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# IMPACT REPORT

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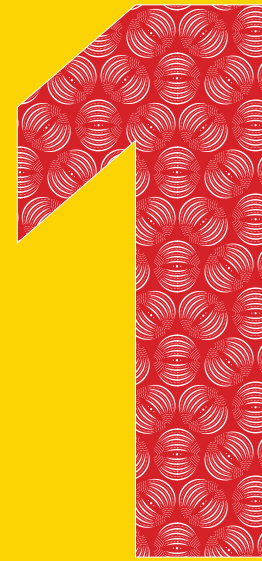




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## About this Report

We are pleased to present our first Impact Report. The focus of this Report is our overall approach to sustainable development, the outcomes of our activities, and the difference our activities make in the lives of our stakeholders. We also aim to improve the quality of information available to our stakeholders, by communicating the factors that affect our ability to create impact. Lastly, by reporting on our impact, we hope to encourage other financial institutions to do the same. This is our first step in our impact reporting journey, but a continuation of our commitment to transparent disclosure, stakeholder engagement, and our goal to be a market leader in inclusive finance on the African Continent.

A combined approach was used to gather information required for this Report. Firstly, quantitative ESG performance metrics were collated. Qualitative information on ESG management and operational experience was also obtained through a review of key documentation (such as ESG policies and management systems) and interviews with Letshego employees.

While directed primarily at shareholders and providers of capital, this Report should prove of interest to all our other stakeholders, including our strategic partners, governments and regulators, as well as the communities in which we operate.

This Report is not externally assured; however, the Letshego Board is responsible for ensuring corporate accountability and the management of associated risks, combined assurance and corporate reporting. This Report is approved by the Letshego Board of Directors.

We welcome written comments and feedback from our stakeholders that relate to both this Report and other general matters. Enquiries regarding the Report should be directed to Lauren Callie, Head of Group Corporate Affairs.



*“The focus of this Report is our overall approach to sustainable development, the outcomes of our activities, and the difference our activities make in the lives of our stakeholders.”*



## Letter from our Chairperson

It gives me great pleasure to introduce Letshego's first Impact Report in the year we celebrate our 21st anniversary of committed service to financial inclusion in Africa. With a proudly Botswana heritage and a dedicated and growing regional team, we have enjoyed consistent growth since our establishment in Gaborone in 1998. Our solid foundation, originally established in Botswana, is the cornerstone of Letshego's growth story. A growth story which now improves more than 500,000 lives across 11 Sub-Saharan Markets.

Over time, Letshego's competitive edge – its DNA – has been its ability to deliver simple, appropriate and accessible solutions to those who are typically excluded or under-served financially, in a responsive, inclusive and ethical manner. Letshego's promise remains committed, clear and consistent – and that is to Improve Life as well as promote growth and diversity. We continue to invest in expanding our African footprint through our people, our technology and the digital delivery platforms we create.

The United Nations Conference on Trade and Development (UNCTAD) estimates that achieving the Sustainable Development Goals (SDGs) by 2030 will require \$3.9 trillion to be invested in developing countries each year, with an annual investment gap existing of \$2.5 trillion. We are pleased to join

the other financial institutions working to achieve the SDGs and believe our financial inclusion agenda is well matched with these goals.

Our approach to sustainable development places emphasis on compliance with international standards such as those outlined by the International Finance Corporation (IFC). We actively and directly support the integration of sustainability consideration in our day-to-day operations. We have achieved this by ensuring strong partnerships and Board representation to drive sustainable performance.

Sustainability is embedded within all four pillars of our strategy – Growing the Franchise, Enhancing Customer Experience, Embedding Future Capability and central to all, Embracing Financial Inclusion. Each pillar requires us to improve our sustainability by delivering consistent long-term growth and supporting the sustainability of our customers. We are growing a franchise, which requires a deepened understanding of the markets in which we operate, enhancing customer engagement to better understand the needs of those markets, and improving the customer experience, through the roll out of digital platforms, and having increased our focus on measuring our social performance.

This Report sets out to detail our impact performance, outlining the measures taken to achieve our ethical responsibilities and demonstrates our continued commitment to transparency and meaningful disclosure to stakeholders. Also, this Report has been developed to share some of the milestones that embody our commitment to sustainability, but also highlights where we still have work to do. We are committed to improving aspects of our performance where we can and must do better.

In reviewing this Report, I am heartened at the progress and contributions we have made to the Sustainable Development Goals, which we consider essential to Letshego's continued success. We look forward to continuing our journey delivering sustainable investments in Africa.

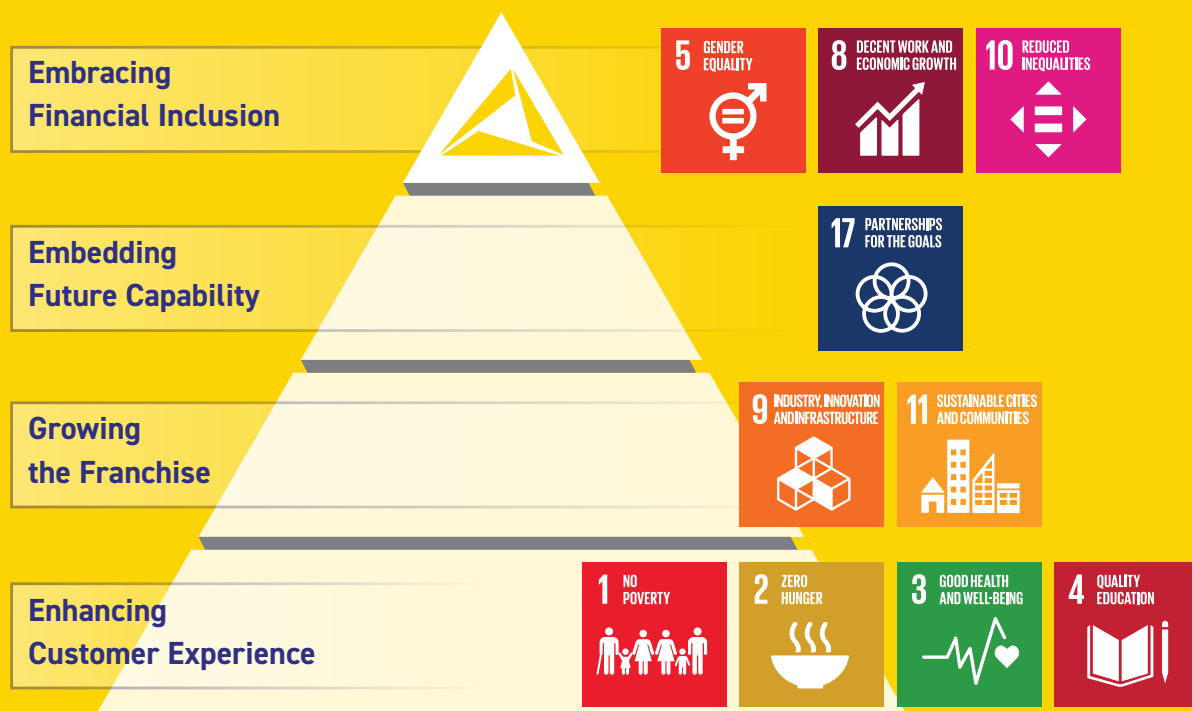
**E. N. Banda**  
Chairperson



*Sustainability is embedded within all four pillars of our strategy – Growing the Franchise, Enhancing Customer Experience, Embedding Future Capability and central to all, Embracing Financial Inclusion.*



# SUSTAINABLE DEVELOPMENT GOALS



Our approach to sustainable development places emphasis on compliance with international standards such as those outlined by the International Finance Corporation (IFC).

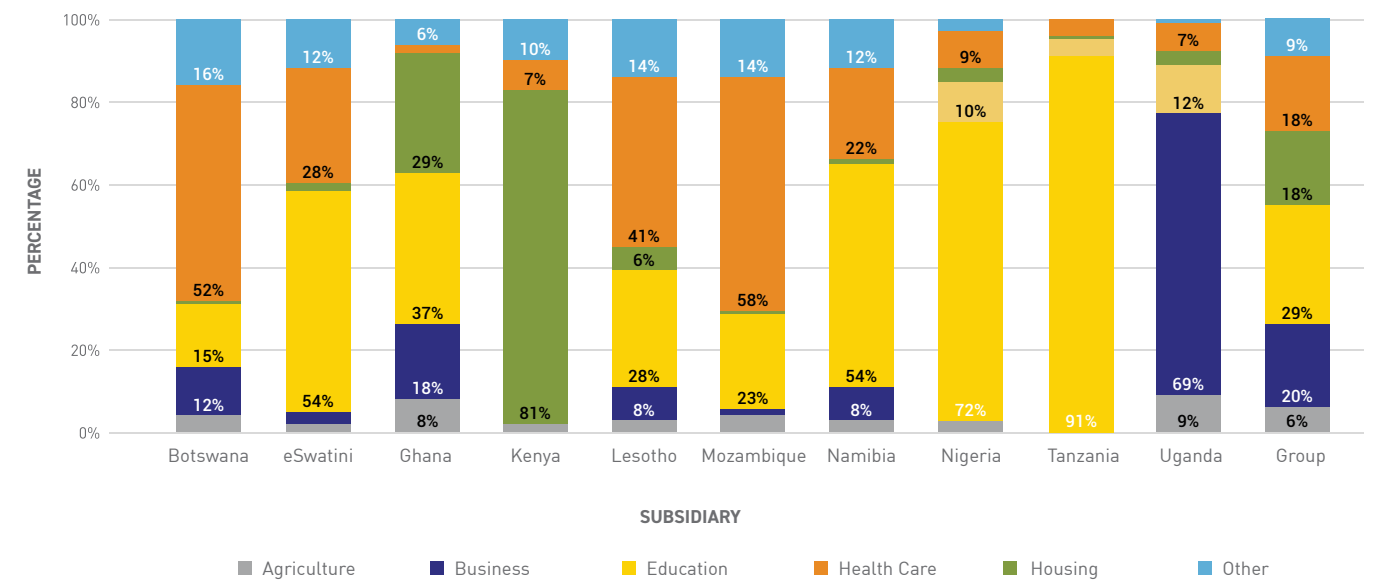


# Letshego at a glance



## PORTFOLIO SEGMENTS

Portfolio Mix as at December 2018



## LETSGEGO HOLDINGS LIMITED - OPERATIONS



Letshego Holdings Limited Group Structure as at 31 December 2018

## SOLUTIONS



Borrowing solutions



Savings solutions



Payment solutions



## Our impact framework

When we speak of measuring our impact, we are speaking of providing evidence that our activities are providing real and tangible benefits in the communities we operate in. Our impact measurement activities feed into our learnings and organisational practices, enhancing our ability to identify the opportunities, constraints, impacts and social risks associated with our policies, product design, implementation and management. In addition, it assists us in framing our impact discussion as they relate to the Sustainable Development Goals (SDGs) with our stakeholders.

We consider ourselves to be in a good position to make a positive contribution to a number of key SDGs. Financial inclusion can contribute to reduction in poverty and inequality, as well as increases in economic growth and employment. When financial solutions are targeted at social outcomes, impacts can be seen in areas of increased access to education and health care, reduction in hunger and the improvement of environment conditions. These outcomes will be tracked against various SDGs.

Goals relating to society (SDG 2, SDG 3, SDG 4, and SDG 11), are aligned to our financial inclusion mandate, with our solution offerings targeted at agriculture, education, health care, and provision of affordable housing. Economic growth goals (SDG 8, SDG 9, and SDG 10) further align to our Micro and Small Enterprise (MSE) solution offerings, with goals relating to gender (SDG 5) and partnerships (SDG 17) forming part and parcel of our strategy to further financial inclusion.

According to the African Development Bank<sup>1</sup>, improving access to financial services will mobilise greater household savings, marshal capital for investment, expand the class of entrepreneurs, and enable more people to invest in themselves and their families. Also, it has been noted that bank account ownership serves as an entry point into the formal financial system and enables the poor to build up a credit history which can facilitate future access to credit for activities such as investment and education.<sup>2</sup> Also, people included in the financial system are better able to improve their economic situations by investing in their health and education. They can make short- and long-term payments, smooth out their consumption

patterns, manage risks, and cope with shocks like emergencies and large unexpected expenses. Financial inclusion makes it easier for people to manage financial emergencies (such as job losses or crop failures) that would otherwise push families into (deeper) poverty.<sup>3</sup>

Increasing access to agriculture finance can improve agricultural productivity, which in turn, enables better remuneration, and raises living conditions. These investments can also help to reduce pressure on scarce natural resources.

When compared to people who live in urban areas, those living in rural areas are underserved and reflect lower socio-economic development on average. They also tend to have higher poverty rates, lower levels of employment, lower levels of education, and more limited access to a myriad of opportunities for economic improvement<sup>4</sup>. Studies have shown that expansion into underserved markets can increase the chances of having a bank account and securing a loan by 4 and 1 percentage points respectively. Letshego has developed innovative financial solutions, to empower rural customers to start and/or improve the financial performance of their businesses, with the ultimate aim of improving their income levels.

An increase in new businesses, run by low income entrepreneurs is associated with improvements in access to financial services<sup>5</sup>. Some studies have shown that credit availability can influence the profitability of entrepreneurship by as much as 8.5%.

The provision of finance for agricultural purposes can have positive effects on production, with some studies reflecting increases in output of up to 8% and improvement in earnings (daily wages) by 9–16%. In addition, food consumption also increased, with households being 11% less likely to run out of food<sup>6</sup>.

Access to financial services can have a positive effect on social outcomes such as education, with some reports indicating an increase of up to 20% on education spend in households that have opened free bank accounts<sup>7</sup>. There are also positive effects

on spending on food. A study in Kenya found that following the opening of bank accounts for women, daily food expenditures and private expenditures (e.g. meals outside the home, alcohol, cigarettes, and entertainment expenses) of female vendors who gained access to an account increased by 13% and 38% respectively.<sup>8</sup> Lastly, a study in Kenya found that giving people a safe place to store money increased health spending by 66%.<sup>9</sup>

Our impact framework seeks to articulate our ability to achieve the following three objectives:

- Provide an understanding of the challenges relating to poverty, provision of education and health care, reduction of hunger and impacts on the environment, as faced by our customers by understanding the situational context or baseline conditions before we begin operations in a particular geography;
- Inform our solution offerings, define the targets, objectives and indicators that we track, monitor and measure, based on these insights gained; and
- Finally, provide a guideline for evaluations of changes that occurred in the baseline conditions, as a result of our solution offerings, and how these results addressed the challenges previously identified.

Published data from the SDG center for Africa and Sustainable Development Solutions Network, indicates the level of progress made in achieving the respective SDGs per African country. For the countries where Letshego operates, Ghana has achieved the highest score of 62, with Nigeria only achieving 48. The graph on page 12 (2018 Africa SDG index ranking), shows the progress made towards meeting these SDGs per country in Africa. Yellow bars highlight the countries where Letshego operates.

<sup>1</sup>Financial inclusion in Africa, Triki, T. and Faye, I., AfDB, 2013

<sup>2</sup>The effect of financial inclusion on welfare in sub-Saharan Africa: Evidence from disaggregated data, Tita, A and Aziakpono, M, Economic Research Southern Africa (ERSA), 2017

<sup>3</sup><https://navigatingimpact.thegiin.org/strategy/fi/improving-access-to-and-use-of-responsible-financial-services-for-historically-underserved-populations/>

<sup>4</sup><https://navigatingimpact.thegiin.org/strategy/fi/improving-rural-economies-through-access-to-financial-inclusion/>

<sup>5</sup><https://navigatingimpact.thegiin.org/strategy/fi/improving-rural-economies-through-access-to-financial-inclusion/>

<sup>6</sup>"The Impact of Food and Cash Loans on Smallholder Farmers in Zambia." The Abdul Latif Jameel Poverty Action Lab. Accessed July 24, 2018. <https://www.povertyactionlab.org/evaluation/impact-food-and-cash-loans-smallholder-farmers-zambia>.

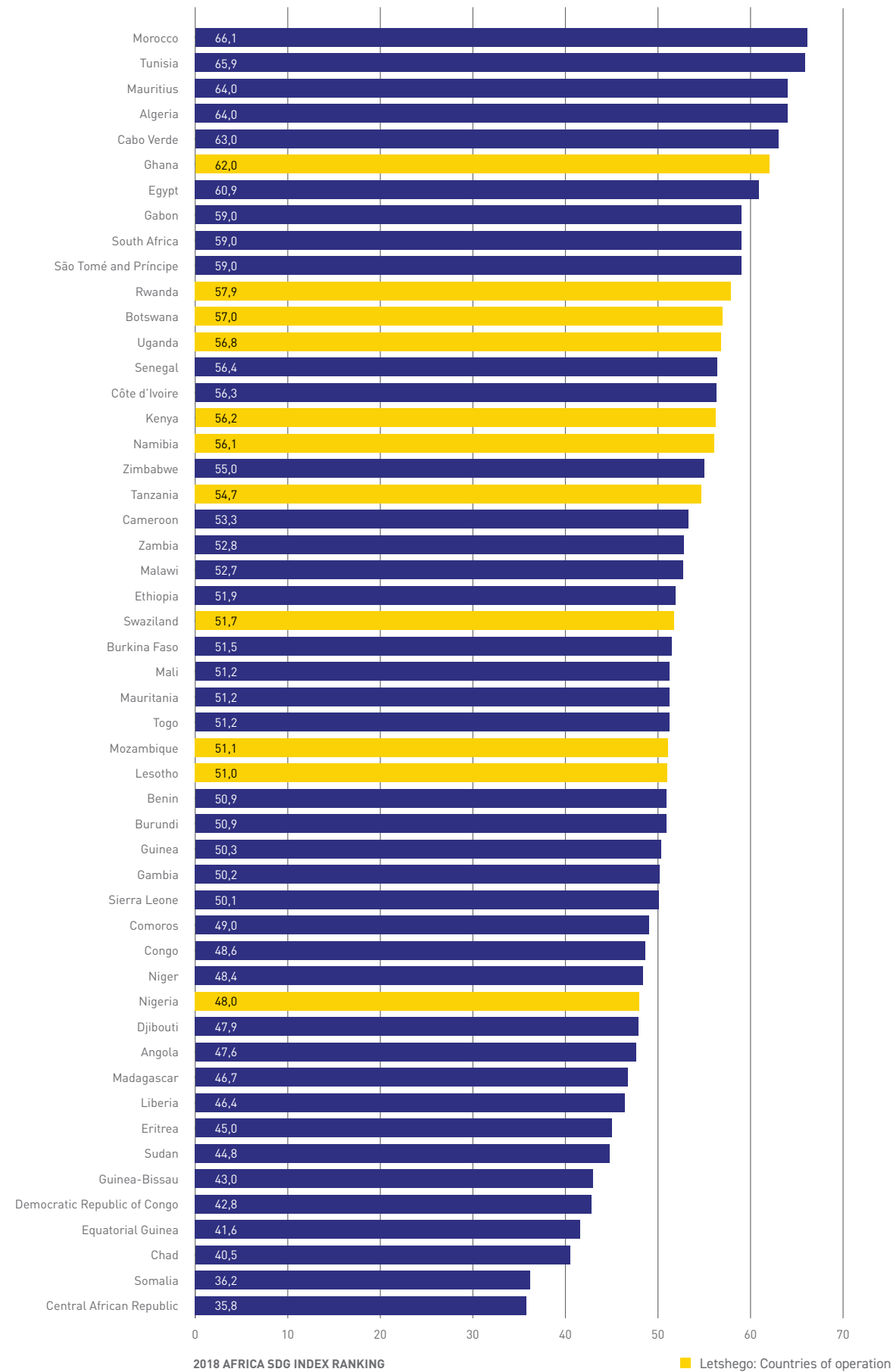
<sup>7</sup><https://navigatingimpact.thegiin.org/strategy/fi/improving-access-to-and-use-of-responsible-financial-services-for-historically-underserved-populations/>

<sup>8</sup>Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya, Dupas, P and Robinson, J, American Economic Journal: Applied Economics Vol. 5, No. 1, January 2013

<sup>9</sup>Constraints to Saving for Health Expenditures in Kenya, Dupas, P and Robinson, J, Innovations for Poverty Action (IPA)



2018 AFRICA SDG INDEX RANKING



UNPACKING OUR IMPACT MODEL

The Impact Model (shown on the next page) is to be read from left to right to facilitate the evaluation of Letshego's activities on impact outcomes on a community level, namely:

- From the left, columns one and two in the table summarise the various forms of capital we contribute to developing our solution offerings. These forms of capital are focused on our inclusive finance agenda;
- Column three summarises the standards and guidelines used to inform how we undertake these activities;
- Column four summarises the desired outputs on Group level due to activities taking place at each subsidiary. The objective is through measurement of these outputs Letshego aims to drive positive impact on a community level as defined through linkages made to specific SDGs;
- Column five summarises the desired outcomes on subsidiary level, which clearly unpack what has to be measured per output required by the Group. It is envisaged that through measuring these outcomes, clear linkages between the SDGs being targeted will be established; and
- The specific SDGs targeted by Letshego are summarised in Column six.





OUR IMPACT MODEL

OUR INPUTS	INVESTMENT THEMES	HOW WE MEASURE OUR IMPACT			
		Guidelines and Standards	Outputs (Measured at Group level)	Outcome Indicators (Measured at Subsidiary level)	Impacts - Contribution to SDGs
<p><b>Financial Capital</b></p> <ul style="list-style-type: none"> <li>Training Spend 2018 BWP 4.91m</li> </ul> <p><b>Human Capital</b></p> <ul style="list-style-type: none"> <li>Staff complement – 1,882</li> <li>&gt;1,000 Training Interventions</li> </ul> <p><b>Manufactured Capital</b></p> <ul style="list-style-type: none"> <li>Access Points – 315</li> </ul> <p><b>Intellectual Capital</b></p> <ul style="list-style-type: none"> <li>LetsGo Account</li> <li>Deposit Taking</li> <li>Borrowing</li> <li>Blue Box Initiative</li> <li>Mobilisation Teams</li> </ul> <p><b>Social Capital</b></p> <ul style="list-style-type: none"> <li>LetsConnect portal</li> <li>Active Stakeholder Engagement</li> <li>Improved Customer Protection Principles Imbedded</li> </ul>	<p><b>Provision Of Financial Services To Underserved Communities</b></p>		<ul style="list-style-type: none"> <li>Shift in gender profile of customers and staff</li> <li>Improved financial performance of customer businesses</li> <li>Increased disposable income amongst customers</li> <li>Contribution to a countries GDP</li> <li>Contribution to Food Security</li> <li>Contribution to additional associated (customer) economic activities</li> </ul>	<p><b>Increase agricultural productivity</b></p> <ul style="list-style-type: none"> <li>Number of customers by gender, and value of loan.</li> <li>Per customer, type of agricultural production, and size of yield year on year (for repeat customers), and number of staff employed.</li> <li>Increase in income of small-scale food producers year on year (for repeat customers).</li> </ul> <p><b>Increasing access to social services (health, education, housing)</b></p> <ul style="list-style-type: none"> <li>Number and value of loans (health care, education, housing).</li> <li>Split of loans by gender (health care, education, housing).</li> <li>Increase in number of learners completing pre-primary, primary, secondary and tertiary education (split by gender).</li> <li>Use of loan in the home.</li> <li>Average household expenditure.</li> </ul> <p><b>Ensuring women's participation and equal opportunities</b></p> <ul style="list-style-type: none"> <li>Increase in proportion of women in management.</li> <li>Increase in proportion of women at Board-level.</li> <li>Increase in proportion of women in the organisation.</li> <li>Increase in female customer base.</li> </ul> <p><b>Achieving higher levels of economic productivity &amp; employment</b></p> <ul style="list-style-type: none"> <li>Increase in average earnings of employees and customers.</li> <li>Increase in number of access points.</li> </ul> <p><b>Strengthening partnerships for sustainable development</b></p> <ul style="list-style-type: none"> <li>Increase in taxes paid to governments.</li> <li>Number of partnerships that support the achievement of the Sustainable Development Goals.</li> </ul>	         



# Our impact



## INCREASING FINANCING FOR SUSTAINABLE AGRICULTURE

Investing in the agricultural sector can address not only hunger and malnutrition but also other challenges including poverty, health, water and energy use, climate change and unsustainable production and consumption. During 2018, we disbursed loans to the agricultural sector to the value of BWP 26m. This financial injection into the sector should have resulted in increased yields for farmers, increased indirect spin-off economic activities and associated jobs.



### IMPACT METRIX DEFINED

- Access to loans in farming households can increase production by around 8%.<sup>10</sup>
- Evidence from Ethiopia has shown that US\$ 1 of output generated in agriculture stimulated a further US\$ 1.23 in economic activity in other parts of the economy.<sup>11</sup>
- An IFC study has shown that the impact on employment of US\$ 1 million invested in agriculture is 1,566 jobs.<sup>12</sup>

### OUR OUTCOMES

Letshego has increased its loan funding to agribusiness customers significantly since beginning to focus on the agriculture sector three years ago. Our customer numbers have increased to over 1 500.

Typical use of funds which are tracked include, purchase of raw material inputs, improvement of infrastructure such as irrigation systems, purchase of land and implementation of business processes.

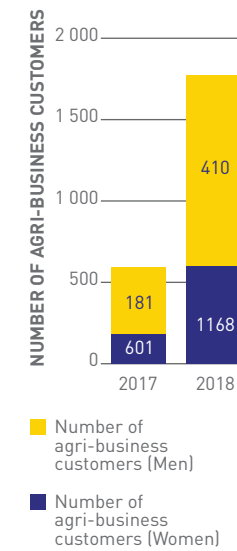
### OUR ESTIMATED IMPACTS

Total estimated jobs indirectly linked to loan provision have grown from 2 582 in 2017 to 3 949 in 2018. This further equates to BWP 5.98m in additional indirect economic spin-offs associated with these agricultural businesses.

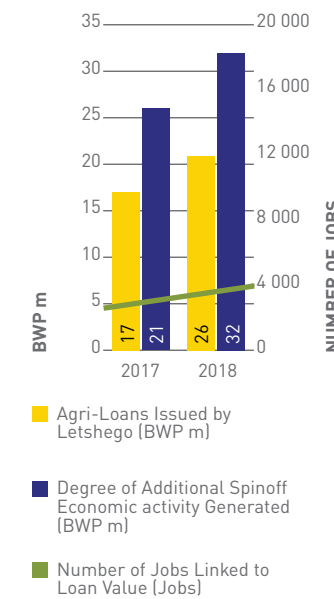
Loans issued to the Agricultural Sector could have resulted in an estimated a 7 600 ton increase in production during 2017 and a 8 300 ton increase in 2018 respectively.

In Uganda, comparisons can be made year on year to the total tons produced by the customer base, this comparison indicates that Letshego has facilitated an estimated ninety-two thousand tons, and one hundred and two thousand tons of food import substitution based on the support provided to the Agricultural sector during 2016 and 2017 respectively.

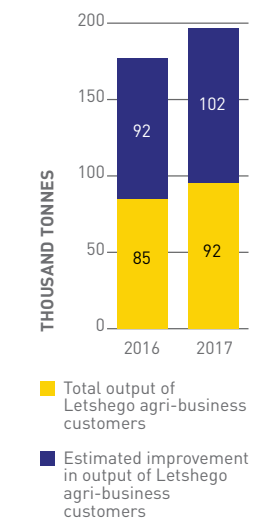
Letshego Agri-business Customers



Increase in Economic Activity and Jobs



Estimated Improvement in Yield - Uganda







### COLLABORATING TO SUPPORT HEALTHCARE DELIVERY

Good health plays a critical role in contributing to quality of life, well-being and social participation. Also, it contributes significantly to economic growth, employment and reducing income inequality. According to the *Global Strategy for Women's, Children's, and Adolescent's Health (2016-2030)*, 70% of Non Communicable Disease (NCD) related adult deaths are linked to risk factors that begin during adolescence. By focusing on prevention of non-communicable diseases, we contribute to creating safer populations by reducing susceptibility and improving resilience to infectious disease outbreaks. Also, we assist in reducing the economic burden of illness and death.



#### IMPACT METRIX DEFINED

- The estimated Return on Investment (ROI) to society of preventative healthcare programs is between US\$ 0.26 and US\$ 2.12.<sup>13</sup>
- A WHO 2018 Report cited that for every US\$ 1 invested in scaling up interventions to address NCDs in low- and lower-middle-income countries, there will be a return to society of at least US\$ 7 in increased employment, productivity and longer life.<sup>14</sup>

#### OUR OUTCOMES

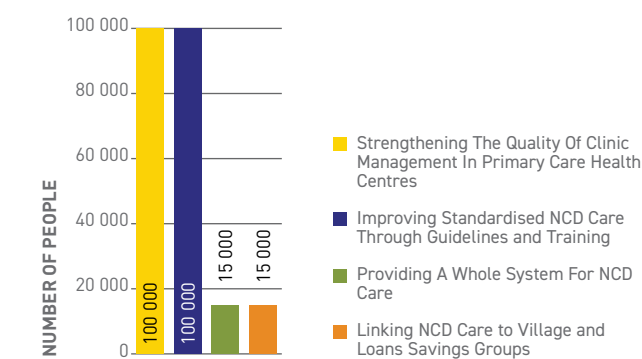
The Letshego health care funding program has been tailored to focus on the reduction of Non-Communicable Diseases (NCD), in Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda and Uganda. This program has been running for 3 years and has focussed on strengthening management capacity to the provision of systems to care for those with these diseases. This program will continue for an additional 2 years, before it is taken under review for further investment by the Group.

#### OUR ESTIMATED IMPACTS

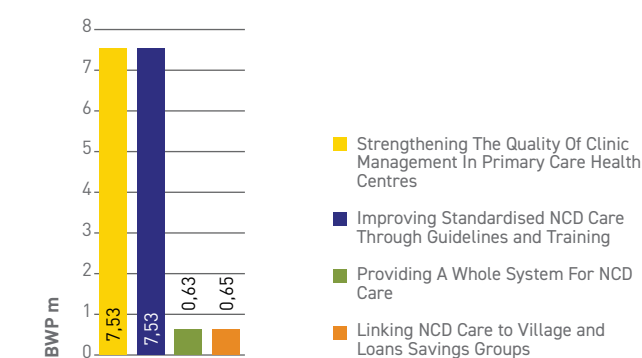
A return on investment for the health spend provided by Letshego, is estimated to result in a total of BWP 2m to BWP 16m being release into the participating countries. This has contributed to additional stimulus in the economies of Botswana, Kenya, Lesotho, Mozambique, Namibia, Rwanda and Uganda where these programs have been focused.

Direct increased employment productivity and the contribution to a longer life in these regions have also jointly added an additional BWP 53m into the economy of these countries.

Number of People Served (2015-2018)



Funding for Healthcare Programme (BWP m) (2015-2018)



ROI MINIMUM BENCHMARK (BWP m)

1 956 633

ROI MAXIMUM BENCHMARK (BWP m)

15 954 085



Increased return to Society through Increased Employment Productivity and Longer Life BWP 52 678 581



### EXPANDING ACCESS AND USE OF FINANCIAL SOLUTIONS TO HELP OUR CUSTOMERS MANAGE THE COSTS OF EDUCATION

Education is a fundamental human right and is indispensable for the achievement of sustainable development. Investment in education has positive impacts related to income, economic growth, poverty reduction. Also, educational investment supports developmental outcomes such as health, fertility, women's empowerment, risk management, individual and community resilience, civic engagement and increased tolerance.

**IMPACT METRIX DEFINED**

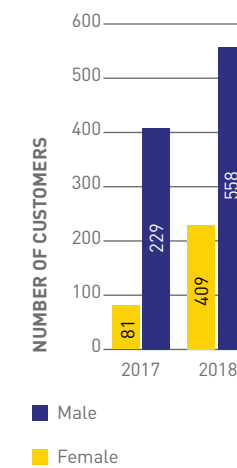
- ROI to society from US\$ 1 spent ensuring secondary school completion is US\$ 4.<sup>11</sup>
- Average Gross National Income across Letshego countries of operation is BWP 21 851.
- Impact of 1yr of tertiary education on income is an increase of 20.2%.<sup>16</sup>
- Impact of 1yr of secondary education on income is an increase of 17.7%.<sup>17</sup>



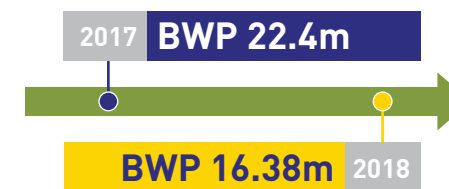
### OUR OUTCOMES

Letshego has increased its loan funding for education. Our customer numbers have increased to over 900. On average 27% of our customers make use of our loans for supporting secondary school education, this equates to approximately 261 students supported.

Number of Education Customers by Gender



Value of Loans

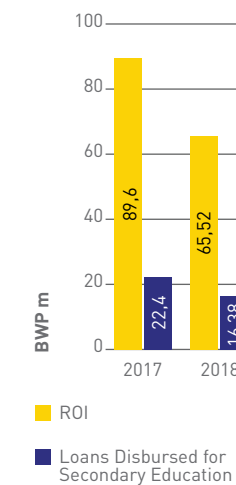


### OUR ESTIMATED IMPACTS

Return on investment to society calculated focusses on those who received Secondary Education through the use of the loans disbursed. In 2018 27% of all loans disbursed were used for this purpose. The return on investment associated with these loans increased from BWP 65.5m in 2017 to BWP 89.6m in 2018.

Collective increased earning potential for those who used the funds for a secondary education in 2018 are estimated to be over BWP 1m, those who used the funding for a tertiary education are estimated to have collectively increased their earning potential to BWP 3.1m, this equates to an additional BWP 4 414 per person on average per annum.

Return on Investment to Society Based on Loans Provided for Secondary Education (BWP m)



*The improved levels of education among our customers and their dependents are seen as a way of improving the future financial positions of families where these funds are deployed.*

Secondary Education

$$\text{BWP 3 868 per annum Increase in Earnings} \times 261 \text{ Students in 2018} = \text{BWP 1 009 798}$$

Tertiary Education

$$\text{BWP 4 414 per annum Increase in Earnings} \times 706 \text{ Students in 2018} = \text{BWP 3 115 815}$$





### INCREASING GENDER EQUALITY AND WOMEN EMPOWERMENT

Gender inequality is costing sub-Saharan Africa on average US\$ 95 billion a year, peaking at US\$ 105 billion in 2014– or six percent of the region’s GDP. By reducing gender inequality and promoting women’s effective participation in the management of Africa’s resources we will contribute towards an equitable, transformative and sustainable continent.

#### IMPACT METRIX DEFINED

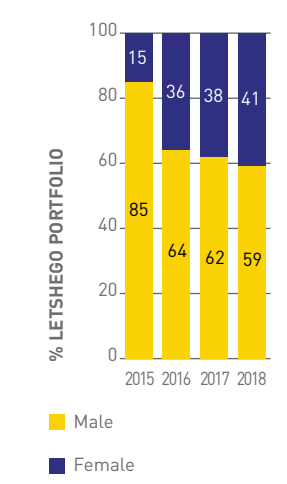
- According to MSCI, strong female leadership generates a ROE of 10.1% per annum vs 7.4% with those without strong leadership.<sup>18</sup>
- Firms with at least 3 women on the board experience ROE gains of 10% points.<sup>19</sup>
- It has been found that annual household consumption expenditure increases US\$ 0.22 for every additional US\$ 1.22 borrowed by women from credit programs, compared with US\$ 0.13 for man.<sup>20</sup>



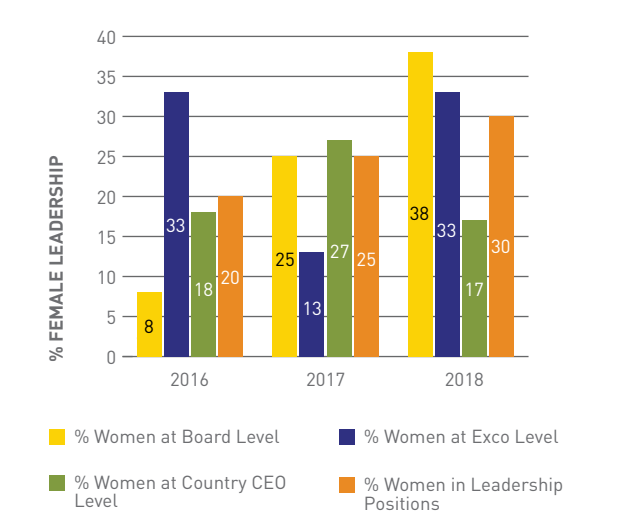
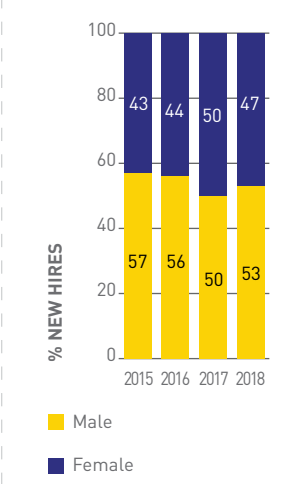
#### OUR OUTCOMES

Letshego has increased female representation, both in their customer base and operations. Female customers now represent 41% of their portfolio, and they are proud to say that they have achieved 38% female representation on their board and 30% female representation across leadership positions.

Letshego Customer Profile by Gender



Percentage of Hires by Gender

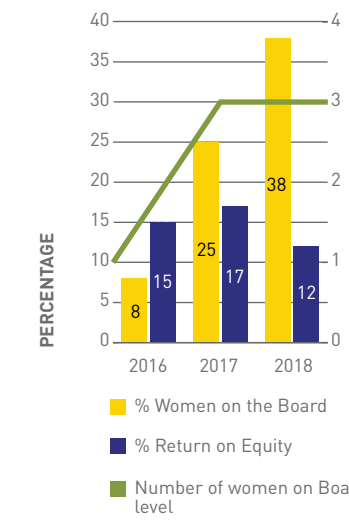


#### OUR ESTIMATED IMPACTS

Letshego Group Holding is a listed company, and their ability to provide value to their shareholders is dependent on them harnessing their talents. The inclusion of women at all levels, is key to their success, and their performance results are closely aligned with these levels of inclusion.

The impact of providing financial solutions to women is widely acknowledged, and we have seen that despite women partaking in a smaller share of our portfolio, they are able to generate much higher degrees of impact in their communities when compared to their male counterparts.

Shift in Return on Equity Year on Year

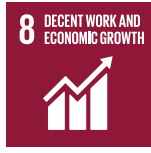


Share Value



#### % Loan Book Issued vs Impact generated on household consumption expenditure (2018)

<p><b>41%</b> of women make up the customer base</p>	<p><b>59%</b> of men make up the customer base</p>
<p><b>54%</b> of loan value provided to women is deployed productively in the community/household</p>	<p><b>46%</b> of loan value provided to men is deployed productively in the community/household</p>



## PROMOTING ECONOMIC GROWTH AND EMPLOYMENT AND DECENT WORK FOR ALL STRENGTHENING DOMESTIC RESOURCE MOBILISATION

Our financial inclusion agenda supports economic growth, employment, and the achievement of broader developmental goals by creating more stable financial systems and economies, mobilising domestic resources through national savings and helping to boost government revenue. Use of digital and mobile channels will benefit customers by extending the reach of financial solutions and reducing the costs associated with financial transactions, especially for rural customers. Also, by creating access to savings products, we can increase productivity and build resilience to economic shocks.

### IMPACT METRIX DEFINED

- Every US\$ 1 invested in MSEs generates on average an additional US\$ 12 in the economy. Of the US\$ 12 more than 41% benefits those outside the enterprise.<sup>23</sup>
- Mobile money adoption can increase income within an MSE by at least 5%.<sup>22</sup>



### OUR OUTCOMES

Letshego has supported more than 35 000 MSE customers with loan funding to the value of BWP 282m during 2018.

We have increased our physical and digital footprints to enable the accessing of our solutions, and now at least 51% of our customers can access our solutions within 10kms of their location.

In addition, large portions of our customer base are able to use mobile channels to access our solutions.

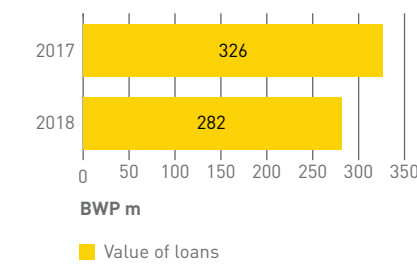
### OUR ESTIMATED IMPACTS

We estimate that the impact of providing loan finance to our MSE customers in 2018 has resulted in additional stimulus to the economy of just over BWP 3 384m.

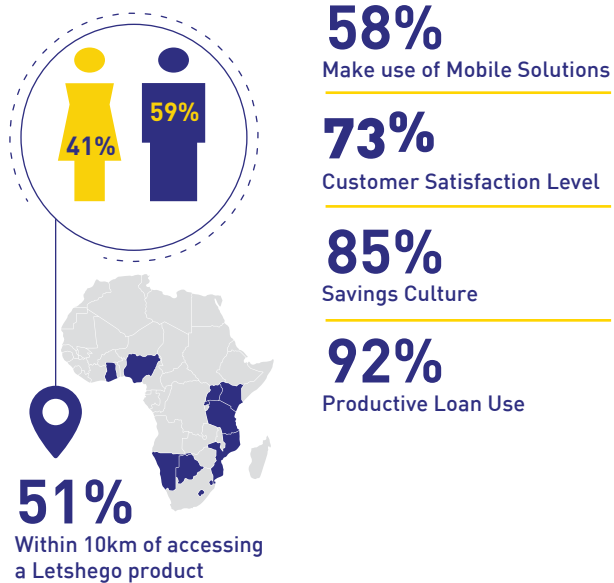
Of the BWP 3 384m, approximately BWP 1 387m equates to stimulated activity in areas outside of the MSE. Typical activities outside the MSE could include support to other businesses, the addition of revenue to government coffers for distribution and economic stimulus in other regions, and the development of community infrastructure.

The use of mobile banking by MSEs reduces operating expenditure through facilitating payment of suppliers and services, placement of bulk orders at preferential rates etc. in the current customer base this is estimated to have liberated BWP 9m to the MSE customer base in 2017 and BWP 8m in 2018.

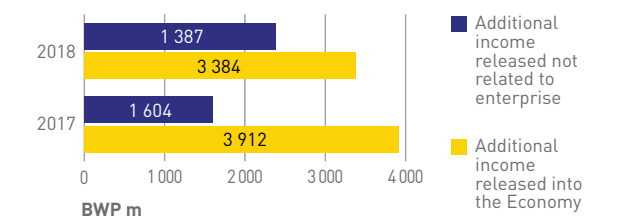
#### MSE Portfolio Growth



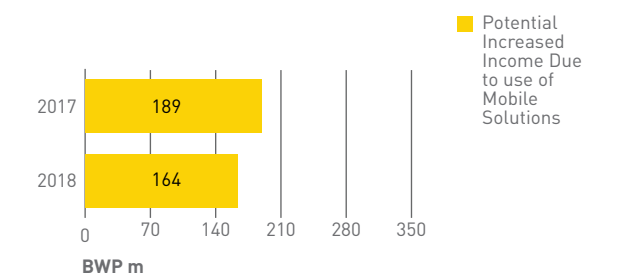
#### Typical Letshego Customer 2018



#### Economic Growth due to Loans Disbursed to MSEs



#### Additional Income with Use of Mobile Solutions







### ENSURING ACCESS TO ADEQUATE, SAFE AND AFFORDABLE HOUSING

Africa continues to experience urbanisation at a rapid rate as people seek economic opportunities. However, the cost of housing remains high due to factors such as location, transportation and lack of economies of scale. Affordable housing finance provision in the lower income groups of the economy, can have a positive effect on economic growth, and reduces inequality and vulnerability in this customer base.



#### IMPACT METRIX DEFINED

- Research has shown that for every US\$ 100 spent on housing finance activities in Africa, US\$ 36.50 are added to per capita GDP while US\$ 225 are added to GDP.<sup>23</sup>



#### OUR OUTCOMES

Our affordable housing solutions have been extensively taken up by more than 900 of our customers. This equates to the disbursement of BWP 407m in 2018, an increase of 172% from 2017.

Loans for affordable housing issued to our customers are utilised for household improvement such as the provision of or improvement of sanitation, energy and water, the extension to homes, the purchase of land and building of new homes.

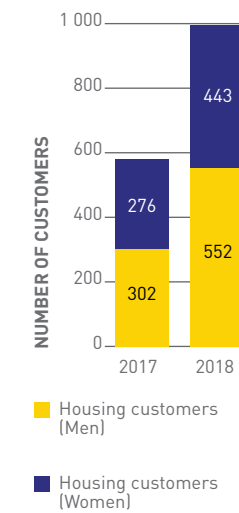
#### OUR ESTIMATED IMPACTS

Africa has the highest rate of urbanisation growth, but the least developed housing finance in the world (World Bank 2014).

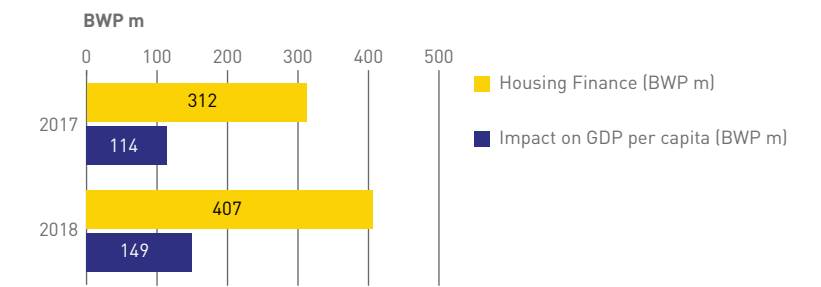
The literature indicates that housing finance affects economic growth by reducing the cost of capital, increasing savings, increasing tax revenues, increasing investment in education, reducing vulnerability, and increasing financial deepening. By reducing the cost of capital, housing finance can spur economic growth.

The financing of affordable housing in our operating countries has led to an additional BWP 50m in GDP per Capita, and BWP 551m in GDP, this is distributed across the five countries in which we offer this solution.

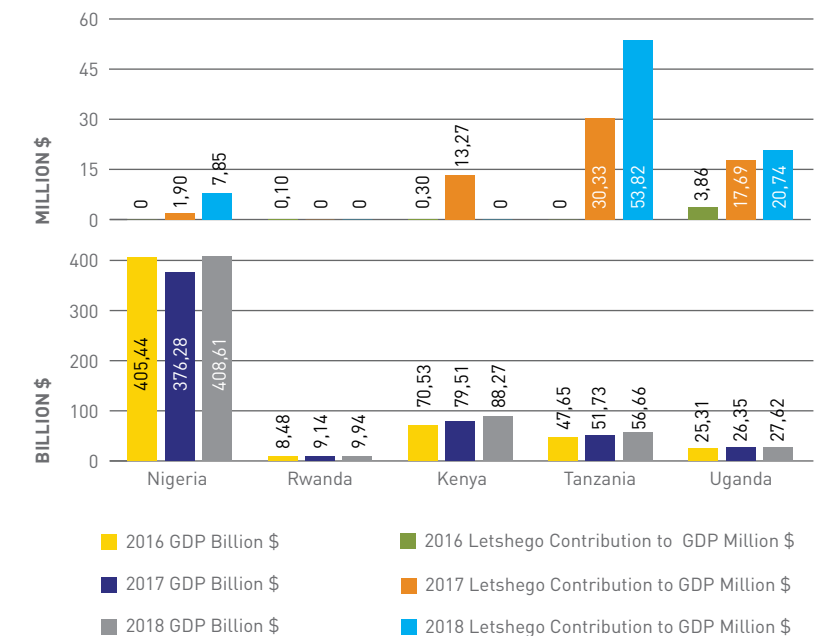
Letshego Housing customers



Letshego impact on GDP per Capita



Letshego Impact to GDP



Africa continues to experience urbanisation at a rapid rate as people seek economic opportunities.



## Going forward

We believe that we are on the right track, and the recognition and support that we have received from our stakeholders and partners, both local and international is testament to that fact. As we continue our transformational journey, we will continue to improve on the measurement of our impact.

We are aware of areas where we can improve our impact measurement and are already in the process of implementing such measures. These include enhanced customer tracking, and better integration of social data into our reporting processes. As we further segment our portfolios, we will be better able to track the impact of individual initiatives, such as the effect our financial literacy training is having on the financial behaviours of our customers. Whilst avoiding survey fatigue for both our customers and staff, we will continue to engage more with our customers, and develop greater insights into how our solutions have changed their lives.

### FUTURE AREAS OF FOCUS

**Further integration of SDG focus into strategy and targets**

### INITIATIVES UNDER CONSIDERATION

While we have started to report on our estimated impact and contribution to achieving the SDGs, we recognise the need to further integrate and align our strategy and targets to specific target-level SDG criteria

**Quantifying the trade-offs**

We are pleased with our contributions thus far. However, as we increase our contributions to achieving the SDGs, we need to be mindful of the possible negative implications for our business. For example, increasing our efforts to improve financial literacy will have a negative impact on our operating expenses.

**Improving measurement of outcomes**

Currently we are using research from well recognised national and international bodies to estimate our impact. We intend to enhance our measurement by improving our data collection measures, so that we report on our actual impact, rather than estimated impact.

We look forward to presenting improved impact measurement in our next iteration of this Report, while remembering that all journeys begin with a single step.

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