I. Statement by authorized executive

To our stakeholders:

The Société de Promotion et de Participation pour la Coopération Economique ("Proparco") is a founding signatory to the Operating Principles for Impact Management ("the Principles"). The Principles set inspiring goals to reach for all responsible finance investors eager to promote business in common. They provide standards and guidelines for an analytical and systemic approach to impact measurement. They also allow for sufficient flexibility for all impact investors – from asset managers, asset owners, asset allocators, to development finance institutions – to utilize their own impact management systems while harmonizing on emerging best practices.

This Disclosure Statement confirms that Proparco has adopted the Operating Principles for Impact Management for alignment with its strategy, its results measurement frameworks and systems, its operational policies and practices and its financial services. Total assets under management in alignment with the Principles are 5,551 million\(^1\) as of December 31, 2019.\(^2\)

\[\text{Gregory Clemente} \\
\text{Proparco Chief Executive Officer} \\
\text{June 25, 2020}\]

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\(^1\) This corresponds to all assets under Proparco management in Proparco’s own account investment and includes the following amounts:

(i) Portfolio exposure in debt: 4,588 MEUR;
(ii) Portfolio exposure in equity stakes and quasi-equity: 963 MEUR;
(iii) Portfolio exposure in guarantees: 158 MEUR.

Exposure is defined as the sum of the (i) committed exposure for Proparco’s debt investments, (ii) fair market value of Proparco’s equity investments, and (iii) total undisbursed equity commitments. Subsidies and TA that are not in Proparco’s own balance sheet are not included.

\(^2\) The sole purpose of this Disclosure Statement is to fulfill Proparco’s obligations pursuant to Principle 9. 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. Proparco 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, Proparco 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 Proparco 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.
II. Statement of alignment

This statement reflects management practices as of June 25, 2020.

**Principle 1: Define strategic impact objective(s), consistent with the investment strategy** – The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social, economic, or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The strategic 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 expectation of achieving the impact objectives through the investment strategy; and that the magnitude (scale and/or intensity) of the expected portfolio impact is proportionate to the size of the investment portfolio.

- As part of the Agence Française de Développement Group, Proparco has been working with the private sector to promote sustainable development for over 40 years. Its mandate is to invest and support private sector companies, projects and financial institutions so as to contribute to the sustainable economic, environmental and social development of developing and emerging countries.
- Proparco’s recently-adopted strategy and objectives for the period 2020-2022 reinforces its ambition to stimulate economic and social transitions towards sustainable and balanced growth models that rely on inclusive and low carbon development. Proparco seeks to contribute to the long-term transformation of sectors, economies and stakeholders to better support sustainable development objectives and the emergence of the economy of the future. This balance reflects both its ambition and its pragmatism.

- Organizational changes have been implemented to ensure that Proparco’s investment strategy is consistent with its impact objectives and *vice versa*, notably through the reinforcement of the department in charge of (i) ESG due diligence and operational management, (ii) impact measurement, monitoring and capitalization and (iii) Technical assistance and blended instruments, and through the creation of a dedicated team working on building Proparco’s portfolio in fragile states.
- Our strategy and its intentions are publicly available on our website and are actively shared with our clients and partners. Objectives and goals are communicated internally, expected impacts are assessed systematically before investment, and all teams, from operations to support teams, are committed to achieving these objectives.
As a development finance institution and to improve accountability, we evaluate and report on the impact of our action. An approach to measure the results and impacts of its financing has therefore gradually been developed, using a set of indicators; the ex-ante impact analysis of each project is also presented from the broader perspective of the project’s contribution to SDGs.

**Key impact indicators**
- Number of direct and indirect jobs created and/or maintained
- Number of tons of CO₂ equivalent avoided
- Number of people with improved access to an essential good or service
- Amounts mobilised from the private sector for development

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<th>Principle 2: Manage strategic impact and financial returns at the portfolio level – The Manager shall have a process to manage impact achievement at the portfolio level, similar to that of managing financial returns. The objective of the process is to establish and monitor expected 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.</th>
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<td>Proparco assesses every new project according to three dimensions: expected development impact, expected profitability of the investment, and its estimated level of risk. The individual variables collected project by project alongside these dimensions are tracked at portfolio level. The project data collected during the ex-ante assessment are entered in Proparco’s results measurement framework which produces a project score comparing it to other similar projects in Proparco’s portfolio. Also, quarterly portfolio dashboards are generated and shared with every staff members so that they know where Proparco stands on its annual ex-ante objectives, and can adjust as a team. Impact and E&amp;S Action plan reporting is legally binding through individual contractual documentation, however this requirement is not systematically operationalised by clients; to facilitate the collection of this reporting and enable a more systematic follow-up of projects in terms of impact and E&amp;S performance, indicators are being streamlined to around 15 indicators (except for funds, in case investees operate in different sectors, thus requiring several sets of indicators).³ We believe that our project by project approach is even more demanding than a solely generic portfolio approach and ensures a high level of impact achievement at the portfolio level.</td>
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<th>Principle 3: Establish the investor’s contribution to the achievement of impact. – The Manager shall seek to establish and document a credible, transparent narrative on the investor’s contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels, and assessed for the individual investment, or from a portfolio perspective. The narrative should be stated in clear terms and supported, as much as possible, by evidence.</th>
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<td>Proparco’s mandate includes being additional as a pre-requisite for any investment to be conducted. Its operations focus on areas where its assistance is most needed and where it has the highest added value, particularly in terms of nonfinancial assistance. Proparco’s additionality is questioned during the origination phase and is a condition for any deal to be investigated further. For each investment, expected impact and environmental &amp; social diligences are conducted alongside financial, legal or risk diligences. The impact rationale for the investment, including Proparco’s</td>
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³ Depending on the sectors of activity, this reporting compiles data concerning employment (direct and indirect), the number of women in the company, beneficiaries reached, climate and GHG impact, corporate tax paid, etc.
contribution to the achievement of the impact, is documented through the results measurement framework. Proparco’s value creation plan and associated deployed means (E&S advisory, Technical Assistance (“TA”), Governance action plans, etc.) are described in the project documentation presented to the Investment Committee and inform the final decision.

- Benefiting to all clients whose operations have expected unlocking effects on impact, Proparco keeps on developing and diversifying its range of assistance in order to increase the impact of its clients’ operations. This involves deploying TA projects\(^4\) and mobilizing delegated financing from several sources external to Proparco – notably from the European Union and the Green Climate Fund– combined with its own instruments according to blending methods. The use of grant resources from Agence Française de Développement (“AFD”) and the French Government, blended with market instruments, enables Proparco to diversify and tailor its instruments to the needs and level of risks of companies, while maximizing the impact of its action. Deployment of a range of instruments with strong leverage effect on private finance mobilization such as equity and guarantees is another opportunity for Proparco to contribute further to support its clients on building their strategy towards impact achievement.

- Also, as the need to mobilize private resources is at the heart of discussions around how to finance the SDGs, Proparco’s strategic goals for the period 2020-2022 include catalysing private actors in order to redirect private finance flows towards sustainable development investments. In this regard, Proparco adopted a new impact indicator in 2019: the amount mobilised from the private sector for development. The mobilization of private finance is now calculated for each project using the OECD methodology and the total volume of private finance mobilized by Proparco is reported accordingly.

### 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? 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 differing 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 and follow international best practice conventions.

- The contribution that the companies it finances make to local development is central to Proparco’s investment approach. During project appraisal, Proparco uses its results measurement framework\(^5\) in order to estimate ex-ante impact. The tool uses a combination of quantitative and qualitative analyses aimed at steering investment choices. It places particular importance on a project’s developmental, environmental and social impacts. These indicators include impacts such as government revenues, employment impacts, number and profile of beneficiaries, technology and skills transfer, the social effects of investments, as well as Proparco’s own value creation including its role in ESG risks mitigation or LCB/FT improvements for instance. The expected contribution of the investment to the SDGs is also taken into account.

- The impact assessment relies upon industry indicator standards such as HIPSO and IRIS. Enriched with qualitative analysis, these indicators enable ex-ante project assessments as well as the identification of

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\(^4\) Proparco’s technical assistance offer aims to strengthen the capacities of clients (or prospective clients in exceptional cases) in order to address capacity building and/or business transformation/development issues. The objective is to generate more positive impacts or improve their performance, by providing clients with expertise and know-how tailored to their needs, and thereby helping them develop their strategies and practices and support their commitment to innovation.

\(^5\) Currently Proparco’s impact assessment tool is an adapted version of the GPR tool as developed by DEG. Discussions are underway to update tools so that they align further with its strategic intent, within the AFD Group.
paths to improvement to help Proparco clients enhance their performance, when relevant. In 2019, Proparco fine-tuned the methodologies associated with the calculation of indicators related to employment and access to essential goods and services, with a view of harmonization with other financial institutions.

- Through the current tool, four models are used depending on the type of client (banks, funds, companies and infrastructure) and each new investment is assigned an ex-ante “DEV” score that reflects Proparco expectations of the project’s development outcomes. The score and its explanatory analysis are generated by the Impact measurement team. The analysis aims at articulating the project’s potential effects on all dimensions of sustainable development.

- Proparco’s results measurement framework and due diligence tools are currently being reworked and improved to fully integrate the strategic impact objectives set in the new strategy into the investment decision-making toolkit. This is being developed by the Impact Measurement team for the Investment Officers. This implies revising the ex-ante scoring system and refining the list of indicators collected, designing theories of change by sector, as well as shaping sectoral frameworks identifying and assessing the expected impact of projects in a given sector.

Principle 5: Assess, address, monitor, and manage the potential negative effects of each investment. – For all investments, the Manager shall seek to avoid, minimize, or mitigate potential negative effects by assessing and monitoring Environmental, Social and Governance (ESG) and other non-financial risks, as well as the performance of the investee in managing material ESG issues. Where appropriate, the Manager shall engage with the investee company to seek its commitment to take action to address potential gaps in current investee systems, processes and practices, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees’ ESG risk and performance, provide support where appropriate, and address unexpected events.

- Proparco’s E&S approach is based on the IFC performance standards, the international labor standards of the International Labor Organization (ILO), the guidelines of the United Nations Food and Agriculture Organization (FAO) on tenure and the United Nations Guiding Principles on Business and Human Rights. It involves assessing the environmental and social risks and impacts of each project and the measures planned by clients to manage them by comparing those with international best practices. Then, the E&S experts propose to clients additional measures to implement. Where appropriate, this involves helping the client to build its capacities to manage and implement its E&S performance.

- Proparco uses several diagnostic and assistance tools to assess and monitor the corporate governance of its clients: a pre-analysis rating tool, a progression matrix (measurement of the maturity of governance), model documents and ad hoc questionnaires. The governance experts develop appropriate recommendations in accordance to the Corporate Governance Development Framework guidelines.6

- Potential negative effects on climate are also assessed during project appraisal through an evaluation of the carbon footprint of the investment (including induced GHG emissions in the supply and value chains) and, where necessary, an analysis of the alignment of the project climate impact with the Paris Agreement low-carbon pathways. If the analysis recommends that the project’s GHG emissions and lock-in effects are not compatible with a low-carbon trajectory, the project won’t be invested by Proparco.

- During the execution of the operation, the teams monitor the implementation of the mitigation measures before ensuring the project has properly managed unforeseen situations with negative ESG impacts. For high risk situations, a specific monitoring process is followed notably by the establishment of an ESG “watch list”. The monitoring of the implementation of ESG recommendations is crucial to respecting best practices in the long term. It is subject to the calculation of indicators, which are produced and regularly managed by Proparco’s teams. It thereby materializes the development of the ESG performance and the

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6This framework agreement supports the implementation of a common policy and methodology for good governance, based, for example, on the work of IFC on its performance standards. More information at: http://cgdevelopmentframework.com/
levels of residual ESG risks throughout the life of each project. Where deemed necessary, a specific technical assistance program can be established with the project to support ESG improvements.

**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, including social, economic or environmental 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 corrective action, consistent with the nature of the investment. The Manager shall also seek to use the results framework to capture investment outcomes, or longer-term effects.

- The monitoring and evaluation of the operations financed by Proparco is essential to the effectiveness of its action. Indeed, it makes it possible to test the assumptions that justified the financing, refine one’s sectoral and geographical strategies and, more generally, report on one’s activity. The provision of an annual reporting on the evolution of certain indicators is requested to all clients; to facilitate the collection of this reporting, indicators are being streamlined so they are easier to collect.\(^7\)
- In 2019, Proparco decided to dedicate more resources to improve its approach to impact monitoring. This involves developing or adjusting internal processes to structure data update and analysis so that it happens periodically, and investing in data management tools that will enable a more systematic collection of monitoring data. This also means revising data collection templates, training investment officers and clients, and considering amending contractual requirements with clients. This is a process that we are going through over the year 2020.
- In parallel, Proparco has been working with partner DFIs to develop a model that will help investors better capture indirect effects related to their investments. This is the Joint Impact Model (https://jointimpactmodel.com/) and it is meant to monitor indirect development outcomes in the countries Proparco invests in at the portfolio level. In particular, the model will evaluate the indirect impacts on jobs and value added. Thanks to this modeling tool, Proparco will be able to compare its expectations on employment impacts to the actual induced job estimates and impacts in a consistent way.
- Proparco’s philosophy is to advise and support its clients in the long run for them to align with international best practices and be more impactful. For instance, if the intended contractual initial commitments (e.g. environmental and social of corporate governance action plans) are not successfully implemented by the client, we try to identify the root causes and, in some specific cases, we may discuss financial and non-financial assistance (technical assistance)\(^{[1]}\) in order to support the client in improving its practices and thus maximize the potential of the project.

**Principle 7: Conduct exits considering the effect on sustained impact.** – The Manager shall, in good faith and consistent with its fiduciary responsibilities, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

\(^7\) Depending on the sectors of activity, this reporting compiles data concerning employment (direct and indirect), the number of women in the company, beneficiaries reached, climate and GHG impact, corporate tax paid, etc.

\(^{[1]}\) Proparco’s technical assistance offer aims to strengthen the capacities of clients (or prospective clients in exceptional cases) in order to address capacity building and/or business transformation/development issues. The objective is to generate more positive impacts or improve their performance, by providing clients with expertise and know-how tailored to their needs, and thereby helping them develop their strategies and practices and support their commitment to innovation.
In general, as regards debt and guarantee instruments, there is no strategic decision on exits as these are *a priori* self-liquidating. However, the teams do discuss refinancing, repeat deals, and any financial structuring with clients when relevant for the sustainability of the project achievements. Supporting its clients in the long run is part of Proparco’s strategy. If a client encounters operational and financial difficulties, Proparco’s approach, implemented by a “Special Ops” team, is to actively find restructuring solutions that can accommodate the client needs and, if possible, ensure sustained operations and impact.

When conducting exits in its equity portfolio, Proparco would always consider the timing, the structure, and the choice of the buyer in a concerted manner with its client’s needs and preferences as these can have an instrumental effect on sustaining development impact. Exit plans are confirmed during an Exit Committee lead by Proparco’s CEO, after comprehensive diligences on the buyer’s reputation have been conducted.

Finally, Proparco deters prepayments with punitive clauses to ensure that the duration of the financing/investment is adapted with the generation of expected impacts. Proparco also intends to enhance its “support to client” approach and dedicate more human and TA resources to long-term clients in order to deepen its collaboration with them and improve their CSR, innovation skills and management practices in the long run.

**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.

Project evaluation meets Proparco’s objective of transparency and accountability, but also and especially aims to improve its actions. Evaluations contribute to feeding into the state of knowledge on development by establishing a link between research and the field. For certain projects or groups of projects, an in-depth *ex-post* evaluation is conducted by the Impact measurement team or with support from consultants. Combined with project by project monitoring, these in-depth studies make it possible to compare the actual results of projects with the results expected at the time of the signing and feed into Proparco’s strategic thinking. These are mostly demand-driven evaluations identified to fill knowledge gaps and/or accordingly requested by the investments teams to evaluate global performance. From 2020 onwards, Proparco plans to disclose these evaluations publicly, in agreement with clients, whatever the results and recommendations. As part of our client support, we will encourage management to commit to an action plan related to the study recommendations, which will be monitored. In addition, the Impact measurement team can recommend field evaluation, in particular when considering repeat deals.

The AFD is currently reviewing its evaluation policy. Proparco will build upon this policy in 2020 to formalize an evaluation framework that will detail the role of project reviews in comparison to independent *ex-post* evaluations and will specify how this should inform operational strategy and policy. This will also be the opportunity for Proparco to push for the use of evaluation as a component of good governance to enrich the dialogue with its clients.

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

This Disclosure Statement re-affirms the alignment of Proparco’s policies and procedures with the Principles and will be updated annually.

Information on the current independent verifier is as follows:

**Name and Address:** EY & Associés
Tour First 1 place des Saisons TSA 14444
92037 Paris La Défense Cedex France

**Qualifications:**
“EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

**Most recent review:** June 2020

**Next planned review:** June 2021