

COMMUNICATION ON PROGRESS (COP)

Financial Inclusion Organizaton CRYSTAL

Period covered by your Communication on Progress (COP) January – December, 2020

STATEMENT OF CONTINUED SUPPORT BY THE CHIEF EXECUTIVE OFFICER (OWNER OR PRESIDENT IN THE CASE OF SMALL BUSINESSES)

May 21, 2021

To our stakeholders:

I am pleased to confirm that Financial Inclusion Organization “Crystal” reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

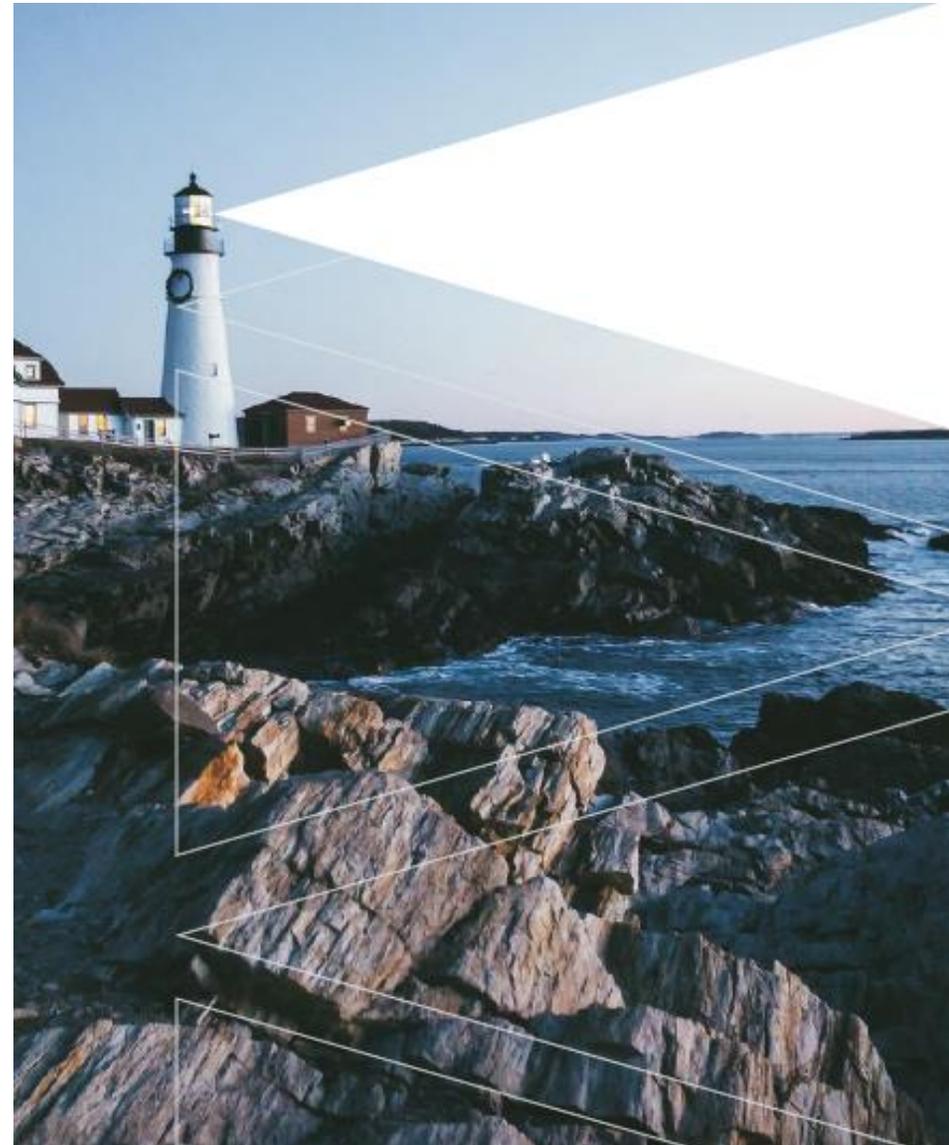
Sincerely yours,

Ilia Revia

CEO, Financial Inclusion Organization “Crystal”

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ABOUT US

JSC MFO Crystal (“Crystal”) is the leading financial inclusion organisation and the largest by assets non-banking financial institution in Georgia. It manages the loan portfolio of GEL 311 million, employing more than 1,000 members of staff, operating through 48 branches and serving more than 100,000 unique customers across Georgia. Crystal acts as a platform for economic development providing micro, small entrepreneurs and farmers with innovative financial products and services tailored to their needs.

Crystal is the first Fitch-rated non-banking financial institution in the region with a rating ‘B’ stable outlook. In December 2018, Crystal received nation’s responsible business award “Meliora”

Crystal is the first Fitch-rated non-banking financial institution in the region with a rating ‘B’ stable outlook. <https://ir.crystal.ge/fitch-affirms-mfo-crystal-b-outlook-stable/>



Crystal’s commitment to sustainably defeating poverty in Georgia is the unifying focus of our sustainable development vision.

- We are committed using our financial instruments: include Crystal’s engagement in E&S projects, business consulting and green financing, to incorporating E&S considerations into our business model, corporate strategy, operational policy and financing practice.
- Our corporate strategy through the pursuit of a **Triple Bottom Line: People, Planet and Profit**. We strive to equally address the needs of our stakeholders, the planet we live on, and the financial soundness of our customers, with no individual factor compromising the other two.
- Our strategic goals are organised around the triple bottom line, with individual targets assigned to each component. Progress towards these goals are measured against these targets using the impact assessment system in our ESG Framework
- Reaching the desired outcomes, Crystal is contributing towards the following six Sustainable Development Goals.

ESG Governance

Sustainability Standards

<p>The Sustainable Development Goals</p>	<p>We consider the SDGs to be of critical relevance to our mission and values and have directly integrated 6 goals into our corporate strategy.</p>
<p>United Nations Women's Empowerment Principles (WEPs)</p>	<p>Crystal was one of the first five companies to support the Women's Empowerment Principles (WEPs).</p>
<p>United Nations Global Compact</p>	<p>We have been a participant of the compact since 2011, and report annually against our contributions to the WEPS and the SDGs.</p>
<p>The International Finance Corporation's Performance Standards:</p>	<p>We consider the IFC Performance Standards to be the gold standard for the management of E&S Risk and strive to model our conduct on the values that they outline.</p>
<p>United Kingdom Corporate Governance Code:</p>	<p>Crystal reports annually against its adherence to the UK Corporate Governance Code, implementing the "Comply or Disclose" Principle to ensure open assessment of its Corporate Governance.</p>
<p>SMART Campaign's Client Protection Principles:</p>	<p>To guide our market leading consumer protection conduct, we publicly endorse the principles of the SMART Campaign, which rewards companies that puts its industry-accepted consumer protection standards into operation. Our own rigorous procedures are outlined in the Consumer Protection policy, in line with National Bank of Georgia requirements.</p>

Human Rights and Labour In Crystal

Equal Opportunities

The Company offers equal employment opportunities to all employees and job candidates, irrespective of their race, skin colour, language, gender, age, citizenship, origin, birthplace, place of residence, marital status or position, religion or belief system, nationality, ethnicity, social status, profession, marital status, health condition, disability, sexual orientation, gender identity and expression, political or other opinions, or due to any other distinctive personal features. These policies are in force for all conditions of employment, including hiring, promotion, contracting, compensation, training, etc.

The organisation is managed by professional and motivated staff. The Company constantly strives create new opportunities to engage its employees, and to increase their motivation and professionalism

Anti-discrimination Policy and Prevention of Harassment

The Company has a clear antidiscrimination policy, which strictly prohibits any form of discrimination or harassment behaviour or intent towards individuals who have business relationships with the Company at the pre-contractual and all other stages of labour relations (regardless of contract type, be it a labour or service contract). Employees should

immediately report any incidence of discrimination to the Talent Development and Management Department and cooperate with the Company to ensure that relevant investigations are conducted for each of discrimination cases.

The goal is to create a healthy work environment and to prevent the harassment of any employee. The term 'harassment' relates to any behaviour that involves unjustified interference with an employee's work, resulting in a hostile or abusive environment, or other negative impacts on any employees' working conditions. The Company is committed to prohibiting and preventing sexual harassment in the workplace.

Human Rights, Labour Safety and Work Conditions

The Company acknowledges the importance of the full protection of every employee's rights and creates a completely impartial, transparent and unbiased system that, in turn, contributes to achieving the strategic goals of the Company's management – to protect the rights of each staff member and employee, their human rights

and freedoms, to protect them from any form of discrimination or harassment and to create a wholly safe and comfortable environment for the implementation of everyday working activities.

For this purpose, the Company has created and uses a confidential notification mechanism - the whistleblowing disclosure system.

Our open and transparent communication culture is a primary factor in helping eliminate discriminatory actions. The Company constantly strives to create an environment where every employee can express their opinions, where everybody knows that they will always be heard and be treated properly.

The Company always offers straightforward opportunities to access the operating risk management department, and thus protect themselves and the Company from the negative consequences of discriminatory action.

Crystal, as a socially responsible organization, has provided training on labour safety and health care issues for all employees.

Staff policy of Crystal

Staff policy and talent management are regulated by the effective legislation of Georgia, acts adopted by the management of Crystal, labor agreements and internal

regulations, which fully conform with the company's Charter and the Georgian laws.

Restrictions related to commencement of labor relations

It is not allowed to employ a physical person at Crystal, who:

- Is convicted for deliberate offense, financing of terrorism, legalization of illicit income or other economic crime;
- Encourages or is engaged in discriminatory and propaganda activities inciting hatred between people or groups of people on the basis of political, religious, gender, national, racist, social attributes and other grounds;
- Pursues political activity and is engaged in active campaigning with the company's employees and clients, which may inflict a damage on the company's reputation and image
- In some way participates in the activities of a competitor institution and represents its interests
- A person or his/her family members and/or related persons, who hold stock/shares, are members of the management bodies or have other financial or commercial claims
- Is a family member and/or relative of top management, internal audit and the company's employee;

- represents the family member of the Crystal Management and Risk Service and / or relative to the immediate subordination or co-ordination position
- is a family member and / or relative of a company employee when such person may be directly in the position or position of the position of the employee, as well as in the same service department.

Staff Support During the Pandemic Period 2020

As a company with high social responsibility, Crystal has developed a business continuity and occupational safety plan an integral part of which is its pandemic control scenario.

According to this plan, the Company launched measures to prevent the spread of COVID-19 to ensure a safe work environment, and to protect both personnel and our customers as best as possible. Furthermore, Crystal fully retained its staff members to cope with the crisis.

- During the initial outbreak of the new coronavirus, Crystal devised and implemented preventive measures in full compliance with the recommendations issued by WHO and the Georgian government:
 - During the state of emergency, where possible, staff members switched to remote work;
 - 95% of the structural units of the Head Office switched to fully remote work;
 - To maintain business continuity, while keeping the delivery of services relatively safe, the number of staff in branches was reduced to a minimum and two-week shift duties were introduced;
 - Within the requirements of the Personal Data Protection Law, employees within certain risk groups were identified and instructed to isolate;
 - Remote internal business training courses and meetings were conducted using the Office 365 platform;
 - Urgent business meetings and interviews with job applicant were also held remotely.

Crystal Academy

The Crystal Academy was established to institutionalise the Company's mentoring process and to motivate staff members. The mission of the Academy is to train and retrain Crystal employees with knowledge and skills that align to Company strategy, as well as with its high values and principles. The Academy brings knowledge sharing and develop mentoriented employees together in various clubs.

The mentor and the mentoring and training club were also created within Crystal Academy. The mentor club identifies and retrains employees to assist:

- Trainees (probationers) undergoing orientation and professional training;
- New employees in adapting;
- Underachieving employees to improve their performance;
- The best practices and approaches.

Whilst, the trainer club identifies appropriate employees for internal

(re)training in training methods.

The internal trainers also develop manuals and material for onsite as well as remote exercises and conduct internal training courses. By establishing the mentor and the trainer club for its branch network, the Company has created an integrated, continuing training cycle between pre-employment and postemployment, that will significantly help reduce the time and funding required for the administration process.



Women Empowerment

Crystal is one of the first companies to sign and endorse WEPs (Women Empowerment Principals) in Georgia. In 2018, in collaboration with UN Women and CiDA, Crystal developed its **Women's Empowerment Action Plan for 2018-2019**.

In harmony with Crystal's **Women's Empowerment Action Plan**, a [mentoring program](#) was also introduced to female employees of Crystal in 2019. **The goal of the project** was to empower female employees through a mutual exchange of professional experiences, thus inspiring, promoting and encouraging both their career and personal development. After receiving training in mentorship from UN Women's partner Creative Development Center (CDC) in 2019, total of **107 female** employees were promoted in the company in 2020.

Crystal has also raised the bar on getting the best value from financial donations to women's communities and achieving greater social impact. Through a partnership with the TASO Foundation, Crystal implemented three community projects: potable water was provided to 25 households in Tsageri municipality; a medical ambulatory was opened in the village of Guliani in Lanchkhuti, Guria; and a public library in the village of Pipileti in Oni, Racha saw the light of day.



Client Focus: Aligned with the implementation of Principle 5 and to support women’s access to finance, the company announced the issuance of Women’s Corporate Bonds worth GEL 15 million (more than USD 5 million) for the economic development of thousands of female customers, providing them with financial products and equal access to capital in order to grow their small businesses. So far, that meant developing special proposals for female entrepreneurs and reducing their credit service fees by 5 per cent. As a result, more than 2,300 women received loans that amounted to a total of GEL 4.7 million (more than USD 1.5 million).

Within the company, majority of Crystal’s 1,000+ employees are women, as well as half of the Crystal’s 100,000 customers.

Iliia Revia, CEO of the Financial Inclusion Organization Crystal - one of the first companies which signed up to WEPs in Georgia, tells about [some of these initiatives and shares his experience of women’s empowerment](#)

Buzz Georgia

The Component of the USAID Program Supporting Youth and Women Entrepreneurship in Georgia (USAID YES-Georgia)

Buzz Georgia Is implemented by [Crystal Fund](#) in partnership with MFO Crystal (Co-Funder) and a sub-contractor organization - Crystal Consulting LLC, which is implementing Business Advisory Component of the program.

In April, 2020, Buzz Georgia launched its online TOT for 20 MFO Crystal chosen Trainers (loan officers from different regions of Georgia)

The actual trainings with women trainees started in June, 2020. Due to pandemic state regulations, all training until now are conducted online.

Main Highlights of Buzz Georgia:

Since June 2020, the online trainings took part almost every weekend; during the **23** weekends online, 10-hour trainings per weekend, those trainings were delivered to **495 women from almost every municipalities and villages of Georgia. 133** most active and opinion-leader women were chosen as **Buzz Georgia Ambassadors**, who get additional training in various topics.

When the Pandemic circumstances allowed, there was one live/face-to-face 3-day retreat organized for the first several cohorts’ 20 Women Ambassadors.

In addition, separate special online webinars were organized for second and third cohort’s Women Ambassadors, dedicated

to financial budgeting and project writing as well as the pandemic situation – to raise awareness on COVID-19-prevention, treatment at home and self-care.

Buzz Georgia converted crisis into opportunity

- ✓ 495 Georgian women trained during 23 weekends
- ✓ 133 Buzz Georgia Ambassadors chosen
- ✓ 4 special/separate meetings for Ambassadors
- ✓ 350 hours – conducting trainings
 - 19 Trainers involved (TOT)
- ✓ Good media outreach
- ✓ Lots of hope and inspiration
- ✓ New contacts and cooperation

Buzz Georgia online sessions turned out to be a convenient format for participating women.

This photo accurately illustrates the opportunities of Buzz Georgia online trainings.

The young Buzz Georgia participant (girl with a baby - in the photo, on the right), is feeding her child during Buzz Georgia Session and at the same time she is attentively involved in the training process.



Anti-Corruption System in Crystal

- An employee is obliged to get familiar with the company rules directed against bribery and corruption.
 - When performing job duties, an employee is required to act in accordance with the highest standards of honesty and good faith. It is mandatory to observe the procedures effective in the company at all times.
 - An employee should handle personal and particularly financial affairs in the manner not to discredit either the company or his/her own name. An employee should never use his position to exert influence on public officials or clients for personal gain.
 - An employee is obliged to immediately inform his/her supervisor and internal audit of any violation, which has been committed (or is likely to be committed) by any employee, partner, supplier and/or client of the company.
 - Bribery and corruption may trigger criminal liability of a particular employee implicated in the corruption and possibly, of the entire company.
 - An employee shall promptly notify his/her supervisor and the internal audit if he/she.
- A) Has suspicions about bribery and corruption;
 - B) There was an attempt to offer him/her a bribe, extort bribe or engage him/her in illegal activity;
 - C) Has information about ongoing violations, even if they are not directly related to him/her.
- It is an obligation of every employee of Crystal to prevent, detect and report any form of corruption. Employees are obliged to protect the interests of the company and to disclose any action that will be directed against them. Non-disclosure of such information will be regarded as participation in the crime and will entail the same degree of liability as the violation itself.
 - For purposes of the present document, the terms “corruption” and “bribery” cover the concepts defined by the Georgian law as well as commercial bribery and similar actions.
 - An employee is obliged to follow the rules established by the Georgian laws on bribery and corruption.

Environment and Green Finance In Crystal

Crystal launched its green financing initiative in 2017 in the scope of targeted investment by FMO. The priority of the portfolio is to raise widespread public awareness of low carbon alternatives and improve their accessibility.

A crucial component of the initiative is the promotion of Crystal's green product line. Awareness raising campaigns focus on driving uptake of green alternatives from Crystal customers, promoting the financial and environmental benefits of their use.

[Crystal prepared informative video about the benefits of 8 key low-carbon emitting alternatives.](#)

Overall, by developing "green products" and increasing the share of "green alternatives" in its portfolio, Crystal seeks to reduce emissions and negative environmental impact in line with one of the key objectives of the UN Sustainable Development Goal 9 - "implementation of green, social and sustainable financing programs by the financial sector"



[Average energy saving through disbursement of green loans in 2020 : 3,124,195 kWh; Avoided CO₂ emission: 411 t](#)

CSR Project

Crystal's Youth Entrepreneurship School YES-Georgia

“Crystal”, in partnership with [The USAID program Supporting Youth and Women Entrepreneurship in Georgia](#), PH International and the United States Agency for International Development (USAID), is running [Young Entrepreneur's School](#), which is aimed at strengthening young people and developing their economic and entrepreneurial skills. The project aims to enhance education among young people aged between 17 and 29, to facilitate their socio-economic empowerment, so that they become able to properly manage their own finances.

Establishment of a small/medium enterprise and self-employment is not an easy task to handle. That's the reason we frequently observe lack of motivation for embarking on entrepreneurship. To address the challenge, it is necessary to encourage start-ups and apply comprehensive approach, in particular: gathering and conveying the knowledge and advice needed to start on entrepreneurship; sharing successful start-up stories and boosting motivation; access to financial resources; ongoing consultations by field experts while the business is still incipient. The Young Entrepreneurs School Program is aimed at tackling the above-mentioned problem

and responding to the challenges covered by the UN Sustainable Development **# Goal 8**.

Crystal's Youth Entrepreneurship School - YES-Georgia in numbers – the key outcomes:

The project started in 2016 and will be implemented through 2021.

- Based on the data available from the start of the project up to 2020, more than 4000 young people have applied for participation in the "Young Entrepreneurs' School".
- Out of these, 1375 applicants were shortlisted to participate in the project and they underwent entrepreneurial trainings as part of the program;

- 794 out of 1375 young people successfully completed training sessions and the practical course. At the end of the program, business projects were submitted for securing financial support. roughly 60% of whom are women;
- 69 projects obtained financial support from the Financial Inclusion Organization “Crystal”.
- Out of 69 funded startups, 45 are successfully running their business, implying that 80% of the funded startups are actively operating, creating new products and job opportunities. The gender-based data of the funded participants look as follows: 16 girls and 29 boys.



The program’s lifetime is extended until February 1, 2024. Target population: 500 young women aged 17-29 will be engaged in YES-Georgia “Youth Enterprise” Component. The project will reach and positively affect the families and friends of program beneficiaries, living in various municipalities and regions of Georgia through various media campaign, social networking, various respective events, etc.

Crystal's Social Impact Measurement:

Crystal's Social Impact Measurement Methodology is the most direct way by which Crystal ensures that its services are positively affecting its customers. The full methodology for this reporting is outlined in the Social Impact Measurement Report. Since 2018, this impact assessment has been undertaken in Q1 using the methodology outlined below and detailed in full in the Social Impact Assessment Report. Data is collected from a large, representative sample of Crystal customers, by a combination of a quantitative survey and qualitative assessment in the form of structured interviews and focus groups.

The social impact measurement includes two sets of indicators, listed below, which were first used in 2017 for Crystal's initial Social Impact Measurement exercise. These indicators, with minor modification, have been used since 2018 to record social impact. The impact is measured for business customers (those with greater than 25% of household income in entrepreneurial activity) who have maintained a relationship with Crystal for over two years.

Business Results

If at least two of the following six results are attained, within business development, social impact is considered to be achieved:

- An increase of net income of over 10%;
- Any improvement, expansion or capital investment in a businesses run or owned by our business customers (micro-businesses and rural businesses);
- The introduction of new products, services or improvements to our existing utilities;
- The expansion of personnel;
- The development of new markets or sales channels (a new location, sales channel or customer segment);
- Improve access to technology with the potential to increase productivity or reduce operational costs and risks.

Household Results

If at least two of the following six results are attained, within the domain of household welfare, social impact is considered to be achieved:

- Investments in movable assets, home appliances or living conditions;
- An improved capacity for savings, both informally and formally;

- Assist in personal financial management for utilities and other regular payments;
- Improved schooling for minors;
- Improved access to healthcare;
- Overall satisfaction and enhanced economic wellbeing.

Crystal's Operational Footprint:

Crystal is committed to defining and addressing its own operational footprint, achieving carbon neutrality by 2023 by reducing our environmental impact and offsetting all remaining or unavoidable carbon emissions. Through 2019, Crystal has worked towards conducting a full energy audit of its operations in partnership with the Georgian Energy Centre. We have taken active steps to reduce our impact while this is ongoing, implementing a widespread recycling scheme that collected and recycled over 350 KG of scrap paper from Crystal's operations in 2018. We have also expanded our remote services and conducted several environmental employee engagement schemes, such as #CrystalforEnvironment, a three-year volunteer scheme that clears protected sites and plants new greenery, with three large scale clean-up actions taken in 2018.

- Average energy saving through disbursement of green loans in 2020 : **3,124,195 kWh**; Avoided CO₂ emission: **411 t**

Company Award 2020

At the annual Award Ceremony, hosted by the Global Compact Network Georgia - "Corporate Social Responsibility Awards 2020 - Business for Sustainable Development", Crystal was announced as the [Winner in the category "Sustainable Consumption and Production" \(SDG #12\) for its "Green Financing" project.](#)

The "Green Finance" line ([Crystal Green](#)) has been in place in Crystal since 2017. By offering green alternatives to customers, the project aims to promote the financing of eco-friendly solutions, thereby contributing to reduction of negative impact on the environment.

The jury was comprised of the international and local experts, distinguished for their exceptional job in the cause of advancing Sustainable Development Goals.

"Corporate Social Responsibility Awards 2020 - Business for Sustainable Development", which has been successfully held for the third year in a row, celebrates Georgia-based business companies for their exceptional projects and initiatives in the field of corporate social responsibility.





Financial Inclusion
Organization



<https://ir.crystal.ge/>

English web-page: <https://ir.crystal.ge/>