

VEF

**Responsible Investment and
Shareholding Policy**

1. Introduction and purpose

VEF fundamentally believes that working actively with sustainability and environmental, social and governance (ESG) matters is key to high and sustainable profits. The observance of good ESG practices is essential if companies are to be run in the shareholders' best interests over the long-term. VEF invests in those companies that we believe will be able to contribute to VEF's overall goal of achieving good investment returns.

An ESG strategy is often essential for building a strong trademark and preserving a company's good reputation. This, in turn, is vital for safeguarding a company's long-term supply of capital and often key to attract and retain the best employees.

VEF exclusively invests in emerging and frontier markets, and some of the markets we invest in are considered high-risk from a social and governance perspective (eg. corruption, money-laundering, compliance with laws, labour laws and human rights). It is therefore key that we have a clear and proper process to identify risks prior to investing and during the lifetime of our investments. By being an active shareholder VEF can work to ensure that our values and ethical principles are filtered down to the portfolio companies.

VEF is also a firm believer in the opportunities associated with investing in businesses with a positive societal impact that supports one or more of the United Nations Sustainable Development Goals (SDG). While VEF is not an explicit impact investor, an inherent part of what we do as fintech investors in emerging and frontier markets is enabling the financial inclusion of underserved people and businesses through our portfolio companies.

The purpose of this policy is to outline the sustainability principles for VEF's investment process and our commitment to sustainability in our investment strategy. It also sets out our expectations on and how we work with portfolio companies when it comes to sustainability and ESG.

2. Values and principles

VEF's business strategy and mission are built upon our core values and principles, including being an active and responsible investor. To us, being a responsible investor means being active, engaging and supportive in our portfolio companies' ESG work and taking corporate governance seriously.

We aim to create value for the long-term and are firm believers in sustainability being core to succeeding in this mission. We commit to integrate sustainability considerations into our investment process.

Our core values are our guiding stars in the investment process. You can read more about our core values and principles in VEF's Sustainability Policy.

3. ESG in the investment process and with portfolio companies

We have implemented a two-step process for integrating ESG considerations into our investment activities.

a) **Pre-investment ESG analysis:** This is focused on the analysis of exposure to ESG risks and how well these risks are identified and managed, prior to finalizing any new investments. An ESG due diligence is always conducted and documented in connection with investments in new portfolio companies. Where an investment has material ESG risks or deficiencies with limited possibility to overcome those and improve, such investment will not meet the investment criteria of VEF and will not be completed.

The purpose is not just to mitigate risks but also to identify opportunities to improve ESG in portfolio companies.

b) **Post-investment – Active shareholder governance:**

We shall ensure that we are well informed about ESG risks that arise in portfolio companies and how the portfolio companies manage these risks. VEF should encourage and support portfolio companies to identify gaps in their ESG strategy. We should act proactively, where possible and appropriate, to ensure that portfolio companies adopt and implement appropriate policies, systems of internal monitoring and control and other routines as may be appropriate to ensure compliance with our ESG standards. VEF conducts periodical ESG analysis of portfolio companies to ensure that we are up to date with any ESG issues that may arise and also to track progress in this area.

Our investments are typically in the early stages of the business life cycle, meaning that they may not have yet developed proper ESG policies and practices. However, we expect to see devotion and commitment from portfolio companies to build on and improve their ESG work as they mature and grow. The board of directors of each portfolio company is responsible for developing the sustainability strategy and ensuring its implementation. As we have representation on those boards and are typically a sizable and active minority shareholder, we can assist and support this work.

4. ESG standards for portfolio companies

VEF has established a set of core principles and fundamental requirements for portfolio companies that we believe are needed for long-term sustainability. Out of these, three are particularly relevant and important for our type of investments:

1. Compliance with applicable laws and regulations

This is especially important for many of VEF's companies as they operate within the regulated financial services industry. As VEF invests in emerging and frontier markets, not all VEF's geographies have adequate local laws and regulations that meet VEF's ethical standards. In such cases, we expect portfolio companies to strive to follow international standards and best practice to the extent reasonable, possible and relevant.

2. Business ethics, anti-corruption, fraud prevention and AML

It is known that some emerging and frontier markets struggle with good business ethics and corruption is a common issue. We have zero tolerance for any corrupt business practices and expect our portfolio companies to share this view and to reject any form of fraudulent behavior and practices. We also expect full compliance with any applicable trade control, sanctions and AML laws and regulations.

3. Data Privacy and Cyber Security

Majority of our portfolio companies are in possession of a great amount of personal data. We believe that the safekeeping and respect for such data is fundamental for building a long-term value creating and sustainable fintech business.

In addition to these three key areas, we expect our portfolio companies to generally conduct their business at a high ethical standard and in-line with VEF's overall sustainability and ESG principles, including those listed below:

4.1 Environment

- Respect the environment. Even though our portfolio companies may have limited negative impact on the environment given the nature of their business, we expect them to strive to improve their impact on the environment as appropriate given the nature of their respective businesses.

4.2 Social

- Respect and uphold internationally proclaimed human rights and labour rights, reject the use of any form of forced, child or compulsory labour.
- Provide healthy and safe working environments.
- Promote employee wellbeing, gender equality and diversity and have zero tolerance for discrimination.
- Ensure that personal data is protected and secure and commit to always maintain appropriate safeguards as required by applicable law to ensure the integrity and security of personal data.
- Conduct lending activities responsibly and prevent over-distribution of debt.
- Promote financial services at fair and transparent pricing.
- Promote financial services at clear and transparent terms.
- Contribute positively to the societies and communities in which they operate. Participate in the creation of economic opportunities for those without, advance new technologies and business models that are sustainable and improve financial intermediation.

4.3 Governance

- Comply with applicable laws and regulations.
- Maintain a high level of business ethics, including zero tolerance for corruption, bribery, money laundering and fraud.
- Adopt policies for anti-corruption, AML, compliance with international trade control and sanctions laws and regulations as appropriate.
- Ensure that financial and non-financial reporting is accurate, complete and gives a fair view of the company.

Where a portfolio company does not actively work to achieve these principles, VEF will support and work alongside the portfolio company to assist in setting up processes and policies.

5. The Responsible Finance Forum

VEF is committed to implement and further the Investor Guidelines of the Responsible Finance Forum and promote responsible investing and practices within the digital finance industry, see www.responsiblefinanceforum.org. This includes promoting responsible financing practices, such as fair and transparent pricing and terms, data privacy and security as well as working for preventing over-indebtedness. VEF is committed to help and guide portfolio companies to improve their practices as well as interact with the wider investment community to collaborate on the furthering of responsible financing practices.

6. Social impact

VEF has a clear mandate to invest in fintech businesses across emerging markets. This can and is done alongside generating positive social impact in parts of the world where the access to fair and affordable financial services is not a given. By investing in the emerging world and the financial services industry specifically, impact investing becomes an inherent part of what we do. Even if impact investing is not our explicit investment thesis, we believe that the fact that the majority of our portfolio companies do have a very positive social impact on their respective markets is a unique edge that creates additional value to VEF's shareholders long-term. We commit to specifically also take into consideration the SDGs when we invest in new companies.

For more information about the positive social impact of VEF's portfolio companies and how they contribute to the financial inclusion of underserved people and businesses in the emerging world, please visit the website: www.vef.vc.

7. Exclusion criteria

VEF believes that investing in businesses with unethical business methods is bad for business and in conflict with our mission to create long term sustainable value for shareholders. We are firm believers in that *"If it is not ethical, it is not scalable"*. VEF avoids investing in companies that have a negative ESG impact on society and where there is no or limited possibility to overcome or improve such limitations.

We specifically do not invest in the following industries (including businesses whose primary business is to serve these industries):

- a. Unethical financial services;
- b. Tobacco;
- c. Pornography;
- d. Controversial weapons including landmines, cluster weapons, chemical weapons and biological weapons;
- e. Alcohol; and
- f. Serious environmental damage.

8. Breaches of the policy and our sustainability principles

VEF commits to investigate all reports of suspected misconduct made in good faith. VEF prohibits all forms of intimidation or retaliation against a reporting person.

Any employee who knows or has a reason to believe that misconduct has occurred is responsible for immediately notifying his/her immediate supervisor, the CEO or the Chairman of the Board of Directors. It is expected that employees will fully co-operate during the course of investigations and make all reasonable efforts to be available to assist with any investigations.

The Board of Directors has primary responsibility for the investigation of all suspected misconduct.