

# FINDEV CANADA TRANSACTION SUMMARY

## M-KOPA

*This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental & social (E & S) assessment performed, potential risks identified, and related mitigation measures to be implemented.*



### Transaction Description

M-KOPA, headquartered in Nairobi, Kenya, is a supplier of “pay-as-you-go” (“PAYG”) off-grid solar home systems and consumer products for low-income households that have historically relied on kerosene and other traditional fuels. The Company’s goal is to bring affordable solar energy and lighting to rural households for less than the daily cost of kerosene and employs an innovative mobile payments model that simultaneously provides unbanked customers with a credit history and an upgrade path to finance additional household products such as televisions, refrigerators, cooking stoves and smart phones.

This transaction is a follow-on to the initial investment made in M-KOPA in 2018.

### Transaction Details

<b>COUNTERPARTY</b>	M-KOPA Holdings Limited
<b>DOMICILE OF INCORPORATION</b>	United Kingdom
<b>DOMICILE OF OPERATIONS</b>	Kenya, Nigeria, Uganda
<b>TERM OF FINANCING</b>	3 years
<b>SECTOR</b>	Financial Industry / Green Growth
<b>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY</b>	Category B
<b>FINANCIAL PRODUCT</b>	Convertible Promissory Note
<b>FINDEV CANADA PARTICIPATION AMOUNT</b>	USD 2 Million
<b>DATE OF TRANSACTION DISCLOSURE</b>	2/10/2020
<b>DATE OF TRANSACTION SIGNING</b>	1/24/2020
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	5/11/2020
<b>2X CHALLENGE QUALIFYING</b>	Yes, in direct employment

## Summary of Anticipated Development Impacts

The development impact value proposition of M-KOPA is to increase the quality of life of low-income households and individuals through access to solar-powered appliances and devices, which in turn contribute towards their users' increased productivity, improved health, increased savings, offer new income generation opportunities and access to financial services.



### ACCESS TO LIFE-ENHANCING SERVICES FOR LOW-INCOME HOUSEHOLDS

- To date, the Company has sold over 900,000 off-grid solar home systems and appliances, providing 3 million individuals with clean, safe access to energy solutions. Eighty percent (80%) of households served are low-income, earning US\$ 2-3 per day. M-KOPA products have enabled more than 140,000 customers to generate additional income, for example by staying open later at night or launching new businesses (e.g. phone charging or commercial entertainment facilities).
- M-KOPA has a stated objective to reach a total of 20 million individuals by 2030.



### QUALITY JOBS

- M-KOPA is an important employer, with currently 985 full-time staff, 50% of whom are women. These are quality jobs – providing decent salaries, training opportunities and other benefits, such as healthcare, pension, and maternity leave. To support its ambitious growth trajectory, anchored in product innovation and geographical expansion, M-KOPA is planning to expand to 2,000 full-time staff and 10,000 sales agents by 2030.



### WOMEN'S ECONOMIC EMPOWERMENT

- M-KOPA contributes to women's economic empowerment through the provision of empowerment tools, such as access to basic services, products and essential needs. The Company's recent impact study revealed that 46% of their solar home system users are women, offering them and their children more safety and security by displacing toxic and dangerous kerosene lamps and offering more time to pursue other productive activities. M-KOPA's commitment to empowering women is exemplified by recent product development, designed to specifically address women's needs.



### ENVIRONMENT AND CLIMATE ACTION

- Based on the Impact Framework developed by GOGLA, the Global Association for the Off-Grid Solar Energy Sector, M-KOPA estimates that their solar systems sold to-date helped avoid 1.7M metric tonnes of CO<sub>2</sub> and black carbon over their lifetimes, which equates to taking a coal-fired power plant offline for 150 days. By 2030, it is estimated that M-KOPA will contribute to avoiding 30 million tonnes of CO<sub>2</sub>.
- When it comes to other forms of environmental protection, the Company partners with local e-waste specialists in Kenya and Uganda, and has recycled over 120 tonnes of non-repairable electronic components in the last two years.

## FinDev Canada's Theory of Change



## Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

For this follow-on transaction, FinDev Canada reviewed the assessment and full IFC Performance Standard benchmarking undertaken as part of FinDev Canada's investment due diligence in March 2018, and focused the environmental and social risks related to M-KOPA's new product categories (i.e. smartphones) and expanded geographic market (i.e. Nigeria).

The Environmental and Social Risk Management (ESRM) due diligence included a review of key documentation, including the 2018 Monitoring Report, M-KOPA 2019 Impact Report, discussions with another development finance institution which has also invested in the transaction, and direct engagement with the company. Given the limited number of risks and impacts, it was determined that a site visit was not required.

As with the initial investment, it was determined that there are a limited number of environmental and social risks and negative impacts. We are confident the Company will meet national standards and IFC Performance Standards. FinDev Canada will continue to monitor and track the evolution of M-KOPA's business and ensure the ongoing sufficiency of the Company's environmental and social risk management system.