

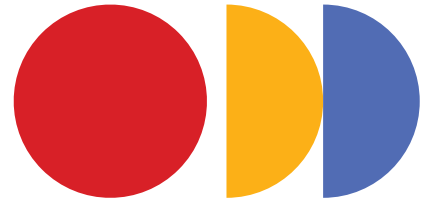


**▶ CORPORATE
RESPONSIBILITY
REPORT**

2021



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KEY FINANCIAL INDICATORS



KEY FINANCIAL INDICATORS

₾ **97.2** Million (+24%)

Total assets

₾ **75.1** Million (+9%)

Total loans

4.7% (+0.4%)

Loans overdue
for 30 days

₾ **20.3** Million (+16%)

Total capital

₾ **2.6** Million (+74%)

NET PROFIT

15 (+1)

Number of
Branches

224 (+42)

Number of
Employees

38,816 (+21,254)

Number of
Consumers

At the beginning of July of 2021, the recognized international German rating company "Scope Ratings" gave a credit rating of "B+ Stable" to the microfinance organization MBC. In both in the 2020 and 2021 Scope's rating - **B+ stable was the highest in the microfinance market**. Within the framework of the mentioned rating, in 2022 MBC plans to issue 15 million GEL of unsecured securities.



B+ Stable



GEORGIA'S
RESPONSIBLE
BUSINESS AWARD
MELIORA 2020

MI
meliora

WINNER IN CATEGORY "EMPLOYEE
SUPPORT DURING THE COVID
PANDEMIC"



**ANNUAL REPORT
AND TRANSPARENCY
AWARD
BARTA 2021**



B | A | R | T | A



CEO STATEMENT



CEO STATEMENT



GIA PETRIASHVILI

CEO

2021 was a year of difficulties and significant challenges for the microfinance market. Nevertheless, MBC managed to adapt well to the new challenges and to complete 2021 with success. It is through initiating significant changes, innovative approaches, sophisticated business models, a rapid response to changing environments and the joint efforts of our team that we achieved such strong financial, operational and social results, having overcome the challenges in the sector and continuing to develop the company sustainably.

MBC managed to increase its assets during the reporting period. At the end of the year, the loan portfolio amounted to GEL 75.1 million. Total assets increased by 24% and amounted to 97.2 million GEL, and total capital increased by 16% and amounted to 20.3 million GEL. We ended 2021 with a profit of 2.6 million GEL. According to the risk parameters, MBC was one of the best in the microfinance sector.

In 2021, as in 2020, we managed to attract long-term, unsecured loans from both existing and new international financial institutions, which indicates a clear expression of trust from our international partners. The firm and stable risk profile of the company is clearly evidenced by the highest B+ credit rating in the microfinance market, granted by the international rating agency "Scope Ratings", which the company kept unchanged even during the pandemic.

> In 2021, MBC won the Best Annual Report and Transparency Award (BARTA). The competition is held in partnership with the European Union and World Bank Accounting, Reporting and Audit Reforms Support Fund (RSF), whose goal is to increase the quality of reporting and transparency of Georgian companies.

> In 2021, MFO "Micro Business Capital" won the "Employee Support during the COVID Pandemic" category of the Georgian Responsible Business Competition "Meliora 2020", which we are especially proud of.

In 2021, new innovative products for the microfinance sector were introduced, control mechanisms were improved, and the degree of corporate social responsibility was enhanced. Our team managed to maintain high rates of development. Through the joint efforts of the Supervisory Board and the Directorate, the organizational structure was further refined, and the regional network of service centers was expanded and developed. At the end of the year, MBC was represented by 15 service centers throughout Georgia, and its team consisted of 230 professionals.

The development of remote products and services was established as a strategic direction of the company. Using modern technologies, we offer our customers a new and simplified service that saves their time and helps MBC to position as an innovator.

In 2021, our team successfully solved existing tasks and set new plans, which would have been impossible without the high competence of the team, our corporate culture, and the right values. We have created an equal, fair and non-discriminatory work environment, ensured gender balance, and identified women's support and empowerment as a priority. The financial education of youth remains a priority for us, and in 2021 our team managed to train more than 200 pupils and students.

The great potential of the company's team will be directed towards continuous development, offering more innovations to our customers, and further strengthening our position in the financial market.

PERSPECTIVES AND FUTURE VISIONS

In 2021, we faced difficult challenges, achieved strong financial results, made progress in all strategic areas, strengthened corporate social responsibility, created even more jobs in Tbilisi and the regions, and set ambitious plans for 2022.

I would like to express my special thanks to the whole team of MBC for their hard work, dedication, and, with our shareholders, congratulate them on our results and achievements. We have all been able to adapt to the new reality caused by the pandemic. Together, we have kept our company and personal development going strong.

Next year, the main task of MBC is to obtain a micro-bank license. Accordingly, we have defined the stages and results of the expected transformation in our business plan, and started preparing for the actions and changes to be implemented at the beginning of the year. We believe the process of transformation into a bank will be fulfilled successfully and that the company will move to a completely new level of development.

I am confident that with modern approaches, with the strong spirit of our staff, directorate and shareholders, we will continue to grow, increase customer access to financial resources, create jobs, implement social projects and successfully achieve the goals we have set



INTRODUCTION



3

INTRODUCTION

ABOUT THIS REPORT

The report contains information about the non-financial activities of the microfinance organization "Micro Business Capital" (hereinafter referred to as – JSC MBC). JSC MBC is an organization operating on the basis of modern, innovative and international standards, which aims to offer customized and affordable financial services to micro and small entrepreneurs and farmers, increase the availability of financial resources and loan products, establish long-term and transparent relationship with customers. The purpose of this report is to inform all interested parties of JSC MBC about the impact of the company's activities on employees, customers, environment, society, etc.

REPORTING PERIOD

The report covers the period from January 1st to December 31, 2021. However, some figures and narrative part of the the document may contain data for 2020 and 2022.

THE TARGET AUDIENCE

The report is intended for various JSC MBC stakeholders who are interested in learning more about the company's corporate responsibility activities in 2021.



STAKEHOLDER ENGAGEMENT

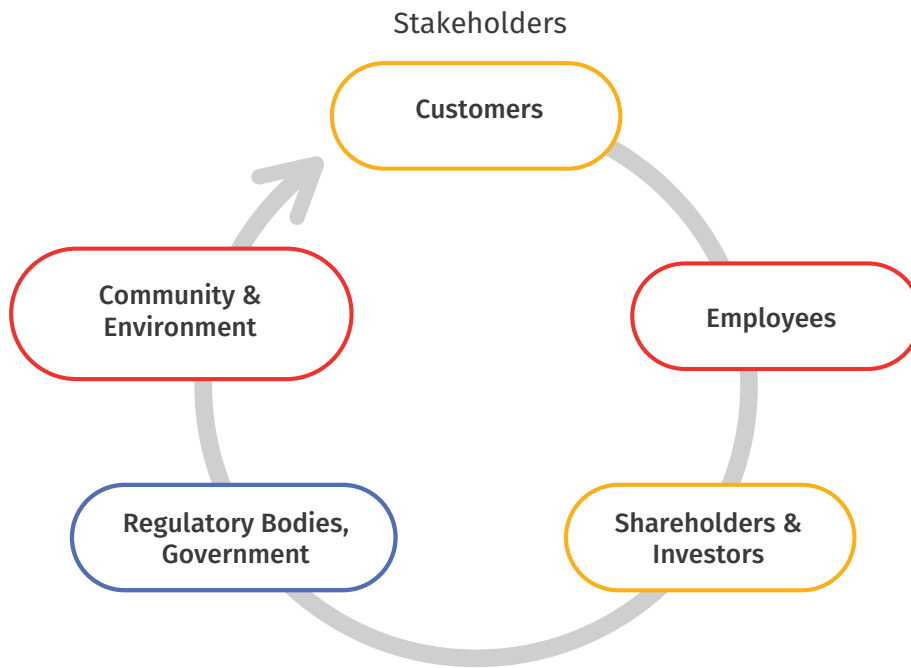


4 STAKEHOLDER ENGAGEMENT

According to the definition of the The Organisation for Economic Co-operation and Development (OECD), stakeholder is any group or individual who can affect, or is affected by, the achievement of an organization's objective.¹

Our efforts are constantly aiming to identify the stakeholder interests and determine their needs and interests through communication with them, so we can accommodate those interests in our activities.

Communication with interested parties is conducted through various channels. We are able to improve our products and services and strengthen our business and partnership relations with clients as a result of the information and feedback we receive from communication.



Information about communication with each stakeholder is provided in the table:

Stakeholders	MBC's Key Responsibility	Communcation Channels (Frequency)
Customers	<ul style="list-style-type: none"> • Protection of consumer rights; • Improving customer satisfaction; • Responsible lending; • Providing safe, reliable and attractive products and services; • Provision of unmistakable, clear, and complete information about the conditions of financial products and services to the user in a timely manner. 	<p style="text-align: center;">Call Centre (Working Hours)</p> <hr/> <p style="text-align: center;">Official webpage and social media account of JSC MBC (Working Hours)</p> <hr/> <p style="text-align: center;">Sales (Service Centre) (Working Hours)</p> <hr/> <p style="text-align: center;">Customer Satisfaction Survey (As needed)</p> <hr/>

¹ Source: Organisation for Economic Co-operation and Development (OECD), OECD Due Diligence Guidance for Responsible Business Conduct, 2018; modified

Stakeholders	MBC's Key Responsibility	Communication Channels (Frequency)
Employees	<ul style="list-style-type: none"> • Protection of human rights; • Protection of labour rights; • Eliminating discrimination and supporting diversity in the workplace; • Gender Equality; • Ensuring the health and safety of employees 	<p>Employee Survey (As needed)</p> <hr/> <p>Trainings (As needed)</p> <hr/> <p>Facebook Group (Always)</p> <hr/> <p>Online platform – Employee Voice (Always)</p>
Shareholders/ Investors	<ul style="list-style-type: none"> • Publishing reliable and timely information about the company; • Increasing the value of the company; • Managing investor relations; 	<p>Shareholders' meeting (once a year, plus as needed)</p> <hr/> <p>Individual Meeting and presentations (As needed)</p> <hr/> <p>Quarterly Report (4 times a year)</p> <hr/> <p>Annual Report (once a year) Corporate Responsibility Report (once a year)</p>
Regulatory Bodies/ Government	<ul style="list-style-type: none"> • Constant engagement and ongoing communication; • Compliance with laws and regulations; • Payment of taxes; • Prevention and elimination of corruption; • Promotion of financial literacy; 	<p>Annual Report (once a year) Corporate Responsibility Report (once a year)</p> <hr/> <p>Official webpage and social media account of JSC MBC (Working Hours)</p> <hr/> <p>Meetings (As needed)</p> <hr/> <p>Partnership Projects (As needed)</p>
Community & Environment (Civil society, international organizations, etc)	<ul style="list-style-type: none"> • Publishing reliable and timely information about the company's activities; • Transparency and accountability; • Cooperation to solve the problems facing the society (environmental, social, economic); • Protection human rights; • Managing social and environmental impacts 	<p>Corporate Volunteering (As needed)</p> <hr/> <p>Annual Report (once a year)</p> <hr/> <p>Corporate Responsibility Report (once a year)</p> <hr/> <p>Official webpage and social media account of JSC MBC (Working Hours)</p> <hr/> <p>Meetings (As needed)</p> <hr/> <p>Partnership projects (As needed)</p> <hr/> <p>Involvement in initiatives (As needed)</p>



CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS



5 CONTRIBUTION TO SUSTAINABLE DEVELOPMENT GOALS

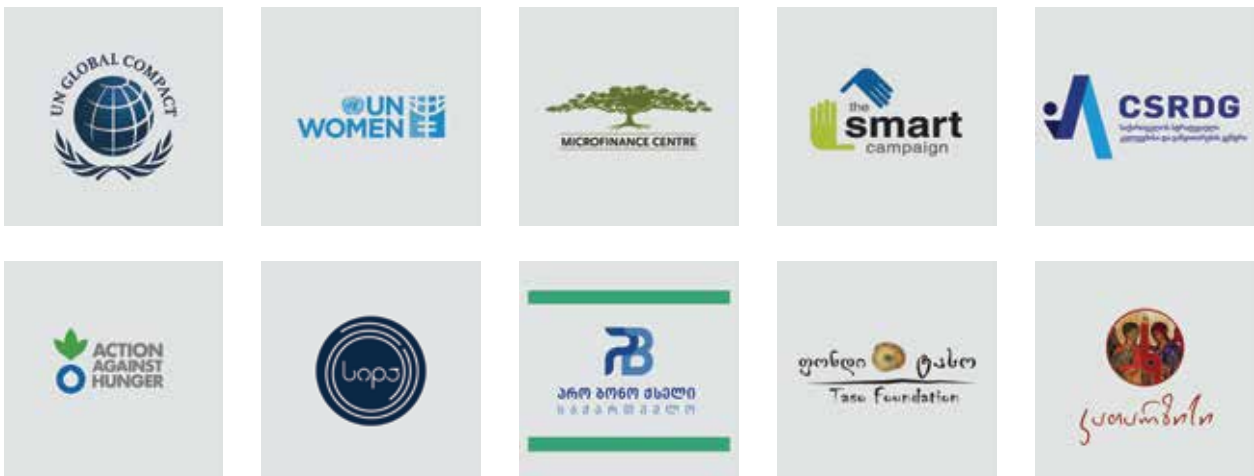
The Sustainable Development Goals (SDGs), also known as the Global Goals is a set of 17 goals and 169 indicators, adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. UN member states, including Georgia, agree to implement the mentioned goals and develop ways to achieve them for more sustainable future.

As a highly responsible financial institution, JSC MBC is committed to the achievement of sustainable development goals. By incorporating social, economic, and environmental factors into our activities, we aim to contribute to sustainable development and continuously improve our performance.



PARTNERS

JSC MBC is a member of local and international organizations that promote corporate responsibility and sustainability. These are: Global Compact Network Georgia, Georgian Pro Bono Network, UN Women Georgia, MFC, Smart Campaign. MBC also supports international and local working with vulnerable groups.





CORPORATE GOVERNANCE

6 CORPORATE GOVERNANCE

Corporate management of MBC, as Joint Stock Company, complies with international standards, principles and best practices. MBC has a well-defined organizational structure that ensures accountability, proper delegation of accountability and authority, reasonable administration, effective risk identification, management and reporting, relevant internal control, financial planning and reporting, appropriate policy-procedures.

An appropriate model of corporate management is implemented in the company, which is based on the following principles:

- Justice;
- Transparency;
- Accountability;
- Responsibility, compliance with ethical principles and relevant legislation;

Supervisory, executive, and controlling bodies of MBC are strictly separated to ensure stable operating of the company and make sure responsibilities are not duplicated. Management bodies of MBC include: Board of Directors, Supervisory Board and General Meetings of Shareholders.

MBC values diversity in leadership i.e. recruiting managers with different background such as gender, nationality, work experience, etc. Candidates are appointed based on their work experience, education, professional background, and required skills. Women make up three out of five members of management.

MANAGEMENT AND STRUCTURE

The highest governing body of MBC is the General Meeting of Shareholders. Shareholder rights are determined by the company's charter and regulated by Georgian law. General Meetings of Shareholders elect the company's Supervisory Board, which supervises its activities. A Board of Directors determines the strategic direction of the company, directs the activities of the executive bodies, and is accountable to the shareholders. There are five members on MBC's Supervisory Board, including one independent member who heads the Audit Committee.

Among the main functions of the Supervisory Board are to protect shareholders' rights, to determine the company's strategy, to approve the organizational structure, to supervise the executive bodies, and to constantly assess their contribution to establishing and maintaining a healthy corporate environment. In addition, the Supervisory Board ensures that effective internal controls and risk management are in place, monitors the remuneration system of the company, approves the long-term strategic development plan, the budget and controls performance.

The Audit Committee is a body within the Supervisory Board, whose primary responsibility is to facilitate the smooth functioning of the internal audit and the company's external auditors. The purpose of the audit committee is to conduct the internal audit and financial reporting process, monitor the internal control system, and ensure compliance of the organization's business with legislation and regulations, so that the Supervisory Board can receive reliable information upon which to make effective management decisions. The authority, functions, and responsibilities of the company's Audit Committee are established by Georgian legislation and by the company's Audit Committee charter, which has been approved by the supervisory board.

Management of the company is carried out by the Executive Management, which is jointly accountable for its activities and reports to the Supervisory Board. The members of the management team are appointed by the Supervisory Board of MBC. As part of its responsibilities, management implements company's business strategies, develops effective risk management systems for both financial and non-financial risks, contributes to the creation of a risk culture, processes, and controls, and provides information needed to perform Supervisory Board functions. In addition, management is responsible for allocation of responsibilities and duties among employees and setting up effective governance structures to ensure accountability and transparency. The management team consists of five members – Chief Executive Officer, Chief Credit Officer, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer. Regulations concerning the appointment of members of the management, terms and conditions of performance are established by Georgian legislation, the company charter, and the board's regulation.

RISK MANAGEMENT

RISK MANAGEMENT

All MBC employees are involved in the risk management process i.e. structural units have clearly defined roles and responsibilities in risk management processes, contributing to the sustainability of the company. Risk management is carried out within the framework of a unified risk management system, the purpose of which is to:

- Timely identify existing risks and threats;
- Prevent possible losses;

- Effectively manage ongoing incidents;
- Promote the achievement of company's goals;
- Improve control;
- Increase the efficiency of the operations;
- Promote the sustainability of the organization;
- Ensure compliance with regulatory requirements and international standards;
- The company's organizational structure ensures adequate supervision, accountability and a clear division of duties.

The individual risks management on a day-to-day basis is based on the principle of "Three Lines of Defense", which ensures the separation of obligations and responsibilities in order to achieve effective risk management, which in turn contributes to the strengthening of the internal control framework. The "three lines of defense" separate ownership/risk management from the functions that oversee risk and independent audit:

- Line of Business - structural units that own and manage risk.
- Second Line of Defense - the second line of defense is independent of the first line of defense and monitors the company's risk-taking processes, assessing risks and related issues.
- Third line of defense - internal audit is the third line of defense. It is independent from the first and second lines of defense, and its main function is to assess the consistency and effectiveness of the company's internal control system, the first and second lines of defense, and the overall risk management framework.

PLANNED IMPROVEMENTS IN RISK MANAGEMENT IN 2022

- Agreement of internal policy procedures with the National Bank of Georgia;
- Separation of compliance into a distinct direction, and strengthening of control functions;
- Improvement of risk management policies and alignment with best financial practices;
- Identification of material risks and preparation of a report, in accordance with the risk management policy;
- Refinement and improvement of the incident management system;
- Improvement of software in order to increase the

effectiveness of AML/CFT risk management.

SUSTAINABILITY MANAGEMENT

We realize that it is very important to manage business with sustainable and responsible approaches and use them to conduct business relations with the company's stakeholders, namely: employees, customers, investors, society, partners, etc. We aim to establish a sustainable and responsible organizational culture at all levels of management and to improve them continuously.

The corporate responsibility manager, who reports to the COO, is responsible for managing corporate responsibility and sustainability issues at MBC. Precisely, the manager is responsible for the development, implementation and management of the company's corporate responsibility strategy, relevant approaches and policies. In addition, the Manager is responsible for preparing and submitting corporate responsibility annual reports to both the Supervisory Board and Management and, in general, to the company's stakeholders.

Further, a sustainable development committee will be formed within the supervisory board as part of MBC's CR strategy, which will determine its corporate responsibility policy and integrate environmental, governance, and social factors into its operations.





BUSINESS ETHICS



7 BUSINESS ETHICS



At MBC, company management is guided by laws and regulations, along with high ethical principles.

CODE OF ETHICS

Since its foundation, the company has developed a code of ethics, which defines its values and norms, on which all its activities are based. A code of ethics is intended to implement corporate behavior and international standards in the business activities of the company, which means complying with generally recognized moral rules and ethical norms.

Each employee of the company is expected to consider and observe the principles contained in the Code, and their violation is monitored by the organization. According to the company's 2022 strategy, it is planned to update the existing code of ethics in accordance with current and future goals.

All employees of the company have access to the Code of Ethics through the company's internal network. Additionally, all new employees are introduced to the document as part of onboarding. Upon updating the Code of Ethics, we intend to make it available on the official website of the company to external stakeholders.

BYLAW

The company has developed a bylaw document based on corporate management and corporate ethics. The document outlines and regulates issues such as issues of interdependence between JSC MBC and its employees, basic principles of employee responsibility, and norms of professional ethics and behavior.

Similar to the code of ethics, all employees of the company are expected to follow and consider the bylaws. Company monitors if there are any violations of the document. Employees have access to the Bylaws document via the company's corporate network. Additionally, the document is introduced to all new employees, as part of the onboarding.

POLICY TO COMBAT FINANCIAL CRIME AND MONEY LAUNDERING

In accordance with Georgian legislation and regulations, we promote the prevention of money laun-

dering and terrorist financing in the company's activities. For this reason, we have introduced the policy of preventing money laundering and terrorism financing. A policy serves as a framework for identifying, analyzing, managing, and reducing the risks associated with money laundering and terrorism in the company.

All employees are required to undergo money laundering training within the first three months of their employment. Furthermore, employees of the company, whose duties include establishing business relationships, managing payment operations, assessing credit risk or implementing compliance controls get face-to-face training every year.

The prevention of money laundering and terrorism financing also plays significant role to achieve sustainable development goals. Specifically, we contribute to the achievement of Goal 16, Task 16.4 by implementing appropriate policies and preventing money laundering and terrorism financing. Employees are also prohibited from participating in corrupt transactions that contribute to the fulfillment of Goal 16, Task 16.5 as well.





RESPONSIBILITY TOWARDS CUSTOMERS



8

RESPONSIBILITY TOWARDS CUSTOMERS



Customer care is the main value within all our activities. We are in constant communication with our customers, researching their expectations and interests, and taking care to maintain their satisfaction level, and even to increase it.

As of 2021, JSC MBC had served a total of 7,143 clients. Compared to the year prior, the number had increased by 15%. According to the final report, 56% of customer were from the regions of Georgia and 44% from Tbilisi. We have a well-diversified loan portfolio and, as of 2021, it amounted to 7,310 million GEL.

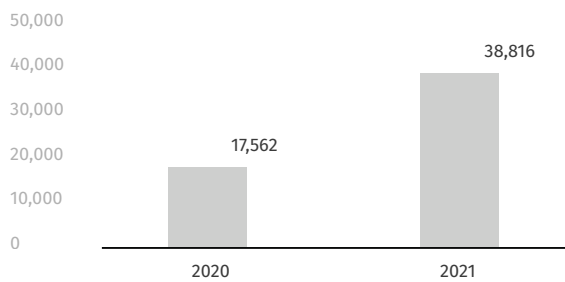
Our goal is to make financial products and services accessible to micro and small entrepreneurs and farmers, especially in the regions of Georgia, through responsible financing.

38,816
Customers

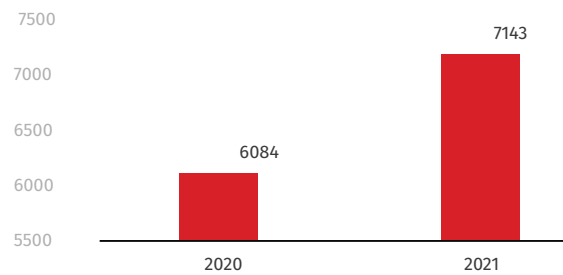
7,143
Borrowers

GEL 75,56 930 MIL
Loans

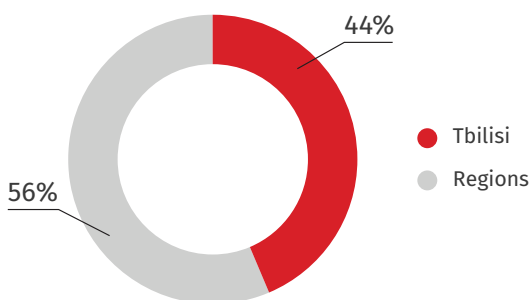
TOTAL NUMBER OF CUSTOMERS



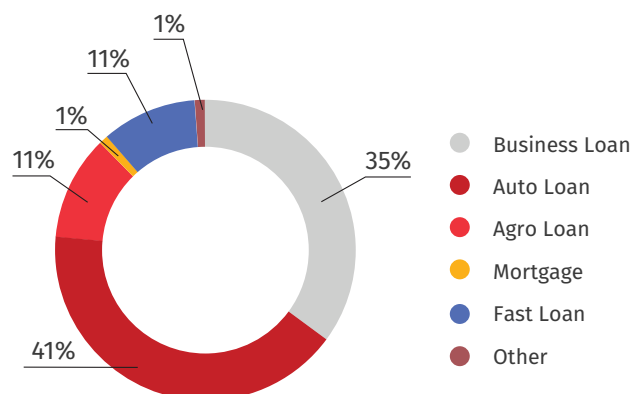
TOTAL NUMBER OF BORROWERS



TOTAL NUMBER OF BORROWERS



NUMBER OF BORROWERS BY PRODUCTS



CONSUMER RIGHTS PROTECTION

The protection of consumer rights is essential for us, which means providing transparent, reasonable and high-quality financial services to our customers. Our customers are always timely and fully informed about company's products and services. Our attitude towards clients is based on high standards of professional ethics and moral values. The company has a separate unit for service quality, which monitors the rules of behavior of employees, and ensures the creation of the most comfortable environment for clients.

RESPONSIBLE MARKETING AND COMMUNICATION

Responsible marketing and communication with customers and the public is an important part of corporate responsibility strategy. In order to communicate with customers, the company uses various means of marketing communications. Among them are advertising, public relations, direct marketing, and sponsorship. The main communication channels are: the outdoor advertising, radio, SMS, digital media and TV channels.

MBC's marketing communication is based on generally accepted ethical standards, and is in full compliance with the laws and regulations and international standards. In particular:

- When offering a financial product, the customer is provided with accurate, reliable and complete information about the features of the financial product;
- When advertising a loan, the offer explains the important parameters determining the price of the financial product, including the effective interest rate;
- While using different parameters to determine the price of a financial product in the advertisement (except verbal offer), all the parameters, including the effective interest rate, must be visually similar;
- On the company website, information is constantly posted or updated regarding the conditions of loans and other products. Further, in order to fully inform our customers, samples of the contracts for each product are placed on the website;
- Only non-discriminatory content is used in marketing communications;
- Our marketing practices challenge gender stereotypes.

CUSTOMER RESEARCH

An important part of responsible customer relations is researching their opinions and expectations. Customer satisfaction is a core value of JSC MBC, and we constantly seek to ask our customers' opinions. On the one hand, such studies allow us to create customer-oriented products and services or to improve existing ones, and on the other, it means we are constantly in touch with our customers, which enables us to learn about their requirements and needs. In this way, we contribute to increase their satisfaction levels, which, in the end, help us to establish a long-term and transparent relationship with them.

1. NPS Survey - Customer Loyalty Index Survey (NPS 2021-88)

The purpose of the Customer Loyalty Index Survey was to reveal our customers' attitudes towards the company and, in the case of dissatisfied customers, to determine the reasons for that dissatisfaction so as to improve their experience and overall relations with us. Further, on the basis of the mentioned research, it will be possible to improve procedures, products and services, and adapt them to the needs of our customers.

2. Satisfaction Survey

We plan to conduct a customer satisfaction survey in 2022. This research will allow us to determine the weaker and stronger points of the company, to promptly identify and eliminate problems, and in this way to keep our existing customers and increase their degree of loyalty.

SUPPORTING AND PROMOTING CUSTOMERS

An important part of MBC's customer care is to support and facilitate the activities of micro and small entrepreneurs and farmers. As part of support, MBC provides financial literacy trainings and consultations to customers. Also, we promote their business activities through our communication channels.

FINANCIAL EDUCATION:

Through the "Financial Advisor" platform, our team offers free consultations to micro and small entrepreneurs and farmers, as well as other customers (see more information in the subsection: Financial Education).

PROMOTION OF CUSTOMER ACTIVITIES:

As part of our support to loyal customers, we prepare various types of communication materials and try to promote and popularize their activities.

RESPONSIBLE LENDING AND SUSTAINABLE FINANCING

MBC's long-term strategy is to provide access to financing for individuals and micro/small entrepreneurs engaged in trade, entrepreneurship, and agriculture through transparent, fair and responsible lending.

A credit policy has been developed and implemented in the company which defines the priorities, goals, strategy, tactics, tasks, means and mechanisms of credit activities, as well as standards, principles, and rules of managing credit processes. The policy includes such topic as: consumer lending criteria, the loan processing process and approval principles, borrower solvency and credit risk assessment, fair pricing principles, and credit portfolio risk management.

In business activities, the main task of the company is to assess the solvency and credit risks of the borrower/co-borrower, which is based on the ethical and high responsibility principles of JSC MBC. The solvency assessment is based on a study of the borrower's proven income, expenses, assets, and liabilities, and a financial analysis. Through the financial analysis, the company evaluates the borrower's ability to repay the loan on the requested schedule.

As such, taking into account the principles of responsible lending, we do not lend to borrowers who, according to our financial analysis, cannot pay back the loan. By implementing the mentioned principles, we try to prevent over-indebtedness and financial difficulties for borrowers with low creditworthiness. Within the framework of responsible lending. As part of our lending process, we plan to gradually incorporate "sustainable financing" principles, which means taking environmental, social, and governance (ESG) factors into the evaluation of clients, as well as supporting projects based on inclusive and sustainable growth strategies.



This is Giorgi Giorgashvili, a long-time friend and client of MBC. He worked in Ministry of Environmental Protection and Agriculture of Georgia for 11 years and left his job voluntarily to pursue a career in his favorite activity: cow farming.

Giorgi fulfilled his dream, bought cattle, and currently runs a successful agribusiness on his own farm near Tbilisi. MBC helped Giorgi to buy Dutch and Swiss cows, those breeds which are distinguished by a high milk yield and the best quality milk in the world.

Giorgi says that what makes his work a success is a love and knowledge of the process. He continues to expand his own knowledge by consulting with vets, through on-the-job practice, and online researching.

INNOVATION

Development of remote products and services is the company's primary focus. Using modern technologies, the company offers customers new and simplified services aiming to save their time and help position MBC as an innovator.

> Based on international best practices, JSC MBC introduced individual landing pages for all products in 2020-2021, allowing users to obtain comprehensive information on all services of interest to them on one platform, as well as request financing by filling out a simple application form, on the same platform. As a consequence, percentage of submitted applications was increased approximately 3-4 times among web-page visitors.

> To establish a business relationship with the customer remotely, without requiring face-to-face contact, a remote identification procedure was implemented at JSC MBC, which was agreed upon with the National Bank of Georgia. This service allows users to save time, costs and get services without visiting service centers of MBC;

> With the introduction of the remote loan request platform in 2020, the company became the first microfinance company in Georgia to enable customers to fill out an application remotely and receive a response without having to leave their homes. At the beginning, the innovation was applied to auto loans, and at the present time it is being applied to virtually all forms of credit.

> Another innovative product was developed in the period 2021-2022 - "Online currency conversion". This includes a virtual personal space and enables remote confirmation and cashless conversion. "Online currency conversion" provides existing and potential customers with a favorable exchange rate. The service is available to both individuals and legal entities.

> Another remote product was refined and developed in 2021 - SMS (a service similar to the "SMS Bank"), which provides customers of MBC with the ability to receive information about the company's services, the transactions carried out, and company news by sending a short text message, at the desired time, without having to visit the service center;

> In addition to innovation management, we emphasize marketing activities that adhere to modern standards, which, first and foremost, involves continuous and, most importantly, two-way communication between a company and its customers, and second, the introduction of such products or technologies that significantly ease the public's access to financial resources. MBC's marketing team uses virtually all digital channels to communicate with customers;

> By the end of 2022, we plan to offer our users a new platform for Internet banking.

Innovation management is a key challenge for modern management, and JSC MBC has proven its ability to successfully address this challenge, as demonstrated in its results for 2021 and even more ambitiously reflected in its plans for the future. Innovation development and management have been identified as one of the company's priority directions for achieving its goals and objectives.

CUSTOMER COMPLAINT MANAGEMENT

In order to identify systemic and other types of issues, we continuously analyze customer complaints and respond to them accordingly.

As part of our efforts to protect consumer rights and improve the quality of service, we have implemented a system for receiving and reviewing complaints/claims.

Customers can submit complaints/claims in written form at service centers of JSC MBC, or online form on the website www.mbc.com.ge or by e-mail to complaint@mbc.com.ge, also call to the call center of JSC MBC (complaints recorded through the telephone channel) and the National Bank of Georgia.

A received complaint is reviewed by the operational risk department (an employee of another structural unit is involved in the complaint review process if necessary), which systematically records the received complaints (information about the customer who submitted the complaint, the nature of the complaint, the company's response, the steps taken to solve the identified problem, and the final outcome). In addition, the mentioned data is electronically provided to the National Bank of Georgia every month. As soon as the customer submits a complain/claim (except when it is in oral form), the company reviews and returns the feedback in written or online form within one month.



**OUR
TEAM**



9 OUR TEAM



The basis of MBC's success is its employees, who are guided by recognized corporate governance principles and ethical norms in their daily activities. The personnel management strategy is focused on a high motivation system and promotion of healthy competition.

JSC MBC pays special attention to the creation of safe working conditions and an employee-oriented working environment for its employees. We create a gender-balanced work environment and support the empowerment of women in the workplace.

Our Employees

224
NUMBER OF EMPLOYEES

61%
SHARE OF FEMALE
EMPLOYEES

50%
SHARE OF WOMEN IN
MANAGERIAL POSITIONS

60%
SHARE OF WOMEN IN
MANAGEMENT

HEALTH AND SAFETY AT WORK

For MBC, the health and safety of its employees is critically important. In accordance with the legal requirements of Georgia, the company has a labor safety specialist who is responsible for ensuring compliance with safety norms in the workplace. In case of any kind of incident or discovered technical malfunction, employees are obliged to inform the relevant unit. The company constantly assesses the security risks of the infrastructure, analyzes the needs, and draws up an action plan to eliminate inconsistencies.

The company has an emergency management plan, and, taking into account the prerequisites of all possible incidents, plan is constantly refined and updated. All MBC offices and service centers display a picture of the message, along with a telephone directory and contact information for the city rescue services, to ensure the health and safety of employees. Further, all facilities meet fire protection requirements and are equipped with fire protection devices.

SALARY AND BENEFITS

Along with the basic amount, JSC MBC offers incentive schemes to employees which provide the opportunity for them to earn salary supplements or bonuses. The salary supplement/bonus depends on the performance of the set plans and is an opportunity for employees to earn an increasing salary. The company offers its employees a pleasant working environment, the opportunity to participate in various social events, career growth prospects, professional and personal development opportunities, and paid maternity leave. One of MBC's main goals is to ensure the

physical, mental and social well-being of its employees. To achieve this, the company uses all available resources.

COMPLAINTS MANAGEMENT

JSC MBC has launched a new online platform, entitled "Employee's Voice", which allows employees to anonymously submit any comments or dissatisfactions, as well as awareness of misconduct, to the human resources department, top managers, and directors. This gives employees significant motivation to form a more successful company, to create a comfortable and friendly working environment where each of us is satisfied and happy.

DIVERSITY AND EQUAL OPPORTUNITY

We believe that all employees are equal, regardless of age, disability, sex, marital status, gender identity, nationality, religion, or other characteristics. We respect diversity and strive to create a work environment where our employees have equal opportunities, are protected from discrimination, and feel valued.

In order to introduce the above-mentioned principles in a more systematic way, in 2022, in cooperation with UN Women Georgia, we plan to develop a document reflecting the company's policy, the goal of which is to create a gender-balanced and discrimination-free work environment at MBC.

EMPLOYEE INVOLVEMENT AND COMMUNICATION

Employees are a critically important factor in providing efficient and qualified services to our customers. That is why we try to be in constant

communication with our employees, listen to them, improve their working environment, and pay attention to their expectations, giving them the opportunity to share their opinions with us and as consequence, increase their involvement in the company's activities and decision-making processes. In order to give employees the opportunity to submit new ideas and recommendations regarding various initiatives, we have created an online platform called "Employee's Voice", which employees can use to submit an application and send us their opinion.

In addition, we conduct various annual surveys to determine the opinions of our employees:

> Employee satisfaction survey

In order to determine the level of employee satisfaction and involvement, we conduct an employee satisfaction survey every year. The purpose of the needs analysis identified as a result of the research is to create a better working environment and conditions for employees. In 2021, 70% of employees participated in the survey. As a result of the research, the attitude of employees towards following issues were determined: working environment and conditions, stress related to the working environment, compliance with and attitude to the company's organizational culture and values, loyalty to the company, company's management related to the pandemic, etc. The results of the annual survey are presented to the company's management and the appropriate action plan and goals are set.

> A survey of the employee compensation system

In 2021, JSC MBC conducted a survey of the employee compensation system in order to evaluate the existing system and, if necessary, to improve it. The research involved 81 employees (60%) from the service center. A number of issues were evaluated as a result, such as employee knowledge of remuneration instruction, the content of remuneration instruction, and the need to change or improve remuneration conditions.

EVALUATION OF WORK PERFORMED

In MBC, there is an annual evaluation of the work performed by our employees, which is carried out in compliance with the principles of fairness, objectivity, transparency, impartiality, inadmissibility of conflicts of interest, trust, and the proportionality of MFO and employee's interests. In 2021, the evaluation system was improved. Using the updated system, employees are not only evaluated according to their performance against their goals, but also according to the level of competence required to perform their duties. In order to enhance the evaluation system, a new

component has been added that identifies employee development needs, makes plans, and develops employees according to those plans.

EQUAL OPPORTUNITIES FOR EMPLOYMENT, ATTRACTING NEW PERSONNEL

In MBC, the recruitment system is in full compliance with the principles of equality. A healthy, competitive and transparent environment for personnel recruitment has been implemented in the company, which includes candidate search, evaluation and selection. In the process of hiring, both external and internal candidates are considered, and the final evaluation is made by taking into account the relevant education, work experience, professional knowledge, business qualities and skills required for the vacant position. An internship program has been introduced in the company, the purpose of which is to train and develop new personnel so as to determine and improve their career advancement opportunities. JSC MBC offers internships to undergraduates and graduates, and employs interns after successful completion of the internship program. The company constantly cooperates with various higher education institutions and actively participates in employment forums.

TRAINING, DEVELOPMENT, ADAPTATION OF EMPLOYEES

JSC MBC has an employee adaptation and socialization program, the goal of which is to help new employees to adapt to the company's work environment and their new colleagues as quickly as possible, to familiarize themselves with the corporate culture and rules of the company. In MBC, we constantly take care of the development and career growth of our employees, systematically trying to implement various qualification trainings and educational programs. Experienced employees of the company are actively involved in the process of training and development of new employees. The company also financially supports the training of employees in various external training programs. In 2021, around 180 employees underwent training and retraining (service plus, sales, processes, products, personal development, management, etc.).

Among the main priorities of JSC MBC is to care for the development of its employees, to reveal their abilities as much as possible, to determine additional needs for professional development, and to create opportunities for them for career advancement. The company financially supports the holding of trainings for the purpose of raising qualifications and professional development.

Even in the conditions of the crisis caused by the pandemic, employees were the main value for the company, and taking care of them was MBC's main

goal, which was manifested, first of all, by maintaining 100% of jobs and salaries, taking care of the safety of employees, and continuing their development.

EMPLOYEE MOTIVATION

Employee motivation and encouragement is the main priority of the company. This includes both tangible and intangible systems. Material systems include bonuses, an annual bonus, health insurance (fully paid by the company), a salary increase system (fully paid by the company), a salary increase system, various competitions, trainings, additional rewards, corporate events, and sports, field events and other social activities. Intangible motivational systems include employee recognition, such as letters of thanks and certificates, identification of the best employees, public and personal recognition programs, employee involvement programs, and more. Since its establishment, the company has been increasing the salaries of its employees at least once a year. From January 1, 2019, along with the implementation of the cumulative pension reform, the company decided to pay the pension contribution amounts for employee. As a result of company and state contributions, the welfare of JSC MBC's employees is improving.



EMPLOYEE ASSISTANCE FUND AND PROJECT "KINDNESS IS CONTAGIOUS"

The MBC employees' fund was created on the initiative of the employees themselves. Employees contribute 1% of their salary to the fund every month, and the company adds the same amount to the fund. The money accumulated in the fund are used to finance important issues for employees, including: providing financial assistance to employees and/or their families, who are ill and/or suffering from various social problems, natural disasters, accidents, and financial assistance, also financing various social initiatives initiated by employees.



COMMUNITY SUPPORT



10 COMMUNITY SUPPORT

FINANCIAL EDUCATION



Financial education is an important direction of our corporate responsibility, which acquired special importance in the fight against the challenges of 2021. In terms of financial education, the "Financial Advisor" project is significant, the goal of which is to provide people with the knowledge and skills to help them manage their personal finances correctly and efficiently. As a part of the project, our team continues to share experience/knowledge and offer free consultations to entrepreneurs, interested citizens, and sectors that have been particularly affected by the pandemic.

JSC MBC is a member of the Eastern and Central European Microfinance Center (MFC). Membership of this organization gives us even more opportunities in the direction of financial education, and we share these opportunities with our customers. One such opportunity is the international financial education campaign "Lend Wisely". Lend Wisely seeks to increase the financial education of consumers and, in this way, to strengthen the protection of their rights. As part of the campaign, MBC created visual and text materials in Georgian, including informative videos, posters and various interesting and necessary content for financial education, and made it available to consumers for the purpose of sharing international experience. Also, the company actively cooperates with the National Bank of Georgia and participates in financial education activities such as Global Money Week, International Consumer Rights Protection Day Week, blog and video contest - "Know your rights, be protected", workshop for students (NBG, BTU, Youth Parliament), Innovation Camp, and cooperation with Finedus.

WOMEN'S EMPOWERMENT



More and more facts and data prove that gender equality and the UN Sustainable Development Goals cannot be successfully achieved without women's economic empowerment. Therefore, together with the UN Women Georgia, in order to ensure sustainable change and create an environment conducive to women's economic empowerment, JSC MBC has developed an action plan which is being successfully implemented.

In 2021, MBC continued to help victims of violence and abused women. The procurement policy was refined and priority was given to women entrepreneurs who need special support in the post-pandemic period, as well as to provide financial assistance to young women who are victims of violence (for the purchase of personal computers, purchase of personal items, payment of apartment rent).

Every year, JSC MBC joins the global campaign against gender-based violence, which is implemented by UN Women, a most important problem around which the whole world unites annually. The private sector has an important role to play in overcoming gender violence. We, as a signatory to the principles of women's empowerment, who strive to empower women, realize that this goal cannot be achieved without the elimination of gender-based violence. That is why we try to take steps to promote a violence-free environment both inside and outside the organization, to raise awareness about this problem, to promote the services that exist against violence, and to support victims of gender-based violence.

PROJECT MAMA BONO

“Mama Bono Georgia” is an innovative project of JSC MBC and its goal is women economic empowerment and support. The project was originally implemented in Japan, and based of Japanese project, new project was incepted in Georgia. In particular, the idea of the project was desinged in accordance with the challenges faced by women in the Georgia.

Within the framework of the project, we plan to provide professional training for mothers who find it difficult to combine motherhood and career. The purpose of trainings and workshops is to strengthen their skills. Afterwarads, we plan to offer them opportunities for paid internships and employment not only at MBC, but in other companies. Trainings will be provided to women for free.

Before the implementation of the project, we conducted a survey in 2021, in which 393 women participated, more than 60% of whom have 3 or more children. Only 12% have work experience, although more than 80% have higher education. Their main challenge is attending trainings in person, more than 80% of mothers cannot leave their children and wish to study remotely. As a result of the survey, trainings and workshops were planned. It is also important that the project carries the concept "Mothers for Mothers". Mothers who have already overcome these challenges and are currently employed or involved in active economic activities will be presented as trainers. The project is mainly voluntary and trainers and companies will be involved on a Pro Bono basis.



YOUTH SUPPORT

JSC MBC, as a financial institution with corporate social

responsibility, pays special attention to the promotion of education and the support of young people. Economic empowerment and helping them to realize their potential is very important for us. This strategic direction supports the 4th, 5th, 8th, 9th and 10th goals of the United Nations Sustainable Development.



One of the main reasons for the high unemployment rate in Georgia is the mismatch between the skills of young people and those required for employment. In this regard, it is necessary to improve the job forecasting and career counseling system, something which the human resources unit of JSC MBC is actively involved in, and which, within the framework of the "Financial Advisor" project, provides free counseling to young people and social enterprises. It is necessary to raise the quality of formal, informal, and professional education, which will significantly reduce the imbalance in the labor market. In this direction, JSC MBC has a series of regular trainings for interns and interested young people, as well as for startups who want to use the company's products.

For better integration of young people into the labor market, it is essential to support them in the transition from education to employment. For this purpose, an effective step we have taken is to refine our internship programs, introduce modern assessment methods, and ensure active cooperation with the Global Compact Network Georgia and UN Women Georgia. We also promote the implementation of alternative and innovative initiatives for young people, especially for vulnerable groups, by creating jobs specifically for them.



ENVIRONMENTAL RESPONSIBILITY



11 ENVIRONMENTAL RESPONSIBILITY

Among the company's top priorities is its commitment to environmental responsibility.

MBC strives to reduce its environmental impact, ensure waste recycling, and engage in cleaning and recycling campaigns.

The management of JSC MBC ensures the coordination and control of environmental approaches, systematically supervises and updates the rational use of natural resources. Also, environmental education and awareness-raising activities are planned and implemented by the company. All the stakeholders of the company are informed about

planned environmental activities and initiatives. Developing sustainable environmental activities and involving employees in them, as well as discussing and implementing their initiatives, are particularly important for the company.

Managing the company's environmental activities is the responsibility of the corporate responsibility manager at MBC.

By using energy, water, resources, fuel, and waste, MBC has a direct impact on the environment. Therefore, environmental activities are prioritized in the following areas:



WASTE MANAGEMENT



RESPONSIBLE CONSUMPTION OF NATURAL RESOURCES AND ENERGY EFFICIENCY



REDUCTION OF ENVIRONMENTAL POLLUTION



OTHER ENVIRONMENTAL INITIATIVES

WASTE MANAGEMENT

In MBC, we have implemented a waste management system that is designed to manage existing waste effectively. Our company generates paper, electrical, and electronic waste.

Due to the fact that MBC business activities are office-based, we use different types of electronic devices. The waste of these devices contains environmental polluting components, including various heavy metals. As a result, we attach great importance to the proper management of the mentioned waste. For printing machines, we purchase reusable typewriter cartridges from a contractor company. Therefore, the cartridges aren't thrown away, but they are refilled with the help of our supplier. As for computers or related electronic devices, we sell them on the secondary market and therefore do not throw them away. In terms of environmental impact, paper waste makes up a significant portion of MBC waste. To ensure proper management of paper waste in Tbilisi offices, we plan to shred papers, collect them and work with paper recycling companies in 2022.



RESPONSIBLE USE OF NATURAL RESOURCES AND ENERGY EFFICIENCY

Energy consumption (electricity, natural gas) is the main source of environmental impact. Electricity is primarily consumed by fixed equipment, cooling systems, and other equipment. Natural gas is consumed by heating systems. The MBC implements various initiatives to ensure a sustainable use of energy. We use energy-efficient LED lighting and heating and cooling systems in MBC offices. Also, we conduct awareness-raising and saving initiatives within the company.



Total Energy Consumption in 2021	Unit	
	Electricity	Kw/h
Natural Gas	M ³	58,704.50
Water	M ³	2623.95

REDUCTION OF ENVIRONMENTAL POLLUTION

CENN, an environmental organization, is the company's partner in this effort. In particular, several years ago, MBC joined the campaign "Keep Georgia Beautiful" organized by CENN. MBC has adopted a particular area in Gori, Uplistsikhe and is responsible for cleaning it every year as part of the campaign.



OTHER ENVIRONMENTAL INITIATIVES

MBC promotes environmental awareness through various initiatives both internally - among employees - and externally - among customers and partners. Along with the above initiatives, the company strives to reduce its environmental impact on transportation. 80% of the MBC fleet is equipped with hybrid vehicles. Furthermore, the company takes the environment into account when making lending decisions. In assessing risk, we take into account a variety of factors, including environmental factors. We do not finance activities that are harmful to the environment or pose a threat of ecological pollution, or that may adversely affect cultural or archaeological sites.

In order to better manage environmental impacts, we started working on an environmental policy document. We collaborate with the Global Agreement Georgia Network on the development of the aforementioned document.





PRO BONO PROGRAM



12 PRO BONO PROGRAM



Pro bono program is an integral part of JSC MBC's corporate responsibility strategy. As part of the pro bono program, our team members are always enthusiastic about sharing their expertise and intellectual resources with CSOs, SEs, CBOs working on various social and environmental issues. Through pro bono support, we strive to contribute to the achievement of the goals of these organizations and to the sustainability of their activities, so that they can better meet the needs of their beneficiaries and improve their well-being.



At the same time, JSC MBC has been a member of the Pro Bono Network of Georgia since 2018 and has been actively involved in a number of pro bono mediations and events organized by the network.

Through our pro bono program, we also strive to contribute to the achievement of the Sustainable Development Goals. In particular, the organizations (CSOs, SEs, CBOs) we strengthen work on issues that contribute to the achievement of the Sustainable Development Goals (see details below).

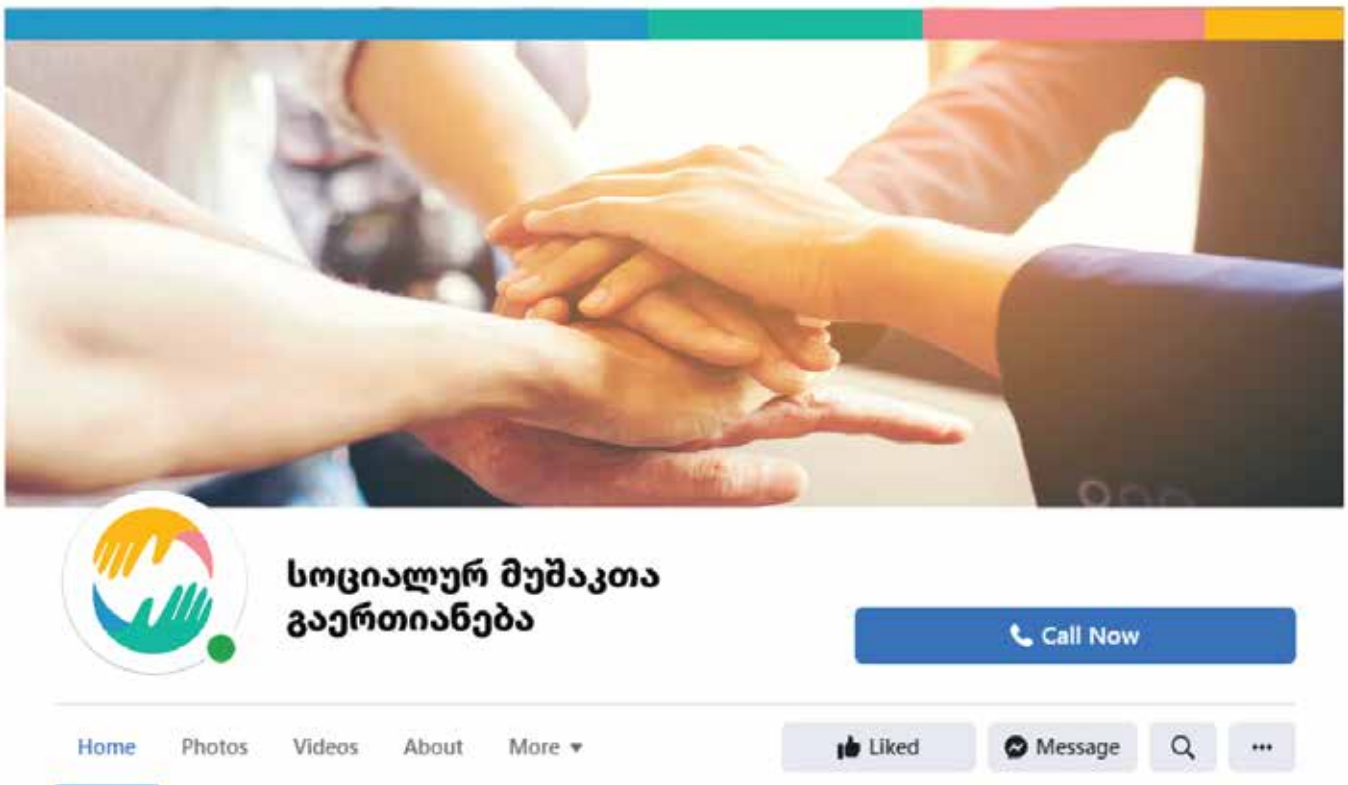
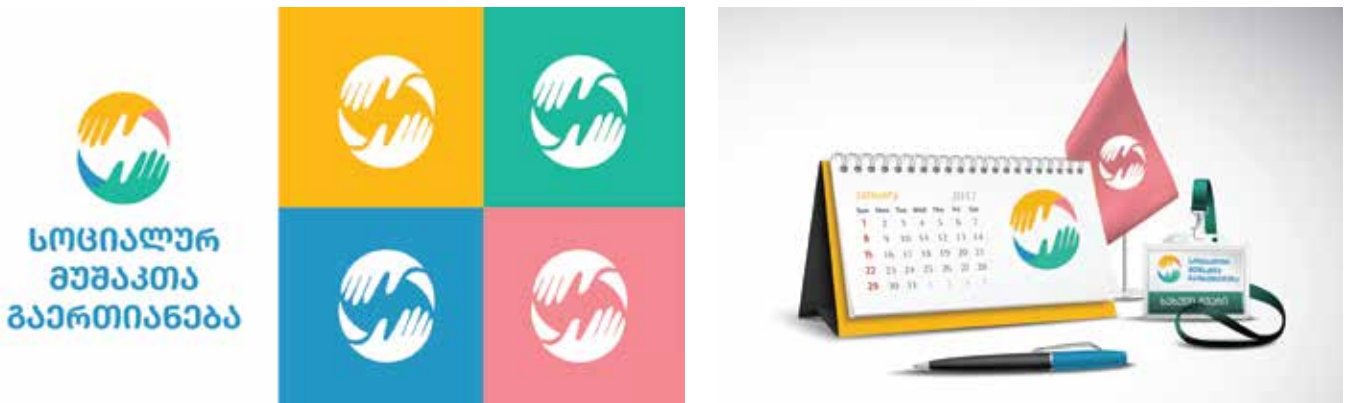
In 2021, within the framework of the pro bono program, in partnership with the Georgian network, MBC implemented various pro bono projects to strengthen the following civil society organizations: **Union of Social Workers, Union "Ia", Kakheti Area Development Center – KADC.**

2021 PRO BONO PROJECTS:

COMMUNICATION STRATEGY FOR SOCIAL WORKERS UNION

Based on the identified needs, team of MBC engaged in pro bono consulting. In particular, the public relations and corporate responsibility manager - Tamta Aslanishvili and the designer - Mari Papaushvili worked on identified issues. As a result a new logo, brand book and communication strategy were designed for the Union of Social Workers. Pro Bono consulting included meetings and online communication. This consultation was held within the framework of MBC's new pro bono project - "Mama Bono".

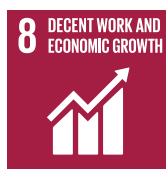
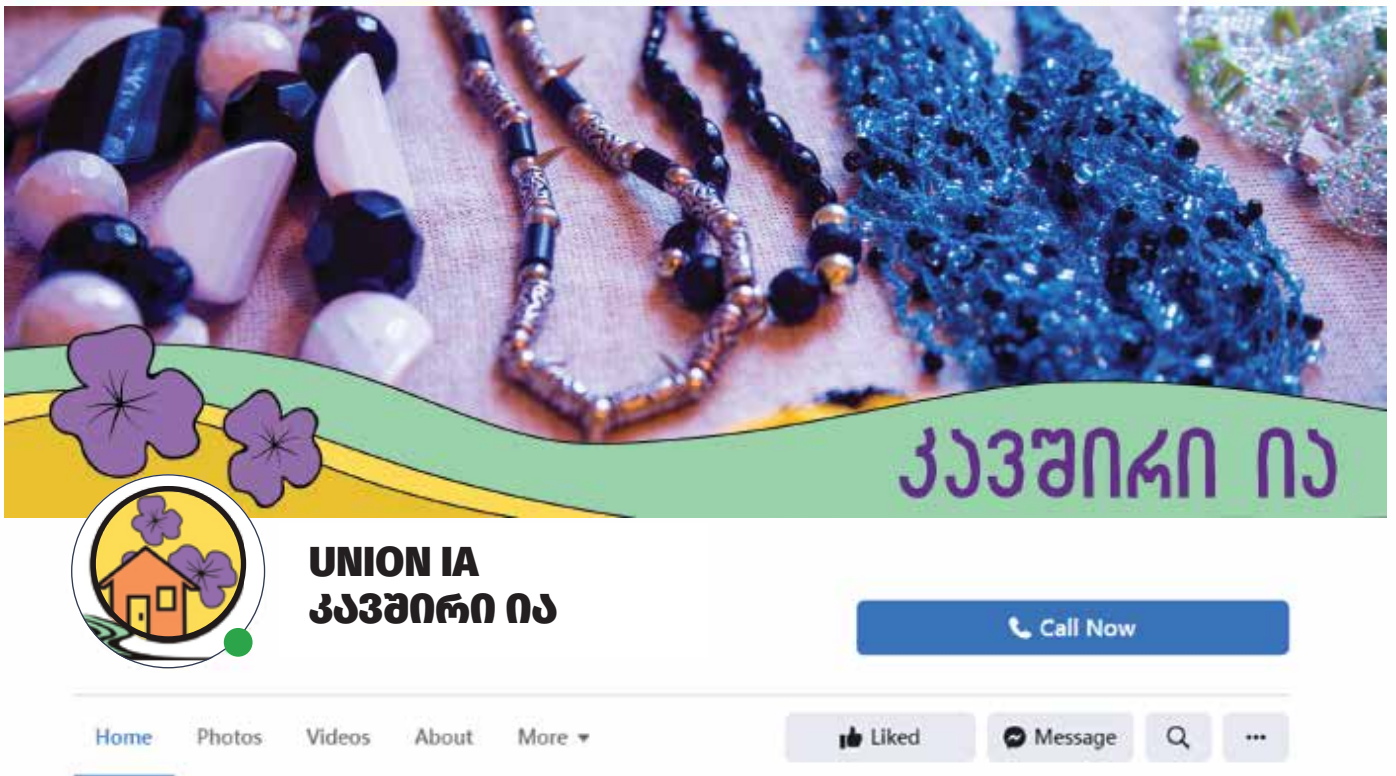
The Union of Social Workers was founded in 2019 by 61 social workers. Today, the union unites 114 members and is actively involved in monitoring, identifying existing problems and advocacy processes in the field of social work.



PRO BONO CONSULTING IN SOCIAL MEDIA MANAGEMENT

The MBC marketing team was responsible for creating and maintaining the social media pages for the Union „Ia”. An official Facebook page will help the organization to improve communication with stakeholders, such as: beneficiaries, donors, society, etc. The consultation process lasted several weeks and included an intensive work process between MBC’s employees and representatives of the organization.

CSO Union "Ia" is a union of persons with disabilities, founded in 2005 by parents of people with disabilities. Prior to its official registration in 2003-2005, the organization worked as an initiative group. The main activities of the organization are: art therapy (painting, sculpture, clay), drama therapy (speech, performing, events), music therapy (teaching folk songs, children's songs, music, etc.), Psychological Service - individual, group.



PRO BONO MASTERCLASS ABOUT JOB HUNTING SKILLS AND INTERVIEWING TECHNIQUES

On July 20, 2021, Magda Tkeshelashvili, Head of the Human Resources Management Division of JSC MBC, visited the Telavi Learning and Employment Support Center and conducted Pro Bono masterclass for job seekers about "Job Hunting Skills and Interviewing Techniques". Participants received information about successful interviewing techniques. They also had an interview simulation during the meeting, which will help them to successfully pass the interview stage in the future.

The purpose of the Telavi Learning and Employment Support Centers is to help local job seekers develop their skills and deepen their knowledge in a variety of areas. The Centers gradually develop training programs, workshops and seminars, taking into account the requirements of the labour market, as well as the needs and interest of people who apply to the employment centers.



