



**Mogo Group**

**Corporate social responsibility report**

**Luxembourg, 2019**

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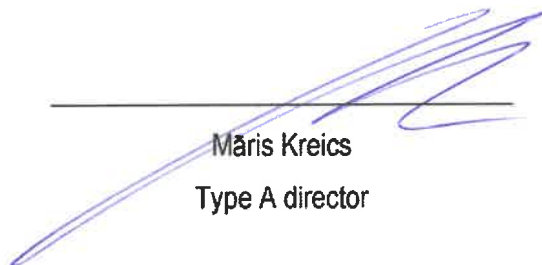
## Foreword by Mogo management

CSR (Corporate Social Responsibility) is a broad concept of corporate self-regulation integrated into a business model that helps a company to be socially accountable to its stakeholders and the public. CSR strategy may take many forms depending on the company and industry. One of the main goal of CSR is to align a company's social, corporate governance and environmental activities with its business purpose and values. CSR initiatives help to create value for its shareholders, but in such a way that it also creates value for society.

We as the Mogo Group management responsible for the development and execution of business strategy, understand the increasing importance not only on financial results, but also on CSR initiatives. When building Mogo CSR strategy, we chose carefully which CSR activities to integrate in our business practices in order to effectively maximize financial results by also contributing to the society.


Mogo Group CSR activities mainly involves what we ourselves do and the commitment from management and employees. It takes both employees of integrity and appropriate organizational structures to realize sustainable CSR strategy, as it is a matter of individual and institutional ethics. In the light of this, we focus Mogo CSR strategy on paying attention to social performance mainly concerned with employee's wellbeing and forming appropriate organizational structures. We believe that through carrying out CSR strategy we set high standards of forming ethical behaviour for our peers, competition, and industry.

Signed on behalf of Mogo Finance on 5 June 2020 by:



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Māris Kreics  
Type A director



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Delphine Glessinger  
Type B director

## **1. Mogo Group business model**

Mogo Group, headquartered in Latvia, is a market leading sale and leaseback and finance lease solutions provider representing wide geographical coverage - currently Mogo operates in 18 countries across the Baltics, Eastern Europe, Balkans, Caucasus, Central Asia, and Africa.

The Group provides services for both individuals and legal entities offering mainly used vehicle finance lease transactions for amounts up to 10 000 euro and sale and leaseback transactions for amounts generally up to 15 000 euro with duration up to seven years. In both instances the vehicle is used as a collateral and most of the loans issued by the Group are secured. The Group provides also consumer loans in Latvia, Lithuania, Estonia and Armenia to individuals for amounts up to 3 000 euro with duration up to four years.

Used vehicle leasing market is expected to grow significantly in the coming years, especially in emerging economies targeted by Mogo Group. Increasing demand for personal mobility and growing penetration rates of car ownership in emerging markets provide strong basis for growth of demand for car financing services.

Funding is being offered online through Mogo branded website, mobile homepage and onsite at the customer service centres, as well as at the sales centres of car dealerships. A wide geographical coverage and strong online presence makes the company unique in comparison to its competitors and diversifies revenue streams.

Group's main goal is to offer its customers easily available, convenient, and affordable sale and leaseback and finance lease solutions. In order to achieve this, the Group offers to its customers various solutions adjusted to their needs, as well as highest quality service and accessibility. The Group directly cooperates with a wide network of car dealerships, where the customers can buy a vehicle by obtaining funding from the Group.

The strategic priorities of Mogo Group are focused on consistent profitable growth and geographical expansion. The achievement of this strategy is fuelled by more than 1000 talented team members and over 100 000 loyal customers, as well as investments in advanced technologies to deliver the best-in-class financial services.

The core values of Mogo Group is a set act of principles integrated into everyday operating activities and, supplemented by sustainable CSR practices, together determine responsible and ethical approach to business. The core values of the company are as follows:

- Quick assistance without unnecessary formalities - the Group will provide the required funding within a couple of hours;
- Open communication and adaptation – the core value of the Group is an open communication and an adaptive approach to every customer, which results in a mutually beneficial outcome in every situation;
- Long term relationship - the Group values and creates mutually beneficial long-term relationship with all its customers and employees, it welcomes feedback and suggestions for improvement.

## **2. Social & Employee matters**

At Mogo, we rely on competent and professional employees, and the basis of cooperation is working together in a sincere and respectful manner. To be able to operate sustainably and successfully as a company over the long term, we strive to offer to our employees motivating and socially appropriate working environment.

As at 31 December 2019 there were 999 employees working in Mogo Group. The average age of employees is 30 years.

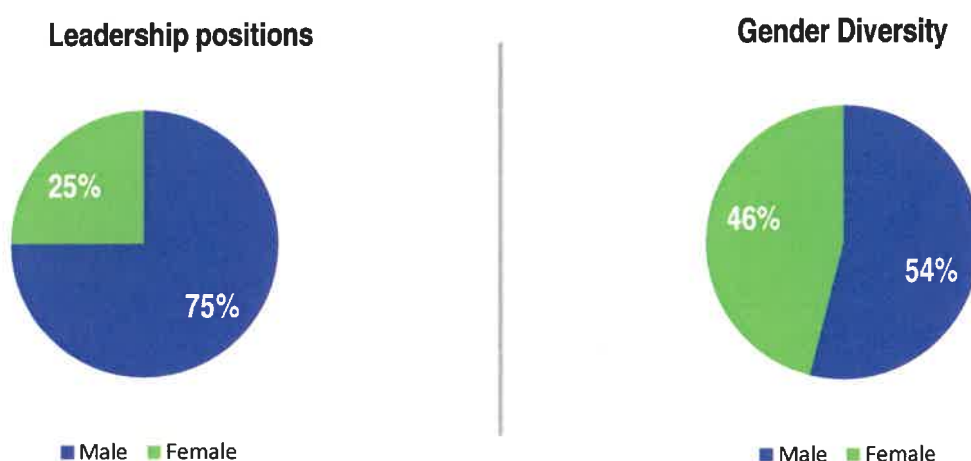
A culture of ownership is highly valued within Mogo Group. To reinforce the ownership mind, we have implemented performance-based bonus system and share options program for our employees. Under the share option plan Mogo issues certain amount of company shares, which are then distributed to personnel. Each employee is subject to a specific percentage of share options depending on position and its direct impact on company's profitability.

At least twice a year, all Mogo Group employees are being asked to submit an anonymous opinion in MOGO Voice questioner, to measure specific metrics in following topics: feedback culture, performance management and motivation, wellbeing, team collaboration, individual development, diversity and overall satisfaction with life in Mogo. The results are then summarised and presented to the executive management team to discuss the necessary improvements. The outcome of the survey is shared also with employees so they can approach the management in order to discuss both Company matters and their specific position in the Company.

## Human rights

Mogo Group evaluates diversity, however, does not tolerate any form of discrimination based on age, disability, origin, gender, sexual orientation, religion, political opinion or trade union activity. Furthermore, during the recruitment processes all managers and employees receive trainings on how to limit their own biases.

There is a gender diversity among Mogo employees including management positions: female representation in leadership positions have reached 25% in 2019.



When working at Mogo Group, every employee may be assured that national and local laws are applied and strictly followed to. In the event of inappropriate treatment, employees always have the right and option to submit a complaint or suggestion to the respective management or the group HR department. Mogo Group has launched a web-based whistleblowing reporting system through which employees can report to the Mogo Group management any unethical or illegal activities they experience or witness. It is a channel where employees without the fear of negative consequences can share their concerns regarding violations of company's policies, local laws, regulations, as well as fraud and corruption. If someone has a feeling that he or she should speak up about some activities occurred within the company or to bring up certain uncomfortable topics, this is a safe channel to use. No reports have been received through whistleblowing system in 2019.

## Health & safety, working conditions

Health and safety and working conditions are of great importance in the workplace at Mogo. One of the main focuses of human resource management is assuring compliance with occupational safety regulations and the maintenance and promotion of the health of individual.

All employees are regularly instructed about the general work and fire safety. In addition, with certain regularity everyone is required to perform a compulsory health check. In order to assure favourable working conditions and productive environment for its personnel, Mogo has moved its HQ functions into a new office in 2019. The office is built and equipped so that employees and visitors can feel more comfortable and facilities are adapted ensuring the accessibility for people with disabilities.

Employees working in the headquarter are provided with annual health insurance, which gives to employees an opportunity to use wide range of health services, in case needed. Mogo is also supporting its employees to develop healthy habits and encouraging to active lifestyle, for example, by organizing weekly out of office sport activities, such as volleyball.

As ergonomics aims to increase efficiency and productivity and reduces the discomfort, it has been one of Mogo priorities. In order to improve workplace ergonomics, part from the office has been equipped with sit-stand workstations and few meeting rooms have been adjusted for stand-up meetings. The company also regularly provides trainings covering ergonomics and personal efficiency related topics.

The Company ensures that both the physical and emotional work environment promotes productivity and that each employee can fulfil their professional potential.

## Social initiatives

Social initiatives are highly encouraged within the company and includes various activities. For example, Mogo is organizing, and employees are encouraged to take part in donor days. Other social activity involves collective gatherings of individual employee donations for orphanages and animal shelters, which is being organized on recurring basis. Company believes that by supporting charitable contributions together with its employees it uplifts common generosity and helps to create impulses for further charitable actions in the community.

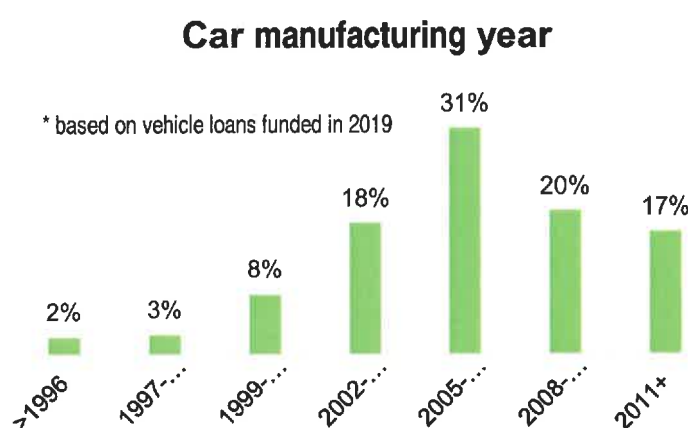
In addition to that, Mogo also supports sport teams such as Mogo amateur league ice hockey team and Latvian national volleyball team.

We highly value work and life integration of our people. Thereby, at least once per year we organize Mogo Family and Friends day, inviting our employees to be together with their loved ones.

### 3. Environmental issues

Since the Group's main business is related to car financing, in addition to taking responsibility of our employees and customers, Mogo is seeking ways how to eliminate the environmental footprint. All actions on mitigating environmental impact are being carefully assessed and only those not having an adverse impact on Group's operational results exercised.

The Mogo Group activities on addressing environmental issues, such as greenhouse gas emissions from vehicles, are very limited as depends mainly on customers choices. In 2019 the Group has financed vehicles with the following car manufacturing years:



A recently started practice to finance electric, hybrid and low-emission cars is an action, which helps to mitigate environmental impact caused by CO<sub>2</sub> emissions.

In 2019 the Group began an initiative in order to reduce the plastic waste – instead of using plastic bottled water everyone in the office is encouraged to use the glass bottles or use only filtered tap water. In order to raise awareness and promote recycling, the Company have introduced the plastic, glass, and paper recycling initiative. The Group's activities do not include the use of hazardous chemicals or biocides.

Mogo Group has contributed significantly to the elimination of the use of paper as it strives to work in a paperless manner. The use of the cloud storage and implementation of electronic signature is significant part of digital transformation which has helped to lessen the use of paper.

Climate change is one of the most serious challenges facing humanity. We consider ourselves responsible for contributing to fighting the negative impacts on the climate and constantly work towards optimising our operations. Due to the reason that our direct environmental impact as an entity operating in finance industry is rather limited, no formal policy has been drawn up regarding impact on climate. However, we are constantly seeking methods how to reduce our direct environmental footprint by optimising our operations and implementing new measures on an ongoing basis.



#### 4. Anti-Bribery & Corruption

Mogo Group is committed to complying with all applicable Anti-Bribery and Corruption laws and regulations in the jurisdictions in which it operates. Mogo Group has zero tolerance towards bribery and corruption and are perceived as unethical and unacceptable activities that are inconsistent with our values. We strive to operate with transparency, trust, and integrity. This approach applies to all markets where we operate and to all our business relations and shall guide us in our daily work with all our stakeholders.

Bribery is defined as offering, promising, giving, agreeing, accepting or soliciting of an advantage as an incentive for an action which is illegal, unethical or a breach of trust in exchange for a benefit. The benefit can take many forms such as money, loans, fees, lavish gifts, rewards or other advantages (taxes, services, donations, favours made to a relative, friend or favoured cause). Corruption is any unlawful or improper behaviour 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.

Anti-Bribery & Corruption policy exists to act as a source of information and guidance for those working within Company and every employee is expected to follow the guidelines. The sole purpose of this Anti-Bribery & Corruption policy is to set out the responsibilities of the Company and personnel in regard to observing and upholding our zero-tolerance position on bribery and corruption. The core principles are as follows:

- Mogo Group's employees or third persons representing any of the Mogo group's entities shall not offer, promise, give, request, accept or receive bribes or other undue advantage in order to facilitate Mogo group's business. Provision, giving promise or offering any benefit to a person who exercises public authority, are strictly prohibited;
- Mogo Group's employees are prohibited from offering, giving, accepting, requesting or agreeing to receive gifts, events, trips, and other travelling 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;
- Mogo Group's activities to strengthen and establish client and supplier relationships shall be made in good faith and in compliance with requirements set by Mogo Group;

- Mogo Group supports the making of contributions to the communities in which it does business and permits reasonable donations to charities and sponsorships. Sponsoring and charities shall be performed in an open and transparent manner;
- Mogo Group never makes donations to political parties, politicians or political campaigns - Mogo Group is politically neutral.

Other Anti-Bribery & Corruption preventing practices within the Mogo Group includes the centralization of accounting and other reporting systems and the increased transparency on payment transactions. Over the recent years the Company has reduced the number of payments in cash and strictly follows the dual control principle for digital payment transactions.

#### Whistleblowing program

To facilitate the reporting of potential or suspected misconduct/ improper activity/ illegal activity within or in relation to Mogo Group, including activity related with Anti-Bribery and Corruption, Mogo has implemented web-based whistleblowing reporting solution through company's website. An online reporting form is available for everyone with a guaranteed anonymity to Mogo employees, customers, suppliers, partners, investors, agents and other external stakeholders to report concerns relating to misconduct/ improper activity/ illegal activity within or in relation to Mogo Group.

## **5. GDPR**

We recognise that people are increasingly concerned about the protection, and inappropriate use of personal data, particularly when this is related to financial data. New EU regulations have also increased requirements on how companies use personal data. Loss or inappropriate use of personal information could have a serious impact, both on the individuals affected and, on our business, and we take our responsibility for data and privacy into account.

In 2018, Mogo has made certain actions to mitigate risks related to data privacy and ensure a GDPR compliance within Mogo Group companies. With the help of external auditor and legal advisors, Mogo has revised and overlooked data privacy related documents, policies, procedures, and IT solutions to improve the data privacy standards. In 2019, Mogo continued its security focus by having audit in several of its companies and shall continue auditing the Group companies and introducing improvements in data privacy and security within 2020.

## **6. Due diligence process in business expansion**

Due diligence is an essential part of business expansion and is being carried out in order to identify, prevent and mitigate any potential adverse impacts on successful growth of Mogo Group. Therefore, prior to entering a new market, Mogo performs due diligence procedures, covering as a minimum following area:

- Assessment of business conditions necessary for entering the market;
- Key legal regulations to be applied to Mogo's products;
- Tax regulations;
- Local currency risks.

The period of time dedicated to researching and carrying out detailed analyses of the target market, contributes to form a sound management's decision on entering into new market and the best possible strategy for the entrance.

The Group does not have environmental, social and human rights policies concerning due diligence activities on the Group's suppliers. Before starting any cooperation, Mogo Group selects its potential cooperation partners in a careful and balanced way, on the basis of company standards recognised in commercial practices, which include ethical business practices and principles for observation of any regulatory enactments.

## **7. Risk management**

Mogo as other companies operating across different geographies is exposed to various risks. Key risks are credit risk, risk of fraud and abuse, risk of collateral loss and damage, operational risk and full spectrum of financial risks.

Mogo holds full accountability for the services provided. However, used cars market have many aspects which may negatively affect customers' experience with Mogo and directly or indirectly imply losses. To avoid any adverse impact, company sets up strong local operational teams from the first day of operations. These teams impose controls along the entire credit cycle and span into all processes and functions (e.g. Mogo's policy is to provide financing only after internal assessment of a car which is performed by dedicated Mogo team). This control ensures correspondence between assets' price and its actual value. Local teams are in a constant contact with distribution partners and thus limit all potential abusive behaviours towards Mogo customers. Similar controls are imposed in other processes.

Mogo has established a strong risk management system which significantly relies on the local teams and consists of three levels. Three level of defence is used across all processes with material exposition to risk or high repetitive rate:

1. Group CRO sets up group wide risk management strategy and policies;
2. Experienced Risk management teams are set up in each HUB (business units based on its geographical locations and on internal management structure). HUB Risk management teams adopt group wide policies to regional level and ensure consistency of execution on local level;
3. Local teams in operational offices manage and prevent risks in line with policies and procedures conveyed from the upper level.

Economical security department was established in 2019, and it started to work very closely with risk management teams. Department's objective is to combat fraud and minimize loses. The department has established cooperation with police and other lending companies operating within certain markets. As a result of successful cooperation, the awareness of fraud management practices has increased, and fraud levels within the industry has undoubtedly went down in late 2019.

Collegial bodies such as credit committees are established across all countries. All non-standard cases are escalated to credit committees. If it is beyond the limit of credit committee authority, the case is escalated to HUB management and further to Group management team, which consists of Group CEO, Group co-CEO, Group CFO and Group CRO.

Group management team takes care of all ad-hoc risks, which have direct or potential material impact. Risks related to the area of CSR fall under remit of Group's management team. No material events have been reported during 2019.

## **8. Acting responsibly**

As a leading European used cars finance provider, Mogo has the aspiration to lend responsibly.

Company has established following principles regards to verification of customers:

- Income check. Mogo verifies sustainability and level of income of customers to ensure that increased financial burden does not limit quality of their lives;
- Credit bureau check. Credit report is carefully studied to ensure that increased financial burden can be managed by customers;
- Mogo ensures compliance with regulatory requirements related to verification of customers.

All collections practices comply with local regulations and adheres to good market standards. Mogo constantly strives to find the compromise with customers experiencing financial difficulties. Such tools as extension of the payment date, payment holiday, reduction of monthly payment, waiver of fines and fees are used across the Group. The usage of the car is never being limited, if customer has temporary difficulties and payment terms have been renegotiated. Repossession is the very last action the company exercises within the collection process, and it always happens in an amicable way.

Mogo strives for the operational excellence; thus it automates processes whenever it is possible. Automation is continuous process in Mogo, and company has an extensive automation roadmap for 2020. Where automation is not possible, the quality assurance processes are being set up to ensure quality and adherence to internal policies.

In the frame of operation excellence Mogo sets up customer journeys in the most optimal way: to limit burden on customer but to preserve quality of decisions.