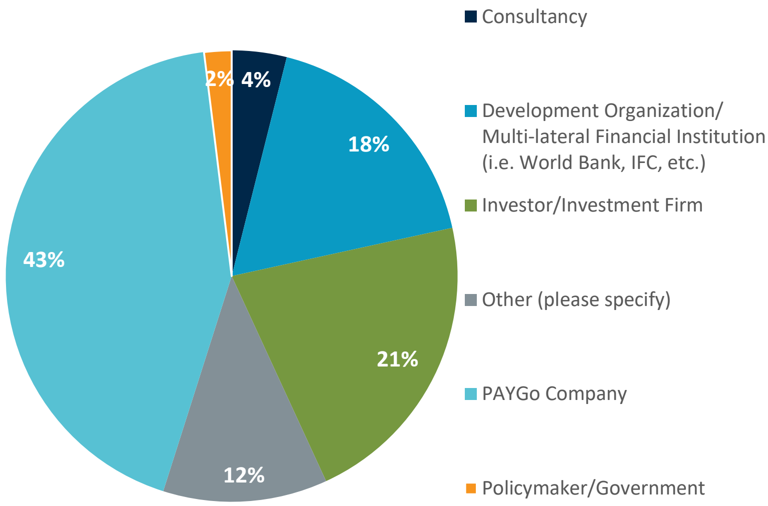
Feedback Survey for PAYGo PERFORM Indicators

Overview and general information

1. Please select the type of organization you are (Select ONE)



The total number of respondents for this survey was 51.

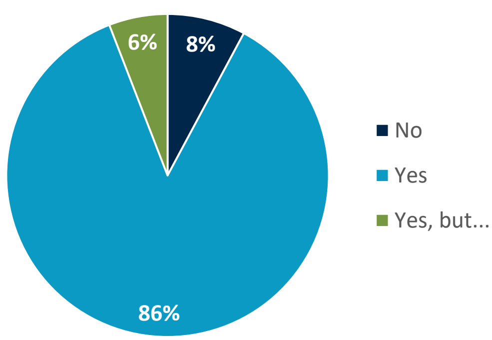
Portfolio Quality-Related KPIs

<u>Section I</u>: **Collection Rate** – the **Collection Rate** is a new recommended KPI. It is the ratio of all collected receivables payments for a company over total receivables payments due for a period.

Formula: (Value of Total Receivables Collected Over Period [X]) / (Total Customer Payments Due Over Period [X])

N.B. Deposits and written-off receivables are not included.

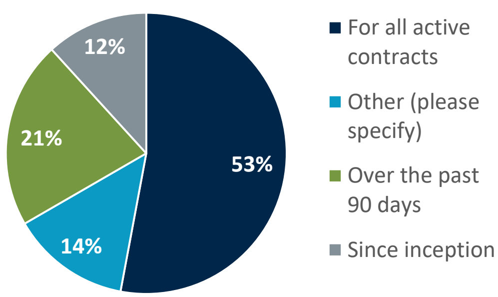
3. Ignoring specifics (such as period of measurement), do you agree with the inclusion of this KPI in its general form? [You will have an opportunity to share thoughts on specifics below]



4. If you answered No (or Yes, but...) to the previous question, then please explain.
   - ***PAYGo Company****: Many companies will have a variety of payment options available to customers. How will these be accounted for? How can you compare the collectables rate across companies given the products on offer can vary in price and affordability? Will you get anything meaningful from this collection?*

- ***PAYGo Company**: Depends on the accounting principles of a company and whether they recognize all sales as upfront revenue or record as AR*
- ***Dev. Or/Fin. Institution**: Some of the info can be very misleading without background given.*
- ***Investor/Investment Firm:** It doesn't add anything new if you have the other 30,60,90-day info.*
- ***Investor/Investment Firm**: I'm not sure about the added value over Portfolio At Risk metrics.*
- ***PAYGo Company**: This is only relevant to instalment based PAYGo. This will not accurately reflect reality when customer has some flexibility on how much to pay in a given period.*
- ***Software Provider:** This description lacks clarity about how to determine "payments due over period". Generally, we smooth them out to a daily rate but others likely have alternative methods. Distributors should take care to clarify how "payments due" is defined.*

5. To best capture and report the overall **Collection Rate** of the company, it is best to measure the collection rate:



Comments:

- ***PAYGo Company**: Active contracts will vary depending on a company's definition of "active." I'd suggest over 180 days or an appropriate time frame until accounts may be written-off.*
- ***PAYGo Company:** From a snapshot perspective, we would take Collection Rate (over a 90 day period) on All Active Units.*
- ***Manufacturer**: segregate markets, and 90 days seems too short. 1 year better.*
- ***Investor/ Investment Firm**: On a monthly basis per cohort.*
- ***Consultancy:** I'd prefer a "vintage" view, as done in respective PaR analyses in microfinance. I.e. slice the portfolio into disbursement time intervalls (e.g. months or quarters) and compare the rates over time (e.g. what was the collection rate for those contracts issued in Q1 six months after issuance compared to those disbursed in Q2 six months after disbursement). This shows nicely deteriorations or improvements and serves as early warning. The overall rate on active contracts should be additionally calculated.*
- ***Software Provider:** I'm confused by this; we define it as all receivables over a period divided by all collectables over the same period... why would we restrict which accounts can be included in that calculation? "Inactive" aka written off accounts have no collectible cash flows. Is the "past 90 days" option supposed to mean that we measure only those contracts which were created in the last 90 days? That seems to be an invitation to obscuring the worst*

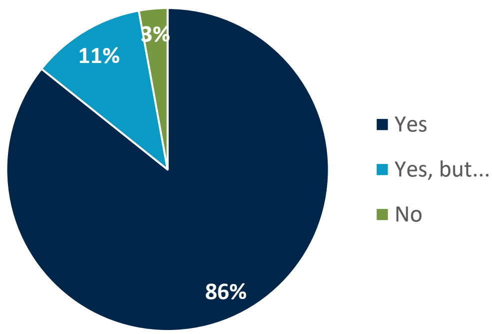
contracts. (Poor performing contracts take longer to pay off and therefore would be ignored under this method).

6. Please input any other **Collection Rate**-specific comments or recommendations here:
   - ***PAYGo Company****: There is a question on how to deal with 'early' payment for customers: in that case what is the payment due during the next period?*
   - ***PAYGo Company:*** *Since inception is important because companies may be weighed down by high levels of bad debt which may influence strategy in the future - although it would be useful to have an aggregate metric but also separated out across each of these categories (past 90 days etc.).*
   - ***PAYGo Company****: Ideally, Collection Rates should be looked at on a cohort basis.*
   - ***Investor/Investment Firm****: It is important to not look at the collection rate in isolation, but at least in combination with the write-off ratio (else one could improve its collection rate by aggressively write-off contracts).*
   - ***Investor/Investment Firm****: It would be good to see Collection Rates of specific cohorts, e.g. for specific geographical regions or for different ages of customer (January cohort, February cohort, etc).*
   - ***Cooperating with PAYGo Company:*** *95%.*
   - ***Investor/Investment Firm****: Monthly and quarterly trends are most helpful in tracking positive/negative developments and understanding seasonal effects.*
   - ***Manufacturer****: But with a bracketed figure showing since inception.*
   - ***Dev. Or/Fin. Institution:*** *If the organization uses the KPI Collection Rate, we would need to track historical (for all running contracts) and current (in the last quarter) to get a good result.*
   - ***Policymaker/Government:*** *Probably useful to be able to view the collection rate over time.*
   - ***Dev. Or/Fin. Institution:*** *For PAYG start up companies that are starting out, it is a great indicator for their own performance management but since inception may distort where they are today.*
   - ***PAYGo Company:*** *It would be important to track collection rate over time so one can assess if collection rate has changed from one quarter to the next, or one fiscal year to the next. In addition, there would be a few key variables that would likely impact the collection rate, such as the amount (or percentage of the purchase price) of deposit paid, seasonality factors, et. al.*
   - ***Investor/Investment Firm:*** *Ideally you would have different measures, a collection rate since inception, y-o-y and certainly over the past 90 or 120 days.*
   - ***PAYGo Company:*** *In addition, a company should periodically look at portfolio acquired since inception for review and planning purposes.*
   - ***Dev. Or/Fin. Institution:*** *Every half year.*

Section II: **Write-off Ratio** – The working group decided to break up the previously used **Churn** KPI into a **Write-off Ratio** and a **Repossession Ratio** for further granularity. Further, the working group felt that having an indication of the *value* of the receivables being written-off was superior to reporting the *number of units* written-off. The **Write-off Ratio** is defined as the sum of the remaining payments of receivables streams that have been terminated over the sum of the remaining payments of the receivable streams for the entire portfolio.

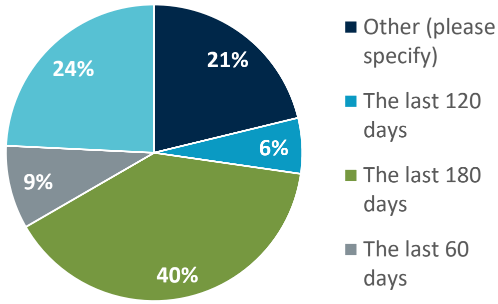
Formula: (Value of Receivables Payments Outstanding for Contracts Written-off Over Period [X]) / (Average Value of Total Receivables Outstanding Over Period [X])

7. Ignoring specifics (such as period of measurement), do you agree with the inclusion of this KPI in its general form? [You will have an opportunity to share thoughts on specifics below]



8. If you answered No (or Yes, but...) to the previous question, then please explain.
   - ***Investor/Investment Firm:*** *Receivables is defined differently amongst companies / accounting practices. It does not always reflect how much "consumer loans" you have outstanding for the SHSs. Something to be wary of.*
   - ***PAYGo Company:*** *Calculating based on number of units would make much more sense as Receivables outstanding depend greatly on length and type of contracts, making it so hard to compare.*
   - ***Manufacturer:*** *Administrative cost to measure might exceed value of data especially if the ratio is obvious: low value v high value products.*
   - ***Dev. Or/Fin. Institution:*** *Instead of average value of total receivables over outstanding period, it should be Value of total receivables over outstanding period in the denominator*
   - ***Software Provider:*** *I believe "Average Value of Total Receivables Outstanding Over Period" has two significant issues: Clarity: This metric doesn't indicate whether we mean "amount remaining" or "total potential amount including prior payments", and doesn't indicate at what time one is supposed to take the snapshot (beginning of day vs end of day). Imagine a portfolio made up of a single account whose total receivable value is $10 and makes a regular payment of $1/day over 10 days. What is the "Average Value" of that portfolio over that period? Is it $10, $5, or $4.5? "Average of Days" problem: In a given period, if the total volume of receivables changes dramatically during the period, the "average" amount owed each day tends to obscure what's really happened. Consider an average of five days of "$ outstanding": $10 $10 $10 $10 $1000 Avg: $208. Further assume $500 of write-offs. Did this distributor really experience a 240% write-off rate during the period? I would argue they did not. I would recommend further clarity in the definition and changing the denominator to be something like $ of receivables "generated" aka total contract volume signed over the period to remove the "meaningless average" problem.*

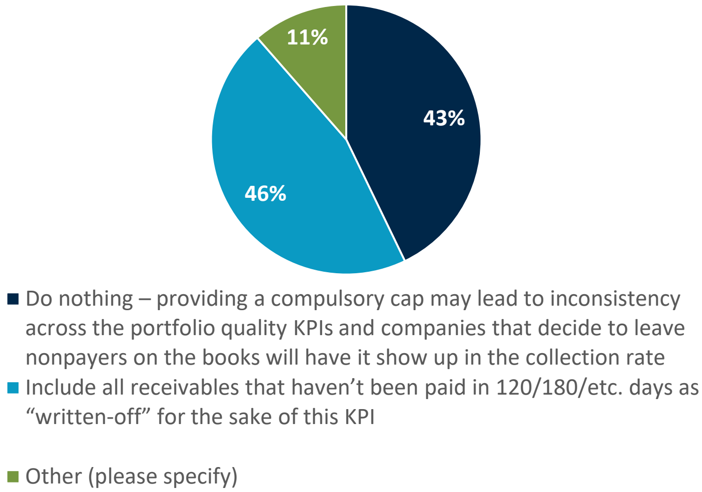
9. To best capture and report the overall **Write-off Ratio** of the company, it is best to measure the **Write-off Ratio** over:



Comments:

- ***PAYGo Company:*** *Same as the previous KPI, all indicators should be calculated over the same time period.*
- ***Investor/Investment Firm****: It is case specific: If you want to use the KPI in combination with the collection rate then a shorter period (even 30 days) is more valuable, as it allows to closer analyse the trend in write-offs. When it is about understanding the overall write-off ratio of a company then a longer, more representative period makes more sense (even 360 days).*
- ***Investor/Investment Firm:*** *Either over the last 360 days or over the average time of the pay plans offered by the company as it then would be consistent with the unit credit cost which in the end is the KPI of real value. The above proposed times are too short to be meaningful.*
- ***Investor/Investment Firm:*** *90 and 180 days to be able to understand trends.*
- ***Policymaker/Government:*** *Per quarter?*
- ***Consultancy:*** *all active contracts.*
- ***Software Provider:*** *What's *most* important is to measure it over time. It's important to know whether this is trending up or down clearly. I would most frequently communicate this on a weekly, monthly, and quarterly basis, reporting on all prior periods for which I have data. (Some distributors will find weekly to be too "sparse" to bother reporting on and that's fine by me)*

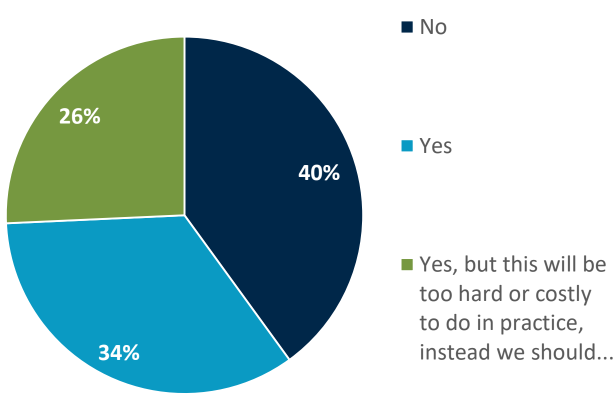
10. Since the decision to "write-off" is left with a company, we should:



Comments:

- ***Manufacturer****: Let the provider determine when to make a write-off.*
- ***Investor/Investment Firm****: Include all receivables that haven't been paid in 120 or 180 CONSECUTIVE days as "written-off" for the sake of this KPI.*
- ***Policymaker/Government****: Difficult to decide between the two options – companies can have different payment schemes that allow for flexibility before being considered being "written-off", but also understand to have a consistent/comparable time frame – lean slightly towards Do Nothing.*
- ***PAYGo Company:*** *Each local situation is different, so there can be general guidelines established to determine the period after which product should be written-off period, but the actual period to be used could be allowed to vary within certain limits in different local markets.*

11. Should the remaining value of repossessed systems be netted out of the numerator of the Write-off Ratio?



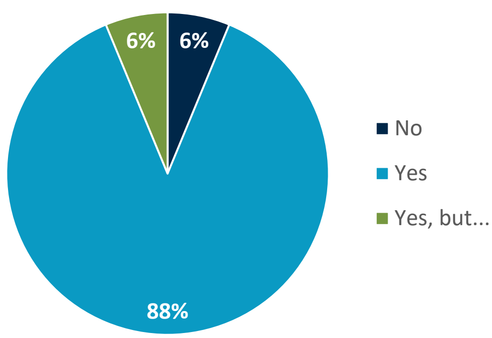
12. If you answered No (or Yes, but...) to the previous question, then please explain.
    - ***Dev. Org./ Fin. Institution:*** *Netting off the repossessed value that does give a true picture of the problem of non-recovery. The realized value from repossession should be shown separately.*
    - ***Investor/Investment Firm:*** *If there are any repossessions that represent value, this will come back in the P&L once they are monetized.*
    - ***Investor/Investment Firm:*** *Seems cleanest to not net out (in that repossession value is subjective).*
    - ***PAYGo Company:*** *Another reason to do it in number of units and not in contract value.*
    - ***Dev.Org/Fin. Institution:*** *In theory, Yes. In practice, I would want to see a track record of value recovery (another possible KPI), and until I was convinced of that I would just say No.*
    - ***PAYGo Company:*** *Repossessed units are either Redeployed or Written-off within 120 days, so no need to make a special case.*
    - ***Investor/Investment Firm:*** *To hard and costly to measure in practice and valuation of repossessed systems largely dependent on company's practices (subjective). We have a repossession ratio to put the write-off ratio into context.*
    - ***Manufacturer:*** *simple estimates might be good enough.*
    - ***PAYGo Company:*** *Difficult to establish remaining value.*
    - ***Investor/Investment Firm:*** *Valuing repossessed systems is subjective and will distort the KPI with inconsistencies.*
    - ***Cooperating with PAYGo Company:*** *Remaining value of repossessed systems equality to asset.*
    - ***Investor/Investment Firm:*** *Keep repossession in numerator.*
    - ***Investor/Investment Firm:*** *It's complicated, but the recovery value of a repossessed system should be netted out of the write-off. If it can be sold as if new or for a value greater than what was due under the original contract, then the whole outstanding value of the original contract should be netted out.*
    - ***PAYGo Company:*** *Have a separate metric for the "recovered" value of repossessed systems.*
    - ***Dev. Or/Fin. Institution:*** *We should write off in full but capture the remaining value in reduced costs of goods for refurbished and resold products.*
    - ***PAYGo Company****: Not all repossessed systems should be netted out of the numerator, especially if those in good condition that could be redeployed.*
    - ***Investor/Investment Firm:*** *They should be aggregated.*
    - ***Dev. Or/Fin. Institution:*** *We can do half of the remaining value; it should be defined how the remaining value will be calculated otherwise this measure will become distorted.*
    - ***Investor/Investment Firm:*** *Too hard to value repossessed systems (if they have residual value at all.*
    - ***Consultancy:*** *But only if there is a respective re-sale track record.*
    - ***Consultancy:*** *We are looking for total non-payments rather and net non-payments. This could be a separate indicator.*
    - ***Software Provider:*** *I was under the impression that the numerator was precisely "the remaining value on all written off units". If you use the *entire* value on written off units, it will fail to represent the scale of the real problem (are you missing out on the last $5 or the last $50). If anything, we should be netting out the *already paid* value so that the numerator is *just* the remaining value. I don't see what the value of "(already paid receivables on written off units) / (total outstanding in period)" is as a metric.*

13. Please input any other **Write-off Ratio**-specific comments or recommendations here:
    - ***PAYGo Company****: I think this metric is quite messy but hard to untangle based on variability*
    - ***Dev. Or/Fin. Institution****: Rescheduled loans need to be mentioned*
    - ***Dev. Or/Fin. Institution:*** *We should encourage companies to track this*
    - ***PAYGo Company:*** *Any resolution or win back from write-off should also be taken into account on arriving net write-off value.*

Section III: **Repossession Ratio** – The working group decided to break up the previously used **Churn** KPI into a **Repossession Ratio** and a **Write-off Ratio** for further granularity. Unlike the **Write-off Ratio** the working group decided that a unit-based **Repossession Ratio** when viewed alongside a value-based **Write-off Ratio**, provided enough information to form a high-level view. Thus, the **Repossession Ratio** was defined as the ratio of repossessed units that will be redeployed over total installed units.

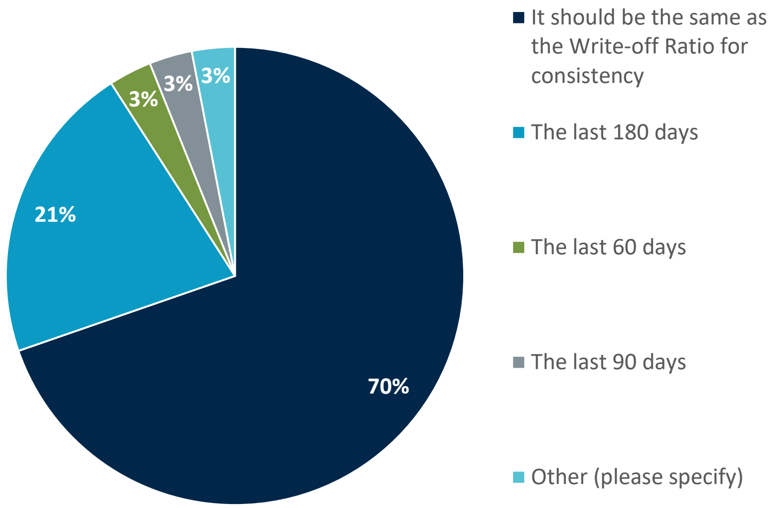
Formula: (Units Repossessed for Redeployment Over Period [X]) / (Average Total Installed Units Over Period [X])

14. Ignoring specifics (such as period of measurement), do you agree with the inclusion of this KPI in its general form? [You will have an opportunity to share thoughts on specifics below]



15. If you answered No (or Yes, but...) to the previous question, then please explain.
    - ***Dev.Org/Fin. Institution****: I would nix the 'for Redeployment' clause. It's too subjective to say why a unit was repo-ed.*
    - ***Investor/Investment Firm****: Why does the definition refer that repossessed units will be redeployed? I would like to know the total value of repossessed systems independent if the unit will be redeployed or used as spare parts. Also, I would like to see the value of repossessed systems, not units. This would be consistent with the write-off ratio.*
    - ***Investor/Investment Firm****: For consistency we should have everything value based.*
    - ***Investor/Investment Firm****: Need to be aware that not all companies repossess or repossess as aggressively as they could under their contracts, so a low repo rate needs to be cross-checked against other measure to assess portfolio health.*
    - ***Investor/Investment Firm:*** *Taking a conservative approach, I would not look at any residual value of repossessed systems (also because they're mostly outdated due to progressed developments)*
    - ***Consultancy:*** *How about also calculating the repossession rate of only those contracts written of or "non-performing"?*

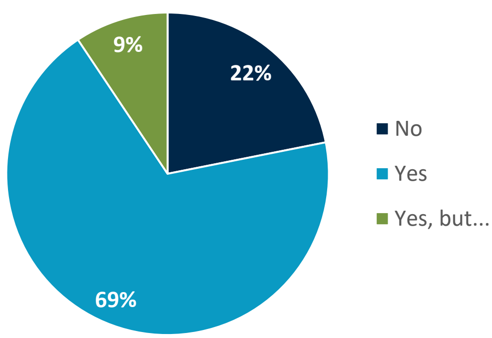
16. To best capture and report the overall **Repossession Ratio** of the company, it is best to measure the **Repossession Ratio** over:



Comments:

- ***PAYGo Company:*** *It should measure for within 90 days acquired customers and post 90 days to distinguish between sales driven repossession and to identify actionable.*

17. It is also important to include a measure of the ratio of units repossessed relative to units repossessed, written-off, lost, or abandoned to better understand how repossessed units relates to those receivables streams that are terminated or assumed terminated.



18. If you answered No (or Yes, but...) to the previous question, then please explain.
    - ***Manufacturer****: Seems too much admin burden to track*
    - ***Investor/ Investment Firm****: This can easily be calculated by anyone the company reports to. It seems like unnecessary additional admin for the company.*
    - ***PAYGo Company:*** *Complicated.*
    - ***Investor/Investment Firm****: Again here, value of those receivable streams would be more important than number of units.*
    - ***Investor/Investment Firm:*** *I assume anything lost or abandoned would be captured in the write off calculation.*
    - ***Dev. Or/Fin. Institution****: This is confusing.*

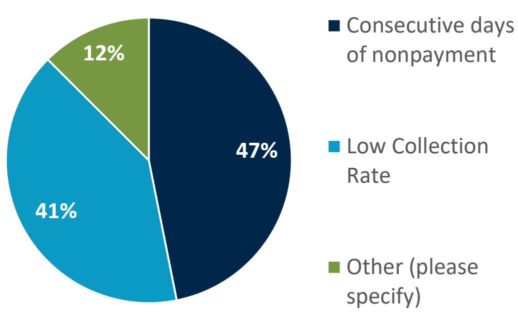
- ***Software Provider**: I just don't see the value if you have both Write-Off Rate and Repo Rate, unless the goal is making them expressible in the same units, in which case I would reform Write-Off Rate to be in the same units as Repossession Rate. (AKA, a % of units rather than a % of value)*

19. Please input any other **Repossession Ratio**-specific comments or recommendations here:
    - ***Dev. Org./ Fin. Institution:** Comparing units and value provides a comprehensive measure.*
    - ***PAYGo Company**: Assume a consistent level of resell amongst repossessed kits.*
    - ***Dev.Org/Fin. Institution:** I assume we're getting to this, but I need to know how much value is recovered on-average, and eventually how that relates to time since installation.*
    - ***Investor/Investment Firm:** A value-based repossession ratio can add value to understand how much of the written off cash flows concern repossessed systems. However, this should then be done on the basis of the capitalized cost instead of the value of outstanding receivable written off.*
    - ***PAYGo Company**: 30 to 60 days.*
    - ***Investor/Investment Firm:** Should be value-based for consistency.*
    - ***Dev. Or/Fin. Institution:** Add % of paid off by the time of repossession.*
    - ***PAYGo Company:** It would go well together with a "Non-recovered assets ratio".*
    - ***Dev. Or/Fin. Institution:** Repossession is sometimes impossible due to terrain, client hostility and other social factors. This must be considered in the business as well*
    - ***PAYGo Company:** Repossession within 90 days of sales should be captured separately to get a sense of sales driven repossession.*

<u>Section IV</u>**: Receivables at Risk (RAR)** – the working group began with a simple semantical modification, changing the name of the indicator **Portfolio at Risk (PAR)** to **Receivables at Risk** to decouple from the MFI industry metric and discourage direct comparison. Furthermore, the working group recommended a reevaluation of the methodology AND the period of evaluation. For methodology it recommended looking at real data to determine if [X] consecutive days of nonpayment was a better indication of risk (i.e., predictor of write-offs) OR if a **Collection Rate** below a particular threshold [Y]% over a period of [Z] days was better.

Please note that setting the **Collection Rate** threshold to 0% is the <u>same as using consecutive days of nonpayment over the same period</u>. The threshold, however, allows one to fine-tune further, capturing some other potentially "risky" payers in the measure.

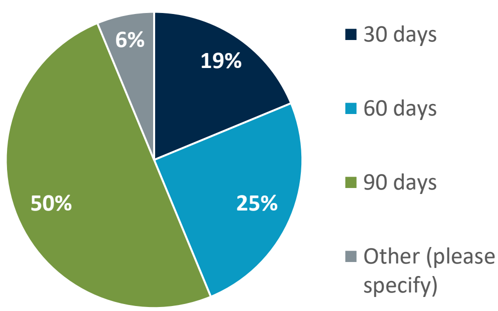
20. Keeping in mind that real data will be used to make the final assessment, do you feel that the method used for determining risky receivables streams should be:



Comments:

- ***PAYGo Company:*** *Consecutive Days of Non-Payment is most relevant for predicting future default and is therefore the most relevant for calculating RAR. Note that this is not the same as PAR, which takes into account Cumulative Days of Non-Payment.*
- ***Investor/Investment Firm****: Both. One helps to understand actual cash flows from receivables while the other measures what percentage is at risk of future write off.*
- ***PAYGo Company:*** *This would need to be verified, but deposit percentage is probably one of the best determinants of risky receivables.*
- ***Software Provider:*** *I don't mind the low collection rate construction, but I remain concerned by the lack of clarity over how collection rate is calculated. If a customer makes a payment which is good for two weeks on January 1st, then we calculate the 7-day low collection rate as of January 14th, that client paid nothing in the 7-day period but wasn't expected to make a payment in that period. We should be clear about smoothing both payments and receivables out to a daily basis to make this work effectively and universally.*

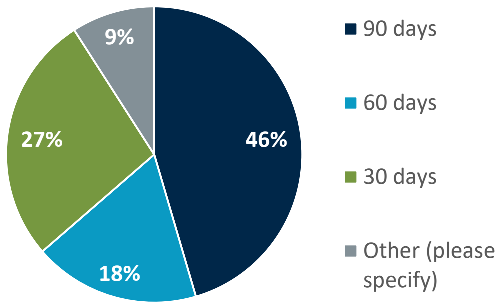
If chosen option 'Consecutive days of nonpayment (i.e., the same methodology used for PAR) (Remaining Value of Outstanding Receivables Streams Which Have Not Paid Over Period [X]) / (Value of Total Future Receivables Due), then:
What single period of evaluation do you observe, or think is the best predictor of write-offs?



Comments:

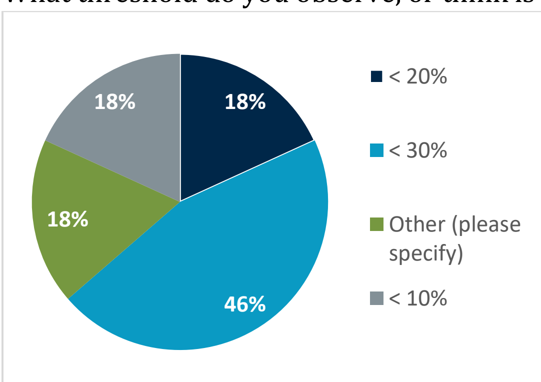
- ***PAYGo Company:*** *180 days.*

If chosen option 'Low Collection Rate: (Remaining Value of Outstanding Receivables Streams for Which Collection Rate is Less than [Y]% Over Period [X]) / (Value of Total Future Receivables Due), then:
What single period of evaluation do you observe, or think is the best predictor of write-offs?



Comments:
- ***Investor/Investment Firm**: all 3.*

What threshold do you observe, or think is the best predictor of write-offs?



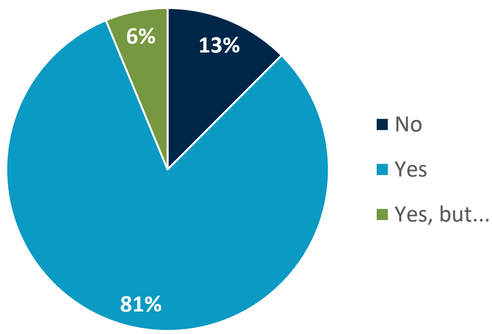
Comments:
- ***Investor/Investment Firm:** <50%.*
- ***Investor/Investment Firm:** I think this could be a bit specific to the business model and the type of units they sale.*

24. Please input any other **Receivables at Risk**-specific comments or recommendations here:
    - ***Dev. Org./ Fin. Institution:** We do not need to deviate too much from what MFIs are doing. At the end of the day, this is a loan.*
    - ***Investor/Investment Firm:** Keep in mind to have a shared definition of receivables, just as portfolio in PAR.*
    - ***Dev.Org/Fin. Institution:** Consistency matters. There's a different risk for a customer who purchases 2 days every week and one who purchases a week every two months. You could probably do some sort of variance-weighted risk score (not that this should be a KPI), and that would be more informative for decision-making.*
    - ***Investor/Investment Firm:** Depends a bit on the interpretation of "at Risk". Our understanding is that "at Risk" should reflect the pool of systems on which the company should focus on to recover as much value as possible (or in other words, if they don't actively focus on it most of them are expected to default/be written off). If the threshold is too low a repossession may be triggered too late (i.e. low remaining value of the system repossessed).*

- ***Investor/ Investment Firm:*** *To my mind, the main use of collection rate is financial planning. Regardless of the risk of write-offs, it gives a better view than PAR on how to plan cash flow.*
- ***Investor/Investment Firm:*** *I would go for the first concept, i.e. consecutive days. However, this is NOT the same methodology used for PAR. For PAR one adds up all days a customer has ever been late even if not consecutive and if this sum reaches e.g. 30 days, it would fall into the PAR 30 bucket. Furthermore, I would rather divide the receivables at risk by the initial face value of those receivables, i.e. by how much the company was expected to collect from the cohort the KPI is calculated on. Otherwise this RaR KPI will deteriorate if a cohort is aging simply as good paying customers are being removed from the calculation base. And cohort analysis is very relevant to assess the company's asset strength.*
- ***PAYGo Company:*** *100 to 365 days.*
- ***Investor/Investment Firm:*** *Those metrics are important, we need to have them for various period of time (30, 60, 90, 180...).*
- ***Investor/Investment Firm:*** *Measure consecutive days of non-payment rather than days behind the contractual payment schedule.*
- ***Dev. Or/Fin. Institution:*** *Some details on why as qualitative data.*
- ***Dev. Or/Fin. Institution:*** *A straight line assessment of receivables at risk may give an erroneous impression. In the case of PAYGO a clear understanding of the customer's seasonality of payments, emergencies, funerals, child school fees etc. should be used to discount the calculated values.*
- ***Investor/Investment Firm:*** *Two observations: - collection rate as the name for the KPI is a bit misleading as this concerns the low collections / total receivables - One complicating factor is to assess the significance of receivables / portfolio to the company. E.g. if a company sells 75% of its systems at payment, and only 25% against credit, a lower portfolio quality as a % of receivables / GLP is not necessarily a high company risk. Somehow all systems sold should be captured, e.g. in an additional metric that measures credit quality as a % of total revenue (including systems sold at payment).*
- ***Consultancy:*** *Thinking into the direction of LGD, it would be great to establish a metrics to calculate this, including repossession and NPV.*
- ***Software Provider:*** *We should also be clearer about the need to report on RAR-7, RAR-14, RAR-21, RAR-30, RAR-60, and RAR-90, all on a historical basis so the reader can see how these values have changed over time.*

<u>Section V:</u> **Effective Credit Period** – the working group recommended an ancillary indicator that would be derived from two reported KPIs. The **Effective Credit Period** would be the ratio of the company-wide **Average Credit Period** over the **Collection Rate**. This would give an overall view of how long it is taking on average for a company's customers to pay off their devices.
Formula: (**Average Credit Period**) / (**Collection Rate**)

25. Do you agree with the inclusion of this KPI?

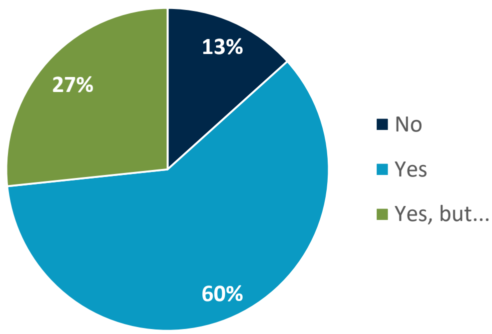


26. If you answered No (or Yes, but...) to the previous question, then please explain.
    - ***PAYGo Company:*** *Important to understand.*
    - ***Investor/Investment Firm:*** *Defining/consistency of average credit period across range of products/markets may be tricky.*
    - ***PAYGo Company:*** *Too dependent on how contracts are structured. For example, a company offering long term servicing after initial payment of the equipment would be penalized.*
    - ***Investor/Investment Firm****: I don't understand this indicator.*
    - ***Investor/Investment Firm****: It's rough but works.*
    - ***Policymaker/Government:*** *I don't think that the time it takes for a customer to pay is as important as whether the customer pays in a manner that is profitable for the company. The effective credit period can vary depending on the customer base – I assume that companies that may have shorter/smaller/lower effective credit periods are serving wealthier communities that are able to pay, when it's also important to serve last mile customers who may not be able to pay quickly.*
    - ***Dev. Or/Fin. Institution:*** *The metric is too complicated and doesn't seem to be of much value.*
    - ***Investor/Investment Firm:*** *The effective credit period should always be compared to the credit period as communicated and indicated in policies. E.g. a system is sold as being repaid with daily payments over a period of 360 days, but effective is 540 days, i.e. effective overdue of 50%.*
27. Please input any other **Effective Credit Period**-specific comments or recommendations here:
    - ***PAYGo Company:*** *Is there a way to factor in exogenous events?*
    - ***Dev.Org/Fin. Institution:*** *Think this is a crucial ratio, that really informs your liability management strategy.*
    - ***Investor/Investment Firm:*** *I don't understand this indicator*
    - ***Investor/Investment Firm:*** *The average credit period is not across the product line but across the customer base.*

- ***Policymaker/Government:*** *If the collection rate is a decimal/percentage, I believe the formula should multiply*
- ***PAYGo Company:*** *It should be determined geography wise basis income levels and affordability and also keeping in view the changing eco system.*
- ***Software Provider:*** *We should likely *also* request "actual" Effective Credit Period numbers: (Average Actual Credit Period of loans completed in period) / (Average Nominal Credit Period of loans completed in period).*

Section VI: ***Receivables Portfolio Growth Rate*** – the working group has not yet had in-depth deliberations on the definition of ***Receivables Portfolio Growth Rate***, but the working group does feel that including a measure of portfolio growth is important. This will most likely be a derived measure using the annual rate of growth of the ***Average Receivables Portfolio Size***, which is defined as the average value in USD of the company's outstanding receivables streams over the period of measure (e.g., last twelve months or calendar year).

28. Do you agree with the inclusion of this KPI?



29. If you answered No (or Yes, but...) to the previous question, then please explain.
    - ***PAYGo Company:*** *it should bring additional information from just the number of clients.*
    - ***Investor/Investment Firm:*** *Not so critical.*
    - ***PAYGo Company:*** *Too many KPIs already, we should keep as simple as possible at first to test them out before starting to define new KPIs.*
    - ***Dev.Org/Fin. Institution:*** *In my mind, this project was built to define hard-to-define KPIs. These two are obviously crucial and fairly easy to define, not sure if we actually need to include them.*
    - ***Investor/ Investment Firm:*** *Only if it's useful in separating portfolio quality of new leases from older leases.*
    - ***PAYGo Company:*** *Complicated.*
    - ***PAYGo Company:*** *It will help us know how the following months income growth.*
    - ***Investor/Investment Firm:*** *Interesting, not sure it's "key".*
    - ***Dev. Or/Fin. Institution:*** *This may be a redundant feature for 100% PAYGO companies as this growth rate is equivalent to growth of sales. Receivables growth rate may thus be same as sales growth rate.*
    - ***Policymaker/Government:*** *Demonstrating growth over time is a positive sign but need to keep in mind that it's natural for growth rates to fluctuate.*
    - ***PAYGo Company:*** *Yes, but it is not clear what level of insight exactly it would provide. If one's Receivables Portfolio increases, is that a measure of actual growth in customers or*

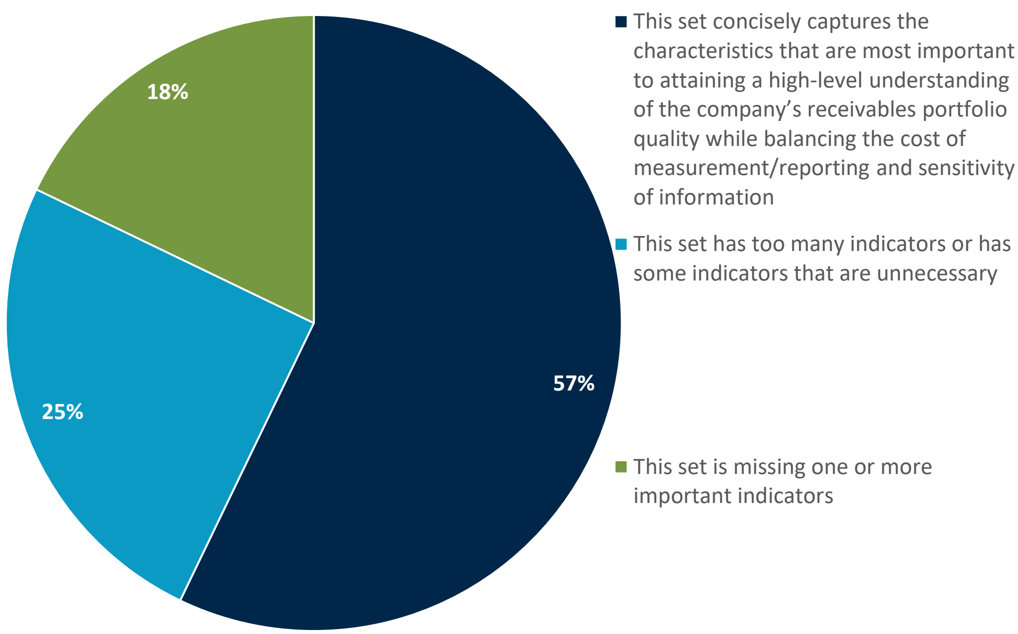
revenue, or simply shortcomings in business operations that have led to more outstanding receivables.

- ***Investor/Investment Firm:*** *I'm not sure about the added value of this metric. To measure growth, I would rather look at revenue growth*
- ***Software Provider:*** *Haven't seen it on this survey yet, but "Average Receivables Portfolios Size" is a bad measure for some of the reasons I've spoken to earlier in the survey on other subjects: it's a bad idea to find the average size of some volume "per day". The time of day at which the measurement is taken will affect the figure, large spikes will be hard to detect unless they are well-incorporated, cash sales are essentially invisible, the effects of down-payments are invisible....Much more effective would be measuring the total amount of receivables value *added* to the portfolio over a given period. We already have collection rate, repo rate, and write off rate to describe the ways in which the portfolio doesn't get paid off, why not just make this a measure of how large it's growing? Then the growth rate is simple: (total receivables in period t) / (total receivables in period t-1) – 1.*

30. Please input any other ***Average Receivables Portfolio Size*** OR ***Receivables Portfolio Growth Rate***-specific comments or recommendations here:
    - ***Investor/Investment Firm:*** *We look at monthly growth.*
    - ***PAYGo Company:*** *This is important KPI to finalise manpower and other infra required for collection.*

Section VII: General Portfolio Quality KPI comments – here we ask some questions that relate to the full set of recommended Portfolio Quality KPIs

31. With respect to the full recommended set of KPIs (**Receivables at Risk, Write-off Ratio, Repossession Ratio, Collection Rate, Average Credit Period, Effective Credit Period, and Receivables Portfolio Growth Rate**), I feel:



If chosen ‘This set is missing one or more important indicators’, then:
Which indicators are missing?

- ***Dev.Org/Fin. Institution:*** *Some indicator that captures Loss-Given Default; your ability to capture value from defaulted assets.*
- ***PAYGo Company:*** *Mainly an indicator of customers that were churned but for which the assets were not recoverable.*
- ***PAYGo Company:*** *It seems like the main focus of the KPIs are on "negative" KPIs, such as Write-offs and Repossessions, and not as much on units fully paid, or units being paid off in a timely manner, in general, etc.*
- ***Investor/Investment Firm:*** *See my earlier comments on each indicator. What misses is to look wider than just the systems that are sold on credit, but to include systems that are sold at payment.*
- ***Software Provider:*** *We don't actually say how much money is going *into* the portfolio, as I expressed in my comments on "Average Receivables Portfolio Size".*

If chosen ‘This set has too many indicators or has some indicators that are unnecessary’, then:
Which indicators should be removed?

- ***PAYGo Company:*** *Receivables at Risk, Average Credit Period, Effective Credit Period, and Receivables Portfolio Growth Rate should be removed at first. Write-off Ratio, Repossession Ratio and Collection Rate seem to be the most important one to get started.*
- ***PAYGo Company:*** *Repossession Ratio is too detailed, and we can drop Effective Credit Period since we can calculate it from the Average Credit Period and the Collection Rate.*
- ***Investor/Investment Firm:*** *RAR and Collection rate are more or less indicating the same thing, no? I don't understand what is ‘effective credit period’.*
- ***Dev. Or/Fin. Institution****: Effective Credit Period.*

33. Please use this space to share any other general comments or recommendations about the Portfolio Quality KPIs. Please also feel free to address any other specific issues you didn’t have a chance to earlier:
    - ***PAYGo Company****: Aadditional incentives or promotions may skew results over short term time horizon*
    - ***Investor/Investment Firm:*** *Average Credit Period is not necessary an indicator for portfolio quality but rather a supporting information to put other KPIs in context. It's important to differentiate between key and ancillary KPIs when publishing them.*
    - ***Dev. Or/Fin. Institution:*** *I think this is a good exercise and it will help financial institutions assess business participation and bring in needed financing.*
    - ***PAYGo Company:*** *There are some tools that have been developed to assess a prospective customer's credit risk. So, it would be good to utilize such a tool and then be able to assess how effective the tool actually was in predicting payment performance.*
    - ***Investor/Investment Firm:*** *We look at these monthly to monitor trends.*
    - ***PAYGo Company:*** *Area wise different approach is needed basis demographics and ground level eco system.*
    - ***Consultancy:*** *as mentioned, in an expected loss logic the indicators mainly capture the PD part, while LGD should not be forgotten. This also brings up the questions of written-off/non-performing contracts may become healthy again if they start paying again.*

Unit Economics-Related KPIs

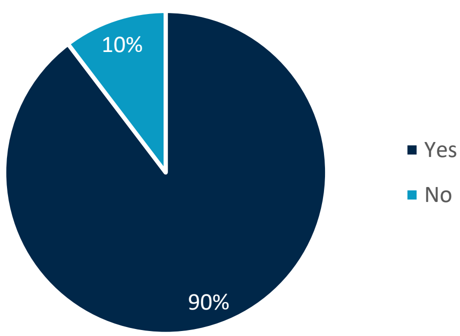
The objective of these survey questions is to obtain your approval and feedback on the proposed KPIs for unit economics.

Two sets of KPIs have been developed:
(1) Firm level KPIs which look at the overall profitability of PAYGo firms; and
(2) Unit level KPIs, which look at the unit profitability by product.

Firm level KPIs will be the main headline metrics for a firm, which will be complemented by looking at Unit level KPIs on a product category basis.

Section I: **Firm Level KPIs.** This section reviews the proposed Firm Level KPIs that have been discussed and agreed upon with the Unit Economics Working Group.

34. **Total Cashflow from Customers** refers to the total cash received from all customers – this includes customer deposits and follow-on payments. Do you agree with adopting this KPI as part of the Firm Level KPIs?



Comments:

- ***Investor/Investment Firm****: I guess this works but not sure how much it adds beyond a snapshot or market size?*
- ***Dev. Or/Fin. Institution:*** *It is good for the firm to capture this but not as a KPI*
- ***Policymaker/Government:*** *Is this comparable across different currencies and economies?*

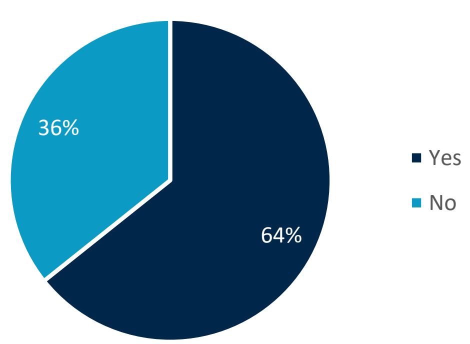
35. For PAYGo firms, please describe how you recognize Revenue in your Income Statement (i.e., immediately and the full amount, partially and then a linear proportion over time, etc.). If you are not a PAYGo firm, please describe how you think Revenue should be recognized in the Income Statement of PAYGo firms.
    - ***PAYGo Company:*** *immediately and the full amount to follow accounting rules, internally we follow cash received from all customers.*
    - ***PAYGo Company:*** *Immediately up front.*
    - ***PAYGo Company:*** *We recognize revenue based on monthly billing to clients corrected for provisions for estimated non payments (based on collection ratio).*
    - ***PAYGo Company:*** *We recognise 55-60% of revenues upfront, and the remaining 40-45% over the life of the customer contract.*
    - ***Investor/Investment Firm:*** *If possible, cash-based recognition (i.e. what you actually cashed in) should be the basis (both because this is what ultimately matters and for fiscal aspects, which can be extremely important). In any case, the cash recognition approach*

should always be part of the company's management accounts, independently on what the applicable accounting standards are.

- ***Investor/Investment Firm:*** *Partially and then linear over time. The partial recognition should be the cash price for which products can be sold and with which PAYGo firms earns already some margin.*
- ***PAYGo Company:*** *The deposit is usually a cash deposit then the monthly payments are carried out using the mobile payments.*
- ***Investor/Investment Firm:*** *Cash not accrual.*
- ***Investor/Investment Firm:*** *Receivables should be split between current (due in next 12 months) and non-current/deferred.*
- ***PAYGo Company:*** *Immediately and the full amount.*
- ***Manufacturer:*** *should be recognised as partial then linear over time.*
- ***Dev. Or/Fin. Institution****: I think it should be booked as banks book income.*
- ***PAYGo Company:*** *We supply PAYGo products to a local franchise network. We are paid by financiers when product ships to our franchisees. PAYGo payments are then managed by our local franchise partners.*
- ***Investor/Investment Firm:*** *The total revenue is a total which is then broken down into the cash price and the implied interest received from the repayments*
- ***Investor/Investment Firm:*** *As earned over time.*
- ***PAYGo Company:*** *We realize full amount after making loss provisions basis current portfolio health.*
- ***Dev. Or/Fin. Institution*** *What has been received already as full amount, and then in projections use expected inflow.*
- ***Investor/Investment Firm:*** *Revenue should be counted as income only when cash has been received.*
- ***Software Provider:*** *Company X neither maintains nor offers any formal opinion on revenue recognition rules, which can vary widely by country and which are still being interpreted following the recent ASC 606 guidance.*

36. Another important metric proposed is **Total Cashflow from Customers as a Proportion of Total Revenue**. This metric provides a view of how much cash has been received as a percentage of the total revenue recognized. As you may observe, the metric is a variation of the previous Firm Level KPI, Total Cashflow from Customers. The formula is as follows:

    Total Cashflow from Customers as % of Total Revenue = Total cash payments received (including deposits and follow-on payments) / (Total Revenue)
    Do you agree with adopting this KPI as part of the Firm Level KPIs?



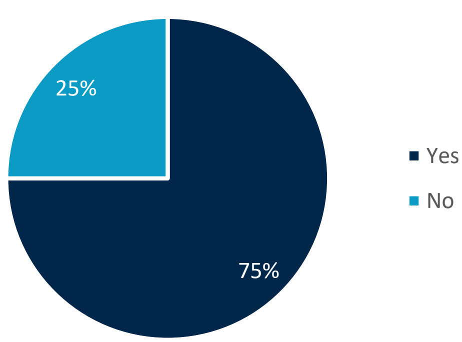
Comments:

- ***PAYGo Company:*** *The indicator is too complicated to grasp additionally I don't see it fluctuate significantly with time over operations.*
- ***Investor/Investment Firm:*** *Accounting policies will lead to a lot of variety and less value add.*
- ***Dev.Org/Fin. Institution:*** *I think it's fine, but if we are worried about too many KPIs, this is one I would cut. It should show up in any PNL, and if it doesn't then the Cashflow from Customers will be enough to help you suss it out.*
- ***Investor/Investment Firm:*** *This is a function of the company's pay plan and collection rate so not sure about comparability of this metric.*
- ***PAYGo Company:*** *Complicated*
- ***Investor/Investment Firm:*** *I don't understand what additional info it gives.*
- ***PAYGo Company:*** *Doesn't seem to add value above and beyond the insights provided by other KPIs.*
- ***PAYGo Company:*** *Not relevant if you have off balance sheet financing and realizing full amount upfront.*
- ***Investor/Investment Firm:*** *Yes, but. I agree with adopting this KPI, but I have one query. If cash flows for systems delivered (i.e. Jan) are received in a later month (Feb), but total revenue is low in that later month (Feb), the KPI will show a high cashflow from customers as % of a low total revenue. Hence not signalling any concern although cashflow related to the particular month (Feb) might be alarmingly low.*
- ***Software Provider:*** *I am sceptical of any metric which is defined through an accounting process, and it is unclear to me what we're getting out of this one. Revenue will be defined very differently depending on nation-level regulations, so in some places this will be 100% (where PAYG revenue is recognized concurrently with cashflows) or much lower (where PAYG revenue is recognized immediately or on a linear "expected" schedule) based entirely on tax/accounting regime.*

37. **Total Contribution Margin** is useful in order to understand a PAYGo firm's profitability when considering ONLY the variable costs. Thus, the calculation would be as follows:

Total Contribution Margin = (Total Revenue – Total Variable Costs) / (Total Revenue), where Variable Costs refers to costs such as device cost, sales & distribution cost, servicing & maintenance costs and any other costs that would vary depending on the number of units sold.

Do you agree with adopting this KPI?

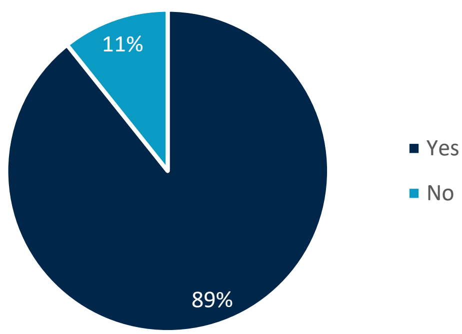


Comments:

- ***Stephane de Jacquelot (BBOXX – PAYGo Company):*** *Too complicated to get something comparable in between companies. Splitting in between what is variable and not is too subjective.*
- ***Dev.Org/Fin. Institution:*** *The numerator should be Total Cashflow from Customers less Total Variable Costs.*
- ***Investor/ Investment Firm:*** *"Revenue" can be meaningless depending on the accounting practices of the company. I'd use cash receipts instead.*
- ***PAYGo Company:*** *Complicated.*
- ***Investor/Investment Firm:*** *Traditional 'margin' covers that nicely already.*
- ***Manufacturer:*** *It's not really a true indicator of profitability.*
- ***Policymaker/Government:*** *Considering fixed costs is important when fixed costs are substantial.*

38. **EBT Margin** provides a view of the overall profitability of a PAYGo firm once you account for all of its costs (fixed and variable). The calculation would be as follows:

EBT Margin = (Total Revenue – Variable Costs – Fixed Costs) / (Total Revenue)
Do you agree with adopting this KPI?



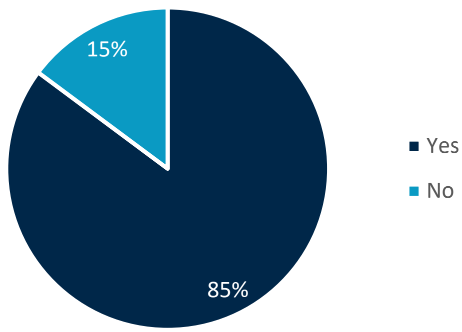
Comments:

- ***Investor/ Investment Firm:*** *"Revenue" can be meaningless depending on the accounting practices of the company. I'd use cash receipts instead.*
- ***Investor/Investment Firm:*** *Doesn't account for financing costs. Should be EBITDA margin. And EBIDTA itself is of limited value unless the margin is really high due the high leverage of many operators.*
- ***Software Provider****: Generally, I do agree, just wondering whether we really want "EBT" or if we really want EBITDA.*

39. **Total Overhead Cost as a % of Total Cashflow from Customers** refers to the fixed costs incurred by a PAYGo firm as a proportion of the total cashflow it has received from customers. This metric uses Total Cashflow from Customers KPI previously defined. The calculation would be as follows:

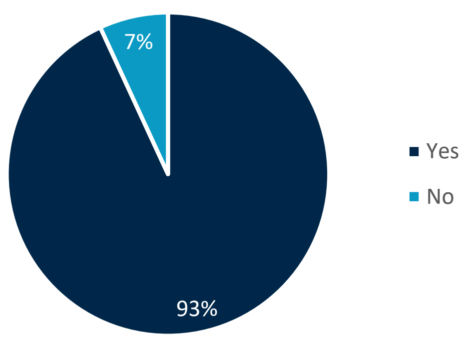
Total Overhead Cost as a % of Total Cashflow from Customers = Total overhead costs (Marketing, Sales Managers, etc.) / Total Cashflow from Customers

Do you agree with adopting this KPI?



- ***PAYGo Company:*** *Same as for the contribution margin, too complicated to split consistently in between fix and variable costs.*
- ***PAYGo Company:*** *complicated.*
- ***Investor/Investment Firm:*** *Yes, but I would measure total overhead costs as a % of total revenue. Why as a % of total cashflow from customers?*

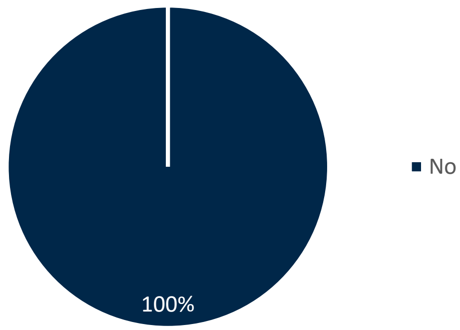
40. **Total Receivables Generated** refers to the receivables that a PAYGo firm has booked over a specified time period. This metric is useful to provide a view of a PAYGo firm's size (assuming the firm is mostly selling PAYGo solar devices). In addition, would also give a picture on how a company is doing on sales and can tell you something about how big the industry is aggregated. Do you agree with adopting this KPI?



Comments:

- ***PAYGo Company****: Complicated*
- ***Investor/Investment Firm:*** *Will companies share this? And how does this differ materially from growth rate?*

41. Are there any additional Firm Level KPIs that we should consider, which have not been addressed in the previous questions?



Comments:

- ***Investor/Investment Firm:*** *Something similar to OSS from microfinance - is the company daily income sufficient to cover the daily costs Solvency*
- ***PAYGo Company:*** *We should have a firm level KPI identifying specifically cash coming from repayments (but excluding deposit).*
- ***Policymaker/Government:*** *Size of customer/receivables portfolio (net of all active receivables, new and old) - to provide a reference point to cashflows and new receivables*
- ***PAYGo Company:*** *You cannot expect to operate any credit-based business, including a PAYGo solar business, without having a way to undertake a credit risk assessment of customers, and establishing workable deposit rates based on the credit risk score and/or other variables.*
- ***PAYGo Company:*** *There should be operations vs HO cost KPIs to understand teeth vs tail ratio.*
- ***Investor/Investment Firm:*** *Two Contribution Margins: one excluding funding costs, and one including funding costs.*

42. Do you have any comments, questions and/or proposed edits regarding the 6 Firm Level KPIs described in the questions above? If so, please share your feedback. As a reminder, the 6 proposed Firm Level KPIs are as follows:
    - Total Cashflow from Customers
    - Total Cashflow as % of Total Revenue
    - Total Overhead Cost as % of Total Cashflow from Customers
    - Total Contribution Margin
    - EBT Margin
    - Total Receivables Generated

Comments:

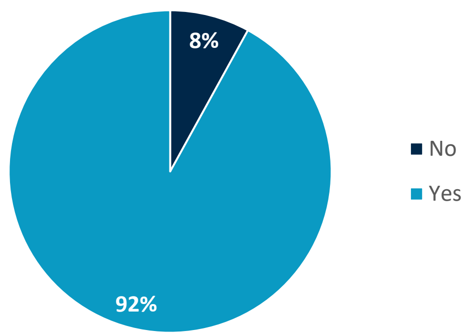
- ***Investor/Investment Firm:*** *Feels quite invasive.*
- ***PAYGo Company****: Apart from 1 and 6, the other metrics are easily calculated from required financial accounting figures.*
- ***Investor/Investment Firm:*** *4. I don't get what it is.*
- ***Policy Maker/Government:*** *Indicators must be considered within the context of the size of the company and not just across companies. Smaller companies have smaller cashflows from customers.*

- ***Investor/Investment Firm:*** *Revenue should be broken down to Revenue equivalent to cash price plus implied interest income*
- ***Investor/Investment Firm:*** *Revenue should be broken down to Revenue equivalent to cash price plus implied interest income*

Section II: **Unit Level KPIs.** This section reviews the Unit Level KPIs that have been proposed. There is a total of 8 Unit Level KPIs, and your responses to the questions below will help finalize these metrics.

43. For each KPI, please tick "Yes" if you agree with the inclusion of the KPI. Alternatively, please tick "No" if you do not think we should include the KPI.

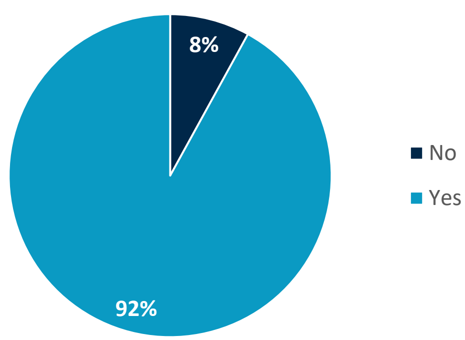
Unit Total Payments



Comments:

- ***Software Provider:*** *I just don't see the point of the 'follow-on payments' metric. This is implicit in collection rate and a few other places, and the other KPIs here which rely on it are not handling units correctly and will need to be reformed already.*

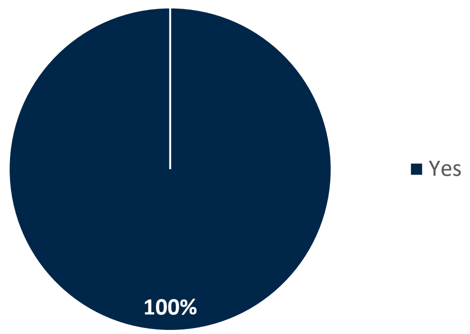
Unit Credit Cost



Comments:

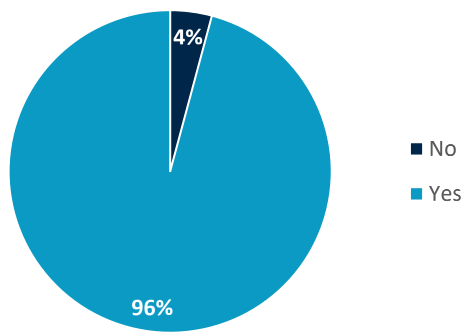
- ***Investor/Investment Firm:*** *Unit Credit Cost to be renamed Unit WO Cost, Unit Total Payments to be renamed Unit Contractual Deposit for consistency with indicator 1, then we can easily calculate Unit Credit Cost with indicators 1 and 2.*

Unit Device Cost



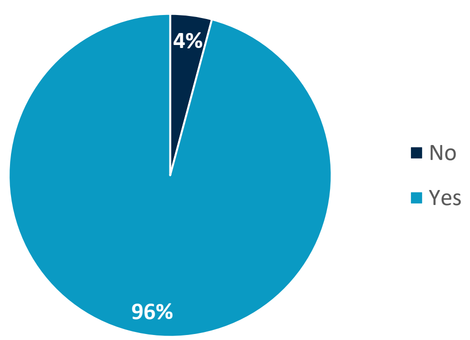
No further comments

Unit Sales & Distribution Cost



No further comments

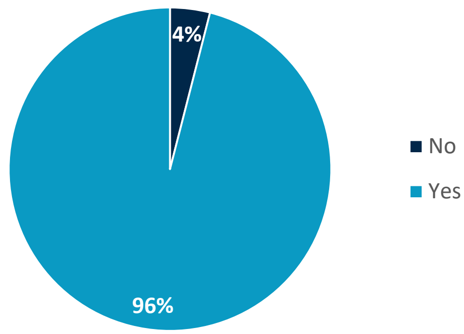
Unit Servicing & Maintenance Cost



Comments:

- ***PAYGo Company:*** *Incomparable in between companies depending on how their maintenance is structures (e.g. outsourced or not) and structured (e.g. how do you account for internal, B2B to B2C, and suppliers' warranty, shared services, ...)*

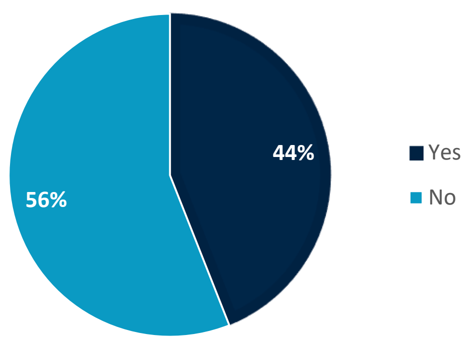
Unit Contribution Margin



No further comments

45. **Unit Customer Deposit** is another KPI that is proposed as part of the Unit Level KPIs. There are two approaches to calculate Unit Customer Deposit:
    a. Approach #1 – Unit Customer Deposit = the down payment or deposit made by customers divided by Total Units Sold
    b. Approach #2 – Unit Customer Deposit = [Down payment or deposit made by customers] / Total Unit Payments

    Do you agree with having two approaches for the calculation of Unit Customer Deposit?

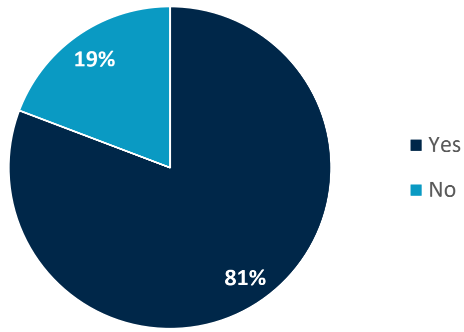


Comments:

- ***PAYGo Company:*** *Don't see the value in number 1.*
- ***Investor/Investment Firm:*** *More confusing to have two.*
- ***Dev.Org/Fin. Institution:*** *I have not been on these calls, do not understand the rationale for Approach #2.*
- ***Investor/Investment Firm:*** *We don't understand what this KPI is trying to measure.*
- ***Investor/Investment Firm:*** *So confusing. Is Total Unit Payments = Unit Total Payments?*
- ***Investor/Investment Firm:*** *2 is more useful for context. 1 is just an average.*
- ***Manufacturer:*** *just number 1 should be fine to account for different deposit rates.*
- ***Dev. Or/Fin. Institution:*** *No 2 is influenced by too many variables to be meaningful. I prefer No. 1.*
- ***Policymaker/Government:*** *Not sure what the additional value of Approach #2.*
- ***Investor/Investment Firm:*** *I think we should just adopt one to avoid confusion. Investors and others can then tweak the KPI as needed.*
- ***Dev. Or/Fin. Institution:*** *Need to keep it simple.*

- ***Software Provider:*** *Only the first approach is valid. The second results in something more like "% of expected payments made as down payment" rather than the gross amount, which is not helpful here.*

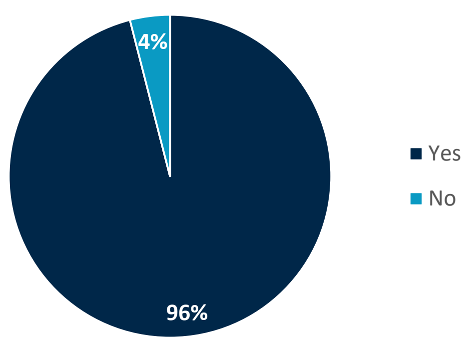
46. Do you think Unit Customer Deposit should be included as a Unit Level KPI?



Comments:

- ***PAYGo Company:*** *Generally, deposits are between 0-10%, so not very insightful.*
- ***Investor/Investment Firm:*** *I don't get it*
- ***Policymaker/Government:*** *I'm not sure what the value is of the additional step to disaggregate the deposit from the total payments.*
- ***Software Provider:*** *Again, I don't really see the utility. This is a portfolio quality question not a unit economics question. The only reason the differentiation between down payments and future payments matters is if you're running an NPV calculation, and if you're doing that you need to know the full schedule of expected future cashflows by period, not just the ratio of how much of that cashflow is collected "immediately".*

47. For **Unit Follow On Payments KPI**, we have proposed that **the metric should be shown on a gross basis**. This way, if the investor wishes to calculate the PV, it can then use its own discount rate, or ask the PAYGo firm to supply their assumed discount rate. Do you agree with this approach?

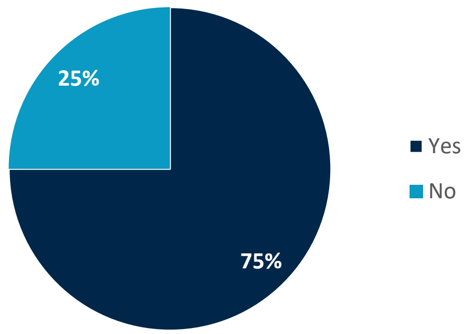


Comments:

- ***Software Provider:*** *You cannot calculate the NPV of future payments with just a gross number; you need to know how far in the future those payments are scheduled. You can't calculate NPV(SUM (payments)), you must calculate SUM(NPV(payments)). (Giving the schedule as though it were an annuity equal to [expected payments per period] *[collection rate] with a termination date at the expected term of the loan would also be acceptable)*

48. For **Credit Cost KPI**, we have proposed that the **metric should be calculated by multiplying Unit Follow On Payments by the Write-off Ratio**. The Write-off Ratio should

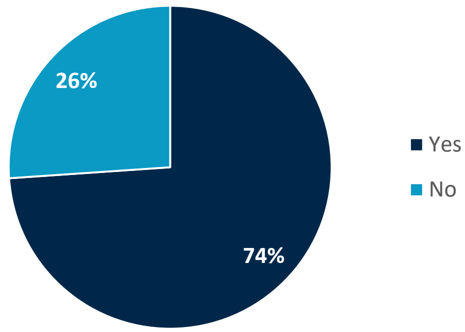
be product specific, as much as possible. If there is no Write-off Ratio by product, then the Write-off Ratio for the overall firm should be used as a proxy. Do you agree with this approach?



Comments:

- ***PAYGo Company:*** *I don't understand the logic of using write-off ratio here.*
- ***Investor/Investment Firm:*** *Not clear to me what this achieves.*
- ***PAYGo Company:*** *The Write-off Ratio is calculated over a specified time period (e.g. 90 days), while the Credit Cost is over the lifetime of a unit.*
- ***Investor/Investment Firm:*** *Example: A company would sell 10 units at the same time with Unit Follow On Payments of 100 each. The pay plan would have a maturity of 1 year. Assume one unit needs to be written off at the very beginning with receivables outstanding of 100. For this portfolio the unit credit costs would be 10 (10% of contractual follow on payment has not been collected). If looking at the write-off ratio one would calculate 100/450 (as the average value of total receivables over the year was 450) or relatively speaking 22.2%. Hence when applying the above formula, one would calculate 22.2 of unit credit cost. This example is an example of a shrinking portfolio over time where the above approach overestimates unit credit cost, in the more likely case of a growing portfolio the above would underestimate credit cost. This has to be taken into consideration.*
- ***PAYGo Company:*** *I would let the investor also do that calculation and encourage distributors to provide those Unit Level KPIs per product category.*
- ***Software Provider:*** *The proposed method for Write-Off Ratio does not produce a figure denominated in the correct units to be utilized as an input for this calculation. Please see my comments on WOR above for further explanation on the deficiencies of that metric. In order to obtain a WOR as a % which could be reliably used to calculate the likely "credit cost" of a given unit, I would want to move to a simple ratio closer to the definition of Repossession Rate like [units written off in period] / [units unlocked in period] or, ideally, to some for of survival analysis.*

49. For **Servicing & Maintenance Cost KPI**, we have proposed that the metric should be calculated by multiplying the servicing and maintenance cost by the Effective Credit Period, which is essentially the contractual credit period divided by the Collection Rate. Do you agree with this approach?



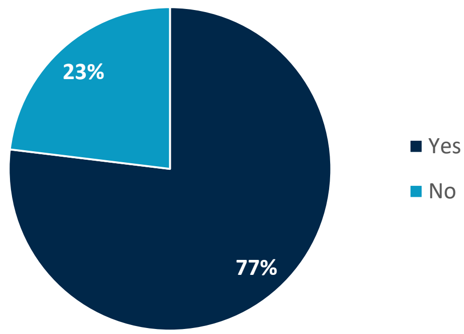
Comments:

- ***PAYGo Company:*** *Service and maintenance may also embed within product cost, e.g. GSM*
- ***Investor/Investment Firm:*** *Provided that servicing and maintenance cost is calculated that way by the company...*
- ***Dev.Org/Fin. Institution:*** *Shouldn't this cost be multiplied by the average warranty period? That's the length of time that they've committed to service/maintain.*
- ***Investor/Investment Firm:*** *Not sure why you would divide this by the Collection Rate. In the Quick Reference provided it states that it would be divided by Total Active Units which would make more sense.*
- ***Dev. Or/Fin. Institution:*** *Too complicated*
- ***PAYGo Company:*** *The formula you have developed is too complicated. This is not a finance metric, per se, as a business operation metric. Knowing Service and Maintenance cost per customer and Total Service and Maintenance Costs / Total Units Deployed would be simpler and more practical*.

In an effort to minimize the number of Unit Level KPIs, we would like to narrow the list of Unit Level KPIs to a total of 3:

1) **Unit Total Payments** = Unit Customer Deposit + Unit Follow On Payments
2) **Unit Total Cost** = Unit Device Cost + Unit Sales & Distribution Cost + Unit Servicing & Maintenance Cost
3) **Unit Contribution Margin** = Unit Total Payments - Unit Cost

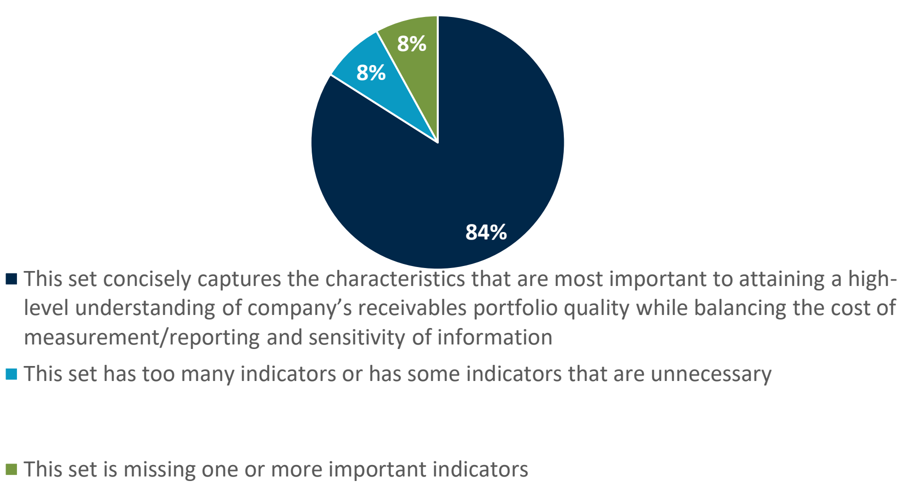
50. Essentially, the 3 main KPIs at a Unit Level are Unit Total Payments, Unit Total Cost and Unit Contribution Margin. Each of these KPIs are made up of the KPIs we have already defined. Do you agree with this approach?



Comments:

- ***Investor/Investment Firm:*** *The third indicator is redundant (since it is derived from 1 and 2).*
- ***Dev.Org/Fin. Institution:*** *If this means that you're not asking firms to report on the cost components, then no. I would want the disaggregated cost information.*
- ***Investor/Investment Firm:*** *We would need to get the details of Unit Total Costs, i.e. the Unit Device Cost, the Unit Sales & Distribution Cost, the Unit Servicing & Maintainance Cost for us to do a proper DD on a firm. These are very essential KPIs we need for benchmarking and for assessing if the firm is doing a good job.*
- ***PAYGo Company:*** *I agree with the approach in general for an overview but would encourage distributors to keep the full KPI set for their own operational need as they seem absolutely key to understanding the lever of their businesses.*
- ***Dev. Or/Fin. Institution:*** *The value of unit deposit is essential. It reflects instant cash flow. It also reflects demand and maybe strength of sales and marketing effort.*
- ***Investor/Investment Firm:*** *Yes, I agree with the approach, but can we have two contribution margins: one including credit costs, and one excluding credit costs?*

51. With respect to the full recommended set of KPIs (**Firm Level and Unit Level KPIs**), I feel:



If chosen option ‘This set is missing one or more important indicators’, then:
Which indicators are missing?

- ***Investor/Investment Firm:*** *Profit*

If chosen option ‘This set has too many indicators or has some indicators that are unnecessary’, then:
Which indicators should be removed?

- ***Investor/Investment Firm:*** *Already mention before*

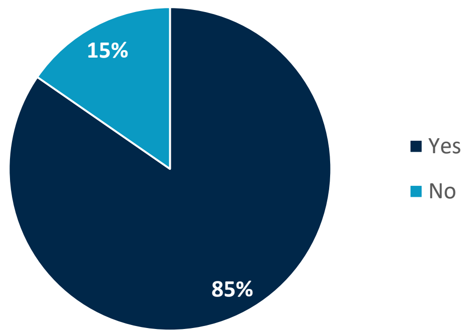
53. Please use this space to share any other general comments or recommendations about the Unit Economics KPIs. Please also feel free to address any other specific issues you didn’t have a chance to comment earlier:
    - ***PAYGo Company:*** *The deposit metric feels inadequate.*
    - ***PAYGo Company:*** *While these KPIs are in theory very interesting to track and compare, I fear we are underestimating the difficulties in calculating them consistently across multiple companies with slightly different equipment and business models. Even within our company we struggle to get metrics easily comparable in between countries and a lot of ironing and adjustments are required before we can make sense of the result. I truly believe we should stick to the basic at first and maybe have a more backward than forward looking approach to those. For example: instead of looking at contract values of new contracts which until they are paid have no tangible meaning, we could look back at our clients and calculate things such as: (average cash payments made the first year of a contract)/(average equipment capex). In my opinion such indicator is much more factual and easier to interpret.*
    - ***Dev.Org/Fin. Institution:*** *I think the full set of Unit KPIs is good, as long as the disaggregated cost KPIs are going to be reported.*
    - ***PAYGo Company:*** *Payment Likelihood percentage.*
    - ***PAYGo Company:*** *One should look at achieving fine balance between UE and total UE value earned by each branch vs its cost to achieve Profitability.*

Company Indicators and Operational Performance-Related KPIs

This section of the survey focuses on general KPIs classified into two, Company KPIs and Operational KPIs. Please answer the following questions with the aim of achieving a set of KPIs that both provide the necessary insight for determining a set standard of indicators.

Section I: **Company Indicators.** Company indicators on their own don’t convey how a company is doing and generally should not be very sensitive in nature. Rather, they tell you something about what a company is doing and is typically based on publicly available information. These KPIs should give context to interpret the Financial and Operational Performance KPIs and are therefore relevant when comparing different PAYGo companies.

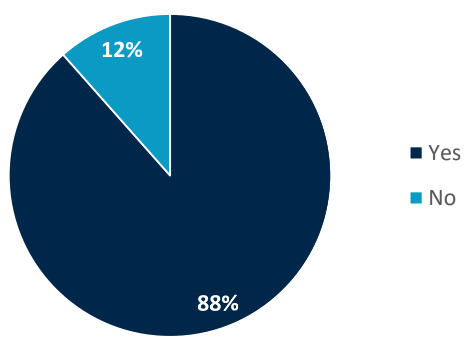
54. For company indicator **Sales Model**, we've currently identified Cash and PAYGo as the different sales models. Do you agree with the different sales model classifications or are there any other sales models that we should consider?



Comments:

- ***Investor/Investment Firm**: Leasing models. B2B vs direct to customer*
- ***Investor/ Investment Firm:** I think we should differentiate between credit and PAYGo. Most companies have a credit model but call it PAYGo, which is inaccurate; true PAYGo doesn't have a fixed / minimum payment schedule and is a third type of sales model.*
- ***PAYGo Company:** One should look at combined total sales as same infra is going to be used*
- ***Software Provider:** We are noticing a broader adoption of what we call the "perpetual lease" model, where distributors are running "pay as you go" sales but the total continuing payments are expressed as a number so large that it would take many dozens of years to fully pay off the device. It might be helpful to recognize those contracts separately as one needs to make a number of adjustments to these metrics in order to account for those types of sales.*

55. **Sales Model** (Cash/ PAYGo) is expressed as a percentage (0-100%) of revenue per sales model. Do you agree with this calculation?



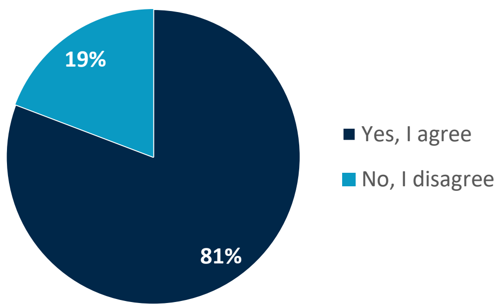
Comments:

- ***PAYGo Company:** Because of the differences in the way that revenue is booked*
- ***Investor/Investment Firm:** Only if revenue accounting for PAYGo is consistent with the Cash approach. I.e. only if the cash price is recognized as revenue upfront for PAYGo sales, otherwise the PAYGo part is overestimated. Also, the price for PAYGo earned over time should not be part of the revenue for this calculation purpose.*
- ***Software Provider:** I think this is just somewhat unclear; revenue recognition of cash sales and PAYG sales can be quite different, especially depending on the warranty offered by the*

distributor. Is this over a single revenue recognition period or do we calculate the total potential revenue (or the expected revenue?) from all sales in the month of their "installation"? I would like to clarify that this is "% of contractual revenue from all sales signed in the period".

56. For company indicator **Sales Distribution Model**, we've currently identified:
    a. Direct PAYGo via Partners
    b. B2B
    c. B2C

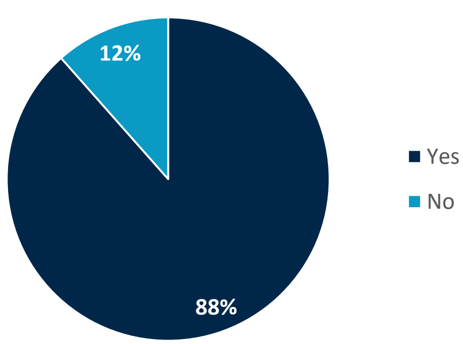
    Do you agree with the different sales distribution model classifications or are there any other models that we should consider?



Comments:

- ***Investor/ Investment Firm:*** *I've heard of some B2G, but don't know if this is past the very early stage*
- ***Manufacturer:*** *possibly include sales to UN/NGO when product is discounted or given away.*
- ***Dev. Or/Fin. Institution****: My answer will be Yes but I'm not sure how we will capture retailers selling PAYGO products to consumers which are then activated by the PAYGO firm.*
- ***PAYGo Company****: How about institutional sales, such as to schools? Would this be B2B?*
- ***Investor/Investment Firm****: In Emerging Market context it will be very hard to differentiate between the two due to fungibility. A Household with a small shop: B2B or B2C? Or do we mean B2C = sold to end client, and B2B = sold to distributor? In that case, please clarify the definitions (or call it distributor and end customer instead of B2B/B2C)*

57. **Sales Distribution Model** is expressed as a percentage (0-100%) of revenue per sales model. Do you agree with this calculation?

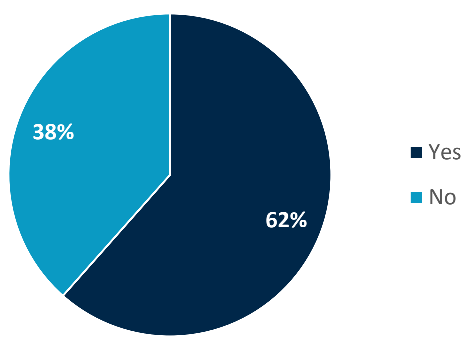


Comments:

- ***Investor/Investment Firm:*** *See comment above on revenue recognition for PAYGo which could distort this figure towards B2C which most likely will be PAYGo.*
- ***Dev. Or/Fin. Institution:*** *Not clear*
- ***Software Provider:*** *Again, please be more explicit about how sales should be included or excluded from a given period during the calculation. Is this about sales signed during the period? (I hope so)*

58. **Geographical area** is defined as the geographical areas in which you are serving customers. It is clustered into:
    1. East Africa
    2. West Africa
    3. Southern Africa
    4. South Asia (except India)
    5. India
    6. Southeast Asia
    7. South/Central America
    8. Other

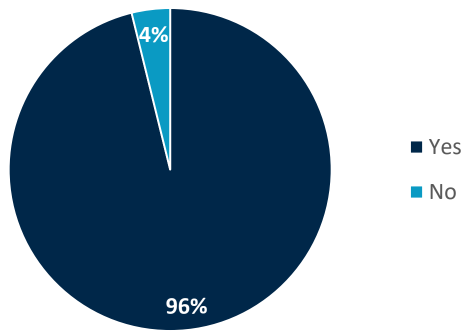
    Do you agree with this segmentation?



Comments:

- ***2 PAYGo Companies, 3 Investors/Investment Firms, and 1 Dev.Org/Fin. Institution*** *suggest Central Africa and Harry also North Africa. For Central Africa (i. e. Cameroon, DRC, R Congo, CAR, Chad etc.) (corresponding to ECCAS and/or CEMAC members)*
- ***PAYGo Company:*** *Is it possible to do it for certain parts of an African country. e.g northern Malawi?*
- ***Dev. Or/Fin. Institution:*** *Can it start by country then region?*
- ***Dev. Or/Fin. Institution****: It is ok to start but this should be refined as we go along. East, West Africa are not homogeneous and may be misleading.*
- ***Policymaker/Government****: Central Asia?*

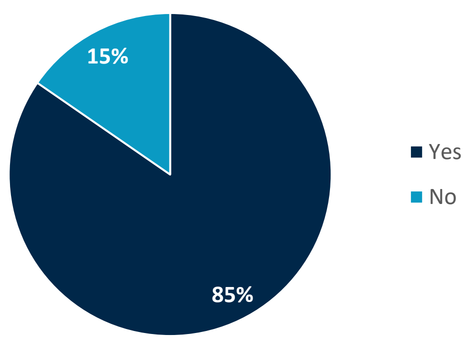
59. The **Geographical Area** Indicator is expressed as a percentage (0-100%) of revenue share per geographical area. Do you agree with this segmentation?



Comments:

- ***Software Provider):*** *Again, % of revenue from sales or % of recognized revenue? Needs to be clear.*

60. **Total Net Sales** is calculated as the sum of annual total number of units sold from the beginning of the business' annual financial year. Are you comfortable with this definition and calculation?



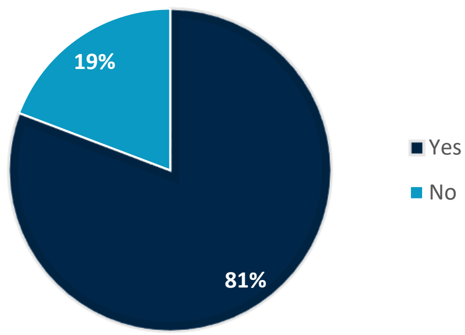
Comments:

- ***PAYGo Company****: 'units sold' needs to be defined: is it unit for which deposit has been paid? unit installed?*
- ***PAYGo Company:*** *For consistency, lets use Calendar year.*
- ***Investor/Investment Firm:*** *The year should be the same for all companies (should not be from June-June for some and Jan-Dec for others) - also probably a value based net sales amount would be helpful too (even though unit based probably easier to get and also relevant)*
- ***Policymaker/Government:*** *I think this is just "Total Sales" as "Net" implies subtracting cost from revenue, just want to be careful about the language used.*

Section II: **Operational Indicators.**

61. **Average Selling Price** is defined as:
(Cash sales value for each unit sold) / (number of systems sold)

Do you agree with this definition?



Comments:

- ***PAYGo Company:** I don't understand the definition*
- ***PAYGo Company:** When you say cash sales - most companies distinguish between a finance price and a cash price*
- ***PAYGo Company:** As previously discussed, better to look at this on a product basis, or as per below categories.*
- ***Investor/Investment Firm:** For some companies with 95% of PAYGo sales the cash sales value can be misleading as the cash sales price can be not proportionate to the PAYGo price - but ultimately still probably the only practical way to get an average selling price - just needs to be very clear in the definition and as a comment that the cash sales value is used.*
- ***PAYGo Company**: Why not total cash sales value/total number of units sold?*

62. We suggest incorporating established product categorizations (Tier 0, Tier 1, Tier 2, Tier 3) to better compare different PAYGo companies with different business models. Companies would have to indicate the % revenue generated per each category.

Please see the Tier definitions as below:

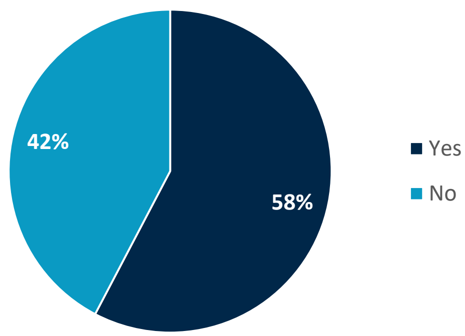
Tier 0: (0-3Wp) -solar lanterns

Tier 1: (3-10Wp) -entry level SHS

Tier 2: (3-50Wp) -SHS + appliance(s), e.g. TV

Tier 3: (50Wp +) -others

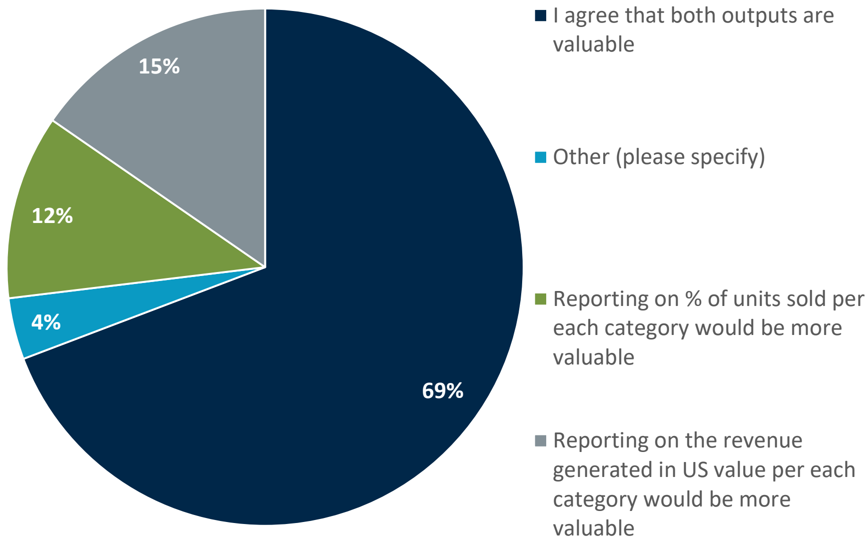
Are you in agreement with this?



Comments:

- ***PAYGo Company:*** *Tier2 should be (10-50W)*
- ***Dev.Org/Fin. Institution:*** *I don't love the focus on watt-peak for the comparison. Ideally for me it would focus on lanterns, lighting-only systems, TV systems, and then higher-order appliances.*
- ***PAYGo Company:*** *Yes but presume Tier 2 is 10-50Wp. Also, need to check its consistent with SE4ALL / World Bank definitions.*
- ***PAYGo Company:*** *add 55 & 75 w*
- ***Investor/Investment Firm:*** *Please don't call it "Tier". By definition there can be only 3 Tiers, here there are 4. Call it "segment" or "size" or whatever :)*
- ***PAYGo Company:*** *I would add further classification for systems of 200W+.*
- ***PAYGo Company:*** *Tier 1: 3-20Wp; Tier 2: 20-50Wp; Tier 0 & Tier 3, same as above*
- ***PAYGo Company:*** *Looking at India there should be tier 4 also 100w+*
- ***Dev. Or/Fin. Institution:*** *Categorize Tier 1 as solar lanterns as well*
- ***Consultancy:*** *We should have larger segments e.g. 50-75 in increments up to 300Wp*
- ***Software Provider:*** *I would like to see a category for non-energy producing PAYG products. Our customers have been known to sell: - mosquito nets - motorbikes - water pumps - pesticide sprayers - clean cook stoves So it would be valuable to have a category specifically for that.*

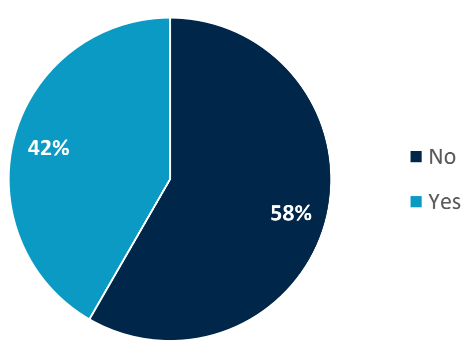
63. For the previous suggested indicator, we suggest that companies would have to indicate the revenue generated in USD value and % of units sold per each category. Are you in agreement with this or would you suggest to only report on 1?



Comments:
- ***PAYGo Company:*** *Both outputs valuable, but use % for both.*

64. The indicator **Sales per Distribution Channel** seeks to establish sales per distribution channel represented as a percentage of the total units sold. The current distribution models defined are:
    a. Agents
    b. Wholesalers
    c. Shops.

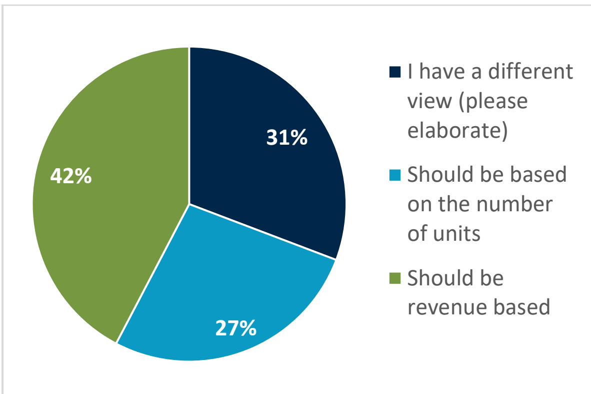
    Are there any other distribution channels that we should consider?



Comments:
- ***PAYGo Company:*** *Outside partners (banks, agricultural associations etc.).*
- ***PAYGo Company:*** *SACCOs, saving groups.*
- ***Investor/Investment Firm:*** *We see companies using a wider range of channels/partners - e.g. NGOs, other companies, governments.*
- ***Dev.Org/Fin. Institution:*** *Hopefully in the future there will be more 'pull' sales: call-ins, e-platforms, etc. Let's make sure we have those covered.*

- ***PAYGo Company:*** *As we have already specified the B2B / B2C split, this metric should be focused on how we reach the final customer (ie wholesale is B2B).*
- ***Investor/Investment Firm:*** *Partners, Franchisees*
- ***PAYGo Company:*** *Clients referrals and Other referrals (e.g. village chiefs, agents on commission, etc.)*
- ***Dev. Or/Fin. Institution:*** *Sales through financial institutions. This could be a critical sector going forward*
- ***PAYGo Company:*** *Governments, i.e. government supported projects.*
- ***Investor/Investment Firm:*** *How to include PAYG companies working together with MFIs to not only distribute the systems but also providing the credit?*

65. Should the **Sales per Distribution Channel** be expressed as a percentage of revenue or total number of units sold?



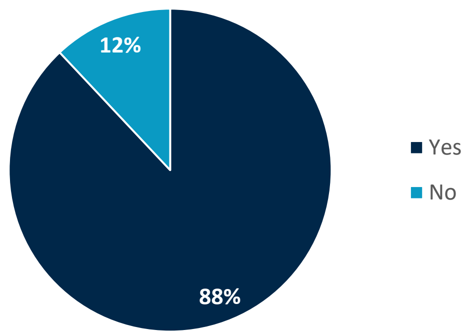
Comments:

- ***3 Dev.Org/Fin. Institutions, 3 PAYGo Companies, 1 Investor/Investment Firm*** *would like to see both.*
- ***Dev. Or/Fin. Institution:*** *Both are important. A few large systems may distort the view of mass demand for small units if both are not tracked.*
- ***Policymaker/Government:*** *Is it important to know which tier of SHS may sell more/less per distribution channel? (e.g. Agents sell more Tier 2 SHS, while shops sell more Tier 3)*

66. **Sales per Distribution Channel** is calculated as follows:

(Number of units sold per individual distribution channel) / (Total number of units sold)

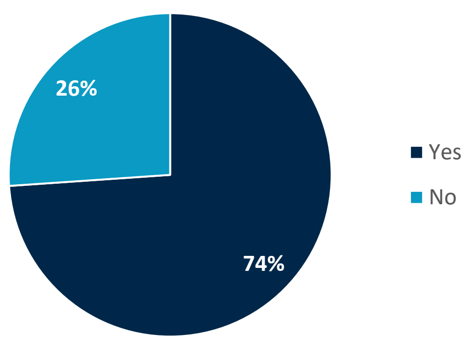
Are you in agreement with the calculation?



- ***Investor/ Investment Firm**: Dollars rather than units.*
- ***Software Provider**: I prefer the revenue-based version above, or both.*

67. **Sales Point Ratio** measures the fraction of sales points that have gone inactive over the previous 90 days, grouped by sales distribution channel – Agents (_%), Wholesalers (_%), Shops (_%), and/or Other (_%).

Does this indicator feel adequate for you?



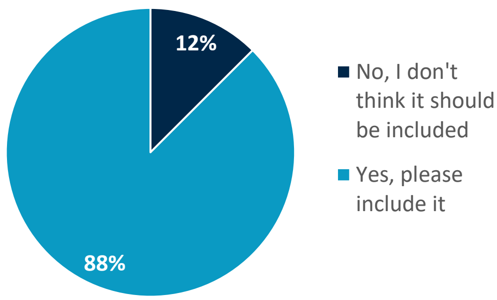
Comments:
- ***PAYGo Company:** Not sure 90 days applies equally across all distribution channels - potentially split.*
- ***PAYGo Company:** Difficult to measure, not particularly insightful.*
- ***Investor/Investment Firm:** Seems to difficult and inconsistent to track.*
- ***PAYGo Company:** This should be tracked on Monthly basis. In addition, one should track number of active Agents out of P3M active agents.*

68. **Net Promotor Score** would measure the loyalty that exists between a provider and a consumer. (Please note that this would be used for internal measurement) Typically, the NPS is calculated based on responses to the question 'how likely is it that you would recommend our product/service to your networks?'.

The scoring for this is typically between 0-10, with 0 signifying highly unlikely and 10 signifying very likely.

Due to the high costs and a large amount of time are required to calculate this KPI, it will be included in the 'recommended set of KPIs' that are advised to companies to adopt in their internal reporting.

Would you like this KPI to be included or do you have other suggestions of alternate KPI we could use?



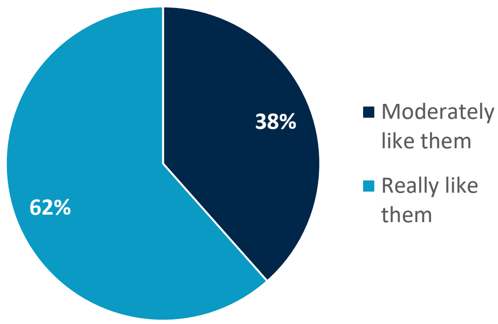
Comments:

- ***PAYGo Company:*** *The number/percentage of clients surveyed must be defined.*
- ***PAYGo Company:*** *I don't think this KPI will correlate with reality/behaviour.*
- ***Investor/Investment Firm:*** *It's too qualitative/dependent on companies engaging third party advisors to generate.*
- ***Investor/Investment Firm:*** *It is a valuable metric but may be difficult to measure.*
- ***Dev. Or/Fin. Institution****: It is ok to know this, but it is speculative and hard to track. No need to include in KPIs.*
- ***Investor/Investment Firm****: I think this KPI is subjective. You can probably get indirectly to this by seeing expansion ratio over time over certain regions because one can promote the products well but not lead to a successful sale.*
- ***Dev. Or/Fin. Institution****: I think the scale should be narrower, between 0-5.*
- ***Investor/Investment Firm****: I'm not sure about NPS value in EM context.*
- ***Software Provider****: NPS is a highly popular metric these days but I think it's pretty much just a useless "vanity metric". There are a large number of reasons to be sceptical of NPS: - Lack of actual evidence showing a relationship between NPS and growth - Obfuscation of information through the "net" construction - Does not ask about the respondent's likely future loyalty. (I'd be worried if my customers were recommending me to their friends but would never consider working with me again themselves) - Asks survey respondents about hypothetical future actions rather than concrete past actions If we are not going to create a regime of rules around how and when to perform an NPS survey, it's probably best to leave it off given how easy it is for companies to affect their NPS ratings by directing the survey at a limited sample of users, or sending the survey at a particular time, or changing the precise wording of the survey. I would suggest that GOGLA offer a set of acceptable procedures for NPS surveys which prevent this type of sampling bias, and that distributors are only*

allowed to report an NPS result without an asterisk if they commit to following those procedures.

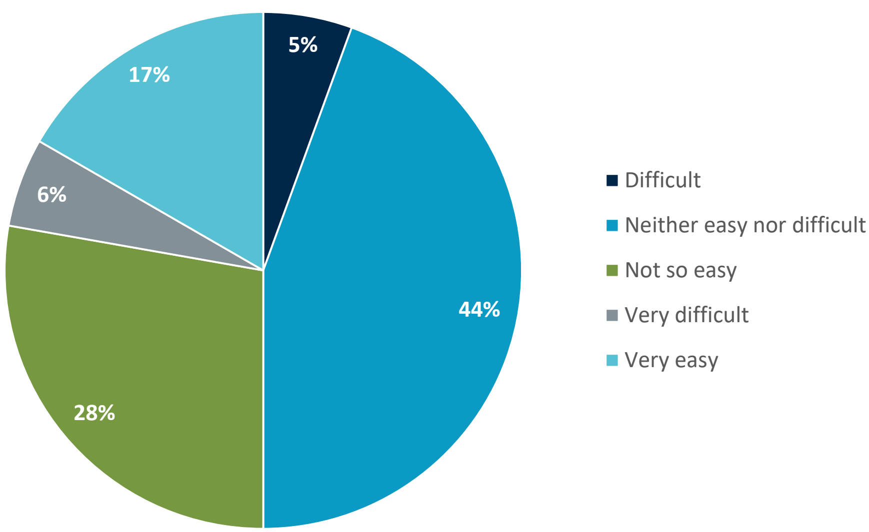
<u>Section II</u>: General Views

69. What do you feel about the overall set of KPIs? Do you think that they work well collectively together?



No further comments.

70. On a scale of 1-5 with one being easy and 5 being hard, how easy/hard would it be for your company to collect and calculate these KPIs consistently?



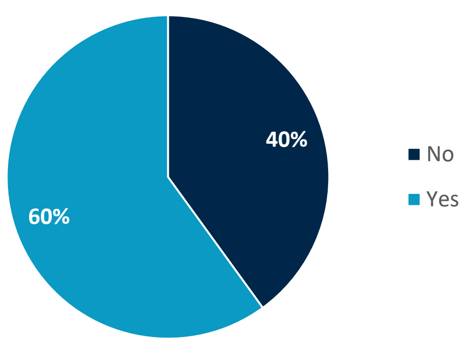
Comments:

- ***PAYGo Company:*** *Would require some investment in the necessary resources required for data collection, and training of local partners on the methods and objectives.*
- ***Investor/Investment Firm:*** *This question doesn't apply to us as an investor. We will ask for these metrics.*

71. What would be the maximum number of KPIs that companies are willing to report externally and how frequently?
    - ***PAYGo Company:*** *20, every trimester*
    - ***PAYGo Company:*** *Hard to say at this stage, but inevitably the higher the number the lower the realistic frequency.*
    - ***PAYGo Company:*** *10 and quarterly but to be confirmed.*
    - ***PAYGo Company:*** *On an NDA basis, we would be prepared to share the above KPIs on a quarterly basis with select investors.*
    - ***Investor/Investment Firm:*** *10-15 every quarter.*
    - ***PAYGo Company:*** *8 and weekly.*
    - ***Investor/Investment Firm:*** *I hope all....*
    - ***PAYGo Company:*** *About 20 KPIs should be reasonable, we will likely internally report on all or nearly all of the proposed KPIs on a weekly or monthly basis (depending on their importance) and would be willing to report monthly or quarterly to our investors with them.*
    - ***Dev. Or/Fin. Institution:*** *Don't really know but those proposed so far are valuable.*
    - ***PAYGo Company:*** *5-10.*
    - ***Investor/Investment Firm:*** *The proposed metrics are very important, and a company should report them to investors at least on a semi-annual basis, preferably quarterly. We do quarterly monitoring for our investments.*
    - ***PAYGo Company:*** *10 KPIs on Daily basis.*
    - ***Investor/Investment Firm:*** *10-15.*
    - ***Software Provider:*** *We produce these reports in an automated way, so the volume of KPIs should be limited only by their relevance and value to consumers of the reports.*
72. Based upon all inputs from the WGs the Foreign Exposure (FX) risk is no longer covered through any of the KPIs. **FX Exposure** was previously defined in KPIs 1.0 as Net Open Position as a Percentage of Equity and calculated as:

    (Assets (Liabilities +Equity) / (Equity in Local Currency)

    Do you agree with removing **FX Exposure** from KPIs 2.0?

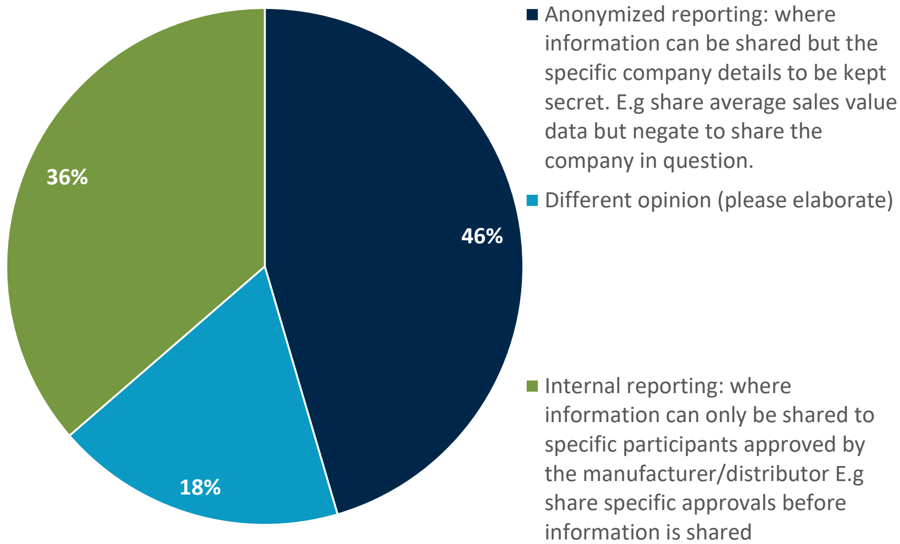


- ***Investor/Investment Firm:*** *Should be a liquidity ration measuring FX Assets - FX liabilities divided by cash. Not uncommon to measure against equity, but few PAYG companies have liquid shares.*
- ***PAYGo Company:*** *I don't think it is a good idea to remove it, but the current definition is not a great representation of the actual FX risk for PAYGo companies. It might be complemented by a volatility index for the currency (since FX risk can actually be really low*

even if it appears high with this KPI, e.g. for companies having only EUR and CFA franc as they are pegged).

- ***Dev. Or/Fin. Institution**: Due to the fact that most input is forex based and payments are based on local susceptible currencies. This must be tracked.*

73. With the understanding that the information shared within the KPI framework maybe sensitive company information, please let us know which you'd prefer?



Comments:

- ***Investor/Investment Firm:** None of this info should be sensitive (or if it is the company should be notable for its absence).*
- ***PAYGo Company:** Anonymized and blended.*
- ***Dev. Or/Fin. Institution**: Anonymized reporting is fine with information made available and shared with specific companies and made available to donors, MFIs if approved by company. Also, aggregate reporting, say by geography or product category should be available for all.*
- ***Software Provider**: Company X has no formal opinion on this question beyond stating that we never reveal any anonymized data about any of our customers without their explicit permission, and we refrain from sharing even anonymized information if there is a chance that a recipient might successfully infer who we're talking about. (We don't report an "average price in [country]" if we have only one customer in that country.)*