FMO

Entrepreneurial
Development
Bank

MOBILISING FINANCE FOR FORESTS

Annual Report

2023

Mobilising Finance for Forests (MFF) is the UK government programme to combat deforestation and environmentally unsuitable land use practises, managed by FMO.

FMO manages the following programme on behalf of the UK Government (DESNZ, Department for Energy Security and Net Zero): Mobilising Finance for Forests (MFF). The commitment from the UK government to the programme amounts to £ 152 mln as per December 31, 2023.

The front and back photos are from MFF's Investee 'AndGreen Fund' (&Green). &Green is a Debt Fund, incorporated by IDH in 2017, with the Norwegian Government as anchor investor. &Green aims to showcase that financing inclusive, sustainable, and deforestation-free commodity production can be commercially viable and replicable.

The **Mobilising Finance for Forests** programme unlocks private investments into the **forestry** and **sustainable land use** sectors to protect forests and combat climate change.

LETTER FROM THE MB OF THE PROGRAMME MANAGER

Staying the course

In 2023, the volatile global economic and geo-political circumstances were aggravated by more extreme weather conditions, food crises, the collapse of several major banks, the ongoing war in Ukraine, the war in Gaza, and Sahel coups. All with direct and prolonged devastating effects on the well-being of entire communities, in particular in FMO's geographies. This instability is often worsened by adverse financial factors in many emerging markets such as higher interest rates, high inflations, and increased sovereign debt. The global economy is still growing, but growth is uneven. Over the past 3 years, poverty rates in poor countries have increased. Of the SDGs, only 15% is on track, 48% is moderately on track, and 37% has stagnated or is reversing.

Within this context, our 50+ year mission becomes more relevant by the day: enabling entrepreneurs to increase inclusive and sustainable prosperity. Over the next decade, the World Bank estimates one billion young people — a majority living in emerging markets — will try to enter the job market. If they won't be able to find decent jobs, this will leave millions without hope for a sustainable future. Our investments supported jobs in local markets – 990,000 direct and indirect jobs in 2023 – and enhanced access to energy, food and finance, crucial factors in breaking the downward cycle of poverty and migration.

Maximizing our impact towards the SDGs is the foundation of FMO's strategy towards 2030. This past year marks the first full year dedicated to implementing and working towards these 2030 goals. Staying on course, we had similar priorities as in 2022: growing impactful business, ensuring FMO's foundations are solid, and organizational development.

The Mobilising Finance for Forests programme (MFF) supports the restoration and protection of forests and contributes to FMO's target towards SDG 13: Climate Action. FMO's investments in the forestry sector also contribute to our impact ambitions under SDG 10: Reducing Inequalities, and SDG 8: Decent Work and Economic Growth, creating jobs in typically remote regions with limited job opportunities.

Fostering the new generation of entrepreneurs in emerging markets, we are building a market creation pillar within FMO. Our aim is to help upcoming sustainable businesses grow to the level where they can absorb regular funding from us, and ultimately from institutional investors. This will allow them to contribute to local prosperity and climate action at a larger scale. By providing technical assistance and investment partners, we support the development of these currently unbankable, yet potentially impactful opportunities, into bankable and scalable businesses.

MFF's Technical Assistance (TA) facility and the Development Contributions (DC) provided through the program are helping to establish blueprints for how to implement market creation throughout FMO and beyond. For instance, following an MFF Operational Committee Meeting with FMO and the UK Government, AndGreen Fund, one of FMO's portfolio assets, was able to deploy its first investment from its DC facility in 2023 to Belterra Agroflorestas. Belterra is a young Brazilian Cacao plantation company. Through the DC funding, AndGreen was able to support an early-stage businesses with less than three years of audited financial statements, and a first-time borrower.

Looking ahead

Staying the course, in 2024 we will remain focused on the three core priority SDGs: Decent work and Economic Growth (SDG 8), Reduced Inequalities (SDG 10) and Climate Action (SDG 13), continuing the work towards our 2030 goals. With regard to growing impactful business, we aim to further increase new investments in Green and Reducing Inequalities. We will take the next steps in market creation, supporting the new generation of entrepreneurs. FMO's Public Funds and facilities will be fundamental to reach these goals.

With the fragile global economic and political situation in some of our markets, we do realize our financial result can be volatile and further growth to maximize our impact will be challenging. But given the immense climate challenge that lies ahead and the huge investments that are needed to support job creation and overall economic development in emerging markets, we see it as our role to be countercyclical and focus on the long term. We invest when others shy away, always with our mission in mind: enabling entrepreneurs to increase inclusive and sustainable prosperity.

The Hague, 28 March 2024

On behalf of the Management Board

Fatoumata Bouaré, Chief Finance & Operations Officer
Franca Vossen, Chief Risk Officer
Huib-Jan de Ruijter, Co-Chief Investment Officer
Michael Jongeneel, Chief Executive Officer
Peter Maila, Co-Chief Investment Officer

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AT A GLANCE

The Mobilising Finance for Forests programme officially launched in February 2021. It is funded with a £152 million commitment from the UK government. FMO was chosen as the delivery partner, and with blended finance, will mobilise private capital to combat deforestation and other environmentally unsustainable land use practices that are contributing to global climate change. Working with both direct and indirect investments, the programme aims to create value from standing forests and from (new) business models that incorporate forest protection and restoration.

The figures below provide a glance at the achievements of the MFF portfolio. The total hectares of forest under management, farmland under sustainable management and jobs supported are achievements reported by the companies and funds within the MFF portfolio. In agreement with the Uk Government, these are total figures for these funds and companies, unattributed to the size of MFF's investment.

Achievements portfolio as per 31-12-2023

Total committed portfolio

$38.75mln

3
Total investments

1
Fund Investments

2
Direct Investments

$192.35mln*
Public Funding Mobilized

2
Investments per Region

Global = 2
Latin America = 1

2,851,589
Ha Forest under management

144,498
Farmland under sustainable management

13,618
Direct Jobs

**Includes USD 189.35 mln of concessional financing mobilized by &Green from the Green Climate Fund in 2023.*

1 Countries where MFF Portfolio Companies and Funds are active.

Highlights

FMO is excited to be presenting the 2023 Annual Report of Mobilising Finance for Forests (MFF). The MFF programme was officially launched in February of 2021 with a £150 million commitment from the UK government. In 2023, the programme was expanded to £152 million, with an additional £2 million commitment from the UK Government. This funding will finance the programme's Evaluation Framework, which consists of Programme Evaluations as well as Scoping and Thematic Studies, which provide strategic insight to help scale the sector.

In 2023 FMO approved and began implementing its new Forestry Strategy. The new strategy broadens FMO's scope of investments beyond brownfield plantations to include a diversity of business models such as non-timber forest products. Throughout 2023, effort was put into operationalizing the strategy. As part of this effort, and in line with the UK's Government recommendations, the programme expanded its pipeline. The market research carried out in Q1, combined with on-site visits throughout the year, resulted in the development of a pipeline that is diversified both in terms of business models and geographical scope. The expansion of the pipeline was a priority target for 2023 and lays a foundation for MFF to meet its investment ambitions. The equivalent of three additional Clearance in Principles (CIPs) and two Funding Proposal (FPs) were passed in 2023.

Contracting, however, remains challenging in the forestry sector. Although a few transactions were in advanced contracting stage by the end of the year, no new investments were made in 2023. This puts the program behind its contracting target for the year but does not come as a surprise. Contracting in forestry can be lengthy. Amongst other, effort is placed on ensuring the implementation of ESG standards and the financial feasibility of the business models. Contracting will be a priority in 2024, and the program is expected to make its target by year end.

In 2023, the value of the loan portfolio was also adjusted downwards because of a fair value adjustment for one exposure, due to 1) a decrease in expected returns due to a one off loss in client asset portfolio and 2) a low fixed rate coupon compared to current yields. This change is outlined in the annual accounts section of the report.

Despite a slower contracting rhythm, MFF catalysed public funding in 2023. &Green Fund with the support of FMO secured USD 189.35 mln concessional financing from the Green Climate Fund (GCF). This funding is part of &Green's strategy to build a blended finance structure to mobilise private investments. In this proposal, FMO acts as Accredited Entity to allow &Green to request from the GCF. In the Development Contribution (DC) portfolio, Treevive continued its growth path and is currently in the contracting phase to secure an additional investment of EUR 2.5 mln into the company.

In line with recommendations from the UK government, MFF also continued to ramp up the activities of its Technical Assistance (TA) facilities. The MFF TA Facility (Component 1) implemented several TA projects within the &Green fund's portfolio of companies. These include an evaluation of Marfrig's supplier monitoring and control procedures to support enhanced supply chain traceability. Another project looks at the development of a deforestation-free landscape approach within Hilton Duta Lestari (HDL)'s sourcing area. Another achievement has been the addition of pre-investment TA[1] to the MFF TA mandate, and the contracting and delivery of the first pre-investment TA project. The project supported the Acorn initiative in the design and establishment of the Smallholder Agroforestry Finance (SAF) fund.

Highlights for the TA Facility's Learning, Convening and Influencing Platform (Component 2) this year included the DFI Carbon Integrity Community of Practice (CoP), which brings together investment professionals from five DFIs active in forestry to learn and discuss issues related to carbon credit integrity in forest and land use investments. Six (virtual) sessions were held across the year, all were well attended and stimulated lively engagement from participants. The CoP produced, for instance, a white paper titled 'Implementing Approaches to Carbon Credit Integrity: How can investors put their policies into practice?'.

Stakeholder engagement and knowledge building activities were also a highlight of 2024. These activities aimed at generating awareness, sharing knowledge, and scaling investment in the forestry sector. An example of this is the FMO Investor Dinner ahead of the P4F-MFF joint event. These back-to-back events were held in London and attended by key commercial and public stakeholders for the Forestry and Sustainable Land Use sectors (FSLU). The event design enabled participants to engage pragmatically about challenges and opportunities for private investments into FSLU. The approach was well received by stakeholders, and allowed for concrete, transparent discussions to take place throughout the conference. The conference also furthered the MFF-P4F collaboration and contributed to building the MFF pipeline.

We look forward to further developing the programme throughout 2024.

1 Pre-investment TA provides consultant advisory support to investment prospects in the MFF pipeline to help make them 'bankable' for MFF, within an expected timeline of 6-12 months and ticket size below $500k. This differs from the MFF DC facility, which provides project development finance directly to prospects, with an expected investment timeline of 3-5 years and ticket size of $1-3m.

INTERNATIONAL PRINCIPLES

Our impact goes beyond our investments. To embrace our mission fully, we are committed to doing business in a responsible and sustainable way, guided by global standards and guidelines. These commitments are not prescribed by law but have been made on a voluntary basis by FMO N.V. .

2X Global FMO is a member of 2X Global, a field building organization for gender finance. Since 2018 FMO has also been a participant in the 2X Challenge, now an initiative of 2X Global. The 2X Challenge is a collective commitment of DFIs to mobilise gender lens investment in developing country markets.	Member
Accelerating Investment in Adaptation and Resilience We are a signatory member to the Adaptation and Resilience Investors Collaborative, an international partnership of development finance organizations. We have committed to substantially increase investments in climate adaptation and resilience to support vulnerable developing and emerging countries.	Signatory
Client Protection Principles FMO has adopted the CPP which set the minimum standards that end-customers should expect to receive when doing business with a financial service provider.	Adopter
Consultative Group to Assist the Poor We are part of the CGAP global partnership to test, learn and share knowledge intended to help build inclusive and responsible financial systems.	Member
COP26 Joint Statement on Public Finance We commit to supporting the clean energy transition and end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.	Signatory
Corporate Governance Development Framework We adopted the Corporate Governance Development Framework as a common approach to corporate governance risks and opportunities in DFI investment operations.	Adopter
Dutch Climate Accord We signed the financial sector commitment to fight climate change and support the Dutch Climate Accord. In 2022, we published our Climate Action Plan, which is available on our website.	Signatory
EDFI Principles for Responsible Financing of Sustainable Development FMO upholds the EDFI Principles for Responsible Financing of Sustainable Development.	Signatory
EDFI statement on climate and energy finance We commit to this statement where EDFI group outlines shared commitments to phase out fossil fuels and mobilise private sector climate finance, aligning with Paris Agreement and high disclosure standards.	Signatory
Equator Principles We have been implementing the Equator Principles (EP) since 2006. This risk management framework provides financial institutions with a minimum standard for due diligence and monitoring to determine, assess and manage environmental and social risks in projects. Our annual EP report is available online. [1]	Signatory
European Microfinance Platform We are part of the e-MFP network to foster activities that increase global access to affordable, quality, sustainable and inclusive financial services for the un(der)banked through knowledge-sharing, partnership development and innovation.	Member
Financial Action Task Force We use the FATF framework to combat money laundering and terrorism financing, as well as the proliferation of weapons of mass destruction.	Adopter

Global Impact Investing Network	We support the GIIN because it is dedicated to increasing the scale and effectiveness of impact investing through knowledge sharing, best practice exchanges, and tools and resources production.	Member
Global Private Capital Association	We are a member of the GPCA. This aims to catalyze the development of private equity and venture capital industries in emerging markets through research, conferences, networking, and advocacy.	Member
Global Reporting Initiative (GRI)	We report according to the standards defined by the GRI to help businesses and governments understand and communicate about their impact on critical sustainability issues.	Adopter
IFC Performance Standards	Our E&S approach is guided by the IFC Performance Standards of Environmental & Social Sustainability . This framework helps us understand, avoid and mitigate E&S risks and impacts, for example through stakeholder engagement and disclosure obligations of the customer in relation to project-level activities.	Adopter
ILO Standards	We follow the set of ILO legal instruments that set out basic principles and rights at work.	Adopter
IFRS Foundation - Integrated Reporting Framework	We follow the Integrated Reporting framework to produce our annual report. In line with this, we link our strategy and performance to the external environment and value creation in the longer term.	Adopter
Natural Capital Finance Alliance	We closely follow the developments of the NCFA initiative to integrate natural capital considerations into loans, public and private equity, and fixed income and insurance products.	Signatory
Netherlands Advisory Board on Impact Investing	FMO is an active member of the Netherlands Advisory Board (NAB) on Impact Investing - a foundation that is part of the Global Steering Group for impact investment and aims to accelerate the growth and improve the effectiveness of the Dutch impact investing market.	Member
OECD Guidelines for Multinational Enterprises	We follow OECD Guidelines on responsible business conduct, notably human rights, labor rights and the environment.	Adopter
Operating Principles for Impact Management	In 2019, FMO became a signatory to and advisory board member of the Operating Principles for Impact Management, a global initiative led by the IFC to increase the transparency and accountability of impact investing. FMO publishes a report every year to disclose how it has interpreted and applied these nine principles. These reports are available on our website.	Signatory
Partnership for Carbon Accounting Financials	We are one of the early adopters of PCAF, an industry-led global partnership to develop and implement a harmonized approach to assess and disclose GHG emissions of loans and investments. This facilitates transparency and accountability of the financial sector to the Paris Agreement.	Signatory
Principles of Repsonsible Investment	FMO applies the six principles of the PRI: incorporating ESG into investment practices (Principle 1 and 2), disclosing on ESG issues (Principle 3), supporting acceptance and effective implementation of the principles (Principle 4 and 5), and reporting on progress (Principle 6). FMO's latest report is available on the PRI website.	Signatory
Sustainable Development Goals Charter	We joined the SDG Charter Network to foster cooperation between business, civil society and local governments in the Netherlands, in order to achieve the SDGs at home and abroad.	Signatory
Task Force on Climate-Related Financial Disclosures | TCFD	We have been reporting in line with TCFD guidelines since 2019, disclosing climate related risks and opportunities for FMO, as well as our work to embed climate related risks within FMO's risk framework. Please refer to the latest TCFD report available on our website for more information.	Signatory

The Paris Development Banks Statement on Gender Equality and Women's Empowerment This statement calls for accelerating the realization of gender equality and the empowerment of all women and girls through the international financial system. We recognize our substantive role in the achievement of the SDGs.	Signatory
UN Guiding Principles on Business and Human Rights We integrate the set of guidelines defined by the UN for states and companies to prevent, address and remedy human rights abuses in business operations.	Adopter
UNEP FI / EBF Working Group on Banking and Taxonomy We are part of the UNEP Finance Initiative / European Banking Federation Working Group that assesses how the EU Taxonomy on Sustainable Activities can be implemented by banks and applied to selected banking products.	Member
UNEP FI | Principles for responsible banking FMO reports every year on how it has progressed towards implementing these principles. These reports are available on our website	Signatory

1 After participating as an active member for more than 18 years in the Equator Principles, FMO has decided to discontinue its membership. More details can be found on the FMO website.

Annual accounts

Statement of financial position

At December 31, 2023

	Notes	2023	2022
Assets			
Banks	(1)	3,122	6,671
Short-term deposits	(2)	86,000	99,000
Loan portfolio	(3)		
- of which: at Amortized Cost		2,317	-
- of which: at Fair value through profit or loss		26,206	17,560
Other receivables	(4)	1	31
Total assets		**117,646**	**123,262**
Liabilities			
Current account with FMO	(5)	224	776
Accrued liabilities	(6)	3,440	4,381
Provisions	(7)	-	28
Other liabilities	(8)	-	30
Total liabilities		**3,664**	**5,215**
Fund capital			
Contribution DESNZ previous years		128,024	67,038
Contribution DESNZ current year	(9)	1,076	60,986
Total contribution DESNZ		**129,100**	**128,024**
Undistributed results previous years		-9,977	-2,770
Net profit/(loss)		-5,141	-7,207
Total capital		**113,982**	**118,047**
Total liabilities and capital		**117,646**	**123,262**
Irrevocable facilities	**(11)**	**1,350**	**18,750**

Statement of comprehensive income

At December 31, 2023

	Notes	2023	2022
Income			
Interest income from financial instruments measured at AC		202	1
Interest income from financial instruments measured at FVPL	(10)	4,911	1,540
Total net interest income		**5,113**	**1,541**
Results from financial transactions		-6,405	-
Total income		**-1,292**	**1,541**
Expenses			
Management fees FMO	(13)	-2,970	-3,025
Capacity Development expenses		-707	-5,695
Evaluation expenses		-91	-
Total expenses		**-3,768**	**-8,720**
Impairments on			
Loans		-81	-28
Total impairments		**-81**	**-28**
Net profit/(loss)		**-5,141**	**-7,207**
Total comprehensive income/(loss)		**-5,141**	**-7,207**

Statement of changes in capital

At December 31, 2023

	Contributed fund capital	Undistributed results previous years	Net profit/ (loss)	Total fund capital
Balance at January 1, 2022	**67,038**	**-**	**-2,770**	**64,268**
Transfer profit/(loss) PY to Undistr. Results PY	-	-2,770	2,770	-
Contribution DESNZ	60,986	-	-	60,986
Results current year	-	-	-7,207	-7,207
Net balance at December 31, 2022	**128,024**	**-2,770**	**-7,207**	**118,047**
Balance at January 1, 2023	**128,024**	**-2,770**	**-7,207**	**118,047**
Transfer profit/(loss) PY to Undistr. Results PY	-	-7,207	7,207	-
Contribution DESNZ	1,076	-	-	1,076
Results current year	-	-	-5,141	-5,141
Net balance at December 31, 2023	**129,100**	**-9,977**	**-5,141**	**113,982**

Statement of cash flows

At December 31, 2023

	Notes	2023	2022
Cash flow from operating activities			
Inflows			
Interest received on loans		546	125
Interest received on short term deposits	(10)	4,491	1,355
Outflows			
Disbursements on loans		-17,400	-17,500
Disbursements on Capacity Development expenses		-1,648	-1,313
Management fees FMO		-2,970	-3,025
Other paid amounts		-91	-
Net cash from operating activities		**-17,072**	**-20,358**
Cash flow from financing activities			
Inflows			
Contribution DESNZ current year	(9)	1,076	60,986
Net cash from financing activities		**1,076**	**60,986**
Net change in cash & cash equivalent		**-15,996**	**40,628**
Position of cash at January 1 [1)]		**104,896**	**64,268**
Foreign exchange translation		-2	-
Position of cash at end of period [1)]		**88,898**	**104,896**

1 Cash includes current account with FMO.

Summary of material accounting policies

General information

Mobilising Finance for Forests (MFF), the programme, was established by the UK Government in 2021 to support the combat against deforestation and environmentally unsuitable land use practices. FMO executes the programme at the risk and expense of the UK government. The total contribution received till date amounts to US$ 128 million and a £150 million commitment from the UK government. The programme's initiation date was 15 February 2021 and the duration is for 15 years.

Basis of preparation

The annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These annual accounts are based on the 'going concern' principle.

The annual accounts are prepared under the historical cost convention, except for:

- Equity investments and short-term deposits that are mandatorily measured at fair value.
- The loan portfolio is mandatorily measured at fair value (refer to business model assessment and contractual cash flow assessment in this chapter below).

The material accounting policies adopted are set out below.

Adoption of new standards, interpretations and amendments

There are no new standards, interpretations or amendments adopted that have an impact on MFF.

Issued but not yet adopted standards

The Programme has assessed the issued but not yet adopted standards and does not expect them to have an impact on these financial statements.

Significant estimates, assumptions and judgements

In preparing the annual accounts in conformity with IFRS, management is required to make estimates and assumptions affecting reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment is inherent to the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from such estimates and the differences may be material to the annual accounts. The most relevant estimates and assumptions relate to:

- The determination of the fair value of financial instruments based on generally accepted modeled valuation techniques;
- The determination of the expected credit loss allowance in accordance with IFRS 9;

Information about judgements made in applying accounting policies are related to the following:

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest;
- The inputs and calibration of the ECL model which include the various formulas and the choice of inputs, aging criteria and forward-looking information;

Foreign currency translation

The Programme's annual accounts are stated in US Dollar(US$), which is the presentation and functional currency. All amounts are denominated in thousands of US$ unless stated otherwise. In accordance with IAS 21, foreign currency transactions are translated to US$ at the exchange rate prevailing on the date of the transaction. At the statement of financial position date, monetary assets and liabilities are reported using the closing exchange rate. Non-monetary assets that are not measured at cost denominated in foreign currencies are reported using the exchange rate that existed when fair values were determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the statement of profit or loss under 'Results from financial transactions'.

Unrealized exchange differences on non-monetary financial assets (investments in equity instruments) are a component of the change in their entire fair value. When a gain or loss for non-monetary financial asset is recognized through FVOCI (fair value through other comprehensive income), any foreign exchange component of the gain or loss is also recognized through FVOCI.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

Fair value is the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument. If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Amortized cost and gross carrying amount

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The *gross carrying amount* of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Financial assets – Classification

On initial recognition, a financial asset is classified as measured at amortized cost (AC), fair value through P&L (FVPL) or fair value through other comprehensive income (FVOCI).

A financial asset is measured at AC if it meets both of the following conditions and is not classified as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not measured at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

For equity investments that are not held for trading an irrevocable election exists (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI

All financial assets not measured at AC or FVOCI as described above are measured at FVPL. In addition, on initial recognition the programme may irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Transaction costs related to financial assets, not measured at FVPL, are directly added to its fair value for initial recognition and therefore attributed directly to its acquisition.

Business model assessment

The programme has made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information that is considered includes:

- How the performance of the portfolio is evaluated and reported to the management of the programme;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the programme stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets whose performance is based on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cashflow assessment

For the purpose of the contractual cash flow assessment, related to solely payments of principal and interest (SPPI), 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the programme has considered the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the programme has considered among others:

- Contingent events that would change the amount and timing of cash flows – e.g. prepayment and extension features, loans with performance related cash flows;
- Features that modify the consideration for the time value of money – e.g. regulated interest rates, periodic reset of interest rates;
- Loans with convertibility and prepayment features;
- Terms that limit the Programme's claim to cash flows from specified assets – e.g. non-recourse assets;
- Contractually linked instruments.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Programme accounts for the Day 1 profit or loss.

Reclassification

Financial assets can be only reclassified after initial recognition in very infrequent instances. This happens if the business model for managing financial assets has changed and this change is significant to the Programme's operations.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks, current account maintained with FMO and short-term deposits that usually mature in less than three months from the date of acquisition. Short-term deposits consist of money market funds which are measured at FVPL. These financial instruments are very liquid with high credit rating, and which are subject to an insignificant risk of changes in fair value. There is no restriction on these financial instruments and the Programme has on demand full access to the carrying amounts. Unrealized gains or losses on the money market funds (including foreign exchange results) are reported in the 'results from financial transactions.'

Loans

Loans originated by the programme include loans to the private sector in developing countries for the account and risk of the programme.

Loans on the statement of financial position of the programme majorly include loans mandatorily measured at FVPL which do not comply with the classification requirements for AC as indicated in the section Financial assets – classification. These are measured at fair value with changes recognized immediately in the statement of profit or loss.

- Loans measured at AC which comply with the classification requirements for AC as indicated in the section Financial assets – classification. These loans are initially measured at cost, which is the fair value of the consideration paid, net of transaction costs incurred. Subsequently, the loans are measured at AC using the effective interest rate method.
- Loans mandatorily measured at FVPL which do not comply with the classification requirements for AC as indicated in the section Financial assets – classification. These are measured at fair value with changes recognized immediately in the statement of profit or loss.

Equity investments

Equity investments on the statement of financial position of the Programme include:

- Equity investments are measured at FVPL. The Programme has a long-term view on these equity investments, usually selling its stake within a period of 5 to 10 years. Therefore, these investments are not held for trading and are measured mandatorily at fair value with changes recognized immediately in the statement of profit or loss;
- Equity investments designated as at FVOCI. The designation is made, since these are held for long-term strategic purposes. These investments are measured at fair value. Dividends are recognized as income in the statement of profit or loss unless the dividend clearly represents a recovery part of the cost of the investment. Other net gains and losses are recognized in the fair value reserve (OCI) and are never reclassified to the statement of profit or loss.

Financial assets – Impairment

The programme estimates an allowance for expected credit losses for all financial assets and loan commitments (off balance items) in scope of IFRS 9 impairment assessment.

No impairment loss is recognized on equity investments.

Impairment stages: loans and banks

The programme groups its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognized, an allowance is recognized based on a 12-month expected credit loss;
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, an allowance is recorded for the lifetime expected credit loss;
- Stage 3 –Credit-impaired loans: a lifetime expected credit loss is recognized for these loans. In addition, in Stage 3, interest income is accrued on the AC of the loan net of allowances;

ECL measurement

The programme's ECL model is primarily an expert based model and this model is frequently benchmarked with other external sources if possible.

ECL measurement Stage 1 and Stage 2

IFRS 9 ECL allowance reflects unbiased, probability-weighted estimates based on loss expectations resulting from default events over either a maximum 12-month period from the reporting date or the remaining life of a financial instrument. The method used to calculate the ECL allowances for Stage 1 and Stage 2 assets are based on the following parameters:

- PD: the Probability of Default is an estimate of the likelihood of default over a given time horizon. The programme uses a scorecard model based on quantitative and qualitative indicators to determine PDs. The output of the scorecard model is mapped to the Moody’s PD master scale based on idealized default rates. A point in time adjustment is made to these PDs using a z-factor approach to account for the business cycle;
- EAD: the Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected drawdowns and accrued interest from missed payments;
- LGD: the Loss Given Default is an estimate of the programme's loss arising in the case of a default at a given time. It is based on the difference between the contractual cash flows due and any future cashflows or collateral that the programme would expect to receive;
- Z-factor: the Z-factor is a correction factor to adjust the client PDs for current and expected future conditions. The Z-factor adjusts the current PD and PD two years into the future. GDP growth rates per country from the IMF, both current and forecasted, are used as the macro-economic driver to determine where each country is in the business cycle. Client PDs are subsequently adjusted upward or downward based on the country where they are operating.

Macro economic scenarios in PD estimates

In addition to the country-specific Z-factor adjustments to PD, the programme applies probability-weighed scenarios to calculate final PD estimates in the ECL model. The scenarios are applied globally, and are based on the vulnerability of emerging markets to prolonged economic downturn. The scenarios and their impact are based on IMF data and research along with historical default data in emerging markets

The three scenarios applied are:

- Positive scenario: Reduced vulnerability to an emerging market economic downturn;

- Base scenario: Vulnerability and accompanying losses based on the programme's best estimate from risk models;
- Downturn scenario: Elevated vulnerability to an emerging market economic downturn.

ECL measurement Stage 3

The calculation of the expected loss for Stage 3 is different when compared to the Stage 1 and Stage 2 calculation. Reason for this is that loan-specific impairments provide a better estimate for Stage 3 loans in the programme's diversified loan portfolio. The following steps are taken which serve as input for the Financial Risk Committee (FRC) to decide about the specific impairment level:

- Calculate probability weighted expected loss based on multiple scenarios including return to performing (and projected cash flows), restructuring, and write-off or sale;
- Based on these probability weights, a discount curve is generated and the discounted cashflow (DCF) model is used to determine the percentage to be applied on the outstanding amount of a loan;
- Take expected cash flows arising from liquidation processes and "firm offers" into account. The cashflows from "firm offers" serve as a cap for the provision (or a floor for the value of the loan).

Staging criteria and triggers

Financial instruments classified as low credit risk

The programme considers all financial instruments with an investment grade rating (BBB- or better on the S&P scale or F10 or better on programme's internal scale) to be classified as low credit risk. For these instruments, the low credit risk exemption is applied and irrespective of the change of credit risk (as long as it remains investment grade) a lifetime expected credit loss will not be recognized. This exemption lowers the monitoring requirements and reduces operational costs. This exemption is applied for 'Current Accounts with FMO'.

No material significant increase in credit risk since origination (Stage 1)

All loans which have not had a significant increase in credit risk since contract origination are allocated to Stage 1 with an ECL allowance recognized equal to the expected credit loss over the next 12 months. The interest revenue of these assets is based on the gross amount

Significant increase in credit risk (Stage 2)

IFRS 9 requires financial assets to be classified in Stage 2 when their credit risk has increased significantly since their initial recognition. For these assets, a loss allowance needs to be recognized based on their lifetime ECLs. The programme considers whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. Interest revenue for these financial assets is based on the gross amount. This assessment is based on either one of the following items:

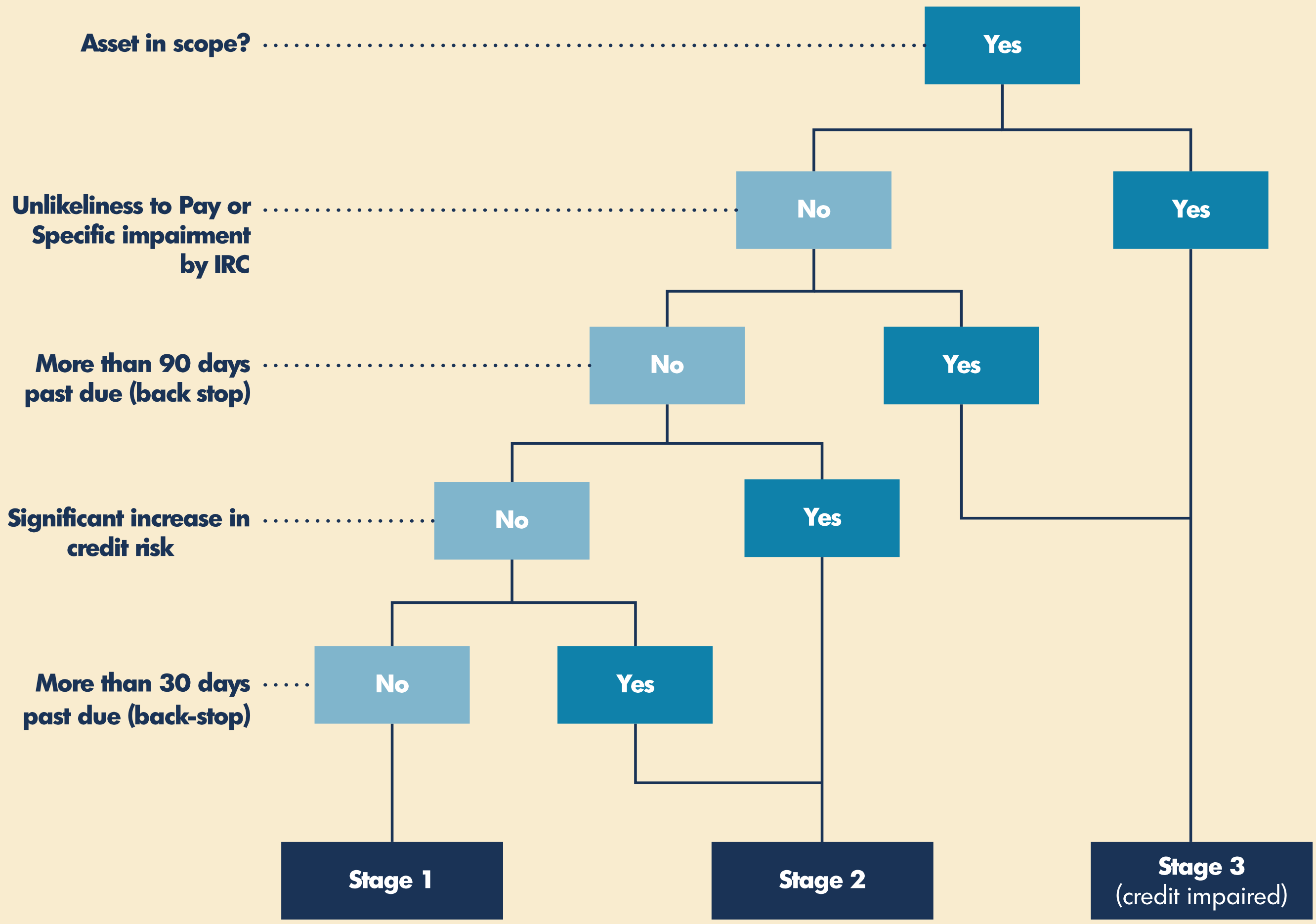
- The fact that an early warning signal has triggered financial difficulty following a transfer to the watchlist;
- The fact that the financial asset is 30 days past due or more on any material obligation to the programme, including fees and excluding on charge expenses (unless reasonable information and supportable information is available demonstrating that the client can service its debt).

Definition of default (Stage 3)

A financial asset is considered as default when any of the following occurs:

- The client is past due more than 90 days on any material obligation to the programme, including fees (excluding on-charged expenses);
- The programme judges that the client is unlikely to pay its credit obligation to the programme due to occurrence of credit risk deterioration and the FRC decides on a specific impairment on individual basis. The triggers for deciding on specific impairment include among others bankruptcy, days of past due, central bank intervention, distressed restructuring or any material adverse change or development that is likely to result in a diminished recovery of debt;

The following diagram provides a high level overview of the IFRS 9 impairment approach at the programme.



Reversed staging

Reversed staging relates to criteria which trigger a stage transfer to Stage 1 for loans which are in Stage 3 or Stage 2. The following conditions must apply for a transfer to stages representing lower risk:

- Loans in Stage 2 will only revert to Stage 1 when there is no indication of financial difficulty and the exposure is removed from the watchlist, the regulatory forbearance probation period of minimum two years has passed and no material amounts are past due for more than 30 days.
- Loans in Stage 3 will revert to Stage 2 when the specific impairment is released by the FRC and there are no obligations past due for more than 90 days.

Written-off financial assets

A write-off is made when a claim is deemed non-collectible, when the programme has no reasonable prospects of recovery after, among others, enforcement of collateral or legal enforcement with means of lawsuits. Furthermore, a write-off is performed when the loan is being forgiven by the programme. There are no automatic triggers, which would lead to a write-off of the loan; specific impaired loans are assessed on individual basis depending on their circumstances. Generally when the impairment percentage exceeds 95%, the FRC is advised to consider a write-off.

Write-offs are charged against previously booked impairments. If no specific impairment is recorded on basis of FRC decision making from the past, the write-off is included directly in the statement of profit or loss under ‘Impairments’.

Modification of financial assets

The Programme has defined specific events-based triggers, related to the type of restructuring being carried out in order to determine whether a specific change in contractual terms gives rise to derecognition or modification, instead of relying only on a quantitative threshold related to differences in net present value (NPV).

Modification of terms and conditions arise from lending operations where the programme enters into arrangements with clients, which implies modifications to existing contractual cash flows or terms and conditions. Such arrangements are usually initiated by the programme when financial difficulty occurs or is expected with a borrower. The purpose of such an arrangement is usually to collect original debt over different terms and conditions from the borrower. Modifications may include extending the tenor, changing interest rate percentages or their timing, or changing of interest margin.

During the modification assessment, the programme will evaluate whether the modification event leads to a derecognition of the asset or to a modification accounting treatment. Generally, loans that are sold to a third party or are written off lead to a derecognition. When existing debt is converted into equity, a derecognition of the debt will occur and be recognized again on the statement of financial position as equity. For modifications in interest percentages or tenor changes of existing amortized cost loans do not pass the SPPI test, the loan will also be derecognised and will be recognised as new loans on the programme's statement of financial position according to the new classification.

When modification measures relate to changes in interest percentages or extensions of tenors and the loan is at amortized cost, the programme will recalculate the gross carrying amount of the financial asset by discounting the modified expected cash flows using the original effective interest rate and recognizes the difference in the gross carrying amount as a modification gain or loss. However, when the NPV of the original loan is substantially different than the NPV of the modified loan, the original loan is derecognized and rerecognized on the statement of financial position. The gain or loss following from the derecognition is recognized in line item 'gains and losses due to derecognition'. The programme considers a variance of greater than 10% as substantially different.

Modification of contractual terms versus forbearance

Forbearance is not an IFRS term, but relates to arrangements with clients which imply modifications to cashflows or modification to existing terms and conditions due to financial difficulties of the client. Financial difficulties include, among others, prospects of bankruptcy or central bank intervention. Forbearance must include concessions to the borrower such as release of securities or changes in payment covenants that implies giving away payment rights. Forbearance measures do not necessarily lead to changes in contractual cash flows (e.g. waiver of specific covenant breaches).

Theoretically modification of contractual cash flows or terms and conditions, does not necessarily apply to clients in financial difficulties or performed due to potential higher credit risk. However for the programme, a modification of the contractual terms is usually initiated when financial difficulty occurs or is expected. Therefore only in exceptional cases, changes in modifications of contractual terms not following from credit risk related triggers, will not lead to forbearance e.g. in case of an environmental covenant breach. For the programme, generally modifications will follow from financial difficulties of the borrower and will be classified as forborne assets.

Provisions

Provisions line item include ECL impairments for loan commitments (for ECL methodology, refer to the Impairment section above).

Contributed Capital

The contributed capital contains the subsidies provided by the UK government to finance the portfolio of loans and equity investments.

The capital is revolvable when the current value of assets is equivalent or greater than the sum of the capital put into the programme by the funding party.

Undistributed results previous years

The undistributed results consist of the part of the annual results that the programme is accumulating to maintain the recoverability of the programme.

Net interest income: interest income and expense

Interest income and interest expenses from financial instruments measured at AC are recognized in the statement of profit or loss for all interest-bearing financial instruments on an accrual basis using the ‘effective interest’ method based on the amortised cost at inception. Interest income and interest expenses also include amortized discounts and, premiums on financial instruments.

When a financial asset measured at AC is credit-impaired and regarded as Stage 3, interest income is calculated by applying the effective interest rate to the net AC of the financial asset. If the financial asset is no longer credit-impaired, the calculation of interest income reverts to the gross basis.

Interest income and interest expenses from financial instruments measured at FVPL reflect fair value gains and losses mainly related to short-term deposits. Moreover, interest income from loans measured at FVPL are also recognized under 'Interest income from financial instruments measured at FVPL.

Fee and commission income and expense

The Programme earns fees from a diverse range of services. The revenue recognition for financial service fees depends on the purpose for which the fees are charged and the basis of accounting for the associated financial instrument. Fees that are part of a financial instrument carried at fair value are recognized in the statement of profit or loss. Fee income that is part of a financial instrument carried at AC can be divided into three categories:

- *Fees that are an integral part of the effective interest rate of a financial instrument (IFRS 9)*
  These fees (such as front-end fees) are generally treated as an adjustment to the effective interest rate. When the facility is not used and the commitment period expires, the fee is recognized at the moment of expiration. However, when the financial instrument is to be measured at fair value subsequent to its initial recognition, the fees are recognized as interest-income;
- *Fees earned when services are provided (IFRS 15)*
  Fees charged by the programme for servicing a loan (such as administration fees and agency fees) are recognized as revenue when the services are provided. Portfolio and other management advisory and service fees are recognized in line with the periods and the agreed services of the applicable service contracts;
- *Fees that are earned on the execution of a significant act (IFRS 15)*
  These fees (such as arrangement fees) are recognized as revenue when the significant act has been completed.

Dividend income

Dividends are recognized in dividend income when a dividend is declared. The dividend receivable is recorded at declaration date.

Results from equity investments

Gains and losses in valuation of the equity investment portfolio are recognized under 'Results from equity investments'. These gains and losses include foreign exchange results of equity investments which are measured at fair value.

Results from financial transactions

Results from financial transactions include foreign exchange results (excluding foreign exchange results related to equity investments measured at fair value), valuation gains driven by changes in the market. Furthermore, the valuation gains and losses related to loans measured at fair value are recognized in the statement of profit or loss immediately under 'Results from financial transactions'.

Capacity development expenses and contributions

Development contributions to recipients are recognized as an expense in the statement of profit or loss when the programme incurs an irrevocable obligation to disburse the amount. Development contributions which contain repayment rights which meet the recognition criteria of an asset are treated in accordance with the policy on financial assets described above. Development contributions which do not contain a right to payment that meets the asset recognition criteria are recognized as an expense in the statement of profit or loss when the programme incurs an irrevocable obligation to disburse the amount.

Taxation

The programme is not subject to income tax in the UK. As a result there are not any tax related balances presented in the annual accounts.

Statement of cash flows

The statement of cash flows from operations are presented using the direct method.

Undrawn loan commitments

The Programme issues loan commitments.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Programme is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL allowances are disclosed in Note 21.

Notes to the annual accounts

1. Banks

	2023	2022
Banks	3,122	6,671
Balance at December 31	**3,122**	**6,671**

The cash on bank accounts can be freely disposed of. The bank account is held by FMO on behalf of the programme.

2. Short-term deposits

Short-term deposits are very liquid accounts with high credit ratings and are subject to an insignificant risk of changes in fair value. The programme has on demand full access to the carrying amounts.

	2023	2022
Money Market Funds	86,000	99,000
Balance at December 31	**86,000**	**99,000**

3. Loan portfolio

Loans originated by the Program include loans to the private sector in developing countries for the account and risk of the Program.

	Loan portfolio measured at AC	Loan portfolio measured at FVPL	Total 2023
Balance at January 1	-	17,560	17,560
Disbursements	2,400	15,000	17,400
Changes in amortizable fees	-27	-	-27
Changes in fair value	-	-6,403	-6,403
Changes in accrued income	53	49	102
Balance at December 31	**2,426**	**26,206**	**28,632**
Impairment	-109	-	-109
Net balance at December 31	**2,317**	**26,206**	**28,523**

Change in fair value is largely caused by one exposure, due to 1) a decrease in expected returns due to a one off loss in client asset portfolio and 2) a low fixed rate coupon compared to current yields.

4. Other receivables

	2023	2022
Fee receivables	1	31
Balance at December 31	**1**	**31**

5. Current account with FMO

	2023	2022
Current account with FMO	-224	776
Balance at December 31	**-224**	**776**

The current account which can be freely disposed of.

6. Accrued liabilities

	2023	2022
Accrued liabilities	3,440	4,381
Balance at December 31	**3,440**	**4,381**

7. Provisions

	2023	2022
Allowance for loan commitments	-	28
Balance at December 31	**-**	**28**

8. Other liabilities

	2023	2022
Unearned front end fees	-	30
Balance at December 31	**-**	**30**

9. Total capital

	2023	2022
Balance at January 1	**128,024**	**67,038**
Contribution DESNZ current year	1,076	60,986
Balance at December 31	**129,100**	**128,024**

10. Net interest income

	2023	2022
Interest on loans measured at AC	202	1
Total interest income from financial instruments measured at AC	**202**	**1**
Interest on loans measured at FVPL	419	185
Interest on short-term deposits	4,492	1,355
Total interest income from financial instruments measured at FVPL	**5,113**	**1,540**
Total interest expenses	**-**	**-**
Total net interest income	**5,113**	**1,541**

11. Off-Balance Sheet information

To meet the financial needs of borrowers, the programme enters into various irrevocable commitments (loan commitments, equity commitments). Though these obligations are not recognized on the balance sheet, they do obtain Credit Risk similar to the loan portfolio. Therefore, provisions are calculated for commitments of AC loans according to the ECL measurement methodology.

Nominal amounts for irrevocable facilities are as follows:

Irrevocable facilities	2023	2022
Contractual commitments for disbursements of:		
Loans	1,350	18,750
Total irrevocable facilities	**1,350**	**18,750**

12. Analysis of financial assets and liabilities by measurement basis

The significant accounting policies summary describes how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table gives a breakdown of the carrying amounts of the financial assets and financial liabilities by category as defined by balance sheet heading.

December 31, 2023	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	86,000	-	86,000
Loan portfolio	26,206	-	26,206
Total	**112,206**	**-**	**112,206**
Financial assets not measured at fair value			
Banks	-	3,122	3,122
Loan portfolio	-	2,317	2,317
Total	**-**	**5,439**	**5,439**
Financial liabilities not measured at fair value			
Current accounts	-	-224	-224
Total	**-**	**-224**	**-224**

December 31, 2022	FVPL - mandatory	Amortized cost	Total
Financial assets measured at fair value			
Short-term deposits	99,000	-	99,000
Loan portfolio	17,560	-	17,560
Total	**116,560**	**-**	**116,560**
Financial assets not measured at fair value			
Banks	-	6,671	6,671
Loan portfolio	-	-	-
Total	**-**	**6,671**	**6,671**
Financial liabilities not measured at fair value			
Current accounts	-	-766	-766
Total	**-**	**-766**	**-766**

Fair value of financial assets and liabilities

Fair value hierarchy

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable.

Valuation processes

For recurring and non-recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the Fund has a valuation process in place to decide its valuation policies and procedures and analyze changes in fair value measurement from period to period.

The Fund's fair value methodology and governance over its methods includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. The responsibility of ongoing measurement resides with the relevant departments. Once submitted, fair value estimates are also reviewed and challenged by the Investment Review Committee (IRC). The IRC approves the fair values measured including the valuation techniques and other significant input parameters used

Valuation techniques

When available, the fair value of an instrument is measured by using the quoted price in an active market for that instrument (level 1). A market is regarded as active if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, valuation techniques are used that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Valuation techniques include:

- Recent broker / price quotations
- Discounted cash flow model
- Option-pricing models

The techniques incorporate current market and contractual prices, time to expiry, yield curves and volatility of the underlying instrument. Inputs used in pricing models are market observable (level 2) or are not market observable (level 3). A substantial part of fair value (level 3) is based on net asset values.

The table below presents the carrying value and estimated fair value of non fair value financial assets and liabilities.

	2023		2022	
At December 31	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Banks	3,122	3,122	6,671	6,671
Loan portfolio	2,317	2,317	-	-
Total non fair value financial assets	**5,439**	**5,439**	**6,671**	**6,671**

The following table gives an overview of the financial instruments measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

December 31, 2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Short term deposits	86,000	-	-	86,000
Loans to the private sector	-	-	26,206	26,206
Total financial assets at fair value	**86,000**	**-**	**26,206**	**112,206**

December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Short term deposits	99,000	-	-	99,000
Loans to the private sector	-	-	17,560	17,560
Total financial assets at fair value	**99,000**	**-**	**17,560**	**116,560**

The following table shows the movements of financial assets measured at fair value based on level 3.

	Loans portfolio	Total 2023
Balance at January 1	**17,560**	**17,560**
Disbursements	15,000	15,000
Changes in fair value	-6,403	-6,403
Changes in accrued income	49	49
Balance at December 31	**26,206**	**26,206**

Type of debt investment	Fair value at December 31, 2023	Valuation technique	Range (weighted average) of significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans	26,206	Discounted cash flow model	Based on client spread	A decrease/increase of the used spreads with 1% will result is a higher/lower fair value of approx €0.8m.
Total	**26,206**			

13. Related party information

The programme defines the UK Government, FMO and its Management Board and Supervisory Board as related parties.

UK Government

The Department for Energy, Security and Net Zero (DESNZ) of the UK Government has set up the MFF programme. DESNZ is the main contributor to MFF, providing funding upon FMO's request (2023: $129.1 million; 2022: $128.0 million).

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO")

The Dutch development bank FMO supports sustainable private sector growth in developing and emerging markets by leveraging its expertise in agribusiness, food & water, energy, financial institutions and Dutch business focus areas to invest in impactful businesses. FMO is a public-private partnership, with 51% of FMO's shares held by the Dutch State and 49% held by commercial banks, trade unions and other members of the private sector. FMO has a triple A rating from both Fitch and Standard & Poor's.

FMO has been entrusted by the Dutch Government to execute the mandates of several Dutch Government Funds and by the UK Government to execute the mandate of MFF. Currently MASSIF, Building Prospects, Access to Energy – I, FOM, FOM-OS, the Land Use Facility (of the Dutch Fund for Climate and Development, DFCD) and MFF are under FMO's direct management; the execution of Access to Energy – II and the other facilities of DFCD are performed by third parties on behalf of FMO.

FMO charges a management fee to DESNZ and it is reimbursed accordingly from the subsidy amount of MFF. The management fee amounts up to $3.0 million in 2023 (2022: $3.0 million).

14. Subsequent events

There has been no significant subsequent event between the balance sheet date and the date of approval of these accounts which should be reported by the programme.

Risk management

Organization of risk management

For FMO, acting in its role as Programme manager (hereafter 'FMO') to be able to carry out the programme's strategy, it is essential to have an adequate risk management system in place to identify, measure, monitor and mitigate financial and non- financial risks. MFF (hereafter 'the programme') has a pre-defined risk appetite translated into limits for group, customer, country, region and currencies exposures. Limit usages are monitored on a monthly basis and for each proposed transaction.

The Programme manager reviews each transaction and provides consent to eligible proposals. The Investment Committee, comprising of senior representatives of several departments, reviews financing proposals for new transactions. Each financing proposal is assessed in terms of specific counterparty, product risk as well as country risk. All financing proposals are accompanied by the advice of the Credit department. This department is responsible for credit risk assessment of both new transactions and the existing portfolio. For small exposures, Credit department has the authority to review new transactions.

In addition, financial exposures in emerging markets are subject to a periodic review, which are in general executed annually. Exposures that require specific attention are reviewed by the Financial Risk Committee (FRC). The larger and higher risk exposures are accompanied by the advice of the Credit department. If the Financial Risk Committee concludes that a customer has difficulty in meeting its payment obligations, the customer is transferred to the Special Operations department – responsible for the management of distressed assets – where it is intensely monitored.

Financial risk

Credit risk

Definition

Credit risk is defined as the risk that the bank will suffer an economic loss because a customer fails to meet its obligations in accordance with agreed terms.

Risk appetite and governance

Adverse changes in credit quality can develop within fund's emerging market loan portfolio due to specific customer and product risk, or risks relating to the country in which the customer conducts its business. The main source of credit risk arises from the investments in emerging markets.

Credit risk management is important when selecting and monitoring projects. In this process, a set of investment criteria per sector and product is used that reflects minimum standards for the required financial strength of fund's customers. This is further supported by credit risk models that are used for risk quantification, calculations of expected credit loss allowance, and the determination of economic capital use per transaction. Funding decisions depend on the risk profile of the customer and financing instrument. As part of regular credit monitoring, Fund customers are subject to annual reviews at a minimum. Customers that are identified as having financial difficulties fall under an intensified monitoring regime to proactively manage loans before they become non-performing, including quarterly portfolio monitoring meetings. For distressed assets, the Special Operations department actively manages workout and restructuring.

FMO has set internal appetite levels for non-performing exposures and specific impairments on loans. If any of the metrics exceed the appetite levels, Credit will assess the underlying movements and analyze trends per sector, geography, and any other parameter. Credit will also consider market developments and peer group benchmarks. Based on the analysis, Credit will propose mitigating measures to the FRC. If any of the indicators deteriorate further, the Risk department will be involved to assess to what extent the trend is threatening FMO's capital and liquidity ratios.

Exposures and credit scoring

The following table shows MFF's total gross exposure to credit risk at year-end. The exposures, including derivatives, are shown gross, before impairments and the effect of mitigation using third-party guarantees, master netting, or collateral agreements. Regarding derivative financial instruments, only the ones with positive market values are presented. The maximum exposure to credit risk decreased during the year to $125.5 million at year-end 2023 (2022: $142.0 million).

Maximum exposure to credit risk

	2023	2022
On balance		
Banks	3,122	6,671
Short-term deposits	86,000	99,000
Loans to the private sector:		
- of which: at Amortized Cost	2,453	-
- of which: at Fair value through profit or loss	32,609	17,560
Other receivables	1	31
Total on-balance	**124,185**	**123,262**
Off-balance		
Irrevocable facilities	1,350	18,750
Total off-balance	**1,350**	**18,750**
Total credit risk exposure	**125,535**	**142,012**

When measuring the credit risk of the emerging market portfolio at the customer level, the main parameters used are the credit quality of the counterparties and the expected recovery ratio in case of defaults. Credit quality is measured by scoring customers on various financial and key performance indicators. FMO uses a Customer Risk Rating (CRR) methodology. The model follows the EBA guidelines regarding the appropriate treatment of a low default portfolio and uses an alternative for statistical validation to perform the risk assessment of the models when there is limited or no default data.

The CRR models are based on quantitative and qualitative factors and are different for respective customer types. The models for banks and non-banking financial institutions use factors including the financial strength of the customer, franchise value, and the market and regulatory environment. The model for corporates uses factors including financial ratios, governance, and strategy. The project finance model uses factors such as transaction characteristics, market conditions, political and legal environment, and financial strength of the borrower.

Based on these scores, FMO assigns ratings to each customer on an internal scale from F1 (lowest risk) to F20 (default) representing the probability of default. This rating system is equivalent to the credit quality rating scale applied by Moody's and S&P. Likewise, the loss given default is assigned by scoring various dimensions of the product-specific risk and incorporating customer characteristics. The probability of default and loss given default scores are also used as parameters in the IFRS9 expected credit loss model. Please refer to the 'Significant accounting policies' section, for details of the expected credit loss calculation methodology.

Credit quality analysis

In addition to on balance loans, irrevocable facilities (off-balance) represent commitments to extend finance to customers and consist of contracts signed but not disbursed yet which are usually not immediately and fully drawn.

The following tables provide insights in the credit risk allocation of loan portfolio, loan commitments and financial guarantees according to internal ratings.

Loan portfolio at December 31, 2023 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	32,609	32,609
F14-F16 (B-,B,B+)	-	2,453	-	-	2,453
F17 and lower (CCC+ and lower)	-	-	-	-	-
Sub-total	**-**	**2,453**	**-**	**32,609**	**35,062**
Less: amortizable fees	-	-27	-	-	-27
Less: ECL allowance	-	-109	-	-	-109
Plus: Fair value adjustments	-	-	-	-6,403	-6,403
Carrying value	**-**	**2,317**	**-**	**26,206**	**28,523**

Loan portfolio at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Fair Value	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	17,560	17,560
F14-F16 (B-,B,B+)	-	-	-	-	-
F17 and lower (CCC+ and lower)	-	-	-	-	-
Sub-total	**-**	**-**	**-**	**17,560**	**17,560**
Less: amortizable fees	-	-	-	-	-
Less: ECL allowance	-	-	-	-	-
Plus: Fair value adjustments	-	-	-	-	-
Carrying value	**-**	**-**	**-**	**17,560**	**17,560**

Loan commitments at December 31, 2023 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other 1)	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	750	750
F14-F16 (B-,B,B+)	-	600	-	-	600
F17 and lower (CCC+ and lower)	-	-	-	-	-
Sub-total	**-**	**600**	**-**	**750**	**1,350**
Less: ECL allowance	-	-81	-	-	-81
Carrying value	**-**	**519**	**-**	**750**	**1,269**

Loan commitments at December 31, 2022 Indicative counterparty credit rating scale of S&P	Stage 1	Stage 2	Stage 3	Other 1)	Total
F1-F10 (BBB- and higher)	-	-	-	-	-
F11-F13 (BB-,BB,BB+)	-	-	-	15,750	15,750
F14-F16 (B-,B,B+)	3,000	-	-	-	3,000
F17 and lower (CCC+ and lower)	-	-	-	-	-
Sub-total	**3,000**	**-**	**-**	**15,750**	**18,750**
Less: ECL allowance	-28	-	-	-	-28
Carrying value	**2,972**	**-**	**-**	**15,750**	**18,722**

1 Other loan commitments consist of transactions for which no ECL is calculated.

Non-performing exposures

A customer is considered non-performing when it is not probable that the customer will be able to pay his payment obligations in full without realization of collateral or calling on a guarantee, regardless of the existence of any past-due amount or the number of days past due.

This situation is considered to have occurred when one or more of the following conditions apply:

- The customer is past due more than 90 days on any outstanding facility;
- An unlikeliness to pay (UTP) trigger is in place that automatically leads to NPE;
- An impairment analysis, done upon a UTP trigger that possibly leads to NPE, results in an impairment higher than 12.5% on any outstanding facility;

- There are additional criteria for a customer to enter NPE status in case of Forbearance. If a customer with (No) Financial Difficulty - Forbearance status under probation is extended additional forbearance measures/ concessions or becomes more than 30 days past-due, it shall be classified as non-performing. This only applies if the customer has been non-performing while it was forborne.

NPE is applied at customer level

The NPL percentage for the loan portfolio is 0.0% as there are no non - performing loans in MFF's loan portfolio.

Concentration risk

Definition

Concentration risk is the risk that the program's exposures are too concentrated within or across different risk categories. Concentration risk may trigger losses large enough to threaten the fund's health or ability to maintain its core operations or trigger a material change in our risk profile.

Risk appetite and governance

Strong diversification within the program's emerging market portfolio is ensured through stringent limits on individual counterparties (single and group risk limits), sectors, countries, and regions. These limits are monitored by Risk, reviewed regularly, and approved by the FRC, the Managing Board, and the Supervisory Board. Diversification across countries, sectors, and individual counterparties is a key strategy to safeguard the credit quality of the portfolio.

The level of the country limits depends on the sovereign rating. FMO recognizes that the impact of country risk differs across the financial products it offers.

Single and group risk exposures

In the programme risk appetite, the maximum customer exposure for MFF is set at 40% aggregated of funds.

Counterparty credit risk

Credit risk in the treasury portfolio stems from bank account holdings and placements in money market instruments to manage the liquidity in the programme. The Risk department approves each obligor to which the programme is exposed through its treasury activities and sets a maximum limit for the credit exposure of that obligor. Depending on the obligor's short and long-term rating, limits are set for the total and long-term exposure. The programme pursues a conservative investment policy.

Liquidity risk

Definition

Liquidity risk is defined as the risk for program not being able to fulfill its financial obligations due to insufficient availability of liquid means.

Risk appetite and governance

The programme aims to maintain adequate liquidity buffers, enough to support the implementation of the Programme's development agenda and impact objectives while avoiding putting pressure on UK Government subsidy budget allocated to the programme. To realize this ambition, the programme benefits from the experience of FMO's treasury and risk management functions in managing the liquidity risk, which primarily involves periodical forecasting of the programme's liquidity position under normal and stress scenarios. During these periodical exercises, the assumptions underlying the liquidity model are reviewed and changes in expected cashflows, stemming from updated portfolio management strategies and changes in the programme's operating environment, are reflected on the said assumptions. As a result of the forecasting activity, the predicted liquidity shortfall is avoided through arrangements in investments portfolio.

Market risk

Market Risk is the risk that the value and/or the earnings of the bank decline because of unfavorable market movements. At FMO, this includes interest rate risk and currency risk.

Interest rate risk in the banking book

Definition

Interest rate risk is the risk of potential loss due to adverse movements in interest rates. Changing interest rates mainly influence the fair value of fixed interest balance sheet items and affect program's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII).

Exposures

The interest rate risk limits were not breached in 2023. The following table summarizes the interest repricing characteristics for fund’s assets and liabilities.

Interest re-pricing characteristics

December 31, 2023	<3 months	>5 years	Non-interest-bearing	Total
Assets				
Banks	3,122	-	-	3,122
Short-term deposits	86,000	-	-	86,000
Loan portfolio	-	-	-	-
- of which: at Amortized Cost		2,317	-	2,317
- of which: at Fair value through profit or loss	-	26,206	-	26,206
Other receivables	-	-	1	1
Total assets	**89,122**	**28,523**	**1**	**117,646**
Liabilities and capital				
Current accounts with FMO	224		-	224
Accrued liabilities	-		3,440	3,440
Provisions	-		-	-
Other liabilities				
Fund capital	-		110,329	110,329
Total liabilities and capital	**224**	**-**	**113,769**	**113,993**
Interest sensitivity gap 2023	**88,898**	**28,523**	**113,768**	
	-	-	-	

Interest re-pricing characteristics

December 31, 2022	<3 months	>5 years	Non-interest-bearing	Total
Assets				
Banks	6,671	-	-	6,671
Short-term deposits	99,000	-	-	99,000
Loan portfolio	-	-	-	-
- of which: at Amortized Cost	-	-	-	-
- of which: at Fair value through profit or loss	-	17,560	-	17,560
Other receivables	-	-	31	31
Total assets	**105,671**	**17,560**	**31**	**123,262**
Liabilities and capital				
Current accounts with FMO	776	-	-	776
Accrued liabilities	-	-	4,381	4,381
Provisions	-	-	28	28
Other liabilities	30	-	-	30
Fund capital	-	-	118,047	118,047
Total liabilities and capital	**806**	**-**	**122,456**	**123,262**
Interest sensitivity gap 2022	**104,865**	**17,560**	**-122,425**	

Currency risk

Definition

Currency risk is defined as the risk that changes in foreign currency exchange rates have an adverse effect on the value of the program’s financial position and future cash flows. The Fund also reviews currency risk in terms of impact on the capital ratios

Exposures

The programme offers debt, equity and guarantee instruments denominated in USD, while the main source of funding to the programme, are subsidies received from UK Government in GBP converted to USD. Due to its commitment to the implementation of the programmes' development agenda and impact objectives, the programme does not exclusively look for investments that counter-balance this currency risk exposure in its portfolio; the programme also does not use derivatives and other financial instruments to hedge against the currency risk, and avoids bearing the cost of these engineered measures. The programme does not take active positions in any currency for the purpose of making a profit.

Currency risk exposure (at carrying values)

December 31, 2023	USD	Total
Assets		
Banks	3,122	3,122
Short-term deposits	86,000	86,000
Loan portfolio		
- of which: at Amortized Cost	2,317	2,317
- of which: at Fair value through profit or loss	26,206	26,206
Other receivables	1	1
Total assets	**117,646**	**117,646**
Liabilities and capital		
Current account with FMO	224	224
Accrued liabilities	3,440	3,440
Provisions		
Other liabilities		
Fund capital	113,982	113,982
Total liabilities and capital	**117,646**	**117,646**
Currency sensitivity gap 2023	**-**	**-**
Currency sensitivity gap 2023 excluding equity investments	**-**	**-**

Currency risk exposure (at carrying values)

December 31, 2022	USD	Total
Assets		
Banks	6,671	6,671
Short-term deposits	99,000	99,000
Loan portfolio		
- of which: at Amortized Cost	-	-
- of which: at Fair value through profit or loss	17,560	17,560
Other receivables	31	31
Total assets	**123,262**	**123,262**
Liabilities and capital		
Current account with FMO	776	776
Accrued liabilities	4,381	4,381
Provisions	28	28
Other liabilities	30	30
Fund capital	118,047	118,047
Total liabilities and capital	**123,262**	**123,262**
Currency sensitivity gap 2022	**-**	**-**
Currency sensitivity gap 2022 excluding equity investments	**-**	**-**

Business Risk

Environmental, social and governance risk

Definition

Environmental & Social (E&S) risk refers to the risk posed by (potential) adverse impact of the FMO investments on the environment, their employees and workers, communities, and other stakeholders which may affect FMO's customers. Corporate Governance (CG) risks refer primarily to risk to customers' business and - as a result - to FMO.

Risk appetite and governance

The programme has an appetite for managed risk in portfolio, accepting ESG performance below standards when starting to work with a customer, with the goal that performance is brought in line with our ESG risk mitigation requirements within a credible and reasonable period. ESG risks are mitigated through environmental and social action plans and monitoring. The risk appetite for deviations from the exclusion list and human rights violations is zero.

As part of the investment process, all customers are screened on ESG risk and categorizes them according to the ESG risk that their activities represent. FMO assesses in detail customers with a high ESG risk category to identify ESG impact and risks and to assess the quality of existing risk management and mitigation measures. Due diligence also includes an analysis of contextual and human rights risk. In case of gaps in ESG risk management, FMO works with customers to develop and implement an Action Plan to avoid adverse ESG impacts and/or to improve ESG risk management over time. Key ESG risk items are tracked during the tenor of the engagement. FMO's ESG risk management support to customers is an important part of development impact ambitions.

In addition, for customers with a high ESG category, FMO monitors customer performance on key ESG risk themes (against the IFC Performance Standards) using the ESG Performance Tracker (ESG-PT). The ESG-PT keeps track of key ESG risks and customer performance level, enabling FMO to have a portfolio-wide view of its ESG risks.

Non-financial risk

Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal risks, excluding strategic risks. This is the Basel definition of operational risk, which covers a wide range of non-financial risks.

FMO adopted the Operational Risk Data Exchange Association (ORX) risk taxonomy to structure all non-financial risk types, such as people, data, model, technology, third party, information and cyber security, business continuity, statutory reporting, transaction execution, et cetera. FMO uses the terms operational risk and non-financial risk interchangeably.

Risk appetite and governance

FMO is cautious about non-financial risks. We do not seek them as they have no direct material reward in terms of return/ income generation, but they are inherent to our business. We prefer safe options, with low inherent risk, even if they limit rewards or lead to higher costs. There is no appetite for high residual risk.

First and second line functions work closely together to understand the full and varied spectrum of non-financial risks, and to focus their risk and control efforts on meaningful and material risks. Risk identification and assessment draws on multiple sources of data, such as topic-specific risk-assessments, results of half-yearly control monitoring and testing rounds, internal loss data and root cause analysis, audit results, supervisory findings, and key risk indicators. Policies and operating procedures clarify control standards, accountabilities, and mandate training on key risks.

Management of the first line is responsible for understanding risks and implementing and operating internal controls in the day-to-day business processes. Key controls are monitored and tested twice a year. The first line performs these responsibilities in line with the risk management framework, using the methods and tools provided by the second-line Operational Risk function. The Operational Risk function challenges and advises the first line, performs oversight and maintains the Integrated Control Framework.
Risk events will occur, despite the implementation of internal controls. Risk events can result in losses, non-compliance, misstatements in the financial reports, and reputational damage. Risk events are centrally registered and reviewed and classified by the Operational Risk team. Root cause analyses of high-concern risk events require approval by the Non-financial Risk Committee and follow-up of remediating actions is tracked and reported.

Non-financial Risk metrics are reported on a quarterly basis. These metrics cover operational risks, such as the amount of loss per quarter, timely follow-up of remediating actions by management, and specific metrics for all non-financial risk subtypes. All departmental directors evaluate the operational risks in their area of responsibility and sign a departmental in control statement at year end.

Financial economic crime risk

Definition

Financial Economic Crime Risk is the risk that FMO, its subsidiaries, investments, customers and/or employees are involved or used for any non-violent crime that has a financial component, even though at times such transactions may be hidden or not socially perceived as criminal.

During 2023, FMO continued to enhance the maturity of its financial economic crime (FEC) framework through building the team, strengthening our policies and procedures and continuous monitoring of performance.

Financial economic crime framework

FMO's financial economic crime (FEC) procedures include, amongst others, screening of customers on compliance with applicable anti-money laundering, counter financing of terrorism and international sanctions laws and regulations. Due diligence is performed on customers, which includes checks such as verifying the ultimate beneficial owners of the customer we finance, identifying politically exposed persons and screening against mandatory international sanction lists. These checks are also performed regularly during the relationship with existing customers. FMO Fund's customers are included in FMO's procedures to mitigate the financial economic crime risk.

In January, FMO received the results of DNB's assessment of the effectiveness and efficiency of FMO's sanctions screening systems. Based on the results of the examination, DNB assessed that the overall functioning of these screening systems is currently 'sufficient'. FMO is also conducting training programs for its employees to raise awareness on sanctions. Further, FMO continues to remind its customers of the importance of sanctions compliance.

Also, in 2023, FMO has reviewed its Systematic Integrity Risk Analysis (SIRA) framework based on lessons learned from past SIRAs. This review resulted in an adjusted approach for 2023 and 2024: The (companywide) SIRA will be data driven and will enable FMO to identify its top integrity risks, level of risk mitigation and need for follow up actions.

FMO continues to work on strengthening the risk culture and creating awareness on FEC, (intended) unusual transactions and anti-bribery and corruption practices. In 2023, all FMO employees were required to complete the compliance e-learning that addresses personal integrity topics, such as bribery and corruption. In addition, new investment staff were also required to complete the KYC e-learning as part of their onboarding. All new investment staff were also required to undertake additional training related to the FEC program and remediation project.

In August of 2023 it was reported that, as a result of late notifications of unusual transactions to the Financial Intelligence Unit (FIU) in 2021 and 2022, DNB decided on enforcement measures. DNB is currently re-assessing these measures upon request of FMO (by means of objection). FMO's related Financial Economic Crime (FEC) framework enhancement program – which involved a full KYC file remediation – was finalized at the end of 2021. During 2023, FMO focused on continuous improvement of its FEC framework, through (amongst others) periodic review of policies and procedures, training, and monitoring of performance.

General Data Protection Act (GDPR)

The follow-up GDPR project, which was initiated in January 2023, has been finalized. Additional technical and organizational controls have been implemented to further strengthen personal data security. To keep risk awareness on top of mind, several training sessions were organized, for departments across the three lines. This will continue in 2024. The outcome of the 2023 GDPR pillar reassessment by EY Belgium on behalf of the EC is positive. FMO fulfils the requirements with regard to the protection of personal data. Overseas representative offices are fully in scope.

EY
Building a better working world

Independent auditor's report

To: the management board of the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.

Report on the audit of the financial statements for the year ended 31 December 2023 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 December 2023 of Mobilising Finance For Forests (hereinafter: MFF or the Programme), based in The Hague.

In our opinion the accompanying financial statements give a true and fair view of the financial position of MFF as at 31 December 2023, and of its result and its cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

- The Statement of Financial Position as at 31 December 2023
- The Statement of Comprehensive Income for the year ended 31 December 2023
- The Statement of Changes in Capital
- The Statement of Cash Flows for the year ended 31 December 2023
- The notes comprising a summary of the significant 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. 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 MFF in accordance with 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 believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on 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 that consists of:

- The management report
- At a glance
- Performance on our strategy
- International principles

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 substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information.

Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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 these 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 judgment and have maintained professional skepticism 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 fraud or error, 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 error, 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 Programme's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- 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 Programme'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 a Programme to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with management 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.

Amsterdam, 28 March 2024

Ernst & Young Accountants LLP

signed by J.G. Kolsters

Colophon

Contact details
Should you have any feedback or questions, please feel free to contact us.

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