



MK
Global Kapital

SUSTAINABILITY RISK POLICY

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1. Glossary

EU	European Union
ESG	Environmental, Social and Governance, a general term to evaluate a firm's behaviour in terms of sustainability and responsibility
Financial Product	In the case of MK Global Kapital, the non-regulated Special Purpose Vehicles (SPVs) (<i>Alternative</i>) established by MK Global Kapital in accordance with the provisions of the Luxembourg law of 22 March 2004 on securitization <i>or any other investment vehicle indirectly or directly held by JAF or any kind of financial instrument such as loan, equity participation etc.</i>
JAF	Joseph of Arimathea Asset Management Foundation
MFI	Microfinance Institution, a type of financial services that targets private persons and small businesses that do not have access to conventional banking services; MK Global Kapital's MFIs provide lending and leasing services to entrepreneurs and small businesses only
MSCI	Morgan Stanley Capital International, a global provider of indexes, portfolio analysis tools and ESG products (e.g. ESG performance ratings)
MK Global Kapital	MK Global Kapital Sarl
Portfolio Companies	Companies that are invested by a SPV or any other investment vehicle.
SASB Standards	The SASB (Sustainability Accounting Standard Board) Standards play an important role in the first two IFRS Sustainability Disclosure Standards IFRS1 General Requirements for Sustainability related Disclosures and IFRS2 Climate-related Disclosures. The International Sustainability Standards Board (ISSB) of the IFRS Foundation assumed responsibility for the SASB Standards.
SFDR	Sustainable Finance Disclosure Regulation (EU 2019/2088 of the European Parliament and of the Council)
SRI	Socially Responsible Investment
Sustainability Factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters
Target Companies	MFIs or car-sharing entities that a SPV or any other investment vehicle considers investing
UN PRI	The United Nations Principles for Responsible Investment is the biggest network of responsible investors

2. Purpose and Definition

MK Global Kapital follows voluntarily the requirements of regulation (EU) 2019/2088 of the European Parliament on sustainability-related disclosures in the financial services sector and of the Council, referred to as the Sustainable Finance Disclosure Regulation (“SFDR”). The SFDR requires policies in respect of the integration of sustainability risks in the investment decision-making process and investment advisory process.

Under SFDR, “sustainability risk” means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (e.g. the financial condition or operating performance of a company or an issuer).

Disclosures to end investors on the integration of sustainability risks, on the consideration of adverse sustainability impacts, on sustainable investment objectives, or on the promotion of environmental or social characteristics, in investment decision-making and in advisory processes, are to be developed.

Sustainability as a risk factor is relevant to all investments, while sustainability opportunities are typically relevant to the products that have an ESG objective. Sustainability risk relates to the potential financial impact on the investments, while principal adverse impact reflects the negative effect investments may have on society (societal impact).

MK Global Kapital's investments aim to have a positive impact on the environment and on society. MK Global Kapital assesses its investments (equity and debt) into its microfinance business as sustainability low risk investments.

This policy distinguishes between investments done by MK Global Kapital's investments vehicles into MFI, leasing and car sharing companies and those done by these Portfolio Companies themselves. The assessment of ESG related issues is laid out in a separate ESG document.

3. Target group, scope and governance

This Policy is applicable to all bodies and employees of MK Global Kapital and Portfolio Companies, covering the overall investment process and applying to all investment decisions made by MK Global Kapital or any other investment vehicle directly or indirectly held by JAF.

A key specificity of MK Global Kapital is that its SPV invests in and thus provides funding to the firm's own network of Portfolio Companies. This investment strategy allows MK Global Kapital to influence the management and monitoring of risk drivers which might impact sustainability negatively on its Portfolio Companies. Portfolio Companies shall thereby ensure that they abide by all the requirements of this Policy that indirectly affect them.

For some investments into MFIs, MK Global Kapital is not a controlling shareholder and therefore has met the Sustainability preferences of multiple shareholders. In such cases, MK Global Kapital performs an in-depth assessment of the MFI's current practices regarding management of risk drivers and identifies, during the Due Diligence phase, appropriate minimum requirements that the MFI should be able to meet, given its specific context. MK Global Kapital is committed to engaging with the MFI to support it in meeting these minimum requirements (e.g., through trainings).

The owner of this Policy is MK Global Kapital's Head of ESG Department.

This professional is responsible for updating this Policy, particularly in relation to:

- New relevant applicable laws and regulations;
- Changes in MK Global Kapital's sustainability strategy and risk appetite; and
- Evolutions in market practice.

The general oversight of the Policy is performed by the Asset and Liability Committee . There shall be no exceptions to the application of this Policy. The Management Board of MK Global Kapital shall approve the Policy and any material amendments hereto.

4. Approach to sustainability

MK Global Kapital's corporate strategy is laid out in its Corporate Strategy Policy.

For MK Global Kapital, Sustainability is not part of a separate strategy but is instead integrated into the overall corporate strategy and is thus embedded in the pillars of that strategy and its day-to-day business activities. MK Global Kapital' target investment sectors are microfinance institutions (micro lending and micro leasing activities) and car sharing companies (operational micro leasing).

Also supported by the long-term-strategy of its shareholder, it is MK Global Kapital's ambition to become an even more sustainable and responsible market player in its target markets. As such, MK Global Kapital on one hand assesses and mitigates Sustainability related risks and, on the other hand, creates positive impact and avoids negative impact for its stakeholders on a best-effort basis.

5. Governance defined around Sustainability Risks

Driven by the corporate strategy, MK Global Kapital has the ambition to embed sustainability into the strategic decision-making and core business operations in its investee companies. Therefore, aligned with its ambition, MK Global Kapital adapted its governance as a key driver for implementing sustainability. The organisational structure is now anchored at different levels within the Group (Board level, Executive Management level, and Business & Country level), ensuring that sustainability receives the highest level of attention and that it is integrated on a broad business basis.

6. Identification of Sustainability related risks at Portfolio Company level

MK Global Kapital has determined SASB's and MSCI's sectoral materiality maps are the references for its Portfolio Companies to identify their Sustainability Risk related to its financial and car sharing products granted to their clients.

The Sustainability Accounting Standards Board (SASB) uses a Materiality Map to identify key sustainability risks specific to the financial and car rental sectors. By mapping out material issues based on industry-specific factors such as regulatory environment, stakeholder expectations, and operational risks, SASB can pinpoint the most critical sustainability issues that could impact the financial performance and long-term viability of companies within these sectors.

For the financial sector, key material issues may include data security and privacy, anti-money laundering practices, and diversity and inclusion policies.

The MSCI Materiality Map is another tool that helps companies identify and prioritize environmental, social, and governance (ESG) risks specific to their industry. By utilising a data-driven approach, the MSCI Materiality Map assesses the relevance and impact of various ESG factors on financial performance, allowing companies to focus on the most material issues that could affect their long-term sustainability.

7. MANAGEMENT AND MONITORING OF RISKS IMPACTING SUSTAINABILITY

Risks are considered throughout the investment decision-making process: pre- and post investment. MK Global Kapital ensures that risks are effectively managed and monitored through various means. Given that the MFIs pass on funding to end-borrowers, MK Global Kapital applies a portfolio look through approach to MFI targets.

a. Pre-screening

As a first step in the investment decision-making process, MK Global Kapital applies its environmental and social exclusion list (Appendix №1 - MK ESEL). After this first negative screening, MK Global Kapital/Portfolio Companies assesses high-level Sustainability Risks against the SASB and MSCI materiality maps, specifically taking into account sectoral, country-specific and geographical Sustainability Risks.

b. Environmental, Social and Governance ("ESG") due diligence

Throughout the ESG due diligence process, MK Global Kapital aims to identify the Sustainability Risks faced by the target, how advanced it is in management and monitoring them, and in assessing the Sustainability Risks of potential end-borrowers. MK Global Kapital may request and evaluate any formal policy and evidence of implementation of the Sustainability Risk assessment and monitoring process that may already be in place within the target company.

MK Global Kapital may perform additional ESG due diligence on MFI Target Companies by reviewing related documentation, through interviews, field visits, etc.

In those cases where MK Global Kapital does not consider becoming a controlling shareholder of a Portfolio Company, MK Global Kapital reviews the MFI's current practices regarding Sustainability Risk management and negotiates minimum requirements regarding Sustainability Risk management that the MFI should respect.

c. Post-investment Sustainability Risk management and monitoring

Once identified, each Portfolio Company classifies the Sustainability Risks of its investment into high, medium, low.

For loan requests where Sustainability Risks are considered high but cannot be mitigated (e.g. occurrence of extreme weather events in certain areas), the sole existence of such risks shall not veto the granting of the loan. This is because MK Global Kapital believes in prioritizing its impact objectives to ensure financial inclusion and facilitate access to financing for low-income individuals that lack access to conventional banking and financial services.

The monitoring of Sustainability Risks is performed by MK Global Kapital's ESG department. MK Global Kapital requests its Portfolio Companies to monitor their relevant Sustainability Risks on an annual basis. To do so, a proprietary questionnaire is sent to each Portfolio Company. The

questionnaire identifies potential ESG issues and Sustainability Risks that are most material to Portfolio Companies and asks Portfolio Companies to share processes and mitigation actions in place. ESG audit of a Portfolio Company may be undertaken.

Whenever the ESG department identifies gaps between current Portfolio Company systems, processes and standards regarding Sustainability Risks and the Sustainability Risk Policy, it engages with Portfolio Companies to agree on the process and steps to address these gaps (e.g. through technical assistance, trainings, adoption of relevant tools and systems).

8. DISCLOSURE AND REPORTING

MK Global Kapital discloses the information required under the Sustainable Finance Disclosure Regulation (EU 2019/2088) on its website. As MK Global Kapital's investments are based mostly outside of the EU and MK Global Kapital's SPV ALTERNATIVE is established under Luxembourg law of 22 March 2004 on securitization, MK Global Kapital does not fall under the mandatory scope of the regulation. All SFDR requirements complied with by MK Global Kapital are incorporated on a voluntary basis to enhance market transparency regarding sustainable and responsible investment.

In accordance with Article 3 of the SFDR, a summary of this Sustainability Risk Policy is available on MK Global Kapital's website.

In addition to SFDR disclosure, MK Global Kapital discloses voluntarily on Sustainability Risks through UN PRI signatory reporting and an annual impact report.

The MK Global Kapital's Exclusion List defines the types of projects that the company and its portfolio companies do not finance, either directly or indirectly through their clients.

All portfolio companies when investing must apply the following exclusions:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife, or products regulated under CITES.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor¹ /harmful child labor².
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.
- Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
- Destruction of High Conservation Value areas.³
- Pornography and/or prostitution
- Racist and/or anti-democratic media
- Financial Action Task Force blacklist regions
- If any of the following products form a substantial part of a project's primary financed business activities⁴:
 - Alcoholic Beverages (except beer and wine);
 - Tobacco;
 - Weapons and munitions; or
 - Gambling, casinos and equivalent enterprises.

¹ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

² Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

³ High Conservation Value (HCV) areas are defined as natural habitats where these values are of outstanding significance or critical importance.

⁴ For companies, "substantial" means more than 10 % of their consolidated balance sheets or earnings. For financial institutions and investment funds, "substantial" means more than 10% of their underlying portfolio volumes.