

# FINDEV CANADA TRANSACTION SUMMARY

## M-KOPA Holdings Limited

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



### Transaction Description

Headquartered in Nairobi, Kenya, M-KOPA is a leading asset financing company that provides pay-as-you-go products such as smartphones, cash loans and e-motorbikes, in Kenya, Uganda, Nigeria, Ghana and South Africa. This is the third transaction with M-KOPA since FinDev Canada's first investment in 2018.

### Transaction Details

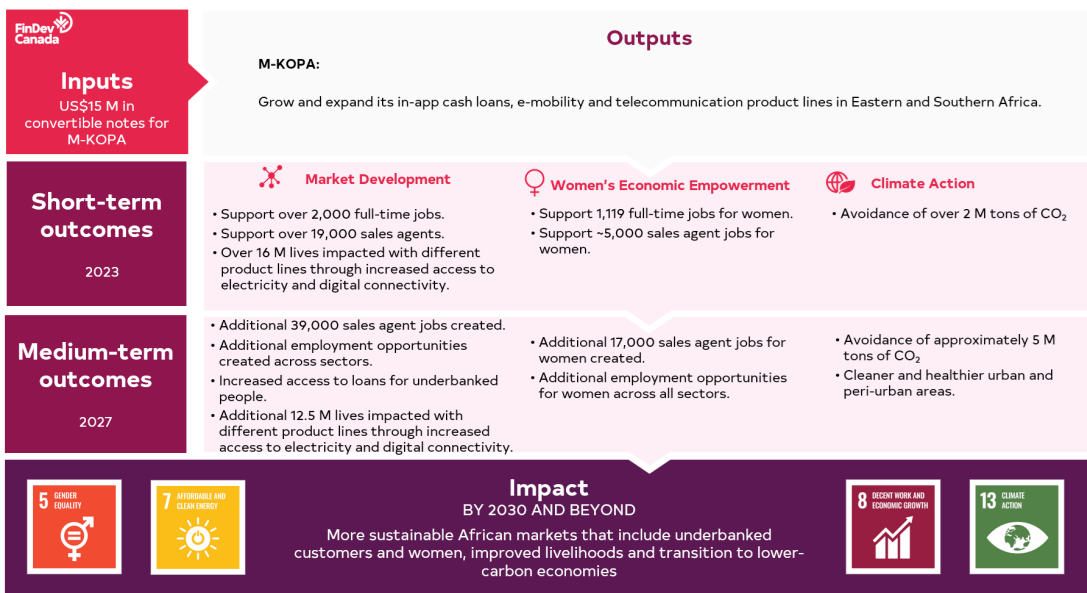
<b>COUNTERPARTY</b>	<b>M-KOPA Holdings Limited</b>
<b>DOMICILE</b>	United Kingdom
<b>COUNTRY(IES) OF OPERATION</b>	Sub-Saharan Africa
<b>TERM OF FINANCING</b>	1.5 years
<b>SECTOR</b>	Financial Intermediaries
<b>E&amp;S CATEGORY</b>	Category B
<b>FINANCING PRODUCT</b>	Convertible Note
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	US\$ 20 M
<b>DATE OF TRANSACTION DISCLOSURE</b>	19 May 2023
<b>DATE OF TRANSACTION SIGNING</b>	10 July 2023
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	10 October 2023
<b>2X CHALLENGE QUALIFYING</b>	Yes, under direct (Employment) criteria

## Summary of Anticipated Development Impacts

The development impact value proposition of M-KOPA is to increase access to credit and asset acquisition for underbanked individuals in East and West African countries. In doing so, this transaction will help create and maintain employment in Sub-Saharan Africa (SSA), while increasing digital penetration for households and enhancing access to financial services.

### Development Challenges:

- Africa has one of the widest digital gender gaps in the world. In 2022, only 36% of Africa's population had broadband internet access.
- While progress has been made in increasing financial inclusion in SSA, 105 million adults are still unbanked and thus excluded from formal financial services.
- SSA faces insufficient job creation for youth: it is estimated that up to 12 million youth will enter the labor market every year in the coming decades, however only about 3 million new formal jobs will be created at the same time.





## MARKET DEVELOPMENT

- **Expanding access to electricity and digital connectivity for households and businesses.** M-KOPA has provided first-time mobile internet access to over 2 million people and powered over 300,000 appliances: This is expected to result in improved living standards and business productivity. Specifically, in Kenya and Uganda, smart phones have enabled customers to carry out income-generating activities more effectively and enhanced their local and international connectivity.
- **Increasing financial inclusion:** Through M-KOPA's PAYGO system, customers are typically able to repay their loans, enabling them to access more and new digital financial services over time. This is particularly important for the unbanked or underbanked customers, as they look for ways to build their credit histories.
- **Supporting local employment.** M-KOPA has created and maintained 2,000 full-time equivalent jobs, which provide training opportunities, and other benefits such as healthcare, pension, and maternity leave. In 2022, 44% of the full-time staff were women. In addition, over 19,000 active direct sales agent positions have enabled men and women, including young people, to improve their livelihoods by offering them with complementary income.



## WOMEN'S ECONOMIC EMPOWERMENT

- **Improving equal access to employment.** M-KOPA encourages professional development pathways for women by implementing women-focused programs to help them evolve in the organization. These programs include mentorship, high-potential employees accelerated training and a referral program that rewards the hiring of women in technology. Moreover, of the more than 19,000 M-KOPA's direct sales representatives, 43% are women, as are 32% of the full-time staff.



## CLIMATE ACTION

- **Contributing to the transition to a low-carbon economy.** As part of its diversification strategy, M-KOPA has introduced electric motorbikes. This mobility solution is expected to further increase the company's climate mitigation impact by cutting 75% of petrol emissions with zero tail pipe emissions, and reducing air and noise pollution in the markets in which the company operates.

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

For this third transaction, it was determined during pre-screening that FinDev Canada's Environmental and Social (E&S) risk's due diligence analysis would focus on M-KOPA's management capacity and systems, compliance with FinDev Canada's E&S requirements, advancement on the implementation of deliverables required under the recent Environmental and Social Action Plan (ESAP) developed in the context of the new IFC loan from Q4 2022, and M-KOPA's approach to manage key environmental and social (E&S) risks. FinDev Canada E&S Risk team reviewed changes made to M-KOPA's Environmental and Social Management System (ESMS) policies and procedures since the first two transactions and the information provided by M-KOPA during quarterly calls focused on ESAP updates, which also included representatives from other development finance institutions (DFI), such as International Finance Corporation (IFC) and British International Investment (BII).

The key risk mitigant that M-KOPA has in place is their ESMS, which aligns with international standards, including the applicable IFC performance standards. The primary impact areas identified for M-KOPA's operations are: 1) occupational health and safety (OHS); 2) supply chain risk management, including labour and working conditions; 3) electronic waste management, and 4) client protection risks, including over-indebtedness and predatory lending in PAYGO business models.

FinDev Canada is of the opinion that M-KOPA is actively working to address and prevent E&S risks associated with its operations. The company is highly engaged with its DFI and international financial institution (IFI) partners on E&S risk matters, and thus FinDev Canada does not believe that the company will have difficulty in managing its E&S risks over the lifetime of this investment with FinDev Canada. FinDev Canada will promote further conversations on OHS reporting and management, to ensure continued compliance with applicable international standards.

This review was completed in accordance with FinDev Canada's E&S Policy. An illustrative list of key documents reviewed is outlined below:

- Export Development Canada Environmental and Social Risk Management (ESRM) Memo for M-KOPA (March 2018 and December 2019)
- M-KOPA 2021 Annual Report
- Deliverables based on FinDev Canada's ESAP
- Recently signed ESAP under the new loan with IFC (Q4 2022)
- Updated E&S policies and procedures