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# OPERATIONAL SUMMARY

SUSTAINABLE FIBRE ALLIANCE MONGOLIA

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The Sustainable Fibre Alliance (SFA) is celebrating its 10th anniversary as a leader in the sustainable cashmere supply chain. Through its comprehensive production standards, implementation efforts, and globally diverse membership, SFA continues to drive the development of a sustainable cashmere value chain.

The year 2024 posed significant challenges for nomadic livestock herders. Severe winter conditions led to widespread **dzud**, resulting in the loss of 11.5% of the total livestock population. During this difficult period, mutual support was essential, prompting SFA, alongside its member brands and manufacturing partners, to successfully organise a relief campaign to assist affected herders.

This crisis underscored the necessity of proactive risk management rather than reactive measures. It reinforced the importance of preparedness, risk mitigation strategies, and adaptation to climate change. Furthermore, it highlighted the need for responsible livestock management that aligns with market demands and international sustainability trends.

In 2024, SFA implemented significant updates to its Standards System, introducing the **SFA Animal Fibre Standard**. This new standard is based on five core principles aligned with evolving market demands and buyer expectations. It replaces previous best practices and standards, ensuring a more comprehensive and sustainable approach. Building on its success in implementing sustainability standards in the cashmere value chain, SFA is now expanding its scope to include other animal fibres. Additionally, the **SFA Chain of Custody Standard** has been updated and is now being actively implemented.

Furthermore, in collaboration with the **Rangeland Stewardship Council**, SFA presented the **Global Rangeland Standard** at the **16th Conference of Parties (COP16) of the United Nations Convention to Combat Desertification (UNCCD)**.

Beyond these developments, SFA has continued efforts to strengthen the cashmere value chain, foster sustainable partnerships, and ensure effective standards implementation to drive long-term positive impact.

For example:

- In 2024, 61 cooperatives participated in the standard assessment, with 59 receiving certification. Additionally, 45 certified cooperatives from 12 provinces collectively sold 995 tons of certified cashmere—valued at 160 billion MNT—to 11 domestic factories and enterprises. This certified cashmere was subsequently processed into 280 tons of scoured cashmere, 153 tons of dehaired cashmere, and 4.8 tons of cashmere yarn, fully traceable in exports to SFA member companies.
- As part of SFA's training initiatives, 1,909 herders from 73 cooperatives across 60 soums in 14 provinces participated in standard training programs. Additionally, vocational competency training for herders was conducted for 910 herders from 65 cooperatives across 23 soums in 9 provinces.
- The "Green Loan" program, a collaboration with Khan Bank to support sustainable fibre supply chains, successfully continued into its third year. Under this program, 15 SFA-certified cooperatives received loans totaling 7 billion MNT to support cashmere procurement, ensuring a stable and sustainable supply to certified contract manufacturers.

Mongolians have a deep-rooted tradition of respecting and preserving their land, pastures, vegetation, and forests, avoiding even the displacement of a single stone. The standards we develop reflect their reverence for livestock and harmonious coexistence with nature. We extend our gratitude to all those who join us in aligning tradition with modern sustainability needs to contribute to the long-term well-being of our planet.



Vandandorj Sumya  
SFA Mongolia Coordinator



# OPERATIONS AND

SFA

# SCOPE OF STANDARDS

## Where Do We Operate?

The Sustainable Fibre Alliance (SFA) was established in the United Kingdom in 2015. In 2018, it expanded operations by establishing a branch office in Mongolia. Since 2021, SFA has been operating in China through a strategic partnership with the **International Cooperation Committee of Animal Welfare (ICCAW)**. In 2024, SFA further expanded its activities to Afghanistan, successfully implementing cashmere production standards, training programs, and certification initiatives in the region.

## SFA's Standard System and Updates

The Sustainable Fibre Alliance (SFA) develops and implements comprehensive, voluntary international sustainability standards for cashmere. These standards aim to address pressing environmental and social challenges while ensuring private sector engagement through market-based solutions. They also promote environmental responsibility and support sustainable production and consumption.

Ensuring the reliability and effectiveness of sustainability standards is of utmost importance. Therefore, SFA aligns its standards with the guidelines of ISEAL, the **International Social and Environmental Accreditation and Labelling (ISEAL) Alliance**, which is globally recognised for setting best practices. In doing so, we engage relevant stakeholders, conduct regular reviews, and ensure that our certification processes remain transparent, fair, and effective. We continuously strive to enhance the credibility and impact of our certification framework.

The **ISEAL Principles of Credibility** are designed to build trust in sustainability standards and certification systems, ensuring that they are well-structured and effectively implemented. To remain relevant and impactful, standards must be continuously updated and refined in line with consumer expectations, buyer requirements, and evolving market demands.

Since introducing the first comprehensive standards system for the global cashmere sector in 2017—setting a new industry benchmark—the Sustainable Fibre Alliance (SFA) has consistently updated and improved its standards through both regular and ad hoc revisions.

### At the Herder and Cooperative Level

In 2017, the SFA Rangeland Stewardship and Animal Husbandry Code of Practice and Cashmere Harvesting Code of Practice were developed and implemented in Mongolia in 2018 and later in China.

In January 2023, these codes of practice were consolidated into a single standard, the SFA Cashmere Standard. However, in December 2024, recognising the need to expand beyond goat cashmere to include other animal fibres, the **SFA Animal Fibre Standard (Version 1.0)** was introduced, replacing the SFA Cashmere Standard (Version 1.0).

From 2025 onwards, this new standard will be applied in evaluating herder supplier organisations. It consists of both mandatory and improvement criteria. Herder organisations that fully meet all mandatory criteria will receive a compliance certification. Additionally, each year, certified organisations must demonstrate continuous improvement by meeting at least three additional improvement criteria. Failure to meet any of the mandatory criteria will result in non-certification.

This system replaces the previous gold, silver, and bronze tiered compliance model used under the prior code of practices framework.

From 2022 to 2024, through an extensive revision process and multi-stakeholder consultations, this newly developed standard focuses on responsible cashmere production and paves the way for including other animal fibres. In line with this expansion, the SFA has taken its first steps toward integrating camel wool into its standard. The initial consultation was held with camel herders in Ömnögovi province, and in the near future, SFA will work towards formally incorporating camel wool into the SFA Animal Fibre Standard alongside cashmere.

**At the Primary Processing Level**

The **SFA Clean Fibre Processing Code of Practice** has been developed for primary processing facilities, including sorting, scouring, and dehairing of certified raw cashmere.

These requirements focus on:

- Reducing and ultimately eliminating harmful chemicals such as APEOs
- Enhancing energy and water efficiency
- Ensuring a safe and fair working environment

This certification enables primary processors to demonstrate their commitment to ethical and sustainable resource management, ensuring responsible human resource practices and environmental monitoring. It also allows them to showcase best practices to brands and consumers, reinforcing their leadership in sustainable cashmere processing.

**Supply Chain**

The SFA has been implementing the SFA Chain of Custody Guidelines since 2020 to ensure the traceability of certified cashmere across all stages of the supply chain, including origin, trade, transportation, processing, and export. This system assures buyers and stakeholders regarding the integrity of certified cashmere throughout the supply chain.

In 2024, the guidelines were updated, and the **SFA Chain of Custody Standard (Version 1.1)** was officially introduced in December, replacing the previous SFA Chain of Custody Guidelines (Version 3.1). This revision enhances the robustness and effectiveness of the traceability system, ensuring full transparency and accountability in certified cashmere sourcing and trade.

With these updates, the SFA Standard System continues to uphold a comprehensive and interconnected framework based on three fundamental standards, reinforcing the integrity and sustainability of the cashmere supply chain.

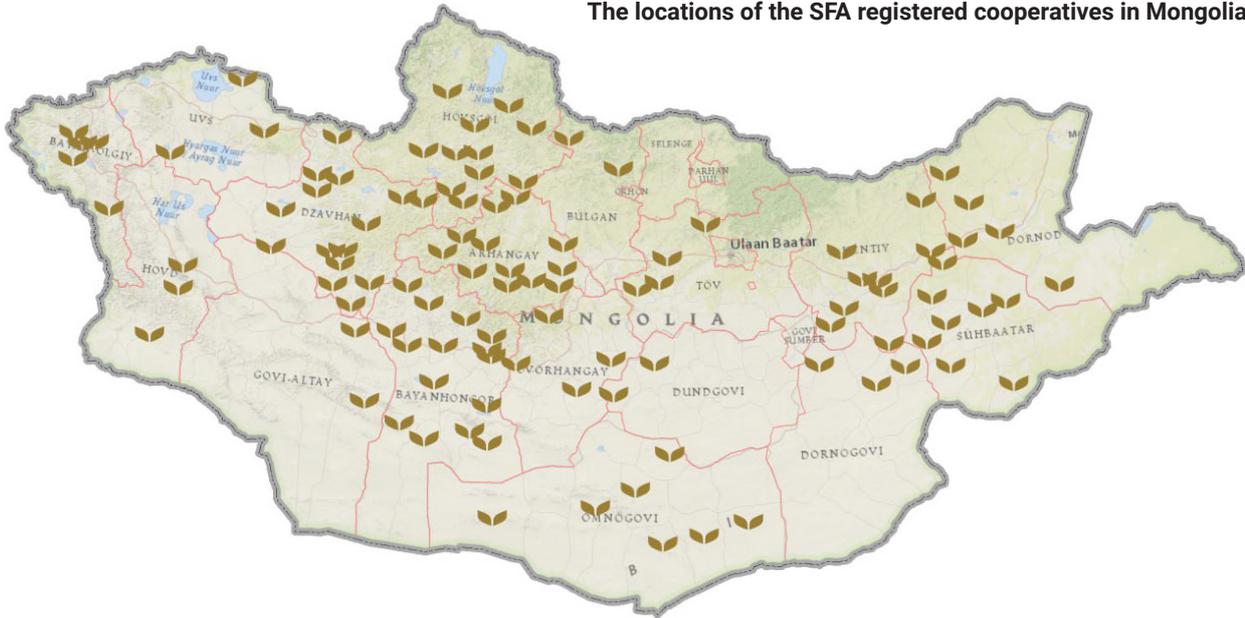


## Scope of Membership

The SFA membership encompasses the entire cashmere supply chain. It includes herders and herder organisations engaged in cashmere production and supply, traders, processors, manufacturers, and major brands and enterprises involved in the industry.

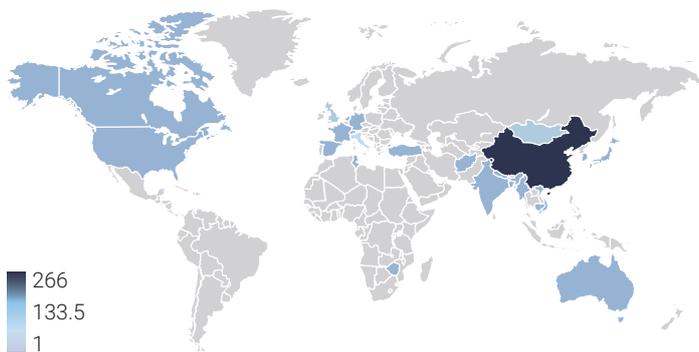
As of 2024, more than **19,000 herders** in Mongolia have joined the SFA network through **208 cooperatives**. In China, the network includes over **16,000 farmers**, while in Afghanistan, more than **5,000 herders** have joined the SFA system.

The locations of the SFA registered cooperatives in Mongolia

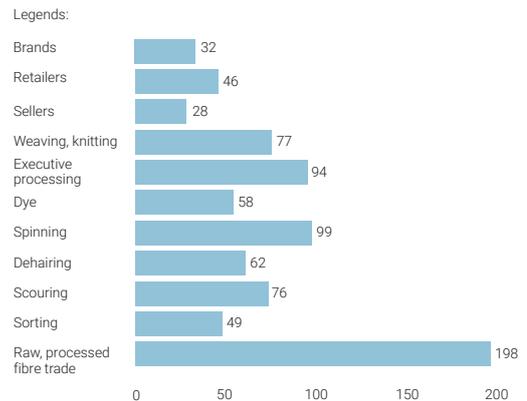


Furthermore, 527 enterprises from 24 countries worldwide have joined us, of which 112 organizations hold full or supporting member status of the SFA, while the remaining 415 organizations are registered as participants in the SFA Chain of Custody.

A



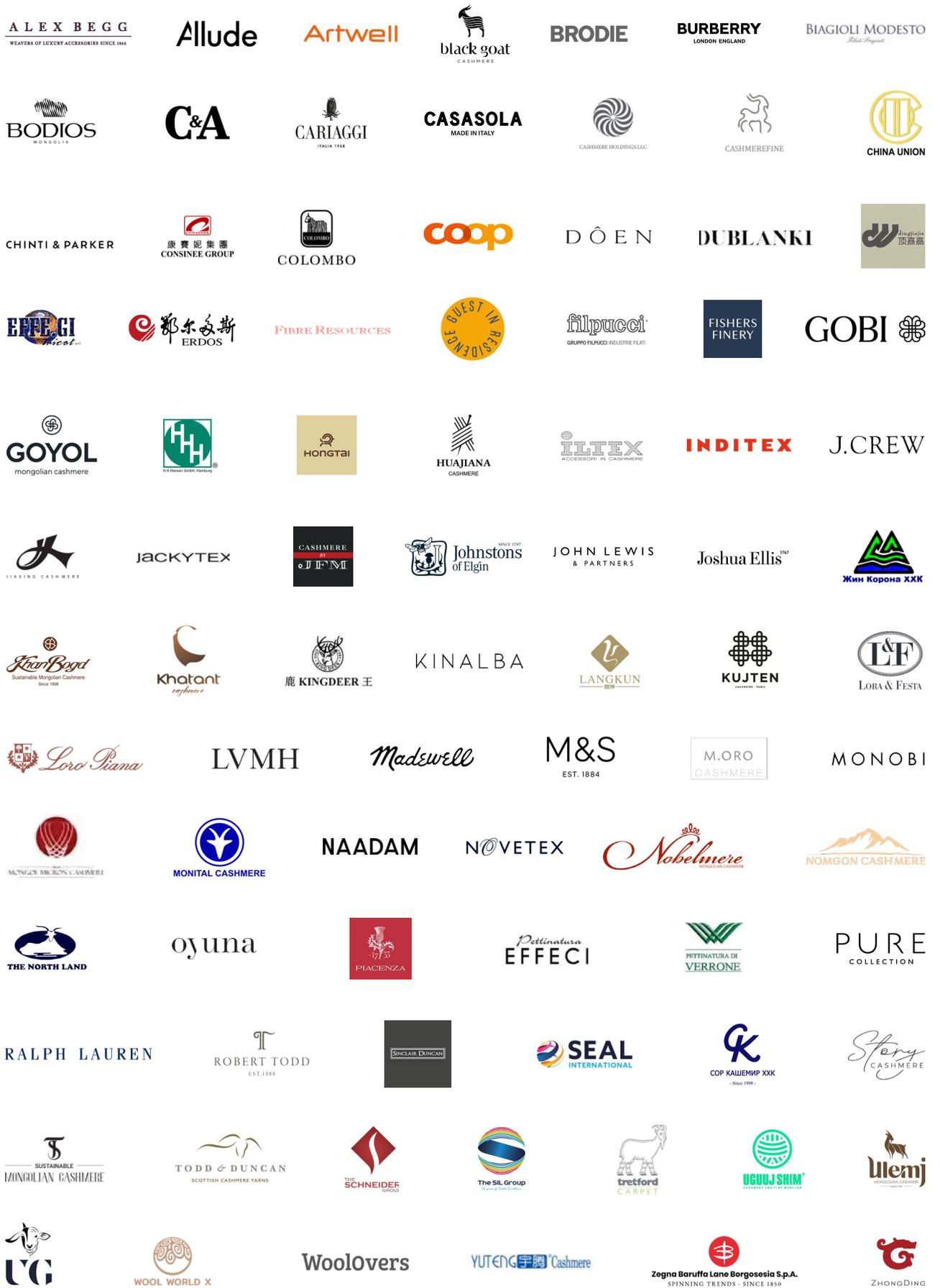
B



**A. The organizations registered with the TNN have been categorized by location,**

**B. The registered organizations have been classified according to the nature of their activities within the cashmere supply chain (repeatedly).**

SFA Members





## SFA Standard Training for Herders

The training is aimed at cooperatives and herders interested in implementing SFA standards into their operations. The training introduces the requirements of the SFA standards to the herders and highlights the necessity and opportunities for adhering to these standards.

The primary objective is to improve livestock quality, health, care, management, pasture usage, and raw material preparation following the standards, providing support for compliance and enhancing implementation to create positive impacts on herders' livelihoods, as well as on society and the environment.

In 2024, 41 training sessions were held in 60 districts across 14 provinces, benefiting 1,909 herders from 73 cooperatives.

Of these, 30 local training sessions were attended by 1,105 herders, and 11 online training sessions engaged 804 herders, who gained knowledge about the standards.

Throughout the training, it was observed that herders need knowledge and information on how to increase the economic benefits of traditional nomadic livestock farming, protect pastures and the environment under the changing climate conditions, and manage their livestock responsibly. There is a significant demand for training in this area. Therefore, the SFA is working to place necessary training courses online, enabling herders in rural areas to access relevant information and learning opportunities, regardless of time or location.



Members of Sukhbaatar province cooperatives participated in the workshop.

## "Herder" Short-Term Vocational Training

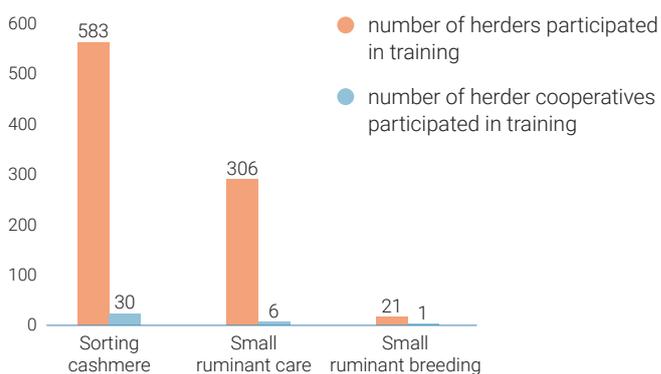
The SFA, in collaboration with the Ministry of Labour and Social Protection (MLSP) and the Institute for Labour, Social Protection Training, Evaluation, and Research, has officially approved the 'Herder' professional standard and included it in the National Classification and Description of Occupations (NCDO-08)."

The Nutag Action Research and Training Centre (NARTC) organizes the 'Herder' professional standard training. It provides theoretical knowledge based on scientific research, reinforces this knowledge through practical training, and awards professional certificates to herders based on external evaluations.



**Herders who participated in the competency-based training organized in Möst soum, Khovd province, and passed the theoretical and practical evaluations for the 'Herder' professional competency assessment have received certificates.**

### "Statistical data on the cooperatives and herders who participated in competency-based training in 2024."



NARTC organized three types of competency-based training in 2024 to provide the necessary knowledge, skills, and competencies to herders of member cooperatives for implementing SFA's Codes of Practice and the standards for livestock-based products. According to the cumulative count, these trainings were held in 32 cooperatives across 23 soums in 9 provinces, involving 910 herders.



**During the training on small ruminant care, organized in Ölgii soum, Uvs province**

To ensure a reliable validation process, the SFA collaborates with independent and impartial Conformity Assessment Bodies (CABs) that conduct third-party audits for standard users, working within the scope of its standards.

Organizations conducting audits according to the SFA standards must have auditors capable and trained to perform audits within the scope of the respective standards. In addition, they must comply with ISO 17065, which certifies products, services, and processes and be accredited by the relevant national accreditation body. Only organizations that meet these requirements are authorized to perform evaluations within the scope of SFA standards. By signing the certification approval procedure, the Conformity Assessment Body (CAB) is responsible for carrying out conformity assessments following the standards, reporting accurately, providing objective conclusions, and avoiding conflicts of interest.

In Mongolia, Nexus Connect, accredited for product, service, and process certification under MNS ISO 17065:2013, has conducted conformity assessments within the scope of SFA standards since 2021, while SFC began doing so in 2023.

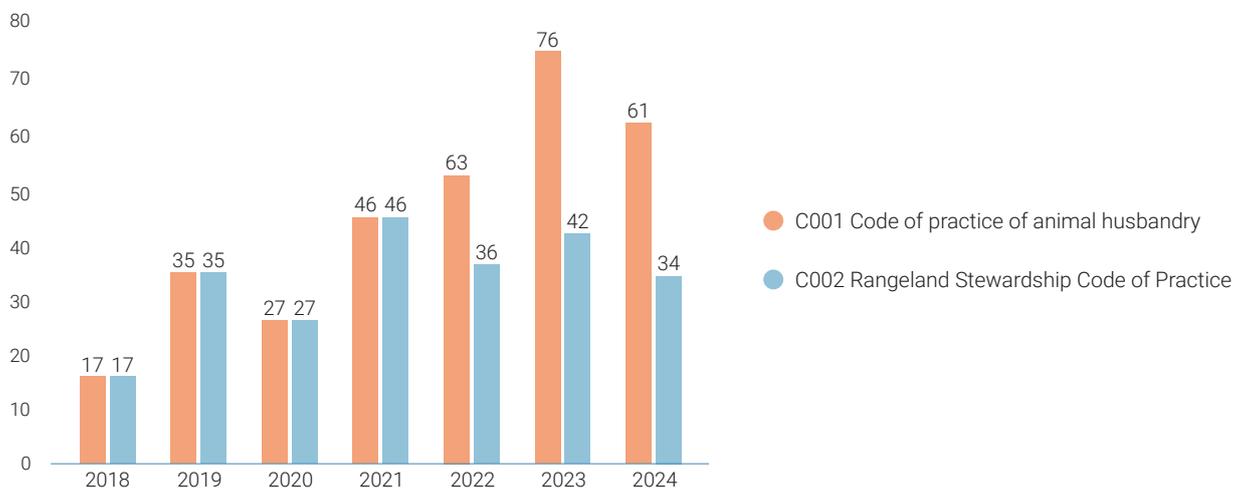
As the standard holder, SFA arranged, in July 2024, for a fourth-party dual audit and accreditation for the CABs in Mongolia, Nexus Connect and SFC, through Assurance Services International GmbH (ASI). This process verified that the two CABs successfully met the required criteria, including the necessary staff, competencies, and integrity as specified by the SFA.

### Certification of Herder Organisations

This year, under the SFA's Animal Husbandry and Cashmere Preparation Code of Practice, 61 cooperatives participated in third-party audits, while 34 cooperatives were audited under the SFA Rangeland Stewardship Code of Practice. As a result, 59 cooperatives received satisfactory evaluations and were awarded Conformity Certificates. However, two cooperatives did not meet the required standards.

The third-party evaluation report includes the level of implementation of the code of practice, how they align with the criteria and indicators (fully compliant, partially compliant but requiring improvement, non-compliant), areas that need further improvement, any good practices observed in the cooperatives, observational conclusions, and the evaluator's conclusions.

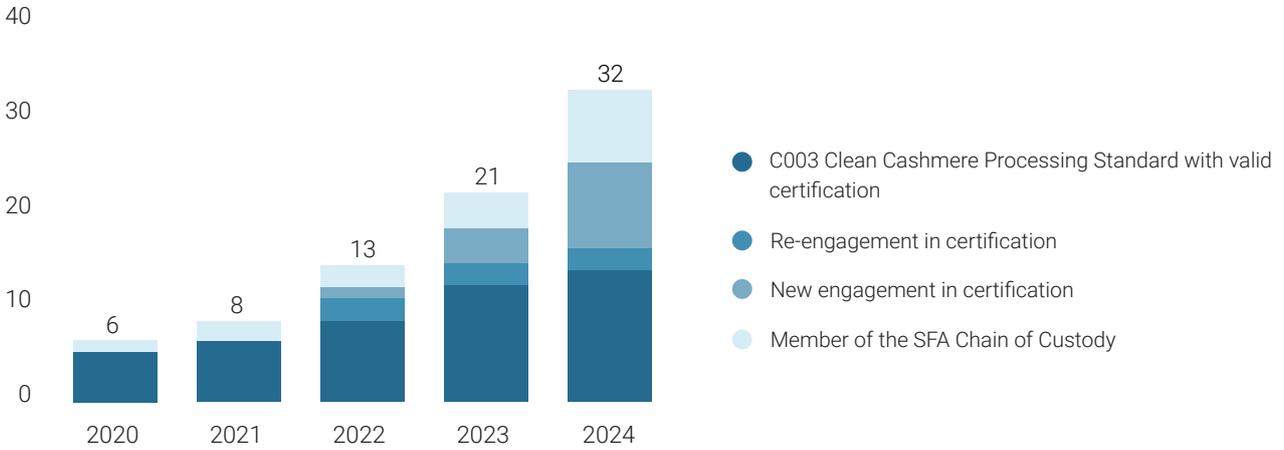
The number of cooperatives participating in the certification process (2018-2024)



## Certification of Processing Facilities

"The SFA Clean Fibre Processing Code of Practice is based on social and ethical responsibility principles, environmental sustainability, and the core principles of supply chains and business operations."

### Current status of the factories and enterprises registered with the SFA (registration year)



Through third-party evaluation, the following achievements were identified in the processing factories.



Traceability of Origin: The processing factory has established an effective internal system for traceability at each stage, following the SFA's traceability standards, by receiving raw materials from herders' cooperatives. Supplier registration, the colour, type, and weight (clean/dirty) of raw materials and quality indicators are meticulously recorded and managed under controlled conditions.



Reducing Environmental Impact: The factory has implemented and put into operation an MBR system for biologically treating greywater, which contributes to reducing environmental harm.



Energy Efficiency: Smart electricity meters have been installed at the organizational level, allowing for monitoring energy consumption 24 hours a day through a unified network. Motion-sensor LED lighting has been installed in the factory corridors, eliminating the need to keep lights on continuously and leading to energy savings of up to 60%. Additionally, the factory has been using solar energy to supply part of its energy needs, and this share continues to increase, showing positive results.



Fair Labor Conditions: The factory ensures equal rights and opportunities and provides a safe working environment. The audit confirms this, showing compliance with labour contracts, collective agreements, human resource policies, internal labour regulations, and special procedures to prevent workplace harassment, violence, gender inequality, and discrimination.



High-Quality Products: To improve the quality of the final product, modern energy-efficient equipment has been installed at the knitting factory, increasing its production capacity.

## Traceability System

The SFA has developed and successfully implemented a Chain of Custody standard to ensure transparency and trace the origin of cashmere along the supply chain, starting from herders and cooperatives.

The objectives of this system are to:

- Ensure traceability of origin within the supply chain,
- Maintain transparency,
- Verify the certified cashmere content in products, and
- Grant the right to use the "SFA-Certified" logo.

This standard applies to supplier herders' cooperatives and primary processing factories as well as traders and brand companies involved in the certified cashmere trade.

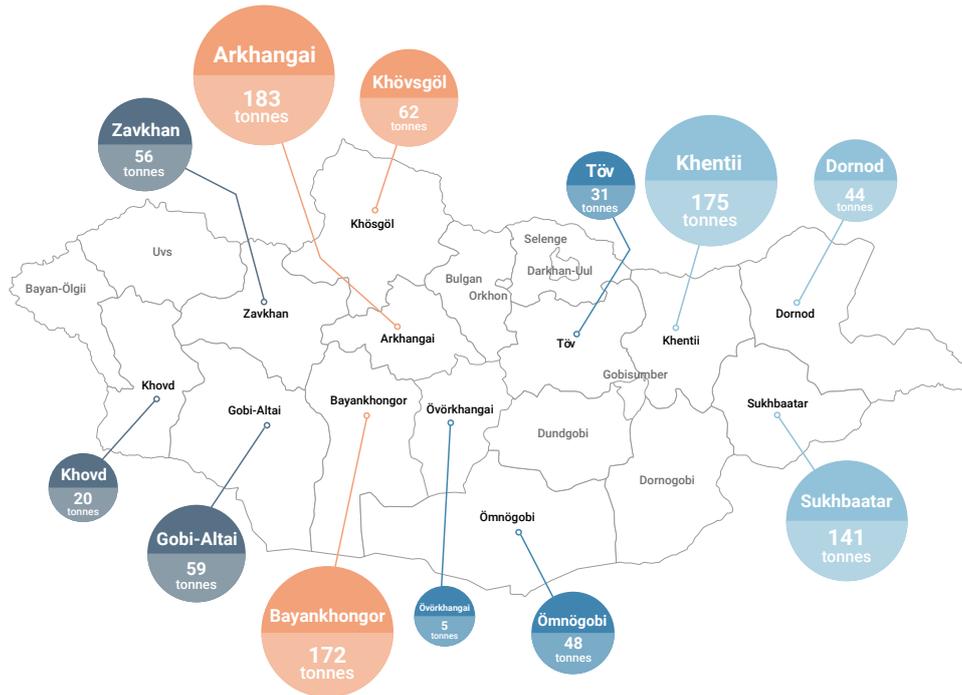
This ensures that the trade, storage, transportation, warehousing, quantity, and origin of certified cashmere are fully traceable at every stage based on the SFA's traceability system and certification process. If raw materials or products originating from certified suppliers are sold to any entity not registered with the SFA, they become untraceable and therefore cannot be considered certified.

In 2024, a total of 45 cooperatives across 12 provinces sold 995 tonnes of certified cashmere to 12 factories and enterprises. However, due to the challenges posed by the harsh winter (dzud) of 2023–2024, the volume of certified raw cashmere decreased compared to the previous year.

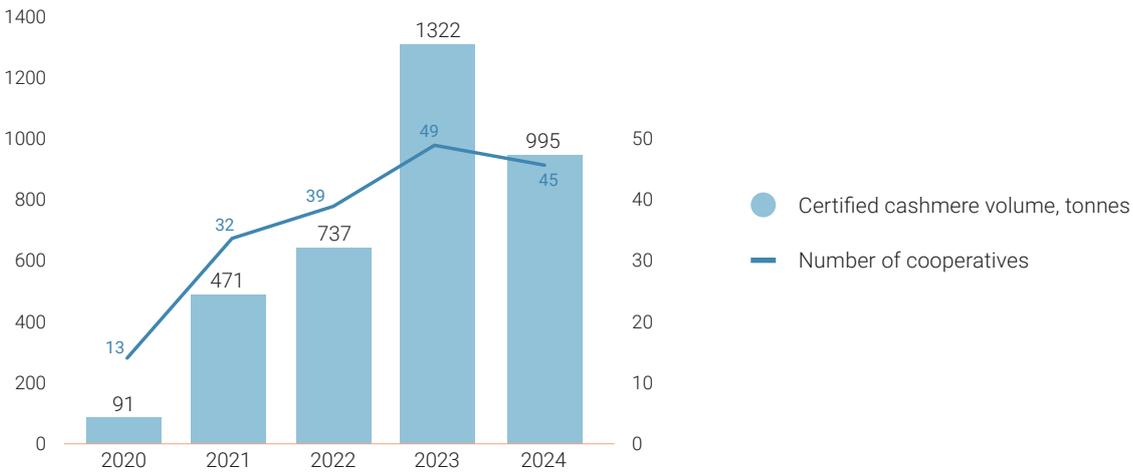


Khanbogd Cashmere LLC is a primary processing facility. Bag tags are used in the Chain of Custody to record the input and output of raw materials from participating herders' organizations.

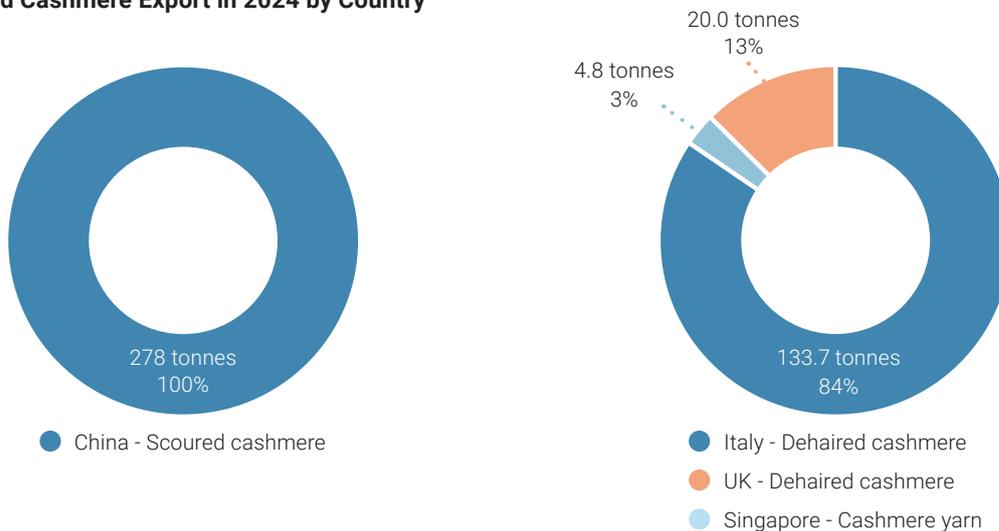
**The Volume of SFA-Certified Raw Cashmere by Province in 2024 (Tonnes)**



**Participants in the SFA Chain of Custody and Volume of Certified Raw Cashmere (2020-2024)**



**Certified Cashmere Export in 2024 by Country**



## Sustainable Natural Fibres (SNF) International Conference – China

In April 2024, the Sustainable Fibre Alliance (SFA) co-hosted the Sustainable Natural Fibres (SNF) International Conference in Beijing in collaboration with the International Cooperation Committee of Animal Welfare (ICCAW). This event brought together approximately 400 delegates from around the world, highlighting the global significance of sustainable natural fibre production.

The conference addressed key topics such as climate change, regenerative agriculture, animal welfare, supply chain innovation, and green financing. In addition, extensive discussions were held over two days, covering the entire natural fibre sector, including wool, cashmere, and silk.

A delegation of over 40 representatives from Mongolia participated in the event, comprising members of the SFA team, the Mongolian Sustainable Cashmere Platform, nine processing companies, universities, herders' cooperatives, training institutions, and conformity assessment bodies.



**Mongolian delegates to the Sustainable Natural Fibre (SNF)**

During the conference, more than 30 presentations were delivered, alongside four panel discussions and four breakout sessions.

During the panel discussion on "The Future Outlook for Herders, Producers, and Processors," the leaders of the SFA's member herders' cooperatives in Mongolia shared their experiences regarding the impacts of climate change and severe winter disasters (zud), the challenges they face, and the strategies they have implemented to overcome these difficulties.

SFA's CEO, Una Jones, participated in the "Animal Welfare and Certification" breakout session, where she emphasised the crucial role of local communities and collaboration in improving animal welfare standards.

During the "Global Brands and Traders" panel discussion, M. Erdenetuya, the CEO of Sor Cashmere, presented the current state of Mongolia's wool and cashmere industry and her company's experience in responsible production to the international participants. Additionally, Dr. R. Badmaanyambu, the founder of Buuvee Cashmere, delivered a presentation on Mongolian scientists' research findings and innovations and participated actively in the discussion.

This international conference served as a platform to open up global discussions and collaboration opportunities. It provided participants from various countries with insights into key topics and trends impacting the industry, contributing to the broader discussion on the sustainability of natural fibres and the implementation of responsible practices. The event played a crucial role in fostering cooperation and expanding partnerships in the sector.

## Natural Fibre Connect, the 3rd International Conference – Italy

The "Wool Days"—Natural Fibres 2024 event, held in Biella, Italy, was a key event that brought together the main players in the wool and natural fibres sector. The event took place from September 16 to 18, starting with a factory tour, followed by a special session on "Wool Reprocessing" in Prato on September 18, and concluding with the two-day main conference held in Biella on September 19-20.

The conference addressed several important topics, including animal welfare, sustainability, transparency, innovation, and the future continuity of the sector. Discussions also focused on bringing herders and farmers closer to consumers, improving the effectiveness of certification, and considering the real opportunities and circumstances of herders and raw material producers when brands implement their major goals and requirements. Additional discussions covered sustainable agriculture, chemical use in industry, the role of the natural fibres sector in combating climate change, international regulations, design trends, and recycling challenges.

As a co-organizer of the event, SFA actively participated in several sessions during this conference. On September 19, during one of the sessions, SFA's CEO, Una Jones, introduced the history and foundation of the "Rangeland Stewardship Council (RSC)," highlighting the main partners of this initiative and those who have supported its development.

The themed discussion covered the "One Health" approach, diverse products derived from rangeland ecosystems, transparency, decision-making, planning, and initiatives, focusing on developing strategies based on the local conditions, needs, and experiences.

At the conclusion of the session, SFA's Standards Department Head, Dr. David McElroy, organized a consultation on the "Global Rangeland Standards," sharing insights on the implementation of this standard and the future development of the sector while also listening to the participants' feedback.

**During the two-day conference in Biella, the "Rangeland Stewardship Council and the Global Rangeland Standards" discussion was held**



## The 16th Conference of the Parties (COP 16) to the United Nations Convention to Combat Desertification (UNCCD) – Saudi Arabia

The 16th Conference of the Parties (COP 16) to the United Nations Convention to Combat Desertification (UNCCD) was successfully held in Riyadh, Saudi Arabia, from December 2 to 13, 2024, under the theme "Our Land. Our Future." This significant event, marking the 30th anniversary of the UNCCD, aimed to strengthen international cooperation in addressing major global environmental challenges such as desertification, land degradation, and drought.

The SFA, along with the Rangeland Stewardship Council (RSC), actively participated in the conference. The RSC presented its initiatives and activities, emphasizing the crucial role of rangeland management in adapting to climate change and ensuring the sustainable development of global agriculture and product supply chains. Several key sessions were organized around land degradation prevention and rangeland management.

The "COP President's Rangeland Action" session highlighted initiatives to draw political and societal attention to protecting rangeland ecosystems, increase investment, and strengthen international cooperation. In the "Global Rangeland Standard: Scope for Sustainable Livestock Future" session, the rangeland standard was introduced, with discussions on its environmental and economic benefits and potential for global implementation. The "Fashion4Land" event addressed the relationship between the fashion industry and land use, focusing on nature-friendly solutions and innovative initiatives.

A session also explored the importance of women's participation in rangeland restoration and the need for sustainable investment to support wide-scale restoration efforts. Additionally, RSC-organized sessions focused on the importance of sustainable raw material sourcing, the resilience of value chains to land degradation, and the role of the market in combating land degradation.



**At the COP 16 of the UNCCD, the SFA team and partners participated in the event, presenting their initiatives and activities.**

Finally, a session was dedicated to introducing the Camel Standard, highlighting the importance of preserving camel biodiversity in rangeland ecosystems, supporting herders' livelihoods, and ensuring the sustainability of camel-based products (such as camel wool, meat, milk, and dairy products) in global markets.

Mandakh soum, Dornogobi province



## Cashmere Connect – 2024



Participants of the "Cashmere Connect 2024"

The "Cashmere Connect" event is an important annual event organized by the SFA. Its main goal is to connect the SFA-certified processing factories and herding cooperatives involved in the Chain of Custody, create business partnerships, increase mutual understanding, and provide a platform for discussing the preliminary terms of raw material sales and purchase agreements. The event was held on March 15, 2024, and saw the participation of 13 factories and 43 cooperatives.

**Representatives of factories:** Hanbogd Cashmere, Sor Cashmere, Monital Cashmere, Ögözh Shim, Goel Cashmere, Negün Cashmere, Jin Corona, Top Shine, Nobelmir, New Space, Cashmere Holding, Nomgon Cashmere, Örnukh Golomt, and other organizations participated.

**Representatives of cooperatives:** Over 50 representatives from 43 cooperatives in 30 soums of Sukhbaatar, Arkhangai, Khentii, Dornogovi, Töv, Dornod, Bayankhongor, Ömnögovi, Khovsgol, Zavkhan, and Khovd provinces took part. Additionally, 18 cooperatives participated online to receive information, and representatives of organizations working with cooperatives in rangeland and biodiversity also attended as guests.



Representatives of processors and cooperatives to the "Cashmere Connect 2024"

During the event, participants discussed issues related to cashmere quality, sustainable supply chains, and common challenges and proposed several key recommendations. The SFA compiled these suggestions and personally delivered to the Deputy Minister of the Ministry of Food, Agriculture, and Light Industry (MoFALI) along with the representatives of the member cooperatives. The proposal emphasized the importance of applying the same tax policy for both domestic and foreign-invested factories. Ensuring the equal and fair implementation of tax policies is crucial for maintaining market fairness and supporting participants' operations.

## SFA relief campaign for Zdud affected herding communities

At the beginning of the year, as the winter conditions in Mongolia, particularly in the eastern regions, began to worsen severely, the SFA launched a two-phase relief aid package with the support of international member cashmere producers and brands. This package was delivered to 18 soums in the Khentii, Dornod, Sukhbaatar, and Arkhangai provinces, reaching 1,760 households through 28 cooperatives. Additionally, over 10,000 head of livestock were provided to 32 cooperatives as supplementary support.



**The relief materials sent by the SFA were promptly received by the cooperative leaders, who efficiently organized the distribution to herder households in the soums.**

The first step in organizing this initiative was to identify the regions in greatest need of support, and the relief materials were delivered accordingly. During this difficult time, the SFA would like to express its sincere gratitude to its member companies in Mongolia, including Goyol Cashmere, Loro Piana Mongolia, New Space, Top Shine, Jin Corona, and Urnukh Golomt, as well as over 20 international companies, brands, and partners, for their generous contributions.

While the SFA recognises the importance of responding to disasters and taking recovery actions, it emphasizes the need to focus more on preparedness and resilience. The SFA continues to encourage cooperatives and herders to prioritize these areas. As a result, the active collaboration of our members and supply chain participants has led to progress in establishing the "Herders' Organization Development Fund."

*"The long-term planning is crucial for strengthening disaster preparedness, risk management, and governance," noted the SFA's CEO, Una Jones. She further emphasized, "Given the increasing impacts of climate change, it is essential to establish a resilient system to support herders in the future."*

This fund aims to support special measures to prevent and mitigate the impacts of natural disasters like dzud, improve the sustainability of herders' livelihoods, and reduce the serious effects on their well-being. It is also essential to address the mental and physical health concerns of herding women and male-headed households.



## Overcoming Challenges and Meeting Expectations: The 2024 Mongolian Sector Forum on Natural Fibers

The “Natural Fibers Connect 2024” International Forum’s Mongolian Sector Session, themed “Overcoming Challenges and Meeting Expectations in Natural Fibers,” was held in September in Ulaanbaatar. The SFA organized the event in collaboration with the Ministry of Food, Agriculture, and Light Industry (MOFALI) and the Ministry of Environment and Climate Change. Over 130 representatives and participants attended the forum. This event focused on discussions around adapting to climate change and implementing sector operations in an environmentally friendly, socially responsible, and economically efficient manner. It served as a significant platform for enhancing collaboration among stakeholders and fostering partnerships to drive the sustainable development of the natural fibers industry.



## СОРИЛТЫГ ДАВЖ, ХҮЛЭЭЛТЭД НИЙЦЭХ БАЙГАЛИЙН ШИРХЭГТ

2024 ОНЫ ЕСДҮГЭЭР САРЫН 6

МОНГОЛ ДАХЬ САЛБАР ЧУУЛГАН

ХУРЛЫГ ЗОХИОН БАЙГУУЛАГЧ:

ДЭМЖИГЧ БОЛОН ШАГНАЛЫГ ИВЭЭН ТЭТГЭГЧ БАЙГУУЛЛАГУУД:





**Participants of the  
"Natural Fibre Connect  
2024"-Mongolia Forum**

At the opening of the forum, representatives from the SFA's Mongolian sector, the Ministry of Food, Agriculture, and Light Industry (MOFALI), and the Ministry of Environment and Climate Change (MOECC) delivered speeches. They provided an overview of the current situation in the sector. Presentations on the challenges faced by Mongolia's agriculture and environment, as well as policies and measures to overcome these challenges, were shared by industry researchers and experts.

During the forum, member cooperatives and industries exchanged best practices and held extensive discussions, providing an opportunity to learn from each other and grow together.

Additionally, the SFA provided a detailed presentation on the Global Rangeland Standards, highlighting the importance of responsible rangeland management in protecting human, livestock, and environmental health. Implementing these standards was emphasized as a way to positively impact the livelihoods of local herders and increase the market value of products derived from rangeland resources.

At the conclusion of the event, the SFA held a Sustainability Award ceremony, recognizing cooperatives and herders who lead the way in environmentally friendly livestock farming and social responsibility. Awards were presented to member industries and brands in appreciation of their contributions.

## Sustainable Landscape and Biodiversity Conservation in the Eastern Mongolian Steppe (II Phase)

The "Sustainable Landscape and Biodiversity Conservation in the Eastern Mongolian Steppe" project, funded under the 7th phase of the Global Environment Facility (GEF), is being led by the United Nations Food and Agriculture Organization (FAO). The project focuses on improving the sustainable management of dry steppe ecosystems, livestock production, and biodiversity conservation in Mongolia's eastern region.

SFA is collaborating on implementing the second component of this project, which involves providing training and certification to herding cooperatives and the livestock sector and developing a traceability system. The project's first phase was successfully completed, and the second phase was launched in 2024. The objectives of the second phase include further strengthening the capacity of herders, maintaining the certification of cooperatives, and, most importantly, reinforcing the price enhancement system based on cashmere quality.



**A training session was held in Sukhbaatar soum of Sukhbaatar province, where herders from the "Tenuun Darkhan Khan" cooperative participated. The training focused on cashmere sorting and preparation skills and the SFA's best practice training on sustainable livestock management.**

## The Business Incubator and Accelerator (BIA) program for mountainous and island regions



**Workshop at the herder group "Karatau" in Bayan-Ulgii province.**

This program, implemented in collaboration with the United Nations Food and Agriculture Organization (FAO) Mountain Partnership and the GEF Small Grants Programme, aims to enhance the adaptive capacity of mountain and island communities while supporting the agricultural and textile production businesses.

Six organizations and cooperatives are involved in Mongolia, with SFA working alongside the Mongolian National Federation of Agricultural Cooperatives, the Jasil NGO, and the Sarana Environmental Protection Fund. Together, they have provided training and technical assistance to empower local cooperatives and pastoralist groups.

## "Productive Partnerships" sub-project of the "Livestock Commercialization Project"

Within the framework of the "Productive Partnerships" initiative under the Livestock Commercialization Project, financed by the World Bank and implemented by the Ministry of Food, Agriculture, and Light Industry (MOFALI), the Sustainable Fibre Alliance (SFA) has partnered with its member company, Khanbogd Cashmere LLC, and other organizations to develop a green value chain for wool and cashmere.

This sub-project aims to introduce and strengthen SFA's international standards and best practices among herders and cooperatives in target soums of Uvs and Khentii provinces. Key activities include:

- Capacity-building training for herders and cooperatives,
- Certification of cooperatives and primary processing facilities in line with best practices,
- Development of a QR-based traceability system to ensure transparent tracking of certified, dehaired cashmere for export,
- Establishment and promotion of the EZEN brand, enabling herders to market their certified cashmere directly.

This comprehensive initiative seeks to enhance sustainability, improve market access, and add value to Mongolia's cashmere sector.



Participating parties of the "Productive Partnerships" sub-project of the "Livestock Commercialization Project"

## "Young Herder" program

The "SFA Young Herder" course is offered as an elective subject within the secondary education curriculum for students in grades VII to XI. This course aims to educate students on Mongolian traditional herding practices, weather forecasting techniques, and local biodiversity, fostering an appreciation for environmental conservation and cultural heritage. Furthermore, it seeks to prepare the next generation of modern Mongolian herders who can adapt to market-driven economic development while upholding traditional values.

Since its inception in 2018, this programme has been supported by Johnstons of Elgin. It is implemented on an ongoing basis by the NARTC, an educational partner of the SFA.

During the 2023-2024 academic year, 90 senior students successfully participated in the program in Khuvsgul, Khentii, and Uvurkhangai provinces. For the 2024-2025 academic year, the programme expanded to include schools in Selenge, Uvurkhangai, Dornogovi, Tuv, Dundgovi, and Govi-Altai province, with 180 students enrolled in grades VII to XI.

Since its launch, the programme has been successfully implemented in 25 soums across 10 provinces, reaching a total of 1,437 students to date.



Secondary school students of Bayan-Uul soum, Govi-Altai province

## "Green Loan Programme to Support Sustainable Fibre Supply"

To support sustainable livestock production, the SFA and Khan Bank jointly introduced the "Green Loan Programme to Support Sustainable Fibre Supply" to the market in 2022. This programme aims to enhance the financial stability of herders and cooperatives while promoting responsible livestock farming. It provides preferential loans exclusively to cooperatives that have met stringent criteria, including animal health, breeding quality, pasture management, and responsible supply chain practices, and have obtained certification from the SFA as sustainable and responsible suppliers.

Certified cooperatives under the SFA can access these loans to provide advance payments to their member herders, securing raw cashmere purchases while ensuring that the collected raw materials are supplied to contracted, certified processing factories.

Over the past three years, a total of 37 cooperatives have received loans amounting to MNT 11.4 billion, significantly supporting the financial stability of their member herders and contributing to the promotion of sustainable livestock practices.

This initiative originated in 2018 with the signing of a Memorandum of Understanding between Khaan Bank and the SFA.

Following extensive research and development efforts, the programme was piloted in 2022 for certified cooperatives under the SFA. Having successfully completed its three-year trial period, from 2025 onwards, the Green Loan will become a core financial product of Khan Bank. Furthermore, the programme is set to expand, making loans accessible not only to cooperatives certified under the SFA's international standards but also to those meeting specific Mongolian national standards (MNS). This expansion marks a significant milestone in the long-standing partnership between Khan Bank and the SFA and reflects the continued commitment to responsible and sustainable livestock farming.

Loan products	Green Loan Programme to Support Sustainable Fibre Supply
Loan amount	Should not exceed 1 billion MNT. If the loan is overdue for more than 90 days, the interest rate will be increased to 19.2%.
Loan interest rate	15.6% /1.3% monthly/
Loan term	Up to 12 months Final repayment deadline must not exceed February 25 of the following year.
Grace period	Up to 11 months The grace period is granted at the beginning of the loan term and must be at least one month shorter than the total loan duration.
Eligibility criteria	0% (No fees)
Loan repayment	Repayment schedule will be made in accordance with the receipt of the wool payment.
Refinancing	No Refinancing

## Herder Connect: A Project to Empower Herders' Organizations Producing Animal-Based Natural Fibers Using Digital Technology

The "Herder Connect" project, which will be implemented over a two-year period starting in November 2024, aims to empower herder organizations by utilizing digital technology, increasing accessibility to training on sustainable production, and providing advisory services. This project is being carried out in collaboration with the SFA and the ISEAL.

Project partners, such as Khan Bank, will support the development of training materials on household financial management and green financing. Meanwhile, the NARTC will collaborate to digitalize and deliver training materials on sustainable cashmere production to herders. A **Learning Management System (LMS)** will be developed as part of the project, providing herders easy access to information on raw material preparation, international standards, financial training, and advice. Additionally, herders will be able to view price information collected from real sources and receive advice from sustainable production experts, further enhancing the efficiency and sustainability of their operations.

Ölgii soum, Uvs province



## SFA's Theory of Change

The SFA's Theory of Change is the articulation of our organisation's vision of how we will bring about our desired long-term outcomes and impacts. The development of our Theory of Change begins, at its core, with our vision for... A responsible and inclusive global natural fibres sector that safeguards the health & well-being of people, animals and the environment.

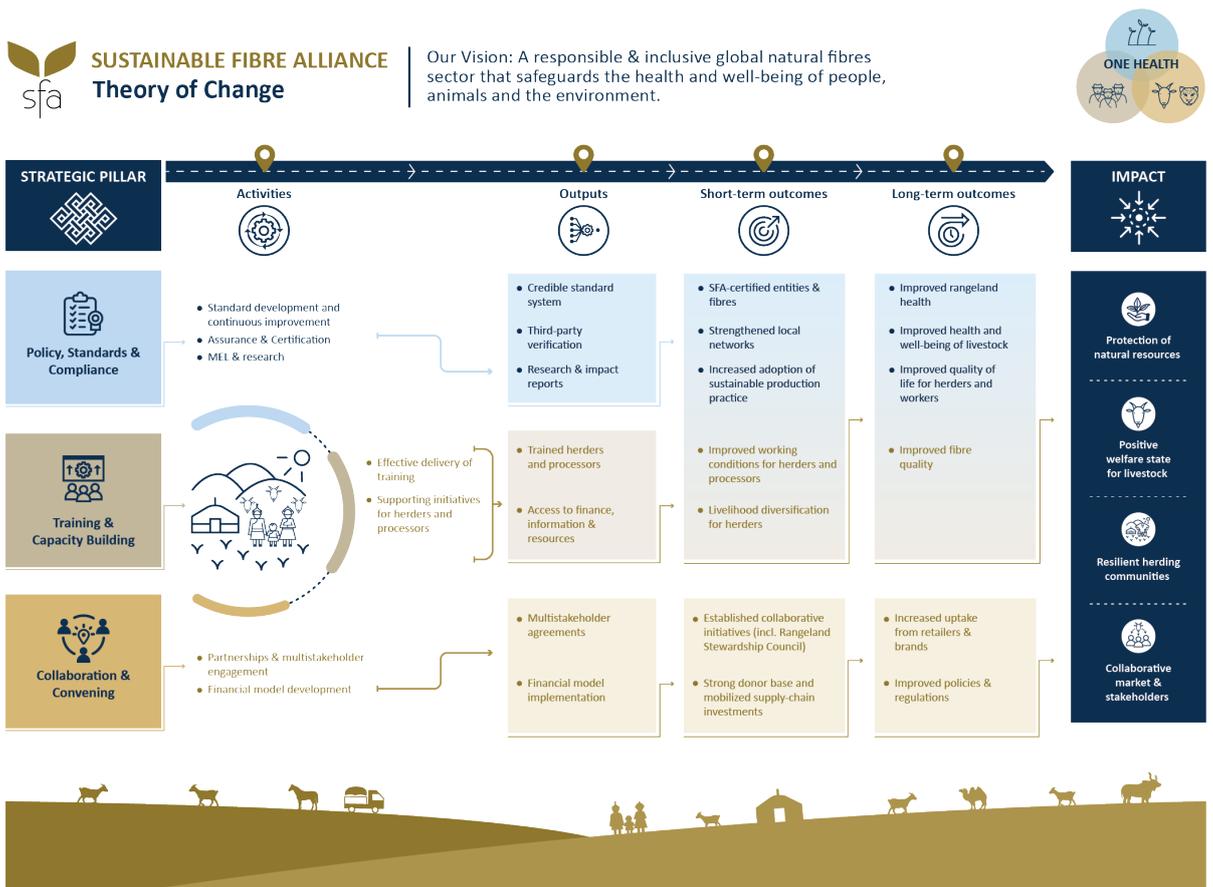
At the heart of our approach lies the "One Health" concept – an integrated, unifying approach that aims to sustainably balance and optimise the health of people, animals and ecosystems. With this core value in mind, our Theory of Change was created by working backwards to identify three strategic pillars.

These are:

- Policy, Standards & Compliance
- Training & Capacity Building
- Collaboration & Convening

This Theory of Change aims to help the SFA identify and prioritise activities and partnerships and serves as a basis for us to align and monitor our progress, which will be key in actualising our outcomes and values. It presents a comprehensive and forward-looking approach that emphasises standards and certification while also prioritising collaboration with markets and stakeholders. This underscores our commitment to achieving our vision.

View the SFA's Theory of Change below:



## Measuring Impact

We measure the impact of our work against four main impact areas:

- Protection of natural resources
- Positive welfare state for livestock
- Resilient herding communities
- Collaborative market and stakeholders

We adopt a diversified approach to measure our impact, which includes using standards and assurance data, gathering field-level insights through herder surveys and field visits, and validating our impact through independent consultants and researchers.

To do this effectively and efficiently, we ensure that Monitoring & Evaluation (M&E) practices are integrated into the organisation's culture, systems, and processes.

## Monitoring, Evaluation, and Learning (MEL) System

The SFA has developed a Monitoring, Evaluation and Learning (MEL) framework that aims to provide a structured approach to collecting crucial data, assessing effectiveness toward impact goals, and monitoring levers of change, ensuring that the SFA's activities are both effective and credible. Through continuous monitoring, the SFA can track progress against its Key Performance Indicators (KPIs), which are derived from the SFA Cashmere Standard, SFA Clean Fibre Processing Standard, SFA Chain of Custody Standard, Assurance programme, and overall partnership and collaboration.

It also showcases how the organisation will measure the change or impact in line with our Theory of Change (ToC). This, in turn, provides a clear structure and plan for data collection, analysis and reporting, the types of evaluations to be conducted and their timescales and improving the standard based on MEL input and planning of resources for conducting MEL-related activities.

In 2022, the SFA signed a memorandum of cooperation with the Mongolian Academy of Sciences to develop a methodology for evaluating the outcomes of the SFA's cashmere standards system and assess its impacts. In 2023, under this memorandum, a team of researchers from the Institute of Animal Husbandry, the Institute of Biology, the Institute of Botany, the Institute of Philosophy, and the Academy of Sciences collaborated to develop the research methodology and define key performance indicators (KPIs).

In 2024, as part of these efforts, the work continued with an in-depth evaluation of the environmental, natural resource, livestock well-being, livelihoods of herders, and the impacts on sustainable development across various regions of Mongolia, based on primary and secondary data. The results of this work will be compiled into the SFA's Standards System Impact Report.

## REGISTERED

**In 128 soums of 17 provinces,**

the SFA is working to improve livestock care and management, promote the sustainable use of pasturelands, and prepare cashmere according to quality and standard requirements. The SFA is spreading knowledge and promoting attitudes toward sustainability while strengthening local collaborations.

**A total of 208 herder organizations, consisting of 19,560 herding households,**

have joined the responsible cashmere supply chain. Their participation is expanding herders' collaboration and supporting local development, increasing the supply of high-quality, certified raw materials, and contributing significantly to the dissemination of sustainable livestock practices.



By the end of the year, approximately **4.4 million cashmere goats** were cared for by SFA member herders and their cooperatives, ensuring the well-being of livestock and adhering to sustainable herding principles.

## CERTIFIED

**59 certified herder organizations, consisting of 8,014 herding households**

These herder organizations and households, which have successfully integrated SFA's good practices into their operations, have undergone third-party evaluations and received certification. As a result, they serve as role models for responsible production, encouraging other herders to adopt more responsible practices.

**995 tons of certified raw cashmere supplied,**

45 herder organizations have segregated, registered, and documented the raw materials in compliance with the SFA's traceability system, and have responsibly supplied them to member processing factories.

**153.7 tons of certified combed cashmere, 4.8 tons of cashmere yarn, and 279 tons of washed cashmere**

11 cashmere processing factories and businesses in Mongolia are implementing the SFA's Clean Cashmere Processing Standards and exporting these products to countries such as Italy, the UK, Singapore, and China.

The SFA aligns its operations with 11 of the United Nations Sustainable Development Goals, including "Protecting terrestrial ecosystems," "Promoting decent work and economic growth," "Eradicating poverty," and "Fostering partnerships for development."



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