

General Template of the Annual Performance Report (APR)

XacBank LLC

Reference Number (FP028): Business Loan Programme for GHG Emissions Reduction

*Annual Reporting Period Covered in this Report:
From 19-04-2017 to 31-12-2017*

Sections in this report:

- Section 1: General Information
- Section 2: Implementation Progress Report
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- Section 4: Report on Environmental and Social Safeguards & Gender
- Annex 1: Updated Implementation Timetable
- Annex 2: Performance indicator assessment methodology, including main assumptions for each indicator
- Annex 3: Accredited Entity Compliance Reports
- Attachment 1: Unaudited/Audited Financial Statement
- Attachment 2: Interim/Final Evaluation Report
- Other attachments: Detailed budget table on GCF grant proceeds (Budget Performance_MSME 500k Grant_Report_2017.pdf), repayments of interest/principal to GCF (GCF Loans - interest income, emissions savings.xls) and statements of capital accounts (GCF Proceeds Account Statement 2017.pdf; GCF Grant MSME Account Statement 2017.pdf; GCF AE Fee Account Statement 2017.pdf), quarterly portfolio report (2017 4th Quarter Loan Report.xls)

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SECTION 1: GENERAL INFORMATION	
This section provides general information on the funded activity.	
1. Funded Activity title:	<i>Business Loan Program for GHG Emission Reduction</i>
2. Sequential number of the Funding Proposal:	<i>FP028</i>
3. Date of approval by the Board:	<i>15-12-2016 (Decision B.15/07)</i>
4. Accredited Entity:	<i>XacBank LLC</i>
5. Focal point of the Accredited Entity for this project:	<i>Tuul Galzagd, Director of Eco Banking Department, XacBank /tuul.g@xacbank.mn /+976 7577 1888 (ext.707)</i>
6. Executing Entity:	<i>XacBank LLC</i>
7. Implementation period:	<i>From 2017 to 2022</i>
8. Closing Date ¹ :	<i>06-04-2018</i>
9. Investment Manager ² :	<i>N/A</i>
10. Investment period ³ :	<i>N/A</i>
11. Date of Submission of the report:	<i>23-02-2018</i>
12. Annual reporting period covered in this report:	<i>From 29-06-2017 to 31-12-2017</i>
13. Total Project cost:	<i>Loan: USD 19,500,000 Grant: USD 500,000</i>
14. Total amount of GCF proceeds approved:	<i>Loan: USD 19,500,000 Grant: USD 500,000</i>
15. Total amount of GCF proceeds disbursed (for the period) to AE:	<i>Loan: USD 19,500,000 Grant: USD 500,000</i>
16. Total amount of GCF proceeds disbursed (cumulative) to AE:	<i>Loan: USD 19,500,000 Grant: USD 500,000</i>
17. Total amount of GCF proceeds disbursed by the AE to the Executing Entity(ies):	<i>N/A (AE is the Executing Entity)</i>
18. Total amount of GCF proceeds disbursed by the AE for each target country of the project:	<i>Mongolia: Loan: USD 391,517.97</i>
19. Date of first disbursement of GCF proceeds by the Executing Entity to the Final beneficiaries:	<i>17-10-2017</i>
20. Total amount of GCF proceeds by the Executing Entity to the Final Beneficiaries:	<i>USD 391,517.97</i>

¹ Refers to the date on which the Accredited Entity's right to receive Disbursements in respect of the Funded Activity will terminate, as defined in the relevant Funded Activity Agreement.

² Applicable for Equity investment.

³ Applicable for Equity investment.

SECTION 2: IMPLEMENTATION PROGRESS REPORT

2.1 OVERALL (SUMMARY) PROJECT PROGRESS REPORT (*max 1 page*).

Provide a narrative report describing the overall progress on the implementation of the funded activity, focusing on implementation achievements, delays and challenges according to planned activities. The narrative should contain considerations on the performance against the Fund's investment and the results management frameworks.

Also, include a description of key milestones of the funded activity achieved during this reporting period. Additionally, please describe actions undertaken, challenges encountered and lessons learned during the implementation. In case of key issues that may result in a change of the scope of the project, please provide a description of such elements and considerations on the implementation period and final targets.

XacBank background information

XacBank has been a pioneer in generating Mongolia's sustainable development since becoming the country's first and only bank specializing in eco-banking in 2009. After becoming the Direct access accredited entity of the GCF, in 2016, XacBank has successfully submitted 2 funding proposals. The MSME Business Loan Program for GHG Emission Reduction and the 10MW Renewable Energy Program #1 - Solar power plant.

Starting from 2013, XacBank implemented the Business Loan for GHG Emission Reduction program, and through this program, the Bank began disbursing loans to SMEs for energy efficient and renewable energy product producers, traders, installation service providers, and end users based on the requirement that they are able to produce a 20% increase in energy efficiency or reduction in emissions.

Finally, in 2015, the bank introduced two new products. The first being an expansion to the GHG reduction program, a facility called MonSEFF – Mongolian Sustainable Energy Financing Facility, in cooperation with EBRD, to further support energy efficiency and renewable energy projects for end users, which requires a 15% increase in energy efficiency cases, and all renewable energy projects are qualified. One major benefit of MonSEFF is the complementary technical advisory provided to the client and the bank through an international team of energy experts and engineers that help evaluate the projects. The second product was Green Car Loans, which allows Mongolians to gain access to better than market loan rates to purchase hybrid cars to reduce emissions.

GCF's transfer of a USD 500,000 grant to XacBank was to be used for enhancing the bank's ability to support micro, small and medium-sized enterprises (MSMEs) finance low-carbon initiatives. GCF's contribution of USD 19.5 million is being blended with other climate finance sources to help kick start Mongolia's low-carbon energy sector as part of a five-year, USD 60 million Business Loan Program for GHG Emissions Reduction. At least 50 percent of the GCF proceed beneficiaries of this programme are expected to be women-led MSMEs.

Summary

The MSME Business Loan Program for GHG Emission Reduction was the first GCF funded project that XacBank implemented after becoming a direct access accredited entity of the GCF. After the funding proposal was approved in December 2016 there has been a small delay in the implementation of the MSME Business Loan Program for GHG Emission Reduction. XacBank was able to start capacity building trainings for branch and head office credit officers starting from Quarter 3 of 2017 as the grant facility was received in May 19th. The loan facility was received in June 29th, after the high season for loan disbursements had ended before the national holidays during the summer, the bank decided it was best to officially announce the extended loan program through the XacBanks first annual green financing forum that was hosted in September, 2017. After the event when loans were more active for the MSME Business Loan Program for GHG Emission Reduction.

In order to make up for lost time, Eco Banking Department had announced a reward system to incentivize branch credit officers and increase the sales of the MSME Business Loan Program for GHG Emission Reduction during the ongoing 4 months of 2017 to meet the targets requirements. A total of 3,600,000MNT (USD 1,490) was disbursed as rewards to branches credit officers.

As for annual targets the total loans disbursed for 2017 this was 2,800,000 USD with a minimum of 19 loans distributed. XacBank had satisfied both the loan distribution targets and required number of loans to be disbursed by distributing a total amount of USD 3,242,121.71 and a total of 19 loans distributed since July 2017 after receiving the facility from GCF.

From the GCF facility XacBank disbursed a total of 10 loans to MSMEs with a portfolio of MNT 950,265,000 (USD 391,517.97). Gender disaggregated data shows that 78% of the total distributed loans amounted MNT 742,265,000 (USD 305,820.04) were distributed to women led enterprises. In regards to our Gender action plan goals, we believe we are off to a good start as we had promised at least 50% participation of sub-loans to women led enterprises by the end of the 3rd year until the end of the project.

The targets submitted to GCF were projected by loan disbursement meaning that the performance on GCF proceeds will be reported by its disbursements. Business Loan Program for GHG Emissions Reduction is the program implemented since 2013. Therefore, the total performance of the Business Loan Program for GHG Emissions Reduction will be reported by disbursement during the reporting period and outstanding balance by the end of the reporting period. For more details on the program loan portfolio, please refer to the quarterly loan report attached to this report.

Outstanding balance of the total loans under Business loan program for GHG emissions reduction as of December 31st, 2017 is USD 20,125,821.99

Achievements:

The Eco Banking Department had successfully organized the XacBank's First Annual Green Financing Forum with over 350 people in attendance in September. Government officials, business enterprises and international institutions gathered together to discuss about sustainable developments and solutions. Another major reason to hold the event was to announce that XacBank had become a direct access accredited entity of the GCF, and the first fund from GCF was made available in Mongolia. After the event XacBank received a lot of interest from various institutions on low interest financing to purchase energy efficient technologies, receive insulation services or replace existing old technologies. We also financed the Renewable energy forum in May, 2017 with over 500 people in attendance.

Through the grant money we had successfully built the capacity for both internal staff and external stakeholders

- Internal training for XacBank branch and head office credit officers to understand the requirements and how to identify possible GHG emission reduction business loans. A total of 150 internal staff and credit officers of XacBank were trained to correctly identify EE and RE loans and 29 MSME clients trained on finance and accounting.

For more detailed information on the usage of the grant proceeds, please refer to the attachment of this report.

We had fulfilled the GCF requirements on equal participation of gender for the MSME Business Loan Program for GHG Emission Reduction. Gender disaggregated data shows that out of the total MNT 950,265,000 (USD

391,517.97) 78% of distributed loans amounts to MNT 742,265,000 (USD 305,820.04) were distributed to women led enterprises.

Through the above discussed loans, XacBank was able to achieve a 64,147.36 tCO₂e emission reduction since the GCF loan facility received on June 29th, 2017 through the end of the year, including loans disbursed from co-financiers' facilities.

From GCF financing, 13,336.85 tCO₂e in emission reductions were achieved since the first GCF loan was disbursed on October 17th, 2017 through the end of the year. For more detailed information on the individual emissions savings, for more detailed information on the individual emissions savings, please refer to the attached interest income and emission reduction report.

Due to the increasing workload, Eco Banking Department has recruited 3 more employees to keep up with the workload intensity since October, 2017.

Besides physical participation at workshops and trainings, a total of 1,746 people had visited the XacBank MSME Business Loan Program for GHG Emission Reduction website.

Implementation challenges:

There have been no major implementation challenges. One of the setbacks would be that the scheduled planned activities could not start in time due to the delay in receiving facility from the GCF. Expectations inputted during the development of the implementation planning could not match with the year end results. In the development of future funding proposals we shall take into account the possible delay of the facility. The Grant facility was a little behind schedule as we had planned to use the grant money to finance essential trainings for branch credit officers and external stakeholders for the successful implementation of the MSME Business Loan Program for GHG Emission Reduction. The loan facility was received on June 29th, which was exactly before the national holidays. No marketing advertisements had been done to announce the MSME Business Loan Program for GHG Emission Reduction until the XacBank's First Annual Green Financing Forum in September. This is why the active distribution of loans from the GCF facility started only since September 2017, with the first loan being disbursed in October 17th. Moreover, energy efficiency and the renewable energy market in Mongolia is still in its infancy stage (fairly new concept), and the public has limited knowledge regarding sustainable financing.

Lessons learned

The facility came in end of Q2 after the business high season had ended, thus the bank decided to postpone the official announcement of the MSME Business Loan Program for GHG Emission Reduction to late 3rd quarter in September. The bank had only 4 months' time to actively disburse loans from the GCF facility starting at the end of the Quarter 3 to implement the MSME Business Loan Program for GHG Emission Reduction until the end of 2017. Since we didn't have enough time to implement the activities and targets we had promised in 2017 through the grant funds, we will make sure that we will increase efficiency and performance in 2018.

In 2018 we will cooperate with the Energy Regulatory Committee to conduct trainings to help decrease energy consumption costs for businesses with high energy consumptions and to increase awareness, demand and the public knowledge on energy efficiency and sustainable financing. Furthermore, we will increase our engagement with relevant stakeholders and create awareness on sustainable energy and climate resilience projects through including but not limited to trainings, seminars and workshops.

Since the start of the program loan officers had struggled to correctly identify EE and RE projects. Therefore it is essential to continuously build the internal capacity of our branch loan officers to swiftly identify EE and RE eligible loans on the spot.

XacBank has also agreed that it is important to build the capacity of the Eco Banking team have more in-depth knowledge on topics such as gender mainstreaming, environmental social safeguards, energy efficiency monitoring and evaluation.

2.2 PROJECT COMPONENTS IMPLEMENTATION STATUS					
Project Output	Status	Project Activity	Status ⁴	Deliverable/Milestone for the previous reporting period ⁵	Deliverable/Milestone for the next reporting period ⁶
1. Financing of projects which increase the generation of renewable energy, the efficient use of resources of MSMEs	<i>Ongoing</i>	1.1. Financing of MSMEs	<i>Ongoing</i>	<i>Loan disbursement target for 2017 was USD 2,800,000. A total of USD 3,242,121.71 disbursed in 2017. A surplus of USD 442,121.71</i>	<i>USD 3,360,000 to be disbursed in 2018</i>
		1.2. Reporting	<i>Ongoing</i>		<i>1st APR is being submitted to the GCF.</i>
		1.3. Financing women-led MSMEs	<i>Ongoing</i>	<i>USD 305,820.04 was disbursed to women led MSMEs in 2017. 78% of the total GCF loan portfolio beneficiaries were women led enterprises.</i>	<i>At least of 50% of the USD will be disbursed to women led MSMEs</i>
2. Capacity building of financial institutions in originating, assessing, financing and tracking sustainable energy and climate resilience projects	<i>Ongoing</i>	2.1. Internal Training	<i>Ongoing</i>	<i>150 credit officers trained in 2017.</i>	<i>125 credit officers to train in 2018.</i>
		2.2. Client Training	<i>Ongoing</i>	<i>29 clients trained for Quarter 3. The goal was to train 60 in 2017. This goal couldn't be reached due to trainings not being conducted due to the fact that people get their annual leave in the summer and during the national holiday Naadam in July.</i>	<i>180 clients to be trained in 2018</i>

⁴ Not started; Ongoing; Delayed (based on the latest updated implementation timetable); Completed (i.e., no further activities to be completed/operational completion).

⁵ Please provide all relevant specific inputs, milestones and deliverables relevant to the previous reporting period.

⁶ Please provide all relevant specific inputs, milestones and deliverables relevant to the next reporting period.

3. Awareness raising among MSMEs and individual clients	<i>Ongoing</i>	3.1. Development of Marketing Strategy	<i>Ongoing</i>	<i>Created brochures designed aesthetically for clients</i>	<i>Will update the design for the program if deemed necessary. Will continue to market XacBank's capacity for EE and RE projects</i>
		3.2. Marketing events	<i>Ongoing</i>	<i>First annual green energy forum organized in September 2017. Moreover over 800 contacts made through various marketing events.</i>	<i>Second annual green energy forum to be organized in April 2018. Targets for the midterm is to have reached 900 contacts made through various marketing events</i>
		3.3. Website update	<i>Not started</i>	<i>No website design update done in 2017.</i>	<i>Will upgrade the design and user experience for the website in 2018.</i>
		3.4. Awareness raising	<i>Ongoing</i>	<i>More information can be seen from section 2.3.2</i>	<i>More information can be seen from section 2.3.2</i>

2.3 PROGRESS UPDATE ON PROJECT INDICATORS OF THE LOGIC FRAMEWORK⁷

2.3.1 PROGRESS UPDATE ON FUND-LEVEL IMPACT INDICATORS OF THE LOGIC FRAMEWORK⁸

<i>Fund-level impact Core indicators (Mitigation)</i>	<i>Baseline</i>	<i>Current value</i>	<i>Target (mid-term)</i>	<i>Target (final)</i>	<i>Implementation Status⁹</i>	<i>Variances from target (if any)</i>	<i>Variance from proposed methodology¹⁰ (if any)</i>
<i>M1.0 Reduced emissions through increased low-emission energy access and power generation</i>	<i>0</i>	21,140.76 tCO2	65,641.12 tCO2	65,641.12 tCO2	<i>Ongoing</i>		
	<i>0</i>	21,140.76 tCO2	262,564.49 tCO2	525,128.98 tCO2	<i>Ongoing</i>		
<i>M3.0 Reduced emissions from buildings, cities, industries and appliances</i>	<i>0</i>	43,006.60 tCO2	83,649.25 tCO2	83,649.25 tCO2	<i>Ongoing</i>		
	<i>0</i>	43,006.60 tCO2	334,597 tCO2	669,195 tCO2	<i>Ongoing</i>		
<i>M6.0 Increased number of small, medium and large low-emission power suppliers</i>	<i>0</i>	<i>0</i>		60 MW	<i>Ongoing</i>		
<i>M7.0 Lower energy intensity of buildings, cities, industries and appliances</i>	<i>0</i>	10,341.12 MWh/year	51,564 MWh/year	103,309 MWh/year	<i>Ongoing</i>		

⁷ Per the approved Logic Framework of the Funding Proposal (section H.1), please provide an update on the relevant indicators. Provide as Annex 2 an explanation of the methodology, including the main assumptions for each indicator.

⁸ As per the relevant indicators following the Performance Measurement Framework established in the Funding Proposal, including relevant updates agreed with GCF, if applicable.

⁹ Not started; Ongoing; Delayed; Completed.

¹⁰ As applicable, in relation to the methodology described in the Funding Proposal.

2.3.2 PROGRESS UPDATE ON PROJECT/PROGRAMME LEVEL INDICATORS OF THE LOGIC FRAMEWORK¹¹

<i>Project/Programme indicators (Mitigation/Adaptation)</i>	<i>Baseline</i>	<i>Current value</i>	<i>Target (mid-term)</i>	<i>Target (final)</i>	<i>Implementation Status</i>	<i>Variances from target</i>	<i>Variance from proposed methodology¹²</i>
1. Commercially viable EE and RE projects are identified, financed and implemented	0	USD 20,125,821.99	USD 30,000,000	USD 60,000,000	Ongoing		
2. Sustainable energy project identification awareness capacity increased across local institutions	0	150	240	400	Ongoing	The target was to train 60 credit officers in 2017. We had trained a total of 150 credit officers as of Dec 2017.	
3. Increased awareness of benefits of EE and RE projects.							
Number of contacts made through various marketing events	0	800	900	1700	Ongoing		
Number of unique page views on Eco Banking program website	479	1746	2,400	4,800	Ongoing	Target was 600 views per year. In 2017 we had 1746 views on the EcoBanking program website.	
Number of loan inquiries (regardless of ultimate acceptance)	3 per week (144 per year)	80	576	1,152	Ongoing		

¹¹ As per the relevant indicators following the Performance Measurement Framework established in the Funding Proposal, including relevant updates agreed with GCF, as applicable.

¹² As applicable, in relation to the methodology described in the Funding Proposal.

<i>Project/Programme indicators (Mitigation/Adaptation)</i>	<i>Baseline</i>	<i>Current value</i>	<i>Target (mid-term)</i>	<i>Target (final)</i>	<i>Implementation Status</i>	<i>Variances from target</i>	<i>Variance from proposed methodology¹²</i>
Number of case studies published	0	2	16	32	Ongoing	The goal was to create 4 case studies published in the 1st year. However due to the delay in scheduled activities we had the capacity to publish 2 case studies. We will publish 2 additional case studies in the next reporting period.	

2.4 IMPLEMENTATION TIMETABLE/MILESTONES FOR THE NEXT REPORTING PERIOD¹³

Provide a timetable including milestones to be delivered for the next annual reporting period. This should be aligned with Section 2.2 and the project Implementation Timetable in Annex 1. Kindly specify milestones. Kindly note that milestones for the next reporting period should be defined in more detail than originally planned since project managers should have a better idea of what milestones are to be achieved in their annual work plans than they may have had when the original project implementation timetable was included in the funding proposal.

Table below included for illustrative purposes.

TASK	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1. Financing of projects which increase the generation of renewable energy, the efficient use of resources of MSMEs												
1.1. Financing of MSMEs	112,000	112,000	112,000	392,000	392,000	392,000	392,000	392,000	392,000	224,000	224,000	224,000
1.2. Reporting		1 ST APR										
1.3. Financing women-led MSMEs	56,000	56,000	56,000	196,000	196,000	196,000	196,000	196,000	196,000	112,000	112,000	112,000
2. Capacity building of financial institutions in originating, assessing, financing and tracking sustainable energy and climate resilience projects												
2.1. Internal Training			(x1)						(x1)			(x1)
2.2. Customer Training			(x2)						(x2)			(x2)
3. Awareness raising among MSMEs and individual clients												
3.1. Development of Marketing Strategy												
3.2. Marketing events				(x3)								
3.3. Website update												
3.4. Awareness raising												

List of Milestones:

- (1) Trainings for internal branch credit officers
- (2) Trainings for Clients
- (3) Green financing forum

¹³ Provide a timetable including milestones to be delivered for the next reporting period. This should be aligned with Section 2.2 and the project Implementation Timetable in Annex 1.

2.5 IMPLEMENTATION CHALLENGES AND LESSONS LEARNED

Provide a description of implementation challenges faced during the last reporting period, including measures adopted and lessons learned. In case of challenges that may result in a change of the scope of the project, please provide a description of such elements and considerations on the implementation period and final targets.

<i>Challenge encountered</i>	<i>Type</i>	<i>Measures adopted</i>	<i>Impact on the project implementation¹⁴</i>	<i>Lessons learned</i>
<i>Delay in receiving grant facility from the GCF</i>	<i>Financial</i>	<i>No specific measures could be taken in this regard</i>	<i>Moderate</i>	<i>The grant facility delayed and the implementation schedule needs to be configured accordingly. We shall foresee the possible delay in receiving the facility from GCF in future funding proposals</i>
<i>Lack of knowledge for internal staff and awareness from external stakeholders</i>	<i>Implementation</i>	<i>A total of 150 internal staffs were trained for the MSME Business Loan Program for GHG Emission Reduction. And a total of 29 clients were trained on finance and accounting.</i>	<i>Moderate</i>	<i>Continuous training for EE and RE projects for internal staffs is mandatory for the successful implementation of the project. Moreover, it is essential to train clients on how to properly develop financial statements and teach proper accounting methods.</i>
<i>Late start of active disbursement of loans to MSMEs.</i>	<i>Implementation</i>	<i>WE had announced a reward mechanism to incentivize staff to increase the sales of the MSME Business Loan Program for GHG Emission Reduction.</i>	<i>Moderate</i>	<i>The reward mechanism should be continued to see whether it contributes to the increase of sales to the MSME Business Loan Program for GHG Emission Reduction.</i>

¹⁴ Minor/Solved; Moderate; High.

4.1 IMPLEMENTATION OF ENVIRONMENTAL AND SOCIAL SAFEGUARDS AND GENDER ELEMENTS

Please provide information on the project or programme ESMP monitoring activities undertaken during the implementation of the funded activity.

Provide a report on the implementation of environmental and social management plans (ESMPs) and frameworks (ESMFs) describing what has been achieved, and specifying (i) outputs and activities implemented during the reporting period; (ii) key environmental, social and gender issues addressed during implementation; (iii) pending key environmental, social and gender issues needing accredited entity's actions and GCF attention; and (iv) a list of planned activities for the next reporting period. For Category C or I-3 projects or programmes, describe the results of further environmental and social screening and the measures taken, if any, to manage environmental and social risks.

Environmental and social safeguards

The program's environmental and social management system (ESMS) has been devised in accordance with the Performance Standards of the GCF and the Environmental and Social Standards of XacBank, as a GCF-accredited entity. The main purpose of the ESMS is to provide the mechanisms by which XacBank will avoid, mitigate, and manage any potential adverse environmental and social impacts of the supported subprojects and to enhance the program's environmental and social outcomes. The ESMS provided a framework and guidance that ensured that the program supported subprojects that were committed and was able to comply with the environmental and social safeguards standards of GCF and that of XacBank, as well as the national laws in their screening, categorization, approval, monitoring and reporting of energy efficiency and renewable energy subprojects. It also acted as a reference tool and the processes for implementing subprojects according to the Environmental social standards defined by the GCF and the XacBank.

All potentially supported subprojects were screened for their potential environmental and social impacts. Depending on the environmental and social impacts projects fell under Category B and C risk categories of projects. For Category B, the program required the subproject proponent to carry out an Environmental and Social Impact Assessment (ESIA) or other appropriate environmental and social assessments that would include management plans to avoid and mitigate the potential environmental and social impacts. For Category C subprojects, the program required environmental and social screening by the subproject proponents. The program did not support high-risk, Category A, subprojects where the environmental risks and impacts were significant, unprecedented, and irreversible.

More information on the risk categories of the funded projects can be seen in section 4.3

The program supported the development, installation, and operation of energy efficiency and renewable energy projects in Mongolia through the MSMEs. Each of the subprojects were categorized prior to the sub-loan approval based on potential risks associated with it as screened using XacBank's risk screening procedure.

The projects funded by the bank do not pose major environmental and social risks or have any potential adverse impacts to the communities and the environment. No project has been involved in a prohibited activity or violated any applicable social and environmental covenants or domestic laws and

regulations as of now. If such actions are undertaken the Bank will use its best efforts to see that the client implements a corrective action plan. Should a borrower's engagement in a prohibited activity become intractable, the Bank will use reasonable efforts to seek repayment of the loan.

The bank has taken into consideration the sub-borrower's employee work place safety, health and hygiene practices and whether or not they cause any adverse effect to the local areas and community. Furthermore, all sub-projects financed by the Bank complied with the Bank's SEMS List of Excluded Activities and Mongolia's national environmental, health, safety and labour regulations and standards.

Monitoring

All sub-borrowers will be required by the Bank to submit environmental and social assessment on an annual basis according to the format provided by the Bank. The format will integrate the Environmental and Social Responsibility Risk Evaluation, which is a comprehensive assessment comprising environmental, social, labor, and compliance issues. Xacbank currently has completed the initial environmental and social assessments on the business activities, as the monitoring assessments should be conducted at least after 6 months after the disbursement of loans. The bank will then re-evaluate the environmental and social assessment at the time of the reporting to see if changes were made to become more environmentally responsible. There are no re-evaluations as of yet because most of the sub loans were given out in November 2017. The Bank reserves the right to conduct site visits to financed sub-projects to monitor the implementation of the Bank's requirements as necessary.

Gender Considerations

Please see section 4.2

Additionally, include a description of the actions undertaken towards increasing the relevant stakeholders' engagement in the project environmental, social and gender elements, and a report on the grievances received due to breaches in environmental or social standards. In case of a change in the E&S risk category for the project, please provide an explanation.

Eco Banking department had cooperated with the Asia Foundation Women in Business Center, Lean In Mongolia, and Women for change in 2017. The Eco Banking team had participated in training seminars organized by Lean In Mongolia to increase women economic empowerment in November. These institutions are more than interested to include XacBank's MSME loan program in the upcoming trainings and seminars to increase women's access to climate finance and bolster their economic empowerment. Furthermore engagement activities are being planned with government gender-equity concerned entities, as well as other NGOs. Further research will be conducted to identify other relevant NGOs with we can partner with on the MSME Business Loan Program for GHG Emission Reduction. Some of these gender-based NGOs have agreed to support the program through in-kind donations. Meaning that when organizations organize trainings and seminars, they would make sure that XacBank would be part of the training with no additional fees. In these meetings we would advertise our MSME Business Loan Program for GHG Emission Reduction and advise new prospective clients on how to become eligible to be a woman led enterprise. Such trainings proved very promising, as increasing number of clients wanted to be refinanced through our program as women led enterprises.

SECTION 4: REPORT PROJECT SPECIFIC ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS & GENDER *(max 1 page)*

4.2 GENDER AND SOCIAL ACTION PLAN

Provide a progress report on the gender and social action plan developed during project preparation stage for the reporting period (if applicable). Provide updated indicators based on the gender assessment and gender and social inclusion action plan of the project.

Indicate primary challenges and actions addressing gender inequalities, gender-based needs, equal of access to resources, services, and capacity development, as well as equal participation and benefits in the scope of the project. If available, incorporate both quantitative data and a qualitative assessment of the performance of such actions, and on progress in the gender and social inclusion action plan.

XacBanks MSME program aimed to promote gender equality in the implementation of the program as The GCF's Gender Policy and Action Plans ultimate goal was to ensure that women and men equally contributed to and benefited from activities supported by the fund. Gender disaggregated data has been

assessed against the appropriate indicator to measure enhanced access for women to loans. The primary tenets of the Gender action plan were summarized as follows:

1. More than 50% of participatory MSMEs must be women-led from 3 years into the program until program completion
2. An SME qualifies as women-led if it fulfils one of the three below definitions:
 - a. Greater than 50% women's ownership
 - b. At least 30% of women in the Board of Director or in senior management positions
 - c. At least 40% of employees are women

Our goal is to have reached more than 50% of participatory from women-led enterprises 3 years into the program until program completion. A discounted rate of 13.8% in MNT was promised to clients who could prove they qualify as women led enterprises in order to increase women participation for the total sub-loans (15% in MNT to non-women led enterprises). XacBank gave out 10 loans with a total portfolio of MNT 950,265,000 (USD 391,517.97). Gender disaggregated data shows that 78% of the total distributed loans amounts MNT 742,265,000 (USD 305,820.04) were distributed to women led enterprises. We are confident that XacBank will be able to keep the required ratio until the 3rd year and until project completion.

4.3 PLANNED ACTIVITIES ON ENVIRONMENTAL AND SOCIAL SAFEGUARDS

Provide a list of activities in the ESMP to be implemented in the next reporting period. Include relevant deliverables such as reports or action plans, and other project specific products. Please include the monitoring schedule concerning ESS and gender activities for the next annual reporting period.

The Environmental and Social Responsibility Risk Evaluation will continue to be the environmental and social safeguard system for the Bank. Environmental and social risk evaluations were carried out for all Bank business loans that are more than MNT 50,000,000 (approximately US\$21,000) and have tenors more than 12 months, based on a comprehensive scorecard, including sections on environmental issues, social and labor issues, and compliance issues. Each risk category is rated from 6 to 1, with 6 being the least risk and 1 being the highest. The Bank is determined to demonstrate the utility of its SEMS to its stakeholders, including clients, and closely monitors the environmental performance of these borrowers and actively manages any instances of non-compliance to rectify such situations.

Each sub-project under the MSME program will be considered on a case-by-case basis. When evaluating the environmental and social risks associated with a sub-project, the Bank will consider a wide variety of factors, including the following:

1. Nature of the sub-borrower's business (e.g. micro, small, or medium-sized business sector).
2. Does the sub-borrower have any particular current exposures that represent high environmental and social risks?
3. Does the sub-borrower have appropriate waste management solutions?
4. Does the sub-borrower have any water pollution management?
5. Does the sub-borrower's activities cause any damage or contamination to the local soil or cause excessive dust?
6. Does the sub-borrower's activities cause any undue air pollution?

Out of the total portfolio, 6 loans are above 50 million MNT and initial evaluation reports have been conducted for each one of the loans.

Training for internal staff was also divided into gender disaggregated data to prove that men and women are both equally trained for the GHG emission reduction program. Out of a total of 151 credit officers trained, 60 were men and 91 women. Women participation is 60% for the trainings combined.

№	Training type	Date	Attendance			Venue
			Total	male	female	
1	ESIA training for staff	6/14/2017	42	13	29	Puma imperial training hall
2	ESIA training for staff	6/15/2017	36	14	22	Puma imperial training hall
3	Training for retail staff	12/6/2017	25	11	14	ARD branch training facility

4	Training for retail staff	12/13/2017	24	7	17	ARD branch training facility
5	Training for retail staff	12/20/2017	24	15	9	ARD branch training facility
Total			151	60	91	

The Eco Banking Department had sent 2 team members to participate in the Training Program on Mainstreaming Gender Considerations in Climate Change Adaptation Projects for a total of 5 days in Bangkok, Thailand starting from December 4th to 8th 2017. The training program had included the importance of gender equality, how write gender action plans and gender assessments for submitting funding proposals to the GCF. Overall the training was very informative on how to mainstream gender into GCF documents, however it still lacked in-depth detail when developing gender action plans and assessments.

4.4 PLANNED ACTIVITIES ON GENDER ELEMENTS

Provide a list of activities to be implemented in the next reporting period. Include relevant deliverables such as reports or action plans, and other project specific products. Please include the monitoring schedule concerning gender activities for the next annual reporting period.

To promote women economic empowerment XacBank has decreased the interest loan of the GHG emission reduction business loan program for women led enterprises. The annual loan interest rate non-women led enterprises is 15% in MNT, as for women led it had decreased to 13.8% in MNT (monthly 1.25% > 1.15%). The bank had noticed many clients rushing to satisfy the requirements to be eligible for the discounted rate to become women led enterprises. Increasing cases of family led businesses changing ownership from the husband to the wife. This shows that not only we are providing concessional loans to clients, but also empowering women and their decision making throughout the GHG emission reduction business loan program.

In conclusion, there are no major changes in the Gender action plan as of yet. We will continue to partner with institutions such as the Asia Foundation Women in Business Center, Lean In Mongolia, and Women for change to increase women empowerment. We will take part and cooperate with these organisations in upcoming training and sessions to promote gender equality and increase economic empowerment of women by increasing awareness and knowledge on EE and RE projects as well as informing them about the banks GHG emission reduction program. We also plan to conduct research to identify and increase our list of potential stakeholders such as the Energy regulatory committee and NGOs in 2018, which we can provide support and cooperate with XacBank throughout the project lifecycle. In 2018 we will continue to achieve gender equality, meaning that sub loans will reach at least 50% participatory from women future meetings, trainings and sessions.

SECTION 5: ANNEXES

Annex 1. Updated implementation timetable.

Updated implementation timetable.

C.8. TIMETABLE OF PROJECT/PROGRAM IMPLEMENTATION

For more details on the outputs referred to in this table, and the corresponding activities, see section H1.2

TASK	Q 1	Q 2	Q 3	Q 4	Q 5	Q 6	Q 7	Q 8	Q 9	Q 10	Q 11	Q 12	Q 13	Q 14	Q 15	Q 16	Q 17	Q 18	Q 19	Q 20	Q 21	Q 22	Q 23	Q 24	Q 25	Q 26	Q 27	Q 28	Q 29	Q 30	Q 31	Q 32	
<i>Output 1: Identification and financing of RE and EE projects</i>																																	
<i>Output 2: Capacity building</i>																																	
<i>Output 3: Increased awareness</i>																																	
<i>Output 4: Interim Evaluation report</i>																																	

<i>Output 5: Completion report</i>	1 MONTH AFTER THE END OF THE TENOR OR EXTENDED TENOR, AS APPLICABLE
<i>Output 6: Final Evaluation report</i>	2 MONTHS AFTER THE END OF THE TENOR OR EXTENDED TENOR, AS APPLICABLE

Changes to the implementation timetable were made by moving the activities in the first year of implementation back by two quarters, due to the later than planned disbursement of funds from GCF to XacBank.

Annex 2. Performance indicator assessment methodology, including the main assumptions for each indicator.

Please refer to the attachment entitled “Annex 2 Performance indicator assessment methodology” for detailed information on the assessment methodology and its main assumptions.

Annex 3. Accredited Entity compliance reports (self-assessment reports¹⁵, country-ownership enhancement report¹⁶).

Please refer to the attachment entitled “Annex 3 Accredited Entity Self-assessment Report” for detailed information.

¹⁵ In accordance with the Monitoring and Accountability Framework, a self-assessment of its compliance, in accordance with Clause 13.01 of the Accreditation Master Agreement, with the Fiduciary Principles and Standards, ESS and Gender Policy.

¹⁶ Only applicable to International Accredited Entities. In accordance with the Monitoring and Accountability Framework, a report on its actions carried out or planned to be carried out pursuant to Clause 18.02 of the Accreditation Master Agreement.

SECTION 6: ATTACHMENTS

Attachment 1. Unaudited/Audited financial statement (as required by FAA).

(If not submitted, indicated when it will be submitted.)

The XacBank's Financial statement is audited every half year. The Bank's audited financial statement as of 30th June, 2017 and unaudited financial statements for Quarter 3 and Quarter 4 have been attached in the document. Audited financial statements as of 31st December, 2017 are still being conducted and according to the AMA we would send it after 4 months of the end the reporting period.

Attachment 2. Interim/Final evaluation report (as required by FAA).

(If not submitted, indicated when it will be submitted.)

Interim evaluation report will be sent to GCF three years after the effectiveness of the FAA, and the final evaluation report will be sent by 2 months after the end of the Tenor or Extended Tenor.

Other attachments. As applicable, such as detailed budget tables, repayments of interest/principal to GCF, equity investment schedules, quarterly portfolio reports, statements of capital account, valuation reports, investor reports, and others, as specified in the relevant legal agreements (e.g. Funded Activity Agreement, shareholders agreement).