



## DISCLOSURE MATERIALS

Certified B Corporations must complete a Disclosure Questionnaire to identify potentially sensitive issues related to the company (e.g. historical fines, sanctions, material litigation, or sensitive industry practices).

This component does not affect the company's score on the B Impact Assessment. If the company answers affirmatively to any items in the Disclosure Questionnaire and B Lab deems them to be material, the company must:

- 1) Be transparent about the disclosure issues identified on the company's public B Impact Report
- 2) Describe how the company has addressed this issue.
- 3) Demonstrate that management systems are in place to avoid similar issues from arising in the future.

In all cases, the Standards Advisory Council reserves the right to refuse certification if the company is ultimately deemed not to uphold the spirit of the community.

In addition to the voluntary indication of sensitive issues in the Disclosure Questionnaire, companies pursuing Certification also are subject to background checks by B Lab staff. Background checks include a review of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

Sensitive issues identified through background checks may or may not be within the scope of questions in the Disclosure Questionnaire, but undergo the same review process and are subject to the same possible review by the Standards Advisory Council, including ineligibility for B Corp Certification, required remediation, or disclosure.

**This document contains a copy of the company's completed Disclosure Questionnaire and related disclosure documentation provided by the company.**

Certified



Corporation

## DISCLOSURE QUESTIONNAIRE

Company Name: 4G Capital  
Date Submitted: 03/15/2023

Industries & Products	Yes	No
Please indicate if the company is involved in production of or trade in any the following. Select Yes for all options that apply.		
Animal Products or Services		✓
Biodiversity Impacts		✓
Chemicals		✓
Company Explanation Of Disclosure Item Flags		✓
Disclosure Alcohol		✓
Disclosure Firearms Weapons		✓
Disclosure Mining		✓
Disclosure Pornography		✓
Disclosure Tobacco		✓
Energy and Emissions Intensive Industries		✓
Fossil fuels		✓
Gambling		✓
Genetically Modified Organisms		✓
Illegal Products or Subject to Phase Out		✓
Industries at Risk of Human Rights Violations		✓
Monoculture Agriculture		✓
Nuclear Power or Hazardous Materials		✓
Payday, Short Term, or High Interest Lending	✓	
Water Intensive Industries		✓
Tax Advisory Services		✓

Supply Chain Disclosures	Yes	No
Please indicate if any of the following statements are true regarding your company's significant suppliers.		
Business in Conflict Zones		✓
Child or Forced Labor		✓
Negative Environmental Impact		✓
Negative Social Impact		✓
Other		✓

Outcomes & Penalties	True	False
Please indicate if the company has had any formal complaint to a regulatory agency or been assessed any fine or sanction in the past five years for any of the following practices or policies. Check all that apply.		
Anti-Competitive Behavior		✓
Breaches of Confidential Information		✓
Bribery, Fraud, or Corruption		✓
Company Explanation Of Disclosure Item Flags		✓
Company has filed for bankruptcy		✓
Consumer Protection		✓
Financial Reporting, Taxes, Investments, or Loans		✓
Hazardous Discharges Into Air/Land/Water (Past 5 Yrs)		✓
Labor Issues		✓
Large Scale Land Conversion, Acquisition, or Relocation		✓
Litigation or Arbitration	✓	
On-Site Fatality		✓
Penalties Assessed For Environmental Issues		✓
Political Contributions or International Affairs		✓
Recalls		✓
Significant Layoffs		✓
Violation of Indigenous Peoples Rights		✓
Other		✓

Practices	True	False
Please indicate if the following statements are true regarding whether or not the company engages in the following practices. Check all that apply. If the statement is true, select "Yes." If false, select "No."		
Animal Testing		✓
Company/Suppliers Employ Under Age 15 (Or Other ILO Minimum Age)		✓
Company Explanation Of Disclosure Item Flags		✓
Company prohibits freedom of association/collective bargaining		✓
Company workers are prisoners		✓
Conduct Business in Conflict Zones		✓
Confirmation of Right to Work		✓
Does not transparently report corporate financials to government		✓
Employs Individuals on Zero-Hour Contracts		✓
Facilities located in sensitive ecosystems		✓
ID Cards Withheld or Penalties for Resignation		✓
No formal Registration Under Domestic Regulations		✓
No signed employment contracts for all workers		✓
Overtime For Hourly Workers Is Compulsory		✓
Payslips not provided to show wage calculation and deductions		✓
Sale of Data		✓
Tax Reduction Through Corporate Shells		✓
Workers cannot leave site during non-working hours		✓
Workers not Provided Clean Drinking Water or Toilets		✓
Workers paid below minimum wage		✓
Workers Under Bond		✓
Other		✓



## B Corp Certification - Disclosure Questionnaire Documentation

PROVIDED BY:

4G Capital

UPDATED AS OF:

03/15/2023

<b>DISCLOSURE QUESTIONNAIRE CATEGORY</b>	Pay Day, Short Term and High Interest Lending.
<b>TOPIC</b>	4G Capital is a Financial Service Institution that provides short term loans to undeserved customers.
<b>SUMMARY OF ISSUE</b>	<p>4G Capital is a financial services platform that provides products and services for the informal business customers in East Africa who are mostly underserved. It has been in business since 2013. They offer short-term loans for immediate business needs to markets with low-income consumers. The short term loan products they offer are:</p> <ul style="list-style-type: none"> <li>• UPIA30 - a 30 day working capital loan for MSMEs. UPIA30 (Unsecured, Private, Instant, Affordable) is our flagship working capital loan. UPIA pricing is transparent and includes interest, training and insurance fees. Repayment rate from 2015 - February 2023 is 93.7% Repayment rate for 2022 is 92% and then repayment rate for 2023 collection rate is 94.5%. The company charges a once off registration fee of Ksh. 500 for UPIA which is paid when repaying the first loan.</li> <li>• Faida - a 60 day working capital loan for MSMEs with longer business cycles. Faida is a 60 loan for customers with longer business cycles. Faida pricing is transparent and includes interest, training and insurance fees. (FAIDA was piloted in 2022 but will not be relaunched).</li> <li>• Shule - a school fee loan for existing customers. Shule is a school fees loan for existing customers. Shule pricing is transparent and includes interest and insurance fees. (Shule is still in pilot stage).</li> <li>• Kuza14 - a day loan via a distribution partner. Kuza is a 14 day loan provided in partnership with goods distributors. Kuza pricing, SMS Scheduling and loan limits are set with each partner. Month on Month repayment from August 2022 – to March 2023 (current month): 97%</li> </ul> <p>Interest is non-compounding and late penalties are a once off, flat fee. The company is earning 25.6 points in the BIA for the Serving In Needs Populations Impact Business Model.</p>
<b>SIZE/SCOPE OF ISSUE (e.g. \$ financial implication, # of individuals affected)</b>	<ul style="list-style-type: none"> <li>• UPIA30 is a 30 day loan with 27% interest rate per month. Minimum repayment period is 14 days. Maximum repayment period is 30 days. Average loan repayment period is 21 days. There is no minimum partial repayment period. Penalty fees are 15% of total outstanding balance at due date plus 8 days.</li> <li>• Faida is a 60 day loan with 20% interest rate per month. The minimum partial repayment is 50% of balance at 1 calendar month, remaining 50% at 2 calendar months. Penalty fees are 5% at 1 month if partial repayment is missed and 15% of total outstanding balance at due date plus 8 days.</li> <li>• SHULE is a loan per 1 school term with 16% interest rate per term. Loan payment is per month, based on the number of months per school terms (this can vary). The instalments are divided equally based on the number of months per term. Penalty fees are 15% of total outstanding balance at due date plus 8 days.</li> <li>• KUZA is a 14 day product with a 7% interest at day 14. There is no minimum partial repayment. Penalty fees are 5% of total outstanding balance at due date plus 15 days.</li> </ul> <p>Interest only accrues until the final day of the agreed loan term and not beyond</p> <p>All of the company's products are designed for underserved – customers who's business do not qualify for financial products from traditional banking institutions</p> <ul style="list-style-type: none"> <li>• Owner-operators of micro businesses in low income informal markets.</li> <li>• \$2-5 per day net income but with high buy-at / sell-at margins.</li> </ul>



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	<p>On the average the cost is 23.23 days *0.82% interest. The lowest cost to the customer would typically be 0.75% x 14 days while the highest amount a customer will pay is 0.9% x 30 days. This is based on risk based pricing driven by their credit rating (that is assessed internally)</p> <p>Revenue from interest is 16,775,371/17,268,923 which is 97.2%; and revenue from fees is 493,552/17,268,268 which is 2.8%. The average loan tenure for UPIA loans (our 30 day loan product) is 23.5 days and write off is at 90 days. The average loan tenure for KUZA (our 14 day loan product) is 10 days and write off is at 90 days.</p>
<p><b>IMPACT ON STAKEHOLDERS</b></p>	<p>The company customers are owner-operators of micro businesses in low income informal markets who earn \$2-5 per day net income but with high buy-at / sell-at margins. Their customers have very short business cycles of 1 to 30 days and traditional financial products did not target them. The company believes that their impact is the potential the product has to change the lives of our customers by providing an avenue for them to grow their business through access to capital. The organization believes that well used credit creates wealth.</p> <p>B Lab recognizes the pay day, short term loan, and high interest lending industries as potentially controversial and will be undergoing an eligibility review with the aim of creating additional risk standards for this industry as part of their wider upcoming Financial Services Standards review. Any companies that fall into the scope of those risk standards will be required to meet them before becoming a Certified B Corps. All existing Certified B Corps will have one recertification cycle to implement and meet any additional standards.</p>
<p><b>IMPLEMENTED MGT PRACTICES</b></p>	<p>The company has the following principles in place to ensure they operate in a customer centric manner:</p> <ul style="list-style-type: none"> <li>• Fixed rates and clearly stated fees - They do not compound interest, nor do they add additional penalties beyond the singular fees described for each product.</li> <li>• Route to the human - The customer can always speak to a 4GC colleague should they have a question or complaint.</li> <li>• Transaction receipts - Whether over SMS, USSD or smartphone a customer has a record of any transaction with 4GC.</li> <li>• Single customer view - Their colleagues have a single view of any customer, complete with any interactions - make it clear this is only customers relevant to them.</li> <li>• Appropriate data collection and processing - They only collect customer data that we need to safely provide working capital, and any relevant training services.</li> </ul> <p>Customers receive an NPS survey after each disbursement and any detractors are followed by by Customer Care. NPS is internally tracked and reported on.</p> <p>We also use a Financial Stress Early Warning System tool developed in partnership with CGAP, to check that our customers are not experiencing increased financial stress.</p>



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### IMPLEMENTED MGT PRACTICES

From a customers' second loan, 4G Capital starts using internal historical loan performance data to augment the demographic data to build repayment models that focus on predicting the likelihood of an individual paying their loan on time. This is classically referred to as an individuals' "willingness to pay", as opposed to affordability, which denotes an individual's "ability to pay". These models are based on the latest machine learning techniques, to provide 4G

capital with the most accurate measure of Risk at any given time for each individual customer. For UPIA Kenya, the following Features contribute the highest to the scores that an individual for an individual:

1. Number of Loans taken
2. % of loans repaid on time
3. AVG time to repay last loan vs avg time to repay previous loans prior to last loan.
4. Business type
5. Market

The branch field staff visit potential customer and active customers to verify the existence of the business, confirm ownership and assess loan affordability. Pricing is based on customer loyalty which is determined by an internal AI algorithm. The company offers business training and the emphasis of the training is general financial literacy and repayment patterns. Debt collection is done by using both touch and call and the company has a call centre and personnel on the ground that facilitate debt collection. This is to ensure that early and late defaulters have been reminded about the repayment.

The company carries out impact research and engagement surveys through NPS surveys. Clients receive a message after taking a new loan. They also collect feedback through focus groups. The Company has used feedback from customers to develop products such as the Shule product that is in pilot. The company has a Customer Handling Procedure which ensures that all the staff handle customers in an ethical manner, provide proper customer service and act with fairness, integrity and impartiality.

The company has a grievance mechanism provided for by the Customer Handling Procedure. Customers can call the customer care team directly, or post on the company's social media platform or in person at the branch or through the company's email. Local language and literacy levels are considered during the trainings and recruitment of the personnel. Material is primarily in one of the national languages (English) and where required SMS messages may be sent in Kiswahili.

The licenses that the company is required to have:

- Business Permit
- Data Processor Certificate
- Data Controller Certificate

The company has a legal department that updates on regulatory compliance, the department is also assisted by the compliance department and the internal audit department to ensure observance of regulatory requirements.



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<b>DISCLOSURE QUESTIONNAIRE CATEGORY</b>	Litigation or Arbitration
<b>ISSUE DATE</b>	03/15/2023
<b>TOPIC</b>	Two litigation cases filed against 4G Capital
<b>SUMMARY OF ISSUE</b>	<p>The company has had two litigation cases in the last 5 years, both related to ex-employees.</p> <ol style="list-style-type: none"> <li>Chief Magistrate Case No.8183 of 2019 An ex-employee of 4G Capital sued the organization for defamation. The matter was settled outside of court.</li> <li>Employment &amp; Labour Relations Court Case No.263 of 2019 An Ex-employee of 4G Capital sued for unfair termination of their employment contract and claimed damages. The matter was settled out of court.</li> </ol>
<b>SIZE/SCOPE OF ISSUE</b> (e.g. \$ financial implication, # of individuals affected)	<ol style="list-style-type: none"> <li>Chief Magistrate Case No. 8183 of 2019 Financial Implications: Ksh.1,750,000</li> <li>Employment &amp; Labour Relations Case No. 263 of 2019 Financial Implications: Ksh.1,788,829.60</li> </ol> <p>Total: Ksh.3,538,829 Reflecting a 0.19% of revenue (Based on Revenue of \$17,319.369)</p>
<b>IMPACT ON STAKEHOLDER(S)</b>	At the time of instituting the suit, both employees had exited the organization, there was no impact on employees. The impact on the organization's revenue is as captured above.
<b>IRESOLUTION</b>	Negotiations were held between the organization and the two claimants. Agreements were drawn and signed by the parties. The cases were withdrawn from court.
<b>MANAGEMENT PRACTICES</b>	The Organization has since established an in-house legal department that is able to advise the organization on litigation risks and review procedures to avoid litigation. The department advises the Human resource department on lawful labour practices.
<b>RELATED INCIDENTS (YES/NO)</b>	NO