STOA Disclosure Statement

This Disclosure Statement affirms that STOA's core activities, including

(a) impact management framework;
(b) policies and practices; and
(c) investment model.

are managed in alignment with the Operating Principles for Impact Management (the "Principles") (set out below for reference).

Total assets under management in alignment with the Principles amount to EUR180 million as of December 31, 2019[1] .[2]

Charles-Henri Malécot
STOA Chief Executive Officer, 30 March 2020

Principle 1 – *Define strategic impact objective(s), consistent with the investment strategy:* The Manager shall define strategic impact objectives[3] 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.

Founded in 2017, STOA is an infrastructure fund created in 2017 by AFD (Agence Française de Développement) and CDC (Caisse des Dépôts et Consignations) to finance greenfield projects in developing and emerging regions. As a result, the fund was thought to be an impact investing financial instrument at the beginning of its existence. STOA is committed to finance infrastructure projects in emerging markets that are key to people's well-being and the sustainable growth of their country. STOA provides financing across five key sectors: energy, transport, telecoms, environment and social infrastructure. STOA's core objectives are:

- to finance 30% of projects with inherent climate benefits;
- to finance 50% of projects in Africa;
- to finance greenfield projects;
- to provide people with accessible, functional and clean infrastructure.

To formalize its vision STOA has built an impact framework. The impact statement outlines in one sentence how STOA's mission translates into the achievement of its vision: "STOA builds long-term partnerships in strategic sectors to meet people's needs for essential infrastructure in emerging markets, thereby promoting sustainable and resilient economies."

[1] It is the capital called up and released.

[2] 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.

[3] 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/).

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 theirs (greenhouse gasses emission reduction and/or avoidance).

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 the 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 IFC 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. The E&S team will train the investment team within the first semester of 2020 so that the impact management system will be fully implemented.

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.

STOA is in the process of considering aligning staff incentive systems with the achievement of impact.

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

STOA is a long-time investor that creates additionality as STOA plays a catalytic role. Indeed, STOA's activities, or mission, is to "build long-term partnerships" by investing its own capital and mobilizing third-party capital. STOA helps attracting other sources of capital, 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 group in emerging markets, STOA can offer a unique partnership to its clients combining private sector capital with public knowledge and network.

Moreover, STOA's financing is producing a unique leverage effect as 50% of its capital is used in Africa in the five strategic sectors, generating additionality as the investment is mainly greenfield. This additionality can be for example, new 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). STOA can ask to modify the design of a project to meet more impact in terms of accessibility, functionality and cleanliness and to reduce ESG risks at the same time.

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?[5] 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

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

strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[6] and follow best practice.[7]

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 help 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. 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[8] and IRIS[9]) 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)[10] 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.[11] As part of portfolio

[6] 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.
[7] 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.
[8] https://indicators.ifipartnership.org/indicators/
[9] https://iris.thegiin.org/metrics/
[10] 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.
[11] 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).

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

	Procedures / Activities		Roles & responsibilities	
Investment stage	Description	References & Tools	Operational	Oversight
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 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.
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 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.
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.
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 2: 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.[12] The Manager shall also seek to use the results framework to capture investment outcomes.[13]

- To track whether the investments achieve the effects STOA expects to deliver, STOA measures progress against 65 metrics, selected from standard catalogues (HIPSO[14] and

[12] 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.

[13] 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/).

[14] https://indicators.ifipartnership.org/indicators/

IRIS[15]). 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 and expand STOA's "license to operate".

Principle 7 – *Conduct exits considering the effect on sustained impact:* When conducting an exit,[16] 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 January 2020. The exit happened too early after its investment (six months) 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 long-term investor and improve the performance of the project on the long run. Hence, for project 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.
STOA is considering adding a specific clause in the investment document to have the opportunity to discuss ESG and impact topics at the Exit phase.

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 regard to the impact it will generate. STOA has built a reporting tool that integrates ESG and Impact monitoring. Monthly monitoring is performed to manage E&S risks for all projects in portfolio with sometimes the inclusion of regular E&S committee for high risk projects.

Continuous improvement is being performed and 2020 will focus on integrating the financial and E&S reporting with monthly meeting dedicated to the projects in portfolio to improve the interaction within STOA's organization.

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.
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Principle 9 – *Publicly disclose alignment with the Principles and provide regular independent verification[17] of the alignment:* The Manager shall publicly disclose, on an annual basis, the alignment

[15] https://iris.thegiin.org/metrics/
[16] This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.
[17] 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.

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.

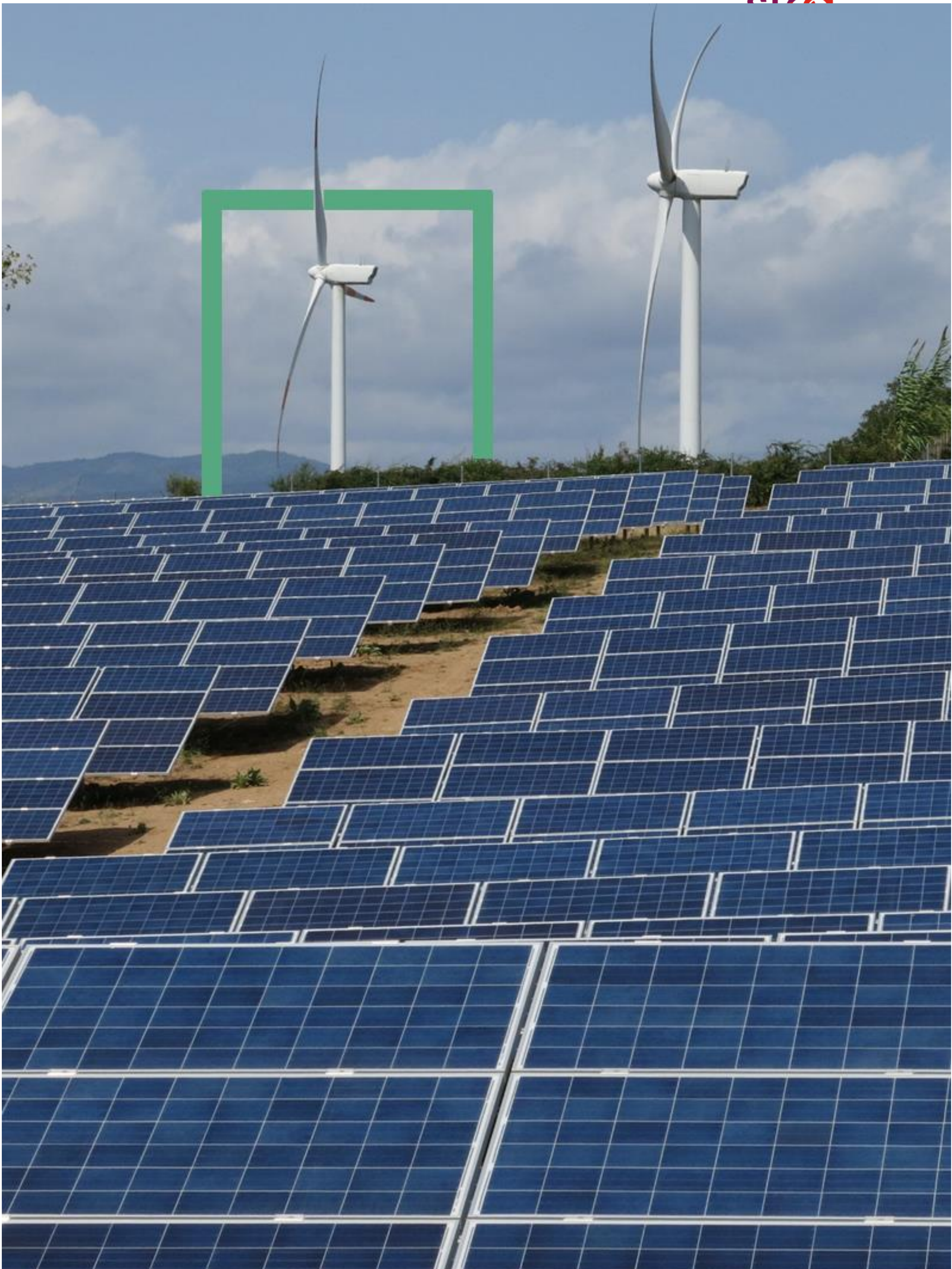
The independent assurance report on the alignment of STOA with the Operating Principles for Impact Management is available at https://www.stoainfraenergy.com. The verification will be replicated every year.

In addition, as part of its annual reporting practices, STOA seeks both an independent assessment of the effectiveness of its impact measurement approach and an independent verification of the resulting impacts achieved. The conclusions of the auditor are disclosed in STOA's website (see: https://www.stoainfraenergy.com).

Information on the current independent verifier is as follows:
Name and Address: Better Way
36 avenue jean-Jaures
75019 Paris

Qualifications: "Better Way is an independent consulting company, dedicated to impact investing and impact measurement. It is led by Elodie Nocquet, an impact expert with a decade of experience in impact investing, who took part in the 2018 consultation process around IFC Operating Principles for Impact Management. For more information on Better Way, please visit the website: https://www.better-way.net/"

Most Recent Review: March 25, 2020



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