



STOA Disclosure Statement

April 2024



Operating Principles for
Impact Management

stoa
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 EUR 450 million as of December 31st, 2023¹

DocuSigned by:

Marie-Laure Mazaud

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Marie-Laure Mazaud

STOA Chief Executive Officer, April 11, 2024.

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.

Principle 1 – Define strategic impact objective(s), consistent with the investment strategy: The Manager shall define strategic impact objectives² 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 It is the capital called up and released. Equivalent to USD 497.25 million (as of December 31st, 2023).

² 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:

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 capacity, to cover the energy access needs of 20 million people.
- Reduce greenhouse gas emissions by 2 million tons of CO₂ equivalent per year by 2024.
- Engage in dialogue with our investments to minimize gross CO₂ emissions.

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 2024.
- By 2024, a minimum of 50% of projects financed will be in Africa.
- At least 60% of projects financed will be high impact.
- Fill at least 90% of vacancies with national employees (average over all STOA investments)
- Measure direct, indirect and induced jobs in all our business sectors by 2024.

Responsible support

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.

- Implement a workforce and skills management policy by 2022 (maintained in 2023).
- Align all financed projects with International Finance Corporation performance standards.
- Have our impact achievements and targets verified by a qualified third-party auditor every two years.
- At least a 12-fold leverage effect (total amount of financing raised relative to STOA's investments)

STOA's portfolio enables to target the following SDGs : SDG 3: Good health and wellbeing

SDG 5: Gender equality

SDG 7: Affordable and clean energy

SDG 8: Decent work and economic growth

SDG 9: Industry, innovation and infrastructure

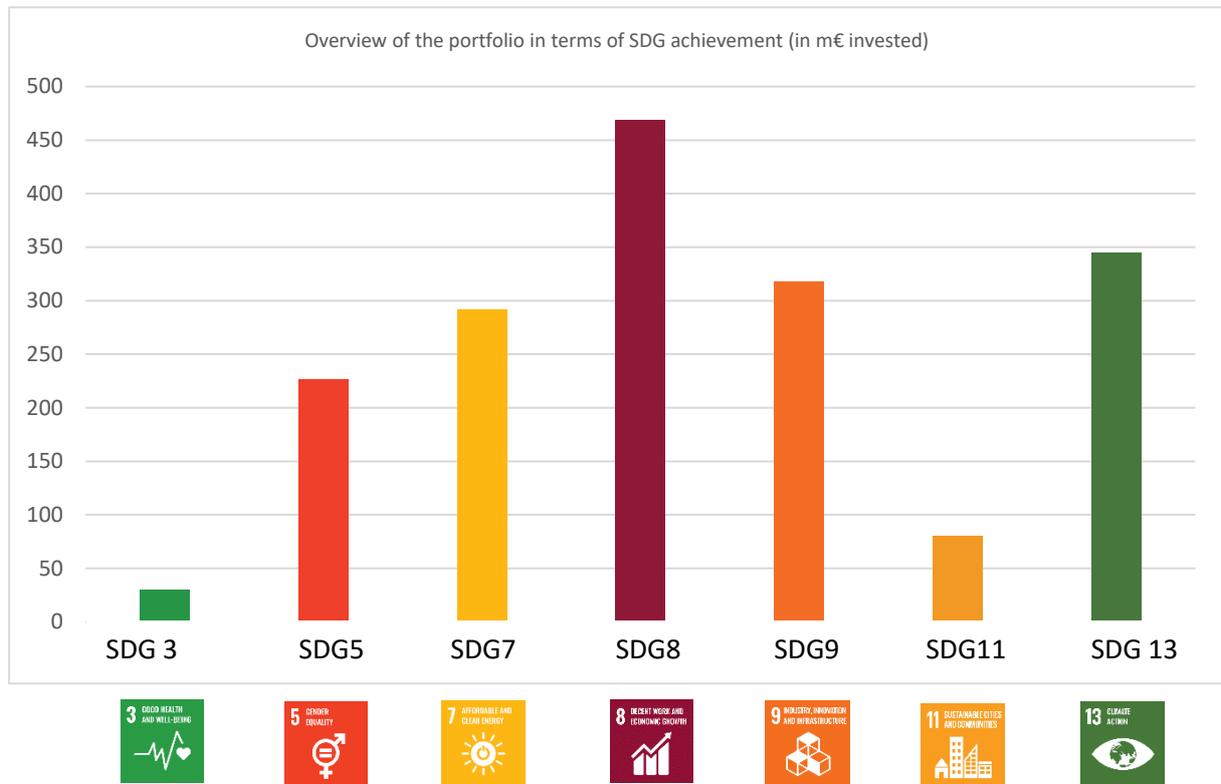
SDG 11: Sustainable cities and communities

SDG 13: Climate action





The graph below shows the financial volume invested by STOA in relation to these SDGs, based on STOA's portfolio end 2023.



Our Purpose targets were set in 2021 for achievement by the end of 2024. STOA is working on redefining these in the context of the 2024 capital increase (second round of financing). Alignment with the Impact Principles will be audited in 2024, as will our E&S (Environmental and Social), Impact, Biodiversity, Resilience and Adaptation to Climate Change and Gender strategies, policies, and procedures. These new targets will be presented in the 2024 Disclosure Statement. The disclosure statement and the alignment with Impact Principles are audited every two years. The next audit will therefore take place in 2026.

However, 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 theory of change.



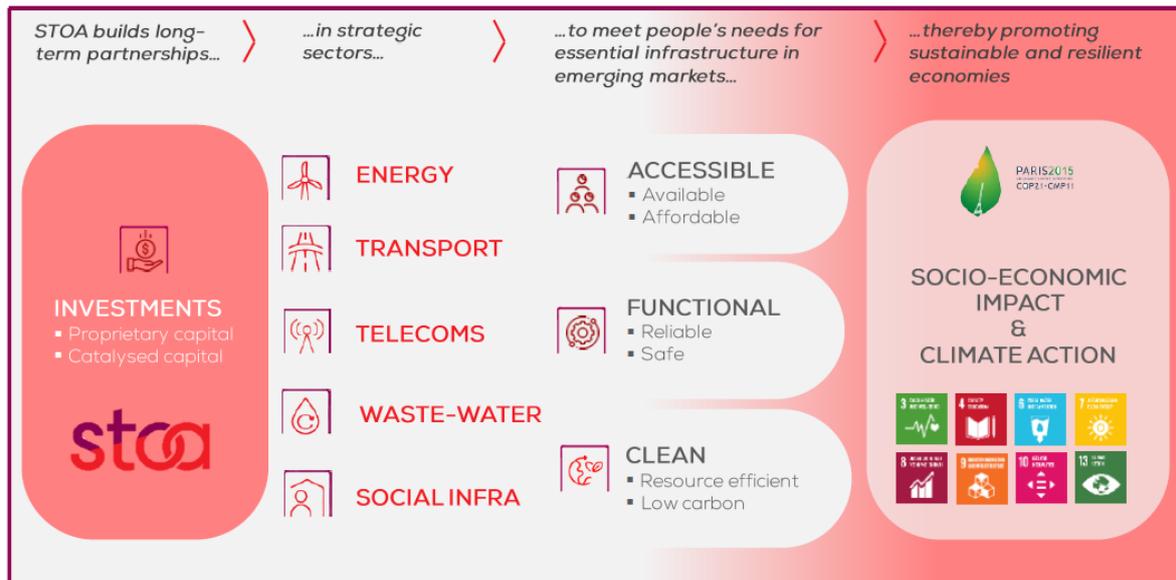


Exhibit 1: The Theory of Change

STOA's activities, or mission, is to "build long-term partnerships" by investing its own capital and mobilizing third-party capital. This catalytic role is important as the finance gap in the infrastructure market is too large for STOA and its peers to meet. Bridging this gap requires attracting other sources of capital, ideally from the private sector where resources are much greater, but which require involvement from a development partner like STOA in order to come to acceptable risk-return rate for the project. On top of this, through its access to the institutional network of AFD in emerging markets, STOA can offer a unique partnership to its clients combining private sector capital with public knowledge and network.

The capital is invested in one of the five "strategic sectors": energy, transport, telecoms, wastewater or social infrastructure, generating specific outputs. These are different for each sector and can include, for example, additional installed power capacity (energy), new roads (transport), new optic fiber cable deployed (telecoms) as well as capacity for wastewater treatment (wastewater) or new schools (social infrastructure)

By financing such 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 gas emissions.

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 and the Performance Standards of the International Finance Corporation.

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 countries and frontier markets. 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. Within this framework, STOA aligns incentives with impact. To this end, STOA has built an impact framework 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 generated (GHG emissions avoided, reduced country CO₂ footprint).

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 for each project at the time of the investment decision.

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.

Thus, regular E&S & Impact monitoring and reporting of the portfolio is carried out throughout the life of the project through:

- Regular E&S committees (frequency varies depending on the company, minimum is every quarter).
- Half-yearly reporting on key performance indicators (HSE, social, environmental, biodiversity). STOA E&S team monitors these ESG monthly KPI from the companies and then present the consolidated version to STOA Board twice a year.
- Monitoring of ESAP implementation (external and/or internal, depending on the company).
- Periodic site visits to ensure that E&S risks are being addressed by the company. For STOA, site visits are an important instrument to collect impact data and verify improvement in social/ environmental outcomes for beneficiaries and other stakeholders for investment projects. For example, a recent visit to solar projects in Malawi allowed STOA to report important improvements in social conditions and gender situation attributed to the project positive impact.
- Regular E&S audits.

The E&S committee acts solely as a platform for making the best use of the E&S expertise of the various investors in order to ensure E&S risk management and impact achievement by the company or project.

The E&S committee is an advisory body responsible for advising the company/project's E&S manager, management and board of directors on E&S and Impact related issues (this role is defined in shareholders' agreements). Thus, through its role as a long-term shareholder, STOA ensures that impact is achieved through shareholder engagement.

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





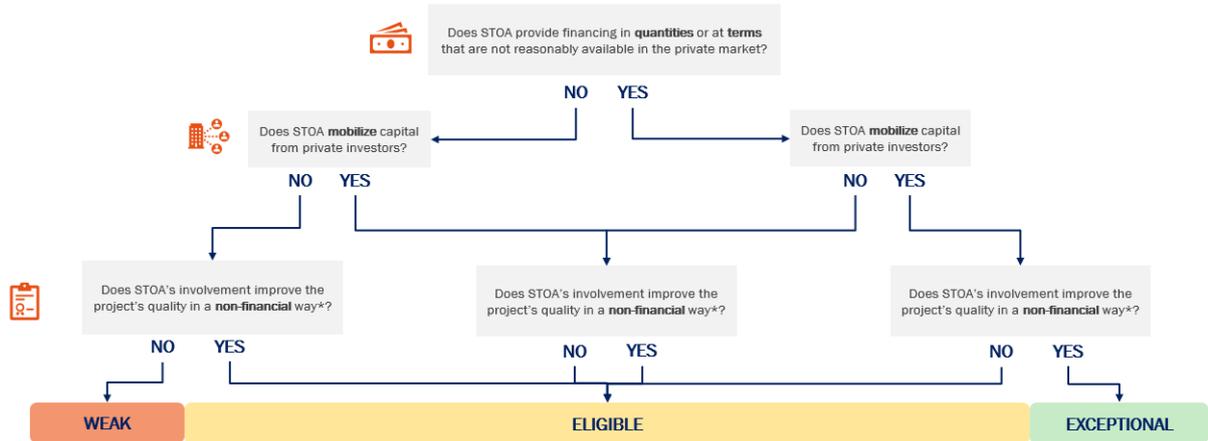
channels³. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

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. STOA seeks to multiply the benefits of its investments, whether they are economic, social, or environmental. This involves promoting high standards on environmental, social and governance issues (ESG) and in terms of business integrity.

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 a framework to identify our added value in a formal and systematic manner. The framework 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.

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:



This information produces an additionality score that is subsequently integrated into our decision-making process at the time of the investment decision.

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 impact 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?⁴ 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.

³ 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.

⁴ Adapted from the Impact Management Project (www.impactmanagementproject.com).





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 standards⁵ and follow best practice.⁶

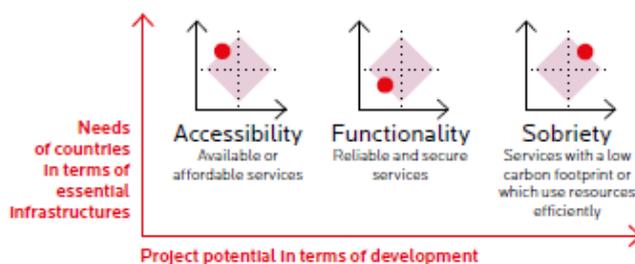
STOA tracks whether the investments achieve the effects STOA expects to deliver. At each stage of the investment cycle, from projects screening to selection, monitoring, and reporting, STOA assesses the expected impact of each investment, based on a systematic approach. Indeed, STOA has developed a framework 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).
- 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.
- STOA's investment decision is based on a prior review of the environmental and social assessment documentation and risk assessment. STOA requires the company to adhere to an Environmental & Social Action Plan (ESAP) in order to ensure alignment with environmental and social performance standards of the International Finance Corporation.

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. 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.

We have been using an impact framework, defined by our teams, to measure our own impact since 2020. This tool enables us to select our projects based on three criteria:

- Accessibility: will the financed infrastructure provide an available or affordable service?
- functionality: will the service be reliable and secure?
- sobriety: will it have a low carbon footprint?



⁵ 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.

⁶ 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.

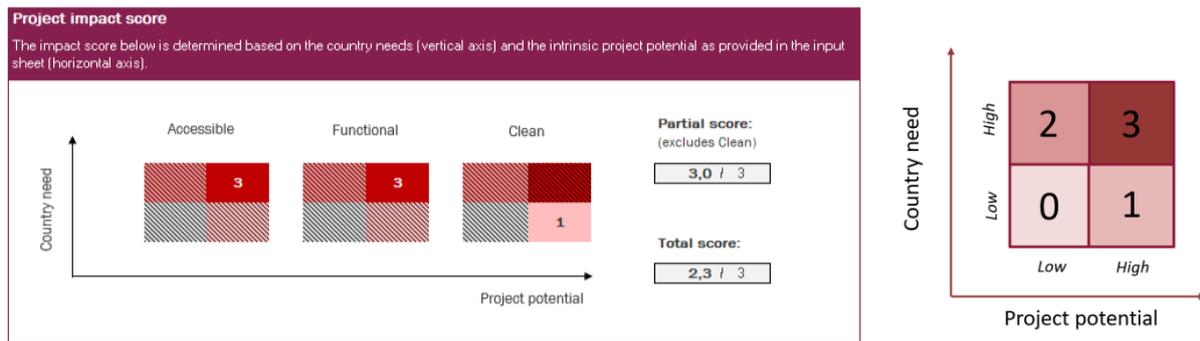




With this methodology, our results for our investments in 2023 (Impact Report 2024) are presented below. 67% of our projects were high-impact investments.

Categorization of our investment by type of impact (% of net commitments) ⁶		
High-impact investments 67%	Medium-impact investments 18%	Low-impact investments 15%

The impact score is calculated based on (i) the country needs and (ii) the intrinsic project potential. These are assessed across the three outcomes area of STOA’s impact strategy: accessible, functional, clean, with a number of indicators. A project impact score is calculated as indicated on the graph below (score 0 to 3) and a project is considered as having a high impact if it scores above 2.



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)⁸ 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.⁹ 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. A second opinion formalizing the compliance risks is also mandatory. Participations are subject to compliance with our policies and reporting requirements through contractual provisions to manage and reduce risks. STOA 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, the UN principles for Responsible Investments and an internal exclusion list. This approach is applicable to every project STOA might consider investing in. Hence, STOA goes beyond local regulation to make sure the highest ESG standards are applied (for more details [click here](#)).

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. In summary, a preliminary analysis is carried out with the aim of identifying compliance with the exclusion list at the

⁷ 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.

⁸ 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.

⁹ 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>).





screening phase. STOA then carries out a preliminary environmental and social analysis of the project based on information gathered from partners during the investment decision. A project E&S risk matrix is drawn up for each project. An E&S due diligence is then carried out by external consultants in collaboration with STOA's E&S Manager. During the due diligence phase, an Environmental and Social Action Plan (ESAP) is formalized between the target and STOA in order to consolidate the material measures and actions that are necessary for the project to comply with the environmental and social performance standards applied by STOA. The ESAP is an integral part of the contractual documentation (such as the Shareholder Agreement) and thus, legally binding. During asset management phase, regular and operational monitoring of the ESAP is carried out through regular meetings, E&S monitoring reports independent audit reports, site visits using external consultants where necessary and regular E&S Committees.

Exhibit 3 reads from top to bottom and shows STOA's E&S risk management at each stage of the investment cycle.

Investment stage	Procedures / Activities		Roles & responsibilities	
	Description	References & Tools	Operational	Oversight
	Screening	<ul style="list-style-type: none"> CDC & AFD's exclusion lists' compliance Carbon footprint assessment Identification of the main E&S risks / Categorization (A, B, B+, C) 	<ul style="list-style-type: none"> Exclusion lists / Intervention framework Stoa's E&S Policy Selectivity matrix (CO₂ emissions) E&S risk matrix 	<ul style="list-style-type: none"> The E&S department carry out the E&S and climate assessment of the proposed project.
Investment Decision	<ul style="list-style-type: none"> Provided inputs for the Investment Committee : <ul style="list-style-type: none"> Carbon footprint (+ climate analysis) Impact narrative and quantitative scenarios Assessment of E&S risks and opportunities. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The E&S department is accountable for the deliverables. Investors and E&S officers collaborate to produce a consistent impact strategy. 	<ul style="list-style-type: none"> Investment Committee approves or rejects the proposed investment. The Investment Committee may suspend its decision until Board's decision.
Due Diligence	<ul style="list-style-type: none"> Internal (or External) due diligence based on available information and project risk categorization Definition of an E&S Action Plan (ESAP) 	<ul style="list-style-type: none"> Site visits and due diligence checklists. ToRs for consultants. IFC's Performance Standards and associated Guidelines 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> E&S head oversees due diligences.
Investment Agreement	<ul style="list-style-type: none"> If required, incorporation of E&S terms in the legal agreement (ESAP, CPs, ...) 	<ul style="list-style-type: none"> Legal template / drafting guide for E&S terms. 	<ul style="list-style-type: none"> The E&S Head is accountable for the deliverables. The investor is responsible for the inclusion of E & S clauses in the legal documentation 	<ul style="list-style-type: none"> The Board approves or rejects the proposed binding offer.
Ownership & Monitoring	<ul style="list-style-type: none"> Monitoring ESAP and project's E&S performance. 	<ul style="list-style-type: none"> E&S dashboard / questionnaires based on series of defined KPI E&S monitoring reports Governance KPI defined by the STOA board representative 	<ul style="list-style-type: none"> The E&S department is in charge of the project's monitoring STOA board representative of the project ensures the monitoring of governance indicators. 	<ul style="list-style-type: none"> Regular reporting to senior management The Investment Committee shall be informed of any significant issue.
Exit	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Any material on ESG issues (reporting, ...) ESDD and every documents that the potential buyers and their technical advisors might want to see. 	<ul style="list-style-type: none"> The E&S department and STOA board representative help preparing the data room, providing ESG information to be included in the financial model 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Annual reporting on the company's E&S performance to Stoa's shareholders. 	<ul style="list-style-type: none"> UN's principles for responsible investment CDC's online reporting form. 	<ul style="list-style-type: none"> The E&S department is responsible for the reporting to the shareholders. An independent committee is responsible for the verification of the impact report. 	<ul style="list-style-type: none"> The senior management reviews and contributes to the reporting campaign.

Exhibit 3: ESG risk 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.¹⁰ The Manager shall also seek to use the results framework to capture investment outcomes.¹¹

¹⁰ 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.

¹¹ 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/).





To track whether the investments achieve the effects STOA expects to deliver, STOA measures progress against 65 metrics, selected from standard catalogues (HIPSO¹² and IRIS¹³). This set of metrics provides a pragmatic framework to give substance to the different levels of the Theory of Change. A total of 50 ESG and Impact-related KPI are monitored by STOA at investment level (monthly data) and then reviewed by STOA's Board twice a year:

- 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 avoided. Potential negative impacts are also monitored through metrics such as health and safety or environmental incidents.
- To ensure exemplarity, STOA has carried out an extensive review of its methodologies and impact KPIs with the third-party auditor I Care
- The company is responsible to manage and oversee its E&S risks and opportunities, including relevant E&S policies and implementation of the ESAP. For each of its investment, STOA requires the establishment of an E&S Committee (composed of E&S specialists from the company and from the investors, with at least one E&S specialist from STOA). This E&S committee provides a good platform for the various investors to be timely informed about E&S developments, incidents, E&S performance, ESAP implementation progress, hence an efficient platform (from both a company and an investor perspective) to monitor the investment from an E&S perspective.

Principle 7 – Conduct exits considering the effect on sustained impact: When conducting an exit,¹⁴ 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.

STOA's goal is to be a medium to long-term investor and to improve the performance of the project on the long run.

For its projects in 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 impact outcomes. Moreover, the structural integration of high standards into the projects contributes to maintaining best practice beyond the investment horizon.

STOA's exit process and conditions were formalized in October 2022 (in its Procedure for portfolio monitoring) through the establishment of an "Asset Manager Committee" to review the strategy and the prospective disposal plan for each investment. According to this, in the event of a sale opportunity, STOA will conduct various relevant studies and analyses (market, competition, audit, due diligence) and provide an opinion on the risks inherent in the transaction, including an analysis of AML-FT risks (KYC form), ethical risks and risks of conflicts of interest in application of STOA procedures.

Thus, STOA would consider the timing, the structure, and the choice of the buyer in a concerted manner with its portfolio companies' needs and preferences as these can have an instrumental effect on sustaining development impact.

¹² <https://indicators.ifipartnership.org/indicators/>

¹³ <https://iris.thegiin.org/metrics/>

¹⁴ This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.





Concerning STOA's exits :

- A first exit happened in February 2020. This 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.
- In December 2022, STOA finalized the sale of 100% of its shares in a provider of renewable energy for commercial and industrial (C&I). STOA actively contributed to its strategic orientation towards larger-scale projects intended primary for industrial customers. Within a few years, the provider has become the leader of this industrial segment, bringing reliable energy to businesses that reduces power costs and pollution. The new buyer, a lead player in the energy sector, will be able to support the company in its new stage of growth (presence in 7 countries, 400 systems in operation totalling 53 MWdc installed capacity).
- In 2023 we exited a renewable energy project in Asia. Our project partner, a world leader in energy & utilities, wanted to buy out our shares.

We are currently developing exit policies and hope to apply them in the future.

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 in 2020 that integrates ESG and Impact monitoring. The tool is being updated in 2024. Quarterly and monthly monitoring are performed to manage E&S risks for projects in portfolio with the inclusion of regular E&S committees.

During 2023, STOA was able to structure and systematize its analysis and consideration of E&S and governance risks. The process of launching studies now follows a systematic procedure. Lessons learnt from the previous years in terms of due diligence process helped in making the process more systematic and facing the high number of new projects entering the portfolio in 2023.

In addition, STOA held 117 hours of E&S committees over the year. E&S Committees' monitor the compliance with, and implementation of, the environmental & social action plan (ESAP), if applicable by the relevant Group Companies, as well as, to the extent deemed relevant, any Environmental and Social matter which may arise from time to time., E&S committees shall also make recommendations to the Board in relation to E&S matters. These committees are an opportunity to share lessons from a project to another one.

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 Impact Principles and provide regular independent verification¹⁵ of the alignment: The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact 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.

¹⁵ 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.





This Disclosure Note re-affirms the alignment of STOA's procedures with the Impact Principles and will continue to 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/en/stoa-releases-its-2023-disclosure-statement/>

The verification will be replicated once every two years. It is estimated that the next independent verification will be carried out in 2025 (based on 2024 data and results).

Information on the current independent verifier is as follows:

Name and Address:

Stone Soup
Rua Manuel Viegas Guerreiro,
n.º 1, R/c Esq., 2770-193 Paço de Arcos,
Portugal,

STONE SOUP is a private limited liability company which main activity is to strengthen the institutional framework of Third Sector institutions and initiatives, meaning, private entities with public utility incorporated within the civil society.

For more information on Stone Soup, please visit the website: <https://stone-soup.net/>

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