



VEF

The emerging market fintech investor

Sustainability Bond Framework

November 2023

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 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 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 date of this framework made investments in 21 companies, diversified by geography, business type and stage of development – all with standout fintech opportunities in their respective markets. In many of these markets, financial services for consumers and micro, small and mid-sized companies (MSME)¹ are often either unavailable or of poor quality. Fintech therefore also represents an important opportunity for promoting financial inclusion, fairness and wellness.

1. IFC's Definitions of Targeted Sectors



Photo: Frederic Barriol (Unsplash.com)

Our 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, and early traction into a scale opportunity space. For us, fintech is a very broad concept and covers anything from payments, credit, mobile money, remittance services, accounting SaaS, insurance, embedded fintech and beyond. 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 unit economics 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 target 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.

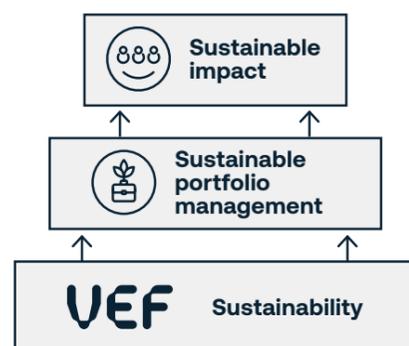
Our sustainability strategy

As a key input into fostering long-term returns for our investors, sustainability matters are the cornerstones in building and growing VEF as an investment company and evolving our investment philosophy and process.

Our sustainability work and strategy addresses sustainability matters on three different levels:

- (1) Sustainability at VEF as a company and investor
- (2) Sustainable Portfolio Management
- (3) Sustainability Impact through our capital and our portfolio companies

The first is fundamental for VEF as an organization to survive and thrive and the second and third are, arguably, where the most meaningful and effective impact comes from.



As a basis for our strategy, we look at the United Nations Sustainable Development Goals (SDGs) and we have set our strategy to a large extent based on four of the SDGs. We recognize the importance of private businesses contributing to the SDGs for them to be achieved and do so through our investment capital. VEF's main and most important contribution to the SDGs is via our portfolio companies and the opportunities they give consumers and MSMEs to access financial services in emerging markets. We believe in having a sustainability strategy that largely aligns with these goals.



Sustainability at VEF as a company and investor

We recognize the value and importance of keeping our house in order for our long-term and sustainable growth as an investment company and to uphold the public market's trust and confidence in us as a company listed on a regulated market. We also recognize the importance of leading by example and setting the tone for our portfolio companies.

Our business is conducted in accordance with several internal policies adopted by the Board of Directors, including a Sustainability Policy and Code of Conduct, Information- and Insider Policies, Investment Policy, Anti-corruption Policy and Sanctions- and AML Policy. All employees and Board members at VEF are obliged to follow these policies. Our Sustainability Policy together with the Responsible Investment and Shareholding Policy set out the core of our sustainability practices.

At VEF, we follow international standards for business conduct, including the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO's core conventions and the UN Guiding Principles of Human Rights. Through our active shareholding, we strive to instill to the largest extent possible, our values and guidelines in our portfolio companies as well.

Sustainable portfolio management

What we have always done and believed in is the importance of taking into account sustainability aspects in our investment process and investment philosophy. 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. We have established certain ESG principles that we request all our portfolio companies to formally commit to, including compliance with international standards for business conduct, responsible finance practices, compliance with laws, anti-corruption and AML and responsible personal data management. We act proactively 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. We take into account what stage the companies are in and expect commitment from them to build on and improve their sustainability strategy as they grow and mature.

Our Responsible Investment and Shareholding Policy outlines the sustainability principles for our investment process and our commitment to sustainability in our investment strategy, as well as our expectations on our portfolio companies when it comes to sustainability.

A thorough investment process

Sustainable portfolio management starts with having a robust investment process. 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. In addition, we aim to identify any sustainability-related opportunities within our portfolio. We conduct both pre-investment and post-investment ESG analysis. Where a potential investment has major sustainability related issues that are not possible to overcome, such investment will not meet VEF's investment criteria and will not be completed.

The investment team is responsible for the sourcing and pipeline work at VEF. They are well trained in our core ESG principles and how to assess whether a potential investment lives up to VEF's sustainability and ethical standards. The Head of Sustainability is an integral part of the investment process and involved in all new investments from start to finish. Before any new investment is completed, a thorough due diligence covering commercial, financial, legal and sustainability matters is conducted in-house by the investment and legal/sustainability teams. Doing this in-house and in close collaboration allows a better process, tailored to each company's unique business model. The due diligence specifically includes assessment of sustainability risks related to fintech companies and responsible finance activities.

“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

Focus areas

Over the years, our sustainability strategy has both broadened and deepened but remained focused on the matters that are most important and impactful for our portfolio companies, namely the three areas set out in the table below. These have been chosen as most material and relevant from both risk, opportunity and impact perspective, given that we invest in emerging markets and specifically in private fintech companies in growth stage. We have chosen to work with sustainability thematically and focus on the matters where we believe that we can contribute the most and have the greatest impact.

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

Responsible finance

Our investment philosophy has always been **“If it's not ethical, it's not scalable”**. We truly believe this is fundamental criteria for long-term scalability and success even if there may be short-term winnings for less ethical businesses. 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.

To uphold ethical business practices, VEF has certain Responsible Finance Principles that we expect our portfolio companies to live by and follow. These are designed to protect the customer and address matters such as transparency, fair and responsible products, prevention of over-indebtedness and data privacy.

Financial inclusion, fairness and wellness

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. 1.4 bln adults globally remain unbanked according to the World Bank



More than 50% of those are in just seven countries, including India, Pakistan and Indonesia – which all are focus markets for VEF¹



MSMEs in emerging markets are largely un or underserved by traditional financial institutions and typically lack access to affordable credit

Digital financial services have been recognized as critical to accelerating financial inclusion, in particular in emerging markets.² It 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.³

“Financial inclusion is improving fastest in the economies that have – or are building – a digitally-enabled financial system.”

- The 2023 Global Financial Inclusion Index

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.⁴ 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.



Brazilians pay some of the highest interest rates in the world, whilst secured lending remains uncommon. Many people find themselves caught in bad spirals of costly debt. Our portfolio company, Creditas, allows consumers to use their collateral like the house or a vehicle to access affordable credit, where interest rates can be reduced by as much as 80–90% from the typical rates of 100–300% per annum usually charged for unsecured consumer credit.

Fintech for the Green Transition

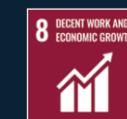
Improving access to renewable energy in emerging markets is key for the transition to a carbon free society. Fintech companies can be part of making that happen by providing access to financial solutions that allow and enable investing in renewable energy sources, especially for consumers. In 2022, VEF invested in the Brazilian company Solfácil, that provides financing to consumers for solar panels.

1. [Global Findex Database 2021 reports increases in financial inclusion around the world during the COVID-19 pandemic \(worldbank.org\)](https://www.worldbank.org)
2. [Global Financial Inclusion Index 2023 \(principal.com\)](https://www.principal.com)
3. [Digital-Financial-Services.pdf \(worldbank.org\)](https://www.worldbank.org)
4. <https://www.worldbank.org/en/topic/sme/finance>

VEF portfolio companies



konfio.mx



In Mexico, Konfío builds digital banking and software tools to boost MSME growth and productivity through three core offerings: credit, payments and SaaS.

MSMEs have historically been underserved by traditional banks in Mexico with only one out of ten businesses having access to formal credit. Konfío has built a full ecosystem of technology and business solutions for MSMEs to boost their growth and productivity. Through their 100% digital process they can reach business owners all over Mexico, including rural areas where business owners have no possibility to otherwise access credit. In 2022, 85% of customers had their first business loan with Konfío.



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. Indian consumers and MSMEs have traditionally had limited access to affordable credit, something that Rupeek addresses with their gold backed loans.



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.

These blue-collar workers are massively underserved when it comes to savings products in Pakistan, where only 0.02% and 0.1% of the population has pension and investment accounts, respectively.

While the savings and pension model has existed in developed markets for decades, Pakistan in contrast still employs an unsustainable, high-cost defined benefit pension model. The savings rate in Pakistan significantly lags peers.



solfacil.com.br



Solfácil is a renewable energy platform that allows Brazilian individuals and MSMEs 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. Brazilians have some of the most expensive electricity bills in the world. Financing the installation of a solar system is estimated to be several times cheaper versus a fully conventional supply across its lifetime. Through its platform, Solfácil contributes to the access and spread of renewable energy in Brazil.

About the Sustainability Bond Framework

VEF invests in fintech companies that provide financial services to people and MSMEs in emerging markets, as well as companies providing access to fair and affordable financial services. Through their offering of various financial services to consumers and MSMEs, the companies we invest in promote financial inclusion and economic empowerment. We also invest in companies that make environmental solutions available in emerging markets. Underserved people and MSMEs are more frequently seen in many of the countries where VEF's investment companies operate. According to the Global Financial Inclusion ("Global Findex") database, the markets we invest in have a prevalence of MSMEs and people who lack access to inclusive financial services.¹ By increasing access to fair financial services in the countries where our portfolio companies operate, we support financial inclusion, fairness and wellness.

1. [Home | Global Findex \(worldbank.org\)](#)

Use of Proceeds

An amount equal to the net proceeds from Sustainability Bonds issued under this Framework will be used to finance investments, in whole or in part, that create positive sustainability impact by promoting financial inclusion.

Only such investments that comply with the criteria stated below are deemed eligible to be financed with Sustainability Bonds.

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.

For the avoidance of doubt, Sustainability Bonds will not be used to finance investments linked to fossil energy generation, nuclear energy generation, research and/or development within weapons and defence, potentially environmentally negative resource extraction, gambling, or tobacco.

We wish to issue Sustainability Bonds to finance these investments and have therefore established this Sustainability Bond Framework (the "Framework"). The Framework has been 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").

The Framework defines investments that can be financed with proceeds from Sustainability Bonds, and outlines the process for evaluating, selecting, tracking and reporting on such investments.

Each Sustainability Bond issued under this Framework should in their relevant transaction documentation refer to this Sustainability Bond Framework.

As the market for sustainable finance evolves, we may in the future update this Framework if appropriate. Potential future updates will not have an impact on Sustainability Bonds issued under this version of the Framework.

Eligible Sustainability Investments

An 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 least 90% of their revenues from one or several of the categories listed below. In line with the ICMA Social Bond Principles, a particular target group may also be served by addressing a broader group.

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"> Savings Insurance Loans Payments 	Underserved people ¹ and MSMEs in emerging- and frontier markets as per the MSCI definition ²	<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 products³ 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

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.

Green category

	Details	Green Bond Principles aligned category
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	Renewable energy

Selection of Eligible Investments

To ensure transparency and accountability around the selection of Sustainability Investments, VEF has established a Sustainability Bond Committee which is, together with the Board of Directors, responsible for the evaluation and selection process. The Sustainability Bond Committee consists of the CEO, the interim CFO, the Head of Sustainability, and the Chief Investment Officer. The group will meet at least once yearly, and all decisions will be made in consensus. The Sustainability Bond Committee's decisions will be presented to the Board of Directors for final approval (or presented as investment recommendations to VEF's wholly owned subsidiary VEF Cyprus, as the case may be).

Only investments eligible as per the Use of Proceeds section of this Framework will be funded by proceeds from any Sustainability Bond issued under this Framework. The Sustainability Bond Committee will keep a register of all Eligible Sustainability Investments. All decisions made by the committee will be documented and filed to ensure traceability.

The Sustainability Bond Committee and the Board of Directors each hold the right to exclude any Sustainability Investment already funded by Sustainability Bonds. This is further described below under Management of Proceeds. The Sustainability Bond Committee is also responsible for the future oversight of, and updates to, this Framework.

Management of Proceeds

An amount equal to the net proceeds from issued Sustainability Bonds will be earmarked for financing and refinancing of Sustainability Investments as defined in this Sustainability Bond Framework.

VEF will ensure that the aggregate amount of Eligible Sustainability Investments approved by the Sustainability Bond Committee and the Board of Directors is equal to, or exceeds, the aggregate net proceeds of all outstanding Sustainability Bonds issued under this Framework. If the Sustainability Bond Committee, or the Board of Directors, were to conclude that a Sustainability Investment already

funded by Sustainability Bonds has, in their opinion, lost its eligibility in line with the criteria in this Framework, it will be replaced by another qualifying Sustainability Investment as soon as practically possible.

Net proceeds from Sustainability Bonds awaiting allocation to Eligible Sustainability Investments may be invested in short term money market instruments or held as cash. For the avoidance of doubt, the same exclusion criteria as outlined in the Use of Proceeds section of this Sustainability Bonds Framework applies in these instances.

Reporting

For as long as VEF has Sustainability Bonds outstanding in the debt capital market, we will publish an annual Sustainability Bond Report, to be made available for investors and other parties of interest on our website. The report will contain two sections, one outlining information regarding allocation of proceeds and the other describing sustainability impact (measured where possible and otherwise estimated). All methods and assumptions forming the basis of any calculation will be explained to provide transparency.

The allocation section will include:

- Nominal amount of Sustainability Bonds outstanding
- Investments made per Eligible Sustainability Investment category
- The share of refinancing versus new financing
- The balance of unallocated funds and information regarding any temporary placements, if applicable

The sustainability impact section will include:

- Examples of investments financed by means of Sustainability Bonds, including details of their impact for the target group
- Number of beneficiaries, i.e. loans granted

External Review

VEF has obtained a Second Party Opinion from Sustainalytics to confirm the transparency of this Sustainability Bond Framework and its alignment with the ICMA Sustainability Bond Guidelines published in 2021. The Second Party Opinion will be made available on VEF's website together with this Sustainability Bond Framework.

An independent auditor appointed by VEF will provide a limited assurance report confirming that an amount equal to the net proceeds from issued Sustainability Bonds has been allocated to Eligible Sustainability Investments.



Photo: Annie Spratt (Unsplash.com)

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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 thick strokes.

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