VEF

The emerging market fintech investor

Annual Report 2022

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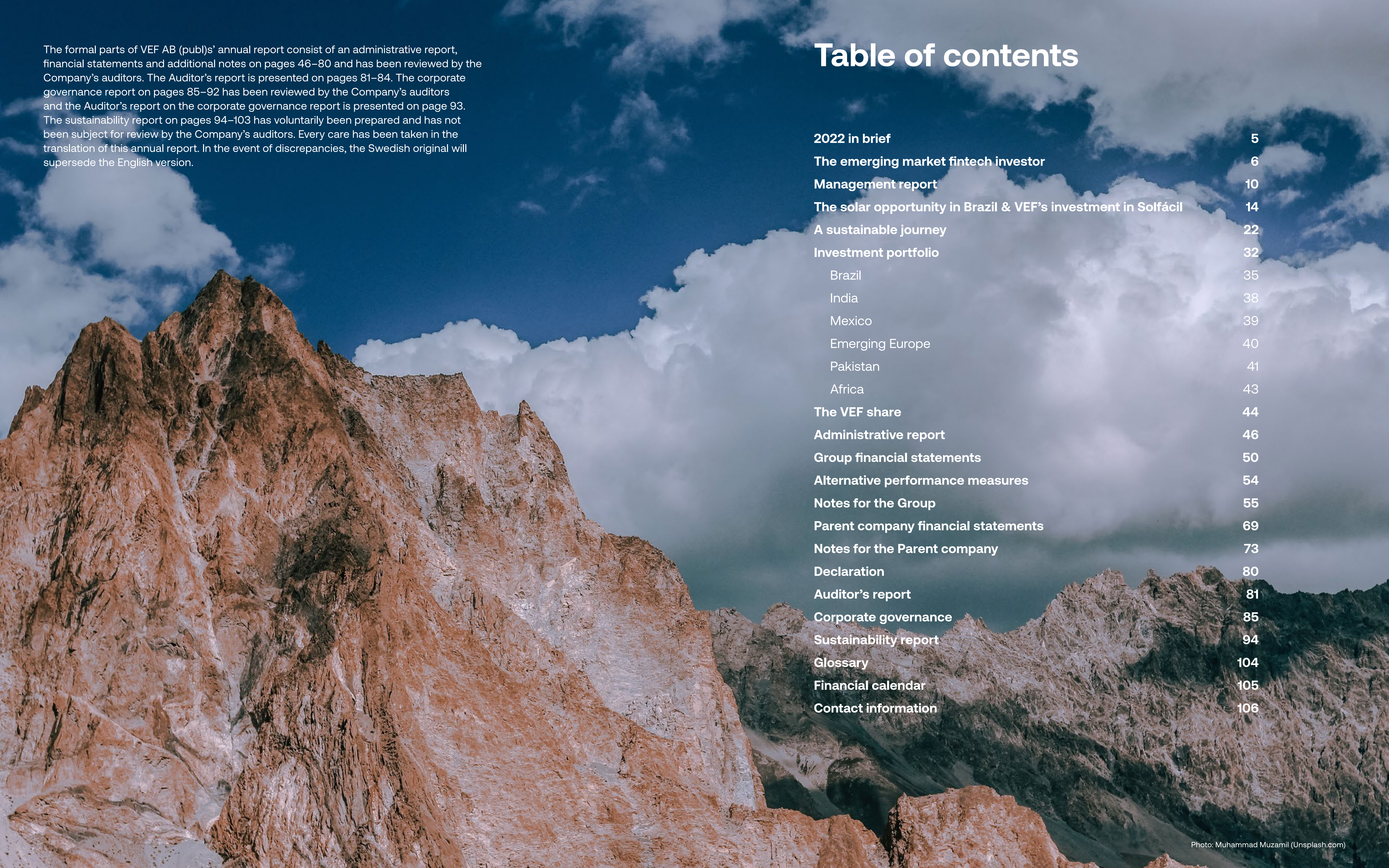
The formal parts of VEF AB (publ)s' annual report consist of an administrative report, financial statements and additional notes on pages 46–80 and has been reviewed by the Company's auditors. The Auditor's report is presented on pages 81–84. The corporate governance report on pages 85–92 has been reviewed by the Company's auditors and the Auditor's report on the corporate governance report is presented on page 93. The sustainability report on pages 94–103 has voluntarily been prepared and has not been subject for review by the Company's auditors. Every care has been taken in the translation of this annual report. In the event of discrepancies, the Swedish original will supersede the English version.

Table of contents



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381.8 mln	3.82	46.7 mln	500 mln
Net asset value (USD)	Net asset value per share (SEK)	Capital invested into portfolio companies (USD)	Issued sustainability bonds (SEK)

VEF – Investors in one of the strongest secular growth trends across some of the world's fastest-growing markets

Photo: Javier (Unsplash.com)

2022 in brief

VEF welcomed three companies to the portfolio

- In February VEF invested USD 12.2 mln into Gringo, Brazil's one-stop shop for drivers, in a USD 34 mln series B round led by VEF together with Piton Capital. Gringo offer vehicle-documentation related services such as payments and BNPL solutions for drivers to pay for renewal of licenses, taxes and fines.
- In March VEF invested USD 20.0 mln into Solfácil, in a USD 100 mln Series C round led by QED. Solfácil designs technology solutions for its partner solar installers and positions itself as a unique solar point-of-sale ecosystem where any solar installer partner can offer financing, purchase of equipment and monitor installed solar systems, all on a single platform.
- In August VEF added Mahaana, Pakistan's first digital wealth manager to the portfolio. VEF invested USD 1.0 mln in a USD 2.1 mln seed round making Mahaana our third investment in Pakistan.

VEF invested an additional USD 13.5 mln into the current portfolio. Follow-on investments were made into Creditas (USD 5.0 mln), Juspay (USD 4.1 mln), Rupeek (USD 1.9 mln), Magnetis (USD 1.0 mln), FinanZero (USD 1.0 mln) and Abhi (USD 0.5 mln).

The Russian invasion of Ukraine has marginally affected VEF's NAV. VEF wrote down the holdings in Revo and affected liquidity investments in Tinkoff Bond (2.3% of YE21 NAV) during the first quarter to zero, a valuation kept throughout the year.

In April VEF issued SEK 500 mln sustainability bonds to invest in financial inclusion. At VEF we are proud that our capital is having a positive impact on access to fair and affordable financial services.

On June 1, VEF's shares commenced trading on Nasdaq Stockholm's Main Market, moving from First North Growth Market. A key event in VEF's journey to be the leading investor in the future of finance across the emerging world.

In August a new share buyback program of up to maximum USD 10 mln was announced. The purpose of the buyback program is to allow the flexibility to create additional shareholder value at a time when VEF shares trade at significant disount to the stated NAV. During the year, VEF has repurchased shares equivalent to USD 2.9 mln

USD NAV down 50% during the year, a reflection of the decrease in valuation of the underlying portfolio driven by market moves of listed peers. On a company level, delivery remained strong and broadly on forecast through the year.

The emerging market fintech investor

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

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

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

Our history

VEF was founded in 2015 as a spin-off from VNV Global, with one portfolio company, TCS Group Holding PLC (Tinkoff Bank) and 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 annual report made investments in 21 companies, diversified by geography, business type and stage of development – all with standout fintech opportunities in their respective markets. During 2021 the VEF group carried out a domicile change from Bermuda to Sweden and barely one year later, in June 2022, the company was listed on Nasdaq Stockholm Main Market, moving from First North Growth Market.

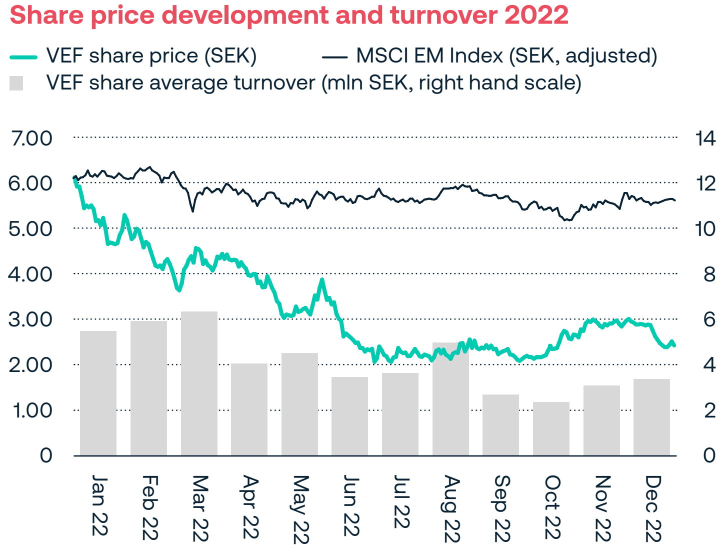
Exits

Since inception, VEF has exited four holdings.
Two successful exits from Russia's Tinkoff Bank and Turkey's iyzico

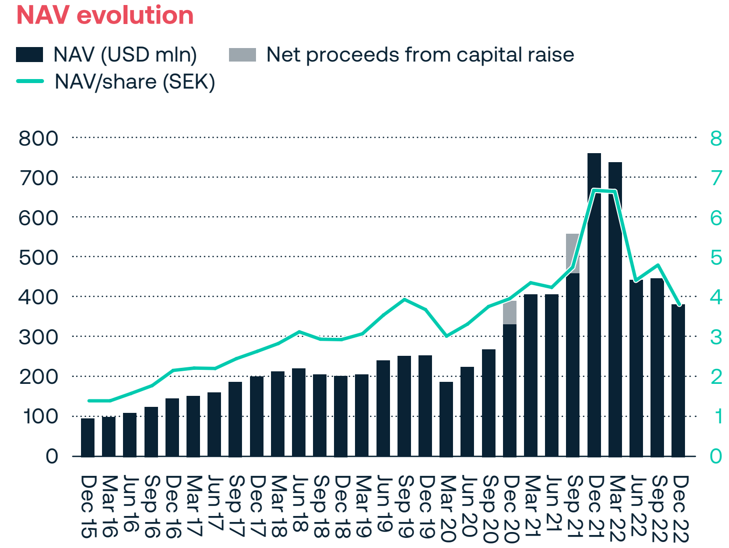
- Tinkoff bank at 6.1x CoC return and 65% IRR
- iyzico at 3.2x CoC return and 57% IRR

and two non-value accretive exits in Guiabolso and Xerpa.

Share price development and turnover 2022

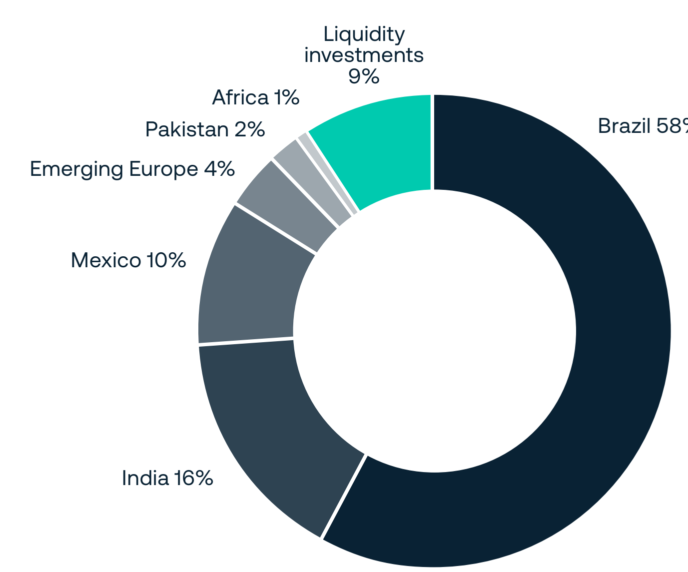


NAV evolution

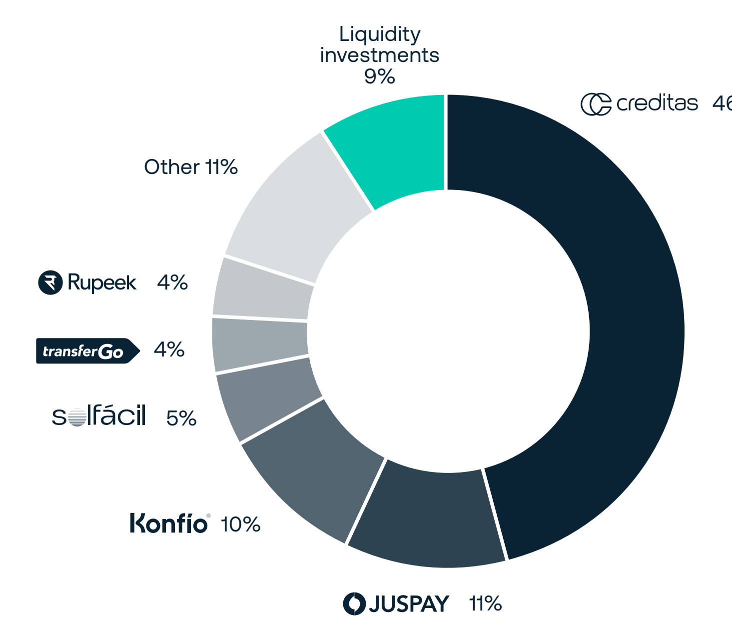


Portfolio

Geographic distribution



Portfolio composition



Our strategic pillars

Our strategic pillars are the prism through which we think about everything we do, what drives our strategy and makes us successful as an investment company.

Invest well and live

We are our investments. They define us. We are only a thesis and a bunch of human and financial capital without them. We spend a lot of time making sure the right assets and entrepreneurs populate our portfolio and when they are in, we do everything in our power to help them succeed.

Love your investors

Our investors provide the capital we need to fuel our business. Simply put, without them we would not exist and our growth path from here would be all the harder. We love our investors, current, old and potential, and pride ourselves on doing our utmost to provide them with a healthy return on capital and good communication flow and transparency while on that journey.

Build a business for the long-term

While our first two pillars are necessary for any success, we are building VEF for the long-term. Our goals are ambitious, our timeline is long, we are consistently evolving and improving all to make sure VEF is a business that has the right people, processes, and strategy to grow over time.

Our investment thesis

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

Sector

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

Geography

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

Minority stakes and board seat

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

Unique fintech opportunity

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

Shareholder value creation

VEF is an exceptional investment opportunity with the potential of high returns through our portfolio companies based on the combination of:

- attractive market conditions in the emerging world
- active and supportive ownership
- entrepreneurs with strong track records
- scalable, fast-growing companies, with a clear path to profitability
- leveraging the disruption of fintech companies

Management report

Reflecting back on 2022

To recap from our recent year-end report: *"2022 was a year when markets reminded you that building a business and delivering through cycle return on capital is hard – which is how it should be! If not, everyone would be doing it and it felt for a period, pre-2022, that nearly everybody was. Today, with inflation elevated, rates rising, capital less available and more expensive, the strong macro tailwinds for the industry have evaporated."* 2022 was a testing year for VEF and the broader venture industry. This was most visible and brutally reflected in our annual NAV and share price performance, off 50% and 59% YoY respectively.

Into year eight of our journey, and with a long-term view on building our business and track record, one year can now be defined as the short-term. We take comfort in our seven-year NAV and share price IRR performance, which remain in healthy double-digit territory, despite 2022's pullback. Over time, periods like 2022 are inevitable and as always, it is how you deal with them that counts. Through 2022, long-term VEF building blocks continued to be put in place. We strengthened our team, added fresh quality names to our portfolio, bolstered our balance sheet with our maiden sustainability bond, while the listing of our shares on the Nasdaq main board in Sweden, was a 2022 standout event.

The structural growth story and opportunity for fintech within emerging markets remains clear, that is a constant. We enter 2023 on the front foot, with a reset market-based NAV, a quality portfolio, a tier one investor base and some tailwinds, once again, in our sails.

2022 in numbers

At headline level we closed out 2022 with a NAV per share of SEK 3.82, off 42% YoY while our total USD NAV printed 382 mln, off 50% YoY. Our NAV performance was driven by market factors, as our portfolio valuation was directly impacted by a sharp contraction in listed fintech peer share prices and traded multiples in the period. As was the case on the way up, it was the larger names in our portfolio, Creditas and Konfío, which were the principal NAV drivers. As a sensitivity check, our USD NAV performance was quite tightly correlated to global fintech traded indices performance over the period. While this performance disappoints us, as managers and shareholders, our goal was to keep our portfolio valuation aligned with the evolving public market reality and strive to always be able to stand behind our NAV, a market-based NAV.

In spite of the market environment, we remained quite active on the investment front through 2022, both in adding new names to the portfolio, as well as allocating fresh capital to our existing portfolio. As of YE22, our portfolio counts seventeen names, with three new companies added in the year: Gringo and Solfácil (Brazil) and Mahaana (Pakistan). We saw no exits over the period. We invested a total of USD 46.7 mln into portfolio companies through 2022, 71%/29% into new/current companies. At YE22, we sat on USD 48.5 mln of capital.

As we look ahead into 2023 and beyond, we see these key actions carried out through 2022: 1) NAV valuation reset, combined with 2) quality new names added to our portfolio and 3) strengthening the balance sheets of existing holdings, as a key base for NAV and share price accretion from here.

A year for defence first and then gradually lean forward

Each year is different in the investing world, bringing fresh challenges, be them micro, macro or market in nature. While I will never say we welcome all the world has to throw at us, what I always state is that we have experienced a lot in our time at VEF, and indeed our careers in emerging and financial markets. All crises, in hindsight, are some of the best learning grounds for us as investors and market professionals. There is a playbook for VEF and our portfolio companies, in times of volatility, one prepares for the worst and then is well-positioned for any upside from there.

Looking back, in 1H22, we were quick to go on the defensive as market mood music changed. First, we strengthened our balance sheet, raising our first sustainability bond. At portfolio level, we overly focused on our size holdings, namely Creditas, Konfío and Juspay, ensuring they were in a strong capital position to continue to grow at a healthy clip through to planned break-even. We then addressed our NAV mark in our 2Q22 filing, given the sharp sell-off in public markets over that YTD period, and rebased it to reflect a more conservative reality. With our defence in place, 2H22 was a period where we started to lean back on the front foot. Specifically, we spent increasing time in our core investment ecosystems with VC partners, portfolio companies and pipeline. We were back marketing the VEF story to global investors, off strong underlying trends in our portfolio companies and a rebased NAV. Finally, given the dislocation between VEF's share price and the intrinsic value we see in our portfolio, we launched a share repurchase program.

Besides religiously marking our portfolio to market, we also saw the majority of our portfolio companies refocus and balance growth/expansion versus roadmaps to break-even with current capital levels. As of YE22, our portfolio is well funded and prepared to navigate the current environment. 69% can reach break-even with existing capital position or is already profitable, while 31% are in earlier stages or high growth mode, with a portfolio weighted runway of c. 15 months. As important, at the same time, our portfolio companies continue to execute well delivering aggregated top line growth of 120% in 2022. This is something we expect to moderate into 2023 as companies balance growth with profitability to a more sustainable 65% level.

Portfolio company highlights

At YE22, our portfolio was heavily skewed to the key scale fintech opportunity markets of Brazil, India and Mexico. Six of our seventeen holdings are in Brazil, including portfolio heavyweight and north star Creditas (46% of portfolio). India is now our second largest exposure market, accounting for 16% of our portfolio, inclusive of our second largest portfolio company, Juspay.

2022 was very different to 2021 for **Creditas**, but one in which it continued to deliver stellar growth and broaden its franchise in the Brazilian secured lending space. The major positive event of 2022 was the USD 50 mln extension to their Series F financing round, bringing that total round capital raised to USD 310 mln. The round extension brought in Andbank, the global private bank to their cap table. As part of the transaction, Creditas acquired the banking license of Banco Andbank (Brasil) S.A. Attracting additional capital at previous round valuation was an event reserved for the best-in-class private companies in 2022, while the bank licence acquisition opens up a number of exciting strategic avenues for Creditas regarding the breadth and depth of its funding going forward, inclusive of deposits.

On the performance front, Creditas IFRS results for 9M22, highlighted robust 98/90% 3Q22 YoY revenue/loan growth. Through 2H22 Creditas started to target more moderate loan growth and focus on portfolio repricing. This has only started to feed through to gross profit margins, which bottomed out at c. 10% through 2Q/3Q22 and are set for strong recovery over the coming quarters. Management expects to regain 40–50% gross profit margins levels as this plays out through 2023. Below this line, in the income statement, Creditas continues to rationalize its overheads, drive efficiency gains, and bring down customer acquisition costs to lowest levels experienced. This is all ongoing while asset quality remains in solid shape given the collateralised nature of the loan book. It is this interplay of forces; 1) moderated but still robust portfolio growth, 2) loan repricing, 3) Selic peaking and funding costs with it, 4) cost and CAC optimisation and 5) stable asset quality, that excite us and provide a great risk/reward story as Creditas drives a path to profitability in 2023. On the IPO front, Creditas continues its goal to be a publicly listed company and awaits a better market environment before it looks to act.

Juspay was one of our standout portfolio performers through 2022, delivering strong growth, driven particularly by their core UPI infrastructure solutions. They now power a meaningful portion of India's mobile commerce, partnering with 300 of India's largest merchants and banks. Indicative of the company continually reaching fresh highs, Juspay had a new record day on December 31 where it processed over 75 million transactions representing USD 150 mln of GMV (USD 100 bln annualised). They continue to benefit from the amazing tailwinds of growing digital payment penetration.

Always adding to the portfolio, VEF invested into three new portfolio companies in 2022, Gringo and Solfácil (Brazil) and Mahaana (Pakistan), investing a total of USD 33 mln in the process.

Gringo – VEF invested USD 12 mln into Gringo, leading their USD 34 mln Series B round. Gringo is our latest embedded fintech bet, building a "super-app" for drivers in Brazil with the ambition of becoming the drivers' best friend. Vehicle ownership in Brazil is a cumbersome journey where owners face pain points driven by analogue processes, massive paperwork and broken legacy systems. Gringo started by offering vehicle-documentation related services such as payments solutions for drivers to pay for renewal of licenses, taxes and fines amongst other things. The company had a super strong 2022 growing its active user-base close to 3 mln, with top line revenues set to grow 500%+ YoY. While we like many things about Gringo, high on this list was Gringo's exponential growth rates coupled with very high levels of user engagement.

Solfácil – VEF invested USD 20 mln into Solfácil, in a USD 100 mln Series C round. Solfácil is Brazil's largest digital solar panel market-place and financing platform. Founded in 2018, Solfácil is building a full ecosystem for solar energy adoption in Brazil, where electricity market dynamics, cheap labour, high levels of home ownership, a favourable regulatory environment, and ideal climate conditions contribute to a significant TAM, where solar adoption is forecast to rise from 0.8% to a conservative 5% by 2026. Beyond the clear environmental benefits, in Brazil there are economic benefits for consumers to adopt solar energy. Solfácil gives consumers access to financing for panels, where the cost of borrowing is similiar to consumers' current utility bills, and once the loan is paid down, the panels and thus electricity is effectively free from that point on. Solfácil disburses these loans though a fully digital channel, leveraging a fragmented network of partner solar installers across the country to originate the loans, and operates a marketplace for solar panels and offers additional services to customers such as maintenance and repair.

Mahaana – VEF invested USD 1 mln into Mahaana, Pakistan's first digital wealth management company and graduate of Y Combinator (renowned US startup incubator). This was part of a larger seed round that included SparkLabs, IGI Holdings and Mattias Martinsson (founder of Tundra Fonder). Mahaana's platform allows over 50 million working class Pakistanis to better invest their savings and pensions, in a country where the vast majority of savings are made in cash or sit in low-yield bank accounts. The scale of the opportunity is clear when one looks at the deep success of the savings and pension model in Sweden and the 401(k) in the US. Pakistan lags significantly behind in individual savings rates with only c. 250,000 individual investors, 0.02% of a 200 million+ population. Founded by Shamoon Tariq, a long-time friend and partner of VEF, he is the perfect founder to build this business in his home country, after years spent in asset management across frontier markets (including Pakistan) with Swedish based Tundra Fonder.

We reiterate our welcome to all three new 2022 cohort companies and their founding teams and look forward to long successful journeys with each.

Strategically well placed for the coming investment cycle

Over the past eight years, with VEF, we have successfully built out an investment platform with expertise in investing in fintech across the emerging world. We continue to improve, broaden and deepen all aspects to our business model as we grow:

- Our capital markets journey started with an initial rights issue to raise equity, has since been followed by two direct market placements, a number of exits, including two benchmark ones with the exits from Tinkoff (Russian digital bank) and iyzico (Turkish Payments). Most recently we issued our maiden sustainability bond.
- We have attracted capital from some of the biggest and best equity fund managers in the world, inclusive of names like Fidelity, Wellington, Robeco, Robur and Baille Gifford, enabling them to invest in the world of private emerging market fintech, through the prism of our listed structure. In some cases, these investors have joined us, investing directly, in later stage funding rounds for a select few of our holdings. These capital relationships have been evolving and deepening over time. We now have regular calls with many of our top shareholders, during which both sides share views and experiences in areas of public and private markets, recent IPOs, specific geographic or sector trends. On the fixed income side, we have provided access to our SEK sustainability bond to benchmark Swedish fixed income funds like SEB Asset Management and Atlant Fonder.
- From a regulatory perspective, our platform has been increasingly vetted and tested. Our listing has been promoted from the unregulated Nasdaq First North Growth Market to the regulated main board, while we improved our holding company structure from a Bermuda base to a Swedish one.
- On the asset side we have invested in a range of fintech companies from early to late stage, even holding a public asset for some time. We have led and followed-on in rounds, bought secondary and exited via IPO and M&A, all across many different scale frontier and emerging markets. We keep building this experience and muscle.

Today, we see a lot of strategic value in our platform, beyond the value inherent in our portfolio holdings and we remain strategically flexible on the next and best ways to maximise and monetise what we have built. This is our own structural growth story.

At its core, VEF is an investment company, and one has to be cognisant of, and roll with the investment cycles. We are starting to see interesting investment opportunities appear. Through late 2022, and early 2023, there are early signs that some companies are, once again, stepping out and looking to get ahead of the curve and bolster capital levels. We are starting to see many quality fintech companies, whose underlying businesses we always liked, but whose valuations had started to run away with themselves through 2021 have now started to come back into play. We are also in the early innings of a secondary market shake out, as company cap tables start to recycle – early-stage investors looking for exit windows coupled with a lot of investors finding themselves outside their comfort zones or investment zip codes in emerging market privates, at the wrong point in the investment cycle. This all screams opportunity to VEF and an opportunity we are actively working on as we look into 2023. It is clear to us that there is a great investment vintage in the making here and with our team and experience, we firmly believe we are well placed to take advantage of it. As always, we will lean in when we feel the opportunity is ripe.

ESG, continuing our march forward

Through 2022, Environmental, Social and Governance (ESG), continued to grow in importance for VEF.

At VEF we delivered a number of key ESG milestones through 2022:

- **Sustainability Bond** – By issuing SEK 500 mln sustainability bonds in 2Q22, we secured a dedicated pool of capital to invest in companies that not only are attractive investments, but also contribute positively to society or the environment. This is indeed a milestone in our sustainability journey as we show our commitment to, and belief in, the positive social impact of our portfolio. Given the interest and support shown by investors for our bond issue, we are clearly not alone in believing in the power of sustainable finance. One year on from the bond issue, we have allocated the funds to some great portfolio companies across a number of different fintech lines and diverse geographies: Konfío (small business banking, Mexico), Rupeek (gold backed finance, India), Mahaana (pensions, Pakistan), and Solfácil (solar ecosystem Brazil).
- **Two new ESG related investments** – In 2022, 61% of the total invested capital into portfolio companies went to ESG impactful companies, including new portfolio companies Mahaana and Solfácil. Mahaana is VEF's third fintech investment into the early-stage scale opportunity market that is Pakistan and allows us to continue our ESG mission of contributing to financial inclusion and well-being in that country. On pages 14–21 in this report we take a deep dive into Solfácil, the solar panel business as well as the origin story of the business as we interview one of the founders, Fabio Cararra.
- **Main Board listing** – On June 1, VEF AB commenced trading on Nasdaq Stockholm Main Market, graduating from the Nasdaq First North Growth Market. Our shares trade in the Mid Cap-segment under the ticker VEFAB. We strongly believe that the listing on the regulated Nasdaq Main Market was a clear governance positive. A logical and important step in the journey of our company, it is expected to further increase awareness of VEF, attract a broader investor base and improve access to capital markets.

As mentioned in past management letters, we see ESG as a long journey. We are learning, like many of our peers and looking to incrementally improve as we grow. 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. At a governance level, continually improving all from a strong base is a constant goal with clear benefits for all involved.

Concluding remarks

To repeat from recent reports – From day one we have maintained an over-arching focus on three simple mantras; 1) investments (invest well and live), 2) investors (love your investors) and 3) building a business for the long-term. We re-iterate that delivering shareholder value through a focused approach to increasing our NAV per share and reducing traded discount to market value remains our core focus.

We have been stress tested again and learned a lot in this window. We have a quality team and portfolio, whom I am very happy to be in the trenches with. We are proving ourselves through yet another crisis, as is the way in emerging markets. This is something we know lays the foundations for long-term success. We also have a great set of through cycle investors, who continue to have our back in windows of macro and market dislocation, something we readily acknowledge and respect.

At VEF, we invest in fintech across the emerging world, riding one of the strongest multi-year secular growth trends in some of the world's fastest-growing markets. We take a long-term view on our company, investments and indeed life, which is necessary when investing in the space that we do.

With 2022 behind us, it is hard not to be cautiously optimistic for 2023 with all we see ahead of us both in and outside our portfolio and positively optimistic for the medium to long-term future of our company.

Dave Nangle

The solar opportunity in Brazil & VEF's investment in Solfácil

Photo: Soro 6 (Unsplash.com)

Throughout VEF's history we have invested across a broad spectrum of fintech verticals, including payments, credit, personal finance and investments. Secured credit is an area where we have built up significant expertise and experience, where our investment in Creditas has allowed us to deeply understand asset-backed lending in Brazil.

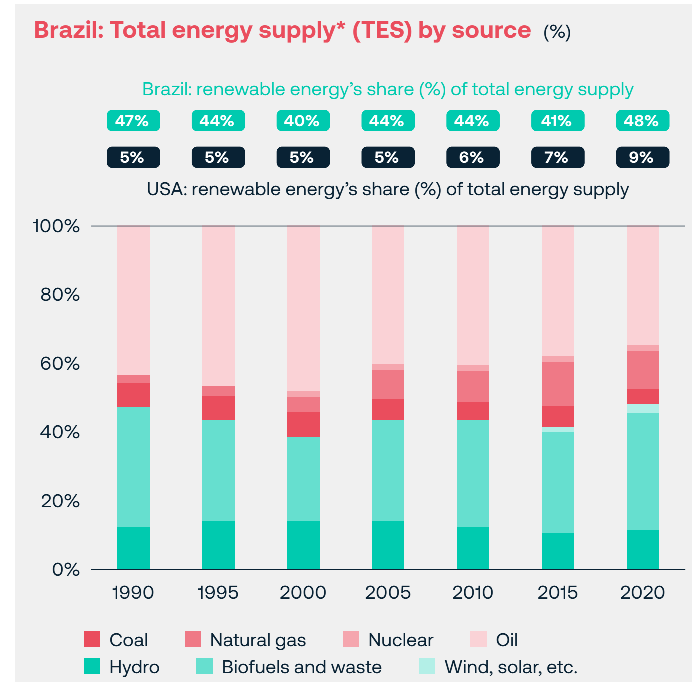
Over time, we leveraged this experience in our pipeline work to identify similar companies in other emerging markets (EMs), and subsequently invested in Rupeek, a gold-backed lender in India. Another great example of this was our March 2022 investment in Solfácil, Brazil's largest digital solar panel marketplace and financing platform. It is building a full ecosystem for solar energy adoption, which is still in its infancy in Brazil and across the EM world.

In this section of our annual report, one year on from our investment in Solfácil, we share an overview of the solar energy market opportunity in Brazil, focusing on the value proposition of solar and the potential market size of solar financing, and give special focus to VEF's investment in Solfácil, including an interview with the company's founder, Fabio Carrara.

The solar market opportunity in Brazil

Brazilian energy market – a global benchmark in renewable energy

Brazil has been recognised as a benchmark in clean and renewable energy for over 50 years.[1] As of 2020, the share of renewables in Brazil's energy mix was 48%[2] – in comparison, just c. 14% of global energy supply is derived from renewable sources and 9% in the US.[3] The country is home to 12% of the earth's fresh surface water, with one of the most extensive river networks in the world. As a result, Brazil has some of the world's largest hydroelectric power plants, with the majority of the country's renewable energy coming from this source, ranking behind only China in total installed hydropower capacity. It is also a pioneer in the use of biofuels, and currently stands as the second-largest producer of biofuel after the US.



* Total energy supply (TES) represents the total energy available in the country across all forms of energy (e.g. kerosene fuel for aviation, coal used in steel production or hydro electricity generation). Whilst hydropower accounts for only 12% of TES, Brazil's reliance on hydro is better contextualized by looking at the electricity mix specifically (a subset of TES), where hydro accounts for c. 65% of total installed electricity generation capacity (as of 2020). (Source: BEN 2021 report)

Brazil's medium-term priority to diversify renewable energy sources to wind and solar

Despite Brazil's green credentials, hydropower is cyclical in nature and heavily dependent on climatic conditions. Brazil's dependence on hydro has led to several energy crises historically.[4,5] Investing in wind and solar generation not only diversifies the country's source of energy, but also allows better geographic dispersion, particularly with distributed solar, which provides energy generation at the site of demand and mitigates reliance on transmission network infrastructure.

Brazil boasts an immense coastline of more than 7,400 km with constant winds and relatively shallow waters[6] as well as one of the highest levels of insolation[7] in the world.[8] The high installation costs of wind and solar generation, the fact that they are intermittent sources, and the generation of which depends on meteorological variables, has made increasing its share in the energy mix (3% of total in 2020) a challenge. In addition, Brazil has historically had a series of political and regulatory vested interests in growing sources of fossil fuels, particularly through state-controlled Petrobras. Many of these trends seem to be changing.

Rapid growth in wind and solar generation in recent years points to the unlocking of this enormous potential. We look at this through the prism of solar energy, and its strong value proposition today.

Photo: iStock

1. https://www.gov.br/en/government-of-brazil/latest-news/brazil-has-been-a-reference-in-clean-and-renewable-energy-for-over-50-years
2. Calculated based on the Total Energy Supply (TES).
3. https://www.iea.org/reports/key-world-energy-statistics-2021/supply
4. https://www.aljazeera.com/economy/2021/9/1/brazil-warns-of-energy-crisis-with-record-drought
5. https://www.reuters.com/article/us-brazil-electricity-idUSBRE90818N20130109
6. https://www.gov.br/en/government-of-brazil/latest-news/brazil-has-been-a-reference-in-clean-and-renewable-energy-for-over-50-years
7. Insolation is the amount of solar radiation received on a given surface in a given time period.
8. https://ae-solar.com/brazil-solar-energy-market/

Strong value proposition of solar energy

Brazil is undergoing an energy transformation. As mentioned, part of this is a reaction to a recent energy crisis, where dry summers left hydro reservoirs at 20–30% of capacity whilst electricity demand from a burgeoning middle class was resilient.

The government is gradually realising it must increase and diversify its energy mix. A key pillar of this strategy is introducing attractive legislation to unlock investment and adoption of solar. In 2012, Brazil introduced net metering, a landmark regulation governing the economics of distributed energy systems. Under this system, owners of small distributed energy systems (e.g. residential) can sell surplus energy generated back to the grid in return for 1:1 billing credits – effectively using the national grid as a 'virtual battery' free of charge.[9] In contrast, most other countries only allow excess electricity to be sold back to the national grid at a discount to the residential tariff the consumer pays when drawing electricity from the grid, which changes the economics and valuation proposition to consumers.

Since then, regulation has increasingly become favourable for renewable energy and in particular for solar. In addition, the government now has an explicit target of meeting 48% of its energy demand from wind and solar by 2027.[10]

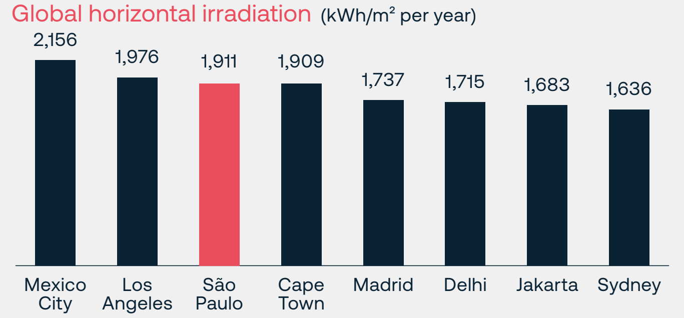
The value proposition of solar is strong and has been strengthening over recent years. This is due to:

1. Attractive climate & solar irradiance characteristics
2. High (and rising) electricity costs
3. Falling solar input costs.

1. Attractive climate & solar irradiance characteristics

The annual mean of daily horizontal global solar irradiation[11] in São Paulo is 1,911 kWh/m², comparable to cities such as Mexico City, Los Angeles and Cape Town, and is much greater than many other populous capitals across both developed and emerging markets including Madrid, Delhi, Jakarta and Sydney. Climate is such that the country experiences ideal sunlight hours for solar power generation. Brazil receives 4.25 to 6.5 sunshine hours on average each day[12] and technological advances such as solar tracking systems further amplify the value of Brazil's idealistic climate, allowing optimal exploitation of solar resources.[13]

Global horizontal irradiation (kWh/m² per year)



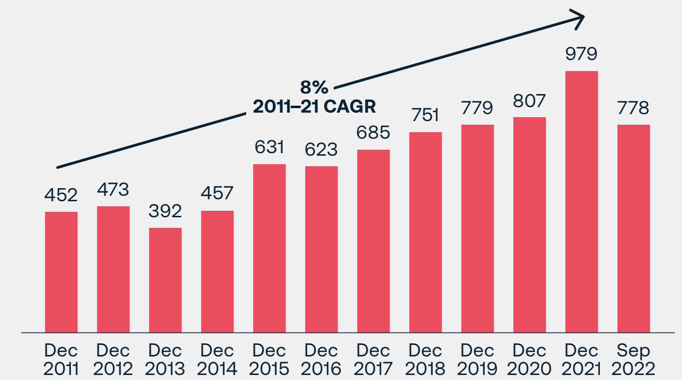
Source: https://globalsolaratlas.info/map

9. https://www.intersolar.net.br/industry-news/changing-the-rules-of-the-game
10. https://ratedpower.com/blog/renewable-energy-latin-america/

2. High (and rising) electricity costs

Whilst electricity prices have been historically volatile in Brazil, domestic tariffs have continued to trend upwards over the past decade, growing at CAGR of c. 8%, almost doubling since 2011.[14] When adjusted for per capita income, Brazil's energy costs are among the highest in the world.[15]

Spot rate residential electricity prices in Brazil (BRL/MWh)

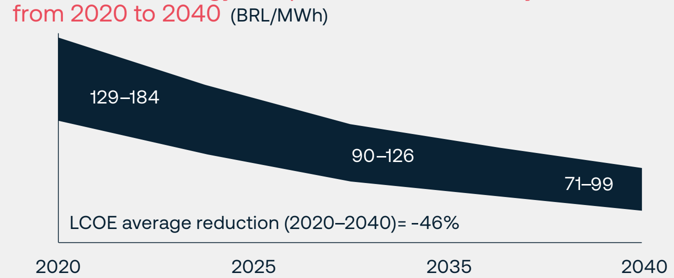


Source: https://www.gov.br/mme/pt-br/assuntos/secretarias/spe/publicacoes/boletins-mensais-de-energia

3. Falling solar input costs

The cost of installing solar systems has fallen significantly over the past decade. This is in part thanks to technological advances – the efficiency of the new equipment has significantly increased, providing c. 30% more energy than five years ago,[16] reducing unit costs (the cost of photovoltaic modules in Brazil fell c. 66% between 2013 and 2021.[17] This has been coupled with an increase in technical proficiency and scale/competition amongst installers. This is expected to translate into a 46% reduction in the levelized cost of energy (LCOE) for solar generation and a 27% reduction for wind generation by 2040.[13]

Cost of solar energy is expected to decrease by 46% from 2020 to 2040 (BRL/MWh)



Source: McKinsey.com[13]

11. Global Horizontal Irradiance (GHI) is the total amount of shortwave radiation received from above by a surface horizontal.
12. https://list.solar/plants/largest-plants/brazil/
13. https://www.mckinsey.com/br/en/our-insights/all-insights/the-green-hidden-gem-brazils-opportunity-to-become-a-sustainability-powerhouse
14. https://www.gov.br/mme/pt-br/assuntos/secretarias/spe/publicacoes/boletins-mensais-de-energia
15. https://brazilian.report/business/2022/08/21/deflation-energy-prices-highest/
16. https://updatebrazil.com/2022/02/17/in-the-sunniest-country-in-the-world-solar-energy-finally-explodes/#:~:text=And%20the%20reason%20for%20this,solar%20radiation%20in%20the%20world
17. https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2022/Jul/IRENA_Power_Generation_Costs_2021.pdf?rev=34c22a4b244d434da0accde7de7c73d8

2023 Regulatory update

Brazil updated the solar regulatory framework publishing the long-anticipated Law 14.300 that came into force on January 1st, 2023. In broad terms, the law introduces a new framework for distributed generation in the country (>60% of installed grid-connected solar capacity), with a key feature lowering the eligibility criterion for net metering (to any solar PV systems below 5MW). The anticipation of this law has seen a recent surge in new small-scale solar project developments. The framework will remain in place until 2045, ensuring regulatory and legal certainty for owners of small-scale solar PV systems.

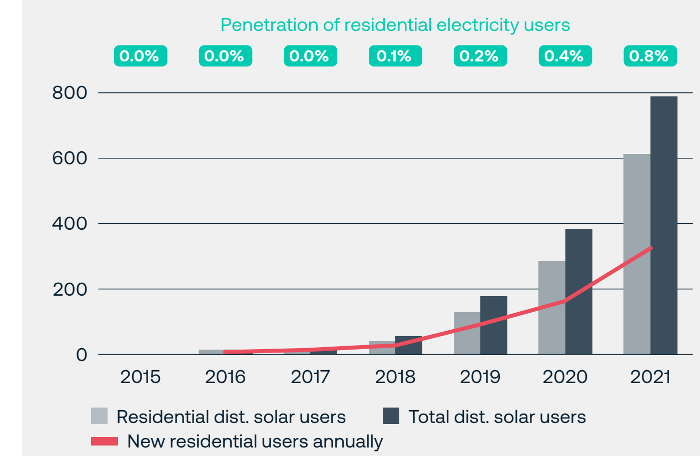
Attractive economic value proposition

The strong solar value proposition translates into a highly attractive economic proposition for the consumer over traditional options, given PV panels have a long useful life of 25–30 years.

We estimate the monthly cost of a solar PV to a residential home owner in São Paulo at USD 157 for the first 72 months. Thereafter, the cost drops to just maintenance of c. USD 12 monthly. This compares to a conventional electricity cost of USD 128 monthly, which likely increases with inflation at 4–6% annually. We believe a c. USD 6,000 solar panel installation will be NPV positive in less than 10 years with projected savings vs. conventional electricity of >USD 20,000 in 15 years and >USD 60,000 in 25 years.

The strong and improving value proposition is evident in Brazil's rapid growth of installed solar capacity in recent years, yet this represented just 0.8% of residential electricity users in Brazil in 2021 and 1.4% in 2022f.

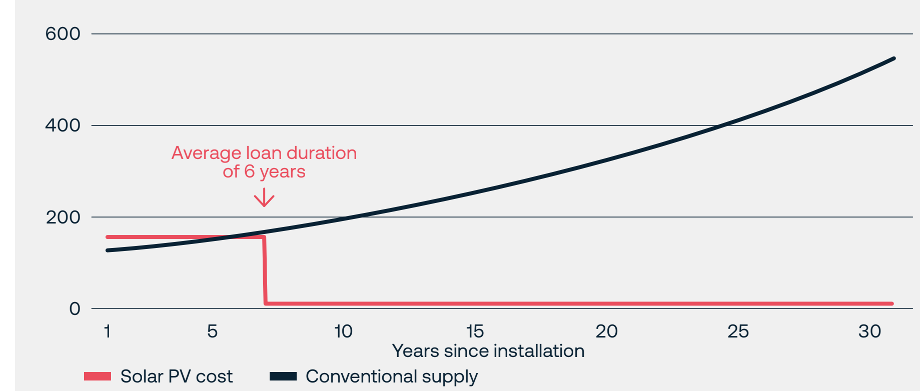
Cumulative distributed solar users in Brazil* ('000s)



Source: https://www.epe.gov.br/pt/publicacoes-dados-abertos/publicacoes/BEN-Series-Historicas-Completas

* Distributed capacity refers to solar panels installed at the site of the electricity consumer (e.g. rooftop panels at a residential property, or on the farmland in the case of rural solar). Total users includes residential, commercial and rural.

Solar financing vs conventional supply (Monthly cost, USD)



Source: VEF Estimate

Savings calculated based on:

- c. 6.5kWp solar system installed in a residential property in São Paulo
- Total project cost of USD 5.6k, financed across 6 years at c. 25% APR
- Annual solar system maintenance of USD 150
- 1:1 net metering on excess electricity generation
- Electricity tariffs escalating at 5% annual inflation

Residential solar financing

Financing is the main adoption hurdle to residential solar financing

The main hurdle faced by consumers who look to adopt solar power and take advantage of this opportunity is access to financing. This is a function of both demand and supply. On the demand side, it is estimated that only a minority of customers have enough savings to purchase solar systems outright. The majority of solar installations are financed as a result. However, the supply of solar financing is limited. Incumbent banks such as Banco Votorantim and Santander offer some form of solar panel financing though this is still nascent. The market for solar system installation in Brazil is highly fragmented and very much a local-market business, with manufacturers, distributors and installers all a commodity. In addition, with c. 10,000 installers operating throughout the country,[18] project and identify verification is complex, leading to high fraud rates in loan origination.

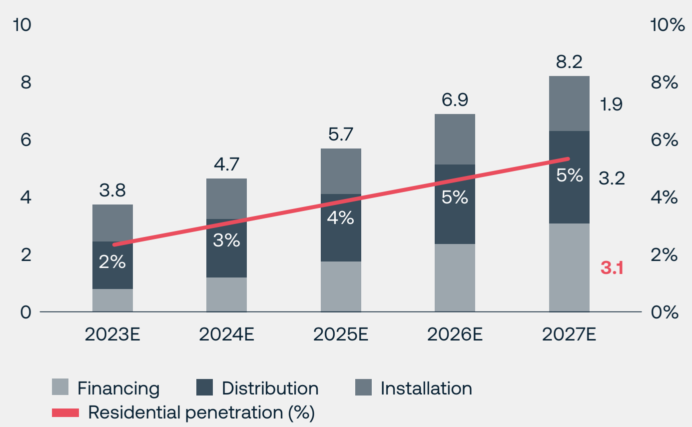
Total addressable market (TAM) is sizeable

We estimate the TAM for solar financing in Brazil at USD 3.1 bln. This assumes c. 5% residential penetration, and factors in gross revenues from 1) Loans originated at 18% APR 2) Origination fee earned up front (7%) and 3) Annual servicing fee of 0.5%. The broader distributed residential solar value chain is comprised of three main services: financing, distribution and installation. We estimate the combined total market will reach a gross revenue TAM of c. USD 8.2 bln by 2027, of which financing would represent 37%. The remaining 63% is heavily weighted towards solar PV distributors at USD 3.2 bln (39%) and the remainder allocable to solar installers at USD 1.9 bln (23%).

Fintechs help accelerate growth

In addition to the strong value proposition already outlined, increased financing is accelerating growth in part because fintechs like Solfácil emerge, disrupting the local bank model in three ways: 1) Building deep relationships with installers by providing access to financing through fully digital channels. 2) Providing tech platforms to digitise the distributed solar ecosystem (leveraging Internet of Things[19] (IoT) for monitoring & customer management). 3) Offering greater access and supply reliability through digital procurement marketplaces.

Distributed solar revenue TAM (USD bln)



Source: VEF Estimate

Our calculations ignore lost gross interest income from amortisation. They also ignore marketplaces or other fee income from distribution.

18. https://www3.weforum.org/docs/WEF_Mobilizing_Investment_for_Clean_Energy_in_Brazil_2022.pdf
19. The collective network of connected devices and the technology that facilitates communication between devices and the cloud, as well as between the devices themselves.

VEF's investment in Solfácil

Photo: Solfácil

In March 2022, VEF invested USD 20 mln into Solfácil, a leading ecosystem for solar solutions in Brazil, in a USD 100 mln Series C fundraise led by QED with participation from SoftBank LatAm Fund and Valor Capital Group.

Solfácil is building a full ecosystem for solar energy adoption in Brazil, offering the largest digital solar panel marketplace and financing platform to customers in the residential, commercial and rural sectors. The founder and CEO is Fabio Carrara, a focused and experienced entrepreneur who intimately understands the solar industry in Brazil and the pain points in the customer journey, having spent time working in both consumer banking and solar panel installation.

Solfácil's ecosystem consists of four main business units:

1. **Fintech:** Solfácil allows consumers to access financing for solar systems through a fully digital channel, leveraging a fragmented network of partner solar installers across the country to originate these loans.
2. **Marketplace:** It has recently launched a marketplace for solar equipment, working with distributors on the supply side.
3. **Services:** The company also offers additional services to customers on the platform such as maintenance, repair assistance and system insurance, driving increased stickiness of partner installers and recurring transactions of customers.
4. **Distributor:** Solfácil recently completed their acquisition of Solar Inove, a mid-sized solar distributor in Brazil. The distribution market is characterised by many sub-scale players who carry low inventory often leading to delays in solar kit deliveries (25–30 days for delivery on average). Bringing a distributor in-house allows Solfácil to take full control over distribution – maintaining good levels of inventory, ensuring their marketplace is competitive on price (whilst also improving Solfácil margins vs pure 3P model), and through managing fulfilment they can guarantee a reliable supply for installers.

Interview with Fabio Carrara, founder and CEO of Solfácil

Fabio Carrara is CEO and founder of Solfácil. He is an engineer by training and spent seven years as a consultant at BCG on projects at various telcos and FMCGs, and subsequently at large financial institutions where he focused on consumer finance, giving him a solid backdrop as an entrepreneur in this space.

Fabio's backstory in the solar energy world is very hands-on: post his MBA at Wharton and with some VC experience under his belt, Fabio had aspirations of becoming an entrepreneur. On discovering the macro opportunity that solar energy represents in Brazil, Fabio got his hands dirty and started his own solar panel installation company to learn the business before looking for a scale way to play the opportunity.

> "We realized that the key pain point in the sector was that customers did not have the upfront capital to invest in a solar system"

As an introduction, can you tell us a bit about Solfácil – what the company does and the value proposition for your customers, both installers and consumers?
Solfácil is a unique ecosystem where solar installers use our products and services to do business with their customers. We built an ecommerce platform where solar installers source the solar kits they offer to their customers. We built a fintech where the installer's customer can get a loan to finance the project, including the solar kit and the installation. We also offer insurance products that protect customers while improving installers' unit economics. More recently, we developed *Ampera*™, an IoT device that help installers take care of their customers – and increase their LTV. And we have *Solfácil+*, a program that rewards installers' loyalty to our ecosystem.

What was the original idea behind Solfácil and how did it all come together?
We first started as a solar installer back in 2015. After three years, and having installed hundreds of systems all over Brazil, we realized that the key pain point in the sector was that customers did not have the upfront capital to invest in a solar system, and that installers, as a result, had low conversion from lead to sale. With that, we pivoted and launched the first fintech in the solar space to address that problem. Over time, we also realized that installers had low working capital capabilities, and we had to help them with sourcing, too. That was when we evolved from a fintech to an ecosystem and launched our ecommerce platform to help installers source solar kits. Finally, we added other products to enhance the stickiness of our ecosystem.


Photo: Solfácil

Help us frame the opportunity set for investors: how big is the solar financing and servicing opportunity in Brazil?
Brazil has become the world's largest distributed solar market in the world (excluding China) with more than 7.7GWp of new capacity deployed in 2022. The combination of high electricity tariffs (USD 0.19/kWh, or 2.2x this cost when adjusted to Brazilian purchasing power), high irradiation (ie. 4.24 hours of peak sun per day) and low turn-key installation costs (USD 0.84/kWp) make the value proposition of solar in Brazil outstanding, with an unleveraged IRR of 27%, which is much higher than the USA (3%), Germany (17%) and Australia (14%). Last year, more than BRL 30 bln was spent on new distributed solar projects, comprising BRL 18 bln in solar equipment (panels, inverters, cables) and BRL 12 bln on installation services. Of the BRL 30 bln, c. 50% was financed, creating BRL 15 bln in solar financing origination.


Photo: iStock

What is unique about Solfácil in terms of the product offering in Brazil today?
On the installer side, we are the only player in the market with all the solutions our partners need to run their businesses. Additionally, given we capture different profit pools of the value chain, we can offer bundled discounts for maximum perceived value. On the consumer side, we give end customers access to the solar energy opportunity via the provision credit – all while providing maximum convenience for both groups. After a recent acquisition in 2022, we are the only financing player that has distribution capabilities, and we are the only distributor that has in-house financing capabilities.

How have higher inflation and interest rates affected the business?
Higher inflation means less disposable income because of 1) inflation eroding purchasing power and 2) higher interest rates set by the Central Bank. This tends to reduce the demand for financing in general. However, on the other hand, electricity costs have also increased (which is one of the largest factors of high inflation), so to some extent the effect was partially offset and the value proposition to customers not altered. Despite those headwinds, after China, Brazil was the largest market for solar installations in the world in 2022.

What are the main ways you have adapted Solfácil's business, team and culture in this changing environment?
We have put a higher focus on unit economics, pricing, and profitability, and have become more disciplined in prioritization and trade-offs. Additionally, increasing organizational efficiency (ie. doing more with less) has been an important lever for us. Despite the changing environment, we've grown annualised revenue by 5x YoY to USD 160 mln, and now serve more than 65k customers across 4.2k active solar installers.

What are you most excited about for the future of Solfácil?
Knowing that we have barely started. That in the future, all households will electrify their houses, produce their energy, store it, use it for their EVs and leverage the intelligence of smart devices to make the most out of those assets. And that Solfácil will be at forefront of allowing that green revolution to happen.

Photo: Solfácil

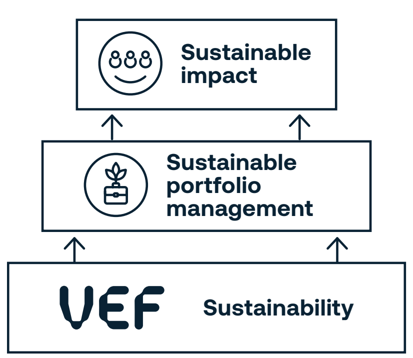
A sustainable journey

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.

Our strategy

Setting our sustainability strategy is a continuous journey as we always strive to improve and evolve. What we have always done and believed in is the importance of taking into account sustainability and certain ESG aspects in our investment process and investment philosophy.

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 and 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 a few 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. We believe in having a sustainability strategy that largely aligns with these goals.

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.

Investment strategy and philosophy

Sustainability is central in our investment strategy and process, always ensuring that we invest sustainably. Sustainable investing can mean different things and has different levels depending on how and to what extent sustainability is taken into account in the investment process. We divide our investments into two categories/levels: responsible investing and impactful investing. All our investments tick the box of responsible investing. We also aim to find investment opportunities that take this one step further by being impactful investments through portfolio companies solving for prioritized problems in society. A more detailed description of our investment process and how ESG considerations are integrated is set out on pages 96–97 in the Sustainability report.

Impactful investing at VEF

It is easy to claim that one's investing is impactful but what does that really mean? To us, it means that our portfolio companies have a positive effect on a prioritized societal issue for underserved target groups and/or the planet. Our contribution is the investments we make in those companies, empowering them to tackle these prioritized problems. Although impactful in their own way, not all

Investment strategy and philosophy

Responsible investing	Impactful investing
• Takes into account ESG factors, mainly social and governance • Assessment of ESG risks and opportunities • Assessment of ESG status of portfolio companies • Fulfils VEF's ESG criteria • Fulfils VEF's responsible finance criteria • Eliminates harmful activities and fulfills VEF's exclusion criteria • Mandatory for all our investments	• Provides positive impact on a prioritized societal problem

our investments would meet this definition of impactful. To be clear in our distinction and classification of our investments, we have identified three different themes based on the selected SDGs that we consider to be prioritized issues in society and to which we believe that we can contribute the most.

As we are not a pure impact fund, all our capital does not go towards impactful investments. But we aim to direct our investments to impactful companies as we often see great investment potential where there is also a great sustainability opportunity. As an example, companies providing financial services to un- or underserved consumers and MSMEs are often very attractive business cases as they are addressing a gap in the market. We do not sacrifice high returns for the sake of impact. We invest in companies that both have the potential to provide high returns as well as being impactful.

In April 2022, we issued SEK 500 mln sustainability bonds pursuant to VEF's Sustainability Bond Framework (published on our website), thus formally committing to allocate SEK 500 mln to impactful portfolio companies. You can read more about the bond on page 31. Our three impact themes are largely aligned with our Sustainable Bond Framework.

Theme	SDG	Portfolio Company
Improve access to financial products for underserved people and MSMEs in emerging and frontier markets	1.4, 8.3, 8.10, 10.2, 10.c	JUMO, FINJA, Konfío, abhi, ahaana, Rupeek
Improve the financial fairness, health and wellbeing for people and MSMEs in emerging and frontier markets	8.3, 8.10, 10.2, 10.c	creditas, transferGo, Rupeek
Improve access to renewable energy sources through financing and distribution solutions	7.2	SOLFACIL

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 us and our portfolio companies, namely the three areas set out below. These have been chosen as most relevant given that we invest in emerging markets and specifically in private fintech companies in growth stage. That does not mean we disregard other ESG areas such as environmental impact, but for VEF as an investment company focusing on fintech, social and governance-related matters are particularly material from both risk, opportunity, and impact perspective. As an investment company, 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.

You can read more about how we identified these key topics and about Governance and Business Ethics on pages 94 and 97 in the Sustainability report and the other two focus areas on pages 27 and 28.

Core area	Description	Key achievements
Governance and business ethics	• Sound governance practices • Regulatory compliance • Anti-corruption and AML • General business ethics	• Ensured that all new investments are obligated to adhere to VEF business ethical principles • 17/17 portfolio companies have relevant ESG policies • 100% of portfolio companies compliant with VEF business ethical principles in 2022
Responsible finance	• Fair and transparent consumer practices • Data privacy and security • Responsible lending and prevention of over-indebtedness	• Refined the VEF Responsible Financing Principles and adopted a new Responsible Finance Framework • Integrating responsible finance into our pre-investment due diligence • Engaged with relevant portfolio companies • Started the process of portfolio companies formally committing to the Responsible Finance Principles
Financial inclusion, fairness and wellness	• Improve access to financial products for underserved consumers and SMEs in EM • Improve the financial fairness, health and wellbeing for people and MSMEs in emerging and frontier markets	• USD 208 mln (75%) of invested capital in portfolio companies since 2015 has been invested into current portfolio companies contributing to financial inclusion, fairness and wellness

Goals and targets

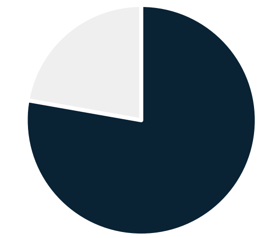
As part of our focused sustainability strategy, we also set our goals and targets within our core areas, which are set out below. We also track a few additional targets that are set out in the Sustainability report on pages 94–103.

VEF goals

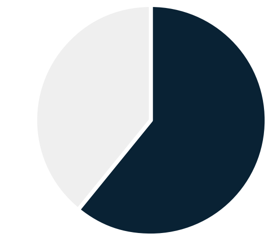
Goal	Relevant SDGs and other global conventions	Goal fulfillment 2022
Invest in companies that positively impact the access to financial products for consumers and MSMEs in emerging markets through our investments	**1.4** **8.3** **8.10** **10.2** **10.c**	USD 8.3 mln invested in Creditas, Rupeek, Abhi and Mahaana
Invest in companies that positively impact access to renewable energy in emerging markets	**7.2**	USD 20.0 mln invested into Solfácil
Promote the conduct of responsible finance businesses in emerging markets	N/A	• Adopted a new Responsible Finance Framework • Revised VEF's Responsible Finance Principles • Started the process to have portfolio companies' formal commitment to the VEF Responsible Finance Principles
No (0) ESG-related incidents such as corruption, human rights violations, data privacy breaches and violations of ESG regulations, including environmental regulations.	**16.5** UN Global compact, OECD Guidelines for Multinational Enterprises, the ILO's core conventions, and the UN Guiding Principles on Business and Human Rights	• No (0) incidents

Portfolio companies

Goal	Relevant SDGs and other global conventions	Goal fulfillment 2022
No (0) ESG-related incidents such as corruption, human rights violations, data privacy breaches and violations of ESG regulations, including environmental regulations.	**16.5** UN Global compact, OECD Guidelines for Multinational Enterprises, the ILO's core conventions, and the UN Guiding Principles on Business and Human Rights	No (0) incidents
100% of portfolio companies having business ethical policies, including anti-corruption and anti-bribery	**16.5**	100% of portfolio companies
100% of portfolio companies formally committed to VEF's ESG Standard, including the VEF Responsible Finance Principles for relevant companies	N/A	Ongoing – to be measured end of 2023



77.8%
of our total portfolio company value is impactful investments



60.7%
of invested capital in portfolio companies in 2022 went to impactful companies

"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

Photo: Frederic Barriol (Unsplash.com)

How we work with sustainability – a three-level approach

In the introduction to this section, we mention that we have a three-level approach to sustainability work and strategy. As the basis for our work, we focus on sustainability matters within VEF, followed by sustainable portfolio management and sustainability impact.

Sustainability at VEF as a company and investor

We at VEF 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 markets' 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.

Last year we mentioned several important steps we have taken as a company to become more sustainable, including the redomestication to Sweden from Bermuda, diversifying our board, strengthening our governance structure and increasing management focus on sustainability matters. These are actions that have all set a good basis for our continued work and journey in 2022. During the year we have:

1. Renewed our sustainability strategy and roadmap
2. Issued a Sustainable Bond Framework and SEK 500 mln of sustainability bonds
3. Invested in two new portfolio companies, Solfácil and Mahaana, with great potential for positive sustainability impact
4. Moved listing venue to Nasdaq Stockholm main market and in connection therewith strengthened our governance structure and processes
5. Started the process on increasing our sustainability reporting in preparation for new mandatory reporting requirements
6. Continued our engagement with stakeholders
7. Trained and educated the investment team on responsible finance practices

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 sustainability as a fundamental part of business and the power of active shareholding, to ensure strong governance and responsible business practices as well as ensure alignment with shareholders' interest. Therefore, we strive to have board seats in our portfolio companies if possible and we currently sit on the board of more than 75% of our portfolio companies (78% of our total portfolio value excl. liquidity investments). Where we do not have a board seat, we try to be active investors in other ways, and we engage with all our portfolio companies actively and regularly.

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

In end of 2022/beginning of 2023, we formalized the broader VEF ESG Principles that we request all our portfolio companies to formally commit to. Below is a summary of the principles included.

You can read more about how we work with sustainable portfolio management, our investment process and pre- and post-investment ESG analysis of portfolio companies on pages 96–97 in the Sustainability report.

VEF's ESG Principles

Environment	• Respect the environment and strive to improve environmental impact • Comply with environmental laws and regulations • Encourage to measure climate footprint
Social	• Respect for people and human rights • Comply with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises • Healthy and safe working environments with fair and reasonable working conditions • Employee wellbeing, equality and diversity. Zero tolerance for discrimination • Responsible finance practices
Governance	• Compliance with laws and regulations • High business ethics, zero tolerance for corruption, money laundering and fraud • Handle personal data responsibly, securely and in accordance with law • Accuracy of financial and non-financial reporting • Processes and policies for adequate financial control and risk assessment

The VEF Responsible Finance Principles

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

In 2022, VEF adopted a new Responsible Finance Framework that sets out our principles within this area as well as a guide on how to interpret and work with the principles. We have since 2020 been a signatory member of the Responsible Finance Forum and we largely base our principles and guidelines on their framework which has been developed by the IFC (International Finance Corporation). These principles form a part of the broader VEF ESG Principles that we require our portfolio companies to commit to as described above. Since 2020, we have also engaged with portfolio companies to discuss responsible finance principles and developed our investment and due diligence process to integrate this theme more and more. During the year we also discussed and trained the whole investment team on responsible finance and how to work with the principles and the framework.

We have a detailed guideline for ourselves and our portfolio companies for what the principles mean and how to implement them in policies and processes. VEF is committed to engage with and guide the portfolio companies to become more ethical as and where needed.

We have started rolling out this new framework to portfolio companies and our goal is that 100% of the portfolio companies will formally commit to them by end of 2023.

JUMO – a responsible financial partner

JUMO is committed to being a responsible financial partner and the long-term protection of their customers. JUMO endorseas 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 are able to pay back, while actively applying measures to avoid over-indebtedness.

As JUMO's mission and products are specifically targeting underserved consumers with little to no access or experience with formal financial products it is particularly important to be transparent, fair and responsible for them to be successful. This is something JUMO recognizes and actively works on as they incorporate aspects of education and customer protection in their customer communication strategy. They have implemented specific Customer Operating Principles that address customer protection and empowerment. The Customer Operating Principles have been recognized as best practice by organisations such as the Smart Campaign, CGAP and the Center for Financial Inclusion.

They continuously work on the pricing of their products and have reduced the price of lending products by 60% in the last five years as they become more efficient. They also have lending processes and guidelines to prevent over-indebtedness, such as a policy that customers can only have one loan at a time, and they don't charge compounding interests/fees. Terms are written in plain and simple language and communicated repeatedly throughout the lending process, including all fees and costs. For defaulting customers, there is a one-time, non-compounding late fee raised, after which a customer can repay at any time without incurring any further cost.

JUMO is a great example of a portfolio company that has implemented policies and processes as well as designed products that are trying to limit any negative impact or risks to the customer.

The VEF Responsible Finance Principles

1. Provide responsible, fair, and transparent financial products
2. Have clear and understandable terms and conditions
3. Work to prevent over-indebtedness
4. Provide accessible and clear customer service in a timely and responsive manner
5. Handle personal data responsibly, securely and in accordance with law
6. Promote digital financial literacy and awareness initiatives

VEF investing in financial inclusion

VEF's biggest and most meaningful effect on the world is the positive impact the portfolio companies may have on society by providing access to financial products to consumers and MSMEs in emerging markets. By being an investor in VEF, you make a difference and contribute to financial inclusion in the emerging world.

> **"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[1] are either unavailable, of poor quality and/or discriminately expensive.

- **c. 1.7 billion people globally don't have a bank account**
- **76% of those live in sub-Saharan Africa and South Asia**
- **50% of those are in just seven countries, including India, Pakistan, Mexico, and Nigeria[2] – which all are focus markets for VEF**
- **MSMEs in emerging markets are largely un- or underserved by traditional financial institutions and typically lack access to affordable credit**

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

Our portfolio company JUMO is a great example of the impact that fintech companies can have in emerging markets. 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.

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

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

USD 228 mln (77%)

of invested capital in portfolio companies has been invested into the portfolio's impactful companies since 2015

Fintech for environmental impact

In 2022, VEF invested in the Brazilian company Solfácil, that provides financing to consumers for solar panels, improving the access to renewable energy in emerging markets.

You can read more about Solfácil on pages 19–21.

1. Defined as per the IFC definition: IFC's Definitions of Targeted Sectors
2. 2017 Findex full report, chapter2 (worldbank.org)

VEF impact portfolio companies

VEF portfolio companies contribute to the financial inclusion of consumers and MSMEs in emerging markets by:

1. Improving access to financial products for underserved people and MSMEs
2. Improving the financial fairness, health and wellbeing for people and MSMEs

This is a short introduction to VEF's portfolio companies with businesses that contribute to the financial inclusion and wellness of consumers and MSMEs in emerging markets. You can read more about the businesses of each one of these in the section "Investment portfolio" on pages 35–43.

	Business	Impact thesis	KPIs
Konfío	Providing credit, payment and other financial products to MSMEs in Mexico.	MSMEs in Mexico are massively underserved by traditional banks and generally lack access to credit. SDG: 8.3	• Served +32k MSMEs to date • Originated almost 54k loans to date • Almost 50% are sole proprietors • C. 30% are female owned businesses • C. 30% of business owners are below 35 years • For 85% of customers during 2022 their credit with Konfío was their first business loan • On average 25% increase in sales 18 months after receiving Konfío loans
JUMO	Provides inclusive financial services to unbanked consumers and SMEs across several emerging and developing markets in Africa and South Asia such as Ghana, Tanzania and Kenya.	Consumers and MSMEs in JUMO markets are generally underserved and don't have access to formal financial services. SDGs: 1.4, 8.3, 8.10 and 10.2	• 21 mln unique customers to date • Originated +150 mln loans and in total USD 4.7 bln to consumers and MSMEs • 19% of customers earn less than USD 2 per day and +80% of customers less than USD 10 per day • 1/3 of customers are women • 1/3 of customers live in rural areas • 65% of customers are MSMEs
creditas	Provides secured loans to consumers in Brazil.	Consumers in Brazil pay some of the highest interest rates in the world for unsecured credit, while access to secured credit is limited for average consumers. SDG: 10.2	• 400k unique customers to date • Originated USD 1.7 bln in loans to consumers
Rupeek	Provides secured loans (gold backed) to consumers in India.	Consumers and MSMEs in India are massively underserved by traditional banks and have limited access to affordable credit. SDGs: 8.3 and 10.2	• 150k unique customers to date • Originated c. 450k loans and c. USD 1.5 bln in total to date

	Business	Impact thesis	KPIs
FINJA	Provides financial services to consumers and MSMEs in Pakistan.	Only 21% of the adult population have a bank account, and as little as 2% of adults and 7% of MSMEs receive formal credit from financial institutions. SDGs: 8.3 and 10.2	• +15k MSMEs have received a Finja loan to date • Almost 165k loans disbursed to date • 70% of the MSMEs are first time users of credit

	Business	Impact thesis	KPIs
abhi	Provides credit to underserved consumers and MSMEs in Pakistan.	Only 21% of the adult population have a bank account, and as little as 2% of adults and 7% of MSMEs receive formal credit from financial institutions. SDGs: 8.3 and 10.2	• Not reporting on KPIs for 2022

	Business	Impact thesis	KPIs
Mahaana	Mahaana is the first licensed digital asset management company in Pakistan, providing pension and saving products to blue-collar employees.	Despite being the 5th populous nation, only 0.02% and 0.1% of the population has pension and investment accounts, respectively. SDGs: 8.3 and 10.2	• Mahaana has just launched their first product and there are no KPIs to report for 2022

	Business	Impact thesis	KPIs
transferGo	Provides remittance services to blue-collar migrants across Europe and other markets.	Migrant workers sending money to their families in their home markets often pay high transaction costs for remittance services from traditional banks. SDG: 10.c	• Not reporting on KPIs for 2022

VEF's impact in numbers 2022

- **USD 28.3 mln of impactful investments in new and current portolio companies**
- **60.7% of investments into our impact portfolio companies**
- **2 new impactful companies added to our portfolio during 2022, Solfácil and Mahaana**
- **+21 mln consumers and MSMEs served to date by VEF portfolio companies**
- **+150 mln loans and USD 8.7 bln disbursed to date by portfolio companies contributing to financial inclusion and/or financial fairness and wellness of consumers and MSMEs in emerging markets**

VEF sustainability bonds

On April 6, 2022, VEF announced that we have issued SEK 500 mln in sustainability bonds under our new Sustainability Bond Framework which is aligned with the internationally recognized sustainable bond principles of the International Capital Markets Association (ICMA). The framework has been developed in accordance with the Sustainability Bond Principles, Social Bond Principles and the Green Bond Principles of ICMA. According to the framework, we can allocate funding to the four different categories below:

1. Financial inclusion
2. Financial fairness and wellness
3. Financial infrastructure and enablement
4. Renewable energy

Issuing sustainability bonds is a big and important step in our commitment to allocating capital towards our impact strategy and the core areas of our sustainability work. The bond was well received among investors believing in our ability to invest capital in companies contributing positively to society and is recognition of what we have always said is a great portfolio of companies with high positive impact for consumers and MSMEs in emerging markets. At VEF, we are very proud to have taken the step and commitment to invest in what we believe is a theme that is both attractive from a business return perspective but also attractive from a societal impact perspective.

We have published a specific sustainability bond allocation report with the final allocation of the bond proceeds to our portfolio companies Konfío, Solfácil, Rupeek and Mahaana. You can find the allocation report on our website, vef.vc.

> **"We have allocated all of the SEK 500 mln of proceeds from our sustainability bond to four of our impactful portfolio companies. We are very proud to have taken the step to earmark some of our capital to the financial inclusion and wellness of people and MSMEs in emerging markets and the improvement of access to renewable energy."**
>
> – Helena Caan Mattsson, Head of Sustainability

Photo: Annie Spratt (Unsplash.com)

Investment portfolio

Portfolio development

Net asset value

VEF's NAV as of December 31, 2022, was USD 381.8 mln (761.7) or USD 0.37 per share (0.73).

Given a SEK/USD exchange rate of 10.43 (9.04) this corresponds to a NAV of SEK 3,981 mln (6,885) or 3.82 SEK per share (6.61).

Over the year, VEF's NAV in USD decreased by 49.9%, and VEF's share price in SEK decreased by 59.5% while the MSCI Emerging Markets index* decreased by 20.1%. The decrease in NAV is a result of the mark down in valuations of the underlying portfolio driven by market moves of listed peers.

Investments

During 2022, gross investments in financial assets were USD 81.7 mln (171.1).

USD 33.2 mln was invested in new portfolio companies Solfácil (20.0 mln), Gringo (12.2 mln) and Mahaana (1.0 mln).

USD 13.5 mln was attributable to additional investments in current portfolio companies. Follow-on investments were made into Creditas (USD 5.0 mln), Juspay (USD 4.1 mln), Rupeek (USD 1.9 mln), Magnetis (USD 1.0 mln), FinanZero (USD 1.0 mln) and Abhi (USD 0.5 mln).

USD 35.0 mln was attributable to investments in liquidity investments.

Divestments

Gross divestments in financial assets were USD 42.0 mln (86.9) of which all relates to divestments in liquidity investments.

Revaluations

The largest revaluations of financial assets in terms of USD during the year, were Creditas (USD -206.0 mln), Konfío (USD -95.4 mln) and JUMO (USD -16.1 mln).

Liquidity placements

VEF has investments in a money market fund and bonds as part of its liquidity management operations. As per December 31, 2022, the liquidity investments are valued at USD 39.9 mln (50.6), based on the latest closing price or NAV.

Net asset value

The investment portfolio stated at market value (KUSD) at December 31, 2022

Company	Fair value Dec 31, 2022	Net invested amount	Net investments/ divestments 2022	Change in fair value 2022	Fair value Dec 31, 2021	Valuation method	
Creditas	193,076	103,356	5,000	-206,047	394,123	Calibration methodology	1
Juspay	47,471	21,083	4,098	953	42,420	Latest transaction	1
Konfío	40,146	56,521	–	-95,436	135,582	Mark-to-model	1
Solfácil	20,000	20,000	20,000	–	–	Latest transaction	1
TransferGo	16,347	13,877	–	-12,924	29,271	Mark-to-model	1,2
Rupeek	15,195	13,858	1,873	170	13,152	Latest transaction	1,2
Gringo	12,250	12,250	12,250	–	–	Latest transaction	1
FinanZero	8,085	5,163	991	-4,788	11,882	Latest transaction	1,2
Abhi	7,585	1,798	448	5,787	1,350	Latest transaction	1
BlackBuck	6,894	10,000	–	-3,106	10,000	Mark-to-model	1
Nibo	6,817	6,500	–	-5,743	12,560	Mark-to-model	1
Magnetis	2,637	6,668	1,000	-8,889	10,526	Mark-to-model	1
JUMO	2,322	14,614	–	-16,087	18,409	Mark-to-model	1
Mahaana	1,000	1,000	1,000	–	–	Latest transaction	1
minu	541	450	–	91	450	Mark-to-model	1
Finja	434	2,925	–	-6,917	7,351	Mark-to-model	1
REVO	–	6,664	–	-13,235	13,235	Mark-to-model	1
Liquidity investments	39,877	42,475	-7,000	-3,765	50,642		1
Investment portfolio	**420,677**	**339,202**	**39,660**	**-369,936**	**750,953**		
Cash and cash equivalents	8,612				11,131		
Other net liabilities	-47,458				-356		
Total net asset value	**381,831**				**761,728**		

* The MSCI Emerging Markets Index is a free float weighted equity index that consists of indices in 24 emerging economies.

1. This investment is shown in the balance sheet as financial asset at fair value through profit or loss.
2. Attributable to currency exchange differences.


Photo: F Cary Snyder (Unsplash.com)

Brazil

creditas

creditas.com

Creditas is the leading fintech platform for secured and specialized financial solutions focused on improving the lives of individuals in Latin America across three ecosystems: auto, home and employee benefits.

In Brazil, consumers pay some of the highest interest rates in the world, while secured lending remains massively underpenetrated. Creditas democratizes access to credit by leveraging customers' assets like their real estate, vehicle and salary to offer financing and refinancing options loans at more reasonable rates through an efficient, tech-driven application system.

In 4Q22 VEF made a follow-on investment of USD 5 mln into Creditas as part of a convertible round, taking the total invested amount in Creditas to USD 103 mln.

Recent highlights:

- In July 2022, Creditas announced a USD 50 mln extension to its USD 260 mln Series-F financing round bringing in Andbank, the global private bank, as a minority shareholder and a strategic partner. As part of the deal, Creditas also acquired the banking license of Andbank Brasil, thereby further diversifying its sources of funding.
- At the end of 3Q22, Creditas' loan portfolio reached over BRL 5.6 bln, annualizing revenues of BRL 1.9 bln.

Segment:
Secured lending platform

Fair value (USD):
193.1 mln

VEF Stake:
8.5%

Share of VEF's portfolio:
46.0%

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solfácil

solfacil.com.br

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

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

Solfácil raised USD 30 mln from Fifth Wall in mid-2022 as an extension to the USD 100 mln Series C round from 1Q22 where VEF invested USD 20 mln alongside QED, Valor and Softbank.

Recent highlights:

- In 3Q22 Solfácil launched their next generation solar IoT device, *'Ampera'*, a significant milestone in advancing their proprietary tech stack and optimizing their value proposition.

Segment:
Digital ecosystem for solar energy

Fair value (USD):
20.0 mln

VEF Stake:
2.6%

Share of VEF's portfolio:
4.8%

Gringo

gringo.com.vc

Gringo is the largest digital platform for drivers in Brazil.

Founded in 2020, Gringo is building a "super-app" for drivers in Brazil and currently offers vehicle-documentation related services, credit and insurance solutions. Gringo is focused on improving drivers' vehicle ownership journey in Brazil, which is currently riddled with pain points driven by analogue processes, massive paperwork and broken legacy systems.

In 1Q22, VEF invested USD 12.2 mln into Gringo, leading its USD 34 mln series B round together with Piton Capital which also saw participation from existing investors.

Recent highlights:

- In 2022, grew the active user base to almost 3 mln drivers and revenues by 500%+ YoY.
- Expanded its product suite to offer auto credit (car equity) and insurance solutions to its customers on the marketplace and onboarded multiple credit and insurance providers on its platform.

Segment: **Super-app for drivers**

Fair value (USD): **12.2 mln**

VEF Stake: **10.2%**

Share of VEF's portfolio: **2.9%**

FinanZero

finanzero.com.br

FinanZero is the leading digital marketplace for consumer loans in Brazil.

The high interest rates on consumer loans in Brazil, where unsecured consumer loan and credit card APRs average well into triple-digits, mean it is an imperative for consumers to find loans with the lowest rates and best terms available to them in the market. Acting as an independent broker, FinanZero negotiates the customer's loan with a network of 60 lenders, handling the lending process from start to finish, with the customer and the bank integrated into the platform. For consumers, this means that all the relevant credit providers are reached through one single application, and from the credit providers' perspective, FinanZero adds value through more effective distribution, lower customer acquisition cost, better segmentation, and lower administration costs.

Recent highlights:

- In 3Q22 FinanZero closed its fourth funding round, raising USD 4 mln from existing investors to fund expansion in Brazil and deepen integrations with bank partners.

Segment: **Consumer credit marketplace**

Fair value (USD): **8.1 mln**

VEF Stake: **19.0%**

Share of VEF's portfolio: **1.9%**

Nibo

nibo.com.br

Nibo is the leading accounting SaaS provider in Brazil, transforming the way accountants and SMEs interact in one of the most complex and regulated accounting and tax environments in the world.

The Nibo platform uses technology to offer a suite of financial management tools to accountants, SMEs and their BPO providers (Business Process Outsourcing), that helps them improve their productivity. Nibo is accumulating and managing a unique pool of SME data which has the potential to serve as a base for offering a variety of additional financial services to Brazil's underserved SMEs as a natural extension of the core products.

Since VEFs initial investment into Nibo in 2Q17 VEF made two follow-on investments in 2019 and 2020 and has in total invested USD 6.5 mln.

Recent highlights:

- Grew SME customer base to 377,000 served through 4,100 accountants by November 2022, continuing to gather one of the largest and richest data sets on SMEs in Brazil.
- Launched a platform for finance BPO providers in Brazil, enabling Nibo to become the only platform in the market to connect clients with their accountants and BPO providers.

Segment: **Accounting SaaS**

Fair value (USD): **6.8 mln**

VEF Stake: **20.1%**

Share of VEF's portfolio: **1.6%**

Magnetis

magnetis.com.br

Magnetis is a digital investment advisor in Brazil, democratising access to affordable and easy-to-use investment management, offering customers a simple, digital tool to manage their wealth.

Using state-of-the-art technology, the product takes the individual's risk preferences into account, then builds and manages a tailored portfolio of money market, insured fixed income, hedge funds and equity ETFs at the click of a button.

Since 3Q17 VEF has invested USD 6.7 mln into Magnetis with the latest investment of USD 1.0 mln made in 2Q22.

Recent highlights:

- Launched Magnetis Inflação (*por:* Inflation), a "fund-of-funds" of Brazilian government bonds linked to inflation.
- Continued to launch multiple initiatives to improve customer experience of its Infinity segment including an improved dashboard, a more in-depth portfolio report and a concierge service.

Segment: **Digital investment advisor**

Fair value (USD): **2.6 mln**

VEF Stake: **16.8%**

Share of VEF's portfolio: **0.6%**

India

JUSPAY

juspay.in

Founded in 2012, Juspay is one of India's leading payment companies.

Juspay offers a unifying layer of products and value-added services to merchants, thereby enabling them to improve their conversion rates. Juspay has played a key role in India's payment transformation and is present on 300 mln+ smartphones and processing USD 80 bln+ annualized TPV.

VEF has made a cumulative investment of USD 21 mln into Juspay, investing USD 13 mln leading its broader Series B round and investing an additional USD 8 mln in its series C round.

Recent highlights:
- Strong growth in processed volumes with YTD (Oct-22) annualized TPV of c. USD 80 bln growing 80%+ YoY.
- Went live with Google Pay, empowering its end-to-end UPI requirements and helping provide a seamless UPI experience for its customers.
- Increased efforts on expanding its payments business to international markets and deploy its software solutions with international merchants including multiple new strategic initiatives with VISA.

Segment:
Mobile payments platform

Fair value (USD):
47.5 mln

VEF Stake:
10.2%

Share of VEF's portfolio:
11.3%

BLACKBUCK

blackbuck.com

BlackBuck is the largest online trucking platform in India.

Founded in 2015, BlackBuck has been a pioneer in bringing the offline operations of trucking online and digitizing fleet operations for truckers (payments solutions around tolls and fuel). The company also operates a marketplace matching trucks with relevant loads and is leading a transformation in the India logistics industry, which is fast moving from paper and pencil to digital. Blackbuck has over a million transacting truckers on its platform with 8,000 physical touchpoints covering 100,000 villages in India.

BlackBuck represents VEF's first investment in the 'embedded finance' space. VEF made its initial USD 10 mln investment into BlackBuck in 3Q21.

Recent highlights:
- Strong growth in processed volumes, with annualized GMV growing 100%+ YoY in 3Q22 driven by both fleet management and marketplace.
- Marketplace continues to scale well with 5x+ YoY growth in both cumulative shippers and cumulative truckers on the platform in 3Q22.

Segment:
Online trucking platform

Fair value (USD):
6.9 mln

VEF Stake:
1.0%

Share of VEF's portfolio:
1.6%

Rupeek

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 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.

In 2022, Rupeek raised an additional USD 49 mln in its series E extension round led by Lightbox with a participation of USD 7 mln from VEF. In total VEF has invested USD 14 mln into Rupeek.

Recent highlights:
- In September, Rupeek partnered with Indian Bank, one of the largest public sector banks in India, for digital gold lending via Rupeek platform. The partnership comes at an attractive cost of capital terms for Rupeek and gives it access to the bank's deep branch network for distribution of its gold backed products.
- In December, Rupeek also launched a first-in-the-market co-branded gold-backed credit card in partnership with Indian Bank.

Segment:
Secured lending platform

Fair value (USD):
15.2 mln

VEF Stake:
2.3%

Share of VEF's portfolio:
3.6%

Mexico

konfío

konfio.mx

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

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

Recent highlights:
- Konfío continues to post strong growth across key metrics, and at the end of Q3 the company's total loan portfolio stood at MXN 5.6 bln.

Segment:
Financial services for SMEs

Fair value (USD):
40.1 mln

VEF Stake:
10.3%

Share of VEF's portfolio:
9.5%

minu.mx

minu is an employee financial wellness company offering a digital compensation and benefits platform to thousands of employees in Mexico.

In a country where 75% of the population live paycheck to paycheck, minu is on a mission to improve the financial health of millions of workers across Mexico. minu partnering with large corporate employers to give their employee base access to minu's platform which provides over 30 benefits including insurance, telemedicine, financial education, savings and credit products, and minu's market-leading salary on-demand offering. The B2B2C subscription-based distribution model is a win-win for employers and their employees whose needs are aligned: minu's solution improves the financial, physical and mental wellbeing of employees, leading to financially healthier and thus more productive workers.

Recent highlights:

- minu has made significant progress in 2022, more than doubling its employer base to 300 companies and growing revenues by 500%.
- Since 2019, minu users have made 650k on-demand salary withdrawals for a total value of MXN 677 mln.

Segment:
Salary on-demand

Fair value (USD):
0.5 mln

VEF Stake:
1.2%

Share of VEF's portfolio:
0.1%

mokka.ru

REVO provides buy now pay later financing solutions for customers in Russia and CEE through the Mokka brand.

BNPL has become a mainstream option for financing purchases at the point of sale, taking a share of the pie from the credit card market and is increasingly considered as an alternative payment method as opposed to credit. A model that has been verified globally by the likes of Afterpay, Affirm and Klarna, Mokka (REVO) is the leading player in the Russian and CEE market.

Mokka works with numerous scale merchants both online and offline in categories such as apparel, sporting goods, travel, and electronics. These merchants benefit from increased conversion and basket size using Mokka's BNPL solution, while the company also provides targeted marketing services for merchants to further drive repeat purchases and loyalty.

Recent highlights:

- Despite writing the value of our position in REVO down to zero in 1Q22 in light of the sanctions placed at country-level in Russia, REVO's business continues to grow and remain profitable through this window.

Segment:
Payments and consumer credit

Fair value (USD):
0.0 mln

VEF Stake:
23.0%

Share of VEF's portfolio:
0.0%

Emerging Europe

transfergo.com

TransferGo is a low-cost digital money transfer business for migrant customers across the globe.

Global remittance volumes total USD 700 bln annually and growing. For many years, customers have been underserved by incumbent banks and traditional money transfer operators, where pricing is too high and speed to low. Using TransferGo, customers pay up to 90% less than with banks, with transfers delivered securely in just 30 minutes. TransferGo's segment of focus are blue-collar migrant workers, who are some of the most consistent and regular remittance customers in the world, with 5-20 transactions per year. Today TransferGo's 5 mln customers send money to over 160 countries across the world, with high market share in key markets such as Ukraine, Turkey and the CEE.

Recent highlights:

- TransferGo opened six new receive markets in West Africa in 2022, while TransferGo's Nigerian business experienced rapid growth during the year.
- Despite the turbulence in Ukraine, TransferGo remains committed to serving their Ukrainian customers through the provision of affordable, accessible and transparent remittance services to the country.

Segment:
Digital payments and cross-border remittances

Fair value (USD):
16.3 mln

VEF Stake:
12.5%

Share of VEF's portfolio:
3.9%

Pakistan

abhi.com.pk

Abhi is a financial wellness company offering early wage access to employees in Pakistan.

Abhi aims to redefine access to financial services for both businesses and employees across Pakistan. Accessing an employee base of hundreds of thousands of workers by partnering with large corporates, Abhi allows employees to access their earned income and avoid expensive payday loans when they need it most. Modernizing the pay cycle is the most fundamental transformation a company can make to its relationship with employees, and as a result, Abhi's partner companies benefit from a more motivated workforce with higher satisfaction and retention of employees. In addition, Abhi offers payroll processing and invoice factoring solutions to these businesses, further strengthening the partnership and aligning their interests.

Recent highlights:

- In 2Q22 Abhi raised a USD 17 mln Series A investment round led by Speedinvest and other notable local and regional investors, with VEF investing an additional USD 0.9 mln as part of the round.

Segment:
Salary on-demand

Fair value (USD):
7.6 mln

VEF Stake:
11.5%

Share of VEF's portfolio:
1.8%

mahaana.com

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

While the savings and pension model has been practiced in developed markets for decades, in contrast Pakistan still 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 partner corporates to begin investing their employee's pensions and savings.

Recent highlights:

- In August 2022 Mahaana raised a seed round of USD 2.1 mln from VEF, SparkLabs Group and local strategic partner IGI Holdings with the proceeds contributing directly to meeting regulatory capital requirements for the new business.

Segment: **Digital wealth management**

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

VEF Stake: **13.8%**

Share of VEF's portfolio: **0.2%**

finja.pk

Finja is a digital lending platform for SMEs and their supply chains in Pakistan.

Pakistan is massively underpenetrated in terms of financial services and credit, with as little as 7% of SMEs receiving formal credit from financial institutions. Pairing this opportunity with the fast growth of smartphone penetration in the country, Finja provides small-ticket working capital loans to kiryana stores and invoice financing for FMCG distributors to purchase inventory on credit. Operating in partnership with HBL, the country's largest bank, Finja is fulfilling major demand for credit in the market currently underserved by traditional financial institutions.

Recent highlights:

- Finja extended their Series A round in 4Q22, raising an additional USD 1 mln of equity from HBL while also securing an extension of debt from the bank to scale their lending capabilities with SMEs.

Segment: **Digital lending and payments**

Fair value (USD): **0.4 mln**

VEF Stake: **21.2%**

Share of VEF's portfolio: **0.1%**

Africa

jumo.world

JUMO provides inclusive financial services to unbanked consumers and SMEs across several emerging and developing markets.

Over 1.7 bln adults globally are underserved by traditional financial services. Reliance on cash and lack of credit makes it difficult to save for education, healthcare, emergencies or to invest in businesses. JUMO is a full technology stack that enables banks to reach millions of new customers with credit and savings products at affordable prices whilst making predictable returns. JUMO provides a full range of infrastructure and services from core banking to underwriting, KYC and anti-fraud. Machine learning enables some of the fastest and leanest financial services infrastructure in their markets, giving individuals and entrepreneurs access to savings and loan products via their mobile phone. JUMO operates across sub-Saharan Africa and South Asian markets, including Ghana, Zambia, Ivory Coast, Tanzania and Pakistan.

Recent highlights:

- B Corporation certification confirmed in September 2022, recognising JUMO's commitment to high standards of social and environmental performance, accountability and transparency

Segment: **Banking as a service**

Fair value (USD): **2.3 mln**

VEF Stake: **4.5%**

Share of VEF's portfolio: **0.6%**

The VEF share

On June 1, 2022, VEF's shares started trading on Nasdaq Stockholm's main market, moving from First North Growth Market, a key event in VEF's journey to be the leading investor in the future of finance across the emerging world. The closing price for the year was SEK 2.45, a decrease by 59.5% in 2022. During the same period, the MSCI Emerging Markets index decreased by 20.1% in USD terms. Since incorporation, VEF's compounded annualized share price growth rate is 12.4%.

Share and share capital

VEF AB (publ)'s share capital is distributed among 1,106,675,373 shares with a par value of SEK 0.01 per share as set out in the table below. Each share of the Company carries one vote.

The convertible shares of Class C 2020, 2021 and 2022 are held by management and key personnel of VEF under the Company's long-term incentive programs ("LTIP"). The Class C shares are redeemable pursuant to the terms set out in the Company's articles of association.

Share class	Number of shares	Number of votes	Share capital (SEK)
Common shares*	1,054,689,978	1,054,689,978	10,546,899.78
Class C 2020	33,250,000	33,250,000	332,500.00
Class C 2021	8,312,500	8,312,500	83,125.00
Class C 2022	10,422,895	10,422,895	104,228.95
Total	1,106,675,373	1,106,675,373	11,066,753.73

* Whereof 12,824,243 are repurchased shares held in treasury by the Company

Common shares

The common shares trade on Nasdaq Stockholm under the ticker VEFAB. At year-end, the total number of outstanding shares in the company was 1,106,675,373, of which 1,054,689,978 are common shares. Of the 1,054,689,6978 common shares 12,824,243 shares are repurchased shares hold in treasury by the Company.

On July 15, 12,400,000 Class C 2019 shares were converted into common shares increasing the common shares to 1,054,689,978.

Class C 2020, 2021 and 2022 redeemable, convertible common shares

Within the framework of the LTIP for management and key personnel of VEF of 2020, 2021 and 2022, participants subscribed for Class C shares in the Company. Depending on the performance of both the Company's NAV/share and share price, some or all of the Class C shares will be redeemed or reclassified as common shares. If the performance conditions are not fulfilled, then the Class C shares will be redeemed at nominal value and cancelled. The participants will be compensated for dividends and other value transfers to the shareholders during the life of the programs, pursuant to the LTIP terms. The participants are also entitled to vote for their Class C shares during the measurement period.

Ownership structure

VEF had a total of approximately 19,000 shareholders at year-end. In terms of numbers, the largest category of shareholders is retail investors, and in terms of the percentage of share capital held, institutional owners dominate. The largest single shareholder category is funds, of which the largest is the Acacia funds (Conifer Management LLC).

12,824,243 common shares are repurchased common shares as at December 31, 2022.

Shares issued during the year

On August 23, 10,422,895 Class C 2022 shares were issued under the Company's 2022 LTIP.

Share turnover

During 2022, the total turnover of the VEF share was SEK 1 bln, with an average daily turnover of SEK 4.1 mln and 1.3 mln shares. Trading has been conducted 100% of the time.

Repurchases of own shares

In August VEF announced that the Board had approved a new share buyback program based on the mandate from the annual general meeting of the Company on May 10, 2022.

The buyback program allows VEF to buy shares for a maximum of USD 10 mln in total. The purpose of the buyback program is to allow the Company the flexibility to create additional shareholder value and optimize the Company's capital structure as and when deemed appropriate by reducing the Company's share capital. As per the end of 2022 the Company holds 12,824,243 repurchased shares equivalent to USD 2,9 mln.

Dividends

No dividend has been proposed for the year.

Major shareholders

As per December 31, 2022	Number of common shares	Number of C-shares	Holding and votes, %
Conifer Management LLC*	217,718,740	–	19.7%
Fidelity Investments (FMR)	95,139,868	–	8.6%
Swedbank Robur Funds	92,102,205	–	8.3%
Wasatch Advisors Inc*	88,306,530	–	8.0%
Libra Fund*	63,641,240	–	5.7%
David Nangle	19,932,581	19,950,000	3.6%
Asset Value Investor	28,610,179	–	2.6%
Fidelity International (FIL)	26,436,939	–	2.4%
Robeco	20,000,000	–	1.8%
Alexis Koumoudos	5,220,864	14,470,295	1.8%
10 largest owners	**657,109,146**	**34,420,295**	**62.5%**
Other holders (approx. 19,000)	397,580,832	17,565,100	37.5%
Total	**1,054,689,978**	**51,985,395**	**100.0%**

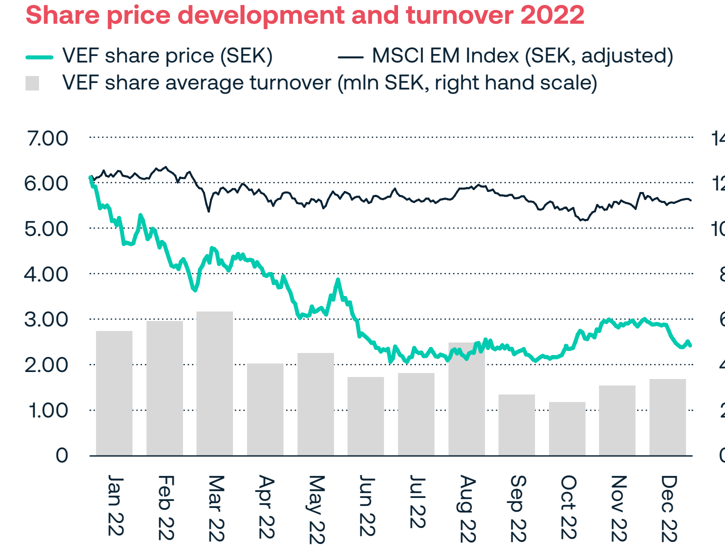
Based on Euroclear Sweden AB data and holdings known to the Company.
* Holding as per the latest notification to the Company.

The market

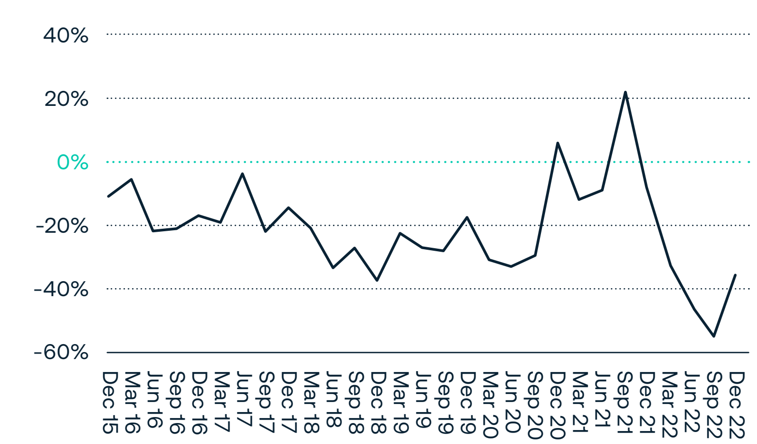
VEF's shares are traded on Nasdaq Stockholm under the ticker VEFAB. Recent and historic quotes for VEF's share are easily accessible on several business portals as well as via professional financial and real-time market data providers. Below are some of the symbols and codes under which the VEF share can be found.

ISIN Code	SE0016128151
Nasdaq Stockholm short name (ticker)	VEFAB
Bloomberg	VEFAB:SS
Financial Times	VEFAB:STO
Yahoo Finance	VEFAB:ST

Share price development and turnover 2022



Premium/discount to NAV



Administrative report

The Board of Directors of VEF AB (publ), corporate identity number 559288-0362, based in Stockholm, Sweden hereby presents the annual report and consolidated financial statements for the financial year January 1, 2022–December 31, 2022.

VEF AB (publ) was incorporated as a shelf company on December 7, 2020, but changed name to VEF AB (publ) and become active on May 28, 2021. The registered office is at Mäster Samuelsgatan 1, 111 44 Stockholm, Sweden. The common shares of VEF AB (publ) are listed on Nasdaq Stockholm with the ticker VEFAB.

The Group's presentation currency is USD, and the Parent Company's presentation currency is SEK due to Swedish Company regulations.

The annual report and consolidated financial statements were approved by the Board on March 27, 2023.

Business concept

VEF invests in fast growing private fintech companies across the emerging world. VEF takes minority stakes and is an active investor with board representation in most portfolio holdings. VEF's purpose is to create long-term sustainable value for our shareholders by investing in the future of finance across the emerging world. VEF always looks to back the best entrepreneurs in each market. As per December 31, 2022, VEF holds investments in 17 companies across all areas of financial services inclusive of payments, credit, asset management, embedded finance and accounting SaaS.

Strategy

VEF's strategy is to invest in private fintech companies in emerging markets with a high return potential.

Group structure

As of December 31, 2022, the VEF Group consists of the Swedish Parent company VEF AB (publ) and four wholly owned subsidiaries; VEF Cyprus Limited, VEF Fintech Ireland Limited, VEF Service AB (under liquidation) and VEF UK Ltd. VEF Cyprus Limited act as the main investment vehicle for the group, holding 14 of 17 investments at balance date. VEF AB (publ) holds the remaining three (BlackBuck, Juspay and Rupeek) and also act as a service company, together with VEF Fintech Ireland Limited and VEF UK Ltd, providing business and investment support services to the Group.

Five-year summary (KUSD)	Note	2022	2021	2020	2019	2018
Equity and Net asset value	24	381,831	761,728	388,066	249,439	201,422
Net asset value change, %		-50%	96%	56%	24%	1%
Net asset value/share, USD	24	0.37	0.73	0.47	0.38	0.31
Net asset value, TSEK	24	3,981,466	6,884,560	3,178,263	2,324,684	1,806,477
Net asset value/share, SEK	24	3.82	6.61	3.83	3.55	2.78
Share price, SEK		2.45	6.05	4.04	2.94	1.75
Cash and cash equivalents		8,612	11,131	4,224	5,562	5,479
Result from financial assets at fair value through profit or loss		-369,936	284,574	84,672	53,452	6,213
Result for the year		-377,359	275,513	79,454	48,529	3,453
Earnings/share, USD	24	-0.36	0.30	0.11	0.07	0.01
Cash flow from operating activities		-47,972	-90,125	-59,831	1,626	-1,629
Cash flow from investing activities		–	–	–	46	-154
Cash flow from financing activities		48,278	97,767	58,186	-1,586	-2,327
Cash flow for the year		306	7,642	-1,645	86	-4,173

Key events during the year

New portfolio companies

During 2022 VEF added three companies to the portfolio

- In February VEF invested USD 12.2 mln into Gringo, Brazil's one-stop shop for drivers, in a USD 34 mln series B round led by VEF together with Piton Capital. Gringo offer vehicle-documentation related services such as payments and BNPL solutions for drivers to pay for renewal of licenses, taxes and fines.
- In March VEF invested USD 20.0 mln into Solfácil in a USD 100 mln Series C round led by QED. Solfácil designs technology solutions for its partner solar installers and positions itself as a unique solar point-of-sale ecosystem where any solar installer partner can offer financing, purchase of equipment and monitor installed solar systems, all on a single platform.
- In August VEF welcomed Mahaana, Pakistan's first digital wealth manager, to the portfolio. VEF invested USD 1.0 mln in a USD 2.1 mln seed round making Mahaana our third investment in Pakistan.

Sustainability bonds

In April, VEF issued sustainability bonds to invest in financial inclusion. We are proud that our capital is having a positive impact on access to fair and affordable financial services.

The sustainability bonds run over three years, to the amount of SEK 500 mln, within a frame of SEK 1,000 mln. The bonds carry a floating coupon of 3m Stibor + 725 bps with interest paid quarterly. The bonds are due in April 2025. The bonds are trading on the sustainable bond list of Nasdaq Stockholm and the Open Market of the Frankfurt Stock Exchange.

Listing on Nasdaq Stockholm

On June 1, VEF's shares commenced trading on Nasdaq Stockholm's main market moving from First North Growth Market, a key event in VEF's journey to be the leading investor in the future of finance across the emerging world.

Buyback program

In August, VEF announced that the Board had approved a new share buyback program based on the mandate from the annual general meeting of the Company on May 10, 2022.

The buyback program allows VEF to buy shares for a maximum of USD 10 mln in total. The purpose of the buyback program is to allow the Company the flexibility to create additional shareholder value and optimize the Company's capital structure as and when deemed appropriate by reducing the Company's share capital. As per the end of 2022 the company holds 12,824,243 repurchased shares equivalent to USD 2.9 mln.

Russia – Ukraine conflict

The Russian invasion of Ukraine has marginally affected VEF's NAV. VEF has one equity holding (REVO), in addition to liquidity placements (Tinkoff bonds) with direct or partial exposure to Russia, which was equivalent to 2.3% of YE21 NAV.

VEF wrote down the holdings in REVO and Tinkoff bonds to zero in 1Q22. As the situation in Russia remains highly uncertain, the valuations are kept unchanged at zero at the end of the year. Nevertheless, REVO is showing double digit profit in USD mln and Tinkoff has honoured coupon payments and has followed through with the quarterly payments during 2022.

Group result

During the year, the result from financial assets at fair value through profit or loss amounted to USD -369.9 mln 284.6) mainly driven by revaluations of Creditas, Konfío and JUMO. Administrative and operating expenses was USD -7.4 mln (-8.9). Net result for the year was USD -377.4 mln (275.5).

Portfolio performance

During 2022, VEF's NAV in USD decreased by 49.9%. The value change in the portfolio is mainly driven by the devaluations of Creditas, Konfío and JUMO. VEF's net asset value per share decreased by 49.9% in USD over the year, while VEF's share price in SEK decreased by 59.5%. During the same period, the MSCI Emerging Markets index decreased by 20.1% in USD terms.

During the year net investments in financial assets, excluding liquidity management investments, were USD 46.7 mln (86.1). As of year-end, VEF's three biggest investments as percent of portfolio were Creditas (46.0%), Juspay (11.3%) and Konfío (9.5%).

Liquid assets

The liquid assets of the Group, defined as cash and bank deposits, amounted to USD 8.6 mln on Dec 31, 2022 (11.1). The Company also has investments in money market funds and bonds, as part of its liquidity management operations. As of Dec 31, 2022, the liquidity investments are valued at USD 39.9 mln (50.6), based on the latest closing price or NAV of each respective liquidity asset.

Shareholders' equity

Total shareholders' equity amounted to USD 381.8 mln on December 31, 2022 (761.7). The decrease of USD 379.9 mln in shareholders equity during 2022 is mainly related to the revaluations of the underlying portfolio driven by market moves of listed peers.

As per the end of 2022 the company holds 12,824,243 repurchased shares in treasury.

Cash flow

Cash flow from operating activities for the current year amounted to USD -48.0 mln (-90.1) where major investments (excl. investments in liquidity placements) were Solfácil and Gringo. Cash flow from financing activities amounted to USD 48.3 mln (97.8) and is attributable to proceeds from the sustainability bonds. Cash flow for the year amounted to USD 0.3 mln (7.6).

Personnel

At year-end, the VEF Group has 10 persons employed (7).

Parent company

The Parent company VEF AB (publ) is a Swedish limited liability company, incorporated in Sweden and operating under Swedish law. VEF AB (publ) is the holding company of the Group and directly owns all the companies in the Group.

The Parent company's administration report and its financial statements

VEF AB (publ) was incorporated on December 7, 2020, and started its business in May 2021. The Parent company's presentation currency is SEK and not the Group's reporting currency of USD due to Swedish Company regulations.

Result

For the year 2022, the Parent company's net result was SEK 24.0 mln (155.3) mainly related to following financial items:

Result from financial assets at fair value through profit or loss amounted to SEK 95.7 mln (184.4) referring to revaluations in Juspay, Rupeek, BlackBuck and liquidity management investments.

Coupon income for the year amounted to SEK 4.2 mln (1.7).

Operating expenses amounted to SEK -49.0 mln (-28.6).

Net financial items amounted to SEK -27.0 mln (-2.2) comprising of interest expenses and currency exchange gains.

Liquid assets

The Parent company has invested in money market funds, as part of its liquidity management operations. As per December 31, 2022, there were SEK 415.8 mln (457.7) in liquidity investment placements. Cash and cash equivalents of the Parent company amounted to SEK 74.6 mln (46.0).

Share capital and number of shares

By the end of the year, shareholder's equity was SEK 3,128.7 mln (3,132.6) of which SEK -31.7 mln is related to the buyback of own shares which are hold in treasury by the Company.

On July 15, 12,400,000 Class C 2019 shares were converted into common shares increasing the common shares to 1,054,689,978.

On August 23, 10,422,895 Class C 2022 shares were issued under LTIP 2022.

During the year 12,824,243 common shares has been repurchased by the Company.

At year-end, the total number of outstanding shares in the company was 1,106,675,373, of which 1,054,689,978 are common shares and 51,985,395 Class C shares. Of the total number of common shares, 12,824,243 shares are repurchased common shares hold in treasury by the Company.

Cash flow

Cash flow from operating activities for the current year amounted to SEK -423.8 mln (-841.8).

Cash flow from financing activities amounted to SEK 447.8 mln (890.1) and is mainly attributable to proceeds from the issued sustainability bonds.

Cash flow for the year amounted to SEK 23.9 mln (48.3).

Risks and risk management

Risks, risk management and the management of financial risk, i.e. exchange, interest, liquidity, financing and credit risk are described in Note 2, which is also applicable for the Parent company.

Organisation and The Board of Directors

On June 3, 2022 Ranjan Tandon resigned from the Board. The work and the composition of the Board, audit and remuneration committees are described in detail in the Corporate governance report at page 85.

At year-end, the Parent company had 4 persons employed (4).

Future development

VEF does not provide any guidance on the future development beyond 2022 but is financially well-positioned for the future and will strive to further develop the net asset value. VEF continuously has the financial capacity to run the business in accordance with its strategy and objectives. For a detailed account of risks associated with investing in VEF and VEF's business, please see Note 2.

Current market environment

Following what was a difficult window for global financial markets in 1H22, 3Q22 showcased a mixed but on average positive quarter for publicly traded fintech stocks. However, during the end of the year the global equity markets experienced a new sell-off. The global fintech indices (a basket of publicly traded fintech benchmark stocks) that VEF is tracking experienced a 58% decrease on average during the year. Interest rate hikes are very real for the most part, creating a low visibility and a risk-off mode environment. During the year VEF has traded at a deep discount to the latest reported NAV, similar to many global peers and other listed fintech stocks. VEF's financial position remains comfortable with a solid balance sheet and a USD 48.5 mln cash position at the end of the year, expected to be more than sufficient to support current portfolio over the coming twelve-months period. Importantly, the largest companies in our portfolio remain well funded following recent capital raises during the year, and we forecast most of our portfolio to continue growing at healthy levels, albeit at a somewhat slower pace to extend runway and improve financial flexibility. The negative impact on our portfolio is for the most part market-related in the short to medium term, which may impact the ability to raise additional capital in the future. Across the board, our portfolio companies have launched cost saving initiatives to extend runway and have plans in place to get to break-even with the current funding levels.

Guidelines for remuneration for senior executives

Guidelines for remuneration for senior executives is described in the Corporate governance report at page 88.

Corporate governance report

VEF presents a separate Corporate governance report in accordance with the Swedish Annual Accounts Act. The report is included in this document on pages 85–92.

Sustainability work and sustainability report

VEF's sustainability work is disclosed in this report on pages 22–31 "A sustainable journey" and pages 94–103 "Sustainability report". VEF has voluntarily prepared a sustainability report for the year 2022.

Major events after the reporting year

No major events after the reporting year.

Treatment of retained earnings

The following amounts in SEK are at disposal of the Parents company's annual general meeting:

Additional paid in capital and shareholder contributions	2,938,326,625
Retained earnings	155,307,325
Net profit for the year	23,968,958
Total	3,117,602,908

The Board of Directors hereby propose unrestricted equity to be distributed as follows:

Brought forward and that no dividends to be paid for the year:	3,117,602,908

For additional information regarding the Parent company's result and financial status please refer to the income statement, balance sheet as well as the notes to the financial statements.

Group financial statements

Consolidated income statement

KUSD	Note	2022	2021
Result from financial assets at fair value through profit or loss	3,4	-369,936	284,574
Coupon income	5	410	388
Other income		193	8
Administrative and operating expenses	6–8	-7,404	-8,944
Operating result		**-376,737**	**276,026**
Financial income and expenses			
Interest income		21	63
Interest expense		-3,009	-6
Currency exchange gains/losses, net		2,397	-547
Net financial items	9	**-591**	**-490**
Result before tax		**-377,328**	**275,536**
Taxation	10	-31	-23
Net result for the year		**-377,359**	**275,513**
Earnings per share, USD	24	-0.36	0.30
Diluted earnings per share, USD	24	-0.36	0.30

Statement of other comprehensive income

KUSD	2022	2021
Net result for the year	**-377,359**	**275,513**
Other comprehensive income for the year:		
Items that may be classified subsequently to profit or loss:		
Currency translation differences	–	-5
Total other comprehensive income for the year	**–**	**-5**
Total comprehensive income for the year	**-377,359**	**275,508**

Total comprehensive income for the years above is entirely attributable to the equity holders of the Parent company.

Consolidated balance sheet

KUSD	Note	Dec 31, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Tangible non-current assets			
Property, plant and equipment	11	156	102
Total tangible non-current assets		**156**	**102**
Financial non-current assets			
Financial assets at fair value through profit or loss	12–14		
Equity financial assets		380,800	700,311
Liquid financial assets		39,877	50,642
Other financial assets	12	32	27
Total financial non-current assets		**420,709**	**750,980**
CURRENT ASSETS			
Tax receivables		64	109
Other current receivables	15	449	387
Prepaid expenses	16	104	138
Cash and cash equivalents	12,17	8,612	11,131
Total current assets		**9,229**	**11,765**
TOTAL ASSETS		**430,094**	**762,847**
SHAREHOLDERS' EQUITY (including net result for the year)		**381,831**	**761,728**
NON-CURRENT LIABILITIES			
Long-term liabilities	12,18	46,979	–
Total non-current liabilities		**46,979**	**–**
CURRENT LIABILITIES			
Accounts payable		76	138
Tax liabilities		–	51
Other current liabilities	19	241	534
Accrued expenses	20	967	396
Total current liabilities		**1,284**	**1,119**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**430,094**	**762,847**

Consolidated statement of changes in equity

KUSD	Note	Share capital	Additional paid in capital	Retained earnings	Total
Balance at Jan 1, 2021		**–**	**–**	**388,066**	**388,066**
Net result for the period		–	–	275,513	275,513
Other comprehensive income for the period					
Currency translation difference		–	–	-5	-5
Total comprehensive income for the period		**–**	**–**	**275,508**	**275,508**
Transactions domicile change:					
- Issuance of share capital		1,006	–	-1,006	–
- Issuance of LTIP 2019 Class C shares		14	–	-14	–
- Issuance of LTIP 2020 Class C shares		39	–	-39	–
Transactions with owners:					
- Directed rights issue		238	97,120	–	97,358
Value of employee services:					
- Employee share option scheme		1	94	324	419
- Share based long-term incentive program		10	226	141	377
Balance at Dec 31, 2021		**1,308**	**97,440**	**662,980**	**761,728**
Balance at Jan 1, 2022		**1,308**	**97,440**	**662,980**	**761,728**
Net result for the period		–	–	-377,359	-377,359
Total comprehensive income for the period		**–**	**–**	**-377,359**	**-377,359**
Value of employee services:	8				
- Employee share option scheme		–	12	–	12
- Share based long-term incentive program		10	350	–	360
Buyback of own shares	23	–	-2,910	–	-2,910
Balance at Dec 31, 2022		**1,318**	**94,892**	**285,621**	**381,831**

Consolidated statement of cash flows

KUSD	Note	2022	2021
OPERATING ACTIVITIES			
Result before tax		-377,328	275,536
Adjustment for non-cash items:			
Interest income and expense, net		2,988	-57
Currency exchange gains/-losses, net		-2,397	547
Depreciations		102	109
Result from financial assets at fair value through profit or loss		369,936	-284,574
Result from long-term receivables		–	-27
Other non-cash items affecting profit or loss		366	350
Adjustment for cash items:			
Coupon income		-410	-388
Change in current receivables		-1,883	-411
Change in current liabilities		-52	392
Adjustments of cash flow in operating activities		**-8,678**	**-8,523**
Investments in financial assets		-81,660	-171,132
Sales of financial assets		42,000	86,909
Repayment of short-term loan receivables		–	2,176
Coupon income		410	388
Interest received		21	63
Interest paid		–	-6
Tax paid		-65	–
Net cash flow used in operating activities		**-47,972**	**-90,125**
FINANCING ACTIVITIES			
Proceeds from sustainability bonds, gross		53,080	–
Interest paid on sustainability bonds		-1,902	–
Proceeds from directed rights issue, gross		–	101,557
Costs in relation to directed rights issue, gross		–	-4,199
Buy-back of own shares	23	-2,910	–
Proceeds from new share issue through employee options		10	409
Net cash flow from financing activities		**48,278**	**97,767**
Cash flow for the year		**306**	**7,642**
Cash and cash equivalents at beginning of the year		**11,131**	**4,224**
Exchange gains/losses on cash and cash equivalents		-2,825	-735
Cash and cash equivalents at end of the year		**8,612**	**11,131**

Alternative performance measures

Alternative Performance Measures (APMs) are financial measures other than financial measures defined or specified by International Financial Reporting Standards (IFRS) and have been issued by the European Securities and Markets Authority (ESMA).

VEF regularly uses alternative performance measures to enhance comparability from period to period and to give deeper information and provide meaningful supplemental information to analysts, investors and other parties.

It is important to know that not all companies calculate alternative performance measures identically, therefore these measurements have limitations and should not be used as a substitute for measures of performance in accordance with IFRS.

Below you find our presentation of the APMs. For more information on how we calculate these measures, see Note 24.

	Note	2022	2021
Equity ratio	24	88.8%	99.9%
Net asset value, USD	24	381,830,589	761,728,416
Exchange rate at balance sheet date, SEK/USD		10.43	9.04
Net asset value/share, USD	24	0.37	0.73
Net asset value/share, SEK	24	3.82	6.61
Net asset value, SEK	24	3,981,466,381	6,884,560,396
Share price, SEK		2.45	6.05
Traded premium/discount to NAV	24	-35.8%	-8.4%
Weighted average number of shares for the financial period	24	1,045,052,785	905,955,689
Weighted average number of shares for the financial period, fully diluted	24	1,045,052,785	906,438,372
Number of shares at balance sheet date	24	1,041,865,735	1,042,289,978
Number of shares at balance sheet date, fully diluted	24	1,041,865,735	1,042,772,661

Notes for the Group

(Expressed in KUSD unless indicated otherwise)

Note 1 Significant accounting principles

Basis of accounting

VEF AB prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied. RFR 1 is issued by the Swedish Financial Reporting Board. The Parent company applies the same accounting policies as the Group, except in the cases described in Note P.1 Significant Accounting Policies (page 73), according to the Swedish Financial Reporting Board's recommendation RFR 2. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

There are no new IFRSs or IFRIC interpretations that have a material impact on the Group in 2022.

New standards and interpretations not yet adopted

There are no IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Financial period

The financial year comprises the period January 1–December 31.

Principles of consolidation

The consolidated financial statements have been prepared according to the acquisition value method except for the revaluations of financial instruments valued at fair value through profit and loss.

Subsidiaries

VEF AB (publ) is an investment company whose business concept is to identify and invest in fintech companies in emerging markets with a bias for markets with scalable population and strong growth profiles for financial services. VEF AB (publ) is the parent company of the Group, VEF Cyprus Limited manage the investment portfolio whereas VEF Fintech Ireland Limited and VEF UK Ltd provides investment and business support services to the Parent company and VEF Cyprus Limited. VEF Service AB is under liquidation.

According to IFRS 10, VEF is classified as an investment entity and shall not consolidate holdings in subsidiaries or apply IFRS 3 Business Combinations when VEF reach controlling influence except for subsidiaries performing services connected to VEF's investment activity, which are consolidated in accordance with the acquisition method.

Investments in associated companies

Associated companies are all entities where the Group has the right to exercise significant influence, which is normally the case when the Group holds between 20% and 50% of the voting rights. VEF AB apply the exemption from the equity method in IAS 28 for its share in associates and hence recognize its investment in the associates at fair value through profit and loss in accordance with IFRS 9.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker in the same way as for a Swedish company governed by the Swedish Companies Act and the Swedish Corporate Governance Code. The CEO of an investment company is by necessity deeply involved in investment decisions and monitoring portfolio companies' performance. The CEO has therefore been identified as the chief operating decision maker of the Group for purposes of internal reporting. In the internal reporting of the Group, there is only one operating segment.

Reporting and functional currency

The consolidated financial statements are presented in USD since that is the currency in which most of the Group's transactions are denominated, hence USD is also the Group's functional currency. The Parent company's presentation currency is SEK and not the Group's reporting currency of USD due to that Swedish company regulations only allow the parent company to use SEK or EUR as reporting currency. All amounts are rounded to the nearest thousand, unless otherwise stated.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation on furniture, fittings and equipment is based on cost on a straight-line basis of estimated useful life of five years.

Investments and other financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded in profit or loss.

Recognition and derecognition

Purchases and sales of financial assets are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Interest bearing assets

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments, namely amortized cost and FVPL.

Equity instruments
The Group subsequently measures all equity investments at fair value through profit or loss. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.
Changes in the fair value of financial assets are recognized in operating results in the statement of profit or loss as applicable.

Impairment
The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Currently the Group has no significant debt instruments carried at amortised cost. The expected credit losses for the Parent company's receivables on Group companies is considered insignificant and no expected credit loss is therefore recorded for these receivables.

Financial liabilities
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Cash and cash equivalents
Cash and cash equivalents include cash and bank balances and other short-term highly liquid investments with original maturities of three months or less.

Share capital
Share issue costs associated with the issuance of new equity are treated as a direct reduction of the proceeds. Buy back of own shares recorded as a reduction of retained earnings with the amount paid after reduction of transaction costs.

Current and deferred income tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Employee benefits
Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented under Other current liabilities in the balance sheet.

Pension obligations
The Group has a defined contribution pension plan which is based on Swedish market practice. The Group has no further obligations once the contributions have been paid. The contributions are reported as a cost recognized as Administrative and operating expenses in profit or loss when they are due.

Share-based remuneration
The Parent company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and net assets development). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.
The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and additional paid in capital when the options are exercised. For more information, see Note 8.

Long-term incentive program (LTIP)
In accordance with IFRS 2, the costs for the program, including social fees when applicable, will be reported over the income statement during the program's vesting period. The value is recognized in the income statement as a personnel cost in operating expenses, allocated over the vesting period with a corresponding increase in equity. The recognized cost corresponds to the fair value of the estimated number of shares that are expected to vest. This cost is adjusted in subsequent periods to reflect the actual number of vested shares. However, no adjustment is made when shares expire only because share price-related conditions do not reach the level. When program is exercised, shares are delivered to employee and reported in equity. For more information, see Note 8.

Operating income
Operating income comprises the fair value of the consideration received in the ordinary course of the Group's activities.
For investments held at both the start and end of year, the change in value consists of the difference in the market value between these dates. For investments acquired during the year, the change in value consists of the difference between cost and the market value at the end of the year. For investments sold during the year, the change in value consists of the difference between the sales price received and the value of investments at the start of the year. All changes in value are reported in the income statement within 'Result from financial assets at fair value through profit or loss'.
Dividend income is recognized when the right to receive payment is established. Furthermore, dividend income is accounted for inclusive of withholding taxes. These withholding taxes are shown either as an expense in the income statement, or as a current receivable, depending on whether or not the withholding tax is refundable.
Interest income on non-current loan receivables is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired non-current loan receivables is recognized using the original effective interest rate.
Interest income on current loan receivables and other receivables is recognized taking into account accrued interest on the transaction date.
Other consideration received in the ordinary course of the Group's activities is reported as "Other income" in the income statement.

Leases
The Group's leases refer only to office rents. When entering into a new lease contract the right-of-use asset is measured at cost. Short-term leases and leases of low-value assets are exempt. At the same time, a lease liability is recognized representing the obligation to pay lease payments for the leased assets. The lease liability is measured at the present value of the lease payments that are not paid at that date. The weighted average incremental borrowing rate applied to measure lease liabilities is 6.10% for premises.

Note 2 Financial risk management

In its business, VEF group is exposed to:
1) Investment and other business risks
2) Market risk
3) Financial risks including price, exchange rate, interest rate, credit, liquidity and financing risk
4) Legal and regulatory risks

Risk Management
Risk management is carried out by management under policies approved by the Board. Risk management is an integral part of the group's processes, meaning that control and responsibility for control is close to the business operation, finance and legal.

1) Investment and other business risks

Risks related to the portfolio companies' operations
All business operations in the portfolio companies are associated with the risk of incurring losses due to, for instance, deficient procedures, failure to increase and improve the functionality and quality of existing products and services, failure to extend existing licensing agreements on favourable conditions, failure to remain competitive or launch new products and services and to successfully optimize production and introduce cost reduction measures.

Dependence on key individuals
VEF is dependent on its senior executives and Board members. It cannot be ruled out that VEF might be seriously affected if any of the senior executives left the Group or if the Group is not able to recruit relevant people in the future.

Disposal risks
VEF has an explicit exit strategy to sell its holdings in portfolio companies to strategic investors or via the market. There is a risk that VEF will not succeed in selling its holdings at the price recorded in the balance sheet at the time of the disposal.

Exposure to early-stage companies
The majority of the investment portfolio consists of investments in startups and other companies in an early stage of growth. Such companies typically generate negative cash flows and will rarely pay dividends to their investors, mainly because the profits are typically re-invested into the business to fuel growth and build shareholder value.

Acquisition risks
VEF frequently acquires shares in unlisted companies. Such acquisitions may entail operative risks, such as the need to identify investment and acquisition opportunities on favourable terms and conditions, and failure to do so may have a detrimental effect on the company's operational or competitive environment.

2) Market risk

Emerging markets and country-specific risks
Several portfolio companies are incorporated in and/or operates in emerging countries, notably Brazil, Mexico, India and Pakistan. As such countries are still, from an economic point of view, in a phase of development, investments may be affected by unusually large fluctuations in profit and loss and other factors outside the Company's control that may have an adverse impact on the value of the Company's adjusted equity.

General market risks
Investment operations carried out by VEF are subject to general market risks, which refers to the risk of loss resulting from changes in the market value of the portfolio companies due to any global or regional economic downturn, particularly in emerging markets. Changes in market value impact the result of VEF's operations through changes in value of its investment assets.

3) Financial risks including price, exchange rate, interest rate, liquidity and financing risk

The Group's activities expose it to a variety of financial risks described below. Financial market risks refer to the risk of a change in value in financial instruments because of changes in share prices, exchange rates and interest rates. VEF is also exposed to credit risk, liquidity and financing risks.

Share price risk
A decrease in value of the non-quoted shares may affect the Company's net income and capital, and thereby have a material negative impact on the Group's operations, earnings and financial position. An increase/decrease of 10% of the share prices would affect the Groups profit or loss by USD 38.1 mln (70.0). The Group takes an active role in portfolio companies mainly through board representation.

Exchange rate risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, mainly with respect to SEK, GBP and EUR. An increase/decrease of 10% of the USD towards SEK would affect the Groups profit or loss by 630 (146).

Exposure to foreign exchange	Gross assets Dec 31, 2022	Gross assets Dec 31, 2021
SEK	6,299	1,463
Other	130	295
Total	**6,429**	**1,758**

Interest rate risk
The majority of the Group's financial assets are non-interest bearing. The majority of outstanding liabilities are interest bearing and as a result the Group is subject to risk due to fluctuations in the prevailing levels of market interest rates, and mainly the Swedish 3m Stibor rate which affects the quarterly payable interest coupons on VEFs sustainability bonds. An increase/decrease of the interest rate on the Groups interest bearing liabilities of 1 percentage point would affect the Groups profit or loss by 331 (0).

Credit risk
The Group is exposed to counterparty credit risk on cash and cash equivalents and deposits with banks and financial institutions. The majority of cash is placed in bank accounts with financial institutions with high credit rating and a significant part of cash is placed in cash securities which are fully protected in the event of a bankruptcy of the custodian institution since securities on bank account are separate from the custodian's balance sheet and thus never become a part of the custodian's bankruptcy estate.

Credit Quality Step	Moody's	Fitch	S&P's
1	Aaa – Aa3	AAA – AA-	AAA – AA-
2	A1 – A3	A+ – A-	A+ – A-
3	Baa1 – Baa3	BBB+ – BBB-	BBB+ – BBB-
4	Ba1 – Ba3	BB+ – BB-	BB+ – BB-
5	B1 – B3	B+ – B-	B+ – B-
6	worse than B3	worse than B-	CCC+ and worse

Maximum credit risk exposure	Dec 31, 2022	Dec 31, 2021
Lending to financial institutions		
– Credit Quality step 1	48,489	57,426
– Credit Quality step 4	–	4,347
Total	**48,489**	**61,773**

Liquidity risk
Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. For the Group, prudent liquidity risk management implies maintaining sufficient cash. Contractual cashflows due to borrowings refer to coupon payments for VEFs sustainability bonds, which carry a floating coupon of 3m Stibor + 725 bps. The calculations below are based on the balance sheet date's Stibor rate of 2.701%.

Contracted cash flows	Dec 31, 2022	Dec 31, 2021
Other	280	637
Borrowings 0–3 months	1,989	–
Borrowings 3–12 months	3,645	–
Borrowings >1 year	6,309	–

Financing risk
Refers to the risk that VEF does not receive financing or that financing can only be obtained at a significant cost. It is the responsibility of the Group's management to manage risks according to the policy adopted by the Board. The Group has a centralized finance function which has the primary task of identifying, limiting and managing financial risks in a cost-efficient manner. The Group actively pursues liquidity planning, to continuously evaluate the need for liquidity. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

4) Legal and regulatory risks

Accounting practice and access to other information
Several portfolio companies are incorporated in and/or operates in emerging countries. Practice in accounting, financial reporting and auditing in emerging markets cannot be compared with the corresponding practices that exist in developed countries. The formal requirements are less broad in terms of publishing information than in more developed markets. In addition, there is a risk that access to external analysis, reliable statistics and historical data is inadequate.

Tax risks
VEF conducts its business in accordance with the legislation in relevant jurisdictions, tax treaties and tax authorities' guidelines and other requirements. Tax legislation and double tax treaty agreements have a trend of frequent changes including introduction of new taxes and fees and such changes could have a significant impact on the tax position.

Corporate governance risks
Misuse of corporate governance remains a problem in emerging markets. Minority shareholders may be mistreated in various ways, for instance in the sale of assets, transfer pricing, dilution, limited access to annual general meetings and restrictions on seats on boards of directors for external investors. Furthermore, inadequate accounting rules and standards have hindered the development of an effective system for uncovering fraud and increasing insight.

Legal disputes
Since VEF invests in companies operating in countries in which the legal framework is less certain and the business environment less reliable, there is an increased risk that VEF may become involved in legal disputes of various kinds, including labor, intellectual property, contractual or regulatory in nature.

Note 3 Significant estimates and judgements

The management of VEF has to make estimates and judgements when preparing the financial statements of the Group. Uncertainties in the estimates and judgements could have an impact on the carrying amount of assets and liabilities and the Group's result. The most important estimates and judgements in relation thereto are:

Fair value of unlisted financial assets
The estimates and judgements when assessing the fair value of unlisted investments in financial assets at fair value through profit or loss are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value estimation
The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry company, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Investments in assets that are not traded on any market will be held at fair value determined by recent transactions made at prevailing market conditions or different valuation models depending on the characteristics of the company as well as the nature and risks of the investment. These different techniques may include discounted cash flow valuation (DCF), exit-multiple valuation also referred to as leveraged buyout (LBO) valuation, asset-based valuation as well as forward looking multiples valuation based on comparable traded companies (peer companies). Usually, transaction-based valuations are kept unchanged for a period of twelve months unless there is cause for a significant change in valuation. After twelve months, the fair value for non-traded assets will normally be derived through any of the models described above.

The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment's fair value, the valuation is adjusted accordingly. The transaction-based valuations are also frequently assessed using multiples of comparable traded companies for each unlisted investment or other valuation models when warranted.

VEF follows a structured process in assessing the valuation of its unlisted investments. VEF evaluates company specific and external data relating to each specific investment on an ongoing basis. The data is then assessed at quarterly valuation meetings by senior management. If internal or external factors are deemed to be significant, further assessment is undertaken and the specific investment is revalued to the best fair value estimate. Revaluations are first reviewed by the audit committee and later approved by the Board in connection with the Company's financial reports.

The fair value of financial instruments is measured by level of the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Investments are moved between levels in the fair value hierarchy when the management finds the best suitable valuation technique has changed and that the current applied technique results in a new classification in the fair value hierarchy compared to the prior period.

Assets measured at fair value at Dec 31, 2022

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	39,877	11,586	269,214	420,677
of which:				
Liquidity placements	39,877	–	–	39,877
Shares	–	111,586	251,085	362,671
Convertible and SAFE notes	–	–	18,129	18,129
Total assets	**39,877**	**111,586**	**269,214**	**420,677**

Assets measured at fair value at Dec 31, 2021

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	50,642	674,517	25,794	750,953
of which:				
Liquidity placements	50,642	–	–	50,642
Shares	–	649,012	24,434	673,446
Convertible and SAFE notes	–	25,505	1,360	26,865
Total assets	**50,642**	**674,517**	**25,794**	**750,953**

Changes of financial assets in level 3

	2022	2021
Opening balance Jan 1	25,794	158,181
Transfers from Level 2 to Level 3[1]	605,712	–
Transfers from Level 3 to Level 2[1]	–	-128,071
Change in fair value	-362,292	-4,316
Closing balance Dec 31	**269,214**	**25,794**

1. No deviations have been made from established guidelines regarding valuation techniques and transfers of assets between levels in the hierarchy.

As per December 31, 2022, VEF has a liquidity management portfolio of listed corporate bonds and money market funds that are classified as Level 1 investments.

The investments in Creditas, Konfío, TransferGo, BlackBuck, Nibo, Magnetis, JUMO, minu, Finja and REVO are classified as Level 3 investments. The remaining portfolio companies are classified as Level 2 investments. During the year, Creditas, Konfío, TransferGo, BlackBuck, Magnetis, JUMO, minu and Finja have been transferred from Level 2 to Level 3. No holdings have been transferred from Level 3 to Level 2.

Transaction based valuations
Holdings classified as Level 2 investments are valued based on the latest transaction in the company, on market terms. The validity of valuations based on a transaction is inevitably eroded over time, since the price at which the investment was made reflects the conditions that existed on the transaction date. At each reporting date, possible changes or events subsequent to the relevant transaction are assessed and if this assessment implies a change in the investment's fair value, the valuation is adjusted accordingly. The transaction-based valuations are frequently assessed using multiples of comparable traded companies for each unlisted investment or other valuation models. When transaction-based valuations of unlisted holdings are used, no material event is deemed to have occurred in the specific portfolio company that would suggest that the transaction-based value is no longer valid.

Company	Valuation method	Latest transaction
Abhi	Latest transaction	2Q22
FinanZero	Latest transaction	2Q22
Gringo	Latest transaction	1Q22
Juspay	Latest transaction	2Q22
Mahaana	Latest transaction	3Q22
Rupeek	Latest transaction	4Q22
Solfácil	Latest transaction	2Q22

Calibration methodology-based valuations
In 2022, we use the calibration methodology in our portfolio valuation process. The calibration methodology specifically helps us calibrating valuations of companies with recently closed priced investment rounds and where the implied valuation multiple has moved significantly out of sync with our pre-determined comp group based of a sharp decline in public markets. The methodology is a fair tool for reflecting dramatically changing market conditions ahead of moving to full mark-to-model.

Inputs used for the valuation include risk adjusted revenue forecasts, currency moves and the implied revenue multiple paid at the time of the latest transaction relative to a relevant peer group adjusted for market moves in the same peer group as of December 31, 2022. At the end of 2022, one company, Creditas, was valued using the calibration methodology.

Mark to model-based valuations
At the end of 2022, Konfío, TransferGo, BlackBuck, Nibo, JUMO, minu and Finja are all valued on the basis of a twelve-months forward looking revenue multiple while Magnetis is based on a relative multiple to AUM. REVO's valuation model, in light of the geo-political situation in Russia, was assigned a liquidity discount of 100% in 1Q22, bringing the fair value to zero which remains by year-end. Inputs used for each valuation include risk adjusted revenue- and earnings forecasts, local currency moves and listed peer group revenue multiples as of December 31, 2022.

The difference in fair value change between the portfolio companies is dependent on relative revenue forecasts in each company as well as moves in the relevant peer group and moving exchange rates. Peers used in the peer set include a mix of listed emerging and developed market companies representing accounting SaaS and BNPL companies, digitally focused wealth managers, fast growth payments companies and a range of Latin American fintech companies. The NTM multiples across the different peer groups per company and valuation range from 0.8x to 11.6x NTM revenues. As a standard process, the median of each group is used, and in applicable cases VEF will adjust the resulting multiple based on prevailing local market conditions, sector and company specific factors, applying discounts or premiums to reflect the fair value of the company.

Below table summarizes the sensitivity of the assets value to changes in the underlying multiple used for the valuation.

Sensitivity analysis of valuations based on changes in peer group multiples used

Company	Valuation method	Peer group range	-15%	-10%	-5%	0%	+5%	+10%	+15%
Creditas	Calibration methodology	1.0–3.5x	167,551	176,060	184,568	193,076	201,585	210,093	218,602
Konfío	Revenue multiple	1.0–3.5x	35,897	37,313	38,730	40,146	41,563	42,979	44,395
TransferGo	Revenue multiple	1.9–5.1x	14,165	14,892	15,620	16,347	17,074	17,801	18,529
BlackBuck	Revenue multiple	5.2x	5,950	6,264	6,579	6,894	7,209	7,523	7,838
Nibo	Revenue multiple	5.6-7.7x	5,905	6,209	6,513	6,817	7,120	7,424	7,728
Magnetis	AUM multiple	5.2-74.4%	2,409	2,485	2,561	2,637	2,713	2,789	2,865
JUMO	Revenue multiple	2.6-11.0x	1,950	2,074	2,198	2,322	2,445	2,569	2,693
minu	Revenue multiple	2.3-5.6x	472	495	518	541	564	587	611
Finja	Revenue multiple	0.8-11.6x	401	412	423	434	445	457	468

Change in financial assets at fair value through profit or loss

Company	Jan 1, 2022	Investments/ (divestments), net	Fair value change	Dec 31, 2022	Percentage of portfolio	VEF ownership stake
Creditas	394,123	5,000	-206,047	193,076	46.0%	8.5%
Juspay	42,420	4,098	953	47,471	11.3%	10.2%
Konfío	135,582	–	-95,436	40,146	9.5%	10.3%
Solfácil	–	20,000	–	20,000	4.8%	2.6%
TransferGo	29,271	–	-12,924	16,347	3.9%	12.5%
Rupeek	13,152	1,873	170	15,195	3.6%	2.3%
Gringo	–	12,250	–	12,250	2.9%	10.2%
FinanZero	11,882	991	-4,788	8,085	1.9%	19.0%
Abhi	1,350	448	5,787	7,585	1.8%	11.5%
BlackBuck	10,000	–	-3,106	6,894	1.6%	1.0%
Nibo	12,560	–	-5,743	6,817	1.6%	20.1%
Magnetis	10,526	1,000	-8,889	2,637	0.6%	16.8%
JUMO	18,409	–	-16,087	2,322	0.6%	4.5%
Mahaana	–	1,000	–	1,000	0.2%	13.8%
minu	450	–	91	541	0.1%	1.2%
Finja	7,351	–	-6,917	434	0.1%	21.2%
REVO	13,235	–	-13,235	–	0.0%	23.0%
Liquidity investments	50,642	-7,000	-3,765	39,877	9.5%	–
Total	750,953	39,660	-369,936	420,677	100%	

Note 4 Result from financial assets at fair value through profit or loss

	2022	2021
Proceeds from sale of financial assets at fair value through profit or loss	42,000	86,909
Acquisition value of sold financial assets at fair value through profit or loss	-42,000	-121,000
Change in fair value from sold financial assets at fair value through profit or loss	–	-34,091
Change in fair value of remaining financial assets at fair value through profit or loss	-369,936	318,665
Result from financial assets at fair value through profit or loss	**-369,936**	**284,574**

Financial assets at fair value through profit or loss comprises the result from fair value changes of financial assets that have been designated on initial recognition as assets to be measured at fair value with fair value changes in profit or loss. Divestments in 2022 are only divestments in liquidity placements.

Note 5 Coupon income

	2022	2021
Coupon income recognized in the income statement	410	388
whereof unsettled at balance sheet date	–	–
Tax withheld	–	–
Proceeds from coupons, net of tax, recognized in the income statement during the year	**410**	**388**

Note 6 Operating expenses

	2022	2021
Employee benefit expense (Note 8)	4,430	5,401
External services	2,016	2,621
Other expenses	862	816
Depreciations	96	106
Total operating expenses	**7,404**	**8,944**

Note 7 Remuneration to Auditors

PwC	2022 Sweden	2022 Cyprus	2022 Total
Audit assignments	101	10	111
Other audit activities	13	–	13
Tax advice	16	21	37
Other services	150	–	150
Total remuneration to auditors	**280**	**31**	**311**

PwC	2021 Sweden	2021 Cyprus	2021 Total
Audit assignments	69	12	81
Other audit activities	13	–	13
Tax advice	51	10	61
Other services	296	–	296
Total remuneration to auditors	**429**	**22**	**451**

PwC Audit assignment refers to the auditor's reimbursement for execution of the statutory audit. The work includes the audit of the annual report and consolidated financial statements and the accounting, the administration of the Board and the CEO and for audit advice provided as a result of the audit assignment. Other audit activities refer to other audit assignments as required by laws and regulations as well as the review of quarterly reports in accordance with ISRE 2410. Tax advice refer to general tax advisory services. Other services are services mainly related to preparation for listing on Nasdaq Stockholm's main market.

Note 8 Employee benefit expense

	2022	2021
Wages and salaries	2,157	1,689
Social security cost	443	1,025
Pension cost	269	179
Other employee benefits	1,561	2,508
Total employee benefit expense	**4,430**	**5,401**

	2022		2021	
	Salaries and other remuneration	Social security contributions	Salaries and other remuneration	Social security contributions
Board of Directors, CEO and management:				
Salaries and other remuneration	1,478	257	1,460	228
Variable compensation	902	120	903	167
Pension expenses	207	21	148	23
Share-based compensation	337	-89	349	258
Other[1]	99	19	1,124	273
Other employees:				
Salaries and other remuneration	679	89	229	42
Variable compensation	174	22	71	15
Pension expenses	62	4	31	5
Share-based compensation	29	-3	10	1
Other[1]	19	3	51	13
Total	**3,987**	**443**	**4,376**	**1,025**

1. Other refers to facilitate participation in LTIP- and options programs, the Company subsidized the subscription price payable by program participants for the acquisition cost.

	2022		2021	
	Men	Women	Men	Women
Board of Directors incl. CEO, Parent company	3	2	4	2
Board of Directors, subsidiaries	1	2	1	2
Key management	2	1	2	1
Other personnel	3	3	1	2
Total	**9**	**8**	**8**	**7**

Decisions regarding remuneration to the CEO are made by the Board of Directors in accordance with the remuneration's principles, while decisions regarding fixed remuneration to other management within the group are made by the CEO. The CEO has the right to six months' salary in the event of the termination of appointment on part of the company. The CEO has nine months' mutual notice period. The rest of the management has a notice period of three or six months, which also applies to the Company in the event of termination on part of the Company. No notice period applies to the Board of Directors.

Group 2022

	Base salaries/ board fee	Variable compensation	Other compensation[1]	Pension expenses	Share based compensation	Total
Lars O Grönstedt, *Chairman of the Board*	123	–	–	–	–	123
Per Brilioth, *Board member*	59	–	–	–	–	59
Ranjan Tandon, *Board member*[2]	18	–	–	–	–	18
Allison Goldberg, *Board member*	49	–	–	–	–	49
Hanna Loikkanen, *Board member*	59	–	–	–	–	59
David Nangle, *Board member and CEO*	491	384	38	116	139	1,168
Key management personnel	679	518	61	91	198	1,547
Total	**1,478**	**902**	**99**	**207**	**337**	**3,023**

Group 2021

	Base salaries/ board fee	Variable compensation	Other compensation[1]	Pension expenses	Share based compensation	Total
Lars O Grönstedt, *Chairman of the Board*	108	–	–	–	–	108
Per Brilioth, *Board member*	57	–	–	–	–	57
Ranjan Tandon, *Board member*	50	–	–	–	–	50
Allison Goldberg, *Board member*	48	–	–	–	–	48
Hanna Loikkanen, *Board member*[3]	44	–	–	–	–	44
David Nangle, *Board member and CEO*	475	367	261	50	147	1,301
Key management personnel	676	535	863	98	202	2,375
Total	**1,460**	**903**	**1,124**	**148**	**349**	**3,984**

1. Other compensation refers to facilitate participation in LTIP- and options programs, the Company subsidized the subscription price payable by program participants for the acquisition cost.
2. Resigned on June 3, 2022.
3. Elected on May 6, 2021.

Option plan
The Company has an option plan, adopted in 2015, that entitles present and future employees to be allocated call options to acquire shares in the Company ("Options").

Principal Conditions and Guidelines
- The exercise price for the Options shall correspond to 120% of the market value of the shares of the Company at the time of the grant.
- The Options may be exercised during an exercise period of three months starting five years from the time of the grant.
- For employees resident outside of Sweden, no premium shall be paid for the Options and they may only be exercised if the holder is still employed within the Group at the time of exercise.
- For employees resident in Sweden, the employees may elect either of the following alternatives:
  a) No premium shall be paid for the Options and the Options may only be exercised if the holder is still employed within the Group at the time of exercise (same as for employees resident outside of Sweden);
  or
  b) The Options shall be offered to the employee at a purchase price corresponding to the market value of the Options at the time of the offer. The Options shall be fully transferable and will thereby be considered as securities. This also means that these Options are not contingent upon employment and will not lapse should the employee leave his or her position within the Group.
- Options may be issued by the Parent company or by other group companies.

Preparation and Administration
The Board or a designated committee appointed by the Board, shall be authorized to set the detailed terms and conditions for the Options in accordance with the principal conditions and guidelines. The Board may make necessary adjustments to satisfy certain regulations or market conditions abroad. The Board shall also be authorized to resolve on other adjustments in conjunction with material changes affecting the Group or its business environment, which would mean that the described conditions for the incentive plan would no longer be appropriate.

Allocation
The incentive plan includes granting of not more than 5,080,000 Options. Allocation of Options to the CEO of the Company shall not exceed 2,540,000 Options and allocation to each member of the executive management or to other key employees of the Company shall not exceed 1,016,000 Options. The allocation of Options shall be decided by taking into consideration, among other things, the performance of the employee and his or her importance to the Group. Specific criteria to be considered include the employee's ability to manage and develop the existing portfolio and to identify new investment opportunities and evaluate conditions of new investments as well as return on capital or estimated return on capital in investment targets. The Board shall be responsible for the evaluation of the performance of the employees. Board members who are not employed by the Group shall not be able to participate in the plan.

Bonus for employees resident in Sweden under option (b)
In order to stimulate the participation in the plan by employees resident in Sweden electing option (b) above, the Company will subsidize participation by way of a bonus payment which after tax corresponds to the Option premium. Half of the bonus will be paid in connection with the purchase of the Options and the remaining half at exercise of the Options, or, if the Options are not exercised, at maturity. The second bonus payment is subject to the requirement that the holder is still an employee of the Group at the time of exercise or maturity. Thus, for employees in Sweden who choose option (b), the participation in the plan includes an element of risk.

Exercised options
No options were exercised in 2022. In 2021, 2,000,000 options were exercised.

Options outstanding

	2022	2021
Beginning of the period	1,000,000	3,000,000
Options exercised	–	-2,000,000
Outstanding at the end of the period	**1,000,000**	**1,000,000**

Per December 31, 2022, a total of 1,000,000 options are outstanding. None to the CEO and 1,000,000 to other employees.

Options granted

Option grant date	May 16, 2018	Dec 17, 2019
Maturity date	Aug 16, 2023	Dec 17, 2024
Option price at grant date, SEK	0.41	0.34
Share price at grant date, SEK	1.97	2.95
Exercise price, SEK	2.35	3.69
Volatility	29.90%	22.80%
Risk free interest rate	-0.13%	-0.29%
No. of options granted	500,000	500,000

Market value of the options at the grant date is calculated with the help of the Black & Scholes options valuation model and assuming that no dividends will be paid during the period.

Dilution and costs
In the event all outstanding 1,000,000 Options are fully exercised; the holders will acquire shares corresponding to a maximum of approximately 0.10% of the share capital. There are no negative future cash flow for the Company regarding bonus for Swedish employees under option (b) above. Currently, there is no similar option (b) for employees resident outside of Sweden provided in the incentive plan 2015 and the only negative cash flow under option (a) relates to the social security contributions at the time of exercise of the Options.

Share-based incentive program (LTIP)
There are three running long-term share-based incentive programs for management and key personnel in the Group. All three programs are linked to the long-term performance of both the Company's NAV and of the VEF share price.

Outstanding program 2020
The Company's annual general meeting on May 13, 2020, approved a three-year long-term share incentive plan ("LTIP 2020") for six key employees in the Company. The participants purchased plan shares in the Company. Plan shares will on the extent to performance of both the Company's NAV and of the VEF share price be reclassified as common shares if the performance conditions have been fulfilled. If the performance conditions have not been fulfilled, then the plan shares will be redeemed by the company.

The participants will be compensated for dividends and other value transfers to the shareholders. The participants are also entitled to vote during the measurement period. If a participant ceases to be employed by the Group within this period, the plan shares will be redeemed, except in limited circumstances that are approved by the Board on a case-by-case basis.

The fair value of the plan share on the grant date was calculated on the basis of the market price of the Company's shares on the grant date and market conditions prevailed by using the Monte Carlo Valuation Method.

The objective of LTIP 2020 is to encourage the employees to financially commit to the long-term value growth of VEF, and thereby align their interests with those of the shareholders. VEF has compensated the participants with a cash subsidy for the subscription price and the tax effects arising due to the subsidy of the subscription price and benefit of a total cost, excluding social charges of USD 1.47 mln including the cost of the amended program described below.

At the Company's special general meeting on October 22, 2020, it was approved to amend the Company's long-term incentive program for 2020. The amended program will run over five years, instead of three, and is resolved to issue no more than 33,250,000 in total plan shares, instead of 13,640,000, to the participants in the program. The cost impact of the amended program was USD 1.14 mln related to the subsidy of the subscription price and benefit, excluding social charges. The cost for financing and acquiring the plan shares is expensed directly.

Outstanding program 2021
The Company's annual general meeting on May 6, 2021, approved a five-year long-term share incentive plan ("LTIP 2021") for six key employees in the Company. LTIP 2021 is a performance-based incentive program which is based on the same structure, with the same economic characteristics for the participants, and the same criteria for measuring performance as the 2020 share-based incentive program. The objective of LTIP 2021 is the same as the 2020 programs, to align the employee's long-term interests with the shareholders. VEF has compensated the participants with a cash subsidy for the subscription price and the tax effects arising due to the subsidy of the subscription price and benefit of a total cost, excluding social charges of USD 0.66 mln. The cost for financing and acquiring the plan shares is expensed directly.

New program 2022
The Company's annual general meeting on May 10, 2022, approved a five-year long-term share incentive plan ("LTIP 2022") for eight key employees in the Company. LTIP 2022 is a performance-based incentive program which is based on the same structure, with the same economic characteristics for the participants, and the same criteria for measuring performance as the 2020 and 2021 share-based incentive programs. The only deviation from the previous programs is that the vesting period is three years, while the measurement period is five years. The objective of LTIP 2022 is the same as the 2020 and 2021 programs, to align the employee's long-term interests with the shareholders. VEF has compensated the participants with a cash subsidy for the subscription price and the tax effects arising due to the subsidy of the subscription price and benefit of a total cost, excluding social charges of USD 0.12 mln. The cost for financing and acquiring the plan shares is expensed directly.

Completed program 2019
The Board determined on May 10, 2022, that the development of the Company's NAV and share price over the term of LTIP 2019 (Jan 1, 2019, through Dec 31, 2021), meets the so-called stretch level, whereby the Class C 2019 shares held by the participants were converted on July 15, 2022. A total of 12,400,000 Class C 2019 shares were converted, whereof 4,960,000 to the CEO.

	LTIP 2020	LTIP 2021	LTIP 2022
Performance measurement period	Jan 2020–Dec 2024	Jan 2021–Dec 2025	Jan 2022–Dec 2026
Vesting period	Nov 2020–Dec 2024	Sept 2021–Dec 2025	Aug 2022–Dec 2024
Maximum no of shares, CEO	13,300,000	3,325,000	3,325,000
Maximum no of shares, others	19,950,000	4,987,500	7,097,895
Maximum no of shares, total	33,250,000	8,312,500	10,422,895
Maximum dilution	3.19%	0.80%	1.00%
Share price on grant date, SEK	3.14	4.34	2.31
Share price on grant date, USD	0.36	–	–
Plan share price on grant date, SEK[1]	0.37	0.62	0.10
Plan share price on grant date, USD[1]	0.04	–	–

Total employee benefit expense excl. bonuses paid and social taxes (USD mln)	LTIP 2020[2]	LTIP 2021[2]	LTIP 2022[2]
2022	0.20	0.13	0.01
2021	0.20	0.02	–
2020	0.03	–	–
Total accumulated	**0.43**	**0.15**	**0.01**

1. The difference in common share price and plan share price derive from that plan share price has been calculated using the Monte Carlo method applying the performance criterias applicable in the terms for the long-term incentive programme and the current share price at grant date.
2. The total IFRS 2 expense does not include subsidy for acquisition and taxes arisen.

Note 9 Net financial items

	2022	2021
Interest income	21	63
Interest expense	-3,009	-6
Currency exchange gains	10,014	388
Currency exchange losses	-7,617	-935
Total	**-591**	**-490**

Note 10 Tax

Corporate income tax – general
Applicable income tax rates for 2022:
VEF AB (publ) and VEF Service AB's taxable profits are subjected to Swedish income tax at the rate of 20.6%.

VEF Cyprus Limited is subject to corporation tax on taxable profits at the rate of 12.5%. Under certain conditions, interest may be exempt from income tax and only subject to special defense contribution at the rate of 30% as from April 29, 2013. Any gains from disposal of qualified securities are not subject to corporate tax in Cyprus.

VEF UK Ltd's taxable profits are subject to UK corporate income tax of 19%.

VEF Fintech Ireland Limited is subject to corporation tax at the rate of 12.5% for trading income.

Income tax expense

	2022	2021
Current tax	-31	-23
Deferred tax	–	–
Taxation	**-31**	**-23**

The tax on the Group's result before tax differs from the theoretical amount that would arise using the tax rate of the countries where the Group operates as follows:

	2022	2021
Result before tax	-377,328	275,513
Tax calculated at domestic tax rates applicable to profits in the respective countries	48,049	-34,554
Tax effects of:		
- Income not subject to tax	-46,318	35,845
- Expenses not deductible for tax purposes	-731	-1,314
- Tax losses carried forward for which no deferred tax assets is recognized	-1,000	–
- Adjustment in respect of prior years	-31	–
Tax charge	**-31**	**-23**

The weighted average applicable tax rate 2022 was 0.00% (0.01%).

Note 11 Property, plant and equipment

Group	Property, plant and equipment	Right-of-use assets: premises	Total
Opening net book amount January 1, 2021	**84**	**127**	**211**
Depreciation	-36	-70	-106
Currency change effect	-3	–	-3
Closing net book amount December 31, 2021	**45**	**57**	**102**
Opening net book amount January 1, 2022	**45**	**57**	**102**
Acquired right-of-use assets	–	156	156
Depreciation	-39	-57	-96
Currency change effect	-6	–	-6
Closing net book amount December 31, 2022	**–**	**156**	**156**

Depreciation amounting to USD 0.10 mln (0.11) have been recognised among operating expenses in the income statement, also, see Note 6.

Note 12 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

December 31, 2022

Assets as per balance sheet	Fair value through profit and loss	Amortised costs	Total
Financial assets at fair value through profit or loss	420,677	–	420,677
Cash and cash equivalents	–	8,612	8,612
Other financial assets	–	32	32
Total financial assets	**420,677**	**8,644**	**429,321**

Liabilities as per balance sheet	Amortised costs	Total
Non-current liabilities	46,979	46,979
Total financial liabilities	**46,979**	**46,979**

December 31, 2021

Assets as per balance sheet	Fair value through profit and loss	Amortised costs	Total
Financial assets at fair value through profit or loss	750,953	–	750,953
Cash and cash equivalents	–	11,131	11,131
Other financial assets	–	27	27
Total financial assets	**750,953**	**11,158**	**762,111**

Liabilities as per balance sheet	Amortised costs	Total
Non-current liabilities	–	–
Total financial liabilities	**–**	**–**

Note 13 Non-current financial assets at fair value through profit or loss

	Dec 31, 2022	Dec 31, 2021
Beginning of the year	750,953	382,157
Additions (new investments)	81,660	171,132
Disposal value	-42,000	-86,909
Change in fair value for the year	-369,936	284,574
Total	**420,677**	**750,953**

The assets specified in the table above are investments in financial assets at fair value through profit or loss. See Note 3 for further information.

Note 14 Interests in associated companies

Associated companies are companies over which VEF has significant influence. Significant influence means the opportunity to participate in decisions relating to the company's financial and operational strategies but does not imply control or joint control. Normally, ownership equivalent to at least 20% and up to 50% of the votes means that a significant influence is held. Circumstances in the individual case can result in a significant influence even with ownership of less than 20% of the votes.

Company	Operation	Main market	Country of incorporation	Fair value, Dec 31, 2022	Ownership	Voting share
Finja	Digital lending and payments	Pakistan	United States	434	21.2%	22.7%
Nibo	Accounting SaaS	Mexico	Cayman Island	6,817	20.1%	21.8%
REVO	Payments and consumer credit	Russia	Cyprus	0	23.0%	23.0%

Note 15 Other current receivables

	Dec 31, 2022	Dec 31, 2021
Deposits	–	42
Other	449	345
Total	**449**	**387**

Note 16 Prepaid expenses

	Dec 31, 2022	Dec 31, 2021
Rent	23	11
Other	81	127
Total	**104**	**138**

Note 17 Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Dec 31, 2022	Dec 31, 2021
Cash and cash equivalents	8,612	11,131
of which short-term investments equivalent to cash	–	–
Total	**8,612**	**11,131**

Note 18 Long-term liabilities

	Dec 31, 2022	Dec 31, 2021
Borrowings	46,872	–
Leasing liabilities	107	–
Total	**46,979**	**–**

Borrowings

	Dec 31, 2022	Dec 31, 2021
Opening balance	–	–
Proceeds from borrowings, net	51,488	–
Non-cash transactions	-4,616	–
Closing balance	**46,872**	**–**

Sustainability bonds 2022/2025

During 2Q22, VEF issued sustainability bonds of three years, to the amount of SEK 500 mln, within a frame of SEK 1,000 mln. The bonds carry a floating coupon of 3m Stibor + 725 bps with interest paid quarterly. The bonds are due in April 2025. The bonds are trading on the sustainable bond list of Nasdaq Stockholm and the Open Market of the Frankfurt Stock Exchange.

Leasing liabilities

Maturity analysis – contractual discounted cash flow	Dec 31, 2022	Dec 31, 2021
Leasing liabilities < 1 year	49	63
Leasing liabilities 2–5 years	107	–
Total discounted lease liabilities	**156**	**63**
Total cash flow for leases	**-57**	**-106**
Amounts recognised in the consolidated income statement	**–**	**–**
Interest on lease liabilities	-2	-6

The weighted average incremental borrowing rate applied to measure lease liabilities is 6.10% (6.10%).

Note 19 Other current liabilities

	Dec 31, 2022	Dec 31, 2021
Tax and VAT liabilities	192	470
Other	–	1
Leasing liabilities < 1 year	49	63
Total	**241**	**534**

Note 20 Accrued expenses

	Dec 31, 2022	Dec 31, 2021
Employee related expense	25	154
Accrued interest expense	847	–
Other	95	242
Total	**967**	**396**

Note 21 Pledged assets and contingent liabilities

The Group had no contingent liabilities or pledged assets as per December 31, 2022.

Note 22 Related party transactions

During the period VEF has recognized the following related party transactions:

	Operating expenses		Current liabilities	
	2022	2021	Dec 31, 2022	Dec 31, 2021
Key management and Board of Directors[1]	3,023	3,984	–	–

1. Compensation paid or payable includes salary, bonus, share based remuneration and pension to the management and remuneration to the Board members.

Note 23 Repurchased shares

	Number of shares		Amounts affecting equity	
	2022	2021	2022	2021
Opening balance, repurchased shares	–	–	–	–
Repurchases for the year	12,824,243	–	-2,910	–
Outgoing balance, repurchased shares	**12,824,243**	**–**	**-2,910**	**–**

As per the end of 2022 the company holds 12,824,243 repurchased shares equivalent to USD 2.9 mln which are held in treasury by the Company. For more details on the Parent company's equity, see Note P.18.

Note 24 Key and alternative performance measures

IFRS defined performance measures (not alternative performance measures)

Earnings per share

Result for the period divided with the average number of outstanding common shares. Class C shares issued to participants under the Company's LTIP 2020, 2021, 2022 are not treated as outstanding common shares and thus are not included in the weighted calculation, but they are however recognized as an increase in shareholder's equity. Repurchased common shares held in treasury by the Company is neither included in the calculation.

Diluted earnings per share

When calculating diluted earnings per share, the average number of common shares is adjusted to consider the effects of potential dilutive common shares that have been offered to employees, originating during the reported periods from share-based incentive programs. Dilutions from share-based incentive programs affect the number of shares and only occur when the incentive program performance conditions of the respective programs are fulfilled.

Key ratios – reconciliation table

	2022	2021
Earnings per share, USD		
Weighted average number of shares	1,045,052,785	905,955,689
Result for the period	-377,358,503	275,513,188
Earnings per share, USD	-0.36	0.30
Diluted earnings per share, USD		
Diluted weighted average number of shares	1,045,052,785	906,438,372
Result for the period	-377,358,503	275,513,188
Diluted earnings per share, USD	-0.36	0.30

Alternative performance measures

Equity ratio
Shareholders' equity in percent in relation to total assets.

Net asset value (NAV), USD and SEK
Net value of all assets on the balance sheet, equal to the shareholders' equity.

Net asset value per share, USD and SEK
Net asset value/share is defined as shareholders' equity divided by total number of shares outstanding at the end of the period.

Traded premium/discount to net asset value
Traded premium/discount to NAV is defined as the share price divided to the net asset value/share.

Number of shares outstanding
Total number pf outstanding common shares at balance day. Class C shares issued to participants under the Company's LTIP 2020, 2021, 2022 are not treated as outstanding common shares and thus are not included in the calculation, but they are however recognized as an increase in shareholder's equity. Repurchased common shares held in treasury by the Company is neither included in the calculation.

Number of shares outstanding fully diluted
When calculating the number of shares outstanding fully diluted, the number of common shares outstanding is adjusted to consider the effects of potential dilutive common shares that have been offered to employees, originating during the reported periods from share-based incentive programs. Dilutions from share-based incentive programs affect the number of shares and only occur when the incentive program performance conditions of the respective programs are fulfilled.

Other definitions

Portfolio value
Total book value of financial assets held at fair value through profit and loss.

Alternative performance measures – reconciliation table

	Dec 31, 2022	Dec 31, 2021
Equity ratio		
Net asset value/shareholders equity, USD	381,830,589	761,728,416
Total assets, USD	430,093,844	762,846,656
Equity ratio	88.8%	99.9%
Net asset value, USD	**381,830,589**	**761,728,416**
Net asset value, SEK		
Net asset value, USD	381,830,589	761,728,416
SEK/USD	10.43	9.04
Net asset value, SEK	3,981,466,381	6,884,560,396
Net asset value/share, USD		
Net asset value, USD	381,830,589	761,728,416
Number of outstanding shares	1,041,865,735	1,042,289,978
Net asset value/share, USD	0.37	0.73
Net asset value/share, SEK		
Net asset value, USD	381,830,589	761,728,416
SEK/USD	10.43	9.04
Net asset value, SEK	3,981,466,381	6,884,560,396
Number of outstanding shares	1,041,865,735	1,042,289,978
Net asset value/share, SEK	3.82	6.61
Premium/discount(-) to NAV		
Net asset value, USD	381,830,589	761,728,416
SEK/USD	10.43	9.04
Net asset value, SEK	3,981,466,381	6,884,560,396
Number of outstanding shares	1,041,865,735	1,042,289,978
Net asset value/share, SEK	3.82	6.61
Share price, SEK	2.45	6.05
Premium/discount(-) to NAV	-35.8%	-8.4%

Note 25 Events after the balance sheet date
No major events after the reporting year.

Note 26 Adoption of annual report
The annual report has been submitted by the Board of Directors on March 27, 2023, see page 80. The balance sheet and profit and loss accounts are to be adopted by the Company's shareholders at the annual general meeting on May 9, 2023.

Parent company financial statements

Parent company income statement

KSEK	Note	2022	Dec 7, 2020–Dec 31, 2021
Result from financial assets at fair value through profit or loss	P.2	95,664	184,417
Coupon income	P.3	4,174	1,716
Other income		156	–
Administrative and operating expenses	P.4–6	-49,045	-28,639
Operating result		**50,949**	**157,494**
Financial income and expenses			
Interest income		216	–
Interest expense		-31,941	–
Currency exchange gains/losses, net		4,745	-2,187
Net financial items	P.7	**-26,980**	**-2,187**
Result before tax		**23,969**	**155,307**
Taxation	P.8	–	–
Net result for the year		**23,969**	**155,307**

The Parent company have no items to account for as other comprehensive income and therefore the net result for the period is equal to the total comprehensive income for the period.

Parent company balance sheet

KSEK	Note	Dec 31, 2022	Dec 31, 2021
NON-CURRENT ASSETS			
Financial non-current assets			
Shares in subsidiaries	P.9	2,400,800	2,027,853
Financial assets at fair value through profit or loss	P.10–11		
Equity financial assets		725,327	592,653
Liquid financial assets		415,811	457,709
Other financial assets		50	244
Total financial non-current assets		**3,541,988**	**3,078,459**
CURRENT ASSETS			
Tax receivables		245	102
Other current receivables	P.12	4,310	3,102
Other current receivables, Group	P.9	9,746	11,028
Prepaid expenses	P.13	956	1,245
Cash and cash equivalents	P.14	74,592	46,011
Total current assets		**89,849**	**61,488**
TOTAL ASSETS		**3,631,837**	**3,139,947**
SHAREHOLDERS' EQUITY (including net result for the financial period)		**3,128,670**	**3,132,572**
NON-CURRENT LIABILITIES			
Long-term debt	P.15	488,750	–
Total non-current liabilities		**488,750**	**–**
CURRENT LIABILITIES			
Accounts payable		649	995
Other current liabilities, Group	P.9	2,442	2,744
Other current liabilities	P.16	1,463	588
Accrued expenses	P.17	9,863	3,048
Total current liabilities		**14,417**	**7,375**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**3,631,837**	**3,139,947**

Parent company statement of changes in equity

KSEK	Note	Share capital	Additional paid in capital	Retained earnings	Total
Balance at Dec 7, 2020		**–**	**–**	**–**	**–**
Net result for the period		–	–	155,307	155,307
Transactions domicile change:	P.18				
- Issuance of share capital		8,345	–	–	8,345
- Issuance of LTIP 2019 Class C shares		124	–	–	124
- Issuance of LTIP 2020 Class C shares		333	–	–	333
- Shareholders contribution		–	–	2,116,926*	2,116,926*
Transactions with owners:	P.18				
- Proceeds from directed rights issue, net		2,073	846,554	–	848,627
Value of employee services:	P.6, P.18				
- Employee share option scheme		5	811	–	816
- Share based long-term incentive program		83	2,011	–	2,094
Balance at Dec 31, 2021		**10,963**	**849,376**	**2,272,233**	**3,132,572**
Balance at Jan 1, 2022		**10,963**	**849,376**	**2,272,233**	**3,132,572**
Net result for the period		–	–	23,969	23,969
Other comprehensive income for the period					
Currency translation difference		–	–	–	–
Total comprehensive income for the period		**–**	**–**	**23,969**	**23,969**
Value of employee services:	P.6, P.18				
- Employee share option scheme		–	122	–	122
- Share based long-term incentive program		104	3,590	–	3,694
Buyback of own shares	P.18	–	-31,687	–	-31,687
Balance at Dec 31, 2022		**11,067**	**821,401**	**2,296,202**	**3,128,670**

* Transfer of all VEF Ltd's assets to VEF AB (publ) due to the redomestication from Bermuda to Sweden.

Parent company statement of cash flows

KSEK	Note	2022	Dec 7, 2020– Dec 31, 2021
OPERATING ACTIVITES			
Result before tax		23,969	155,307
Adjustment for non-cash items:			
Interest income and expense, net		31,725	–
Currency exchange gains/-losses, net		-4,746	2,187
Result from financial assets at fair value through profit or loss		-95,664	-184,417
Result from long-term receivables		–	-50
Other non-cash items affecting profit or loss		3,752	2,097
Adjustment for cash items:			
Coupon income		-4,174	-1,716
Change in current receivables		-13,227	-14,811
Change in current liabilities		-1,610	1,149
Adjustments of cash flow in operating activities		**-59,975**	**-40,253**
Changes in long-term loan receivables		-194	–
Investments in subsidiaries		-372,947	-309,060
Investments in financial assets		-400,813	-906,491
Sales of financial assets		405,701	412,270
Coupon income		4,174	1,716
Interest received		216	–
Net cash flow used in operating activities		**-423,838**	**-841,818**
FINANCING ACTIVITIES			
Proceeds from sustainability bonds, gross		500,000	–
Interest paid on sustainability bonds		-20,610	–
Proceeds from directed rights issue, gross	P.18	–	885,226
Costs in relation to directed rights issue, gross		–	-36,598
Proceeds from rights issue redomestication	P.18	–	8,801
Cash received in redomestication		–	31,876
Buy-back of own shares	P.18	-31,687	–
Proceeds from new share issue through employee options	P.18	63	813
Net cash flow from financing activities		**447,766**	**890,118**
Cash flow for the year		**23,928**	**48,300**
Cash and cash equivalents at beginning of the year		**46,011**	**0**
Exchange gains/losses on cash and cash equivalents		4,653	-2,289
Cash and cash equivalents at end of the year		**74,592**	**46,011**

Notes for the Parent company

(Expressed in KSEK unless indicated otherwise)

Note P.1 Significant accounting principles

The Parent company's financial statements are to be prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's statements for listed companies are also applied. RFR 2 requires the Parent company, as a legal entity, to prepare its annual financial statements in compliance with all the IFRS and IFRIC interpretations adopted by the EU, to the extent possible within the framework of the Swedish Annual Accounts Act.

The Parent company applies the accounting policies detailed for the Group with the exception of the following:

Reporting currency
The Parent company's presentation currency is SEK and not the Group's reporting currency of USD due to Swedish Company regulations.

Comparative figures
The Parent company was incorporated as a shelf company on December 7, 2020. The first financial year for the Parent company is therefore December 7, 2020, to December 31, 2021, even though the shelf company became active first on May 28, 2021, when the shelf company's name was changed to VEF AB (publ).

Leases
All leasing agreements in the Parent company are recognized as operating leases.

Shares in subsidiaries
Subsidiaries are valued at their acquisition cost and after write-down, if any. Dividends from subsidiaries are recognized as dividend income.

Inter-company receivables and liabilities
Inter-company receivables and liabilities are accounted for at amortised cost. The expected credit loss for inter-company receivables is considered insignificant.

Note P.2 Result from financial assets at fair value through profit or loss

	2022	Dec 7, 2020– Dec 31, 2021
Proceeds from sale of financial assets at fair value through profit or loss	405,701	412,270
Acquisition value of sold financial assets at fair value through profit or loss	-405,701	-412,270
Change in fair value from sold financial assets at fair value through profit or loss	–	–
Change in fair value of remaining financial assets at fair value through profit or loss	95,664	184,417
Result from financial assets at fair value through profit or loss	**95,664**	**184,417**

Financial assets at fair value through profit or loss comprises the result from fair value changes of financial assets that have been designated on initial recognition as assets to be measured at fair value with fair value changes in profit or loss. Divestments in 2022 are all liquidity placements.

Assets measured at fair value at Dec 31, 2022

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	415,811	653,441	71,886	1,141,138
of which:				
Liquidity placements	415,811	–	–	415,811
Shares	–	653,441	71,886	725,327
Total assets	**415,811**	**653,441**	**71,886**	**1,141,138**

Assets measured at fair value at Dec 31, 2021

	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss	457,709	592,653	–	1,050,362
of which:				
Liquidity placements	457,709	–	–	457,709
Shares	–	592,653	–	592,653
Total assets	**457,709**	**592,653**	**–**	**1,050,362**

For more information of the Parent company's financial assets and their valuations please see Group Note 3 on page 58.

Change in financial assets at fair value through profit or loss

Company	Jan 1, 2022	Investments/ divestments, net	Changes in fair value[1]	Dec 31, 2022
Juspay	383,398	40,798	70,801	494,997
Rupeek	118,874	19,213	20,357	158,444
BlackBuck	90,381	–	-18,495	71,886
Liquidity investments	457,709	-64,899	23,001	415,811
Total	**1,050,362**	**-4,888**	**95,664**	**1,141,138**

1. Change in fair value include currency exchange effects.

Note P.3 Coupon income

	2022	Dec 7, 2020–Dec 31, 2021
Coupon income recognized in the income statement	4,174	1,716
whereof unsettled at balance sheet date	–	–
Tax withheld	–	–
Proceeds from coupons, net of tax, recognized in the income statement during the year	**4,174**	**1,716**

Note P.4 Operating expenses

	2022	Dec 7, 2020–Dec 31, 2021
Employee benefit expense (Note P.6)	19,989	14,400
External services	23,361	10,247
Other expenses	3,984	1,420
Intra-group services, net	1,711	2,572
Total operating expenses	**49,045**	**28,639**

Note P.5 Remuneration to Auditors

PwC	2022	Dec 7, 2020–Dec 31, 2021
Audit assignments	1,025	603
Other audit activities	130	120
Tax advice	159	–
Other services	1,422	2,609
Total remuneration to auditors	**2,736**	**3,332**

Audit assignment refers to the auditor's reimbursement for execution of the statutory audit. The work includes the audit of the annual report and consolidated financial statements and the accounting, the administration of the Board and the CEO and for audit advice provided as a result of the audit assignment. Other audit activities refer to other audit assignments as required by laws and regulations as well as the review of quarterly reports in accordance with ISRE 2410. Tax advice refer to general tax advisory services. Other services are services mainly related to preparation for listing on Nasdaq Stockholm's main market.

Note P.6 Employee benefit expense

	2022	Dec 7, 2020–Dec 31, 2021
Wages and salaries	9,711	6,186
Social security cost	2,147	1,885
Pension cost	1,043	535
Other employee benefits	7,088	5,794
Total employee benefit expense	**19,989**	**14,400**

	2022		Dec 7, 2020–Dec 31, 2021	
	Salaries and other remuneration	Social security contributions	Salaries and other remuneration	Social security contributions
Board of Directors, CEO and management:				
Salaries and other remuneration	9,010	1,797	5,354	620
Variable compensation	2,544	799	–	–
Pension expenses	876	213	478	–
Share-based compensation	3,460	-1,057	1,963	699
Other[1]	777	163	3,584	431
Other employees:				
Salaries and other remuneration	701	225	831	106
Pension expenses	167	40	57	–
Share-based compensation	292	-38	134	16
Other[1]	15	5	114	13
Total	**17,842**	**2,147**	**12,515**	**1,885**

1. Other refers to facilitate participation in LTIP- and options programs, the Company subsidized the subscription price payable by program participants for the acquisition cost.

	Dec 31, 2022		Dec 31, 2021	
	Men	Women	Men	Women
Board of Directors incl. CEO	3	2	4	2
Key management	1	1	1	–
Other personnel	–	1	1	1
Total	**4**	**4**	**6**	**3**

Decisions regarding remuneration to the CEO are made by the Board of Directors in accordance with the remuneration's principles, while decisions regarding fixed remuneration to other management within the group are made by the CEO. The CEO has the right to six months' salary in the event of the termination of appointment on part of the company. The CEO has nine months' mutual notice period. The rest of the management has a notice period of three or six months, which also applies to the Company in the event of termination on part of the Company. No notice period applies to the Board of Directors.

2022

	Base salaries/board fee	Variable compensation	Other compensation[1]	Pension expenses	Share based compensation	Total
Lars O Grönstedt, *Chairman of the Board*	1,265	–	–	–	–	1,265
Per Brilioth, *Board member*	600	–	–	–	–	600
Ranjan Tandon, *Board member*[2]	175	–	–	–	–	175
Allison Goldberg, *Board member*	500	–	–	–	–	500
Hanna Loikkanen, *Board member*	600	–	–	–	–	600
David Nangle, *Board member and CEO*	2,474	–	401	–	1,424	4,299
Key management personnel	3,396	2,544	377	876	2,036	9,229
Total	**9,010**	**2,544**	**777**	**876**	**3,460**	**16,668**

2021

	Base salaries/board fee	Variable compensation	Other compensation[1]	Pension expenses	Share based compensation	Total
Lars O Grönstedt, *Chairman of the Board*	623	–	–	–	–	623
Per Brilioth, *Board member*	340	–	–	–	–	340
Ranjan Tandon, *Board member*	283	–	–	–	–	283
Allison Goldberg, *Board member*	283	–	–	–	–	283
Hanna Loikkanen, *Board member*[3]	340	–	–	–	–	340
David Nangle, *Board member and CEO*	2,028	–	2,262	437	804	5,531
Key management personnel	1,457	–	1,322	42	1,159	3,980
Total	**5,354**	**0**	**3,584**	**479**	**1,963**	**11,380**

1. Other compensation refers to facilitate participation in LTIP- and options programs, the Company subsidized the subscription price payable by program participants for the acquisition cost.
2. Resigned on June 3, 2022.
3. Elected on May 6, 2021.

Option plan
The Company has an option plan, adopted in 2015, that entitles present and future employees to be allocated call options to acquire shares in the Company ("Options"). For detailed information on the terms and conditions of the option plan see the Group's Note 8 on page 61.

Exercised options
No options were exercised in 2022. In 2021, 2,000,000 options were exercised.

Options outstanding

	2022	2021
Beginning of the period	1,000,000	3,000,000
Options exercised	–	-2,000,000
Outstanding at the end of the period	**1,000,000**	**1,000,000**

Per December 31, 2022, a total of 1,000,000 options are outstanding. None to the CEO and 1,000,000 to other employees.

Options granted

Option grant date	May 16, 2018	Dec 17, 2019
Maturity date	Aug 16, 2023	Dec 17, 2024
Option price at grant date, SEK	0.41	0.34
Share price at grant date, SEK	1.97	2.95
Exercise price, SEK	2.35	3.69
Volatility	29.9%	22.8%
Risk free interest rate	-0.13%	-0.29%
No. of options granted	500,000	500,000

Market value of the options at the grant date is calculated with the help of the Black & Scholes options valuation model and assuming that no dividends will be paid during the period.

Dilution and costs
In the event all outstanding 1,000,000 options are fully exercised; the holders will acquire shares corresponding to a maximum of approximately 0.10% of the share capital.

Share-based incentive program (LTIP)
There are three running long-term share-based incentive programs for management and key personnel in the Group. All three programs are linked to the long-term performance of both the Company's NAV and of the VEF share price. For detailed information on the Company's long-term incentive programs for 2020, 2021 and 2022 see the Group's Note 8 on page 61.

	LTIP 2020	LTIP 2021	LTIP 2022
Performance measurement period	Jan 2020–Dec 2024	Jan 2021–Dec 2025	Jan 2022–Dec 2026
Vesting period	Nov 2020–Dec 2024	Sept 2021–Dec 2025	Aug 2022–Dec 2024
Maximum no of shares, CEO	13,300,000	3,325,000	3,325,000
Maximum no of shares, others	19,950,000	4,987,500	7,097,895
Maximum no of shares, total	33,250,000	8,312,500	10,422,895
Maximum dilution	3.19%	0.80%	1.00%
Share price on grant date, SEK	3.14	4.34	2.31
Share price on grant date, USD	0.36	–	–
Plan share price on grant date, SEK[1]	0.37	0.62	0.10
Plan share price on grant date, USD[1]	0.04	–	–

Total employee benefit expense excl. bonuses paid and social taxes	LTIP 2020[2]	LTIP 2021[2]	LTIP 2022[2]
2022	2,086	1,357	147
2021	1,020	186	–
Total accumulated	**3,106**	**1,543**	**147**

1. The difference in common share price and plan share price derive from that plan share price has been calculated using the Monte Carlo method applying the performance criterias applicable in the terms for the long-term incentive programme and the current share price at grant date.
2. The total IFRS 2 expense does not include subsidy for acquisition and taxes arisen.

Note P.7 Net financial items

	2022	Dec 7, 2020–Dec 31, 2021
Interest income	216	–
Interest expense	-31,941	–
Currency exchange gains	6,948	2,926
Currency exchange losses	-2,203	-5,113
Total	**-26,980**	**-2,187**

Note P.8 Tax

VEF AB (publ)'s taxable profits in 2022 are subjected to Swedish income tax at the rate of 20.6%.

Reconciliation between theoretical tax expense and reported tax

	2022	Dec 7, 2020–Dec 31, 2021
Result before tax	23,969	155,307
Tax calculated at domestic tax rates applicable to profits in the respective countries	-4,938	-31,994
Tax effects of:		
- Income not subject to tax	19,707	38,343
- Expenses not deductible for tax purposes	-80	-4
- Tax losses carried forward for which no deferred tax assets is recognized	-14,689	-6,345
Tax	**0**	**0**

Note P.9 Subsidiaries

	Country	Number of shares	Share of capital and votes, %	Book value SEK Dec 31, 2022	Book value SEK Dec 31, 2021
VEF Cyprus Limited	Cyprus	274,036,056	100	2,400,750,418	2,027,802,253
VEF Service AB	Sweden	500	100	50,000	50,000
VEF Fintech Ireland Limited	Ireland	1	100	10	–
VEF UK Ltd	United Kingdom	1	100	10	–
Total				**2,400,800,438**	**2,027,853,253**

All subsidiaries are included in the consolidated financial statements from the time of incorporation.

Transactions with subsidiaries
The Parent company had related-party transactions with VEF Cyprus Limited, VEF Fintech Ireland Limited and VEF UK Ltd in 2022. The Parent company's business is to act as the holding company, while also providing business and investment support services to the group. VEF Fintech Ireland Limited and VEF UK Ltd provide investment and business support services to the Parent company.

	Dec 31, 2022	Dec 31, 2021
Current receivables:		
VEF Cyprus Limited	1,102	11,028
VEF Fintech Ireland Limited	2,261	–
VEF UK Ltd	6,383	–
Total current receivables, Group	**9,746**	**11,028**
Current liabilities:		
VEF Fintech Ireland Limited	962	–
VEF UK Ltd	1,480	–
VEF Service AB	–	2,744
Total current liabilities, Group	**2,442**	**2,744**

	2022	Dec 7, 2020–Dec 31, 2021
Intra group support services:		
Sales to:		
VEF Cyprus Limited	5,340	8,823
VEF Fintech Ireland Limited	2,599	–
VEF UK Ltd	2,599	–
Purchases from:		
VEF Fintech Ireland Limited	-5,102	–
VEF UK Ltd	-7,147	–
VEF Service AB	–	-11,395
Net included in Administrative and operating expenses	**-1,711**	**-2,572**

Note P.10 Financial instruments by category

2022

Assets as per balance sheet	Assets at fair value through profit and loss	Amortised costs	Total
Financial assets at fair value through profit or loss	1,141,138	–	1,141,138
Receivables from group companies	–	9,746	9,746
Cash and cash equivalents	–	74,592	74,592
Other financial assets	–	50	50
Total financial assets	**1,141,138**	**84,388**	**1,225,526**

Liabilities as per balance sheet	Amortised costs	Total
Non-current liabilities	488,750	488,750
Liabilities to group companies	2,442	2,442
Total current financial liabilities	**491,192**	**491,192**

2021

Assets as per balance sheet	Assets at fair value through profit and loss	Amortised costs	Total
Financial assets at fair value through profit or loss	1,050,362	–	1,050,362
Receivables from group companies	–	11,028	11,028
Cash and cash equivalents	–	46,011	46,011
Total financial assets	**1,050,362**	**57,039**	**1,107,401**

Liabilities as per balance sheet	Amortised costs	Total
Non-current liabilities	–	–
Liabilities to group companies	2,744	2,744
Total current financial liabilities	**2,744**	**2,744**

Note P.11 Non-current financial assets at fair value through profit or loss

	Dec 31, 2022	Dec 31, 2021
Beginning of the year	1,050,362	0
Additions (redomestication from VEF Ltd)	–	371,724
Additions (new investments)	400,813	906,491
Disposal value	-405,701	-412,270
Change in fair value for the year	95,664	184,417
Total	**1,141,138**	**1,050,362**

The assets specified in the table above are investments in financial assets at fair value through profit or loss. See the Group's Note 3 for further information.

Note P.12 Other current receivables

	Dec 31, 2022	Dec 31, 2021
Deposits	–	376
Other	4,310	2,726
Total	**4,310**	**3,102**

Note P.13 Prepaid expenses

	Dec 31, 2022	Dec 31, 2021
Rent	150	98
Other	806	1,147
Total	**956**	**1,245**

Note P.14 Cash and cash equivalents

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Dec 31, 2022	Dec 31, 2021
Cash and cash equivalents	74,592	46,011
of which short-term investments equivalent to cash	–	–
Total	**74,592**	**46,011**

Note P.15 Long-term liabilities

	Dec 31, 2022	Dec 31, 2021
Borrowings	488,750	–
Total	**488,750**	**–**

	Dec 31, 2022	Dec 31, 2021
Opening balance	–	-
Proceeds from borrowings, net	485,000	–
Non-cash transactions	3,750	–
Closing balance	**488,750**	**–**

Sustainability bonds 2022/2025

During 2Q22, VEF issued sustainability bonds of three years, to the amount of SEK 500 mln, within a frame of SEK 1,000 mln. The bonds carry a floating coupon of 3m Stibor + 725 bps with interest paid quarterly. The bonds are due in April 2025. The bonds are trading on the sustainable bond list of Nasdaq Stockholm and the Open Market of the Frankfurt Stock Exchange.

Note P.16 Other current liabilities

	Dec 31, 2022	Dec 31, 2021
Tax and VAT liabilities	1,463	588
Other	–	–
Total	**1,463**	**588**

Note P.17 Accrued expenses

	Dec 31, 2022	Dec 31, 2021
Employee related expenses	253	948
Interest expense	8,829	–
Other	781	2,100
Total	**9,863**	**3,048**

Note P.18 Share capital and additional paid in capital

VEF AB (publ)'s share capital is distributed among 1,106,675,373 shares with a par value of SEK 0.01 per share as set out in the table below. Each share of the Company carries one vote. The common shares trade on Nasdaq Stockholm's main market.

The convertible shares of Class C 2020, 2021 and 2022 are held by management and key personnel of VEF under the Company's long-term incentive programs. The Class C shares are redeemable pursuant to the terms set out in VEF's articles of association.

Share class	Number of shares	Number of votes	Share capital, SEK
Common shares*	1,054,689,978	1,054,689,978	10,546,899.78
Class C 2020	33,250,000	33,250,000	332,500.00
Class C 2021	8,312,500	8,312,500	83,125.00
Class C 2022	10,422,895	10,422,895	104,228.95
Total	**1,106,675,373**	**1,106,675,373**	**11,066,753.73**

* Whereof 12,824,243 are repurchased shares held in treasury.

	Change in number of shares	Total number of shares	Quota value SEK	Change in share capital, SEK	Share capital, SEK
December 7, 2020	–	–	–	–	–
Incorporation	834,477,168	834,477,168	0.01	8,344,772	8,344,772
Issuance of plan shares, Class C 2019	12,400,000	846,877,168	0.01	124,000	8,468,772
Issuance of plan shares, Class C 2020	33,250,000	880,127,168	0.01	332,500	8,801,272
Directed share issue	207,312,810	1,087,439,978	0.01	2,073,128	10,874,400
Issuance of plan shares, Class C 2021	8,312,500	1,095,752,478	0.01	83,125	10,957,525
Employee option exercise	500,000	1,096,252,478	0.01	5,000	10,962,525
December 31, 2021		**1,096,252,478**	**0.01**		**10,962,525**
Issuance of plan shares, Class C 2022	10,422,895	1,106,675,373	0.01	104,229	11,066,754
December 31, 2022		**1,106,675,373**	**0.01**		**11,066,754**

Share capital

On July 15, 12,400,000 Class C 2019 shares were converted into common shares increasing the common shares to 1,054,689,978.

On August 23, 10,422,895 Class C 2022 shares were issued under the Company's LTIP 2022.

At year-end, the total number of outstanding shares in the company was 1,106,675,373, of which 1,054,689,978 are common shares and 51,985,395 are Class C shares. Of the 1,054,689,978 common shares 12,824,243 shares are repurchased shares hold in treasury by the Company.

Class C 2020, 2021 and 2022 redeemable, convertible common shares

Within the framework of the share-based long-term incentive programs ("LTIP") for management and key personnel of the Group of 2020, 2021 and 2020, participants subscribed for Class C shares in the Company. Depending on the performance of both the Company's NAV/share and of the Company's share price, some or all of the Class C shares will be redeemed or reclassified as ordinary common shares. If the performance conditions are not fulfilled, then the Class C shares will be redeemed at nominal value and cancelled. The participants will be compensated for dividends and other value transfers to the share-holders during the life of the programs, pursuant to the LTIP terms. The participants are also entitled to vote for their Class C shares during the measurement period.

Additional paid in capital

Additional paid in capital comprise of share premiums regarding new shares issued and shares issued under the Company's employee share option plan. There are currently 1,000,000 ordinary shares available under the employee share option scheme. Each option entitles the holder to one new share in VEF. For more information on LTIP and the options, see Note P.6.

Repurchased shares

	Number of shares		Amounts affecting equity	
	2022	2021	2022	2021
Opening balance, repurchased shares	–	–	–	–
Repurchases for the year	12,824,243	–	-31,687	–
Outgoing balance, repurchased shares	**12,824,243**	**–**	**-31,687**	**–**

As per the end of 2022 the company holds 12,824,243 repurchased shares equivalent to SEK 31.7 mln which are held in treasury by the Company.

Note P.19 Pledged assets and contingent liabilities

The Parent company had no contingent liabilities or pledged assets as per December 31, 2022.

Note P.20 Related party transactions

The Parent company has identified the following related parties:

Key Management and Board of Directors

Including members of the Board and Management. During the period, the Parent company has recognized the following related party transactions:

	Operating expenses		Current liabilities	
	2022	Dec 7, 2020–Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Key management and Board of Directors[1]	16,668	11,380	–	–

1. Compensation paid or payable includes salary, bonus, share based remuneration and pension to the management and remuneration to the Board members.

Subsidiaries

The Parent company has related-party transactions with its subsidiaries, VEF Cyprus Limited, VEF Fintech Ireland Limited and VEF UK Ltd. For a detailed statement of the related party transactions between the Parent company and its subsidiaries, see Note P.9.

Declaration

The Board of Directors and the CEO declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent company have been prepared in accordance with IFRS and give a true and fair view of the Parent company's financial position and results of operation.

The administration report and the other parts of the annual report of the Group and the Parent company provide a fair review of the development of the Group's and the Parent company's operations, financial position and results of operations and describe material risks and uncertainties facing the Parent company and the companies included in the Group.

The statutory corporate governance report and the other parts of the annual report of the Group provides a fair review of the development of the Group's operations, financial position and results of operations and describes material risks and uncertainties facing the companies included in the Group.

March 27, 2023

Lars O Grönstedt
Chairman of the Board

Per Brilioth
Board member

Allison Goldberg
Board member

Hanna Loikkanen
Board member

David Nangle
Board member and CEO

Our auditor's report was submitted on March 27, 2023

PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Johan Brobäck
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of VEF AB (publ), corporate identity number 559288-0362

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of VEF AB (publ) for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 46–80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of December 31, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2022, and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matter

Valuation of private equity investments

The valuation of private equity investments at fair value is significant for the Group's financial statements as a significant part of the Group's Net Asset Value comprise non-quoted investments in private equity companies. At December 31, 2022, these investments had a carrying value of USD 381 mln, representing 89% of total assets.

The fair value of non-quoted investments is determined by recent transactions made at prevailing market conditions or different valuation models depending on the characteristics of the company as well as the nature and risks of the investment. The choice of valuation technique for each non-quoted investment is based on management's judgement at the closing date.

For transaction based valuations, each transaction has to be evaluated by management to determine if the transaction reflects the fair value on the closing date.

Investments valued by valuation models require significant input of non-observable data and management assumptions. Due to the complexity in the valuations there is a risk of material misstatement for these investments.

The selected valuation methods and assumptions used for each significant investment are presented in Note 3 to the financial statements.

The development of the Net Asset Value is also the basis for management compensation from the long-term share-based incentive program described in Note 8.

How our audit addressed the Key audit matter
Our audit procedures included assessing management's valuation process for non-quoted investments and management's selection of valuation method for each investment. Valuation specialists has been involved in the audit of the major investments.

Valuations based on recent transactions were evaluated by obtaining and analyzing supporting documents to assess if the transaction may be used as reasonable assessment of fair value by the closing date, including assessment of transaction parties, size of the transactions and other relevant transaction terms. We have also evaluated management's assessment of events after the transaction date, including both company specific events and macro-economic events, to conclude if these are reflected in the valuations.

Valuations based on models have been evaluated by confirming input data from external sources as well as evaluating management's assumptions in the valuation models. Our audit also includes recalculations of the valuations and reconciliation of the final valuation to the financial statements, as well as auditing the overall presentation of the valuations in the notes to the financial statements.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–45 and 104–105 and the sustainability report found on pages 94–103. The other information also consists of the remuneration report, which we have had access to prior to the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

The auditor's audit of the administration of the company and the proposed appropriations of the company's profit or loss
Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of VEF AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for VEF AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of VEF AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence I we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors (and the Managing Director), but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of VEF AB (publ) by the general meeting of the shareholders on May 10, 2022, and has been the company's auditor since the company became listed on Nasdaq Stockholm's main list June 1, 2022, and became subject to the regulations for public interest entities.

Gothenburg March 27, 2023
PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Johan Brobäck
Authorized Public Accountant

Corporate governance

As from June 1, 2022, VEF AB (publ) ("**VEF**" or the "**Company**") is trading on Nasdaq Stockholm main market. Prior to the listing on Nasdaq Stockholm, VEF was listed on Nasdaq First North Growth Market. As a Swedish publicly listed company, VEF applies the Swedish Corporate Governance Code (the "**Code**") in full and have done during all of 2022. The Code is based on the principle of "comply or explain". According to this principle a company may choose whether it wants to follow a clause in the Code or explain why it has chosen not to. The Company has during 2022 deviated from the principles of the Code in so that it did not state the names of the representatives of the nomination committee six months before the annual general meeting 2023 but only shortly thereafter. The reason therefore was that the composition of the nomination committee was not finalized in time.

The corporate governance principles of the Company are described below.

Shareholders

At year-end 2022, VEF had approximately 19,000 shareholders according to the register of shareholders maintained by Euroclear. The largest shareholder is the Acacia Funds (Conifer Management LLC), who's joint shareholding at year-end 2022 amounted to 217,718,740 shares, representing a total of 19.9% of the outstanding shares and votes of the Company. There is no other shareholder holding more than 10% of the shares or the votes in the Company.

Annual general meeting and other general meetings

The general meeting of shareholders is the highest decision-making body of the Company, in which all shareholders are entitled to attend in person or by proxy. The annual general meeting ("**AGM**") of the Company is held in Stockholm, Sweden, where the Company is domiciled, it's shares are listed and where most of the Company's shareholders are domiciled.

The Swedish Companies Act (2005:551) (the "**Companies Act**") and the Articles of Association (the "**Articles**") determine how the notice to the AGM and extraordinary general meetings shall occur, and who has the right to participate in and vote at such meetings. There are no restrictions on the number of votes each shareholder may cast at general meetings. Each ordinary share equals to one vote. Each shareholder entitled to vote may vote for the entire number of the shares owned. The documents and minutes from any general meetings, including the AGMs, are published on the website of the Company.

Pursuant to a decision by the 2022 AGM, the Board has been authorized to issue shares, with or without deviation from the common share shareholders' preferential rights. The Board's resolutions to issue shares with deviation from the common share shareholders' preferential rights may result in an increase of the number of shares in the company of not more than 20% of the outstanding shares at the time the authorization is adopted, in aggregate. The Board has not used this authorization during 2022.

Pursuant to a decision by the 2022 AGM, the Board has been authorized to purchase its own shares to the extent that the Company's holding of its own shares, on any occasion, does not exceed 10% of the Company's total number of shares. On August 22, 2022, the Company announced that the Board has approved a new buyback program of up to 10 mnUSD and no more than 10% of the total number of shares in VEF. The Company has bought back 12,824,243 shares since the announcement and as of December 31, 2022 holds all those shares in treasury.

The 2023 AGM of VEF will take place on May 9, 2023. All documents related to the 2023 AGM will be published on VEF's website.

Nomination committee

Shareholders in the Company have the right to nominate members of the Board, and auditors, to the AGM. According to the Code, a company shall have a nomination committee that prepares proposals regarding certain appointments by the AGM, including proposals for the Chairman of the AGM, candidates for election to the Board, Chairman of the Board, the auditor of the Company as well as remuneration to the Board. VEF has a nomination committee appointed for the 2023 AGM.

In accordance with the instruction adopted by VEF's 2022 AGM, the nomination committee of VEF shall comprise of up to four representatives chosen from among the largest shareholders of the Company as at August 31, 2022 and the Chairman of the Board. The Company announced on December 7, 2022 that the nomination committee consists of the following representatives: Jake Hennemuth, appointed by Acacia Partners (Conifer Management LLC); Pia Gisgård, appointed by Swedbank Robur Fonder; Florian

Hellmich, appointed by the CEO of VEF David Nangle, and Lars O Grönstedt, Chairman of the Board of VEF. The composition of the Company's nomination committee meets the requirements concerning the independence of the committee set out in the Code.

The nomination committee's task is to prepare proposals for the following resolutions at the 2023 AGM: (i) election of the chairman of the AGM, (ii) the election of Board members, (iii) the election of the Chairman of the Board, (iv) the remuneration of the directors, (v) election of auditors and their remuneration, and (vi) proposals on the nomination process for the AGM 2024. In proposing Board members for election at the AGM, the nomination committee is guided by section 4.1 of the Code, which contains provisions regarding diversity and breadth of qualifications, experience and background, gender equality, and the directors' independence of the company, its executive management and major shareholder. The proposal by the nomination committee for the 2023 AGM will be published on the Company's website before the 2023 AGM.

Board of Directors

Board members are elected at the AGM for a period ending at the close of the next AGM. The Articles specify that the Board shall consist of not less than three and not more than ten directors.

At the 2022 AGM six directors were elected with no deputies. The Board currently consists of five members and no deputies, following the voluntary resignation of board member Ranjan Tandon on June 3, 2022. The CEO is the only executive Board member. The nomination committee applied the Code rule 4.1 as diversity policy in its nomination work. The nomination committee's assessment is that the current Board is appropriate given the Company's operations, current stage of development and general state of affairs and that the Board has the breadth and diversity required to meet the Company's needs. The composition of VEF's Board meets the independence requirement set out in the Code. The independence of Board members in relation to the Company and its management, and to the major shareholders of the Company is set out on pages 89–90 below.

Work of the Board

During the year, the Board has held 14 board meetings, of which three in person, five by video conference, and has passed six resolutions by circulation. The Board meetings are conducted in English. The secretary of the Board meetings was VEF's General Counsel. The Board typically meets in person at least three-four times a year and more frequently if needed. Between meetings, the CEO has regular contact with the Chairman of the Board and the other Board members.

Tasks of the Board

The Board's tasks, delegation procedures and authorities, as well as instructions for the CEO, are set out in the Companies Act and the Company's board instructions and corporate policies reviewed and approved at least once a year by the Board. According to these, and subject to any directions given by the general meeting, the Board shall manage the business of the Company in the interests of the Company and all shareholders and may exercise all the powers of the Company. The Board shall ensure that the organization of the Company is adapted to its purpose, why the Board continuously shall evaluate the Company's routines, processes and guidelines for management of the Company.

The Board adopts decisions on overall issues affecting the Group which include preparing and issuing investment recommendations to the Board of the subsidiary VEF Cyprus. The whole Board is involved in evaluations and recommendations of investments and have not formed a sub-committee that specifically focus on the investments. As VEF is an investment company and its core business is investing, the Board has agreed that this task should be performed by the Board as a whole.

During 2022, the VEF Board has mainly focused on managing the investments in the portfolio companies, reviewing and evaluating new investments, the financial reporting, remuneration of the CEO and management (particularly LTIP 2022) and guided the Company through the process of preparing for changing listing venue to Nasdaq Stockholm Main Market.

The Board has an audit committee and a remuneration committee. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and decisions taken.

Sub-committees of the Board

Audit committee

The main tasks of the audit committee follow from Chapter 8, Section 49b of the Swedish Companies Act. The tasks of the committee include monitoring the Company's financial reporting and the efficiency of the Company's internal controls and overseeing work related to risk assessment. They also maintaining frequent contacts with the external auditors. The audit committee's work primarily focuses on the quality and accuracy of the Group's accounting and reporting. The committee is also responsible for evaluating the auditors of the Company and to make recommendations regarding auditor elections to the nomination committee. The audit committee monitors the development of relevant accounting policies and requirements, discusses other significant issues related to the financial reporting and reports its observations to the Board.

The audit committee consists of Hanna Loikkanen (Chair) and Lars O Grönstedt (member). The audit committee has held five meetings during 2022, where both members were present at all meetings.

Remuneration committee

The main task of the remuneration committee is to review and propose amendments to the Remuneration principles as well as to evaluate and propose for the Board's consideration the structure and size of the Company's incentive programs (detailed information can be found in Note 8) and other variable remuneration as well as the annual remuneration of the CEO. The remuneration committee consists of Lars O Grönstedt (Chair) and Per Brilioth (member). The remuneration committee has held two meetings during 2022, where both members were present.

Investment decisions and recommendations

One of the main responsibilities and tasks of the Board is to review and evaluate investment proposals from the CEO and the investment team. Typically, the investment team, including the CEO, will prepare an investment proposal for the Board, upon which the Board will have the opportunity to discuss the proposal in detail with the investment team and the CEO. Following initial review and discussions, the proposal will be brought to a Board meeting for final assessment.

The role of the Board in the investment process is to make suitable investment recommendations to the Cypriot subsidiary, VEF Cyprus Limited. These recommendations must at all times be in line with the overall strategy of the Company as decided by the Board from time to time.

In order to make these recommendations the Board will, e.g.:

- evaluate the current developments in the relevant markets;
- review the current investments and development plans and evaluate their performance in light of the overall strategy;
- review and assess the impact of any current trend, legislation or regulation affecting the relevant markets (including ESG in relation to existing and potential investments);
- evaluate the performance of any new management initiative or structure in any current investment;
- identify potential new investments and evaluate their suitability in light of the overall strategy; and
- identify and evaluate the potential development of any other areas or markets outside the main focus.

On the basis of the above factors, the Board will make recommendations to VEF Cyprus in such form and in a timely manner as to enable VEF Cyprus to properly and fully consider the recommendations. The Board of VEF Cyprus will make an independent decision on whether to approve an investment based on the recommendation of the Company Board.

The Board may decide that an investment is made by the Parent company instead of the Cypriot subsidiary for e.g., regulatory or other reasons. In such case, any investment decision by the Board shall be final. Similarly, any divestment decisions/recommendations related to portfolio companies directly held by the Parent company shall be taken by the Board.

The CEO and management

The CEO is appointed by the Board. The CEO is responsible for the day-to-day management of the Company in accordance with the Board's guidelines and instructions and the CEO instructions approved at least once a year. This includes managing investments, employees, finance and accounting issues and regular contact with various stakeholders of VEF, such as investors, public authorities and the financial market. The CEO is responsible for providing the Board with the necesssary material for making well-informed decisions, including investment proposals. The CEO keeps the Board regularly updated and informed of developments in VEF's business, including the development of portfolio companies.

VEF also has a management team to support the CEO in the management of VEF's overall business. For members of the VEF management team, see page 90. The CEO and management team meet regularly to discuss all areas of importance for the overall management of the Company, including portfolio companies, new investments, investor relations, sustainability and ESG matters, regulatory and compliance matters and financial reporting.

Evaluation of the Board, the CEO and management

The Chairman of the Board conducts an annual evaluation of the Board by distributing self-assessment forms and conducting one-on-one interviews with the other Board members with a view to assessing how well the Board functions and whether there are areas that need improvement or competences that are deemed lacking. The Chairman compiles the results of the self-assessment forms and interviews and presents them to the nomination committee along with any issues raised by board members during the year. The purpose of the evaluation is to identify measures that could make the work of the Board more effective, identify areas with room for improvement and the overall view of the Board members on the functioning of the Board. The purpose is further to provide some insight to the nomination committee to assist in their nomination process for the coming AGM.

The Board evaluates the performance of the CEO and the management team on a yearly basis.

Remuneration

Compensation to the board

The compensation to the Board is determined by the shareholders of VEF at the AGM each year based on a proposal from the nomination committee.

The total compensation to the Board approved by the 2022 AGM was a cash consideration of in total SEK 3,400,000, however, following the early resignation of one board member, the total remuneration has been slightly less. The allocation of the Board compensation is provided on pages 89–90 and in Note 8.

Remuneration to the management

The Board determines the total remuneration of the CEO. The Board also proposes the remuneration principles for the CEO and management and the long-term incentive program for employees in the Company to the AGM each year.

The remuneration principles (the "**Principles**") currently in force were adopted at the AGM of the Company held on May 10, 2022. According to the Principles, remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable remuneration, pension benefits and other benefits. The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100% of the fixed annual cash salary. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance and one-time highly remarkable achievements and results. Such remuneration may not exceed an amount corresponding to 200% of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the Board based on a proposal from the remuneration committee.

For the CEO and other members of management, pension benefits, including health insurance, shall be premium-defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30% of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (*Sw.* sjukvårdsförsäkring) and partial compensation for loss of salary in connection with parental leave. Such benefits may amount to not more than 50% of the fixed annual cash salary. The Board has not deviated from these principles. The Board's proposal for new remuneration principles for 2023 will be made public in connection with announcing the notice to the 2023 AGM.

For details regarding remuneration of the CEO and management, see page 90 and Note 8.

Incentive programs

The Company had three different incentive programs outstanding during 2022, more detailed information can be found in Note 8.

Board of Directors

Lars O Grönstedt

Chairman of the Board, Chairman of the remuneration committee and member of the audit committee
Appointed: Chairman and member of the Board since 2015
Nationality: Swedish citizen
Born: 1954
Independence: Independent of the Company, management, and major shareholders.
Education: BA in languages and literature from Stockholm University, and an MBA from Stockholm School of Economics.
Previous experience and other significant positions: Lars O Grönstedt spent most of his professional life at the Swedish bank Handelsbanken. He was CEO of the bank between 2001–2006, and Chairman of the Board between 2006–2008. Today he is, among other things, Chairman of VNV Global (publ) and of the housing association Blå Tornet, member of the board in the Fabius group of companies, speaker of the body of elected representatives at SEB Trygg Liv and council member at Global Access Partners, Australia.
Holdings in VEF: 130,000 shares.
Remuneration: USD 123k. No agreement regarding severance pay or pension.

Per Brilioth

Board member and member of the remuneration committee
Appointed: Member of the Board since 2015
Nationality: Swedish citizen
Born: 1969
Independence: Independent of the Company, management, and major shareholders.
Education: Graduate of Stockholm University and a Master of Finance from London Business School.
Previous experience and other significant positions: Between 1994 and 2000, Per Brilioth was head of the Emerging Markets section at the Swedish investment bank Hagströmer & Qviberg. Since 2001, he is the Managing Director of VNV Global AB (publ). He is a member of the board of VNV Global AB (publ), Kontakt East Holding AB, NMS Invest AB and Voi Technology AB.
Holdings in VEF: 1,682,672 shares.
Remuneration: USD 59k. No agreement regarding severance pay or pension.

Allison Goldberg

Board member
Appointed: Member of the Board since 2020
Nationality: US citizen
Born: 1976
Independence: Independent of the Company, management, and major shareholders.
Education: Bachelor of Science in Economics, with concentrations in Finance and Operations & Information Management from Wharton School at the University of Pennsylvania.
Previous experience and other significant positions: Allison Goldberg is currently Senior Vice President and Managing Partner at Comcast Ventures and Startup Engagement, the venture capital arm of Comcast Corporation. She is also a Venture Partner at the venture capital fund Saints Capital Media Ventures, a media and technology fund. Prior to this, she was a Partner at the venture capital fund Advancit Capital, focusing on early-stage investments in consumer and media technology companies. Previously, she has also served as Group Managing Director and SVP of Time Warner Investments, where she ran the group focused on investments in private companies, worked as an Investment Associate at Groupe Arnault and she started her career in the Global Media Group, Investment Banking at Morgan Stanley. Allison Goldberg is a board member of YieldMo and is an advisor to Bustle Digital Group, the largest female-focused digital media company.
Holdings in VEF: –
Remuneration: USD 49k. No agreement regarding severance pay or pension.

Hanna Loikkanen

Board member and Chairman of the audit committee
Appointed: Member of the Board since 2021
Nationality: Finnish citizen
Born: 1969
Independence: Independent of the Company, management, and of major shareholders.
Education: Master in economics from the Helsinki School of Economics and Business Administration.
Previous experience and other significant positions: Hanna Loikkanen began her career in 1995 at Merita Bank in Russia, where she was Vice President and chief representative of the St. Petersburg office and until 2007 had a number of different senior managerial roles in the financial services industry at companies such as SEB, Nordea and at FIM Group (later Glitnir Banki Hf) based in Russia, Poland and Baltics. Between 2007-2019, Hanna worked at East Capital where she held various positions,

including responsibility for East Capital's Russian private equity business. She has extensive board experience and is currently a board member of Finnfund Oy, a Finnish state-owned development financier, LSE listed Bank of Georgia Group PLC and T&B Capital Oy.
Holdings in VEF: 52,000 shares.
Remuneration: USD 59k. No agreement regarding severance pay or pension.

David Nangle
CEO and Board member
Appointed: Member of the Board since 2015
Nationality: Irish citizen
Born: 1975
Independence: Not independent of the Company and management, but independent of major shareholders.
Education: Degree in B. Comm International (French) from University College Dublin, Ireland.
Previous experience and other significant positions: David Nangle has spent his career focusing on emerging markets and within that the financial services sector. He was part of ING Baring's emerging markets research team between 2000 and 2006, after which he spent nearly 10 years with Renaissance Capital in both Moscow and London and has helped the firm develop and grow their financials and broader research footprint from a strong Russia base to a leading emerging markets and frontiers franchise.
Holdings in VEF: 19,932,581 common shares, of which 11,066,000 constitute investment shares under LTIP 2020, LTIP 2021 and LTIP 2022, as well as 13,300,000 Class C 2020 shares under LTIP 2020, 3,325,000 Class C 2021 shares under LTIP 2021 and 3,325,000 Class C 2022 shares under LTIP 2022.
Salary and variable remuneration: USD 1,168k.
Agreement regarding severance pay and pension: David Nangle has the right to six months' salary in the event of termination of appointment on the part of the Company. He has nine months' mutual notice period. David Nangle also has a pension plan based on Irish market practice.

Overview of meeting attendance

Name	Attended board meetings
Lars O Grönstedt	14/14
Per Brilioth	14/14
Allison Goldberg	14/14
Hanna Loikkanen	14/14
David Nangle	14/14
Ranjan Tandon[1]	8/14

1. Resigned on June 3, 2022

Group management

David Nangle
CEO
See heading "Board of Directors".

Henrik Stenlund
CFO and Head of IR
Employed since: 2016
Nationality: Swedish citizen
Born: 1976
Holdings in VEF: 3,865,500 common shares, of which 403,993 constitute investment shares under LTIP 2020, LTIP 2021 and LTIP 2022, as well as 5,153,750 Class C 2020 shares under LTIP 2020, 1,184,540 Class C 2021 shares under LTIP 2021 and 1,291,465 Class C 2022 shares under LTIP 2022

Helena Caan Mattsson
General Counsel and Head of Sustainability
Employed since: 2017
Nationality: Swedish citizen
Born: 1987
Holdings in VEF: 2,837,096 common shares, of which 380,242 constitute investment shares under LTIP 2020, LTIP 2021 and LTIP 2022, as well as 4,322,500 Class C 2020 shares under LTIP 2020, 1,184,540 Class C 2021 shares under LTIP 2021 and 1,291,430 Class C 2022 shares under LTIP 2022.

Alexis Koumoudos
CIO
Employed since: 2016
Nationality: British citizen
Born: 1985
Holdings in VEF: 5,220,864 common shares, of which 760,637 constitute investment shares under LTIP 2020, LTIP 2021 and LTIP 2022, as well as 9,476,250 Class C 2020 shares under LTIP 2020, 2,369,045 Class C 2021 shares under LTIP 2021 and 2,625,000 Class C 2022 shares under LTIP 2022.

Auditor

VEF is required to have an auditor. A firm of auditors may be appointed as VEF's auditor. The auditor is elected by the AGM for a mandate period of one year. At the 2022 AGM, the registered auditing company, PricewaterhouseCoopers AB ("**PwC**") was re-elected as auditor for the period until the end of the 2023 AGM. PwC has been the auditor of the Company since 2015.[1] The Authorized Public Accountant Ulrika Ramsvik was the auditor in charge at the beginning of the year but following the relisting of VEF, Bo Karlsson is the auditor in charge. In 2022 in addition to the regular audit, PwC also have performed a general review of the interim report for the third quarter and assisted the company with advice on general accounting and tax issues. The "Auditor's report" is to be found on page 81.

Bo Karlsson
Born 1966. Authorised Public Accountant, Auditor-in-charge.
Auditor in the Company since 2022.
PricewaterhouseCoopers AB, Gothenburg, Sweden.

Internal control and risk management

The Board is responsible for the Company's organization and administration of the Company's activities, which includes internal control. Internal control in this context regards those measures taken by the Company's Board, management and other personnel, to ensure that bookkeeping, asset management and the Company's financial condition in general are controlled in a reliable fashion and in compliance with relevant legislation, applicable accounting standards and other requirements for Swedish listed companies. This control is exercised by the Board in its entirety. This report on internal control is made in accordance with section 7.3, 7.4 and 10.2 of the Code and the Annual Accounts Act (1995:1554), which governs internal control over the financial reporting.

VEF is an investment company whose main activity is the management of financial investments. As such, the Company's internal control over financial reporting is focused primarily on ensuring an efficient and reliable process for managing, evaluating and reporting on purchases, sales and holdings of shares and equity-related instruments.

1. PwC was the auditor of the previous parent company of the group, VEF Ltd. since its registration in 2015. Following the redomestication of the group and change of parent company to VEF AB (publ), PwC became the auditor of the Company.

The Board has decided that an internal audit function is not needed as VEF is a fairly small organization. The Board believes that the internal control can be maintained through the work methods described below.

Control environment
The Board has adopted rules of procedure and instructions for the CEO and its two committees to ensure appropriate division of duties and responsibilities with the purpose of ensuring efficient management of risks of the Group. The Board has further adopted policies and guidelines to further govern the handling of internal controls and control and risk processes. These include instructions regarding the financial reporting, authorization procedures, purchasing policies, investment policies, accounting principles and financial risk management. The Company's management is responsible for the system of internal controls required for managing risks associated with ongoing operations. This includes guidelines for the employees to ensure that they understand the importance of their particular roles in efforts to maintain efficient internal control.

Risk assessment and control activities
VEF uses the COSO definition of risk (*"Any future event that threatens the organization's ability to achieve its business goals and objectives"*) when assessing risks. The two areas of greatest importance when it comes to internal control and risk management are the financial reporting of the Company and the investment process. VEF has established documented policies, guidelines and routines for controlling of such risks and continuously evaluates the efficiency of such control actions. Based on the risk type, the identified risks are categorized into any of the four risk categories below:

- strategic and business risk,
- operational risks,
- compliance risks,
- financial risks

The identified risks are mapped to any of VEF's processes. In addition, each risk shall have a risk owner who is responsible for monitoring and mitigation of the risk. The risks shall be presented to the audit committee for review and to the Board for review and approval.

Financial risks as well as operational, strategic, business and compliance risks are reported to the audit committee as well as the whole Board, including an analysis of potential impact, probability, control over such risks as well as possibility to mitigate the risks. Each risk has a risk owner who is responsible for monitoring and mitigating the risk.

The purpose of the audit committee is to increase the quality and improve the supervision and control of the Company's financial risk exposure and risk management. The audit committee prepares proposals for resolutions, subject to final approval by the Board, regarding matters related to the Company's and the Group's accounting, financial reporting and internal control but also financial risk exposure and risk management. The committee reports decisions, proposals, findings and matters discussed to the Board on a regular basis.

As for the financial reporting, it must be ensured that it is in compliance with relevant legislation, applicable accounting standards, other requirements for listed companies and does not contain significant errors. As VEF is an investment company whose main activity is investing in and managing investments in portfolio companies, the internal control over the financial reporting is largely focused on ensuring an efficient and reliable process for managing and reporting on purchases, sales and holdings of shares and equity-related instruments in portfolio companies as well as the quarterly valuations of the portfolio companies. The Company has established policies, guidelines and processes to ensure a consistent and reliable process.

The Board is to ensure that the Company has adequate policies and procedures for the Board, management and other employees to ensure accurate and timely financial reporting and a consistent and risk-minimized investment- and divestment process. The audit committee monitors the application of the Company's accounting principles and the financial reporting of the Company and the efficiency in the Company's internal control and risk management in relation to the financial reporting. The main responsibility for day-to-day maintenance of the control environment lies with the Company's CEO. To ensure that the Company has an appropriate and adequate level of control and proper process for detecting, reporting and handling risks, management has established a number of control activities and guidelines to manage significant risks in the business and ensure efficient internal control. The control activities are documented in an internal control framework and implemented throughout the organization, and the effectiveness of the controls are evaluated on an annual basis. The CEO and management report regularly to the audit committee and the Board on control effectiveness and risk issues.

As for the investment and divestment process, this is the responsibility of the whole Board. The Board has established policies in relation to this process and management has implemented detailed guidelines to ensure that the Company has a robust and secure investment process. This includes a detailed investment policy, well documented investment decisions, well documented investment proposals and assessments of investments. The investment process and the responsibilities of the Board as well as the CEO and management are described in more detail on page 87.

Focus is also put on making sure that the requirements and routines for the accounting procedure, including consolidation of accounts and creation of interim and full year reports comply with relevant legislation as well as generally accepted accounting principles and other requirements for listed companies.

VEF has a small and flat organizational structure. The small number of employees and close cooperation between them contribute to high transparency within the organization, which complements fixed formal control routines. This also facilities the work in identifying risk and potential errors in the financial reporting as well as the investment process.

Auditor's report on the corporate governance report

To the general meeting of the shareholders in VEF AB (publ), corporate identity number 559288-0362

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year 2022 on pages 85–92 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Gothenburg March 27, 2023
PricewaterhouseCoopers AB

Bo Karlsson
Authorized Public Accountant
Auditor in charge

Johan Brobäck
Authorized Public Accountant

Sustainability report

About this report
VEF's sustainability report consists of the sections "A sustainable journey" (pages 22–31) and this section "Sustainability report" pages 94–103) of the Annual Report for 2022. 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. Last year, we issued our first sustainability report that fulfilled GRI Standards. This year we have further expanded on the base we set last year and our work to improve our sustainability report will continue over the coming years. The direct scope of this report is VEF's own operations and not the portfolio companies' operations. However, certain data related to portfolio companies is set out in various places in the report.

This year, we have also focused on the new regulatory requirements under the EU Corporate Sustainability Reporting Directive (CSRD). Although we are not within the scope of the CSRD reporting requirements until 2026, our ambition is to gradually increase our reporting until then and we have taken some steps in that direction with this report.

During 2022 we have also complemented the stakeholder dialogues we had last year to give us an even better understanding of what our stakeholders prioritize regarding sustainability.

Defining material topics
To define our material topics, last year we initiated a materiality analysis. We have revisited this analysis and slightly revised our list of material topics but largely the list of topics is the same as last year. The material topics have been identified through discussions with key stakeholders, the board, and management as well as peer and industry benchmarks. 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, both from a risk as well as opportunity perspectives, defining the scope for VEF's sustainability agenda both internally and in relation to our portfolio companies.

Out of our broader list of material topics we have during the last few years focused specifically on three areas. These have been chosen as most relevant given that we invest in emerging markets and specifically in private fintech companies in growth stage. As our investment strategy is focused on this specific theme, the assessment of sustainability related risks is largely the same for all portfolio companies. Generally, the risks are related to governance, business ethics, data privacy and security and customer related behavior (irresponsible finance activities). Not all companies phase all of these risks, but broadly these are the relevant themes and thus the reason why we have chosen these areas as key focus for our sustainability work.

For the full list of material topics, see page 101.

Material topics	Description and Scope
Governance and 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
Financial inclusion, fairness and wellness	• Improve access to financial products for underserved consumers and MSMEs in emerging and frontier markets • Improve the financial fairness, health and wellbeing for people and MSMEs in emerging and frontier markets

VEF sustainability management and governance
The Board 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 VEF evaluates, updates, and adopts multiple policies on an annual basis to ensure that we continuously conduct business ethically and sustainably (including but not limited to a Sustainability Policy and Code of Conduct, Information- and Insider Policies, Investment Policy, Anti-corruption Policy, People Guideline, Responsible Investment and Shareholding 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. The Board is also responsible for ensuring that no conflicts of interest arise and are mitigated. No conflicts of interest arose in 2022.

VEF has not formally formed a sustainability committee as the organization is small so there has been no need to formalize this. However, there is an informal sustainability committee where the Head of Sustainability regularly discuss sustainability matters, including setting VEF's sustainability road map, with the audit committee and in particular the Chair of the committee, as well as the CEO.

Sustainability policies
VEF's Sustainability Policy and Code of Conduct 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 policy 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.

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 the section "How we invest" below.

Business ethics and human rights
At VEF, we take a clear stance against all forms of economic crimes and poor business ethics. We have zero tolerance for bribes, corruption, money laundering, and other forms of illicit and unethical practices, both in relation to 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 2022, 100% of employees had received training and information regarding our anti-corruption and money laundering policies.

We also recognize 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. We have had no human right violating incidents during the year.

Whistleblower program
Any suspected and/or confirmed unethical or unlawful behavior shall according to our Sustainability Policy and Code of Conduct be reported to the closest manager, the CEO, or the Chairman of the Board. The policy includes clear instructions on how such reports should be handled. Our policy is to treat any reports confidentially and without any retaliation towards reporting individuals. We have not had any reports of misconduct in 2022.

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 interacting 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, and the National Advisory Board for Impact Investing.

Sustainable Portfolio Management

Sustainable portfolio management is core for long-term value creation for our investors. 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.

How we invest and manage our investments

Our main goal 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 and sometimes even as early stage as seed investments, we can support the development of proper sustainability structures from the ground up and be involved in their sustainability journeys from the start or a very early stage. 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. 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. We have multiple policies, guidelines and tools for managing our portfolio, the pre- and post-investments assessments as well as tools that we can share with the portfolio companies. Our 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.

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, also being the legal counsel of VEF, is an integral part of the investment process and involved in any new investments from start to finish. By being a small team that works closely on all new investments, we can ensure that sustainability matters are prioritized and get sufficient attention in every single investment we make. And as we do a manageable amount of new investments each year, we can have a more detailed and tailored approach and not just a strict standard type of process. This, we believe, is a strength in our investment process.

Pre-investment analysis

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: Governance and business ethics; Responsible finance; and Financial inclusion, fairness and wellness (see the section "Defining material topics" above).

The analysis consists of an ESG Due Diligence, analyzing both immediate negative factors but also long-term sustainability growth opportunities. 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 and find opportunities where portfolio companies can positively contribute to sustainability issues. Where a potential investment has major ESG issues that are not possible to overcome, such investment will not meet VEF's investment criteria and will not be completed.

Post-investment analysis

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 and labor rights.

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 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.

Responsible finance

Ensuring that our portfolio companies conduct responsible finance businesses is core to our sustainable portfolio management process. You can read more about how we work with this and define responsible finance on pages 22–27 above.

Pre-investment	Investment team commercial due-diligence, integrating sustainability considerations at high level (such as, responsible finance- and impact assessment)
Pre-investment	Detailed ESG and impact due-diligence focused on VEF key ESG areas conducted by sustainability team and with input from and collaboration with investment team
Post-investment	Continued discussions with and support to portfolio companies on various ESG topics as needed
Post-investment	Annual post-investment ESG assessment and ESG-data collection

Governance, business ethics and human rights

As with any financial investments, especially considering some of the markets that we invest in, there are risks regarding corruption, fraud, embezzlement and other unethical business behavior, 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.

We also recognize the importance of our portfolio companies following international standards for human rights and specifically the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO's core conventions, and the UN Guiding Principles on Business and Human Rights. This is now included as part of our standard ESG-analysis (pre- and post-investment) of all portfolio companies. Respecting human rights is also included in the VEF ESG Principles that we request all portfolio companies to commit to.

Goals and KPIs

We measure our sustainable portfolio management with a few simple KPIs to ensure that we stay true to our sustainable investment strategy across the portfolio.

Goal	Outcome 2022
Conduct ESG pre-investment analysis for all new investments	100% of new investments
Conduct ESG post-investment analysis of all portfolio companies on a yearly basis	100% of portfolio companies
No (0) ESG-related incidents, including but not limited to corruption, data privacy breaches, or violations of ESG regulations (incl. environmental regulations)	No (0) incidents in 2022
No (0) fines for violation of anti-corruption and anti-bribery laws	No (0) incidents in 2022
100% of portfolio companies having business ethical policies, including anti-corruption and anti-bribery	100% of portfolio companies
100% of portfolio companies formally committed to VEF's ESG Standard, including the VEF Responsible Finance Principles	Ongoing – to be measured end of 2023

VEF as a sustainable employer

The VEF team

We are a small but dedicated team, consisting of ten employees, one full-time consultant 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 40% of the employees, 40% of the Board 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 Sustainability Policy and Code of Conduct and our People Guideline, we have zero tolerance towards discrimination, and there were no (0) such incidents during 2022. VEF recruits, promotes, and compensates based on merit, regardless of gender, ethnicity, religion, age, nationality, sexual orientation, union membership, or political opinion.

Composition of governance bodies and employees

	Male	Female	Age <30	Age 30–50	Age 50<	Independent	Non-independent
Board	60%	40%	0%	40%	60%	80%	20%[1]
Managers	75%	25%	0%	100%	0%	N/A	N/A
Employees	60%	40%	20%	80%	0%	N/A	N/A

1. The CEO, David Nangle, is the only non-independent board member

Employment type

	Permanent	Temporary	Full-time	Part-time	Total
Male	6	2	7	1	8
Female	3	1	4	0	4
Total[2]	**9**	**3**	**11**	**1**	**12**

2. Besides ten employees, 1 male consultant have worked full-time as Head of Accounting and 1 male consultant have worked part-time with accounting and payroll during 2022, both located in Stockholm, Sweden.

Employment location

	Permanent	Temporary
Sweden	3	2
UK	4	0
Ireland	2	1
Total	**9**	**3**

New employees

	Male	Female	Age <30	Age 30–50	Age 50<
UK	1 (100%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)
Ireland	1 (50%)	1 (50%)	1 (50%)	1 (50%)	0 (0%)
Total	2 (67%)	1 (33%)	2 (67%)	1 (33%)	0 (0%)
Employee turnover[3]	0%	0%	0%	0%	0%

3. No (0) employees ended their employment at VEF during 2022, therefore we had 0% turnover.

CEO pay ratio

	2022
CEO to FTE	3.6:1

Professional development and wellbeing

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 and/or their immediate supervisor. 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
Management	100%	100%	100%
Employees	100%	100%	100%

Health

	Sickness	Injuries	Accidents
Total	**0**	**0**	**0**
Women	0%	0%	0%
Men	0%	0%	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 its environmental impact and resource consumption and recognize the need for us to take responsibility for our energy consumption and environmental impact. Our Sustainability Policy and 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, and we look forward to developing this reporting to better include all our activities.

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.

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 and 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, especially long-haul travel.

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.

MWh	2022	2021
Total amount of electricity, offices[4]	6.9	4.9

4. Includes offices in Sweden, Ireland, and UK.

Greenhouse gas emissions

Tonnes CO2e	2022	2021
Direct emissions (Scope 1)	0.0	0.0
Indirect emissions (Scope 2) Office electricity	1.7	0.7
Other indirect emissions (Scope 3) Business travel and Scope 3.3 Energy[5]	89.2	19.3
Total	**90.9**	**20.0**

5. Scope 3.3 was not included in 2021 data.

Emission factors used to calculate business travel are based on passenger-kilometer data and DEFRA 2022 emission factors. Location-based emission factors for AIB 2021 (2022) are used for calculating emissions from office electricity consumption, and DEFRA 2021 is used for Scope 3.3, 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.

Other environmental impact

Given the nature of VEF's business and the type of companies we invest in, we have limited environmental impact other than GhG emissions.

Environmental impact areas

	Impact
Exposure to companies active in the fossil fuel sector	None
Activities negatively affecting biodiversity sensitive areas	None
Hazardous waste	None

Environmental goals

We recognize the importance of being contributors to a more environmentally sustainable world and the potential risks environmental issues may have to us and our portfolio companies. However, we believe ours and our portfolio companies' impact is limited given the nature of our respective businesses and we also believe that the risks are limited and general. That said, we have started to measure some of our impact and will continue to expand our environmental reporting in-line with the requirements in the CSRD and ESRS as well as ask our portfolio companies to measure theirs. We also commit to reduce our environmental impact where we can, and we request that our portfolio companies do as well. As VEF's (as well as our portfolio companies') environmental impact is limited, we have not yet set any specific measurable goals and targets. During 2023 we will look further into whether we should set specific targets, such as Science Based Targets, both for ourselves as well as discuss this with our portfolio companies. We have initiated dialogues with some of our larger portfolio companies around this and will continue the discussions in 2023 and 2024.

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 effort. Our journey has just started, and we will continue to develop our sustainability strategy and sustainability goals. This is our third dedicated sustainability report, and we have prepared it in accordance with GRI Standards. We will continue to release annual dedicated sustainability reports.

With the new EU regulatory requirements in the CSRD, we will be required to issue a sustainability report in line with the CSRD by 2026. In the meantime, we will issue sustainability reports annually on a voluntary basis and we will expand the reporting to gradually comply with the requirements of the CSRD. We will expand the KPIs we report on, prioritizing KPIs that are more relevant to our business and investment strategy, as well as increasing the reporting on KPIs from our portfolio companies. As many of our portfolio companies are early-stage growth companies, we will work with them to ensure that we can provide reporting as comprehensively as possible.

Materiality analysis and stakeholder engagement

In 2021, we conducted our first materiality assessment, identifying the sustainability topics that are most material to VEF based on their potential impact on VEF but also the impact VEF may have on society through these topics. The topics have been identified through discussions with stakeholders, internal discussions, and looking at peers and industry standards and best practice as well as the SDGs. During 2022, we continued our work and reassessed our material topics as we also continued our stakeholder dialogues. We found that our list of material topics still is relevant, but we have added human rights as a prioritized topic following such conversations.

We have not yet conducted a full dual materiality assessment (i.e. analyzing and understanding how VEF impacts sustainability matters, as well as how sustainability issues may impact VEF) as this now is included in the new EU regulatory requirements in the CSRD that will be mandatory to VEF in 2026. Our ambition is to conduct that assessment during 2023 or 2024 as there will be a more established process for how the analysis should be conducted.

To ensure that we address the most relevant and important topics in our sustainability work, we engage with our various stakeholders. We started our more formal stakeholder engagement in 2021 and have continued to engage with stakeholders during 2022. We identified our stakeholders with the help of sustainability experts in 2021 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.

With the new EU-wide regulatory reporting requirements, the focus of our stakeholders, especially investors, will likely shift to some extent, and we will therefore closely follow the development and continue to have conversations with our stakeholders and follow what our peers do. We may need to adjust our list of topics on the way.

- Financial inclusion – Provide and improve access to responsible and affordable financial products and services
- Responsible finance 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
- Human rights
- 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

Statement of use	VEF AB (publ)
GRI 1 Used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	N/A

Disclosure		Page number	Omission/Comment
GRI 2: General Disclosures			
The organization and its reporting practices			
2-1	Organizational details		VEF AB (publ)
2-2	Entities included in the organization's sustainability reporting		VEF AB (publ), VEF Cyprus Limited, VEF Fintech Ireland Limited and VEF UK Ltd.
2-3	Reporting period, frequency and contact point		2022.01.01–2022.12.31, annual, Helena Caan Mattsson, General legal counsel and Head of Sustainability, legal@vef.vc
2-4	Restatements of information		No restatements
2-5	External assurance		This sustainability report has not been assured by an external assurance
Activities and workers			
2-6	Activities, value chain and other business relationships	AR 6-9	Annual Report: VEF – The emerging market fintech investor
2-7	Employees	98	The VEF Team
2-8	Workers who are not employees	98	The VEF Team
Governance			
2-9	Governance structure and composition	85	Corporate Governance
2-10	Nomination and selection of the highest governance body	85	Corporate Governance
2-11	Chair of the highest governance body	89	Board of Directors
2-12	Role of the highest governance body in overseeing the management of impacts	95	VEF sustainability management and governance
2-13	Delegation of responsibility for managing impacts	95	VEF sustainability management and governance
2-14	Role of the highest governance body in sustainability reporting	95	VEF sustainability management and governance
2-15	Conflicts of interest	95	VEF sustainability management and governance
2-16	Communication of critical concerns	95	Whistleblower program
2-17	Collective knowledge of the highest governance body	89-90	Board of Directors
2-18	Evaluation of the performance of the highest governance body	88	Evaluation of the Board, the CEO and management
2-19	Remuneration policies	88	Remuneration
2-20	Process to determine remuneration	88	Remuneration
2-21	Annual total compensation ratio	98	The VEF team
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	AR 10-13	Management report
2-23	Policy commitments	95	Sustainability report
2-24	Embedding policy commitments	95	VEF sustainability management and governance
2-25	Processes to remediate negative impacts	96	How we invest and manage our investments. Such processes only exist to a certain extent today. These will be developed and reported on in 2023.
2-26	Mechanisms for seeking advice and raising concerns	95	Whistleblower program
2-27	Compliance with laws and regulations	95	Business etics and human rights
2-28	Membership associations	95	Industry involvement
Stakeholder engagement			
2-29	Approach to stakeholder engagement	101	Stakeholder engagement
2-30	Collective bargaining agreements		We do not apply collective bargaining agreement, hence no (0%) of employees are covered by this in 2022

GRI Index (continued)

Disclosure		Page number	Omission/Comment
GRI 3: Material Topics			
3-1	Process to determine material topics	94, 101	Defining material topics and Materiality analysis
3-2	List of material topics	94	Table Material topics
GRI 200 Economic Standard Series			
Indirect Economic Impact			
3-3	Management of material topics	96	How we invest and manage our investment
GRI 203: Indirect Economic Impacts			
203-2	Significant indirect economic impacts	AR 30	VEF's impact in numbers 2022
Anti-corruption			
3-3	Management of material topics	97	Governance, business ethics and human rights
GRI 205: Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	97	Goals and KPIs
GRI 300 Environmental Standards			
Energy			
3-3	Management of material topics	100	Environmental impact
GRI 302: Energy			
302-1	Energy consumption within the organization	100	Environmental impact
Emissions			
3-3	Management of material topics	100	Environmental impact
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	100	Environmental impact
305-2	Energy indirect (Scope 2) GHG emissions	100	Environmental impact
305-3	Other indirect (Scope 3) GHG emissions	100	Environmental impact
GRI 400 Social Standards			
Employment			
3-3	Management of material topics	98	The VEF team
GRI 401: Employment			
401-1	New employee hires and employee turnover	98	The VEF team
Training and Education			
3-3	Management of material topics	99	Professional development and wellbeing
GRI 404: Training and Education			
404-3	Percentage of employees receiving regular performance and career development reviews	99	Professional development and wellbeing
Diversity and Equal Opportunity			
3-3	Management of material topics	98	The VEF team
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	98	The VEF team
Non-discrimination			
3-3	Management of material topics	98	The VEF team
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	98	The VEF team

Glossary

of terms and acronyms used in the annual report

AML	Anti-money laundering
AUM	Assets under management
APR	Annual percentage rate
BNPL	Buy now pay later
CAC	Customer acquisition cost
CAGR	Compound annual growth rate
CEE	Central and Eastern Europe
CoC	Cash on cash return
EM	Emerging market
ESG	Environmental, social and governance
ETF	Exchange traded fund
EV	Electric vehicle
FMCG	Fast-moving consumer goods
GDP	Gross domestic product
GMV	Gross merchandise value
IoT	Internet of things
IPO	Initial public offering
IRR	Internal rate of return
KPI	Key performance indicator
KYC	Know your customer
LTIP	Long-term incentive program
LTV	Lifetime value
MSME	Micro, small, and medium enterprises
NAV	Net asset value
SaaS	Software as a service
SDG	Sustainable Development Goals, The UN's sustainable development goals
SME	Small and medium-sized enterprises
TAM	Total addressable market
TES	Total energy supply
UPI	Unified payments interface
VC	Venture capital
YE	Year-end
YoY	Year-on-year
1H	First half (year)
2H	Second half (year)

Financial calendar

Q1 Interim report
April 19, 2023

Annual general meeting of shareholders 2023
May 9, 2023

Q2 Interim report
July 19, 2023

Q3 Interim report
October 25, 2023

Financial accounts bulletin
January 24, 2024

Annual report 2023
March 2024

Annual general meeting of shareholders 2024
May 2024

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