

Sustainability highlights 2023

Sustainability Bond Impact and Allocation Report 2023



SEK 500 mln

Allocated to portfolio companies under the Sustainability Bond Framework



SEK 500 mln

Issued in new sustainability bonds in replacement of previously issued sustainability bonds



93%

of portfolio companies formally committed to VEF ESG Principles



93%

of portfolio companies formally committed to VEF Responsible Finance Principles



74%

of VEF portfolio value is in impactful companies*



50/50

gender balance on the VEF board



+22 mln

consumers and MSMEs** served to date by VEF portfolio companies***



+160 mln loans

and **USD 10 bln** of credit disbursed to date by VEF portfolio companies***

VEF

The emerging market fintech investor

Impactful companies are defined as companies contributing to financial inclusion, fairness, wellness, enablement and access to renewable energy
** Micro, small and medium sized enterprises
*** Including data from exited portfolio company, Jumo, until June 2023 as VEF was a shareholder at that time

The emerging market fintech investor

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

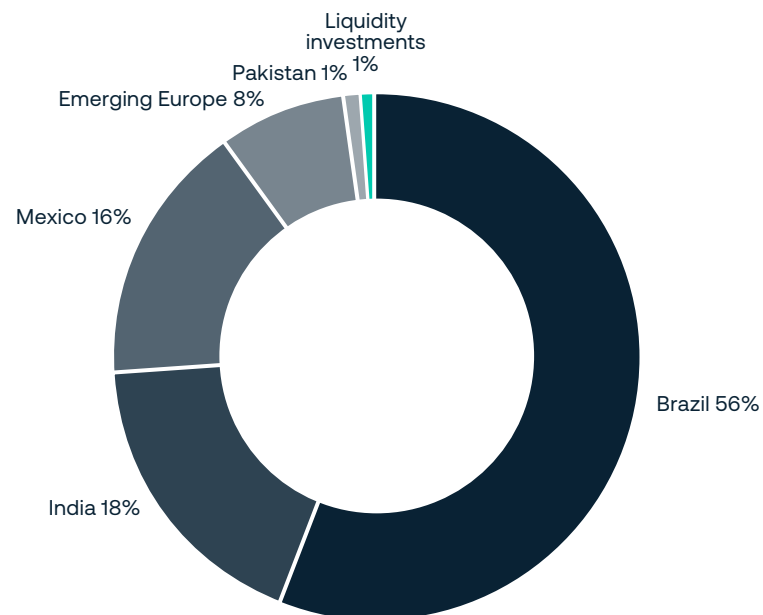
VEF is an investment company listed on Nasdaq Stockholm. We invest in growth stage private fintech companies across the emerging world. We take minority stakes and are active investors with board representation in most of our portfolio companies.

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.

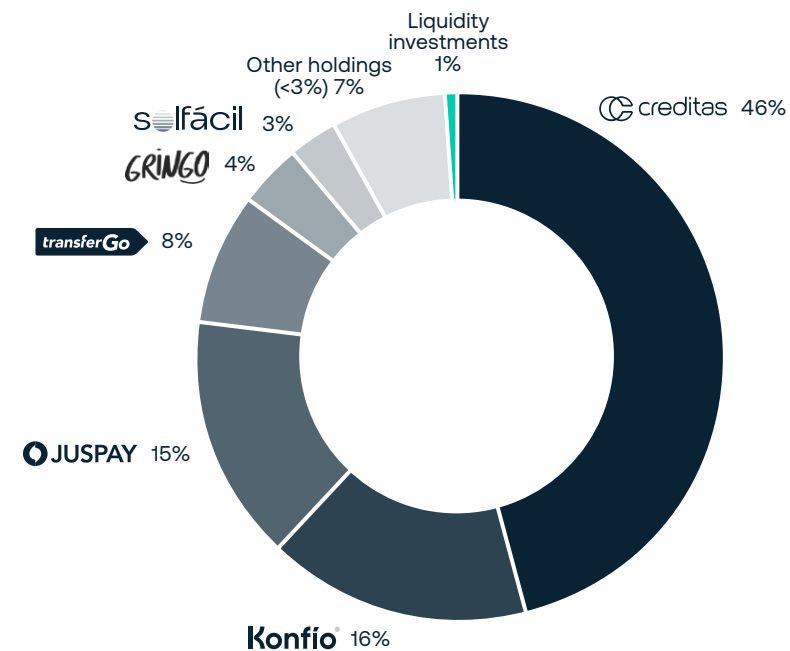
Our history

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.

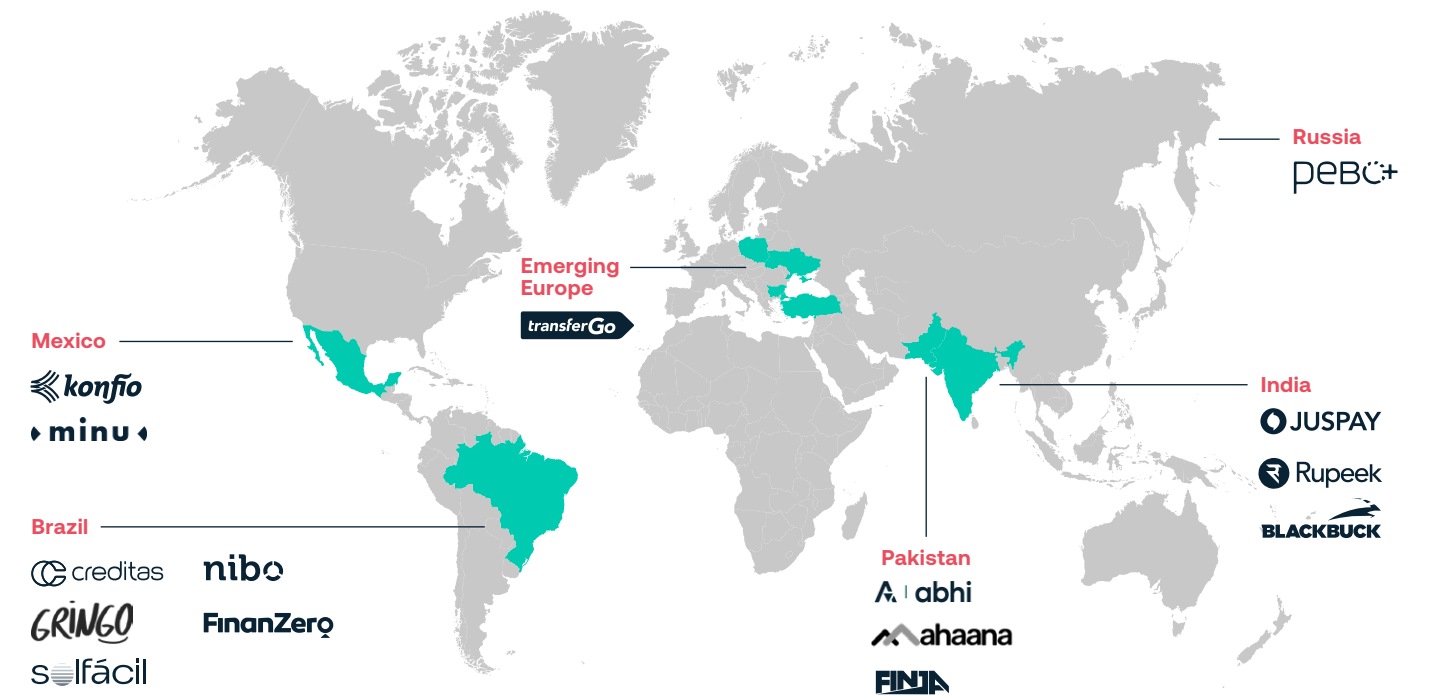
Geographic distribution



Portfolio composition



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, asset 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 for opportunities and point in the cycle.



Minority stakes and board seat

We hold minority stakes with board representation in our portfolio companies. We are active and supportive shareholders.



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 strategy

VEF's mission is to create long-term sustainable value for our shareholders by investing in the future of finance across emerging markets. We believe our sustainable investment approach creates value both for the communities we invest in and for investors. A strong sustainability strategy, backed by our company values, supports us to fulfil our mission and goals as a company. Our key value and guidance in our investments is our ever-present mantra, "if it's not ethical, it's not scalable".

We address sustainability on three levels; as a company, in our portfolio management and in what type of companies we invest in. Firstly, VEF, as an investment company, seeks to lead by example. We have adopted a strong set of sustainability principles that we live by. Secondly, through our investment process and portfolio management we ensure that our companies follow the same principles and address their specific sustainability-related challenges. Thirdly, we invest in companies that make a difference in their local markets. By allocating capital to companies that transform their local markets, we play an important role as an enabler of sustainable development in emerging markets.

Sustainability-focused investment approach and active ownership

Our investment decision-making process is based on two core beliefs:

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

Before any new investment is completed, a thorough sustainability and impact analysis is completed. As some of the markets we invest in are considered high-risk from mainly social and governance perspectives a sustainability-risk assessment both before and during the lifetime of our investments is critical to remain an attractive long-term investment option. The assessment is designed to allow us to understand both negative and positive impact our portfolio companies may have on society.

An active and sustainability focused owner

With our active ownership approach, we seize the opportunity to be a sustainability partner to our portfolio companies' leadership and ensure that our values and ethical principles are trickled down to them. We have set a minimum standard for all our portfolio companies with the VEF ESG Principles and VEF Responsible Finance Principles and require all portfolio companies to formally commit to these (read more about these principles in our [Sustainability Report](#)).

We conduct a yearly sustainability assessment of portfolio companies to ensure that we are up to date with any sustainability issues that may arise and to track their progress.

You can read more about our sustainability strategy and our investment process in our [Sustainability Report](#) and on our website www.vef.vc.

Fintech driving impact

VEF's largest and most meaningful contribution to emerging markets is the positive impact the portfolio companies can have on society by providing access to financial products to consumers and MSMEs in these markets. VEF can make a difference by allocating capital to companies with positive impact on financial inclusion, fairness, wellness or the green transition.

"Companies addressing challenges like financial inclusion and inequality or actively supporting the green transition not only contribute to the well-being of the communities they serve, but also present a compelling growth investment case."

– Helena Caan Mattsson,
General Counsel and Head of Sustainability

Fintech for financial inclusion, wellness and fairness

In large parts of the world, financial services for consumers and MSMEs¹ are either unavailable, of poor quality and/or discriminately expensive. 1.4bn adults globally remain unbanked, and many of those are in our core markets, including India, Pakistan and Indonesia.² Digital financial services have been recognized as critical for accelerating financial inclusion, in particular in emerging markets.³

Financial inclusion is an important factor for reducing extreme poverty, boosting and building sustainable economic growth, 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 and can support positive change in emerging markets.⁴

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 are typically very underserved when it comes to financial services. By giving them access to fair and affordable financial services, they are allowed to grow and are given a better chance of succeeding.

Fintech for the green transition

Improving access to renewable energy in emerging markets is key for the transition to a carbon-free society. As emerging markets are expected to account for almost 80% of the global growth in electricity demand going forward (given increasing populations, economic development and rising incomes), it will not be possible to achieve net zero without including these markets.⁵ Fintech companies can play a pivotal role by unlocking access to financial solutions that allow and enable investing in renewable energy sources.

Core sustainability areas

Our sustainability strategy and efforts remain focused on three core areas.



Governance & Business Ethics

- Sound governance practices
- Regulatory compliance
- Anti-corruption and AML
- General business ethics



Responsible Finance

- Fair and transparent consumer practices
- Data privacy and security
- Responsible lending and prevention of over-indebtedness



Fintech for inclusion, fairness, wellness and the green transition

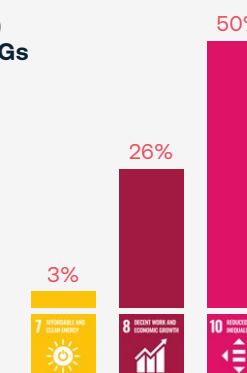
- Improve access to financial products for underserved consumers and MSMEs in emerging markets
- Improve the financial fairness, health and wellbeing for people and MSMEs in emerging markets
- Improve access to renewable energy sources through financing and distribution solutions in emerging markets

Number of portfolio companies mapped to the SDGs



1. Defined as per the IFC definition: [IFC's Definitions of Targeted Sectors](#)
2. Global Findex Database 2021 reports increases in financial inclusion around the world during the COVID-19 pandemic (worldbank.org)
3. Global Financial Inclusion Index 2023 (principal.com)

Portfolio value (%) mapped to the SDGs



4. Digital-Financial-Services.pdf (worldbank.org)
5. IEA Outlook 2023 – Report

VEF impact portfolio companies

Konfío

Konfío builds digital banking and software tools to boost MSME growth and productivity in Mexico, offering working capital loans, credit cards and digital payments solutions.

MSMEs have historically been underserved by traditional banks in Mexico, and thus have poor access to financial services – with only two out of ten businesses having access to formal credit. Konfío has built an ecosystem of solutions for MSMEs to boost their growth and productivity. With their 100% digital process, Konfío has the ability to reach MSMEs across all of Mexico, including remote and rural areas.

Impact theme: Improve access to financial products for underserved MSMEs

Impact:

- Served +39k MSMEs with loans to date
- Originated 65k loans to date
- +50% are sole proprietors
- c. 30% are female owned businesses
- c. 23% of business owners are below 35 years
- For 82% of customers during 2023 their credit with Konfío was their first business loan

 konfio.mx

 Fair value (USD): **75.5 mln**

 VEF Stake: **10.3%**



Mahaana

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 employ 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 corporates to begin investing their employee’s pensions and savings.


Impact theme: Improve access to financial products for underserved consumers

Impact:

- Mahaana is targeting consumers who are massively underserved when it comes to financial services in Pakistan
- As Mahaana has recently launched their first savings products in a sandbox phase there are no impact KPIs to report yet
- As an example, they have launched Pakistan’s first broader index Equity ETF, which is the only such product available to consumers to take exposure in equity market through their brokerage account

 mahaana.com

 VEF Stake: **13.8%**

 Share of VEF’s portfolio: **<1%**



Rupeek


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 and branch gold-secured loans and gold-backed credit cards to consumers in India. Rupeek is building products to make credit accessible to Indian households in a fair and convenient manner.

Impact theme: Improve access to financial products for underserved consumers and MSMEs and financial fairness, health and wellbeing for consumers and MSMEs

Impact:

- Consumers and MSMEs in India are massively underserved by traditional banks and have limited access to affordable credit
- 165k unique customers to date
- Originated c. 650k loans and c. USD 2 bln in total to date

 rupeek.com

 Fair value (USD): **6.1 mln**

 VEF Stake: **2.5%**



Solfácil


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

Solfácil is building a digital ecosystem for solar energy adoption in Brazil. It offers a holistic solution covering solar equipment procurement and distribution, financing and insurance solutions for the end user, and proprietary IoT technology to optimise monitoring and service post installation. Brazil has some of the highest electricity costs in the world, and financing the installation of a solar system is estimated to be several times cheaper than a fully conventional supply across its lifetime.

Impact theme: Improve access to renewable energy sources

Impact:

- Through its platform, Solfácil contributes to the access and spread of renewable energy in Brazil
- Served more than 85k customers with solar financing to date

 solfacil.com.br

 Fair value (USD): **15.4 mln**





 VEF Stake: **2.6%**



VEF Sustainability Bond Framework

VEF has issued SEK 500m of sustainability bonds (“Sustainability Bonds”) pursuant to VEF’s Sustainability Bond Framework issued in November 2023 (the “Sustainability Bond Framework”). The Sustainability Bond Framework was developed in accordance with the Sustainability Bond Guidelines, adhering to both the Social Bond Principles and the Green Bond Principles, published in 2023 and in 2021, respectively, 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.

	Details	Target population	Sustainability Bond Principles aligned category
 Financial inclusion	Improved access to the following financial products: <ul style="list-style-type: none"> Savings Insurance Loans Payments 	Underserved people and MSMEs in emerging and frontier markets as per the MSCI definition	<ul style="list-style-type: none"> Access to essential services Employment generation Socioeconomic advancement and empowerment
 Financial fairness and wellness	Improve financial fairness, health and wellbeing, through: <ul style="list-style-type: none"> Lowering the price of financial products Improved access to a broader array of financial products Transparent fee structures and other cost implications of products 	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"> Access to essential services Socioeconomic advancement and empowerment
 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"> Access to essential services Socioeconomic advancement and empowerment
 Renewable energy	Improve access to renewable energy sources through financing and/or distribution solutions offering private individuals the opportunity to install solar cells or wind power		<ul style="list-style-type: none"> Renewable energy

Allocation of bond proceeds













As per April 29, 2024, SEK 500m 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 April 29, 2024.

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 2024 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
 	Financial inclusion	June 2021	163,361,752	Refinancing
 	Financial inclusion	August 2021	80,908,484	Refinancing
 	Financial wellness and fairness	December 2021	45,108,662	Refinancing
 	Financial wellness and fairness	July 2022	19,212,959	Refinancing
 	Renewable energy	March 2022	181,110,862	Refinancing
 	Financial inclusion	August 2022	10,297,281	Refinancing
Total			500,000,000	

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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 rounded, blocky forms.

The emerging market fintech investor