

# ESG Awareness Survey

Mongolia  
1 July 2024



# Introduction



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**Country Managing Partner**

I am pleased to introduce the findings of PwC Mongolia ESG Awareness survey, which aims to contribute to the global dialogue on ESG agenda and offer valuable insights into the current state of ESG integration among businesses in Mongolia.

Over the past three years we have observed a notable trend that a growing number of companies are beginning to embrace ESG practices. This shift is largely driven by pressure from various stakeholders, as well as by companies' own initiatives. According to our survey, more than a half of participating companies have either established a robust ESG management system or are in the process of integrating several environmental and social policies into a cohesive framework. Furthermore, companies are actively enhancing their sustainability reporting efforts, with many either publishing standalone ESG reports or incorporating ESG considerations into their annual reports.

However, despite these positive developments, companies have identified several challenges they encounter on their ESG journey: a lack of expertise, budgetary constraints, and legal and regulatory concerns. To overcome these challenges and further advance their ESG initiatives, companies express the need for regulatory support, financial assistance, technical expertise, and knowledge development in ESG management systems.

I extend my sincere gratitude to all those who participated in this survey. I trust that the findings presented in this report will serve as a valuable resource for businesses, policymakers, and other stakeholders striving to foster sustainable practices and corporate governance standards in Mongolia.

Sincerely yours,  
**Shaukat Tapia**

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# Overview and methodology and participants



# Overview and methodology

## ▶ What we analyzed

The ESG Awareness in Eurasia survey, prepared by PwC Eurasia, is an important addition to the discussion of Environmental, Social, and Governance (ESG) practices in Eurasia. This survey is a part of PwC Eurasia broader research initiatives aimed at exploring various aspects of ESG topics and their impact on businesses.

With a focus on [Mongolia](#), [Azerbaijan](#), [Kazakhstan](#) and [Uzbekistan](#), these series of reports, tailored for each respective country, endeavor to provide a comprehensive analysis of the level of understanding and implementation of ESG principles among the largest companies in the region. The corresponding reports can be accessed via the links provided above.

The current report is dedicated to Mongolia, with the research results presented within this report encompassing the following key sections:

- Current ESG trends in Mongolia
- Organizational progress in ESG
- Organizational implementation of ESG
- ESG reporting and strategy trends

## ▶ How we analyzed

The research was conducted between November 2023 and January 2024 by utilizing an online survey format to collect data from the most influential companies across Mongolia, Azerbaijan, Kazakhstan, and Uzbekistan. The selection of these companies was based on their market capitalization, revenue, and overall size of the company within their respective industries.

Companies were approached through two distinct methods: firstly, PwC compiled a list of companies meeting the selection criteria and directly sent the survey to them. Secondly, in Azerbaijan and Kazakhstan, we collaborated with The American Chamber of Commerce (AmCham) and in Mongolia, we collaborated with the Mongolian Sustainable Financing Association (ToC or MSFA) to extend the survey to their member companies, thereby enhancing the breadth and depth of our data collection efforts. We express our sincere gratitude to AmCham and ToC for their valuable contribution to this endeavor, which significantly enriched the scope and relevance of our survey findings.

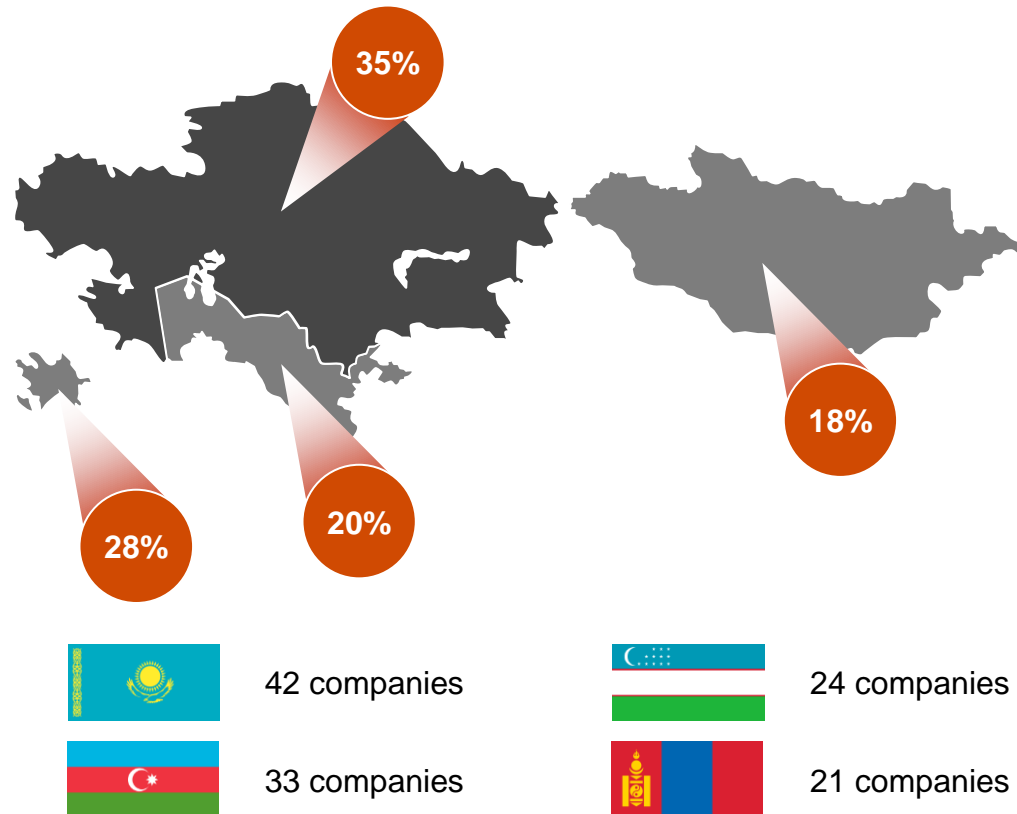
By employing this method, the study collected insights into the current state of ESG agenda from the 120 largest companies across 4 territories mentioned above. The study analyzed data for 2023.

# Brief overview of survey participants

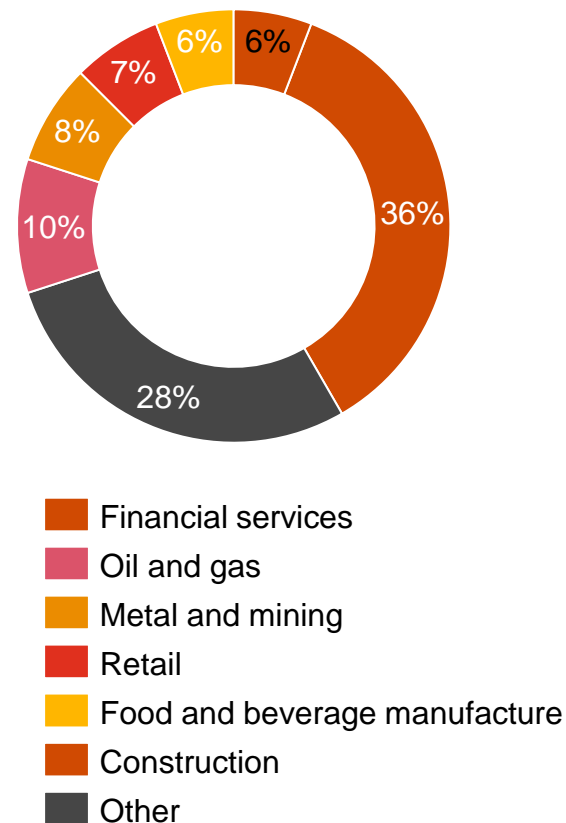
The survey included a diverse pool of respondents, totaling 120 companies across Mongolia, Azerbaijan, Kazakhstan, and Uzbekistan. Kazakhstan had the highest representation with 42 companies, followed by Azerbaijan with 33 companies, Mongolia with 21 companies, and Uzbekistan with 24 companies.

These companies spanned across more than 10 industries, with notable representation from sectors such as financial services, oil and gas, metal and mining, retail, and construction.

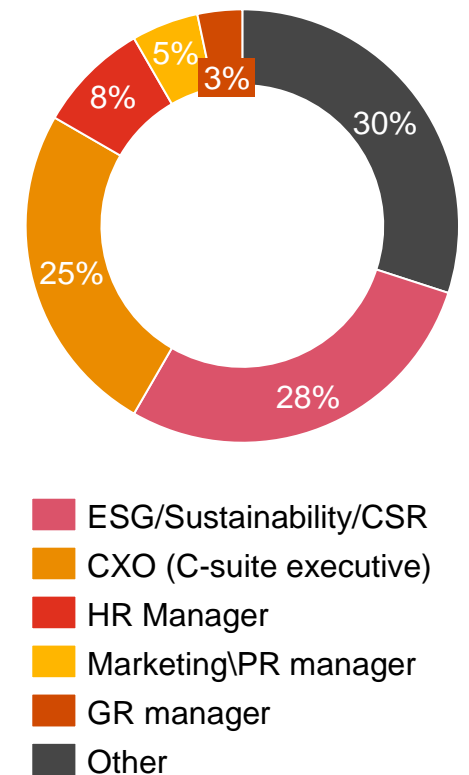
## Location breakdown



## Industry classification



## Role of participant



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# ESG Agenda in Mongolia



# ESG agenda in Mongolia

A third of SDG targets are shown to be achieved or on track, while two-thirds are split between limited progress and worsening status



99/166 SDG Index Rank



66.31 SDG Index Score



93.57 Spillover Score

Mongolia ranked 99 out of 166 countries with a country score of 66.31 in accordance with the Sustainable Development Report 2024. The country has made progress on many SDGs such as and quality education and clean water and sanitation, while moderately improving in gender equality, health, decent work, and clean energy, but lagging behind in climate action and reducing inequality.

## SDG Indicators and status



■ Major challenges   
 ■ Significant challenges   
 ■ Challenges remain   
 ■ SDG achieved   
 ■ Information unavailable  
↓ Decreasing   
 → Stagnating   
 ↗ Moderately improving   
 ↑ On track or maintaining SDG achievement   
 ● Information unavailable



# ESG agenda in Mongolia

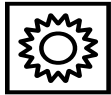
**Mongolia aims to decrease its national greenhouse gas emissions by 22.7% by 2030**

## NDC Target

Mongolia ratified the Paris Agreement under the United Nations Framework Convention on Climate Change in 2016. Subsequently, Mongolia developed its Nationally Determined Contribution (NDC), which was approved by the Government Resolution No. 407 in November 2019, with aim of contributing to the Paris Agreement. Within the framework of the NDC, Mongolia revised its national goals. These revisions include a more precise definition of previously established targets for mitigating greenhouse gas emissions, as well as the formulation of specific measures to address the adverse impacts and risks associated with climate change while enhancing adaptive capacity.

Overall, Mongolia aims to decrease its national greenhouse gas emissions by **22.7% by 2030**, compared to business as usual.

**By 2030, the national greenhouse gas emission reduction target was defined at the sector level as follows:**



**Energy production and supply sector - a reduction target of 8.34 million tons of CO<sub>2</sub> equivalent:**

- Using renewable energy;
- Improve the energy efficiency.



**Agriculture sector - a reduction target of 5.28 million tons of CO<sub>2</sub> equivalent:**

- Reducing the livestock number;
- Enhancing the livestock quality and productivity.



**Industrial sector - a reduction target of 1.28 million tons of CO<sub>2</sub> equivalent:**

- Industrial energy saving;
- Electricity generation using waste heat from cement plants;
- Use of fly ash in cement production;
- Extraction of methane from coal mines for electricity generation.



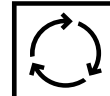
**Transportation sector - a reduction target of 1.05 million tons of CO<sub>2</sub> equivalent:**

- Switching to Euro-5 standard fuel;
- Transferring coal export transport from road transport to railway transport;
- Switching passenger train to electric heating.



**Construction sector - a reduction target of 830 thousand tons of CO<sub>2</sub> equivalent:**

- Retrofitting of prefabricated concrete residential buildings in Ulaanbaatar;
- Using the improved fuel in Ulaanbaatar.



**Waste sector - a reduction target of 106.1 thousand tons of CO<sub>2</sub> equivalent:**

- Reducing the volume of waste sent to centralized landfills by supporting the waste recycling industry;
- Expanding sewerage facilities by improving sanitation and decreasing greenhouse gas emissions from solid waste;
- Taking measures to reduce greenhouse gas emissions from liquid waste.

# ESG agenda in Mongolia

By 2023, Mongolia introduces numerous regulations to meet sustainable development goals and targets

## Corporate Governance Code

On 23 May 2022, Financial Regulatory Commission of Mongolia approved the updated version of the “Corporate Governance Code” (CGC).

This revised CGC introduced the **environmental, social and corporate governance (ESG)** reporting requirements in Mongolia. The CGC is mandatory for public companies, insurance companies, non-banking financial institutions that offer savings trust services, and investment management companies (Obligated Companies).

The GCG stipulates that the Obligated Companies should assess their environmental, social, health and security risks and publicly disclose such risks along with actions taken to manage them. Furthermore, the Obligated Companies are required to report the implementation of this obligation along with other obligation under the CGC, to Mongolian Stock Exchange (MSE) on an annual basis as well as this information must also be disclosed on the company’s website and in annual report.

## Regulation on Information for Public Disclosure

On 22 May 2022, the MSE approved the Regulation on Information for Public Disclosure” (RIPD).

Under this regulation, public companies are encouraged to issue an ESG report on a voluntary basis using the indicators outlined in the RIPD.

The general structure of an ESG report comprises the following components

- Sustainability management;
- Environmental indicators;
- Social indicators;
- Governance indicators; and
- Specific industry-related matter: the RIPD recognizes that certain sectors may have unique ESG considerations, and additional indicators relevant to specific industries are included.

Furthermore, if a company requests, the ESG report will be audited by a professional third party.

## Green Taxonomy

The Green Taxonomy of Mongolia has been approved by the Joint order of Minister for Finance, President of Bank of Mongolia, Head of the Financial Regulatory Commission, and the Executive Director of the Deposit Insurance Corporation in 2019.

The objective of the Green Taxonomy is to develop a nationally agreed classification framework of activities that contribute to climate change mitigation, adaptation, pollution prevention, resource conservation, and livelihood improvement in the context of green finance.

### The Green Taxonomy includes 8 green project categories:

Renewable energy	Low Pollution Energy	Energy efficiency	Green buildings
Pollution prevention & control	Sustainable water and waste use	Sustainable agriculture, land use, forestry, and eco-tourism	Clean transport

## SDG Finance Taxonomy

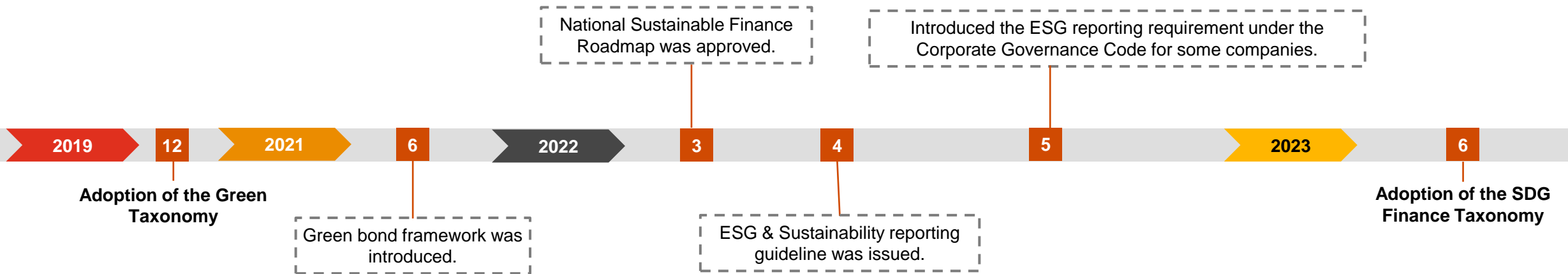
The Minister of Finance, President of Bank of Mongolia, Head of the Financial Regulatory Commission, and the Executive Director of the Deposit Insurance Corporation approved the SDG Finance Taxonomy jointly in 2023.

SDG Finance Taxonomy aims to provide a common, nationally agreed classification framework of activities that are eligible for sustainable financing and make substantial contribution to Mongolia’s sustainable development goals and targets. The vision of the SDG Taxonomy is to help Mongolia transition to a sustainable, low carbon, climate-resilient and just economy.

SDG Finance Taxonomy is the project classification system with impact assessment and reporting criteria that allows investors and projects to clearly identify SDGs supporting projects and help measure respective impacts.

# ESG agenda in Mongolia

## Regulation overview



In Mongolia, the following companies are obliged to report its ESG performance starting from 2023:

- Public companies;
- Insurance companies;
- Non-banking financial institutions that offer savings trust services; and
- Investment management companies.

However, it is not mandatory for other companies and they are encouraged to adopt ESG reporting practices.

To enhance the availability ESG information, the **ESG and Sustainability Reporting Guidance** for Mongolian Companies was officially released in April 2022, Mongolia.

### ESG and Sustainability Reporting Guidance

This guidance aims to assist companies in preparing sustainability report and effectively disclosing ESG information. Under this guidance, a total of 30 ESG indicators that are considered core or minimum to report. These indicators align with the recommendations of key global reporting frameworks.

Sustainability Management Indicators	Environmental Indicators	Social Indicators	Governance Indicators	Sector specific Indicators
<ul style="list-style-type: none"> <li>• Senior management commitment;</li> <li>• Sustainability strategy/ policy and procedures;</li> <li>• Governance structure;</li> <li>• Materiality assessment;</li> <li>• Organization capacity;</li> <li>• Monitoring Sustainability reporting and verification; and</li> <li>• Memberships.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy;</li> <li>• GHG emissions;</li> <li>• Climate change;</li> <li>• Water;</li> <li>• Waste; and</li> <li>• Biodiversity.</li> </ul>	<ul style="list-style-type: none"> <li>• Human capital development;</li> <li>• Occupational, health and safety;</li> <li>• Equal opportunity;</li> <li>• Access&amp; Inclusion;</li> <li>• Community engagement&amp; disclosure; and</li> <li>• Supply chain management.</li> </ul>	<ul style="list-style-type: none"> <li>• Corruption and ethics;</li> <li>• Corporate governance;</li> <li>• Compliance; and</li> <li>• Stakeholder engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial services;</li> <li>• Agriculture &amp; food production;</li> <li>• Textile;</li> <li>• Manufacturing;</li> <li>• Mining; and</li> <li>• Construction.</li> </ul>

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Detailed overview  
of the survey results



# Mongolian respondents profile

A total of 21 companies participated in the survey from Mongolia, with a significant majority (52%) representing large enterprises with 250+ employees. Notably, the survey included participation from 1 international companies, reflecting their global presence.

Additionally, 3 companies headquartered in Mongolia were found to operate across multiple territories, further highlighting their expansive reach and influence. The main industries represented among the respondents are financial services, retail, and machinery.

## Role of participant



## Industry classification

### Financial Services



### Retail



### Machinery



### Construction



### Other



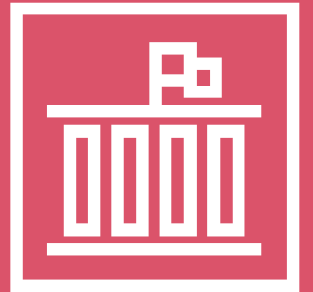
## Company size, number of employees



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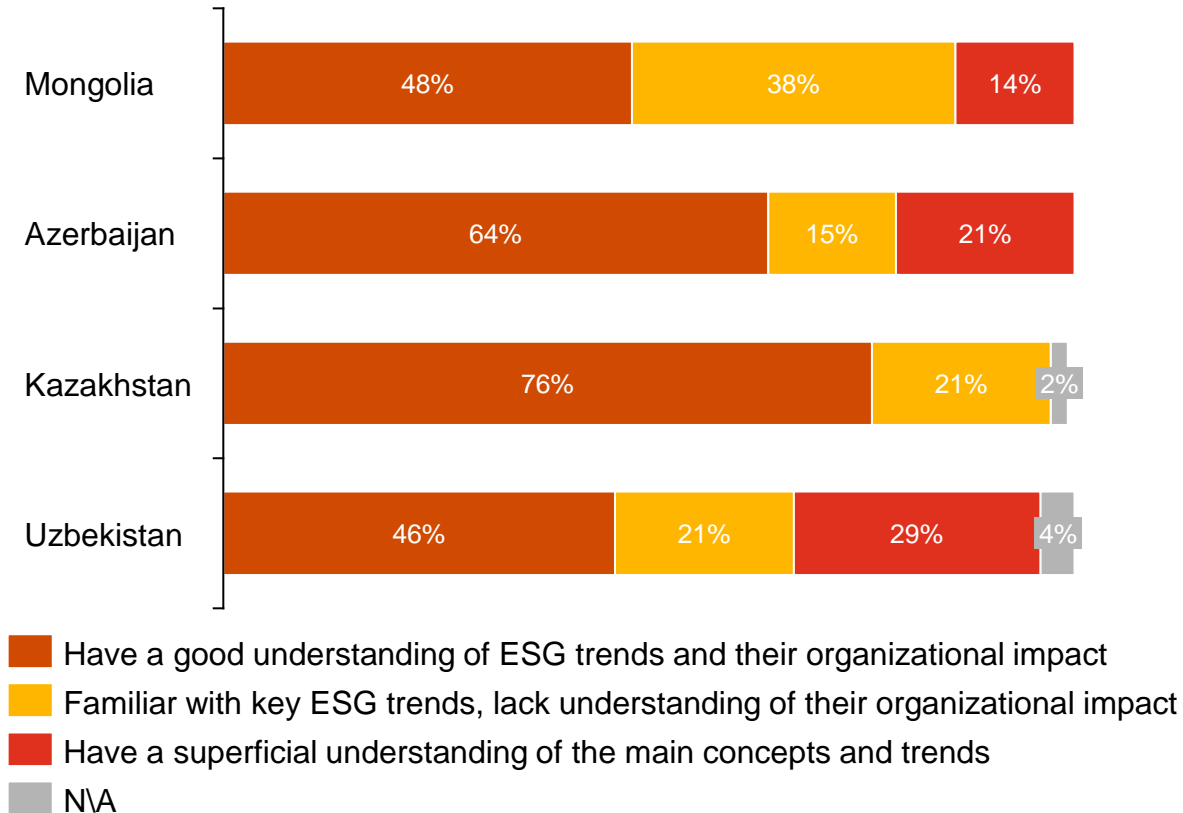


# ESG implementation trends



# Understanding business familiarity with ESG

## How familiar are companies with ESG/sustainability?



The discussion on survey results regarding companies' familiarity with ESG shows that awareness varies a lot among countries. While a notable portion of companies demonstrates a good understanding of global and country-specific sustainability trends and how they affect their industries and businesses, a considerable proportion still lacks comprehensive knowledge.

In Azerbaijan and Kazakhstan, the majority of surveyed companies demonstrate a strong understanding of ESG trends and their organizational impact. However, in Mongolia and Uzbekistan, more than half of the surveyed companies display only a superficial understanding of key ESG trends, lacking insight into their industry's future implications.

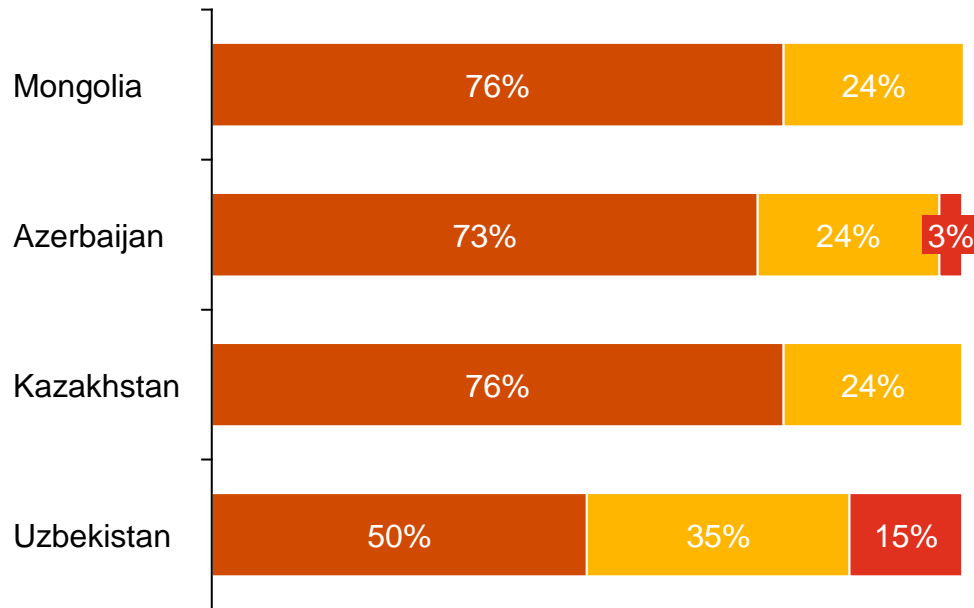
Having been recently introduced in Mongolia in 2022, the UNDP partnered with financial sector authorities and released "The ESG and Sustainability Reporting Guidance for Mongolian Companies" as part of the effort to increase and mobilize resources from the private sector for progress towards achieving the SDGs. A survey of 42 companies listed on the Mongolian Stock Exchange (MSE) revealed that current reporting practices on sustainability issues is limited, with more information being disclosed on governance-related indicators due to lack of the technical knowledge and skills. The survey, however, noted that companies were willing to engage on sustainability reporting and believe the relevant information can be collected and disclosed if given the right guidance and capacity-building support.

# ESG impact on national economies: Assessing relevance

Do companies think that the ESG agenda will be relevant for the country in the next three years?

Level of impact ESG agenda is expected to have on the country

Significant Moderate No impact



As ESG considerations continue to gain prominence globally, their impact on economies and businesses has become increasingly apparent. In this context, examining companies' perceptions of the relevance of the ESG agenda for their country over the next three years provides valuable insights.

Companies in Mongolia, Azerbaijan, and Kazakhstan share a similar perception, with over 70% of them anticipating a significant impact from the ESG agenda on their economies, industries, and businesses. About 20% foresee a moderate impact, indicating a need for some adjustments in response to ESG agenda but not significant changes to the regular company activities. This acknowledgment is driving companies to integrate ESG considerations into their long-term strategic planning, reflecting their commitment to sustainability.

However, survey results from Uzbekistan reveal a different perspective, with 50% anticipating a significant impact, 35% foreseeing a moderate impact, and 15% believing that the ESG agenda will not lead to real changes in the economy or their business in the next three years, suggesting it can be ignored for the near future. This skepticism regarding ESG may reflect the novelty of ESG-related regulations, thus, limited understanding of the core ESG principles, indicating a need for enhanced awareness.



# Exploring the influence of ESG trends on business

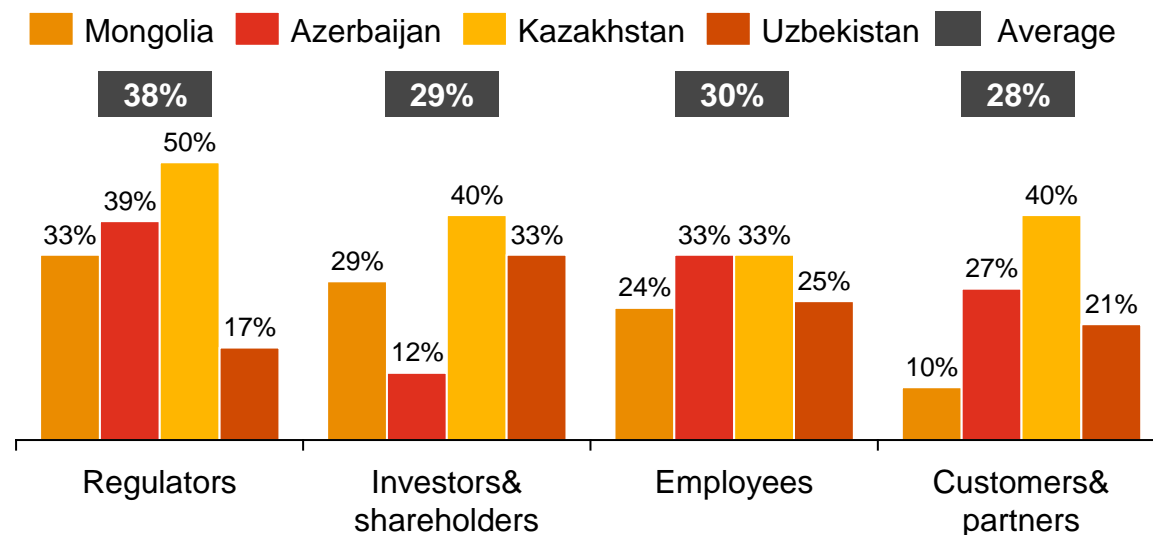
## Do companies feel the growing influence of ESG trends on their activities?

As more companies recognize the growing impact of ESG trends on their business activities, this section aims to explore factors shaping their perceptions of the ESG agenda.

Approx. half of the companies in Mongolia, Azerbaijan and Kazakhstan express increasing exposure to ESG risks, compared to only 29% of companies in Uzbekistan. When it comes to external pressures, the survey highlights significant differences among the surveyed countries, with regulatory requirements being the primary factor, followed by pressure from investors, shareholders, employees, and business customers and partners.

52%	MN companies see the company's growing exposure to ESG risks (incl. Climate change risks) <i>Az: 45%, Kz: 60%, UZ: 29%</i>
29%	MN companies say that they implement ESG agenda as their <b>voluntary contribution</b> <i>Az: 33%, Kz: 24%, UZ: 42%</i>
6%	MN companies say that they <b>still don't plan to implement</b> ESG agenda <i>Az: 0%, Kz: 0%, UZ: 8%</i>

## Stakeholder groups promoting ESG agenda

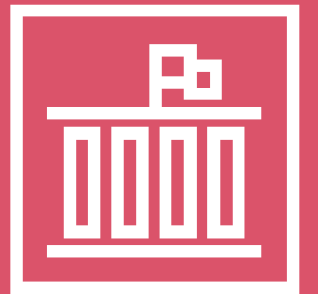


Alignment with stakeholders' expectations on this issue seems to be important for companies to comply with the legislation, gain access to capital as well as win customer trust.

Mongolian companies indicated that they feel external pressure from regulators and investors for implementing ESG agenda.

# 3.2

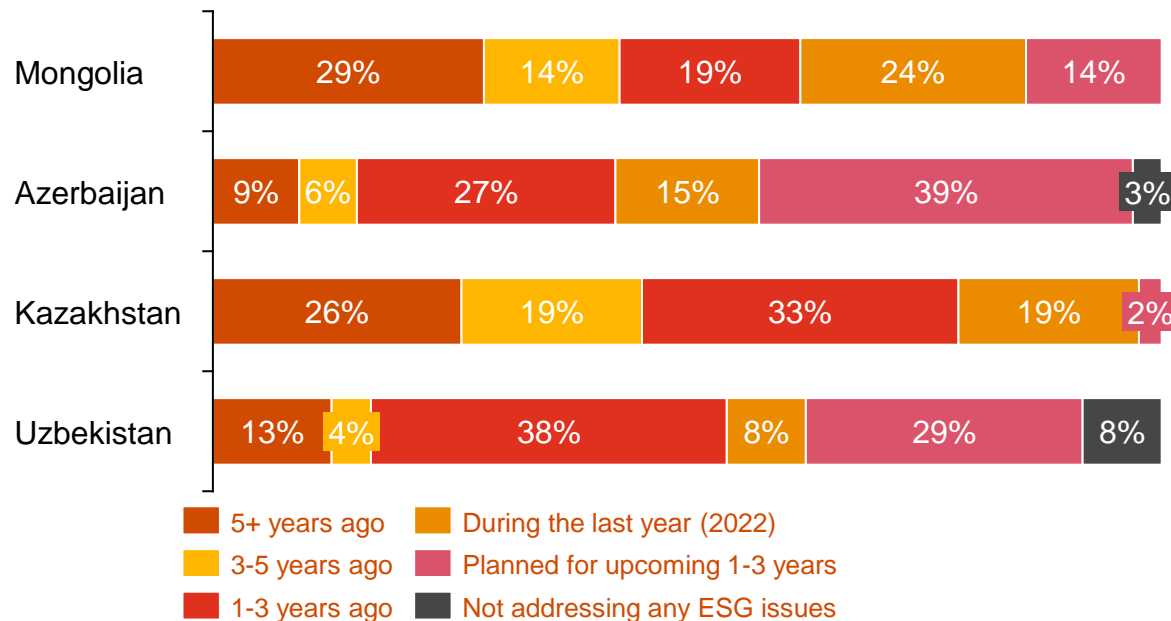
## Organizational progress in ESG



# ESG adoption

## When did companies start ESG?

% of companies that started ESG activities in a particular period



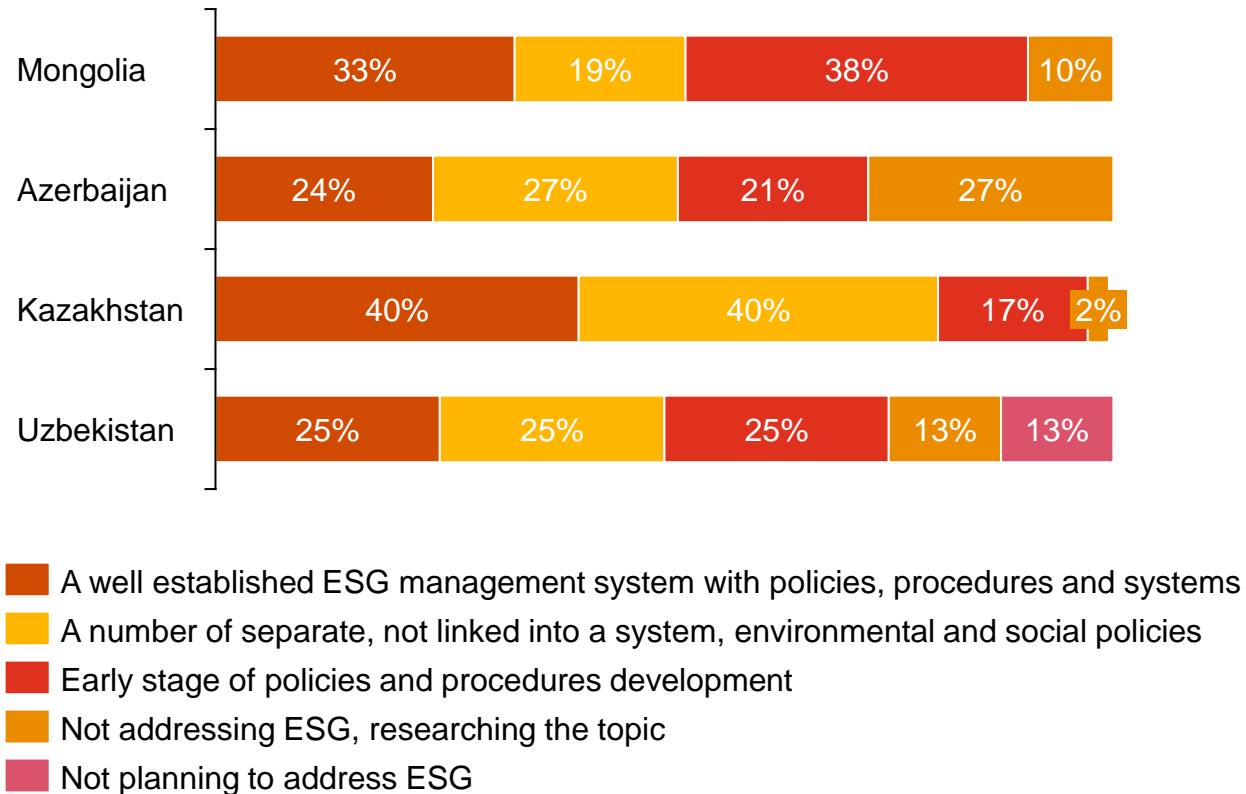
The timeline of ESG adoption among companies provides a significant perspective into the evolution of sustainability practices within the business landscape. Understanding when companies began their ESG activities offers insights into the pace of sustainability integration and the shifting priorities of businesses over time.

The majority of companies in Mongolia, Azerbaijan, and Uzbekistan embarked on their ESG activities within the past one to three years, indicating a more recent incorporation of sustainability into their business operations, which time-wise corresponds to more active regulatory developments and spread of ESG agenda on the national level. In contrast, 45% of companies in Kazakhstan embarked on ESG initiatives over three years ago, indicating a relatively early adoption of sustainable practices.

Notably, early adopters in Azerbaijan and Kazakhstan hailed from industries such as metal and mining, oil and gas, energy, and food and beverage production, while the financial services industry led the adoption of ESG practices in Mongolia and Uzbekistan.

# ESG Management Practices

## What is organization progress in managing ESG issues?



As we see, companies are increasingly integrating ESG considerations into their operations. However, the organizational progress in addressing and managing ESG issues varies across the countries.

In Mongolia, half (52%) of surveyed companies have either established a well-defined ESG management system or are actively implementing various environmental and social policies, albeit separately. Notably, 38% of companies surveyed are in the early stage of developing policies and procedures in ESG management and 10% at an early research stage.

Companies in Mongolia are mainly motivated by regulators followed by investors and shareholders, implying that implementing ESG trends is a result of external pressure and less so personal contribution. Alignment with stakeholders' expectations on this issue is key here, priority being companies to comply with the legislation and then consider winning customer trust.

# ESG initiatives development and management

## Who is primarily responsible for overseeing and development of ESG initiatives across the firm?

	MN	AZ	KZ	UZ	Eurasia
Leadership (Board)	33%	55%	52%	13%	42%
Leadership (Management)	57%	64%	69%	46%	61%
HR Manager	19%	9%	24%	17%	18%
CSR Manager	24%	9%	21%	8%	16%
Environmental manager	24%	33%	24%	13%	24%
Marketing/PR manager	14%	12%	21%	8%	15%
ESG committee	19%	3%	29%	8%	16%
ESG focused project management officer	10%	6%	10%	13%	9%
Sustainability department	19%	12%	31%	17%	21%
Designated ESG employee	29%	9%	24%	25%	21%
External consultants	5%	9%	14%	21%	13%
No one. We are preparing an existing employee or hiring someone to fill this role	5%	9%		17%	7%

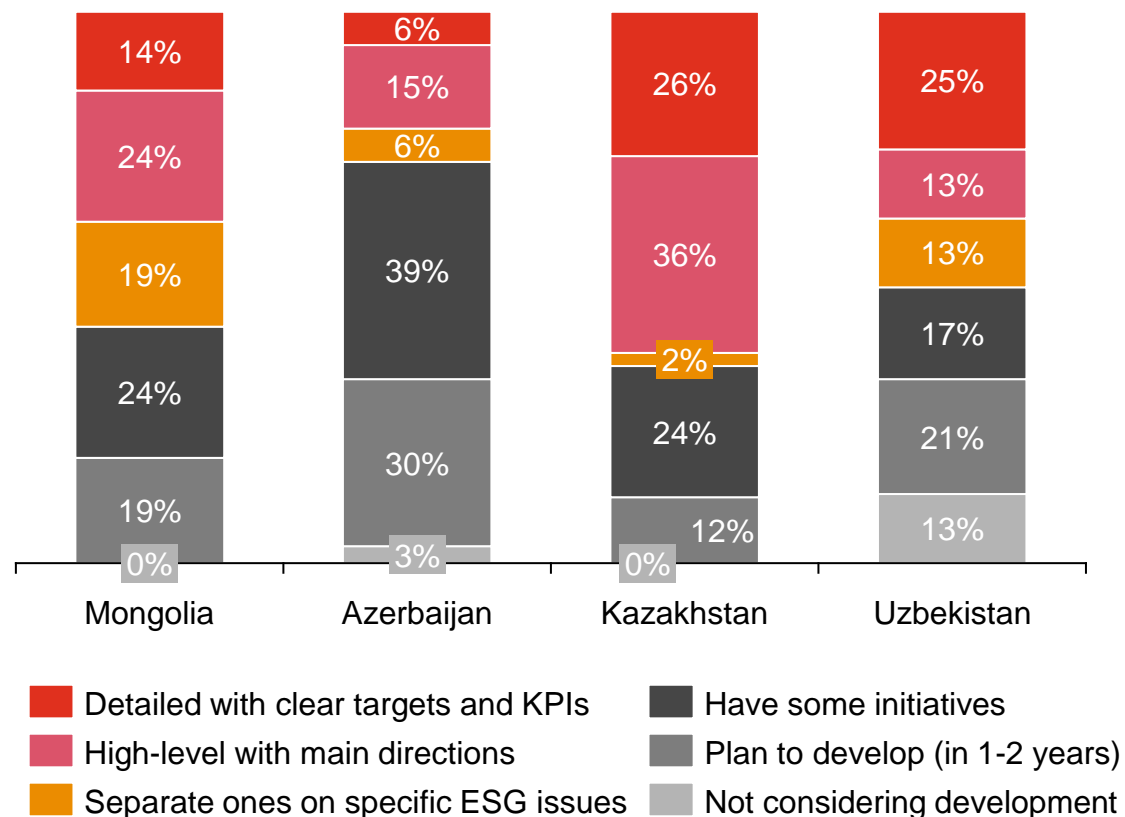
The implementation of ESG management systems or separate environmental and social policies highlights the necessity of having someone, either a designated individual or department, accountable for overseeing and driving these initiatives.

Our survey reveals that in most cases, this responsibility falls on leadership, including the board and management. Such a heavy leadership involvement in ESG stewardship indicates that sustainability considerations are integrated into the company's strategic planning and decision-making processes, reflecting a commitment to long-term vision and objectives.

However, the survey also indicates that fewer companies have separate ESG bodies, such as committees, departments, or dedicated employees, which is considered the best practice among global leaders. The absence of such structures can hinder company's efforts in sustainability performance due to a lack of focused expertise, resources, and oversight, potentially leading to inconsistent practices and goals across different areas of the business.

# ESG Strategy

## Do companies have an approved ESG strategy?



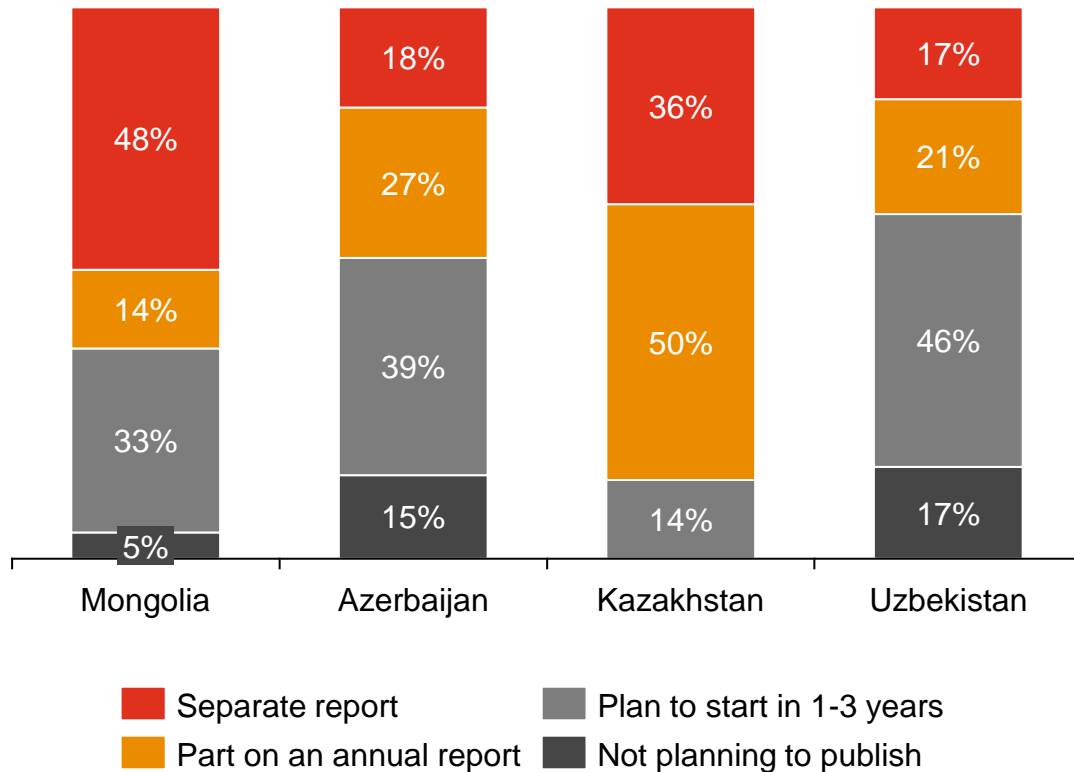
As companies advance in ESG implementation, the importance of having an approved ESG strategy has become indispensable for organizational success. An established ESG strategy indicates a company's maturity in recognizing the importance of sustainable practices and its commitment to integrating these principles deeply within its business operations and decision-making processes.

Our discussion on survey results regarding the presence of approved ESG strategies among companies revealed diverse situations across the region. The findings show that over 50% of surveyed companies in Mongolia, Kazakhstan, and Uzbekistan have implemented ESG strategies, with approaches varying from detailed plans with clear targets and key performance indicators (KPIs) to separate strategies addressing specific ESG issues. These findings align with Kazakhstan and Uzbekistan survey results. In contrast, Azerbaijan presents a different scenario, with only 27% of companies reporting having ESG strategies in place.

It is worth noting that the presence of a strategy does not correlate with the industry of operation.

# ESG Reporting

## Do companies publish an external ESG/CSR/Sustainability report or a designated section in an annual reports?



As ESG considerations continue to shape corporate landscapes, the importance of transparent reporting on these matters has become increasingly evident.

Notably, findings reveal that in Mongolia, over 60% of surveyed companies publish either a separate ESG report or have a designated section in their annual report dedicated to ESG matters. Higher levels of ESG reporting in Mongolia is likely to be connected with the introduction of revised Corporate Governance Code that mandate ESG reporting from 2023 and set specific disclosure requirements.

In contrast, in Azerbaijan and Uzbekistan, only 40% of companies are engaging in such reporting practices. The remaining companies in these regions plan to start reporting within the next 1-3 years.

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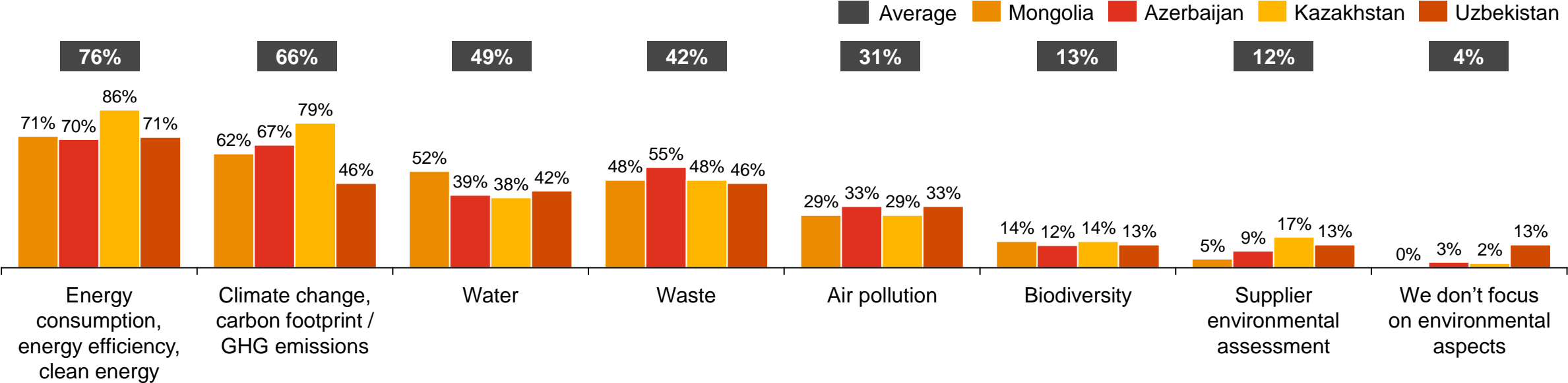
Top focus areas in ESG  
implementation





# ESG aspects of primary focus area

Which environmental aspects are your primary focus area?



As the environmental crisis worsens, the energy consumption topic, as the most widely discussed issue out of ESG agenda, not surprisingly, emerges as the top concern across all four countries. More than 70% of the surveyed companies identified it as the focus issue.

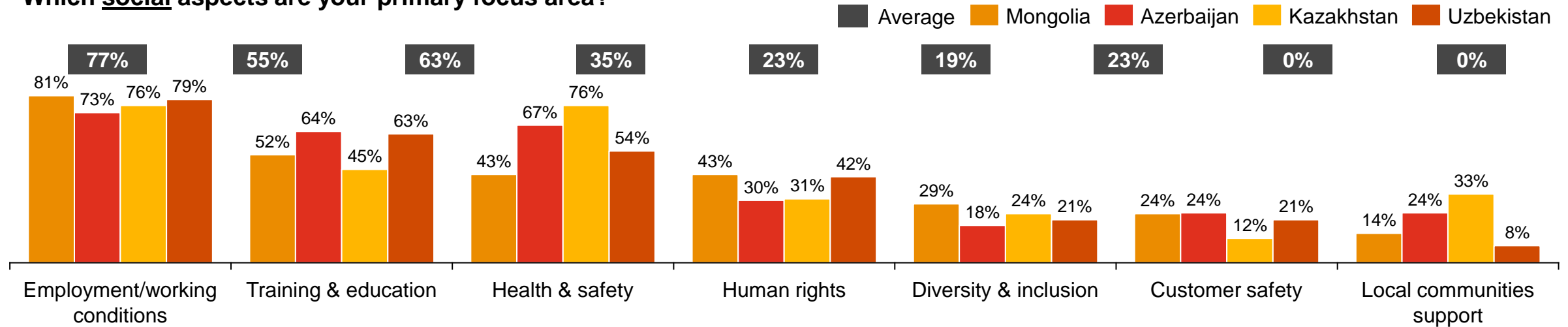
Mongolia's energy system is the most heavily dependent on coal among the developing member countries of the Asian Development Bank. "The energy demand is increasing in line with an increase of population and extension of economy activities.

In 2020, energy production was 7.2 billion kWh, out of which 90.9% was from coal combustion in power plants and 9.1% from renewable energy, and a 1.7 billion kWh of electricity was imported. In 2020, 90.9% of total electricity generation in Mongolia came from coal-fired thermal power plants, 6.4% generated by wind power plants, 1.5% from solar power plants, 1.2% from hydropower plants, and 0.04% from diesel stations. 80.7% of the electricity supply is produced domestically, and 19.3% is imported".

Source: Mongolia's Second Biennial Update Report under United Nations Framework Convention on Climate Change, Ministry of Environment and Tourism, 2023

# ESG aspects of primary focus area

Which social aspects are your primary focus area?



The social dimension pertains to the people-related elements of a business or organization, focusing on company culture and issues of human capital. These facets are critical as they reflect the societal impact and ethical standards of a company, which are increasingly influencing investment decisions and consumer behavior.

In our survey, employment conditions, health & safety, and training & education emerged as the universal focal points within the social pillar of ESG, underscoring their significance in creating a robust and sustainable workforce.

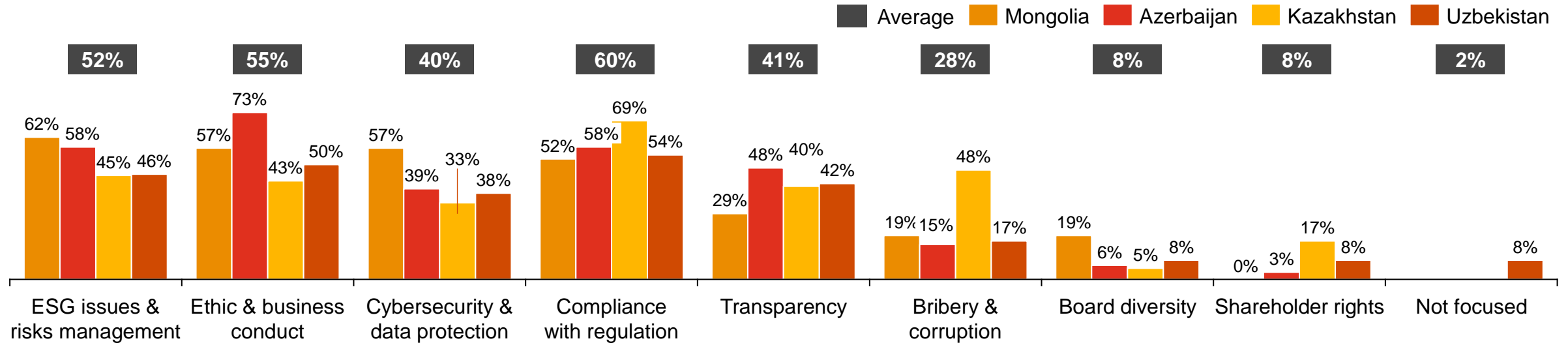
However, there was a notable divergence in the emphasis placed on support for local communities, with 14% of Mongolian companies acknowledging its importance compared to a 24% in Azerbaijan and 33% in Kazakhstan. This discrepancy could be attributed to the different priorities in economic development, societal expectations, and regulatory landscapes in these countries.

Companies seem to have little awareness about diversity and inclusions, customer safety, and none of the companies have chosen supplier assessment as a priority issue. However, countries worldwide are implementing increasingly stringent regulations not only on environmental, but on supply chain and human rights issues too, exemplified by initiatives such as the United Nations Guiding Principles on Business and Human Rights.

In June 2023, Mongolia took a significant step by becoming the fourth country in the Asia-Pacific region to adopt the National Action Plan on Business and Human Rights (NAPBHR). This plan, which will be implemented from 2023 to 2027, aims to create a better legal framework, provide practical guidelines through a human rights' due diligence tool, enhance stakeholder capacity, and strengthen access to remedy mechanisms. By doing so, Mongolia underscores its commitment to promoting responsible business conduct, upholding human rights, and contributing to the achievement of the Sustainable Development Goals.

# ESG aspects of primary focus area

Which governance aspects are your primary focus area?



Corporate governance plays a pivotal role in sustainable business practices, encompassing a broad array of policies and procedures that ensure a company operates within legal and ethical standards and maintains accountability to its stakeholders.

In our survey, compliance, ESG & risk management, and business conduct have been unanimously recognized as top priorities. These areas are vital for building a resilient and trustworthy corporate infrastructure.

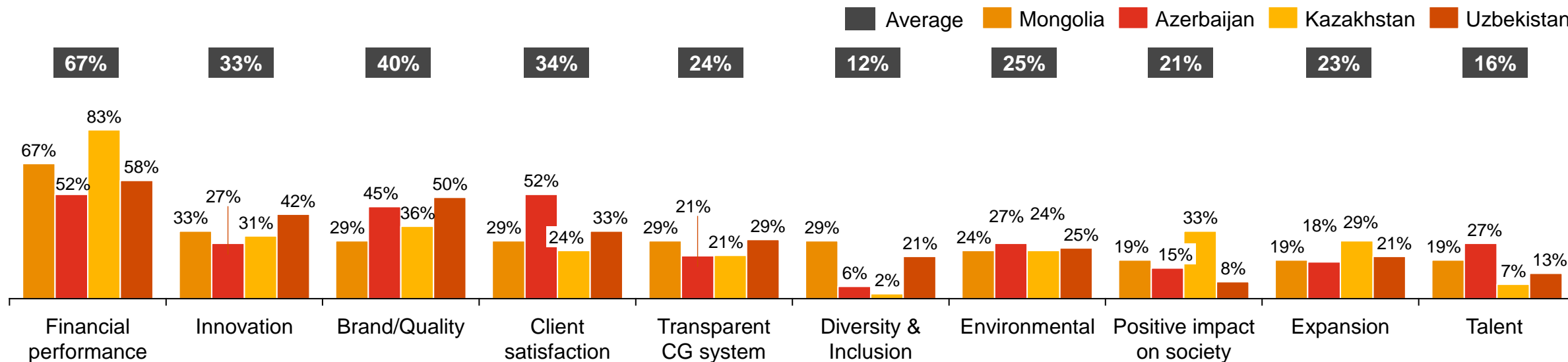
Conversely, there is a marked variance in the attention paid to bribery and corruption.

19% of Mongolian companies are tuned into bribery and corruption that could indicate lesser focus in this areas despite actual outcome could be otherwise.

While businesses across countries generally understand key governance concerns, they often overlook the critical areas of shareholder rights and board diversity. These aspects are not only consistently factored into ESG ratings criteria and reporting guidelines, but are also crucial for company's both general and sustainability-related performance.

# Top Management priorities

What are the top management's top 3 priorities?



Amidst the increasing focus on ESG aspects within companies, our survey delved into the top management priorities.

Financial performance, Innovation, Brand/Quality, Client satisfaction, and were identified as the primary concerns. Notably, in Mongolia, financial performance emerged as a key priority for companies, with 67% selecting it.

Interestingly, factors related to positive impact, environmental concerns, transparency in governance, diversity, and other ESG issues were less prioritized. Yet, according to a study by MSCI, it's observed globally that firms with strong ESG practices tend to outperform financially as well.

Moreover, failing to effectively manage ESG aspects can introduce numerous risks, potentially culminating in financial downturns for businesses that neglect these critical areas.

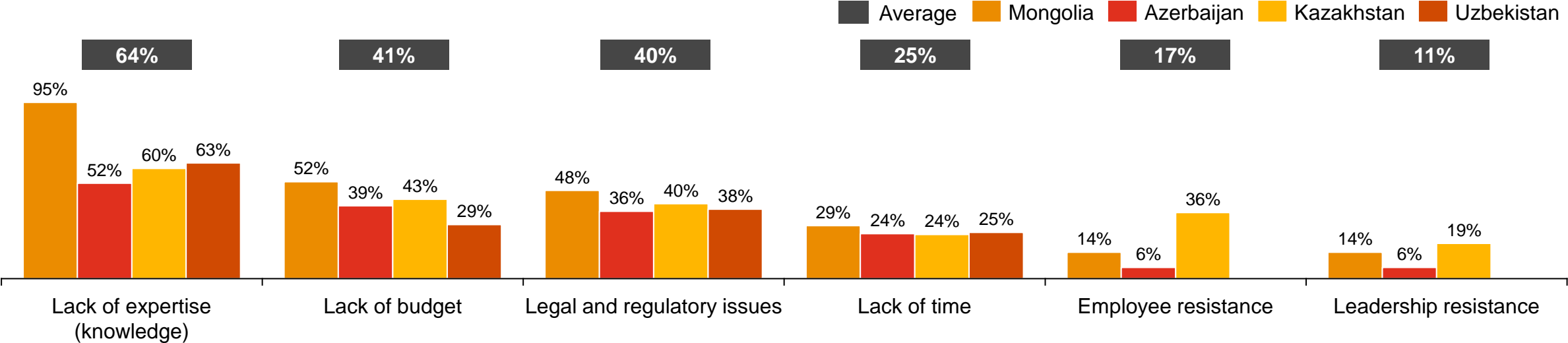
3.4

Organizational  
Implementation of ESG



# ESG agenda implementation challenges

What challenges have companies faced when implementing ESG initiatives/projects/programs?



Navigating the complexities of ESG agenda implementation presents significant challenges for companies globally, including those in Mongolia, Azerbaijan, Kazakhstan, and Uzbekistan.

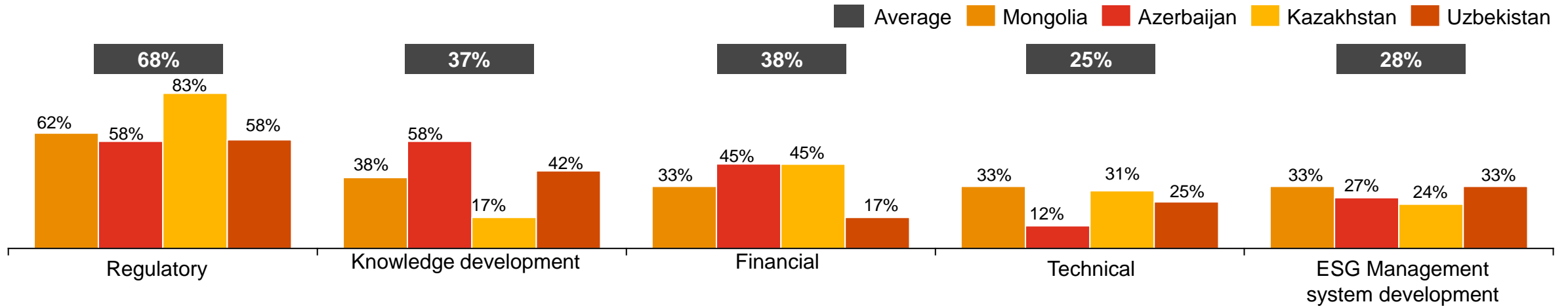
Lack of expertise, limited budget, and legal and regulatory issues emerge as the top 3 challenges encountered by organizations. Despite ESG being widely promoted, many organizations, even globally, have only a basic understanding of sustainability concepts and struggle with the specific steps for successful integration. Budget constraints are recognized as a challenge as many companies perceive ESG integration as an additional cost rather than an intrinsic part of financial performance.

Moreover, the rapidly evolving regulatory landscape adds to the ambiguity, with legal compliance becoming a pressing concern.

Notably, a significantly higher proportion of companies in Mongolia face lack of expertise, with 95% encountering this challenge compared to a range of 52-63% in other countries. This discrepancy could be attributed to limited ESG awareness and implementation in the public and private sector. This is further challenged by standstill due to ongoing regulatory developments as well as perceptions of ESG integration as an additional cost. Addressing these knowledge gaps and budget constraints through improved awareness, knowledge sharing, training, clear organizational guidelines, and regulatory policies is recommended to enhance ESG integration efforts.

# Support needed for ESG implementation

What kind of support, based on companies opinion, will facilitate the implementation of an ESG strategy?



In addition to uncovering the challenges faced by surveyed companies, the survey also investigated the types of support needed to address these challenges.

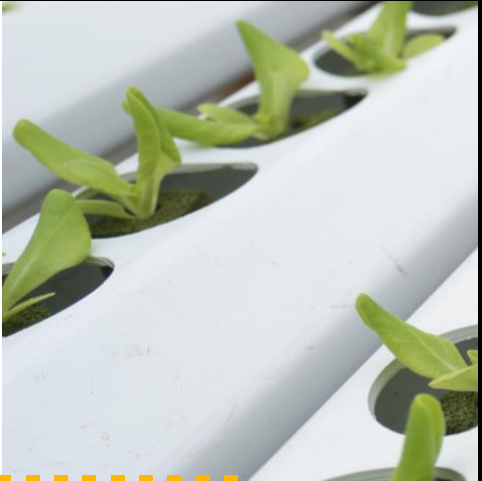
Regulatory and financial backing emerge as top priorities, highlighting the crucial role of government policies and financial incentives in advancing ESG initiatives. While initial steps, such as introduction of sustainability disclosures, show promise, achieving broader sustainable development goals demands substantial financial investment. For instance, the financial needs for Mongolia's NDC implementation are estimated initially as \$11.5 billion, of which \$6.3 billion is for mitigation, and \$5.2 billion is for adaptation.

Building capacities to disseminate and transfer scientific information and knowledge and educating the public and various stakeholders on climate change as well as potential mitigation and adaptation measures are an essential precondition for the successful implementation of Mongolia's NDC. Additionally, for determining the most suitable, efficient, and effective technologies, Mongolia needs to conduct the technology needs assessment.

The survey results can serve as a strategic guide for governments to identify key areas to support and facilitate the adoption of ESG practices among businesses.

Source: United Nations Framework Convention on Climate Change, 2020. Updated Mongolia's Nationally Determined Contribution

3.5



Climate change





# Climate change risks affect on business (1/2)

## Do companies think the risks associated with climate change will affect them?

Despite climate risks assessment being one of the most complicated issues in ESG integration and disclosure, the majority of surveyed companies have been taking into account climate change impacts and risks. Companies differentiate between physical and transitional risks, and some also recognize the importance of assessing risks within their supply chains, albeit to a lesser extent.

The survey findings reveal notable disparities across the surveyed countries: in Mongolia, Azerbaijan and Kazakhstan, 50%+ of respondents believe that climate change can physically impact a company's assets, while over 30% express concerns about its effects on organizational supply chains. Conversely, companies in Uzbekistan appear to perceive themselves as less susceptible to climate risk impacts, with only 21% and 8% expressing concerns about potential asset and supply chain impacts, respectively.

38%

MN companies state that **climate risks have already affected** their assets or supply chain

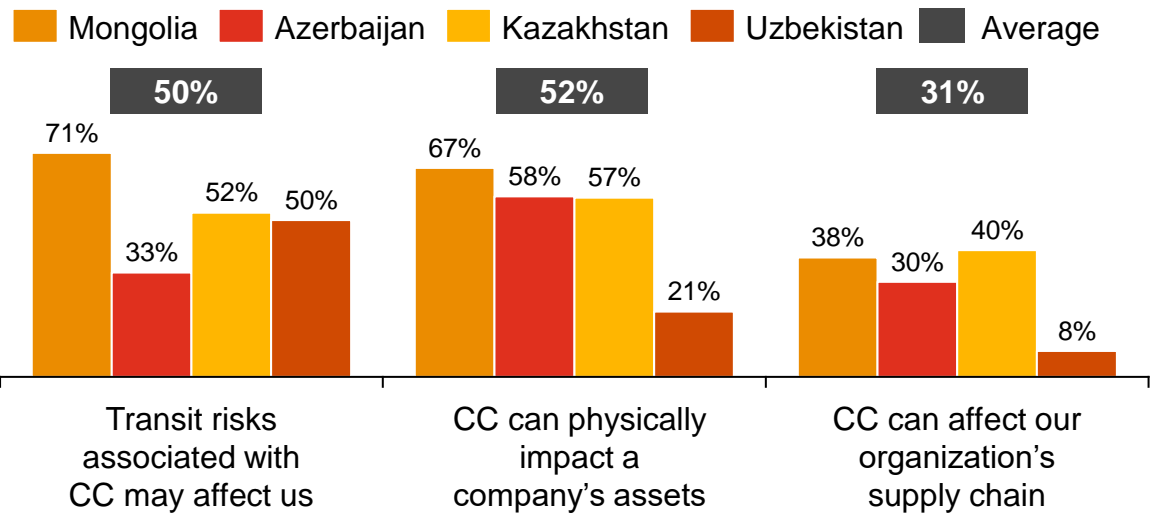
AZ: 15%, KZ: 5%, UZ: 8%

5%

MN companies say that they **have not assessed climate risks**

AZ: 15%, KZ: 17%, UZ: 33%

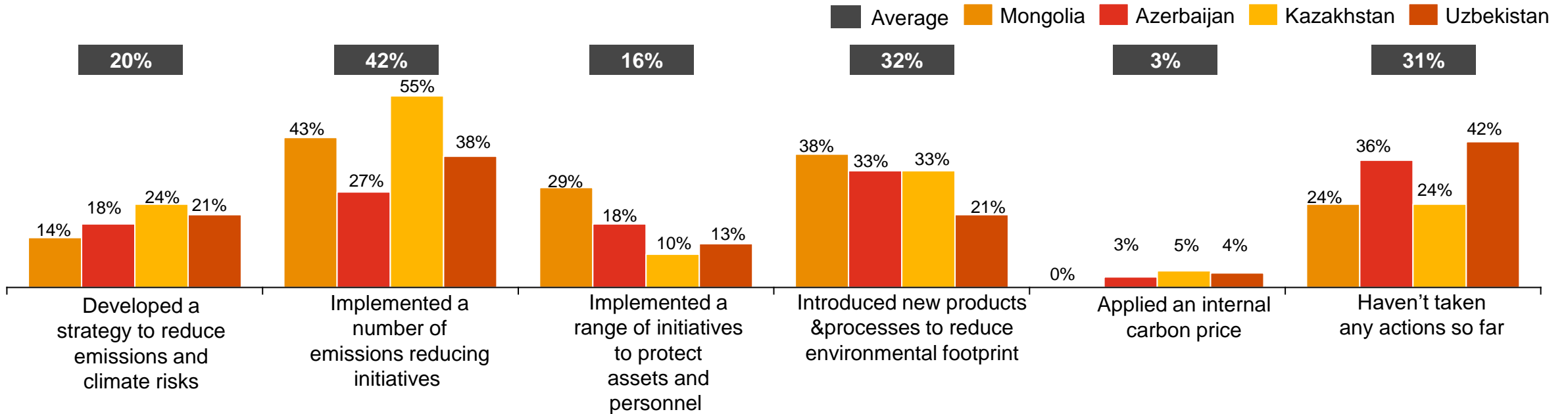
## Climate Change (CC) affect on company operations



Notably, in Mongolia, the risks associated with climate change are becoming increasingly relevant and subject to regulation. With the forthcoming adoption of guidelines on Environmental and Social Risk Management for the financial sector by The Financial Regulatory Commission of Mongolia for Regulation and Development of the Financial and Insurance Market, climate change and its associated risks will undoubtedly gain greater prominence over time.

# Climate change risks affect on business (2/2)

## Is the organization taking any action to mitigate the risks associated with climate change?



As businesses confront the increasing impact of climate change on their operations, the discussion around survey results concerning actions taken to mitigate associated risks becomes more relevant. As it was mentioned before, the majority of the companies across countries have been already taking climate risks into account, but there appears to be a lack of systematic actions aimed at mitigating these risks.

The results reveal a mixed landscape: while a larger proportion of surveyed companies are taking steps to reduce emissions and minimize their environmental impact, only 14% have developed strategies specifically aimed at reducing emissions and addressing climate risks.

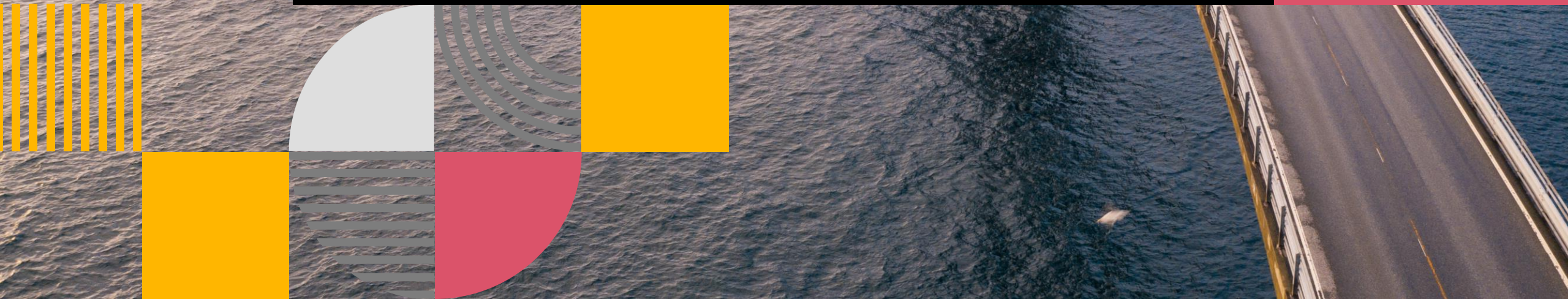
However, having a clear strategy is important because it helps companies identify key issues and plan actions effectively. Without a strategy, initiatives may not be as effective and, in some cases, could lead to a waste of resources.

It's also worth noting that a notable portion of companies, including 24% in Mongolia and Kazakhstan, as well as 36% in Azerbaijan and 42% in Uzbekistan, have yet to take any action in response to climate change risks, highlighting the need for greater awareness and proactive measures in this critical area.

4



# Conclusions



# Conclusions

In the face of government incentives and regulations; investor standards; and the perceptions of both internal and external stakeholders, ESG expectations shape today's economic landscape, redefining value and risk in business. Alongside broader concerns over climate change, the crippling energy crisis, and questions over sustainability, diversity and inclusion, pay equity, and more; Mongolia's particular challenges include decarbonization and energy transition (being heavily dependent on fossil energy, mining and livestock farming), ecological degradation along with over-grazing, shortage of water, sustainable sourcing, and ensuring human rights in the supply chain.

Given its economies' heavy reliance on natural resources, Mongolia acknowledges the critical need to address energy consumption and prioritize the transition to clean energy. By 2023, Mongolia has introduced numerous regulations to meet sustainable development goals and targets, including the Corporate Governance Code, Regulation on Information for Public Disclosure, Green Taxonomy, and SDG Finance Taxonomy.

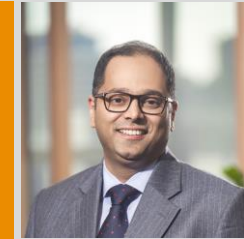
Despite these advancements, in this nascent ESG landscape with ongoing regulatory developments, reporting practices on sustainability issues is limited, with companies exhibiting, on average, a low degree of maturity in ESG integration. Challenges include a lack of expertise, limited familiarity with regulatory requirements, and insufficient financial resources dedicated to ESG initiatives. The survey, however, noted that companies were willing to engage in sustainability reporting, displaying keen interest from leadership, and believe the relevant information can be collected and disclosed if given the right guidance and capacity-building support.

The survey results can serve as a strategic guide for the public and private sector to identify key areas to support and facilitate the adoption of ESG practices. Notably, addressing knowledge gaps and budget constraints through improved awareness, knowledge sharing, technical training, clear guidelines, and regulatory policies is recommended.

**This study was prepared by:**

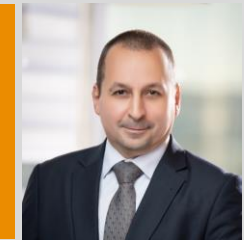
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