

2022 Disclosure Statement

Operating Principles for Impact Management

June 2022



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 Impact Principles"). The Impact 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 2022 Disclosure Statement reaffirms that Proparco's impact management systems, policies and practices are aligned with the Impact Principles. Total assets under management in alignment with the Impact Principles are USD 7,295 million (EUR 6,407 million)¹ as of December 31, 2021.²

Djalal Khimdjee

Proparco Deputy Chief Executive Officer
June 30, 2022

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: MEUR 5,290;
- (ii) Portfolio exposure in equity stakes and quasi-equity: MEUR 1,118.

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 2022.

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 45 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.
- As per our 2020-2022 strategy,³ our operations target three strategic goals. 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, real impacts of projects are increasingly monitored since 2019 through an annual monitoring exercise (see Principle 6), and all teams, from operations to support teams, are committed to achieving these objectives.



- Organizational changes have been implemented since 2018 to ensure that Proparco's investment strategy is consistent with its impact objectives and vice versa, notably through the creation and regular reinforcement of the Sustainable Development Department with the same hierarchy level than mainstreamed operational departments to reinforce (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.

³ Our 2020-2022 strategy is detailed in our 2019 Sustainable Development report accessible at www.proparco.fr/en/ressources/sustainable-development-report-2019. The report is available in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2019.

- As a development finance institution and to improve accountability, we evaluate and report on the impact of the operations we finance. An approach to measure the results and impacts of its financing has therefore been developed, using in particular 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. Details regarding our impact objectives and impact results are available in our "2021 Sustainable Development report".⁴

Our key impact indicators



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.

- 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 and 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.
- Strengthening impact monitoring has been strategic work stream for Proparco since 2019. Impact reporting is legally binding through individual contractual documentation while Proparco worked in 2020 on harmonizing and simplifying indicators to be monitored in order to improve the quantity and quality of data collected. In 2021, Proparco managed to monitor the impacts achieved at the end of 2020 by 273 projects signed between 2015 and 2019 (portfolio of EUR 4.9 billion), compared with 214 projects monitored in 2020 (EUR 4.0 billion) and 96 in 2019 (EUR 1.7 billion). 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 (see Principle 6). Annual staff incentive is calculated based on the results of nine indicators, including the collection rate of key impact indicators upon impact monitoring. Regarding impact achievement, there is no financial incentive to date but this may be considered in the future as best practices emerge.

⁴ Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

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.

- 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 & social diligences are conducted alongside financial, legal or risk diligences. The impact rationale for the investment, including Proparco's 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, climate action plans, 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 projects⁵ and mobilizing delegated financing from several sources external to Proparco – notably from the European Commission and the Green Climate Fund – combined with its own instruments according to blending methods. The use of these concessional funds and 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 supporting its clients on building their strategies 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 stakeholders 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.

⁵ PROPULSE, 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. For more details, see <https://www.proparco.fr/en/ressources/propulse-english-version>.

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 are expected to make to local development is central to Proparco's investment approach. During project appraisal, expected developmental, environmental and social impacts of each project are assessed using indicators that are collected through exchanges with clients and project studies. These quantitative indicators include effects on employment, gender equality, access to an essential good or service, tons of CO₂e avoided and amounts mobilized from the private sector for sustainable development investments (see Principle 1) - these indicators draw on DFIs' Harmonised Indicators for Private Sector Operations (HIPSO), the Global Impact Investing Network's Impact Reporting and Investment Standards (IRIS), the 2X Challenge indicators, the Joint Impact Model (JIM) and the Joint Impact Indicators (JII) ; amounts mobilized from the private sector for development are estimated using OECD methodology. The expected contribution of the investment to the SDGs is also systematically taken into account. Proparco's own value creation including its role in ESG risks mitigation or LCB/FT risk management improvements for instance and the identification of potential assistance to support Proparco's clients commitment to innovation and performance and help Proparco's clients generate more positive impacts on development are also addressed during project appraisal.⁶
- AFD Group was one of the first international donors to integrate the fight against climate change into its practices and our Group's Climate & Development Strategy 2017-2022⁷ entails four commitments,⁸ including ensuring a 100% Paris Agreement-compatible activity, i.e. making all of our financing consistent with low-carbon and resilient development and supporting the long-term climate strategies of the countries we operate in. In this regard, since 2018, in addition to the ex-ante impact assessment, an analysis of the potential inconsistency of Proparco's direct financing and investments with the Paris Agreement is thus systematically carried out in order to ensure greater consideration of climate and sustainability issues of the supported projects. To this end, Proparco analyses the risk of misalignment of its direct operations with the Paris Agreement; this risk may be related to a project's high level of GHG emissions, potential structural effects on the country and/or sector under consideration that would not allow it to reach low-carbon and/or resilient trajectories, inconsistency with national or sectoral climate commitments, or crowding out of alternative less emissive options. In 2021, a new step in the implementation of Proparco's "100% Paris Agreement" commitment was taken with the extension of the analysis to intermediated operations (financial institutions and investment funds). Proparco assesses this risk and support its partner banks that are particularly exposed to the main emissive sectors to improve their consideration of climate issues. In this context, Proparco has developed the Pro Climate approach to assess and support climate mainstreaming within its partner financial institutions as well as a corresponding technical assistance facility to support the development of its partner banks' climate financing and the integration of climate issues into their strategies and operations.

⁶ For more details, see <https://www.proparco.fr/en/ressources/propulse-english-version>.

⁷ www.proparco.fr/en/ressources/climate-development-strategy-2017-2022

⁸ (i) ensure a 100% Paris Agreement-compatible activity, (ii) increase the volume of climate finance, (iii) contribute to redirecting finance and investment flows, and (iv) co-build solutions and bring influence to bear on standards.

- Expected positive impacts on the reduction of gender inequalities are also assessed during projects' appraisal phase, in line with Proparco's strategy. Our 2020-2022 strategy aims to strengthen Proparco's action in favour of gender equality, with the objective of reaching 25% of signed amounts qualified to the 2X Challenge⁹ by 2022. Projects are thus evaluated in relation to the 2X Challenge eligibility criteria i.e. in terms of women's entrepreneurship, women's leadership, women's employment, offer of goods and services designed to benefit women specifically, and in terms of criteria devoted to clients or assets for intermediated financing. Results for 2021 are detailed in our "2021 Sustainable Development Report".¹⁰
- Also, as per our 2020-2022 strategy's commitment to contribute to redirecting private financial flows towards sustainable development investments (SDIs), the amounts mobilized from the private sector for SDIs are estimated for each project using OECD's methodology, and total amounts mobilized are reported on an annual basis.¹¹
- In 2021, in order to improve prospective knowledge of impacts by sector and type of operation, the Impact Measurement Unit has continued to develop sector-specific frameworks in close collaboration with the operational divisions, with twelve additional frameworks in 2021. These frameworks are designed to support investment officers at headquarters as well as operational staff in local and regional offices during both identification and appraisal phases so they gain a quicker and more relevant understanding of the potential impacts of projects and are able to identify potential additional impacts through access to blended resources and/or technical assistance. Each framework focuses on a specific sector and details (i) key economic, social and environmental challenges, (ii) Proparco's potential impacts on the value chain, (iii) Proparco's development impact thesis as a theory of change and (iv) most impactful projects in the sector. Inputs are also provided regarding the specificities of the sector in terms of compliance with our « 100% Paris Agreement » commitment, carbon footprint and criteria to qualify the climate action co-benefits of a project.
- The likelihood of achieving the investment's impact, although not measured as such today, is of particular importance and is maximized by Proparco's participation in the governance bodies of equity-funded actors and by Proparco's technical assistance services:
 - Through its participation in governance bodies or via its shareholder rights, Proparco can influence the company's strategic decisions and ensure that the directions taken are in line with ESG best practices and with development impact objectives.
 - PROPULSE, Proparco's technical assistance offer, aims to provide expertise and know-how tailored to our clients' needs in order to generate more positive impacts on development.¹² These projects allow Proparco to closely monitor the achievement of specific actions contributing to some of the strategic impacts, especially related to climate or gender. The monitoring of the results achieved by our projects, reinforced since 2019, demonstrates that the results achieved by our projects are overall in line with our ex-ante estimates (see Principle 6).¹³

⁹ The 2X Challenge is a multi-stakeholder initiative which was launched in 2018 and which aims to support projects that empower women as entrepreneurs, business leaders, employees and consumers of products and services, and increase their participation in the economy. More information at: www.2xchallenge.org/

¹⁰ Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

¹¹ See our Sustainable Development Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

¹² For more details, see <https://www.proparco.fr/en/ressources/propulse-english-version>

¹³ See our 2019, 2020, 2021 Sustainable Development Reports : www.proparco.fr/en/ressources/sustainable-development-report-2019, www.proparco.fr/en/ressources/sustainable-development-report-2020, www.proparco.fr/en/ressources/sustainable-development-report-2021.

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 environmental and social (E&S) approach is based on a risk based methodology with reference to the IFC performance standards,¹⁴ the international labor standards of the International Labor Organization (ILO) and the United Nations Guiding Principles on Business and Human Rights. The approach is harmonised with other European Development Finance Institutions. It involves i) assessing the E&S risks of each project by a robust understanding of the E&S context and the project's characteristics (categorisation); then, ii) ensuring that the project does not include any activity on the AFD Group exclusion List.¹⁵ Where appropriate, the measures planned by clients to manage the E&S risks are compared with international best practices. Then, if necessary, the E&S experts propose to clients additional measures to manage E&S risks and improve E&S performance, if needed through Technical Assistance project. In addition, a systematic pre-screening exercise on resilience of the project to climate change is undertaken.
- Proparco is a member of the Corporate Governance Development Framework. As such, through a risk based approach, Proparco uses several diagnostic and assistance tools to assess and monitor the corporate governance of its equity clients (a pre-analysis rating tool, a matrix to measure the maturity of governance, questionnaires, etc...). Where appropriate, the corporate governance experts develop adequate recommendations in accordance to the Corporate Governance Development Framework guidelines.¹⁶
- Potential negative effects on climate are also assessed during project appraisal through an evaluation of the carbon footprint of direct operations (including induced GHG emissions in the supply and value chains) and operations identified as presenting a risk of misalignment with the Paris Agreement are subject to a specific analysis. This analysis focuses on three aspects in particular: (i) the project must align with the decarbonation and resilience pathway of the country of intervention (or of the sector in the case of impact outrunning the nationwide scale), (ii) the project must not lead to a long-term structural "lock-in" effect (i.e. locking the country of intervention into long-term trajectories of high emissions or insufficient adaptation measures, which would be inconsistent with a decarbonisation or resilience trajectory), and (iii) the project must not create the effect of crowding out investments towards less carbonated or more resilient alternatives. Following this analysis, operations identified as presenting a risk of misalignment with the Paris Agreement are considered to be incompatible with the Paris Agreement, and are therefore "abandoned" at the appraisal stage, often as early as the identification stage.
- Regarding financial climate risks, Proparco together with AFD Group has been working on integrating physical, transition and litigation risks into its risks analysis process. A methodology and operational tools are currently being developed by Proparco to allow for a more systematic assessment of related risks during the appraisal process.
- During the execution of the operation, the teams monitor the implementation of the ESG mitigation measures. This monitoring is crucial to respecting best practices in the long term and improve clients sustainability. It is subject to the calculation of indicators, which are regularly assessed and produced by Proparco's teams. It thereby materializes the development of the ESG performance

¹⁴ <http://www.ifc.org/performancestandards>

¹⁵ List updated end of 2021, effective from end of 2022

¹⁶ This 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/>

and the 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. For unforeseen high ESG risk situations, a specific process is followed notably by the establishment of an “ESG watchlist”. The ESG watchlist aims to closely and adequately monitor the project and accompany the client to find appropriate solutions.

- Since 2019, Proparco joined an Independent Complaints Mechanism where individuals, groups, communities or other parties who believe to be adversely affected by a project financed or planned by Proparco can make a complaint and will be heard by independent experts. The Independent Complaints Mechanism Proparco accessed to is a joint initiative of DEG - Deutsche Investitions und Entwicklungsgesellschaft and FMO - Netherlands Development Finance Company. It serves the following functions with respect to Admissible Complaints:
 - Attempt, whilst acting as a problem solving function, to resolve concerns raised by the Complainant(s) through a consensual process with the Complainant, Client and other relevant stakeholders (as appropriate);
 - Evaluate and report compliance with Proparco policies and other applicable standards;
 - Provide advice and recommendations to Proparco management; and
 - Follow-up and report on efforts to take corrective actions whenever applicable.

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 impacts of 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 were streamlined so they are easier to collect.¹⁷ In 2021, Proparco monitored the impacts achieved at the end of 2020 by 273 projects signed between 2015 and 2019 (portfolio of EUR 4.9 billion) in terms of jobs supported, new or improved access to an essential good or service, gender equality and tons of CO₂e avoided per year.¹⁸ As for the exercises conducted in 2020 and 2019, 2021 monitoring results appear very close to ex-ante forecasts. Detailed results are available in our "2021 Sustainable Development Report".¹⁹
- In 2021 again, Proparco has been very active alongside EDFs and other key partners in contributing to harmonizing approaches to assessing the impact of projects on climate and gender inequality issues. Proparco has also stepped up its activities on the impact investment scene to help establish standards and best practices in the field of impact investment in the context of an unprecedented international dynamic involving the private sector. Since 2021, Proparco is a member of the Advisory Board of the Impact Principles as well as of the Investors' Council of the GIIN (Global Impact Investing Network), which provides a forum for experienced impact investors to strengthen the practices of impact finance market players. In 2021, Proparco also participated, alongside AFD, in the Finance for Tomorrow "Impact Finance" TaskForce to develop an ambitious definition of impact finance and a methodology for measuring impact in order to accelerate equitable and sustainable transformation of the real economy.²⁰
- 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 or 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)²¹ in order to support the client in improving its practices and thus maximize the potential of the project.

¹⁷ 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.

¹⁸ These indicators draw on DFI's Harmonised Indicators for Private Sector Operations (HPSO), the Global Impact Investing Network's Impact Reporting and Investment Standards (IRIS), the 2X Challenge indicators, the Joint Impact Model (JIM) and the Joint Impact Indicators (JII).

¹⁹ Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

²⁰ Impact Finance - Finance for Tomorrow

²¹ 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.

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.

- 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 led 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. As of June 2022, two *ex-post* evaluations are on-going in the fields of financial inclusion and E&S risks management; these evaluations are conducted by AFD in collaboration with Proparco as they include projects from both entities. Proparco plans to disclose these evaluations publicly, in agreement with clients, whatever the results and recommendations, on its website.²² 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.

²² Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

PRINCIPLE 9: PUBLICLY DISCLOSE ALIGNMENT WITH THE IMPACT 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 Impact 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 Impact Principles and will be updated annually. Additional information on Proparco's impact management systems and results can be found in Proparco's "2021 Sustainable Development Report"²³ and other publications on Proparco's and AFD's websites, including AFD Group's "Corporate Social Responsibility Report", "Climate Activity Report", "Climate & Development Strategy 2017-2022" and "Climate-Development 2017-2022 strategy: mid-term review."²⁴
- Independent verifications were conducted in 2020 and 2021;²⁵ next verification will be conducted by June 2023.

Most recent disclosure statement review: June 2021

Next planned disclosure statement review: June 2023

²³ Report available in English at www.proparco.fr/en/ressources/sustainable-development-report-2021 and in French at www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2021

²⁴ These publications are accessible at www.proparco.fr/en/ressources and www.afd.fr/en/ressources

²⁵ <https://www.proparco.fr/en/impact>