



**VEF**

The emerging market fintech investor

# Sustainability Bond Allocation and Impact Report 2022

# VEF – The emerging market fintech investor

## VEF – investors in one of the strongest secular growth trends across some of the world’s fastest growing markets.

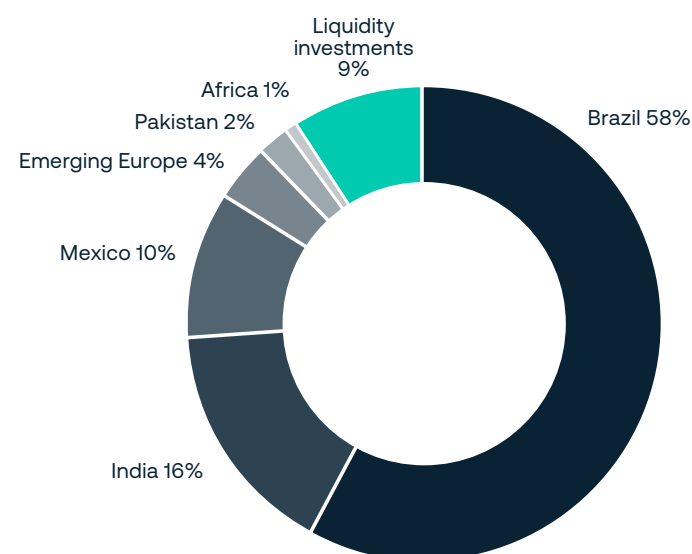
VEF is an investment company listed on Nasdaq Stockholm. We invest in fast growing private fintech companies across the emerging world. We take minority stakes and are active investors with board representation in most of our portfolio holdings.

We are emerging market and fintech dedicated experienced capital. We are long-term investors and look to back entrepreneurs, and their team, through to exit. Our purpose is to create long-term sustainable value for our investors by investing in the future of finance across the emerging world.

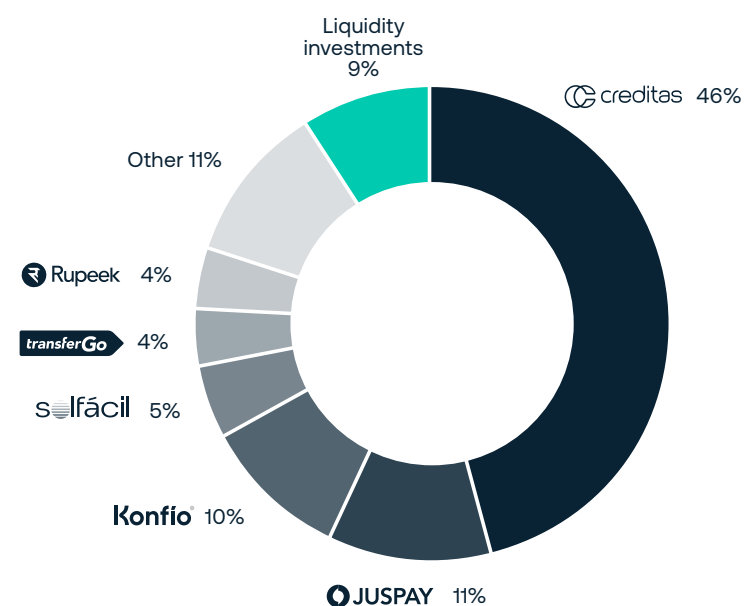
## Our history

VEF was founded in 2015 with a vision of becoming the leading fintech investor in the emerging world. Since inception VEF has grown rapidly and has at the release of this report made investments in 21 companies, diversified by geography, business type and stage of development – all with standout fintech opportunities in their respective markets.

### Geographic distribution



### Portfolio composition



## VEF's portfolio



## Our investment thesis

We believe in investing in businesses led by entrepreneurs with strong track records and in companies with clear product-market fit, early traction into a scale opportunity space. For us, fintech is a very broad concept and covers anything from payments, credit, assets management, embedded fintech and accounting SaaS. There is no single business model that dominates our portfolio or our investment thesis. Our key investment criteria include excellent people, scale business models, strong financial performance and a clear path to profitability.



### Sector

We target all lines of financial services inclusive of payments, credit, savings and investments. The “right” target sector is very market dependent.



### Geography

Within emerging markets, we focus on the more populous and scalable markets, referenced against competition and point in the cycle.



### Minority stakes and board seat

We target minority stakes with board representation in our portfolio companies. We are an active and supportive shareholder.



### Unique fintech opportunity

There are very few ways to play the growing fintech investment theme in public markets and even less in the emerging world. VEF is a unique access vehicle and asset in this regard.

# VEF sustainability

As a key input into fostering long-term returns for our investors, sustainability matters (ESG: environmental, social, and governance) are the cornerstones in building and growing VEF as an investment company and in our investment philosophy and process.

Our investment decision-making process is driven by a strong belief in:

- (1) sustainability as a fundamental part of business; and
- (2) the power of active shareholding, to ensure strong governance and responsible business practices.

By being an active and responsible shareholder, we can ensure that our portfolio companies build long-term and sustainable businesses that contribute positively to society.

At VEF, we have an investment process backed by thorough ESG and impact analysis. We focus on ensuring that all portfolio companies conduct businesses with high ethics, fair and transparent practices, and robust governance models. The process is designed to minimize any risks as well as mitigate any potential negative impact our portfolio companies may have on society. The purpose is also to identify any sustainability-related opportunities within our portfolio.

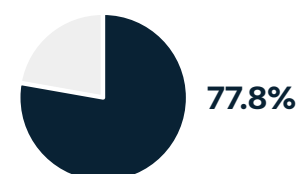
Over the years, our sustainability strategy has both broadened and deepened but remained focused on the matters that are most important and impactful for us and our portfolio companies, namely three areas of social and governance matters set out in the table below. These have been chosen as most relevant given that we invest in emerging markets and specifically in private fintech companies in growth stage. You can read more about our sustainability work and our investment process in our Sustainability Report on our website [vef.vc](https://vef.vc).

| Core area                                  | Description   |
|--|---|
| Governance and business ethics             | <ul style="list-style-type: none"> <li>• Sound governance practices</li> <li>• Regulatory compliance</li> <li>• Anti-corruption and AML</li> <li>• General business ethics</li> </ul>   |
| Responsible finance                        | <ul style="list-style-type: none"> <li>• Fair and transparent consumer practices</li> <li>• Data privacy and security</li> <li>• Responsible lending and prevention of over-indebtedness</li> </ul>   |
| Financial inclusion, fairness and wellness | <ul style="list-style-type: none"> <li>• Improve access to financial products for underserved consumers and SMEs in EM</li> <li>• Improve the financial fairness, health and wellbeing for people and MSMEs in emerging and frontier markets</li> </ul> |

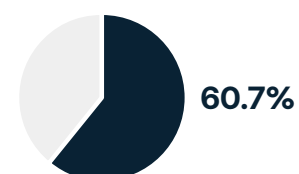
## Responsible finance

Our investment philosophy has always been *“If it’s not ethical, it’s not scalable”*. We truly believe this is a fundamental criteria for long-term scalability and success even if there may be short-term winnings for less ethical businesses. However, key is to find a balance between conducting fair, ethical and responsible finance businesses and encouraging and supporting the growth of fintech companies in emerging markets. We see this as both risk minimization as well as a strategic advantage, as we believe that fintech companies that are conducting responsible finance activities have better chances of succeeding in the long-run. Mainly because being ethical contributes to a positive reputation among customers, employees and investors, all key for long-term and sustainable growth and success.

VEF has certain Responsible Finance Principles that we expect our portfolio companies to live by and follow. You can read more about our work related to responsible finance in our Sustainability Report on our website.



of our total portfolio value is impactful based on the criteria in the Sustainability Bond Framework



of invested capital in 2022 went to impactful portfolio companies based on the criteria in the Sustainability Bond Framework

**“Many of the companies that we invest in and sit on the boards of, are pioneers in financial inclusion for the under- and unbanked, while others are driving down the price of financial services to their markets/segments of focus.”**

- Dave Nangle, CEO

## VEF investing in financial inclusion

VEF’s biggest and most meaningful effect on the world is the positive impact the portfolio companies may have on society by providing access to financial products to consumers and MSMEs in emerging markets.

**“Our capital always looks to positively impact access to fair and affordable financial services across the emerging world, while staying true to our mandate of delivering healthy return for our investors.”**

- Dave Nangle, CEO

In large parts of the world, financial services for consumers and MSMEs are either unavailable, of poor quality and/or discriminately expensive.

- c. 1.7 bln people globally don’t have a bank account**
- 76% of those live in sub-Saharan Africa and South Asia**
- 50% of those are in just seven countries, including India, Pakistan, Mexico, and Nigeria – which all are focus markets for VEF**
- MSMEs in emerging markets are largely un- or underserved by traditional financial institutions and typically lack access to affordable credit**

Financial inclusion has been recognized as an important factor for reducing extreme poverty, boosting and building sustainable economic growth, and achieving rapid development, improving gender equality and reducing inequalities. Reliance on cash makes it extremely difficult for individuals to save for needs such as education and healthcare, prepare for financial emergencies, and invest in their small businesses. Fintech companies providing digital financial services, such as mobile wallets, electronic payments, fintech apps, digital credit services, etc. can reach people previously excluded from these services.

Financial inclusion for MSMEs is key to further the socio-economic advancement of emerging market economies where 70% of all formal jobs and 40% of the GDP are generated by MSMEs. However, MSMEs in emerging markets typically face significant challenges when it comes to accessing fair and affordable financial services as they often lack credit history. By giving MSMEs access to fair and affordable financial services, they are allowed to grow and are given a better chance of succeeding. Our Mexican portfolio company Konfío is a great example of a company that truly helps MSMEs and give them a better chance to grow and succeed by accessing affordable

credit and other financial products. By providing their services digitally, Konfío reaches MSMEs that are geographically widely spread and in particular those located in rural areas.

You can read more about how some of our portfolio companies contribute to the financial inclusion of consumers and MSMEs in emerging markets on the next pages.

## Fintech for environmental impact

In 2022, VEF invested in the Brazilian company Solfácil, that provides financing to consumers for solar panels, improving the access to renewable energy in emerging markets. Solfácil is a great example of how fintech companies can be great contributors to the spread of and access to renewable energy. You can read more about Solfácil on the next page and about solar financing in our Annual Report on our website.



Photo: Frederic Barriol (Unsplash.com)

### VEF’s impact in numbers 2022

- USD 28.3 mln and 60.7% of total invested amount in 2022 went to impactful portfolio companies<sup>1</sup>**
- 2 new impactful companies added to our portfolio during 2022, Solfácil and Mahaana**
- +21 mln consumers and MSMEs served and +150 mln loans disbursed to date by VEF impact portfolio companies<sup>1,2</sup>**
- +570k consumers and MSMEs served and +250k loans disbursed to date by portfolio companies receiving allocation from the Sustainability Bond<sup>2</sup>**

1. Portfolio companies fulfilling the eligibility criteria in the Sustainability Bond Framework  
 2. Based on total company data and not adjusted for VEF’s stake in portfolio companies

# VEF impact portfolio companies



[konfio.mx](https://konfio.mx)

**Konfio builds digital banking and software tools to boost SME growth and productivity in Mexico through three core offerings: credit, payments and SaaS.**

SMEs have historically been underserved by traditional banks in Mexico, and thus have poor access to financial services - with only one out of ten businesses having access to formal credit. Konfio has built a full ecosystem of technology and business solutions for SMEs to boost their growth and productivity. At the core, Konfio's working capital loan product leverages traditional and non-traditional data sources and proprietary technology to assess credit risk of customers, generating loan offers with dynamic terms in less than 10 minutes in a 100% digital process. Konfio also offers credit cards, payments and SaaS tools as part of the broader product suite.

### Impact:

- Served +32k MSMEs with loans to date
- Originated almost 54k loans to date
- Almost 50% are sole proprietors
- c. 30% are female owned businesses
- c. 30% of business owners are below 35 years
- For 85% of customers during 2022 their credit with Konfio was their first business loan
- On average 25% increase in sales 18 months after receiving Konfio loans



Fair value (USD):  
**40.1 mln**



VEF Stake:  
**10.3%**



SDG:  
**8.3**



[rupeek.com](https://rupeek.com)

**Rupeek is one of India's leading asset-backed digital lending platforms focused on gold-secured loans.**

Through its digital lending platform, Rupeek offers low interest rate doorstep gold and branch gold loans and gold backed credit cards to consumers in India. Rupeek is building products to make credit accessible to Indian households, which hold over 25,000 tonnes of gold worth c. USD 1.5 tln, in a fair and convenient manner.

### Impact:

- Consumers and MSMEs in India are massively underserved by traditional banks and have limited access to affordable credit
- 150k unique customers to date
- Originated c. 450k loans and c. USD 1.5 bln in total to date



Fair value (USD):  
**15.2 mln**



VEF Stake:  
**2.3%**



SDG:  
**8.3 and 10.2**



[mahaana.com](https://mahaana.com)

**Mahaana is Pakistan's first digital wealth management company, building a platform to allow working class Pakistanis to better invest their savings and pensions.**

While the savings and pension model has been practiced in developed markets for decades, in contrast Pakistan still employs an unsustainable, high-cost defined benefit pension model. The savings rate in Pakistan significantly lags peers, with pensions poorly funded on a group basis invested in bank deposits and treasuries earning below inflation returns or funded from corporate balance sheets and government budgets.

Mahaana has secured regulatory approvals to introduce technology-led investment management in Pakistan and has begun onboarding partner corporates to begin investing their employees' pensions and savings.

### Impact:

- In the world's 5<sup>th</sup> most populous nation, Pakistan, only 0.02% and 0.1% of the population has pension and investment accounts, respectively
- Mahaana is targeting blue collar workers in Pakistan who are massively underserved when it comes to financial services in Pakistan
- As Mahaana has just launched their first savings product there are no impact KPIs to report yet



Fair value (USD):  
**1.0 mln**



VEF Stake:  
**13.8%**



SDG:  
**8.3 and 10.2**



[solfacil.com.br](https://solfacil.com.br)

**Solfácil is a renewable energy platform that allows Brazilian individuals and SMEs to finance and own their solar panels.**

Solfácil is building a digital ecosystem for solar energy adoption in Brazil and is the country's largest digital solar panel marketplace and financing platform. Brazil now has the second most expensive electricity bill in the world, comprising 25% of family budgets on average. Financing the installation of a solar system is estimated to be seven times cheaper versus a fully conventional supply across its lifetime. Solar financing is therefore a huge opportunity in Brazil where electricity market dynamics, cheap labor, high levels of home ownership, a favorable regulatory environment, and ideal climate conditions contribute to a significant TAM.

### Impact:

- Through its platform, Solfácil contributes to the access and spread of renewable energy in Brazil.
- Served more than 65k customers with solar financing to date



Fair value (USD):  
**20.0 mln**



VEF Stake:  
**2.6%**



SDG:  
**7.2**



*KPIs are based on total company data and are not adjusted for VEF's relative stake in the portfolio companies.*

# VEF Sustainability Bond Framework

VEF issued SEK 500 mln of sustainability bonds (“Sustainability Bonds”) pursuant to VEF’s Sustainability Bond Framework issued in March 2022 (the “Sustainability Bond Framework”). The Sustainability Bond Framework was developed in accordance with the Sustainability Bond Principles and the Green Bond Principles, both published in 2021 by the International Capital Markets Association (“ICMA”).

A minimum amount equal to the net proceeds from issued Sustainability Bonds will be used to finance and refinance VEF’s investments in companies that derive at 90% or more of their revenues from one or several of the categories listed below. Sustainability Bond proceeds can be used for the financing of new investments, as well as for refinancing purposes. New investments are defined as investments made no more than 12 months prior to the issuance of a Sustainability Bond.

## Social categories

|   | Details  | Target population  | Sustainability Bond Principles aligned category  |
|---|--|--|--|
| Financial inclusion                     | Improved access to the following financial products: <ul style="list-style-type: none"> <li>• Savings</li> <li>• Insurance</li> <li>• Loans</li> <li>• Payments</li> </ul>   | Underserved people <sup>1</sup> and MSMEs in emerging- and frontier markets as per the MSCI definition <sup>2</sup>  | <ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Employment generation</li> <li>• Socioeconomic advancement and empowerment</li> </ul> |
| Financial fairness and wellness         | Improve financial fairness, health and wellbeing, through: <ul style="list-style-type: none"> <li>• Lowering the price of financial products<sup>3</sup></li> <li>• Improved access to a broader array of financial products</li> <li>• Transparent fee structures and other cost implications of products transparency</li> </ul> | People and MSMEs in emerging- and frontier markets as per the MSCI definition where the offer of financial products is limited, poorly priced, ill-suited to consumers’ needs and with limited potential for individualization, low in transparency in terms of fees and other costs charged | <ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Socioeconomic advancement and empowerment</li> </ul>                                  |
| Financial infrastructure and enablement | Development of services related to financial infrastructure buildout in areas such as payments   | Underserved consumers and MSMEs in emerging- and frontier markets as per the MSCI definition, where the financial infrastructure does not support financial services to be accessed  | <ul style="list-style-type: none"> <li>• Access to essential services</li> <li>• Socioeconomic advancement and empowerment</li> </ul>                                  |

## Green category

|                  | Details   | Green Bond Principles aligned category |
|------------------|---|--|
| Renewable energy | Improve access to affordable renewable energy sources through financing solutions offering private individuals the opportunity to install solar cells | Renewable energy                       |

1. Defined as those who have not previously used formal financial services or those lacking access because financial products are either unaffordable or to a large extent unavailable to them.  
 2. Market classification – MSCI  
 3. Compared to incumbent alternatives.

## Allocation of bond proceeds

As per March 27, 2023, SEK 500 mln of Sustainability Bonds are outstanding. All of the gross proceeds from the Sustainability Bonds have been allocated to eligible projects as set out in the table below as per March 27, 2023.

## External review

An external independent auditor, PricewaterhouseCoopers AB (the “Auditor”), has been appointed by VEF to provide a limited assurance report confirming that an amount equal to the net proceeds from issued Sustainability Bonds has been allocated to Sustainability Investments. The Auditor’s scope has been limited to assurance of “Table 1 – Allocation of bond proceeds”.

Please find the 2022 Assurance Report from the Auditor published on VEF’s website.

Table 1 – Allocation of bond proceeds

| Investment          | Eligibility category            | Date          | Amount (SEK)       | Refinancing/new financing |
|---------------------|---------------------------------|---------------|--------------------|---------------------------|
| Konfio <sup>1</sup> | Financial inclusion             | June 2021     | 163,361,752        | New financing             |
| Konfio <sup>1</sup> | Financial inclusion             | August 2021   | 80,908,484         | New financing             |
| Rupeek              | Financial wellness and fairness | December 2021 | 45,108,662         | New financing             |
| Rupeek              | Financial wellness and fairness | July 2022     | 19,212,959         | New financing             |
| Ilfācil             | Renewable energy                | March 2022    | 181,110,862        | New financing             |
| Ahaana              | Financial inclusion             | August 2022   | 10,297,281         | New financing             |
| <b>Total</b>        |                                 |               | <b>500,000,000</b> |                           |



VEF Sustainability Bond Committee  
 March 27, 2023

# Contact information

Mäster Samuelsgatan 1  
111 44 Stockholm  
Sweden

info@vef.vc  
www.vef.vc  
+46-8 545 015 50

The logo for VEF, consisting of the letters 'V', 'E', and 'F' in a bold, white, sans-serif font. The 'V' has a distinctive shape with a small gap at the bottom, and the 'E' and 'F' are also stylized with thick strokes.

**The emerging market fintech investor**