

# Non-Financial Statements

2021



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Way Up

A Way

## Our group

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# Eleving Group

## Our approach

Our approach to business is to identify underserved markets and disrupt them with innovative and sustainable financial solutions both in the vehicle and consumer financing segments

Vehicle Financing

Consumer Financing

Underserved markets

## Sustained growth

The consistent pursuit of growth has turned us into a strong, global player of the financial services industry, earning us a spot among the Top 1 000 fastest growing companies in Europe, with more than 2 481 employees and 350 000 loyal customers



## Presence

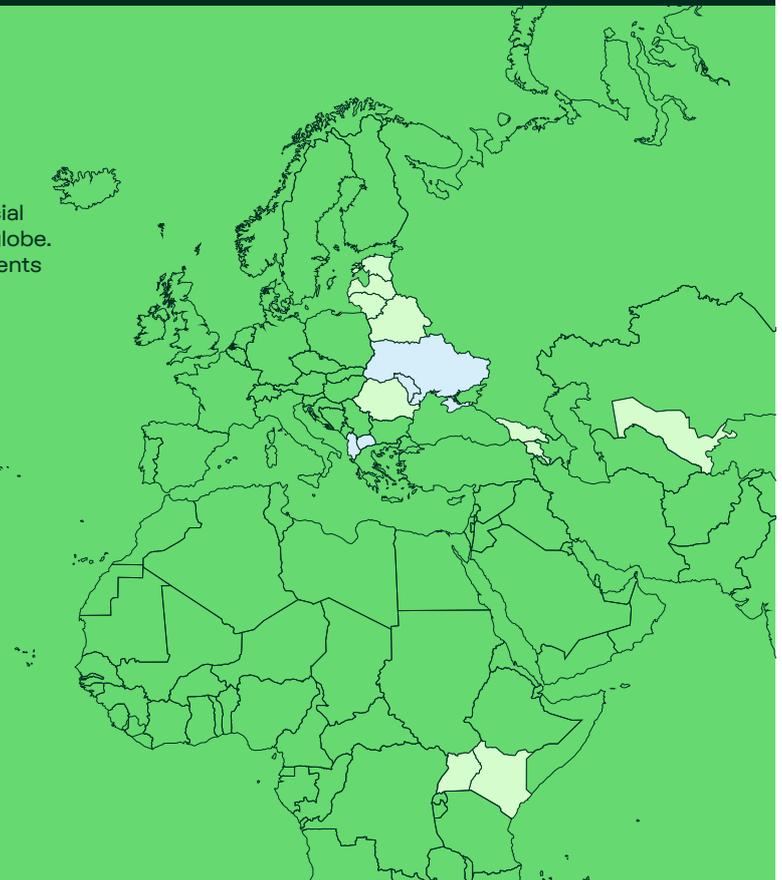
Eleving Group is an international fast-moving financial technology company offering services across the globe. The Group operates in 14 countries across 3 continents

### Vehicle Finance

-  Latvia
-  Lithuania
-  Estonia
-  Georgia
-  Romania
-  Armenia
-  Moldova
-  Belarus
-  Uzbekistan
-  Kenya
-  Uganda

### Consumer Finance

-  Albania
-  North Macedonia
-  Moldova
-  Ukraine



# About the group



## About the report

Eleving Group, formerly known as Mogo Finance, a public limited liability company (société anonyme) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered address at 8-10 Avenue de la Gare, L-1610 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (Registre de Commerce et des Sociétés, Luxembourg) under number B.174457, has prepared this Integrated Annual Report 2021 [hereinafter – the Integrated Report] in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), demonstrating Eleving Group's financial standing, its performance regarding environmental, social, and governance aspects, adopted measures to prevent financial crime, responsible lending and inclusion measures, and other non-financial elements.

The Integrated Report of Eleving Group discloses sustainability information of Eleving Group along with its key operating entities: AS "mogo" [Latvia], mogo OÜ [Estonia], UAB "mogo LT" [Lithuania], Mogo LLC [Georgia], Mogo IFN SA [Romania], O.C.N. "MOGO LOANS" S.R.L. [Moldova], OOO "Mogo Credit" [Belarus], MOGO Universal Credit Organization LLC [Armenia], AS Renti [Latvia], OCN SEBO CREDIT SRL [Moldova], Kredo Finance Shpk [Albania], Finance Company TIGO FINANCE DOOEL Skopje [North Macedonia] and AS Mogo Africa [Latvia], and other subsidiaries [altogether hereinafter – Eleving Group, the Group, the Company].

The Integrated Report covers the period from 1 January until 31 December 2021.

Please send any questions or suggestions regarding the report to: [esg@eleving.com](mailto:esg@eleving.com).

The report is made public on the 7th of May 2022. Previous report was made public on the 31st of September 2021.

### Key achievements of 2021

- Annual adjusted revenue up by 74% [YoY] to EUR 153.8 million;
- Annual adjusted EBITDA up by 74% [YoY], reaching EUR 60.6 million;
- Record-high portfolio of EUR 245.6 million, driven by record

sales and 22% annual portfolio growth;

- The Group's equity, according to IFRS, amounted to EUR 31.4 million and including subordinated loans that qualify as equity as per the Fitch Rating agency nearing EUR 49.0 million with a capitalization ratio of at 20.7%;
- More than 250 000 new clients onboarded;
- Spot on the Financial Times TOP 1 000 ranking of Europe's fastest growing companies for the second consecutive year [in 2020 and 2021];
- EUR 150 million worth of bonds issued and listed on the Frankfurt Stock Exchange, completing one of the largest bond issuances by a private company in the Baltics;
- EUR 25 million worth of subordinated bonds [subordinated bonds qualify as equity as per the Fitch Rating agency] issued to refinance existing shareholder loans and further strengthen the Group's capital structure;
- Brand-new car subscription product launched in Latvia in Q4 2021, providing customers with an opportunity to drive a new car the same day and cover all vehicle rental and maintenance costs with a single monthly payment.

### Key ESG events of 2021

- In May, rebranding to Eleving Group;
- In July, the launch of Eleving Group's values;
- In September, the signing of the Latvian Diversity Charter to reaffirmed the Group's commitment to diversity and inclusion;
- In October, first ESG materiality assessment mapping and engaging the Group's key stakeholders;
- Launch of green vehicle financing products in Romania and Lithuania to incentivize customers to choose electric and hybrid vehicles;
- At the end of the year, the development of the Group's first ESG strategic framework containing the main goals and targets to be achieved by 2025;
- Recognized as a Family-Friendly Workplace by the Society. Integration Foundation in Latvia

# 2021 at a glance

## 350 000+

Total Number of Customers

## EUR 245.6 mln

Vehicle and Consumer Financing Portfolio

## EUR 60.6 mln<sup>1</sup>

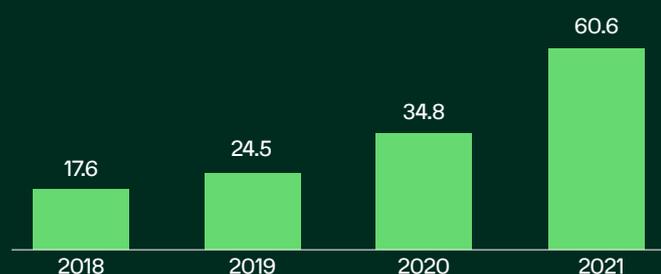
EBITDA, 12M 2021

## EUR 153.8 mln<sup>2</sup>

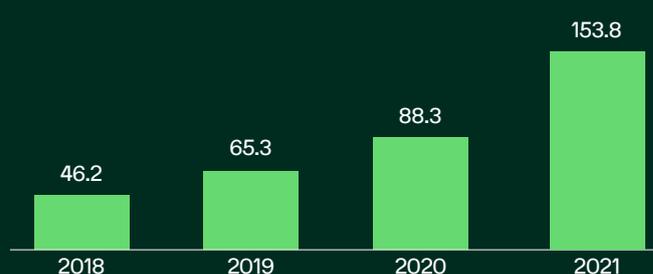
Revenues, 12M 2021

## Highest ever EBITDA<sup>1</sup> – EUR 60.6 mln

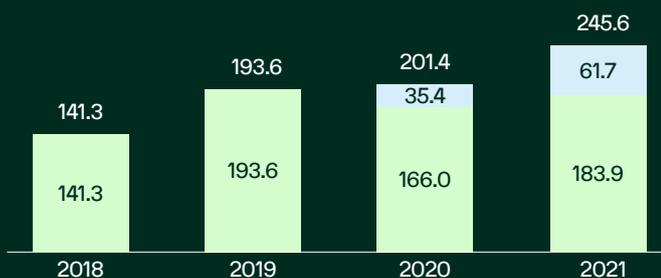
EBITDA, EUR mln<sup>1</sup>



Revenue, EUR mln<sup>2</sup>

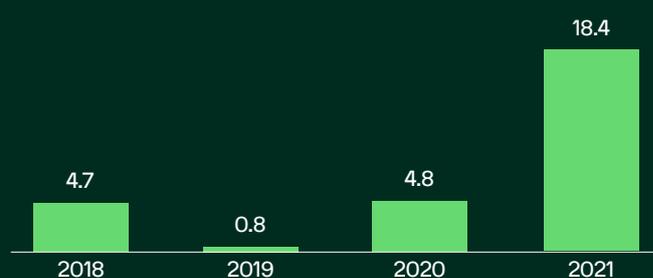


Net portfolio, EUR mln



■ Vehicle Finance ■ Consumer Finance

Net profit before FX, EUR mln<sup>3</sup>



### Alternative Performance Measures

This Integrated annual report provides alternative performance measures [APMs] not defined or specified under the International Financial Reporting Standards requirements. We believe these APMs provide readers with important additional information on our business. To support this, we

have included, a reconciliation of the APMs we use where relevant and a glossary on pages 137 to 138 indicating the APMs that we use, and explaining of how they are calculated.

<sup>1</sup> 2020 EBITDA adjusted with an increase by one-off costs of: [a] Mezzanine payments for warrant EUR 2.5 mln; [b] amortization of fair value gain from acquisitions EUR 3.4 mln; and a decrease by one-off-gains of: [a] fair value gain from acquisitions EUR 11.5 mln; [b] other one-off adjustments. 2021 EBITDA adjusted with an increase by one-off costs of: [a] amortization of fair value gain EUR 3.2 mln; [b] loss resulting from subsidiary write-off EUR 1.0 mln; [c] bonds refinancing expense EUR 5.7 mln.

<sup>2</sup> Adjusted with fair value gain on acquisition in 2020 from the portfolio in the amount of EUR 3.4 mln and subsequent amortization of portfolio gain in 2021 in the amount of EUR 3.2 mln

<sup>3</sup> 2020 adjusted with an increase by one-off costs of: [a] Mezzanine payments for warrant EUR 2.5 mln; [b] amortization of fair value gain from acquisitions EUR 3.4 mln; and a decrease by one-off-gains of: [a] fair value gain on acquisitions EUR 9.7 mln; [b] trademark acquired EUR 1.8 mln; [c] other one-off adjustments. 2021 adjusted with an increase by one-off costs of: [a] amortization of fair value gain EUR 3.2 mln; [b] loss resulting from subsidiary write-off EUR 1.0 mln; [c] bonds refinancing expense EUR 5.7 mln.

# Keynote from the CEO



## Consistent, growth-oriented strategy

Over the last few years, we all have lived in a rapidly changing world that requires adapting well to change and readiness to meet the future. These new conditions gave us extra energy because consistent development is one of our core values and part of Eleving Group's DNA. We seek to persistently better ourselves, our people, our business processes, our communication, and our performance. In 2021, our commitment to sustainability bore fruit and let us set even bolder environment, social, and governance [ESG] targets for the future.

The consistent pursuit of growth has turned Eleving Group into a strong, global player of the financial services industry, earning the Company a spot among the Top 1 000 fastest-growing companies in Europe in 2020 and 2021, according to the Financial Times ranking.

Since 2020, not only have we shifted our business focus, but we have also made a transition from product and services orientation to impact making. In 2021, Eleving Group evolved from a company primarily active in the vehicle finance segment into an international multi-brand group with an extensive and diverse product portfolio and an ultimate purpose to empower diverse communities worldwide by providing them with financial inclusion.

## Product and process development

In 2021, we managed to reach important business and corporate milestones. The industry know-how allowed us to react quickly to the global pandemic's impact on the used car market and offer our customers the most suitable mobility products together with the best-in-class customer experience. The introduction of longer maturity, higher ticket consumer finance loans allowed us to better address our customers' existing needs and grow a new customer base.

In 2021, our flexible lease and subscription-based product contribution to the Group's revenue increased substantially, thanks to the continued growth in motorcycle-taxi financing in Kenya and Uganda and successful rollout of rental and subscription products in the Baltics. We bounced back from the slowdown caused by Covid-19 in 2020 and got back on the growth trajectory in our main product group of lease and leaseback solutions. Our consumer lending products have produced the best-to-date results because of the substantial portfolio growth throughout the year.

Throughout the year, we continued investing in digital solutions. We have launched a WEB/CRM platform designed to enable releases of new targeted products within a day. We also continued investing in scoring automation and data collection tools to increase speed and accuracy in the client underwriting process. Eleving Group affirmed its digital mindset by providing customers with such tools as electronic contract signing and instant car evaluation, which in most of the markets allows for a complete customer journey online.

## Support from investors

In 2021, Eleving Group successfully refinanced most of its outstanding debt and increased its funding maturity profile. The Group issued EUR 30 million worth of Latvian bonds, EUR 150 million worth of Eurobonds, and finished the year by issuing subordinated bonds in the amount of EUR 25 million. This marked another significant milestone in the Group's history and secured stable financing for Eleving Group in the foreseeable future.

We are grateful to our existing and new investors who supported us and showed trust in our Group. We are pleased and proud that investors from all over Europe invested in our Group, with exceptionally strong interest coming from the Baltic region.

## Focus on sustainability

The UN Climate Change Conference in November 2021 in Glasgow called on the governments, the public and private sector – including financial institutions – to do more to combat climate change.

Having an ESG strategic framework in place puts us on a firm footing, yet there is work underway to implement, assess, measure, and report on our ESG goals. To address the future challenges faced by society, industry players must act as leaders, collaborating with policymakers, civil society organizations, suppliers, and various other stakeholders. By combining their strengths, these actors can lead the change.

As a financial technology group with operations and clients around the world, we promote sustainable business practices and help our customers capitalize on opportunities that bring positive social, environmental, and economic impact.

One of our priorities is to measure our sustainability performance according to internationally recognized metrics. In 2021, we launched our non-financial reporting practice based on the ESG framework, thus ensuring that our key

stakeholders have the relevant information to make informed decisions about the Group's ability to make a positive impact and create value through its ESG initiatives in the short, medium and longer term.

### **Addressing war in Ukraine**

Having a business in Ukraine and a large share of operations in Eastern Europe, the war in Ukraine deeply saddens our hearts at Elevation Group. We are closely following the situation in Ukraine, and our top priority is to ensure the safety of our employees and their families. Due to the unstable political and economic situation, we have decided to scale back activities in Ukraine and Belarus — in line with our contingency plan — in an orderly and controlled manner.

To support the people of Ukraine, Elevation Group has joined the Entrepreneurs for Peace movement and donated EUR 100 000. The Group and its employees are also involved in multiple initiatives providing international humanitarian aid to the war-affected people in Ukraine and supporting Ukrainian refugees in the Baltics.

We sincerely hope for an end to the dreadful conflict and thus a return to a normalized situation.



**Modestas Sudnius**  
Elevation Group CEO



# Management report

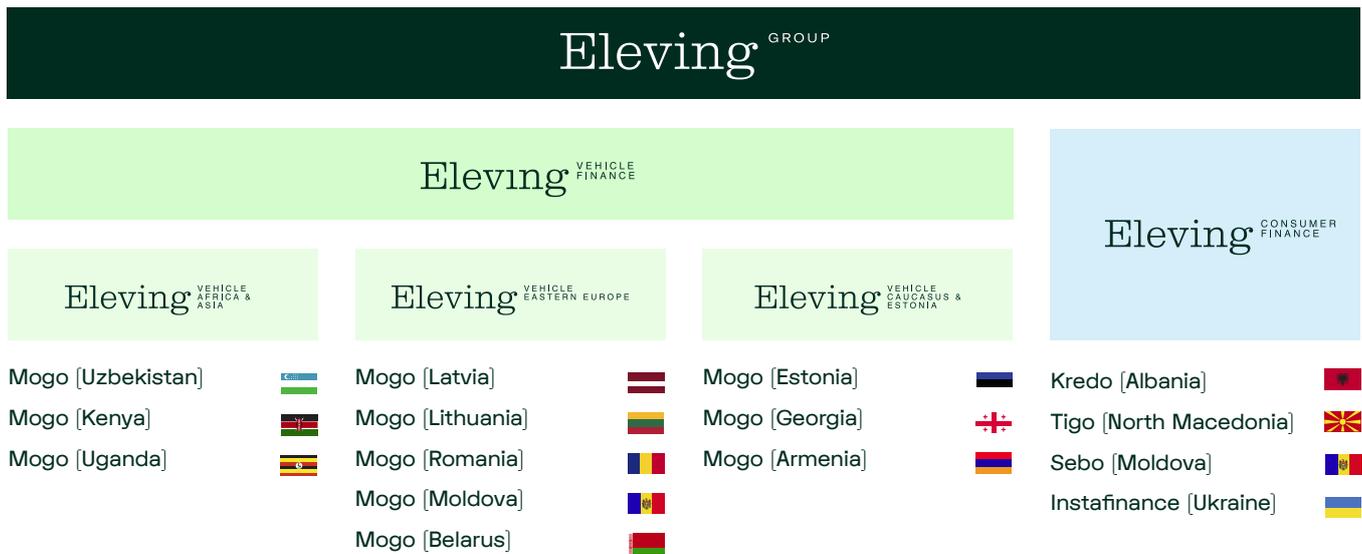
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# Business overview

Eleving Group is an international, growth-oriented financial technology company with a vast reach across the globe. The Group's approach to business is to identify underserved markets and disruptively change them with innovative and sustainable financial solutions both in the vehicle and consumer finance segments.

Founded in 2012 in Latvia as Mogo with a focus on motor vehicle financing and finance lease, the Group expanded

into the Baltics within its first year in business and continued expansion in the following years, servicing a total of 14 active markets and operating in three continents — Europe, Asia, and Africa. Eleving Group serves more than 350 000 loyal clients with a team of 2 481 talented people from management to risk assessment to customer service.



Since its inception, the Group has issued over EUR 1 billion loans, with a current net loan portfolio and used car rental fleet of over EUR 240 million. In 2020 and 2021, the Group ranked at the top Europe's 1 000 fastest-growing companies compiled by the Financial Times.

Eleving Group has a proven track record and has developed strong know-how that allows its flexible business model to be implemented in new markets in an efficient way by leveraging on its knowledge and technological resources. Before entering a new market, Eleving Group conducts a detailed market analysis, which includes an analysis of the legal framework, competition, country risk, data availability, and other market

conditions. Furthermore, Eleving Group visits the country to meet potential partners and suppliers and interviews potential local management candidates. Once the decision to enter a new market is made, Eleving Group typically adapts its existing models and business processes to its new markets. This approach, together with an experienced hands-on regional management team, facilitates quick penetration of new markets and allows to maintain processes and credit risk assessments at a high level.

## Eleving Group's business lines

Eleving Group runs two business lines: vehicle finance and consumer finance. The Group offers vehicle finance in eleven markets — Latvia, Lithuania, Estonia, Georgia, Romania, Moldova, Belarus, Armenia, Uganda, Kenya, and Uzbekistan, and consumer financing in four — Albania, Moldova, North Macedonia, and Ukraine.

The Group's business lines comprise a number of products and services that fill the funding gap and create new opportunities for people who previously did not have access to finance or to private means of transportation. The main Group's products can be best split into 3 categories:

- flexible lease and subscription-based products — motorcycle-taxis in Kenya and Uganda, used vehicle rent in Latvia and Lithuania, new car subscription in Latvia;

- lease and leaseback products in Latvia, Lithuania, Estonia, Georgia, Romania, Armenia, Moldova, Belarus, Uzbekistan, Kenya, and Uganda;
- consumer lending products — installment loans, credit lines, single payment loans in Albania, Moldova, North Macedonia, and Ukraine.

**Eleving Vehicle Finance** provides alternative ways of vehicle financing and creates new opportunities for people who previously did not have access to private means of transportation.

Eleving Vehicle Finance offers a finance lease and leaseback to customers in all its countries of operation. Under a finance lease, Eleving Group purchases a customer-selected vehicle,

the lessee then can use the vehicle during the lease period and pay a series of installments. The purchased vehicles are 3 to 20 years old. After full repayment of the principal, the lessee becomes the legal owner of the vehicle. Under a leaseback contract, Eleving Group purchases a vehicle directly from the customer, the customer then continues to use the vehicle and pays monthly installments. After full repayment of the principal, the customer becomes the legal owner of the vehicle.

Both the finance lease and leaseback are Eleving Group's core products and currently represent 53.1% of the total net loan portfolio as at 31 December 2021.

Eleving Group also offers multiple flexible lease and subscription-based products. In the Baltics, the Company offers rent-to-buy products for customers who seek ultimate flexibility and the possibility of returning or changing the vehicle at any time. In eastern Africa, the company focuses on productive lending products by financing new motorcycles and three-wheelers used for carrying passengers or delivering goods. Such products are offered exceptionally for self-employed riders who use their motorcycles to generate income and provide for their families.

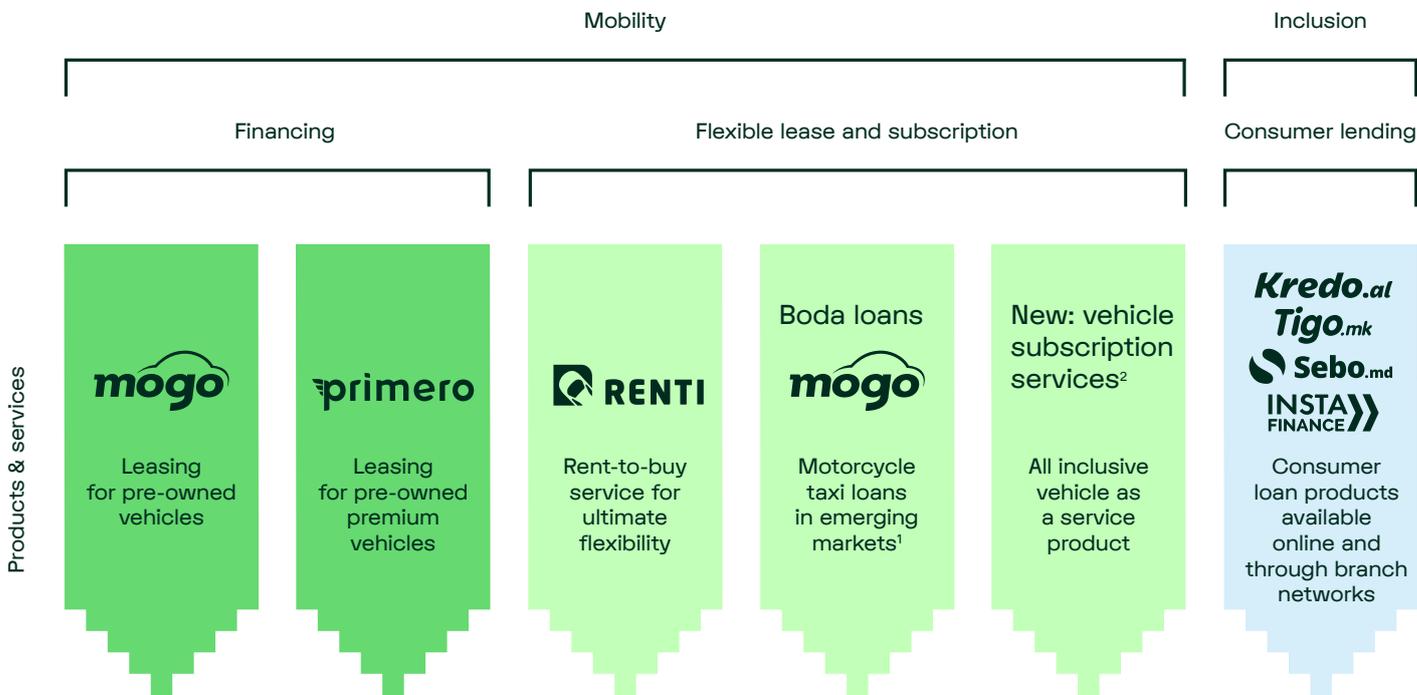
The Group has also launched a new car subscription product, providing customers with an opportunity to drive a new car the same day and covering all vehicle rental and maintenance costs with a single monthly payment. Customers can choose a subscription period from 1 to 36 months.

Mogo is the leading brand in the used vehicle finance market. Services are provided to customers via websites, mobile channels, and a broad dealer/broker and branch network. In certain markets, the Group also provides rent-to-buy services, car subscription services, and finance for more expensive vehicles through strategic collaboration with local banks. This is done under different brands [Renti, Renti Plus, Primero].

The proven business model of Eleving Vehicle Finance is built on the increasing demand for mobility around the world as well as demand for quality used vehicles across Eleving Group markets, and it is realized through an innovative, data-driven, and fast process. This process is led by IT investments together with strong controls, efficient debt collection, and direct partnerships with used car dealer networks. With a focus on secured lending against a vehicle's title, Eleving Group has unlocked a niche market for financial services and is a first mover in this sector, benefitting from economies of scale and competitive advantage. Before establishing Mogo in 2012, there was no convenient alternative to finance used vehicles older than 5 years in the Baltics.

**Eleving Consumer Finance** business focuses on markets lacking financial inclusion and having communities underserved by conventional financial institutions. In most cases, there is no "middle ground" between difficult-to-access bank finance and very limited, expensive short-term loans. Eleving Consumer Finance companies are often the only ones offering online and offline customer service experiences for diverse customer groups. With more than 100 branches in Moldova, North Macedonia, Albania, Eleving Consumer Finance companies offer flexible financial products – from credit lines to installment loans, providing access to substantial funds to customers that meet the Group's credit assessment benchmarks.

The key consumer financing product Eleving Vehicle Finance offers is a long-term unsecured loan with regular fixed monthly payments. Interest rates differ based on the product, loan size, and term, with decreasing pricing for longer maturities. A customer may repay the outstanding loan balance in full at any time or make required minimum payments in accordance with the terms of the loan agreement.



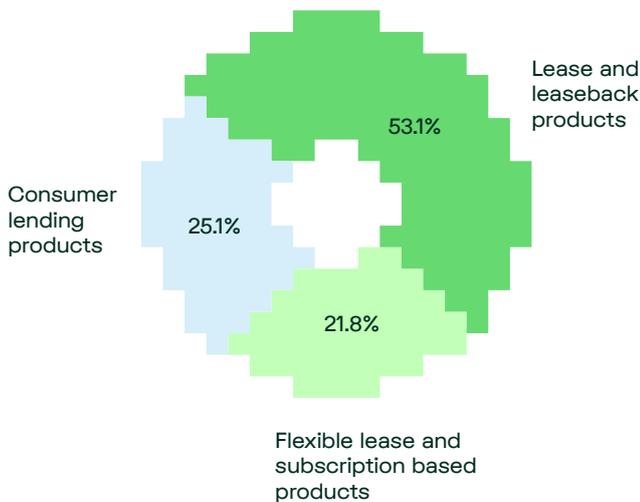
Both Group's business lines – vehicle finance and consumer finance – each have their own management team. Having a larger operational volume and geographical outreach, Eleving Vehicle Finance's business operations are managed through

three regional hubs. The Group's headquarters of both business lines operate from a centralized location in Riga, Latvia and Vilnius, Lithuania.

<sup>1</sup> Kenya and Uganda

<sup>2</sup> New car subscription services launched in Latvia in 2021 Q4

## Portfolio balance in 2021



Eleving Group has a geographically diverse portfolio, with over 70% of loans concentrated in European countries with resilient economies and strong currencies. Eleving Group's revenues are principally derived from operations in Lithuania, Romania, Moldova, and Kenya, which together accounted for more than 40 % of its net loan portfolio and rental fleet as at 31 December 2021.

Revenues are also derived from the other markets where Eleving Group operates, including:

- Estonia [since 2013];
- Georgia [since 2014];
- Armenia [since August 2017];
- Moldova [since September 2017 with respect to vehicle finance and, since OCN SEBO CREDIT SRL acquisition in summer 2020, with respect to consumer finance business];
- Belarus [since April 2018];
- Uzbekistan [since December 2018];
- Uganda [since May 2019];
- Albania [since December 2018 with respect to vehicle finance and, since Kredo Finance Shpk acquisition in 2020, with respect to consumer finance business];
- North Macedonia [since TIGO FINANCE DOOEL Skopje acquisition in summer 2020 with respect to consumer finance];
- Ukraine [since the end of 2020 in respect of consumer finance].

Since the beginning of the Covid-19 pandemic in 2020, the Group has proactively optimized its portfolio by focusing entirely on the markets with the greatest potential for profitable growth and currently continues to follow that approach.

## Taxonomy eligibility

The EU Taxonomy regulation is a classification system of environmentally sustainable economic activities.<sup>1</sup> The aim of the regulation is to direct capital flows towards projects and activities that contribute to at least one of the EU's six environmental objectives:

1. Climate change mitigation;
2. Climate change adaptation;
3. The sustainable use and protection of water and marine resources;
4. The transition to a circular economy;
5. Pollution prevention and control;
6. The protection and restoration of biodiversity and ecosystems.

Companies that are within the scope of the Non-Financial Reporting Directive [NFRD]<sup>2</sup> must disclose taxonomy-related information in accordance with the methodology and implementation timeframe of the disclosure obligation as specified in the Disclosures Delegated Act.<sup>3</sup>

In the 2021 annual report, Eleving Group will disclose information regarding its exposures to taxonomy-eligible and non-eligible activities in line with article 10[2] of the Disclosures Delegated Act. Currently, the eligible activities concern the first two objectives of the Taxonomy regulation: climate change mitigation and climate change adaptation.<sup>4</sup>

<sup>1</sup> Regulation [EU] 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation [EU] 2019/2088.

<sup>2</sup> Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

<sup>3</sup> Commission Delegated Regulation [EU] 2021/2178 of 6 July 2021.

<sup>4</sup> Commission Delegated Regulation [EU] 2921/2139 of 4 June 2021.

## Taxonomy Mandatory Reporting

Required information [art 10[2]]	Absolute sum	Proportion of total covered assets
Exposures to Taxonomy-eligible activities	55 213 179	171%
Exposures to Taxonomy-non-eligible activities	266 863 233	82.7%
Exposures to central governments, central banks, and supranational issuers	-	0%
Exposures to derivatives	-	0%
Exposures to undertakings not subject to NFRD	510 158	0.2%
Trading book and on demand inter-bank loans	-	0%

Eleving Group's exposures to taxonomy-eligible activities comprise leases for vehicles, loans backed by vehicles, and used vehicle rental services. These loans directly relate to activities that fit the description of section 6.5 of the Climate Delegated Act Annex I: Transport by motorbikes, passenger cars and light commercial vehicles.<sup>1</sup> The exposures to taxonomy-non-eligible activities include unsecured consumer loans and vehicle loans granted outside the EU, as well as loans to companies that are not subject to the disclosure obligations under the NFRD.

Eleving Group has set targets to reduce the climate impact of its portfolio related to these activities [see section Striving for climate impact reduction and adaptation]. These climate targets relate to product design and engagement with clients. However, these targets are not considered in compliance with the Taxonomy regulation because it is currently difficult to estimate the availability and accessibility of information required to demonstrate that the activities Eleving Group is financing are taxonomy-aligned. This approach will be reviewed in the coming years, pending on the feasibility to prove alignment.

## Stakeholders

Eleving Group believes a stakeholder-based approach helps to understand and manage both opportunities and risks to ensure sustainable growth and profitability; therefore, the Group focuses on bringing value to its stakeholders:

- Employees: career advancement and personal satisfaction;
- Customers: enabled upward social mobility through financial inclusion across diverse communities;
- Investors: return on the allocated capital;
- Regulators: a reliable, transparent, and compliant entity;
- Local economies: regular tax revenues, a well-paid and educated workforce, and a non-discriminating attitude from an international employer.

Eleving Group earns a substantial majority of its revenues from interest payments and fees on the loans the Group makes to customers. Financial institutions and other funding sources provide the Group with capital to fund these loans and charge interest on funds that Eleving Group draws down.

Eleving Group's investors' community is mainly comprised of investors from the Baltics, Western, and Central Europe. They value the Group as a trusted partner that can deliver consistent and sustainable growth.

The Group's business depends on certain services provided by third parties such as banks, local consumer credit agencies, IT service providers and debt-collection agencies. An inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, debt-collection

agencies and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Group may have a material adverse effect on its business, financial condition, results of operations, prospects, or cash flows.

The Group's current and potential customers are working-class people receiving a regular income but having limited savings. Typically, these are customers underserved by traditional banks due to the low ticket size, inefficient underwriting process, complicated and inefficient loan application process, and long turnaround times for such loans.

Potential customers for a consumer loan often try to address urgent cash flow needs, mainly related to unexpected expenses and financing consumer electronics purchases. Eleving Group's Consumer Finance customers are equally divided between both sexes within an age range from 21 to 59.

Customers of Eleving Group's Vehicle Finance are people who prefer to drive used premium class vehicles instead of new or few years old economy class vehicles, since such vehicles perform better, depreciate less, and have cheaper maintenance cost due to a well-developed aftermarket. For most customers a car is not a nice-to-have item, but rather a necessity needed to travel to their workplace or to earn income. The Group also serves small and medium enterprises that need quick financial solutions to solve mobility issues in their businesses. The majority of Eleving Group's Vehicle Finance customers are males aged 21 to 59.

A significant part of used car sales takes place at physical locations where potential customers can see and test a

<sup>1</sup> Commission Delegated Regulation [EU] 2921/2139 of 4 June 2021, Annex I.

car while interacting with a seller directly. Because of this trend, Eleving Group introduced dedicated partner account managers and specific partner programs in order to establish close business relationships with used car sellers. As at 31 December 2021, Eleving Group had entered into cooperation contracts with more than 1 100 car dealerships.



As at 31 December 2021, Eleving Group had a total of 159 strategically located branches in 13 of its 14 countries of operation, allowing the Group to serve a broader population and address its customers' needs across both its business lines.

Eleving Group and its companies' membership in trade associations, unions, and organizations provide information on trends in the financial and related industries and ensure representation of national and international interests in the development of policy documents, legislation, and standards. For example, in Latvia, the Group is represented at the Latvian Fintech Association, in Moldova – at the Alternative Financial Services Association of Moldova.

The Group's representatives regularly discuss the development of finance and related industries with industry specialists at various forums, conferences, seminars, and working groups. For example, Eleving Group took part in the II International Financial and Banking Forum in Uzbekistan, where Juozas Rimgaila, CEO of Mogo Uzbekistan, shared Eleving Group's experience with vehicle financing in different markets.

## Business driven by technology

Eleving Group utilizes state-of-the-art technological solutions that ensure the quickest disbursement of funds in the market while still maintaining the flexibility needed to serve the underserved communities. Care for customers means open communication and tailor-made solutions. Innovative and technology-based internal processes allow the Group to analyze and assess all the possible customer and vehicle data. All decisions are based on an in-house scoring model and a data-driven metrics pool.

Since Eleving Group's IT strategy utilizes the most sophisticated technologies and solutions available on the market, the Group intends to continue substantial investments in the IT systems and adapt its operations and software to support current and future growth.

Eleving Group's IT department supports the full lifecycle of product development and optimization. Eleving Group embraces effective design principles and applies value driven prioritization principles to maximize return on time invested by the IT department. This approach is aimed at building solutions based on validated business needs, with a focus on running secure and stable systems minimizing maintenance costs but maximizing customer conversion rates, and streamlining portfolio administration.

Eleving Group is constantly investing in digitalization, data processing, and risk solutions. Together with Eleving Group's experience and expertise in providing innovative and data-driven financial services, such investments strengthen the Group's position to stay ahead of its competitors in terms of ease of use, customer convenience, and product offering. In addition, the Group's IT systems have demonstrated a track record for reliability and uninterrupted performance, with no instances of significant system downtime in the last 3 years. Eleving Group believes that its in-house IT team will be able to maintain the current service level and further develop and strengthen the performance of its IT systems.

Eleving Group uses a data-driven analysis and a data-driven decision-making process in all aspects of its business. The use of data improves the assessment of existing and potential

customers helps optimize marketing expenditures, enhances credit risk management, and facilitates efficient new product development. Predictive data from alternative sources, in addition to traditional data sources such as credit bureaus, is used for a customer's valid credit scoring.

Eleving Group as a responsible citizen of the international business community encourages responsible lending, and its priority is to ensure a transparent and convenient customer journey. The Group ensures that customer data are processed and stored in a secured, encrypted way. The Group's daily business operations are supported by a technological toolset and IT infrastructure, like a fraud prevention & scoring engine, risk evaluation engine, and usage of alternative data sources.

The vehicle assessment software automatically assesses the value of a vehicle by combining 10+ variables among thousands of vehicles on the market. To simplify the customer journey, there is a streamlined CRM [Customer Relationship Management] tool with multiple integrations with relevant credit bureaus, all major banks, and call center solutions. In order to provide convenient customer service, e-payments are used. The proprietary algorithms in the debt collection engine ensure high-efficiency operations. Integrated GPS [Global Positioning System] tracking and alerts enable access to customer data even when on the ground. By using cloud service providers, mission-critical production systems utilize the advantages of high availability, fast scalability, and business continuity. We take full advantage of the managed automation possibilities enabling Eleving Group to have cost-efficient IT operations with a constant focus on information security.

# Strategy and goals for 2022

## Products/geographies

- Launch two new vehicle financing markets;
- Launch an electrical car-sharing product in Riga, Latvia;
- Roll out new vehicle subscription product in Latvia and Estonia;
- Focus on organic growth in the East Africa region;
- Continue shifting clients to longer maturity, bigger ticket size products;
- Significantly decrease portfolio exposure in Belarus and Ukraine.

## Sustainability

- Launch green vehicle financing products;
- Launch regular portfolio CO2 emission tracking;
- Ensure transparent ESG reporting practices;
- Maintain balanced gender diversity.

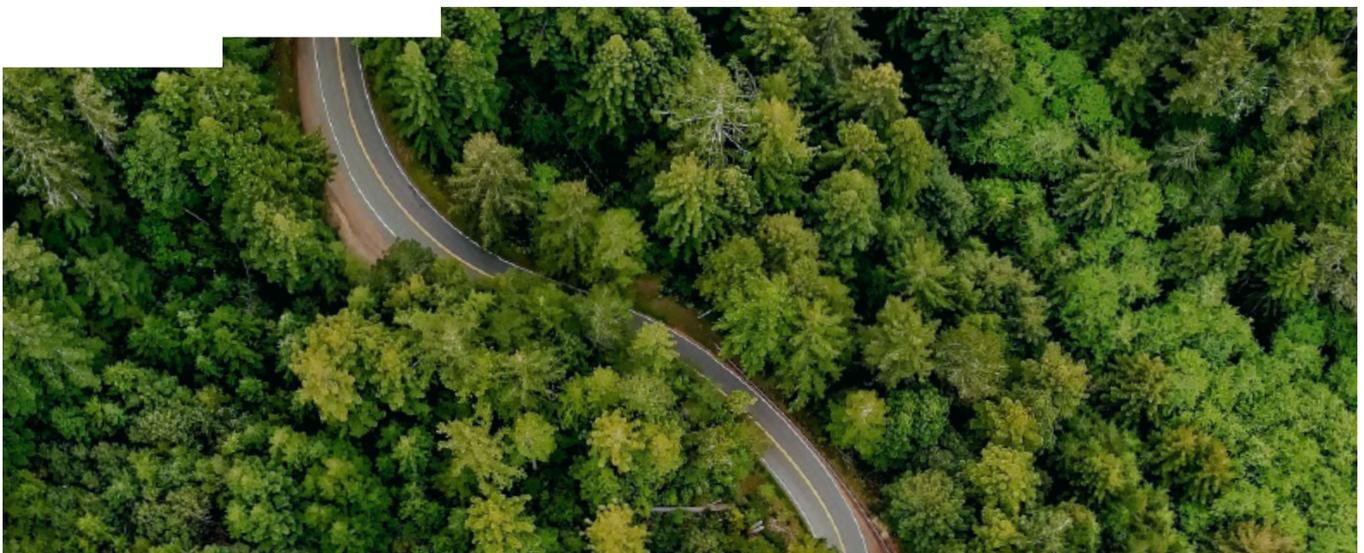
Strategy  
going  
forward

## Capital management

- Continuous improvements in financial covenants [ICR, Leverage ratio, capitalization ratio];
- Explore routes for attracting outside equity.

## Processes

- Further automation;
- Launch of new digital processes [e.g., digital signing] in a variety of markets;
- Improvement of digital partnership tools [dealers module, POS].



# Mission

To facilitate upward social mobility across diverse communities around the world by creating access to innovative and sustainable financial solutions.

# Values



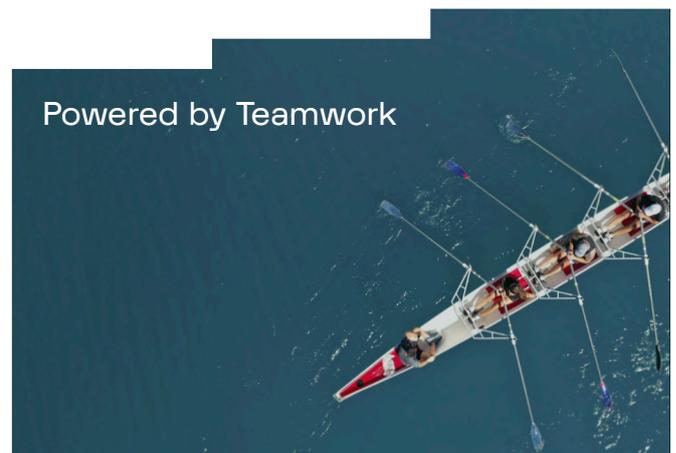
We challenge and elevate everything we touch and are eager to find out-of-the-box solutions. Change is our driving force, and we face it head-on. We take on whatever comes our way, showing strength in a changeable environment.



We are hungry for success and strive for excellence. While we revel in the process, dealing with any challenges encountered along the way, it is the result that truly matters and drives us. We define and measure our success, allowing it to be the driving force for new achievements.



We have a business owner's mindset. We take full responsibility for our actions and decisions, encouraging others to do the same. We take the initiative rather than react to events – we take calculated risks, boost efficiency, and keep improving.



We are open, honest, and caring. We lead by example and are trusting and trustworthy. We care for and support each other in reaching our common goals. We work with passion, celebrate our victories, and have fun along the way. We thrive on equality and diversity. We believe an individual can achieve a great deal, but even more with a strong team.

# Sustainability: approach and scope

Eleving Group is set to generate long-term value by fostering responsible financial behavior and practices, actively considering the societal impact of its business operations and the interests and expectations of the most relevant stakeholders, and contributing to a more sustainable future.

As a financial technology group with operations and clients around the world, Eleving Group promotes sustainable business practices and helps its customers capitalize on opportunities that bring positive social and economic impacts. With respect to several sustainability criteria, Eleving Group is a trendsetter introducing Western European values and incentives in developing countries, thus elevating the lives of vulnerable and diverse communities.

The Group is fully aware of the impact of its activities and responsibilities towards customers, regulators, shareholders, employees, business partners, and communities in which it operates, and is guided by the following sustainability principles:

- we aim to comply with high responsibility standards from a legal, ethical, economic, social, and environmental perspective;
- we are committed to balancing economic success with environmental and social responsibility;
- responsible lending is the core of our business, and we continuously integrate environmental, social, and governance (ESG) criteria into our lending process;
- we encourage transparent communication and open dialogue with our stakeholders.

To implement these commitments, the Group's most significant impacts have been identified and measurable targets set, as well as the progress on reaching these has been publicly reported. Above all, Eleving Group is transparent about direct and indirect impacts on the environment, societies, and economies where it operates.

## Materiality analysis

In 2021, Eleving Group conducted a materiality analysis to define the most relevant sustainability issues to the Group. The materiality analysis considered the nature of business operations and value chain of the Group, and various environmental, social, and governance impacts that its activities directly or indirectly might make or be affected by, and then prioritized these different ESG aspects through the following lenses:

- stakeholder expectations (online survey and 1:1 interviews);
- relevance from the management view (workshops);
- trends seen from peer review (desktop analysis);
- high-level soon-to-be requirements of EU sustainability regulations, i.e., taxonomy and the Corporate Sustainability

Reporting Directive [CSRD] [detailed requirements to be launched yet].

As part of stakeholder engagement, Eleving Group's managers of different functions and business units nominated the most important stakeholders to be invited to do a survey on sustainability. Altogether, around 150 stakeholders and experts from around 130 organizations contributed to the Group's efforts in developing a systematic approach to sustainability, environmental and social aspects, as well as responsible business conduct. The findings are summarized in the table below, indicating stakeholder expectations regarding priority sustainability areas.

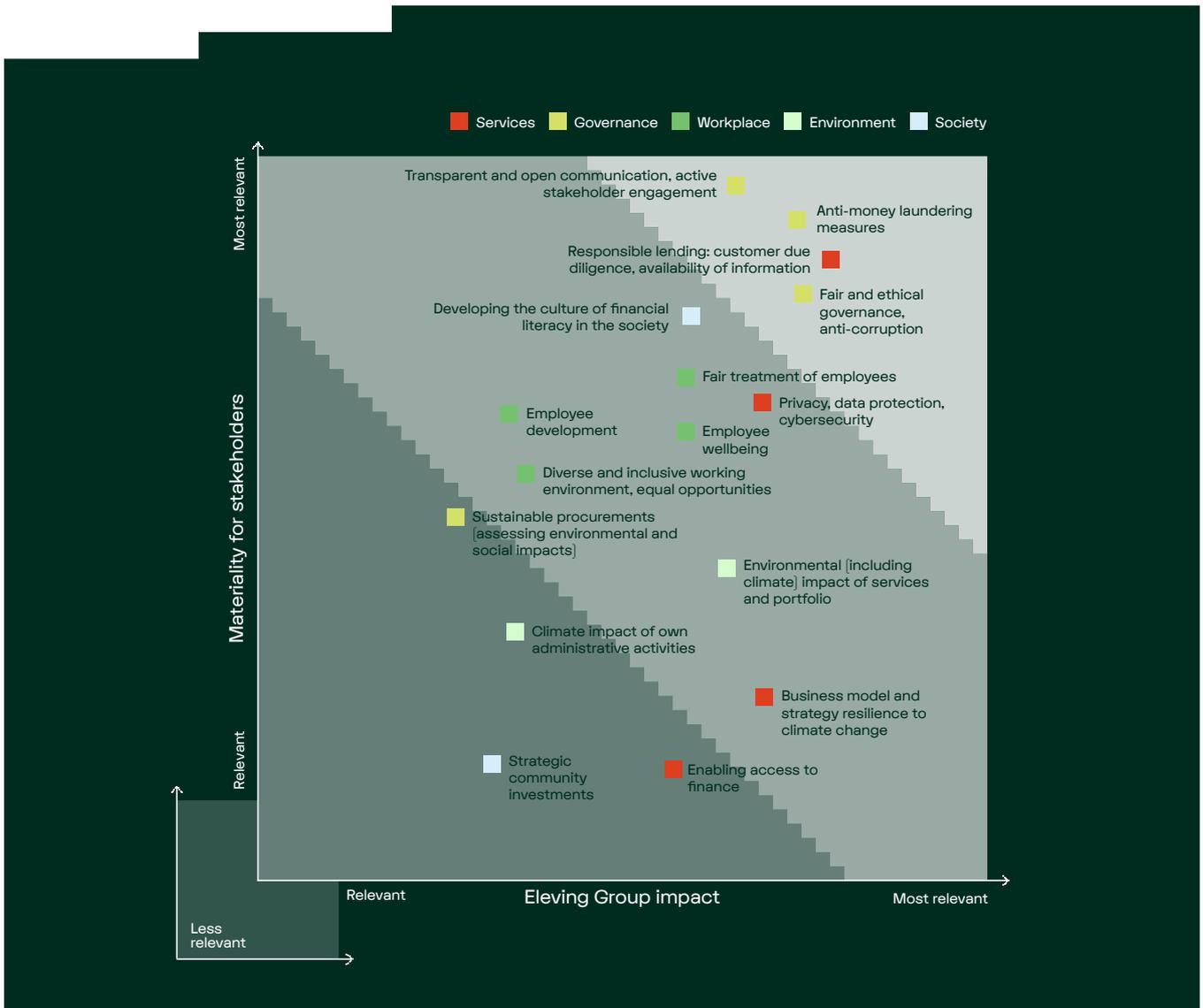
Priority sustainability areas	Major stakeholder categories	Financial community [banks, investors, analysts]	Policymakers, regulators, authorities, professional bodies	Suppliers, business partners	Civic society: NGOs, experts, media	Employees
Responsible lending: customer due diligence, access to information			✓	✓	✓	
Fair and ethical governance, anti-corruption		✓			✓	✓
Transparent and open communication, active stakeholder engagement		✓		✓	✓	✓
Anti-money laundering measures		✓	✓	✓		
Privacy, data protection, cybersecurity			✓	✓		
Environmental [including climate] impact of services and portfolio		✓				
Fair treatment of employees [i.e., employment relations, engagement, remuneration]					✓	✓

Priority sustainability areas	Major stakeholder categories	Financial community [banks, investors, analysts]	Policymakers, regulators, authorities, professional bodies	Suppliers, business partners	Civic society: NGOs, experts, media	Employees
Employee safety and well-being					✓	✓
Employee education, skills, and development			✓	✓		
Diverse and inclusive working environment, equal opportunities, respect for human rights						✓
Promotion of financial literacy in society		✓	✓			

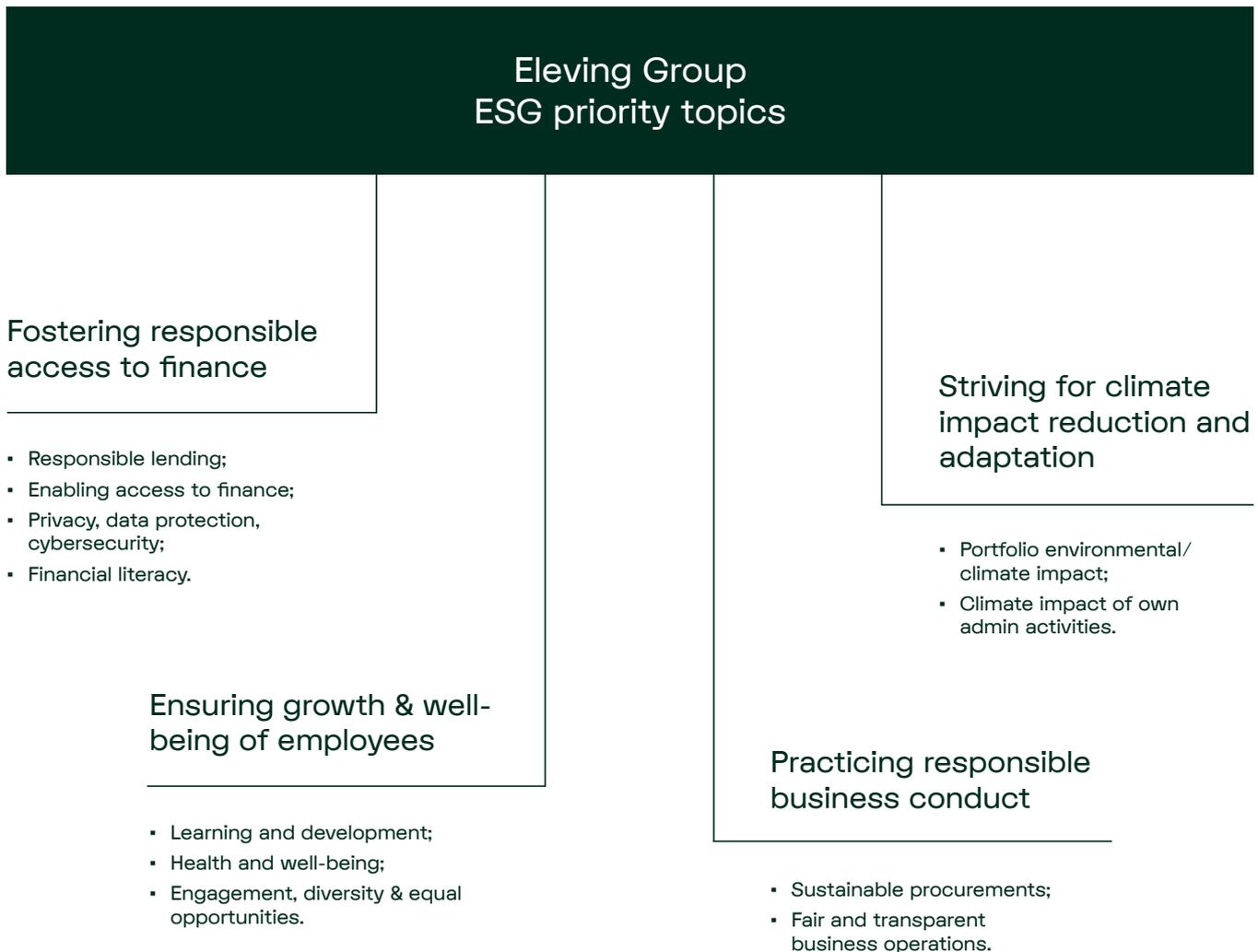
As a result of the materiality analysis, 16 key focus areas were identified as the most relevant for Eleving Group. The matrix below presents the importance of each area from the perspective of the stakeholders [based on external stakeholder engagement – vertical axis] and from the perspective of

the Group [based on the rest of the materiality analysis and external expert opinion – horizontal axis].

### Materiality Matrix



For the purposes of its Strategic ESG Program 2022–2025, the Group grouped the initially defined 16 areas into 11 priorities [split into four categories]:



## ESG goals for 2025

### Environment

- Climate impact monitoring and data collection system in place;
- Climate neutrality of administrative operations;
- User-friendly tools for measuring vehicle CO2 emissions.

### Social

- At least 8-hour professional development training for employees per year;
- Infrastructure for healthy work-life balance;
- Fair and equal internal progression of employees with 10% vacant management positions occupied by own employees;
- Gender pay gap maximum 2%;
- Employee recommendation score [eNPS] at >50;
- Public programs and tools to improve the financial literacy of at least 500 000 people.

### Governance

- Gender diversity in senior leadership roles [44-45% female];
- Zero unaddressed Whistle-blower reports;
- Structured ESG framework in place;
- Key suppliers assessed according to ESG criteria.

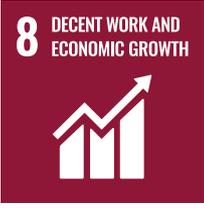
# Alignment with UN SDGs



To demonstrate compliance with the ethical standards of the industry and the national and international frameworks on corporate sustainability and sustainable development, Eleving Group has chosen to make sustainability commitments

and align its practices with the United Nations Sustainable Development Goals [SDGs].

Based on an analysis of its contribution to the SDGs, Eleving Group has chosen to focus on UN SDGs 5, 8, 9, 12, and 13.

Sustainable development goals	SDGs and relevant sub-goals for Eleving Group	Contribution of Eleving Group to the achievement of the SDGs
	<p><b>Achieve gender equality and empower all women and girls</b></p> <p>5.1. End all forms of discrimination against all women and girls everywhere</p> <p>5.5. Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life</p>	<p>Promote diversity in the workplace and equal pay; promote balanced gender diversity ratio; enable access to finance for female entrepreneurs</p> <p>Promote balanced gender diversity ratio in senior leadership roles; enable access to finance for female entrepreneurs</p>
	<p><b>Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all</b></p> <p>8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>8.8. Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment</p> <p>8.10. Strengthen the capacity of domestic financial institutions to encourage and to expand access to banking, insurance and financial services for all</p>	<p>Provide access to finance for starting a business/support revenue-generating activities</p> <p>Ensure a healthy and safe working environment and labor rights for employees</p> <p>Provide access to finance to unbanked customers</p>

Sustainable development goals	SDGs and relevant sub-goals for Eleving Group	Contribution of Eleving Group to the achievement of the SDGs
 <p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p><b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b></p>	<p>9.3. Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.</p>	<p>Enable access to finance to unbanked customers; providing employment considering diversity and equal pay; ensure digital accessibility</p>
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p><b>Ensure sustainable consumption and production patterns</b></p>	<p>12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p> <p>12.7. Promote public procurement practices that are sustainable, in accordance with national policies and priorities</p>	<p>Own ESG and sustainability reporting</p> <p>ESG criteria included in the procurement process, assessment of suppliers</p>
 <p><b>13</b> CLIMATE ACTION</p> <p><b>Take urgent action to combat climate change and its impacts</b></p>	<p>13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>	<p>Climate-resilient and adaptive planning, monitoring own climate impact, and development of new</p>

## Sustainability governance

Fair, ethical, and sustainable conduct across the Group and its supply chain underpins any business activity.

The board has the overall responsibility for the implementation of the Group's ESG policy, and everyone is committed to reaching the agreed strategic goals.

In order to meet its ESG commitments, Eleving Group has developed its Strategic ESG Program 2022–2025 and set measurable targets. Furthermore, the Group publicly reports on its progress, being transparent about its impacts on

society, the economy, and the environment of the countries the Group operates in.

For each of the four Eleving Group's ESG priority categories, there is a designated senior executive responsible for proposing goals, KPIs, and possible activities, and monitoring the progress regarding each of the targets set.

## Due diligence

Due diligence is an essential part of business expansion and is carried out to identify, prevent, and mitigate any potential adverse impact on the successful growth of Eleving Group. Therefore, prior to entering a new market, Eleving Group performs due diligence, covering, at a minimum, the following areas:

- assessment of business conditions;
- key legal regulations applied to the Group's products;
- tax regulation;
- local currency risks.

The time dedicated to researching and carrying out a detailed analysis of the target market helps the management form a sound decision on entering the new market and the best possible strategy for the entrance. Eleving Group selects its potential business partners in a careful and balanced way, based on the Group's standards recognized in commercial practices, which include ethical business practices and compliance with relevant regulatory enactments.

## Approach to sustainability reporting

Eleving Group measures its non-financial performance according to internationally known metrics which are well-respected and recognized by the global investors' community.

Therefore in 2021, the Group started its sustainability reporting practice, using the environmental, social, and governance [ESG] framework. This ensures that the key stakeholders have

relevant information to make informed decisions about the Group's ability to create value in the short, medium, and longer term.

Eleving Group sees the ESG data as a significant performance signal to all main stakeholders as well as to society in general; therefore, in 2021, the Group started a smooth transition to a regular and strategically guided sustainability reporting

process. As one of the first steps, a materiality analysis was conducted by engaging key internal and external stakeholders [see section Materiality analysis].



# Climate change mitigation and adaptation

The global economy needs to undergo system-wide change to keep global warming well under two degrees. Eleving Group takes an active role within its sphere of influence to promote achieving a low-carbon, climate-resilient economy, focusing on low-emission mobility.

Climate change is already an important strategic consideration for Eleving Group. Eleving Group acknowledges that not only does climate change have an impact on its own business, but the Group's financing decisions can also facilitate the transition to low-carbon, sustainable societies. Eleving Group is committed to implementing decarbonization measures in line with the Paris Agreement and reducing its environmental footprint in the coming years through product-related activities, such as launching electric car sharing and offering financial incentives [discounts] for 'green' vehicles.

Climate change mitigation and adaptation are included as a priority area in Eleving Group's Strategic ESG Program 2022–2025 developed in 2021, and the Group's management has set the following goals:

- measure CO2 intensity [average gCO2/km tailpipe emissions], report transparently, and reduce the CO2 emissions intensity of the funded fleet annually;

- educate customers and society about CO2 emissions intensity and provide incentives to move to zero-emission vehicles;
- reach administrative operations climate neutrality by 2025.

To meet these commitments, in 2022, a detailed roadmap — a climate policy, strategy, and action plan — will be developed to meet Eleving Group's environmental goals and report annually on climate impact and adaptation management. The interim emission reduction targets will be set, ensuring their alignment with the Paris Agreement. Eleving Group also reports on the extent to which its portfolio is associated with economic activities that are eligible to qualify as environmentally sustainable under the EU Taxonomy regulation [see section 'Taxonomy eligibility'].

## Vehicle finance portfolio climate impact

As part of its ESG proposition, Eleving Group is committed to taking an active role in shaping the transition to a low-carbon economy and mobility. This will be achieved by fostering green mobility among customers — by offering new green products and raising customer awareness of sustainable consumption, thus encouraging them to make more sustainable choices.

Eleving Group has set the reduction of CO2 intensity of its funded fleet as the primary goal in the Strategic ESG Program 2022–2025. The Group intends to reach its ambitions by promoting green vehicle financing and focusing on productive lending [see section Fostering responsible access to finance].

To assess the current climate impact of the Group's portfolio, a CO2 calculation methodology was developed internally in 2022 prior to publishing the report. After exploring different approaches and available data sources, it was decided to use the database of the Road Traffic Safety Directorate of Latvia [hereinafter CSDD [Latvian abbreviation]]. The database was compared with the European Environment Agency's [EEA] CO2 emissions for new passenger cars, and the results were very similar. Since the CSDD database covers the period of 2004–2020 as opposed to EEA's 2010+, it was decided that the CSDD database will provide better coverage.

In the CSDD database for 2004–2020, the New European Driving Cycle [NEDC] method was used but starting from 2021–2022, the method was changed to the Worldwide Harmonised Light Vehicle Test Procedure [WLTP] developed by the European Union. Since the WLTP method gives slightly higher CO2 emission results, the impact of methodology change should be estimated before it can be used in calculations. For 254 loans [0.8% of loans excluding boda boda], CO2 emission data from 2020 are used.

The CSDD database contains data on vehicle fuel type, year, engine capacity, transmission type, brand, and model. Since the data level of detail on Eleving Group's side did not correspond that of CSDD and in order to avoid manual monitoring of all current entries in the Group's database, it was decided to group the data by:

- vehicle year;
- fuel type;
- engine capacity.

For each vehicle matching the group, the average CO2 consumption from the CSDD database was used. For vehicles that did not match the group, exception rules were created:

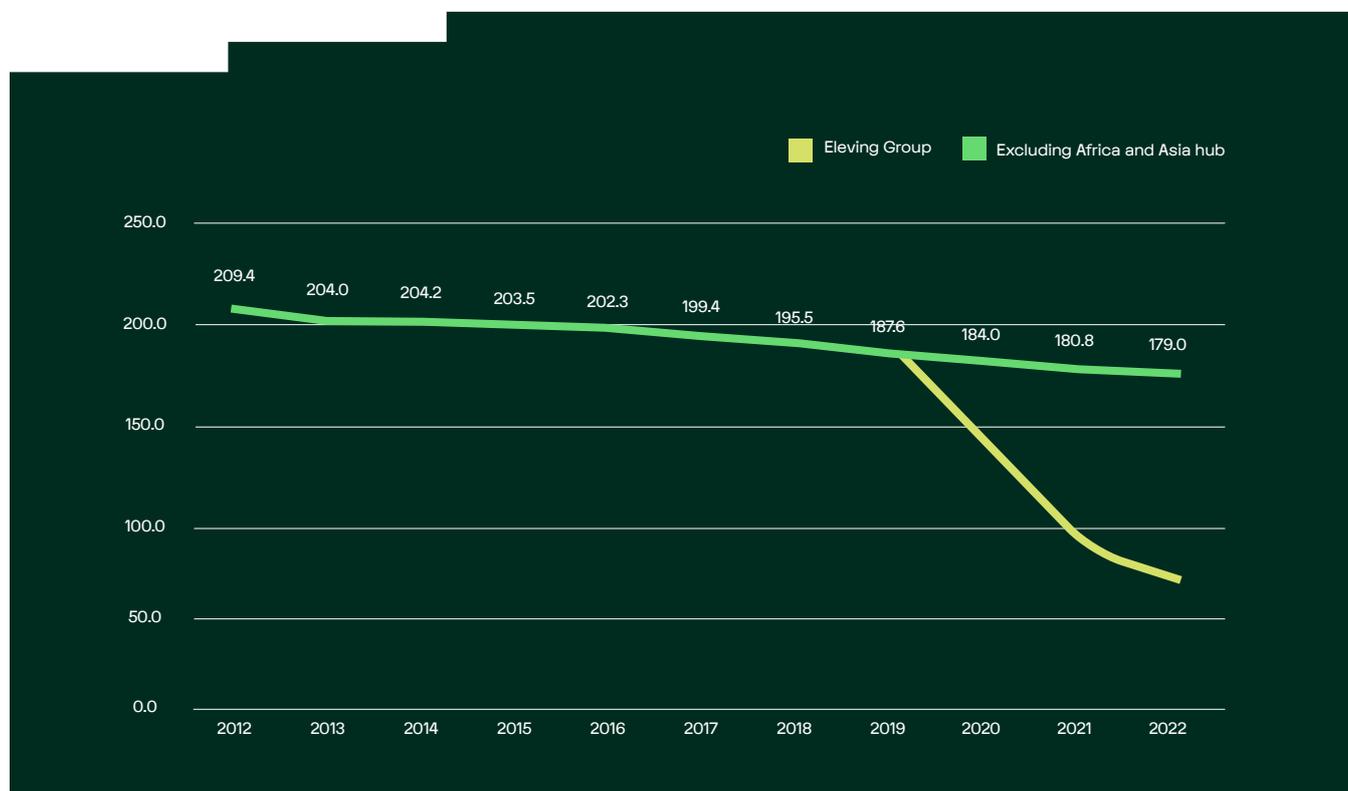
- boda boda's [motorbike taxis in Kenya and Uganda] formed 58.7% [count wise] of loans in the Group's vehicle finance portfolio in 2021. Their emissions have been estimated at 40g per km used. The International Council on Clean Transportation suggested using 21–35g per km for boda boda, but according to Ecoscore, the estimated consumption is 1.8l/100km: 1.8l/100km\*2392g=43g per km and 1.6l/100km\*2392g=39g per km;
- electric cars produce 0g CO2 per km used, and they formed 0.04% of Eleving Vehicle finance loans in 2021;
- cars manufactured before 2004 formed 10.2% of loans in 2021. Since no accurate data were available for this period, average data from the CSDD database of 2004 by fuel type and engine capacity was used in calculations.

## Eleving Group leased car portfolio by fuel type as at 31 December 2021

Fuel type	Average CO2 emissions, g/per 100 km	Number of loans
Diesel	185.5	29 135
Petrol	198.2	23 924
Gas	156.7	4 949
Bi-fuel	219.6	1 340
Hybrid	48.8	1 292
Other		186
Electric	-	53
Flexfuel		22
<b>Total</b>	<b>185.8</b>	<b>60 901</b>

No exceptions were applied to 31.0% of loans in 2021, and this was 74.5% of Eleving Group's portfolio [excluding boda boda].

## Average CO2 emissions of the portfolio by loan issued date, g per 100km



To facilitate the transition to sustainable transport, in 2021, a new product financing electric and hybrid vehicles were designed. The product is currently available under the Mogo brand in Lithuania and Romania and the Primero brand in

Latvia. By 2025, Eleving Group intends to introduce more green products in at least 10 different markets. For example, in Kenya, the Company has already created a special product to finance electric boda bodas [motorcycle taxis], and this

product will be launched by mid-2022.

As at 31 December 2021, the Group's portfolio contained 27 leased cars with zero CO2 tailpipe emissions, but the Group expects that with the current and new measures in place, this figure will rise to at least 1 000 in the coming years.

By 2025, the Group plans to build and promote at least two tools enabling Eleving Group's customers and the wider

public to measure the CO2 emission intensity of vehicles in an easy and understandable way. As part of these measures, CO2 intensity information will be included in all Group's sales, portals thus educating customers about the emission level of their chosen vehicle.

## Direct environmental impact

Although the Group's main climate impact is related to its portfolio, Eleving Group aims to become climate neutral in its administrative operations by 2025, and it constantly works to maintain high environmental standards in all its offices.



To pursue climate impact mitigation, the Group started tracking its carbon footprint in 2021 — a carbon footprint assessment was introduced at Eleving Group's headquarters.

In the future, the Group intends to develop its approach to tackle its climate impact and analyze greenhouse gas emissions in administrative operations according to internationally recognized standards.

The Group is committed to reducing the climate impact of its headquarters through energy efficiency and by using renewable energy Group-wide. By 2025, 100% of all Eleving Group's offices where suppliers can be selected will use renewable energy.

Eleving Group headquarters are in Riga, Latvia, in Skanstes City, a brand-new multifunctional business district, which is the only BREEAM In-Use certified office complex in Latvia to date. BRE Environmental Assessment Method [BREEAM] is an environmental certification system from the UK. It was developed in 1990 and is one of the oldest environmental certification systems that have been used to certify buildings. This is the most widely used system in Europe.

Asset Performance:  
Very Good



Modern offices, developed infrastructure, and sustainability were among the top reasons for the Group to choose Skanstes City. At the end of 2020, Eleving Group's office was certified as an energy-efficient workplace, receiving the BREEAM In-Use assessment of "Very Good," an upgrade from its sustainability assessment of "Good."

Also, significant investments were made into modernizing the ventilation systems and making technical upgrades, improving the headquarters' public spaces, accessibility, and cycling infrastructure. After renovation, it became one of Riga's most modern and sustainable office buildings in its class.

Eleving Group is also committed to keeping other environmental impacts of its offices to the bare minimum: reducing paper, water, waste, and other resources consumption intensity Group-wide. Admittedly, the Group's

operations were influenced by Covid-19, leading to a significant change in the way of working. For example, digital meetings replaced physical ones, thus reducing travel-related emissions on a more permanent basis.

While the Group's focus is placed on reducing resource consumption, waste reduction and recycling are also considered. The Group's headquarters have already implemented a range of waste optimization initiatives, such as a zero-paper policy and a reduction of plastic waste.

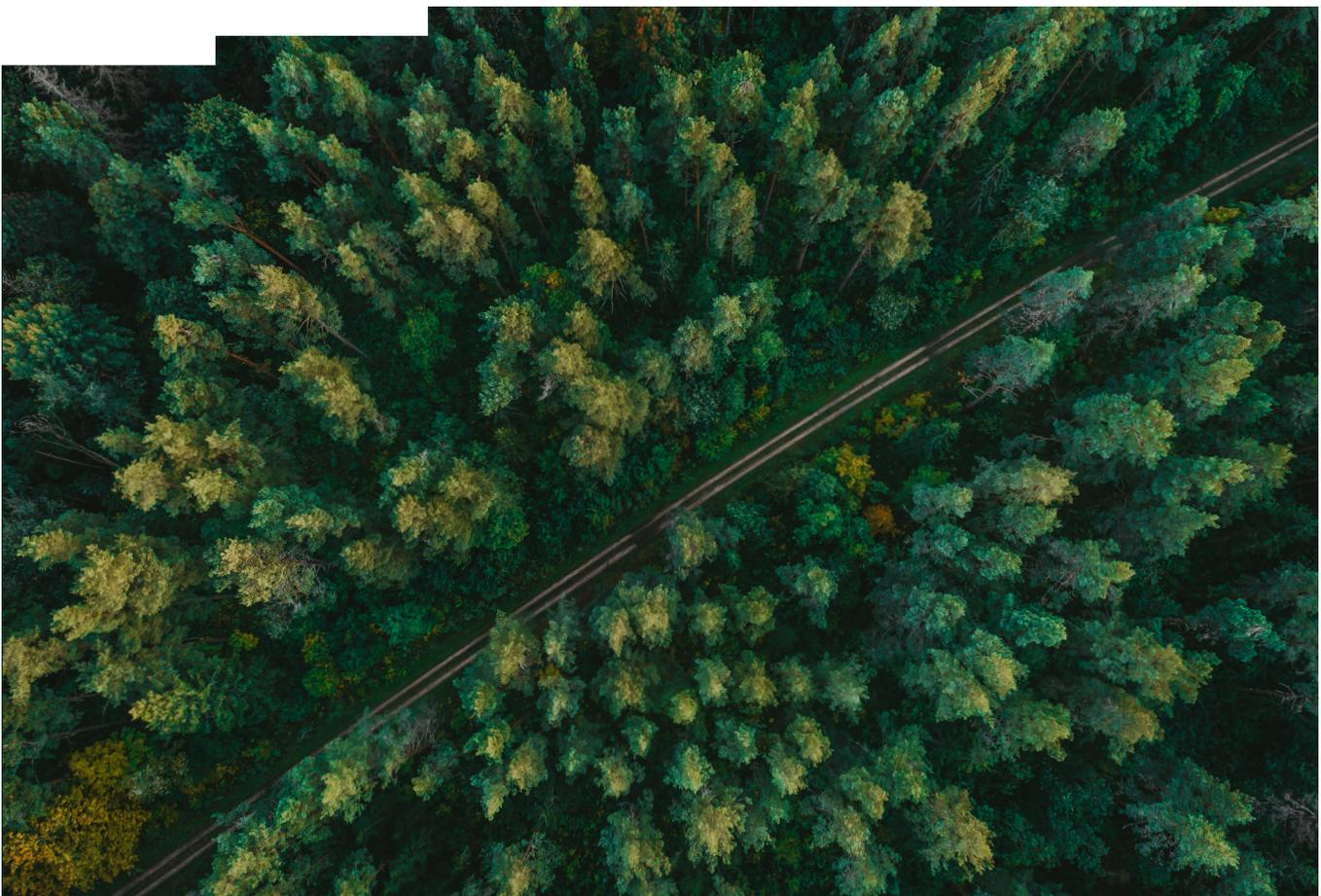
To provide Eleving Group's headquarter staff with fresh and clean drinking water, the office is equipped with water dispensers, which allow both to save water and reduce plastic waste. By using an average of 1.94 m<sup>3</sup>/m<sup>2</sup> of water in 2021 at all Eleving Group's premises, the water usage is kept in check across all offices.



Eleving Group's commitment to sustainability is forged by each team member believing in it and acting accordingly. June 2021 was declared Environment Month, and a number of activities were carried out at the Group's companies. Acknowledging that raising awareness is the first step toward changing behavior, Seek the Simple, a special online training session, was offered to all Group's employees to provide tips and tricks on reducing impact and protecting the Earth.

This formed a good basis for throwing group-wide green challenges during 2021. For example, a paperless office initiative in Romania introduced electronic signature, saving around 40 000 A4 pages in the first month. That translates into saving at least 8 pine trees a year. In June 2021, Latvian and Lithuanian office staff were encouraged to choose a bicycle over a car. As a result, 3 700 km were cycled in the month.

As emission reduction does not depend solely on Eleving Group, the Group also compensates some of its emissions. Emission offsetting was started in 2021 by supporting the planting of trees, bushes, and other plants in Latvia, Armenia, and Uzbekistan. In 2022, the Group will proceed with targeted carbon offsetting activities, selecting them according to the emissions generated and documenting the results, thus contributing to carbon dioxide capture.

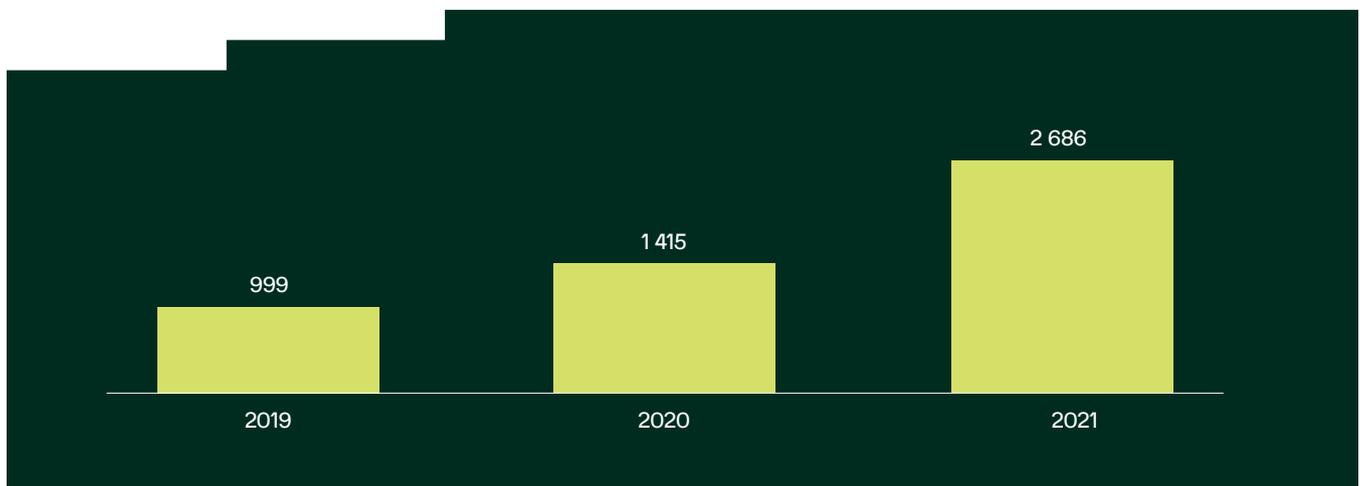


# Ensuring employees' growth and well-being

Eleving Group's success depends on its team – the management and employees. Eleving Group aims to be an employer of choice, constantly developing a working the environment in all markets where it operates and where every employee feels safe, healthy, and comfortable.

All business operations are carried out by the Group's employees; Eleving Group does not rely on contracted workers [e.g., rented labor, subcontractors]. Subcontractors provide specific expertise and certain services, such as consulting or particular training. An absolute majority of employees are permanently employed by the Group.

Figure with the total number of employees by years: 2019, 2020, 2021



In 2022, The Group plans to measure employee engagement by utilizing Gallup's Q12 employee engagement survey by tweaking Eleway Pulse accordingly. Gallup's employee engagement survey is a globally used tool, rendering data more comparable with other companies.

Also, the Group pays particular attention to the onboarding of new employees. For example, Eleway Pitstop, an onboarding event for new employees, was held in February and September 2021, introducing them to the Group's culture, products, functions, and the like.

## Diverse and inclusive workplace

Eleving Group employs a team of various cultural backgrounds, genders, and ages; therefore, diversity and equal opportunities are important components of Eleving Group's human resources strategy.

The Group ensures that employees are treated fairly and are provided with equal opportunities. Eleving Group is committed to creating and maintaining an open and inclusive work environment free from discrimination and harassment. No one, internal employees or external candidates, should feel discriminated or harassed in the process of recruitment, promotion, or employment.

Managing a diverse and flexible workforce with the right competencies is vital to ensuring quality, innovation, and growth. The Group's Equality, Inclusion, and Non-Discrimination policy is enforced at all Eleving Group companies.





The Group's Equality, Inclusion, and Non-Discrimination policy sets out the following principles:

- equality. All humans are born equal. Therefore, equal treatment of all individuals regardless of ethnicity, cultural background, sex, gender identity, sexual orientation, religion, disability, age, or any other factor is our overriding priority;
- zero-tolerance against discrimination, harassment, sexual harassment, and victimization;
- respect for individuals' differences in ethnicity, sex, gender identity, sexual orientation, culture, religion, and other factors.

This policy applies to the Group's management, employees, agency workers, contractors, business partners, and suppliers.

The policy applies to all work-related activities, including but not limited to recruitment and selection, conditions and benefits, training, and promotion, task allocation, shifts, hours, leave arrangements, workload, equipment, as well as interpersonal relationships at work, related situations such as travel, events, and after-work gatherings.

To ensure full compliance and adherence to the policy throughout the Group, continuous work is being done to raise employee awareness. In addition to daily measures, such as covering equality topics in on-boarding activities, a special newsletter for employees was issued in May 2021 dedicated to diversity and inclusion.



Eleving Group is where you can be yourself. With a startup culture and corporate performance, we're mature yet fun. Our team is diverse; we are inclusive, accepting, and respectful towards each other. Our diversity gives us an opportunity to learn from one another and grow together as a strong team.

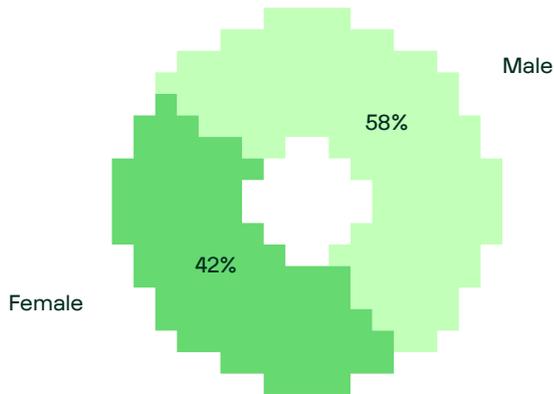
In September 2021, Eleving Group voluntarily joined a declaration promoting respect and inclusion — the Latvian Diversity Charter. It contains 15 commitments promoting diversity in the workplaces around Latvia. By signing the Diversity Charter, the Group commits to promoting diversity and equal opportunities for its staff.

According to Fontes, a Baltic human resources consultancy firm, the proportion of women and men in the financial services sector is 66% women and 34% men. At Eleving Group, the diversity ratio stands at 42% women and 58% men across all the positions as at the end of 2021. Gender diversity in the Group and in senior roles is measured monthly.



The signing of the Latvian Diversity Charter

## Male/female % in all positions



Eleving Group undergoes a third-party evaluation to continuously monitor equal pay – Fontes Baltic Salary Survey carried out since the 1990s. According to Fontes, in the Latvian finance sector, men earn 9.8% more than women annually; in similar positions – 8.7% more than women. An analysis of the difference between the monthly base salary of all women working at Eleving Group and that of all men revealed a gender pay gap of 0.4 %, which means that women working at Eleving Group receive a higher monthly base salary than men.

The Group contributes to closing the global gender pay gap in tech by being involved in the Digital Explorers program initiated by AfriKo. Digital Explorers is a career advancement program that provides digital talents in Nigeria with skills enhancement training and places them in paid temporary employment with Lithuanian ICT companies. Within the framework of this program, in 2021, a six-month placement was offered for a young specialist from Nigeria at the Group's Vilnius office.

Eleving Group has a grievance mechanism in place – employees can report harassment and discrimination incidents directly to their site human resources or global human resources. There is also TrustLine, an Eleving Group whistleblowing tool, to be used as a reporting tool if [i] an incident concerns persons in leading positions and [ii] it concerns serious cases of discrimination or harassment.

To foster an inclusive working environment, the Group offers its staff a wide range of fringe benefits. Among other things, Eleving Group focuses on solutions that prevent working parents from having to choose between career and family. For example, the Group offers flexible working hours and an opportunity to choose to work from the office, home, or any other convenient place. Employees use these opportunities when aligning their plans with children's school schedules, school holidays, work holidays, and other life events. Employees are also offered to purchase health insurance for their relatives every year – this opportunity is used to take care of children, spouses, and seniors. In 2021, Eleving Group was named a Family-Friendly Workplace. To earn this title, an employer has to facilitate measures to reconcile work and family life.



The Family-Friendly Workplace program is run by the Society Integration Foundation of Latvia, and its goal is to promote a family-friendly work environment in Latvia and to increase public awareness. Involvement in the Family-Friendly Workplace program motivates companies to introduce new solutions to enhance the well-being of working parents. In addition, the program provides an excellent opportunity to get inspiration from other program participants and inspire change for those Latvian companies that are still considering joining the program.

To improve internal communication and keep employees in all continents and markets informed about the activities at headquarters and other countries, group-level monthly webinars and a bi-monthly newsletter were introduced in 2021.

## Personal growth and development

One of Eleving Group's main goals is talent attraction, development, and retention. The Group is committed to helping employees realize their full potential at every stage of their careers. The Group's personnel management policy is aimed at developing a skilled and highly productive staff that is successful in performing their responsibilities.

Many senior management team members possess significant experience in the lending industry and knowledge of the regulatory and legal environment in the markets in which the Group operates, and we believe that the senior management would be difficult to replace. The market for qualified individuals is highly competitive, and labor costs for hiring and training new employees are increasing.

During 2021, all top managers, C-level managers, and country managers received a 360-degree assessment – Feedback 360. To ensure a sound employee evaluation process and

use of evaluation results, management training on Feedback 360 was organized, providing tips on how to read results and how to lead feedback conversation. In 2021, all headquarter staff received performance assessment, and 98% of them – development interviews.

The Group has developed a comprehensive training program that provides internal and external professional training for employees at all levels. In April 2021, the e-learning platform was launched.

Eleving Group pays special attention to developing and encouraging employee leadership skills. In 2021, several inspiring webinars were organized for all employees, yet a number of initiatives took place at the local offices. For instance, in Lithuania, Vaidotas Žala, a Lithuanian Dakar Rally racing driver, spoke as a guest speaker at a quarterly meeting, sharing his path to the peak of his career.

In 2021, Elevation Group promoted 171 staff members. Whenever possible, rather than searching for external talent, the Group promotes employees who are capable of taking on new responsibilities.

As part of the Group's women empowerment program in C-level roles, female leaders had an opportunity to participate in "Mission: Executive," an experience and knowledge sharing program organized by Novatore and designed for the

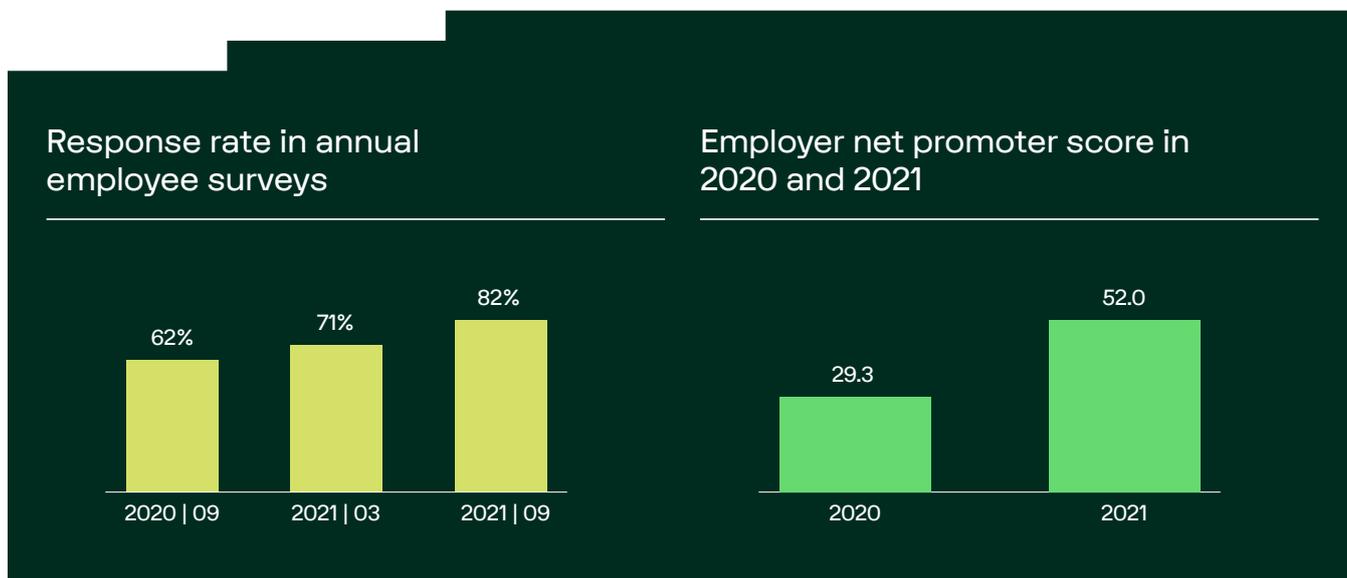
professional growth of women in leadership roles. Since this was a truly inspiring experience, the Group is looking forward to offering participation to a broader audience to engage more talented and perspective female teammates.

## Dialogue and committed employees

Employee engagement is partially measured through Eleway Pulse (previously Mogo Voice), an employee survey conducted twice a year – April and September. In April, the survey focused on hybrid work.

In 2021, the Eleway Pulse response rate varied from country to country ranging from 77.6 to 100%, but the average was 86.5%.

To measure employee satisfaction and loyalty, Elevation Group uses the scoring system Employer Net Promoter Score (eNPS). This score increased from 29.3 in 2020 to 52.0 in 2021.



In 2022, The Group plans to measure employee engagement by utilizing Gallup's Q12 employee engagement survey by tweaking Eleway Pulse accordingly. Gallup's employee engagement survey is a globally used tool, rendering data more comparable with other companies.

Also, the Group pays particular attention to the onboarding of new employees. For example, Eleway Pitstop, an onboarding event for new employees, was held in February and September 2021, introducing them to the Group's culture, products, functions, and the like.

## Employee health and well-being

Employee health, safety, and well-being are of great importance to Elevation Group. The pandemic brought mental health, work-life balance, and employee well-being to the forefront at Elevation Group.

Elevation Group aspires to create a workplace free from occupational injuries or occupational illnesses in all countries where it operates. All geographies and business lines are expected to continuously review, monitor, and improve their health and safety performance by complying with the local legal requirements, implementing the Group's Global Policy and Standards, reducing risk, and working towards health and safety goals across all operations.

Workplace safety risks and hazards are prevented by implementing proper measures. First, as required by law, workplace risks are assessed within the framework of the labor protection management system provided by FN Serviss, a workplace safety expert. All employees are regularly instructed on general work safety and fire alarms. At employee onboarding and annually, employees are provided with information, instructions, and trainings so that they can work safely and take steps to protect themselves from hazards. In 2021, the Group registered a total of 22 recordable injuries among employees; 16 of them were road accidents in Kenya. The staff affected were those working with boda bodas either in field debt collection, boda boda verification, or GPS Trackers installation.

In addition, everyone is required to perform a compulsory health check with a certain regularity. Eleving Group's employees are provided with annual health insurance, which allows using a wide range of health services.

Healthy lifestyle, sports activities, and employee well-being have become especially significant since 2020 when the global coronavirus pandemic started. By making the health and well-being of Eleving Group employees a top priority and providing safe working conditions, the Group put in place large-scale remote work models, which were implemented across many offices around the world.

A healthy and active lifestyle is promoted and supported daily. In addition to the safety instructions and trainings required by law, Eleving Group also provides employees with various types of informative trainings and activities to improve their well-being and health:

- in February, a webinar on cardiovascular health was held with Inese Mauriņa, a cardiologist and head of Parsirdi.lv, a non-governmental organization. Parsirdi.lv brings together heart and cardiovascular disease patients and their relatives;
- in April, a personal productivity session-workshop on habits & well-being was provided by Dagnija Lejiņa, an entrepreneur and civic activist running productivity and happiness management projects and driving #investinLife, a community promoting more engaging living through different lifehacks;
- in October, a webinar on healthy eating habits and their impact on productivity was held.
- In November 2021, the Group hosted a webinar on work-life balance and well-being to prevent employee burnout. The guest speaker Alge Jablonskiene, a psychologist, coach, and organization development consultant, shared tips on

improving employee well-being and preventing burnout in the workplace.

Even before Covid-19, employee mental health had become a high priority for many companies, given its profound effect on both - employee and Group performance. Eleving Group strived to mitigate the negative effects of the global spread of Covid-19 by providing the maximum possible protection to its employees. At the time of the pandemic, the following measures were implemented:

- setting up of a crisis management team to ensure prompt response to the situation, monitoring of public health requirements and related government announcements, and ensuring that the Group stays informed;
- a work-from-home policy ensuring continuity of the core processes;
- requirement for employees to adhere to standard precautions, including social distancing and other health and safety best practices in line with the government guidelines.

## Future talents

Eleving Group's success is contingent on how successful the Group is at hiring and nurturing talent. Eleving Group also strives to help others grow by sharing its knowledge and experience.

in the seminar "Challenges faced by young programmers: practical advice for young/retrained professionals," where they could talk directly to the Group's representatives and ask questions of interest to them.



At the end of 2021, Eleving Group became the general partner of the Students' Association of the Stockholm School of Economics in Riga, the leading business school in the Baltic region. This partnership is based on knowledge and experience sharing, thus bringing value to the school's talented and ambitious present and future students. So far, the Group's experts have given guest lectures on human resources and finance, but in 2022 the cooperation will be extended to other areas.

Also, in 2021, Eleving Group participated in WORK[IT], a career event organized by the Riga Coding School. During the event, the future professionals had an opportunity to participate



SSE Riga students meeting Eleving Group representatives

# Fostering responsible access to finance

Helping our customers to make the right financial decisions lies at the core of the Elevation Group business. By balancing stable financial returns to investors and providing access to innovative and sustainable financial solutions, Elevation Group aims to generate significant social and economic impact. In the coming years, the Group is not only committed to working hard to create a culture that treats the Group's customers fairly but also to improving financial literacy in all markets where it operates.

Elevation Group's corporate strategy is focused on impact making. By serving communities that are underserved by conventional lenders, Elevation Group brings disruptive change to the financial industry. By providing financial inclusion, the Group improves people's lives around the world. The Group's ultimate purpose is to empower diverse communities around the world by providing them with financial inclusion – thus

enabling upward social mobility.

The Group's products are designed to offer simplicity, convenience, and transparency to its customers. The convenient online and offline products aim to protect customer privacy, provide easy access to funding, and offer transparent fee and interest structures. A finance lease and leaseback are long-term loans (up to 84 months), while consumer loans are both short-term and long-term, with maturities ranging from 7 days to up to 48 months. For all products, customers are charged nominal interest and fees, payable monthly on the outstanding principal amount. While penalty interests are charged for late loan payments, this is a minimal proportion of the Group's income and shows the resilience of its customer base.

## Enabling access to finance

Access to appropriate and sustainable financial services enables the poor to increase income, build assets, and reduce their vulnerability to external shocks. Elevation Group has changed the used vehicle market by providing access to finance for people with, up till then, limited access to funds. In 2021, Mogo, the leading brand in the Group's portfolio, made a bold shift to productive lending in developing countries. Productive lending means primarily financing vehicles for customers as a means to earn a living or, alternatively, to increase their income from existing businesses. This is achieved mainly by financing boda boda (motorcycle taxis) in Africa.

Boda boda is a small motorcycle widely used in Kenya as a taxi and cargo delivery transport. It is estimated that the boda boda industry secures over 1.4 million jobs, which support another 5+ million Kenyan (10% of the population) livelihood. An estimated 70% of the motorcycles in Kenya are rented to the riders by fleet owners, not allowing the average rider to own the asset. With a Mogo lease, riders can pay similar or even lower monthly fees compared to renting the motorcycle, and they will own it after the loan term.



We are proud to assist the local community by offering affordable leasing products to purchase motorcycle-taxis. These vehicles provide employment opportunities and financial independence for the youth, women, and other overlooked social groups, and give mobility of people from rural areas, different age groups and local tribes, which are able to use the provided motorcycle-taxi services.

project is still ongoing.

In June 2021, the Group launched a women empowerment program in Kenya in cooperation with the Boda Boda Safety Association of Kenya to improve women's employment opportunities via initiating and financing a riding school and road safety training, as well as providing women with access to the boda boda job market, which is heavily dominated by men. The Group paid for the initial training of 150 women from vulnerable communities. Despite various challenges, the

Elevation Vehicle Finance provides a variety of products and services through developing different brands. The Group fills a funding gap, providing innovative financial solutions across the globe, which contribute to the empowerment of diverse communities, including local entrepreneurs.



Boda Boda Riding School in Kenya

By 2025, Eleving Group is committed to supporting the local SME environment and creating jobs in the mobility microbusiness industry in developing markets by offering more productive lending products and running local educational campaigns aimed at aspiring entrepreneurs. Collaboration with local NGOs and associations which promote productive lending as an opportunity to start a business will play an important role.

## Responsible lending

As a responsible citizen of the global business community, Eleving Group encourages responsible lending, and its priority is to ensure that all services and lending decisions are transparent and clear.

Eleving Group companies always operate in full compliance with the local regulatory institutions [Financial Services Supervisory authorities, Central Banks, Consumer Right

Protection authorities and/or Ministries of Finance]. Eleving Group also follows its internal standards on responsible lending and fair treatment; one of the key principles of these standards is transparency. The Group makes sure that all the relevant information, including fees, key terms and conditions, legal documentation, and advertising is clear, understandable and accessible to clients.

### Eleving Group's responsible lending principles



Eleving Group has two main business lines: secured lending via a finance lease and leaseback against the title of the vehicle and unsecured consumer lending. The Group's core focus stays on secured lending, which comprises more than 79% of the consolidated net loan portfolio as at 31 December 2021.

Consumer loans issued by Eleving Group are primarily used for everyday expenses or purchasing of consumer goods and electronics. Eleving Group provides consumers with easy access to finance since it has both - brick-and-mortar and online presence.

Once customers apply for a loan, their creditworthiness is determined through a sophisticated underwriting process that relies on data-driven statistical analysis as captured in Eleving Group's proprietary scoring models for vehicle and consumer finance.

Across all its products, Eleving Group analyses customers' creditworthiness utilizing public and private databases [vehicle register information, government institution databases, debt collection agency databases, industry/peer company

blacklists, and bank statement providers] and allocates a scoring band to each customer. The automated scoring models are developed in-house and, depending on the relevant country, are either integrated into the customer relationship management systems or run on third-party cloud solutions.

Each loan application undergoes the following steps:

1. Loan application processing and preliminary assessment;
2. Risk assessment and scoring;
3. Vehicle inspection [for finance lease and leaseback products] and finalization of loan terms;
4. Loan approval and disbursement of funds.

This allows Eleving Group to assess counterparty risk properly. The approval rate is extremely rigorous: in the 12-month period from 1 January 2021 to 31 December 2021, of approximately one million new client loan applications, Eleving Group has kept an approval rate of 8.6% for vehicle finance and 17.6% for consumer finance.

# Customer experience

The Group's priority is to ensure a transparent and convenient customer journey. Customer satisfaction and operational excellence are key for Elevation Group to meet its customers' needs once they choose to buy a new car or apply for a consumer loan.

Elevation Group has developed a customer service division with 1 134 full-time employees as at 31 December 2021, delivering highly efficient customer support in local languages across all markets. Elevation Group continuously works to improve customer satisfaction by creating personal contact with its customers through telephone calls, e-mails, chats, among others, to discuss product options, address customers' questions, inform customers of their payment due dates and encourage them to pay on time, discuss late payment arrangements, and help customers with their applications.

In addition, the Group carefully monitors certain customer service quality ratios, such as call waiting times and abandoned calls. Customer service quality is one of the reasons why customers return to Elevation Group for more services.

Elevation Group's customer service is provided in local languages and expedited through a network of call centers in all operating countries and branches in 13 of its 14 countries of operation.

To support its customers during the Covid-19 pandemic, The Group developed alternative ways of accepting payments, such as integration with paybox solutions, online payment providers, and remittance services.

# Debt collection

Elevation Group has established an efficient, effective, and responsible debt collection process in each country where it operates. To ensure consistent quality of debt collection operations across the Group, Elevation Group has developed group-wide debt collection service standards that include [i] debt collection principles, [ii] best practices and requirements for the debt collection department, and [iii] internal procedures for each country to ensure effective knowledge sharing and continuous improvement of operations.

Elevation Group has a debt collection team in each country utilizing debt collection measures that are fully compliant with local regulations. If the local regulations set out standards that are lower than in other countries where the Group operates, Elevation Group applies the higher standard.

Elevation Group's strategy is focused on maximizing the dialogue with customers. Before the loan becomes overdue, the Group has an automated reminder process that ensures that the client is aware of the upcoming payment and payment details.

On the first day when the payment is overdue, it enters the early debt collection process, where Elevation Group launches its automated reminder system [auto-calls, texts, e-mails] informing the customer about the overdue amount, further actions if payment will not be made, and the Group's contacts to discuss potential options. Elevation Group constantly monitors the effectiveness of its automated system. In addition, the Group involves its in-house debt collection officers that call all debtors according to a pre-determined schedule [as early as day 1 in some countries], with an aim to recover the payable amount, identify the reason for the delay, and if necessary, offer restructuring possibilities where possible and economically viable. Prior to pursuing further debt collection activities, Elevation Group first aims to reach

an agreement with a customer to find a solution for loan repayment. If an agreement is not reached until day 30, the case is passed to the next debt collection stage.

When Elevation Group ascertains that a customer can repay their loan, it offers various options and a tailored repayment schedule. If the customer is unable to continue fulfilling their contractual obligations, a quick and efficient repossession of the collateral and subsequent sale of it is pursued, maintaining full transparency with the customer about the process. In the case of unsecured loans, legal collection or debt sale is initiated.

Elevation Group primarily handles all debt collection and car repossession activities in-house. The Group has gained substantial expertise in debt collection strategies over the years. In certain countries, Elevation Group outsources parts of the debt collection activities to test and compare the efficiency of internal versus external debt collection.

Elevation Group does not employ controversial debt collection practices, such as using a continuous payment authority or siphoning money from customers' bank accounts. Such practices are controversial and will or may become illegal in certain jurisdictions. Due to this fact, and from the customer relations and loyalty perspective, Elevation Group strongly believes that its business model is more sustainable than the one of those lenders who engage in these types of debt collection.

Debt collection is improved through regular benchmarking, experience sharing, and targeted projects supervised by the Group's operations team to develop best practices across the Group.

# Increasing financial literacy

The Group aims to contribute to building a prosperous and sustainable society and supports various social initiatives helping local communities. In particular, Elevation Group is committed to fostering financial literacy in society.

By 2025, the Group aims to run at least one campaign on informed financial decision-making in each of the Elevation Group markets. Also, the launch of an interactive tool on the

Elevation Group websites in all 14 markets is projected. Other initiatives will include engaging in public programs and running a group-wide awareness-raising campaign on financial literacy. It is forecasted that by 2025, a total of 500 000 people could be directly and indirectly engaged in the various initiatives.

# Practicing responsible business conduct

Eleving Group strives for transparency, trust, and integrity. This approach applies to all its business entities and markets as well as the Group's client and business relations.

The Group is committed to initiating and maintaining collaboration across the financial industry and continuously

investing in the supplier selection process to promote sustainability and ethical behavior in the business environment.

## Anti-bribery and corruption policy

Eleving Group is committed to complying with all applicable anti-bribery and corruption laws and regulations in the jurisdictions in which it operates and has zero tolerance towards bribery and corruption as activities that are inconsistent with the Group's core values.

The Group's Anti-Bribery and Corruption Policy defines bribery as offering, promising, giving, agreeing, accepting, or soliciting of an advantage as an incentive for an action that is illegal, unethical, or a breach of trust in exchange for the benefit of any kind. The benefit can take many forms, such as money, loans, fees, lavish gifts, rewards, or other advantages (taxes, services, donations, favors made to a relative, friend, or favored cause). However, corruption is defined as any unlawful or improper behavior that seeks to gain an advantage through illegitimate means. Bribery, abuse of power, extortion, fraud, deception, collusion, cartels, embezzlement, and money laundering are all forms of corruption, which the Group has zero tolerance against and which it tries to fight with all legitimate means possible.

The Anti-Bribery and Corruption Policy is the source of information and guidance for the Group's employees and is applicable to all employees within the Group, who have an obligation to follow these guidelines accordingly. The purpose of this policy is to clarify the responsibilities of Eleving Group, its management and its employees, and emphasize the zero-tolerance position on bribery and corruption. The core principles set out in this policy are:

- employees or third parties representing any of Eleving Group's entities shall not offer, promise, give, request, accept, or receive bribes or other unfair advantages to facilitate our business;
- employees are prohibited from offering, giving, accepting, requesting, or agreeing to receive gifts, events, trips, and other arrangements unless such activities comply with the allowed limits and if they are open, moderate, and match clear business objectives and are appropriate for the nature of the business relationship;
- activities to strengthen and establish client and partner relationships shall be made in good faith and compliance with requirements set by Eleving Group;
- supporting contributions to the communities in which the Group operates and permitting reasonable donations to charities and sponsorships. Sponsoring and donations to charities shall be performed in an open and transparent manner;
- not giving donations to political parties, politicians, or political campaigns – Eleving Group is politically neutral.

In 2019, a special Economic Security Department was established at Eleving Group ensuring the following:

- personnel and business partner's control against economic security risks;
- cooperation with police and other partners regarding anti-fraud activities;
- audit on local car sales operations;
- audit of local repossession teams;
- audit on IT security in the Group;
- physical security checks (cash, branches, car parking places, video, etc.);
- education of employees on economic security-related matters.

In addition, other measures like centralized accounting and other payment supervision systems are used to increase the transparency of payment transactions. Over the recent years, Eleving Group has reduced the number of payments in cash to a minimum and strictly follows the dual control principle for digital payment transactions above a certain threshold.

Certain countries where Eleving Group operates pose higher corruption risks. According to the 2020 Transparency International Corruption Perceptions Index ranking countries by their perceived levels of public sector corruption from 1 [least corrupt] to 179 [most corrupt], the Group's key markets in terms of assets, growth, and profitability like Lithuania, Romania, Kenya, and Moldova were ranked 35, 69, 124, and 115, respectively.

The Group's employees have an obligation to fulfill their duties in an honest and ethical manner to earn and safeguard clients' and business partners' trust. They also have agreed to comply with internal rules and procedures, which specify the obligation to conduct themselves in an ethical, polite, and respectful manner towards other team members, clients, and partners. The team is carefully selected, and for certain senior positions, in-depth background checks are performed to prevent any possibility of criminal or corruptive elements. The Group has a zero-tolerance policy for any illegal activities or unethical behavior also towards other employees, clients, business partners, and the community.

During onboarding, new employees receive training and are committed to educating themselves, and following rules set out in all Group policies, including but not limited to anti-corruption and anti-bribery policies. Whenever a new policy is approved, or an existing policy is amended, the management of the respective subsidiary is responsible for the implementation of the said policy and employee training,

therefore it is estimated that up to 95% of employees dealing with clients and suppliers have received training on anti-corruption.

In 2021, no significant risks related to corruption had been identified; however, the Group continues to monitor the situation and is ready to act to prevent any potential risks of corruption.

## Anti-money laundering and sanctions compliance

The challenges in the fight against money laundering are vast, and potential threats exist in every corner of the world. Eleving Group works hard to stay ahead of increasingly sophisticated criminals seeking to exploit the global financial system.

The Group's Anti-Money Laundering (AML) policies are aimed at preventing the risks of money laundering, terrorism financing, proliferation financing, breach of sanctions, or other illegal activities and compliance with the requirements of applicable sanctions laws and regulations. Given that the Eleving Group entities are located in multiple jurisdictions, these policies are tweaked to the various jurisdictions the Group operates in and takes into account not only the specific local legal requirements but also product nuances, the Group's AML practices, and international recommendations and guidelines, thus ensuring the highest level of AML compliance reasonably possible.

The country managers in each jurisdiction are responsible for the prevention of money laundering and compliance. Besides, at each of the Group's companies, there is an AML team made up of several AML specialists. The team works closely with various internal departments and committees, including the legal department and client support, to achieve AML-related goals and adhere to the international and local legal requirements.

Along with the internal know-your-client (KYC) investigative practices, Eleving Group uses a special information technology solution that enhances compliance and provides faster and more efficient AML checks. This allows to perform the required client due diligence and KYC checks, monitor and screen transactions, and report any suspicious transactions or infringements on sanctions, as well as enables to effectively evaluate the potential risks associated with each client and ensure that the Group adheres to the Group's policies and standards.

To ensure full compliance with the AML legal requirements, the internal AML practices are reviewed and amended at least once every 18 months according to globally consistent policies and standards, as well as local legal requirements. Furthermore, both internal and external AML and sanctions compliance audits are performed on a regular basis, and in case any findings and recommendations are received, those are being implemented in due course in order to ensure maximum compliance with the applicable legal regulations.

## Insider trading and information barriers policy

Eleving Group's Policy on Preventing Insider Trading, as well as the laws of many countries in which it operates, prohibit trading in securities [in our case debt securities or bonds] while in possession of material non-public information regarding the issuer.

According to this policy, all Group's employees must not engage or attempt to engage in insider trading or circumvent that obligation by any means, which includes:

- improperly disclosing inside information or recommending the third party to trade or cancel or amend an order while in possession of inside information [tipping off]; or
- using such a recommendation as referred to above where the employee knows or ought to know it is based on inside information.

Furthermore, the Group advocates for employees the general principle that in case of any doubt, the employees should treat non-public information as inside information and consult with the management prior to engaging in any transaction. This approach effectively ensures that employees do not enter into transactions that amount to or create the appearance of market manipulation.

To enhance compliance with insider trading prevention policies, the Group uses information technology services that maintain an up-to-date list of persons who have access to insider [price sensitive] information and regularly inform these persons about their duties and obligations under this Policy on Preventing Insider Trading.

In addition to the above, all Group's employees are requested to adhere to certain information barriers to protect insider [price sensitive] information. This includes:

- prevention of confidential information from being shared with individuals who are not authorized to know such information;
- restricting access to potentially material non-public information to those persons who do not necessarily need to see it in order to perform their employment duties;
- addressing actual or potential conflicts of interest among business activities.

Failure to comply with this policy may lead to Group-imposed sanctions, including dismissal for cause, whether or not the failure to comply with this policy results in an actual violation of the law.

# Whistleblowing system

Eleving Group cares for integrity, compliance, and ethics and believes part of building a culture of trust is learning to speak up when something is not right so that the Group can address the problem.

The Group's management structure is designed to ensure effective management of the team and transparency. It is designed to encourage team members to have mutual trust and respect and to be able to report any misconduct. The direct relationship among employees and all levels of the management team is facilitated, so everyone would feel comfortable communicating and escalating any issues through multiple avenues. Eleving Group believes that every employee should feel safe and assured that their rights and applicable laws are strictly followed. In the event of inappropriate treatment, employees always have the right and possibility to submit a complaint or suggestion to the respective manager or HR department.

To facilitate the reporting of potential or suspected misconduct, improper activity, and illegal activity within or in relation to Eleving Group, including activity related to bribery and corruption, Eleving Group in 2019 implemented a whistleblowing reporting system. In 2021, the new solution was developed using a secured webform – TrustLine – where all employees and external stakeholders of each market the

Group operates in can report suspected, experienced, or witnessed misconduct securely and confidentially.

TrustLine is an anonymous form available to report concerns related to misconduct, improper and/or illegal activity within or in relation to Eleving Group. This solution allows sharing concerns regarding violations of the Group's policies, local laws, regulations, fraud, and corruption without fear of negative consequences or retributions. Eleving Group ensures that the reporting on actual and potential conflicts of interest is confidential, and the reporting employees, clients, and suppliers are protected from discrimination and retaliation. TrustLine is monitored and reviewed by a competent Whistleblower report coordinator, who diligently follows up on the reports and examines the concerns. If a further action or investigation is necessary, the coordinator reports to competent institutions, bodies, offices, or agencies, as appropriate.

In 2019, one whistleblower report was received (in Lithuania); in 2020 – three reports (Moldova, Lithuania, Bulgaria). All of them were related to working environment matters and did not need interference from the outside; therefore, they were resolved internally. In 2021, zero whistle-blower reports were received.



# Human rights statement

Human rights are basic rights for every person in the world. They form the foundation for freedom, justice, and peace. They apply equally and universally in all countries, irrespective of the legal framework.

Eleving Group respects universal human rights in all markets where it operates. As a basis for its active efforts to respect human rights, the Group follows the United Nations Guiding Principles on Business and Human Rights and the UN Global Compact. The Group complies with all relevant international legal obligations and all relevant local legal obligations in the

countries and regions in which it operates.

Eleving Group respects employee human rights as established in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labor, as well as safe and healthy working conditions. The Group offers equal opportunities and rights to all, regardless of sex, national or ethnic origin, religion or belief, age, gender identity or expression, sexual orientation, or disability.

# Child and forced labor statement

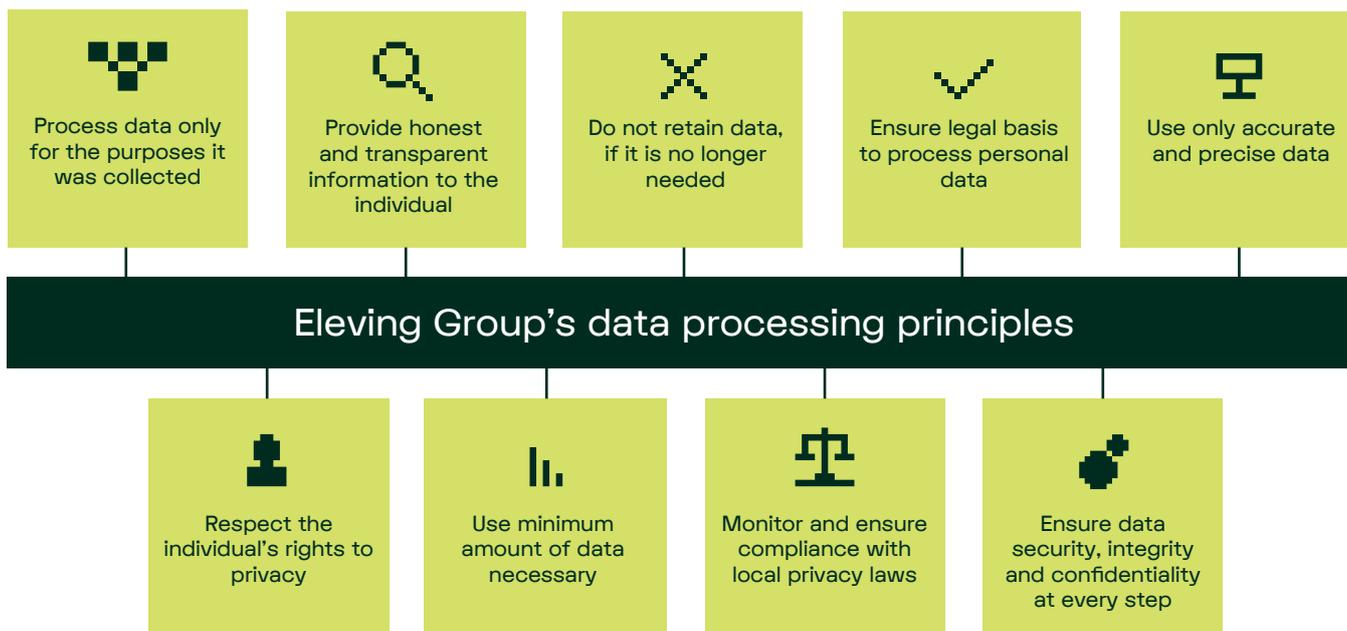
Eleving Group firmly stands against human rights violations, including a child and forced labor. The Group does not employ children and strongly believes any employee should be able to freely negotiate and accept terms and conditions of the employment relations and should not be coerced or forced to accept unfair or discriminatory terms. The Group applies

the same principles within its supply chain and does not cooperate or engage with any suppliers or service providers who do not adhere to these principles.

# Data privacy

Eleving Group protects its customers', employees', and partners' privacy and ensures compliance with the applicable data protection laws and regulations. As business entities of Eleving Group enter new markets and its customer base grows, the work on data privacy is ongoing. Globally, more than 500 000 customers, 2 481 employees, and 2 000 partners have entrusted Eleving Group with their personal data.

The Group's goal is to ensure that this information is processed securely and in accordance with applicable laws and regulations. To achieve this, goals and internal requirements are set and followed when dealing with personal data.



As Eleving Group operates in different markets and jurisdictions, it is a subject not only to the General Data Protection Regulation No. 679/2016 of the European Parliament and of the Council [GDPR] but also to different national

requirements for personal data protection. At entities located in the European Union, the Group has carried out multiple privacy-related external audits, reviewed its procedures, and adopted documentation to address GDPR requirements and

improve data protection standards. All Eleving Group business entities have adopted the same general privacy framework, complemented by additional local requirements. Eleving Group strives to achieve a unified approach across the Group and provide a high level of technical and organizational security measures.

The Group continuously reviews existing procedures and educates its employees on applicable laws and regulations in relation to privacy, data protection, and other relevant matters such as information security. Personal data protection and information security trainings are organized regularly both at a Group and local level to educate employees and

raise awareness on the subject. In addition to this, starting from the end of 2020, the Group uses the OneTrust system to operationalize and manage privacy-related requirements, assess and monitor compliance, and ensure a common approach to different data protection aspects and compliance requirements.



Privacy and data protection projects are coordinated throughout the Group by the Group's general data protection counsel, with the assistance of local data protection officers, legal, risk, business development, and IT teams.

Such a governance model ensures overarching support and a common approach to Group's privacy objectives and standards as well as addresses the local legal requirements.



In 2021 no substantial complaints were received concerning personal data protection and privacy.

## Sustainable supply chain

A sustainable supply chain is important both to minimize the risks for the Group and to influence the industry, as well as to drive real and meaningful global change.

The Eleving Group business depends on certain services provided by third parties such as banks, local consumer credit agencies, IT service providers, and debt-collection agencies. An inability to maintain existing business relationships with banks, local consumer credit agencies, IT service providers, debt-collection agencies, and other third-party providers or the failure by these third-party providers to maintain the quality of their services or otherwise provide their services to the Group may have a material adverse effect on the Group's business, financial condition, results of operations, prospects, or cash flows.

With an aim to minimize the Group's external costs and risks when new business relationships are established with a new or existing supplier, Eleving Group has developed internal procurement guidelines in line with the Group's strategic direction and internal and external regulations. Employees have an obligation to screen suppliers against economic sanctions list, perform sanity checks (tax debts, overall reputation), and conduct general research on whether the suppliers have adopted their own code of conduct and follow good corporate practices. Most supplier agreements are entered into for a period shorter than one year, and before the extension of an agreement, the said procedures are repeated. Since it is important for Eleving Group to choose suppliers with similar values and responsible business conduct, the Group plans to invest in improving the supplier selection

process. The goal by 2025 is set to assess all key suppliers according to the Group's ESG criteria.

In 2022, as the first step, Eleving Group plans to create its Code of Conduct for Suppliers, including but not limited to principles regarding the environment, occupational safety, human rights, business ethics that communicate the Group's core values and expectations of vendors and service providers. The enforcement of the Code of Conduct for Suppliers will be ensured by the development of supplier assessment procedures, such as self-assessment questionnaires and supplier audits.

Currently, the Group mainly outsources certain IT services, such as software development, data center, and technical support.

# Operational and strategic highlights

- Record-high twelve-month amount of loans issued marking a significant year-on-year growth of 108%
- Substantial increase in performance levels [Key Performance Indicators]:
  - annual adjusted revenue up by 74% [year-on-year], surpassing EUR 153 million in 2021;
  - annual adjusted EBITDA up by 74% [year-on-year], reaching EUR 60.6 million in 2021;
- Continued diversification of business and a balanced revenue stream from the 3 core business lines:
  - flexible lease and subscription-based products contributed EUR 27.3 million to the annual revenue – a more than threefold increase year-on-year [EUR 8.0 million in 2020]. Primarily driven by growth in motorcycle-taxi financing in Kenya and Uganda, and successful rollout of rental and subscription products in the Baltics;
  - lease and leaseback product revenue at a stable EUR 58.1 million, bouncing back from the slowdown caused by the Covid-19 pandemic in 2020, as well as rationalization of some markets over the 2020–2021 period;
  - consumer lending products generated EUR 58.1 million in revenue – an all-time high and a direct result of the substantial portfolio growth throughout the year, mainly driven by the introduction of longer maturity and higher ticket installment loans and credit line products across multiple consumer finance markets.
- Continued digitalization and automation of the processes and sales channels, facilitating processing of more than 200 000 applications and scoring more than 100 000 clients per month.
- With the help of sustainability consultants, Elevation Group conducted a materiality analysis to align the Group's stakeholder expectations with the current and forthcoming regulatory requirements. The Group's headquarters underwent a carbon footprint assessment to minimize its climate impact; the Group will hold the course toward a carbon-neutral company and engage in offsetting activities in 2022.

# Financial highlights and progress

- Record profitability as evidenced by:
  - Record-high EBITDA – EUR 50.8 million [12M 2020: EUR 34.8 million] and adjusted EUR 60.6 million;
  - Net Profit before FX – EUR 8.6 million [12M 2020: EUR 4.9 million] and adjusted – EUR 18.4 million;
  - Net Profit after FX – EUR 9.7 million [12M 2020: EUR -6.2 million] and adjusted – EUR 19.5 million.
- Record-high portfolio – EUR 245.6 million, a EUR 44.1 million increase year on year; Elevation Vehicle Finance accounted for EUR 183.9 million, Elevation Consumer Finance – for EUR 61.7 million, respectively.
- Elevation Group's funding maturity profile was extended by five more years due to successful Eurobond issuance and settlement on 18 October 2021. New secured Eurobonds were issued at par with an annual interest rate of 9.5% and maturity in 2026.
- Fitch Ratings assigned a senior secured debt rating of 'B-'<sup>1</sup> with a Recovery Rating of 'RR4' to Elevation Group's new Eurobonds.
- Additionally, Elevation Group announced an issuance and settlement of EUR 25 million subordinated bonds in order to refinance existing shareholder loans as well as further strengthen Group's capital structure.

<sup>1</sup> B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, the capacity for continued payment is vulnerable to deterioration in the business and economic environment.

# Comment from Eleving Group CEO and CFO



**Modestas Sudnius**  
Eleving Group CEO

We began 2021 with a clear goal of keeping our strategic focus on the Group's existing markets and pursuing steady growth. In retrospect, I can conclude that not only was our strategy accomplished but also surpassed. Sustained annual growth of our performance levels is the best evidence for that. Our sales, annual revenue, and EBITDA have grown by at least 50%, proving the strength of the Eleving Group business model. Effective risk management through automated

solutions, state-of-the-art IT systems, and established sales channels were the core pillars in achieving results.

While keeping our focus on the existing geographies, Eleving Group also launched a variety of new products. From subscription and rental services in the Baltics to long term credit line solutions in Moldova. The successful launch of these products shows the company's ability to meet the changing customer needs and will play an important role in strengthening the Group's leading market position in the future.

Throughout the year, we recorded strong growth in productive lending operations in Africa. By providing local entrepreneurs with affordable access to owning a moto-taxi, we have created thousands of jobs and improved the drivers' income.

During the last year, Eleving Group has laid a firm foundation for sustainable operations following ESG principles, and we are proud of the tangible results achieved across multiple social and environmental initiatives. Going forward, we aim to incorporate more and more sustainability-focused products into our business and focus on improving our non-financial reporting practices.



**Māris Kreics**  
Eleving Group CFO

2021 marks the best year in Eleving Group's 9-year history since its inception in 2012. The following achievements across three main areas are worthy of mention.

First, the Group's operational excellence and healthy balance sheet. Both have been forged by the Group's adjusted EBITDA of EUR 60.6 million, exceeding the previous year's result 1.7 times.

Second, in 2021, the Group refinanced all of its bond liabilities by issuing new Latvian bonds in the amount of EUR 30 million and refinancing previous Eurobonds with a new senior secured bond simultaneously raising more capital which

resulted in a new EUR 150 million Eurobond with maturity in 2026. The year 2021 was closed with the issuance of subordinated bonds worth EUR 25 million, which enjoys the equity credit from the rating agency's perspective. It is worth mentioning that the extraordinary fundraising year left a one-off refinancing expense of EUR 5.7 mln in the Profit and Loss statement that we consider money well spent.

Third, we have spent a considerable amount of time optimizing our balance sheet; as a result, we have either divested or written off several of our rundown markets, freeing up resources for the active ones. This repositioning took a one-time toll on our Profit and Loss statement due to loss on measurement to fair value less costs to sell of the disposal groups in the amount of EUR 3.1 mln [Note 20] as an a one-off expense. We have also been successful at monetizing a number of receivables on our balance sheet ahead of time, reinvesting them in productive assets – our net loan and used rental fleet portfolio, which now stands at EUR 245.6 million.

To conclude, a one-time extraordinary expense of almost EUR 10 million has not affected the profitability of the Group, which has achieved EUR 9.7 million of total comprehensive income in 2021, thus positioning itself for an operational and financial uplift in 2022.

# Future outlook

Eleving Group's management is set to pursue sustainable growth in its existing markets while gradually exploring new potential business opportunities in the current and new geographies.

The Group's strategy in vehicle finance is to enable social mobility, focusing on two kinds of markets – developed and emerging. In the developed markets [Europe], the strategic goal is to become the leading mobility platform offering a wide range of products in used vehicle financing, premium car financing, and subscription-based products for greater flexibility, such as rent-to-buy schemes and new car subscriptions. The Group also aims to kick-off an electric car-sharing project in Latvia in 2022. In the emerging markets [Africa and Central Asia], the strategy is to drive organic growth in core segments by focusing on productive lending that supports local entrepreneurs and taxi drivers, introducing more flexible subscription-based products, launching multiple social impact products targeted at decreasing unemployment and building a strong vehicle fleet management infrastructure.

Eleving Group also plans to expand its geographical footprint further and launch two new vehicle finance markets in 2022. The Group is performing thorough market research in multiple jurisdictions, focusing on Scandinavian markets for traditional lease and finance lease products and exploring opportunities to further expand its productive lending operations in Africa or Latin America. In 2022, the Group does not expect to build significant portfolios in the newly launched markets; rather tests the markets and prepares for scale-up of operations in the coming years.

The consumer finance business strategy includes further expansion of the product range by utilizing existing databases and shifting the portfolio to longer maturity and higher-ticket loans to secure long-term income streams. The strategy also envisages an increase in bricks-and-mortar presence through partnerships with local retailers. This showed great potential in 2021, and the Group will continue this strategic direction going forward.

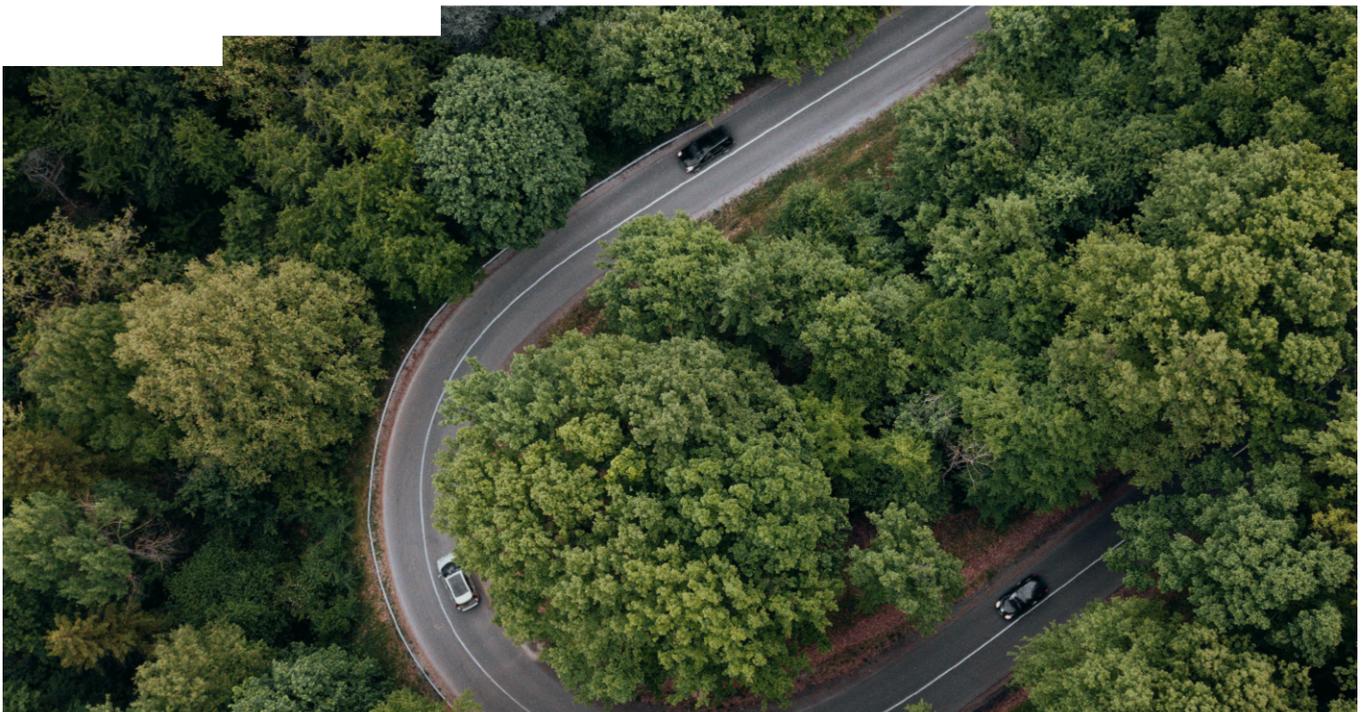
The core strategy for developing both business lines – vehicle and consumer finance – is to maintain a similar product mix with 3/4 of the portfolio secured and up to 1/4 of the portfolio unsecured

The Group also has a strategic focus on continuous digitalization of processes across the Group, including further automation of loan issuance and underwriting processes for efficient resource allocation and further development of sales channels, like the launch of the latest version of the car portal across all vehicle finance markets and upgrading partners' [POS/Dealerships] sales tools.

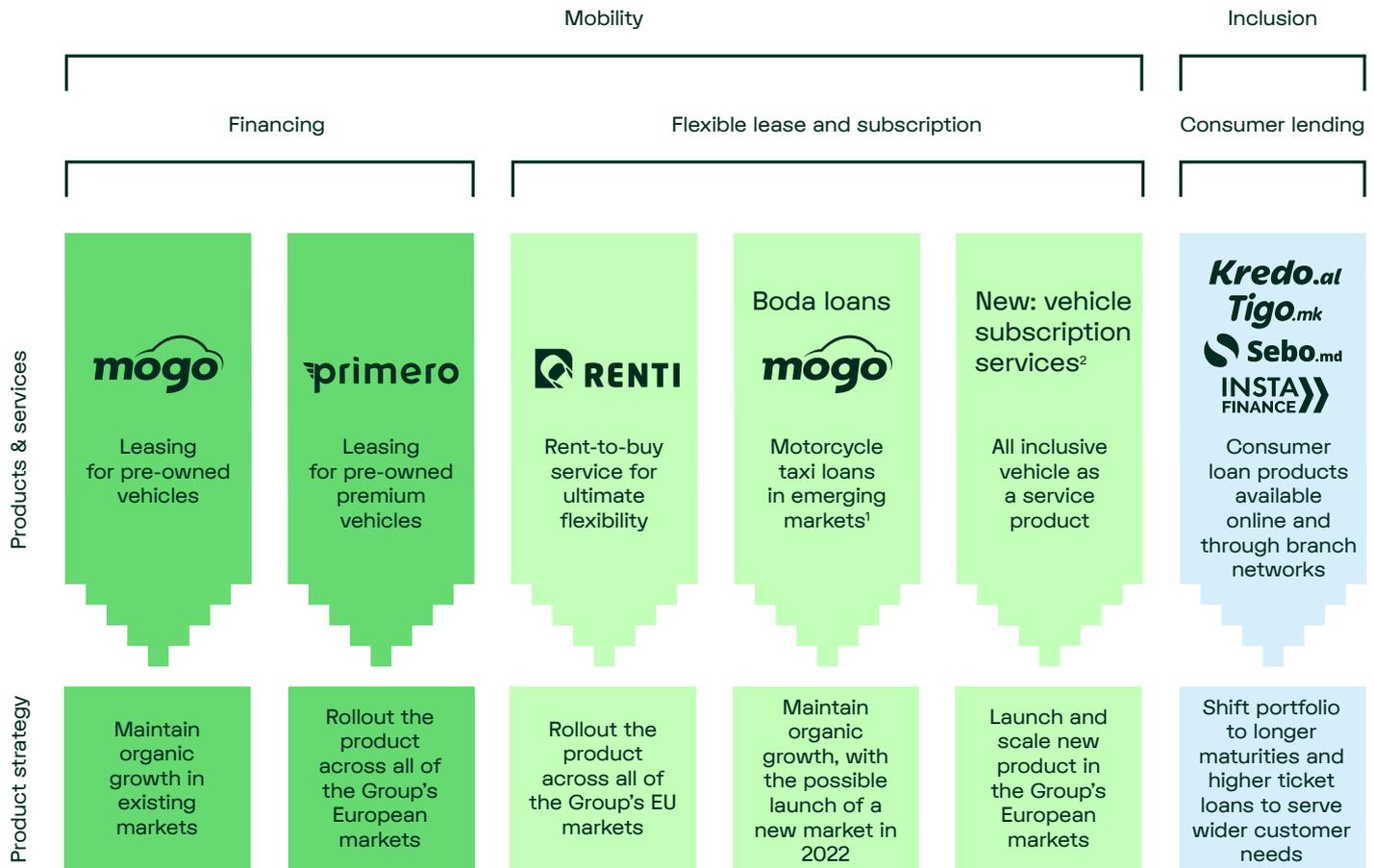
Group's capital management strategy focuses on maintaining and strengthening financial covenants, particularly, interest coverage ratio [ICR], leverage ratio, and capitalization ratio. The Group also plans to explore routes for attracting outside equity.

To demonstrate the Group's compliance with the ethical standards of the industry and the national and international frameworks on sustainability, Eleving Group has chosen to make sustainability commitments and align its practices with the United Nations Sustainable Development Goals. The Group kicked off corporate sustainability reporting in 2021 and entered 2022 with extended and improved long-term ESG goals focusing on environmental, social, and governance aspects. The Group will pay significant attention to the following:

- environmental criteria: monitoring of the impact, educating customers, launching mobility products with low CO2 emissions;
- social criteria: Eleving Group employee wellbeing and development and financial literacy in society;
- governance criteria: balanced gender diversity and transparent ESG reporting practices.



# Products & strategy



## Processes

Further automation of loan issuances and underwriting processes for seamless customer experience and efficient resource allocation.

- Further development of sales channels;
- Launch of updated car portal across all Vehicle Finance markets
- Upgrade partners [POS/Dealerships] sales tools

## Capital management

Continuous improvement in financial covenants – Interest

coverage ratio [ICR], Net leverage ratio and Capitalization ratio and target rating upgrade.

Exploring routes for attracting outside equity.

## Capital management

Implementation of a strategic ESG management system in collaboration with the leading Baltic sustainability consultant.

Development of long-term goal system based on stakeholders' survey and materiality analysis

Regular annual non-financial reporting process in place

# Addressing war in Ukraine

Group is closely following the situation in Ukraine and its top priority is to ensure the safety of Eleving Group employees and their families. Due to the unstable economic and political situation, the Group has decided to scale back activities in Ukraine and Belarus – in line with the crisis management plan – in an orderly and controlled manner.

Eleving Group is not planning any new issuances for the foreseeable future in both markets and will focus on collection activities while maintaining a lean cost structure. Group

sincerely hope for an end to the conflict and thus a return to a normalized situation.

In the light of events related to the war in Ukraine, the Group's management has assessed the impacts on the Group's ability to continue as a going concern. The Group has performed a quantitative analysis with a set of critical scenarios of the Group's operations, assuming cessation of new loan issuances in Ukraine. For details, please refer to Notes 2 and 50.

<sup>1</sup> Kenya and Uganda

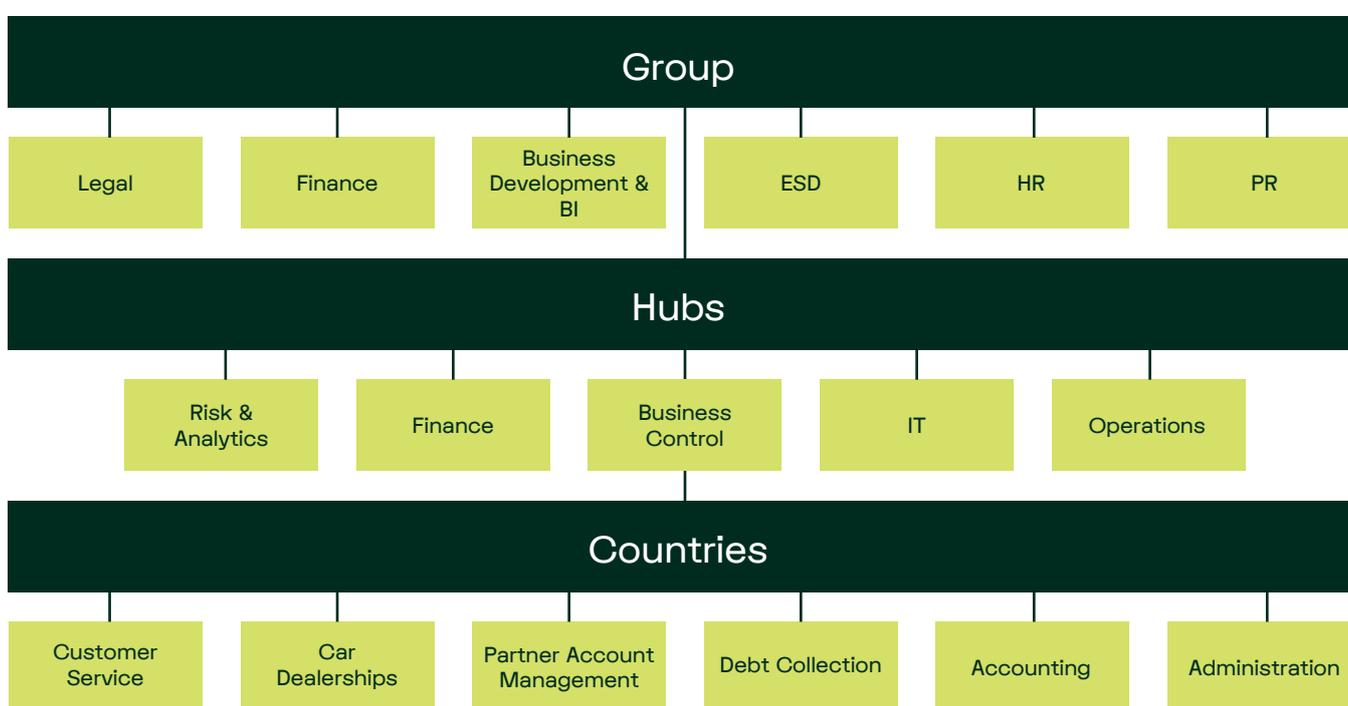
<sup>2</sup> New car subscription services launched in Latvia in 2021 Q4

# Corporate governance

Eleving Group is a public limited liability company. It is subject to and complies – among the others – with the Luxembourg law of 10 August 1915 on commercial companies, as amended and the law of 11 August 2008 on transparency requirements for issuers of securities, as amended [the “Luxembourg Company Law”], as well as the Rules and Regulations of the Frankfurt and Riga Stock Exchanges. The Group does not apply additional requirements in addition to those required by the above.

In 2021, the Group continued to operate in 14 active markets. Each country’s subsidiary is entitled to take operational decisions regarding its business activities. Countries in a particular region are organized in clusters [“Hubs”] coordinated by sub-holding companies controlled by the parent company.

## Multilayer structure



### Group functions

- Fundraising;
- Consolidation;
- Hub management;
- Strategy;
- Reporting;
- Compliance.

### Hub functions

- Operational excellence;
- Reporting;
- Risk management;

- Compliance;
- Analysis and data management;
- Country-level management.

### Country-level functions

- Sales;
- Operational execution [debt collection and customer service];
- Policy implementation;
- Administration;
- Local regulatory compliance.

The share capital of the Group is indirectly held by the four founders of the Group [approximately 90%] and by present and former employees of the Group. On 5 May 2015, the shareholders of the Group entered into a shareholders’ agreement, amended from time to time [the “Shareholders’

Agreement”]. The Shareholders’ Agreement provides that, among other things, [i] all shareholders [unless such shareholder ceases to be an employee of the Group] need to be present or represented at a shareholders’ meeting; [ii] resolutions on certain material matters, including the

appointment of auditors and entry by the Group into material contracts, need to be passed unanimously [provisions to overcome deadlock scenarios are foreseen]; and [iii] limitation on the transfer of rights, tag-along, drag-along, and right of first refusal.

The share capital of Eleving Group is entirely held by its shareholders [see the Table below].

## Largest shareholders, 31 December 2021

Share of capital and votes, %	2021
SIA "AK Family Investments"	43.59%
AS Novo Holdings	14.56%
AS Obelo Capital	14.56%
LVS Limited	14.56%
Other shareholders	12.72%
<b>Total</b>	<b>100%</b>

## Powers of the shareholder

The shareholders' general meeting exercises the power granted by the Luxembourg Company Law including [i] appointing and removing the directors [the "Directors"] and the statutory or independent auditor of the Group as well as setting their remuneration, [ii] approving the annual financial statements of the Group, [iii] amending the articles

of association of the Group, [iv] deciding on the dissolution and liquidation of the Group, [v] changing the nationality of the Group, and [vi] rights to amend the financial statements after their issue."

## General powers of the directors/the board

The Group is currently managed by a board of directors [the "Board"] whose members have been appointed as type A Directors and type B Directors by the shareholders' general meeting of the Group. In accordance with Luxembourg Company Law, each type A Director and type B Director may be removed at any time without cause [révocation ad nutum].

Meetings of the Board are convened upon request of the chairman of the Board or any two Directors of the Group as often as the interest of the Group so requires. The meetings of the Board are validly held if, at the commencement of the meeting, at least one type A Director and one type B Director is present or represented, and decisions are validly taken by the majority of the Directors present or represented [including at least one type A Director and at least one type B Director]. Any Director may represent one or more other Directors at a Board's meeting. The Board of the Group may, from time to time, delegate its power to conduct the daily management [gestion journalière] of the Group to one or more Directors, i.e., the managing director[s] [administrateur[s] délégué[s]], commit the management of the affairs of the Group to one or more Directors or give special powers for determined matters to one or more proxy holders.

Pursuant to its articles of association, where the Group is administrated by the Board comprising several categories of Directors, it shall be bound by the joint signatures of a type A Director and a type B Director. Thus the "four eyes" principle is established.

The Group is currently managed by a Board composed of

two Directors of type A and two Directors of type B, elected pursuant to resolutions of the shareholders of the Group. Based on the articles of association of the Group, Directors of each category are vested with the same individual powers and duties. The Directors of type B are Luxembourg residents, whereas the Directors of type A are not Luxembourg residents and, at the same time hold the positions of CEO and CFO within the Group. The board of directors has not appointed a chairperson among its members so far.

### Modestas Sudnius

Appointed as CEO of Eleving Group in January 2019 and as Director of the Group in March 2019. A graduate of the Stockholm School of Economics, Modestas Sudnius held the position of Country Manager in Lithuania, followed by Regional CEO of Eleving Group in charge of the Baltic states, Georgia, and Armenia, and Co-CEO of the Group together with Edgars Egle. Modestas has several years' experience in financial assurance and project management in companies such as Ernst & Young and EPS LT.

### Māris Kreics

Appointed as Director in 2018 and as CFO of the Group in 2015. Māris spent two years in a corporate finance role at Tet [previously Latt telecom], the biggest telecommunication services company in Latvia. Before that, Māris spent seven years at PwC, two years in New York working exclusively on one of the largest [top 5 by market capitalization] S&P 500 Tech company's lead audit team. Māris is a CFA charterholder and a member of ACCA, the global body for professional

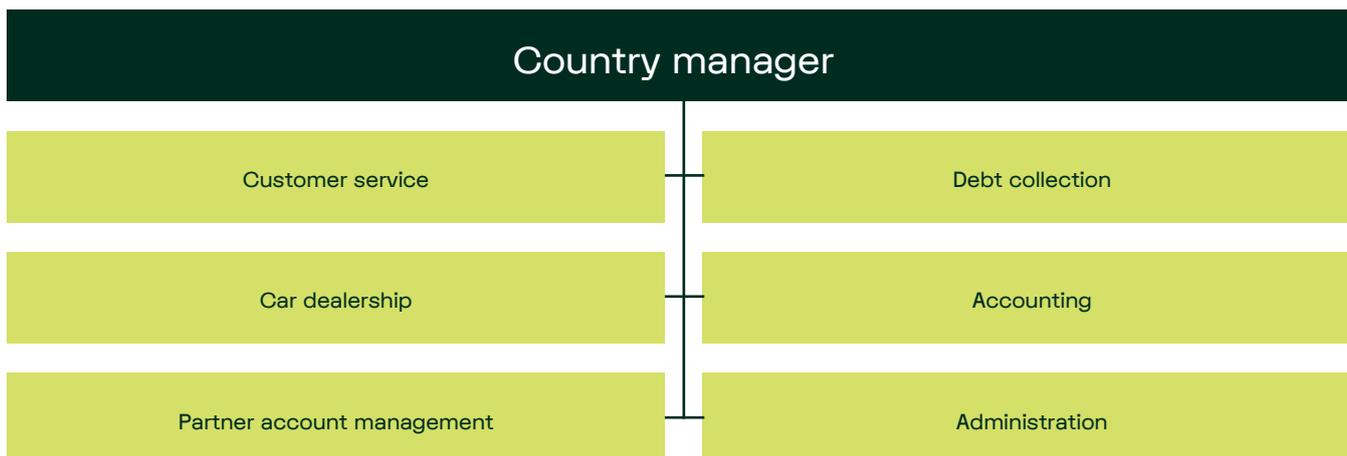
accountants. Māris holds a bachelor's and master's degree in finance from the BA School of Business and Finance in Riga.

**Delphine Glessinger**

Appointed as Director in 2018. Delphine is also a Senior Legal Administrator at Centralis S.A. Previously, she held a Legal Trust Officer position at Citco Corporate and Trust for more than eight years. Delphine holds a law degree from Université de Haute-Alsace Mulhouse-Colmar, a bachelor's degree in Administrative and Legal studies from the University of Lincoln, and a bachelor's degree in international business from Université Nancy 2.

**Attila Senig**

Appointed as Director in 2020. Since 2011, Attila has worked at Centralis S.A., where he currently acts as a Client Services Director. Attila is a qualified tax advisor and chartered accountant with extensive experience in accounting and outsourced corporate services in Hungary and Luxembourg. Attila's academic credentials include a degree in finance [specializing in taxation] and an affiliation to the Chamber of Hungarian Auditors. He is also accredited with a Luxembourg Tax Diploma.



# Audit Committee

In 2019, the Group established an audit committee. The audit committee oversees the Group's financial reporting process to ensure transparency and integrity of published financial information, the effectiveness of the Group's internal control and risk management system, the effectiveness of the internal audit function, effectiveness of the independent audit process of the Group, including recommending the appointment and assessing the performance of the external auditor, and effectiveness of the process for monitoring compliance with laws and regulations affecting financial reporting and the code

of business conduct [where applicable].

The audit committee is set up, and its members are appointed by Eleving Group's Board of Directors. The audit committee is comprised of three members: Mārtiņš Muižnieks, Paul Ryan, and Franck-Oliviera Cera, each of them appointed for a period of three years. The audit committee reports directly to the Company's Board of Directors.

# Risks and risk management

Risk management at Eleving Group is defined as a process of identifying, monitoring, and managing potential risks to mitigate the negative impact they may have on the Group. To ensure efficient significant risk management at all stages, Eleving Group describes the general framework and duties in its internal policies and guidelines.

Internal policies and guidelines set out the following objectives for each of the Group's operating companies:

- to establish the framework required for the identification of significant risks;
- to assess exposure to significant risks;
- to establish the techniques and indicators to be used for the management of significant risks, including with reference to the adequacy of the limits system;
- to allocate the risk management duties within the entity;

- to establish the framework required for risk reporting [reporting typology- indicators, content; frequency, users];
- to establish the entity's risk profile in line with the entity's business strategy; and
- to establish the measures required for addressing the conflicts of interests at the level of the risk management function and the conditions required for the independent exercise of the risk management function.

The risk management process at Eleving Group consists of four main parts:

- risk identification;
- risk management;
- risk monitoring;
- risk control.

Eleving Group has defined the following significant risks: [i] financial risk, [ii] legal risk, [iii] operational risk, [iv] reputational risk, and [v] ESG risk.

The Group's activities are exposed to a variety of **financial risks**:

- liquidity risk;
- credit risk;
- market risk [including currency risk and interest rate risk].

The Group's overall risk management focuses on financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures carried out by the central treasury department [the Group's treasury].

The Group controls its liquidity by managing the amount of funding it attracts through peer-to-peer marketplace platforms for loans, which provides the management greater flexibility to manage the level of borrowings and available cash balances. Also, the Group manages its longer-term liquidity needs by obtaining funding from international capital markets, in particular by issuing the Bonds and the AS mogo Notes.

The Group is exposed to credit risk through its finance lease receivables, loans, and advances, as well as cash and cash equivalents. The key areas of credit risk policy cover the lease and loan granting process [including solvency check of the lessee or the borrower], monitoring methods, as well as decision-making principles. The Group uses financed vehicles as collateral to significantly reduce the credit risk. The Group operates by applying a clear set of finance lease and loan granting criteria. These criteria include assessing the credit history of the customer, means of lease and loan repayment and understanding the lease object. The Group takes into consideration both quantitative and qualitative factors when assessing the creditworthiness of the customer. Based on this analysis, the Group sets the credit limit for each customer. When the lease agreement has been signed, the Group monitors the lease object and the customer's solvency. The Group has developed a lease monitoring process that helps quickly spot any possible non-compliance with the provisions of the agreement. The receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is minimized and, where appropriate, sufficient provisions are being made. The Group does not have a significant credit risk exposure to any single counterparty but is exposed to risks to the group of counterparties having similar characteristics.

The Group takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in the interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility or market rates or prices, such as interest rates and foreign exchange rates.

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The most significant foreign currency exposure comes from Georgia, Armenia, Uzbekistan, Ukraine, and Moldova, where the Group has evaluated potential hedging options but, due to the costs associated with it, has decided not to pursue a hedging strategy for now and assume potential short to mid-term currency fluctuations with retaining potential upside from strengthening of the mentioned currencies. Nevertheless, the Group has a practice of pricing in the currency risk within the cost of its products in the most volatile markets from a foreign currency perspective.

In addition, the Group is making substantial progress in issuing as many loans as possible in EUR and USD currencies. Having now a significant portfolio of USD loans and leases, mainly linked to Belarus, Kenya, and Uganda, the Group has started to proactively manage the foreign currency exposure risk towards USD. The proactive management of USD exposure can be observed by forward contract purchases that have started already in 2020 and continued since then.

Cash flow interest rate risk means the risk that future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates, in particular, that the Group's income or the value of its portfolios of financial assets might be affected as a result. The management of Eleving Group believes that for the Group, interest rate risk is not material since all loans are issued and received at fixed rates and most of the borrowings as well as loans issued to customers are long-term.

**Legal risks** are mainly derived from regulatory changes, which the Group successfully manages with the help of an in-house legal department and external legal advisors that closely follow the latest developments and the legal environment. While the majority of Eleving Group operating entities are financial institutions, The Group is not regulated as a bank, payment institution, or e-money institution in any of its operating jurisdictions. The regulatory framework applicable to the Group's operating entities varies depending on the jurisdiction in which they are operating. The relevant regulations relate to, inter alia, lending and leasing activities, consumer rights protection, the processing of personal data, debt collection, and the prevention of money laundering and financing of terrorism.

The Group's operational risks are managed by successful underwriting procedures in the loan issuance process as well as efficient debt collection procedures.

**Reputational risk** is concerned with the exposure of Eleving Group to events that could adversely affect customers' trust in its products, could decrease its customer portfolio, or could lead to: [i] an increased difficulty in attracting new customers; [ii] difficulty raising financing sources; [iii] difficulty in retaining the employees; [iv] non-compliance with the requirements set forth by local authorities. The Group's reputational risk monitoring is performed, e.g., by monitoring the local and central media, monitoring Eleving Group's activity with the focus on the events that could expose the Group to a reputational risk [specifically those related to customer relations and the relationships with the supervisory authority] and monitoring the number of complaints received from customers.

Scientific evidence<sup>1</sup> suggests that climate change, and the associated need to transition towards an environmentally sustainable economy, will lead to changes in the real economy that will, in turn, impact the financial sector through new risks and opportunities.

In recent years, Eleving Group has become aware of the importance of ESG risks and has begun to work purposefully to manage them by developing its Strategic ESG Program 2022–2025 and initiating sustainability reporting. For Eleving Group, **ESG risks** include the following:

- climate change — changes in policy and regulatory context; timely development of innovative products and services, supporting the reduction of CO2 emissions and customer preferences; business interruption due to chronic [e.g., temperature increase, etc.] or extreme events [e.g., floods, etc.] on key company assets, i.e., physical risk;
- responsible use of natural resources — optimization of material cycles, in terms of recycling, waste, etc.,

<sup>1</sup> Intergovernmental Panel on Climate Change [IPCC] [2018], 'Global Warming of 1.5°C - Summary for Policymakers.

management; sustainable resource [water, electricity, etc.] management;

- human resources management — diversity, equal opportunities; health, safety, and well-being of employees; attraction, retention, and development of talents; employee training and development;
- responsible lending — compliance with legal and voluntary regulations;
- customers — customer relations [e.g., conduct, non-discrimination, mislabelling products]; customer data

protection; evolving customer preferences regarding sustainable products; increasing use of digitalization and automation; affordable/accessible financial products;

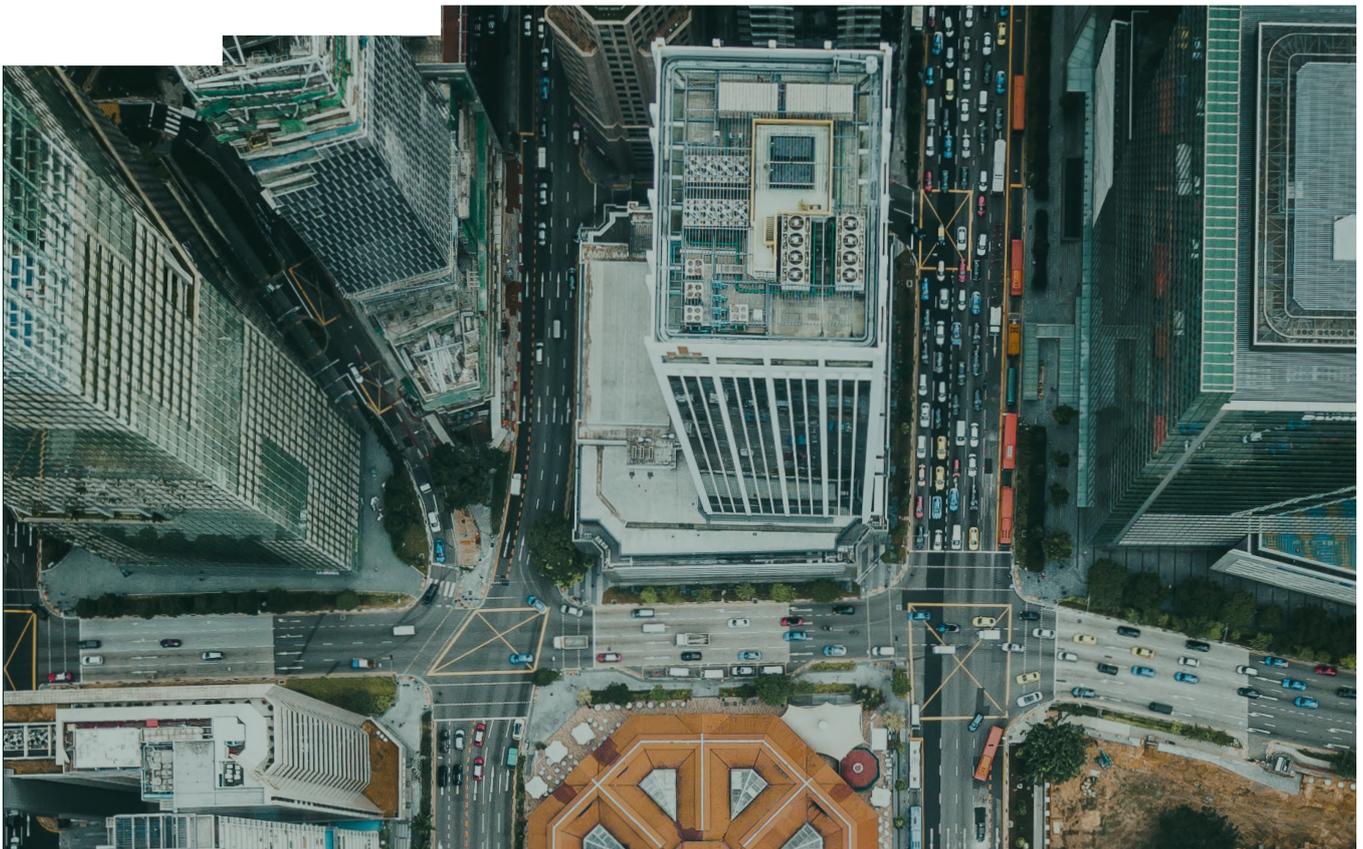
- impact on local communities — providing access to finance for diverse groups;
- business ethics and integrity — prevention, detection, and countering unlawful behavior by employees, clients, and/or suppliers [incl. corruption, AML] and compliance with related international and national legislation.

## Main features of internal control and risk management systems in relation to the process of consolidated financial statements

The employees involved in the accounting process meet qualitative standards and receive regular training. Duties and responsibilities are clearly assigned to different roles. Complex evaluations are assigned to specialized service providers who involve qualified in-house staff. The separation of administrative, executive, settlement, and report preparation functions reduces the possibility of fraud. Internal processes also ensure that changes in the Group's economic or legal environment are mapped and that new or amended legal provisions are applied in Group accounting.

The Group accounting rules also govern specific formal requirements placed on consolidated financial statements. These include the mandatory use of a standardized and

complete reporting package. The Group Accounting department assists the Regional units in resolving complex accounting issues. Additional data for the presentation of external information in the notes and Group management report is also prepared and aggregated at the Group level. Reporting packages containing errors are identified and corrected at the Regional or Group level. Impairment tests are conducted centrally for the specific cash-generating units, known as CGUs, from the Group's perspective to ensure that consistent, standardized evaluation criteria are applied.





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