

Impact Report 2023

Disclaimer: the information contained herein is applicable and actual in respect of 2023 only.

Ulaanbaatar, Mongolia

GRI Content Index

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Statement of Use

Our sustainability report has been prepared with a reference to the GRI Standards. This report outlines our management approach and performance across various environmental, social, and governance (ESG) topics that are material to our business and stakeholders. We have undertaken a thorough materiality assessment to identify the most significant issues impacting our operations and society. The GRI Content Index provides a detailed mapping of the disclosures included in this report, demonstrating our commitment to transparency and accountability.

We are dedicated to continuous improvement in our sustainability practices and welcome feedback from our stakeholders. For more information on our sustainability initiatives or to provide feedback on this report, please contact:

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Message from the CEO

Dear Shareholders, Colleagues, Valued Customers, and Esteemed Partners of Ard Credit NBFJ JSC,

Since our inception, our vision has been to lead the industry's development by fostering equal access to financial services throughout Mongolia. We are dedicated to addressing the pressing financial needs of our citizens ('Ard' in Mongolian), continually refining our products and services to cater to each client's unique requirements to enhance inclusivity

I am proud to say that as Ard Credit serves over a third of Mongolia's population, with a 1 million user base on Ard App and 14,000 shareholders, we are deeply committed to improving the financial literacy of our stakeholders through comprehensive education initiatives.

Since 2021, Ard Credit has actively integrated the principles of the United Nations Sustainable Development Goals and Mongolia's Sustainable Finance Association program into our company's operations, products, services, and daily activities. We have taken proactive steps to contribute to green development practices, aligning with our commitment to environmental responsibility and long-term sustainability. Through our initiatives, we aim to make a positive impact on both local and global communities, both socially and environmentally. This initiative aligns with our values of transparency, accountability, and environmental stewardship.

As we compile this report, Ard Credit remains committed to integrating sustainability goals into our daily operations and providing support to society in times of crisis. For instance, during the harsh winter and spring of 2024, Mongolia faced one of its most severe 'dzuds' in history, resulting in the loss of over 10% of our total livestock. In response, Ard Credit donated USD 100,000 worth of animal feed and offered discounted loans to herders and farmers. We also deferred both interest and principal payments for 8 months, starting from February 23, 2024, and suspended loan interest for the same period, demonstrating our dedication to assisting customers through challenging times.

I invite you to review our 2023 sustainability report.

About Ard Credit

Ard Credit is a publicly listed non-bank finance company, licensed by the FRC and Mongolbank. It is a flagship of Ard Financial Group - a full-service financial holding company. Ard Credit was set up in April 2011 with the goal of providing access to inclusive financial services to Mongolians by leveraging the potential of innovative technologies.

Ard Credit offers a range of financial products and services to its customers through its proprietary mobile wallet. Ard App features self-enrollment, AI backed credit scoring, a unique loyalty point system based on blockchain technology and a powerful cross-selling platform for e-commerce, insurance, brokerage and payments services.

Milestones

2011

- Established with the investment of Intergroup International LLC, laying the foundation for future growth and development.

2017

- Successfully introduced the first credit card service in the industry, marking a significant advancement in financial offerings.

2018

- Launched the initial version of Ard App, providing comprehensive financial services in a single platform, enhancing accessibility and convenience for users.

2019

- Introduced an artificial intelligence-based e-loan service through Ard App, leveraging technology to streamline and improve lending processes.
- Transitioned into a joint-stock company, attracting over 1,500 new shareholders and gaining recognition in the I category of joint-stock companies on the Mongolian Stock Exchange.

2020

- Received a license from the Bank of Mongolia to issue e-money and provide payment services, enabling participation in bank settlement services and expanding the scope of financial offerings.

2020

- Successfully implemented ACH+ (Automatic Clearing House), a system for low-value interbank transactions, improving efficiency and accessibility in financial transactions.

2021

- Introduced the first virtual asset-backed loan service, pioneering innovative financial solutions.
- Launched ArdKids App, the first financial application designed specifically for children, promoting financial literacy from a young age.

2022

- Secondary Debt Issuance Approval: Obtained permission to issue secondary debt amounting to MNT 5 billion, expanding financing options and strengthening financial capabilities.
- Card Issuer Approval: Secured card issuer approval from Non-Bank Financial Institutions for the first time, further diversifying product offerings and market reach.

2023

- Maintained position in the Mongolian Stock Exchange TOP-20 index, category I, for the fourth consecutive year.
- Introduced the first credit card with a license, marking a significant milestone in the NBFi sector.
- Secured a license for Outsourcing from the Bank of Mongolia, enabling us to diversify our services and enhance operational efficiency.

Our Values

Shared Ownership: We believe in collective prosperity and actively engage stakeholders in our journey.

Sustainable Development: We are committed to fostering growth that preserves and enhances the well-being of future generations.

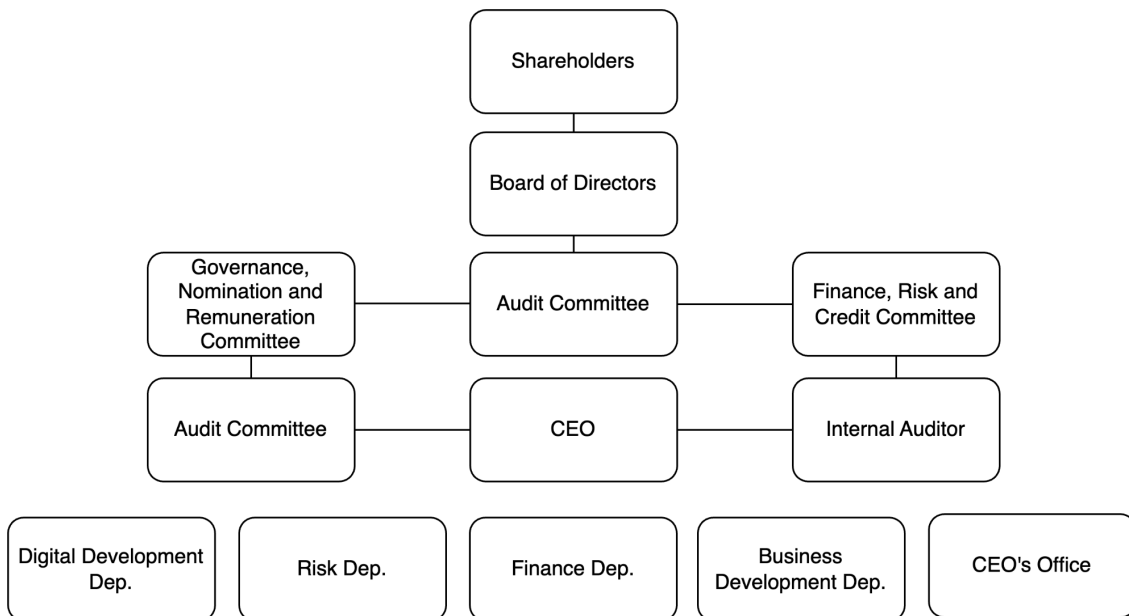
Exceeding Expectations: We strive to deliver service that consistently surpasses the expectations of our stakeholders.

Inclusive Participation: We advocate for and facilitate equitable access and involvement in our endeavors.

Ethical Conduct: We uphold the highest standards of integrity, honesty, and responsibility in all our actions and decisions.

Governance

Ard Credit has the following governance structure that is contributing to the sustainability policies as described below:



External Initiatives and Memberships:

Sustainability:

- Mongolian Sustainable Finance Association



Financial Inclusion:

- Microfinance Centre
- Women's World Banking



Sustainability Policy

Assigned GRI Codes:

- 103-1 (Explanation of the material topic and its Boundary)
- 103-2 (The management approach and its components)
- 103-3 (Evaluation of the management approach)
- 302-1 (Energy consumption within the organization)
- 305-1 (Direct (Scope 1) GHG emissions)

In 2023, Ard Credit NBFJ JSC was listed in Category I of the Mongolian Stock Exchange, rejoining the TOP 20 index, and ranking among the TOP-10 companies for Governance Code implementation. As a non-bank financial institution with a substantial customer and shareholder base, our primary goal is to enhance the long-term value for all stakeholders while fully embracing sustainable development objectives.

Our Mission, Vision, and Values underscore our commitment to providing equitable financial services, ensuring accessible and inclusive participation, promoting environmental sustainability, and respecting the interests of our customers and shareholders.

With the Ard App, our company remains dedicated to delivering reliable and accessible financial services across the nation, around the clock. We've introduced PHYGITAL (Physical + Digital) initiatives utilizing MongolPost's physical infrastructure countrywide to reach customers with limited electronic access, thereby bolstering financial inclusion.

By transitioning to digitalized services and phasing out paper contracts, we've made significant environmental strides. In just one year, we saved 8,470 trees, 23.1 tons of paper, and 1,542,857 kilowatts of energy.

Furthermore, through our SCOPA green financing initiative within the supply chain project, 15 percent of our total loan portfolio is dedicated to environmentally sustainable endeavors. This initiative demonstrates our commitment to supporting green credit initiatives while effectively meeting the financial needs of the green supply chain participants through our Agricultural and Herders loan.

Human Resource Policy

Assigned GRI Codes:

- 401-1 (New employee hires and employee turnover)
- 404-2 (Programs for upgrading employee skills and transition assistance programs)

Ard Credit NBFJ JSC has continually enhanced and revised its human resources policy, incorporating values such as "Sharing together" and "Fostering inclusive and equitable participation". In response to societal challenges and drawing from the company's past experiences, we have implemented several initiatives including:

- Adjusting the time schedules of all employees to offer flexible working hours and remote work opportunities
- Prioritizing the psychological well-being of our staff. Providing regular training and counseling sessions through professional organizations
- Ensuring fair treatment and opportunities for employees with disabilities
- Actively welcoming and employing women in the workplace without bias or discrimination

We place great importance on ensuring our employees' stability and financial independence. In addition to their salaries, we offer an employee share ownership program that includes company shares for long-term growth and digital assets for medium-term growth. Furthermore, we provide a defined contribution pension plan for each employee, along with comprehensive health insurance coverage.

In 2023, we functioned with a workforce of 41 employees, comprising 60 percent women and 40 percent men. Notably, 40 percent of the management-level positions were held by female executives.

Ard Credit operates under eight special licenses issued by regulatory authorities. Through collaborations with Grape City Mongolia LLC, Most Fintech JSC, Mongol Post JSC, and Ard Insurance JSC, we distribute products and services, expanding financial access. Furthermore, as part of customized arrangements, we not only pay our own employees' salaries but also support a certain percentage of the salaries of employees working for these partner organizations.

Product & Services Policy

- Assigned GRI Code:
- 417-1 (Requirements for product and service information and labeling)

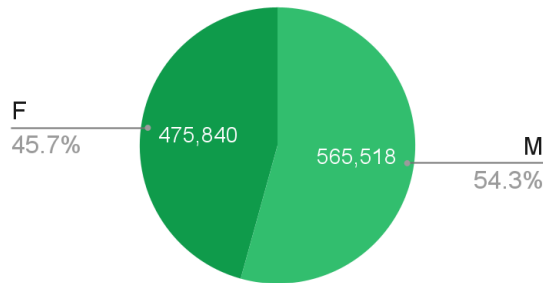
For the past five years, Ard Credit NBFI JSC has operated the Ard App, aiming to enhance financial accessibility, provide PHYGITAL (Physical + Digital) products and services, and promote sustainable development. Throughout this period, leveraging technological progress, our services have undergone full digitization, thereby enhancing the efficiency of customer interactions, while concurrently reducing paper usage and energy consumption annually. This constitutes our significant contribution to sustainability.

The Ard App enables paperless transactions, reducing the need for paper-based processes like printing contracts, thus conserving resources and minimizing waste. Additionally, by providing accessible financial services through mobile devices, the Ard App contributes to economic inclusion and reduces inequalities. Moreover, through educational resources and tools integrated into the app, we improve financial literacy, empowering users to make financially sound decisions.

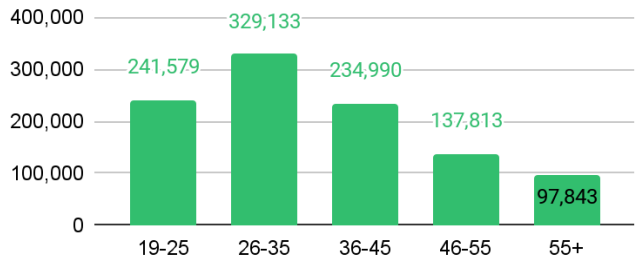
Ard App

Total customers: 1,041,358

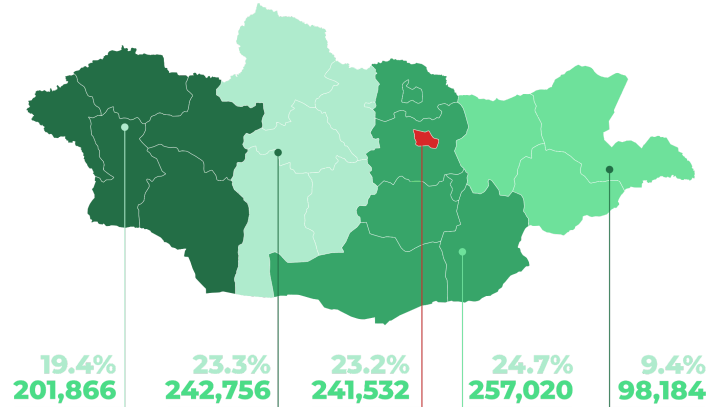
Number of registered customers by Gender:



Number of registered customers by Age



Registered customers /Nationwide/



The average loan amount granted to one borrower: MNT 1,700,000

We have achieved the following environmental benefits through the digitization of loan services:

Local customers: 799,826 (76.8% of total customers)

Paper saving 23.1 tons of paper

Projects (Ardkids, #BidlluuBaijChadna & SCOPA)

- Assigned GRI Code:
- 413-1 (Operations with local community engagement, impact assessments, and development programs)

ArdKids, #BidlluuBaijChadna

As part of our efforts to promote financial education, the ArdKids App was launched to empower children. Through the ArdKids App, children can make payments, establish savings, and track their investment portfolios, thereby enhancing their financial literacy and fostering an investor mindset from a young age. Additionally, parents can set automatic daily, weekly, or monthly allowances and monitor their kids' spending habits, providing them with valuable oversight and support in their financial development. We firmly believe that instilling sound financial habits early on can mitigate the risk of children experiencing poverty and financial hardships in the future.

In our pursuit to foster an Investor Nation, we have launched the #BidlluuBaijChadna (#WeCanBeBetter) campaign with the primary objective of transforming every child in Mongolia into an investor. Through this initiative, we aim to ensure that children, irrespective of their family's financial means, become partial investors, owning financial instruments in their name. As a key component of the campaign, children who register on the ArdKids App will receive shares of Ard Financial Group and Ardcoin.

Since its launch in October 2021, over 50,000 children have integrated the ArdKids App into their daily routines, thus embarking on their journey as investors and participants in the financial world

Number of users: 52,515

Male: 26,523

Female: 25,992

0 - 5 years - 17,439

6 - 12 years - 23,797

13-18 years old - 11,279

Number of Transactions: 16,516

Transaction amount: MNT 364,246,554

Supply chain SCOPA

Launched in 2022, the SCOPA supply chain project aims to bring together suppliers, manufacturers, merchants, and consumers onto a single platform to tackle their financing obstacles. This endeavor aims to foster mutually beneficial relationships among all supply chain participants, ultimately lowering costs for end users.

Following the supply chain disruption challenges posed by the COVID-19 pandemic, Ard Credit launched a supply chain financing pilot project to mitigate costs and streamline processes for all participants. This initiative involved providing financing to rapeseed producers, where Ard Credit deducted the equivalent amount from the producer's loan balance and transferred it to the manufacturer upon delivery of the raw material. Subsequently, the manufacturer's loan balance was then transferred to the merchants upon delivery of the end product, to be repaid through sales to end customers. This collaborative effort ensured supply chain stability, enabling manufacturers to continue producing rapeseed oil and animal feed, contributing to the supply of 20% of the domestic market, while also experiencing continuous ongoing and future growth in export sales to Japan and South Korea. Furthermore, herders and livestock farmers gained from the project through access to animal feed at lower prices. This endeavor also contributes to improving the health and fat content of the animals, consequently boosting meat and milk production yields.

In 2023, a total of MNT 8.2 billion was allocated to over 6,300 merchants and herders. This accounts for 15 percent of Ard Credit NBFJ's total loan portfolio.

Ard Academy

Assigned GRI Codes:

- 404-1 (Average hours of training per year per

The Ard Academy was founded with the mission to offer financial education to customers and make financial, technological, and investment knowledge accessible to individuals of all ages. It curates content and

- employee)
- 404-2 (Programs for upgrading employee skills and transition assistance programs)

articles aimed at enhancing training and financial literacy, distributing them in both physical and electronic formats to reach a wide audience.

Articles: 260

Podcasts: 8

Hall and E-Learning sessions: 10

Moreover, a paid student program has been implemented to assist young students in earning income, preparing them for their future careers, and providing valuable work experience.

Covered students - 10

Salaries and bonuses - MNT 10,000,000

Investor Nation International

Assigned GRI Code:

- 413-1 (Operations with local community engagement, impact assessments, and development programs)

Investor Nation International

In April 2023, Ard Credit hosted the Investor Nation event in Prague, Czech Republic, and in September in Seoul, Daegu, Guangzhou, and Busan, Republic of Korea. These events were aimed at disseminating financial knowledge and presenting investment opportunities to Mongolian expatriates. The objective of organizing these events was to equip Mongolians living abroad with current insights into Mongolia's economic landscape, its recovery trajectory, and available opportunities. By doing so, we aimed to empower them to achieve financial stability upon their eventual return home.

South Korea: +500 participants

Czech Republic: +100 participants

Tumen Ard Program

As of the current report, Ard Financial Group and its affiliated companies have collaboratively initiated the Tumen Ard program, which boasts a membership exceeding 3,700 individuals. Through Tumen Ard membership, participants can establish connections within the Ard community, stay updated on financial and stock market developments, access training and resources, utilize financial products and services to earn incentives and additional income, engage in a supportive community, and contribute significantly to the establishment of an Investor Nation. This program holds significant importance in fostering financial literacy and empowerment for Mongolian citizens.

"Elch" - 4

"Noyon" - 222

"Broker" - 305

Total - 501

Commissions - ACO 385,300 (MNT 10,615,015)

Cyber Security

Assigned GRI Code:

- 418-1 (Substantiated complaints concerning breaches of customer privacy and losses of customer data)

From August 2022 onwards, the implementation of the information security management system has been progressively underway, leading Ard Credit NBFJ achieving compliance with the ISO/IEC 27001:2013 standard for information security management. We are striving to safeguard the information security of over 1 million customers through our efforts towards obtaining standardization certification.



to

Together for Green Goals (Collaboration)

Assigned GRI Code:

- 103-2 (The management approach and its components)

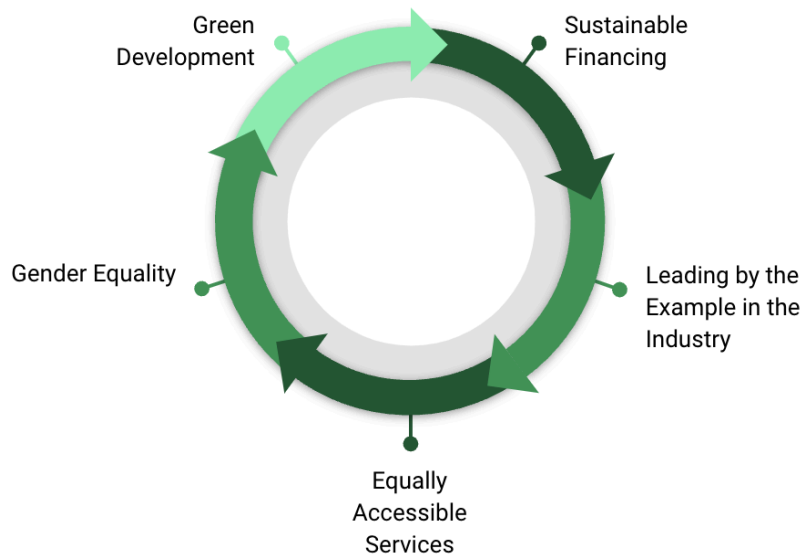
We are committed to leveraging technological advancements to ensure equal access to financial education for citizens across all regions of Mongolia. Through the Ard App, we are dedicated to fulfilling their financial requirements comprehensively.

Through the integration of digital signatures into our daily operations, our objective is to eradicate the reliance on paper contracts. Additionally, we seek to enhance customer service by remotely addressing tasks such as the modification of vehicle certificates, a service introduced by the National Road Transport Center, thereby ensuring swift assistance to our customers.

Future Vision

Assigned GRI Code:

- 103-3 (Evaluation of the management approach)



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