

A wide-angle photograph of a mountainous landscape. In the foreground, a paved road curves through a rocky, arid valley. A small green truck is driving away on the road. The middle ground shows rugged, brownish mountains with some snow-capped peaks in the distance. The sky is bright blue with scattered white clouds. The overall scene is one of a high-altitude, mountainous region.

VEF

The emerging market fintech investor

Sustainability Report 2021

VEF's sustainable journey

VEF's purpose is to create long-term sustainable value for our shareholders by investing in the future of finance across emerging markets. As a key input into fostering long-term shareholder returns, 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.

At the core, we have values that guide us in how to build our company and how to conduct business. The core values guide us in our mission and strategy to build a successful investment company.



VEF core values

The basis of VEF's overall mission and strategy are our core values, which form the basis for how we conduct business in a sustainable way. The core values are always on our minds to guide us in our mission and strategy to build a successful investment company.

Stewardship

We are an active and responsible shareholder and we take corporate governance very seriously, both with regards to how we conduct our business and how our portfolio companies conduct theirs.

Integrity in everything we do

We are transparent, open, honest, fair and ethical towards all stakeholders: our investors, employees, investments, suppliers and the communities served.

Respect for people and diversity

We seek diversity of thought and background and respect the individual. Innovation and success come out of bringing people together from different backgrounds, with different ideas, strengths and experiences.

Positively impact the world

We strive to make returns by positive social impact, participate in the creation of economic opportunities for those without, advance new technologies and business models that are sustainable and improve financial intermediation.

How we work with sustainability

For VEF, sustainability has three dimensions: 1) sustainability at VEF as a company and investor, 2) sustainable portfolio management and 3) sustainability impact of our portfolio companies.

Sustainability at VEF as a company and investor

VEF is a small company with few employees, but we recognize the value and importance of keeping our house in order for our long-term and sustainable growth as an investment company.

In addition, we strongly believe that our most meaningful and effective impact comes from our capital and our portfolio companies. Sustainability in our portfolio companies is addressed on two levels:

Sustainable portfolio management

We work actively to ensure that all portfolio companies conduct fair, ethical, non-discriminating, and ESG-compliant businesses to allow long-term sustainable growth. We have always lived by the mantra **"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.

Sustainability impact of portfolio

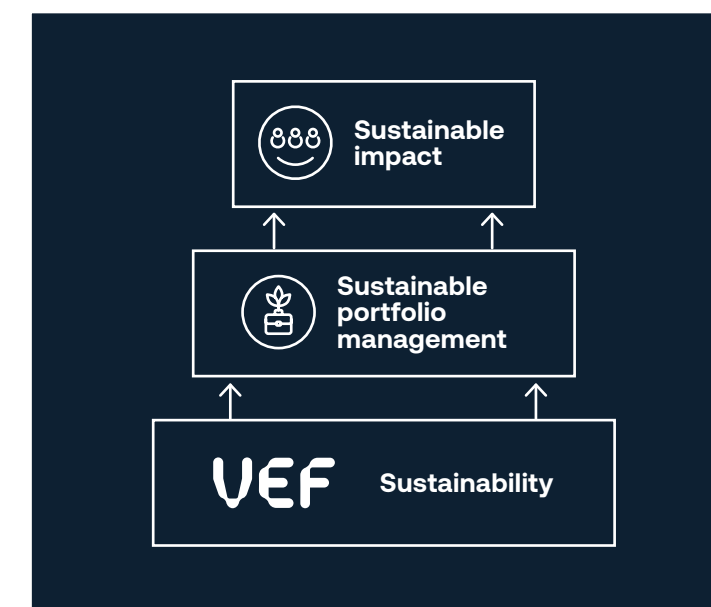
VEF's biggest and most meaningful effect on society is the positive impact the portfolio companies may have on their respective markets by enabling financial inclusion in emerging and frontier markets.

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 a healthy return for our investors. By being an investor in VEF, you make a difference and contribute to financial inclusion in the emerging world.

While the first is a fundamental requirement for long-term and sustainable businesses, the second is taking responsibility and driving change for bettering the world.

"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 at VEF



The UN Sustainable Development Goals and Financial Inclusion

We support the United Nations Sustainable Development Goals (SDGs) and we believe in the importance of private businesses contributing to the goals for them to be achieved. VEF's main contribution to the SDGs is via our portfolio companies and specifically the financial inclusion of consumers and SMEs. By investing in fintech companies in emerging markets, we are convinced that we positively contribute to society and the SDGs. We see economic prosperity as an enabler to tackle both fundamental issues such as poverty, hunger, equality, and literacy, but also as a means for societies to develop and advance, and this is what we build our investment philosophy on (read more about this on page 9 of our annual report).

The Office of the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), the Better Than Cash Alliance which is hosted by the United Nations Capital Development Fund (UNCDF), and the World Bank have identified that digital financial services can contribute to almost all of the SDGs. UNSGSA has narrowed this down to 7 SDGs that financial inclusion more specifically contributes to and we agree with this selection of relevant SDGs based on our portfolio companies' impact. In 2021, we invested USD 86.1 mln into nine portfolio companies (existing and new). To read more about our investments during 2021, please see page 30 of our annual report.



Building an investment company for the future

At VEF we have always had high ambitions when building our company and organization. We constantly want to improve and take our company to new standards. 2021 has been a busy year for us on multiple fronts and one where we have really focused on strengthening VEF at its core and specifically our governance. We have taken several important steps in building a stronger and more sustainable company, including:

1. Redomestication to Sweden – We have previously had a legacy structure with a Bermuda based parent company that we have redomesticated to a Swedish parent company. Having a Swedish company as the listed parent company of the group is an important step in strengthening the governance of VEF. Our new structure ensures that VEF is a long-term sustainable company and an attractive and accessible investment for all types of investors.

2. Diversifying the Board – In 2021, Hanna Loikkanen (board member at FinnFund and Bank of Georgia) joined the VEF board of directors, which further strengthens the diversity and broadens the skillset of the board. Hanna has a deep understanding of ESG matters and is a great addition to the board in general with her extensive emerging markets, investing, finance and board experience, but also specifically regarding ESG matters.

3. Strengthening overall governance – In preparation for a potential relisting of VEF to the Nasdaq Main Market in 2022, we have generally strengthened the governance of the company in several different areas, including formed a designated audit committee, the risk and control work of VEF, policies and guidelines, internal processes and procedures and perfecting the financial reporting of the group.

4. Devoted senior resources to sustainability – Over the last several years, we have devoted more and more time and resources to driving sustainability. In 2021, we added the position of Head of Sustainability at VEF, taken up by Helena Caan Mattsson, effectively formalizing a role and position that she has driven and embodied for the last few years. As Helena is part of the management team, this ensures that sustainability matters are prioritized and discussed at senior level and reported to the Board on a regular basis.

Sustainable portfolio management

Sustainable portfolio management starts with having a robust investment 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. Once a company is added to our portfolio, we follow their ESG-journey closely, both to ensure compliance with certain key areas but also to follow the development and maturing of their sustainability work. You can read more about our investment process and pre- and post-investment ESG analysis of portfolio companies on pages 11–12.

In the last few years, we have focused our sustainability efforts related to the portfolio on three core areas that we believe are the most relevant and have the highest impact. These have been chosen as most relevant for our portfolio given that we invest in emerging and frontier markets and specifically in fintech companies. You can read more about how we identified these key topics and about business ethics and responsible financing on pages 10–17 where we present detailed sustainability information. In 2021, we have deepened our work within these areas as set out below.

Core area	Description	Key achievements
Financial inclusion	<ul style="list-style-type: none"> Improve and provide access to fair and affordable financial services 	<ul style="list-style-type: none"> USD 66 mln (76%) of invested capital in companies with clear impact on financial inclusion Further define our role and goals related to financial inclusion
Responsible financing and consumer practices	<ul style="list-style-type: none"> Fair and transparent consumer practices Data privacy and security Responsible lending and prevention of over-indebtedness 	<ul style="list-style-type: none"> Defined VEF responsible financing principles Integrated responsible financing into our pre-investment due diligence Engaged and kept a dialog with relevant portfolio companies
Governance and business ethics	<ul style="list-style-type: none"> Regulatory compliance, anti-corruption, AML and general business ethics 	<ul style="list-style-type: none"> Ensured that all new investments are obligated to adhere to VEF business ethical principles Assisted portfolio companies in adopting relevant policies Worked with portfolio companies to ensure continuous development 13/14 portfolio companies have relevant ESG policies 100% of portfolio companies compliant with VEF business ethical principles in 2021





Photo: JUMO

Sustainability Impact – Fintech for Financial Inclusion

In large parts of the world, financial services for consumers and MSMEs (micro, small and medium enterprises) are largely either unavailable, of poor quality and/or discriminately expensive.

Financial inclusion has been recognized as key for improving growth and access to financial services and an important factor for reducing extreme poverty, boosting and building sustainable economic growth, and achieving rapid development and improving gender equality. 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 represents a massive opportunity for financial inclusion, with the World Bank asserting that fintech applications can especially help to drive development in emerging markets. 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. Mentioning but two contributions; they support employment generation and the economic advancement of countries and communities. Firstly, more job opportunities are needed to absorb the growing workforce, and in emerging markets 70% of all formal jobs are generated by SMEs. Secondly, contributing up to 40% of GDP and representing around 90% of businesses in emerging markets, small businesses contribute to further the economic development of countries and communities. Despite the importance of MSMEs in emerging markets, these companies face significant challenges when it comes to accessing affordable financial services. The lack of credit history that many MSMEs have is a challenge that may be difficult to overcome when seeking affordable funding and subsequently this becomes a constraint on growth for these companies. Financial inclusion for MSMEs is believed to have a positive impact on poverty reduction, reduction of inequalities, employment generation and overall economic development of emerging markets.

Fintech companies can contribute to financial inclusion by:

- **Providing access to financial services for previously unbanked or underbanked consumers and SMEs, i.e. democratizing access to financial services**
- **Providing credit to low-income consumers and MSMEs**
- **Providing financial services, e.g. loans and remittance services, to consumers on fair and affordable terms**

1. Defined as per the IFC definition: [IFC's Definitions of Targeted Sectors](#)



Almost **1.7 bln** people globally lack an account at a financial institution or through a mobile money provider.



76% of those live in sub-Saharan Africa and South Asia.



67% of sub-Saharan adults and **32%** in South Asia are unbanked.



50% of those are in just seven countries, including India, Pakistan, Mexico, and Nigeria² – which all are focus markets for VEF.

2. [2017 Findex full report_chapter2.pdf \(worldbank.org\)](#)

VEF's impact in numbers



USD 86.1 mln invested in current and new portfolio companies



76% invested into companies with a clear impact on financial inclusion



Almost **20 mln** retail customers and MSMEs served to date



Almost **129 mln** loans and **USD 6.6 bln** disbursed to date by portfolio companies to underserved consumers and MSMEs, or at significantly improved terms

JUMO – Rocketing economic impact

JUMO provides inclusive financial services to unbanked consumers and SMEs across several emerging and developing markets. JUMO has served 18.9 mln customers, has disbursed USD 3.95 bln in loans and given 128 mln loans to date. By reducing the cost of lending by up to 60% in the last 6 years, JUMO has accelerated systematic change enabling capital to flow more freely, in the markets where they operate. JUMO's entire business is based on fostering social impact, as its business model is centered around improving financial inclusion for the underserved.

“We believe everybody deserves access to saving and borrowing choices at the best prices, irrespective of their wealth.”

- Andrew Watkins-Ball, CEO JUMO

Almost 90% of JUMO customers earn less than 10 USD per day, giving credit choices to people that wouldn't normally have access to formal lending options.

The lending services offered on JUMO's technology platform contribute to financial flexibility, giving customers loans to invest in business, school fees or supporting more basic needs like food and healthcare. Three out of four customers say that their financial planning slightly or substantially improved after borrowing money through JUMO's platform. 29% of money borrowed is used for businesses and more than 50% for basic needs such as food, school fees and medical emergencies.

A responsible financial partner

JUMO is committed to being a responsible financial partner and the long-term protection of customers using their platform. JUMO endorses the principles set by the Responsible Finance Forum and ensures fair and transparent terms and lending practices. They work with their banking and payments partners to ensure that customers receive credit amounts they can manage and pay back, while actively applying measures to avoid over-indebtedness.

Sustainability on several levels

JUMO's sustainability impact and initiatives are not limited to solving financial inclusion and equal access to financing. With a designated Social & Ethics Committee, they set the framework for their sustainability efforts together with several representatives from JUMO's investor group.



The committee receives quarterly and annual environmental and social reports where they track various sustainability KPIs and the progress of their annual environmental and social action plan.

On the environmental side, they have had a decentralized way of working with most employees working from home while having the option to go into an office if they wish. This leads to reduced environmental impact in terms of carbon emissions and energy consumption. Meetings take place virtually and only essential business travel is permitted. JUMO doesn't manufacture products, however it recognises it still has an impact and therefore monitors and tracks carbon emission from flights, water, and electricity usage of their small office footprint, etc.

Another sustainability aspect that JUMO focuses on is diversity and inclusion. One of the ways JUMO creates an inclusive work environment is through awareness campaigns, training materials, resources, and targeted workshops. Gender equality is a key focus area, and they consciously develop and empower women to ensure equal access to opportunities through targeted initiatives.

A recognized ESG and impact champion

JUMO conducts annual B-impact assessments (GIIRS-rating) and ESG due diligences. GIIRS is a well-regarded and recognised standard for impact measurement. JUMO undertakes an annual independent third-party verification of the results and has a platinum rating with continuous improvement in the scores over the years.

konfio – Building a financial ecosystem for MSMEs

Sole proprietors, young entrepreneurs, and MSMEs have long been excluded from financial services in Mexico, something that VEF portfolio company Konfio sets out to change.

Konfio started as a company providing working capital to these underserved sectors, and backbone, of the economy. Their platform has since developed into an ecosystem of services. During 2020 and in 2021, new products have been launched to facilitate the strengthening of MSMEs in Mexico, including corporate cards, ERP, payments, and invoicing, allowing Konfio to be a partner in all stages of business development, and a one-stop-shop for customers when it comes to financial services. For 24% of Konfio clients, the credit with Konfio is their first business loan, and 30% are considered young entrepreneurs (under the age of 34) – groups that otherwise would have had difficulties in accessing capital from traditional financial institutions.

“When applying for a loan, young people face more pronounced challenges such as greater difficulties in meeting traditional requirements and risk rating thresholds, which are not necessarily related to risk. Konfio's models place them on fairer ground.”

Proven positive impact

In 2020 and 2021, IDB Invest conducted a study on the impact of Konfio's loans. Among preliminary findings of the study was that, on average, revenue increased with 25% comparing sales 18 months after receiving a Konfio loan. This was especially the case for micro enterprises and sole proprietors. It is, therefore, safe to say that Konfio indeed has a great positive impact on the growth of MSEM in Mexico.

Measuring the impact of the financial inclusion provided by Konfio, and making sure that diversity, equity, and inclusion are in the right place both internally and in the way that Konfio serves their customers and society, has been the main focus when working with sustainability at Konfio.



Diversity, equality and inclusion

2021 was also a year when Konfio elevated its sustainability agenda internally. A Diversity, Equality, and Inclusion survey among employees provided deeper information on the diversity landscape, and also, a Konfio LGBTQ+ community was started. Konfio also developed practices on how they communicate, so that they can attract a more equal and diverse workforce in an industry that traditionally has been very masculine. Between 2020 and 2021, female employees increased from 30% to 36%. As part of their diversity work, they have successfully completed the first generation of Restart your Career, a returnship program for senior women in tech. Participants were updated on the latest technologies and participated in projects for three months, after that period, more than half of the participants were permanently hired.



1. Young entrepreneurs are considered to be those under 34 years of age, following the definition of the World Bank.

Sustainability report

VEF’s ambition is to integrate sustainability (ESG: Environmental, Social and Governance) into all aspects of our own business including our investment process and management of our portfolio companies. We fundamentally believe that taking into account ESG-considerations is key to building long-term and sustainable companies, both our own as well as our portfolio companies.

About this report

VEF’s sustainability report consists of the sections VEF’s Sustainable Journey (pages 2–9) and this section Sustainability Report (pages 10–17) of the Annual Report for 2021. Our 2020 Sustainability Report was VEF’s first dedicated sustainability report. Our ambition is to always improve, and this includes our sustainability work as well as our sustainability reporting. This report has been prepared in accordance with the GRI Standards: Core option, and the requirements in the EU-directive on non-financial reporting (2014/95/EU). VEF’s sustainability report also fulfills the requirements in the Swedish Annual Accounts Act. As always, our ambitions are high, and we look to improve as we go. The sustainability reporting is no exception, and we look to broaden and deepen our sustainability reporting over time. As examples, we intend to complement the impact analysis as well as the stakeholder dialogue to have a better and full understanding of what our stakeholders prioritize regarding sustainability, and to understand the actual impact of VEF operations.

Material topics	Description and Scope
Financial inclusion	Work with our portfolio companies to provide and improve access to fair and affordable financial products and services in emerging and frontier markets.
Responsible financing and consumer practices	Ensure that our portfolio companies conduct fair and transparent consumer practices as well as responsible lending activities. Ensuring that our portfolio companies conduct fair consumer practices in relation to data privacy and security.
Governance and business ethics	Ensure that both VEF and our portfolio companies conduct business according to highest governance and ethical standards, and in compliance with anti-corruption, anti-money-laundering laws as well as generally in compliance with laws and regulations.

Defining material topics

To define our material topics, we have initiated a materiality analysis, which will be further elaborated on in 2022, in order to fully incorporate the dual materiality perspective (assessing how VEF has an impact on sustainability, and how sustainability can have an impact on VEF). The materiality analysis has allowed us to identify where we have a direct as well as an indirect impact, acknowledging that there are aspects that we can control more than others. Combining the impact assessment and the stakeholder dialogues with relevant stakeholders, we have identified a list of material topics, defining the scope for VEF’s sustainability agenda both internally and in relation to our portfolio companies.

For the full list of material topics, see page 15.

VEF sustainability governance

The Board of Directors of VEF has the ultimate responsibility for setting the sustainability framework for VEF. The CEO and the Head of Sustainability are responsible for ensuring that the sustainability framework is implemented and executed in accordance with the overall strategy of the Company. The Board of Directors of VEF evaluates, updates, and adopts multiple policies every year to ensure that we continuously conduct business ethically and sustainably (including but not limited to a Code of Conduct, Information- and Insider Policies, Investment Policy, Anti-corruption Policy, People Guideline, Sustainability Policy, and Sanctions, and AML Policy). Management has further implemented guidelines and practices to ensure

compliance with VEF’s various policies and sustainability principles. Our CEO, together with the Board, is responsible for ensuring internal compliance with all policies and that relevant and updated policies are in place when needed. Any suspected and/or confirmed unethical or unlawful behavior shall according to our Code of Conduct be reported to the closest manager, CEO, or the Chairman of the Board.

Sustainability policy

VEF’s Sustainability Policy sets out our core values and principles and acts as a framework for our sustainability standards, including accepted behavior at VEF regarding human rights, anti-corruption, and diversity and inclusion. The content combines relevant aspects of the internal policies mentioned above and recognizes the importance of following international standards for business conduct and specifically the principles of the UN Global Compact, but also the OECD Guidelines for Multinational Enterprises, the ILO’s core conventions, and the UN Guiding Principles on Business and Human Rights. All employees at VEF are bound to follow these policies. Through active shareholding, we also strive and work to instill these values and guidelines in our portfolio companies.

Responsible investment and shareholding policy

Our Responsible Investment and Shareholding Policy sets out our expectations on and how we work with portfolio companies when it comes to sustainability matters. For more information see section “How we invest” below.

How we invest

Our main strategy is to deliver high returns to our shareholders, and we believe that investments in companies with poor sustainability performance or questionable business ethics are in direct conflict with that. As our investments are made in companies with high growth potential, we can support the development of proper sustainability structures from the ground up, prepared to expand upon. Our Responsible Investment and Shareholding Policy outlines the sustainability principles for our investment process and our commitment to sustainability in our investment strategy. It also sets our expectations on our portfolio companies when it comes to sustainability.

As some of the markets we invest in are considered high-risk from mainly social and governance perspectives (eg. corruption, money-laundering, compliance with laws, labor laws, and human rights) a sustainability-risk assessment both before and during the lifetime of our investments is critical to remain an attractive long-term investment option. Thus, our investment process consists of a two-step, bespoke sustainability assessment that has been conducted for all our investments since the end of 2017; pre-investment analysis and post-investment analysis. Our Compliance Toolbox acts as a guide for what VEF considers best practice within compliance, including internal compliance, how to conduct pre-investment investigations, how we ensure compliance during the investment lifetime as well as tools for the portfolio companies themselves to use. Our General Counsel/Head of Sustainability is responsible for general compliance and reports directly to the CEO. As we are active owners with board seats in most of our portfolio companies, we continuously get information and evaluate the current development of our portfolio, not just on an economic level but on sustainability topics as well.

Pre-investment

Our pre-investment analysis focuses on sustainability risks and opportunities before committing to any new investments. The due diligence is focused on VEF’s three sustainability core areas:

- Financial inclusion
- Responsible financing and consumer practices
 - Fair and transparent consumer practices and terms
 - Responsible lending activities
 - Data privacy and security
- Governance and business ethics
 - Good governance
 - Compliance with applicable laws and regulations
 - Anti-corruption, fraud prevention, and AML

The analysis consists of an ESG Due Diligence, analyzing both immediate negative factors but also long-term sustainability growth possibilities. The Due Diligence is conducted in-house, both remotely and in person through interviews and site visits. By conducting the Due Diligence in-house, we can tie it deeply to our values and

simultaneously adapt it to fit the presumptive investment. The purpose is not just to mitigate risks but also to identify opportunities to improve sustainability matters in portfolio companies.

Post-investment

By being an active shareholder VEF can work to ensure that our values and ethical principles are trickled down to the portfolio companies. As outlined in our Responsible Investment and Shareholder Policy we expect our portfolio companies to strive to follow international standards and best practices on business ethics, data privacy, human rights, labor rights, and environmental issues.

VEF conducts periodical sustainability analysis of portfolio companies to ensure that we are up to date with any sustainability issues that may arise and to track progress in this area. By conducting such analysis, a continuous, proactive approach towards compliance with VEF's sustainability policies can be ensured. This is also a good way to encourage our portfolio companies to identify existing or emerging gaps within sustainability, allowing VEF to be involved and supportive when implementing appropriate governance structures and policies. We expect commitment from portfolio companies to build on and improve their sustainability impact as they grow and mature. The board of directors of each portfolio company is responsible for developing the sustainability strategy and ensuring its implementation. Where we have representation on those boards and as we are typically a sizeable and active minority shareholder, we can influence, assist, and support this work.

Industry involvement

Since 2020, we are a proud signatory member of the Responsible Finance Forum, a global community with the main goal to promote responsible investing and practices within the digital finance industry. By sharing knowledge and experiences, the forum aims to harness evidence, solutions, and best practices to advance responsible investments and innovation for digital financial inclusion. This includes promoting responsible financing practices, such as fair and transparent pricing and terms, data privacy and security as well as working to prevent over-indebtedness. VEF is committed to helping and guiding portfolio companies to improve their practices as well as interact with the wider investment community to collaborate on the furthering of responsible financing practices. Furthermore, we are members of Sweden's Sustainable Investment Forum (Swesif), working for sustainable investing in Sweden, Impact Invest Sweden, working to foster impact investments among Swedish financial market participants and the National Advisory Board for Impact Investing.

Financial inclusion

The positive impact portfolio companies may have on their respective markets by enabling financial inclusion in emerging and frontier markets is a priority sustainability and impact topic for VEF. 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 a healthy return for our Investors. We support the United Nations Sustainable Development Goals (SDGs) and we believe in the importance of private businesses contributing to the goals for them to be achieved. By investing in fintech companies in emerging markets, we are convinced that we positively contribute to society and the SDGs. Over the last few years, we have engaged and worked with our portfolio companies to assess and follow their impact. We have started setting KPIs that we measure and track over time. You can read more about this on pages 2–7.

Responsible financing and consumer practices

During the year, we have deepened our understanding of and defined what responsible financing means in our context. To us, responsible financing means having fair and transparent consumer practices and terms, conducting responsible lending activities and working to prevent over-indebtedness. It also means having fair and lawful data privacy and security practices. As a signatory member of the Responsible Finance Forum, we recognize their responsible financing guidelines. In 2021, we have integrated responsible financing into our pre-investment due diligence. We have also engaged with and discussed this topic with several of our portfolio companies to raise their awareness of this topic and ensure that they share our views on how to conduct responsible finance businesses.

Governance and business ethics

At VEF, we take a clear stance against all forms of economic crimes and poor business ethics. Bribes, corruption, money laundering, and other forms of illicit and unethical practices are strictly forbidden from both our own and our portfolio companies' businesses. The VEF anti-corruption policy, which has been communicated to all employees and directors of VEF, stipulates the correct behavior relating to interaction with business partners and other parties. It contains guidelines concerning gifts, benefits, and hospitality as well as compensation to business partners and potential influence on portfolio companies. As of December 2021, 100% of employees had received training and information regarding our anti-corruption and money laundering policies.

As with any financial investments, especially considering some of the markets that we invest in, there are risks regarding corruption and embezzlement, and hence these matters are of great concern to us. Our pre-investment analysis includes screening for unethical business conduct. We work actively to ensure that all our portfolio companies have proper policies and processes in place to meet our business ethics standards. The types of policies and processes required differ depending on the business model as well as the maturity of the company. Since 2017, we have followed up with our portfolio companies regarding business ethics on a yearly basis.

- During 2021 we have done compliance reviews of 100% of our portfolio companies.
- More than 93% of our portfolio companies (only 1 of the smallest portfolio company lacks policies) have relevant business ethics policies or guidelines in place. Our goal which we will work actively during 2022 to achieve, is that 100% of all portfolio companies shall have relevant policies or guidelines in place by the end of 2022.
- During the year, no (0) incidents of corruption and unethical behavior and no (0) cases of non-compliance with ESG regulations, including data privacy, both in relation to VEF and VEF's portfolio companies has been reported.

Corporate structure and locations

In 2021, the group structure of VEF changed from having a Bermuda registered parent company to a Swedish parent company. The Bermuda based structure was a legacy structure that we inherited in the spin-off establishing VEF in 2015. Although we have always strived to conduct in accordance with Swedish corporate governance laws and principles, the move to Sweden is a good and important step in improving VEF's governance. In connection with the redomestication, the Bermuda entity was liquidated. To facilitate operations in London (United Kingdom) and Dublin (Ireland), subsidiaries were registered there during 2021.

The VEF team

We are a small but dedicated team, consisting of seven employees, two full-time consultants and one part-time consultant. As a result of our size, attracting and retaining the right coworkers is of great internal importance, with every team member playing an important role in the core business. Matters within Human Resources are in general managed by our "People Guideline".

VEF prides itself on being an inclusive, equal and diverse workplace, where we strive towards improved diversity, both from a gender perspective but also more generally. Currently 43% of the employees, 33% of the Board of Directors and 25% of the management team are women. One of VEF's core values is to seek diversity of thought and respect the individual. Equality and diversity within VEF are important to us for many reasons. We strongly believe that innovation and success, come out of bringing people together from different backgrounds, with different ideas, strengths and experiences. Diversity is key to adapt in a fast-paced international economy and understanding of the local and regional markets where we invest, allowing us to make the best investment decisions but also building long-term sustainable operations.

As stated in our Code of Conduct and People Guideline, we have zero tolerance towards discrimination, and there were no (0) such incidents during 2021. VEF recruits, promotes, and compensates based on merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership, or political opinion.

Employment type

	Permanent	Temporary	Full-time	Part-time	Total
Male	4	2	6	0	6
Female	3	1	3	1	4
Total¹	7	3	9	1	10

1. Besides 7 employees, 2 male consultants have worked full-time with the core business and 1 female consultant have worked half time with accounting and payroll during 2021. One male was located in Ireland and one male and female was located in Stockholm, Sweden.

Employment location

	Permanent	Temporary
Sweden	3	2
UK	2	0
Ireland	2	1
Total	7	3

New employees

	Male	Female	Age <30	Age 30–50	Age 50+
UK	1 (100%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)
Total	1 (100%)	0 (0%)	0 (0%)	1 (100%)	0 (0%)
Employee turnover ¹	N/A	N/A	N/A	N/A	N/A

1. No (0) employees ended their employment at VEF during 2021, therefore we had 0% turnover.

Professional development

One of our most valuable assets is our staff, with a wide array of competencies and experiences. We have yearly performance reviews, which are held between the employee and the CEO. Knowledge is not static, and one can always develop new skills and gain new knowledge, which we take great pride in. Professional development, courses, and conferences are, in general, emphasized and encouraged as set out in our People Guideline, but is an individual responsibility for our employees. Internal knowledge initiatives during the year included training and participating in conferences related to sustainability, fintech, venture capital, finance, accounting, legal, and tax. Currently, VEF does not have a general approach to evaluating professional development initiatives, but rather evaluates these before and after each activity. Our ambition is to put this process in print in our People Guideline.

Performance review

	Male	Female	Total
Managers	100%	100%	100%
Employees	100%	100%	100%

Composition of governance bodies and employees

	Male	Female	Age <30	Age 30-50	Age 50+
Board	67%	33%	0%	33%	67%
Managers	75%	25%	0%	100%	0%
Employees	33%	67%	33%	67%	0%

Environmental impact

As a small investment firm with global investments and a team in several countries, most of our direct environmental impact comes from business travel, and indirectly from our investments and their use of energy and by extension emissions of greenhouse gases. VEF is committed to reducing environmental impact and resource consumption. We recognize the need for us to take responsibility for our energy consumption and environmental impact. This is material to us as all entities need to take responsibility and contribute to realizing carbon neutrality. Our Sustainability Policy, as well as Code of Conduct, govern how we manage these topics. To keep track of our own energy consumption and emissions of greenhouse gases, we report on these metrics in our sustainability report (see table below), and we look forward to developing this reporting to better include all our activities. For 2021, only air travel is included.

VEF is a company that has worked digitally from the start. Today, all functions, including the investment-, finance- and legal teams, work to the largest extent digitally.

We lease two of our offices at business centers and sub-lease one office. Therefore, it is difficult for us to actively work with energy savings. At VEF, we also strive towards using work equipment as long as possible, hence limiting our environmental impact. Disregarding the financial impact of our investments, the nature of our operations means that we have a limited supply chain and limited impact on humans and the environment. However, we always strive to limit our impact where possible. Suppliers can be exemplified by office subletters, travel agents, and consultants.

Like many others, our business travel has slowed to a halt during the pandemic. We have used this window to learn how we can effectively work with our investors, portfolio, pipeline, and indeed each other on a remote basis. Travel will always be a key part of our business, to understand the markets and companies we invest in and stay on top of our holdings in a responsible diligent manner. We pride ourselves on being active investors.

That said, we have learned that we can complement and partly replace some of our travel with remote communication tools. We can travel smarter and arguably less. Hence, we commit to trying to reduce our air travel and avoid unnecessary trips where possible. When we do travel, we aim to maximize the benefits and do multi-purpose focused trips as opposed to multiple trips to the same destination for different reasons.

Our ambition is to also engage with our portfolio companies to ensure that they make sound strategic choices and properly evaluate energy-consuming suppliers, such as data-server providers.

Total amount of MWh, offices ¹	4.9
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1. Includes consumption of electricity and heating.

Greenhouse gas emissions

	Total amount (ton CO ₂ e)
Direct emissions (Scope 1)	0.0
Indirect emissions (Scope 2) Office electricity and heating	0.7
Other indirect emissions (Scope 3) Business Air Travel	19.3
Total	20.0

Emission factors used to calculate air travel are based on passenger-kilometer data and DEFRA 2021 emission factors. Location-based emission factors for IEA 2018 are used for calculating emissions from office electricity, where an estimate on the percentage of leased office space in relation to the entire office space available is calculated, as no VEF-specific consumption was available.

Going forward

To us, sustainability matters are at the very core of what we do. We are committed to continuously work on deepening, broadening and overall improving our sustainability work. Our journey has just started and we will continue to define our sustainable strategy and sustainability goals. This is our second dedicated sustainability report, and we have prepared it in accordance with GRI Standards. We intend to continue to release annual dedicated sustainability reports.

One ambition for the coming year is to further define and formulate our impact towards the SDGs and to be even more involved in our portfolio companies' sustainability work and support them by developing policies and sustainability strategies where needed. We also intend to continue our work with defining and measuring impact KPIs for our investments.

Our aim is to set a roadmap for our continuous sustainability work, including the materiality analysis and stakeholder engagement, during 2022, with the ambition to communicate some clear goals and targets as well as additional KPIs in our next annual sustainability report.

Materiality analysis

We have conducted an initial materiality analysis which we will broaden and deepen during 2022, through the inclusion of more stakeholders and an additional impact assessment applying the dual materiality perspective, i.e. analyzing and understanding how VEF impacts sustainability, as well as how sustainability impacts VEF. This is, in-line with best practice, to gain further insights into how to increase our positive impact, as well as meeting the extended disclosure requirements from regulators, investors and other financial actors. This will allow us to further integrate sustainability into our investment process, portfolio management and our daily operations.

Stakeholder engagement

To ensure that we address the most relevant and important topics in our sustainability work, we engage with our different stakeholders. We identified our stakeholders with the help of sustainability experts who mapped our stakeholders in accordance with AA1000SES, based on their interest and potential impact from and on our operations. Our key stakeholders are our employees, board of directors, management, portfolio companies, and investors. We have engaged with these in different ways over the year and leading up to this sustainability report, including through regular communication, interviews, workshops, financial reporting, investor meetings and roadshows and sustainability dialogues.

The material topics that we have identified during the initial materiality analysis are:

- Financial inclusion – Provide and improve access to responsible and affordable financial products and services
- Responsible financing and consumer practices
 - Fair and transparent consumer practices
 - Data privacy and security
- Business ethics & Governance
 - Work actively to eliminate corruption and foster high business ethics
 - Improve sustainability performance in all our portfolio companies
- Transparent ESG communication and reporting
- Promote equality, diversity, and inclusion
- Attract, retain and develop employees
- Ensure well-being and work-life balance among employees
- Reduce climate impact and resource consumption from VEF operations

GRI Index

GRI 101: Foundation		
Organizational profile	Page	Comment/Omission
102-1 Name of the organization		VEF AB (publ)
102-2 Activities, brands, products, and services	AR 6–7	Annual Report: VEF – The emerging market fintech investor
102-3 Location of headquarters		Stockholm, Sweden
102-4 Location of operations		We operated in five (5) countries during 2021. Bermuda, Cyprus, United Kingdom, Ireland and Sweden.
102-5 Ownership and legal form	13 & AR 46–47	Corporate structure and locations and Annual Report: The VEF Share
102-6 Markets served	AR 6–7	Annual Report: VEF – The emerging market fintech investor
102-7 Scale of the organization	4, 13, 14 & AR 48–49	The UN SDGs, Corporate structure locations, The VEF team and Annual Report: Administrative report
102-8 Information on employees and other workers	13–14	The VEF team
102-9 Supply chain	14	Environmental Impact
102-10 Significant changes to the organization and its supply chain	13	Corporate structure and locations
102-11 Precautionary Principle or approach	14	Environmental Impact
102-12 External initiatives	12	Industry Involvement
102-13 Membership of associations	12	Industry Involvement
Strategy		
102-14 Statement from senior decision-maker	AR 10–13	Managing director's letter
Ethics and Integrity		
102-16 Values, principles, standards, and norms of behavior	2	VEF Core Values
Governance		
102-18 Governance structure	10	VEF Sustainability Governance
Stakeholder engagement		
102-40 List of stakeholder groups	15	Materiality analysis
102-41 Collective bargaining agreements		We do not apply collective bargaining agreement, hence no (0%) of employees are covered by this in 2021
102-42 Identifying and selecting stakeholders	15	Materiality analysis
102-43 Approach to stakeholder engagement	15	Materiality analysis
102-44 Key topics and concerns raised	15	Materiality analysis
Reporting practice		
102-45 Entities included in the consolidated financial statements		VEF AB (publ), VEF Cyprus Limited, VEF Service AB, VEF Fintech Ireland Limited, VEF UK Ltd.
102-46 Defining report content and topic Boundaries	15	Materiality analysis
102-47 List of material topics	15	Materiality analysis
102-48 Restatements of information		No restatements.
102-49 Changes in reporting		We have added and extended the scope of the list of material aspects. See "Materiality analysis" for full list of aspects.
102-50 Reporting period		2021.01.01-2021.12.31
102-51 Date of most recent report		2021.03.30
102-52 Reporting cycle		Annual
102-53 Contact point for questions regarding the report		Helena Caan Mattsson, Head of Legal and Sustainability, legal@vef.vc
102-54 Claims of reporting in accordance with the GRI Standards		This report has been prepared in accordance with the GRI Standards: Core option
102-55 GRI content index	16–17	GRI Index
102-56 External assurance		This sustainability report has not been assured by an external assurance provider.
GRI 200 Economic Standard Series		
GRI 203: Indirect Economic Impacts		
103-1 Explanation of the material topic and its Boundary	4, 12	The UN SDGs and Financial Inclusion
103-2 The management approach and its components	11	How we invest
103-3 Evaluation of the management approach	11–13	How we invest
203-2 Significant indirect economic impacts	4, 7	The UN SDGs and VEF Impact 2021 in numbers

GRI Index (continued)

GRI 205: Anti-corruption		
103-1 Explanation of the material topic and its Boundary	12	Governance and business ethics
103-2 The management approach and its components	12	Governance and business ethics
103-3 Evaluation of the management approach	12	Governance and business ethics
205-3 Confirmed incidents of corruption and actions taken	12	Governance and business ethics
GRI 300 Environmental Standards		
GRI 302: Energy		
103-1 Explanation of the material topic and its Boundary	14	Environmental Impact
103-2 The management approach and its components	14	Environmental Impact
103-3 Evaluation of the management approach	14	Environmental Impact
302-1 Energy consumption within the organization	14	Environmental Impact
GRI 305: Emissions		
103-1 Explanation of the material topic and its Boundary	14	Environmental Impact
103-2 The management approach and its components	14	Environmental Impact
103-3 Evaluation of the management approach	14	Environmental Impact
305-1 Direct (Scope 1) GHG emissions	14	Environmental Impact
305-2 Energy indirect (Scope 2) GHG emissions	14	Environmental Impact
305-3 Other indirect (Scope 3) GHG emissions	14	Environmental Impact
GRI 400 Social Standards		
GRI 401: Employment		
103-1 Explanation of the material topic and its Boundary	13	The VEF team
103-2 The management approach and its components		Omission, not applicable due to our size. We have not had the need to develop specific governance structures on how we employ, but will develop an approach that will be added to our People Guideline.
103-3 Evaluation of the management approach		Omission, not applicable due to our size. We have not had the need to develop specific governance structures on how we employ, but will develop an approach that will be added to our People Guideline.
401-1 New employee hires and employee turnover	13	The VEF team
GRI 404: Training and Education		
103-1 Explanation of the material topic and its Boundary	14	Professional Development
103-2 The management approach and its components		Omission, not applicable due to our size. We have not had the need to develop specific governance structures on training and education, but it is encouraged in general and we will develop an approach that will be added to our People Guideline.
103-3 Evaluation of the management approach		Omission, not applicable due to our size. We have not had the need to develop specific governance structures on training and education, but it is encouraged in general and we will develop an approach that will be added to our People Guideline.
404-3 Percentage of employees receiving regular performance and career development reviews	14	Professional Development
GRI 405: Diversity and Equal Opportunity		
103-1 Explanation of the material topic and its Boundary	10, 13	VEF Sustainability Governance and The VEF team
103-2 The management approach and its components	10, 13	VEF Sustainability Governance and The VEF team
103-3 Evaluation of the management approach	10, 13	VEF Sustainability Governance and The VEF team
405-1 Diversity of governance bodies and employees	13	The VEF team
GRI 406: Non-discrimination		
103-1 Explanation of the material topic and its Boundary	10, 13	VEF Sustainability Governance and The VEF team
103-2 The management approach and its components	10, 13	VEF Sustainability Governance and The VEF team
103-3 Evaluation of the management approach	10, 13	VEF Sustainability Governance and The VEF team
406-1 Incidents of discrimination and corrective actions taken	13	The VEF team
GRI 419: Socioeconomic Compliance		
103-1 Explanation of the material topic and its Boundary	11	How we invest
103-2 The management approach and its components	11	How we invest
103-3 Evaluation of the management approach	11	How we invest
419-1 Non-compliance with laws and regulations in the social and economic area	12	Governance and business ethics

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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.

The emerging market fintech investor