

Stichting BRAC International

Annual report 2022

"Small is beautiful but scale is necessary"

Sir Fazle Hasan Abed

Founder of BRAC

Contents

Supervisory Board Report	3
Management Board Report	6
Consolidated financial statements	
Consolidated balance sheet as at 31 December 2022	40
Consolidated statement of income and expenses for the year ended 31 December 2022	41
Consolidated statement of comprehensive income for the year ended 31 December 2022	43
Consolidated statement of changes in reserves for the year ended 31 December 2022	44
Consolidated cash flow statement for the year ended 31 December 2022	45
Notes to the 2022 consolidated financial statements	48
Stand-alone financial statements	
Stand-alone balance sheet as at 31 December 2022	107
Stand-alone statement of income and expenses for the year ended 31 December 2022	108
Notes to the 2022 stand-alone financial statements	109
Other information	120

Supervisory Board Report

The Supervisory Board has an overseeing role at Stichting BRAC International (hereinafter “Foundation”, “SBI” or “BI”), and acts as the employer and advisor for the Management Board. The Supervisory Board upholds the principles of the code of good governance for the Foundation and acts accordingly. The Supervisory Board’s mandate and tasks are laid down in statutes. This report is prepared taking into account the guidance of RJ 405, but as this report is voluntary it does not require to meet all these requirements.

Composition and functioning of the Supervisory Board

The Supervisory Board of SBI is chaired by Ms Irene Zubaida Khan. The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no Board remuneration applicable for the Supervisory Board. As the organisation values women empowerment and diversity, six out of the nine (67%) Supervisory Board members are female.

The list of current Board members is as follows:

	Name	Member	Nationality
1	Ms Irene Zubaida Khan (Appointed on 16 September 2020)	Chair	Bangladeshi
2	Ms Sylvia Borren (Re-appointed on 8 December 2020)	Vice Chair	Dutch
3	Mr Allert Pieter van den Ham (Appointed on 14 September 2022)	Member	Dutch
4	Ms Parveen Mahmud (Re-appointed on 8 December 2020)	Member	Bangladeshi
5	Dr Debapriya Bhattacharya (Re-appointed on 8 December 2020)	Member	Bangladeshi
6	Mr Stephen Frederick Rasmussen (Appointed on 24 June 2021)	Member	American
7	Ms Amira Mosad Elmissiry (Appointed on 24 June 2021)	Member	Zimbabwean
8	Ms Enid Muthoni Ndiga (Appointed on 1 July 2023)	Member	Kenyan
9	Ms Farzana Ahmed (Appointed on 1 July 2023)	Member	Australian and Bangladeshi

The following persons have served as members of the Supervisory Board previously and resigned during 2022 and 2023:

— Ms Marilou van Golstein Brouwers (resigned on 14 June 2022).

— Ms Victoria Sekitoleko (term expired on 28 February 2023).

The Supervisory Board is charged with overall supervision of the policies pursued by the Management Board and approves the strategy, annual report, consolidated financial statements, budget and business plans.

The Supervisory Board members are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In the discharge of its duties, the Supervisory Board is guided by the interests of the Foundation and its associated institutions, and acts as an advisor to the Management Board.

In doing so, the members confirm that:

- the Supervisory Board met four times in duly conveyed meetings during the year;
- they oversee the foundation's finance reporting process and monitor the control environment;
- the Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- they bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

The Supervisory Board in its supervising role

As part of its supervisory role, the Supervisory Board approved the 2022 audited annual report and the 2023 annual plan and budget on 7 August 2023. The findings from the external auditors are discussed with the Supervisory Board and the Audit & Risk Committee during the year.

The Supervisory Board, through the Audit and Risk Committee, monitors and guides sufficiency of measures to be taken for combating fraudulent practices and ensuring legal and regulatory compliance.

The Audit and Risk committee, consisting of three members of the Supervisory Board, provides advice to the Supervisory Board on the annual financial statements, budget and annual report. The committee also monitors the follow-up of points raised by internal and external audits, and recommendations in the auditors' Management Letters. Next to this, the Audit and Risk Committee is responsible for the appointment, oversight and monitoring of the qualification, independence and performance of the Internal Audit department. The Internal Audit department ensures through periodical checks that the organisation is in compliance with all applicable laws and regulations and reports to the Committee its findings.

The Supervisory Board is regularly informed about and consulted on major developments related to the Growth for Impact strategy and especially this year in regard to: the recovery of the operations and financial aspects as a result of the global pandemic, the political and economic environment in Myanmar, and the general macroeconomic environment and its impact on operations.

The other primary functions of the Committee are to assist the Governing Body ('the Board') in fulfilling its oversight responsibilities for:

- The financial reporting and budgeting processes;
- The system of internal controls and risk assessment;
- The compliance with legal and regulatory requirements;

- The qualifications, independence and performance of the external auditors;

The Supervisory Board as an employer and advisor

The Supervisory Board appoints the Management Board and conducts their performance reviews. The Supervisory Board assists the management board by giving advice.

Compensation

Members of the Supervisory Board do not receive compensation for their work. The Foundation only provides an honorarium of USD 200 (two hundred) per meeting to members for attending Board and Board committee meetings.

The Hague, 07 August 2023

On behalf of Stichting BRAC International Supervisory Board

Ms Irene Zubaida Khan

Mr Allert Pieter van den Ham

Ms Sylvia Borren

Dr Debapriya Bhattacharya

Ms Parveen Mahmud

Mr Stephen Frederick Rasmussen

Ms Amira Mosad Elmissiry

Management Board Report

The Management Board of Stichting BRAC International hereby submits the Management Board Report and the financial statements for the year ended 31 December 2022.

General information

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world. Stichting BRAC International is a foundation, organised and existing under the laws of the Netherlands with its registered address at Zuid Hollandlaan 7, 2596 AL, The Hague.

Our identity

BRAC is an award-winning international non-governmental development organisation, with the vision of a world free from all forms of exploitation and discrimination, where everyone has the opportunity to realise their potential. BRAC is a leader in developing and implementing cost-effective, evidence-based programmes to assist poor and disadvantaged communities in low-income countries, including in conflict-prone and post-disaster settings. It is an organisation of and for the people of the Global South, pioneering new development and social enterprise approaches to equip communities to achieve prosperity. As well as being the world's largest NGO by number of staff and people directly reached, BRAC has regularly been ranked the number one NGO in the world by the Geneva-based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector. BRAC retained the top spot in 2021 among the top 500 NGOs for the sixth consecutive year.

BRAC was founded in Bangladesh in 1972 by Sir Fazle Hasan Abed. It started its first programme outside of Bangladesh in Afghanistan in 2002, and has since reached millions of people in 12 countries in Asia and Africa. BRAC has a holistic approach to development that uses a wide array of programmes and social enterprises, including in microfinance, education, health, agriculture, gender and human rights. BRAC believes that every person has inherent potential, and when an enabling environment is created and that potential is unleashed, even the poorest can become agents of positive change in their own lives, for their families and their communities.

Stichting BRAC International runs as a foundation that brings BRAC's various development programmes into one platform across all BRAC entities in Africa and Asia. Institutional expertise and learning from success programmes is deployed in countries to contextualise and replicate interventions. The activities in countries are in the following major thematic areas: Microfinance, Health, Education, Early Childhood Development, Youth Empowerment, Agriculture, Food Security and Livelihoods (AFSL), Humanitarian and Ultra-Poor Graduation. Microfinance programmes running in six out of ten countries are making substantial contributions to financial inclusion, and achieving economic empowerment. As part of its expansion, BRAC Ghana Savings & Loans Ltd. is duly incorporated and in regular contact with the Bank of Ghana to meet all requirements to obtain the license to enable the company to start its microfinance programme. This will be the seventh country in which we will operate.

Our global reach

Stichting BRAC International is based in the Netherlands. However, its reach is far greater, and it creates opportunity for an estimated 130 million people living in poverty in 12 countries spread over two continents. As of 31 December 2022, it operated in seven countries in Africa: Uganda, Tanzania, South Sudan, Liberia, Sierra Leone, Rwanda and Ghana, and four countries in Asia: Afghanistan, Nepal, Myanmar and the Philippines. In 2019, Stichting BRAC International started its Africa Regional office in Kenya and management is in the process of starting microfinance activities in Ghana.

All of the operations in the countries are brought under one umbrella under the Foundation, giving our international programmes greater cohesiveness and efficiency. BRAC UK and BRAC USA are independent affiliates that raise the BRAC profile globally and are engaged in fund raising activities in North America and European Markets.

In each of these countries, the entities are legally registered with relevant authorities in compliance with all applicable legal and regulatory requirements.

Our vision

A world free from all forms of exploitation and discrimination where everyone has the opportunity to realise their potential.

Our mission

To empower people and communities in situations of poverty, illiteracy, disease and social injustice. Our interventions aim to achieve large-scale positive changes through economic and social programmes that enable women and men to realise their potential.

Our values

Innovation

The Foundation has been an innovator in the creation of opportunities for the people in need to lift themselves out of poverty. We value creativity in programme design and strive to display global leadership in ground-breaking development initiatives.

Integrity

The Foundation values transparency and accountability in all our professional work, with clear policies and procedures, while displaying the utmost level of honesty in our financial dealings. The Foundation holds these to be the most essential elements of our work ethic.

Inclusiveness

The Foundation is committed to engaging, supporting and recognising the value of all members of society, regardless of race, religion, gender, nationality, ethnicity, age, physical or mental ability, socioeconomic status and geography.

Effectiveness

The Foundation values efficiency and excellence in all our work, constantly challenging ourselves to perform better, to meet and exceed programme targets, and to improve and deepen the impact of our interventions.

Our goal

Stichting BRAC International aims to contribute to welfare activities to alleviate poverty and improve the lives of the people. In line with the Millennium Development Goals (MDG) and Sustainable Development Goals (SDG), Stichting BRAC International will work to:

- end poverty and hunger through financial inclusion;
- achieve universal primary education;
- promote gender equality and empower women;
- skill development of the adolescents;
- improve reproductive and maternal health;
- ensure environmental sustainability.

The Foundation receives grants and other assistance to the attainment of its goals.

Our commitment towards the SDGs

The Sustainable Development Goals (SDGs), officially known as ‘Transforming our world: The 2030 Agenda for Sustainable Development’ is a set of 17 ‘global goals’, first of which, is ‘No Poverty’. Other notable SDGs are no hunger (#2), quality education (#4), gender equality (#5), clean water and sanitation (#6) and climate action (#13).

The Foundation, by its nature is a socially responsible organisation. The commitment of the organisation is to eradicate poverty from the world through helping the people under poverty by engaging them in economic activities and create sustainable income generation for themselves. In addition to that, we support people who do not have access and affordability to quality education, healthcare and other subsistence needs. We respond to humanitarian and rehabilitation needs in countries around the world. With experience in post-war rehabilitation programmes in Bangladesh in 1972 and Afghanistan in 2002, we went to Sri Lanka after the tsunami in 2004. We also went to Haiti after the 2010 earthquake and Nepal after the 2015 earthquake.

The environment where the legal entities under Stichting BRAC International operate are very often difficult to work in, such as post-Ebola crisis in West Africa, and political conflicts in parts of East Africa and South Asia. However, we are committed to carrying out our mission to develop countries in fragile conditions despite all drawbacks.

The Foundation carries out all of its development programmes mainly from donor grants through its branches and controlled entities in various countries. The micro-finance programmes are run through its 100%-owned subsidiary, BRAC International Holdings B.V. (BIHBV). BIHBV plays the role to manage and consolidate the financial results of the microfinance operations in the six countries. The social enterprise programmes are run through its 100% owned subsidiary, BRAC International Enterprises B.V. (BIEBV) which was incorporated in December 2021. BIEBV plays the role to manage and consolidate the financial results of the social enterprise operations in Uganda and Tanzania.

Governance

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities.

Supervisory Board

Stichting BRAC International has a seven (7) member Supervisory Board. The Supervisory Board Report on page 3-5 outlines the governance role of the Supervisory Board and composition of members.

Management Board

The Management Board is charged with the daily management, the preparation of the budget, the financial statements and the long-term strategic plans. The Supervisory Board has stipulated specific restrictions that require its approval.

The Management Board is appointed by the Supervisory Board and their performance is reviewed annually.

The following persons have served as members of the Management Board in 2022:

Name	Member	Nationality
Mr Shameran Abed (Appointed on 1 March 2021)	Executive Director	British
Ms Rudo Kayombo (Appointed on 16 March 2023)	Director	Zimbabwean
Mr Saif Md Imran Siddique (Appointed on 14 September 2022)	Director	Bangladeshi

The following persons have served as members of the Management Board previously and resigned in 2022:

- Ms Ruth Okowa (resigned on 31 October 2022)
- Mr Syed Abdul Muntakim (resigned on 29 August 2022).

The Foundation is trying to bring in more female participation into its Management Board. The male/female ratio of the Management Board is 67/33 as per the sign-off date of the annual report.

The Management Board meets on a periodic basis. In the discharge of their duties, the Directors are guided by the interests of the organisation and supervise the activities carried out by the subsidiary entities. The Management Board may decide to appoint one or more authorised signatories and to determine their authority and title.

Development Programmes

Education Programme

Active in: Afghanistan, South Sudan, and The Philippines

BRAC's community-based education programming focuses on improving participation, raising awareness on gender equality and child rights, and encouraging ownership by communities. BRAC supports learners returning to mainstream education, when possible, as well as those who have dropped out of school to pursue and complete the cycle of education using a community-based or/and accelerated approach. BRAC elevates access to girls' education by recruiting female teachers, offering classes at convenient times of the day, locating schools close to where girls live and advocating for and engaging communities in the importance of girls' education. BRAC International's main community-based education programmes are in Afghanistan and South Sudan.

In 2022, the education programme was operational in Afghanistan, South Sudan and the Philippines. In the Philippines, Abot Kaalaman sa Pamilyang Bangasamoro (AKAP) project (phase 3) funded by Palladium began. In 2022, the major achievements of the project includes education access to 106 school-less barangays in BARMM with 6899 learners enrolled in kindergarten, grade 1 and grade 2, capacity building 937 Ministry of Basic, Higher and Technical Education (MBHTE) personnel in managing alternative and contextualised learning modalities in school-less barangays through the AKAP learning centres, materials development, and conduction of Learning Action Cell Sessions (LACs) and school-based management at the school level. The project also mobilized and enabled education stakeholders to support education in marginalised communities through Community Education Programme (CEP) and establishment of community learning hubs.

In Afghanistan, the Girls Education Challenge Transition (GEC-T) supported by the Foreign, Commonwealth and Development Office (FCDO) ended. FCDO did not support the project beyond April 2022. The project was supported by BRAC's own funds until June 2022. For the Afghan Girls Education (AGE) project, since August 15th 2021, all classes have suspended by donor due to regime change. Prior to activity suspension, the Monitoring and Evaluation (M&E) department observed 18 CBE classes (9 Community Based Accelerated Learning Schools and 9 Community Based Feeder Schools) in 4 provinces Nangarhar (13), Herat (2), Parwan (2) and Samangan (1). From April to June 2022 (M&E Report Q2 2021), findings show that the students' enrolment ratio for girls and boys is 91% girls and 9% boys in 9 observed CBEFs classes.

In South Sudan, the Community Based Education (CoBE) project funded by Global Affairs Canada registered tremendous achievements. A total of 101 CoBE schools were set-up and fully operational, including both Batch 1 and Batch 2 schools. This surpasses the target of 83 schools. An additional 18 schools/locations were identified that did not need any construction, while at the same time providing CoBE the opportunity to successfully enrol 6,755 students. BRAC SS continued to work closely with the government and other partners. 53% (or 54 out of 101) schools are now registered with the Girl's Education South Sudan (GESS) programme and with Ministry support, qualifying girls, or those twelve and above, are expected to start receiving cash transfers, while schools will start receiving capitation grants from next year.

Early Childhood Development (ECD) Programme

Active in: Tanzania, Uganda and Sierra Leone

In 2022, the ECD programme has been operational in Tanzania, Uganda and Sierra Leone with seven different projects focusing on children's early stimulation and play-based learning, out of which four are multi-country projects. The Empowerment,

Education and Life-skills for Adolescent Girls and Young children (EELAY) project funded by Norad has been implemented in Tanzania and Uganda and completed its second phase (2018 to 2022) in December 2022. The project supported 1,950 children in 65 ECD centres and 1,150 out-of-school secondary girls through Accelerated Learning Process (ALP) centres in Uganda and Tanzania.

The Stepping Up project funded by Lego Foundation implemented Radio Play Labs and Child Help Line in partnership with the government, reaching millions of families during Covid-19 period in Uganda and Tanzania. Under this same project, BRAC started providing technical support in play based ECD to the Ministry of Basic and Senior Secondary Education (MBSSE). A high-level delegate from MBSSE, including the Education Minister, visited BRAC's education and ECD programmes in Bangladesh in October 2022.

The Yidan Prize-funded ECD project constructed and implemented 15 ECD centres in the government primary school premises, reaching 900 children in Tanzania and supporting 25 ECD centres in the government schools in Uganda along with 10 ECD centres in the refugee settlement in Arua, Uganda. Another project began in August 2022 in the refugee settlements in Northern Uganda funded by Hilton Foundation in which the two-generational approach combining ECD and UPG programme will be piloted. The ECD social enterprise model is also being piloted in Dar es Salaam in Tanzania. Tanzania also started the pilot design of the ECD micro-entrepreneurship model in November 2022. Apart from these core projects, ECD programme has started piloting the Gender Transformative Approach for ECD funded by Echidna Giving layered on the Yidan funded play labs in Uganda and Tanzania. Furthermore, to ensure smooth transition from play labs to primary, another project funded by ELMA Philanthropy has been implemented in Uganda.

Youth Empowerment Programme

Active in: Uganda, Tanzania, South Sudan, Liberia, and Philippines

Realising the diverse needs of young people, particularly adolescent girls and young women (AGYW), the youth empowerment programme takes a three-pillared approach to ensure youth are educated, socially and economically empowered as well as their enabling environment is strengthened to support them in reaching their full potential. The programme works toward empowering adolescent girls and young women and their families and engaged adolescent boys and young men as part of the enabling environment. This enables them to fight existing social and economic oppressions by showing the pathways to deal with those obstacles.

BRAC Uganda continued the ELA in Schools project prototype and implemented the BRAC Girls Talk pilot, both funded by Bill & Melinda Gates Foundation. The pilot uses interactive voice response (IVR) for curriculum delivery and BRAC has partners with Viamo (IVR) and Peripheral Vision International (PVI) (content). The UNFPA-funded ELA Plus project has a running MOU with UNFPA and the government of Uganda from 2021 to 2025. The funds received in 2022 were used to sustain 470 ELA clubs. A total of 7,494 adolescent girls were reached through this ELA intervention in 2022. BRAC Uganda continued implementing the GOAL programme in 2022 funded by Standard Chartered Bank through Women Win, reaching a total of 6,021 adolescent girls.

BRAC Tanzania reached 1,803 adolescent girls and young women through the implementation of the GOAL project (started in 2019) funded by the Standard

Chartered Bank in partnership with Women Win for the economic recovery of youth following the COVID-19 pandemic. Through implementation of the Skills for the Future project funded by the Their World, BRAC Tanzania has supported 600 adolescent girls and boys in school to equip them with ICT based skills, knowledge and learning and uses the ELA curriculum to support SRH content in this project.

In South Sudan, through the implementation of the Co-Rise project funded by the European Commission, BRAC reached 3,100 young women and men. CoRise is a community-based education top-up integrating adult learning towards economic, social, and political equity targeting young men and women in Northern Bahr el Ghazal and Eastern Equatoria.

BRAC Liberia continued the implementation of the project Universal Access to Sexual Reproductive Health and Rights funded by UNFPA and reached a total of 171,285 adolescent girls and young women in Grand Gedeh, River Gee, Grand Kru and Sinoe counties.

BRAC Philippines secured funding from the Signify Foundation to implement Youth and Skills in the Philippines with an aim to build the capacity of the marginalised youth, particularly women, as lighting entrepreneurs in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The market assessment was completed in 2022 and this project will be implemented in 2023.

Health Programme

Active in: Afghanistan and Uganda

BRAC Afghanistan had been running four projects in 2022 i.e., the Global Fund-supported Country Coordination Mechanism, UNDP-funded Strengthening and Scaling-up Malaria prevention and Case Management to improve Health Status in Afghanistan, UNOCHA-funded Provision of Life Saving nutrition services in hard-to-reach districts, and the UNDP-funded ABADEI: Integrated Community Resilience and Recovery (ICRAR) to improve access to health services in target communities.

BRAC Uganda had been running seven projects in 2022 i.e. the Intelligent Community Health Information System (iCOHS) funded by UNICEF, the Community Health Information Systems for Village Health Teams (CHI4VHTs) funded by UNCDF, Uganda Sanitation for Health Activity (USHA) supported by Tetra Tech and USAID, Digital Health Solutions, funded by the Global Innovation Fund (GIF) to improve essential health care in Uganda, Enhancing BRAC Community Health Workers (CHWs') Program, supported by Crown Family Philanthropies, Reading Glasses for Improved Livelihoods (RGIL) supported by Vision Spring, and Integrated Community Case Management of Childhood illnesses (iCCM), supported by Living Goods.

Up to 2022, 2,219,666 clients were treated under BI Health programme by community health promoters and mobile health teams. 326,521 clients were referred for treatment through referral in the fixed health facilities by community health promoters. 1,532,465 children were provided with treatment for Malaria, acute respiratory infections (ARI) and diarrhoea. 764,085 children were followed up within 2 days of treatment of Malaria, ARI and diarrhoea. 19,023 pregnant mothers received antenatal care (ANC) services from our health programme. 39,718 babies were delivered by skilled birth attendant,

supported by BRAC programmes (normal delivery, C-sec, home delivery, institution). 59,245 clients received family planning related services.

Agriculture, Food Security and Livelihood (AFSL) Programme

Active in: Liberia, Sierra Leone, Tanzania, Uganda, Afghanistan and Myanmar

The AFSL programme's focus is to increase agricultural productivity and profitability while improving livelihoods through extending sustainable technologies and strengthening market linkages. The AFSL developed the first ever programme level strategy of BI, which ended in 2022.

The AFSL programme worked with Afghanistan county team to develop the multisectoral ABADEI project (funded by UNDP) and supported to develop operational plan, module and implementation.

The AFSL programme has also supported the AIM team to finalise the implementation guideline, module and work plan for livelihood parts.

In Sierra Leone, the AFSL programme is supporting the implementation of a EU/BAFS-funded livestock project targeting 4,140 smallholder livestock farmers to improve food security and reduce poverty and the EU/BAFS cassava project which targeted 2020 general farmers. The cassava project ended in September 2022, and the final report was submitted to the donor in January 2023. BI has given interim financial support to complement both EU projects and will be reimbursed following final payments from donor. In Liberia, the King Philanthropies (KP) project completed its second year, and also completed the research project in partnership with Ghana University. In collaboration with Microfinance, an agri-loan was piloted in last year, and is currently being expanded to seven branches from three branches based on promising results.

AFSL is also supporting the implementation of a project on Coffee Value Chain in Tanzania in partnership with Vi-Agroforestry, with a role to strengthen and build the capacity of AMCOS on organisational development, marketing governance and technical/business skills to enable AMCOS provide services to their members. In Myanmar, BRAC has successfully secured a cost extension funding from World Fish for the support and training of participants on how to nurse fishponds and hatcheries. The BRAC Uganda Seed Enterprise is now fully looking after by Social Enterprise Unit.

Humanitarian Programme

Active in: Uganda, Afghanistan and Philippines

With funding from the Bill and Melinda Gates Foundation, the BI Humanitarian Programme has started the implementation of the Local Emergency Preparedness & Response project in October 2022. The aim of the project is to build the response capacities of community leaders, volunteers, teachers and school students in Uganda and the Philippines.

In Uganda, BRAC was awarded with \$50,000 from the START Network to conduct response activities in anticipation of an Ebola outbreak. The project was implemented in October 2022 and through it, 300 households have received multipurpose cash grants and 10,000 individuals received hygiene information related to Ebola and 100 community health workers and other stakeholders received training on Ebola preparedness.

In Afghanistan, BRAC implemented several humanitarian programmes including in the areas of food security, livelihood and nutrition. BRAC has also responded to Barmal earthquake. Through the UNDP-funded ABADEI Project, BRAC Afghanistan provided support to vulnerable populations across 10 provinces, particularly women and youth, with access to essential services, livelihood opportunities, and more resilient and socially cohesive communities. Project activities included provision of essential health services to affected communities, capacity development of local communities, improving access to markets for the target participants, provision of psychosocial support systems, and establishment of mobile health clinics.

From April to December 2022, BRAC Afghanistan implemented the first phase of a UNHCR-funded Ultra-Poor Graduation project, “Tailoring Reintegration in Afghanistan’s Capital – Kabul”. This phase of the project distributed productive assets (livestock, or inputs for small businesses), provided skill development training, and food intake and consumption stipend, to 400 participants (50% females) in four districts (Paghman, Khak-e-Jabar, Surobi, and Qarabagh) of Kabul Province.

As a response to the Paktika earthquake in 2022, the humanitarian programme responded in four of the most affected villages in Paktika province's Barmal district, assisting 250 households. We distributed emergency food and essential items such as flour, sugar, milk powder, biscuits, tea, beans, oil, and water purification tablets, blankets, cooking pots, jerry cans, hand washing soaps, cloth washing soaps, and soft cotton cloths for females.

Ultra-Poor Graduation (UPG) Programme

Active in: Uganda, Tanzania and Afghanistan

In Uganda, UPG has completed the graduation for Disability Inclusive Graduation (DIG) project in April 2022. BRAC Uganda has also started another Graduation project which is integrated with Early Childhood Development in Northern Uganda refugee camps, Rhino and Imvepi, with a target of 700 participants. The team completed an extensive community assessment, an in-house market assessment and final selection of 1,250 participants.

In Tanzania, with the support of BRAC UK team, UPG has raised USD 1.8 million to implement the disability inclusive programme.

In Afghanistan through the Tailoring Reintegration in Afghanistan’s Capital Kabul (TRACK) project, BI UPG completed asset transfer to 400 participants and started regular coaching and mentoring through home visits. Prior to starting the programme, the Afghanistan team conducted an extensive community assessment to design the project in order to contextualise it to Afghanistan's context. A localised market assessment has been done to identify the potential livelihood options for the participants. The team has also submitted a second phase budget to the same donor to continue the project until the end of 2023 to ensure the expected sustainability. UNHCR is the donor for the TRACK project and expected to fund the next round of the project. The project was not conducting any field visits towards the end of the year as per the decree issued by the Taliban Government on 27th December barring women from working, in response to which BRAC suspended operations in December 2022.

Accelerating Impact for Young Women in Africa (AIM) Program

Active in: Uganda, Tanzania, Rwanda, Sierra Leone, Liberia, Ghana and Kenya

BI has entered into a partnership with Mastercard Foundation to empower adolescent girls and young women (AGYW), between the ages of 12-35, living in poverty in Africa. The Mastercard Foundation and BRAC International Partnership will result in systemic change that creates a positive and measurable impact for 1.2 million adolescent girls and young women and 9.5 million people in Africa by 2027. This is the flagship programme of the foundation across six (6) countries in Africa and a large portion of the human resources are actively engaged in the implementation of this programme.

Through the partnership, BRAC International will build on our proven and scalable social and economic development approaches across seven countries in East and West Africa: Uganda, Tanzania, Rwanda, Sierra Leone, Liberia, Ghana and Kenya. The programme will focus on working with communities to:

- foster the agency and voice of adolescent girls and young women (AGYW) to act on their aspirations,
- enable AGYW to engage in sustainable livelihoods, and
- create an enabling environment for AGYW, including support for AGYW to engage in advocacy.

In 2022, the AIM programme conducted its inception phase activities and at the start of Q3 of 2022 it transitioned to its implementation stage. The main priorities of the inception phase were achieved and based on the findings from the Inception Review by an external evaluator, AIM was found to be, by and large, ready to implement. Under the Microfinance (MF) growth for impact strategy, BRAC Rwanda Microfinance Company became the first to pilot the Core Banking System in June 2022.

Implementation of the AIM programme activities was rolled out in the four countries (Uganda, Tanzania, Sierra Leone and Liberia), with kick-off workshops being conducted in all the countries. All (55) AIM branches have been set up across the four implementing countries. Due to office space, 24 of the offices are independent while the others share with existing offices of MF or other NGO programmes. Household survey was conducted in all four countries to identify eligible participants. A total of 71,488 households were surveyed with 140,921 eligible participants identified.

The programme also developed a financial and digital literacy curriculum to facilitate the digital and financial training at the microfinance groups. The curriculum content was consolidated and contextualised to each individual country. The pilot will commence in FY 2023.

Ultra-Poor Graduation Initiatives (UPGI)

The focus for UPGI in 2022 was to widen and deepen the geographical impact in the targeted countries, in order to successfully advance direct engagements with government clients. By September, we have successfully established a permanent presence via staff and sub-grants to partners. This growth was supported by on boarding, partner organisations, staff and consultancies, who are already knowledgeable and engaged with government stakeholders in these countries.

The UPGI team has transformed from 20+ staff at the end of 2022 mostly based in the U.S., to a team of 30+ in 9 different countries, with our footprint shifting to Africa and Asia. Having achieved the five-country presence by September, we added stretch targets to work towards a presence in a total of eight countries by the end of 2022. As a

result, UPGI will have a permanent presence in three additional countries by the first quarter of 2023.

In addition to the Country Portfolio set up during the year, UPGI continued to identify the most complementary global policy agendas to position Graduation, nurturing relationships with key agencies. These agendas include integrated jobs and social protection agendas within the World Bank and UN systems, increasing focus on climate resilience, and government plans to “graduate” from Least Developed Country status through sustainable development and poverty reduction measures.

Microfinance

Active in: Myanmar, Tanzania, Uganda, Liberia, Sierra Leone, Ghana and Rwanda

In 2022, BRAC celebrated its 50th anniversary with year-long campaigns and two large-scale events in Bangladesh with staff and external stakeholders. Stichting BRAC International organised celebratory events in Rwanda and Tanzania under the theme 'BRAC turns 50: from Bangladesh to the world', which were attended by more than 200 guests consisting of staff, donors, partners, civil society, and government dignitaries.

The organisation's 50th anniversary is a celebration of solutions that are born and proven in the Global South, and the strength and courage of the 100 million people who partner with us to solve some of the world's toughest challenges. The anniversary offered the opportunity to reflect on the last 50 years and reinvigorate BRAC's commitment to take on more ambitious goals and create deeper long-term impacts in the future.

Growth for Impact

In line with the BRAC Global Strategy to reach 250 million people by 2030, BIHBV management developed its Growth for Impact plan for the Company for the period 2020-2024, which was later extended by two years to 2026 due to the emergence of COVID-19. This ambitious agenda for the period endeavours to reach an additional one million people in existing countries and to expand into up to three countries. To tackle the colossal gap in financial inclusion for women, youth, and smallholder farmers, the plan also includes specific youth and agriculture finance strategies.

In order to achieve the mission and the associated social performance and financial targets, management will strengthen and support the maturing of the microfinance entities in six strategic priority areas: responsible inclusive finance, innovative product development, digitisation, talent management, management development and decision-making, and funding. The strategic initiatives undertaken include systematically measuring and reporting on social performance management and client impact, to develop innovative new loan products, digitise operations and channels, develop human resources, and to ensure adequate funding of the entity operations.

To achieve impact at scale and the target of an additional one million people reached, funding is essential. BRAC International Finance B.V. therefore launched 'The Debt Programme' and issued its first round of notes in May 2022 (see 'Funding' section below).

Importantly, the Growth for Impact plan serves as an entry point and platform for integrated programming with sister NGOs in countries where BIHBV currently operates. The Mastercard Foundation Accelerating Impact for Young Women in Partnership with

BRAC (AIM) will equip 1.2 million adolescent girls and young women, with age-appropriate entrepreneurship, employability, and life-skills training, and the tools to start and scale their own businesses leveraging the community outreach of the microfinance programme and targeting the same communities where the programme is present. The five-year AIM programme (2022-2026) applies BRAC's proven model using microfinance, youth empowerment, agriculture, and skills development to improve lives and livelihoods. The AIM programme covers seven African countries: Sierra Leone, Liberia, Uganda, Tanzania, Rwanda, Ghana, and Kenya.

Responsible inclusive finance

As part of being committed to the Client Protection Pathway, which describes the steps that a financial service provider can take to implement the client protection practices necessary to avoid harming clients, all microfinance entities are implementing the Universal Standards for Social and Environment Performance Management (USSEPM), including the Client Protection Standards. The implementation of USSEPM helps entity management to ensure that it creates value for target clients and achieve the mission of empowering them to create economic opportunities for themselves.

Self-assessment social audits have been conducted using the CERISE SPI4 tool in all six operational countries and were verified by a qualified auditor. The audit is a social performance audit tool to help financial service providers to achieve their social mission and is used to identify and track gaps in compliance with the USSEPM. Each entity has action plans, incorporated in their Annual Strategic Plan (ASP) and budget, to close these gaps. The entity management and leadership are accountable for implementing the action plans. Each quarter, the CERISE SPI4 audit tool is updated based on the progress made against the action plans and reported to the entity boards. As of December 2022, the average SPI4 compliance percentage of all six microfinance entities was 83%. Social performance champions in two additional countries were awarded the Internal SPI Auditor Certificate, bringing the total number of certified auditors across BIHBV entities to six.

Environmental Performance

The Universal Standard for Social and Environmental Performance Management (USSEPM) by CERISE and SPTF was revised in 2022 to promote environmental focus as a compulsory dimension among other refinements. This is a comprehensive manual of best practices that BIHBV will continue using in Social and Environmental journey. The new dimension provides the framework for assessing the environmental performance of financial services providers (FSP) and defining action plans to improve it. They offer a clear roadmap which FSPs like BIHBV entities can follow to achieve their social and environmental goals while meeting the clients' needs. From 2023

BIHBV entities will start to report on their environmental performance and put action place to improve them.

In addition to systemic implementation of the USSEPM, a systematic approach towards achievement of tangible long-term impact is rolled-out. To achieve impact effectively in line with the mission, BIHBV has developed a theory of change to guide and drive the activities for all the microfinance entities, and regularly assesses the progress along the five stages of change using internally available data and conducting Lean DataSM impact surveys. The Lean DataSM surveys, conducted by independent third-party, 60 Decibels, evaluate client poverty profiles, client satisfaction, and clients' social outcomes. Since 2019, these impact surveys are being conducted annually among the clients of all institutions to help management define strategies to achieve long term positive impact and track the social impact over time.

In 2022, 60 Decibels launched the world's first microfinance social performance report centred in customer voice. The 60 Decibels Microfinance Index showcased the comparative social performance of 72 microfinance organisations (MFIs), based exclusively on what they heard from 17,956 of their clients. Collectively, these MFIs are serving more than 25 million clients in 41 countries, more than 15% of all microfinance clients globally. BRAC Liberia Microfinance Company Ltd (BLMCL) was the top MFI out of the 72 participating institutes and several of the BIHBV entities made the top 20 list for best performing microfinance institutions

Innovative product development

Having scaled up its early operations largely with the Microfinance (uncollateralised, group loans only for women, herein referred to as MF) and Small Enterprise loans (individual loans to both male and female business owners, herein referred to as SEP) loans, the Company is focusing on expanding its core offering to youth and smallholder farmers. Whereas some products are offered to both men and women, the Company always applies a gender lens in developing its products to ensure that they are tailored for women. Across all product innovation efforts, BIHBV employs a human-centred design (HCD) approach: continuously testing, learning, and refining products and services based on client feedback and practical experiences from the field. Simplicity, scalability, and sustainability are common threads across all product innovation efforts, ensuring that new and existing product offerings not only have a business case but are also able to generate transformative impact in the lives of the populations the Company seeks to serve.

Guided by the 2019 BIHBV Agrifinance Strategy, piloting of client-centric, agrifinance loan products were completed in 2022 in Liberia, Sierra Leone, and Rwanda with promising results. 83% of agrifinance clients interviewed stated that they had never taken loans from any other financial institutions, indicating that the product was catering to a segment critically underserved by formal providers. Over two-thirds of

clients highlighted they were now able to easily access appropriate, affordable financial products, specifically citing the flexible repayment modalities and adapted eligibility criteria as major value drivers.

Digitisation

The objective of the Company's digital transformation strategy is to increase organisational efficiency, enhance customer experience, and reach more clients with appropriate digital financial services. Guided by the digital transformation strategic pillars, BIHBV have embarked on digitalisation of the back office and front office processes (field operations) and are offering alternative delivery channels that enable clients to conveniently access existing products and services.

In 2022, BRAC Tanzania Finance Ltd (BTFL) piloted and scaled mobile loan repayments in 33 branches. In these branches, the MF and SEP clients have the option to use mobile money using their mobile devices to repay their loans. Similarly, in 2022, BRAC Uganda Bank Ltd (BUBL) clients in more than 20 branches were able to conveniently access their loans and savings using mobile push and pull services.

BUBL commenced the first phase of its agent banking pilot and had onboarded 15 agents by December 2022. Customers in Uganda are currently able to deposit (both loan repayments and savings), conduct cash withdrawals, and access account balances through BRAC agents banking pilots.

In 2022, BRAC Liberia Microfinance Company Limited (BLMCL) completed the scaled-up implementation of Digital Field Application (DFA) to all branches. BRAC Rwanda Microfinance Company PLC (BRMCP) successfully rolled out the new Core Banking System (CBS) - Temenos Financial Inclusion Suite.

Talent management and leadership development

The Company and its subsidiaries completed key recruitments in 2022 to strengthen its management functions and leadership team, including a Head of Human Resources in November 2022. New CEOs joined the entity leadership team and a new women CEO was appointed in BTFL, which is the first woman as a CEO of a subsidiary of BIHBV.

BRAC International launched the Women Leaders Programme on the occasion of International Women's Day 2022. The Women Leaders Programme aims to provide substantive opportunities to potential women employees to support their career progression throughout the employee lifecycle and fill mid-management and leadership positions across Country, Regional and Head Office levels. This programme will contribute to creating an inclusive and equitable workplace by embedding processes

which support women's needs, bring a mindset change in recognising the contribution of women and give them the opportunity to perform to their fullest potential.

Country specific microfinance information

East Africa

The number of loans to customers outstanding at the end of Q4 2022 for BRAC Uganda Bank Ltd (BUBL) have reduced compared to Q4 2021 level primarily due to regulatory write-off and a cautious lending strategy focusing on quality. Portfolio at Risk (PAR)>30 has improved significantly from 12.96 in Q4 2021 to 4.44 in Q4 2022. A revised loan ceiling has been implemented to grow the portfolio to achieve the Growth for Impact plan. The sudden outbreak of the Ebola virus at Q4 halted operations in affected districts; however, the situation normalised within three months without a significant effect on loan collections and disbursements.

BRAC Tanzania Finance Ltd (BTFL), the Company's largest microfinance entity, continued its growth trajectory. By the end of 2022, BTFL had 314,640 borrowers (24% increase from 2021) and an outstanding loan portfolio of USD 73.45 million (29% increase from 2021). The process of merging BRAC Zanzibar Finance Ltd (BZFL) with BRAC Tanzania Finance Ltd (BTFL) was formally completed in January 2023.

BRAC Rwanda Microfinance Company PLC (BRMCP) continued its expansion to new branches and reaching more clients. The total number of branches increased from 25 to 35, and clients served from 18,861 to 25,255. Loan disbursements and outstanding loan portfolio increased significantly. A total of USD 7.55 million was disbursed in loans by the end of 2022 compared to USD 4.5 million in 2021.

BRAC International Holdings B.V. Kenya

The Company's branch office in Nairobi, Kenya and staff members based in other locations continued to provide strategic support and technical assistance to the Company's operating entities in line with the Growth for Impact Plan.

A central mandate of BIHBV is to strengthen the development of existing microfinance entities and to support the establishment of new operations. To ensure mission alignment with BIHBV and to bolster quality performance, members of the BIHBV team are responsible for exercising oversight within functional areas of responsibility. The obligation of each entity is to receive such support and adhere to the guidance provided.

West Africa

The client numbers of BRAC Liberia Microfinance Company Ltd (BLMCL) increased by 25% to reach 58,035 borrowers by end of 2022. Disbursements also increased to USD

39.6 million by the end of 2022 compared to USD 28.0 million in 2021. BLMCL opened three new branches in 2022.

The client base of BRAC Microfinance Sierra Leone Ltd (BMSLL) dropped by 4% to 61,657 compared to 2021. Loan disbursements dropped to USD 23.6 million in 2022 from USD 27 million in 2021. Loan outstanding also dropped by 14% to USD 7.78 million. BMSLL opened one new branch in 2022. The decrease in growth is mostly due to inflation, currency devaluation, and the unavailability of new redenominated bank notes in the first few months of the currency redenomination in Sierra Leone, in which the country re-calibrated its currency in July 2022 by removing three zeros from its banknotes. This means that the previous highest denomination of 100,000 Leones is now equivalent to a new note of 100 Leones.

On 28 October 2022, the Bank of Ghana (BoG) granted BRAC Ghana Savings and Loans Ltd (BGSLL) a provisional licence. The BoG gave a set of conditions that had to be satisfied before the issuance of a final licence. By the end of 2022, seven out of the nine conditions were resolved. BGSLL is due to submit its legal constitution, company registration documents, and annual operations plan in March 2023. As part of due diligence, BoG visited BRAC operations in Tanzania and the regional office in Kenya during the week of 19-24 February 2023.

Asia

Myanmar continues to experience political uncertainty and economic turbulence following the military coup of February 2021, the COVID-19 pandemic, and the lockdowns in 2021. The compound effect of these challenges has led to an acute USD liquidity crisis, resulting in exchange market volatility, regulatory inconsistencies, and a weaker domestic economy. The country is currently facing conflict, rising inflation, and sanctions; in October 2022, Myanmar was blacklisted for the second time by the Financial Action Task Force. Due to the liquidity shortage, political situation, and recent regulatory developments, the microfinance sector faces acute operational constraints. This has limited the funds available to BRAC Myanmar Microfinance Company Ltd (BMMCL) to fulfil client demand.

Four states/regions out of 14 are still in conflict (Rakhine State, Kachin State, Kayin State, and Sagaing Region), with fighting ongoing between the ethnic army/People's Defence Force and the Myanmar military. As a result, nine of 85 branches have fallen under Military Law. With staff safety as the prime focus, BMMCL management has guided the teams with security instructions to remain safe while working and moving. While there has been no direct impact in Rakhine and Kachin states, there has been impact in Kayin State and Sagaing Region, which represent around 10% of the entity's total portfolio.

A directive in July 2022 was made by the Myanmar Central Bank instructing all banks to temporarily suspend all types of international loan principal and interest repayments. The directive is still in effect and there is no clarity on the timeline of its validity. This directive has disrupted international funding inflow-outflow and is resulting in loan rescheduling discussions and seeking waivers for any breach in covenants with both international and local lenders. By the end of 2022, the overall number of borrowers had decreased from 144,535 to 123,870 and loan outstanding had decreased by 11% (to USD 29.82 million).

from USD 34.29 million). Positively, the number of savers had increased by 10% (211,453) and total savings mobilised had increased by 9% amounting to USD 1.49 million.

The impact of external risks in Myanmar have been assessed through scenario analyses. Further, the BMMCL board and management, alongside the BIHBV board and management, will continue to monitor and evaluate the evolving situation, assumptions made, and operational trends in line with the scenario analyses.

Social Enterprises

Active in: Uganda, Tanzania and Liberia

Through its portfolio of owned and operated Social Enterprises, BRAC International seeks to unlock the potential that market-led solutions can have in addressing critical development challenges, working in tandem with BI's development programmes and microfinance to support greater scale and impact across the organisation.

In support of this objective, a new social enterprise entity, BRAC International Enterprises B.V. (BIEBV), was operational in 2022 under Stichting BRAC International to act as the holding company for all social enterprises in BRAC International. A dedicated management team was appointed to provide direction and focus in managing BI's social enterprises and scaling the long-term impact of the portfolio. During 2022, the new team focused on working with BI's current social enterprises and supporting their transition from the management of the NGO entities to the new BIEBV entity.

BRAC Social Business Enterprise Uganda Limited (BSBE) was established in 2010 as a not-for-profit venture to produce and distribute quality seeds, planting and stock material to vulnerable communities. In 2014, it transitioned to a for-profit enterprise and expanded its services to field crop seeds research and certified seed processing, packaging, sales, marketing and distribution. In support of its social objective to improve employment opportunities, promote good agronomic behaviours and increase income among vulnerable communities, BSBE works with smallholder farmers as contract growers (about 45% are women and youth) to produce and multiply quality seeds. Seeds purchased from contract growers are then processed and packaged at BSBE's seed processing plant, before distribution through a hybrid network of agro-dealers and other partners. BSBE had a challenging year in 2022 due to continuing recovery from the impact of COVID-19, an Ebola disease outbreak from September 2022-January 2023, and high annual inflation.

BRAC Enterprises Tanzania Limited (BETL) started its journey in July 2020 with funding support from Vitol Foundation and Erol Foundation for a 3-year pilot phase (2020-2023). BETL is currently piloting a new social enterprise model for Early Childhood Development (ECD) to improve the development of 3-5-year-old children in Dar es Salaam, Tanzania. Through this social enterprise, BRAC aims to catalyse the ECD private sector in Tanzania by developing a sustainable business model for the provision of low-cost, high quality and scalable play based ECD. Using a cross-subsidy model to achieve this, BETL is piloting full-day ECD centres targeting middle-income families in Dar es Salaam to subsidize two ECD models targeting low- and low-middle income families: 1) lower-cost full-day ECD centres, and 2) a mobile ECD centre that will provide ECD lessons to existing day-care centres and low-income communities. During 2022, BETL operated 4 ECD centres in Dar es Salaam and plans to launch its first mobile ECD centre later in 2023.

Research and development

The Independent Evaluation and Research Cell (IERC) acts as the research wing of BI, generating research evidence on the relevance and impacts of BI programmes. Budget for research is allocated within BI programmes and the activities are managed centrally from Kampala.

The BRAC ethos is underpinned by a steadfast belief that sustainable impact at scale can be achieved by listening to and learning directly from clients it aims to serve. The BRAC way is starting small, piloting and perfecting the idea with rigorous monitoring and evaluation, and scaling up for impact. As such, this learning agenda is embedded in each of BI's strategic priority areas. Following the principles of human-centred design, clients' needs are prioritised at every stage of the product development and innovation cycle, from initial research and planning, and taking regular feedback from clients to piloting and scaling-up of any new initiative.

Management Board's role in financial matters

On the financial matters, the Foundation plays the role to consolidate the financial results of all microfinance, enterprises and NGO operations. The consolidated financial statements include the financial data of the Foundation, its group companies and other legal entities over which the Foundation has control.

Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account.

Financial information

Highlights

- Grants income (NGO activities) increased by USD 19.4 million to USD 58.3 million (2021: USD 38.9 million).
- Interest income on loans increased by USD 8 million (12%) to USD 77.2 million in 2022 (2021: USD 69.2 million) as the operations are back to normal.
- Operating expenses increased by 29% to USD 112.6 million in 2022 (2021: USD 86.9 million). This increase relates to the increased number of employees due to opening of new branches in Sierra Leone, Liberia, Tanzania and Rwanda and the addition of the Ultra Poor Graduation Initiatives, MasterCard funded AIM program expansion.
- The net result for the year 2022 amounts to a surplus of USD 10.2 million (2021: USD 6.3 million) due to increased and improved business following the release of COVID-19 measures.
- The group reserves amount to USD 115.8 million (2021: USD 113.4 million). The group reserves/total assets ratio was 29.7% (2021: 33.2%).
- Total assets increased by USD 48.5 million to USD 390.4 million in 2022 (2021: USD 341.9 million) driven by the portfolio growth in microfinance entities and in the expansion of the donor projects in the NGOs including Ultra Poor Graduation Initiative (UPGI) and AIM Programme.

- Loans to customers increased by 5% to USD 168.9 million in 2022 (2021: USD 160.5 million).
- Impairment loss reserve decreased from USD 13.8 million in 2021 to USD 10.5 million in 2022 as management took a reasonable amount of provision mainly due to the recovery from continued effects of COVID-19 impact, and the political situation in Myanmar, determined based on a consistently applied methodology.
- Cash and cash equivalents increased by 21% to USD 199 million in 2022 (2021: USD 164.4 million). Cash movement of the Foundation has been disclosed in the cash flow statement. The major driver of changes in cash flow is the inclusion of the debt program through BRAC International Finance B.V., UPGI and Mastercard funded Accelerating Impact for Young Women (AIM) programme in the NGO operations.
- Current liabilities increased from USD 188.3 million in 2021 to USD 192.7 million in 2022, which is a result of the utilisation of donor funds and a slight decrease in the voluntary deposits.

The net result for the period and the state of the entity's affairs are shown in the attached financial statements. These will be available for the goals of the Foundation and of its underlying entities.

The reserves are split into General reserves and Legal reserves. The distribution of Legal reserves is restricted for specific countries. This is further highlighted in the notes of the financial statement. The general reserves are sufficient to achieve the goals of the Foundation and ensure the going concern of the entity.

Solvency ratio

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2022 is 4.8 (2021: 3.9) due to the higher profit reported in BIHBV as a result of full recovery of the service charge in 2022 following resumption of post COVID recovery programme activities.

Quick (liquidity) ratio

The quick ratio [(current assets - inventories) / current liabilities] of the Foundation is 1.92 (2021: 1.72). It shows that the Foundation has sufficient strength to manage its liabilities. The quick ratio increased in 2022 due to the increase in loans and advances to customers and Cash and cash equivalents following the inclusion of new debt funding through BRAC International Finance B.V. (BIFBV). With regards to the developed funding strategy of BRAC International Finance B.V., the first contracts were entered into with investors Proparco and Global Partners in April 2022. In May 2022 the first funding was closed for an amount of USD 40.7 million and 26.8 million was drawn per 31 December 2022.

Financing of programmes

The financing of the programmes under Stichting BRAC International in all of the countries is managed by two basic sources: i) microfinance programmes and ii) donor grants.

The financing of the microfinance operations is coming from mixed sources. At the country level, microfinance income is our largest source, external debt being second. BRAC International Holdings B.V. has finalised its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries. It strives to achieve optimum capital structure in both group and subsidiary level in coming years. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure smooth operation.

The Debt Programme, managed by BRAC International Finance B.V. is expected to play a key role in mobilising external funding for the Company's microfinance institutions. The Company has finalised its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries.

This strategy shows a total funding need of approximately USD 349 million (mix of sources: local, from debt programme and via bilateral engagements with international investors) between 2022 and 2026, which relates partly to the refinancing of the current outstanding loans of approximately USD 60 million, but largely to finance the Growth for Impact strategy. It strives to achieve optimum capital structure in both group and subsidiary level in the coming years.

In 2022, USD 26.8 million have been raised from series 1 and have been invested in four BIHBV entities. In 2023, approximately USD 14 million will be secured through series 1 of the debt programme to support BIHBV entities' funding needs.

Keeping the future fundraising goal in mind, periodic investor engagement events and regular communications are being conducted to create a pool of supportive and interested investors who are likely to participate in the upcoming series.

Donor grants are mainly used to implement development programmes in thematic areas. Apart from the Foundation itself, the affiliates, BRAC USA and BRAC UK, are also helping the foundation to secure donor funding. Sufficient funds are obtained in 2023 to continue the development programmes.

In addition, the Foundation is partnering with reputable local and international organisations as part of the local requirements and thus attracting additional capital.

Human resource, internal organisation and staff

The Foundation is investing on the recruitment and retention of quality staff. Training programmes were conducted throughout the year for capacity building in the organisation. The number of employees is 7,898 (2021: 6,940), Female 78% (2021: 79%). For 2023 management expects growth in the human resource capability to support the implementation of Mastercard funded AIM programme. Out of the 7,898 employees, 33 employees are working for the Netherlands office.

Code of Conduct

Stichting BRAC International follows a set of codes of conduct to operate in a multi-cultural environment. The Human Resources department of the organisation is the custodian of the codes of conduct and is responsible for overall supervision, implementation and practice across the organisation.

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and safeguarding policy in

the organisation. The 'whistle blower' policy is in place and HR takes actions, together with management, as and when required.

Significant risks and uncertainties

Risks and uncertainties are an integral part of operation for any kind of organisation. For the foundation, significant risks and uncertainties mainly involves around instability and uncertainties in the countries where we operate in. The Foundation is taking necessary measures to handle this on a continuous basis, based on a risk management framework. The general policy is to mitigate and avoid risks. No activities with respect to trading and/or speculation are executed.

Stichting BRAC International (SBI), including BIHBV, has a risk management framework that works as a strategic management tool to generate value across the organisation as an integral part of good management practice and corporate governance. According to the BI Risk Management Policy and Framework, the risk governance structure comprises of 3 (three) significant stakeholders – Audit and Risk Committee of the Supervisory Board, Senior Management Team at the BI and BIHBV head office and Group Internal Audit Function. BI Risk Management team, reportable to the Director Finance of BI, closely works with the management teams of all subsidiary entities under SBI and BIHBV and reports to the Senior Management and Board Sub-Committee and seeks necessary endorsements on a periodic basis.

The Risk Management Committee at the management level reviews the risk management update on a quarterly basis and make necessary changes in the risk components and risk ratings as necessary. The risk management reports are presented to the Audit and Risk Committee of SBI as well as the Supervisory Board as appropriate.

The risk register at the country level is updated on a quarterly basis with the help of risk management focals at the country level, and the country management teams actively work on the risk register and take the necessary measures of the mitigation plans. The country management teams also periodically review and update on the status of the mitigation measure.

In the SBI Risk management framework, there are 7 (seven) categories of risks. Major risks on each category are reported along with the mitigation approach. The risks at SBI is reported on a 5x5 matrix, where the risks are plotted according to its likelihood and severity.

The SBI risk management framework comprises of seven risk categories – 1) Strategic, 2) Financial, 3) Operational, 4) Legal and Compliance, 5) Safeguarding, 6) Environmental and 7) Information Technology.

As on reporting date, BIHBV management is considering Myanmar, which has faced significant political upheavals that are now impacting the ability to make payments to foreign entities from the country, as a major risk area of concern. The management team is closely monitoring the situation. The directors have assessed the organisation's (BRAC Myanmar Microfinance Ltd Co) ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

Strategic risks

The strategic risks are mainly identified from the organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure, loss of

secured funding from lending institutions and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the program teams of the countries and head office and affiliates.

Operational risks

Operational risks are mainly identified from day-to-day operations, such as human resource management, functional relationship with local governments and adoption of local cultures. Operational risks are mitigated through communication, visits and following up from head office as well as local country offices on a regular basis. In addition to that the country monitoring team provides quarterly reports to the group monitoring head which is reviewed and discussed in the management team.

Legal and Compliance, Safeguarding, Environmental and Information Technology

The risks associated with the external environment are beyond the Company's control. These types of risks, such as impact of climate change, natural and man-made disasters, and sudden changes in governmental or legal regulations or regulatory requirements are mostly having precautionary measures as risk mitigation and are mostly based on learnings from previous experience. Maintaining good relationships and rapport building with government agencies and lending institutions are most common mitigation activities.

The Stichting BRAC International AML/ CFT policy has been in place since 2022. BMMCL also has its own separate AML/ CFT policy which is implemented in the country and follows the same standards as the SBI AML/CFT Policy. Screening, review, and escalation of sanctioned entities has been conducted as a pilot throughout the organisation in 2022. Lessons learned from this pilot have been used to draft the Sanctions Screening Standard Operating Procedure (SOP).

As a result of monitoring, AGD bank (a lender with whom BMMCL has been in a local currency loan agreement since April 2020) was identified as added on the OFAC SDN sanctions list in March 2022. To remain compliant with their repayment obligations under the loan agreement and also as BMMCL is not obliged to follow the US sanctions regime, BMMCL continued interest payments in local currency in accordance with the loan agreement: 700,002,000 Kyat was paid in interest in 2022 (equivalent to USD 333,334). Additional checks were undertaken and external advice sought to ensure that appropriate steps are taken to mitigate risk and arrive at an acceptable level of risk as deemed by the management of the Company.

The impact of external risks in Myanmar have been assessed through scenario analyses. Further, BMMCL board and management, alongside BIHBV board and management, will continue to monitor and evaluate the evolving situation, assumptions made, and operational trends in line with the scenario analyses.

As part of its commitment to building a safeguarding culture and aligned with BRAC's vision of a world free from discrimination and exploitation, BRAC adheres to six safeguarding standards around Safe Programming; Partnering, People Practices, Reporting, Risk Management and Governance. To achieve these, the Company with SBI has developed a comprehensive Safeguarding policy and a set of sub-policies concerning the safeguarding of specific groups in specific programmes.

Information technology risks related to technological disruption, data privacy, supplier and vendor management is being mitigated via business continuity management plans for disasters, project management capacity enhancement in IT function through ongoing and continuous training, including project management training, and ongoing implementation of market-leading software with state-of-the-art security features and well-defined third-party service contract and licence clauses.

Financial risk

The financial risk management policy seeks to identify, appraise and monitor the risks identified by the foundation, whilst taking specific measures to manage its interest rate, market, foreign exchange, liquidity and credit risks. The organisation does not engage in speculative transactions or take speculative positions, and were affected by adverse movements, has sought the grant assistance of donors.

Credit risk

Credit risk arises principally from the loans and receivables, financial fixed assets, trade and other receivables and cash. The credit risk is spread over a large number of counterparties (banks, customers and other third parties). Management has an internal process to review and monitor these counterparties upfront in order to mitigate the credit risk.

The Foundation records and maintains accurate information with regard to the identity of its customers during the operation of their accounts. The foundation shall strictly avoid the opening of any anonymous account (defined below). The KYC programme of the foundation shall keep to their record the following information with respect to its Customers:

- Identification and verification of Customer and beneficial owner.
- Nature of Customer business.
- Authenticity of the identity documents provided by Customer.
- Legal documents relating to the business (where applicable).
- Sources of funds/income.

Currency risk

The Foundation is exposed to currency risk denominated in a currency other than the respective functional currencies of micro finance and NGO entities. The functional currencies in the subsidiaries are their respective local currency and at group level, the US dollar (USD) is the functional and presentation currency. As a general rule, the Microfinance and NGO entities gives preference to obtaining local funding (both for borrowings and donor funds) to minimise any currency risk. Additionally, the subsidiaries strive to match foreign currency payables and receivables in such manner that the currency risk is minimised, if not mitigated. In case of high-inflation economies aligning receivables and payables is extremely difficult and management seeks to access local currency funding as much as possible. Subsidiaries are obliged to mitigate against currency risk for debt secured through BRAC International Finance B.V. through any effective means available to them. To date, the subsidiaries have used FX

forward and cross-currency swap contracts, as well as back-to-back/parallel loan structures with local banks. .

Year-end closing exchange rate by Country, Local Currency / USD is given below:

Country	2022	2021	Currency depreciation / (appreciation)
Uganda (UGX)	3,713.63	3,544.30	5%
Tanzania (TZS)	2,352.00	2,308.00	2%
Zanzibar (TZS)	2,352.00	2,308.00	2%
Rwanda (RWF)	1,070.71	1,009.62	6%
Sierra Leone (SLL)	18.84	11.26	67%
Liberia (LRD)	152.97	142.43	7%
Ghana (GHS)	8.58	6.01	43%
Myanmar (Kyat)	2,100.00	1,778.00	18%
South Sudan (USD)	668.67	432.05	55%
Afghanistan (AFN)	89.14	103.73	-14%
Nepal (NPR)	132.36	119.06	11%
Philippines (PESO)	56.12	50.77	11%
Kenya (KES)	124.13	112.84	10%
The Netherlands (EUR)	0.94	0.88	7%

Interest rate risk and cash flow risk

The Foundation's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members and the voluntary savings deposits, which provides greater certainty about cash flows. In a number of cases, the foundation is able to prepay its borrowings, which mitigates against the risk of falling interest rates. The Foundation holds fixed deposits, but these are relatively short-term and can be requested upon demand. The foundation does not engage in speculative transactions or take speculative positions on interest rates.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall responsibility for management of market risks rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Mitigation measures include, for instance, limits on open foreign currency positions, ensuring loans are secured from lenders at prevailing market prices and monitoring the pricing of loans extended to borrowers for competitiveness relative to the wider market.

Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timely and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institution facilities.

The Foundation manages its debt maturity profile, operation cash flows and the availability of funding to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the organisation maintains sufficient level of cash or fixed deposits to meet its working capital requirements in addition to sufficient arrangements of financing facilities from banks and financial institutions. The management team members also review the periodic cash flow forecast and overall liquidity needs to ensure adequate financing of the operations.

Fraud Risk Analysis and Non-compliance

The Foundation's management takes appropriate actions against identified fraud through an Investigation Review Committee (IRC). Fraud risk and non-compliance are evaluated through effective review by Internal Audit Teams and Monitoring and Evaluation teams to ensure staff compliance with the foundation's policies, including the code of conduct, and whistle-blower policy as outlined in Human Resources Policies and Procedures (HRPP).

The Company is also implementing an SOP to monitor and screen for AML/CFT breaches in relation to its AML/CFT Policy. Each subsidiary has its own separate AML/CFT Policy, which is implemented in the country and follows the same standards and SOP as the SBI AML/CFT Policy (see under Legal and Compliance above).

Financial reporting risks

Risks related to false reporting to donors or lenders of the Foundation, lack of sound financial policy, systems and processes are being mitigated through multi-layered internal control systems, that makes the monitoring process stronger.

Financial ratios and loan covenants are monitored monthly and management takes measures in case of suspected non-compliance to avoid any breaches. Proactive communication will be maintained with lenders and measures to be taken will depend on the covenant that is in breach.

The Internal Audit department conducts audits on a sample basis using risk-based approach. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

The Internal Audit function regularly monitors the control check points. The in-country Internal Audit team carries out audit at a branch level throughout the year while the Internal Audit team at the head office performs a country-office audit annually. The Management team is updated with the audit findings and recommendations on a monthly basis. The Internal Audit team at the head office reports to the Finance, Audit and Risk Committee, thus maintaining full independence from the Management.

The in-country Internal Audit team carries out audits at a branch level throughout the year while the Internal Audit team at the head office performs a country-office audit annually; in addition to financial risk, the Internal Audit team also audits control compliance to address strategic and operational risks. The Management team is updated with the audit findings and recommendations on a monthly basis. The Internal Audit team at the head office reports to the Finance, Audit and Risk Committee, maintaining full independence from the Management.

External audit of the Foundation and all of its subsidiaries are undertaken annually. For the consolidated financial statements of Stichting BRAC International Dutch Accounting Standard 640 of Dutch GAAP is applied. The subsidiaries submit additional Group Reporting Pack following the Dutch GAAP to support the consolidation process.

Outlook for 2023

Development Programmes

2023 marks the 51st anniversary of BRAC as an organisation. Throughout the year, the operating entities will celebrate this milestone with their clients, staff and key stakeholders and renewing their commitment towards BRAC's mission.

Looking forward to 2023, the Foundation will mainly focus on delivering AIM programme along with continue its operation on the core programmes such as Education, Health, Agriculture, Food Security and Livelihoods (AFSL), Early Childhood Development, and Youth Empowerment. It will also try to expand its Graduation programme (Ultra-Poor Graduation) to more countries where BRAC International is active. Following the first cohort's completion, a second cohort will be launched in 2023. In order to complete several crucial program development tasks, such as finalising the programme delivery and operations plan and organising and carrying programme participants selection through survey, the cross-functional working groups of the AIM programme have grown stronger. This year will see the release of the thorough Monitoring Evaluation Research and Learning (MERL) online system that was developed via collaboration between the monitoring and research departments of BRAC International. Throughout the upcoming year, there will be engagements with programme participants about social empowerment and livelihood training, start-up for participants, baseline studies, impact evaluations, and other advocacy-related works. An A/B test (also known as split testing) will be conducted to evaluate the effectiveness of the entire programme. Another research will be done to evaluate the market's linkage to support the AIM programme's participants. By utilising tried-and-true, scalable, and economic interventions, BI will continue implementing the AIM programme in a way that meets the multifaceted, regionally specific requirements of adolescent girls and young women living in poverty and their communities. This agreement offers BI a catalytic organisational opportunity in addition to the revolutionary effect we will have on those 1.2 million girls and their families throughout the program period. In 2023 we target 150,000 program participants will graduate. To accomplish this, we have outlined a set of business goals, including building the necessary support systems (including those in finance, grant management, communications, human resources, safeguarding, and gender) and strengthening country and regional level capacity. These goals will help us not only carry out the AIM

programme's objectives but also more effectively produce impact at scale in BI countries outside of it.

Looking forward to 2023, BRAC International's Education Programme priorities include the formal development of a responsive education strategy aligned to global development priorities of re-enrolling children in community based and education in emergencies programming, with a focus on girls, while integrating psycho-social support as a component of community-based programming.

In Afghanistan, BRAC is re-evaluating the opportunity to continue the provision of community-based education through the support of GAC. BRAC Afghanistan currently has committed projects up to Mar-2024. BRAC Afghanistan is working on proposal submission to UNDP on the humanitarian programme support amounting to USD 10 million approximately. In South Sudan, the CoBE project, funded by Global Affairs Canada will conclude in March 2023, with BI poised to build from critical support to the Alternative Education Systems' recognition of Community Girls Schools as promising practice for re-enrolling out of school children.

BRAC International Education programme will also focus on fundraising to continue and scale-up the existing high-quality proven models in the current and new contexts in partnership with GRP and affiliates. Building staff capacity for high quality implementation is also another priority for Education programme in 2023.

BRAC's Early Childhood Development (ECD) programming including Play Labs, Humanitarian Play Labs (HPL) and Radio Play Labs/Helplines are an investment in human development towards breaking intergenerational cycles of poverty. In 2023, BRAC International will focus on implementing the Global ECD Strategy, which builds on BRAC's play-based approach to ECD, delivered through the Play Lab model and its iterations. BRAC aims to enable 10 million children from 0 to 8 and their caregivers to participate in quality play-based learning by 2030. In addition to continued support for the MBSSE in ECD in Sierra Leone, BRAC will continue focusing on scaling the HPL model in the refugee camps of Arua in Uganda, and generate evidence on intergenerational and inter-programmatic convergence combining ECD and Ultra-poor Graduation programmes in 2023. In addition, another big focus will be to develop a new model of ECD microentrepreneurs under the AIM project to create services for quality childcare facilities at the community level for young mothers, as well as to build capacity of young women as skills childcare service providers. BRAC International ECD programme also needs to prioritise fundraising to scale up the existing high-quality proven models in the current and new contexts in partnership with GRP and affiliates. Building staff capacity for high quality implementation is also another priority for ECD programme in 2023.

During 2023, the Youth Empowerment Program will launch the Adolescent and Youth Empowerment Strategy with country teams, GRP and affiliates with the aim of increased resource mobilisation and expansion of youth programmes and multi-dimensional programmes with a focus on youth across BI countries. The strategy focuses on growth in direct delivery of the Empowerment and Livelihood for Adolescents (ELA) model and partnerships to deliver the ELA model and/or adaptations of this model.

In 2023, BRAC International Health programme will focus on to mobilise and work with community health workers and other frontline health staff to provide essential life-saving primary healthcare services in Uganda and Afghanistan. The Health Programme will work:

- To further strengthen referral systems and improve facility-based care in collaboration with Ministry of Health services and other stakeholders in Uganda and Afghanistan.
- To ensure access to safe water supply, sanitation, hygiene promotion and awareness for poor and extremely poor households in Uganda and Afghanistan.
- To actively engage in health coordination forums and technical working groups to improve essential life-saving primary healthcare services in Uganda and Afghanistan.
- Consolidate and expand to other new geographical regions in both Uganda and Afghanistan
- Start new Health interventions in South Sudan, Liberia, Tanzania, and Sierra Leone.
- Continue to explore and pursue consortium programming with other like-minded organisations in Uganda, Liberia, South Sudan, Sierra Leone and Tanzania.
- Development of BRAC International Health strategy.

The Agriculture, Food Security and Livelihoods team will update the programme strategy for 2023-2025. The AFSL team will support the AIM team to implement the livelihood related activities which will start in 2023. We have won a new project in Liberia from USAID (RTI is the lead) of USD 2.2 million and are waiting for the contract signing to be completed. The King Philanthropy project ended in 2022, and the foundation is planning for its third phase. The EU Livestock project in Sierra Leone will end this year. BI provided financial support to complete the EU projects and Sierra Leone will reimburse the money after getting it from the donor. As per verbal commitment from World Fish, we will get another one-year extension of the project. Discussion is going on with Light Foundation for multisectoral programming for Liberia, Sierra Leone and South Sudan.

In 2023, the Humanitarian programme will continue to focus on delivering the (Local Emergency Preparedness and Response) LEPR project in Uganda and the Philippines, as well as attempting to secure additional funding from the START network and other donors. The humanitarian program's work will also continue in Afghanistan, which is a priority country for the programme. BRAC Afghanistan will continue its work under the UNHCR-funded project into its second phase in 2023.

In 2023, Ultra Poor Graduation programme will continue implementation work in the current countries with continued effort to ensure quality implementation of the components and build strong country capacity on implementing graduation. Apart from these, the team aims to focus on expanding the programme in other BI countries by scaling through direct implementation while adapting for vulnerable segments of populations through unique components such as disability inclusion, climate adaptation among others as per the contextual demands. BI UPG will also emphasise on integrated programming through converging with the other BRAC programmes such as Agriculture, Food Security & Livelihood, Youth Empowerment Programme, Health, etc., besides engaging closely with UPGI and UPGP Bangladesh to maximise knowledge sharing among the existing graduation entities within the organisation.

The goal of Ultra Poor Graduation Initiative (UPGI) in 2023 is to structure itself to be proactive, learn and adapt to enabling the greatest opportunities for governments to develop large-scale Graduation programs that reach people in extreme poverty. UPGI will accelerate towards the majority of its budget and focus being on country-level uptake. The plan is to have each country team complete their scale strategies, bringing forth

compelling ideas or “big bets” for UPGI to invest in, for example specific joint programmes with state or federal government departments. UPGI will leverage the appetite and opportunity for Government peer to peer learning this can be a powerful catalyst for graduation uptake and learning on how to scale the approach within their own systems. At the same time, UPGI will evaluate options for further countries to be added to UPGI’s portfolio subject to how well they can demonstrate government commitment and likelihood to scale the approach.

BRAC Enterprises Liberia Limited (BELL) Poultry Hatchery and Feed Mill (BRAC Poultry Enterprise) was established in 2013 as the country’s first and only commercial producer of high-quality day-old chicks (DOCs) and poultry feed. In 2023, it was registered as a separate for-profit company in Liberia and now operates under the umbrella of BRAC International Enterprises B.V.

BRAC Poultry Enterprise produces high quality day-old-chicks (DOCs) with improved capacity for egg production relative to local breeds. Leveraging a network of agro-vets and Community Agriculture and Livestock Promoters, these DOCs are sold to small poultry farmers and commercial layer farms. BRAC Poultry Enterprise also works with BRAC’s NGO in Liberia to enhance nutrition outcomes and income generating activities for local communities in Liberia by providing DOCs and feed as part of an input package for smallholder farmers serving as “Chick Rearing Units” (CRUs). The CRUs raise the DOCs until they are about 6 weeks of age, and then sell the pullets in local markets or directly to other smallholder farmers.

Similar to BI’s agriculture enterprise in Uganda, BELL had a challenging year in 2022 due to continuing recovery from the impact of COVID-19 and high annual inflation. While revenue increased by approximately 29% relative to 2021, a loss of USD 93,688 was reported in 2022 due to an increase in production and other operating costs. In 2023, a new management team is being recruited for BELL to improve the viability of the business as it transitions to a commercially managed social enterprise for the first time.

Microfinance Business operations

Despite the effects of the Russian war in Ukraine, high inflation, social and political unrest, the global microfinance portfolio has grown in 2022. The BIHBV annual Lean Data impact surveys and the 60 Decibels Microfinance Index showed that the Company has been able to add value to the lives of clients and their families, and create impact at scale.

The Company’s theme for 2023 is ‘Realising the Potential of People to Achieve Impact at Scale’. The theme signifies a dual purpose - BIHBV’s role as a catalyst to develop human potential and the Company’s commitment on building a value driven culture and to foster connectedness with staff members.

Responsible inclusive finance

The Company will continue to strengthen and support its microfinance institutions to provide responsible, client-centric, inclusive financial solutions. The entities will

continue to close gaps identified in their audits, and documented in the Action Plans, to increase compliance with the USSEPM and CPPs and to achieve the targets set out in their Annual Strategic Plans. The annual client impact survey assessments will be completed in six entities, to continue to help management to track the social impact over time and provide valuable feedback to further refine and ensure client centric offerings and operations. BIHBV entities will continue to be part of the 60 Decibels Microfinance index.

In 2023, three BIHBV will roll out a Financial and Digital Literacy Training programme to enhance financial awareness and resilience for its clients across five countries in Africa. This activity is supported by the AIM partnership. BMMCL had already rolled out financial literacy training in 2022.

Environmental Performance

In 2022, the latest version of the Universal Standards was released, which now include a mandatory seventh dimension on environmental performance management. The new dimension requires a financial institution to report on the following practices- a) put in place an environmental strategy and systems to implement it; b) identify and manage its environmental risks and opportunities and; c) offer financial and non-financial products and services to achieve its environmental goals.

In early 2023 Cerise + SPTF launched a new version of SPI Online that offers free-to-use resources and assessment tools aligned with the most updated version of the USSEPM. All BIHBV entities are preparing to use the new tool for its regular audit and reporting on social and environmental performance.

Innovative product development

The Agrifinance pilots, started in 2021 in Liberia, Sierra Leone and Rwanda revealed insights that credit alone is insufficient in making improvements in the yields - and lives - of smallholder farmers, indicating the necessity for add-ons and bundled services (both financial and non-financial).

Leveraging these learnings, the second edition of the Agrifinance Strategy (2023-2027, forthcoming) provides greater guidance to BIHBV entities around add-ons and bundling, approaches for risk management for clients and the organisation, fundraising

and partnership-building required for ensuring scale, and metrics for measuring impact. Each entity will create its own roadmap to scale agrifinance and value-added services.

In 2023, the Company's entities in Africa will also take a deeper look at improving its products and services for the youth (particularly young women) segment in collaboration with the AIM programme.

Digitisation and IT

In 2023, BHIBV entities in East Africa particularly, BUBL and BTFL will increase convenient access to loans and savings by scaling the alternative delivery channels to additional branches. The entities will also use learnings and customer feedback to grow the uptake and usage of these channels among target clients. The entities will strengthen the capacity of clients to use these channels and will develop, test and refine digital financial literacy for clients.

Given the institutional and client- level benefits of digitalisation of the front-end processes, BHIBV entities whose front-end operations are mainly paper-based, will pilot Digital Field Application (DFA) in 2023. In 2023, BGSL is expected to be the first BHIBV microfinance institution to launch its operations with all core digital solutions: CBS - Temenos Financial Inclusion Suite, Digital Field Application and Mobile Banking. All Company entities in Africa aim to implement DFA by the end of 2024.

Funding

The Debt Programme, managed by BRAC International Finance B.V. is expected to play a key role in mobilising external funding for the Company's microfinance institutions. The Company has finalised its five-year microfinance funding strategy which includes refinancing, financing for growth and new countries.

This strategy shows a total funding need of approximately USD 349 million (mix of sources: local, from debt programme and via bilateral engagements with international investors) between 2022 and 2026, which relates partly to the refinancing of the current outstanding loans of approximately USD 60 million, but largely to finance the Growth

for Impact strategy. It strives to achieve optimum capital structure in both group and subsidiary level in the coming years.

In 2022, USD 26.8 million have been raised from series 1 and have been invested in four BIHBV entities. In 2023, approximately USD 14 million will be secured through series 1 of the debt programme to support BIHBV entities' funding needs.

Talent management and leadership development

In line with the Company's theme for 2023, 'Realising the Potential of People to Achieve Impact at Scale', the new salary framework for frontline staff will come into effect based on the outcomes of the salary survey conducted in 2022; salaries are expected to increase by USD 10 million in 2023. The Company's talent management strategy will support the growth of existing talent's skills and capacities and bring in new skill sets that will support the achievement of the strategic priority areas.

The Company has an active Management Board supported by dedicated operational staff. The day-to-day management on the entity level is entrusted to the country CEO, who is assisted by the heads of divisions, departments and units.

The Company is investing on a continuous basis in the quality of their staff. The total number of employees increased in 2022 to 5,977 (2021: 5,661) and is in line with the goal to allocate jobs to the relevant programme; staff numbers are estimated to grow by approximately 600 in 2023. Number of female staff increased marginally to 88% (2021: 87%).

Business operations

All microfinance institutions in East and West Africa will continue on their Growth for Impact trajectory. BGSL Ltd is expected to start operations in June 2023, open 20 branches and reach 7,500 clients by the end of the year. For BMMCL, despite the challenges facing Myanmar, operations have and are expected to remain stable. On current trajectory, financial ratios are expected to improve but some, including in relation to portfolio quality and write-offs, are anticipated to be in breach of loan financial covenants into 2024. In respect of international lenders these potential future breaches are being considered as part of rescheduling discussions, while in the case of local lenders it is expected that further waivers or waiver extensions will be granted. In any case, under all cash flow scenarios developed, BMMCL is projected to be able to support payment in full of principal and interest to all lenders, including international lenders. The BMMCL board and management, alongside the BIHBV board and

management, will continue to monitor and evaluate the evolving situation, assumptions made, and operational trends in line with the scenario analyses.

2023 plans include the continuation of several key strategic initiatives relating to digital transformation and agrifinance product development. These learnings will be leveraged to refine offerings to ensure client centricity, sustainability and effectiveness before scaling up.

At the portfolio level, the Company is targeting to increase its reach to 563 branches and increase the number of borrowers to 843 thousand during the year 2023. The number of savers is expected to increase to 607,166, principal outstanding is expected to increase to 173 million. The company is expected to realise a USD 9.7 million profit before tax in 2023.

Subsequent events

With regards to the developed funding strategy of BRAC International Finance B.V., funding commitments totalling USD 40.7 million were secured from investors Proparco and Global Partnerships in April 2022. A further drawdown by BRAC International Finance B.V. of USD 9.8 million was scheduled for April 2023. After the drawdown in April 2023 the total amount drawn by BRAC International Finance B.V. under the facility was USD 36.6 million.

The shareholding of BRAC Zanzibar Finance Limited (BZFL) was restructured from the current shareholding of BIHBV (100%) to BRAC Tanzania Finance Limited (BTFL) (100%) via a merging of BZFL with BTFL that was formally completed in January 2023. This will not impact the group consolidation as BIHBV is still the ultimate parent.

As of April 2023, BRAC International Holdings B.V. is no longer a guarantor for the loan from AGD Bank to BRAC Myanmar Microfinance Company Limited. Previously, there was a BIHBV guarantee for 100% of the loan of MMK 7 billion (USD 3.3 million at 2100 MMK to USD); with the loan rescheduling there is no longer any guarantee by BIHBV.

The Management Board's responsibility statement

The Foundation's Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2022, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

The Management Board's responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Management Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The Foundation has open and constructive communication methods to inform all stakeholders on a regular and proactive basis.

Signing-off by board

The Management Board prepared the financial statements and recommends that the Supervisory Board approves the 2022 financial statements.

The Hague, 07 August 2023

On behalf of the Management Board

Mr Shameran Abed, Executive Director

Ms Rudo Kayombo, Regional Director, Africa

Mr Saif Md Imran Siddique, Director Finance

Consolidated balance sheet as at 31 December 2022

(before appropriation of result)

		2022		2021	
		USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	1	4,629,595		3,314,143	
Tangible fixed assets	2	6,761,834		6,336,972	
Financial fixed assets	3	7,697,780		7,968,233	
			19,089,209		17,619,348
Current assets					
Inventories	4	641,469		473,084	
Loans to customers	5	162,725,002		150,799,407	
Trade and other receivables	6	8,865,290		8,613,451	
Cash and cash equivalents	7	199,028,238		164,358,145	
			371,259,999		324,244,087
Total assets			390,349,208		341,863,435
Group reserves					
Reserves	8	115,838,682		113,410,431	
Minority interests	8	7,687,717		7,838,410	
			123,526,399		121,248,841
Non-current liabilities	9		74,092,050		32,285,705
Current liabilities					
Donor Funds	10	85,904,513		99,479,449	
Loan Security Fund		29,050,427		27,268,329	
Deposits from savers		19,609,642		20,470,454	
Current portion of the borrowings	9	28,992,440		28,140,831	
Other current liabilities	11	29,173,737		12,969,826	
			192,730,759		188,328,889
Total liabilities and reserves			390,349,208		341,863,435

* Adjusted for comparison purposes, reference is made to page 49.

The notes on pages 48 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of income and expenses for the year ended 31 December 2022

		2022		2021*	
		USD	USD	USD	USD
Income					
Grant income	13	58,294,232		38,893,590	
Other operating income	17	5,634,710		4,304,532	
Total operating income, excl. net interest income		63,928,942		43,198,122	
Interest income	14	77,244,843		69,172,378	
Other interest and similar income	15	7,834,063		5,214,455	
Interest and similar income		85,078,906		74,386,833	
Interest and similar expense	16	(14,476,376)		(10,682,342)	
Net interest and similar income		70,602,530		63,704,491	
Total operating income, incl. net interest income		134,531,472		106,902,613	
Impairment losses on loans to customers	5	(5,622,184)		(9,685,741)	
Net operating income			128,909,288		97,216,872
Cost of outsourced work and other external costs	18	(56,644,878)		(38,294,505)	
Wages and salaries	19	(42,487,779)		(37,532,242)	
Social security and pension charges	20	(3,148,616)		(2,684,592)	
Amortisation and depreciation on intangible and tangible fixed assets	1,2	(2,459,909)		(2,221,610)	
Other operating expenses	21	(7,813,013)		(6,213,000)	
Total operating expenses			(112,554,195)		(86,945,949)
Result from ordinary activities before tax			16,355,093		10,270,923
Corporate income tax	22		(5,847,294)		(3,843,455)
Result after tax (carried forward)			10,507,799		6,427,468

Stichting BRAC International

	2022	2021
	USD	USD
Brought forward	10,507,799	6,427,468
Minority interests	(279,513)	(148,799)
Net result	10,228,286	6,278,669

* Adjusted for comparison purposes, reference is made to page 49.

The notes on pages 48 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022		2021
	USD	USD	USD
Consolidated result after tax attributable to the Foundation		10,228,286	6,278,669
Translation differences on foreign participating interests	<u>(2,628,550)</u>		<u>(5,800,720)</u>
Total of items recognised directly in reserves of the Foundation as part of the group reserves		<u>(2,628,550)</u>	<u>(5,800,720)</u>
Comprehensive income		<u>7,599,736</u>	<u>477,949</u>

The notes on pages 48 to 106 are an integral part of these consolidated financial statements.

Consolidated statement of changes in reserves for the year ended 31 December 2022

	General Reserve	Legal Reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2021	118,199,619	6,075,962	(11,343,099)	112,932,482
Reclassification for comparison purposes	895,484	–	(895,484)	–
Unappropriated result for the year	9,454,934	(3,176,265)	–	6,278,669
Foreign currency translation differences	–	(66,586)	(5,734,134)	(5,800,720)
As at 31 December 2021	<u>128,550,037</u>	<u>2,833,111</u>	<u>(17,972,717)</u>	<u>113,410,431</u>
As at 1 January 2022	128,550,037	2,833,111	(17,972,717)	113,410,431
Unappropriated result for the year	9,265,292	962,994	–	10,228,286
Foreign currency translation differences	–	(99,271)	(7,700,764)	(7,800,034)
As at 31 December 2022	<u>137,815,329</u>	<u>3,696,834</u>	<u>(25,673,481)</u>	<u>115,838,682</u>

* Adjusted for comparison purposes, reference is made to page 49.

The notes on pages 48 to 106 are an integral part of these consolidated financial statements.

Legal reserve is restricted for the specific country operation and cannot be used for any other use. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan NGO operations are included under this category.

The Board of Management proposes to the General Meeting of Affiliates to appropriate the profit after tax for 2022 other reserves.

Consolidated cash flow statement for the year ended 31 December 2022

		2022		2021*	
		USD	USD	USD	USD
Cash flow from operating activities					
Net result			10,228,286		6,278,669
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	1,2	2,459,909		2,221,610	
— Impairment/write-off in loans	5	5,622,184		9,685,741	
— Fair value movement in derivatives		379,360			
— Interest income and expenses	16	12,775,662		8,767,071	
— Tax on result from ordinary activities	22	5,847,294		3,843,455	
— Change in minority interest	8	279,513		148,799	
— Other movements in loans	5	(1,718,097)		1,315,944	
— Other movements in borrowings	9	(1,036,461)			
— Changes in working capital:					
✓ Change in inventories		(168,386)		(97,048)	
✓ Change in trade and other receivables		(251,838)		1,219,136	
✓ Change in other liabilities		16,203,910		(3,390,793)	
✓ Changes in Donor Grant		(13,574,936)		84,415,223	
✓ Change in Loan Security Fund		1,782,098		1,674,179	
✓ Change in Deposits from savers		(860,812)		5,357,890	
			27,739,400		115,161,207
Cash flow from business operations			37,967,686		121,439,876
Loans to customers distributed		(375,083,576)		(311,925,278)	

Stichting BRAC International

Loans to customers		345,691,011	289,698,009
repayment			
Interest paid on savings		(1,728,151)	
Interest paid		(7,890,962)	(7,370,346)
Income tax paid		(5,339,515)	(2,869,212)
		(44,351,193)	(32,466,827)
Cash flow from operating activities		(6,383,507)	88,973,049
Investments in:			
— Tangible fixed assets	2	(3,480,524)	(1,498,509)
— Intangible fixed assets	1	(2,073,254)	(468,274)
Disposals of (in)tangible fixed assets		862,326	426,750
Cash flow from investing activities		(4,691,452)	(1,540,033)
Increase in borrowings	9	74,200,568	49,690,586
Repayment of borrowings	9	(26,278,291)	(46,906,811)
Cash flow from financing activities		47,922,277	2,783,775
Net cash flow		36,847,318	90,216,791
Exchange rate and translation differences on cash and cash equivalents		(2,177,225)	(2,351,559)
Changes in cash and cash equivalents		34,670,093	87,865,232

	2022 USD	2021 USD
<i>Cash and cash equivalents as at the beginning of the financial year</i>	164,358,145	76,492,913
Changes in cash and cash equivalents	34,670,093	87,865,232
Cash and cash equivalents as at the end of the financial year	199,028,238	164,358,145

* Adjusted for comparison purposes, reference is made to page 49.

The notes on pages 48 to 106 are an integral part of these consolidated financial statements.

Notes to the 2022 consolidated financial statements

The reporting entity

Stichting BRAC International ('the Foundation'), has its legal address in The Hague and its office address at Zuid Hollandlaan 7, 2596 AL, The Hague, is a Foundation under Dutch law and is registered as a RSIN 820561320 under number 27339472 in the Trade Register.

Stichting BRAC International's vision is to develop into a just, enlightened, healthy and democratic society free from hunger, poverty, environmental degradation and all forms of exploitation based on age, sex and ethnicity.

To achieve this vision, the Foundation, through its subsidiaries (both for profit and not for profit) uses a comprehensive approach to poverty reduction which strategically links programmes in Economic Development (Microfinance and Social Enterprise), to create and protect the livelihoods of poor people.

The Foundation's business model strongly reflects its philosophy, the core elements of the business model are BRAC's community outreach-based delivery methodology and its unwavering focus on borrowers at the poorer end of the poverty spectrum. These two principles which distinguish the Foundation and its subsidiaries from other micro-finance and social business operators in Asia and Africa, are apparent in the way BRAC has designed its operations.

The Foundation's operations are of two types, Microfinance and Donor Funded Development programmes.

Financial reporting period

The financial statements are for the year from 1 January 2022 to 31 December 2022. The comparatives consist of the year 2021, which ended as at 31 December 2021. Refer to the note on accounting policies, paragraph 'general' for the changes made in the comparative figures.

Basis of preparation

The consolidated financial statements of the Foundation are part of the statutory financial statements of the Foundation and have been prepared in accordance with the Guidelines for annual reporting RJ 640 for the Reporting of not-for-profit organizations' of the Dutch Accounting Standard.

The accounting policies applied for measuring assets and liabilities and the determination of result are based on the historical cost convention, unless otherwise stated in the further principles.

Going concern

These financial statements of the Foundation have been prepared on the basis of the going concern assumption.

Accounting policies for the measurement of assets and liabilities and the determination of the result

General

The figures for 2021 have been reclassified for comparison purposes. The reclassifications are as follows:

— Comparative amounts have been restated in line with current year's classification within foreign currency translation reserve and the general reserve. The translation of the share capital made in EUR into the subsidiaries presentation and functional currency USD is incorporated in the general reserve rather than within the foreign currency translation reserve.

During the year the foundation also reviewed financial statements of comparable entities and evaluated the structure of the consolidated profit and loss account and the consolidated cash flow statement and concluded that reclassifications, which are summarized below, increase the transparency resulting in a better reflection of the operations of the foundation. The reclassifications are as follows:

— Interest income and similar income, in the amount of USD 1,915,271, and interest expenses and similar charges, in the amount of USD 10,682,342, are included in the total operating income to present the net income from operations.

— Loans to customers distributed and loans to customers repayment, in the amount of USD (311,925,278) and USD 289,698,009 are included in the cash flow from operational activities instead of the cash flow from investing activities.

Assets and liabilities are measured at nominal value, unless otherwise stated in the further principles.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the asset has a cost price or value of which the amount can be measured reliably. Assets that are not recognised in the balance sheet are considered as off-balance sheet assets.

A liability is recognised in the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. Provisions are included in the liabilities of the Foundation. Liabilities that are not recognised in the balance sheet are considered as off-balance sheet liabilities.

An asset or liability that is recognised in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability. Such transactions will not result in the recognition of results. When assessing whether there is a significant change in the economic circumstances, the economic benefits and risks that are likely to occur in practice are taken into account. The benefits and risks that are not reasonably expected to occur, are not taken into account in this assessment.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred

to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore. In such cases, the results of the transaction are directly recognised in the profit and loss account, considering any provisions related to the transaction.

If assets are recognised of which the Foundation does not have the legal ownership, this fact is being disclosed.

Income is recognised in the statement of income and expenses when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

Revenues and expenses are allocated to the respective period to which they relate. Revenues are recognised when the Foundation has provided the services to the customer based upon the finance agreements.

Functional and presentation currency

The financial statements are presented in United States dollars (USD), which is the Foundation's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with the Netherlands Civil Code requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

The following accounting policies are in the opinion of management the most critical in preparing this financial statement and require judgments, estimates and assumptions:

- The valuation of the loans to customers.

Consolidation principles

Consolidation scope

The consolidated financial statements include the financial information of the Foundation, its group companies and other companies over which the Foundation can exercise control. Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain

benefits from its activities. Group companies are participating interests in which the Foundation has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Foundation with more or less influence.

Newly acquired participating interests are consolidated as from the date that decisive influence (control) can be exercised. Participating interests disposed of remain included in the consolidation until the date of loss of this influence.

Consolidation method

The consolidated financial statements are prepared by using uniform accounting policies for measurement and determination of the result of the group.

In the consolidated financial statements, intragroup shareholdings, debts, receivables and transactions are eliminated. Also, the results on transactions between group companies are eliminated to the extent that the results are not realised through transactions with third parties outside the group and no impairment loss is applicable. For a transaction whereby the Foundation has a less than a 100% interest in the selling group company, the elimination from the group result is allocated pro rata to the minority interest based on the interest of the minority in the selling group company.

Group companies are consolidated in full, whereby the minority interest is presented separately within equity. If losses to be allocated to the minority interest exceed the minority interest within equity of the consolidated entity, the difference, including any further losses, is fully charged to the majority shareholder. The minority interest in the result is deducted from group result on a separate line item in the consolidated statement of income and expenses.

Group structure of Stichting BRAC International

The following group companies have been consolidated under Stichting BRAC International:

Name	Legal address	2022 share of interest %	2021 share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	100	100
BRAC International Enterprises B.V. **	The Hague, The Netherlands	100	100
BRAC Liberia	Monrovia, Liberia	Branch	Branch
BRAC Sierra Leone	Freetown, Sierra Leone	Branch	Branch
BRAC Philippine	Cotabato City, Philippines	Branch	Branch
BRAC Nepal	Kathmandu, Nepal	Branch	Branch
BRAC Kenya	Nairobi, Kenya	Branch	Branch
BRAC Rwanda***	Kigali, Rwanda	Branch	—
BRAC Uganda*	Kampala, Uganda	—	—
BRAC Afghanistan*	Kabul, Afghanistan	—	—
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	—	—
BRAC South Sudan*	Juba, South Sudan	—	—

* The entities with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control

over the governance and operational policy of these entities and is able to appoint directors. Therefore, the group companies are consolidated in full.

** BRAC Uganda Social Business and BRAC Enterprise Tanzania Limited are subsidiaries of this intermediate holding BRAC International Enterprises B.V.

*** BRAC Rwanda fulfilled the requirements to operate legally in Rwanda as an International Non-Governmental Organization on 1st December 2022.

The goals of the consolidated group companies are aligned with the goals of the Foundation as set out in the Management Board report. Within these consolidated group companies, at least one of the executives of the Foundation is involved as member of the Board of Directors of the local entity.

Consolidated entities of BRAC International Holdings B.V.

Stichting BRAC International holds 100% shares of BRAC International Holdings B.V. which consolidates all the Microfinance operations under its wing. BRAC International Holdings B.V. has consolidated interests in the companies below:

Name	Legal address	2022 share of interest %	2021 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100

BRAC Uganda Bank Ltd continues to be consolidated fully, despite having a 49% shareholding, as BIHBV continues to exercise control over the entity. Given that BIHBV has the ability to appoint a majority of the members of the Board of Directors of BRAC Uganda Bank Ltd, the entity is considered to meet the definition of a 'subsidiary' under Dutch law.

The entity in Sri Lanka is a dormant entity without operations during the financial year 2022.

Principles for the translation of foreign currency

Transactions in foreign currencies

At initial recognition, transactions denominated in foreign currency are translated into the relevant functional currency of the group companies at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in the statement of income and expenses in the period in which the exchange difference arise, except for exchange differences on monetary items that are part of a net investment in a foreign operation.

Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost, are translated into the functional currency at the exchange rates applying on the transaction date.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at current value, are converted into the functional currency at the exchange rate at the time when the actual current value was determined. Exchange rate differences arising from the translation are directly recognised in equity as part of the revaluation reserve.

Foreign operations

The assets and liabilities that are part of the net investment in a foreign operation are translated into the functional currency at the exchange rate prevailing at the balance sheet date. The revenues and expenses of such a foreign operation are translated into the functional currency at the exchange rate on the transaction date. Currency translation differences are recognised in the translation reserve within equity.

A group company that has received a loan from the parent recognises any translation differences in the statement of income and expenses, even if the loan is regarded by the parent as part of a net investment in a foreign operation.

Financial instruments

Financial instruments include investments in shares, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments, trade payables and other amounts payable. These financial statements contain the following financial instruments: financial fixed assets, loans to customers and trade and other receivables and other financial liabilities.

Financial assets and liabilities are recognised in the balance sheet at the moment that the contractual risks or rewards with respect to that financial instrument originate.

Financial instruments are derecognised if a transaction results in a considerable part of the contractual risks or rewards with respect to that financial instrument being transferred to a third party.

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based

on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

Financial instruments are initially measured at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the statement of income and expenses at the initial recognition.

After initial recognition, financial instruments are valued in the manner described below.

Loans granted and other receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the foundation does not intend to sell immediately or in the near term. Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the microfinance companies by providing finance directly to borrowers are categorised as loans to group members or individuals and are carried at amortised cost on the basis of the effective interest method.

Non-current and current liabilities and other financial commitments

Non-current and current liabilities and other financial commitments are measured after their initial recognition at amortised cost on the basis of the effective interest rate method. The effective interest is directly recorded in the statement of income and expenses.

Redemption payments regarding non-current liabilities that are due next year, are presented under current liabilities.

Derivatives

The foundation uses derivative financial instruments, such as forward currency contracts and cross currency swaps. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of every financial reporting period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Gains and/or losses are recognized in the profit and loss account.

Determination of fair value

The fair value of a financial instrument is the amount for which an asset can be sold or a liability settled, involving parties who are well informed regarding the matter, willing to enter into a transaction and are independent from each other.

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the Foundation has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

Intangible fixed assets

Intangible fixed assets are only recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Foundation and the cost of that asset can be measured reliably.

Intangible fixed assets are stated at acquisition or construction cost, less accumulated amortisation and impairment losses.

Expenditures made after the initial recognition of an acquired or constructed intangible fixed asset are included to the acquisition or construction cost if it is probable that the expenditures will lead to an increase in the expected future economic benefits, and the expenditures and the allocation to the asset can be measured reliably. If expenditures do not meet these conditions, they are recognised as an expense in the profit and loss account.

At the end of each reporting year, the recoverable amount of intangible assets that 'are not yet put into use/are amortised over a useful life of more than twenty years' is assessed for impairment, even if there is no indication of impairment. The accounting principles for the recognition of an impairment are included under the section Impairments of fixed assets.

BRAC considers the useful life of the acquired software to be four years and the software is amortised on a straight-line basis.

Software licenses

Software licenses are stated at cost less accumulated amortisation and impairment losses. The capitalised amount is amortised on a straight-line basis during the ten-year term of the contract.

Prepayments on intangible fixed assets

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised. No amortisation is recognized over the capital work in progress.

Tangible fixed assets

Recognition and measurement

Tangible fixed assets are recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Foundation and the cost of that asset can be measured reliably.

Land and buildings, plant and equipment, other fixed operating assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset, plus other costs that are necessary to get the assets to their location and condition for their intended use.

Donor grants for specific assets are deferred and released to the statement of income and expenses in accordance with the depreciation period of the related assets.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying value of property and equipment and recognised net with other income in profit or loss.

Depreciation

Depreciation is recognised in profit or loss and calculated to write off the cost of the property and equipment on a straight basis over the expected useful lives of the assets concerned, taking into account any estimated residual value of the individual assets. Land is not depreciated.

The estimated depreciation rates for the current and comparative periods are as follows:

	2022	2021
	%	%
Buildings	5	5
Equipment	20	20
Computers	33.33	33.33
Motor vehicles	20	20
Other	10	10

Assets that are taken out of service are stated at the lower of book value or net realisable value.

Financial fixed assets

Participating interests with significant influence

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Foundation has significant influence

over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

The net asset value is calculated on the basis of the Foundation's accounting policies. If the Foundation transfers an asset or a liability to a participating interest that is measured according to the equity method, the gain or loss resulting from this transfer is recognised to the extent of the relative interests of third parties in the participating interest (proportionate determination of result). Any loss that results from the transfer of current assets or an impairment of fixed assets is fully recognised. Results on transactions involving transfer of assets and liabilities between the Foundation and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. In particular, this relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Foundation fully or partially guarantees the debts of the relevant participating interest, or if it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Foundation on behalf of the participating interest.

This provision is primarily charged to the non-current receivables on the respective participating interest that can be regarded as part of the net investment, and for the remainder it is presented under provisions.

Participating interests with no significant influence

Participating interests where no significant influence can be exercised are measured at the lower of cost or realisable value. The resulting difference in the net assets value is charged in the profit and loss statement.

Other financial fixed assets

The further accounting policies for other financial fixed assets are included under the heading financial instruments.

Dividends

Dividends are accounted for in the period in which they are declared. Dividends from participating interests that are carried at cost, are recognised as income from participating interests (under financial income) in the period in which the dividends become payable.

Impairment of fixed assets

Intangible, tangible and financial fixed assets are assessed at each reporting date whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount is the higher of value in use and net realisable value. If it is not possible to assess the recoverable

amount for an individual asset, the recoverable amount is assessed for the cash-generating unit to which the asset belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised for the difference between the carrying amount and the recoverable amount.

Subsequently, at each reporting date, the entity assesses whether there is any indication that an impairment loss that was recorded in previous years has been decreased. If any such indication exists, then the recoverable amount of the asset or cash-generating unit is estimated.

Reversal of a previously recognised impairment loss only takes place when there is a change in the assessment used to determine the recoverable amount since the recognition of the last impairment loss. In such case, the carrying amount of the asset (or cash-generating unit) is increased to its recoverable amount, but not higher than the carrying amount that would have applied (net of depreciation) if no impairment loss had been recognised in previous years for the asset (or cash-generating unit).

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet.
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

Disposal of fixed assets

Fixed assets available for sale are measured at the lower of their carrying amount and net realisable value.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes the expenses for acquisition or manufacture, plus other expenditure to bring the inventories to their present location and condition. Net realisable value is based on the most reliable estimate of the amount the inventories will generate at the most, less costs still to make.

Finished goods are carried at the lower of cost price and fair value in accordance with the first-in, first-out (FIFO) principle and market value.

The measurement of inventories includes possible impairments that arise on the balance sheet date.

Impairment of financial assets

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio. Management assessed the economic situation in Myanmar and factored the consideration into assessing the level of expected credit loss.

The foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the foundation to measure Expected Credit Loss (ECL) on a forward-looking basis

reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

The Foundation reviews its loans at each reporting date to assess the adequacy of the ECL as recorded in the financial statements. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on certain assumptions such as the financial situation of the borrowers, types of loan, maturity of the loans, ageing of the portfolio, economic factors etc. The actual performance of loans may differ from such estimates resulting in future changes to the allowance. Due to the nature of the industry in which the Group operates, i.e. micro credit to low-income clients, the loan portfolio consists of a very high number of individual customers with low value exposures. These characteristics lead the Group to use a provisioning methodology based on a collective assessment of similar loans.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. When a loan is deemed uncollectible, it is written off against the related provision for impairment.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include highly liquid investments with less than 90 days maturity from the date of acquisition, which is payable on demand, as well as cash in hand, deposits held at call with banks, subject to sweeping arrangements.

Cash and cash equivalents are stated at nominal value. If cash and cash equivalents are not readily available, this fact is taken into account in the measurement.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date in the functional currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Foundation within 12 months are presented under financial fixed assets.

Group Reserves

Within the reserve a distinction has been made in general reserve, legal reserve and foreign currency translation reserve. The purpose of the general reserve is to create a sufficient buffer that can be used to complete pending programmes and with due observance of existing legal and moral obligations.

Due to the fact that Stichting BRAC International is not entitled to distribute any of the entities reserves of Tanzania, Uganda, Afghanistan and South Sudan entities its share in the reserves from the above countries is recorded in a legal reserve.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of the functional currency of foreign operations to the reporting currency of the parent are accounted for in this legal reserve.

Minority interests

Minority interests are measured at the third party's share in the net value of the identifiable assets, liabilities and contingent liabilities according to the Foundation's valuation principles.

Provisions

A provision is recognised if the following applies:

- the Foundation has a legal or constructive obligation, arising from a past event.
- the amount can be estimated reliably and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

If the time value of money is material and the period over which the cash outflows are discounted is more than one year, provisions are measured at the present value of the best estimate of the cash outflows that are expected to be required to settle the liabilities and losses. The provisions are measured at nominal value if the time value of money is not material or if the period over which the cash outflows are discounted is no longer than one year.

Non-current liabilities

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Donor grants and grant income

All donor grants received are initially recognised as grant received in advance at fair value and recorded as liabilities.

Donor grants are recognised if there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as grant income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, it is recognised as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Stichting BRAC International normally raises its fund through discussion with various donors and stakeholders. It also follows a competitive process where it submits its proposal to multinational donor organisations and gets selected based on merit. Stichting BRAC International does not incur any additional costs for fundraising purpose other than over heads which are recorded under HO logistic and management expenses and eliminated at the group consolidation level.

Interest income on loans and advances

Interest income is recognised in the profit and loss account based on the effective interest rate method. The effective interest rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the foundation shall estimate cash flows considering all contractual terms of the financial instrument but shall not consider future credit losses. The calculation includes all amounts paid or received between parties to the contract that are integral part of the effective interest rate of a financial instrument including transaction costs, and all other premiums or discounts where applicable. Interest income is presented net of expected credit losses.

Interest income on loans and advances on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognised on an accrual basis as income. The recognition of Interest income on loans and advances ceases when the loan is transferred to non-interest-bearing loan. These loans are referred to as 'non-performing' loans. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest-bearing loans (NIBL)' and are referred to the Board for write-off. The Late and NIBL loans are already included in the staging of the ECL as more than 365 days past due.

Interest income on loans and advances previously accrued but not received on loans subsequently classified as non-performing are written-off. The written-off Interest income on loans and advances is included in the other income thereafter only when its receipt becomes probable, generally when it is realised.

Interest Expenses and Similar Charges

Interest expenses and similar charges such as premium, discount and redemption premiums are recognised in the period to which they belong.

The allocation of these interest expenses on the loan is the effective interest rate that is recognised in the profit and loss account. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to

which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

Additional costs associated with the use of more than customary supplier credit are recognised as interest expense.

Other Operating income

Other income comprises income from sale of seeds and includes gains from disposal of assets. Sale of seeds are recognised when the significant risk and rewards are transferred to the customers. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the profit and loss account in the year the asset is derecognised.

Other income includes program participants admission fees, sale of passbook, fees and commission income and income on death from risk funds. The aforementioned fees are recognised on receipt as the then admission and sale constitutes as satisfactory performance obligation.

The Group collects fees for the death risk. These fees cover settlement of the outstanding loan amount and other financial assistance if a borrower dies or disabled. The collections are recognised upfront as income and a liability is recognised in the statement of financial position for the claims resulting from these funds.

Costs of outsourced work and other external costs

This includes costs incurred in order to support the operational activities, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

Employee benefits

Employee benefits are charged to the statement of income and expenses in the period in which the employee services are rendered and, to the extent not already paid, as a liability on the balance sheet. If the amount already paid exceeds the benefits owed, the excess is recognised as a current asset to the extent that there will be a reimbursement by the employees or a reduction in future payments by the Foundation.

For benefits with accumulating rights, such as bonuses, the projected costs are taken into account during the employment. An expected payment resulting from profit-sharing and bonus payments is recognised if the obligation for that payment has arisen on or before the balance sheet date and a reliable estimate of the liabilities can be made.

The Foundation also operates an employee bonus incentive scheme. The provision for employee bonus incentive is based on a predetermined Foundation policy and is recognised in other accruals. The accrual for employee bonus incentive is expected to be settled within 12 months.

If a benefit is paid in case of non-accumulating rights (e.g., continued payment in case of sickness or disability), the projected costs are recognised in the period in which such benefit is payable. For existing commitments at the balance sheet date to continue the payment of benefits (including termination benefits) to employees who are expected to

be unable to perform work wholly or partly due to sickness or disability in the future, a provision is recognised.

The recognised liability relates to the best estimate of the expenditure necessary to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective agreement and individual employment contract). Additions to and reversals of liabilities are charged or credited to the statement of income and expenses.

Pensions

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (Foundation, fund and members) are recognised and measured in accordance with Dutch pension plans (see below for an explanation about Dutch pension plans. Since the Foundation has Dutch employees, this paragraph has been included to explain the accounting treatment only).

For foreign pension plans that are not comparable in design and functioning to the Dutch pension system, a best estimate is made of the commitment as at balance sheet date. This commitment is measured on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Dutch pension plans

The main principle is that the pension charge to be recognised for the reporting period should be equal to the pension contributions payable to the pension fund over the period. In so far as the payable contributions have not yet been paid as at balance sheet date, a liability is recognised. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognised to account for any repayment by the fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus at the pension fund as at balance sheet date, a receivable is recognised if the Foundation has the power to withdraw this surplus, if it is likely that the surplus will flow to the Foundation and if the receivable can be reliably determined.

Corporate income tax

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the statement of income and expenses except to the extent that it relates to items

recognised directly to equity, in which case it is recognised in equity, or to business combinations.

Current tax comprises the expected tax payable or recoverable on the taxable profit or loss for the financial year, calculated using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

If the carrying amount of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences.

For taxable temporary differences, a provision for deferred tax liabilities is recognised.

For deductible temporary differences, available tax losses and unused tax credits, a deferred tax asset is recognised, but only to the extent that it is probable that future taxable profits will be available for set-off or compensation. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax liability is recognised, unless the Foundation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognised in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference can be utilised.

The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the Foundation expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are measured at nominal value.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the result of these participating interests. Results on transactions, concerning the transfer of assets and liabilities between the group and a non-consolidated participating interest and mutually between non-consolidated participating interests themselves, are not recognised as they can be deemed as not realised.

The results of participating interests acquired or sold during the financial year are measured in the group result from the date of acquisition or until the date of sale, respectively.

Leasing

The Foundation may enter into financial and operating leases. A lease agreement under which the risks and rewards of ownership of the leased object are carried entirely or almost entirely by the lessee are classified as finance leases.

All other leases are classified as operating leases. For the lease classification, the economic substance of the transaction is conclusive rather than the legal form.

At inception of an arrangement, the Foundation assesses whether the lease classifies as a finance or operating lease.

Financial leases

If the Foundation acts as a lessee in a finance lease, at the inception of the lease the leased asset (and the related obligation) is accounted for in the balance sheet at fair value of the leased property or, if lower, the present value of the minimum lease payments. Both values are determined at the time of entering into the lease agreement. The interest rate used in calculating the present value is the interest rate implicit in the lease. If it is not practically possible to determine this interest rate, then the marginal interest rate is used. The initial direct costs are included in the initial measurement of the leased property.

The accounting principles for the subsequent measurement of the leased property are described under the heading 'Tangible fixed assets'. If there is no reasonable certainty that the Foundation will obtain ownership of a leased property at the end of the lease term, the property is depreciated over the shorter of the lease term and the useful life of the property.

The minimum lease payments are split into interest expense and redemption of the lease liability. The interest charges during the lease term are allocated to each period as such that its results in a constant periodic interest rate over the remaining net liability with regard to the financial lease. Conditional lease payments are recognised as an expense in the period that the conditions of payment are met.

Operating leases

If the Foundation acts as lessee in an operating lease, the leased property is not capitalised. Lease payments regarding operating leases are recognised to the statement of income and expenses on a straight-line basis over the lease term.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and investments that are readily convertible to a known amount of cash without a significant risk of changes in value.

Cash flows in foreign currency are translated into US dollars using the average rate of exchange for the year. Foreign exchange differences with regard to cash and cash equivalents are presented separately in the cash flow statement.

Receipts and payments of interest, receipts of dividends and income taxes are presented within the cash flows from operating activities. Payments of dividends are presented within the cash flows from financing activities.

Related party transactions

Transactions with related parties are disclosed to the extent the transactions were not at arm's length. Disclosed are the nature and amounts involved with such transactions, and other information that is deemed necessary for an insight into the transactions.

Related parties comprise of directors, subsidiaries of the foundation and BRAC International Holdings B.V., BRAC International Enterprise B.V., BRAC Bangladesh

(including related BRAC entities) and key management personnel of the Foundation and companies with common ownership and/or directors.

Contingent liabilities

The Foundation discloses a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Foundation, or it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Subsequent events

Events that provide further information on the actual situation at the balance sheet date and that appear before the financial statements are being prepared, are recognised in the financial statements.

Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Capital work in progress USD	Total USD
Balance as at 1 January 2022:			
— Purchase price	3,546,530	844,539	4,391,069
— Accumulated amortisation and impairment	(1,076,926)	—	(1,076,926)
— Carrying amount	<u>2,469,604</u>	<u>844,539</u>	<u>3,314,143</u>
Changes in carrying amount:			
— Investments	1,464,514	608,740	2,073,254
— Capital work in progress	844,539	(844,539)	-
— Amortisation	(366,814)	-	(366,814)
— Exchange rate differences purchase price	(463,489)	-	(463,489)
— Exchange rate differences accumulated depreciation	72,500	-	72,500
— Change in carrying amount	<u>1,551,251</u>	<u>(235,799)</u>	<u>1,315,452</u>
Balance as at 31 December 2022:			
— Purchase price	5,392,095	608,740	6,000,835
— Accumulated amortisation and impairment	(1,371,240)	-	(1,371,240)
— Carrying amount	<u>4,020,855</u>	<u>608,740</u>	<u>4,629,595</u>

The intangible fixed assets consist of expenditure on software license purchased from third parties mainly related to the implementation of a Core Banking System in various countries throughout 2022.

2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2022:					
— Purchase price	777,667	7,151,540	1,939,482	4,412,543	14,281,233
— Accumulated depreciation and impairment	(175,522)	(4,137,689)	(1,392,551)	(2,238,498)	(7,944,260)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Carrying amount	602,145	3,013,851	546,931	2,174,045	6,336,972
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Changes in carrying amount:					
— Investments	62,021	2,062,500	574,230	781,772	3,480,524
— Disposals	(4,518)	(459,659)	(250,343)	(147,805)	(862,326)
— Depreciation	(31,625)	(1,364,645)	(295,031)	(401,794)	(2,093,095)
— Reversal of depreciation on disposal	-	78,670	94,444	91,524	264,637
— Exchange rate differences purchase price	(41,388)	(392,795)	(146,098)	(247,299)	(827,579)
— Exchange rate differences accumulated depreciation	9,878	372,171	330,337	(249,687)	462,699
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Change in carrying amount	(5,632)	296,243	307,539	(173,289)	424,861
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2022:					
— Purchase price	793,782	8,361,586	2,117,272	4,799,212	16,071,852
— Accumulated depreciation and impairment	(197,269)	(5,051,492)	(1,262,802)	(2,798,455)	(9,310,018)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
— Carrying amount	596,513	3,310,094	854,470	2,000,756	6,761,834
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

3 Financial fixed assets

	2022 USD	2021 USD
Investment in SFRE Fund	3,550,973	3,707,639
Deferred tax assets	4,132,507	4,245,436
Finance lease on leasehold land	14,300	15,158
	7,697,780	7,968,233

Investment in SFRE Fund

An investment has been made to 134,469,210 'S-I' shares in the Triodos Microfinance Fund and recognised at cost less accumulated impairment losses. The cost per share is EUR 25 each and the Net Asset Value (NAV) per share is EUR 24.78. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future.

The investment in the Triodos Microfinance Fund is a conversion of the previous holding in the SFRE (Sustainability – Finance – Real Economies) SICAV – SIF Fund of 56,151 'A' shares. In September 2022 SFRE merged with the Triodos Microfinance Fund.

	2022 USD	2021 USD
Investment in SFRE Fund at cost	4,000,000	4,000,000
Less: Accumulated impairment losses	(449,027)	(292,361)
	3,550,973	3,707,639

Deferred tax assets

The deferred tax assets arise due to all temporary differences between the accounting base and fiscal base in assets and liabilities using the principal tax rate of the subsidiaries. The foundation have unrealized carry forward losses in Uganda and temporary tax assets in Sierra Leone and Tanzania due to the provision of impairment losses on receivables. The management estimates to recover the past losses within next three years.

Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2022, the remaining lease period is 86 years.

At inception of the lease, the obligation associated with the acquisition was all paid upfront as required by the local laws. Therefore, all future minimum lease payments were paid at once at the beginning of the lease. For such a lease, it is a requirement for the lessee to settle all the obligations upfront for the lease agreement to be effective.

4 Inventories

	2022 USD	2021 USD
Finished products and goods for resale	641,469	473,084

No provision for obsolete inventories is deemed necessary (2021: USD 0).

5 Loans to customers

Principal loans outstanding

	2022 USD	2021 * USD
Microfinance loans	116,704,741	108,810,454
Small enterprises programme (SEP) loans	30,111,537	34,078,883
Agriculture loans	14,958,710	12,916,402
Empowering and Livelihood for Adolescent Loans (ELA)	3,684,567	3,980,013
Other loans	3,527,322	715,543
	168,986,877	160,501,295

* The comparative information for the Microfinance loans are adjusted for comparison purposes to reflect the gross and net balance of the outstanding loans.

Microfinance loans to group members are traditional small-ticket loans (approximate average loan size is USD 363 per customer) and provided for approximately 20-week or 40-week periods or for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the ELA (empowerment and livelihood for adolescents) loans and the agriculture loans is approximately 40 weeks. These loans bear flat-rate interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values since the time period of money is not material as the loans have an average duration of no longer than 12 months. All loans are secured up to the balance of the Loan Security Fund.

The Loan Security Fund acts as a defence for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the

amount at risk. The loans have tenors of 20-40 weeks and 6-12 months, depending on the loan types.

Deposits from customers includes the voluntary savings made by the clients and is payable on demand.

Loans to customers

	2022 USD	2021 USD
Opening balance as at 1 January	160,501,298	153,946,844
Disbursements during the year	375,083,576	311,925,278
Translation differences	(14,364,027)	(10,500,343)
Repayment during the year	(345,691,011)	(289,698,009)
Less write-offs during the year	(6,542,959)	(5,172,475)
Gross advance to customers	168,986,877	160,501,298
Interest receivable as at 31 December	4,231,028	4,111,231
Loan loss provision	(10,492,903)	(13,813,119)
Closing balance as at 31 December	162,725,002	150,799,407

The movement of the loan loss provision is below:

	2022 USD	2021 USD
Opening balance as at 1 January	13,813,119	9,767,806
Charged for the year	5,649,398	9,696,535
Write-off	(8,141,259)	(5,172,475)
FX adjustment	(828,355)	(478,747)
Closing balance as at 31 December	10,492,903	13,813,119

The Foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

A credit policy under which each customer is analysed individually in order to obtain a loan has been established. The Group limits its exposure to credit risk from customers

by establishing a maximum payment period per type of loan (i.e. group lending, small enterprises, agriculture, etc.). Besides fix payment terms, customers are obliged to deposit 10% of the granted loan as a deposit, in Myanmar it is 5%.

At 31 December 2022, the exposure to credit risk for loan receivables by geographic region was as follows:

	Carrying amount	
	2022 USD	2021 USD
Sierra Leone	7,783,869	11,706,459
Liberia	13,926,720	11,731,863
Uganda	40,808,911	46,435,835
Rwanda	3,194,854	2,389,193
Tanzania, including Zanzibar	73,454,442	58,249,707
Myanmar	29,818,080	35,160,713
	168,986,877	165,673,770

Expected credit loss assessment for individual customers

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2022.

	Weighted average loss rate	Gross carrying amount	Loss allowance
		USD	USD
Current (not past due)	2%	155,726,839	2,453,100
1–30 days past due	10%	2,653,496	271,905
31–90 days past due	35%	1,333,497	465,701
91–180 days past due	64%	1,401,621	890,425
181– 365 days past due	77%	3,309,340	2,556,969
More than one year past due	84%	4,562,084	3,854,804
Total		168,986,877	10,492,903

The following table provides information about the exposure to credit risk and ECLs for loan receivables from individual customers as at 31 December 2021.

	Weighted average loss rate	Gross carrying amount USD	Loss Allowance USD
Current (not past due)	2%	143,966,682	3,163,955
1–30 days past due	23%	5,378,793	1,237,522
31–180 days past due	49%	12,062,447	5,943,820
181– 365 days past due	67%	2,208,018	1,472,947
More than one year past due	97%	2,057,831	1,994,874
Total		165,673,770	18,813,119

6 Trade and other receivables

	2022 USD	2021 USD
Grants receivable	1,699,708	3,996,245
Advances and prepayments to third parties	4,499,190	2,710,756
Other assets	2,447,484	1,091,838
Prepaid taxes	218,908	814,612
	8,865,290	8,613,451

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects.

Advances to third parties and prepayments are mainly rent paid in advances to the landlords for offices and guest houses.

Other assets include receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits. All the other receivables are due within 1 year

The USD 1,250,000 receivable from BRAC USA will be received upon the repayment of DFC loan in BRAC Myanmar Microfinance Company Ltd.

7 Cash and cash equivalents

	2022 USD	2021 USD
Cash at bank	156,067,310	131,240,995
Short-term deposits	42,253,658	32,179,041
Cash in hand	707,270	938,109
	199,028,238	164,358,145

The cash and cash equivalent balance includes an ‘Issuer Reserve’ of USD 376,400 that is only available to the Company in order to make a payment to prevent a default in the payment of interest in respect of the Notes held by investors. The short-term deposits have been committed for 24 months initially but it is available on demand. In case of early withdrawal of the short-term deposit the interest income will be less than the agreed upon interest rate.

The remaining balances is available on demand.

8 Group reserves

	2022 USD	2021 USD
Reserves	115,838,682	113,410,431
Minority interest	7,687,717	7,838,410
	123,526,399	121,248,841

Refer to note 32 for the movement schedule.

Reserves

	2022 USD	2021 USD
General reserve	137,815,329	128,550,037
Legal reserve	3,696,834	2,833,111
Foreign currency translation reserve	(25,673,481)	(17,972,717)
	115,838,682	113,410,431

The legal reserve is the total equity for certain group entities where it is not possible to pay out dividend. These entities with no share of interest are locally established as companies limited by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is

able to appoint directors. The profits and net equity of Uganda, Tanzania, Afghanistan, and South Sudan operations are under this category.

The movement in reserves can be specified as follows:

	2022 USD	2021 USD
As at 1 January	113,410,431	112,932,482
Surplus/(loss) for the year	10,228,286	6,278,669
Foreign currency translation differences	(7,800,034)	(5,800,720)
As at 31 December	115,838,682	113,410,431

Minority interests

	2022 USD	2021 USD
Minority interests:		
— BRAC Uganda Bank Ltd.	7,687,717	7,838,410

This minority interest covers the third-party interests (51%) in the shareholders' equity of the group company BRAC Uganda Bank Ltd.

9 Non-current liabilities

	2022 USD	2021 USD
Borrowings	103,084,490	60,426,536
Less: Current portion of borrowings	(28,992,440)	(28,140,831)
Long-term borrowings	74,092,050	32,285,705

Borrowings

The movement of the borrowing during the year is given below:

Stichting BRAC International

	2022 USD	2021 USD
Opening balance as at 1 January	60,426,536	62,635,075
Received during the year	74,200,568	49,690,586
Repayment during the year	(26,278,291)	(46,906,811)
Deferred Set up cost on borrowings	(1,036,461)	-
financial obligation on currency hedge	379,360	-
Foreign currency loss/(gain)	(4,607,222)	(4,992,314)
Closing balance as at 31 December	103,084,490	60,426,536

The non-current liabilities per 31 December 2022 can be further disclosed as follows:

	2022	Repayment obligation 2023	Remaining duration between >1 year and 5 years	Remaining duration >5 years
	USD	USD	USD	USD
Responsibility Investments AG	9,324,061	4,149,040	5,175,021	-
Bank of Africa	12,847,637	4,940,042	7,907,595	-
Stromme	949,547	510,204	439,343	-
Oikocredit	5,385,566	598,396	4,787,170	-
FMO	2,000,000	2,000,000	-	-
GP	10,343,860	1,542,316	8,801,544	-
ABI trust	7,146,282	1,377,790	5,768,492	-
OPIC	3,680,000	3,680,000	-	-
AGD Bank	3,333,333	-	-	3,333,333
UBA Bank	5,714,286	-	-	5,714,286
Citi Bank	1,862,329	1,064,188	798,141	-
MEB Bank	285,714	-	-	285,714
KIVA	983,144	332,775	-	650,370
Whole Planet Foundation	770,249	103,568	203,611	463,070
Central bank of Liberia	417,985	-	417,985	-
Proparco	16,456,140	2,453,684	14,002,456	-
Soluti	1,188,244	427,426	760,818	-
EADB	1,071,728	134,134	312,980	624,613
KCB Bank	2,401,739	573,894	1,827,845	-
Tripple Jump	2,147,516	-	2,147,516	-
Agent for Impact (AFI)	3,703,763	1,234,588	2,469,175	-
BlueOrchard Microfinance Fund	11,728,469	3,870,395	7,858,074	-
Deferred Set up cost on borrowings	(1,036,461)		(1,036,461)	
Financial liability on the fair value swap	379,360		379,360	
	103,084,490	28,992,440	63,020,665	11,071,386

The borrowings per 31 December 2021 can be further disclosed as follows:

	2021	Repayment obligation 2022	Remaining duration between >1 year and 5 year	Remaining duration >5 year
	USD	USD	USD	USD
responsAbility Investments AG	6,517,967	1,994,150	4,523,817	-
Bank of Africa	4,063,246	1,957,048	2,106,198	-
Soluti Finance E.A (formerly Stromme Microfinance E.A.) Ltd.	3,180,438	447,846	1,245,013	1,487,579
Oiko Credit	-	-	-	-
Netherlands Development Finance Co. (FMO)	3,540,853	1,874,186	1,666,667	-
Triodos Investment Management	1,541,126	1,541,126	-	-
Global Partners	1,944,966	1,944,966	-	-
OPIC	3,680,000	1,650,000	2,030,000	-
aBi Trust and Finance	2,770,664	925,830	1,844,835	-
Yoma Bank	-	-	-	-
AGD Bank	3,937,008	-	3,937,008	-
UAB Bank	4,498,337	1,262,021	3,236,316	-
Citi Bank	3,066,332	1,115,030	1,951,302	-
UECCC	1,128,573	282,143	846,429	-
Mastercard Foundation	1,470,000	1,470,000	-	-
CRDB Bank	1,949,740	1,949,740	-	-
MEB Bank	3,586,895	2,688,862	898,033	-
Whole Planet Foundation	1,156,528	575,675	407,674	173,179
Central bank of Sierra Leone	1,156,018	1,156,018	-	-
Agent for Impact (AFI)	5,032,498	5,032,496	-	-
Standard Chartered Bank	4,332,756	-	4,332,756	-
Others	1,872,591	273,695	1,099,759	499,137
	60,426,536	28,140,831	30,125,806	2,159,895

The main features of the borrowings can be summarised as follows:

9.1 responsAbility Investments AG:

In June 2019, BRAC Tanzania Finance Ltd secured term loans amounting to USD 1 million with a loan tenure of 36 months at an interest of 17.50% per annum. However, in June 2020, the loan agreement was revised to reduce the interest rate to 16.85% and defer the June 2020 repayment by 18 months, with other loan terms remaining constant. The principal and interest repayments are made every six months.

In March 2021, BRAC Tanzania Finance Ltd secured term loans amounting to USD 4 million with a tenure of 36 months at an interest rate of 14.90% per annum. The principal and interest repayments are made every six months.

In October 2021, BRAC Tanzania Finance Ltd entered a loan agreement via responsAbility Investments AG to secure loans amounting to USD 3 million, which was disbursed in two tranches. The first tranche amounting to USD 1.5 million was disbursed immediately, whereas the second tranche amounting to USD 1.5 million

was disbursed in November 2021. The interest rate of the term loans is 15.65% per annum. Interest repayments are made every six months and principal payments made in three equal yearly instalments.

In August 2022, BRAC Tanzania Finance Ltd entered a loan agreement via responsAbility Investments AG to secure loans amounting to USD 5 million, which was disbursed in a single tranche. The interest rate of the term loans is 15.00% per annum. Interest repayments are made every six months and principal payments are made half-yearly in equal instalments.

9.2 Bank of Africa:

In March 2019, BRAC Uganda Bank Ltd obtained a loan from Bank of Africa amounting to UGX 15 billion for a period of 3 years. Interest and principal is paid on a quarterly basis at a rate of 14% per annum. The loan is tagged to T-bill of 182 days and the outstanding balance was UGX 1.5 billion, which matured in March 2022. The loan was secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In April 2022, the Bank received another loan of UGX 10 billion for a period of 3 years from Bank of Africa. Interest and principal is paid on a quarterly basis at a rate of 14% per annum. The loan is tagged to T-bill of 182 day and the outstanding balance is UGX 8.02 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In June 2021, BRAC Tanzania Finance Ltd secured a term loan amounting to TZS 8,000 million from Bank of Africa Tanzania. The loan was obtained to finance microfinance lending. The loan tenure is 36 months with equal monthly instalments at a fixed interest rate of 15% per annum. BRAC Tanzania Finance Ltd has a stand-by short-term revolving facility amounting to TZS 3,000 million with a tenure of 150 days with an interest rate of 17% per annum. This short-term revolving facility was not utilised in 2022.

Through a facility letter dated April 2022, BRAC Tanzania Finance Ltd secured a back-to-back loan amounting to TZS 20,800 million from Bank of Africa Tanzania. The loan was obtained to finance microfinance lending operations. The loan tenor is up to 48 months with quarterly interest payment and principal payment made in three equal yearly instalments at a fixed interest rate of 8.3% per annum.

9.3 Soluti Finance East Africa:

In June 2021, BRAC Uganda Bank Ltd obtained a loan from Soluti Finance amounting to UGX 6 billion for a period of 4 years with a grace period on principal repayments of 6 months. This loan facility has two purposes: UGX 2 billion for agriculture loans at an interest rate of 12.25% per annum and UGX 4 billion for general business loans at an interest rate of 17.5% per annum. Interest and principal is paid on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and is tagged to the T-bills 182 days the interest rate is being reviewed every six months. As at 31 December 2022, the facility had an outstanding balance of UGX 4.4 billion.

BRAC Tanzania Finance Ltd secured a term loan amounting to TZS 3.6 billion from Soluti Finance East Africa Limited in August 2020 for a period of 4 years from the

date of disbursement with a grace period of 12 months on the principal facility but paying interest accruing during the grace period on a quarterly basis. The loan was disbursed in two tranches of TZS 2 billion and TZS 1.6 billion with a six-month gap between the tranches. The loan is quoted at the rate of 17% fixed with no expected increase until maturity. The loan was obtained to promote development through microfinance lending.

9.4 OikoCredit:

In July 2022, BRAC Uganda Bank Ltd signed a loan from OikoCredit amounting to UGX 30 billion at a fixed interest rate of 15% per annum for a period of 3 years, thereafter interest rate will be reviewed to the prevailing 2-years Bond+4.5%. Interest is payable on a quarterly basis. The first principal repayment will be paid after 12 months, thereafter every six months in equal instalments. The loan was disbursable in two tranches. The first drawdown of UGX 20 billion was done in July 2022. As at 31 December 2022, the facility had an outstanding balance of UGX 20.7 billion (USD 5.6 million).

9.5-7 Netherlands Development Finance Co. (FMO), Triodos Investment Management, Global Partnerships:

In July 2017, BRAC Uganda Bank Ltd and BRAC Tanzania Finance Ltd obtained a club finance facility of USD 20 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partnerships for a period of 4 years, at a rate of 14% to 18% and to be disbursed in 4 tranches. The first principal repayment was originally due in June 2020; however, it was renegotiated to be paid in June 2022 and rest of the principal repayments remain as scheduled originally. The loan is not secured. The loans were paid off in June 2022.

BRAC Myanmar Microfinance Company Ltd has signed an agreement with FMO for USD 7.5 million, of which USD 2 million was disbursed in January 2022. The interest rate for this loan is 4.75% p a. The FMO loan needs to be repaid in 6 semi-annual instalments and the final repayment is due in January 2025. Due to the current restrictions by the Myanmar government on overseas payments, BRAC Myanmar Microfinance is negotiating with FMO to reschedule this loan. Payment waivers have been obtained in the meantime (until June 2023) to allow for that process to be completed. If required, it is projected that BRAC Myanmar Microfinance Company Ltd will be able to make repayment of all unpaid amounts on the loan from July 2023 (immediately after expiration of the waiver).

BRAC Liberia Microfinance Company Ltd received USD 500,000 from Global Partnerships in September 2019 and USD 500,000 in April 2021 at 6.6% interest rate with quarterly interest repayments. During the year 2021, a total of USD 250,000 has been repaid (USD 125,000 in June and USD 125,000 in December). The outstanding USD 750,000 has been repaid in two instalments (USD 125,000 in June 2022 and USD 615,000 in December 2022). Therefore, no balance as at 31 December 2022 is due to the Global Partnerships.

See also number 28 for Global Partnerships in regard to the BIFBV Debt Programme.

9.8 aBi 2020 Limited:

In July 2019, a loan agreement was signed between BRAC Uganda Ltd and aBi Finance Limited amounting to UGX 10 billion. The principal is repayable within 5 years and attracts an interest rate of minimum 12.8% per annum with six months grace period for principal. The Company changed its name to aBi 2020 Limited in 2020. The amount was disbursed on 1 October 2019. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. This facility is tagged to 182Tb+2%. The outstanding loan balance is UGX 6.5 billion (USD 1.8 million).

In August 2022, a loan agreement was signed between BRAC Uganda Bank Ltd and aBi Finance Limited amounting to UGX 20 billion. The principal is repayable within 4 years and attracts an interest rate of minimum 11.60% per annum with six months grace period for principal. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. The outstanding loan balance is UGX 20.25 billion (USD 5.4 million).

9.9 DFC (OPIC):

In February 2019, BRAC Myanmar Microfinance Company Ltd obtained a loan facility of USD 5 million from DFC. The loan is repayable in four semi-annual instalments and attracts interest of 5% per annum. The loan is secured against a corporate guarantee from BRAC International Holdings B.V. BRAC Myanmar Microfinance Company Ltd has already made one instalment of USD 1.3 million, and the remaining balance is USD 3.68 million. Due to the current restrictions by the Myanmar government on overseas payments, BRAC Myanmar Microfinance Company Ltd is negotiating with DFC to reschedule this loan. Payment waivers have been obtained in the meantime (until June 2023) to allow for that process to be completed. If required, it is projected that BRAC Myanmar Microfinance Company Ltd will be able to make repayment of all unpaid amounts on the loan from July 2023 (immediately after expiration of the waiver).

9.10 AGD Bank:

In 2020, BRAC Myanmar Microfinance Company Ltd entered into a facility agreement of Kyat 7 billion with AGD bank. The interest rate for the loan is fixed at 10% per annum for the first tranche of Kyat 2.1 billion and 14.5% for the second tranche of Kyat 4.9 billion. The loan was originally scheduled to be repaid over a 36-month period, with the final payment due on 7 April 2023. However, due to the current situation in Myanmar, the repayment period has been extended by one year, and the final bullet payment of the loan is now due on 7 April 2024. If required, it is projected that BRAC Myanmar Microfinance Company will be able to make repayment of the loan from April 2023 immediately at the due date.

9.11 UAB Bank:

In 2020, BRAC Myanmar Microfinance Company Ltd entered a deal to accept and utilize 95% Kyat withdrawal against deposited USD 7.5 million, initially for three months with monthly rollover (if required) under the same bank cross-currency swap option. In 2021, BRAC Myanmar Microfinance Company Ltd obtained a Kyat 12 billion loan (multiplier loan), which is equivalent to USD 6 million in two tranches. Interest rate is 12.25% per annum. BRAC Myanmar Microfinance Company Ltd needs to pay back this loan in three instalments for each tranche. The original loan

repayment schedule was 30% at the end of the first year, 30% at the end of the second year, and 40% at the end of the third year. However, due to the current situation in Myanmar, BRAC Myanmar Microfinance Company Ltd negotiated with UAB Bank to extend by one year. The revised loan repayment schedule is as follows: the first payment of Kyat 3,600 Mn is due in February 2024, the second payment of Kyat 3,600 Mn is due in February 2025, and the third payment of Kyat 4,800 Mn is due in February 2026.

9.12 Citi Bank:

In January 2020, BRAC Uganda Bank Ltd obtained a loan from Citi Bank amounting to UGX 14.8 billion equivalent to USD 4,000,000 with a tenor of 4 years and a grace period of one year. Interest and principal is paid on a quarterly basis. The loan interest rate is tagged to T-bill of 182 day + 2.5% and the average interest rate for the 2022 was 11.32%. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio and the outstanding balance is UGX 6.92 billion (USD 1.9 million).

9.13 Uganda Energy Credit Capitalization Company (UECCC):

In December 2020, BRAC Uganda Bank Limited obtained a loan from UECCC amounting to UGX 8 billion at an interest rate of 5% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2020, the Bank drew down UGX 4 billion. The loan was secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. The outstanding balance of UGX 4 billion was fully repaid in 2022.

9.14 Mastercard Foundation:

In July 2020, BRAC Uganda Bank Ltd obtained managed funds from Mastercard Foundation amounting to USD 1.47 million equivalent to UGX 5.3 billion for one year to facilitate refinancing of clients to help them recover from the impact of the COVID-19 pandemic on their businesses. After the second lockdown in 2021 by the government due to the pandemic, the repayment of these funds was deferred to March 2022 and then to July 2022. The funds were fully paid off as at 31 December 2022.

9.15 CRDB Bank:

In December 2020, BRAC Tanzania Finance Ltd secured a term loan of TZS 4,500 million from CRDB Bank PLC for working capital. The loan duration is for 24 months with interest payment made quarterly and one lumpsum principal repayment at the end of the loan term. The interest rate is fixed at 12% per annum. The loan was fully repaid in December 2022.

9.16 MEB Bank:

In 2021, BRAC Myanmar Microfinance Company Ltd obtained a Kyat 1,200 million commercial loan (equivalent to USD 648,000) and a Kyat 10.355 billion interest-free loan (equivalent to USD 5.6 million). Interest rate is 11.5% per annum. Repayments are due in July 2022, January 2023, and July 2023.

9.17 Kiva:

In November 2007, BRAC Uganda Bank Ltd signed a hosting agreement with Kiva to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses. This was with the hope of obtaining capital in the form of loans from the individuals and entities who also access the Kiva website and the loan is interest-free. The first loan tranche was received in December 2007. During 2022, BUBL received USD 95,345 and repaid USD 42,059. The facility has an outstanding balance of USD 257,082 equivalent to UGX 954,706,370. The loan has no security and there is no interest rate attached to it.

In October 2010, BRAC Microfinance (SL) Ltd signed an agreement with KIVA to obtain access to post on the website descriptions of businesses in need of debt capital as well as proposed terms for making loans to such businesses. The debt capital sourced for BMSLL on the Kiva website is earmarked to provide or refinance the capital used to disburse loans to their clients. During 2022, BMSLL received USD 227,113 and repaid USD 125,402. There are no guarantees or interest rates associated with Kiva financing.

In October 2010, BRAC Liberia Microfinance Company Ltd signed an agreement with KIVA. The Company received loans from KIVA at 0% interest rate. These loans were received from individual lenders through the KIVA website for on lending. These short-term loans are to be repaid as per the collection status of borrowers, which is usually within one year. The current facility limit is USD 800,000. In 2022, BLMCL received USD 147,418 and paid USD 172,243.

9.18 Whole Planet Foundation:

BRAC Tanzania Finance Ltd secured an interest-free loan from Whole Planet Foundation (WPF) in July 2018 for a period of 36 months. The loan amount is USD 150,000 payable in three equal instalments (USD 50,000 each) after a grace period of 24 months. The loan is interest free as WPF used to be a partner in microfinance and in 2018, a loan was issued after realising that BTFL is financially stable and self-sustaining. The loan was fully repaid in January 2022.

BRAC Liberia Microfinance Company Ltd obtained loan amounts of USD 100,000, USD 200,000, and USD 200,000 in June 2018, April 2019, and January 2021, respectively, at 0% interest rate. Furthermore, in 2022, WPF reinvested the instalment that was due in July 2021 amounting to USD 100,000. The organisation paid back USD 100,000 in July 2022. The remaining loans are now repayable on January 2026.

BRAC Microfinance (SL) Ltd obtained a total of USD 600,000 loan from WPF in three equal instalments in May 2019, August 2020, and July 2021. The loans are now repayable in July 2022, October 2023, and October 2024 in three equal instalments.

9.19 Central Bank of Liberia

BRAC Liberia Microfinance Company Ltd received USD 325,000 on 19 October 2017, and USD 228,712 on 31 May 2018, at 2% interest rate which is to be paid on a quarterly basis. The principal for each loan is to be repaid to the Central Bank of

Liberia as instalment basis on October 2023 and December 2024 in equivalent local currency (LRD) as per amendment agreement which is LRD 115.09/USD.

9.20 Central bank of Sierra Leone:

In May 2021, BRAC Microfinance (SL) Ltd received 22,306 billion SLL (USD 2.2 million) at 0% interest rate. The loan has been repaid in 12 equal instalments with the last instalment on July 2022. Therefore, no balance as of 31 December 2022 is due to the Central Bank of Sierra Leone.

9.21 East African Development Bank (EADB):

In December 2021, BRAC Uganda Bank Ltd signed a loan from EADB amounting to UGX 4.1 billion at an interest rate of 12% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2021, the Bank drew down UGX 1.9 billion. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 4.1 billion (USD 1.1 million).

9.22 Kenya Commercial Bank (KCB):

In March 2022, BRAC Uganda Bank Ltd signed a loan from KCB amounting to UGX 10.5 billion at an interest rate of 15% per annum for a period of 4 years. Interest rate is tagged to prime rate less 6%. Interest and principal are payable on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 8.9 billion (USD 2.4 million).

9.23 Stichting Oxfam Novib /Triple Jump:

In June 2022, BRAC Uganda Bank Ltd obtained a loan from Triple Jump amounting to UGX 7.9 billion equivalent to USD 2,135,400 with a tenure of 3 years. Interest is paid on a quarterly basis. The principal will be paid as a bulk payment at the end of the loan term. The loan interest rate is a fixed rate of 16%. The loan is secured by a floating charge on BRAC Uganda Bank Ltd's loan portfolio. As at 31 December 2022, the facility had an outstanding balance of UGX 8.1 billion including interest accrued.

9.24 Standard Chartered Bank:

In September 2021, BRAC Tanzania Finance Ltd secured a short-term loan facility amounting to TZS 10 billion from Standard Chartered Bank Tanzania Limited for the purpose of working capital. The loan duration is for 11 months with interest repayment made monthly and principal repayment made in two equal instalments. The interest rate is fixed at 9.8% per annum. The loan was fully repaid in August 2022.

9.25 Agent for Impact (AFI): HANSAINVEST Finance I GmbH & Co. geschlossene Investmentkommanditgesellschaft

In September 2021, BRAC Tanzania Finance Ltd signed a loan agreement with HANSAINVEST Finance I GmbH worth USD 5 million. The full amount was disbursed in a single tranche. The facility is payable in four equal instalments for a period of 36 months at an interest rate of 5.75% per annum. The interest rate is fixed for the entire duration of the loan agreement.

9.26 BlueOrchard Microfinance Fund:

Under the BlueOrchard Fund, BRAC Tanzania Finance Ltd has been able to secure two term loans from its portfolio from BlueOrchard Microfinance Fund and Covid-19 Emerging & Frontier Markets MSME Fund in May 2022. The purpose of these loans is to finance microfinance lending operations. The two secured term loans amount to USD 12 million with a loan tenure of 36 months at an interest of 14.75% per annum where principal payment is made in three equal instalments and interest payments are made every six months.

9.27-28. Proparco and Global Partnerships

The Debt Programme was successfully launched via BRAC International Finance B.V. in 2022, with Global Partnerships and Proparco providing financing for a first series of issuances to support the growth of the Company's entities in a post-pandemic environment. Under Series 1, a total of USD 40.7 million commitment has been secured from the two anchor investors. In 2022, USD 26.8 million (USD 16.5 million from Proparco and USD 10.3 million from Global Partnerships) was utilised out of the total commitments for Series 1 and invested in four BIHBV entities:

BRAC Tanzania Finance Ltd

BRAC Tanzania Finance Ltd secured a term loan amounting to USD 9 million through BRAC International Finance B.V. (BIFBV) (USD 5.5 million from Proparco and USD 3.5 million from Global Partnerships) in May 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 5.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a back-to-back structure with a local bank.

In September 2022, BRAC Tanzania Finance Ltd received a second tranche term loan amounting to USD 6 million through BRAC International Finance B.V. (BIFBV) (USD 3.7 million from Proparco and USD 2.3 million from Global Partnerships) for a period of 3 years from the date of disbursement. Principal payment is made yearly in 3 equal instalments whereas the interest payment is made on a quarterly basis. The loan is quoted at the rate of 6.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a back-to-back structure with a local bank.

In December 2022, BRAC Tanzania Finance Ltd received a third tranche term loan amounting to USD 5 million through BRAC International Finance B.V. (BIFBV) (USD 3.1 million from Proparco and USD 1.9 million from Global Partnerships) for a period of 4 years from the date of disbursement with grace period of 12 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 7.35% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is fully hedged by BRAC Tanzania Finance Ltd using a third-party hedging provider (MFX Solutions Inc.).

BRAC Rwanda Microfinance Company PLC

BRAC Rwanda Microfinance Company PLC secured a term loan amounting to USD 2 million through BRAC International Finance B.V. (BIFBV) (USD 1.2 million from Proparco and USD 0.8 million from Global Partnerships) in May 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 5.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Rwanda Microfinance Company PLC using a third-party hedging provider (MFX Solutions Inc.).

BRAC Rwanda Microfinance Company PLC secured a term loan amounting to USD 1.6 million through BRAC International Finance B.V. (BIFBV) (USD 1.0 million from Proparco and USD 0.6 million from Global Partnerships) in September 2022 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 6.85% fixed US dollar rate with no expected increase until maturity. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Rwanda Microfinance Company PLC using a third-party hedging provider (MFX Solutions Inc.).

BRAC Liberia Microfinance Company Ltd

BRAC Liberia Microfinance Company Ltd secured USD 1 million in May 2022 through BRAC International Finance B.V. (BIFBV) (USD 0.6 million from Proparco and USD 0.4 million from Global Partnerships) and another USD 1 million through BRAC International Finance BV (BIFBV) (USD 0.6 million from Proparco and USD 0.4 million from Global Partnerships) in September 2022 making total loans of USD 2 million secured through BRAC International Finance B.V. (BIFBV). The interest rates are 5.85% and 6.85% respectively. The funding secured in May 2022 has a tenor of 3 years, while the funding secured in September 2002 has a tenor of 4 years. The loans were obtained for facilitating microfinance lending and both loans are hedged by BRAC Liberia Microfinance Company Ltd using back-to-back structures with a local bank.

BRAC Microfinance (SL) Ltd

BRAC Microfinance (SL) Ltd secured USD 1.2 million through BRAC International Finance B.V. (BIFBV) (USD 0.7 million from Proparco and USD 0.5 million from Global Partnerships) in December 2022. The interest rate is 7.35% per annum. The maturity date for this arrangement is December 2026. The loan was obtained for facilitating microfinance lending and is hedged by BRAC Microfinance (SL) Limited using a third-party hedging provider (MFX Solutions Inc.).

Covenant Breaches

At the end of December 2022, financial covenants were in breach for loans from Citi Bank, Bank of Africa, Soluti and Triple Jump to BRAC Uganda Bank Ltd for the following ratios:

Triple Jump

- PAR 30
- Write off
- Solvency
- CAR
- Unhedged foreign currency position

Bank of Africa

- Cost to income

Soluti

- Write off

Citi Bank

- Write off.

Waivers for all these breaches were obtained from the respective investors.

Due to the current situation in Myanmar, there were financial covenant breaches for the international loans from FMO and DFC and the local bank loans from UAB Bank and AGD Bank to BRAC Myanmar Microfinance Company Ltd for the following ratios:

FMO

- Open Asset exposure ratio
- Aggregate un-hedged open currency position

DFC

- PAR 30
- Write off
- Loan loss reserve
- Operating self-sufficiency
- Return on assets

AGD

- PAR 30.

Waivers for the financial covenant breaches were received from FMO and DFC as well as for AGD Bank (UAB has no covenants). The lenders are apprised and have accepted the covenant breaches. They are well aware of the situation in Myanmar that is impacting all of their borrowers, including BRAC Myanmar Microfinance Ltd.

Though Sierra Leone was initially at breach of write off ratio as per year-end management accounts, there was no breach of the financial covenants as per audited accounts. To be on the safer side, possible breaches of PAR 30 ratio and write off ratio were identified before Sierra Leone took a loan from the debt programme in December 2022 and the ratios have been waived until 31 March 2023. As of March 2023, BRAC Sierra Leone is compliant with the financial covenants.

As waivers for all the above breaches were obtained from the respective investors, they do not result in a going concern uncertainty for the group as a whole.

10 Donor Funds

	2022 USD	2021 USD
Donor funds received in advance	81,788,059	97,733,701
Donor funds invested in microfinance loans	1,770,006	1,041,325
Donor funds utilised in fixed assets	2,346,448	704,423
	85,904,513	99,479,449

All the donor funds received in advance are approved by the donors. Donor fund increased significantly mainly due to the Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme.

All amounts included are due within one year.

Donor funds received in advance

	2022 USD	2021 USD
Opening balance	97,733,701	12,813,296
Received during the year	44,600,067	125,326,039
Transfer to donor funds in fixed assets	(1,653,148)	(290,388)
Transfer to donor funds - loan to group members	(1,395,503)	(611,728)
Released to statement of income and expenses	(55,760,838)	(40,702,798)
Released to others	(879,109)	(615,654)
Receivable from donor	(1,890,955)	2,078,260
Translation difference	1,033,844	(263,326)
Closing balance	81,788,059	97,733,701

Donor funds invested in microfinance loans

	2022 USD	2021 USD
Opening balance as at 1 January	1,041,325	1,329,084
Transferred from donor funds received in advance	1,395,503	611,728
Transferred to income and expenses	(689,053)	(647,392)
Translation difference	22,231	(252,095)
Closing balance as at 31 December	1,770,006	1,041,325

Donor funds utilised in fixed assets

	2022 USD	2021 USD
Opening balance	704,423	921,846
Transfer from grant received in advance	1,653,148	290,388
Released to statement of income and expenses	(403,710)	(349,122)
Assets handed over to others	704,082	(145,904)
Translation difference	(311,495)	(12,785)
Closing balance	2,346,448	704,423

11 Other current liabilities

	2022 USD	2021 USD
Payable to BRAC Bangladesh	1,271,191	1,183,502
Payable to biTs (BRAC IT Services Ltd)	430,733	562,664
Accrued expenses	15,348,752	4,907,102
Corporate income tax payable	1,533,853	2,141,110
Withholding and other taxes	1,329,001	1,042,644
Other liabilities	9,260,207	3,132,802
	29,173,737	12,969,826

Payable to BRAC Bangladesh is in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its subsidiaries. The amount is payable on demand.

Accrued expenses includes USD 14.6 million payable to various vendors and program participants for the implementation of UNDP funded ABADEI project in BRAC Afghanistan.

Other liability includes various staff benefit provisions, withholding taxes and payable to suppliers are part of the other liabilities and accrued expenses. All the other liabilities are payable within one year.

12 Financial instruments

General

During the normal course of business, the Foundation uses various financial instruments that expose the Foundation to market, currency, interest, cash flow, liquidity and/or credit risks.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

The Foundation financial risk management policy seeks to identify, appraise and monitor the risks facing the Foundation whilst taking specific measures to manage its interest rate, foreign exchange, liquidity and credit risks. The Foundation does not, however, engage in speculative transactions or take speculative positions, and were affected by adverse movements, the Foundation has sought the assistance of donors.

Credit risk

Credit risk arises principally from the BIHBV's loans and receivables, financial fixed assets, trade and other receivables and cash. The credit risk is spread over a large number of counterparties, mainly individual customers (banks, customers and other third parties). In most circumstances there is a long-standing relationship with program participants who have, in most circumstances, timely satisfied their obligation to pay. No individual significant balances are identified.

The company exposure to credit risk is influenced mainly by the individual characteristics of the loan portfolio (i.e. the programme participants). However, management also considers the characteristics of the Group's customer base, including the default risk of the country, as these factors may have an influence on credit risk. These risks are reflected in the loan loss provision recognized in accordance with IFRS 9.

Management has an internal process to review and monitor these counterparties, including program participants, before loan disbursements are made to mitigate the credit risk. Furthermore, the Group's review also includes an assessment on external ratings of banks selected for deposit-taking.

Disbursed loans are subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim.

During the reporting period, the Company has recorded an amount of USD 5,649,398 (USD 9,716,770 in 2021) in profit or loss as a result of impairments. These impairments are the result of overdue payments on loans extended by the microfinance entities to borrowers.

The carrying amount of financial assets that the Company has pledged for collateral for liabilities amounts to USD 0 (USD 0 in 2021).

The Company recognises that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritise and manage the risks involved in all activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived..

Policy objectives:

- Protect the Foundation and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Foundation will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout the Foundation.
- Meet legal or statutory requirements.
- Assist in safeguarding the Foundation's assets: people, finance, property and reputation.

The Executive Director will be responsible on behalf of Foundation for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The risk management department will be responsible for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment. Risk management function will ensure Risk Management Services are in conformity with global standards.

Currency risk

The Group is exposed to currency risk on transactions denominated in a currency other than the respective functional currencies of group entities. The functional currency for the parent is the US dollar (USD), the presentation currency is USD. The currency in which transactions primarily are denominated is USD. The subsidiaries functional currency is the country local currency except BRAC South Sudan. BRAC follows inhouse hedging mechanism to mitigate the currency risks. The management regularly reviews the currency trends to manage currency risks.

Interest rate risk and cash flow risk

BRAC's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans extended to group members and to voluntary savers. BRAC does not engage in speculative transactions or take speculative positions on its interest rates.

The subsidiary, BIHBV is exposed to loan covenants and in case of breaches loans can become payable on demand based on the loan agreement with the lender. The breaches as per balance sheet date are disclosed in note 9 'borrowings'. Management is monitoring compliance of covenants towards year-end to avoid any cash-flow risks and is actively managing the relevant ratio's, including the portfolio at risk.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, which are both exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

Overall responsibility for the management of the market risk rests with the Country Representatives. Management is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies.

Liquidity risk

The Group monitors its cash position by using successive liquidity budgets. The management ensures that the cash position is sufficient to meet the foundation's financial obligations towards creditors and to stay within the limits of its loan covenants.

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the balance sheet, the funding requirements of the Foundation and cash flows. In quantifying the liquidity risk, future cash flow projections are simulated and necessary arrangements are put in place in order to ensure that all future cash flow commitments are met from the working capital generated by the Foundation and also from available financial institutions facilities.

The Foundation manages its debt maturity profile, operation cash flows and the availability of funding so as to meet all refinancing, repayment and funding needs. As part of its overall liquidity management, the Foundation maintains sufficient levels of cash or fixed deposits to meet its working capital requirements.

13 Grant income

The breakdown of grant income by country is as follows:

	2022 USD	2021 USD
Uganda	11,305,472	12,418,348
Afghanistan	23,433,373	9,010,360
The Netherlands	10,196,808	6,093,930
Liberia	2,477,058	2,307,156
Tanzania	2,727,434	2,018,257
Philippine	1,128,593	836,548
Sierra Leone	1,231,492	1,501,502
Myanmar	488,598	1,105,136
Nepal	1,267	2,433
Kenya	961,666	562,448
Rwanda	748,525	222,222
South Sudan	3,593,946	2,815,250
	58,294,232	38,893,590

The breakdown of grant income by donor type is as follows:

	2022 USD	2021 USD
Government	3,244,417	3,959,941
International Organization	16,069,915	22,661,788
Private sector / Foundation	17,354,222	7,538,441
United Nations	20,875,314	4,293,450
EU Commission	729,513	410,170
Donation from individuals	20,851	29,800
	58,294,232	38,893,590

14 Interest income on loans and advances

The breakdown of service charge income by country is as follows:

	2022	2021
	USD	USD
Uganda	20,181,975	21,565,185
Tanzania	34,353,691	26,224,727
Sierra Leone	5,322,165	5,839,335
Myanmar	9,116,603	9,883,228
Liberia	7,116,326	5,022,080
Rwanda	1,154,083	637,823
	77,244,843	69,172,378

Interest income on loans and advances denotes the interest income earned on loans and advances disbursed to the borrowers and exist solely of income from Microfinance activities.

15 Other Interest income and similar income

	2022	2021
	USD	USD
Fees and commission income	4,066,240	3,299,184
Bank Interest	2,261,253	1,672,755
Exchange differences	1,506,571	242,516
	7,834,063	5,214,455

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to customers and sale of passbook.

16 Interest expenses and similar charges

	2022	2021
	USD	USD
Interest expense on term loan	10,858,579	7,535,007
Interest expense on savings deposit	1,917,083	1,897,161
Bank charges	559,288	396,638
Unrealised foreign exchange loss	-	435,600
Foreign exchange loss realised	1,141,426	417,936
	14,476,376	10,682,342

17 Other operating income

	2022 USD	2021 USD
Overhead income	631,232	389,368
Training income	235,843	292,690
Income from sale of seeds	850,390	618,212
Other income	3,917,245	3,004,262
	5,634,710	4,304,532

Other income includes gains made due to early repayment of loans, cost recovered from staffs as rent against share of space and utilities.

18 Cost of outsourced work and other external costs

	2022 USD	2021 USD
Programme supplies	26,512,653	10,501,517
General and administrative expenses	4,431,751	6,701,748
Travel and transportation	11,404,835	7,913,537
Staff Training and development	475,627	1,837,976
Rent and utilities	3,717,594	4,052,693
Printing and office stationeries	1,365,565	1,289,816
Audit fees	763,681	581,219
Professional and legal fees	4,681,891	2,665,443
Software maintenance costs	2,492,994	1,451,427
Internet costs	798,161	1,299,129
	56,644,878	38,294,505

19 Wages and salaries

	2022 USD	2021 USD
Salaries and benefits	42,487,779	37,532,242

During the 2022 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 7,898 people (2021: 6,940). All staffs are employed outside the Netherlands, except 4 (2021: 5).

This staffing level (average number of staff) can be divided into the following staff categories:

	2022	2021
Management	98	124
Microfinance services	4865	4,720
NGO Program employees	1321	823
Finance and IT	756	714
Monitoring, Risk and Internal Audit	165	140
Human Resources	75	55
Other Support functions	618	364
	7,898	6,940

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation and group companies amounted to USD 518,140 (2021: USD 439,249) for current and former managing directors.

20 Social security and pension charges

	2022 USD	2021 USD
Social security charges	3,148,616	2,684,592

Social security benefits include payments made by the Foundation and its subsidiaries in various social welfare funds / pension scheme as per the country statute.

The Foundation only has an employee pension scheme (defined contribution) in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2022 is USD 24,891 (2021: USD 21,411).

21 Other operating expenses

	2022 USD	2021 USD
Other operating expenses	7,813,013	6,213,000

Other expenses includes communication an publications cost, meeting and workshop costs, self-insurance provision, group member's death benefits provided to their families, etc.

22 Corporate income tax

The major components of the tax charge are as follows:

	2022 USD	2021 USD
Current tax	5,669,097	4,374,377
Movement in temporary differences	178,197	(530,922)
Tax on result from ordinary activities	5,847,294	3,843,455

The applicable weighted average tax rate in 2022 was 35.8%, whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

The tax expense recognised in the profit and loss account for 2022 amounts to USD 5,847,294 (2021: USD 3,843,455).

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The applied tax rate is 25-30%.

The numerical reconciliation between the applicable and the effective tax rate is as follows:

	2022 USD	%	2021 USD	%
Result before taxation	16,355,093		10,270,923	
Tax using the domestic tax rate	4,219,614	25.8	2,567,731	25.0
Unused local tax losses	-		1,014,568	
Utilization of unrecognised temporary differences	-		(530,922)	
Application of different tax rates abroad	1,449,483		792,079	
Other	178,197		-	
Income tax according to consolidated statement of income and expenses	5,847,294	35.8%	3,843,455	37.4%

Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate in 2022 is due to the fact that the Foundation had lower movement in temporary differences and unused tax losses.

23 Transactions with related parties

Transactions with related parties are assumed when a relationship exists between the Foundation and a natural person or entity that is affiliated with the Foundation. This includes, among other relations, the relationship between the Foundation and its group companies, affiliates, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless of whether anything has been charged. All the transaction were made on terms equivalent to those that prevail in arm's length transactions. Therefore, there have been no transactions with related parties that were not on a commercial basis.

24 Off-balance sheet assets and liabilities

The Foundation provided corporate guarantees to DFC for USD 5 million for term loans to BRAC Myanmar Microfinance. The Foundation deposited USD 1 million and BIHBV deposited USD 0.25 million with BRAC USA as part of this guarantee. Current outstanding balance for DFC loan is USD 3.7 million.

BRAC International Holdings B.V. provided corporate guarantees to AGD Bank for USD 3.9 million (30% cash backed) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 3.3 million.

BRAC International Holdings B.V. provided a guarantee to Proparo and Global Partnerships for the financing secured in April 2022 by BRAC International Finance B.V. for subsidiaries. As of 31 December 2022, the total amount drawn under this facility is USD 26.8 million. As of 31 December 2022, the amount guaranteed by the Company is USD 3.5 million (15% of the outstanding principal amount) excluding the funds drawn in respect of BRAC Rwanda Microfinance Company PLC. For the period that it remains unprofitable, 100% of the funds drawn in respect of BRAC Rwanda Microfinance Company PLC (USD 3.6 million) are guaranteed by BRAC International Holdings B.V. extended a loan facility of USD 9 million in BRAC Myanmar Microfinance Company Limited to finance its growth opportunities. As of 31 December 2022, USD 7.5 million has been disbursed with a current outstanding balance of USD 4.5million.

As part of the process to obtain the banking license in Uganda, the company declared a dividend in 2018 which was paid in tranches during 2019. The Uganda Tax legislation normally requires that withholding tax is applicable over such transactions. However, no withholding tax has been paid, as the company is of the opinion that the conditions are met that avoid double tax payments as stipulated in the tax treaty between Uganda and the Netherlands. BRAC Uganda Bank Limited sought a private ruling from Uganda Revenue Authority (URA) to confirm management's view as to whether this dividend payment qualifies for WHT exemption under the treaty. Management believes the ruling will be made in favour of the bank and a such no provision is made in these financial statements. For the unlikely event that the outcome be different, the company has provided a guarantee to BRAC Uganda Bank for the amount of withholding tax.

As part of the preparation for transformation into a Tier II Financial Institution, the Company had to sell 51% of the shares of BRAC Uganda Microfinance Limited to meet the requirements under Section 18 of the Financial Institutions Act in 2019. On 20 May 2022 the Uganda Revenue Authorities informed BRAC Uganda Bank Limited that they are of the opinion that the proceeds of the disposal of these shares are to be taxed in Uganda. Management believes that the benefit, if any, of the disposal of these shares is exempt from tax in Uganda under Article 13 (4) of the DTA between Uganda and the Netherlands and will take appropriate advice to appeal to this position.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis The expected rent commitment for 2023 amounts to USD 3.1 million.

25 Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the Foundation, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code.

	KPMG Accountants N.V. USD 1,000	Other KPMG Network USD 1,000	Total KPMG USD 1,000
2022			
Audit of the financial statements	223	114	337
Other audit engagements			
Tax-related advisory services	128	6	134
Other non-audit services			
	351	120	471
2021	184	147	331
Audit of the financial statements			
Other audit engagements			
Tax-related advisory services	95	72	166
Other non-audit services	6	–	6
	285	219	504

The fees mentioned in the table for the audit of the financial statements 2022 relate to the total fees for the audit of the financial statements 2022, irrespective of whether the activities have been performed during the financial year 2022.

26 Subsequent events

With regards to the developed funding strategy of BRAC International Finance B.V., funding commitments totalling USD 40.7 million were secured from investors Proparco and Global Partnerships in April 2022. A further drawdown by BRAC International Finance B.V. of USD 9.8 million was scheduled for April 2023. After the drawdown in April 2023 the total amount drawn by BRAC International Finance B.V. under the facility was USD 36.6 million.

The shareholding of BRAC Zanzibar Finance Limited (BZFL) was restructured from the current shareholding of BIHBV (100%) to BRAC Tanzania Finance Limited (BTFL) (100%) via a merging of BZFL with BTFL that was formally completed in January 2023. This will not impact the group consolidation as BIHBV is still the ultimate parent.

As of April 2023, BRAC International Holdings B.V. is no longer a guarantor for the loan from AGD Bank to BRAC Myanmar Microfinance Company Limited. Previously, there was a BIHBV guarantee for 100% of the loan of MMK 7 billion (USD 3.3 million at 2100 MMK to USD); with the loan rescheduling there is no longer any guarantee by the BIHBV.

27 Segmental information

Operational segments

These segments offer different products and services and managed separately as they require different strategies in terms of operation and marketing.

The group has three strategic operational segments: NGO, Microfinance and Social Business Enterprise.

NGO Programme (Non-MF) includes all development interventions in Agriculture and Livelihood development, Education, Health, youth and skill development programmes, etc.

Microfinance programme (MF) has been designed to serve large numbers of poor people with reliable access to cost-effective financial services. It is providing capital support to borrowers for creating livelihoods. Loan to group members are traditional microfinance loans and is approximately for a 20 and 40 weeks period. SEP loans are normally for a 6-12 month period. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks and for SEP (Small enterprises programme) loans approximately 12 months. These loans bear interest percentages from 25% to 52% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values. All loans are unsecured.

Social Business Enterprise (SBE) involves the production and processing of seeds (maize, vegetables and rice).

The group's management reviews internal report of these segments on a monthly basis. Assets, liability and equity position along with their profitability is set out below. Each entity under the segments has their own budget and costs centres. The entities recognises the costs on an accrual basis.

The cost of BIHBV head office, microfinance operations are allocated to all its subsidiaries based on the Transfer Pricing Policy developed based on the OECD guideline.

Segmental balance sheet as at 31 December 2022

	Non-Micro- Finance USD	Micro- finance USD	Social Enterprise USD	Holding USD	Elimination USD	Total USD
Fixed assets						
Intangible fixed assets	-	4,629,595	-	-	-	4,629,595
Tangible fixed assets	1,889,426	4,522,344	268,004	82,060	-	6,761,834
Financial fixed assets	7,304	4,124,547	11,862	3,554,068	-	7,697,780
	1,896,730	13,276,486	279,866	3,636,128	-	19,089,209
Current assets						
Inventories	205,725	324,678	111,066	-	-	641,469
Loans to customers	-	162,725,002	-	-	-	162,725,002
Trade and other receivables	17,875,095	4,895,562	(681,753)	23,911,000	(37,134,616)	8,865,289
Cash and cash equivalents	8,141,263	69,331,278	93,471	121,462,226	-	199,028,238
	26,222,083	237,276,519	(477,216)	145,373,227	(37,134,616)	371,259,998
	28,118,812	250,553,005	(197,349)	149,009,354	(37,134,616)	390,349,207

Stichting BRAC International

	Non-Micro- Finance USD	Micro- Finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Group reserves						
Reserves	3,264,662	75,956,176	(358,051)	33,462,582	3,513,315	115,838,682
Minority interests	-	-	-	11,201,032	(3,513,315)	7,687,717
	3,264,662	75,956,176	(358,051)	44,663,614	-	123,526,399
Non-current liabilities	-	57,608,512	-	25,763,539	(3,600,000)	79,772,051
Current liabilities						
Donor Funds	4,765,090	4,152,163	86,314	76,900,945	-	85,904,513
Loan Security Fund	-	29,050,427	-	-	-	29,050,427
Deposits from savers	-	19,609,642	-	-	-	19,609,642
Current portion of the borrowings	-	23,312,439	-	-	-	23,312,439
Other current liabilities	20,089,060	40,863,646	74,388	1,681,257	(33,534,616)	29,173,735
	28,118,812	250,553,005	(197,349)	149,009,354	(37,134,616)	390,349,207

Segmental statement of income and expenses for the year ended 2022

	Non-Micro- Finance USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Grant income	45,206,238	1,658,287	271,233	11,158,474	-	58,294,232
Service charge income	-	77,244,843	-	-	-	77,244,843
Interest income and similar income	819,368	6,484,332	19,541	1,417,086	(906,264)	7,834,063
Interest and similar income	46,025,605	85,387,462	290,774	12,575,560	(906,264)	143,373,138
Interest expenses and similar charges	(349,106)	(13,759,729)	(8,084)	(1,265,722)	906,264	(14,476,376)
Net interest income	45,676,500	71,627,733	282,690	11,309,838	-	128,896,762
Other operating income	2,162,237	2,408,890	749,874	6,554,758	(6,241,049)	5,634,710
	47,838,737	74,036,623	1,032,564	17,864,596	(6,241,049)	134,531,471
Impairment losses on loans to customers	-	(5,649,398)	-	27,214	-	(5,622,184)
Net operating income	47,838,737	68,387,225	1,032,564	17,891,810	(6,241,049)	128,909,287
Cost of outsourced work and other external costs	32,467,985	19,663,127	412,312	4,101,453	-	56,644,878
Wages and salaries	10,356,997	25,939,141	246,860	5,944,781	-	42,487,779
Social security and pension charges	598,039	2,520,471	30,106	-	-	3,148,616
Amortisation and depreciation on intangible and tangible fixed assets	414,553	1,989,843	24,391	31,122	-	2,459,909
Other operating expenses	2,741,005	4,247,582	583,541	6,481,934	(6,241,049)	7,813,013
Total operating expenses	46,578,580	54,360,164	1,297,210	16,559,290	(6,241,049)	112,554,195
Operating result (carried forward)	1,260,157	14,027,061	(264,646)	1,332,520	1	16,355,093

Stichting BRAC International

	Non-Micro- Finance USD	Micro- finance USD	Social enterprise USD	Holding USD	Elimination USD	Total USD
Brought forward	1,260,157	14,027,061	(264,646)	1,332,520	1	16,355,093
Tax on result from ordinary activities	(24,320)	(5,790,329)	(9,951)	(22,694)	-	(5,847,294)
Result after tax	1,235,837	8,236,733	(274,598)	1,309,826	1	10,507,799
Minority interests	-	-	-	-	(279,513)	(279,513)
Net result	1,235,837	8,236,733	(274,598)	1,309,826	(279,512)	10,228,286

Geographic information

The group business operation is mainly based in Asia, Africa and the Netherlands. Business Managers for each operation are separate. The group's management reviews internal report of these geographical segments on a monthly basis. Assets, liability and equity position bases on geography for along with their profitability is set out below:

Geographical balance sheet as at 31 December 2022

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Fixed assets					
Intangible fixed assets	4,405,724	223,870	-	-	4,629,595
Tangible fixed assets	6,419,305	330,725	11,804	-	6,761,834
Financial fixed assets	4,143,713	-	3,554,068	-	7,697,780
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	14,968,742	554,595	3,565,872	-	19,089,209
Current assets					
Inventories	641,469	-	-	-	641,469
Loans to customers	136,028,127	26,696,874	-	-	162,725,002
Trade and other receivables	5,158,852	17,338,890	23,502,163	(37,134,616)	8,865,289
Cash and cash equivalents	72,017,764	6,550,677	120,459,797	-	199,028,238
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	213,846,212	50,586,442	143,961,960	(37,134,616)	371,259,997
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	228,814,954	51,141,037	147,527,831	(37,134,616)	390,349,207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Group reserves					
Reserves	71,992,369	6,870,417	33,462,582	3,513,315	115,838,682
Minority interests	-	-	11,201,032	(3,513,315)	7,687,717
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	71,992,369	6,870,417	44,663,614	-	123,526,399
Non-current liabilities	46,211,818	15,392,693	21,767,539	(3,600,000)	79,772,051
Current liabilities					
Donor Funds	7,281,141	2,680,827	75,942,544	-	85,904,513
Loan Security Fund	26,769,379	2,281,049	-	-	29,050,427

Stichting BRAC International

Deposits from savers	18,095,881	1,513,761	-	-	19,609,642
Current portion of the borrowings	19,316,439	-	3,996,000	-	23,312,439
Other current liabilities	39,147,927	22,402,289	1,158,134	(33,534,616)	29,173,735
	228,814,954	51,141,037	147,527,831	(37,134,616)	390,349,207

Geographical statement of income and expenses for the year ended 2022

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	23,045,593	25,051,831	10,196,808	-	58,294,232
Service charge income	68,128,240	9,116,603	-	-	77,244,843
Interest income and similar income	6,842,456	531,243	1,366,629	(906,264)	7,834,063
Interest and similar income	98,016,289	34,699,676	11,563,437	(906,264)	143,373,138
Interest expenses and similar charges	(11,375,021)	(2,760,200)	(1,247,420)	906,264	(14,476,376)
Net interest income	86,641,268	31,939,476	10,316,017	-	128,896,762
Other operating income	5,963,282	990,559	4,921,918	(6,241,049)	5,634,710
Impairment losses on loans to customers	(1,666,012)	(3,983,386)	27,214	-	(5,622,184)
Net operating income	90,938,538	28,946,649	15,265,149	(6,241,049)	128,909,287
Cost of outsourced work and other external costs	32,467,574	20,621,466	3,555,839	-	56,644,878
Wages and salaries	32,219,519	6,333,348	3,934,912	-	42,487,779
Social security and pension charges	3,126,754	21,862	-	-	3,148,616
Amortisation and depreciation on intangible and	2,286,322	170,031	3,556	-	2,459,909

Stichting BRAC International

tangible fixed assets					
Other operating expenses	5,775,324	1,840,416	6,438,322	(6,241,049)	7,813,013
Total operating expenses	75,875,493	28,987,122	13,932,629	(6,241,049)	112,554,195
Operating result (carried forward)	15,063,046	(40,473)	1,332,520	1	16,355,093
	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	15,063,046	(40,473)	1,332,520	1	16,355,093
Tax on result from ordinary activities	(4,976,922)	(847,678)	(22,694)	-	(5,847,294)
Result after tax	10,086,124	(888,151)	1,309,826	1	10,507,799
Minority interests	-	-	-	(279,513)	(279,513)
Net result	10,086,124	(888,151)	1,309,826	(279,512)	10,228,286

Stand-alone balance sheet as at 31 December 2022

(before appropriation of result)

		2022		2021
		USD	USD	USD
Fixed assets				
Tangible fixed assets	28	782,630		559,867
Financial fixed assets	29	97,259,480		94,653,501
			98,042,110	95,213,368
Current assets				
Inventories		31,307		33,624
Trade and other receivables	30	2,145,456		6,876,136
Cash and cash equivalents	31	104,374,920		105,998,444
			106,551,683	112,908,204
			204,593,793	208,121,572
Reserves	32			
Reserves			112,244,850	110,690,108
Current liabilities	33			
Donor funds		77,189,981		95,751,400
Other current liabilities		15,158,962		1,680,064
			92,348,943	97,431,464
			204,593,793	208,121,572

The notes on pages 109 to 119 are an integral part of these stand-alone financial statements.

Stand-alone statement of income and expenses for the year ended 31 December 2022

		2022		2021
		USD	USD	USD
Income				
Grant income	35	15,018,479		11,582,414
Other operating income	36	3,591,225		2,557,448
Total operating income			18,609,704	14,139,852
Cost of outsourced work and other external costs	37	(6,085,768)		(5,820,930)
Wages and salaries	38	(6,614,726)		(3,492,588)
Social security and pension charges	38	(102,995)		(112,273)
Amortisation and depreciation on tangible fixed assets		(113,393)		(94,770)
Other operating expenses	39	(3,956,634)		(142,910)
Total operating expenses			(16,873,516)	(9,663,471)
Operating result			1,736,188	4,476,391
Interest income and similar income			1,111,967	-
Interest expense and similar charges			(780,876)	(713,618)
Result from ordinary activities			2,067,279	3,762,773
Share in result of participating interests	40		7,198,014	5,659,518
Net result			9,265,293	9,422,291

The notes on pages 109 to 119 are an integral part of these stand-alone financial statements.

Notes to the 2022 stand-alone financial statements

General

The stand-alone financial statements have been prepared in accordance with the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

In so far as no further explanation is provided of items in the stand-alone balance sheet and the stand-alone statement of income and expenses, please refer to the notes to the consolidated balance sheet and statement of income and expenses.

Accounting policies

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and the statement of income and expenses, with the exception of the following:

Participating interests in group companies

Participating interests in group companies are accounted for in the stand-alone financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Share in result of participating interests

This item concerns the Foundation's share in the profit or loss of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the Foundation and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

The foundation recovers its costs from the Donors by charging overheads to the NGO projects as per grant agreements.

The cost of the head office, microfinance operations are allocated to all its subsidiaries based on the Transfer Pricing Policy developed based on the OECD guideline.

28 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor Vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2022:					
— Purchase price	287,944	424,251	461,976	106,184	1,280,355
— Accumulated depreciation and impairment	(66,718)	(283,770)	(318,378)	(51,622)	(720,488)
— Carrying amount	221,226	140,481	143,598	54,562	559,867
Changes in carrying amount:					
— Investments	16,426	364,094	69,442	117,648	567,609
— Disposals	(4,518)	(18,343)	(55,567)	(4,629)	(83,057)
— Depreciation	(5,106)	(31,614)	(38,142)	1,770	(73,091)
— Adjustment on depreciation for disposal	-	339	31,418	-	31,758
— Exchange rate differences purchase price	(20,143)	(106,397)	(63,018)	(82,837)	(272,394)
— Exchange rate differences accumulated depreciation	5,619	29,504	101,997	(85,182)	51,938
— Balance	(7,722)	237,584	46,131	(53,230)	222,763
Balance as at 31 December 2022:					
— Purchase price	279,709	663,605	412,834	136,366	1,492,513
— Accumulated depreciation and impairment	(66,204)	(285,540)	(223,104)	(135,034)	(709,883)
— Carrying amount	213,504	378,065	189,729	1,332	782,630

29 Financial fixed assets

	2022 USD	2021 USD
Shareholding in BRAC International Holdings B.V.	97,259,480	94,645,921
Shareholding in BRAC International Enterprises B.V.	-	7,580
	97,259,480	94,653,501

The movement of financial fixed assets in BRAC International Holdings B.V. is as follows:

	2022 USD	2021 USD
Balance as at 1 January	94,645,921	94,472,235
Group restructuring - BETL and BSBEU	-	170,854
Conversion of liability in BIHBV	2,545,942	-
Conversion of liability Investment Uganda SBE	-	323,021
Deconsolidation of Uganda SE	-	(323,021)
Share in result of subsidiary	7,717,562	5,913,211
Foreign currency translation difference	(7,649,945)	(5,910,379)
Balance as at 31 December	97,259,480	94,645,921

The foundation incurred costs of USD 2,545,942 up to 31 December 2021 on behalf of BIHBV. In December 2022, BI decided to waive the direct repayment of the above expenses incurred on behalf of BIHBV and as such, the amount allocated to BIHBV is to be recorded as a contribution from the foundation by way of Share Premium.

The movement of financial fixed assets in BRAC International Enterprises B.V. is as follows:

	2022 USD	2021 USD
Group restructuring - BETL and BSBEU	7,580	(170,854)
Investment in BIEBV	500,000	-
Conversion of liability Investment Uganda SBE	-	323,021
Negative participation in BUSBE	(6,104)	109,106
Share in result of subsidiary	(519,548)	(253,693)
Foreign currency translation difference	18,073	-
Balance as at 31 December	-	7,580

Stichting BRAC International

Stichting BRAC International has a 100% share in the capital of BRAC International Holdings B.V., the Netherlands.

BRAC International Holdings B.V. has interest in the companies as follows:

Name	Legal address	2022 share of interest %	2021 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	100	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	100	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	100	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	100	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	100	100
BRAC Uganda Bank Ltd	Kampala, Uganda	49	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	Branch	Branch
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	100	100
BRAC Ghana Savings and Loans Ltd.	Accra, Ghana	100	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	100	100
BRAC International Finance B.V.	The Hague, The Netherlands	100	100

Stichting BRAC International has a 100% share in the capital of BRAC International Enterprises B.V., the Netherlands.

BRAC International Enterprises B.V. has interest in the companies as follows:

Name	Legal address	2022 share of interest %
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	100
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	100

All the subsidiaries are mainly governed by the Management Board Members of SBI and BIHBV.

The foreign currency translation difference denotes the reduction in the company share due to exchange difference with subsidiaries' functional currency against USD.

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of BRAC International Holdings B.V. Within these consolidated group companies, at least one of the executives of the BRAC International Holdings B.V. is involved as member of the Board of Directors. BRAC Lanka Investments (Private) Ltd. Is a dormant entity since 2015.

30 Trade and other receivables

	2022 USD	2021 USD
Grant receivables	302,643	1,264,496
Advances to third parties	1,989,733	557,211
Receivables related parties	(558,154)	5,013,571
Other assets	411,234	40,858
	2,145,456	6,876,136

The receivables from/ /(payables to) related parties include USD (558,154) (2020: USD 2,545,942 receivables) provided to BRAC International Holdings B.V. Other balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

The USD 1 million receivable from BRAC USA will be received upon the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

31 Cash and cash equivalents

	2022 USD	2021 USD
Cash at bank	89,350,798	90,984,527
Short-term deposits	15,000,000	15,000,000
Cash in hand	24,122	13,917
	104,374,920	105,998,444

All cash and cash equivalent balances are available on demand. The short-term deposits have been committed for 24 months initially but it is available on demand. In case of early withdrawal of the short-term deposit the interest income will be less than the agreed upon interest rate.

32 Reserve

	2022 USD	2021 USD
Balance as at 1 January	110,690,108	106,856,520
Changes:		
— Unappropriated result for the year	9,265,293	9,422,291
— Direct changes in equity of subsidiaries	(7,710,551)	(5,588,144)
Balance as at 31 December	112,244,850	110,690,108

Reconciliation of reserves and net result per the consolidated financial statements with reserves and net result per the stand-alone financial statements

	2022 USD	2021 USD
Reserves according to the consolidated balance sheet	115,838,682	113,410,431
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
BRAC Uganda	3,267,539	3,665,322
BRAC Afghanistan	1,657,483	511,342
BRAC Maendeleo Tanzania	(19,047)	(60,445)
BRAC South Sudan	(1,209,140)	(1,283,108)
BRAC (Zanzibar)	-	-
	3,696,834	2,833,111
— Reversal of impairment	(103,002)	(112,788)
Reserves according to the stand-alone balance sheet	112,244,850	110,690,108
Net result according to the consolidated statement of income and expenses (carried forward)	10,228,286	6,278,669

Stichting BRAC International

	2022 USD	2021 USD
Brought forward	10,228,286	6,278,669
Less:		
— Surplus of affiliated Foundations, without participating interest:		
BRAC Uganda	(203,704)	(2,792,379)
BRAC Afghanistan	1,052,763	(442,595)
BRAC Maendeleo Tanzania	40,452	186,167
BRAC South Sudan	73,483	(127,458)
	962,994	(3,176,265)
— Reversal of impairment	-	32,643
Net result according to the stand-alone statement of income and expenses	9,265,293	9,422,291

33 Current liabilities

	2022 USD	2021 USD
Donor funds	77,189,981	95,751,400
Other current liabilities	15,158,962	1,680,064
	92,348,943	97,431,464

Donor funds

	2022 USD	2021 USD
Donor funds received in advance	76,708,670	95,475,059
Donor funds utilised in fixed assets	481,311	276,341
	77,189,981	95,751,400

Donor fund increased significantly mainly due to the Ultra Poor Graduation Initiative (UPGI) and the Accelerating impact for Young Women (AIM) programme.

Donor funds received in advance

	2022 USD	2021 USD
Opening balance	95,475,059	8,371,757
Received during the year	(3,920,079)	99,244,069
Transfer to donor funds in fixed assets	(301,166)	(45,916)
Released to statement of income and expenses	(12,834,672)	(12,365,763)
Released to others	(68,637)	(109,279)
Receivable from donor	(203,308)	(87,329)
Other receivables	(49,628)	–
Translation difference	(1,388,899)	467,521
	76,708,670	95,475,059
Closing balance		

Donor funds utilised in fixed assets

	2022 USD	2021 USD
Opening balance	276,341	331,702
Transfer from grant received in advance	301,166	45,916
Released to statement of income and expenses	(50,836)	(81,488)
Translation difference	(45,361)	(19,789)
	481,310	276,341
Closing balance		

Other current liabilities

	2022 USD	2021 USD
Related-party payables	13,770,628	224,797
Accrued expenses	35,643	487,224
Corporate income tax payable	3,549	72,509
Withholding and other taxes	90,124	97,350
Provision for negative participation	(6,104)	109,106
Other liabilities	1,265,122	689,078
	15,158,962	1,680,064

Related party payables are mainly in relation to the donor funds received on behalf of BRAC Afghanistan USD to support the ongoing project activities under the UNDP funded ABADEI project and also includes the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand. All other current liabilities are payable within one year.

34 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

35 Grant income

	2022 USD	2021 USD
Grant income from donors	15,018,479	11,582,414

In 2022, grant income includes USD 2 million (2021: USD 2 million) in kind support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2022.

36 Other operating income

	2022 USD	2021 USD
Overhead income	1,808,536	1,349,895
Other income	1,782,689	1,207,553
	3,591,225	2,557,448

Stichting BRAC International provides various support such as Management, Accounting, Legal, Procurement, Recruitment, Training, IT support, Branding, etc., to its branches and subsidiaries and charges overhead against such support, which is recorded as overhead income.

37 Cost of outsourced work and other external costs

	2022 USD	2021 USD
Programme supplies	2,216,516	2,692,964
Maintenance and general expenses	224,547	1,344,650
Travel and transportation	1,354,518	565,158
Staff training and development	55,937	273,449
Rent and utilities	374,167	247,149
Printing and office stationeries	48,755	34,860
Audit fees	226,524	118,947
Professional and legal fees	1,381,215	470,143
Software maintenance costs	143,998	51,338
Internet costs	59,591	22,272
	6,085,768	5,820,930

38 Wages and salaries and social security and pension charges

	2022 USD	2021 USD
Staff costs	6,614,726	3,492,588
Social security and pension charges	102,995	112,273
	<u>6,717,721</u>	<u>3,604,861</u>

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution in the Netherlands for the year 2022 is USD 24,891 (2021: USD 21,411).

39 Other operating expenses

	2022 USD	2021 USD
Other operating expenses	3,956,634	142,910
	<u>3,956,634</u>	<u>142,910</u>

Other operating expenses include various programme expenses, communication and publication expenses, meeting and workshops, security charges and supplies to the programmes.

40 Share in result of participating interests

	2022 USD	2021 USD
BRAC International Holdings B.V.	7,717,562	5,913,211
BRAC International Enterprises B.V.	(519,548)	(253,693)
	<u>7,198,014</u>	<u>5,659,518</u>

41 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation amounted to USD 439,709 (2021: USD 439,249) for current and former Management Board Members.

42 Subsequent events

For the disclosure on subsequent events that are relevant to the Foundation, reference is made to the disclosure on subsequent events in the notes to the consolidated financial statements.

Stichting BRAC International

The Management Board prepared the financial statements on 07 August 2023 and recommends that the General Meeting adopts the financial statements as presented in this 2022 report.

The Hague, 07 August 2023

Management Board Stichting BRAC International

Mr Shameran Abed

Ms Rudo Kayombo

Mr Saif Md Imran Siddique

Supervisory Board Stichting BRAC International

Ms Irene Zubaida Khan

Mr Allert Pieter van den Ham

Ms Sylvia Borren

Dr Debapriya Bhattacharya

Ms Parveen Mahmud

Mr Stephen Frederick Rasmussen

Ms Amira Mosad Elmissiry

Other information

Provisions in the Deed of Incorporation governing the appropriation of result

Based upon the Foundation's Deed of Incorporation and Dutch law, the result is at the disposal of the General Meeting of Affiliates, which can allocate said result either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

Independent auditor's report

The independent auditor's report is set out in the pages hereafter.

Independent auditor's report

To: the General Meeting and the Supervisory Board of Stichting BRAC International

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2022 of Stichting BRAC International, based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting BRAC International as at 31 December 2022, and of its result for the year ended 31 December 2022 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board

The financial statements comprise:

- 1 the consolidated and stand-alone balance sheet as at 31 December 2022;
- 2 the consolidated and stand-alone statement of income and expenses for the year ended 31 December 2022; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the Controleprotocol WNT. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting BRAC International in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of fraud and non-compliance with laws and regulations and going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Audit response to the risk of fraud and non-compliance with laws and regulations

In sections 'Fraud Risk Analysis and Non-compliance' and 'Legal and Compliance, Safeguarding,

Environmental and Information Technology' of the Management Board Report, the management board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations and the supervisory board reflects on this.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, BRAC whistleblowing policy and procedures, policy on Anti-Money Laundering and Combating Financing of Terrorism, standard operating procedure on sanctions screening, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit and the legal and compliance officer.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company. We identified compliance to anti-bribery and corruption and regulations as area most likely to have a material effect on the financial statements as the Company is operational in higher risk jurisdictions and interact with governments, and other regulatory authorities, to obtain licenses and permits. The operations in Myanmar and Afghanistan, and the presence of the Military and the Taliban in these countries, resulted in the identification of a risk of material misstatement with respect to anti-money laundering and terrorist financing.

We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Based on the above and on the auditing standards, we identified the following fraud and non-compliance risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

Management override of controls (a presumed risk)

Risk:

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records by overriding controls that otherwise appear to be operating effectively.

Response:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and post-closing adjustments.
- We performed data analysis procedures on high-risk journal entries, on company level and also per component, related to significant risk areas on revenue recognition and evaluated key estimates and judgments for bias by the Company's management, including retrospective reviews of prior years' estimates with respect to the valuation of outstanding loan balances to customers.

Where we identified instances of unexpected journal entries or other risks through our data analysis, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.

- We examined all minutes and resolutions of the Company to search for indications of fraud and for significant transactions that are outside the Company's normal course of business, or are otherwise unusual.
- We incorporated elements of unpredictability in our audit by applying the Bank Transaction Analysis (BTA) tool, including a full reconciliation of all bank transactions for the financial year with the bank statements of the Company. The BTA tool was used to perform data analytical procedures to identify payments, made on company level, to countries where the Company does not operate and with which we do not expect transactions based on our understanding of the Company's business.

Revenue recognition of grant income (a presumed risk)

Risk:

The Company is under pressure of donors to meet their expectations with respect to achieving goals, as defined in the grant contract. Furthermore the Company is dependent on the donors to secure operations in the countries in the future years. We therefore identified the existence of grant income as significant to our audit.

Response:

- We assessed the design and implementation of the process level controls within the grant income recognition process and the segregation of duties within the tender processes for obtaining new donor agreements;
- We made inquiries with management regarding new donor agreements and the specific arrangements within the contracts for revenue recognition. For a selection of contracts we have tested whether appropriate revenue recognition criteria have been applied.
- Other substantive procedures comprised of testing the outstanding donor program loan balances based on the donor program movement schedule and vouching of grant expenses to underlying documentation such as contracts and third party invoices and vouching grants obtained with bank statements and the donor agreement.

Revenue recognition of interest income (a presumed risk)

Risk:

Management incentives are tied to profitability and pressure from stakeholders exist to meet the budget and to achieve the growth levels as set out in the future growth plan of the Company. We therefore identified the existence of interest income, as significant to our audit.

Response:

- We assessed the design and implementation of the process level controls within the interest income revenue recognition process to ensure that revenue is recognised in the correct accounting period and that loans are disbursed to existing customers;

- We tested the completeness and existence of the interest income from the disbursed loans throughout the period and have performed specific cut-off procedures on the revenue recognised in December 2022.
- Other substantive procedures comprised of substantive analytical procedures on interest income recognised by making an expectation based on the fixed interest percentages and the loans disbursed throughout the period.

Anti-Bribery and corruption laws and regulations

Risk:

Due to the operations in higher risk jurisdictions (CPI < 60) and the interaction with governments to obtain licenses and permits from government authorities and/or other authorities we identified a significant risk of bribery and corruption.

Response:

- We evaluated the design and implementation of internal controls and adherence to the anti-bribery and corruption policy, the code of conduct, and the design and implementation of controls to identify and authorize transactions with governments;
- We vouched transactions with governments, based on the specific item criteria, to invoices, agreements and bank statements;
- We tested the design and implementation of the segregation of duties within the tender processes for obtaining new donor agreements;
- We performed relevant inquiries with management and those charged with governance and other relevant functions such as internal audit, legal and compliance officer;
- We inquired the management and its (company) lawyer with respect to compliance with laws and regulations, including bribery and corruption;
- We obtained written management representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Anti-money laundering laws and regulations

Risk:

The Company operations in high risk jurisdictions which are specific on the EC/FATF list of countries at higher risk for money laundering and terrorist financing. The charitable operations include interaction with government in Afghanistan, which is considered the Taliban group (listed as a terrorist group). Other regions such as Myanmar, is being monitor for potential similar changes. Interaction with the government is conform the nature of business in both countries. We did identified a risk of material misstatement with respect to anti-money laundering laws and regulations.

Response:

- We evaluated the process level controls, designed and implemented by management, to ensure that the Company is in compliance with the applicable laws and regulation;

- We performed substantive procedures to verify that expenses, including program supplies, are to preferred suppliers and verified that the payments are done to the bank account number on the invoice;
- We evaluated process level controls, designed and implemented by management, that prior to issuance of loans to program participants appropriate Know Your Client procedures are performed.

We communicated our risk assessment, audit responses and results to management and the Finance, Audit & Risk Committee of the Supervisory Board. Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The management board has performed its going concern assessment and has not identified any going concern risks. To assess the management board's assessment, we have performed, inter alia, the following procedures.

- we considered whether the management board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we considered whether the developments in the market, including macro-economic developments, indicate a going concern risk;
- we inquired with the management board on the key assumptions and principles underlying the management board's assessment of the going concern risks;
- we inspected the financing agreement in terms of conditions that could lead to going concern risks, including the term of the agreement and any covenants;
- we analysed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information.

Description of the responsibilities for the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board and the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 7 August 2023

KPMG Accountants N.V.

G.L. Brewster RA