Verifier Statement
Independent Verification Report


Introduction
As a signatory of the Operating Principles for Impact Management (the Impact Principles)\(^1\), Mikro Kapital Management SA engaged HSE Center for Business Ethics at HSE University to undertake an independent verification of the alignment of the policies and procedures and as summarized in the Disclosure Statement of Mikro Kapital with the Operating Principles for Impact Management. The Company’s assets under management covered by the Impact Principles (Covered Assets) total $1,115 million\(^2\).

Summary assessment conclusions:
HSE Center for Business Ethics has independently verified the Mikro Kapital Management SA extent of alignment with the Impact Principles. Key takeaways from HSE Center for Business Ethics assessment are as follows:

**Principle 1:** Mikro Kapital has clearly formulated impact goals related to its three-investment segment (Micro Credit, Micro Leasing and Sharing Economy). The impact objectives are clearly expressed and logically aligned with the Sustainable Development Goals and the IRIS+ framework developed by the Global Impact Investing Network. Mikro Kapital defined the impact objectives recognizing that they must be realistic and considered the geographic context and the likelihood of achieving the impact when defining each objective.

**Principle 2:** Mikro Kapital describes the basic processes for integrating impact considerations throughout an investment lifecycle. The five stages of Mikro Kapital’s investment decision-making process is on an early stage of implementation, but still includes basic impact assessment. Team incentives were not explicitly tied to impact performance at the time of the verification completed in December 2022.

**Principle 3:** Mikro Kapital documents have a credible narrative on its contribution to the achievement of sustainable impact with publishing applicable policies, such as Responsible Investment Policy, Sustainability Risk Policy, as well as annual ESG Reports including the three segments, that is Micro Credit, Micro Leasing and Sharing Economy, and other relevant reports and disclosures. Mikro Kapital demonstrates commitment to reporting on impact systematically and transparently.

**Principle 4:** Mikro Kapital conducts a basic pre-investment analysis, assessing the actual sustainability performance of the investment project under consideration. Mikro Kapital is embedding the evaluation and quantification of the investment’s concrete and realistic

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\(^1\) Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

\(^2\) The amount is based on the USD equivalent to EUR 985 million, as it is official from Mikro Kapital’s audited Financial Statement. (EUR-USD 1:1.326 as of 31.12.2021 according to ECB)
positive impact potential, utilizing available evidence and a suitable performance measurement methodology, considering various external factors.

**Principle 5:** Mikro Kapital's ESG reports, and monthly newsletters provide information on the monitoring of portfolio companies, the effectiveness of ESG initiatives, impact targets and the effectiveness of their positive and negative impact management. The sustainability risk management system was introduced in pilot mode in 2022 and no infractions were detected. The system focuses primarily on compliance with the Environmental and Social exclusion list that automatically process an application form filled out by a potential client.

**Principle 6:** Mikro Kapital consolidates the information on impact performance that portfolio companies are required to provide annually by completing special data collection forms and conducting interviews. Mikro Kapital's ESG Department annually reviews the required documentation and self-assessments on impact progress made by portfolio companies. The progress of each underlying portfolio company in achieving impact is properly monitored, albeit the maturity of the processes differs due to the substantial difference in portfolio companies.

**Principle 7:** Mikro Kapital has developed an impact exit strategy that follows a strict three-fold process to ensure the exit of a company is responsible. And eventually, the outbound company will continue to have a positive impact even after Mikro Kapital has left. The exit strategy is focused on sustaining the company's operational performance and the intended impact. The company has not used an impact exit strategy in 2022, as no company has left the Mikro Kapital Group.

**Principle 8:** Mikro Kapital has begun to formulate and implement this approach in 2020, since then the SDG Impact data started to be integrated and analyzed. Subsequently, Mikro Kapital has performed regular assessment on the effectiveness and efficiency of its investment process with regards to responsible impact. After such valuations, Mikro Kapital’s management determines improvements to be implemented within the investment decision-making and monitoring processes. The review and monitoring attend as a basis for improvement of the decision-making process and engagement to maximize impact.

**Assessment methodology and scope**

Mikro Kapital provided HSE Center for Business Ethics with the relevant supporting documentation for the policies, processes, and tools related to the Impact Management (IM) System applicable to the Covered Assets. The scope of HSE Center for Business Ethics work was limited to processes in place related to the Covered Assets as of December 2022. HSE Center for Business Ethics assessment of the IM System included an evaluation of both the system itself and supporting documentation, as well as the
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consistency with the IM system. HSE Center for Business Ethics believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.

HSE Center for Business Ethics full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using HSE Center for Business Ethics proprietary methodology, and examining processes, policies, and reports against the following criteria:
   - Compliance of the IM system with a threshold level of practice.
   - Quality of the IM system’s design in terms of its consistency and robustness; and
   - Depth of sub-components of the system, focused on completeness
2. Interviews with Mikro Kapital managers responsible for defining and implementing the IM system and employees of the different portfolio companies of the group.
3. Delivery of detailed assessment findings to HSE Center for Business Ethics, outlining areas of alignment and recommended improvement.

CONCLUSIONS

Based on the procedures performed and information collected by us, there is no evidence found that causes us to believe that Mikro Kapital has not aligned, in all material respects, with the Impact Principles.

December 07, 2022

HSE Center for Business Ethics.

[Signature]

Magdalena Gaete Sepúlveda
Head for SDG Assessment

Permissions

This statement, including our conclusions, has been prepared solely for Mikro Kapital in accordance with the agreement between our organizations, to assist Mikro Kapital in
fulfilling Principle 9 of the Operating Principles for Impact Management. We permit Mikro Kapital to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate Mikro Kapital’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mikro Kapital for our work or this statement except where terms are expressly agreed between us in writing.

**About HSE Center for Business Ethics**

The HSE Center for Business Ethics is dedicated to maintain the highest academic standards in researching and assessing Ethics, Sustainability and Compliance. Their researchers are leading specialists of the HSE University and partner organizations (academics, sustainability managers from leading companies, consultants, and NGOs).

HSE University is a leader in Higher Education in eastern Europe and Eurasia and a preeminent university in economics and social sciences conducting groundbreaking research. Having rapidly grown into a well-renowned research university over three decades, HSE University sets itself apart with its international presence and cooperation. We are a dynamic university with four campuses, a leader in combining educational traditions with the best international teaching and research practices.

HSE Center for Business Ethics is in Saint-Petersburg (Russia), Griboedova Embankment 1-2-3, Of. 502, Saint-Petersburg, and Kantemirovskaya St. 3, Of. 401, Saint-Petersburg. For more information, please visit www.spb.hse.ru/en/ or email us at magaeteseulveda@hse.ru.