



CSR Report 2019



“

Our People are our Strength Builders. Everything we do at MBC starts with our people and how they support our business, customers, and communities around the country. Our People Deal describes the culture MBC embraces to attract the best and brightest in our industry. As with all deals, there are two sides—what our people can expect from MBC and what we ask in return. These three pillars make up our unique experience at MBC: We connect, support, provide financial resources for people and we use those connections to help change our country for the better. And we are doing it faster than ever before, in ways we believe no one else can. We innovate everywhere to create fresh ideas and possibilities. We take bold risks to shape the future because we understand every failure is a success, if we learn from it. We support one another and work together to create shared success that will benefit everyone. The future of MBC, the growth of our customers and partners, and the lives of people around the country—they are all connected.

”

**-Gia Petriashvili-
CEO**





ETER CHACHIBAIA

Chief Operating Officer



TATIA JAJANASHVILI

Finance Director



GIORGI GHVALADZE

Chief Credit Officer



NINO DEVDARIANI

Chief Risk Officer

The microfinance organization (hereinafter referred to as MFO) "Micro Business Capital" (hereinafter referred to as MBC) was founded by the Georgian investors in 2012. The group of the shareholders have an experience of many years in the business and financial sectors. The Company is wholly owned by the members of the Shareholder Group, which consists of thirteen members. There is no ultimate controlling party of the company.

MBC aims at providing alternative and accessible lending to Georgian households. The Company operates under the principles of responsible lending and is focused on protecting the consumer rights, ensuring the high quality of the services rendered.

One of the fundamental principles in MBC's daily operations is the social responsibility towards customers, employees and community as a whole.

At the end of 2018, MBC was the 5th Georgian MFO by its Gross Loan Portfolio (GLP). 12 branches throughout Georgia represent MBC.

JSC "Micro Business Capital" (MBC) is an organization operating in accordance with modern, innovative and international standards. It aims to provide customer-tailored and accessible financial services to micro and small businesses and farmers, increase availability of funds and loan products, maintain long-term and transparent relations with customers. JSC Microfinance Organization - Micro Business Capital (MBC), as a socially responsible financial institution, aims to contribute to the sustainable economic growth of the country.

MBC believes that corporate social responsibility is a form of corporate self-regulation integrated into the business model and reflected in the company bylaws:

- Transparency
- Liability
- Partnership
- Ethic corporate management
- Innovation

The United Nations, as one of the world's leading organizations contributing to the sustainable global economic growth, offers 10 principles under the global agreement and our company, as a party to the agreement, will integrate these principles into our strategy and daily operations. These principles comprise four components: human rights, labor rights, environmental protection and anti-corruption activity.

MBC's corporate social responsibility strategy covers the following areas:

- Environment
- Strengthening the role of women
- Financial literacy
- Labor rights
- Support for youth
- Transparency and business ethics

MBC is a member of UN global agreement initiative, CSR club and UN Women. It implements projects for strengthening of women's economic role. As part of social responsibility, MBC employees are conducting trainings to encourage economic engagement of vulnerable local communities and IDPs, to improve their skills and capacities. The activity is conducted within the framework of EPIC project "Economic and social participation of vulnerable displaced persons (DP) and local population in the South Caucasus", with support from GIZ.

MBC has been a member of Pro Bono Network in Georgia since 2018. The company actively uses its professional resources to help various vulnerable groups. MBC employees provide high-quality free professional services to civil organizations and citizens with special needs.

In June 2017, MBC joined the largest international campaign - Smart Campaign - to protect customers in the microfinance sector.

Smart Campaign is a global platform bringing together more than 4,700 microfinance organizations, associations, investors and donors worldwide towards a common goal. The principal goal of the year 2008 campaign is to render valuable and reasonable financial services to customers as the main driving force of the industry. Thanks to adherence to Smart Campaign principles, Micro Business Capital will become a model of valuable and reasonable financial adviser for responsible lending.

Customers of Micro Business Capital (MBC) are always kept fully informed about the terms and conditions of contracts/ agreements. Employees' attitude to customers is based on the highest standards of professional ethics and moral values described in relevant documents.

The company is committed to providing and maintaining safe working conditions, creating a favorable environment for the professional development of its employees.

The mission of JSC Micro Business Capital (MBC) is to create opportunities for the development and success of small entrepreneurs and farmers, promote their financial stability by responsible lending. MBC is aimed at offering affordable financial services, which are tailored, to small entrepreneurs and farmers establish long-term, transparent and mutually beneficial cooperation with customers. Among company's core values are transparency, responsibility, partnership, ethic corporate management, innovation and sharing.

MBC employs total 200 individuals. Qualified and experienced professionals manage the company. Women are employed at all levels, including managerial positions and the board of directors. CEO of the company is man.

Supervisory Board: three men; one woman; (woman - 25 %)

Directorate: two men; three women; (woman - 60 %)

Percentage of women and men employees in the company: 53 % is woman and 47 % is man , Number of woman employed in managerial positions is 57 %. Most of the women employed at managerial positions have been promoted from lower positions.

Numbers and percentages of women compared to men represented with a specific type of contract or in a particular job category: Credit experts - 55 % man and 45 % woman. Cashers - 20 % is man and 80 % is women ; Service center managers - 55 % women. Gender characteristics does not have implications on wages or access to financial benefits.

Eter Chachibaia, MBC Operations Director „It is our objective to establish a reliable reputation on microfinancing market. The main asset the company possesses to achieve this objective is its experienced team, stable financial partners and an adequate organization structure. It is MBC's moral obligation to take care of the environment and population, to achieve a commercial success by thoroughly following the ethical norms, to respect our customers, environment and society, and to share experience with those who require it.“





Environmental Responsibility

The protection of the environment is the most crucial part of the company's strategy and represents one of the main priorities. It is a company's objective to reduce adverse impact of activities on the environment as much as possible, to ensure the waste recycling and to actively participate in cleaning and treatment campaigns.

The MBC management ensure the coordination and control of the environmental policy, systematically supervise and promote rational utilization of natural resources at the company.

To conduct activities dedicated to raising awareness and knowledge about the environmental protection, MBC designates human and financial resources.

The company ensures the information of customers, investors and all concerned parties about planned environmental activities and initiatives.

It is extensively important to the company to plan and ensure the participation of the employees in environmental activities, and to review and implement their initiatives.

The MBC activities conducted in environmental sector in 2018-2019:

"For the sake of environment" – MBC joined a large-scale environmental campaign. Within the framework of the project, the company employees assume responsibility to clean a road going to Uplistskikhe – one of the most important touristic sites – in Kvakhvreli and they clean this territory several times a year with a financial aid and support of the company.

For the sake of environment is an ongoing initiative of CENN funded by USAID aiming at cleaning polluted places across Georgia and maintaining cleanness at this places through a corporation with the private, public and civil sector. The companies interested in the campaign are able to select a specific territory and to assume responsibility of maintenance of this territory.



MBC is a member of Green Project and the employees take care of natural resources as much as possible. Waste paper is collected at service centers and delivered to recycling facilities;



MBC employees take part in events and landscaping activities dedicated to the Earth Day every year. Together for healthy Earth – the company joined this initiative and plastic glasses are replaced by healthy paper glasses in company's branches;



Landscaping activities are of special importance to the company, therefore, the employees together with their family members are always engaged in similar activities (planting and taking care of cypresses on the Mountain Makhata Monastery Complex).



A healthy environment, care for environment starts with employees' engagement, that is why the company celebrates every environmental day and the company employees are incentivized as much as possible, for instance, February 8 is a day when everyone comes to work by bicycles. This campaign promoted the utilization of environmentally friendly transport and a part of the employees use it even today.



21 September is the International Day of Peace which was dedicated to climate care in 2019. The company joined the environmental initiative and on this day, every employee of the company refused to use their cars and instead, used public transport for a week.



MBC Library

Results of the environmental events:

- Plastic glasses are replaced by paper glasses at the company;
- 100 planted trees which are taken care of by the employees;
- Cleaned Uplistsikhe road; the process continues systematically;
- Greener office, its design and plants in it were chosen by employees, the concept was developed at the company, the employees were introduced to rules of plant caretaking;
- Paper waste collected and delivered for recycling (since its establishment, the company delivered 1 tone and 736 kg of paper to recycling facilities);
- 5% of the employees uses environmentally friendly transport.

Development of environmentally specific policy, elaboration of action plant and planning of the year calendar are the first steps the company has made and is going to continue to in the future.

It is planned to conduct awareness raising workshops on such topics as ecological problems in global context and relevant important conventions.

The company continues to use its communication platforms to raise awareness about environmental issues and publishes information about every international environmental day through communication networks.



MBC plans to shift
to green procurement from 2020



MBC
for
Employers

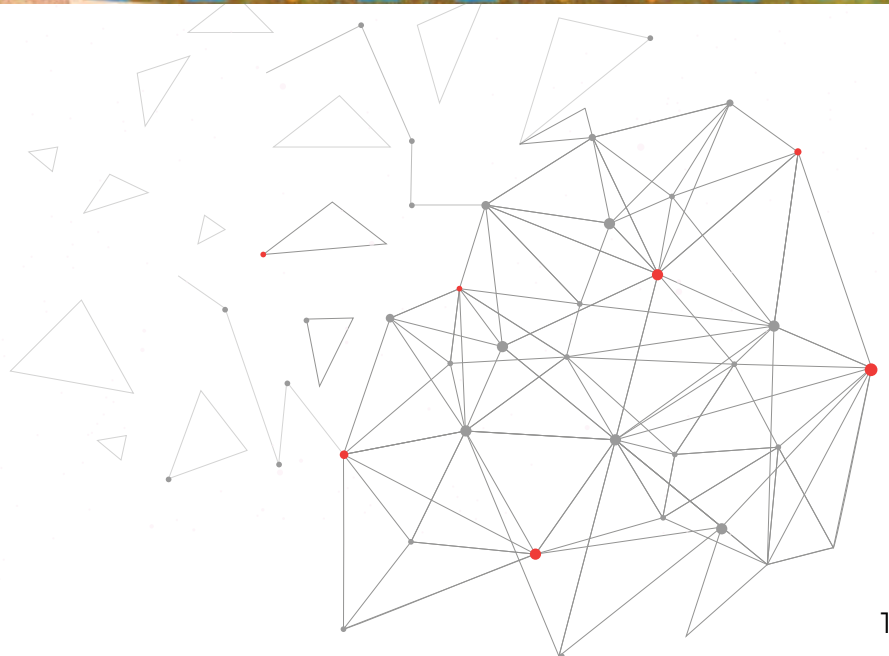
The basis of success of the company is its team which employs internationally recognized corporate management principles and ethical norms in everyday activity. The personnel management strategy focuses on high incentive system and facilitation of genuine competitiveness.

MBC pays particular attention to creation and protection of safe occupational conditions for the employees, and to formation of environment enabling their facilitation and incentivization.

There is an online platform, "Employee's Voice", introduced to the company. By using this platform, employees, completely anonymously, can bring any remark, dissatisfaction and deviation to the attention of HR Group, top managers, directors. By using the same platform, the employees have an opportunity to state new ideas and recommendations. This creates a significant motivation for the employees to form a more successful company by working together, to create a comfortable and friendly working atmosphere where each and every one of us will be happy and content.

Several social responsibility projects were undertaken under this initiative:

- Decorating/improving the city for the New Year – as a result, MBC employees together with their family members decorated square on Vazha-Pshavela Avenue with a full financial support of the company.





2020
HAPPY
NEW
YEAR

MBC Christmas Square

• The employees' team which won the social responsibility contest implemented social project and completely realized activities for nursing home beneficiaries.

One of the core priorities of MBC is to take care of development of the employees, to facilitate the demonstration of their abilities as much as possible, to identify professional development needs and to create mobility for carrier planning.

The company supports financially the refreshment courses.

Incentives for MBC employees include tangible and intangible systems. Tangible systems, besides the salary, encompass:

- Monthly, quarterly bonuses;
- Annual premium;
- Health insurance (completely covered by the company);
- Various contests;
- Pay rise system;
- Trainings and employees development;
- Additional awards;
- Corporate events;
- In-field events.

Intangible incentives include recognition of the employees as follows:

- Post on Facebook about the best employee;
- Recognition of the best employee;
- Visit to and congratulation of the best employee.

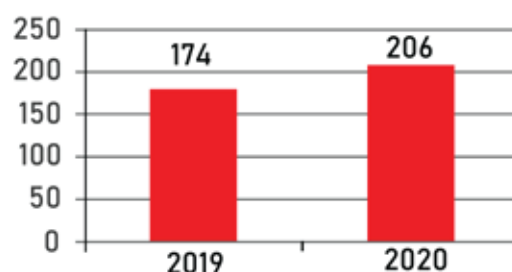


Since its foundation, the Company raises salary to every employee at least once a year. Starting January 1st 2019, once the pension reform has entered into force, the company has decided to pay the pension premium which should have been paid by the employees. Paying the state and the company premiums increases the employee's wellbeing, which is one of the core objectives of the company's social policy.

There is 8-h long working day in the company. Working schedule of each employee is fully complying with the Georgian legislation and the Labor Code. At the same time, breastfeeding mothers have additional one hour concession/vacation.

100 % of the women employees have possibility to use maternity leave. The company pays two-month salary.

**Number of
Employers**





MBC highly regards the planning and the implementation of trainings and study programs dedicated to professional development of the existing employees. Based on the personnel needs assessment, an effective refreshment courses are proposed. Both internal and external trainings take place.

The women comprise 53% of the employees. There are 57% women employed on managerial positions, while 60% women in directorate.

MBC is a member of UN Global Compact Initiative, a member of CSR Club, UN Women and conducts projects of women economic empowerment. Under the social responsibility, the company employees conduct trainings to increase the engagement and improve the skills and capabilities of the local vulnerable population and IDPs.



Member of UN Global Compact Initiative



Since 2018, MBC has been a member of Georgia's Pro Bono Network and the company's professional resources are directed to assist different vulnerable groups of the society. MBC employees provide high qualified and professional services to civil organizations and citizens free of charge.

The Best CSR Manager of the Year:

TAMTA ASLANISHVILI



The implemented projects include as follows:

- Colourful socks initiative. Within the framework of #iwantascok campaign, the company and its employees acquired the socks made especially for this day. The money was transferred to “Gigo’s fund” and will be spent on providing the medical treatment, social support and employment opportunities to children with Down syndrome;



- #Giveabook – a campaign MBC employees joined and they exchanged books. In addition, the company gave books with inscriptions “Love, MBC” to employees who have worked for more than 5 years at MBC. The objective of the initiative was the promotion of the books and literacy.

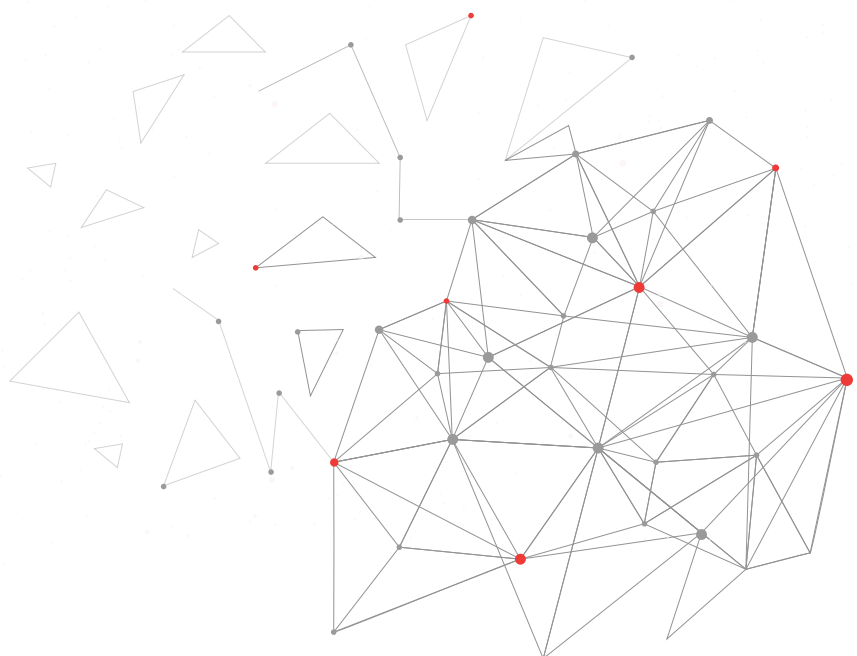


- Trainings and refreshment courses in 2018-2019 (Servius Plus, sales, processes, products, personal development, management, etc.). Up to 200 employees attended the training;
- One employee attended training on women's right under UN Women initiative. This employee regularly conducts a training for every employee on violence at work, sexual harassment, violence against women. She also advocates the necessity of such trainings at outside meetings;
- MBC representatives attended training for trainers organized by the National Bank of Georgia and became certified trainers. The training was conducted in the frame of micro and small enterprisers' financial education program. MBC trained staff conduct trainings both for MBC customers and for other interested enterprisers.

It is planned to conduct trainings on safety in October 2019. We plan to finish the People with Disabilities employment and support project by the end of year.



Being a socially responsible financial institution, it is one of the central objectives of MBC to ensure a physical, mental and social wellbeing of the employees. To achieve the latter, the company uses all resources at its disposal.



A photograph of a business meeting. In the foreground, two people in business suits are shaking hands over a document. The document has the word 'CONTRACT' visible. In the background, another person in a suit is partially visible. A white arrow-shaped graphic points to the right, containing the text 'Responsibility in the Marketplace'. A red line graphic starts from the bottom left of the arrow and extends horizontally across the image.

Responsibility in the Marketplace

One of the key directions of the company is protection of the customers' rights implying transparent, rational and respectable service. MBC customers are always thoroughly and timely informed about products and services.

For the employees' part, the relations with the customers are based on high standards of professional ethics and moral values. There is a separate division for service quality at the company which supervises the code of conduct of the employees and ensures the creation of a comfortable environment for the customers.



MBC has established Grievance Redress Mechanism. To improve the quality of service and develop the employees, there is a constant communication with the customers.

Since 2017, MBC has joined Smart Campaign, i.e. the most largescale international campaign for protection of customers in microfinancing sector, thereby proving once again its adherence to seven core principles (appropriate product delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data, mechanisms for complaint resolution).

Since 2019, the company has started to work in the direction of women's economic empowerment.

In addition, MBC contributes to promotion of products made by social enterprises and buys these products too.

• In 2018, MBC introduced Startup loan the conditions of which are fully adapted at start up enterprisers and startups. The company finances the idea and supports the youth in business startups. The main features of this product are low interest rate, long grace period, minimum paperwork and simple procedures, and business-specific payment schedule;

▶ Absolute Growth Portfolio **9,900,000** GEL

▶ Growth Portfolio in Percentage **20%**

Startup Loan

154 Startup



- In 2018, MBC started a social project by its full financial support. The project's aim is to increase the level of financial education in Georgia, in different target groups in line with their geographic, social, age, gender, professional and other characteristics.
- Besides the financial issues, "Financial Adviser" project provided free of charge individual consultancy to all interested start up enterprisers in the following fields: management, sales, digital marketing and branding, human resources management;



- In April 2019, MBC offered debt relief to veterans, socially vulnerable and persons with disabilities.



We Care



In 2018-2019, MBC purchased up to 400 items from socially vulnerable persons



Up to 300 used the services of "Financial Adviser"



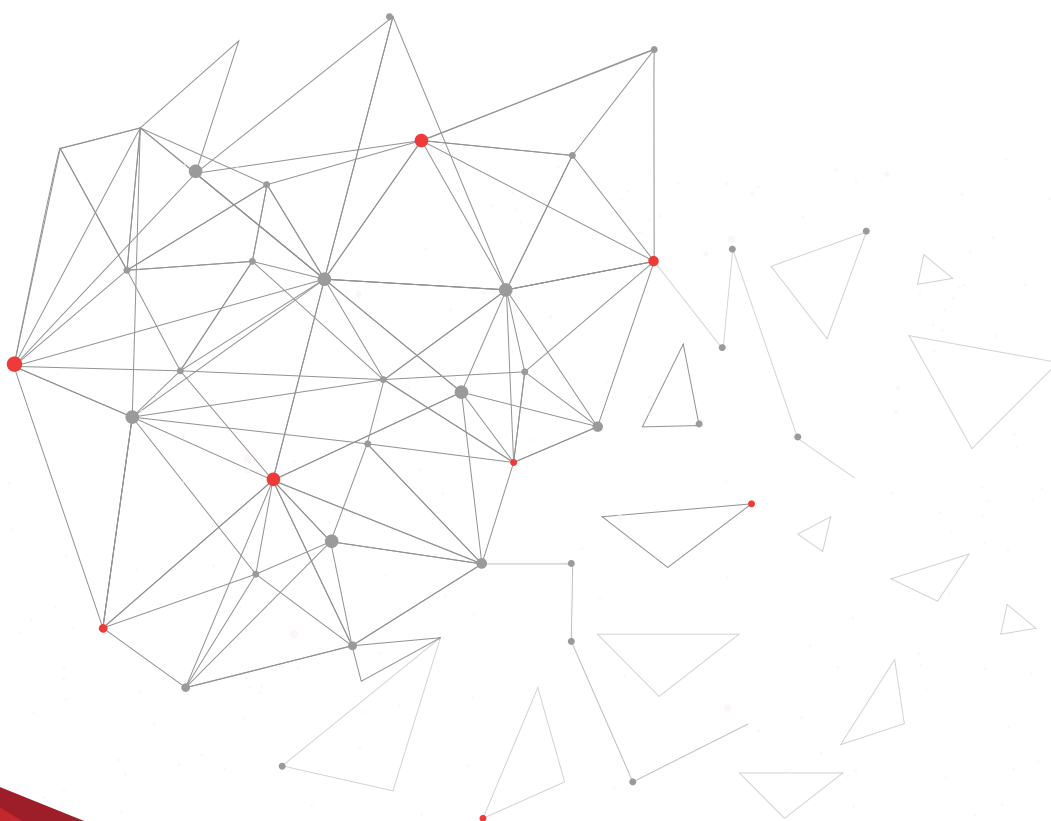
154 startups were financed

Taking into account women's economic empowerment principles, it is planned to introduce concessionary products and services for women enterprisers by the end of year.

As per social responsibility strategy, MBC will actively carry on its activities and initiatives in financial education. Inter alia, target audience covers pupils, students, youngsters.

The future plans refer to pooling investments and support from international organizations. It will significantly assist us in rendering our financial products more accessible and preferential for our customers.

It is the company's objective to establish a reliable, conscientious and stable reputation oriented on improving the customers' wellbeing on microfinance market. Microfinances are usually associated with unscrupulous game players. To bust this stereotype is our main challenge.





MBC for Community

Wang
Michael LL

The company actively cooperates with local community organizations of social initiative. Sharing different resources (experience, knowledge, expertise, financial and human resources) is the most important social initiative for MBC, which is reflected in company's social responsibility strategy.

The priorities of the company are: social enterprises, organizations working on problems of people with disabilities, socially vulnerable population, women enterprisers, orphanage and nursing homes, pupils and the youth (mainly focusing on towns, settlements, villages and centers).

In 2018-2019, communication with community organizations was established based on initiatives of the company, UN Women and Pro Bono Network.

• Action against Hunger:

Training on digital marketing and workshop on service quality, the event served to professional and personal development of ethnic groups living in Georgia. The meeting was organized by Employment and Entrepreneurship Shuttles, the meeting was attended by the participants of Marneuli employment and entrepreneurship program;

Training on Relations with Financial Organizations. Financial advisor met with participants of Zugdidi's, Poti's and Tsalenjikha's entrepreneurship program. The objective of the meeting was facilitation of professional and personal development of people living in regions;

• In summer 2019, master classes were conducted for people employed in tourism and hospitality sphere: planning the internet ads and right segmentation, service quality as a competitive edge, human resources management strategy. Any aspirant could participate free of charge. The meeting was conducted based on practical situations, examples and Q&A session. The aim of these master classes was support of those who could have been affected by political events following the June 20;

• MBC rendered pro bono service to Civil Society for Development, a community organization. Under the project, organization's logo, Facebook official page's profile and so called cover visuals were created. In addition, on August 28, in Kvareli, to announce youth festival planned by the community organization, MISO graphic designer created a special poster, fliers for information dispersion at hotspots, local hotels and wine houses, and banner for concert stage planned under the activities.

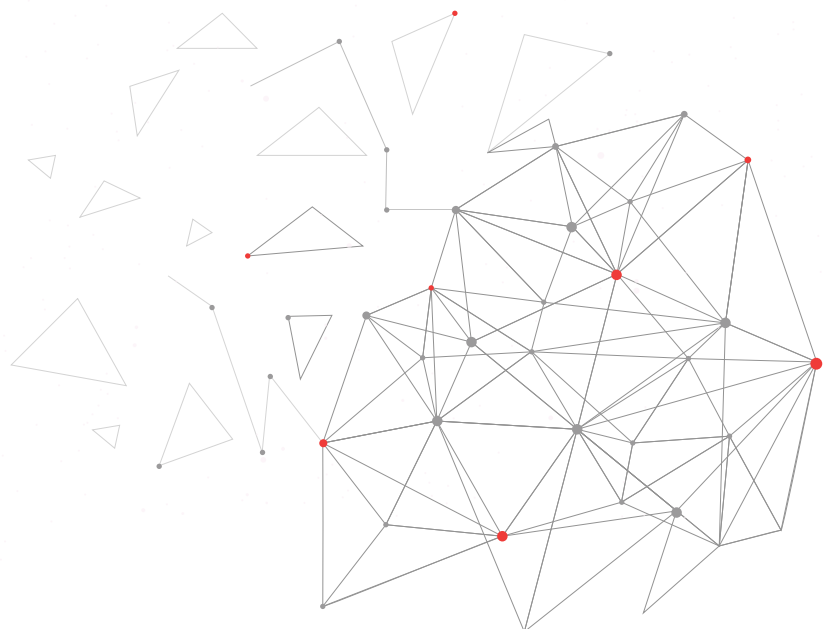
Civil Society for Development, a community organization, aims at raising public awareness and improving social conditions and living environment in Kvareli region.



- MBC team participated in 2019 Pro Bono Marathon. The company representatives helped “Poteria”, a social enterprise, to improve their main communication channel, i.e. Facebook page. Page content was drafted, new enterprise logo and page wrap were created. Within the framework of the project, the enterprise representatives were introduced to Facebook ad types and advantages of their usage. Poteria is a social enterprise where experienced ceramists and artists create beautiful handicraft items. The enterprise employs ex-convicted women and women on probation, who take up courses for mastering new profession, and then engage in creative processes;



- In frame of Pro Bono, MBC rendered professional service to Music Therapy Center of Georgia. Microfinance graphic designer developed ad brochure for Music Therapy Center. Together with the brochure, the Center was given multicolored photo materials depicting their work. The main sphere of activity of the Music Therapy Center of Georgia is to integrate and rehabilitate the children with special needs into society with music’s expressive elements. Thanks to the Center, more than 100 children with disabilities have access to systemic, individual need-based planned musical activity. As a result of these services, psychological skills of these children develop which contributes to their dignified integrated lives.





Musical Therapy Center

• MBC finances Clown Care for small patients at Iashvili Central Hospital. For patients at oncology-hematology department who undergo treatment with depression, pain, fear and anxiety, it is important to be visited by a clown once a week and to have positive emotions. It's worthy mentioning that Clown Care has long been implemented in the Europe's and the USA's leading clinics.



CLOWN CARE

- MBC and Catharsis cooperation has been lasting for several years. The company is a permanent partner of nursing home.
- MBC took part in Global Money Week. The event was organized under the auspices of the National Bank of Georgia. The event's objective is to create a foundation of knowledge in pupils which will make them financially educated citizens in future. MBC visited the Bershueti public school near the occupation line and conducted a 5-day instructive event about financial literacy. The instructive event included a lecture, games and contests. Every participant was given a certificate and gifts, while the first three winner visited MBC service center, saw and got familiarized with the working process at financial institution;



- “Taso” fund's financial adviser under common efforts for women's economic empowerment project visited women in Jgali and Muzhava villages of Tsalenjikha region. The meeting's objective was to prepare for upcoming grant contest;
- Since 2016, MBC has been participating in the most largescale charity marathon Wings for Life. The money collected by the event is spent on spinal cord damages.



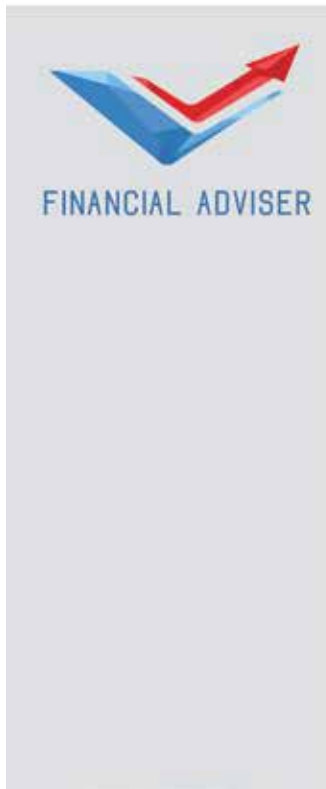


RESULTS



- ✓ Selection of business plan following the contest
- ✓ Membership of decision making committee
- ✓ Revision of up to 80 projects

Corporate social responsibility strategy of MBC necessarily includes the support of individual communities and implementation of activities required to achieve this goal. Therefore, it will continue cooperation with interested parties with much more effort.



Financial advisor is an educational program the goal of which is to give people financial knowledge and skills that will help them to correctly and efficiently use financial institutions when managing personal finances. Namely, our objectives are:

- To enhance the culture of saving money;
- To make people's relationship with financial and credit institutions serious and responsible;
- To identify and develop entrepreneurship potential;
- To instill the knowledge and skills thanks to which people will not find themselves involved in fraudulent schemes and financial pyramids;
- To enhance responsibility on financial decisions;
- To improve general welfare.

The idea of implementing such projects was conditioned by the problems hindering the achievement of our goals. Such problems really exist in our society.

Often there are cases when the appropriate form of contact and relationship between a banking-financial sector and consumers cannot be established. A citizen cannot get needed information from financial company in an understandable and simple language. Many people do not know when and what step they have to make and they take consumer loans without thorough deliberation and without reading credit agreements/contracts and assessing risks. Young people cannot rationally manage their finances due to low level of financial knowledge and, respectively, cannot plan their life cycles. Factually, they do not have any savings or financial objectives and live from day to day.

Despite the fact that presently the environment is favorable for doing business, the number of unsuccessful startups is high; small and medium enterprises being the cornerstone of the country's progress cannot develop.

The problem of financial education is rather high in villages that partially is caused by insufficient provision of information. Farmers lack entrepreneurship experience and skills to develop their business.

We carried out the following activities within the frames of the program:

- Within the frames of Employment and Entrepreneurship Shuttles program, Financial Advisor carried out several working meetings with the participants of entrepreneurship

program of Marneuli, Senaki, Zugdidi, Poti, Tsalejnjikha, and Shaumiani municipalities.

- A five-day activity about Money Global Week 2019 was held in the Bershieti public school, Gori municipality, near the conflict zone.
- Masterclasses were held for people operating in tourism sphere.
- Meetings were held in Tsalejikha, Jgala and Mujava within the frames of the program United Efforts for Women's Economic Empowerment implemented by Taso Foundation.
- Financial Advisor was invited to UN Women Foundation grant competition – United Efforts for Women's Economic Empowerment – and it participated in the review process of the submitted bids.

Financial Advisor has been actively implementing different activities since the beginning of 2019. During this period, we cooperated with Marneuli, Senaki, Zugdidi, and Tsalenjikha communities, participated in different educational activities. Our partners are: international organization – Action against Hunger, Taso Foundation and Pro bono Georgia.

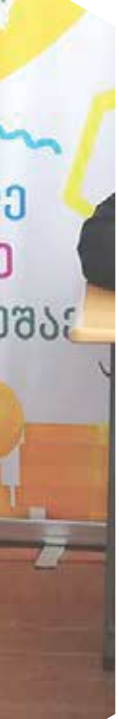
Since the beginning of the project:

- About 100 people have received free financial consultations (not counting MBC customers);
- About 150 have been trained and improved their knowledge;
- About 150 beneficiaries in Money Global Week.

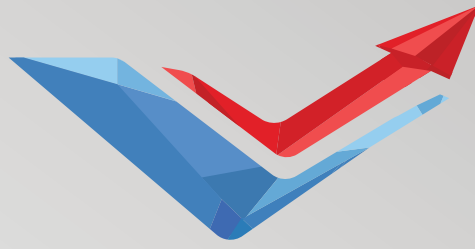
Financial Advisor is the most important social project of MBC. Respectively, its further development is the key priority of the company's social responsibility strategy. We allotted human as well as financial resources for the project implementation.

Cultivation of financially correct behavior, ability to control income and expenses, plan and implement mid and long-term savings, define optimal ratio between income and loan, enhancement of citizens interest in financial knowledge and its use in practice, realization of the benefits of such knowledge, knowledge of peculiarities of financial deals and contracts, necessity of comparing different alternatives when making financial decisions, informing customers about their rights and basis of legislation are the mission of Financial Advisor program.



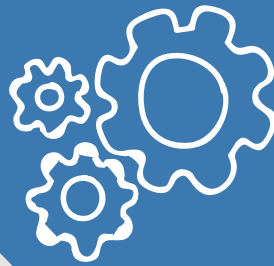
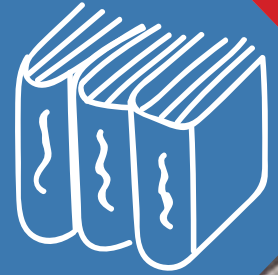


ფინანსური
მრჩეველი



მცირე

ბიზნესის
მხარდასაჭერად



mrcheveli.com.ge



info@mrcheveli.com.ge





MBC

Micro Business Capital