OUR PURPOSE

stoa
INFRA & ENERGY

Financing and supporting the development of sustainable and resilient infrastructure for future generations in Africa, Latin America and Asia

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EDITORIAL

"Clarifying the principles that guide our action"

By **Marie-Laure Mazaud,** *Chief Executive Officer of STOA*

STOA was launched in 2017 through the joint impetus of Caisse des Dépôts and Agence Française de Développement (AFD). We have grown rapidly thanks to the commitment of our staff. Whether part of the investment team, asset management team, support team or management team, all of them have contributed to achieve what STOA has become. We have collectively designed and put into motion our business roll-out processes in Africa, Latin America and Asia.

In 2019, the French parliament passed the PACTE Act on the growth and transformation of French companies. It encourages them to include a purpose in their articles of association. By declaring this purpose, the company sets out *"the principles it abides by and for which it intends to allocate resources in the course of its business."*

At STOA, we decided to rise to the challenge and to declare our purpose. In 2021, after three years of growth, we deemed it essential to look back on the path we had taken and to discuss the meaning we give to our work. Defining our purpose has led us to clarify the principles that guide our action, so that we can better pass them on to those who will join us in years to come.

> *"After three years of growth, we deemed it essential to look back on the path we had taken and to discuss the meaning we give to our work.*

The purpose we have chosen – and thus the common approach we have adopted – is *"Financing and supporting the development of sustainable and resilient infrastructure for future generations in Africa, Latin America and Asia."*

The teams' reflection on this summary statement lasted one year. We weighed each word. Our thanks go out to all those who were involved in this important project – not only the STOA teams, but also our co-shareholders Caisse des Dépôts and AFD, and our partners. Your input was valuable!

This booklet details the meaning of our purpose. It shows what we have in mind when we talk about sustainable and resilient infrastructure, commitment to future generations and exemplary support. You will also discover the key performance indicators we have set for each of these principles. Our purpose governance committee will monitor them on a regular basis. Each year, we will report on them to our Board of Directors and in our Impact Report to demonstrate the consistency of our actions. ▣

See also:
STOA Impact Report 2021:
bit.ly/Stoa-Impact-Report-2021

1 Sustainable and resilient **infrastructure**

OUR COMMITMENTS

Finance 50% of climate co-benefit projects by the end of 2024

Finance the production of 1,500 megawatts of renewable energy by the end of 2024

Provide 4 million people with access to electricity by the end of 2024

Reduce greenhouse gas emissions by 2 million tons of CO_2 equivalent per year* by the end of 2024

* Emissions calculated using AFD's Carbon Footprint Tool, based on total installed power and the estimates for the entire project lifetime.

STOA's goal has been clear since its creation in 2017: to finance essential infrastructure projects in order to meet the needs of people in Africa, Latin America and Asia. Infrastructure sustainability and resilience are at the heart of our investment choices.

Meeting basic needs

Our investments on three continents include renewable energy production, urban transport, water treatment and sanitation plants, fiber optic networks, hospitals and many others. By supporting the implementation and development of such strategic infrastructure, we seek to meet people's essential needs for greater access to clean energy, functional and sustainable transportation networks, communication and information resources, drinking water, health care and education.

Producing concrete results

The projects we finance can have both direct and indirect effects. The Nachtigal hydroelectric dam in Cameroon is a good example. It has benefited from STOA financing since 2018 and is scheduled to start operating in 2024. The hydroelectric dam will then cover the electricity needs of more than 10 million people, representing more than one third of the country's population. In addition, this project has already increased employment in the region, as more than 3,100 direct jobs have been created locally as part of its construction.

> *Our investments support the development of strategic infrastructure in Africa, Latin America and Asia. Through them, we seek to meet people's essential needs.*

Carefully selecting projects to finance

We make sure our investments target sustainable infrastructure. All our investment opportunities are studied in the light of the Paris Agreement, so that projects with high CO_2 emissions are excluded. We also ensure that, prior to their development and structuring, the selected projects comply with economic, environmental, social and good-governance criteria.

Given the upheavals caused by climate change, resilience is also a core aspect of our investment strategy. This is why we make sure that the infrastructure we finance anticipates, takes into account and adapts to future risks and changes.

The Golomoti solar power plant developed by JCM in Malawi with financing from STOA.

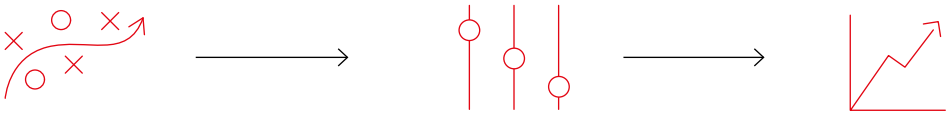
13 CLIMATE ACTION

ANALYSIS

What is resilient infrastructure?

In the near future, climate change will have big repercussions on infrastructure. Increased temperatures, rising sea levels, more frequent heat waves, storms and flooding... To prevent these risks, the United Nations is stressing the need to promote resilient infrastructure. One of the targets of Sustainable Development Goal (SDG) 13 is to strengthen resilience and capacity to adapt to climate-related hazards and natural disasters.

RESILIENT INFRASTRUCTURE*...



Anticipates and manages the risks caused by climate change, by taking into account the uncertainties to be managed throughout the design process

Adapts to extreme weather events, to ensure access – even in degraded conditions – to essential services

Evolves and recovers from all kinds of crises, so as to limit their impact and ensure continuity of activity over the long term.

* UN definition adapted by STOA.

2 **Impact** for future generations

As an impact fund, STOA is committed to ensuring that its investments generate long-term economic, social and environmental benefits for societies. Our goal is to foster the development of sustainable and resilient economies.

OUR COMMITMENTS

Commit €600 million in financing to essential infrastructure by the end of 2024

By the end of 2024, a minimum of 50% of projects financed will be in Africa

At least 60% of projects financed will be high-impact

At least a 12-fold leverage effect (total amount of financing raised relative to STOA's investment)

Measure direct, indirect and induced jobs in all our business sectors by the end of 2023

Looking for comprehensive benefits

The creation and development of infrastructure help to meet concrete needs, such as access to water, electricity and education. They also contribute to a comprehensive and multidimensional impact on quality of life. For example, by financing the deployment of fiber optics in South Africa since 2019, we have not only been strengthening access to many connected services, but we have also been helping to bridge the digital gap in a country where inequalities remain at a high level.

Assessing our impact

The infrastructure we finance must contribute to reaching the Sustainable Development Goals (SDGs) and, in particular, ending poverty in emerging and developing countries (SDG 1). To achieve such objectives, we assess early in the investment process the economic, social and environmental impacts of our investment opportunities and only move forward on the initiatives with the most significant benefits.

By 2025, the objective is for a minimum of 50% of our projects to have climate co-benefits. Infrastructure with climate co-benefits helps to mitigate the effects of climate change and to support adaptation to its consequences.

> *The creation and development of infrastructure not only respond to concrete needs, but also exert a comprehensive and multidimensional impact on the quality of life within a society.*

Acting as a catalyst

To create a ripple effect, we are committed to investing in projects where other funds are difficult to secure. Through our equity investments, we seek to give visibility to infrastructure projects that we consider essential, to strengthen their attractiveness and thus to mobilize private capital from other players. On a larger scale, this leverage effect aims more broadly to redirect financial flows towards high-impact infrastructure projects. ▣

Construction by Voltalia of the VSM 3 wind power plant in the state of Rio Grande do Norte, Brazil.

INTERVIEW

Ayoub Sami, Senior Investment Analyst at STOA

Alexis Paskoff, Investment Analyst at STOA

"Build a framework favourable to development"

Why is working for an impact fund serving future generations in Africa, Latin America and Asia important to you?

Ayoub Sami A few years ago, we could still wonder whether it was possible to reconcile the various economic, social, environmental and sustainability components of development. But the response seems obvious today. And that's how my ambition arose to contribute, at my level and as part of STOA, to building a framework favourable to development.

Alexis Paskoff In my opinion, contributing in this way seems all the more important in Africa, Latin America and Asia because it's a way to participate in building the foundations of tomorrow's economies. Environmental and climate issues, which are a major challenge in those regions, require the development of resilient and sustainable infrastructure.

A.S. When environmental and social considerations are mainstreamed into an infrastructure project, they act as a real driving force and a guarantee of success for such projects aiming first and foremost at satisfying an essential need of the local population.

What improvements can STOA make to increase its impact on future generations?

A.P. While the needs of future generations are by nature difficult to anticipate, what's certain is that access to energy will be a key issue. STOA's development and financing of low-carbon energy infrastructure must help to bridge the energy-access gap – which is particularly acute in some of the areas where we work – but at the same time comply with trajectories to reduce greenhouse gas emissions.

A.S. Energy access is of course an important issue, especially as it directly affects the development of other types of infrastructure, like telecommunications. Connectivity and networking of local areas are crucial for meeting the emerging needs and new lifestyles of future generations. ▣

3 Exemplary **support**

OUR COMMITMENTS

Implement a workforce and skills management policy by the end of 2022

Align all financed projects with International Finance Corporation (IFC) performance standards

Have our impact achievements and targets verified by a qualified third-party auditor every two years

We view our investments as long-term support and not just as financing. Our aim is to maximize the impact of each project while controlling the risks associated with their implementation.

Supporting our partners over the long term

STOA expects its industrial partners to contribute to the achievement of the Sustainable Development Goals (SDGs) in Africa, Latin America and Asia. We are committed to increasing their impact tenfold by supporting them in a long-term perspective. This support involves several related steps: ensuring that the projects are properly structured, monitoring their performance over time, helping their management in looking for and implementing corrective measures, and being proactive in case of unforeseen circumstances.

Controlling risk from beginning to end

Throughout our support, we ensure exemplary control of environmental, social and governance (ESG) and compliance risks for each project. For this, we follow the International Finance Corporation (IFC) performance standards to identify and manage environmental and social risks, such as occupational health and safety or biodiversity conservation. With regard to compliance, we have adopted the best standards (e.g., those developed by the most experienced public development banks in the field) and Caisse de Dépôts and AFD standards that aim for exemplarity.

Our goal is to monitor these risks throughout the business relationship. We are committed to paying special attention to the risks of money laundering and terrorist financing, conflicts of interest, corruption and reputation through the implementation of a robust internal system. Such vigilance is essential to promote the development of sustainable economies.

> *“We are committed to increasing the impact of our industrial partners tenfold, by supporting them over the long term.*

Sharing our best practices

Achieving the SDGs is a collective process. For this reason, STOA encourages the sharing of experiences and best practices with all stakeholders (donors, private companies, international cooperation agencies and civil society organizations) through conferences, discussions and reporting campaigns. We are also committed to investing each year in the ongoing training of our teams to constantly improve the quality of our support. ▣

Construction
of Metro Line 6
in São Paulo, Brazil.

A WORD FROM OUR CLIENTS

Robert Klein,
CEO of
Voltalia Brazil

"STOA is well versed in international best practices"

Voltalia approached STOA in 2020 in order to finance the construction of the VSM 3 wind farm in Brazil. Robert Klein, CEO of its Brazilian subsidiary, explains how support from an impact fund is advantageous for an energy producer.

Help from an independent investor like STOA – well versed in international best practices – is particularly significant for Voltalia. As a renewable energy producer, we're used to carrying out our projects using our own funds, without necessarily mobilizing those from third-party partners.

STOA's support takes concrete form in various areas. Firstly, strict governance is established in the project companies that STOA invests in. This governance is based on international best practices identified by STOA. Among other things, it provides for regular reporting as well as justification and formalization of decisions relating to the construction or operation of the projects we jointly invest in.

STOA also provides us with methodological support in the measurement of the Sustainable Development Goals that we contribute to, given the intrinsic nature of our activity (production of electricity from renewable sources), and the social programmes supporting the people living in the vicinity of our solar and wind farms. STOA assessed these programmes when it acquired its stake and strongly appreciates their impacts.

Furthermore, in my opinion, the critical review carried out by STOA and its external advisers on our projects provides rich lessons and avenues for improvement. It covers all aspects of the project (land, technical, legal and financial issues) from start to finish – from the due diligence phase prior to the investment to the operational follow-up.

Finally, STOA's experience and reputation allow for optimized financing conditions. Our banking partners look favourably on participation in the project by this demanding third party. ▣ **R.K.**

GOVERNANCE

Keeping our commitments over the long term

The principles and key performance indicators (KPIs) presented in this purpose booklet have been approved by STOA's Board of Directors. Their implementation is ensured by robust governance tools.

Since STOA's inception, our impact approach has been managed and implemented within the framework of our strategic objectives. We report on our management of ESG risks as well as on our impact via quarterly shareholder reporting and the annual publication of an Impact Report.

The purpose presented here must be the centrepiece of our cohesion strategy. To achieve this goal, we will ensure its governance and management through the methodology opposite.

- Establishment of a purpose monitoring committee *(see box below)*
- Annual monitoring by the STOA Board of Directors to ensure that the purpose has been properly adhered to
- Organization of awareness-raising sessions and of dedicated events, with the objective of encouraging employees to take ownership of our purpose to keep them as the company's foremost ambassadors
- Approaching external stakeholders annually, to get their input and to check that we are on the right track. ▣

The VSM 3 wind power plant built by Voltalia in the state of Rio Grande do Norte in Brazil.

The monitoring committee

Our purpose monitoring committee was created in early 2022. Held twice per year, it is made up of our management, our Head of Environmental, Social & Governance (ESG), one employee and one representative from each of our two shareholders Caisse des Dépôts and Agence Française de Développement (AFD). Its role is to evaluate our activity to assess its consistency with the principles and indicators presented in this booklet.

See also:

STOA Impact Report 2021:
bit.ly/Stoa-Impact-Report-2021
The 2020 edition:
bit.ly/Stoa-Impact-Report-2020

Olivier Sichel,
Deputy Chief Executive Officer, Caisse des Dépôts

Rémy Rioux,
Chief Executive Officer, AFD Group

"We are pleased with STOA's agility and dynamism"

STOA was created in 2017, within the context of the increasingly close relationship between Caisse des Dépôts and Agence Française de Développement (AFD) and is today the two institutions' main cooperation project.

Why did you decide to create a joint subsidiary to finance infrastructure in Africa, Latin America and Asia?

Olivier Sichel At the time, market studies and feedback from French operators present in countries in these regions concluded that there were specific infrastructure financing needs. There was therefore room for an investor aiming for capital investments that are longer than average or more upstream in the project development process.

Rémy Rioux France lacked a tool that would enable it to make significant capital investments in infrastructure projects in these countries and to support French industrial players there, particularly in the energy and transport sectors. That analysis was also in line with our shared desire to establish a strategic alliance with Caisse des Dépôts. STOA was founded in 2017 to embody this alliance naturally, by combining our two areas of expertise: Caisse des Dépôts' experience as an equity investor and AFD's technical and international knowledge.

> **STOA excels in environmental and social issues and has been rewarded for the quality of its work on them. This has helped establish the reputation of this young organization.**

What objectives have you assigned STOA with?

O.S. We wanted STOA to focus its efforts on greenfield projects, as an active, long-term minority investor. Our priorities are on projects with a high level of climate co-benefits and in support of French companies.

R.R. Its mandate is both ambitious and different. What sets it apart are its priority on Africa, climate impact, long-term ownership of assets, and the ability to position itself in upstream development.

What do you consider to be STOA's strengths?

O.S. STOA excels in environmental and social (E&S) issues and has been rewarded for the quality of its work on them. This has helped establish the reputation of this young organization and is an acknowledgement of the energy deployed on these crucial themes. We are also pleased with STOA's agility, dedication and dynamism. It has adopted a discretionary management method, which allows us, as shareholders, to maintain close control over the investment orientations. ▣

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