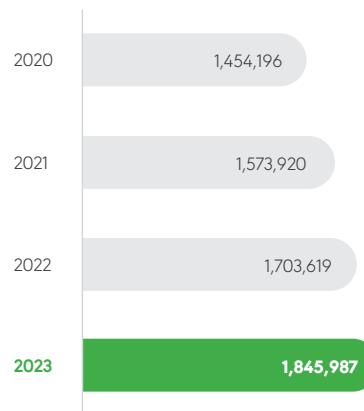
Khan Bank's digital banking highlights

(December 31, 2023)

Total number of internet and mobile banking users



Total number of digital banking users



*Digital Banking: All of Khan Bank's digital channels

*Internet Banking: Khan Bank's application and web

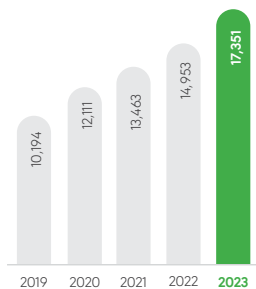
*Mobile Banking: Mobile Banking 2.0 service at *1917#

Daily average of digital transactions	2020	2021	2022	2023
Internet banking	31,131	40,337	50,784	62,047
Smart banking	501,636	732,102	1,357,228	1,789,138
Mobile banking	316,036	358,250	382,334	354,914
Digital banking (Total)	1,096,923	1,337,746	2,023,116	2,242,959

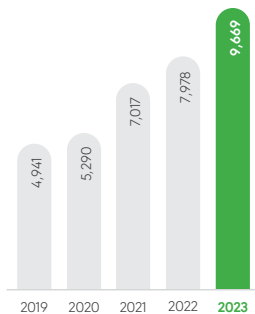
Financial highlights

		2021	2022	2023
PROFIT	ROE	22.2%	32.0%	31.7%
	ROA	2.2%	3.4%	3.5%
	Net interest margin	4.8%	6.7%	6.9%
	Cost ratio	44.4%	38.1%	40.2%
CREDIT QUALITY	Bad credit ratio	5.1%	5.3%	5.3%
	Credit risk fund adequacy ratio	120.0%	135.1%	127.9%
BoM CRITERIA	Equity ratio (>12%)	15.6%	16.7%	18.6%
	Tier 1 equity ratio (>13%)	15.6%	16.7%	18.6%
	Liquidity ratio (>25%)	46.9%	46.0%	46.5%
	Open position ratio (+/-15%)	-1.9%	2.8%	-6.3%
	Total foreign currency open position ratio (+/-30%)	-2.2%	3.0%	-6.5%
	Largest lender ratio (<20%)	8.0%	7.8%	8.2%
	Largest related party ratio (<5%)	0.7%	3.3%	3.9%

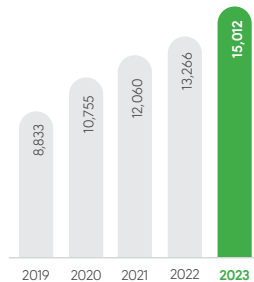
Total assets
(billion MNT)



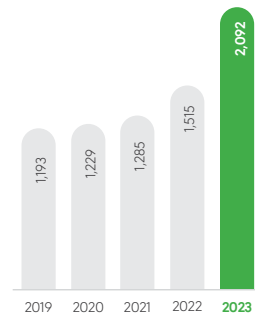
Total loans
(billion MNT)



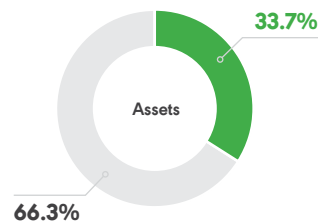
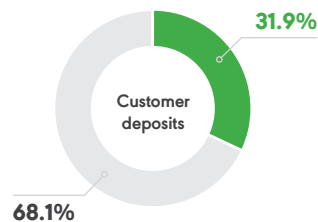
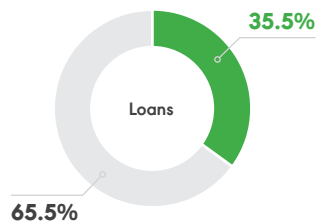
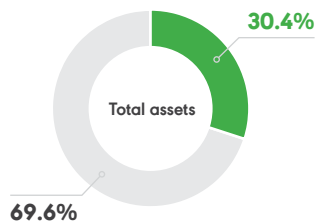
Liquidity assets
(billion MNT)



Assets
(billion MNT)



Market share



■ Khan Bank ■ Others

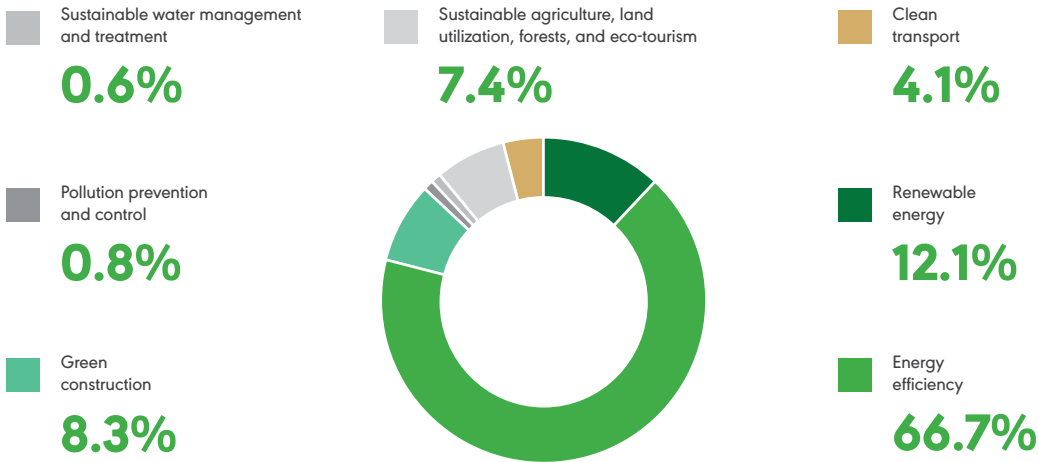
Please see Khan Bank's *Annual Report* for detailed information.

ESG HIGHLIGHTS

(As of December 31, 2023)

Sustainable financing and climate change

- Mongolian Green Taxonomy
- Defined and regularly monitored climate change-related risks in the Bank's risk management operations.



Sustainable social investment

- Since its establishment in 2007, the Khan Bank Foundation has provided more than 12.7 billion MNT in financing to over 510 projects and programs contributing to Mongolia's social development.
- Reduced 2.3 million tons of CO₂ emissions by planting 14,000 trees.
- Included 170,000 people in free screening through public health campaigns.





Sustainable operations

- Installed a combination of building-integrated photovoltaics (BIPV) and building-applied photovoltaics (BAPV) solar energy systems at the Seoul Office in Ulaanbaatar and reduced **43.6 tons of CO2** emissions, equivalent to planting **3,000 trees** and preventing the burning of 16.7 tons of coal.
- Installed building-applied photovoltaic (BAPV) solar panels at five local branches, reducing **6.85 tons of CO2** emissions annually, equivalent to planting **1,223 trees** and preventing the burning of 6.85 tons of coal.
- The Bank purchased five electric vehicles for everyday operations in 2023, reducing **5.6 tons of CO2** emissions and operating at a six times lower cost than combustion engine vehicles.

Sustainable partnerships and reporting

- Total amount of long-term sustainable financing raised from international banks and financial institutions reached 568 million USD by December 31, 2023.
- Successfully maintaining communication and cooperation by opening 51 foreign nostro accounts at 29 banks in 14 countries for 14 different currencies.
- In 2023, Khan Bank delivered more than 200 reports to cooperating international banks and financial institutions, international lenders, investors, and credit rating agencies.

ABOUT US

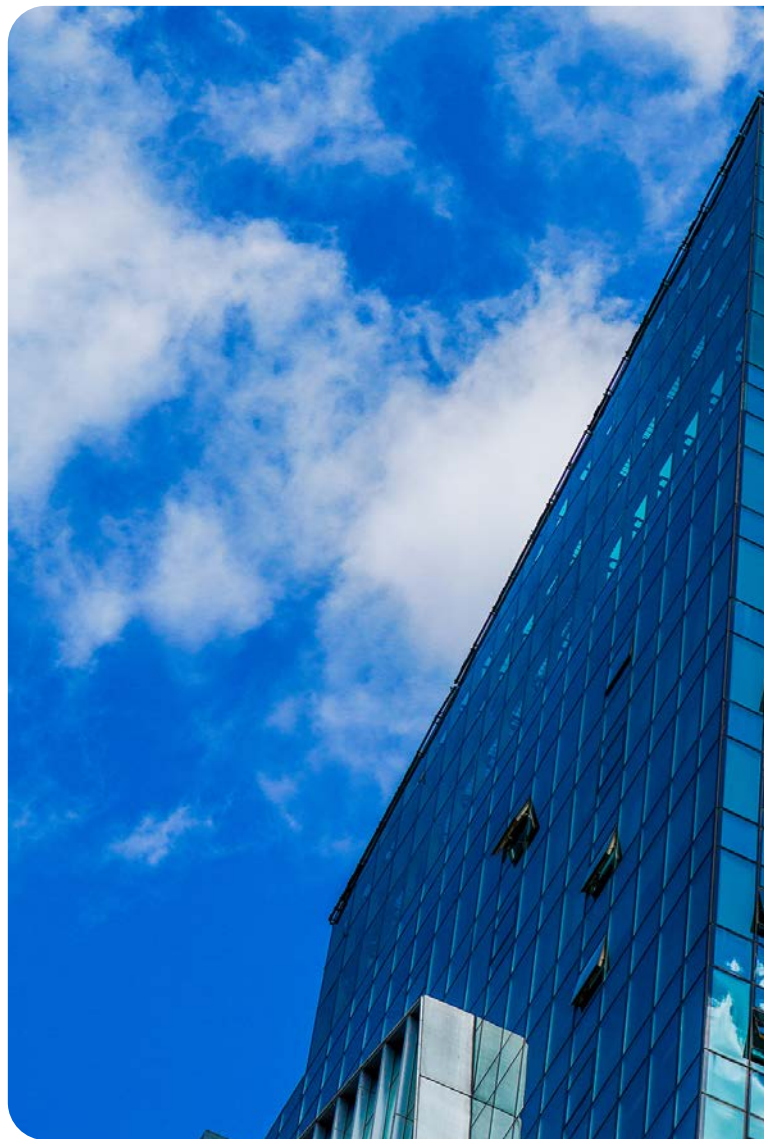
About Khan Bank

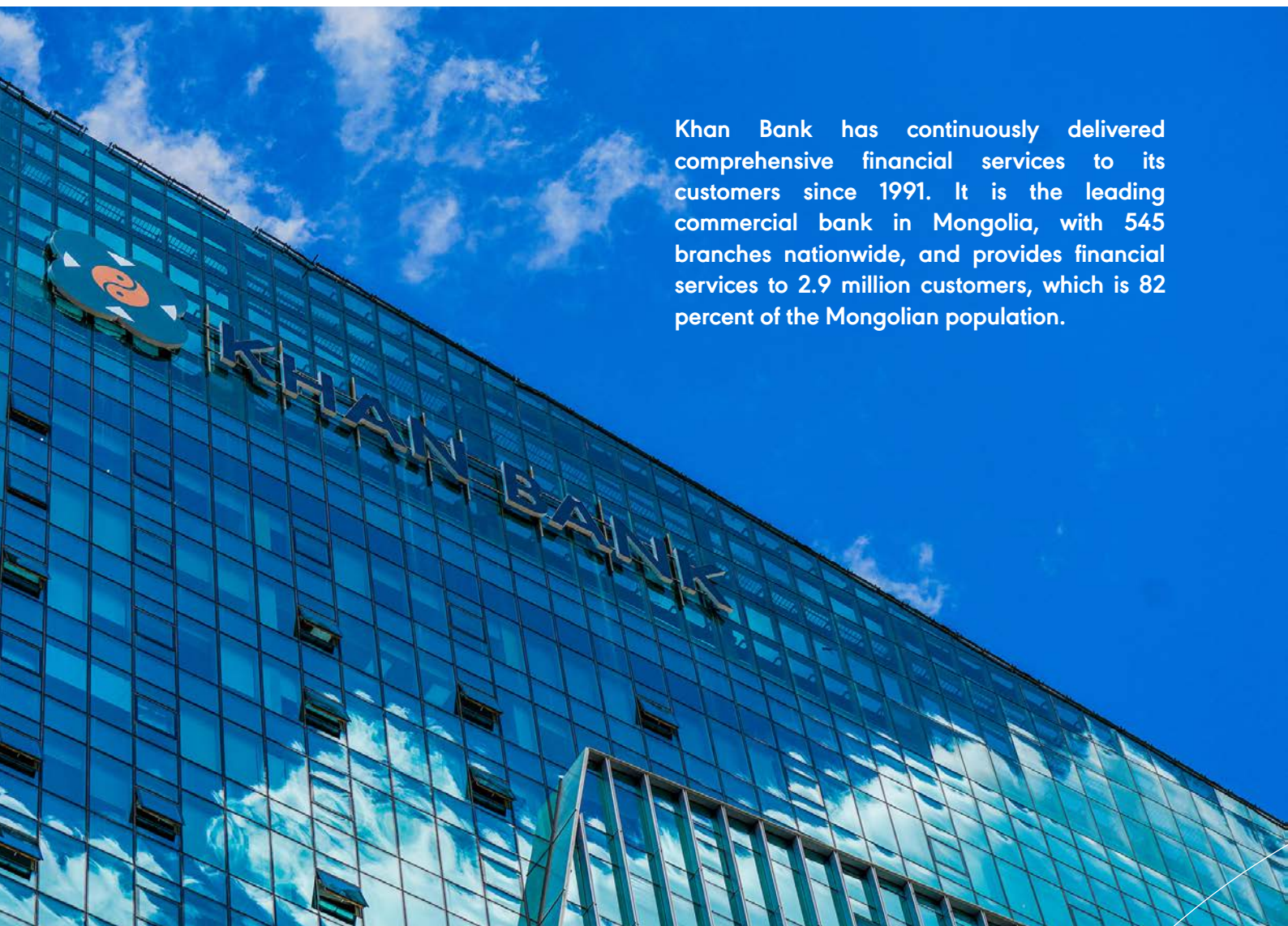
Khan Bank has continuously delivered complex financial services to its customers since 1991. It is the leading commercial bank in Mongolia, with 545 branches nationwide, and provides financial services to 2.9 million customers, which is 82 percent of the Mongolian population.

Khan Bank has consistently implemented social responsibility projects and initiatives since 2007 and has assessed environmental and social risks for business loans since 2011. The Bank finances responsible business by requiring risk mitigation, supporting the green economy, and contributing to the Sustainable Development Goals.

In accordance with amendments to the Banking Law of Mongolia, Khan Bank launched an IPO on the Mongolian Stock Exchange in April 2023 and became a joint stock company in June 2023, with KHAN stocks being traded on the Mongolian Stock Exchange. Khan Bank successfully issued the first-ever Mongolian green bond in the international market in March 2023 and issued the first-ever domestic green bond on the Mongolian Stock Exchange in December 2023.

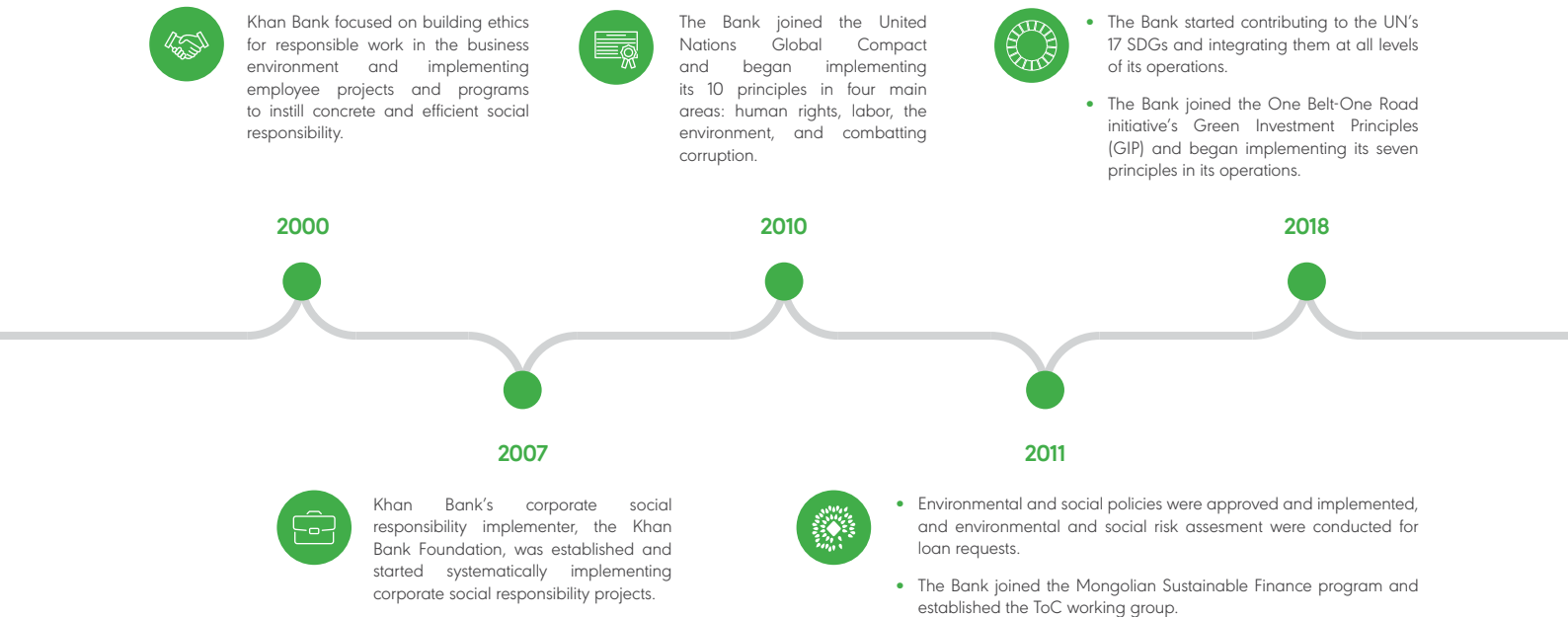
In 2018, we started to implement the 17 Sustainable Development Goals and took action to make a positive impact on environmental, social, and governance issues in our business operations. We focused our actions on climate change, risk, and transition finance issues. Furthermore, we are contributing to corporate social responsibility priority issues through the Khan Bank Foundation.

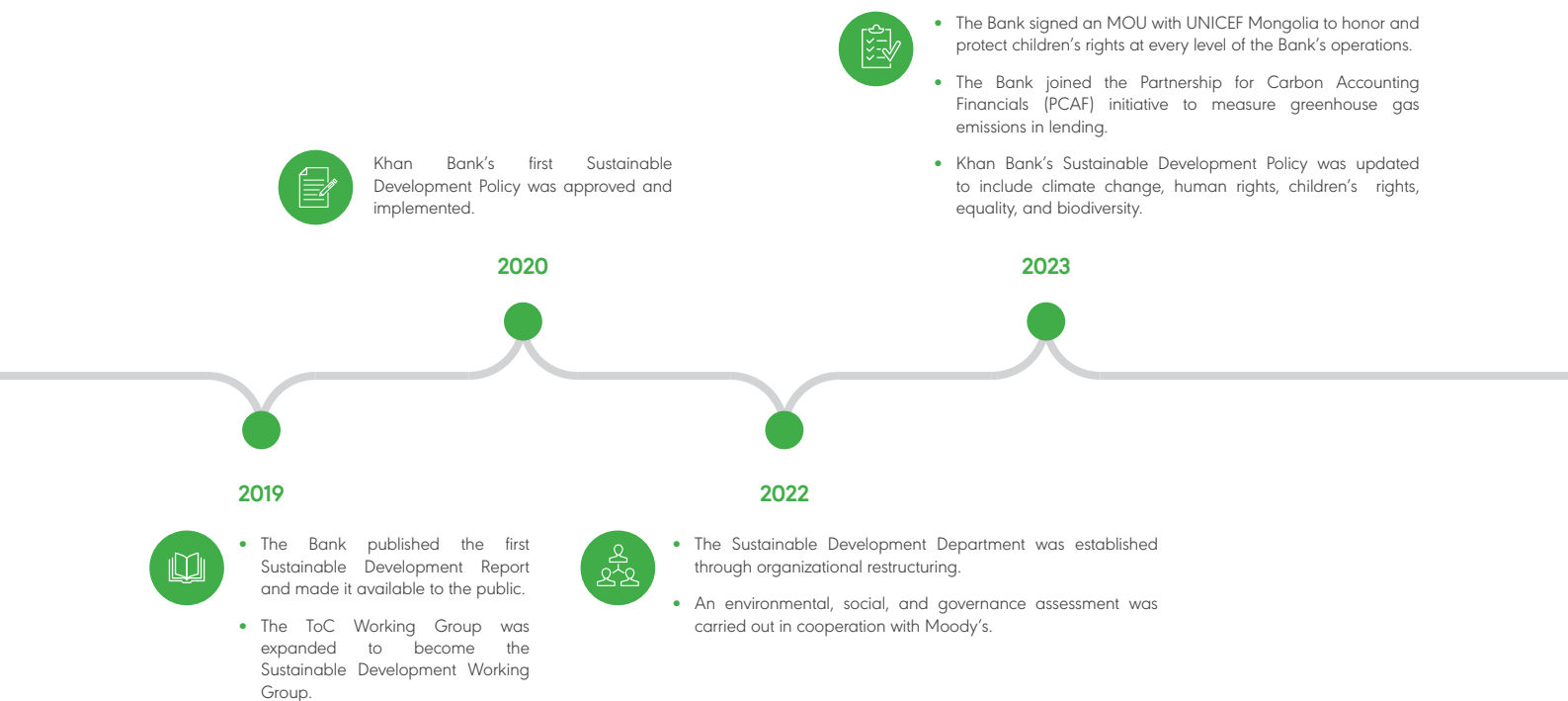




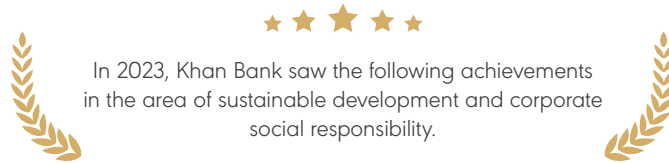
Khan Bank has continuously delivered comprehensive financial services to its customers since 1991. It is the leading commercial bank in Mongolia, with 545 branches nationwide, and provides financial services to 2.9 million customers, which is 82 percent of the Mongolian population.

Sustainable development timeline





Sustainable development awards and assessment



Asiamoney magazine named Khan Bank the **Best Bank for Digital Solutions, the Best Bank for ESG, and the Best Bank for SMEs**



Received the American Chamber of Commerce in Mongolia's **Leading Organization for Social Responsibility and Sustainable Development award** for the first time



Named the Company with the **Best Governance for the 2023 Grand Bull Awards**



Named the Organization with the **Best Training and Development Strategy** during the 2023 HR Awards organized by the HR Consortium Mongolia on Human Resource Professional Day



Recognized as one of the the **Most Influential Companies in Asia** for the the Asia Corporate Excellence & Sustainability Awards 2023, organized by MORS Group



Received a "good" rating from an **ESG** assessment conducted by Sustainable Fitch

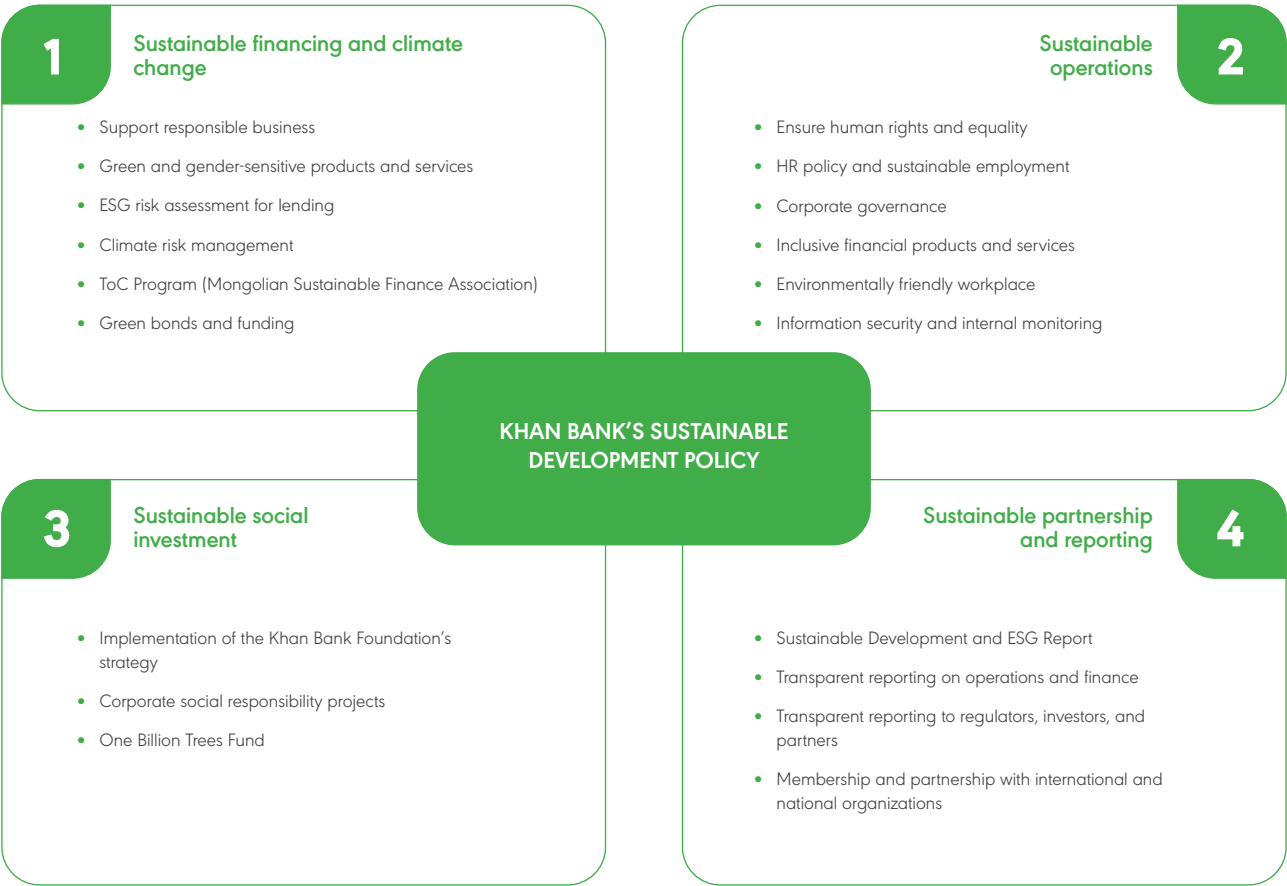


Named the **Best ToC Organization of MSFA** for the third consecutive time and chosen as the **Leading Bank in 2024**.



SUSTAINABLE DEVELOPMENT POLICY

Khan Bank’s Sustainable Development Policy has four main pillars.



The Sustainable Development Policy is based on the following core principles:



10 principles in four areas of the UN Global Compact declared in 2000



Children's rights and business principles defined by UNICEF, the UN Global Compact, and Save the Children in 2010



Eight principles defined by the MSFA in 2013



The UN's 17 SDGs declared in 2015



Paris Agreement approved by 196 countries in 2015



Seven principles of green investment defined by the Belt and Road Initiative in 2018



Family-friendly Policy prepared by UNICEF in 2020

In accordance with the above, starting from 2019, Khan Bank has prepared and publicly reported the work carried out within the framework of the Bank's Sustainable Development Policy in addition to the annual report. The Sustainable Development Report can be viewed in the "Sustainable Development" section of the bank's website.

Sustainable development principles

Khan Bank is implementing the following environmental, social, and governance principles at all levels of its operations and driving stakeholder participation.

SUSTAINABLE DEVELOPMENT PRINCIPLES

ENVIRONMENTAL

- Green finance
- Green environment
- Climate change
- Proper use of resources

SOCIAL

- Labor rights
- Human rights
- Children's rights
- Financial inclusion
- Employee Satisfaction

GOVERNANCE

- Business ethics
- Innovation and digital transformation



CORPORATE GOVERNANCE



GOVERNANCE STRUCTURE OF KHAN BANK

Corporate governance encompasses a holistic framework aimed at defining a company's objectives, implementing performance evaluation mechanisms, and overseeing structure, organization, and operations. Enhanced governance practices contribute to informed decision-making, facilitate efficient succession planning for senior management, and foster the sustained prosperity of companies, irrespective of their organizational structure or financial backing. Effective corporate governance correlates with improved performance outcomes.

The four main principles of the Bank's corporate governance include:

1 RESPONSIBILITY

To be responsible for the powers and obligations granted to the Bank within the framework of its legal interests

2 TRANSPARENCY

To provide clear, timely, and accurate information that is adequately prepared

3 REPORTING

To establish trust by disclosing every action to all stakeholders and interested parties

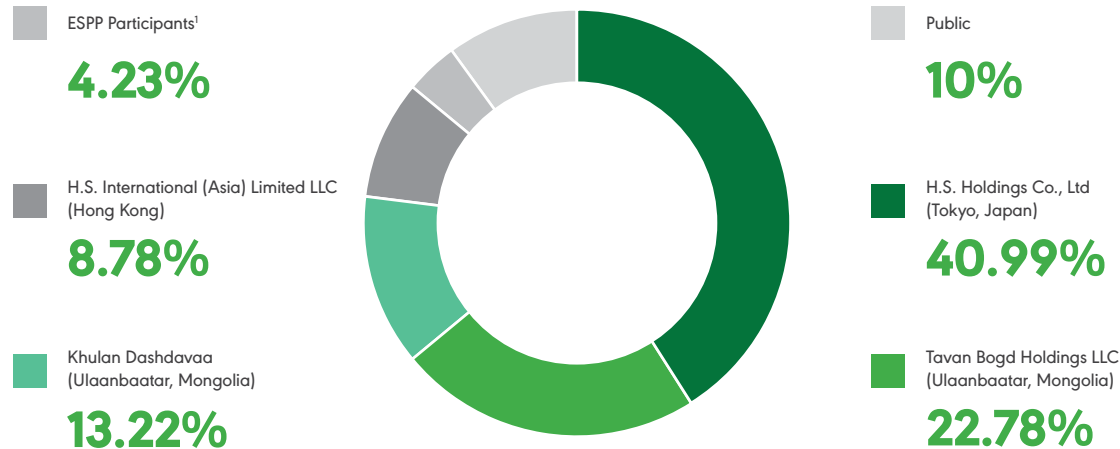
4 INTEGRITY

To create fair, equal, and non-discriminatory treatment conditions for all participants and interested parties of the Bank

For more information, please refer to Khan Bank's 2023 [Annual Report](#), pages 14-16.

Shareholding structure

As of December 31, 2023, the shareholding structure of Khan Bank JSC is as follows:



Shareholder structure of Khan Bank as of December 31, 2023

Board of Directors

Khan Bank’s Board of Directors (BoD) operates by implementing corporate governance and complies with the laws and regulations of Mongolia, including the Company Law, Banking Law, Law on Securities, regulations, and other documents approved by the Bank of Mongolia, Financial Regulatory Commission, Mongolian Stock Exchange, the Khan Bank Charter, the Corporate Governance Code, the Board of Directors’

operating procedures, and other relevant legal documents. The BoD meets monthly, and if necessary, emergency meetings are held in accordance with relevant legislation.

For more information about the Board of Directors and executive management, please refer to Khan Bank’s 2023 Annual Report, pages 19-25.

For more information, please refer to
Khan Bank’s 2023 Annual Report, pages 17-18.

SUSTAINABLE DEVELOPMENT STRUCTURE

Sustainable development governance

Khan Bank's sustainable development governance consists of the Corporate Governance Committee under the Board of Directors, the executive management-level Sustainable Development Committee, the Sustainable Development Department, and the working groups for sustainable development areas.

The Sustainable Development Committee will be established at the executive management level in 2024 to put the goal of being a leader in sustainable development into practice. It will support the implementation of the goals, commitments and principles of the Sustainable Development Policy, monitor the plans and performance of working groups within the governance framework, and present the Bank's Sustainable Development Report to stakeholders. The committee will focus on the goal of accurate and transparent delivery.

The Bank's Sustainable Development Policy Implementation Report is submitted to the BoD's Corporate Governance Committee every six months, providing information and increasing participation in this area at the BoD level.



LEADERSHIP FOR SUSTAINABLE DEVELOPMENT



Sustainable financing and climate change: Mongolia's first green bonds traded in the international market and the Mongolian Stock Exchange was a successful project that showed leadership in the industry and nation. In addition to financing green projects and programs in seven areas, these bonds continue to support women entrepreneurs.

Sustainable operations: When the Bank receives funding from international banks and financial institutions, it is necessary to comply with the international standards of the Bank of Mongolia. By doing so, we attract various resources to the country, use the funds effectively, study international best practices, introduce innovative technologies in our business activities, improve the skills of our employees, and obtain technical assistance to provide customers with knowledge and information. We also focus on increasing the scale of operations and creating growth by openly sharing acquired experience and knowledge with the Bank's stakeholders.

Sustainable social investment: Through the Khan Bank Foundation, the Bank has consistently organized many projects that contribute to society's well-being. The foundation's work is a clear sign of leadership, as many nationwide projects are implemented in cooperation with professional organizations with clear and measurable results. The National Campaign Against Cancer was launched in 2011, and the Campaign Against Hypertension was launched in 2017. These campaigns have reduced the incidence rate of the leading causes of death in Mongolia.

Sustainable partnership and reporting: The Bank is expanding its range of cooperation and actively partnering with organizations that support the Sustainable Development Goals. More than 200 reports on sustainable development, the environment, and socio-economic development have been submitted, meeting the standards of regulatory bodies and external financing organizations.

CODE OF CONDUCT

The Bank's code of conduct was first developed and approved by the King in 2009, and since then it has been updated and modified until now by all bank shareholders, the chairman of the board of directors, members, main and contract employees, and employees of service providers. The purpose of Khan Bank's Code of Conduct is to establish ethical standards to be followed by the Bank's shareholders, the chair and members of the board, employees, contracted employees, and foreign and domestic consultants when implementing the Bank's goals and objectives.

Ethical norms and principles have been defined in detail as follows by Khan Bank shareholders, board members, management and employees, and Khan Bank employees adhere to the following general principles when performing their duties. It includes:

- The principle of respect for laws and regulations
- The principle of proper and fair performance of duties
- The principle of proper use of the bank's property and goods
- The principle of freedom from conflict of interest
- The principle of freedom from corruption and bribery
- The principle of fair access to market information
- The principle of confidentiality
- The principle of respect for customers
- The principle of providing accurate information

- Principles of management and control
- Principles of communication with competing organizations
- Information security principles
- The principle of reporting violations and deficiencies
- Principles of using mass media and electronic networks

Updates to policies and procedures

In order to ensure the implementation of the Code of Conduct of Khan Bank, we have developed and followed the necessary policies and procedures in the following 2 directions. In this:

1. Direction of maintaining professional ethics and norms: In 2023, the following procedures have been revised according to the profession and activity direction specified in the Code of Ethics of the Khan Bank. It includes:
 - Ethical regulations for loan officers of Khan Bank: The purpose of this regulation is to establish the ethical norms and principles to be followed by all employees participating in Khan Bank's loan operations in their daily activities.
 - Ethical regulations for managers: The purpose of this regulation is to determine the ethical standards and requirements of managers for the high-quality and responsible performance of management functions by managers at all levels of Khan Bank, to establish the special duties of managers, to ensure professional principles, and to provide ethical standards to management employees. is to establish the organization's concept of and related norms.

- Changes in the internal operating procedures of Central Bank offices and units: each Central Bank office unit adds a new chapter called “Ethical Norms to Follow” to its “Internal Operating Procedures” with ethical standards that are consistent with the area’s operations and professional characteristics. size is defined and reflected.
2. Ethical standards for respect and protection of human rights: Each employee shall follow the following policies and procedures related to having a sense of human rights while performing their duties, and ensuring compliance with laws and regulations in the direction of respect and protection of human rights. In this
- In 2022, “Khan Bank’s Policy on Ensuring Employment Equality” was developed and approved. This policy includes ensuring equal and diverse diversity in employment relations, respecting everyone, promoting participation, creating an environment free from intolerable forms of discrimination, discrimination, intentional defamation or defamation of others (but not limited to this), and gender equality. In the framework of the goal of creating long-term stable jobs by working to meet the conditions, the principles to be followed by Khan Bank were defined. In addition to all Khan Bank employees, it can also be used by contractual employees who jointly implement Khan Bank’s products and services, employees of contractual organizations, as well as all stakeholders involved in business relations with the bank.
 - “Khan Bank Employee Data Protection Regulations” in 2022 to ensure compliance with the Personal Data Protection Law of Mongolia, as well as to respect the personal data of employees, treat them within appropriate limits and legal frameworks, and strictly maintain the transparency of activities carried out within the scope of employee data. adopted in order to implement the principle of restoration.
 - In 2022, the “Procedure for preventing and suppressing harassment and violence in the workplace of Khan Bank, and accepting complaints in this regard” was approved in 2022. The purpose of the regulations is to create an environment that respects human rights in the workplace that does not tolerate any form of harassment, violence, or sexual harassment, to establish in detail the actions and omissions of each employee to act in a manner that does not tolerate violence and harassment, to work ethically, and to ensure and protect human rights.



ANTI-CORRUPTION

To meet the requirements of external cooperating organizations, the principles and responsibilities of stakeholders to prevent and reduce the risk of financial crime, fraud, and illegal actions, in addition to reporting fraud and fostering an ethical culture, were defined. A fraud management policy was developed and approved by the Board of Directors, and the Fraud Risk Program will be implemented to assess the risk of fraud, create an effective control system, and cultivate and maintain a culture of fairness and ethics.



A general presentation of Khan Bank's anti-corruption policy was published on Khan Bank's website, and measures were taken to provide ethics training and information about anti-corruption measures to 39 enterprises that signed a cooperation agreement with the Bank.

Khan Bank values fairness and transparency, does not accept corruption and bribery in Bank operations. All employees and authorized officials are prohibited from being involved in corruption and bribery in any way. Khan Bank's Code of Conduct, Internal Labor Regulations, and Employee Employment Contracts include anti-bribery policies and responsibilities, and the consequences of violations are clearly explained to all employees. In 2023, the Code of Conduct for Bank Managers and the Code of Conduct for Bank Employees were approved and are being implemented. If a Khan Bank employee discovers any suspicious activity related to corruption or bribery, they are obliged to report it using the Bank's special whistle-blowing channel.

The Internal Compliance Control Program for 2023-2025 was revised to improve and effectively implement the internal control system to combat money laundering, financial crimes, and corruption and monitor related transactions. Other preventive measures are important components of this program.

CYBER SECURITY AND INFORMATION SECURITY

Cyber security and information security

Information security

In order to ensure the security of customer and bank information, Khan Bank regularly improves by applying internationally selected methods, experiences, initiatives and international ISO27001:2022, PCI DSS v3.2.1, personal data protection standards. In doing so, special attention is paid to ensuring that personnel and technology operations are able to implement best practices and approaches. Also, by implementing information security risk management, we identify future risks to the bank in advance and take necessary measures. According to the ISO27001:2022 Information Security Management System, the international ISO27005 standard is followed in the implementation of Information Security Risk Management. In 2023, relevant policies and procedures for information security risk management will be updated, and the vulnerability of information assets will be used to avoid the loss of confidentiality, integrity, and accessibility. Information security risks are regularly reviewed and effectively managed by the Information Security Risk Subcommittee.

International standards

ISO 27001:2022 – Standard for information security management systems

In order to monitor the implementation of ISO 27001:2022 standard, the Electronic Security Department conducts annual internal audits and audits, and annual certification is conducted by international audit organizations.

PCI DSS – Payment Card Security Standard

Khan Bank has become a bank in Mongolia that meets all the requirements of PCI DSS standard 3.2.1 or the latest version of payment card security. This standard is an international standard with strict technical and operational criteria aimed at ensuring the confidentiality and security of card information at all stages of the bank's internal operations, from the time the card order is made to the customer's hand. According to this standard, the bank implements security controls and requirements at all levels of the bank related to system, software, network and card operations, and the implementation is checked and verified annually by an authorized international audit organization, and the PCI DSS 3.2.1 standard certificate was issued on December 12, 2023. It was successfully verified on 29th of May. By obtaining this certificate, the official service provider from the VISA international payment card organization is authorized to use the electronic logo.

GDPR

Eleven groups of international standards for the protection of personal data, such as the European Union's General Data Protection Regulation (GDPR), have been implemented. A bankwide gap analysis was conducted by an external organization in March 2023. The organization organized a six-hour data protection training program for relevant employees and issued certificates of completion. The participating employees were supported in implementing their knowledge in daily activities.

ISO 27701:2019

Ensured the implementation of ISO 27701:2019 Privacy Information Management or Personal Information Security Management System standard, made changes to relevant policies and procedures, regularly provided training and recommendations related to changes to internal employees, and created a new control process. In addition, an audit was organized by an authorized external organization to certify the certificate, and it became the first organization in Mongolia to obtain the certificate. The results of the audit are reported to the relevant management and committees, and regular improvement measures are taken and implemented.

became the first organization to implement international protection standards in Mongolia. In accordance with this standard, the bank implements relevant requirements in its operations aimed at protecting customer or individual identifiable information, monitoring whether it is used for what purpose, and only using it safely for business purposes. Also, within the framework of the requirements of the standard, relevant controls have been successfully implemented in our main operations.

Information security training and advice

In order to reduce and manage the risk of human-caused information security loss, the Bank provides information security training and recommendations to all employees and regularly improves it. At the same time, the bank works with the Mongolian Banking Association, the General Police Department, and other commercial banks to provide recommendations and information to its customers on how to ensure the privacy of their information, not to lose or disclose their information, and how to safely use bank cards and electronic products.

Information security technology controls and operations

The Information Security Control Center works 24/7 for real-time monitoring to stop, respond to, and prevent attacks. Employee access to bank systems is regularly monitored through international security methods, processes, techniques, and systems. The international Open Worldwide Application Security Project (OWASP), Common Vulnerabilities and Exposures System (CVE), and machine learning are utilized to detect and stop advanced persistent threat (ATP) attacks and other targeted attacks. We regularly implement penetration tests -(Black, White, Gray) and controls in cooperation with leading international organizations to implement security solutions for the Bank's systems, networks, servers, and devices.

INTERNAL AUDIT AND CONTROL

Internal audit

Purpose and function

Internal audits are designed to protect and increase the Bank's value based on the principle of objectivity in assessing its governance, risk management, and control systems.



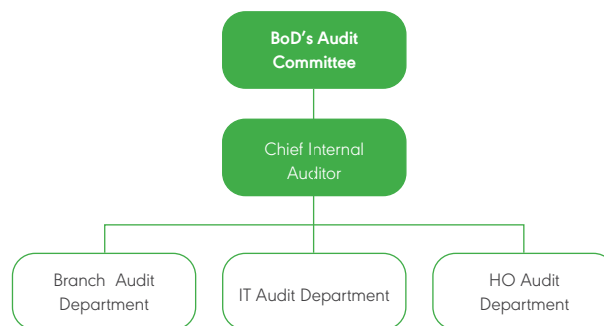
International Professional Practices Framework

Khan Bank's internal audits follow International Professional Practice Framework (IPPF) standards and the code of ethics of the International Institute of Internal Auditors (IIA).

In October 2023, the Bank's internal audit underwent an independent quality assessment by a leading international organization. The rules, policies, and practices of the internal audit were evaluated as fully compliant with the international standards and codes of conduct for internal audit.

Structure

In implementing its goals and main functions, the internal audit is under the direct management of the Board of Directors' Audit Committee in accordance with the principles of good corporate governance and works independently of executive management.



The Audit Committee ensures the independence of the internal audit by appointing the Chief Auditor, approving the internal audit rules, strategy, and annual budget plan, in addition to monitoring the audit's performance and activities.

The internal audit supports and protects the Bank's long-term sustainable business goals through its defined goals and the structure and organization of its implementation.

Internal audit activities and sustainable development

Khan Bank’s internal audit operates within the Bank’s medium-term strategic plan to use technology-based and flexible methodologies that comply with international standards.

The internal audit’s mid-term strategic plan includes the objectives of the Bank’s Sustainable Development Policy, such as sustainable employment, partnership, and reporting. During the reporting period, internal activities supported the following Sustainable Development Goals:

- The audit system uses an electronic database for audit activities to implement step-by-step internal controls related to the preparation, archiving, and execution of audit performance within the framework of a single standard. Stationery costs related to audit activities were reduced by 32 percent in 2023, and the goal of responsible consumption was supported by reducing the use of paper.
- By using automation in reporting systems, continuous audits, and remote auditing, we efficiently manage resources, create an environmentally friendly work environment, and utilize a digital format that creates diverse and accessible operations.

Internal control

Starting in 2021, to ensure the reliability of shareholders’ assets and strengthen its internal control system, Khan Bank developed the Khan Bank Internal Control Policy based on the COSO Internal Control Framework.

The Bank is working toward the achievement of its operational, reporting, and compliance objectives at all levels of the organization within the framework of the internal control system’s five components.



In implementing its goals and main functions, the internal audit is under the direct management of the Board of Directors’ Audit Committee in accordance with the principles of good corporate governance and works independently of executive management.



Khan Bank's internal control system



OBJECTIVES

- Operations
- Reporting
- Compliance



COMPONENTS

- Control Environment
- Risk assessment
- Control activities
- Information and communications
- Monitoring



SCOPE

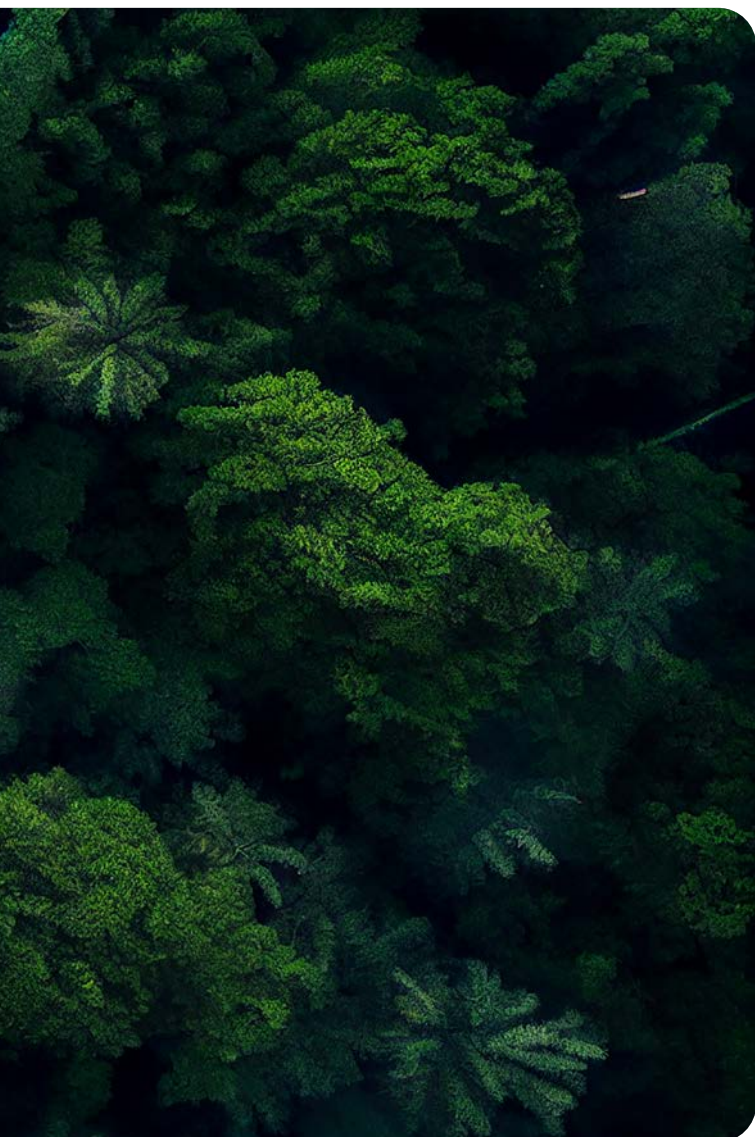
- Entity level
- Division
- Operating unit
- Function

The Bank has implemented the following measures to create and effectively manage the internal control system:

- The Bank's internal control policy implementation guidance, Internal control evaluation procedure, and risk control matrix methodology have been approved for the effective management of the internal control system.
- According to the internal control policy, evaluations of the Bank's internal control system were carried out in 2022 and 2023. Improvements are being made in the relevant areas.
- According to the evaluation methodology approved by the second line of defense, the activities that may affect the Bank's business goals and objectives are monitored and evaluated, and improvements are made regularly.

An aerial photograph of a dense, lush green forest. The canopy is thick with various types of trees, including some with prominent palm fronds. The lighting is bright, creating a vibrant green color palette with some darker shadows within the foliage.

SUSTAINABLE FINANCE AND CLIMATE CHANGE



Khan Bank adopted the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP) based on the standardized methodology of the Basel system to prevent potential risks to the Bank, maintain enough capital to handle stressful situations, improve risk management, and create a control system.

Stress tests are conducted in accordance with the Stress Test Policy and Procedures to prevent risks that could compromise stability, evaluate risk-bearing capacity, ascertain capital and solvency's ability to withstand losses in the future, and establish resources to overcome obstacles. Business continuity plans are created and carried out to plan for required resources and emergency procedures and to foresee business disruptions, accidents, and their effects.

The Vice President of Risk formed a working group to ensure sustainable development, mitigate the risks of climate impacts, conduct pertinent calculations and research, and work toward developing and implementing an aligned action plan after the Bank identified the risks of climate impacts that would affect sustainability in 2023. In 2024, the General Risk Management Policy is scheduled to include the system of risks arising from climate change.

To further mitigate the risk of climate impact on the Bank's business objectives and the obligations of lenders and regulators, the Board of Directors has adopted three restrictions to lower the risk of climate impact within the Risk Appetite Assessment.

GREEN FUNDING

In 2023, we prioritized our sustainable financing efforts, expanded our sustainable financing offerings, and collaborated with international financing organizations, consulting firms, governments, ministries, offices, and environmentally conscious initiatives, all in line with our value of **“Sustainability is the future”**. We have collaborated with groups and broadened our reach during the past year.

Collaborating with international investors and banking institutions has given Khan Bank a 277.8 million USD loan with a two- to five-year repayment period. The funds will support and finance projects and programs that promote sustainable development and have a positive impact on the environment, economy, and society. In 2023, long-term resources were effectively mobilized. Most notably, the Bank financed Mongolia’s first green bonds issued globally and on the Mongolian Stock Exchange.

International green bond

Under the Paris Agreement, which was instituted as a component of the United Nations (UN) Framework Convention on Climate Change, every nation has pledged to set and execute domestic goals to curb greenhouse gas emissions. By 2030, Mongolia wants to cut its greenhouse gas emissions by 22.7 percent. Khan Bank is finding ways to bring in new funding sources through cutting-edge financing tools on the global market, coordinating this goal with its sustainable development policy and business strategy.

The Bank issued the first Mongolian green bond on the international market on March 16, 2023, raising 60 million USD over a five-year term. IFC organized the fundraising for the bond, contributing 15 million USD from its own funds, 35 million USD from the Netherlands Development Bank (FMO), and U.S.-based investor MicroVest funded 10 million USD.



Khan Bank's international green bond offering marked the introduction of innovative instruments for financing to the Mongolian financial industry. This has evolved into special financing that will support the shared objective of bringing the green loan portfolio share of all loans to 10 percent by 2030, which was 1.4 percent of all loans in Mongolia's banking sector in 2022. Supporting this goal is crucial.

Based on the guidelines and regulations of the International Capital Market Association (ICMA), international investor organizations, and Mongolia's Green Taxonomy, the Bank

created the Green Bond Financing Framework to issue green bonds in the global market. The ICMA's Green Bond Principles are followed in the selection, funding, monitoring, and reporting of green projects and programs within the framework of green bond resource expenditures, as stated in the Green Bond Financing Framework. Sustainable Fitch, a group that assesses governance, society, and the environment, gave it a "good" rating.

The bond is funding seven primary green initiatives and projects:



Renewable energy projects



Green building solutions



Water management and water saving technologies



Green transport



Energy efficiency products, services, and projects



Pollution prevention and reduction activities



Sustainable agriculture and livestock

Domestic Green Bond

As the country’s top bank, Khan Bank holds 32 percent of the banking system’s assets. As part of its medium-term goal of rapidly growing its green loan portfolio to finance environmentally-friendly initiatives, the Bank will raise 30 million USD in the domestic capital market to draw long-term resources. This green bond will only finance projects and activities that have a positive impact on the environment and reduce greenhouse gas emissions.

Evidence Audit LLC provided the bond’s asset appraisal, PricewaterhouseCoopers Audit LLC provided financial advice, BDSec LLC was the primary underwriter, and Khan Lex Partners LLC was the legal advisor. Khan Bank’s green bond was first offered for offer on the Mongolian Stock Exchange.

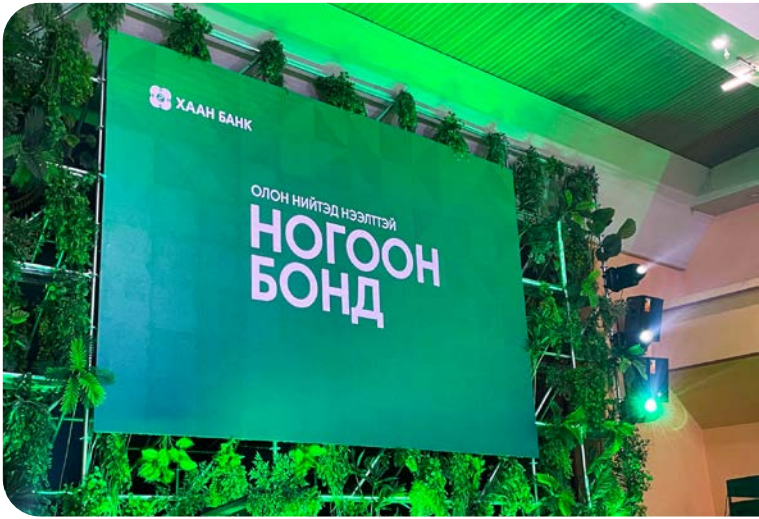
By issuing green bonds domestically, Khan Bank will broaden the capital market, provide more green products to the Mongolian market, and open up new investment options for local and foreign investors.

Green Loan Portfolio

Khan Bank’s green loan portfolio expanded by 257 percent from 105 billion MNT at the end of 2022 to 377.4 billion MNT at the end of 2023.

At the end of 2023, commercial banks submitted their green loan portfolios to the Bank of Mongolia, amounting to 800.5 billion MNT. Khan Bank’s green loans held 47.1 percent of the green loan market.

Using the Green Taxonomy category as a guide, 27.8 percent of green loans were for renewable energy, green construction, and sustainable agriculture, and 66.7 percent went to energy conservation.



Breakdown of the Green Loan Portfolio

(as of year-end 2023)

Green taxonomy	Percentage
Renewable energy	12.1%
Clean energy	-
Energy efficiency	66.7%
Green construction	8.3%
Pollution prevention and reduction activities	0.8%
Water management and water-saving technologies	0.6%
Sustainable agriculture, land use, forestry, and ecotourism	7.4%
Low-carbon transport	4.1%

GREEN PRODUCTS AND SERVICES

Some of the Bank's significant mid-term goals are to improve energy efficiency; implement cutting-edge strategies for sustainable agriculture, green buildings, and green transportation; address waste issues; and fund green initiatives that lessen the adverse impacts of climate change.

To support projects and programs in accordance with the seven main categories of the Green Bond Framework, green project business loans were introduced, including the Energy-efficient Housing Loan, Green Car Loan, and the Improving Your Living Environment Loan for ger district residences and summer homes.

New green loan products

Loan products	Type	Loan purpose, taxonomy classification	Loan amount	Tenor
Green project business loan	Business	<ul style="list-style-type: none"> Renewable energy; Energy saving; Green building; Activities for prevention from and reduction of pollution; Activities for water management and waste water recycling; Sustainable agriculture; Clean transportation; 	It depends on due project. Loan maximum amount in terms of only renewable energy project shall not exceed MNT amount equivalent to USD 5 million.	Up to 60 months
Electrical vehicle loan	Individual Business	Must be 100% electrical and new vehicle	Amount shall not exceed price of new and electrical vehicle	Up to 84 months
Loan for purchasing apartment with energy saving (variable)	Individual	Buildings with construction energy certificate indicator of "B" or above	Up to MNT 500 million	120 - 180 months
Loan for purchasing private house with energy saving (variable)				120 - 180 months
Loan for building private house with energy saving (variable)				
Loan for improving living environment		To save energy, upgrade and rehabilitate private housing by reducing heat loss of house	Up to MNT 80 million	Up to 60 months



Loans to support women entrepreneurs

To assist women entrepreneurs, the Bank released new working capital and investment packages in March 2023. According to domestic and foreign research, collateral is one of the biggest obstacles women entrepreneurs must overcome to get a loan. The Bank's loan products are distinguished by the option to waive collateral requirements for borrowers in good standing.

In 2023, Khan Bank received 95 million USD from international financing organizations in the framework of gender finance. At the end of the year, the business loan portfolio for women entrepreneurs had grown to 362.1 billion MNT.



95 million
USD from IFIs



362.1 billion
MNT business loan portfolio of women entrepreneurs

Loan products	Type	Loan feature and concessionary terms and conditions	Loan amount	Interest	Tenor
Investment loan for women entrepreneurs	Micro, SME Business entrepreneurs, individuals running private business.	Loan amounting up to MNT 100 million shall be disbursed by pledging movable collateral given that credit history assessment of 1-3.	Up to MNT 1.0 billion	18.6%	Up to 36 months
Working capital loan for women entrepreneurs			MNT 500.0 million		



Empowerment program for women entrepreneurs

With the help of its Small and Medium-sized Enterprise Support Center, Khan Bank gives clients the business advice they need to run their companies well, enabling them to grow, expand, and take advantage of opportunities to advance to new phases of growth.

In 2023, 2,009 clients received training and development through six programs; over 1,400 (70 percent) were women entrepreneurs. The Women Entrepreneurs Support Program reached 315 women entrepreneurs. The program's objective was to increase corporate competitiveness by fostering the leadership, personal growth, and entrepreneurial abilities of women entrepreneurs.



6
programs



2,009
clients received training



70% as of

1,400 women entrepreneurs

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RISK MANAGEMENT

To assess the credit ESG risk

As of December 31, 2023, environmental, social, and governance (ESG) risk assessments were conducted for 336 loan requests, totaling 915.6 billion MNT.

- An evaluation of the ESG risks associated with 316 loan requests, totaling 746 billion MNT
- A comprehensive examination or due diligence of ESMS for 3 loan requests totaling 114.6 billion MNT
- In compliance with loan operations procedure, ESMS risk assessments completed over the previous 12 months were examined and approved for 17 loan requests totaling 54.8 billion MNT.



Monitoring loan portfolio restrictions

1. A limit of 2.5 percent is applied to alcohol and tobacco production and specialized trade:
 - In 2023, assessment of 50 loan requests totaling 20.3 billion MNT were approved
 - Portfolio limit performance is calculated monthly and reported to the Risk Management Committee and the Board of Directors. As of December 31, 2023, the sector's loan portfolio was 0.95 percent of the total portfolio.
2. A 10 percent cap is applied to hazardous chemical manufacturing, trade, storage, and transportation:
 - Permission was granted to review nine loan requests totaling 41.5 billion MNT.
 - As of December 31, 2023, the share of the total loan portfolio was 4.99 percent.

2.5% is applied to alcohol and tobacco production and specialized trade

Training and capacity building

In 2023, ESG risk management and evaluation process training content was updated. By the end of the year, 464 loan officers and customers had received training on ESG risk management and evaluation.

ESG risk management procedures and regulations

The environmental impact categories of economic sectors were amended to include the level of environmental and social impact; 35 sub-categories were changed from green to yellow and red categorization for evaluation. This change was implemented on March 9, 2023.

A form for checking the potential supply chain risks for solar power generation projects was added to regulations on ESG risk assessment in loan operations procedures.

10% cap is applied to hazardous chemical manufacturing, trade, storage, and transportation



assessment of 50 loan requests totaling

20.3 billion MNT

the share of the total loan portfolio was

0.95%



41.5 billion MNT

total of 9 loan requests

the share of the total loan portfolio was

4.99%

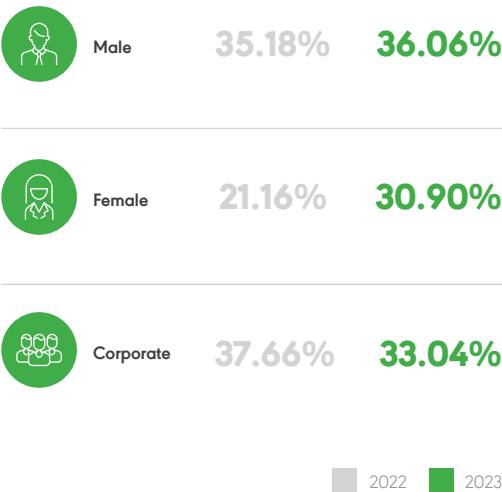
FINANCIAL ACCESSIBILITY

Accessible products and services

As the nation's premier bank, Khan Bank has a great duty to lead the banking and financial industry in customer service. We strive to enhance customer service through our Branch Clearing Center and Customer Information Center's digital channels in light of the innovation and expansion of digital banking to become Mongolia's preeminent customer-centric enterprise.

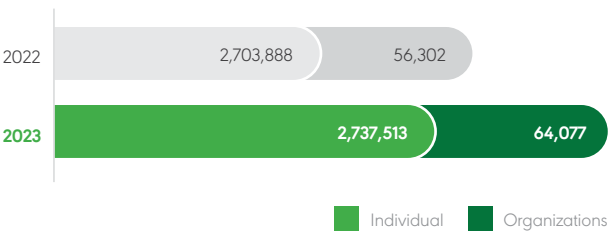
Loan portfolio

2022 and 2023 loan portfolio of Khan Bank by gender



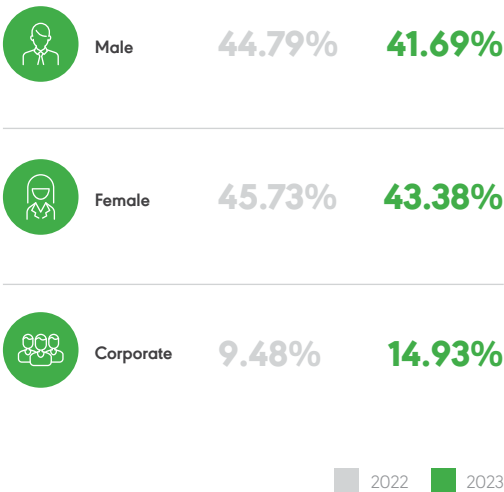
Total customers

Total customers of Khan Bank in 2022 and 2023



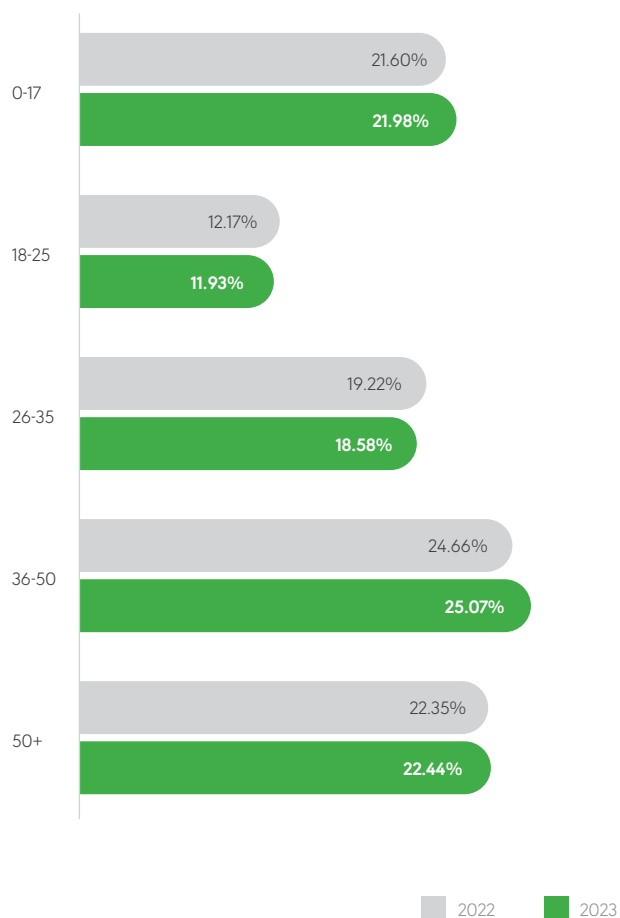
Deposit portfolio

2022 and 2023 deposit portfolio of Khan Bank by gender



Age of customers

Age of Khan Bank customers in 2022 and 2023 by gender



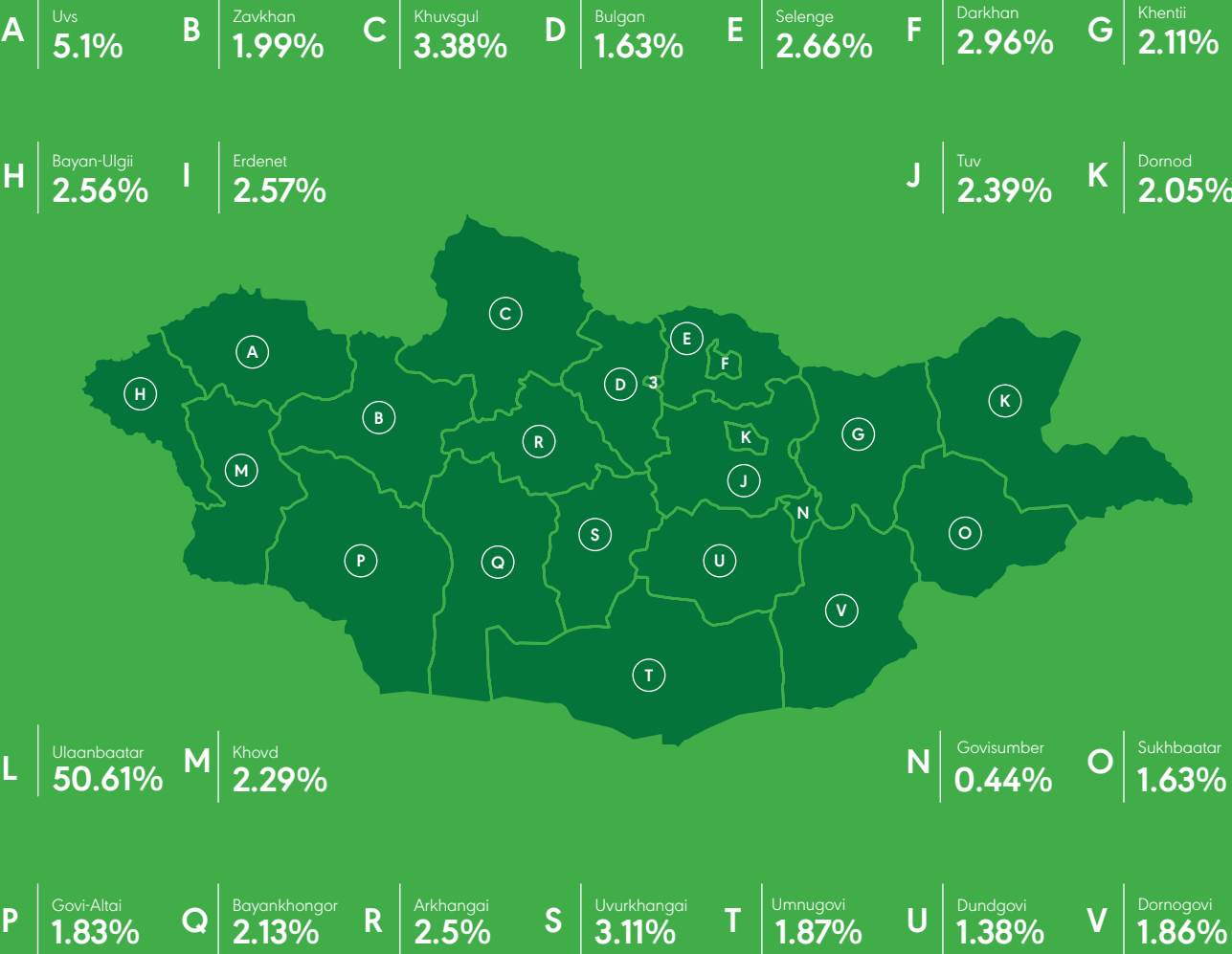
Customer ratio by segment

2022 and 2023 Khan Bank customers by segment

Segments	Amount	Presentage
Priority	7,658	0.27%
Signature	44,670	1.57%
Corporates	58,110	2.04%
SME	5,479	0.19%
Government organizations	104	0.00%
Financial organizations	384	0.01%
Public	2,737,513	95.92%

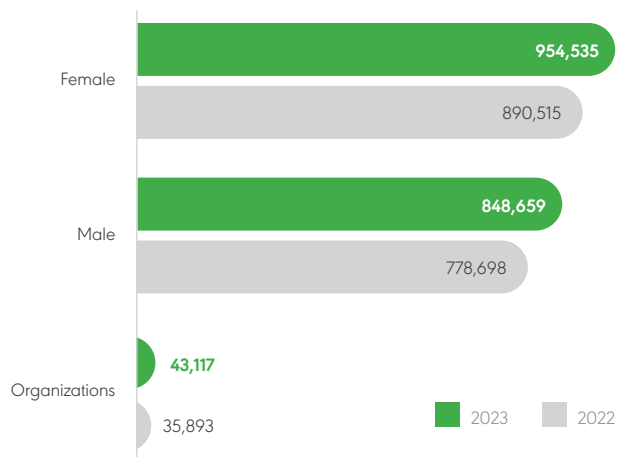


2023 customer ratio of Khan Bank by location



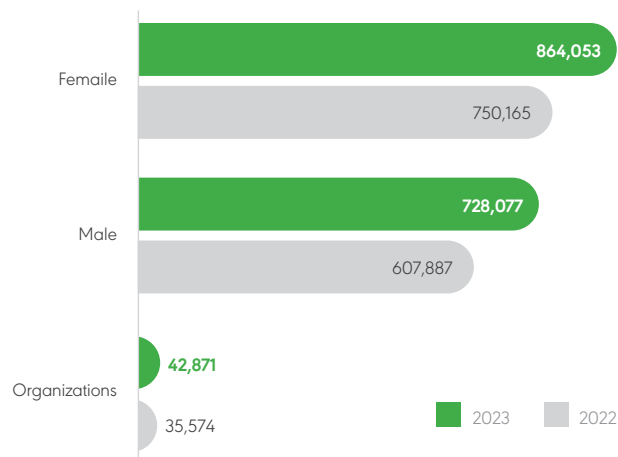
Digital bank customers

Total number of digital banking users of Khan Bank in 2022 and 2023 by gender



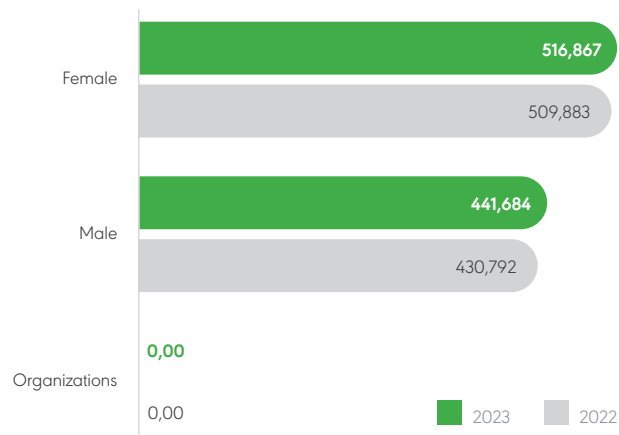
Internet banking customers

The total number of internet banking users of Khan Bank in 2022 and 2023 by gender



Telephone banking customers

Total number of mobile banking users of Khan Bank in 2022 and 2023 by gender



FINANCIAL EDUCATION

For the Bank to operate sustainably, it is critical to continuously provide customers with financial knowledge and education.

Khan Bank organized the following activities in 2023 to regularly provide financial education and information to customers and support financial security and stability.



Public activities

We produced and disseminated content like the “Nemye” series, which covered the value of saving, financial immunity, and knowing the difference between needs and wants. The series included reels alerting viewers to the importance of safeguarding personal data online and guarding against cybercrime.

The Bank also contributed to MGL Radio’s “Radio One Drop” and “Radio Guide” shows, which covered financial education and offered the general public engaging and educational content.

Training on savings and personal finance

Classroom training covered personal finance, investing, long-term savings, and pension savings, taking into consideration client requests for training based on age, gender, professional traits, and level of education.

Collaborative campaigns with other organizations

To foster responsible financial behavior and support social and environmental stability, the Bank of Mongolia, the Mongolian Bankers Association, Deposit Insurance Corporation, German Sparkassenstiftung Mongolia’s fund, and commercial banks collaborated on the Global Money Week 2023 campaign. Over 49,000 adults and 12,440 children and youth were reached directly and indirectly through more than 540 branches throughout Mongolia.

Bank of Mongolia, Financial Regulatory Commission, Department of Family and Children and Youth, National Center for Lifelong Learning under the Ministry of Foreign Affairs of Mongolia, Center for Supporting Small and Medium Enterprises and Services of the Capital City, Mongolian Banking Association, Deposit Insurance Corporation, Sparkasse Bank of Germany Fund in Mongolia, in collaboration with credit guarantee funds, commercial banks and other related organizations, within the framework of the “World Savings Day-2023” campaign held every October, to spread knowledge and understanding to children, parents and young families about proper money management and savings, promoted bank deposit products and services. In the framework of the campaign, about 14,000 citizens and children were informed.



SUSTAINABLE OPERATIONS



While providing customers with digital and green financial services, the Bank continues to share best practices by contributing to the Sustainable Development Goals and implementing positive initiatives in its daily business operations. Within the framework of global rating organization Moody's recommendations, we have introduced many initiatives and works in our internal operations. As climate change significantly impacts our work and lifestyles, there is an urgent need to adapt and mitigate its negative effects. Khan Bank identifies financial and non-financial risks within its operations and plans and implements step-by-step actions. During the reporting year, we also focused on maintaining a sustainable workplace, improving employee satisfaction, and creating a work environment that is friendly to the environment and people.

SUSTAINABLE WORKPLACE

Employee satisfaction

One of the many factors that influence an organization's success is listening to the voices of its employees. Since 2017, we have organized the Employee Survey every year in cooperation with an external research company. We study and analyze the survey results in detail, present them to management at all levels, and implement changes in our work for further improvement.

Based on the results of previous surveys, we have implemented major projects and programs over the last five years.

Training and development

Psychological health, six success factors for e-learning, sales-communication-consulting skills training, the Ethical Banker training series, and the Digital Banker project were successfully implemented. Twelve digital trainer training sessions for the SEED 2 knowledge-sharing program were digitalized, with 2,788 employees participating online and 765 in 21 classroom training. The Erdem mobile application was developed and introduced to create conditions for continuous employee learning.

Corporate culture

In the framework of the Bank's Digital Banker strategy, Khan Bank's Employees' 5 Valued Behaviors were incorporated into its Digital Mindset training, which has six behaviors. A team led by five vice presidents successfully implemented a monthly awareness-raising campaign on the new behaviors. To strengthen an ethical culture, the Ethical Banker project was successfully implemented for three years.

Performance

The Bank's Employee Performance Management Procedure was revised based on feedback related to the annual employee performance survey. The revised procedure more effectively manages employee performance, continuously improves it, supports personal development, and develops and implements effective performance improvement plans in the case of poor performance. Training was organized for all managers and employees on the effective determination of performance goals and objectives using the OKR method, effective performance meetings, and giving feedback in person and online.

Salaries and bonuses

Taking into account market conditions and the results of the previous year's research, employee salaries were increased twice in 2023. The Bank's salary budget was increased by 10.5 percent in May 2023 and by 20.2 percent in October 2023.

Employee work-life balance

In accordance with regulations on flexible work arrangements for Khan Bank employees and a shared office concept, employees have the opportunity to work remotely, from home, and at flexible hours.

Starting from January 2023, the Bank has provided paid leave through the Family Holiday day-off. Our employees have three paid days off: Khan Day, birthdays, and Family Holiday.

Sports Day and events for employees were organized in an innovative way. CrossFit and family competitions were added to Sports Day in 2023. Inspired by the HR Festival, the White Festival was organized on a large scale and received praise from employees.

We established a children's room at our Jukov Head Office and launched its activities with the guidance of a professional educator. We are also working with a contracted psychologist to care for the mental health of our employees. Massage therapists are employed in cooperation with the Mongolian National Federation of the Blind's Best Massage Center to support employee health. Employees are covered by health and accident insurance.



Employee training and development

The Bank supports employees moving from learning to teaching, developing ways to share knowledge and experience, and implementing projects and programs involving all employees to introduce a digital culture and mindset focused on e-learning.

An open version of the Erdem platform was introduced, offering employees the opportunity to learn in their free time through various courses, focusing on ensuring that the training and development activities of all employees living and working in every corner of Mongolia are equally accessible, flexible, needs-based, and support continuous learning.

Through the internal e-learning platform, courses are provided to employees regardless of location. In addition to learning for their positions, employees can develop new skills relevant to their future roles. In 2023, in addition to uploading the personal development content of four partner organizations, more than 194 professional training programs and content from 232 domestic trainers were prepared through KB Academy, which received 80,470 views and accesses.

Employees can attend courses in their free time on featured topics, such as comprehensive Employee Experience training, Ethical Banker, Mental Health Counseling, data school, and TomYo Skills personal development courses.

We planned professional and personal development training throughout 2023, and 5,810 employees participated in 413 training sessions.

MAP program

The MAP program was implemented in September 2023 to train next-level management; 46 employees participated, including 23 female employees.

Leadership training (Excellence 1 & 2)

Twenty-one managers participated in the five-module internal leadership program Excellence Interactive, and 79 managers participated in five comprehensive training sessions conducted by 23 trainers to train the retail banking managers in the seven-module interactive Growing Together program.

On-the-job coaching program

A mentoring and coaching program was conducted in cooperation with Pilot Center; 57 employees participated, with three progress meetings each for mentors, mentees, and coaches.

Executive coaching program

The 11 Steps to Becoming a Top Manager training course included 23 executives and mid-level employees, nine of whom were female employees.

International university scholarship program

An international university scholarship program was launched in 2023 to support employees pursuing master's programs at foreign universities, obtaining internationally-recognized degrees, and becoming skilled personnel who will make valuable contributions to the Bank in the future. Two executives were selected and received scholarships to study in Japan and Australia.

Domestic university scholarship program

The domestic scholarship program has been implemented since 2013 to support employees' professional education by pursuing bachelor's and master's degrees at accredited domestic universities and colleges. To develop the professional skills of the most talented employees, 31 employees were selected and received scholarships for domestic universities.

Learning organization:

Khan Bank is a learning environment

As the average length of employment at Khan Bank is eight years, the Bank provides employees with the opportunity to learn from experienced colleagues. We run special programs for sharing knowledge and experience with others.

- **SEED program** - Trained 24 new trainers in 2023, continuing to prepare classroom and online training.
- **Mentoring program** - The Mentoring Program was successfully implemented, and 10 new executives were appointed mentors. Based on program results, the scope and objectives of the program are improved annually.
- **Knowledge sharing** - 2,788 employees participated in 12 e-training sessions of the SEED 2 knowledge-sharing program; 765 employees participated in 21 classroom training sessions.
- **International project methodology** - Using international project methodologies such as Six Sigma, agile transformation, Ameyo, and CRM, a project team was formed with members from each department to create opportunities for mutual learning.
- **LinkedIn Learning** - Khan Bank was the first Mongolian organization to receive the Outstanding Learning Culture Award, which confirmed the success of our continuous online learning. More than 700 employees have had the opportunity to develop themselves by watching lessons on a wide range of topics from world-class teachers and lecturers on their mobile phones and computers.

Smart office & remote employees

The new Remote Employee project has created an efficient system for distributing surplus roles resulting from the Bank's digital transformation. Providing sustainable jobs is a sub-goal of the Bank's Sustainable Development Policy. Every employee in the program is provided with a workplace to perform their duties, grow, and develop regardless of location and region, developing a culture of readiness and adaptation to digital transformation throughout the bank. More than 1,600 employees participated and were able to change their mindset through workplace change, with more than 260 employees working remotely from 10 types of workplaces. KB Academy includes a training program for remote employees. Forty-eight training sessions totaling 36 hours of learning are divided into 12 categories. Online training was delivered to 3,504 employees.



"Sustainability is the Future" campaign

We organized three months of activities to inform all employees of the Bank's value Sustainability is the Future and the Sustainable Development Policy. The campaign included compulsory sustainable development training for all employees on the KB Academy e-learning platform.

Training	Number of views	Number of employee participants	Percentage
What is sustainable development?	13,855	3,870	79.9 %
Sustainable development around the world and in Mongolia	7,666	2,872	58.6 %
Khan Bank's sustainable development and governance milestones	6,308	2,490	50.8 %
About the Khan Bank Foundation	3,113	1,431	29.2 %
New employee sustainable development training	65	18	
Total	31,007	10,681	

Concluding the campaign, a fun Kahoot sustainable development competition was organized. Employees exchanged old clothes, received feedback about sustainable development from their peers, and shared sustainable development concepts.

Occupational safety and health

Khan Bank's safe operations, occupational safety, and hygiene policy are designed to create a safe environment for serving and communicating with customers and guests. Health, safety, and environment (HSE) regulations apply to ensure the occupational safety and hygiene of Bank employees.

Objectives:

- Approving labor safety, security, and hygiene procedures and instructions in accordance with laws and regulations;
- Providing employees with instructions for the prevention of occupational illnesses and industrial accidents and undergoing preventive health examinations;
- Conduct a risk assessment to identify and eliminate potential hazards in the workplace;
- Providing employees with training and information.

Employment rights and diversity

The Ensuring Equality in Employment Policy defines the principles to be implemented to ensure long-term workplace sustainability: ensuring equality and diversity in employment relations, respect for everyone, promotion of inclusion, creation of an environment without discrimination and defamation, and ensuring gender equality.

Accepting diversity

To ensure equality in a workplace without discrimination, harassment, or violence, procedures for preventing and stopping harassment and violence in the workplace, receiving and resolving complaints, and the Ensuring Equality in Employment Policy were approved and implemented. The Welcome Back program was implemented to support employees returning to work from maternity leave.

Equity, and Inclusion

To accept, understand, and support diversity, Khan Bank strives to provide all employees with academic quality and research-based training.

Welcome Back program

Since June 15, 2023, the program has been implemented for employees returning to work from maternity leave. During the reporting period, 161 female employees participated, 29 of whom were entry-level and mid-level.

E-learning and classroom courses covering disability awareness were organized to increase equality awareness:



- Concept of Disability, Types and Methods of Communication classroom training for 23 employees
- Online Sign Language course viewed by 1,153 employees

Comprehensive digital training was prepared and delivered in 2023 to share the concept of disability with all employees, supporting the goal of sustainable development.

Human resources data

Total employees

Employee ratio by location

	Rural	Head office	Ulaanbaatar
 Male	23%	36%	18%
 Female	77%	64%	82%

Position

Employee ratio by position

	Executive management committee	Head/manager	Others	Total
 Male	64%	32%	26%	27%
 Female	36%	68%	74%	73%





Employee ratio by employment status

	Full-time	Contractual	Total
Female	72%	85%	73%
Male	28%	15%	27%

New Employees

New employee ratio by gender



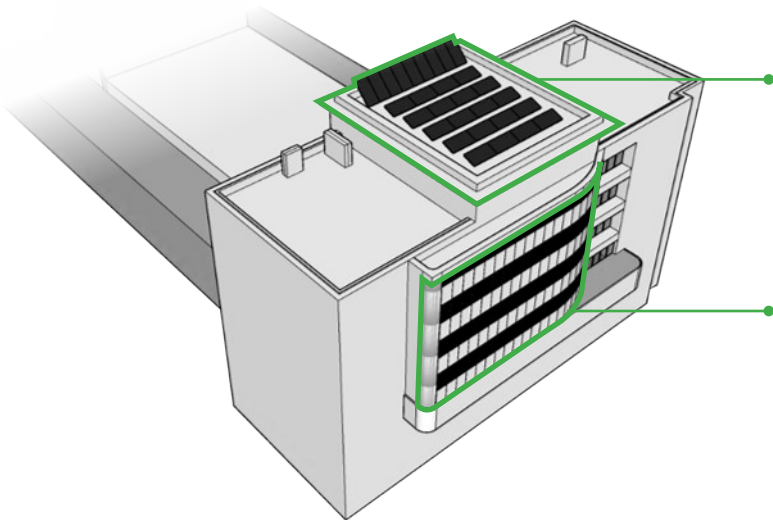
SUSTAINABLE WORK ENVIRONMENT

Green office

Renewable energy at the Head Office

Khan Bank installed solar energy systems at its Seoul Office and rural branches. The BIPV and BAPV systems turn the buildings into energy producers, preventing 16.7 tons of coal burning and making a real contribution to solving Ulaanbaatar’s air pollution problem.

	Daily	Monthly	Annually
Seoul Office electricity consumption	770 kW	23,100 kW	277,200 kW
BIPV system (average performance)	77 kW	2,299.4 kW	27,593 kW
BAPV system (average performance)	77 kW	2,299.4 kW	27,593 kW
TOTAL	154 kW	4,599 kW	55,186 kW



BAPV system

Building-applied photovoltaics (BAPV) is a traditional technology that utilizes photovoltaic film mounted on a panel to collect solar energy.

BIPV system

Building-integrated photovoltaics (BIPV) is a new technology that utilizes very thin photovoltaic film placed between glass to accumulate solar energy.

Seoul office, Ulaanbaatar

After analyzing the results of installing BAPV systems at rural branches, it was concluded that this solution is suitable for rural settings. The system is an all-in-one solution that integrates three devices (charge controller, inverter, and battery), requires very little space, and can be installed anywhere. In 2023, BAPV systems were installed at five branches.



Installed branches	Building area in sq. meters	Power consumption	Capacity	Date of launch	Used days	Performance	Amount of CO2 reduction	Tree equivalent	Coal use equivalent
	m2	kW/hr	kW/hr			kW/hr	ton	Number of trees	ton
Lun Branch	131	5	7	2023.08.25	128	2001	1.57	108	0.6
Kharkhorin Branch	131	6	7	2023.08.19	135	2350	1.74	120	0.67
Altanbulag Branch	108	5	7	2023.09.09	121	1190	0.89	61	0.34
Bayanchandmani Branch	198	4	7	2023.09.16	106	828.2	0.59	41	0.23
Airag Branch	108	4	7	2023.09.23	99	810.9	0.59	41	0.23
TOTAL					7180.4	5.69	391	2.19	



GEELY
GEOMETRY C
2

Introduction of electric vehicles to bank use

Electric vehicles were introduced to banking operations to contribute to reduce air pollution and greenhouse gas emissions in Mongolia. We are in the process of installing electric vehicle charging stations. For daily meetings outside of the office, electric car use is becoming a best practice for socially and environmentally-friendly choices.





100%
battery



8 hour
charging duration



60kWh
electricity



16,170
cost to fully charge

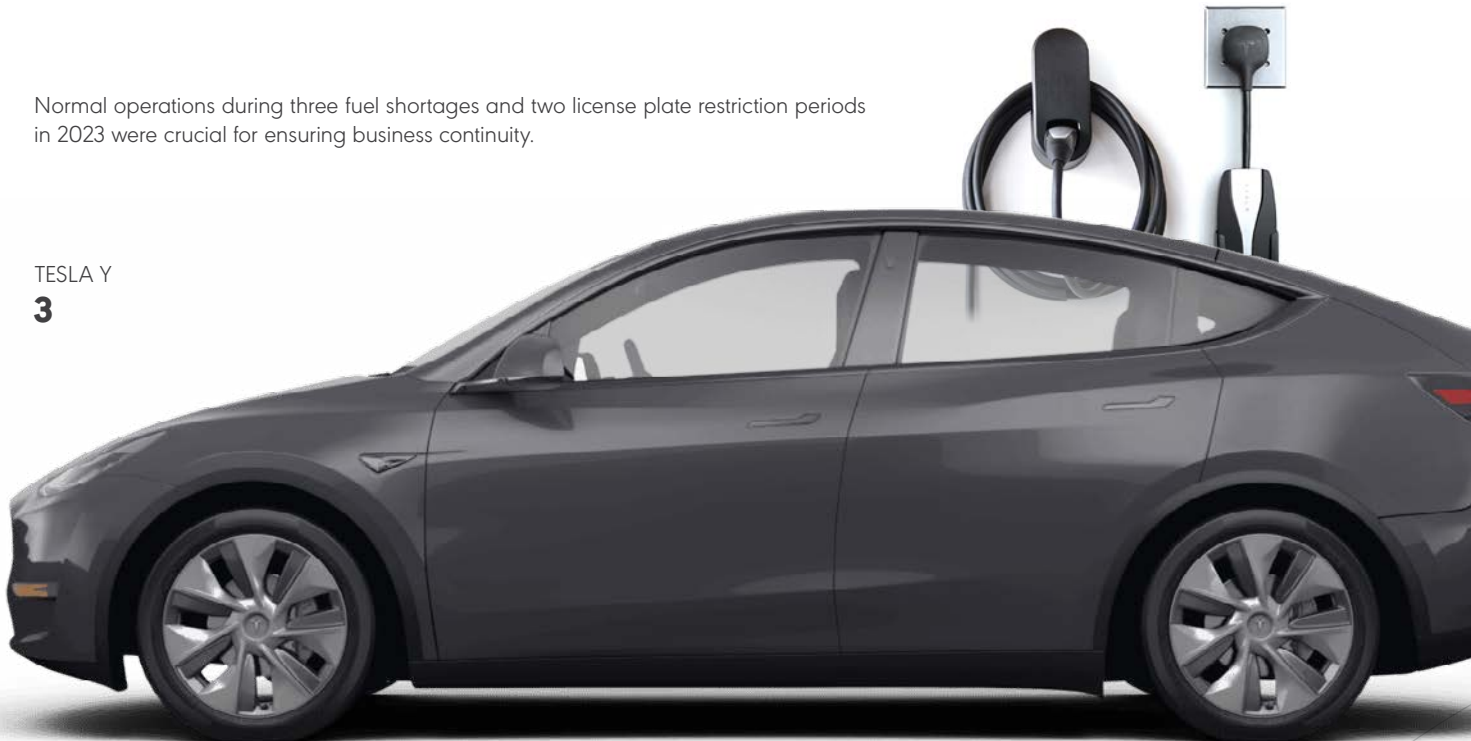
The electric vehicle battery is 60 kW, the electric charger has a 7.2 kW capacity, and the charging duration is eight hours.

A full charge for a 60 kW electric vehicle costs 16,170 MNT.

A fully charged electric vehicle has a range of 400-500 km, depending on the road conditions, weather, and capacity.

Normal operations during three fuel shortages and two license plate restriction periods in 2023 were crucial for ensuring business continuity.

TESLA Y
3



Supply chain management

Procurement policy

To achieve the Sustainable Development Policy's goals and objectives, we are working on a procurement that includes an evaluation of suppliers and product quality requirements.

When choosing a supplier, sustainability and social responsibility criteria are evaluated. When these requirements are met, the supplier will be assessed as having a low level of risk. Out of 480 suppliers, 410 are local suppliers.

Inventory and fixed assets purchased and used in the Bank's business operations comply with the Sustainable Development Policy.

This includes:

- Efficient LED lights that meet ISO standards and electronic devices with energy-saving modes were installed at the Head Office.
- We replaced computer keyboards and mice with batteries with devices that don't require batteries.
- We are procuring eco-friendly products that meet ISO standards, including paper and stationery supplies with low dust and allergens.
- To make the Head Office and branches eco-friendly and accessible, we installed ergonomically structured chairs, eco-friendly Fundermax panels, and noise-canceling wall panels. We also provided computer monitors that protect eyesight to create a healthy and safe environment for employees.

Appropriate use of resources

Category	Use of paper (A4, ATM, POS, queue tickets, money belts, receipts)							
	2020		2021		2022		2023	
	Quantity	Expense	Quantity	Expense	Quantity	Expense	Quantity	Expense
Head Office	1,035,327	473,758,545	21,617	46,663,183	27,681	208,962,435	9,305	85,727,340
Branches	805,953	976,955,884	775,601	970,414,779	855,646	1,194,357,116	975,564	1,652,089,010
TOTAL	1,841,280	1,450,714,429	797,218	1,017,077,962	883,327	1,403,319,551	984,869	1,737,816,350

The quantity of paper used in 2020 compared to 2023 decreased by half, but the expense increased due to price changes. The Head Office's use of paper is decreasing annually, but paper use at the branches is increasing due to Kiosk needs.

In 2021, there was a decrease in paper use due to pandemic-related quarantine.

Year	Water consumption (m3)	Water expense (MNT)	Heat consumption (GJ)	Heat expense (MNT)	Electricity consumption (kW/hour)	Electricity expense (MNT)	Fuel consumption (L)	Fuel expense (MNT)
2020	8,639	22,287,787	12,545	91,286,472	2,844,057	458,908,544	267,121	615,982,377
2021	6,746	17,405,252	12,091	87,983,151	2,183,502	263,180,263	64,679	176,769,153
2022	9,829	38,040,036	12,175	88,594,273	2,972,547	530,908,102	103,508	398,507,511
2023	19,647	76,033,890	11,861	121,524,251	3,010,248	598,704,898	105,547	406,356,644
TOTAL	1,841,280	1,450,714,429	797,218	1,017,077,962	883,327	1,403,319,551	984,869	1,737,816,350

Heat consumption decreased in 2023, but the expense increased due to price changes.

CUSTOMER EXPERIENCE

As the nation's leading bank, Khan Bank is responsible for leading the banking and financial sector in customer service. We aim to become the leading innovative customer experience-centric company in Mongolia by improving customer service at our branches, the Contact Center, and digital channels.

Customer Experience Policy and Customer Protection Policy

Through our digital channels and branches located in all corners of Mongolia, we implement the Customer Experience Policy and the six principles of the Customer Protection Policy to commit to providing customers with innovative products and services throughout their financial journey.

The Customer Experience Policy requires the transparent disclosure of the Bank's and customers' rights and obligations, which are published on [Khan Bank's website](#).

Global integrated management system ISO9001:2015 and ISO10002:2018 standards

Khan Bank implemented international standards ISO 9001:2015 Quality Management System and ISO 10002:2018 Quality Management - Complaint Resolution Guidelines for Organizations. The Bank is continuously improving the quality of

products and services delivered to customers by implementing a comprehensive management system in its operations and meeting international operational standards. It is also important to listen to the voices of our customers, promptly resolve their feedback and complaints, regularly pay attention to customer satisfaction, and monitor our products and services.

International Digital Customer Experience Standard 2022:02

Khan Bank regularly improves the quality of its products and services delivered to customers, increasing customer satisfaction, and concentrating on digital service quality. For the last six months of 2023, Khan Bank has fully met seven chapters and 356 sub-criteria of the International Digital Customer Experience Standard (IDCXS2022:02) issued by the International Customer Experience Institute, implemented with an International Excellence performance rating approved by the British Standard Institute (BSI). This shows that Khan Bank's digital services have already reached an international level.

Rights and obligations of stakeholders related to the delivery of financial services

Please click [HERE](#) to learn about the rights and obligations of the Bank and the customer regarding the Bank's products and services.

Quality management system

In 2023, a total of 1.19 billion financial transactions were made; 94 percent were made through digital channels, five percent through ATMs, and 1 percent through branch employees. We receive customer feedback and complaints about service failures through six 24-hour channels. In 2023, we received feedback and complaints regarding 0.015 percent of all financial transactions. Among these, 92 percent were resolved during the monitoring period, and 29 percent were resolved at first contact.

Compared to 2022, feedback and complaints related to product and service failures increased by 17 percent in 2023; those related to digital products and services increased by 81 percent.

We analyze customer feedback and complaints, continuously improve, and take appropriate measures, with special attention paid to preventing problems from reoccurring.

Customer satisfaction survey

The Bank regularly measures the quality of its products and services, and has maintained good customer satisfaction indicators. Its net promoter score (NPS) is +18.

Uniforms

Within the framework of Khan Bank's brand refresh and Sustainable Development Policy, uniforms were redesigned, with detailed color, material, design, and hygiene requirements. The new uniform has had a positive impact on employee satisfaction and productivity. It has no negative impact on employee health or comfort, and can be worn in all seasons.



A close-up photograph of a pair of hands gently cupping a small, vibrant green seedling. The seedling has several leaves and is growing out of a mound of dark, rich soil. The background is a soft, out-of-focus green, suggesting a natural, outdoor setting. The overall image conveys a sense of care, growth, and environmental stewardship.

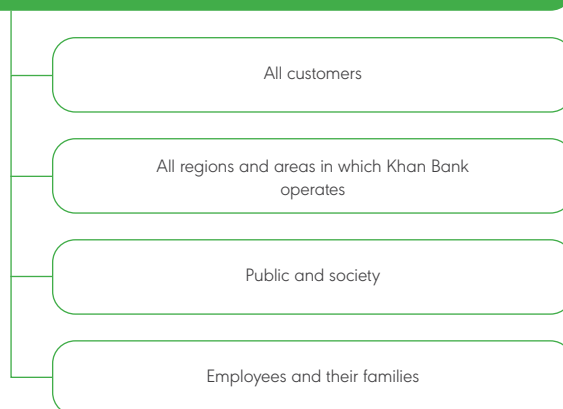
SUSTAINABLE SOCIAL INVESTMENT




KHAN BANK FOUNDATION

Khan Bank acknowledged its social responsibilities in 2007 and established the Khan Bank Foundation, undertaking projects and programs that benefit society. Since 2018, the goal of sustainable development has been closely coordinated with the Foundation's activities, and a wide range of sustainable social investments have been implemented throughout Mongolia.

Khan Bank mission and Sustainable Development Policy



Khan Bank implements programs in the following fields to effectively carry out social responsibility initiatives:

-  Supporting the education of children and youth
-  Protecting public health
-  Protecting the environment
-  Supporting vulnerable groups
-  Promoting culture and the arts
-  Supporting local development
-  Contributing to the UN's 17 sustainable development goals



The Khan Bank Foundation has funded 510 projects and programs in the past 17 years. The program's benefits have been given to 2.9 million costumers and their families who work, live, study, and work throughout Mongolia, resulting in positive changes and attitudes. In addition, more than 12.7 billion MNT was spent on social welfare projects carried out in collaboration with more than 170 governmental and non-governmental organizations. In 2023, nine projects and initiatives received 2.7 billion MNT in funding. The reporting period's key initiatives and programs are highlighted in this report.

EDUCATION

Rise freshman development program

Period of implementation: 6 years

Participants in 2023: 800+

Total participants: 4,300

Slogan: To Learn and Develop

Purpose: The Rise program helps first-year students quickly adjust to their new environment, learn outside the classroom, build successful study routines, and become balanced members of the university community. The Rise program aims to encourage autonomy among students. Interesting events, workshops, and group activities take place throughout the academic year. The Rise opening ceremony, one of the biggest events of Fall, is an exciting and memorable event for students. One of the special highlights of the 2023 opening ceremony was encouraging young students to contribute to the Sustainable Development Goals, giving them an understanding of the SDGs and how to be environmentally friendly citizens.

Feedback: "There are many things new students don't know. It was a rewarding program that provided information on how to study properly with the right methods and how to take advantage of future opportunities."

Buyan-Erdene M., Mongolia International University student

"We were able to get very interesting information, not monotonous training. I would like to participate in many more activities."



Women's development program

Period of implementation: 3 years

Participants in 2023: 120 teachers

Total participants: 360

Purpose: The Women's Development Program was established by Khan Bank to promote gender equality, assist women in the workplace, foster personal and professional progress, educate society about women's roles, responsibilities, and advantages, and cultivate a positive outlook.

Leadership and growth for female teachers in the workplace to promote and create opportunities to focus on personal development from the perspectives of:

- Personal development
- Aesthetics
- Health education
- Financial education
- Psychology
- English

The program has previously empowered 240 nurses and nannies who work in the hospital to improve population health, and in 2023, it will become special by implementing this program among female secondary school teachers who provide general academic knowledge and basic education to children.



Feedback: "This is not just a program for the top 120 participants. I am very happy to have participated in such a wonderful program covering all of Mongolia. When you realize that one teacher reaches children studying in five classes, the program has directly benefitted more than 600 children. We would like to thank the team at Khan Bank for giving us this opportunity."

Ariunzul B., Baigali-Ekh High School mathematics teacher

"We would like to thank the Khan Bank Foundation for choosing education, the most important sector in Mongolia, and for supporting many women and teachers. Investing in education is the most profitable investment."

Narantungalag G., CEO, Axiom Inc LLC

Khan bank new student scholarship program

Period of implementation: 17 years

Participants in 2023: 59

Total participants: 2,159

Purpose: Tuition support for high school graduates who are about to start a new chapter in their lives.

Scholarships were awarded to top graduating students from Mongolia's 21 provinces, Zamiin-Uud, Zuunkharaa soum, and Ulaanbaatar's Baganuur District in 2023. Experts assessed their achievements, teacher reference letters, community engagement, and an essay on "When I imagine my future..." The Khan Bank Foundation has provided approximately 2,060 scholarships since 2007, valued at 2.2 billion MNT. Khan Bank also provides scholarships to the children of Bank employees.

Feedback: "I was selected from Sumber soum of Govisumber Province to receive this scholarship. I tried very hard because I had to work by myself right from the start, preparing materials for the scholarship. Writing an essay about myself was the most difficult. I clearly wrote about my goals, not empty dreams."

Davaajargal J., National University of Mongolia freshman



"I was selected for this scholarship from Bayankhongor Province. In addition to studying, I also play basketball. Now, I play for the Ulaanbaatar Amazons in the Premier League. I try to plan my schedule very well to balance my studies and my training schedule as a professional athlete. I think fully mobilizing myself and succeeding in both is what motivated me to apply for this scholarship."

Nomin B., University of Finance and Economics freshman



PUBLIC HEALTH

National campaign against cancer

Purpose: To improve the public's health education by organizing cancer prevention training and campaigns, reach the at-risk population, conduct early detection screenings, diagnosis and treatment at an early stage, promote early cancer detection, and train local doctors and medical specialists

Period of implementation: 13 years

Implementation in 2023: Dornod andUvs provinces

Screened in 2023: 3,052

Total screenings: 133,000+

Results of the 2023 campaign:

- Doctors and medical professionals trained - 149
- Health volunteers - 30
- Cancer cases diagnosed - 26
- Benign tumors detected -305
- Suspicious tumors detected - 62
- Surgeries completed - 14
- Tissue and cell analysis completed - 312
- Cancer precursors detected - 156
- Other diseases diagnosed - 1,568



Feedback: "I have Hepatitis B and C affecting my liver. The rural doctor suggested getting a diagnosis at Ulaanbaatar's central hospital, but I was unable to go. I'm very happy that experts are visiting our province to conduct examinations."

Dornod Province resident

"I'm glad to have the opportunity to be examined by the specialists who came as part of the campaign. I would like to thank Khan Bank for bringing the doctors closer to the people."

Dornod Province resident

Campaign against hypertension

Purpose: Early diagnosis of cardiovascular disease, the leading cause of death in the population, promotion of a healthy lifestyle and its benefits, and screening of hypertension among target populations that cannot access medical treatment

Period of implementation: 7 years

Implementation in 2023: Dundgovi, Uvurkhangai, Zavkhan, Govi-Altai, and Darkhan-Uul provinces

Screened in 2023: 22,300

Total screenings: 41,300+

Specialist examinations:

- Cardiovascular
- Heart attack
- Neurology
- Stroke
- Kidneys
- Digestive disorders

In 2023, 300 doctors, medical specialists, and 173 health volunteers were trained. Since its launch in 2017, more than 41,300 citizens and 900 doctors from 17 provinces participated in the campaign.



ENVIRONMENT

Khan Bank forest program

Purpose: Contribute to preserving life-sustaining nature, the inheritance of clean air, and a healthy and green environment for future generations.

Period of implementation: 3 years

Planted trees in 2023: 13,903

Total planted trees: 44,900

In 2021, the Khan Bank Foundation began the reforestation of 40 hectares at the source of the Selbe River and Ikh Bayan that had been damaged by human activities and natural pests. Afforestation was carried out on 10 hectares in 2023, and a total of 24 hectares of trees were planted since 2021. In cooperation with the Ulaanbaatar Environmental Department and other professional organizations, a five-year reforestation project was implemented at Selbe River Ekh and Ikh Bayan Am. Khan Bank plants trees in every corner of Mongolia through its branches across the country.





One billion trees fund

Mongolia's commercial banks have joined an initiative to plant 50 million trees, as enterprises have promised to contribute to the national One Billion Trees campaign initiated by the President of Mongolia. To keep this promise, the Bank of Mongolia and the Mongolian Bankers Association established the One Billion Trees Fund in March 2022. Banks contribute to the fund through a percentage of their service fees. Through the fund, Mongolia's commercial banks have planted more than 105,000 trees on 37 hectares.



ARTS AND CULTURE

Khan gallery

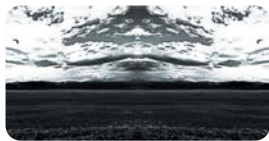
Khan Bank hosts free monthly art exhibitions at Khan Gallery, located on the third floor of Khan Bank Tower. Eleven exhibitions from selected artists were made available to the public in 2023. Artists are chosen through a public selection process.

These exhibitions showed innovative new artwork in Mongolia. "ARTSHARE" content about visual arts and artists was made available to the public during the reporting period.

To support the Mongolian arts and artists, Khan Bank continues to expand its collection.



Ulziikhishig B.
"Artu"



Biligt E.
"People in the Valley"



Urjinkhand O.
"Emotional Quotient"



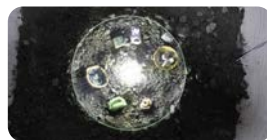
Gal-Od P.
"The World of Caricature"



Munkhbolor G.
"Works"



Sarantsatsralt S., Otgonbayar D.,
Solongo Ts., Onongua E.
"S.O.S.O."



Otgonbayar D.
"From Secret to Secret..."



Tsegmed Ts.
"Heaven's Call"



Nu Jonsuk
"Shadow of the blank 5"



Group exhibition by artists from
France, Spain, Mauritius, Austria,
Portugal, and Mongolia
"Concept of WE"



Embassy of Germany, Nord Art
International Exhibition
"Mongolian Art- sculpture symposium"

Social responsibility project competition

Purpose: Competition among Khan Bank employees for developing new social responsibility projects and initiatives

Fifty projects were selected through two rounds of review, and prizes were given to the first, second, and special place winners:

- **First Place** - Program to support the education of students with disabilities, reduce inequality, and increase employment opportunities
- **Second Place** - Smile, children's dental health project
- **Special Place** - Mental Health Heals

The inaugural competition was open to all employees, including those on long-term and maternity leave. It resulted in innovative ideas and a high employee participation rate.



LOCAL DEVELOPMENT

3x3 basketball courts

Purpose: To support the health and dreams of youth and create environments where they can spend their leisure time properly

Period of implementation: 3 years

For Khan Bank's 30th anniversary in 2021, the Bank built 3x3 basketball courts in 33 locations as part of its corporate social responsibility initiatives. The courts have rubber flooring and

materials and equipment that meet international standards. Khan Bank funded construction and maintenance and handed the courts over to local governments, sports committees, and general education schools. In 2022, a friendly basketball tournament was held for teams in the 21 provinces. Tournaments were also held in 2023, involving more than 3,500 athletes in 16 locations to support participation in youth sports.



SOCIAL TARGET GROUPS

Para Boccia

Purpose: To support disabled children in para boccia sports, support their participation in domestic and international competitions, and provide opportunities for equitable social development through sports.

Period of implementation: 5 years

Khan Bank has been cooperating with the Mongolian Para Boccia Federation since 2019 to organize youth para boccia training and provide financial support for athlete participation in domestic and international competitions.

In 2023, we provided financial support for organizing a championship in Ulaanbaatar and athlete participation in the 2023 World Boccia Challenger Series held in Poznan, Poland. For the first time, Mongolian athletes qualified for the final eight spots.





SUSTAINABLE PARTNERSHIP AND REPORTING



DOMESTIC COOPERATION

As we transition to a publicly traded, ethical joint stock company, we will keep providing sustainable development news and reports in compliance with the standards of both local and foreign financial institutions. We cooperate with the following domestic organizations with active membership and transparent reporting.



INTERNATIONAL COOPERATION



Khan Bank maintains long-standing partnerships with international banks and financial institutions for raising overseas funds to support our client's long term financing needs by offering suitable financing solutions, as well as for maintaining the sustainable funding source diversified, ensuring continuous improvement of our sustainable operations in line with international standards and principles.

As of 31 December 2023, long-term sustainable funding obtained by Khan Bank through financing agreements with international development banks, impact investment companies, and investment funds amounts to USD 568 million.

Furthermore, the Bank offers trade finance instruments and financing services in accordance with international rules such as UCP, URDG, ISP, INCOTERMS issued by the International Chamber of Commerce to help Khan Bank's clients to support their sustainable foreign trade operations and to mitigate risks associated with foreign trade. Khan Bank currently has trade lines of USD 200 million designed to finance trade, as well as maintains 51 international nostro accounts in 14 different currencies a 29 international banks in 14 different countries for the purpose of facilitating fast and reliable international remittance and payments services to its customers.

The United Nations Children's Fund (UNICEF) and Khan Bank have signed a Memorandum of Understanding, and Khan Bank is committed to upholding and protecting children's rights through its entire operation. By signing the memorandum,

Khan Bank commits to promoting family-friendly workplace practices, supporting its employees' families and children, and incorporating the Sustainable Development Goals of the UN, "Children's Rights and Business Principles," and "Family and Child-Friendly Policies" into its business operations. We are working together to carry out a variety of initiatives, including focusing more on development and distributing information and instruction regarding children's rights.

Khan Bank has joined the Partnership for Carbon Accounting Financials (PCAF), an initiative to measure greenhouse gas

emissions in the financial sector and has taken an important step to establish partnerships with member organizations, reduce greenhouse gas emissions, and contribute to sustainable development.

In addition, Khan Bank has attracted gender and green funding sources from international and domestic investors and offers all types of green loans to its customers and has issued Green Bonds on the international and domestic capital markets for the first time in Mongolia.



TRANSPARENCY AND REPORTING

Within the framework of sustainability reporting and transparency, Khan Bank not only fully complies with the Banking Law of Mongolia and the regulations and procedures set by the regulatory body, the Bank of Mongolia, and Financial Regulatory Commission of Mongolia, but also regularly submits respective financial and performance reports and statements periodically.

In addition to financial undertakings by IFIs, correspondent banks, and international credit rating agencies, the Bank is committed to adhere to non-financial undertakings set forth on the banking operations, including implementation of environmental and social risk management framework and anti-money laundering and counter-terrorist financing policies and procedures in line with the international standards and requirements, and regularly presents transparent reporting to the investors. In terms of fundings received for a specific purpose, Khan Bank duly cooperates with lenders by submitting quarterly reports containing information on the effectiveness and proper use of funding.

During the reporting period, the following activities were carried out by providing accurate information to the stakeholders by having transparent reporting to the public. It includes:

For the sixth year, the “Sustainable Development Report” with information about the initiatives, projects and programs implemented within the framework of the Bank’s Sustainable Development Policy and the corporate social responsibility strategy has been prepared and delivered to the public.

Since 2018, Khan Bank has been actively reporting to the UN Global Compact, as well as submitting activity reports on how it contributes to the Sustainable Development Goals and submitting information to inquiries.

In the field of sustainable development, we have cooperated with the Bank of Mongolia, Mongolia’s Sustainable Finance Association (MSFA) and submitted reports and reports on the implementation of green loans, responsible financing, environmental and social risk assessment, and cooperated in projects.

The Report on Environmental and Social Governance of the Mongolian Stock Exchange has been prepared and submitted to the public.

To foreign investors and international financial institutions, the bank delivered the sustainable development policy implementation, Environment, Social and Governance (ESG) report and other relevant reports and news of this type.



For this issuance of the Green Bond, the Bank has adopted its Green bond framework aligning to Mongolian Green Taxonomy, Green bond principles of International Capital Market Association (ICMA) and international financial institutions. Within this scope, Khan Bank's Green Bond reporting will be made publicly available on the Bank's website and will include disclosure on both allocation and impact objectives.

Khan Bank delivered 200+ reports to international lenders, investors and credit rating agencies in 2023 as a part of its cooperation with international banking and financial institutions, and investor relations.



APPENDIX

ESG REPORT 2023

		Criteria		Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system									
MS1.1	Sustainable Development Governance	Management commitment	Whether there is a sustainable development commitment/statement approved by the management	yes	yes		In 2010, under the United Nations Global Compact, Chapter 4 of Khan Bank’s Sustainable Development Policy included a commitment to following the compact’s 10 principles. In 2013, the 8 principles of Mongolia’s ToC were included in the policy. Supporting the implementation of Mongolia’s roadmap for sustainable finance, green loans made up 5% of the loan portfolio in 2023, with plans to reach 10% by 2025.		GRI 102
MS2.1		Sustainable Development Policy and Regulation	Whether sustainable development policies and objectives have been defined and approved	yes	yes		https://www.khanbank.com/personal/about/sustainable-development-policy/		GRI 103, ISO 14001
MS2.2		Structure management	Does your company have a sustainable development committee?	yes	yes		In 2023, the Sustainable Development Committee was established by order of the Executive Director, with 13 members and 5 permanent participants.		GRI 103, ISO 14001
MS3.1			Whether there is a member (full-time/part-time) responsible for sustainable development / CSR issues at the board level	yes	yes		Under the direction of the Bank's Board of Directors, the Corporate Governance Committee oversees the execution of the bank's Sustainable Development Policy. Committee members are in charge of the committee's activities, and reports are due every six months.		GRI 102
MS3.1			Is there a sustainability/ESG officer (full-time/part-time) at the executive level?	yes	yes		"The Sustainable Development Development performs direct administration and presides over the Sustainable Development Committee, while the bank's Executive Director of Sustainable Development is in charge of sustainability issues."		GRI 102
MS3.2			Whether there is a Sustainable Development/ESG Officer (full-time/part-time) at the operational level	yes	yes		Khan Bank's Sustainable Development Department is responsible at the operational level		GRI 102
MS3.3			Does your company formally include sustainability issues in the board meeting agenda?	yes	yes		Every six months, the Board of Directors' Corporate Governance Committee reviews the Sustainable Development Policy's implementation. The committee discusses sustainability issues at every board meeting.		GRI 102
MS3.5		Sustainability Impact Assessment	Is there an impact assessment or matrix that explains how your company avoids, reduces, eliminates or improves positive impacts on the economy, environment and society?	yes	yes		A globally-recognized ESG organization assessed Khan Bank in 2022, and in January 2023, an impact and importance matrix was developed for stakeholder participation based on the assessment findings.		SASB
MS4.1		Capacity building	Average hours of training per year, by gender	10	41	minutes	Duration of online sustainable development training: 41 minutes; duration of classroom training: 4 hours		GRI 102
MS4.2		Monitoring	Are sustainability issues relevant to audit committee activities and internal control functions?	yes	yes		See the Internal Audit and Internal Control section of the Sustainability Report.		GRI 102, SDG 12

		Criteria		Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system									
MS4.3	Sustainable Development Governance	Sustainability reporting	Does your company report its sustainability/development report (integrated into the annual report or separate report) at least once a year?	yes	yes		https://www.khanbank.com/personal/about/sustainability-report/		GRI 102, SDG 12
MS5.1			Does your company report according to international climate risk standards?	no	no			In 2023, Khan Bank identified climate risk in its risk management strategt, and is working on a plan to mitigate risks in the future, in alignment with the 17 SDGs, 10 principles of the Global Compact, and 8 principles of the MSFA.	GRI 102, SDG 12
MS5.2			Is the accreditation of sustainable development and ESG verified by an external organization?	no	no			The bank publishes a Sustainable Development Report. It is developed, verified by a third party during the reporting process, and made available to stakeholders.	GRI 102, SDG 17
MS5.3		Partnership and membership	Does your company cooperate with international and domestic associations and organizations working in the field of sustainable development?	yes	yes		1) UN Global Compact 2) Green Investment Principles 3) Mongolian Sustainable Finance Association 4) CSR and Sustainable Development Council under the Mongolia National Chamber of Commerce and Industry 5) CSR Committee of the American Chamber of Commerce in Mongolia 6) United Nations Children’s Fund 7) PCAF		GRI 102, SDG 17
E1.1	Energy consumption	Total energy consumption	Total energy consumption and cost	2,544	3,010	MW (thousands)	In 2023, 3 million kWh from the Ulaanbaatar Electricity Distribution Network was consumed.		GRI 302, SDG 12
E1.2		Electricity	Total electricity consumption and savings (per year)	2,544	3,010	MW (thousands)	Compared to 2022, there was a slight increase in consumption in 2023 due to the increase in the number of employees working in the office.		GRI 302, SDG 12
E1.3		Heat	Total heat consumption and savings (per year)	12,174.50	11,861	BTU & % GCal	With building heat loss reduced compared to previous years, heat consumption has decreased.		GRI 302, SDG 12
E1.4		Fuel	Total fuel consumption and savings (per year)	505	600	Liter/kg & % GJ, MNT	Fuel consumption data for Head Office backup generators		GRI 302, SDG 12
E1.5		Brown energy	Percentage of energy consumption from sources other than renewables	100	100	%			SFRD
E1.6		Renewable energy	Percentage of energy consumption derived from renewables	-	0.23	%	Using renewable solar energy in office use reduces electricity consumption by 0.23 percent		GRI 302, SDG 7
E2.1	GHG Emission	Greenhouse gas emission	The amount of total greenhouse gases emitted by the company's direct and indirect activities	-	-	CO2/ton		Монгол Улсад одоогоор хүлэмжийн хийн тооцооллын коэффициент батлагдаагүй байна	GRI 305, SDG 13, WRI/WBCSD GHG protocol.
E2.2		Reduced GHG emission	Total greenhouse gas emissions from direct and indirect activities of the organization (per year)	-	-	CO2/ton		Монгол Улсад одоогоор хүлэмжийн хийн тооцооллын коэффициент батлагдаагүй байна	GRI 305, SDG 13, WRI/WBCSD GHG protocol.
E2.3		Carbon offset	A reduction in total carbon offsets (such as tree planting programs or supporting external projects to reduce greenhouse gas emissions)	183.75	233.8	CO2/ton	" It is imperative to restore the mouth of the Ikhbayan River and the source of the Selbe River, with 40 hectares of reforestation already complete . In 2023, 14,000 trees were planted on 7 hectares."	Монгол Улсад одоогоор хүлэмжийн хийн тооцооллын коэффициент батлагдаагүй байна	GRI 305, SDG 13, WRI/WBCSD GHG protocol.

		Criteria		Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system									
E3.1	Climate Change	Climate Policy and Procedures	Does your company have a separate or regulated climate change policy?	no	yes		Khan Bank's Risk Management System includes the Sustainable Development Policy and climate change-related risks that may adversely affect the bank's operations and profits.		GRI 201, TCFD, SDG 13
E3.2		Climate Risk and Opportunity Assessment	Has your company conducted a climate risk and opportunity assessment (scenario analysis, stress test, etc.)	yes	yes		"In 2019, stress test evaluation and scenario analysis were carried out continue to do this regularly and reflect the results in the activities, We intend to work to ensure implementation."		GRI 201, TCFD, SDG 13
E3.3		Economic damage	Total economic losses from climate change-related disasters and events	-	-	MNT			GRI 201, TCFD, SDG 13
E3.4		Climate investment	Total investments in infrastructure, adaptation and product development against climate change	-	2.6 million	MNT	Contribution to the One Billion Trees Fund program initiated by the President of Mongolia		GRI 201, TCFD, SDG 13
E3.5		Climate change mitigation or adaptation	Have you identified the measures/steps you will take to prevent and (if prevention is not possible) adapt to climate change risks affecting your company's profitability or the quality of your products and services?	no	yes		In 2023, the bank identified the risk of climate impacts that would affect stability. The Deputy Director of Risk created a working group to ensure sustainable development, reduce the risk of climate impacts, and conduct relevant calculations and research to develop and implement a joint action plan. In 2024, the General Risk Management Policy will include risks arising from climate change.		GRI, SASB, World Economic Forum
E4.1	Water	Усны хэрэглээ	Total amount of water used	18,159	19,647	м3/L	Compared to the previous year, there was a slight increase in water consumption, and the reason is due to the increase in the number of employees coming to work in the office.		GRI 303, SDG 6
E4.2		Water saved	Total amount of water saved/recycled through savings and efficiency improvements	-	-	м3/L			GRI 303, SDG 6
E4.3		Recycled water	Proportion of recycled and recycled water	-	-	%			GRI 303, SDG 6
E4.4		Waste water treatment	Amount of total wastewater treated	-	-	м3/L			GRI 303, SDG 6
E5.1	Waste	Waste	Amount of total waste generated	24.6	21	tons	Under an agreement with the City Development Department, all office waste is delivered to a designated collection site daily.		GRI 306, SDG 12
E5.2		Recycled waste	Percentage of waste recycled	-	20	%	Cans of waste oil, paper, and glass were separated before being sent to recycling facilities.		GRI 306, SDG 12
E5.3		Hazardous waste	Total amount of hazardous waste (including electronic waste)	0	0.06	tons	Medical and battery waste.		GRI 306, SDG 12
E6.1	Biodiversity	Green building and planning	Proportion of the total area of the public area or built-up green space that is used in an environmentally sustainable manner	30	30	%	Greening of the Head Office: small bushes planted on 1,600 m2, 39 pine trees planted on 200 m2.		GRI 304, SDG 15
E6.2		Protection of wild plants and animals	Number of protected species	-	-	number of species			GRI 304, SDG 15
E6.3		Activities that adversely affect biodiversity	Proportion of total acreage owned, leased, managed or adjacent to protected areas, areas of high biological diversity and cultural value	-	-	%			SFRD, IFC Performance Standard 6

		Criteria		Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system									
S1.1	Human Capital	Employee turnover	Year-over-year change of full-time employees (the number of employees who left their jobs in the given year divided by the average number of employees who worked)	16.9	16.3	%	The number of employees who left their jobs in 2023 decreased by 7% compared to the previous year. As a result, the rate decreased by 0.6%.		GRI 401, SDG 8
S1.2		Jobs created	The number of full-time jobs increased from the same period last year	102	-	number of jobs	No new full-time jobs were added in 2023.		GRI 401, SDG 8
S1.3		Training	Average training hours per employee	127.7	39	hours			GRI 401, SDG 8
S2.1	Occupational Health and Safety	OHS policy and procedures	Are there any OHS policies and procedures (separate policies or procedures)?	yes	yes		https://grc.khanbank.com/metricstream/auth/signin.jsp?type=ldap&loginError=true&reason=credentials		GRI 103, SDG 10
S2.2		Incidents	Incident rate during operations	0.2	0.3		In 2023, 8 industrial accidents were registered. As part of OSH procedures, during any activity and before every event, safety instructions and recommendations are provided through the domestic ERP system. All employees involved in reported incidents were treated and resumed work.		GRI 403. SDG 3
S2.3		OHS training	Average OHS training hours per employee per year	90	90	minutes			GRI 403. SDG 3
S2.4		Health programs	Number of employees participating in voluntary health services, including health check-ups, by year	1,213	8,892	employees	Preventive exams - 1,748 employees, early detection - 323 employees, hearing exams - 101 employees, emergency zone - 8 employees, daily medical check-ups - 972 employees, 370 employees covered by health insurance, individual therapy sessions - 218 employees, group training - 57, full body screening - 2,370 employees, head and neck screening - 2,782 employees		GRI 403. SDG 3
S3.1	Equal Opportunity	Gender policy and procedures	Are there gender policies and procedures (separate policies and procedures or integrated into one procedure)?	yes	yes		Khan Bank approved the Equality of Employment Policy on September 28, 2022, which includes gender policy.		GRI 405, SDG 5
S3.2		"Anti-sexual harassment policy"	"Does your company have an anti-sexual harassment policy (stand-alone/integrated)?"	yes	yes		A regulation on the prevention, reporting, and response to workplace harassment and violence has been in place since August 19, 2022.		GRI 103, SDG 5
S3.3		Anti-discrimination policies and procedures	"Does your company have a non-discrimination policy (stand-alone/integrated)?"	yes	yes		Khan Bank approved the Equality of Employment Policy on September 28, 2022, which includes anti-discrimination policy.		GRI 103, SDG 10
S3.4		Gender ratio of employees	"Percentage of total employee headcount by men and women"	33/67	32/68	%	32% of all employees are men and 68% are women		GRI 405, SDG 5
S3.5		Board gender ratio	"Percentage of board-level positions held by men and women"	78/22	78/22	%	78% of board members are men and 22% are women		GRI 405, SDG 5
S3.6		Gender ratio of executive management	"Percentage of C-level positions held by men and women"	62/38	64/36	%	64% of executive managements are 64% and 36% are women		GRI 405, SDG 5
S3.7		Gender ratio of executive management	"Percentage of junior-level positions held by men and women"	32/68	32/68	%	32% of the staff in middle and primary units are male and 68% are female.		GRI 405, SDG 5
S3.8		The gender pay gap	"The ratio of average male salary to average female salary"	31/35	22/32	ratio			GRI 405, SDG 5, SFRD

		Criteria	Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system								
S4.1	Accessibility & Inclusion	Disability policy and procedures	Does your company have a publicly available disability policy (stand-alone/integrated)?	yes	yes		Khan Bank's Employment Equality Policy includes diversity, including disability policy and procedures.	SDG 10
S4.2		Employees with disability	Percentage of employees with disability	1.6	2	%	Members of the Mongolian Center for the Blind are contracted for employee massage services.	SDG 10
S4.3		Access to facilities	Assessment of facility accessibility	yes	yes		In compliance with the Mongolian Construction Law and construction norms and regulations, all buildings owned by the bank are equipped with ramps. The Head Office meets the general requirements for ramps, wheelchair-accessible doors, and separate toilets for the disabled.	SDG 10
S4.4		Fines and penalties	"Amount of fines paid for noncompliance with laws and regulations regarding disability"	-	-	MNT		SDG 10
S5.1	Social Responsibility and Transparency	"Community engagement & disclosure"	"Does your company have a stakeholder/community engagement policy approved by the Board?"	no	no			GRI 405, SDG 5
S5.2		Social impact assessment and land acquisition policies and procedures	"Does your company have a policy or process for social impact assessment and land acquisition?"	no	no			GRI 405, SDG 5
S5.3		Grievance policy	"Does your company have a grievance policy/mechanism"	yes	yes		Khan Bank introduced the ISO 9001:2015 Quality Management System and ISO 10002:2018 International Standards for Quality Management-Complaint Resolution in Organizations. The bank implements a comprehensive management system in its operations, constantly improving the quality of products and services, and works in accordance with international standards. When dealing with customer complaints, we follow procedures for receiving, recording, and resolving customer complaints. (https://www.khanbank.com/personal/news/servicePolicy)	GRI 405, SDG 5
S5.4		Public disclosure	"Does your company have a mechanism and system to disclose relevant information to affected communities and stakeholders?"	yes	yes		"We receive and resolve complaints from customers through the following channels in accordance with procedures for receiving, recording, and resolving customer complaints: 1. Branch, clearinghouse 2. Unified Service Center 18001917 3. KhanBank.com 4. Khan Bank application 5. Khan Bank social channels 6. Applications and forms"	GRI 405, SDG 5, SFRD
S5.5		Employee/public complaints	"Percentage of community complaints 1) addressed and 2) resolved"	100	92	%	In 2023, 92% of all complaints received were resolved during the monitoring period. We received 394 suggestions from employees for improving banking products, services, and processes through our internal suggestion system, and we made related improvements.	
S5.6		Investments in CSR activities	"Percentage of revenue invested in community programs and initiatives, by SDG breakdown"	0.43	0.48	%	"The Khan Bank Foundation implements corporate social responsibility projects."	

		Criteria	Performance (previous year)	Indicator (reporting year)	Unit	Additional information	Comments	Resource
Indicators related to sustainable development management system								
S6.1	Supply Chain Management	Procurement Policy and Procedures	"Does your company have a policy in place to related to local procurement and supply chain ESG risk and opportunity management?"	yes	yes		"Procurement Policy and Procurement Procedures internally investigates. The regulation includes provisions for purchasing in compliance with the Sustainable Development Policy of KAAAN Bank. For more details, please refer to the page of KHAN Bank's Sustainable Development Report."	GRI 204, SDG 8
S6.2		Domestic procurement	"Percentage of the procurement budget used for significant locations of operation that is spent on local suppliers"	87	86	%	Out of a total of 480 suppliers, 410 are domestic customers.	GRI 204, SDG 8
S6.3		Sustainable and green purchasing	Percentage of suppliers selected based on sustainable or environmental and social criteria among the total number of suppliers	14	15	%	When selecting a supplier, a criteria questionnaire on sustainability or social responsibility is taken /added to the third-party questionnaire from 2021.1/, and the selection is influenced by the supplier's assessment of low risk. /*62 suppliers are rated as low risk/	GRI 204, SDG 8
G1.1	Corporate Governance	"Corporate governance policy"	"Does your company have a corporate governance policy/codes?"	yes	yes		Khan Bank's anti-corruption policy was approved on February 17, 2020. The policy was developed in accordance with international standards and domestic laws and is followed in the bank's daily operations.	
G2.1	Corruption and Code of Ethics	Board independence	"Percentage of board seats occupied by independent members"	33	33	%		
G2.2		Rights of minority share-holders	Are there rules and regulations to protect the rights of minority shareholders?	yes	yes		https://www.khanbank.com/uploaded/static_files/documents/20230629%20ENG%20KB%20JSC%20Charter.pdf	
G2.3		Corporate governance policies and procedures	Are there corporate governance policies and procedures in place?"	yes	yes		https://www.khanbank.com/uploaded/static_files/documents/20230629%20ENG%20KB%20JSC%20Charter.pdf	
G3.1	Compliance	Compliance Policy	Are there compliance policies and procedures in place?	yes	yes			
G3.2		Compliance Program	Are there compliance programs and procedures (employee training, audits, monitoring systems, whistleblowing, conflict of interest guidelines, prohibitions, etc.)?	yes	yes		International standards and principles related to anti-money laundering and terrorism financing are clearly reflected in internal policies and procedures. Policies and procedures are monitored annually, and measures are taken to update them regularly in accordance with laws, regulations, and guidelines from regulatory bodies.	
Additional Industry Indicators (Fill in the industry questions that apply to your company)								
FS1	Financial Service	Financial accessibility	Number of people who participated in financial literacy and financial consumer protection initiatives and events, by year	16,000	75,440	people	In 2023, the bank provided information to 75,000 people, including children, through more than 540 branches in Mongolia.	SDG 1
FS2		ESMS	Percentage of transactions assessed by BONZ risk criteria and list of prohibited activities	7.91	9.5	%	"ESG assessment is done for business loan requests classified as high-medium by environmental and social impact level by economic sector. In 2023, 336 loan requests totalling 915.6 billion MNT were evaluated. This represents 9.5% of the loan portfolio balance as of December 31, 2023."	Mongolian Sustainable Finance Principles
FS3		Sustainable finance	Share of green/sustainable loans that meet the green/SDG taxonomy category in the total loan portfolio	1.049	3.92	%	"By the end of 2023, Khan Bank will have 377.4 billion MNT in green and sustainable loans in its portfolio, similar to the share in 2022."	SDG 13, Mongolia Green Taxonomy

UN GLOBAL COMPACT

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5

Businesses should uphold the effective abolition of child labour

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7

Businesses should support a precautionary approach to environmental challenges

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

Principle 10

Businesses should work against all forms of corruption, including extortion and bribery

DEFINITION

The 17 Sustainable Development Goals (1/2)



No poverty
End poverty in all its forms everywhere.



Zero hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.



Good health and well-being
Ensure healthy lives and promote well-being for all at all ages.



Quality education
Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.



Gender equality
Achieve gender equality and empower all women and girls.



Clean water and sanitation
Ensure availability and sustainable management of water and sanitation for all.



Affordable and clean energy
Ensure access to affordable, reliable, sustainable and modern energy for all.



Decent work and economic growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Industry, innovation and infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



The 17 Sustainable Development Goals (2/2)



Reduced inequalities

Reduce inequality within and among countries.



Sustainable cities and communities

Make cities and human settlements inclusive, safe, resilient and sustainable.



Responsible consumption and production

Ensure sustainable consumption and production patterns.



Climate action

Take urgent action to combat climate change and its impacts.



Life below water

Conserve and sustainably use the oceans, seas and marine resources for sustainable development.



Life on land

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



Peace, justice and strong institutions

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



Partnerships for the goals

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.



The agreement sets long-term goals to guide all nations to:

- Substantially reduce global greenhouse gas emissions to hold global temperature increase to well below 2°C above pre-industrial levels and pursue efforts to limit it to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
- Periodically assess the collective progress toward achieving the purpose of this agreement and its long-term goals;
- Provide financing to developing countries to mitigate climate change, strengthen resilience, and enhance abilities to adapt to climate impacts.

UN Global Compact 10 principles

Human Rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2

Make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

The elimination of all forms of forced and compulsory labour.

Principle 5

The effective abolition of child labour.

Principle 6

The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Undertake initiatives to promote greater environmental responsibility.

Principle 9

Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10

Businesses should work against all forms of corruption, including extortion and bribery.

The 8 Principles of the Mongolian Sustainable Finance Program

Principle 1

Protect the natural environment

We will manage the use of soil, water, air, biodiversity, and natural resources to minimize negative impacts and encourage the preservation and sustainable use of finite resources that are constrained or threatened.

Principle 2

Protect people and communities

We will respect and uphold human rights and labor standards and protect the health and safety of people and local communities.

Principle 3

Protect cultural heritage

We will protect and preserve the unique aspects of Mongolian culture, such as tradition and language, as well as its historical, archaeological, and paleontological heritage.

Principle 4

Promote green economy growth

We will promote projects and other activities that contribute to Mongolia's green and transparent economy.

Principle 5

Promote financial inclusion

We will promote a more inclusive financial system in Mongolia by increasing access to financial products and services, providing financial education, and ensuring that consumers are protected.

Principle 6

Promote ethical investment and corporate governance

We will not finance certain "excluded" activities, we will not tolerate unethical and criminal behavior, and we will support improved practices related to ethics and corporate governance.

Principle 7

Promote transparency and accountability

We will promote transparency and accountability and report on progress in sustainable finance commitments.

Principle 8

Lead by example

We will apply the consideration that we ask of our clients to our business operations and will, as a sector, lead by driving positive environmental, social, and economic development in Mongolia.

Green Investment Principles

Principle 1

Embedding sustainability into corporate governance

Principle 2

Understanding environmental, social, and governance risks

Principle 3

Disclosing environmental information

Principle 4

Enhancing communication with stakeholders

Principle 5

Utilizing green financial instruments

Principle 6

Adopting green supply chain management

Principle 7

Building capacity through collective action

Family-friendly policy

Principle 1

Always act in the best interests of the child and of parents

Principle 2

Do no harm

Principle 3

Adapt family-friendly policies to the needs of the workforce

Principle 4

Support basic social protection for all workers

Principle 5

Always apply stronger legal protection

Principle 6

Do not discriminate on any grounds

Principle 7

Inform, create awareness, and obtain consent

Principle 8

Strive for sustainability and scalability

Children’s rights and business principles

Principle 1

Meet their responsibility to respect children’s rights and commit to supporting the human rights of children.

Principle 2

Contribute to the elimination of child labor, including in all business activities and business relationships.

Principle 3

Provide decent work for young workers, parents, and caregivers.

Principle 4

Ensure the protection and safety of children in all business activities and facilities.

Principle 5

Ensure that products and services are safe and seek to support children’s rights through them.

Principle 6

Use marketing and advertising that respect and support children’s rights.

Principle 7

Respect and support children’s rights in relation to the environment and to land acquisition and use.

Principle 8

Respect and support children’s rights in security arrangements.

Principle 9

Help protect children affected by emergencies.

Principle 10

Reinforce community and government efforts to protect and fulfill children’s rights.





KHAN BANK

SUSTAINABLE DEVELOPMENT AND ESG REPORT **2023**



sustainability@khanbank.com



1800-1917



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