STOA Disclosure Statement

Operating Principles for Impact Management

INFRA & ENERGIE

This Disclosure Statement affirms that all assets of STOA are managed in alignment with the Operating Principles for Impact Management (the "Impact Principles") (set out below for reference). These principles provide a benchmark against which the impact management systems of funds and institutions can be evaluated. The principles draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

Total assets under management in alignment with the Impact Principles amount to EUR353,9 million[1] as of December 31st, 2021[2] .[3]

DocuSigned by:

Marie-Laure Mazaud
STO A Chief Executive Officer, 4 April 2022

Principle 1 – *Define strategic impact objective(s), consistent with the investment strategy:* The Manager shall define strategic impact objectives[4] for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

STOA is an infrastructure fund created in 2017 by AFD (Agence Française de Développement) and CDC (Caisse des Dépôts et Consignations) aiming at building long-term partnerships in strategic sectors to meet people's needs for essential infrastructure in emerging markets, thereby promoting sustainable and resilient economies. As a result, the fund was thought to be an impact investing financial instrument at its creation. In 2019, the French Parliament passed the Pacte Act on the growth and transformation of French companies. It encourages them to include a purpose ("raison d'être") in their articles of association. By declaring this purpose, the company sets out "the principles for which it abides by and for which it intends to allocate resources in the course of its business".

In 2021, after three years of growth, we deemed it essential to look back on the path we have 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 the years to come.

The purpose we have chosen – and 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."

[1] Equivalent to USD 400.9 million (as of 31 December 2021)
[2] It is the capital called up and released.
[3] The sole purpose of this Disclosure Statement is to fulfill STOA's obligations pursuant to Principle 9 of the Principles. This document shall not constitute and should not be construed as an offer, solicitation, or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. STOA makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. While past performance may be analyzed in this Disclosure Statement, past performance should not be considered indicative of future performance. Accordingly, STOA shall not have any liability to any of the recipients of this Disclosure Statement, nor to any other party in connection with or arising in any way from, or in relation to, the information or any opinions expressed in this Disclosure Statement, and STOA does not accept any responsibility whatsoever for any action taken, or omitted to be taken by any party on the basis of any matter contained in, or omitted from, the Disclosure Statement.
[4] Impact objectives can be defined as the intended impact that contributes to financial, institutional, social, environmental, or other benefits to a society, community, or group of people via one or more investment. Adapted from OECD-DAC (www.oecd.org/dac/).

Our purpose is based on three axes of reflection encompassing all aspects of our core business. These three axes are operationalized in the form of targets that define the trends of our investments and define our 2024 strategy:

7 RENEWABLE ENERGY | 9 INNOVATION AND INFRASTRUCTURE | 13 CLIMATE ACTION

Sustainable and resilient infrastructures

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.

- 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

1 NO POVERTY | 5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INNOVATION AND INFRASTRUCTURE | 17 PARTNERSHIPS FOR THE GOALS

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.

- Commit EUR 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 investments)
- Measure direct, indirect and induced jobs in all our business sectors by the end of 2023

8 DECENT WORK AND ECONOMIC GROWTH | 9 INNOVATION AND INFRASTRUCTURE

Exemplary support

We view our investment 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.

- 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
- Address recommendations or non-conformities resulting from audits within the timeframe required

Our impact statement remains unchanged as it is intrinsically linked to our purpose. The impact statement is closely bound to the underlying Theory of Change, which represents the different pathways through which STOA's interventions lead to impact results. Exhibit 1 reads from left to right and shows STOA's impact statement and the Theory of Change.

Exhibit 1: The Theory of Change

By financing Energy, Transport, Telecoms, Environment and Social infra projects, STOA aims to "meet people's needs for essential infrastructure in emerging markets". Meeting these needs means providing people with accessible, functional, and clean infrastructure. The three outcome areas are defined as follows:

- An accessible infrastructure provides a service which is available (measured as the number of users that can benefit from it) and/or affordable (measured as end-user service's price).
- A functional infrastructure is intended as such if it can deliver a reliable and safe service (measured as the decreased duration of service failure and number of accidents).
- A clean infrastructure delivers a service that either has a low carbon footprint itself or enables the users to reduce or avoid their greenhouse gasses emission reduction.

Depending on the characteristics of specific projects the pathways leading to impact may vary: a project can address any of the impact areas individually as well as different combinations of the three.

The overarching impact goal for STOA is to "promote sustainable and resilient economies" contributing to the SDGs while aligning with the Paris Agreement. To do so, STOA contributes to good health and well-being (SDG 3), quality education (SDG 4), clean water & sanitation (SDG 6), affordable and clean energy (SDG 7) as well as to innovation, industry and infrastructure (SDG 9, SDG 11). Across portfolio, STOA supports jobs and economic growth (SDG8) while making efforts towards inclusiveness (SDG 10) and climate action (SDG 13).

Principle 2 – *Manage strategic impact on a portfolio basis:* The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

STOA was created by AFD and CDC to bridge the gaps of infrastructures needs in emerging and developing countries. Following its intrinsic motivation to make an impact with its capital, STOA has implemented an impact framework to inform its decision-making process and steer on maximum positive effects in portfolio. This means incorporating impact as a strategic factor in screening, selecting, monitoring and reporting the fund's investments. As a signatory of the Operating Principles for Impact Management since 12 April 2019, STOA ensures that its approach to impact management is both functional and efficient across the whole investment cycle. To this end, STOA has built an impact framework in place that informs the organization on the potential contribution of pipeline projects. The impact objectives as well as the projected and achieved impact of projects in portfolio are also assessed.

STOA uses impact metrics that can be aggregated across the full portfolio to show the socio-economic effects (jobs supported, economic value added) as well as the environmental effects (GHG avoided, reduced country CO_2 footprint) generated.

To further align STOA's investment processes with Principle 2, STOA monitors its objectives on a regular basis and includes the impact score in its global scoring tool.

Impact assessment throughout the investment cycle requires the involvement of the E&S and investment teams. STOA ensures that all investment team members are trained and updated regarding STOA's ESG & Impact methods. In the first semester of 2021, the whole team attended a training session organized by the E&S team specifically on social issues.

Principle 3 – *Establish the Manager's contribution to the achievement of impact:* The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels[5].The narrative should be stated in clear terms and supported, as much as possible, by evidence.

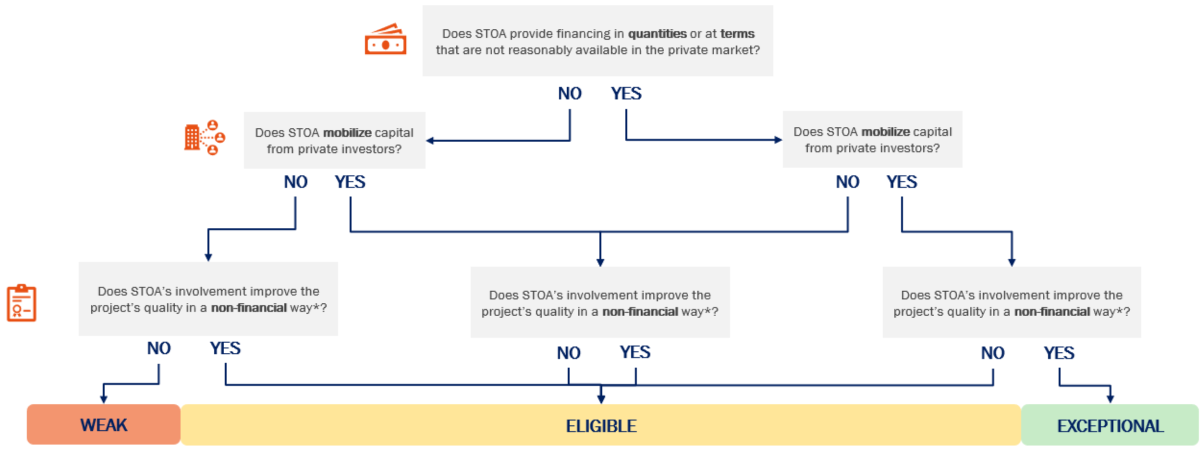
STOA is an additional impact fund, meaning that it makes a unique financial and extra-financial contribution to its infrastructure projects. Additionality means a unique, differentiated contribution.

Beyond our mandate for long-term investments and our active role in the companies in which we invest, STOA is an additional impact investor that creates added value through its intentionality and internal expertise. In 2020, we built an additionality tool to identify our added value in a formal, systematic manner. The tool is composed of three elements:

- **Financial additionality:** STOA can contribute capital where other actors would not.
- **Additionality in the mobilization of private capital:** STOA acts as a catalyst and contributes to projects' appeal by unlocking private capital from other actors.
- **Extra-financial additionality:** STOA supports projects by improving their socioeconomic impact, ensuring a robust ESG risk management, implementing more rigorous ethics and compliance policies and/or creating a better project structure in the development phase.

STOA contributes to projects by bringing a unique added value that can be financial and extra-financial (related to E&S and business ethics). An additionality framework has been developed to systematically formalize this value. Each new investment opportunity is analyzed thanks to this tool, to obtain an additionality degree that is integrated into our decision-making process. See the exhibit 2 below:

[5] For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, assisting with further resource mobilization, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.



This information produces an additionality score that is subsequently integrated into our decision-making process. For example, below are our results for our investment in 2021 :

Categorization of our investment by type of impact (% of net commitments)[6]		
High-impact investments **62%**	Medium-impact investments **22%**	Low-impact investments **17%**

Principle 4 – *Assess the expected impact of each investment, based on a systematic approach:* For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact11 potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?[7] The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.
In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[8] and follow best practice.[9]

STOA tracks whether the investments achieve the effects STOA expects to deliver. At each stage of the investment cycle, from projects screening to selection, monitoring and reporting, STOA assesses the expected impact of each investment, based on a systematic approach. Indeed, STOA has developed a framework and Impact toolkit with the support of the impact specialist Steward Redqueen to promote rigor and candor in STOA's assessment.

- At the screening stage, a high-level assessment is conducted at first, which flags that the project matches at least one of the criteria (Accessible, Functional, Clean).

[6] Our scoring tool based on three impact criteria (accessibility, functionality, cleanness) allows us to categorize the impact level of our projects. STOA does not finance any zero impact projects.
[7] Adapted from the Impact Management Project (www.impactmanagementproject.com).
[8] Industry indicator standards include HIPSO (indicators.ifipartnership.org/about/); IRIS (iris.thegiin.org); GIIRS (b-analytics.net/giirsfunds); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.
[9] International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

- At the selection stage, the project is scored considering the project impact potential and country need. The score is submitted as part of other decision-making information, to the investment committee, for final go/no-go decision. As soon as the project moves into due diligence, the Investment Team collects more detailed impact data to quantify the project's (estimated) future impact. Metrics are aligned with industry standards (HIPSO[10] and IRIS[11]) and follow best practices.
- The likelihood of achieving the investment's expected impact is closely linked to the operational risk assessment and depends mainly on the good execution of the construction and operation of the infrastructure and associated facilities. Once the project is in portfolio, the impact-related data are monitored on an annual basis and published in the annual investors and impact reports. The Impact toolkit connects STOA's ex-ante assessments with a results measurement system that tracks actual impact during implementation. By using project and market indicators identified ex-ante, STOA measures progress against the achievement of the impact.
- Infrastructure projects support socio-economic impact during their construction phase, but most importantly support the so called "enabling effects", on both an economic and environmental level once the infrastructure becomes operational. STOA captures both type of effects with two modelling methodologies: Input-Output modelling developed by the Nobel Prize winning economist Wassily Leontief and an in-house methodology developed by Steward Redqueen for the quantification of the enabling effects.

Principle 5 – *Assess, address, monitor, and manage potential negative impacts of each investment:* For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)[12] risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.[13] As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

STOA is involved in operations comprising E&S risks. To reduce them, the company has chosen to follow an analysis and management approach that integrates the 8 IFC Performance Standards, the international labour standards of the International Labour Convention (ILO), the EDFI common principles and the UN principles for Responsible Investments. This approach is applicable to every project STOA might consider investing in. Hence, STOA tends to go beyond local regulation to make sure the highest ESG standards are applied.

STOA relies on a robust Environmental and Social Management system with an experienced and dedicated ESG head: ESG risks are managed at each stage of the investment cycle. Exhibit 3 reads from top to bottom and shows STOA's E&S risk management at each stage of the investment cycle.

[10] https://indicators.ifipartnership.org/indicators/
[11] https://iris.thegiin.org/metrics/
[12] The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.
[13] Examples of good international industry practice include: IFC's Performance Standards (https://www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (http://www.ifc.org/cgmethodology) , the United Nations Guiding Principles for Business and Human Rights (https://www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/themes/human-rights.htm).

		Procedures / Activities		Roles & responsibilities	
		Description	References & Tools	Operational	Oversight
Investment stage	Screening	• CDC & AFD's exclusion lists' compliance • Carbon footprint assessment • Identification of the main E&S risks / Categorization (A, B, B+, C)	• Exclusion lists / Intervention framework • Stoa's E&S Policy • Selectivity matrix (CO_2 emissions) • E&S risk matrix	• The E&S department carry out the E&S and climate assessment of the proposed project.	• Investment Committee : • Discussing key issues (Climate, E&S) • Due diligence budget approval
Investment stage	Investment Decision	Provided inputs for the Investment Comitee : • Carbon footprint (+ climate analysis) • Impact narrative and quantitative scenarios • Assessment of E&S risks and opportunities.	• AFD's set of tools for climate footprint, vulnerability assessment, carbon lock-in risks and consistency vis-à-vis sectors & countries' low-carbon / resilient trajectories.	• The E&S department is accountable for the deliverables. • Investors and E&S officers collaborate to produce a consistent impact strategy.	• Investment Comitee approves or rejects the proposed investment. • The Investment Comitee may suspend its decision until Board's decision.
Investment stage	Due Diligence	• Internal (or External) due diligence based on available information and project risk categorization • Definition of an E&S Action Plan (ESAP)	• Site visits and due diligence checklists. • ToRs for consultants. • IFC's Performance Standards and associated Guidelines	• The E&S department writes the ToR with the help of the legal department. • The E&S department selects and oversees the E&S studies and due diligence.	• E&S head oversees due diligences.
Investment stage	Investment Agreement	• If required, incorporation of E&S terms in the legal agreement (ESAP, CPs, …)	• Legal template / drafting guide for E&S terms.	• The E&S Head is accountable for the deliverables. • The investor is responsible for the inclusion of E & S clauses in the legal documentation	• The Board approves or rejects the proposed binding offer.
Investment stage	Ownership & Monitoring	• Monitoring ESAP and project's E&S performance.	• E&S dashboard / questionnaires based on series of defined KPI. • E&S monitoring reports • Governance KPI defined by the STOA board representative	• The E&S department is in charge of the project's monitoring. • STOA board representative of the project ensures the monitoring of governance indicators.	• Regular reporting to senior management • The Investment Committee shall be informed of any significant issue.
Investment stage	Exit	• Prepare credible E&S material and collate data showing the extent to which improvements have been achieved. • Ensure the ESMS is self-sustaining. • Answer questions that might be asked.	• Any material on ESG issues (reporting, …) • ESDD and every documents that the potential buyers and their technical advisors might want to see.	• The E&S department and STOA board representative help preparing the dataroom, providing ESG information to be included in the financial model	• The E&S head and STOA board representative shall ensure that prospective buyers cannot use ESG factors to negotiate a lower price
Ext. Stakeholder Engagement		• Annual reporting on the company's E&S performance to Stoa's shareholders.	• UN's principles for responsible investment • CDC's online reporting form.	• The E&S department is responsible for the reporting to the shareholders. • An independent committee is responsible for the verification of the impact report.	• The senior management reviews and contributes to the reporting campaign.

Exhibit 3: ESG management system

Principle 6 – *Monitor the progress of each investment in achieving impact against expectations and respond appropriately:* The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.[14] The Manager shall also seek to use the results framework to capture investment outcomes.[15]

- To track whether the investments achieve the effects STOA expects to deliver, STOA measures progress against 65 metrics, selected from standard catalogues (HIPSO[16] and IRIS[17]). The set of metrics provides a pragmatic framework to give substance to the different levels of the Theory of Change.
    - At the activity level, STOA quantifies for example the financing provided or the efforts made towards climate adaptation.
    - At the output level STOA quantifies the direct results of projects, such as the renewable energy capacity installed.
    - At the outcome level STOA aims at measuring to what extent the infrastructure brings concrete benefits for the population reached.
    - Finally, with key metrics at the impact level, STOA quantifies the socio-economic and environmental impacts supported, such as the jobs and value added supported as well as the GHG emissions.
- As part of the Environmental and Social Action plan, STOA outlines data collection, methodologies, and responsibilities prior to the beginning of supervision activities and requires that its partners report on key monitoring indicators each year. This helps STOA report on its own performance in ways that reinforce trust.

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[14] Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.
[15] Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).
[16] https://indicators.ifipartnership.org/indicators/
[17] https://iris.thegiin.org/metrics/

- To ensure exemplarity, STOA has carried out an extensive review of its methodologies and impact KPIs with the third-party auditor I Care

Principle 7 – *Conduct exits considering the effect on sustained impact:* When conducting an exit,[18] the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

One exit happened in February 2020. The exit happened too early after its investment (less than one year) for STOA to demonstrate the positive outcomes of the impacts and E&S policy on the value of the company. STOA's goal is to be a medium to long-term investor and to improve the performance of the project on the long run. Hence, for projects in STOA's portfolio and future projects, STOA will be able to rely on key performance indicators, documents relating to impacts, as well as E&S risk and opportunity management systems to evaluate the outcomes of the impact. The structural integration of high standards into the projects contributes to maintaining best practice beyond the investment horizon.

Principle 8 – *Review, document, and improve decisions and processes based on the achievement of impact and lessons learned:* The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Each project is analyzed with regards to the impact it will generate. STOA has built a reporting tool that integrates ESG and Impact monitoring. Quarterly and monthly monitoring are performed to manage E&S risks for projects in portfolio with sometimes the inclusion of regular E&S committees for high-risk projects.

Continuous improvement is being performed every year and 2020 focused on integrating E&S reporting with monthly meetings dedicated to the projects in portfolio to improve the interactions within STOA's organization. In 2021, STOA has targeted specific E&S risks and provide support to improve the performance of the companies on these specific identified risks (health and safety, decent work, hazardous waste).

Each year, the impact and ESG performance of each investment is presented in a transparent and documented way to the Board (with AFD and CDC representatives). The impact performance of each investment is compared to the expected and actual impact. The E&S risks are also presented. The findings are used to improve operational and strategic investment decisions, as well as management processes.

Principle 9 – *Publicly disclose alignment with the Principles and provide regular independent verification[19] of the alignment:* The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

This Disclosure Note re-affirms the alignment of STOA's procedures with the Principles and will be updated annually.

The independent assurance report on the alignment of STOA with the Operating Principles for Impact Management is available at https://www.stoainfraenergy.com/strategie-impact/

The verification will be replicated once every two years.

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[18] This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.
[19] The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

Information on the current independent verifier is as follows:
Name and Address:
I Care
28 rue du 4 Septembre
75002 Paris

I Care is a leading consulting company in the environmental field. Since 2008, I Care assists companies, financial actors and the public sector in their transition towards a low environmental impact society. For more information on I Care, please visit the website: https://www.i-care-consult.com/fr/

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