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I.

Introduction

Mikro Kapital

Introduction
I. Introduction

1. About the Report

Mikro Kapital (the “Company”, “Mikro Kapital”) is honoured to share its most recent environmental, social, and governance (ESG) report (“the Report”), which refers to the period from 1 January to 31 December 2021. The Report also covers significant events that occurred in 2022 at the date of publication as well as the Company’s the long- and medium-term plans.

The Report provides a comprehensive assessment of Mikro Kapital’s economic, social, and environmental impacts, as well as our goals and strategy to managing material topics. Additionally, we provide information about our portfolio, our approach to sustainability and impact, including specific projects and initiatives, and our actions to incorporate sustainability into all phases of the investment lifecycle. Via this annual ESG Report Mikro Kapital discloses its achievements, plans, and ambitions with regards to ESG and impact aspects. The Report also contains consolidated information about Mikro Kapital. Unless otherwise indicated, it covers entities that are consolidated under the International Financial Reporting Standards (IFRS).

The Report was prepared in alignment with the Global Reporting Initiative (GRI) standards, and applicable specific Sustainability Accounting Standards Board (SASB) indicators. Specific indicators of our impact were disclosed guided by Impact Reporting and Investing Standards (IRIS+). Mikro Kapital supports financial industry working together on development of common impact metrics for key themes such as climate, gender, and human rights and providing transparency.

As signatory of Principles for Responsible Investment (PRI) and Operating Principles for Impact Management (OPIM), Mikro Kapital manages investments aiming to achieve positive impact alongside financial returns.

Our Corporate Reporting
You can find more about Mikro Kapital performance on the Company’s website
I. Introduction

2. President’s statement

Dear stakeholders,

I am delighted to present this Report detailing Mikro Kapital’s commitment, activities, achievements and ambitions in terms of sustainable development. 2021 Mikro Kapital’s ESG Report is an essential element of our company’s mission of supporting entrepreneurs and assisting in the development of communities along the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific).

We are committed to ensure that our company is always focused on long-term sustainable growth, at the same time as we strive to be transparent and ethical in all our daily operations. In this Report, we hope to demonstrate how our influence has corresponded with our goals and how we have developed in comparison to previous years.

As an impact investor, we continued to strengthen our commitment to the SDGs and to follow the industry’s best practices, aligning our business with the Sustainable Finance Disclosure Regulation (SFDR) principles and being sure that sustainability is integrated in the business operations throughout the entire Company.

During 2021, we worked to further develop metrics to improve our ESG processes and reporting. Different policies that ensure sustainability factors and risks are integrated in our decision-making process were approved and implemented and an ESG Department and an ESG & Impact Committee were established. Likewise, we developed a clear framework regarding Impact Management to be applied in all stages on the investment cycle and became a signatory of the OPIM.

Furthermore, we actively promoted and sponsored a variety of initiatives benefiting both our clients and the community. To promote financial literacy, we conducted different training sessions for clients and university students, as well as created educational content and distributed information materials. Additionally, we regularly participated in charitable activities. We are also proud to share that we highly contributed to Gender Equality both by offering dedicated products for women, supporting them in the establishment and development of their businesses and by providing them with mobility solutions.

I should highlight that we will continue this long-term journey as a sustainable investor, and we will work tirelessly every day to meet our objectives.

Corvin’s (or Hunyadi) Castle in Hunedoara, Romania
1. Introduction

3. Our core impact

Our core impact areas

**Local communities’ engagement**
We support local communities’ development in the regions where we invest by ensuring that the Company has a positive impact on them and minimising any possible negative effects. Through microfinance we aim to improve rural economies and increase financial health of farmers in EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) countries by financing projects in the agriculture sector. Additionally, we provide people with affordable personal mobility options through our car sharing business. Delimobil’s regional expansion over 2021 enabled this business to reach an even greater number of clients.

*For more information, please refer to p. 54*

**Human rights, diversity, and inclusion**
We respect and promote our stakeholders in the areas of human rights, labour standards, environmental protection, and business ethics in the regions where we invest.

*For more information, please refer to p. 66*

**Human capital**
We strive to be a responsible employer and create a diverse workplace. We treat all employees equally and foster their professional development.

*For more information, please refer to p. 73*

**Environment**
Mikro Kapital is committed to minimising its environmental impact through reduction of pollution, CO2 emissions, energy consumption and traffic, as well as by promoting environment-friendly projects. We believe that the car sharing business can actually boost the transition to a more sustainable economic model, and we are confident that by supporting various activities in different sectors we can help mitigating the planet’s potential negative impacts.

*For more information, please refer to p. 82*

**Health and safety**
Establishing safe working conditions within the Company is one of our main responsibilities as a sustainable company.

We are committed to creating healthy and safe workplaces that contribute to the wellbeing of our employees and clients.

*For more information, please refer to p. 77*

**Focus on transparency and impact investing**
We are committed to being transparent. Mikro Kapital places transparency in its performance as a priority to ensure the reliability of the disclosed information to our main stakeholders. We follow best global ESG reporting practices, align our business to the Sustainable Finance Disclosure Regulation (SFDR) principles and consistently improve our disclosure. In December 2021, Mikro Kapital became a signatory of OPIM, the global standard for managing investments for impact.

During the year, Mikro Kapital created a new ESG Department as well as ESG and Impact Committee and adopted a Sustainability Risk Policy and a Responsible Investment Policy, which ensure that sustainability factors and risks are considered in our decision-making.
II.

Mikro Kapital

Who we are
II. Who we are

1. Our mission

Mikro Kapital is a sustainable social-economic-minded company which helps entrepreneurs, mainly in EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) countries, build their businesses, while also contributing to the development of the global economy, by providing financial and technical assistance support to business for facilitating a strong and sustainable entrepreneurial ecosystem. We create value through development and progress.

Mikro Kapital’s current mission is to judiciously target economic growth in the countries where we invest, by ensuring financial flows to niche markets considered safe and profitable. We also supply know-how, avoiding speculation and supporting, where it is possible, the continuous growth of small businesses. The reasonable result is a general social improvement and an increasing wealth of our investors. To this end, we foster environmentally and socially responsible sustainable development across the regions we invest in and it is our priority to make certain that ESG factors are appropriately included into our investment portfolio and decision-making processes. This strategy is supported by our approach, being as close to beneficiary entrepreneurs as possible, which includes having portfolio companies in all the countries where we invest and therefore supporting local borrowers. As a result, and as we consider that micro-, small- and medium-sized enterprises (MSMEs) are the building blocks of the socioeconomic development chain, we believe that by investing in them and therefore the labour market, we are not only developing them from a financial and economic perspective, but also fostering the social and cultural development in each and every country in which we invest.

Our strategy

Mikro Kapital’s corporate strategy is based on 4 main pillars:

- Place clients at the centre of everything we do
- Offer a unique investment experience to clients
- Focus on portfolio’s long-term development and aim in that way to achieve sustainable and Profitable growth
- Take responsibility toward society and local economies very seriously

Sustainability is integrated in our entire corporate strategy and, as a result, is embedded in the four pillars mentioned above as well as in the company’s day-to-day business operations. By doing this, we are working to meet the current and future expectations of all stakeholders. We strive to meet all our commitments without the assistance of third parties in order to maintain the trust of our clients, government agencies, shareholders, investors, and employees.

Mikro Kapital aspires at fostering trust in the community by behaving as a responsible corporate institution and consistently assessing the impact of its investments on society and responding to societal needs and expectations in a balanced, relevant, and transparent manner.

While Mikro Kapital does not aspire to become a “niche sustainability player”, we do strive to achieve the optimal balance between business and sustainability objectives at all levels. We seek to progressively increase our positive impact on society in areas where a difference can be made through everyday activities, while limiting the potential negative impact on society as a whole by implementing strict policies and sustainability guidelines, reducing our own environmental footprint and adopting an approach towards Socially Responsible Investments (‘SRI funds’). Therefore, we put our corporate strategy at the centre of our activities, recognising its inclusionary significance for all of our activities and impacts within local communities in our countries of investments.

Our investments are mainly in micro credit, micro leasing, and sharing economy businesses (although there are other businesses as well). We believe that these investments have a positive sustainable impact per se on a variety of levels, including socioeconomic impact through developing labour markets via financing and providing mobility solutions to small entrepreneurs, through social inclusion and woman empowerment and through environmental impact by reducing environmental footprint as in the case of our car sharing business.

Carpathian Mountains, Brasov, Romania
II. Who we are

2. Mikro Kapital at a glance

Mikro Kapital Management S.A. is a securitisation undertakings management company, which manages a “family” of securitisation funds in the Grand Duchy of Luxembourg that invest in a number of emerging markets including EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific).

Our head quarter office is located in the Grand Duchy of Luxembourg and our portfolio companies can be found in Armenia, Belarus, China, Czech Republic, Hong Kong, Kazakhstan, Kyrgyzstan, Moldova, Romania, Russia, Switzerland, Tajikistan, and Uzbekistan.

Expansion over 2021

In terms of geographic expansion, during 2021 we focused our attention at expanding our portfolio companies in our countries of investments. For example, in Uzbekistan, the Mikro Leasing Uzbekistan transformed its representative office in Samarkand while in Romania, the Mikro Kapital Romania opened a new office in Transylvania.

Among the noteworthy expansion changes in 2021 is the case of IMON International - a leading microfinance institution in Tajikistan, where Mikro Kapital acquired a significant stake for further strengthening the institution’s goal to provide financial services to over 100,000 micro businesses and individual borrowers throughout Tajikistan. In car sharing business, we have opened one new city for car sharing in 2021 – Kazan and returned to Rostov-on-Don.

For the financial information for FY2021, please refer to our Annual Report 2021 that will be available on the Company’s website in the third quarter 2022.
II. Who we are

3. Portfolio presentation

Founded in 2008, Mikro Kapital has specialised in supporting small businesses located in developing countries around the world. We focus our investment policy on micro-, small- and medium-sized enterprises (MSMEs) as we believe this is where we can execute the greatest social impact: by assisting those who have historically been unable to access traditional sources of funding from financial institutions. We also consider that micro-, small- and medium-sized enterprises (MSMEs) have significant growth potential as a result of the deleveraging that has occurred in the banking sector over the last decade. By strengthening this business, we aim at identifying opportunities that allow us to engage in a more comprehensive approach to address critical economic and societal developments sustainably.

The Report is focused on Mikro Kapital’s two securitisation funds: MIKRO FUND and ALTERNATIVE. Our investors are qualified, professional investors mostly from Europe including high-net-worth individuals (HNWIs), family offices and institutional investors.

The MIKRO FUND was established in 2008 as a securitisation fund and has been investing since that time. This fund preliminary acquires risks connected to debt and equity of micro-financing companies, small financial institutions, leasing companies, sharing economy participants, banks or credit cooperatives granting access to financing services to micro-, small- and medium-sized enterprises (MSMEs) and entrepreneurs.

The MIKRO FUND overview as of 31 December 2021

**MIKRO FUND**

**Inception Date:** 1 September 2008

**Target Regions:** EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific)

**Impact Objectives:**
- Improvement of access to and use of responsible financial services for historically underserved populations
- Earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups)
- Rural economies through financial inclusion
- The increasing of farm profitability
- Financial health of farmers and gender equality through financial inclusion
- Support decent jobs and foster economic development
- Mitigate Climate Change through Clean Mobility

**Targeted SDGs:**
- 5 - Gender Equality
- 8 - Decent Work & Economic Growth
- 9 - Industry, Innovation & Infrastructure
- 10 - Reduced Inequalities
- 11 - Sustainable Cities & Communities
- 12 – Responsible Consumption and Production
- 17 – Partnerships for the Goals

**Investment segments:** Micro Credit, Micro Leasing, Sharing Economy

**Sector diversification:** Agribusiness, Construction, Education, Logistics, Manufacturing, Wholesale & Retail, Other Services, Car sharing, Car rental

**Terms of investments:** 11/24/36/48 months
The ALTERNATIVE started its investments in 2015. It acquires risks connected to the debt and equity of microfinancing companies, small financial institutions, leasing companies, and offers financing services to micro-, small- and medium-sized enterprises (MSMEs) and entrepreneurs in European and emerging countries.

The ALTERNATIVE overview as of 31 December 2021

**ALTERNATIVE**

**Inception Date:** 1 March 2015

**Target Regions:** EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific)

**Impact Objectives:**
- Improvement of access to and use of responsible financial services for historically underserved populations
- Earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups)
- Rural economies through financial inclusion
- The increasing of farm profitability
- Financial health of farmers and gender equality through financial inclusion
- Support decent jobs and foster economic development

**Targeted SDGs:**
- 5 - Gender Equality
- 8 - Decent Work & Economic Growth
- 9 - Industry, Innovation & Infrastructure
- 10 - Reduced Inequalities

**Investment segments:** Micro Credit, Micro Leasing

**Sector diversification:** Agribusiness, Construction, Education, Logistics, Manufacturing, Wholesale & Retail, Other Services

**Terms of investments:** 11/24/36/48 months

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**Micro Credit segment highlights, 2021**

As regards our Micro Credit segment, our investments are mainly divided between three segments: Micro Credit, Micro Leasing, and Sharing Economy. We have investments in EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific).

**Micro Credit segment highlights as of 31 December 2021**

<table>
<thead>
<tr>
<th>Countries of presence</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients served</td>
<td>c. 282 thousand</td>
</tr>
<tr>
<td>Employees (year-end)</td>
<td>2,237 people</td>
</tr>
<tr>
<td>Total number of loans issued</td>
<td>c. 190 thousand</td>
</tr>
</tbody>
</table>

**Micro Leasing segment highlights, 2021**

In the Micro Leasing segment we have investments in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific).

**Micro Leasing segment highlights as of 31 December 2021**

<table>
<thead>
<tr>
<th>Countries of presence</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clients served</td>
<td>c. 8 thousand</td>
</tr>
<tr>
<td>Employees (year-end)</td>
<td>171 people</td>
</tr>
<tr>
<td>Total number of loans issued</td>
<td>c. 4 thousand</td>
</tr>
</tbody>
</table>

---

**ALTERNATIVE – Total Assets (EUR)**

The Thumb Formation on Plateau
Ustyurt in Kazakhstan at sunrise
Sharing Economy segment highlights, 2021
EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) countries are where we have investments in the Sharing Economy segment.

Sharing Economy segment highlights as of 31 December 2021

<table>
<thead>
<tr>
<th>Countries of presence</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1,614 people</td>
</tr>
<tr>
<td>Total minutes sold in 2021</td>
<td>over 1.5 mln minutes</td>
</tr>
<tr>
<td>Total trips in 2021</td>
<td>over 35 mln</td>
</tr>
<tr>
<td>Average number of monthly active users (MAU) in 2021</td>
<td>485 ’000</td>
</tr>
<tr>
<td>Registered users</td>
<td>7.7 mln</td>
</tr>
</tbody>
</table>

For **Micro Credit and Micro Leasing segments**, most clients (end-borrowers) are represented by individual entrepreneurs and micro-, small- and medium-sized enterprises. 77% of end-borrowers do business in rural areas, female end-borrowers amount to 27%.

For **Sharing Economy segment**, the most common clients are drivers under 30 years old living in a city. Female clients amount to 20%.

Each investment segment has its own companies and set of impact objectives based on IRIS+ framework. Mikro Kapital’s impact objectives.

<table>
<thead>
<tr>
<th>Investment segment</th>
<th>Impact Objectives</th>
</tr>
</thead>
</table>
| Micro Credit       | ● Improve access to and use of responsible financial services for historically underserved populations  
                      ● Improve earnings and wealth through employment and entrepreneurship (particularly for disadvantaged and excluded groups) |
|                    | ● Mikro Kapital (Armenia)  
                      ● Mikro Kapital (Italy)  
                      ● Mikro Kapital (Moldova)  
                      ● Mikro Kapital (Romania)  
                      ● Money Kapital  
                      ● IMON International  
                      ● Gorod Deneg  
                      ● Bailyk Finance |
| Micro Leasing      | ● Improve rural economies through financial inclusion  
                      ● Increase farm profitability  
                      ● Increase financial health of farmers  
                      ● Increase gender equality through financial inclusion  
                      ● Support decent jobs and foster economic development |
|                    | ● Mikro Leasing (Belarus)  
                      ● Money Kapital Leasing  
                      ● Mikro Leasing (Uzbekistan)  
                      ● Other financial service providers |
| Sharing Economy    | ● Mitigate climate change through clean mobility |
|                    | ● Anytime (Belarus)  
                      ● Anytime (Czech Republic)  
                      ● Anytime (Kazakhstan)  
                      ● Anytime Prime  
                      ● CarShine Moika  
                      ● CarShine Russia  
                      ● Delimobil  
                      ● Prolive+  
                      ● Smart Mobility Management (SMM)  
                      ● Car manufacturers  
                      ● Leasing companies  
                      ● Manufacturers and distributors of spare parts  
                      ● Service providers |
II. Who we are

4. Our stakeholders and material topics

We consider employees, shareholders, clients, investors, state and local regulatory authorities, the Supervisory Board, local communities and suppliers our stakeholders based on the extent to which they are affected by Mikro Kapital’s activities and their ability to have influence over our business objectives and activities within material topics.

Mikro Kapital’s key stakeholders

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Key expectations and interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>● Employment (directly and through financing MSMEs)</td>
</tr>
<tr>
<td></td>
<td>● Fair wages</td>
</tr>
<tr>
<td></td>
<td>● Equal opportunities</td>
</tr>
<tr>
<td></td>
<td>● Social benefits</td>
</tr>
<tr>
<td></td>
<td>● Opportunities for professional development</td>
</tr>
<tr>
<td>Shareholders</td>
<td>● Business development in compliance with ESG principles</td>
</tr>
<tr>
<td></td>
<td>● Alignment with international protocols and pledges</td>
</tr>
<tr>
<td></td>
<td>● Transparent disclosure of financial and non-financial information</td>
</tr>
<tr>
<td></td>
<td>● Profitability of business activities</td>
</tr>
<tr>
<td>Clients</td>
<td>● High-quality services</td>
</tr>
<tr>
<td></td>
<td>● Excellent customer experience</td>
</tr>
<tr>
<td></td>
<td>● Confidential data security</td>
</tr>
<tr>
<td></td>
<td>● Partnership with service companies</td>
</tr>
<tr>
<td>Investors</td>
<td>● Compliance with the conditions and requirements for investing (e.g. transparency of the business, financial results, reputation etc.)</td>
</tr>
<tr>
<td></td>
<td>● Transparent disclosure of financial and non-financial information</td>
</tr>
<tr>
<td></td>
<td>● Investment alignment with ESG principles</td>
</tr>
<tr>
<td>State and local regulatory authorities</td>
<td>● Compliance with laws</td>
</tr>
<tr>
<td></td>
<td>● Transparency of the business</td>
</tr>
<tr>
<td></td>
<td>● Payment of taxes</td>
</tr>
<tr>
<td></td>
<td>● Job creation</td>
</tr>
<tr>
<td>Supervisory Board</td>
<td>● Profitability of business activities</td>
</tr>
<tr>
<td></td>
<td>● Implementation of strategy</td>
</tr>
<tr>
<td></td>
<td>● Achievement of goals and KPIs</td>
</tr>
<tr>
<td></td>
<td>● Sustainable business developed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Key expectations and interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local communities</td>
<td>● Job creation</td>
</tr>
<tr>
<td></td>
<td>● Payment of taxes to local budgets</td>
</tr>
<tr>
<td></td>
<td>● Transparency of the business</td>
</tr>
<tr>
<td></td>
<td>● Progress towards ESG-related goals</td>
</tr>
<tr>
<td></td>
<td>● Improvement of investment attractiveness</td>
</tr>
<tr>
<td>Suppliers</td>
<td>● Fair and clear procurement procedures</td>
</tr>
<tr>
<td></td>
<td>● Transparency of the business</td>
</tr>
<tr>
<td></td>
<td>● Timely payment for delivered products and provided services</td>
</tr>
</tbody>
</table>
To have a better visibility of the material topics relevant to Mikro Kapital, supported by external ESG consultants, we analysed industry specificities and trends, reviewed publicly available information, performed a benchmark analysis of information disclosed by peers and conducted interviews with the Mikro Kapital executives and defined 15 material topics that are consistent with the Company’s and all of its stakeholders’ sustainability objectives, based on the SASB and MSCI sectoral materiality maps.

### Mikro Kapital’s material topics

<table>
<thead>
<tr>
<th>No.</th>
<th>ESG focus</th>
<th>Material topic</th>
<th>Materiality for the Micro Credit and Micro Leasing businesses</th>
<th>Materiality for the Sharing Economy business</th>
<th>Relevant section of the Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Environmental</td>
<td>Climate Change</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>2</td>
<td>Environmental</td>
<td>Environmental Impact</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>3</td>
<td>Environmental</td>
<td>Product Lifecycle management</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>4</td>
<td>Social</td>
<td>Customer Privacy &amp; Data security</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>5</td>
<td>Social</td>
<td>Client protection through fair-selling practices, affordability and transparency</td>
<td>✅</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Social</td>
<td>Human rights</td>
<td>✅</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Social</td>
<td>Diversity and inclusion</td>
<td>✅</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Social</td>
<td>Engagement with local communities</td>
<td>✅</td>
<td>✅</td>
<td>✅</td>
</tr>
<tr>
<td>11</td>
<td>Governance</td>
<td>Sustainability management by the Board and Senior Management</td>
<td>✅</td>
<td>✅</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Governance</td>
<td>General corporate governance practices (e.g. Board and operational issues)</td>
<td>✅</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Governance</td>
<td>Mobility innovations</td>
<td>✅</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
III.

Our approach to sustainability and impact

Mikro Kapital

Our approach to sustainability and impact

The sunken forest of Lake Kaindy in Kazakhstan
III. Our approach to sustainability and impact

1. Governance

ESG Governance

At Mikro Kapital, we believe that good governance is vitally important in building long-term sustainable value for our stakeholders. In ensuring that all stakeholders’ interests are addressed while also maintaining transparency regarding all the Company’s investment activities and transactions, we have always worked to establish a strong corporate governance structure that is aligned with Mikro Kapital’s strategy.

During 2021, Mikro Kapital’s organisational structure was further adjusted in line with our goal of incorporating sustainability into the strategic decision-making and core business operations of the company. It was decided to implement a new sustainability governance model through the integration of dedicated ESG Department and established ESG and Impact Committee.

Mikro Kapital’s Corporate Governance Structure as at 4 April 2022

1 For information about the Corporate Governance structure as at 31 December 2021 please refer to the p. 101 of the Appendices

Composition of the Supervisory Board

As at the date of publication of the Report

Vittorio Volpi
(Chairman)

Etienne Schneider

Edoardo Esercizio

Ferdinando Pelazzo

Kamen Zahariev

Victoria Passage, Bucharest
city centre, Romania
Composition of the Management Board

As at the date of publication of the Report

Vincenzo Trani

After graduating and completing his specialist studies he moved to Russia at the end of the 1990s to work for the European Bank for Reconstruction and Development (EBRD) and has worked continuously in the same market from that time onwards. He directed development initiatives on behalf of important private banks and industrial groups for eight years.

He gained official recognition as the initiator of some of the most important projects for small- and medium-sized businesses. He founded General Invest in 2007 and in 2008 Mikro Kapital, a micro-finance fund for financing small businesses which has established itself as one of the most successful such initiatives at a European level.

Giorgio Parola

After initial experience in Italy with Intesa Consulting, a first rank corporate advisory business, he moved to Russia in 2006 as a consultant for the European Bank for Reconstruction and Development (EBRD).

He then worked as responsible for starting up of divisions for the financing of small and medium-sized enterprises which he then directed. Co-Founder of Mikro Kapital Company, today is Head of Lending Business in Armenia, Italy, Russia, Belarus and Uzbekistan in Mikro Kapital.

Dmitry Stepanov

Qualified Lawyer since 2003, Dmitry Stepanov has undertaken an international career in corporate law. Starting as a Legal Assistant in “Nowitskaya” Law Firm and later as In-House Lawyer at UP “Traditsii Urala”, in Minsk, Belarus, he then moved to Allsoft N.V., Brussels, Belgium. In 2007, Dmitry Stepanov became Deputy Team Leader in the Legal Department of TMF Luxembourg S.A., dealing with trust, fiduciary, and fund services. He later worked for Sodrugestvo Group S.A., Luxembourg, as Head of Legal Service, EMEA / Group Corporate Secretary, and Head of Legal – Regions (Latin America and EMEA). From 2018 he is Company Chief Legal Officer in Mikro Kapital.

Michele Mattioda

Mr. Mattioda holds a Master degree in Automotive Engineering at Politecnico of Torino. He started his career within the automotive field in FCA and Bosch. He was taking part to startup projects for sustainable mobility at the University, as a project manager. Later on he moved to General Invest in Zürich, part of Mikro Kapital, to support the Swiss Asset Manager focusing on HNWI investors for wealth planning through the use of various financial investment strategies and as well on institutional investors for due diligence on Mikro Kapital.

Following the development of Mikro Kapital he moved to the head quarter in Luxembourg in 2020 as investor relations manager and coordinating all funding opportunities. In 2022 is appointed member of Management Board.

Pape Saliou Ndao

Mister Ndao has long international experience in developing business through emerging markets analysis and designing strategies with a focus on African markets.

In 2017 Mr Ndao joined Mikro Kapital Management S.A. in Luxembourg as responsible for building business cases, timelines and growth/action plans driven by financial analysis, market trends, risk scenarios, economic factors and feasibility options.

Mr Ndao has been engaged in an effective emerging markets coverage by overseeing commercial and marketing strategies together with sales and marketing departments.

He has been appointed member of management board in Mikro Kapital Management S.A. in 2018.
Our approach to sustainability and impact

Composition of the ESG and Impact Committee
As at the date of publication of the Report

Giorgio Parola
Alsut Latypova
Michele Mattioda
Aleksandr Eryomin
Dmitry Khmelidze

Composition of the Funding Committee
As at the date of publication of the Report

Edoardo Esercizio (Chairman)
Luca Pellegrini
Thomas Kreuger
Michele Mattioda
Stefano Magagnato

Composition of the Executive Management Team
As at the date of publication of the Report

Alexandro Eryomin
Giorgio Parola
Stanislav Groshov
Dmitry Stepanov
Head of Lending Business in Eastern Europe and Asia, Digital lending business at Mikro Kapital
Head of Lending Business in Armenia, Italy and Uzbekistan at Mikro Kapital
CFO at Mikro Kapital
CLO at Mikro Kapital

Elena Bekhtina
Andrey Derzhavets
Stefano Maggi
CEO at Delimobil
CEO at Anytime Prime
VP for Marketing and Communications

Nicola Ragusa
Yaroslav Poleschchuk
Luca Pellegrini
Head of Taxation Service at Mikro Kapital
Chief Risk Officer at Mikro Kapital
VP for International Investor Relationships

Alsut Latypova
Head of IR at Delimobil, Member of ESG and Impact Committee at Mikro Kapital

Dmitry Khmelidze
CFO at Mikro Kapital

Giorgio Parola
Head of Lending Business in Armenia, Italy and Uzbekistan at Mikro Kapital

Elena Bekhtina
CEO at Delimobil

Andrey Derzhavets
CEO at Anytime Prime

Stefano Maggi
VP for Marketing and Communications

Grigory Chorayan
Chief Internal Audit Officer at Mikro Kapital

Alsut Latypova
Head of IR at Delimobil, Member of ESG and Impact Committee at Mikro Kapital
Members of our Management Board and Executive Management Team have solid background and diverse experience to make sure that Mikro Kapital has a holistic approach, appropriately assesses risks and opportunities when making important decisions effectively and addresses a wide range of matters that are critical to success.

**Management Board and Executive Management Team Diversity**

**Management Board's Age Diversity**

1. up to 35
2. 36-45
3. 46-55
4. 56+

**Management Board's Tenure Diversity**

1. 1-3 years
2. 4-9 years
3. 10+ years

**Executive Management Team's Age Diversity**

1. up to 35
2. 36-45
3. 46-55
4. 56+

**Executive Management Team's Tenure Diversity**

1. 1-3 years
2. 4-9 years
3. 10+ years
As at the date of this Report, there were two committees to assist in Management Board performance. The committees are advisory bodies whose primary function is to recommend on relevant topic to the Management Board. Members of the committees have appropriate qualification and expertise.

ESG agenda, including climate change and social impact topics, is systematically considered at the Management Board and Committees meetings. In 2021, prior to establishing the ESG and Impact Committee, Mikro Kapital set up a sustainability working group which operated on a constant basis. The group, which was composed of managers and employees from various departments, worked on various sustainability matters under the supervision of the Management Board. Mikro Kapital has formalised additional ESG-related responsibilities for relevant corporate entities. Since 2022, sustainability has been managed by the Management Board through a new dedicated ESG and Impact Committee. It complements the existing Management Board committees. The committee consists of the members of the Management Board and the Head of Investor Relations. On operational level the primary responsibility is on the Executive Management Team, but all relevant functions are involved to ensure the development of the ESG strategy.

Further to being involved in Mikro Kapital’s ESG goals setting and performance metrics definition, the Management Board is responsible for the approval and potential annual amendments of all ESG-related documents. The rationale of these decisions are based on a double materiality approach, meaning that both “financial materiality” and “impact materiality” are taken into account in the decision-making process. Furthermore, these decisions have as main driver the focus on the 7 Mikro Kapital’s UN Sustainable Development Goals.
### Objectives and activities of Mikro Kapital’s committees and departments regarding ESG and impact

#### Objectives and activities regarding ESG

<table>
<thead>
<tr>
<th>Committee/Department</th>
<th>Objectives and Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESG &amp; Impact Committee</strong></td>
<td></td>
</tr>
</tbody>
</table>
  - Proposing ESG priorities, objectives and strategy with the goal of further integrating sustainability into the strategy and investments of Mikro Kapital and the SPVs  
  - Overseeing and coordinating the implementation of Mikro Kapital’s ESG initiatives  
  - Supervising implementation of and compliance with Sustainability Risk and Responsible Investment Policies  
  - Monitoring and assessing developments relating Mikro Kapital’s understanding of ESG matters  
| **Funding Committee** |  
  - Proposing debt and capital collection plan for the Funds to the Management Board (the “Funding Plan”)  
  - Creating and proposing for approval products and transactions within the contemplation and scope of the Funding Plan  
  - Reviewing the performance of the Funding Plan by sales units and managers  
  - Targeting responsible investors  
| **ESG Department** |  
  - Putting the ESG & Impact Committee’s strategic priorities into practice (e.g. setting impact objectives and targets)  
  - Training internal teams, portfolio companies etc. on ESG, impact management and the related policies, encourage discussion  
  - Integrating ESG considerations in all stages of the investment process and monitoring sustainability criteria  
  - Actively engaging with portfolio companies on ESG and impact  
  - Preparing the ESG & impact related disclosures  
  - Collecting and consolidating ESG data  
  - Ensuring compliance with SFDR and selected impact frameworks  
| **Investment Department** |  
  - Ensuring involvement of ESG & Impact Team into investment process  
  - Integrating ESG considerations in investment opportunity analysis and monitor them  
  - Ensuring the balance between consideration of financial and non-financial aspects throughout the investment decision-making process and ensuring the alignment of the two logics  

### Objectives and activities regarding ESG

<table>
<thead>
<tr>
<th>Department</th>
<th>Objectives and Activities</th>
</tr>
</thead>
</table>
| **Investor Relations** | Interacting with investors on ESG and impact expectations  
| **Marketing & Communication** | Including ESG-related data into marketing communications  
| **Risk Management Department** | Assisting in the monitoring of ESG and reputational risks  
| **Strategy Department** | Following and ensuring alignment between ESG ambitions and strategic goals  

Ishim river in Astana, Kazakhstan
III. Our approach to sustainability and impact

2. Corporate policies

Mikro Kapital adheres to high standards in corporate governance and risk management. Our corporate policies guide decisions of our Management Board and all our employees. The relevant business functions and the Legal Department in particular support the development of effective policies, internal implementation, and guidelines in this regard. In 2021, the Management Board approved the Responsible Investment Policy and Sustainability Risk Policy.

Our main policies:
- Code of Conduct
- Anti-Corruption and Bribery Policy
- Sanctions Compliance Policy
- Corporate Sustainability Strategy
- Environmental Policy
- Policy on Human Rights
- Sustainability Code of Conduct for Suppliers
- Responsible Investment Policy
- Sustainability Risk Policy

(please refer to the p. 44)

**Responsible Investment Policy**

In December 2021, Mikro Kapital’s Management Board approved the Responsible Investment Policy. The Policy defines a clear framework for Mikro Kapital regarding impact management and sets up a process to manage impact achievement for the whole portfolio. It defines the rules, procedures and governance to be followed throughout Mikro Kapital’s investment decision-making process (from initial screening to exit) for all investments made via the SPVs. Once they are invested by an SPV, each portfolio company will have to be aware of the requirements laid out in this Policy. This is relevant because portfolio companies indirectly fall under the Policy’s scope, as Mikro Kapital must receive the necessary documents and information from portfolio companies to be able to monitor and report on their impact. They shall take the necessary measures to meet minimum requirements in order for the investment to be compatible and aligned with the Policy.

**Mikro Kapital Responsible Investment Approach**

- Responsible Investment Policy
- Environmental and Social Exclusion List (ESEL)
- Impact management approach based on IRIS+ framework

For the details, please refer to the p. 46

As a supporter of micro-, small- and medium-sized enterprises (MSMEs), Mikro Kapital continued to champion MSMEs in its regions of presence and provide funding and financing where it is most needed. Mikro Kapital’s purpose is to create positive impact by mainly investing into microfinance institutions (MFIs) and car sharing companies in the emerging markets. This purpose is reflected in the way Mikro Kapital conducts and manages all of its investments.

To Mikro Kapital, responsible investment is about incorporating environmental, social and corporate governance (ESG) criteria in investment decisions while following the ultimate goal of creating positive and mitigating negative impact. Mikro Kapital is convinced of being able to provide the most benefit to society and investors by choosing portfolio companies with great potential to move in a more responsible and impact-oriented direction, as well as by choosing to invest in target portfolio companies which are already there.

Our concerns are also applied to end-borrowers and clients of the portfolio companies. In order to exclude industries and business activities from Mikro Kapital’s investment universe because of their environment-damaging or ethically questionable nature, we defined an Environmental and Social Exclusion List (ESEL), which automatically screens out unethical activities.

Consistent with the SPVs’ investment strategies, Mikro Kapital has defined strategic impact objectives that are aligned with the IRIS+ framework developed by the GIIN (Global Impact Investing Network) and the Sustainable Development Goals (UN SDGs) defined by the United Nations. To see more details about impact objectives, please go on page 21 of the Report.
III. Our approach to sustainability and impact

3. Our Values and Business Ethics

Our Management Board and Executive Management Team recognise that promoting ethical business practices is fundamental to the long-term success of Mikro Kapital. In 2018, Mikro Kapital approved its Code of Conduct. This document provides a set of guidelines for Mikro Kapital to which all our employees are required to adhere. The Code of Conduct also reflects the general business principles of the local financial industry. As an organisation that places people at its centre, Mikro Kapital bases itself on the following values:

- We are RESPECTFUL – we show respect for our internal and external clients
- We are RESPONSIVE – we listen to our clients, staff and our organisational counterparty, understand their needs, and do our best to fulfil them
- We are RESULTS-DRIVEN – we are driven to achieve results for our clients, our staff, and our organisation. We deliver what we promise!

Sanctions Compliance

Due to recent geopolitical developments, adherence to the existing economic and trade sanctions laws in all jurisdictions in which Mikro Kapital invests became a pivotal goal necessary to ensure ethical and legally compliant approach to the investments of Mikro Kapital.

At a corporate and portfolio company levels, we have firmly established ways of identifying, mitigating and managing the risks of both primary and secondary sanctions violations, having a Sanctions Compliance Policy in place. In order to raise awareness and create a robust sanctions compliance system, Mikro Kapital implements regular trainings of all the staff on both corporate and portfolio companies level.

Anti-corruption

Concerns about corruption, bribery, and ethical standards are growing throughout the world, and topics such as ethics and corporate social responsibility have become more than just buzzwords for the financial industry in recent years. Mikro Kapital enforces a zero-tolerance policy for bribery or corruption of any kind. As aligned with our strategy, high ethical standards are at the heart of our investments.

At a corporate and portfolio company levels, we have very well-established ways of managing corruption and bribery topics, having an Anti-corruption and Bribery Policy in place (with Code of Conduct that among other things, includes guidelines on how to manage conflicts of interest) as well as established principles for anti-corruption and anti-fraud practices. In order to raise awareness of business ethics, we are implementing hotlines composed of an email and a phone number that can be accessed by employees to raise issues and concerns related to ethics.

Example of how Mikro Leasing prevents fraud

To prevent Mikro Leasing of becoming involved in corruption or fraudulent schemes when concluding leasing transactions, a multi-level system for checking clients was developed. This practice has repeatedly prevented Mikro Leasing from becoming involved in fraudulent schemes during the transaction’s consideration stage.

The Company maintains a “blacklist” of potential clients who have been identified as being involved in a fraudulent scheme. The system involves the following activities:

- Thoroughly check the client’s background
- Collect documents
- Verify the information received about the client from official sources, allowing to identify clients who were held liable for corruption and fraudulent crimes, and then blacklist them;
- Audit of clients by Mikro Kapital’s Security service

Example of how business ethics is promoted

Complaints and appeals

Bailyk Finance monitors complaints and appeals on a regular basis to ensure that they are handled properly and that an ethical behaviour among the entire company is promoted.

Reports on complaints and appeals that are collected from the clients through 8 different channels base the information for quarterly (analysed by the Management) and semi-annual reports (submitted to the Board of Directors and the National Bank of the Kyrgyz Republic).

During the year of 2021, only 42 of the 4,626 appeals received were complaints, which is less than one percent of the total number of appeals received.
III. Our approach to sustainability and impact

4. Risk management

We are aware that Mikro Kapital’s long-term growth and success is dependent on its business model and its ability to adapt to rapidly changing conditions. In this context, having risk management frameworks and internal control systems that are unified within the Company is a priority for us. We have established a robust risk management framework that allows us to anticipate, reduce, and limit risks.

**Sustainability Risks**

Sustainability is integrated at all stages of the investment decision-making process, including pre- and post-investment. Based on the SASB and MSCI sectoral materiality maps, Mikro Kapital’s industry specifics, geographical context, and analysis of peers and best market practices, we identified the sustainability issues that are material to each of the investment sectors we invest in. We retained the following prioritised sustainability risks by sector:

**Microfinance investments:**

- **Environmental:** climate change, environmental impact
- **Social:** customer privacy & data security, client protection through fair selling practices, affordability and transparency, labour management, human rights, diversity and inclusion, engagement with local communities, response to COVID-19
- **Governance:** sustainability management by the Board and senior management, general corporate governance practices (e.g. Board and operational issues), business ethics

**Mikro Kapital Sustainability Risk Approach**

- **Sustainability Risk Policy**
- **SASB’s and MSCI’s sectoral materiality maps**
- **Industry and geographical context**
- **Analysis of peers and best market practices**

For the details, please refer to the p. 46

**Car sharing investments:**

- **Environmental:** climate change, environmental impact, product lifecycle management
- **Social:** product quality & safety, mobility innovations, labour management, customer privacy & data security, human rights, diversity and inclusion, engagement with local communities, response to COVID-19

**Cybersecurity & Data privacy**

The majority of people today understand that it is beneficial and frequently necessary to provide certain personal information to companies and applications that they use in order to take full advantage of products, services, and business relationships. Consumers’ concerns about how their personal information is being used by businesses, on the other hand, are growing in number and importance. The results of a Cisco consumer privacy survey (November 2019) on 2,600 adults from 12 of the world’s largest economies, revealed that 84% of adults are concerned about privacy, have a personal interest in their own data, are aware of the data held by others in society, and want greater control over how their data is used. In recent years, privacy has emerged as a critical business imperative as well as a significant influence of consumer behaviour.

Since Mikro Kapital is involved in consumer finance activities, we pay special attention to identifying and minimising risks related to cybersecurity and data privacy. In order to maintain client confidence as digitalisation progresses, we have implemented a number of measures in our business strategy to ensure that high standards of data privacy and security are adhered to our day-to-day operations. Mikro Kapital has implemented an in-house security system that is constantly being improved, and there are policies tailored to each business within the Company. In 2021, we incorporated specific corporate rules and internal protocols for handling personal data in our organisation.

The methodology for assessing information security risks was developed in accordance with the recommendations of the international standard ISO 27001. To manage such risks, the Company takes the following measures: vulnerability management process in information systems, the control of the confidential information handling (introducing means of data leakage prevention).

The Company’s main array of information and processes is located in a data centre (tier 3 class); accordingly, adequate measures are applied to data security.

Our Information Security Department has created an online course on cybersecurity in 2021 which is available on the company’s HR Portal. Security awareness trainings for the Company’s employees are as well conducted on a regular basis.

In 2021, Mikro Kapital has identified zero substantiated complaints received from outside parties, including regulatory bodies, concerning breaches of customer privacy. Total number of identified leaks, thefts, or losses of customer data in 2021 is also zero.

Our approach to sustainability and impact Our approach to sustainability and impact 2021
III. Our approach to sustainability and impact

5. Sustainability and impact framework

In 2021 we formalised our framework of incorporating sustainability and impact aspects into investment decision-making process by updating the corporate governance structure and adopting Responsible Investment and Sustainability Risk Policies. All stages of the investment lifecycle from target company pre-screening to a portfolio company divestment have been reviewed and structured in a way to ensure consistent implementation of impact investing and sustainability principles that Mikro Kapital became committed to.

Implementation of impact investing and sustainability principles into Mikro Kapital’s investment lifecycle

Pre-screening

Prior to due diligence procedure, we assess a target company against SPV’s impact objectives and Mikro Kapital’s exclusion list (MK ESEL).

ESG and Impact Due Diligence

After pre-screening, we assess sustainability risks and expected impact from investment in a target company.

Monitoring, Engagement, and Remedial Action

Once investment is made, we ensure the achievement of impact objectives defined and manage relevant sustainability risks by organizing constant engagement environment.

Reporting

We require our portfolio companies to systematically provide us with actual and transparent information on ESG risks and impact achievement.

Mikro Kapital supports the Ten Principles of the United Nations Global Compact (UN Global Compact principles) in the areas of human rights, labour standards, environmental protection and fight against corruption. We are determined to advance the UN Global Compact principles by incorporating them into our strategies, business practices and management processes. We adhere to the principles of the United Nations Universal Declaration of Human Rights, the eight fundamental Conventions of the International Labour Organisation for the protection of human rights and fundamental freedoms, and other international and regional human rights treaties containing recognised international standards that the business sector must respect. There are additional international standards and principles which we are guided, for example, the EBRD Environmental and Social Policy and Performance Requirements; the IFC Performance Standards, an international benchmark for identifying and managing environmental and social risk and the SMART Campaign Client Protection Principles, a global initiative led by the Center for Financial Inclusion that worked to create an environment in which financial services are delivered safely and responsibly to low-income clients. As for the climate change, we support the goals of the Paris Agreement and the initiatives implementing parties to fulfil its goals.

Mikro Kapital is an active member or partner of the following organisations:

- European Bank for Reconstruction and Development (“EBRD”)
- European Investment Fund (“EIF”)
- Microfinance Enhancement Facility (“MEF”)
- Association of the Luxembourg Fund Industry (“ALFI”)
- Association of European Businesses (“AEB”)
Mikro Kapital is a signatory to the United Nations Principles for Responsible Investment (PRI), proving the company’s commitment to incorporating ESG criteria into its investment process by providing reports on an annual basis. We become a signatory of the Operating Principles for Impact Management (OPIM) to assure our investors that impact factors are considered throughout the entire investment lifecycle. The development of the impact investing industry requires collaboration with other major participants in the area, and we are firmly dedicated to contributing to and learning from best practices in the industry by exchanging expertise with peers within the framework IRIS+ by the Global Impact Investing Network (GIIN). We align our strategy with the Impact Management Project (IMP), set of standardized indicators to describe an organization’s social, environmental, and financial performance.

**Contribution to the UN Sustainable Development Goals**

Mikro Kapital supports the United Nations Sustainable Development Goals (SDGs) adopted by the UN General Assembly in 2015. We have mapped our activities and investments to the SDGs and prioritized seven Goals that are most material to our business and stakeholders, and where we are positioned to contribute the most impact. In our activities we focus on specific targets within this Goals to maximize our positive contributions.

**Goal 5. Achieve gender equality and empower all women and girls**

By providing loans and mobility solutions to women, we are empowering them and therefore contributing to the reduction of gender gap and financial inclusion. We develop and offer special products for women which enable them to establish and grow businesses in both urban and rural environments. During 2021, based on data from Mikro Kapital (Romania), Mikro Kapital (Moldova), Mikro Kapital (Armenia), IMON International, Gorod Deneg, Bailyk Finance, 27% of our end-borrowers were women while in two of our MFI portfolio companies the share of female clients exceeded 50% (58% and 61% in Bailyk Finance and Gorod Deneg respectively). There were 3 projects related to women empowerment organised and financed by our portfolio companies in 2021.

**Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

We contribute to economic development and job creation by supporting micro-, small- and medium-sized entrepreneurs in growing their businesses through the provision of loans, promotion of financial literacy and training. We improve health and well-being across the workforce by providing health insurance, remote work, and other benefits. Furthermore, our investments provide ecologically responsible alternatives to automobile ownership and encourage sustainable urban living. In 2021, Mikro Kapital’s MFI portfolio companies financed 16 projects related to financial and digital literacy as well as 15 projects related to entrepreneurship development amounted over EUR 5 mln in total.

**Mikro Kapital’s contribution to UN Sustainable Development Goals**

<table>
<thead>
<tr>
<th>UN Sustainable Development Goals</th>
<th>Our contribution</th>
<th>Sections of the report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal 5. Achieve gender equality and empower all women and girls</td>
<td>By providing loans and mobility solutions to women, we are empowering them and therefore contributing to the reduction of gender gap and financial inclusion. We develop and offer special products for women which enable them to establish and grow businesses in both urban and rural environments. During 2021, based on data from Mikro Kapital (Romania), Mikro Kapital (Moldova), Mikro Kapital (Armenia), IMON International, Gorod Deneg, Bailyk Finance, 27% of our end-borrowers were women while in two of our MFI portfolio companies the share of female clients exceeded 50% (58% and 61% in Bailyk Finance and Gorod Deneg respectively). There were 3 projects related to women empowerment organised and financed by our portfolio companies in 2021.</td>
<td>“iv. Our impact areas – 2. Human rights, diversity, and inclusion”</td>
</tr>
<tr>
<td>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</td>
<td>We contribute to economic development and job creation by supporting micro-, small- and medium-sized entrepreneurs in growing their businesses through the provision of loans, promotion of financial literacy and training. We improve health and well-being across the workforce by providing health insurance, remote work, and other benefits. Furthermore, our investments provide ecologically responsible alternatives to automobile ownership and encourage sustainable urban living. In 2021, Mikro Kapital’s MFI portfolio companies financed 16 projects related to financial and digital literacy as well as 15 projects related to entrepreneurship development amounted over EUR 5 mln in total.</td>
<td>“iv. Our impact areas – 1. Local communities’ engagement” “iv. Our impact areas – 2. Human rights, diversity, and inclusion” “iv. Our impact areas – 3. Human capital” “iv. Our impact areas – 4. Health and safety”</td>
</tr>
</tbody>
</table>
Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

We establish social partnerships with other organisations in order to build and grow communities.

We promote innovation and digitalisation throughout our organisation in order to increase operational efficiency and enhance the customer experience.

We promote sustainable agriculture by providing agricultural loans that aims to reduce environmental impact.

There are cases in which our loans are used to fund innovative projects that would not otherwise be able to obtain financing from traditional banks. As a result, we contribute to the promotion of innovation.

Goal 10. Reduce inequality within and among countries

We advocate for inclusive policies and practices throughout our businesses in order to reduce discriminatory practices.

We reduce inequalities by providing access to financial services for unserved population by creating inclusive environment in the bank’s offices and in the digital space and a cost-effective mode of transportation to a diverse consumer base.

We provide car sharing and car rental services to a various range of customers like women and young drivers who have just received their license.

Goal 11. Make cities and human settlements inclusive, safe, resilient, and sustainable

We promote sustainable energy by funding projects that are related to energy efficiency and energy savings.

We promote sustainable transport by funding projects that aimed at reducing the use of your own car.

We encourage people to become socially active through volunteer programs and charity activities.

By giving an alternative to automobile ownership, our automobile sharing business’s encourage sustainable urban living as we contribute to a beneficial environmental impact by assisting the transportation sector in mitigating greenhouse gas emissions. By building a fleet of methane-fuelled vehicles, we have concentrated on reducing our own emissions. Additionally, we contribute to a positive urban impact by freeing up space in metropolitan areas as a result of less car ownership, reduced traffic congestion, and decreased road traffic.

Goal 12. Ensure sustainable consumption and production patterns

We reduce our own environmental impact by implementing the principles of green office (reducing resource consumption, waste management).

Furthermore, car sharing itself contributes to sustainable consumption by encouraging the city population to switch from car ownership to sharing services and incorporating sharing economy into everyday life.

Goal 17. Strengthen the means of implementation and revitalise the global partnership for sustainable development

Our work on SDG 17 contributes to progress towards other SDGs.

We consider that cooperation can mean the distinction between success and failure and so is key to succeed in the achievement of our goals and contribute to a more inclusive and sustainable world. So, we not only cooperate very closely with our clients, supporting their needs and giving them the tools to make their business successful but also have a big focus in engaging with local and international stakeholders in initiatives advancing sustainable development.

Delimobil works together with other organizations to ensure favourable regulation of the car sharing market for both operators and the city as well as the development of roads and transportation infrastructure.
IV.

Mikro Kapital

Our impact areas
IV. Our impact areas

1. Local communities’ engagement

**Contributing to the SDG 8, SDG 9, SDG 10**

Communities in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) are struggling to develop local markets, industries and infrastructures, as they are modernising their own economies. The move forward is indeed founded on a strong local entrepreneur base. Local enterprises and entrepreneurs play a key role in improving economies and people’s lives by creating jobs (MSMEs as such have limited staff, but as a sector they comprise the highest number of registered entities and employ the majority of the workforce), facilitating local resource and knowledge creation, adopting new technology catered to local needs, and exchanging on best international practices with their global partners and peers.

- Globally, 400 million small enterprises make the backbone of national economies, are engines of the economic growth, and play a crucial role in constructing communities free of poverty.
- 90% of registered commercial entities worldwide are SMEs.
- 7 out of 10 jobs in emerging markets are generated by SMEs.

Unfortunately, lack of access to financial services and reliable mobility is one of the main barrier to alleviate poverty and improve living conditions within communities. Resultingly, the success of the economy rebuilding depends on the health of the entrepreneurship ecosystem (mix of attitudes, resources and infrastructures). Entrepreneurship ecosystem remains fairly poor in number of countries in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions:

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Global Entrepreneurship Index (GEI) scores</th>
<th>Global Entrepreneurship Index (GEI) ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>22.8</td>
<td>88</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>29.7</td>
<td>64</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>19.8</td>
<td>100</td>
</tr>
<tr>
<td>Moldova</td>
<td>21.2</td>
<td>92</td>
</tr>
<tr>
<td>Russia</td>
<td>25.2</td>
<td>78</td>
</tr>
</tbody>
</table>

The gap between people who have access to mobility and those who have no access has widened recently. For instance, while the cost of car ownership in Russia represents circa 34% of the national average salary, households with cars generally have higher income compared to those without cars. Therefore, by providing an affordable means of mobility to those who cannot afford owning a car, we aim to contribute to “universal car access” and improve standards of living, just like microloans could.

The expansion of financial and mobility access, job creation, and life quality improvement is in focus of our engagement with local communities.

**Deep dive into Mikro Kapital’s corporate sustainability stance regarding local community engagement**

Mikro Kapital’s objective is to improve living standards. This involves providing decent job opportunities to local communities and getting involved locally as a company to make an impact on them. To do so, Mikro Kapital engages in social partnerships with local authorities or various organisations, in charity work and employs local populations.

Mikro Kapital’s concrete impact #1: Assist people in doing their business, creating jobs and improving life quality

Mikro Kapital supports business activities of micro-, small- and medium-sized enterprises by financing promising projects that are not recognised by the formal banking sector and by providing access to affordable mobility through car sharing and car rental. Indeed, since micro-, small- and medium-sized enterprises in developing countries have limited ability to afford cars but maintain the same dependence on mobility for their economic activities, car sharing is nothing else than micro leasing on a per-minute basis. Furthermore, car sharing is an essential model and solution to address mobility poverty; by providing car mobility at lower cost it enhances social cohesion in neighbourhoods as people encounter one another more often. Thus, microloans lead to job creation and improve professional inclusions, revenues, and economic success, leading to better life conditions for the communities.

- Share of end-borrowers operating in rural areas as at the end of 2021: 77%
- 100% of the Company’s business clients in lending segment in 2021 were micro-, small- and medium-sized enterprises and sole entrepreneurs

Mikro Kapital provides access to financial services catered to micro business needs and – by fuelling key sectors of the economy and specifically design products for specific entrepreneurs – improve living and working conditions in poor areas.

- Split of impact through sectors where Mikro Kapital is active: Services 35%, Construction 12%, Wholesale and Retail 7%, Education 7%, Logistics 3%

Mikro Kapital provides access to vehicles at low initial cost and limited-in-time rental terms, especially compared to an auto loan, fostering mobility access and internal tourism while addressing regional disparities in transportation and development.

- Number of car sharing segment registered users: c. 7.7 million

Furthermore, Delimobil promotes car sharing in regions.

- Area covered by Delimobil’s intraregional tourism service at the end of the reporting period: c. 1 million square km

Besides its commercial activities, Mikro Kapital also aims to respond to challenges related to its communities and wider society. This could imply carrying out initiatives or charities that have a direct impact on local communities, targeting specific underprivileged populations.

To be a global player with local positive impact, Mikro Kapital also engages to support regions and help people truly discover the richness of the countries. This can include the promotion of local tourism, culture, and sport, see the examples below.
Story from Delimobil

Supporting contemporary artists

In October 2021, ten cars painted by contemporary artists became available for rental in Ekaterinburg. In this way a short-term car rental service Delimobil supported the opening of the Ural Industrial Biennale.

Being the largest carsharing in the region, the service offered discounts on trips to the sites of the Ural Biennale to increase the transport accessibility of the venues and motivate locals to visit the exhibition.

Three artists participated in the campaign; each of whom created a unique design for the cars. For example, Roma Bantik place a digital screen on the roof, which broadcasts geolocations from around the world.

The key metric of the success of the project was media outlets — more than 10 publications about the partnership were received, mentions in professional newsletters and digests as an example of a successful partnership, which allows us to consider the project a success.

Story from Anytime Prime and Delimobil

Support for internal tourism

Car tourism is one of the most popular ways of traveling in Russia. To support interest in domestic tourism and stimulate demand for such trips Anytime Prime constantly produces content and educational materials about traveling within Russia.

In August 2021, in partnership with Road. Travel Anytime Prime prepared 12 routes for auto trips in Russia. The routes include cultural and historical heritage sites, natural landscapes, etc.

Key data:
- 12 routes created
- More than 16,000 unique users of the project’s website.

In December 2021, special routes for New Year’s holidays were introduced.

Delimobil is also actively working on promoting internal tourism in Russia. Delik Tour is a one-way free car travel project between the cities of the Delimobil presence, implemented since March 2020. The business and customer needs were combined in the project; the service periodically needs to transport cars from one city to another to place them in regions. Instead of transporting cars by carriers, the idea is to offer users to take cars to another city themselves.

In 2021, the project became regular, and every month Delimobil announced the directions and number of cars offered to travelers. Customers had to register on the website of the project, the customer service then contacted them and booked cars. After that, users picked them up from the city of departure and went on a road trip to the destination venue, using tourist guides from Delimobil to spend more quality time while traveling.

In addition, Delimobil laid out gifts for travelers in cars, such as thermos flasks. In total, 800 cars were transported with Delik Tour in 2021.
Mikro Kapital’s concrete impact #2: Fostering education

Mikro Kapital also helps create better conditions to foster education. Our microfinance activities can help stabilise household revenue and thereby help avoid child labour to increase household revenue. Moreover, income-generating activities from microfinance also permit higher investment in education.

Company’s story from Kyrgyzstan

Improving financial literacy of Kyrgyzstan’s population

As part of its activities, Bailyk Finance has been paying special attention to improving the financial literacy of Kyrgyzstan’s population.

In 2021, Bailyk Finance introduced an online course on financial literacy in Kyrgyz language. It was developed within the framework of the joint project ‘Empowering Women and Girls Affected by Migration for Inclusive and Peaceful Development of communities’ and is being implemented by the International Labour Organization (ILO), the International Organization for Migration (IOM) and UN Women with financial support from the UN Peacebuilding Fund.

The online course allowed anyone, even in remote regions of Kyrgyzstan, to get unlimited free access to educational materials. Special emphasis in the course is placed on the involvement of all family members in the process of planning and managing family finances.

To support this direction, Bailyk Finance constantly implements projects on financial literacy for various target groups, including schoolchildren, students and the adult population through the implementation of:

- essay and drawing contests among children - a total of 53 participants in 2021
- various events within the World Money Week
- trainings and other meetings for students - 35 students involved in 2021
- Welcome days for clients - 8 events held in 2021, which 120 clients took part in

In 2021, the online course was carried out only once. In 2022, it is planned that the course will be conducted regularly.
Company’s story

Educating clients through social media and portfolio companies’ websites

Mikro Kapital’s portfolio companies are active in several social networks (Facebook, Instagram, LinkedIn, TikTok, etc.) and companies’ official websites where they publish educational materials, share client’s success stories and inform on their daily activities.

As of 2021 Mikro Kapital had more than 50 corporate accounts in various global and local social networks with over 350,000 followers and subscribers. For educational purposes, MFIs publish, articles, check lists aimed at improving clients’ financial literacy and general business knowledge. Topics include business advice, tax regimes, bank account management, labour practices, etc.

As for car sharing companies, they mostly educate their customers on road safety, suggest routes for weekend trips, give tips about how to properly use their service.

Company’s story from Tajikistan

Support for students and universities

IMON International develops the business environment among young and promising students with its financial support.

In 2021, IMON International and one of the leading universities of the country, the Khujand Polytechnic institute of Tajik Technical University, signed an agreement to open a university branch housed at the MFI.

In December 2021, at the head office of IMON International the first class for the 4th year students was held on the topic: “Theoretical foundations of the analysis of the financial activity of the bank”. Students studying banking are taught directly at IMON by its top managers. The first class was conducted by the head of the Department of Business Development.

For IMON, this is a good opportunity to invest in qualified specialists and improve financial literacy among the younger generation.

Agriculture

We support local economies and agriculture to promote local production.

Agriculture plays a fundamental role in ensuring food security and improving nutrition. Yet, efforts still need to be made to ensure all agrifood systems are able to sustainably “ensure availability of and access to sufficient, safe and nutritious food for all, and sustain the livelihoods of agrifood systems’ actors”. Ensuring resilient and functioning agrifood systems would allow:

- Agricultural households, producers and agrifood businesses to achieve business success and livelihoods (profits, investment, innovation, growth)
- Enhanced food supply chains and food transportation network to ensure sustainable, stable and continuous flow of sufficient, accessible and nutritious food
- Households and individuals to have access to improved food security and nutrition

Prevalence of moderate or severe food insecurity globally, 2018-2020

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Prevalence of moderate or severe food insecurity in the total population (2018-2020)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>12.7</td>
</tr>
<tr>
<td>Belarus</td>
<td>13.2</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>4.2</td>
</tr>
<tr>
<td>Italy</td>
<td>6.7</td>
</tr>
<tr>
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<td>2.3</td>
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<tr>
<td>Kyrgyzstan</td>
<td>7.0</td>
</tr>
<tr>
<td>Moldova</td>
<td>27.2</td>
</tr>
<tr>
<td>Romania</td>
<td>13.9</td>
</tr>
<tr>
<td>Russia</td>
<td>6.0</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>n.a.</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>19.7</td>
</tr>
<tr>
<td>WORLD AVERAGE</td>
<td>27.6</td>
</tr>
<tr>
<td>EUROPE AVERAGE</td>
<td>8.1</td>
</tr>
</tbody>
</table>

1 Food and Agriculture Organization of the United Nations, The State of Food and Agriculture 2021
2 Food and Agriculture Organization of the United Nations, The State of Food Security and Nutrition in the World 2021
3 The World Bank Data - 2019
In countries where we are active, the agribusiness sector has a vast untapped potential. Although average cereal yields in Central Europe and the Baltics are aligned with the world average (4,731 vs. 4,071 kg per hectare), this masks widely disparate situations among the countries in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions. For instance, average cereal yields in Kazakhstan are currently three times lower than the world average. Such discrepancies among countries offer vast opportunities for smallholder farmers and small-to-medium sized agribusinesses.

**Average cereal yield globally, 2019**

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Cereal yield (kg per hectare) world</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>2,624</td>
</tr>
<tr>
<td>Belarus</td>
<td>2,725</td>
</tr>
<tr>
<td>Czech Republic</td>
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<td>Italy</td>
<td>5,265</td>
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<td>Kazakhstan</td>
<td>1,359</td>
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<tr>
<td>Kyrgyzstan</td>
<td>3,163</td>
</tr>
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<td>Moldova</td>
<td>3,683</td>
</tr>
<tr>
<td>Romania</td>
<td>6,006</td>
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<tr>
<td>Russia</td>
<td>2,616</td>
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<tr>
<td>Tajikistan</td>
<td>3,405</td>
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<tr>
<td>Uzbekistan</td>
<td>4,056</td>
</tr>
<tr>
<td><strong>WORLD AVERAGE</strong></td>
<td><strong>4,071</strong></td>
</tr>
</tbody>
</table>

In countries in EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific), albeit differently from one country to the other, agricultural workers can represent up to one fifth of employees, especially in countries like Armenia, Moldova, Romania or Kyrgyzstan.

**Employment in agriculture globally, 2019**

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Employment in agriculture (% of total employment) (modelled ILO estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>24</td>
</tr>
<tr>
<td>Belarus</td>
<td>11</td>
</tr>
<tr>
<td>Czech Republic</td>
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<tr>
<td>Italy</td>
<td>4</td>
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<tr>
<td>Kazakhstan</td>
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<tr>
<td>Kyrgyzstan</td>
<td>19</td>
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<tr>
<td>Moldova</td>
<td>21</td>
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<tr>
<td>Romania</td>
<td>21</td>
</tr>
<tr>
<td>Russia</td>
<td>6</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>45</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>26</td>
</tr>
</tbody>
</table>

Mikro Kapital aims to address these challenges and support the development of the agriculture and agribusiness sector in countries where it invests. We want to improve rural economies and increase financial health of farmers by financing projects in the agriculture sector. Our micro loans are usually requested by smallholder farmers and agri-MSMEs to purchase needed farm inputs, proceed with requested expenses or invest in new equipment and facilities. Ultimately, we believe that our loans improve the livelihoods of smallholder farmers, and, ultimately, transform the agricultural sector.

35% of Mikro Kapital’s clients work in agricultural sector.

**Company’s story from Romania**

**Agro Loan and successful client stories**

Agro Loan is a special product offered to farmers at Mikro Kapital Romania. The loan requires minimum package of documents and can be received in just two days. The loan size is generally from RON 2,000 up to 700,000.

The Agro Loan can be granted for the following purposes:

- Purchase of seeds, fertilizer, herbicides, fungicides
- Payment of salaries or fees from state
- Payments to suppliers
- Acquisition of agriculture machinery
- Construction of greenhouses, stables, warehouses for storage
- Purchase of agricultural land, warehouses, etc.

The loan can be repaid in cash or online through internet banking systems.

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11 The World Bank Data - 2019 (link)
12 The World Bank Data - 2019 (link)
10 The World Bank Data - 2019 (link)
8 UN Sustainable Development Goals. Goal 8: Decent work and economic growth (link)
9 The World Bank Data - 2019 (link)
Company’s story from Kyrgyzstan

Supporting a smallholder farmer

A young farmer Choro Baarov has always dreamed of owning his own farm. Today he has his own small farmstead, where he lives with his parents and breeds cattle and horses.

The farmer applied to Baylik Finance for a loan to increase the livestock. For such purposes, he took an “Agro Loan”. Credit funds for this product are issued for the support and development of agricultural activities: animal husbandry, poultry farming, beekeeping and fisheries, crop production and horticulture, harvesting and processing of agricultural products. Choro was able to get the necessary financing in a short time and increase the number of livestock by buying 7 cows and 2 horses. Cows now give more milk, profits have increased, as well as the wellbeing of the farmer.

In the future, the client plans to further expand his business with the help of the company’s credit products.

Company’s story from Tajikistan

Agriculture commercialisation

In Tajikistan, many private enterprises are small farmers, so helping them gain access to markets and sustainable income is vital to reduce extreme poverty and promote shared prosperity.

Therefore, IMON International takes part in the project “Agriculture Commercialisation” supported by the World Bank and the International Finance Corporation (IFC) and funded by a grant from the International Development Association (IDA). Within the framework of the project, the international organisations focus on increasing farmers’ access to finance by supporting the financial sector in introducing new products and services unique to agro finance.

Within the project, a credit line available for agribusiness enterprises and small-scale commercial farms were expanded to support a broader range of rural business activities. The financed activities include:

- agricultural production (resources)
- agricultural machinery and food processing equipment
- storage, packaging, provision of services for agriculture
- gardening
- crop production
- bekeeping
- fish farming
- agricultural stores and markets
- development of renewable energy sources and energy-efficient technologies related to agricultural enterprises and farms, etc.

Moreover, a matching grant program available to support the entrance of new and young enterprises to the agriculture market was introduced. The programme promotes private sector development, including creating income and employment opportunities for returning migrants and other start-up entrepreneurs (including women, youth, and people with disabilities).

Within the credit line: 725 clients
Within the shared funding program: 34 clients
IV. Our impact areas

2. Human rights, diversity, and inclusion

Contribution to the SDG 5, SDG 8, SDG 10

Societies in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions are increasingly diverse. We truly believe that this diversity is a great opportunity for establishing a better world, and enhancing business development. However, we are well aware that it still remains a challenge for societies, especially in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions where grounds of discrimination are multiple: gender, age, disability, LGBTI, religion or belief, racial or ethnic origin. Such discrimination also poses a risk to human rights. Furthermore, we believe countries in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions will continue to struggle to tap their full development potential until they tackle social inclusion and gender equality, which are solid barriers to support sustainable inclusive growth and rapid poverty reduction. Social inclusion is, in the end, vital to achieving sustainable inclusive growth and rapid poverty reduction. Social inclusion is, in the end, vital to achieving sustainable inclusive growth and rapid poverty reduction.

When only focusing on gender equality, numbers actually speak for themselves:

- Women earn only 10% of the entire world’s income, despite making up over 50% of the world’s population.13
- The loss in human capital wealth due to gender inequality alone is estimated at $160.2 trillion in 2014, according to the World Bank. It is $41.6 trillion in Europe and Central Asia only.14
- According to the World Economic Forum, the Global Gender Gap score (based on the population-weighted average) in 2021 is 68%. On its current trajectory, it will now take 135.6 years to close the gender gap worldwide.15 When focusing on the countries where Mikro Kapital invests, we observe that none of them actually rank among the top 25 for their Global Gender Gap Index in 2021.

For all those reasons, Mikro Kapital aims to have an impact on social inclusion and gender equality.

Mikro Kapital’s concrete impact #1: Enhancing social inclusion

Microfinance, car sharing and leasing activities intrinsically contribute to advancing social and financial inclusion, while reducing inequality. Mikro Kapital aims to develop entrepreneurship among all types of populations, by giving them the means to grow their businesses and integrate better in the society. Mikro Kapital provides access to financial services to underprivileged populations, thereby reducing inequalities through enhanced business perspectives. By easing the financing of innovative projects that would not receive financial support from traditional credit institutions, Mikro Kapital contributes to the development of MSMEs’ ecosystems, which plays an important role when it comes to change of mindset, equal treatment, and prosperous development.

To expand its positive impact on social inclusion, Mikro Kapital continuously innovates to find ways to maximise the efficiency and impact of fund raising and funding. In 2021, selected solutions found included digitalising processes, products and services and distribution channels, allowing greater investors to be attracted while preserving a tailor-made loan experience for clients. Examples of initiatives with this regard include the development of crowdfunding platforms and the introduction of innovative tools to improve the service, like online credit calculator.

Company’s story from Armenia

Online services

Clients of Mikro Kapital Armenia can use an online platform that allows them to communicate with the company (sending applications, documents, etc.). It is also possible to send preliminary applications through the company’s social networks. This information is automatically entered into the software and a contact person from Mikro Kapital Armenia is assigned to each client. This process allows clients to have a pre-approval of the transaction without a physical visit to the office. These online tools were very important during the active period of the pandemic, when physical communication was strictly limited.

Client’s story

Financing innovation

Since 2019, our client Innomax LLC has been engaged in catering and food delivery services in Innopolis, an innovative city in the Republic of Tatarstan. The client referred to Mikro Kapital with a non-standard, but very interesting request – to lease robot waiters. Robots are not exactly business equipment but more like employees. After all, they have similar features to a person, and in this case, they must communicate directly with the client’s guests – residents and guests of Innopolis.

The client says: “The coronavirus has significantly affected our business. The unstable situation in the country, frequent restrictions, the fear of unnecessary contact with the staff – all this led to a decrease in the guest flow. We started looking for a way to provide safe and innovative service. That is how we came across a robot waiter and the idea of contactless service was born. So, we turned to Mikro Kapital for help in implementing our bold but interesting idea. The company helped us to achieve what we desired. We are not going to stop there. There are many ideas and plans that can and should be implemented and we require additional funds. The cooperation will continue.”

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14 World Bank [link]
15 World Economic Forum, Global Gender Gap Report, March 2021 [link]
Furthermore, Mikro Kapital helps reduce social inequality by facilitating access to affordable mobility to those who would otherwise not be able to afford car ownership. 84% of our fleet are economy class cars, which make our car sharing service affordable in the countries where we invest. To maximise its impact on social inclusion, Mikro Kapital does not hesitate to use key levers represented by new technologies and digitalisation within its lending and leasing activities.

We also advocate social inclusion by offering an affordable and convenient means of mobility to a range of customer groups:

- Zillenials
- Established professionals
- Car enthusiasts
- Women

Lastly, as social inclusion goes hand in hand with the respect of human rights, Mikro Kapital continuously engages with portfolio companies on human rights issues when necessary.

Company’s story from Kyrgyzstan

Inclusion policy

The company adheres to the principle of non-discrimination stated in the local regulatory documents. In March 2021, a Loan Campaign for Women Entrepreneurs was held, which involved a 5-point reduction in the interest rate for women on loans for business development, that resulted in about 2,000 female clients receiving funding. At the end of the year the share of women in the loan portfolio was 65%.

In 2021, the Company opened 5 new offices in remote areas of Kyrgyzstan, which made it possible to increase financial accessibility for the population of secluded areas.

Company’s story from Armenia

Special loan terms

In 2021, by the decision of the Board of Mikro Kapital Armenia, a 2-5% discount was approved for people with disabilities or family members with 4 or more children under 18 years of age.

In the first quarter of 2022, a discount was provided to a client who received a serious injury earlier during the war of 2020 in Armenia.

Deep dive into Mikro Kapital’s corporate sustainability stance towards human rights, diversity and inclusion

Mikro Kapital acts as a fair and inclusive employer that promotes gender equality and diversity within its workforce, across all the Company’s geographies. This includes the right to equal opportunities and a healthy workplace, the right to freedom of association and collective bargaining, and its obligation to protect consumers and the environment.

Evidence of the strong impact Mikro Kapital has on human rights, diversity and inclusion can be illustrated by the following indicators:

- All portfolio companies follow either their own or the Company’s Code of Business Ethics
- The Company has its own Human rights policy
- In 2021, there were no incidents of discrimination within the Company

To give tangible expression to our engagement to human rights, diversity and inclusion, Mikro Kapital does not only comply with all laws, rules and regulations of every country in which it invests, it also applies the following standards, policies and principles:

- Codes of Conduct targeting both Mikro Kapital’s employees and suppliers
- United Nations Universal Declaration of Human Rights, eight fundamental Conventions of the International Labour Organisation for the protection of human rights and fundamental freedoms, and other international and regional human rights treaties containing recognised international standards that the business sector must respect
- Proper human rights and inclusive policies
Gender equality

**Contributing to the SDG 5, SDG 8, SDG 10**

Mikro Kapital strives to promote the best available practices in emerging markets, including gender equality principles. Equal access to education, decent work, healthcare and representation in public decision-making processes will help drive the development of emerging economies and benefit society as a whole.

We support gender equality via women’s economic empowerment, providing access to financial services, training and programs, therefore contributing to the reduction of gender gap and financial inclusion.

Today, inequalities still exist between men and women with regards to economic empowerment:

- World average labor force participation rate: 45.92% (vs. 71.3% for male)\(^6\)
- Globally, only 1 in 3 businesses are owned by women\(^7\)

Participating in labour markets has been an important channel for economic empowerment of women and for building diverse, inclusive, and innovative organizations. Mikro Kapital is proud to help increase women’s participation in the labour and entrepreneurship markets, by offering them financial help and remove obstacles (including the mobility barrier) to female employment. Economic and mobility barriers are usually intertwined for women. Often, they face limited mobility, which makes it difficult for them to engage in income-generating activities in public spaces, ultimately increasing the appeal for local microcredit or savings groups. Consequently, by offering to women loans and affordable means of mobility through car sharing and car rental, Mikro Kapital is able to advance gender equality. Particular attention is actually paid to the needs of our female customers. At Delimobil, women are recognised as a key consumer group for which we make sure to build a service that meet their specific needs.

It is thus by addressing the needs of the largest number of women (both clients and employees) that Mikro Kapital helps address the gender gap wherever it invests.

- Share of female employees at Mikro Kapital: 48%
- Unadjusted gender pay gap at Mikro Kapital: 17%
- CEOs at Delimobil and Money Kapital are women
- Executive roles at Delimobil like CFO, CLO and CMO are also female
- 27% of Mikro Kapital’s end-borrowers are female
- In two of our MFI portfolio companies the share of female end-borrowers exceeded 50% (58% and 61% in Bailyk Finance and Gorod Deneg respectively)
- 20% of car sharing users are female

\(^6\) World Bank Gender Data Portal, 2020, among female population aged 15+ - modeled ILO estimate [link]
\(^7\) World Bank Gender Data Portal, 2020 [link]
\(^8\) SME Finance Forum [link]

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**Client’s story**

How our loans have helped a female businesswoman turn her small shop into medium-size leisure centre

Businesswoman Natalia has been running her business for over 16 years, starting with retail. For a long time, the main objects were shops selling clothes and lighting equipment. In 2008, Natalia managed to build a roadside shop and a cafe at the entrance to the city and later also opened a restaurant and a hotel, which allowed her to expand from a small business to a medium one. The loan helped to implement the plan quickly and without burdening the existing business. Soon it is planned to open two new banquet halls.

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Breakdown of men versus women owned enterprises in developing countries (percentage of women owned enterprises)\(^8\)

<table>
<thead>
<tr>
<th>Category</th>
<th>Women</th>
<th>Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprise</td>
<td>22.40%</td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td>32.36%</td>
<td></td>
</tr>
<tr>
<td>MSME</td>
<td>23.35%</td>
<td></td>
</tr>
</tbody>
</table>

\(^8\) World Bank Gender Data Portal, 2020, among female population aged 15+ - modeled ILO estimate [link]
### Our impact areas

#### 3. Human capital

**Contributing to the SDG 8, SDG 10**

Human capital is a significant determinant of economic growth, development, and global wellbeing. Yet, countries along the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions are impacted by Human Capital Flight. This trend results in working-age people leaving their countries in search of a brighter future, better job opportunities, and improved working conditions. For instance, projections show that by 2050, Romania’s population will decrease by 30.1% if compared to 1990. 

Moldova has already lost 33.9% of its population. 

**Net migration rate globally, 2015-2020**

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Net migration rate (per 1,000 population) – 2015-2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>-1.7</td>
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<td>Kazakhstan</td>
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<td>Kyrgyzstan</td>
<td>-0.6</td>
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<td>Moldova</td>
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<td>Romania</td>
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<td>Russia</td>
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<td>Tajikistan</td>
<td>-2.2</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

**Labour Right Index, 2020**

<table>
<thead>
<tr>
<th>Country where Mikro Kapital invests</th>
<th>Labour Right Index²¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
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</tr>
<tr>
<td>Belarus</td>
<td>70.5–80 – Reasonable</td>
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<tr>
<td>Czech Republic</td>
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Therefore Mikro Kapital sets itself the objective to help preserve human capital locally and set the conditions for increased education.

100% of employees of Mikro Kapital’s portfolio companies earn more than minimum wage in the country where they are employed.

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²¹ European Microfinance Network, Policy Note “Microfinance’s role in Mitigating Human Capital Flight”, May 2021 (link)

²² United Nations, Population Division, World Population Prospects 2019 (link)

²³ Center for Labour Research, Labour Rights Index 2020 (link)
Mikro Kapital’s concrete impact #1: Developing talent retention and inclusion in the workplace

Mikro Kapital uses its microfinance activities as a solution to preserve and retain human capital locally and prevent workers and entrepreneurs from seeking employment elsewhere. By lowering the barrier to entry for potentially aspiring or less-experienced entrepreneurs, we help them begin building a place for themselves in the economy. Consequently, our activities open the doors to economic development for development for young people, innovators, and others who currently would seek to develop themselves abroad, and thereby substitute to emigration strategies.

Mikro Kapital strives to be a responsible employer and create a diverse workplace. We treat all employees equally, foster professional development and encourage personal engagement in sustainability initiatives within the Company. We aim to attract and retain the best talent by implementing and enhancing policies that promote engagement with our people, safety, equality, diversity, and a competitive rewards package: the core elements of our success and future growth. Therefore, there can be no restrictions of who we hire on any basis. This principle is set forth in our internal Code of Corporate Ethics.

To recruit and retain talent, we endeavour to offer competitive salaries at all levels. We always conduct market research when opening a position to make sure that we offer a highly competitive reward package. We regularly analyse the equivalence and fairness of salaries to control objectivity in wages among all employees in addition to calculating and revising base salaries across all businesses at Mikro Kapital. Moreover, we have implemented a personalised KPI system at all portfolio companies within business segments that reflect an employee’s personal goals and expectations.

To encourage personal engagement and provide equal and inclusive atmosphere to its members of the Board of Delimobil Holding. The Code applies to all employees and guides the company’s rules that reflects its values — the Code of Business Conduct and Ethics or Deli Principles. The Code applies to all employees and members of the Board of Delimobil Holding. The document describes main principles on how to do teamwork, resolve conflicts and communicate within the Company. According to the Code, Delimobil does not tolerate any form of harassment, allow any form of discrimination, and commits to providing equal and inclusive atmosphere to its employees.

Roman is another participant of the Adaptation programme and is currently working in the IT department of Mikro Kapital. Being a college student, the young man realized that he wanted to develop professionally in the IT field and become a high-class specialist. This opportunity can support him in becoming a real professional.

Ekaterina is working at Mikro Kapital’s Presidential Administration. She also got this job through the Adaptation programme and now her dream is to build a successful career in a large company.

Ekaterina feels confident at her new workplace where she develops her professional skills and gets support from her colleagues. She works mainly with documentation, translates correspondence, and manages phone calls.

Company’s story
Cooperation with the Teresa Foundation

Teresa Foundation was founded in 1998 by a monastic community to provide comprehensive support for the development of the family institution. For many years, the Foundation has widely supported the development and well-being of children and families in the modern society.

Mikro Kapital and Delimobil are actively cooperating with charitable foundations. For example, together with the Teresa Foundation, the company has taken part in the ‘Adaptation programme’. The aim of this cooperation is to provide opportunities for former inmates of orphanages to work at Mikro Kapital companies and learn a new profession. At the end of the apprenticeship phase, the employer evaluates the candidates and can decide to offer them a long-term employment contract.

For example, during the 4 months of the project, Delimobil hired 12 people, 6 of whom successfully passed the probation period and became full-fledged employees.

Giorgio Parola, Management Board member at Mikro Kapital, spoke about the importance of the adaptation of young employees from orphanages: “We should not forget that business has social, but no less important objectives. The Teresa Foundation helps us to carry out one of these tasks. We started not long ago, but already see a noticeable result. Young and ambitious employees give us a lot of positive energy.”

Participants’ success stories

Ruslan was the first candidate who received help with employment at Mikro Kapital. He is working at Delimobil’s Moscow offices, where he has an art studio space to conduct mosaics and painting workshops for the company’s employees and prepares different exhibitions. After getting a job at Delimobil, the young man felt confident in his abilities, found new friends and colleagues, grew up creatively and professionally.

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Mikro Kapital’s concrete impact #2: Improving labour conditions

Because our microfinance institutions have a strong relationship with their clients, they respond and discuss with them when they notice poor labour practices. Mikro Kapital therefore improves current potentially poor labour practices in all the countries where we invest.
Mikro Kapital acts as a responsible employer that values its employees and provides them with fair, comprehensive and attractive working environment and opportunities. Our 4,129 collaborators cooperate, exchange ideas and continuously learn from each other. It is thanks to them that we are able to positively impact our society. This is why we develop policies and benefits, to retain our passionate employees, limit the turnover, and attract the best future talents. We particularly focus on ethics, salary and benefits competitiveness and knowledge building.

- Number of employees at Mikro Kapital: 4,129
- Number of new hires: 2,233 – among which 49% are female

In 2021, we have carried out many initiatives to improve wellbeing in the workplace for everyone. They included:

- Enhanced recruitment, management and development processes
- Created professional development and skills-upgrading programs
- Conducted social activities and special events to share concerns, ambitions and ideas.

Mikro Kapital seeks to provide its personnel with all the opportunities they need to maximise their talent and experience, empowering them to adapt to challenges in a fast-changing world. We achieve this by enhancing our recruitment, management and development processes, and by encouraging our employees to perform at their best.

### IV. Our impact areas

#### 4. Health and safety

**Contributing to the SDG 8**

In recent decades the global health situation has progressed resulting in broadly improved access to health treatments and medical care. Despite this positive trend, several issues still remain, suggesting that greater investments are needed.

In this context, occupational safety and health concerns are still reported as true issues from MSMEs. Indeed, entrepreneurs beneficiating from microloans, and the employees that work in the businesses, are often exposed to more difficult working conditions. More specifically, investments towards safer equipment and working conditions are usually among the least prioritized by entrepreneurs.

According to a study from the International Labour Organization led on 22 MFIs:

- 11% of clients of reported dangerous working conditions or recent injuries
- 43 % of clients reported large unforeseen expenses, primarily due to accidents and illnesses
- Among clients who worked with harmful substances or dangerous devices, on average 61% felt exposed to hazards due to a lack of protection

Likewise, with the increase of traffic, which is inherent to economic development, road safety is an increasing issue for countries in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions. Parallelly, the average age of vehicles on roads continues to rise (e.g. in Russia the average age of cars is around 12-13 years old whereas in Czech Republic, it is 14.9 years). Unfortunately, the older a car is, the more likely the risk of an accident there is as older vehicles, specifically those that have more than a decade of use, are often missing key safety features that make the modern driving experience far more worry-free than in the past.

**Story from Mikro Leasing**

*Provision of financial leasing for healthcare enterprises*

Mikro Leasing is one of the few leasing companies in the Republic of Belarus providing financial leasing of medical equipment. For many years financing from Mikro Leasing has been supporting medical companies throughout Belarus to install modern medical equipment and provide services that meet international standards and improve the quality of life.

Leasing of medical equipment has become especially relevant during the spread of coronavirus infection (COVID-19), when many medical centres were faced with a shortage of the necessary equipment.

In 2021, there was an increase in transactions in which medical equipment was transferred to financial leasing:

- In 2020, the share of leased medical equipment was 2.6%
- In 2021, the share of leased medical equipment was 5.8%
Mikro Kapital’s concrete impact #1: Workers’ safety
Mikro Kapital interacts with borrowers and workers who handle dangerous devices every day. By supporting them in the development of their business, Mikro Kapital provides them with the financial means to invest in more secure tools and machines. While the initial cost of safe equipment may be robust, depending on the complexity of the facility and the number of areas that need to be secured, the cost of not having it in place is much greater. Thanks to Mikro Kapital’s loans, borrowers and clients are given the opportunity to invest more easily in new equipments with safer features.

Client’s story from Money Kapital
Supporting a client in investing in new machinery
In agriculture, our client has been providing harvesting services for 5 years. Having achieved some success in his field and stable demand for the service, he decided to expand the business.

In 2019, the businessman turned to Money Kapital for the first time. The received funds were used to buy spare parts and repair two combine harvesters. The successful experience of cooperation allowed to decide on the next step - the purchase of new equipment. In 2020, as the business developed and larger income was generated, the fleet has grown to four harvesters, having doubled in just a year.

Having improved the machinery state, the client has made his business not only more productive, but safer.

The global pandemic has put a significant strain on public health systems, caused social and economic upheavals throughout 2021 and will continue to have a significant impact on the world over the coming years. In response, our businesses seek ways to adjust their role in the global economy and reassess their resiliency. One of our primary goals has been to assist society and local economies, as well as support their transition to the new economic reality.

We have strived to consistently follow all sanitary requirements imposed in response to the COVID-19 pandemic throughout the reporting period. As of 2021, we have not faced a single fine for non-compliance with health and safety regulatory requirements.

Our role in this year of uncertainty was to protect the health of our employees and customers while maintaining our integrity.

Company’s story
Caring for the employees’ health
Measures have been developed to respond to COVID-19 throughout the whole Company. Recirculators and dispensers with skin antiseptic have been purchased, workers are provided with disposable masks and disinfecting wipes, wet cleaning and disinfection is carried out in the premises and workplaces according to the approved schedule and governmental recommendations. Campaigning and events aimed at vaccinating the company’s employees, as well as periodic PCR testing, have been organized.

Since mid-June 2021, Delimobil has provided a financial discount for the use of its car sharing service to those individuals who were going to receive their vaccinations. Whilst the company does not require passengers to get vaccinated, should a customer make such a decision, we give them a meaningful 30% discount for car sharing services during the trip to the vaccination center. On average 9,000 trips per week were discounted as vaccination trips.

Company’s story from Armenia
Support for clients during the pandemic
During the active phase of the pandemic and military operations in Armenia, customers were provided with grace period opportunities on an individual basis, to reduce monthly loan payments and maintain customer liquidity. This tool allowed customers to save jobs and maintain business.

Most of these clients have already completely left the grace period in 2021 and continue their business activity.

One of the company’s clients in Armenia is engaged in the technical organization of large private and public events. In the period from March 2020 to March-April 2021, there were strict restrictions for this type of business activity due to COVID. Our support helped the client not to lose business and now there are also prerequisites for increasing income.

Another client is engaged in the production of plastic products. In 2021, with the help of a loan, the client increased the range of goods produced, which in turn allowed to increase the number of employees and ensure the continuity of domestic supplies of goods that were previously imported from Turkey (in 2021, the Government of the Republic of Armenia banned the import of many Turkish goods).
Mikro Kapital’s concrete impact #2: drivers’ safety

As for drivers, Mikro Kapital enhances the quality of cars on the roads and decreases overall car fatalities thanks to car sharing and car rental activities.

In 2021, no vehicles were recalled for safety concerns. All vehicles are regularly checked for compliance with safety standards adopted by the company and established by the regulator.

Furthermore, Mikro Kapital implements car sharing solutions that further improve the safety of its customers. Such solutions combine the promotion of responsible driving behaviours among customers and the exploitation digital and technological features of modern vehicles and specifically-designed tools.

In this context, Delimobil promotes road safety by monitoring customers’ behaviours using a unique user-rating loyalty system that offers discounts to customers for safe and careful driving. Safe driving is also highly promoted with the use of AlcoQuiz or Liveness recognition applications, that identify the drivers’ capacity to drive safely.

Lastly, Mikro Kapital’s car sharing and car rental services pay specific attention to the ongoing maintenance of the fleets, using an extended maintenance service and fleet management technology platform that ensures vehicles are safe and drivers supported in case of accident.

Car sharing and rental have multiple advantages with regards to drivers’ safety compared to car buying, resulting in decreasing road fatalities in communities where such setup is used:

- Users drive the car during its most trouble-free years.
- Delimobil provides regular thorough check-ups of the cars in Delimobil’s maintenance centres.
- The rental may even include free oil changes and other scheduled maintenance.
- Users can drive a higher-priced, better-equipped vehicle than he/she might otherwise be able to afford.
- The vehicle will have the latest active safety features.
- Average age of Mikro Kapital’s fleet within car sharing and car rental is 2 years old.
  - For instance, average age of private cars in Kazakhstan is 21 y.o., though at Anytime (Kazakhstan) – 1.5 y.o.

Company’s story from Anytime Prime

Ensure safety for each child in our cars

Taking care of children on the road is one of the main priorities of Anytime Prime.

In 2021, Anytime Prime has purchased and installed Osann Eno 360 child car seats to ensure the comfort and safety of little passengers. This child car seat is a universal restraint device, manufactured, certified, and approved in accordance with the requirements of the European standard N°44/04, suitable for general use in vehicles. Any user can order the installation of a child safety seat in the vehicle free of charge, regardless of the subscription period and category of the selected vehicle.

Company’s story from Delimobil

Accompanying customers when facing accidents

In July 2021, Delimobil has introduced a new service for users who got into a car accident. They can invite a company representative to the accident site, who will help them arrange all the necessary documentation and communicate with traffic police officers.

The carsharing staff will also treat the passenger with hot tea, provide moral support and give a ride to the nearest free carsharing car or metro station.

The service is free of charge and operates in Moscow, St. Petersburg, Yekaterinburg, Nizhny Novgorod, Kazan. There are plans to expand geographical representation of the service, to solve incidents committed not only through the fault of Delimobil’s users and to increase customer awareness about how to properly behave in case of an accident.

Key metrics:

- The average customer satisfaction score of the service is 4.8 out of 5
- The average share of compensation for material losses of the company and payment of fines to the traffic police on the first day is 70%
IV. Our impact areas

5. Environment

Contributing to the SDG 11, SDG 12, SDG 17
The dominance of road transport, both on passenger and freight movements, is alarming for society due to their negative environmental impacts. The transportation sector is the primary cause of air pollution in cities, and air pollution is, in turn, the main environmental factor driving disease in the EU. This is why the United Nations have actually recognized the importance of sustainable transportation in tackling the climate crisis.

- 25% of energy-related global greenhouse gas emissions come from transport.

Given the demographic growth and increasing urbanization of the world, including countries in the EMEA (Europe, Middle East and Africa) and APAC (Asia-Pacific) regions, change in usage of car could be an opportunity to limit the impact of those activities on the environment.

In this context, at Mikro Kapital we believe that car sharing can drive the transition towards a sustainable economic model.

Mikro Kapital’s concrete impact #1: Limiting pollution, CO₂ emissions, energy consumption and traffic
We drive the transition to a sustainable economic model through our car sharing and car rental activities which both contribute to a more efficient and rational mobility. Indeed, car sharing results in fewer cars on the roads and the use of more environment-friendly vehicles, thereby reducing pollution, emissions, energy consumption and traffic congestion.

Among the main advantages of our business, we would like to highlight the following:
- Reduction of the number of cars: the global car fleet could be reduced by a third if sharing schemes were widely adopted.
- Reduction of the distances driven by cars: Car sharers drive around 15% to 20% fewer car kilometres than before they started car sharing.
- Reduction in CO₂ emissions related to the switch from car ownership to car sharing: between -13% and -18%.

In order to advance even further, we cooperate with authorities to develop favourable car sharing market regulations. For example, Delimobil discusses with city structures the ways to improve market regulation, as well as develop city road and transport infrastructure.

Furthermore, we do not only play on external factors but also aim to change our own model towards more sustainable offering. This is why we are advancing on introducing hybrid, electric and/or low consumption cars in our car sharing and rental fleets. For instance our fleet from All Anytime in Czech Republic is already fully hybrid.

Average New Car Assessment Programme (NCAP) ranking of the car models in our car sharing fleet is 4.4 (very good).

With time, we consider that the development of car sharing should reduce the number of cars on the road, thereby freeing up parking spaces that could be used for green infrastructures for instance.

Company’s story from Delimobil
Introduction of electric cars to the Delimobil’s fleet
From January 2022, Delimobil users can rent Tesla Model 3 cars. These electric cars are available for daily and per-minute rentals in Moscow region. In the future, Delimobil plans to extend its electric fleet and introduce electric cars in other regions.

Delimobil believes that the promotion of electric car sharing, combined with the reduction of private cars on roads and freeing up parking spaces, could have a tangible effect on improving the environmental situation and spreading a culture of responsible consumption.

Company’s story from Mikro Leasing
Towards global transport electrification
Climate change threatens the world with natural disasters and unprecedented economic damage. Mankind is forced to urgently transform the energy sector, causing a serious blow to the atmosphere. Electric vehicles are gaining more and more popularity worldwide. Mikro Leasing (Belarus) does not remain aloof from global trends.

Mikro Leasing actively finances the purchase of electric vehicles on lease, thereby supporting the transition to the use of electric vehicles. In 2021, the first Green Day electric car festival in Belarus was held with the support of Mikro Leasing. Guests of the festival could get expert advice, try out the car they liked and even drive it home by leasing it.

In 2021, there was a multiple increase in interest in electric cars among the clients of Mikro Leasing. Today we receive three times more applications for electric vehicles than two years ago. This suggests that the electric car is turning into a lifestyle. The drive for the development of this area was also tax preferences - the import duty was set to zero and 20% VAT was cancelled.

2021 accounts for 70% of all electric vehicles transferred to Mikro Leasing for financial leasing purposes. The number of transactions with electric vehicles increased 2.5 times compared to previous years.

Mikro Leasing (Uzbekistan) as well provides electric cars for leasing.

With time, we consider that the development of car sharing should reduce the number of cars on the road, thereby freeing up parking spaces that could be used for green infrastructures for instance.

Note: Impact of car sharing on mobility and CO₂ emissions
- United Nations climate change, “Sustainable transport key to tackling the climate crisis”, November 2019
- UC Davis, “Three Revolutions in Urban Transportation, May 2017 (link)
- PBL Netherlands Environmental Assessment Agency, PBL Note Impact of car sharing on mobility and CO₂ emissions, July 2015 (link)
- PBL Netherlands Environmental Assessment Agency, PBL Note Impact of car sharing on mobility and CO₂ emissions, July 2015 (link)
Mikro Kapital’s concrete impact #2: Promote environmentally friendly projects

Mikro Kapital finances environmentally friendly activities that positively impact the environment. Such projects can be very diversified in terms of sector (from energy, construction and infrastructure to agriculture and farming for instance), but they all share a common ambition to limit or decrease their potential negative impacts on the planet.

Company’s story from Kyrgyzstan

Energy-efficient housing financing

Bailyk Finance has been a partner of the HMF IFC micro-housing sector and sustainable energy financing programme in Kyrgyzstan for more than 5 years. The company’s experience in lending to the projects on living conditions and energy efficiency development with a support of HMF IFC programme (World Bank Group) is a matter of great importance for the sustainable development of the country, as it helps eliminate energy costs for the local population in terms of constantly growing tariffs and make positive impact on environment by cutting down noxious emissions in atmosphere by implementing new energy-efficient technologies.

As part of its activities, Bailyk Finance pays great attention to projects related to energy efficiency and energy savings.

Funding goals include:
- warming of the house;
- insulation of external walls;
- replacement of windows;
- construction, repair, replacement and insulation of the roof;
- erection of walls;
- floor arrangement;
- foundation arrangement;
- construction of a whole house/extension;
- construction and equipment of a bathroom;
- finishing works at home (wallpaper, linoleum, laminate, painting, etc.);
- construction of a fence, a bathhouse and other outbuildings.

Along with the loan, each client is given training materials ‘How to build a house on your own’, focusing on:
- automatic calculation of cost estimates for the purchase of building materials;
- training videos on the choice of high-quality building materials and carrying out independent repair and construction work in accordance with all the rules, corresponding to the construction GOSTs and SNIPs (state building standards) of the Kyrgyz Republic;
- a list of suppliers of quality building materials that provide discounts if the client is our borrower.

In total, about 27,000 clients were financed in the amount of KGS 1.6 bln. As a result, this direction allowed to reduce CO₂ emissions by 150,000 tons.

Company’s story from Tajikistan

Investing in green technologies

GEFF Tajikistan helps the Tajik private sector invest in high-performing green technologies by providing financing through local Participating Financial Institutions. The program supports gender activities that aim to enhance women and men’s equal opportunity to access finance for green technologies.

IMON International has been among the partnering institutions of the programme since 2021. The bank has invested in many green projects since then and five of its employees were awarded for their contribution to the development of green finance in Tajikistan.

The total amount of loans issued under the project amounted to TJS 1,500,000. More than 21% were issued to women.

The applicants received not only credits, but also grant assistance, where from 20% to 30% of the requested financial help was provided free of charge.

Among the benefits of GEFF programme for private sector beneficiaries:
- Reduction of energy, water, resources and costs
- The best performance and reliability of the equipment
- Improving profitability and competitiveness
- Increasing the comfort and value of the property

GEFF
Client’s story from Armenia
A client caring for the environment

In 2021, Mikro Kapital Armenia provided a loan to Arev Energy, a company that designs and installs solar power plants and water heaters. With the help of Mikro Kapital’s loan the client purchased solar panels for business development purposes.

The goal of Arev Energy’s business is to make solar systems available in Armenia. The company offers its clients to get energy from the Sun by mean of ecologically clean solutions: electricity – through photovoltaic panels, hot water – through water heaters installed on the roof, home heating solutions with an electric boiler or solar water heater.

Arev Energy as well educates its client on how solar energy works and benefits of environmentally friendly solutions through their website and social media.

Deep dive into Mikro Kapital’s corporate sustainability stance regarding environment

Mikro Kapital limits the environmental impacts of its activities and employees whenever possible, and raise awareness around resource saving.

Decreasing our impact on resources and the environment is on top of our internal sustainability agenda and not limited to following legislations and applying legal requirements. Indeed, besides energy efficiency initiatives – such as our BREEAM certified headquarters building (in Moscow) – we also carefully monitor our initiatives to reduce our wastes. This include recycling and re-using and promoting such practices among our suppliers.

In 2021, the Company Scope 1 GHG emissions amounted to 134,884 tonnes of CO₂e that mainly came from our Sharing Economy segment. While every vehicle of our car sharing business multiply reduces the number of cars on the roads, we are expanding our fleet with new more energy efficient vehicles which we believe can help reduce our Scope 1 GHG emissions in the future and increase the overall positive impact on the environment.

During the reporting period we consumed electricity energy that resulted in 717 tonnes of CO₂e Scope 2 GHG emissions. We aim to continue decreasing those figures.

Mikro Kapital’s GHG emissions

Whole Company
Scope 1: 134,884 tonnes of CO₂e
Scope 2: 717 tonnes of CO₂e

Micro Credit & Micro Leasing
Scope 1: 63 tonnes of CO₂e
Scope 2: 136 tonnes of CO₂e

Sharing Economy
Scope 1: 134,821 tonnes of CO₂e
Scope 2: 581 tonnes of CO₂e

32 Excluding GHG emissions of IMON International and Bailyk Finance due to accounting specifics
Appendices

V.

Mikro Kapital

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V. Appendices
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<td>GRI 102-18</td>
<td>GRI 102-19</td>
<td>iii. Our approach to sustainability and impact. 1. Governance, p. 28</td>
<td>SDG 5</td>
</tr>
<tr>
<td>Delegating authority</td>
<td>GRI 102-19</td>
<td>GRI 102-20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Executive-level responsibility for economic, environmental, and social topics</td>
<td>GRI 102-20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting stakeholders on economic, environmental, and social topics</td>
<td>GRI 102-21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composition of the highest governance body and its committees</td>
<td>GRI 102-22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chair of the highest governance body</td>
<td>GRI 102-23</td>
<td></td>
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</table>

Although Mikro Kapital does not formally follow the precautionary principle, the Company assesses risks across operations.
<table>
<thead>
<tr>
<th>Topic</th>
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<tbody>
<tr>
<td>Conflicts of interest</td>
<td>GRI 102-25</td>
<td>ii. Our approach to sustainability and impact. 3. Our values and business ethics, p. 42</td>
<td></td>
<td></td>
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<tr>
<td>Role of highest governance body in setting purpose, values, and strategy</td>
<td>GRI 102-26</td>
<td>ii. Our approach to sustainability and impact. 1. Governance, p. 28-39</td>
<td></td>
<td></td>
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<tr>
<td>Collective knowledge of highest governance body</td>
<td>GRI 102-27</td>
<td>ii. Our approach to sustainability and impact. 1. Governance, p. 28-39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Identifying and managing economic, environmental, and social impacts</td>
<td>GRI 102-29</td>
<td>iii. Our approach to sustainability and impact. 1. Governance, p. 28-39</td>
<td></td>
<td></td>
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<tr>
<td>Effectiveness of risk management processes</td>
<td>GRI 102-30</td>
<td>iii. Our approach to sustainability and impact. 4. Risk Management, p. 44-45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review of economic, environmental, and social topics</td>
<td>GRI 102-31</td>
<td>iii. Our approach to sustainability and impact. 5. Sustainability and impact framework, p. 46</td>
<td></td>
<td></td>
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<tr>
<td>Highest governance body's role in sustainability reporting</td>
<td>GRI 102-32</td>
<td>iii. Our approach to sustainability and impact. 5. Sustainability and impact framework, p. 46</td>
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<td></td>
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5. STAKEHOLDER ENGAGEMENT

<table>
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<th>GRI Indicator</th>
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<tbody>
<tr>
<td>List of stakeholder groups</td>
<td>GRI 102-40</td>
<td>ii. Who we are. 4. Our stakeholders and material topics, p. 22-23</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collective bargaining agreements</td>
<td>GRI 102-41</td>
<td>GRI Content Index, p. 92</td>
<td>No collective bargaining agreements have been signed in the Company. SDG 8</td>
<td></td>
</tr>
<tr>
<td>Identifying and selecting stakeholders</td>
<td>GRI 102-42</td>
<td>ii. Who we are. 4. Our stakeholders and material topics, p. 22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approach to stakeholder engagement</td>
<td>GRI 102-43</td>
<td>ii. Who we are. 4. Our stakeholders and material topics, p. 22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key topics and concerns raised</td>
<td>GRI 102-44</td>
<td>ii. Who we are. 4. Our stakeholders and material topics, p. 22-23</td>
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6. REPORTING PRACTISE

<table>
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<tr>
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<th>GRI Indicator</th>
<th>Reference</th>
<th>Comment</th>
<th>UN SDGs</th>
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<tbody>
<tr>
<td>Entities included in the consolidated financial statements</td>
<td>GRI 102-45</td>
<td>GRI Content Index, p. 93</td>
<td>Please refer to our Annual Report 2021 that will be available on the Company’s website in the third quarter 2022.</td>
<td></td>
</tr>
<tr>
<td>Defining report content and topic Boundaries</td>
<td>GRI 102-46</td>
<td>GRI Content Index, p. 24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>List of material topics</td>
<td>GRI 102-47</td>
<td>ii. Who we are. 4. Our stakeholders and material topics, p. 24-25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restatements of information</td>
<td>GRI 102-48</td>
<td>GRI Content Index, p. 93</td>
<td>The Report does not contain any restatements of information provided in previous reports. All information presented in this Report is relevant for the reporting period – 1 January 2020 to 31 December 2020</td>
<td></td>
</tr>
<tr>
<td>Changes in reporting</td>
<td>GRI 102-49</td>
<td>GRI Content Index, p. 93</td>
<td>There were no significant changes in the list of material topics and topic boundaries.</td>
<td></td>
</tr>
<tr>
<td>Reporting period</td>
<td>GRI 102-50</td>
<td>i. Introduction. 1. About the Report, p. 4</td>
<td>The current Report discloses information for the reporting period from 1 January 2021 to 31 December 2021.</td>
<td></td>
</tr>
<tr>
<td>Date of most recent report</td>
<td>GRI 102-51</td>
<td>GRI Content Index, p. 93</td>
<td>The ESG Report 2020 was published in December 2020. and covered the period from 2020 to 31 December 2020.</td>
<td></td>
</tr>
<tr>
<td>Reporting cycle</td>
<td>GRI 102-52</td>
<td>GRI Content Index, p. 93</td>
<td>Annual reporting cycle. The ESG Report is produced on an annual basis.</td>
<td></td>
</tr>
<tr>
<td>Contact point for questions regarding the report</td>
<td>GRI 102-53</td>
<td>GRI Content Index, p. 93</td>
<td>(+352) 2697 6304 <a href="mailto:funds@mikrokapital.com">funds@mikrokapital.com</a> mikrokapital.com</td>
<td></td>
</tr>
</tbody>
</table>
## Appendices

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<th>Reference</th>
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<th>UN SDGs</th>
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<tbody>
<tr>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>GRI 102-54</td>
<td>About the Report, p. 4 GRI Content Index, p. 90-101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI content index</td>
<td>GRI 102-55</td>
<td>GRI Content Index, p. 90-101</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External assurance</td>
<td>GRI 102-56</td>
<td></td>
<td>The Report did not undergo external assurance procedures. The non-financial data was reviewed by internal auditors.</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 103 MANAGEMENT APPROACH</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Explanation of the material topic and its boundary</td>
<td>GRI 103-1</td>
<td>GRI Content Index, p. 94</td>
<td>Information on the impacts occurring within each material topic is presented in the relevant sections of the Report.</td>
<td></td>
</tr>
<tr>
<td>The management approach and its components</td>
<td>GRI 103-2</td>
<td>GRI Content Index, p. 94</td>
<td>Information on the management approach and its components within each material topic is presented in the relevant sections of the Report.</td>
<td></td>
</tr>
<tr>
<td>Evaluation of the management approach</td>
<td>GRI 103-3</td>
<td>GRI Content Index, p. 94</td>
<td>Information on the evaluation of the management approach within each material topic is presented in the relevant sections of the Report.</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 201 ECONOMIC PERFORMANCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assistance received from government</td>
<td>GRI 201-4</td>
<td>GRI Content Index, p. 94</td>
<td>There was no financial assistance received by the Government.</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 205 ANTI-CORRUPTION</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Communication and training about anti-corruption policies and procedures</td>
<td>GRI 205-2</td>
<td>GRI Content Index, p. 94</td>
<td>There was a communication and training about anti-corruption policies and procedures held by the Compliance Department in 2021.</td>
<td></td>
</tr>
<tr>
<td>Confirmed incidents of corruption and actions taken</td>
<td>GRI 205-3</td>
<td>GRI Content Index, p. 94 SASB Content Index, p. 97</td>
<td>There were 48 confirmed incidents of corruption during the reporting period. 41 employees were dismissed or disciplined for corruption and 12 contracts with business partners were terminated or not renewed due to violations related to corruption.</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 302 ENERGY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy consumption within the organisation</td>
<td>GRI 302-1</td>
<td>GRI Content Index, p. 86</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>GRI 307 ENVIRONMENTAL COMPLIANCE</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Non-compliance with environmental laws and regulations</td>
<td>GRI 307-1</td>
<td>GRI Content Index, p. 95</td>
<td>There were no fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations and no cases of non-compliance with environmental legislation over the reporting period.</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 401 EMPLOYMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New employee hires and employee turnover</td>
<td>GRI 401-1</td>
<td>GRI Content Index, p. 95</td>
<td>Number of new employee hires during the reporting period: 2,233 Increase in employee number compared to previous reporting year: 961</td>
<td>SDG 5 SDG 8</td>
</tr>
<tr>
<td><strong>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational health and safety management system</td>
<td>GRI 403-1</td>
<td>GRI Content Index, p. 95</td>
<td>The system was introduced within the car sharing segment in Russia in 2021 in accordance with Article 212 of the Labor Code of the Russian Federation, STATE Standard 12.0.230-2007 GOST 12.0.230.1-2015, Order of the Ministry of Labor and Social Protection of the Russian Federation No. 438n and other regulatory documents in the field of labor protection.</td>
<td></td>
</tr>
<tr>
<td>Hazard identification, risk assessment, and incident investigation</td>
<td>GRI 403-2</td>
<td>GRI Content Index, p. 95</td>
<td>Mikro Kapital conducts a special assessment of working conditions at all workplaces, which allows to identify harmful and/or dangerous factors. In cases where dangerous situations or threats arise, each employee of the Company, according to the instructions on labor protection and the legislation, stops performing work, informs the immediate supervisor and the occupational safety specialist, and does not start work until the dangers are eliminated.</td>
<td>SDG 8</td>
</tr>
</tbody>
</table>
## Appendices

### ESG Report 2021

<table>
<thead>
<tr>
<th>Topic</th>
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<th>Reference</th>
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<th>UN SDGs</th>
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<tbody>
<tr>
<td>Worker training on occupational health and safety</td>
<td>GRI 403-5</td>
<td>GRI Content Index, p. 96</td>
<td>Briefings, internships, training on occupational safety and first aid by the Company’s commission and training in specialised organisations of managers and specialists on labor protection and safe operation on production equipment or transport were held.</td>
<td>SDG 8</td>
</tr>
<tr>
<td>Work-related injuries</td>
<td>GRI 403-9</td>
<td>GRI Content Index, p. 96</td>
<td>Number of fatalities as a result of work-related injury among employees: 0 Rate of fatalities as a result of work-related injury among employees: 0 Number of high-consequence work-related injuries (excluding fatalities) among employees: 0 Rate of high-consequence work-related injuries (excluding fatalities) among employees: 0 Number of recordable work-related injuries among employees: 1 Rate of recordable work-related injuries among employees: 1.61 The main types of work-related injury were by the fault of 3 people</td>
<td>SDG 8</td>
</tr>
</tbody>
</table>

### SASB Content Index

**SASB Asset Management & Custody Activities, SASB Consumer Finance, SASB Car Rental and Leasing**

<table>
<thead>
<tr>
<th>Code</th>
<th>Accounting metric</th>
<th>Unit of measure</th>
<th>Section of the Report</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td><strong>Transparent Information &amp; Fair Advice for Customers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FN-AC-270a.1</td>
<td>(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings</td>
<td>Number, Percentage (%)</td>
<td>GRI Content Index, p. 94 SASB Content Index, p. 97</td>
<td>Please see GRI 205-3</td>
</tr>
<tr>
<td>FN-AC-270a.2</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers</td>
<td></td>
<td></td>
<td>During the reporting period, there were no significant monetary losses as a result of legal proceedings associated with the marketing and communication of financial product-related information to new and returning customers.</td>
</tr>
<tr>
<td>FN-AC-270a.3</td>
<td>Description of approach to informing customers about products and services</td>
<td>n/a</td>
<td>SASB Content Index, p. 97</td>
<td>The Company informs its clients about its products and services through various marketing channels including direct sales, website, marketing materials, events, social media etc.</td>
</tr>
</tbody>
</table>

**Employee Diversity & Inclusion**

<p>| FN-AC-330a.1 | Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees | Percentage (%) | IV. Our impact areas: 2. Human rights, diversity, and inclusion, p. 66 |
| <strong>Incorporation of Environmental, Social, and Governance Factors in Investment Management &amp; Advisory</strong> | | | | |
| FN-AC-410a.1 | Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening | Reporting currency | II. Who we are: 2. Mikro Kapital at a glance, p. 14 |</p>
<table>
<thead>
<tr>
<th>Code</th>
<th>Accounting metric</th>
<th>Unit of measure</th>
<th>Section of the Report</th>
<th>Comments</th>
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<tbody>
<tr>
<td>FN-AC-410a.2</td>
<td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies</td>
<td>n/a</td>
<td>III. Our approach to sustainability and impact, p. 26-51</td>
<td></td>
</tr>
<tr>
<td>FN-AC-510a.2</td>
<td>Description of whistleblower policies and procedures</td>
<td>n/a</td>
<td>III. Our approach to sustainability and impact, 3. Our Values and Business Ethics, p. 42</td>
<td></td>
</tr>
<tr>
<td>FN-CF-220a.2</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with customer privacy</td>
<td>Reporting currency</td>
<td>SASB Content Index, p. 98</td>
<td>During the reporting period, there were no significant monetary losses as a result of legal proceedings associated with customer privacy.</td>
</tr>
<tr>
<td>FN-CF-230a.1</td>
<td>Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of account holders affected</td>
<td>Number, Percentage (%)</td>
<td>SASB Content Index, p. 98</td>
<td>During the reporting period, there were no cases of data breaches (including those involving personally identifiable information).</td>
</tr>
<tr>
<td>FN-CF-230a.3</td>
<td>Description of approach to identifying and addressing data security risks</td>
<td>n/a</td>
<td>III. Our approach to sustainability and impact, 4. Risk Management, Cybersecurity &amp; Data privacy, p. 45</td>
<td></td>
</tr>
<tr>
<td>FN-CF-270a.5</td>
<td>Total amount of monetary losses as a result of legal proceedings associated with selling and servicing of products</td>
<td>Reporting currency</td>
<td>SASB Content Index, p. 98</td>
<td>During the reporting period, there were no significant monetary losses as a result of legal proceedings associated with the selling and servicing of products</td>
</tr>
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## Impact objectives and Sustainable Development Goals

<table>
<thead>
<tr>
<th>Investment segments</th>
<th>Micro Credit and Micro Leasing</th>
<th>Sharing Economy</th>
<th>Other Investments</th>
</tr>
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</table>
| **Impact Objectives defined by Mikro Kapital’s Responsible Investment Policy and aligned with IRIS+ framework** | ● Improving access to financial services  
● Improving earnings and wealth through employment and entrepreneurship  
● Improving rural economies through financial inclusion  
● Increasing farm profitability  
● Increasing financial health of farmers  
● Increasing gender equality  
● Supporting decent jobs and fostering economic development | ● Mitigating climate change through clean mobility | ● Improving access to financial services  
● Improving earnings and wealth through employment and entrepreneurship  
● Improving rural economies through financial inclusion  
● Increasing farm profitability |  |

### Contribution to UN Sustainable Development Goals

![UN Sustainable Development Goals icons]

## Mikro Kapital’s Corporate Governance Structure as at 31 December 2021

- General Meeting of Shareholders
- Supervisory Board
- Management Board
- Vice Presidents
  - Executive Management Team
- **Portfolio company level**
  - Portfolio company’s Board of Directors
  - Portfolio company’s Executive Management

- Investment Committee
- Funding Committee