

JSC MFO Crystal



Gender Bond Framework

September 2022

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I. Crystal's Gender Bond

Crystal: Joint Stock Company Microfinance Organization Crystal (Crystal) is the largest and oldest MFI operating in Georgia since 1997. With a loan portfolio of GEL362 million as of end of 2021, more than 1,000 staff, 120,000 customers across 13 regions in Georgia served through 50 physical branches and digital channels, Crystal focuses on low-income borrowers, mostly in rural areas (85% of its gross loan portfolio is outside of Tbilisi and 58% of its gross loan portfolio is in rural areas of Georgia as of December 2021) with informal income. As of December 2021, 62% of Crystal's borrowers were women. Crystal's wide product range includes credit, climate-related financing, leasing, money transfers, e-wallet, foreign exchange, insurance, as well as non-financial products, contributing to financial inclusion beyond access to credit. Crystal's clients operate and have income from services (29%), agriculture (26%), small trade and production (17%), formal salaries (15%), and remittances (10%).

The Gender Bond: Crystal will issue a two-year GEL25,000,000 gender bond in the [Georgian Stock Exchange](#). Crystal will use 100% of the bond proceeds to finance loans to micro, small and medium enterprises (MSMEs) applied by, disbursed to, and signed by a woman for a business which is the main source of repayment (WMSMEs).

Women's Entrepreneurship and Financial Inclusion in Georgia: Only 22% of formally registered firms in Georgia have female participation in ownership.¹ Women in Georgia are more likely to own micro businesses and to be in agriculture (40.6%), as well as education, health, and services.¹ They face numerous barriers in starting and succeeding as entrepreneurs, including social norms on the accepted roles of women and men, domestic responsibilities, and limited access to finance and assets. Women in Georgia start businesses out of necessity driven by high levels of unemployment and the need for flexible work schedules. The employment rate among women aged 15–64 was 40.4% in 2021, representing a 15% gender gap.² Georgia is one of the few countries in Eastern Europe and Central Asia in which women are equally likely as men to have a bank account, however, men borrowed more from financial institutions than women (27.4% vs. 20.1%).⁵

II. Crystal's Long-term Strategy

Social Strategy: As a leading financial inclusion organization and the largest non-bank financial institution in Georgia, Crystal provides a robust platform for economic development for farmers and micro and small entrepreneurs. It has a strong focus on traditionally underserved groups including women, youth and the rural population which is reflected in its overarching strategic goals (see below).

Crystal has signed the Smart Campaign Principles on Social Protection and is one of the first five Georgian signatories of the United Nations Women's Empowerment Principles (WEP). Within the WEP framework, Crystal developed its Women's Empowerment Action Plan 2018-2019, and integrated gender into HR-


1 [Georgia Women Entrepreneurs Fact Sheet, UN Women, 2021](#)

related policies and procedures to ensure gender equality including systematic gender wage-gap analyses and implementing a sexual harassment reporting mechanism.


Crystal’s Overall Strategy: Crystal’s social strategy is reflected in its five strategic goals (SG) which support the mission of ending endemic poverty in Georgia and protecting its natural environment. This is integrated into Crystal’s sustainable business model and corporate strategy through the pursuit of a triple bottom line: people, planet and profit. The strategy includes annual approved social targets.

SG1: GROWTH	Extend financial inclusion services, underpinned by effective customer acquisition, retention and growth, to 220,000 (from current 100,000) active relationships by 2026, thus double a market share to 10%.
SG2: CUSTOMER FOCUS	Increase productivity of customers, primarily MSMEs, by acting as a platform for their development.
SG3: SPECIAL GROUPS	Diversify and grow the revenue streams through innovative propositions tailored to the needs of women, youth and other special groups.
SG4: GREEN	Become an environmentally sustainable company by increasing green (energy-efficiency and renewable energy) portfolio to GEL 50 million by 2026.
SG5: STRONGER INSTITUTION	Become a regional customer-centric, people-oriented and data-driven financial inclusion organization through investment in people, systems and by building the know-how.

Crystal’s SDGs Alignment: Crystal has adopted or publicly supported several external principles and standards including the United Nations Sustainable Development Goals (SDGs) and the Women’s Empowerment Principles (WEPs) as described above. Since 2011, Crystal has been a participant of the United Nations Global Compact and annually reports contributions to the WEPs and the Sustainable Development Goals (SDGs). Crystal considers the SDGs to be of critical relevance to its mission and values and has chosen six SDGs which are integrated into its corporate strategy and serve as performance benchmarks. These are:

 <p>End poverty in all its forms everywhere</p>	<p>Crystal shall reach 161,000 households by 2025, which represents 5.75% of the Georgian adult population. Its services will support these households to escape poverty through improved economic productivity. This is to be achieved by financial inclusion and access to critical skills and networks. Crystal shall provide its customers, in particular women, youth and other special groups, with a set of financial and non-financial services tailored to their needs, as well as with access to a technological stack and to markets.</p>
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 <p>Achieve gender equality and empower all women and girls</p>	<p>Crystal is one of just five Georgian companies who have supported the Women’s Empowerment Principles (WEPs) since its inception. Its HR and people related policies and procedures ensure gender equality throughout the company of which 52% of employees are female (approximately 500). Crystal also supports the development of leadership skills for female employees through various activities such as training, workshops, mechanisms preventing sexual harassment and others. Moreover, Crystal, with its special services (financial and non-financial) tailored to female customers, will make a critical impact on their economic participation and well-being of their families.</p>
 <p>Quality Education</p>	<p>Crystal offers effective lifelong learning opportunities via its innovative consulting and advisory platform, including online training, mentorship and networking opportunities, which aim to equip our customers with the critical knowledge, information and the skills vital for economic success.</p> <p>Crystal, within its E&S scope and business model, supports the development of entrepreneurial skills among the youth and women, leading to their economic empowerment, motivation, self-sustainability and enhanced income-generation.</p>
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>Crystal’s green loan portfolio will reach 50 million GEL by 2026, thus making a significant impact on the energy efficiency of households, contributing positively to the prevention of climate change and lowering GHG emissions. In addition, Crystal will assess its carbon footprint, reduce emissions in the workplace and offset any remaining or unavoidable carbon emissions by 2025. Crystal will also contribute to tackling climate change, by becoming carbon neutral, caring for developing communities and preserving biodiversity.</p>
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Crystal’s financial inclusion services offer knowledge and investment to achieve greater productivity of customers. It is noteworthy, that Crystal targets high-value added and labor-intensive sectors. Its services are primarily targeted at promotion and support of entrepreneurship, which leads towards the development of MSMEs. Youth is an important customer segment for Crystal being currently targeted through its corporate social responsibility (CSR) program – YES Georgia, as a pre-requisite for commercial proposition for young people. This will lead to improved economic participation of youth. Finally, one of the high-priority sectors of investment for Crystal is tourism, focused on sustainable practices, which among others promotes local culture.</p>

 <p>Reduce inequality within and among countries</p>	<p>We target the population under the bottom 40 per cent of earners, enabling them to tackle their vulnerable socio-economic positions and to grow more resilient. This is achieved by supporting entrepreneurial activities, which consequently generate higher levels of income and improved household welfare. Via diaspora related activities, Crystal not only reduces the cost of remittances (mainly improving the spread on currency exchange) but also fosters total financial inclusion for a sizable number of Georgian economic migrants, thus resulting in greater economic resilience for migrant families in Georgia.</p>
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Crystal’s Social Objectives: Women-owned and led enterprises in Georgia are a minority. Only 22% of Georgia’s formally registered firms have female participation in ownership in Georgia.² In addition, enterprises in Georgia have identified access to finance as the second most-cited obstacle to doing business and WMSMEs account for 40% of the MSME finance gap of \$2.5 billion ([IFC, 2017](#)). Crystal’s mission is to enhance financial inclusion, economic development, and social well-being of end clients through various channels (further described below). Thus, the gender bond framework will focus on three categories of activities as outlined in the Social Bond Principles as follows:

- Access to essential services (e.g., health, education and vocational training, healthcare, financing and financial services);
- Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance;
- Socioeconomic advancement and empowerment (e.g., equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

Crystal’s Client Profile: Farmers, MSMEs and WMSMEs, play a key role in the Georgian economy but their growth continues to be constrained by a lack of access to finance. Crystal aims to help fight poverty in Georgia by promoting entrepreneurship in a financially, socially and environmentally sustainable way. Therefore, relevant target population is selected to deliver social and economic targets. Please see Annex 1 for selected examples of the typical client profile Crystal will be targeting.

Fundamental Rights / National & International Standards: Georgia’s strong growth performance has not been matched by commensurate reductions in unemployment and poverty, which increased to 20.6% in 2021 from 18.5% in 2020. The percentage of the population living below the national poverty line was 17.5% in 2021.

WMSMEs have identified access to finance as the second most-cited obstacle to doing business in Georgia. There are demand and supply side barriers to women’s access to finance. Demand side barriers include

² World Bank. 2019. [Enterprise Survey - Gender Indicators for Georgia](#). Washington, D.C.

low management skills, lack of formal relationships or networks, low financial literacy and challenges in financial reporting. Supply side barriers, on the other hand, include gender stereotyping, limited financing channels, high collateral requirements, and high interest rates.

III. Application of the Four Pillars of the Social Bond Principles to Crystal's Gender Bond Framework

Crystal's Gender Bond Framework is aligned to the [Social Bond Principles \("SBP"\) 2021](#), as defined by the International Capital Market Association, and addresses the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Pillar 1: Use of Proceeds

Social Projects: 100% of gender bond proceeds will be used to finance loans to WMSMEs³, including climate-change loans to purchase small energy efficient and renewable energy equipment. Expanding business operations and improving capacity via acquiring fixed assets or investing in working capital are important for WMSMEs. Therefore, the gender bond will aim to improve the provision of innovative financial services and expand the credit portfolio to existing and potential customers in this target segment across Georgia's regions. In fact, Crystal's retention rate is 60%, evidencing that Crystal supports its clients in their journey out of poverty, including providing higher loan amounts as their businesses grow. Crystal primarily finances projects aimed at economic development and/or improvement of living conditions.

Therefore, loans will be provided foremost for the following purposes:

- Trade
- Production
- Service
- Agriculture
- Housing
- Education
- Household

³ WMSMEs are defined as Crystal's clients with loans applied by, disbursed to, and signed by a woman for a business which is the main source of repayment of her loan as per the loan application.

To this end, the Use of Proceeds correspond to the following SDGs, in line with Crystal’s long-term strategy:



Pillar 2: Process of Evaluation and Selection

Selection of social projects: Eligibility will be primarily guided by the following definition: “WMSMEs are defined as Crystal’s clients with loans applied by, disbursed to, and signed by a woman for a business which is the main source of repayment of her loan as per the loan application.” Georgia is a small market and as Crystal works across the country, including in many rural areas, it is ensured that the underserved and unbanked low-income WMSMEs are reached.

Principles and practices that complement the primary eligibility criteria, i.e. WMSMEs.:

- The **product strategy** is aligned with Crystal’s mission and the diverse financial products and delivery channels are tailored for the target segment Crystal intends to reach, combined with a range of non-financial services, such as training in financial management. This is evident through the large share of customers from rural areas, informal and underserved sectors, and especially WMSMEs. Project selection will also be guided by the credit policy on the target customer group. In addition, taking the average loan size as a proxy (GEL 3,000), it provides a good indication that this target segment is reached.
- The **credit underwriting process** considers commercial, as well as environmental and social factors in the assessment. This includes on-site visits to verify revenue streams, business and loan purpose, environmental checks and living conditions. This is to ensure that the proposed loan is compliant with Crystal’s credit policies, National Bank of Georgia’s requirements, other national regulations and Crystal’s environmental, social and governance framework, including the Smart Campaign Principles. After disbursement use of proceeds of the loans are checked by the back-office team on-site. There is even a policy for healthy loan renegotiation for clients who do not have the capacity but have the willingness to pay.
- Crystal is concerned about the **over-indebtedness** of its clients. Therefore, Crystal uses cashflow analysis to estimate the repayment capacity of its clients which is repeated in each loan cycle. In addition to that, online credit bureau checks are carried out to understand the level of multiple borrowing. In line with NBG requirements, no client can have more than 4 outstanding loans (in total).
- **Client protection principles.** Crystal adheres to the client protection principles. All necessary loan conditions (interest rate, fees, term, obligations etc.) are transparently recorded on the loan application process. Crystal also adheres to the National Bank’s guidelines on consumer

protection and responsible lending.⁴ In addition, Crystal undertakes a yearly self- assessment on compliance with the principles and voluntarily reports to the local microfinance network. In addition, it has a complaints mechanism and regularly conducts client feedback surveys to improve its services and processes.

- **Non-financial services.** Crystal runs multiple social programs to support WSMEs especially in rural areas to deliver knowledge for better economic and social impact. Three key education and consulting initiatives include: **Yes Georgia, Buzz Georgia** and Crystal Consulting.

Associated risks: Crystal's Environment, Social and Governance (ESG) framework is aligned with the ADB Safeguards Policy Statement 2009.⁵ The environment and social management system (ESMS) will cover the screening, categorization, and monitoring procedures for all financed loans from the bond proceeds. Checklists, criteria, forms and templates are developed to help Crystal implement and integrate environmental and social processes into their operations. To help with screening and categorization, an Exclusion List illustrating the prohibited investment activities list (PIAL, see Annex 2) including other criteria to exclude specific activities from being funded using the bond proceeds, has been provided to help with loan activity selection. Compliance monitoring and reporting will be done on an annual basis to confirm compliance or actual or potential breach of compliance with applicable environmental and social safeguards requirements, especially for Category B (for environment) loans.

Crystal and its subsidiaries will comply with national environmental and social laws, including labor laws and, pursuant to ADB's Social Protection Strategy (2001), will take measures to comply with the internationally recognized core labor standards. Crystal will report annually to investors on (i) its compliance with such laws and (ii) the measures taken. Information disclosure and consultation with affected people, as applicable, will be conducted in accordance with ADB requirements.

Pillar 3: Management of Proceeds

Management of proceeds:

Crystal follows the below process to ensure use of bond proceeds are tracked and monitored:

- The specific features of the target customers under the bond proceeds are shared with a dedicated person from the business team. Among others, the role of this person is to monitor that eligibility criteria are observed.
- After the end of each reporting period, the responsible person starts analyzing the portfolio and determines the relevance of each loan/client's characteristics to the eligibility criteria as determined under the gender bond.
- After identification of the relevant loans, the loans' ID of the identified ones are sent to the back office, where a specially designated person assigns the corresponding resources to these loans in

⁴ <https://matsne.gov.ge/ka/document/view/4822603?publication=3>, article 3 (Responsible Lending) and <https://matsne.gov.ge/ka/document/download/5117792/0/ge/pdf> (Consumer Protection)

⁵ ADB's Safeguards Policy Statement 2009 is in line with internationally standards on ESG.

ALTA software. After the completion of the program assignment process, we confirm the readiness of the specific underlying portfolio for reporting to the reporting department.

- This loan portfolio is then systematically monitored (on a monthly and quarterly basis) through the ALTA software.

Unallocated proceeds: Crystal will deploy all bond proceeds within 12 months. Any unallocated proceeds will be kept in a separate liquid bank account at local banks or at Crystal branches and will comply with the National Bank of Georgia's liquidity ratio thresholds.

Pillar 4: Reporting

Frequency of Reporting on Allocation of Proceeds: There will be annual reporting on the allocation and disbursement of proceeds to all bond investors. Full allocation of proceeds will be within twelve (12) months of disbursement (receipt of bond funds), hence there will be at least two annual reports.

Frequency, Duration, Level of Impact Reporting: Included in the above report will be annual progress reporting on the indicators below.

Reporting Indicators: The following indicators will be tracked:

- Number of WMSME borrowers
- Number of WMSME borrowers of climate-related loans⁶
- Number of WMSME borrowers in rural areas⁷

Crystal provides additional impact reporting to partners, including to its bond investors. While these reports are not public, certain indicators can be made available including volume of loans outstanding, percentage of new vs. refinanced loans, and sectoral allocation of proceeds among other.

Crystal measures its performance against its social objectives in two ways. First, Crystal employs a Social Impact Measurement Methodology. Second, they validate this by working with global rating agency, MFR, which provides them with a social rating that is aligned with the Universal Standards for Social Performance Management and the Client Protection Principles. Crystal's most recent social rating from MFR was in April 2019 when they received a grade of 'A- which is defined as "Good social performance management and client protection systems. Social mission likely to be achieved."

⁶ Climate related loans are loans extended by Crystal mainly for i) renewable energy such as solar power; ii) energy efficient buildings and household improvements with appliances and products which reduce or avoid carbon dioxide emissions; iii) clean transportation such as hybrid or electric vehicles; and iv) drip irrigation systems.


⁷ Rural loans are loans extended by Crystal to WMSMEs outside Georgian cities.


Share of Financing and Reporting: 100% of the bond proceeds will be used to on lend to Women Borrowers.

IV. Engaging external review providers

Crystal has appointed Scope (<https://scopegroup.com/>) to provide the Second Party Opinion. Scope is specialized in the analysis of alternative investments. In particular, it has experience in ESG impact analysis and second party opinion provider on bond issuer's capacity and capability to meet market standards on sustainability, green and social bonds. One of the few firms registered to be a second party opinion provider by ICMA (International Capital Market Association, issuer of the internationally accepted Social Bond Principles).

Annex 1. Sample of Client Profiles

Name	K.B.
Loan exposure	GEL 2,500
Sector/Service	Beauty
Description	<p>The borrower K.B. is 33 years old woman living in Kutaisi with her son and grandmother. The borrower is a manicure specialist. At first, cooperation with Crystal started in 2012-2014 with a loan of 2500 dollars. After that, in 2019, she again became the borrower and took 2,500 GEL loan from Crystal. Khatia is the manicure specialist, she learned this profession 5 years ago, since then she has been working continuously in various beauty salons. At the current stage, he is employed in "Lamur" salon.</p>
	

Name/Surname	D.B
Loan exposure	GEL 3,000 (In parallel she manages 23,000 GEL loan from Crystal)
Sector/Service	Tourism
Description	<p>Client has a guesthouse in Khidistavi, Chokhatauri district, where she promotes popularity of Guria (Region in west Georgia). She also runs a dried fruit factory and sells output to various café-bars in Tbilisi. Mrs. D.B is involved in various projects. She has participated in Crystal’s and USAID Georgia’s Youth and Women Entrepreneurship Program – USAID YES-Georgia; She is chosen as the Buzz Ambassador (Buzz Georgia is the women’s empowerment component)-. She benefited from Crystal’s financial (loan) as well as non-financial (Buzz Georgia – women’s empowerment trainings and networking) products and services. Regarding the loan, she used GEL 3,000 to purchase equipment for the hotel. Depending on the season, she employs from three to five people.</p>
	

Annex 2: Prohibited Investment Activities List

The following do not qualify for financing from the bond proceeds:

- (i) production or activities involving harmful or exploitative forms of forced labor⁸ or child labor⁹;
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase outs or bans, such as (a) pharmaceuticals,¹⁰ pesticides, and herbicides,¹¹ (b) ozone-depleting substances,¹² (c) polychlorinated biphenyls¹³ and other hazardous chemicals,¹⁴ (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,¹⁵ and (e) transboundary trade in waste or waste products;¹⁶
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;¹⁷
- (v) production of or trade in tobacco;¹⁸
- (vi) gambling, casinos, and equivalent enterprises;¹⁹
- (vii) production of or trade in radioactive materials,²⁰ including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;²¹
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

8 Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

9 Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" (www.ilo.org).

10 A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>.

11 A list of pesticides and herbicides subject to phase outs or bans is available at <http://www.pic.int>.

12 A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phase out dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

13 A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

14 A list of hazardous chemicals is available at <http://www.pic.int>.

15 A list is available at <http://www.cites.org>.

16 As defined by the Basel Convention; see <http://www.basel.int>.

17 This does not apply to Eligible MSMEs who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the Eligible MSME's primary operations.

18 This does not apply to Eligible MSMEs who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the Eligible MSME's primary operations.

19 This does not apply to Eligible MSMEs who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the Eligible MSME's primary operations.

20 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which the Lenders consider the radioactive source to be trivial and adequately shielded.

21 This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.