## INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

### ANNUAL REPORT OF THE TRUSTEES AND FINANCIAL STATEMENTS

### **31 DECEMBER 2023**

International Finance Facility for Immunisation Company, 1 Maple Road, Bramhall, Stockport, Cheshire SK7 2DH, United Kingdom. Registered in England and Wales as a company limited by guarantee with number 5857343 and as a charity with number 1115413.

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#### LEGAL AND ADMINISTRATIVE INFORMATION

#### **TRUSTEES**

Kenneth Lay, Board Chair Bertrand de Mazières, Audit Committee Chair Monique Barbut Doris Herrera-Pol. Concluded term on 1 January 2024. Hassatou Diop N'Sele Jessica Pulay Ingrid van Wees Helge Weiner-Trapness

#### **REGISTERED ADDRESS**

#### Effective 28 June 2023:

Carpenter Court, 1 Maple Road, Bramhall, Stockport, Cheshire SK7 2DH, United Kingdom

#### Terminated on 28 June 2023:

2 Lambs Passage, London EC1Y 8BB, United Kingdom

#### COMPANY SECRETARY

#### Effective 28 June 2023:

Company Registrations Online Limited

Carpenter Court, 1 Maple Road, Bramhall, Stockport, Cheshire SK7 2DH, United Kingdom

#### Terminated on 28 June 2023:

Trusec Limited

2 Lambs Passage, London EC1Y 8BB, United Kingdom

#### **SOLICITOR**

#### Effective 14 June 2023:

Linklaters LLP

One Silk Street, London EC2Y 8HQ, United Kingdom

#### Terminated on 14 June 2023:

Slaughter and May

One Bunhill Row, London EC1Y 8YY, United Kingdom

#### AUDITOR

Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom

#### TREASURY MANAGER

International Bank for Reconstruction and Development 1818 H Street NW Washington, DC 20433 United States

#### **LEGAL STATUS**

The International Finance Facility for Immunisation Company ("IFFIm") is a multilateral development institution, established as a charity registered with the Charity Commission for England and Wales. IFFIm was incorporated as a private company, limited by guarantee, without share capital and for indefinite duration, under the Companies Act 1985. IFFIm is governed by its Memorandum and Articles of Association dated 26 June 2006. Amended Articles of Association were adopted on 17 December 2018. IFFIm's company registration number is 5857343 and its charity registration number is 1115413.

#### FILING OF REPORTS

Copies of IFFIm's Annual Report of the Trustees and Financial Statements are available to the public and may be obtained from the Registrar of Companies for England and Wales at Companies House, Cardiff.

### STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES OF IFFIM IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The trustees, who are also directors of the International Finance Facility for Immunisation Company ("IFFIm") for the purposes of company law, are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of IFFIm and of the incoming resources and application of resources, including the income and expenditure, of IFFIm for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that IFFIm will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of IFFIm and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of IFFIm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which IFFIm's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on IFFIm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# ANNUAL REPORT OF THE TRUSTEES YEAR ENDED 31 DECEMBER 2023

#### **OBJECTIVES AND PUBLIC BENEFIT**

#### **OBJECTIVES**

The International Finance Facility for Immunisation Company ("IFFIm") was created to accelerate the availability of predictable, long-term funds for health and immunisation programmes through Gavi, the Vaccine Alliance ("Gavi"). Since its inception, Gavi has helped vaccinate more than 1 billion children in 78 countries through routine immunisation. IFFIm promotes the effective use of Gavi resources for charitable purposes, and for the benefit of the public, by providing services and facilities that assist Gavi in raising funds. Such services and facilities include, but are not limited to, borrowing money or entering into agreements that are backed by legally binding funding commitments from sovereign government donors (the "Grantors").

IFFIm funding accelerates the availability and increases the predictability of funds for immunisation, vaccine procurement and health systems strengthening ("HSS") programmes. Gavi uses funds raised by IFFIm to reduce the number of worldwide vaccine-preventable deaths and illnesses. Gavi achieves this by funding the purchase and delivery of vaccines and strengthening health systems in many lower-income countries in the world. Gavi also leveraged these resources to address the COVID-19 pandemic. In 2023, countries became eligible for Gavi support if their average Gross National Income ("GNI") per capita was less than or equal to US\$ 1,730 over the previous three years. In 2024, the eligibility threshold based on average GNI per capita over the previous three years is set at US\$ 1,810.

IFFIm raises funds by issuing bonds in the international capital markets under its Global Debt Issuance Programme and previously also raised funds through issuances of Sukuk certificates. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation and HSS programmes. Through its bond issuances, IFFIm converts long-term government pledges into immediately available cash resources. IFFIm uses grant payments from the Grantors to pay the principal and interest on its bonds.

#### **PUBLIC BENEFIT**

IFFIm is a public benefit entity that provides public benefit through supporting the charitable aims of Gavi. It does not work directly with the public and has no employees. IFFIm's directors have considered the Charity Commission's general guidance on public benefit and have paid due regard to it when planning IFFIm's activities and assessing how IFFIm's activities further its objectives for the public benefit.

#### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### **STRUCTURE**

IFFIm is a multilateral development institution incorporated as a private company, limited by guarantee, in England and Wales, with the company registration number 5857343, and registered as a charity in England and Wales, with the charity registration number 1115413. Gavi is the sole member of IFFIm. IFFIm is governed by its Memorandum and Articles of Association dated 26 June 2006. Amended Articles of Association were adopted on 17 December 2018.

IFFIm had control over IFFIm Sukuk Company III Limited ("IFFImSC III"), a Cayman Islands company with limited liability, which was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. In April 2022, IFFImSC III made the final payment of US\$ 50 million to the holders of its certificates and, in September 2023, IFFImSC III was dissolved.

In order to achieve its objectives, IFFIm worked with the following organisations during 2023:

- <u>Gavi</u>: Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. It uses funds raised by IFFIm to finance immunisation-related charitable activities in many of the world's lower-income countries. Gavi's charitable activities are described further in the *Programmes Funded by IFFIm* section of this report. Gavi also provides administrative support to IFFIm.
- The International Bank for Reconstruction and Development (the "World Bank"): The World Bank is a global development organisation based in the United States. It provides treasury management, risk management and accounting services to IFFIm on a commercial basis. IFFIm's relationship and interactions with the World Bank are described further in the Financial Overview and Hedging IFFIm's Market Risks sections of this report.

#### **GOVERNANCE AND MANAGEMENT**

#### **Board of Trustees**

IFFIm's trustees, who are also directors of IFFIm for the purposes of company law, are responsible for determining IFFIm's strategic plans, overseeing the implementation of such plans, and monitoring functions outsourced to Gavi and the World Bank. Members of the Gavi Secretariat and the World Bank take part in every board meeting.

IFFIm has no employees. During 2023, there were five meetings of the IFFIm board, two meetings of the audit committee, and one meeting of a committee of the board to undertake decisions in connection with the annual update of IFFIm's Global Debt Issuance Programme. In accordance with its Board Charter and Code of Conduct, IFFIm directors are expected to attend all board meetings unless exceptional circumstances prevail. Directors had an average board meeting attendance of 81% in 2023.

During the year ended 31 December 2023, IFFIm's directors were as follows:

- Kenneth Lay, Chair: Mr Lay is Senior Managing Director of The Rock Creek Group, an asset management firm based in Washington D.C. that manages globally diversified portfolios of public and private assets for institutional investors. Mr Lay also works with international institutions, private foundations, and non-governmental organisations seeking to develop new approaches to increasing the scale and reducing the cost of financing for humanitarian, environmental and other global priorities. Mr Lay previously served as Treasurer of the World Bank where he and his colleagues managed more than US\$ 100 billion in investments for the Bank and other international financial institutions and for more than 40 of the World Bank's member countries' central banks, sovereign wealth and pension funds. He also led the World Bank Treasury's banking and capital markets programmes as they delivered financing and risk management for the World Bank itself and introduced green bonds and catastrophe bonds to deepen the institution's engagement in mitigation of and adaptation to climate change. Mr Lay was appointed as a director effective 16 October 2020 and as Chair of the IFFIm board effective 1 January 2021.
- Bertrand de Mazières, Audit Committee Chair: Mr de Mazières is the Director General for Finance at the European Investment Bank ("EIB"). He oversees EIB's Finance Directorate, which is responsible for the bank's funding, treasury, and support functions (back and middle office). A French national, Mr de Mazières has been involved since 1982 in public administration, financial market regulatory authorities, and International Financial Institutions. In close and continuous interaction with banks, capital market enterprises, ministries of finance, central banks, and regulatory supervisors, he has alternated operational functions with supervisory and regulatory responsibilities, all concerned by and contributing to the development of capital markets at the service of the public, and especially to the European Union financial integration. His experience also includes the set-up and management of newly created operations. Mr de Mazières was appointed as a director effective 18 May 2018 and as Audit Committee Chair effective 1 April 2020.
- Monique Barbut: Ms Barbut is the President of the World Wide Fund for Nature ("WWF") France. After studying economics, Ms Barbut had a long career in different positions at the Agence Française de Développement Group ("AFD"), the main French public institution for aid in development. As a member of the French government delegation to the 1992 Rio Earth Summit, she was a key player in the financing negotiations, and later on an active negotiator in the creation of the Global Environment Facility ("GEF") as well as the French Global Environment Facility ("FGEF"), to which she was appointed first Chief Executive Officer. From 2003 to 2006 she headed the Technology, Industry and Economics Division of the United Nations Environment Program ("UNEP") before becoming Chief Executive Officer and President of the GEF in June 2006. In 2013, the United Nations Secretary General appointed her as Executive Secretary of the United Nations Convention to Combat Desertification ("UNCCD"). In addition to these functions, she became Under Secretary General of the United Nations in 2016. She joined the Board of trustees of WWF France in 2014 and became its President in January 2021. Ms Barbut was appointed as a director effective 1 July 2021.
- <u>Doris Herrera-Pol</u>: Ms Herrera-Pol retired from the World Bank in 2015 where she was the Global Head of Capital Markets. Her team was responsible for designing the World Bank's funding strategy and managing its multi-currency funding programme in global money, capital and derivatives markets. From 2002 to 2007, she led the team responsible for the World Bank's plain-vanilla debt products, including global bonds and emerging market bond issues. Ms Herrera-Pol was appointed as a director effective 13 November 2015 and was a member of the audit committee. She concluded her tenure as a director on 1 January 2024.
- <u>Hassatou Diop N'Sele</u>: Ms N'Sele is the Vice President for Finance and Chief Financial Officer of the African Development Bank Group ("AfDB"). She is responsible for the mobilisation and investment of the Group's financial resources, financial risk management, financial reporting, and led the global expansion of the AfDB's capital markets activities. Prior to this position, Ms N'Sele was the Group Treasurer from May 2015

to the end of 2022 and the Head of Funding from 2008, having joined the Bank in 1999. Before joining the Bank, she cumulated eight years of business and banking experience in the private sector in Senegal as a Finance Director of Tiger Denrees Senegal, a startup commodities trading company, and as a Manager in the Financial Institutions department of Citibank Senegal. Ms N'Sele was appointed as a director effective 1 July 2021.

- Jessica Pulay: Ms Pulay is the Co-Head of Policy and Markets at the UK Debt Management Office ("DMO") where she has responsibility for the UK government's debt issuance and cash management, as well as the policy, research and business operations areas. She is also an executive member of the Advisory Board of the DMO. Previously Jessica spent 16 years at the European Bank for Reconstruction and Development ("EBRD") in London where she was Deputy Head of Funding, responsible for the EBRD's borrowing programme and their listed equity divestments. Prior to joining the EBRD in 1999, Jessica worked as an executive director in the debt capital markets departments at Morgan Stanley and Goldman Sachs, and was also a managing director at Deutsche Bank, responsible for financing governments and supranational organisations. Ms Pulay was appointed as a director effective 1 April 2020 and she is a member of the audit committee.
- <u>Ingrid van Wees</u>: Ms van Wees was the Vice President for Finance and Risk Management at the Asian Development Bank from 2016 to 2021, where she was responsible for the overall management of the operations of the Office of Risk Management, the Controller's Department, and the Treasury Department. Prior to this, she was a senior director at the German Investment and Development Corporation ("DEG"), where her portfolio covered debt, equity and fund investments in Europe, the Middle East, and Asia. She also has treasury experience in developmental investment banking. Before she moved to DEG in 2004, Ms. van Wees held management positions in corporate finance and business development with private corporations. Ms van Wees was appointed as a director effective 1 October 2021.
- Helge Weiner-Trapness: Mr Weiner-Trapness is Vice Chairman of Global Banking at HSBC. Prior to this,
  he was a founding partner of Quintus Partners, an independent financial advisory firm that provides
  strategic and investment advisory and capital raising services to a diverse client base of corporations,
  private investment firms, and institutions. Prior to that, he was the Managing Director and Co-Global
  Head of the Financial Institutions Group at Barclays Bank in Hong Kong and previously held senior
  positions at Asia Pacific Land, JP Morgan Securities, and Goldman Sachs. Mr Weiner-Trapness was
  appointed as a director effective 17 December 2018 and he is a member of the audit committee.

Directors are chosen for their skills and expertise in areas relevant to IFFIm and the IFFIm board maintains a skills matrix which it uses for succession planning purposes. The IFFIm board agreed in 2021 to set the board's composition at eight seats which is the current composition. Board succession planning is managed by the Board Chair in consultation with the board and two directors were reappointed for a second term in 2023. The IFFIm board adopted a nomination policy in October 2023 and appointed a nominating committee in December 2023 to lead a more formal, rigorous and transparent process to appoint new trustees. The IFFIm board is also guided by a diversity statement and seeks to adhere to Gavi's gender policy requiring that no more than 60% of the IFFIm board is the same gender. As at 31 December 2023, the gender composition was 62% female and 38% male.

All directors serve on a voluntary basis and are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as directors. Details of director expenses are disclosed in Note 4 to the financial statements.

A formal induction process is in place that includes briefings with members of the Gavi Secretariat and World Bank to ensure that directors have the knowledge and understanding of IFFIm's business to enable them to contribute effectively. On appointment, directors devote a sufficient amount of time to participate in a comprehensive induction programme, which introduces them to the main areas of IFFIm's business operations, in particular those that involve significant risk, and provide an overview of the entities associated with IFFIm, namely, Gavi and the World Bank.

IFFIm has a Code of Conduct within its Board Charter. The IFFIm board also has an Independence Statement which underscores how all directors are required to exercise independent judgement in carrying out their duties. The IFFIm board must act in line with the principles laid out in the Board Charter and Code of Conduct, which comprehensively outlines expectations and conduct supported by policies for gifts and entertainment, diversity, procurement and travel, as well as processes for conflicts of interest.

The directors have a duty to avoid conflicts of interest and while IFFIm does not have a conflicts of interest policy, its Articles of Association and its Board Charter and Code of Conduct provide for the disclosure and management of conflicts of interest and a register is maintained and disclosed at each meeting of the IFFIm board. Gavi's code of conduct framework also guides the IFFIm board on matters and issues that are not covered by IFFIm policies.

IFFIm introduced a gifts and hospitality policy in 2018 and while no disclosures of gifts or offers of hospitality have been made to date, the IFFIm board has established a formal register of gifts and hospitality for use if and when such disclosure is made.

The IFFIm board is invited to attend meetings of the Gavi board. The attendance of IFFIm directors at the Gavi board meetings is strictly in an observer status with no participation in the decisions of the Gavi board.

Gavi's Chief Executive Officer is invited to attend and present reports to meetings of the IFFIm board, as an observer and with no participation in the decisions of the IFFIm board. At each meeting, the IFFIm board receives operational reports from the Gavi Secretariat and the World Bank and reviews IFFIm's strategic initiatives. Twice a year the IFFIm board receives finance and accounting and monitoring and assurance reports. The IFFIm board also receives regular reports on Grantor and investor financial information and engagement.

#### **Audit Committee**

The IFFIm audit committee is a standing committee of the IFFIm board consisting of four members of the board and was established to assist the board in fulfilling its responsibilities with respect to the corporate accounting and financial practices of IFFIm. It oversees the preparation of the annual financial statements, including accounting policies and judgements, and reviews the performance, independence, and objectivity of the external auditor. It monitors the effectiveness of IFFIm's risk management and internal grant monitoring systems.

During 2023, there were two meetings of the audit committee. The average audit committee meeting attendance was 87% in 2023. The audit committee work plan includes the formal requirement for an executive session with the external auditor without any representatives from the Gavi Secretariat and the World Bank being present.

Regarding the reporting of alleged improprieties, misconduct, or wrongdoing, the IFFIm board implemented an Ethics reporting hotline in 2019 that is connected to Gavi's. The Ethics Hotline is prominently displayed on the homepage of IFFIm's public website. No reports related to IFFIm were received in 2023.

#### **Board Effectiveness Review and UK Charity Governance Code**

The IFFIm board carries out an effectiveness review annually and regularly discusses its effectiveness and ability to work together as a team. It is envisaged that an externally facilitated assessment of the board will be undertaken every third year. An externally facilitated assessment was conducted in 2022 thus the IFFIm board conducted its 2023 self-evaluation exercise internally. The effectiveness review encompassed the board, the audit committee, and the Board Chair. The evaluation also assessed board composition, dynamics, governance and operations and stakeholder engagement. The results of the evaluation were discussed by the IFFIm board in March 2024. On the whole, the IFFIm board was regarded as effective and well-functioning.

As part of its own development, the IFFIm board reviews guiding principles under the UK Charity Governance Code (the "Code"). At its March 2023 board meeting, the board assessed IFFIm's current governance arrangements against the provisions of the Code. The IFFIm board concluded for the fifth successive year, overall, IFFIm's governance broadly aligns with the recommended practices set out in the Code other than for those requirements regarding a Chief Executive and staff given that IFFIm does not have any employees.

The IFFIm board has mandated that its work plan includes reviews of the Board Charter and Code of Conduct and other board-approved policies on a routine basis. This policy review was completed at the IFFIm board's March 2023 meeting.

#### Accountability and Transparency

IFFIm regularly updates its website to provide a comprehensive and transparent disclosure of how it discharges its charitable functions. The annual IFFIm communication plan is incorporated within IFFIm's strategic framework. IFFIm's main stakeholders are Gavi, the World Bank, Grantors, and investors. Further details of IFFIm's stakeholder engagement are set out in the *Section 172 (1) Statement* included on page 21 of this report.

#### REFERENCE AND ADMINISTRATIVE INFORMATION

Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees as indicated above. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with accounting support, to the World Bank. The responsibilities of the IFFIm trustees, as well as brief descriptions of Gavi and the World Bank, are provided in the *Structure, Governance and Management* section above.

IFFIm also receives professional services from the following organisations:

- Trusec Limited was IFFIm's company secretary until 28 June 2023. Its registered address is 2 Lambs Passage, London, EC1Y 8BB, United Kingdom.
- Company Registrations Online Limited is IFFIm's company secretary since 28 June 2023. Its registered
  address is Carpenter Court, 1 Maple Road, Bramhall, Stockport, Cheshire SK7 2DH, United Kingdom.
- Slaughter and May was IFFIm's solicitor until 14 June 2023. Its registered address is One Bunhill Row, London, EC1Y 8YY, United Kingdom.
- Linklaters LLP is IFFIm's solicitor since 14 June 2023. Its registered address is One Silk Street, London EC2Y 8HQ, United Kingdom.
- Deloitte LLP is IFFIm's independent auditor. Its registered address is 1 New Street Square, London EC4A 3HQ, United Kingdom.
- BDO LLP is IFFIm's tax services provider. Its registered address is 55 Baker Street, London, W1U 7EU, United Kingdom.

#### PROGRAMMES FUNDED BY IFFIM

Gavi programmes are funded by IFFIm, subject to the IFFIm board's approval of a request for funding from Gavi and when an indicative funding confirmation, signed by any trustee on behalf of the IFFIm board, is issued to Gavi. The trustees are also directors of IFFIm for the purposes of company law. In the year ended 31 December 2023, IFFIm issued a new indicative funding confirmation of US\$ 435 million (US\$ 490 million in 2022) to fund Gavi programmes and issued a reduction of US\$ 57 million to previously approved funding. The programme reduction was issued in relation to Gavi programmes for which IFFIm funding was no longer needed as the relevant programmes had since been fully funded and executed by Gavi. In the year ended 31 December 2023, IFFIm made a grant payment of US\$ 435 million (US\$ 829 million in 2022) to Gavi with respect to approved funding.

Since its inception, IFFIm has funded several Gavi programmes, which are categorised into Country-Specific Programmes and Investment Cases. Each of these categories is described below.

#### **COUNTRY-SPECIFIC PROGRAMMES**

Governments of eligible developing countries apply for vaccine procurement, immunisation and HSS support ("Country-Specific Programmes") by submitting applications to Gavi. Once it has reviewed and approved the applications, Gavi requests funding from IFFIm. Since its inception in 2006, IFFIm has provided funding in support of the following Gavi Country-Specific Programmes:

<u>New and Underused Vaccine Support ("NVS") programmes</u>: Gavi supports developing countries in introducing vaccines and associated vaccine technology. Gavi's support is aimed at accelerating the countries' vaccine uptake and improving their vaccine supply security. NVS programmes funded by IFFIm related primarily to the following diseases:

- <u>Pneumococcal Disease</u>: This is a bacterial infection and is the leading cause of pneumonia. The bacterium
  that causes pneumococcal disease can also cause meningitis, which often leaves survivors with permanent
  disabilities, including mental retardation and seizures. Safe and affordable vaccines are the most effective
  way to prevent pneumococcal infection.
- <u>Hepatitis B</u>: This is a viral infection that affects the liver and is transmitted by body fluids or the blood of infected people. It is the leading cause of liver cancer. Transmission of the virus from mother to newborn infant is a major contribution to disease in regions such as South-East Asia and the Western Pacific, where infection is widespread. Most cases could be avoided through vaccination.
- <u>Haemophilus Influenzae Type B ("Hib")</u>: This is a bacterial infection which can cause meningitis, pneumonia, and septicaemia. It is spread through sneezing and coughing and is considered the third

biggest cause of vaccine-preventable death in children under five years of age. In lower-income countries, where most Hib deaths occur, the disease leaves up to 35% of survivors with disabilities.

- <u>Diphtheria</u>: This is a highly contagious bacterial infection that spreads from person to person, often through respiratory droplets like from coughing or sneezing. Globally, incidence of diphtheria is on the rise. Death occurs in 5% to 10% of those infected, mainly in children under five years of age.
- <u>Tetanus</u>: This is a serious, life-threatening disease that affects the central nervous system and enters the body through wounds or cuts. Neonatal tetanus continues to be a major killer of newborns and can be prevented by providing the vaccine to women of childbearing age, either before or during pregnancy.
- <u>Pertussis</u>: Also known as whooping cough, pertussis is a highly contagious and serious respiratory disease that spreads easily from infected persons and is fatal in one in two hundred cases among infants.
- Yellow Fever: As an acute viral haemorrhagic disease transmitted by mosquitoes, yellow fever causes
  devastating epidemics in areas where people who are not vaccinated are exposed to infected mosquitoes.
  Death rates can be as high as 50% among those severely affected. Yellow fever can be prevented by a
  safe, affordable, and highly effective vaccine. One injection protects an individual for at least 35 years,
  and possibly for life.
- Measles: This is a highly contagious virus, whose symptoms include a high fever, severe skin rash, and a cough. Because it is so contagious, measles remains a significant threat to child health even in those areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.
- <u>Rotavirus</u>: This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in lower-income countries in Africa and Asia, where access to diarrhoea treatment is often limited or unavailable.

<u>Health Systems Strengthening ("HSS") programmes</u>: The objective of HSS programmes is to achieve and sustain increased immunisation coverage, through strengthening the capacity of countries' systems to provide immunisation and other health services. Countries are encouraged to use HSS funding to target the bottlenecks or barriers in their health systems.

<u>Immunisation Services Support ("ISS") programmes</u>: Gavi provides eligible countries with flexible reward payments for strengthening their immunisation systems. These payments are subject to strict performance requirements and Gavi works with governments and inter-agency coordinating committees to set goals and monitor progress.

<u>Injection Safety Support ("INS") programmes</u>: Gavi contributes to the provision of auto-disable syringes, reconstitution syringes and safety boxes. These syringes and safety boxes facilitate the administering of vaccines in eligible countries.

<u>Vaccine Introduction Grant</u>: Recognising that introduction of a new vaccine can imply additional costs for a country's health system, Gavi provides additional support to bridge this resource gap. This support takes the form of an upfront cash grant and is used by implementing countries to pay for costs such as training, social mobilisation, programme management surveillance and monitoring. Implementing countries are the eligible countries where Gavi programmes, including those funded by IFFIm, are implemented.

#### **INVESTMENT CASES**

From time to time, IFFIm funds tactical investments in disease prevention and control ("Investment Cases"). These investments are made through Gavi partners such as the United Nations Children's Fund ("UNICEF") and the World Health Organization ("WHO"). Each investment targets a disease that constrains progress towards improved child and maternal health. Since its inception in 2006, IFFIm has provided funding in support of the following Investment Cases:

<u>Yellow Fever Stockpiles</u>: Gavi supported the creation and maintenance of yellow fever vaccine stockpiles to ensure that vaccines are ready for deployment as soon as an outbreak is identified. The stockpiles also help to secure supply for routine programmes. IFFIm funds were used for both outbreak response and preventative campaigns.

<u>Polio Eradication</u>: Gavi supported intensified eradication activities that were implemented to interrupt wild and vaccine-derived poliovirus transmission. These activities included sustaining polio surveillance and laboratory activities, improving social mobilisation and enhancing technical assistance.

<u>Measles Mortality Reduction</u>: Gavi supported efforts to reduce the level of mortality from measles. The measles mortality reduction campaign is a partnership among several global health and development agencies to address this major childhood disease. Measles vaccination campaigns have become a channel for the delivery of other life-saving interventions, such as bed nets, de-worming medicine and vitamin supplements.

<u>Maternal and Neonatal Tetanus</u>: Gavi supported a campaign to eliminate maternal and neonatal tetanus. Maternal and neonatal tetanus continues to burden the most poorly served populations in many of the world's lower-income countries. The campaign was implemented to build on existing efforts to improve clean delivery practices and immunisation services in these populations.

<u>Yellow Fever Continuation</u>: IFFIm provided funding support for an extension and expansion of Gavi's original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and helped offset higher than expected vaccine prices.

Meningitis Eradication: Gavi supported efforts to eliminate meningococcal A meningitis epidemics in a number of African countries that were estimated to be home to approximately 95% of the world's meningococcal meningitis burden. Meningococcal meningitis is a bacterial disease that mainly affects children and can result in death or permanent disability.

<u>Vaccine Research and Development</u>: Gavi provides support to the Coalition for Epidemic Preparedness Innovations ("CEPI") for its late-stage vaccine research and development activities. CEPI is a global public-private partnership whose mission is to accelerate the development of vaccines against emerging infectious diseases and enable equitable access to these vaccines during outbreaks.

<u>COVAX</u>: COVAX was the vaccines pillar of the Access to COVID-19 Tools ("ACT") Accelerator, a ground-breaking global collaboration, which accelerated the development, production, and equitable access to COVID-19 tests, treatments, and vaccines for every country in the world. COVAX was co-led by WHO, Gavi, and CEPI, alongside key delivery partner UNICEF. Gavi's role in COVAX involved coordinating the COVAX Facility, a global risk-sharing mechanism for pooled procurement and equitable distribution of COVID-19 vaccines.

#### STRATEGIC REPORT

This Strategic Report relates to the year ended 31 December 2023. It forms part of the Annual Report of the Trustees, which contains all the information that company law requires to be provided in the directors' report. IFFIm's trustees are also the directors of IFFIm for the purposes of company law.

#### ACHIEVEMENTS AND PERFORMANCE

With the support of IFFIm funding, Gavi programmes have helped vaccinate more than one billion children in the world's lower-income countries since Gavi's creation in 2000 and prevented more than 17.3 million deaths in the process. This was achieved by accelerating the uptake and use of new and underused vaccines, strengthening the capacity of integrated health systems to deliver immunisation in many lower-income countries, increasing the predictability of global financing and improving the sustainability of national financing for immunisation, and through shaping vaccine markets to ensure adequate supply of appropriate, quality vaccines at low and sustainable prices for eligible countries.

The Country-Specific Programmes and Investment Cases that are supported by Gavi with the help of IFFIm's funding are described in the *Programmes Funded by IFFIm* section above. In 2023, IFFIm issued a new indicative funding confirmation of US\$ 435 million to fund Gavi programmes and issued a reduction of US\$ 57 million to previously approved funding, which resulted in a net programme funding total of US\$ 378 million. The programme reduction was issued in relation to Gavi programmes for which IFFIm funding was no longer needed as the relevant programmes had since been fully funded and executed by Gavi. In 2023, IFFIm made a grant payment of US\$ 435 million to Gavi with respect to approved funding.

From its inception in 2006 to 31 December 2023, IFFIm approved and disbursed the following amounts to help fund Gavi's Country-Specific Programmes:

		2023		Cumulative	Outstanding
In Millions of US\$	2023 Approvals	Disburse- ments	Cumulative Approvals	Disburse- ments	Balance Payable
New and underused vaccine support	390	(435)	3,427	(3,427)	-
Health systems strengthening and other	(12)	-	591	(591)	-
Total Country-Specific Programme					
support	378	(435)	4,018	(4,018)	-

<sup>&</sup>lt;sup>1</sup> Cumulative disbursements include a reclassification of US\$ 12 million from health systems strengthening support to new and underused vaccine support to correctly present the allocation of programme disbursements since inception. This reclassification has no impact on amounts reported in the financial statements.

From its inception in 2006 to 31 December 2023, IFFIm approved and disbursed the following amounts to help fund Gavi's Investment Cases:

In Millions of US\$	2023 Approvals	2023 Disburse- ments	Cumulative Approvals	Cumulative Disburse- ments	Outstanding Balance Payable
Yellow fever stockpile and eradication	_	_	101	(101)	_
Polio eradication	-	-	191	(191)	-
Measles mortality reduction	-	-	139	(139)	_
Maternal and neonatal tetanus	-	-	62	(62)	-
Meningitis eradication	-	-	68	(68)	-
Vaccine research and development	-	-	272	(272)	-
COVAX	-	-	975	(975)	
Total Investment Cases support	-	-	1,808	(1,808)	-

Since its inception in 2006, IFFIm has consistently demonstrated its performance as an efficient and flexible mechanism for Gavi to accelerate access to life-saving vaccines for children in the world's lower-income countries. This continued performance is demonstrated by the following key indicators:

- <u>Maximising value for money</u>: IFFIm aims to deliver maximum value for money to Gavi for every dollar invested by its Grantors. As a measure of value for money, IFFIm expects that the cumulative total of programme disbursements to Gavi will exceed 90% of total Grantor pledges over IFFIm's lifetime. As an indicator of this measure, as at 31 December 2023, IFFIm's cumulative programme disbursements to Gavi since its inception in 2006 were approximately 96.7% of its total outlays over the same period.
- <u>Funding cost</u>: IFFIm's cost of funding compared to that of its Grantors serves as an indicator of IFFIm's efficiency, subject to macroeconomic factors. At its inception, IFFIm's funding cost was, on average, anticipated to be higher than that of its Grantors and would be considered alongside the utility and impact of its flexible financing structure. IFFIm has successfully accessed the capital markets based on Gavi's needs. As at 31 December 2023, the weighted average cost of all bonds issued by IFFIm since its inception is 34 basis points over the Secured Overnight Financing Rate ("SOFR"). This is seven basis points higher than the weighted average cost of borrowing of its Grantors, which is 27 basis points over SOFR calculated over the same period.
- <u>Flexibility</u>: One of IFFIm's core values is the financial flexibility that it provides Gavi by allowing it to delink its immunisation programmes from when Grantor payments are received and link them to when funding is needed. This means that Gavi can determine the timing and amount of drawdown from IFFIm based on its needs, for example, whether to frontload resources over a short period of time or draw down on smaller amounts over a longer period, without incurring significant costs in either situation. Because of this flexibility, Gavi was able to drawdown US\$ 435 million of IFFIm funding in 2023.
- <u>Strategic market access</u>: IFFIm's funding strategy is premised on the intention to optimise the following three objectives: (1) funding cost; (2) diversification; and (3) raising the profiles of IFFIm and Gavi and increasing awareness of Gavi's immunisation mission. IFFIm continues to achieve this strategy by issuing bonds in different currencies and regions, attracting new investors, and broadening its geographical reach. In its most recent bond transactions in 2022, IFFIm issued 3-year fixed rate Vaccine Bonds in the amounts of £ 250 million and US\$ 500 million, which provided Gavi with immediately available funding to support routine immunisation in lower-income countries. The bonds attracted a diverse and high-quality group of investors, demonstrating the continuing high appeal of IFFIm with global investors to support Gavi's immunisation programmes.

In 2023, IFFIm received new sovereign pledges from Canada and the Kingdom of Spain. IFFIm continues to engage with existing and prospective donors to attract further pledges in support of Gavi's immunisation mission. Further details of new sovereign pledges to IFFIm in 2023 are included in the *Financial Overview* section of this report.

As a large charitable company registered in the United Kingdom, IFFIm has considered its energy use and the requirement in the United Kingdom to disclose relevant information on energy and carbon reporting. IFFIm has no physical offices in the United Kingdom. As described above, IFFIm has no employees and outsources all administrative support to Gavi, which is based in Geneva and Washington, DC, and outsources its treasury function, together with accounting support, to the World Bank, which is based in Washington, DC. As such, IFFIm has no directly attributable energy use in the United Kingdom to disclose in this report. Furthermore, based on the nature of outsourced operations at the World Bank and Gavi, any energy use attributable to IFFIm, with respect to the relevant supporting activities, would be impractical to obtain.

#### FINANCIAL OVERVIEW

#### **Overview of Assets and Liabilities**

The following table summarises IFFIm's assets and liabilities as at 31 December 2023 and 2022:

In Millions of US\$	2023	2022	Change
Sovereign pledges	2,798	2,951	(153)
Derivative financial assets	377	447	(70)
Funds held in trust	522	1,005	(483)
Other assets	7	27	(20)
Total assets	3,704	4,430	(726)
Bonds payable	1,957	2,413	(456)
Derivative financial instruments	293	360	(67)
Grants payable	-	57	(57)
Other liabilities	1	1	
Total liabilities	2,251	2,831	(580)
Net assets	1,453	1,599	(146)
Total liabilities and net assets	3,704	4,430	(726)

<u>Sovereign Pledges</u>: IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As at 31 December 2023, the Grantors were the Commonwealth of Australia, the Federative Republic of Brazil, Canada, the Republic of France, the Republic of Italy, the State of the Netherlands, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden, and the United Kingdom of Great Britain and Northern Ireland. The amounts pledged by the Grantors, along with the pledge dates, are listed in Note 2 to the financial statements. From inception to 31 December 2023, cumulative payments received from the Grantors totalled US\$ 5 billion.

During 2023, the fair value of IFFIm's sovereign pledges decreased by US\$ 153 million due to the net impact of the following:

- Receipts from Grantors: IFFIm received payments from its Grantors totalling US\$ 531.3 million, which resulted in a decrease in the fair value of IFFIm's sovereign pledges. This decrease was partially offset by fair value gains and new sovereign pledges as described below.
- Fair Value Gains: IFFIm recorded fair value gains of US\$ 236.6 million on sovereign pledges, comprised of (1) gains of US\$ 120 million on pledges denominated in euros, British pounds, and other currencies due to the weakening of the United States dollar against those currencies in 2023, (2) gains of US\$ 78 million due to relatively lower sovereign yields that are inputs in the valuation of long-term sovereign pledges, and (3) gains of US\$ 39 million due to a relatively lower Grant Payment Condition ("GPC") Fair Value Adjustment that is an input in the valuation of sovereign pledges and the unwinding of the GPC Fair Value Adjustment with respect to sovereign pledges for which Grantor payments were received during the year. The GPC Fair Value Adjustment is described further in Note 16 to the financial statements.
- New Sovereign Pledges: In 2023, IFFIm received new sovereign pledges of C\$ (CAD) 125 million from Canada and € 75 million from the Kingdom of Spain, which were recognised at an initial fair value totalling US\$ 141.7 million.

<u>Funds Held in Trust and Investment Strategy</u>: IFFIm's funds held in trust represent an investment portfolio denominated in United States dollars and managed by the World Bank. IFFIm has established liquidity and investment policies based on recommendations made by the World Bank.

The World Bank maintains a single, commingled investment portfolio (the "Pool") for IFFIm, certain trust funds and other entities administered by the World Bank, as well as assets held in trust for other World Bank Group institutions. The Pool's assets are maintained separate from the funds of the World Bank Group.

The Pool is divided into sub-portfolios to which allocations are made based on specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under IFFIm's investment strategy approved by the trustees, IFFIm's liquid assets are invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding IFFIm's investment portfolio. No ethical guidelines have been set for the portfolios. IFFIm's trustees regularly review the portfolios within which IFFIm's investments are held.

IFFIm holds sufficient liquidity to satisfy investor expectations and rating agency requirements that a sufficient balance be available to meet interest and principal payments to debt holders. Consistent with these purposes, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. As at 31 December 2023 and 2022, the calculated minimum liquidity was US\$ 118 million and US\$ 576 million, respectively, and the value of IFFIm's funds held in trust was US\$ 522 million and US\$ 1 billion, respectively.

During 2023, funds held in trust decreased by US\$ 483 million primarily due to (1) bond redemptions of US\$ 530 million, (2) a programme grant disbursement of US\$ 435 million, and (3) net swap settlement payments of US\$ 69 million. These were partially offset by (1) Grantor payments received of US\$ 531 million and (2) net transfers of US\$ 20 million from brought-forward cash balances.

IFFIm receives its funding from Grantor contributions and borrowings on worldwide capital markets and disburses its funds only to Gavi to finance programmes for a defined portfolio of eligible countries or specified purposes. Therefore, all IFFIm's funds are treated as restricted funds.

Other Assets: IFFIm's other assets comprise prepayments and its cash balances held at depository bank accounts. Cash balances are moved to the investment portfolio on a regular basis. The US\$ 20 million decrease in other assets during 2023 was primarily due to the transfer of brought-forward cash balances to the investment portfolio.

<u>Bonds Payable</u>: IFFIm has continued to raise funds on the global capital markets. From inception to 31 December 2023, cumulative proceeds from bond issuances totalled US\$ 8.6 billion.

During 2023, IFFIm's bonds payable decreased by US\$ 456 million primarily due to the following:

- Bond Redemptions: During the year, bond redemptions by IFFIm totalled US\$ 530 million, which resulted
  in a decrease in the fair value of bonds payable. This decrease was partially offset by fair value losses as
  described below.
- <u>Fair Value Losses</u>: The fair value of bonds payable is highly sensitive to yield and exchange rate movements, which are some of the market observable inputs that are used to fair value IFFIm's bonds. During 2023, IFFIm recorded fair value losses of US\$ 73 million on its bonds, which resulted in an increase in the fair value of bonds payable.

As at 31 December 2023, IFFIm's bonds payable balance of US\$ 1,957 million was comprised of bonds payable falling due within one year of US\$ 114.3 million and bonds payable falling due after more than one year of US\$ 1,842.2 million.

<u>Derivative Financial Instruments</u>: IFFIm's derivative financial instruments represent its net position on interest rate and currency swap contracts. As at 31 December 2023, IFFIm's net balance on its derivative financial instruments was a receivable of US\$ 84 million (derivative financial assets of US\$ 377 million less derivative financial liabilities of US\$ 293 million), which was a decrease of US\$ 3 million from the prior year net receivable balance of US\$ 87 million (derivative financial assets of US\$ 447 million less derivative financial liabilities of US\$ 360 million). This US\$ 3 million decrease in 2023 was due to net fair value losses of US\$ 72 million, partially offset by net swap settlement payments of US\$ 69 million.

As at 31 December 2023, IFFIm's net asset balance on its derivative financial instruments of US\$ 84 million was comprised of net amounts receivable after more than one year of US\$ 117 million, partially offset by net amounts payable within one year of US\$ 33 million. IFFIm's hedging strategy is described in the *Hedging IFFIm's Market Risks* section of this report and IFFIm's net position is discussed further in Note 8 to the financial statements.

<u>Grants Payable</u>: Grants payable represent board approved commitments made by IFFIm to fund Gavi programmes. Each of these commitments is recognised when an indicative funding confirmation to Gavi is signed by one of IFFIm's trustees on behalf of the IFFIm board. During 2023, IFFIm's grants payable balance decreased by US\$ 57 million due to a reduction to previously approved funding. The programme reduction was issued in relation to Gavi programmes for which IFFIm funding was no longer needed as the relevant programmes had since been fully funded and executed by Gavi.

Other Liabilities: IFFIm's other liabilities are comprised of amounts payable to service providers and amounts due to Gavi.

#### Overview of Income and Expenses

The following table summarises IFFIm's income and expenses for the years ended 31 December 2023 and 2022:

In Millions of US\$	2023	2022	Change
Contribution revenue	142	541	(399)
Net fair value gains (losses)	93	(52)	145
Investment income	48	11	37
Other income	1	2	(1)
Total income	284	502	(218)
Programme grants	378	490	(112)
Financing costs	46	22	24
Other expenses	5	5	-
Total expenses	429	517	(88)
Deficit for the year	(145)	(15)	(130)

<u>Contribution Revenue</u>: IFFIm receives its funding from Grantor contributions in the form of long-term legally binding sovereign pledges and converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation, and HSS programmes as described in the *Programmes Funded by IFFIm* section of this report. Contribution revenue for 2023 was comprised of new sovereign pledges of C\$ (CAD) 125 million from Canada and € 75 million from the Kingdom of Spain, with initial recorded fair values totalling US\$ 142 million.

Net Fair Value Gains: During 2023, IFFIm recorded net fair value gains of US\$ 93 million primarily due to fair value gains of US\$ 237 million on its sovereign pledges and other foreign exchange gains of US\$ 1 million, which were partially offset by fair value losses of US\$ 73 million on its bonds payable and losses of US\$ 72 million on its swaps. The *Hedging IFFIm's Market Risks* section below further describes fair value adjustments on pledges, bonds, and swaps, and summarises their impact on IFFIm's income.

<u>Investment Income</u>: Investment income was higher by US\$ 37 million in 2023 compared to 2022 primarily due to higher interest rates, which resulted in a portfolio rate of return of 5.80% in 2023 compared to 1.91% in 2022. In addition, IFFIm's investment portfolio had a relatively higher weighted average balance in 2023.

Other Income: Other income for 2023 was comprised of US\$ 1 million of administrative support services donated to IFFIm by Gavi.

<u>Programme Grants</u>: During 2023, IFFIm issued a new indicative funding confirmation of US\$ 435 million to fund Gavi's routine immunisation programmes, partially offset by a programme reduction of US\$ 57 million related to previously approved funding. The programme reduction was issued in relation to Gavi programmes for which IFFIm funding was no longer needed as the relevant programmes had since been fully funded and executed by Gavi.

<u>Financing Costs</u>: IFFIm incurred higher financing costs in 2023 compared to 2022 primarily due to (1) the relatively higher coupon rate on IFFIm's most recent bond issuance in November 2022 compared to previous issuances, which had a larger impact on financing costs in 2023 and (2) a higher weighted average of outstanding bonds payable during 2023 compared to 2022.

Other Expenses: IFFIm's other expenses predominantly comprise treasury management fees billed by the World Bank, legal fees, audit fees, consulting fees, and administrative support services. As there were no significant changes in IFFIm's operations or suppliers, its other expense in 2023 remained at about the same level as 2022.

IFFIm's policy is to pay its suppliers of the abovementioned services in accordance with those terms and conditions agreed between IFFIm and its suppliers. Payments for services received are usually processed within 30 days upon receipt of invoices.

IFFIm recorded a deficit of US\$ 145 million for the year ended 31 December 2023 as the amount of programme funding to Gavi in 2023 was higher than the contribution revenue received during the year as described above.

#### **Going Concern**

IFFIm's financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards. As IFFIm's credit rating is AA, the World Bank has the right to call for collateral, above a specified threshold amount, and protect its derivative exposure to IFFIm. However, following discussions and agreement with the World Bank, the World Bank has confirmed that it will not call collateral over at least 12 months from the signing date of IFFIm's financial statements, which could cause IFFIm to be unable to meet its required financial obligations. Furthermore, following Gavi's confirmation, IFFIm continues to maintain the ability to defer grant payments to Gavi to the extent that this is required for IFFIm to meet other obligations as they fall due within the next 12 months from the signing date of the financial statements. In assessing the going concern basis, the trustees have also considered the potential impact of the ongoing conflicts between Russia and Ukraine and between Israel and Palestine and their global impact on economic activity and financial markets whereby, in addition to assessing any potential impact of these conflicts on the factors considered above, the trustees considered (1) the continued stability of funding from Grantors due to its legally binding nature and commitment from the Grantors and (2) measures in place which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the signing date of the financial statements as further described in Note 14 to the financial statements. In their assessment, the trustees determined that the ongoing conflicts do not significantly impact the above key factors that IFFIm's going concern basis is primarily reliant upon. IFFIm recorded a deficit of US\$ 145 million for the year ended 31 December 2023 primarily due to differences in the timing of when IFFIm recognises programme grants and the corresponding Grantor contributions that fund them. Programme grants are recognised as expenses annually when indicative funding confirmations are issued whereas Grantor contributions, which are multi-year in nature, are recognised upfront in full upon assignment of Grantor pledges to IFFIm by Gavi. Due to this difference in timing, programme grant expenses recognised in the year ended 31 December 2023 were greater than recorded contribution revenue, which resulted in a deficit. Despite this deficit, there are measures in place, as indicated above, which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the signing date of the financial statements as further described in Note 14 to the financial statements. Therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

#### **RISK MANAGEMENT**

The major risks to which IFFIm is exposed, as identified by the trustees, have been reviewed and systems or procedures have been established to manage these risks. IFFIm has two main areas of risk: financial risks and operational risks.

- Managing Financial Risks: IFFIm's activities expose it to three principal types of financial risk: (1) credit
  risk, (2) liquidity risk, and (3) market risk. IFFIm seeks to mitigate each of these risks based on a risk
  management strategy approved by its board. IFFIm's mitigation of each type of financial risk is described
  below:
  - (1) <u>Credit Risk</u>: IFFIm's credit ratings are closely tied to the credit ratings of Grantors. A change in the outlook for, or a downgrade of, the credit rating of one of the major Grantors may cause one or more of the credit rating agencies to review its outlook or credit rating for IFFIm and to amend such outlooks or credit ratings accordingly. A change in the credit rating of IFFIm may affect the market value of IFFIm's debt. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk. These measures, and details of IFFIm's credit ratings, are described in the *Credit Rating and Reserves Policy* section below. Note 13 to the financial statements describes IFFIm's credit risk and related risk management activities in more detail.
    - IFFIm's ability to make principal and interest payments to investors, and programme payments to Gavi, depends primarily on receipt by IFFIm of payments from Grantors under the grant agreements. IFFIm does not have any other significant sources of funds available to meet these obligations. In connection with this risk, each Grantor has represented and warranted to IFFIm, and to the other parties to IFFIm's Finance Framework Agreement, that the grant agreement to which it is a party constitutes valid and legally binding obligations of that Grantor. IFFIm has experienced occasional payment delays by some Grantors, which are administrative in nature. These delays have not been material and have not adversely affected IFFIm's credit ratings nor IFFIm's financial condition.
  - (2) <u>Liquidity Risk</u>: Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.
    - IFFIm's bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. As described in Notes 1 and 16 to the

financial statements, the GPC allows the Grantors to reduce their payments to IFFIm if an IFFIm-eligible country falls into protracted arrears on its obligations to the IMF. IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as many IFFIm-eligible countries falling into protracted arrears to the International Monetary Fund ("IMF"). The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. As at 31 December 2023, the GRL model had established that, at a triple-A equivalent confidence level, 71.8% of the present value of Grantor pledges may be used to support the issuance of IFFIm bonds. As at 31 December 2023, the fair value of IFFIm's outstanding bonds, net of bond swaps, cash and investments, was 52.1% of the present value of its Grantor pledges net of pledge swaps.

The World Bank continues to have the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the International Swaps and Derivatives Association ("ISDA") Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. To mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the gearing ratio limit to manage the World Bank's exposure under the derivative transactions between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. In May 2020, the World Bank recalculated and reset the Risk Management Buffer to 0% from the previous value of 12% following the execution of a swap re-couponing transaction in the amount of US\$ 200 million, which reduced the World Bank's exposure on IFFIm's derivative positions by the same amount and enabled the World Bank to intermediate new swaps for IFFIm. As at 31 December 2023 and 2022, the Risk Management Buffer was 0% of the present value of expected future cash flows from Grantor pledges.

The World Bank, as IFFIm's Treasury Manager, continues to monitor IFFIm's funding needs to always ensure that IFFIm maintains sufficient available resources to be able to meet its financial obligations, including debt-service payments and obligations under the CSA and ISDA Agreement. Note 14 to the financial statements describes IFFIm's liquidity risk and related risk management activities in more detail.

- (3) Market Risk: IFFIm's market risk is comprised of interest rate and foreign exchange rate risks. IFFIm mitigates these risks using interest rate and currency swaps. Sovereign pledges are swapped into United States dollar floating rate assets and, at issuance, IFFIm's bonds payable are swapped into United States dollar floating rate liabilities. IFFIm's activities to hedge market risks are described further in the Hedging IFFIm's Market Risks section below. Note 15 to the financial statements describes IFFIm's market risk and related risk management activities in more detail.
- <u>Managing Programme Risks</u>: Key among IFFIm's operational risks are programme risks, which include: (1) the performance risk that IFFIm funds may not be efficiently and effectively applied by implementing countries to meet Gavi's programme objectives, and (2) the risk that implementing countries may misuse funds they receive from IFFIm.

The programme performance risk is mitigated through the Gavi programme monitoring process, which is a multi-step monitoring and evaluation process that includes an initial project assessment and approval, as well as annual monitoring reviews.

The programme risk related to misuse of funds is addressed by management controls and audit processes put in place at Gavi. Gavi has identified cases of misuse of funds in 40 countries since 2009. As at 31 December 2023, the estimated total Gavi funds misused in these countries since 2009 is US\$ 46 million, which is approximately 0.14% of total funds disbursed by Gavi during that period. This includes cases of misuse estimated at US\$ 1.5 million, which were identified through audit processes that were finalised during 2023. Of this amount, US\$ 0.4 million relates to funds provided by IFFIm. Gavi has a zero-tolerance policy with respect to misuse of funds and actively works to bring all these identified cases to resolution and recover the misused funds from the countries. A total of US\$ 44.5 million in misused funds was due for reimbursement to Gavi by 31 December 2023, of which US\$ 41.9 million had been reimbursed by the countries as at that date, which represents a recovery rate on amounts due of 94%. IFFIm funds have been used in only certain instances of misuse in 21 countries. It is estimated that approximately US\$ 22.5 million of the misuse identified above relates to funds provided by IFFIm, with a recovery rate of 100% against amounts due for reimbursement to Gavi by 31 December 2023.

As described in the *Structure, Governance and Management* section of this report, IFFIm's Audit Committee monitors the effectiveness of IFFIm's risk management and internal grant monitoring systems.

Considering the ongoing conflicts between Russia and Ukraine and between Israel and Palestine and their global impact on economic activity and financial markets, management has assessed the potential impact of

these conflicts on IFFIm's financial position, performance, and its ability to continue meeting its obligations. IFFIm's sovereign pledges are legally binding contractual obligations, its investments are maintained under a conservative investment strategy, and all its outstanding bonds are fixed rate instruments, which are less susceptible to market volatility. IFFIm uses swaps to mitigate against interest rate and foreign exchange rate risks, which are the key market risks to which IFFIm's sovereign pledges and bonds payable are exposed. There is potential impact to the fair value of IFFIm's sovereign pledges, and associated cash flows, with respect to the GPC, which is a key variable in the valuation of IFFIm's sovereign pledges. The calculation of the GPC includes assessments of the risk that IFFIm-eligible recipient countries may fall into arrears to the IMF, which, among other factors, considers macroeconomic performance and a geopolitical assessment. As at 31 March 2024, there were no countries in protracted arrears to the IMF. Considering all these factors, management does not expect that IFFIm's overall financial position and performance will be significantly impacted by the adverse effects of these conflicts and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility due to the conflicts and the potential challenges it may involve.

Management has considered the prevailing environment with high interest rates and noted market projections that rates are expected to begin dropping in 2024. As described above, IFFIm has measures in place to mitigate its key market risks - interest rate and foreign exchange rate risks. Accordingly, management does not expect that IFFIm's overall financial position and performance will be significantly impacted by fluctuating interest rates.

#### **Hedging Market Risks**

The majority of IFFIm sovereign pledges and some of its bonds payable are denominated in currencies other than the United States dollar. Therefore, IFFIm is exposed to the risk of financial loss or unpredictable cash flows resulting from fluctuations in foreign exchange rates. Since all IFFIm's programme expenses are incurred in United States dollars and predictability of funding is essential to Gavi's mission, IFFIm has entered into currency swap contracts with counterparties to mitigate the aforementioned risks. Under these contracts, IFFIm has effectively swapped foreign currency receipts from Grantors and payments to bond holders with United States dollar receipts from, and payments to, its swap counterparties.

In addition to the abovementioned foreign exchange risks, IFFIm is also exposed to potential adverse changes in the value of its sovereign pledges and bonds payable resulting from fluctuations in interest rates. To mitigate this risk, IFFIm has entered into interest rate swap contracts with the World Bank. Under these contracts, IFFIm has effectively swapped sovereign pledges into dollar floating rate receivables from the World Bank and bonds payable into floating rate payables to the World Bank.

The following table shows IFFIm's fair value adjustments, including interest expense, for the years ended 31 December 2023 and 2022, before and after the impact of IFFIm's currency and interest rate swaps:

_		Year Ended ember 2023	Year Ended 31 December 2022		
In Millions of US\$	Pledges	Bonds	Pledges	Bonds	
Interest and fair value adjustments before impact of swaps	237	(117)	(474)	133	
Impact of currency and interest rate swaps	(53)	(20)	393	(124)	
Net interest and fair value adjustments after impact of swaps	184	(137)	(81)	9	

As described in Note 1 to the financial statements, IFFIm has elected not to apply hedge accounting. Therefore, the fair value gains and losses on currency and interest rate swaps are recognised in full without any offsetting.

As shown above, IFFIm recorded fair value gains on pledges and fair value losses on pledge swaps in 2023 due to several factors as discussed below. The following table further analyses fair value adjustments on pledges and pledge swaps:

_	Year Ended 31 December 2023			Year	Year Ended 31 December 2022			
_		Pledge			Pledge			
In Millions of US\$	Pledges	Swaps	Total	Pledges	Swaps	Total		
Fair value gains due to GPC Fair								
Value Adjustment	39	-	39	37	-	37		
Interest rate fair value gains (losses)	78	33	111	(286)	223	(63)		
Foreign currency fair value gains (losses)	120	(92)	28	(225)	184	(41)		
Net debit (credit) valuation adjustment	_	6	6	_	(14)	(14)		
Net fair value gains (losses)	237	(53)	184	(474)	393	(81)		

Each component of fair value adjustments on pledges and pledge swaps is discussed below:

- Fair value gains due to GPC Fair Value Adjustment: When calculating the fair values of Grantor pledges, the expected future cash inflows from Grantors are reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated by the World Bank using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. During 2023, the GPC Fair Value Adjustment decreased from 7.20% to 6.80%, a slightly larger change compared to the decrease during 2022 from 7.40% to 7.20%. These decreases resulted in fair value gains on pledges. Additional gains were realised upon unwinding of the GPC Fair Value Adjustment with respect to sovereign pledges for which Grantor payments were received during the year. No actual GPC reduction was applied to Grantor payments received in 2023 as there were no reference portfolio countries in protracted arrears to the IMF, which resulted in fair value gains. The spread between the actual GPC reduction and the GPC Fair Value Adjustment and the year-on-year decrease in the GPC Fair Value Adjustment, as described above, resulted in fair value gains on pledges of US\$ 39 million in 2023.
- Interest rate fair value gains (losses): As described in Note 16 to the financial statements, both pledges and pledge swaps are valued using the discounted cash flow method. In 2023, interest rate fair value gains on pledges of US\$ 78 million were due to relatively lower sovereign yields applied in the valuation of long-term sovereign pledges while gains on pledge swaps of US\$ 33 million were primarily due to relatively higher interest rates in 2023, which resulted in the application of higher discount rates in the valuation of the swaps. The gains on pledge swaps in 2023 were also due to higher interest accrued on the floating rate receive legs of the pledge swaps.
- <u>Foreign currency fair value gains (losses)</u>: The majority of IFFIm's pledges are denominated in euros and British pounds. In addition, IFFIm has smaller foreign currency pledges denominated in Australian dollars, Canadian dollars, Norwegian kroner, and Swedish kronor. The United States dollar weakened against the British pound, euro, and most of the other currencies in 2023, which resulted in net fair value gains on pledges of US\$ 120 million and losses on pledge swaps of US\$ 92 million due to foreign currency movements.
- Net debit (credit) valuation adjustment: IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. A net credit valuation adjustment of US\$ 8 million was included in the valuation of pledge swaps in 2023, compared to a net credit valuation of US\$ 14 million in 2022, which resulted in a fair value gain of US\$ 6 million in 2023.

As shown above, IFFIm recorded fair value losses on bonds and bond swaps as a result of several factors as discussed below. The following table further analyses fair value adjustments on bonds and bond swaps:

	Year Ended 31 December 2023			Year Ended 31 December 2022			
_		Bond			Bond		
In Millions of US\$	Bonds	Swaps	Total	Bonds	Swaps	Total	
Interest expense	(44)	(86)	(130)	(20)	(22)	(42)	
Interest rate fair value (losses)							
gains	(67)	59	(8)	128	(108)	20	
Foreign currency fair value							
(losses) gains	(6)	12	6	25	(4)	21	
Net (credit) debit valuation							
adjustment	-	(5)	(5)	-	10	10	
Net interest and fair value (losses)							
gains	(117)	(20)	(137)	133	(124)	9	

Each significant component of fair value adjustments on bonds and bond swaps is discussed below:

- Interest expense: In 2023, IFFIm recorded net interest expense on bonds and bond swaps of US\$ 44 million and US\$ 86 million, respectively. As described in the *Overview of Income and Expenses* section above, IFFIm incurred relatively higher financing costs in 2023 primarily due to the relatively higher coupon rate on IFFIm's most recent bond issuance in November 2022, which had a larger impact on financing costs in 2023, and a higher weighted average of outstanding bonds payable during 2023. The net interest expense on bond swaps was due to the higher market interest rates in 2023, which resulted in higher interest accrued on the floating rate pay legs of the bond swaps.
- Interest rate fair value (losses) gains: As described in Note 16 to the financial statements, both bonds and bond swaps are valued using the discounted cash flow method. In 2023, fair value losses of US\$ 67 million and gains of US\$ 59 million on bonds and bond swaps, respectively, were primarily due to the amortisation of previously applied discounted amounts as the duration to maturity of outstanding bonds decreased. As at 31 December 2023, the notional amounts of IFFIm's bonds and bond swaps were US\$ 2.1 billion and US\$ 1.9 billion, respectively, with durations to maturity ranging from 0.5 to 6.3 years.
- <u>Foreign currency fair value gains (losses)</u>: Some of IFFIm's issued bonds are denominated in British pound, South African rand, and Norwegian krone. The United States dollar weakened against these currencies during 2023, which resulted in foreign currency fair value losses of US\$ 6 million on bonds and gains of US\$ 12 million on bond swaps.

#### SECTION 172 (1) STATEMENT

This statement describes how the Board of Directors (the "Board" and the "Directors", respectively) of the International Finance Facility for Immunisation ("IFFIm") fulfil their obligations under section 172 of the Companies Act 2006. All directors of the company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the company."

(the "s.172 (1) matters").

#### **Principal Activity and Board Approach**

IFFIm is a public benefit entity that provides public benefit through supporting the charitable aims of Gavi, the Vaccine Alliance ("Gavi"). It does not work directly with the public and has no employees. Its business relationships are managed by the World Bank and Gavi as it outsources its treasury function to the World Bank and all administrative support to Gavi. As a registered charity, IFFIm directors promote the effective use of its resources for charitable purposes by providing services and facilities which assist Gavi. All applicable s.172 (1) matters are duties owed by each director personally. Board induction materials provided upon appointment include an explanation of directors' duties and the Companies Act 2006.

In relation to the Board's obligations to s.172 (1) matters, the Directors have agreed to consider the impact of its decisions on four identified key stakeholders. They are: investors, Grantors, the World Bank, and Gavi. The Board engages with these stakeholders by various means and address matters which concern them, both within board meetings and through other reports and engagements. The board receives regular reports, including strategic updates, financial performance, business updates, regulatory updates, legal matters, risk, and Gavi programmatic updates.

The Board also gives consideration of s.172 (1) matters in board meeting papers, encouraging authors to identify the interests of key stakeholders in the topic under discussion and clearly demonstrating how recommendations for decisions and requests for guidance put forward to the Board have taken stakeholder interests and other s.172 (1) matters into account. Stakeholder interests are considered prior to principal decisions being taken by the Board, often with IFFIm's stakeholders routinely participating directly in Board meeting discussions.

#### **High Standards of Business Conduct and Culture**

The Board has a Board Charter and Code of Conduct which sets out the main principles relevant to IFFIm and its Directors in order to develop, implement and maintain a culture and standard of good corporate

governance. The matters set out in the Charter are subject to the Companies Act 2006, charities' legislation and regulations, and IFFIm's statutes. Incorporated into the Charter are formal procedures to help ensure that IFFIm and the Board act in a transparent and dutiful manner, along with criteria against which IFFIm's stakeholders can assess the performance of IFFIm from a corporate governance perspective.

Compliance with section 172 of the Companies Act 2006 is largely evidenced by IFFIm's board minutes and accompanying reports presented to the Board. In addition to the annual financial statements, IFFIm produces an IFFIm resource guide and updates its website and issues press releases and newsletters on a regular basis.

IFFIm's Directors are invited to attend meetings of the Gavi Board and are routinely available to meet with Grantors, investors and other stakeholders. The Board also meets with Grantors and conducts bilateral discussions separately as appropriate. Directors relay feedback from stakeholder engagements in board meetings and in monthly informal virtual meetings. The World Bank and Gavi Secretariat participate in all IFFIm board meetings. Gavi's board secretary or delegated representative also attends all board and audit committee meetings and fulfils the role of company secretary envisaged under section 172.

#### **Stakeholder Engagement**

IFFIm's financing model for global health is built upon partnerships with Grantors, private investors, the World Bank, and Gavi, which is why IFFIm considers these to be the key stakeholders. IFFIm receives long-term, legally binding pledges from Grantors and, with the help of the World Bank, converts these pledges into immediately available cash resources through the issuance of bonds. Money raised by IFFIm through bond issuances provides immediate funding for Gavi's immunisation programmes.

<u>Investors</u>: The Board engages with bond holders as circumstances require although engagement is generally conducted through the World Bank in its capacity as IFFIm's treasury manager. The Board receives reports on investor engagement regularly and there is disclosure to investors through bond issuances, and the annual update of IFFIm's prospectus listed with the Luxembourg Stock Exchange Euro MTF.

<u>Grantors</u>: The Board routinely engages with the sovereign government donors funding IFFIm. The Board receives reports on donor engagement regularly, hosts donor meetings and engages in calls with the donor community as appropriate.

<u>World Bank</u>: The World Bank is IFFIm's treasury manager and actively engages with IFFIm's board and audit committee and the Gavi Secretariat in relation to IFFIm. The treasury manager provides routine reports to the Board.

<u>Gavi</u>: Gavi is the sole member of IFFIm. The Gavi Secretariat actively participates in all meetings of the Board and audit committee. Gavi's Chief Executive Officer regularly participates in meetings of the Board, as an observer, and Directors routinely participate in Gavi Board meetings also in an observer status. The Gavi Board is comprised of representative members from donors, implementing countries, multilateral development agencies, and civil society, as well as experts from the pharmaceutical industry and research and technical health communities.

#### **Key Decisions of the Company**

The Board routinely seeks to ensure the interests of its key stakeholders are considered in its decision-making processes recognising that these stakeholders may have differing views on decisions taken by the Board. The World Bank and Gavi Secretariat participate in every IFFIm board meeting and interests of Investors and Grantors are discussed routinely in each meeting. The impact of decisions and choices taken by the Board are routinely evaluated in the relevant papers submitted to the Board for guidance or decision and recorded in the board minutes accordingly.

Key decisions made by the Board during 2023 include:

- Transferring securities from the regulated market of the Luxembourg Stock Exchange ("LuxSE") to the multilateral trading facility operated by the Luxembourg Stock Exchange ("Euro MTF")
- · Approval of the annual budget
- Approval of the annual strategic direction
- Approval of IFFIm's risk framework
- Approval of Transactions and Issuances
- Appointment of Directors, Officers and Authorised Signatories
- Approval of Gavi Programme Funding
- Approval of Linklaters LLP as external counsel to IFFIm and Secretary to IFFIm
- Approval of IFFIm's Board Nomination Policy

#### • Appointment of IFFIm's Nominating Committee

In 2023, IFFIm negotiated a legal agreement with Canada enabling Canada to become a new donor to IFFIm. The Board sought advice and expertise from Gavi and the World Bank to address legal issues and manage the consent process with existing IFFIm donors. The Board considered the benefits of bringing a new donor to IFFIm and sought alignment of stakeholder interests which helped influence the Board's decision on how to structure the legal agreement and subsequent grant agreement with Canada. The Board's actions helped provide funding to support equitable and rapid access of vaccines to developing countries.

#### Consequences of decisions in the long term

The Board takes a long-term approach to its decision-making to ensure IFFIm can deliver on its strategy of providing flexible, long-term financing to Gavi. It sets an annual strategy and assesses progress against corresponding deliverables at every board meeting. The Board also regularly engages in risk management to understand long-term implications of its actions and decisions. The IFFIm risk framework is reviewed and discussed at every board meeting.

#### Impact on the Community and Environment

IFFIm is a public benefit entity that supports the charitable aims of Gavi, the Vaccine Alliance. IFFIm accelerates the delivery of vaccines by making the money from long term government donor pledges available immediately. Through this funding mechanism, IFFIm has helped Gavi to immunise more children sooner and has made vaccines more widely available. By creating a larger market and by stimulating greater competition from manufacturers, Gavi has played a notable role in driving down the cost of vaccines for lower-income countries since 2000.

As described in the *Achievements and Performance* section of this report, IFFIm has considered its energy use and obligations to disclose relevant information on energy and carbon reporting. With no physical offices and considering the nature of outsourced operations at the World Bank and Gavi, any energy use attributable to IFFIm would be impractical to obtain.

#### RECENT DEVELOPMENTS

In December 2023, IFFIm received a new sovereign pledge of € 75 million from the Kingdom of Spain, which will be payable to IFFIm over a period of 12 years.

IFFIm's critical role in Gavi's accomplishments was recognised at Gavi's Global Vaccine Impact Conference, which took place in June 2023 in Madrid, Spain. The conference brought together donors, implementing countries, and other partners to assess Gavi's performance halfway through its current 2021-2025 strategic period, including its accomplishments through IFFIm.

Considering recent and ongoing global economic developments, management has assessed (1) the ongoing conflicts between Russia and Ukraine and between Israel and Palestine and their impact on global economic activity and financial markets, and (2) the prevailing environment with high interest rates while noting market projections that rates are expected to begin dropping in 2024. Management has assessed the potential impact of these developments on IFFIm's financial position, performance, and its ability to continue meeting its obligations. Details of management's assessment are included in the *Risk Management* section of this report. Management does not expect that IFFIm's overall financial position and performance will be significantly impacted by the adverse effects of these developments and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility and the potential challenges it may involve.

#### **FUTURE PLANS**

IFFIm has proven very successful in helping to align Grantor pledges with demand for vaccines and immunisation related services. The multi-year nature of current sovereign pledges has also helped to facilitate long-term planning by Grantors, Gavi and implementing countries. IFFIm continues to engage with Gavi and Grantors to develop potential future roles that deliver significant value to Gavi in achieving its broader strategic goals for the current 2021-2025 strategic period and beyond.

IFFIm and Gavi are currently working together, in consultation with Grantors and the World Bank, to develop a contingent financing mechanism within the existing IFFIm framework, which would be designed to support immediate access to vaccines by lower-income countries in emergency situations such as pandemics.

#### **DECLARATIONS BY IFFIM DIRECTORS**

In accordance with section 418 of the Companies Act 2006, each person who is a director of IFFIm at the date of approval of this report confirms that:

- so far as he or she is aware, there is no relevant audit information of which IFFIm's auditor is unaware,
- he or she has taken all the steps that he or she ought to have taken as a director in order to make himself
  or herself aware of any relevant audit information and to establish that IFFIm's auditor is aware of that
  information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006

So far as each of the trustees is aware, applicable accounting standards have been followed.

#### INDEPENDENT AUDITOR

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report has been prepared in accordance with the *Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), (second edition – October 2019),* and in accordance with the provisions of the Companies Act 2006.

The Annual Report of the Trustees, which includes the Strategic Report, was approved by the trustees and signed on their behalf by:

Kenneth Lay IFFIm Board Chair

5 June 2024

Bertrand de Mazières Audit Committee Chair

5 June 2024

## ANNUAL FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2023

#### STATEMENT OF FINANCIAL ACTIVITIES

		Year Ended 31 December 2023	Year Ended 31 December 2022
In Thousands of US\$	Note	Restricted Funds	Restricted Funds
Income from:			
Contribution revenue	2	141,701	541,226
Donated services	2	1,215	986
Investments	3	47,611	11,340
Total income		190,527	553,552
Expenditure on:			
Raising funds	4	48,213	24,721
Charitable activities	4	380,178	492,297
Total expenditure		428,391	517,018
Net (expenditure) income before gains and losses		(237,864)	36,534
Net fair value gains (losses) on pledges, bonds, and swaps	5	92,891	(51,921)
Net movement in funds		(144,973)	(15,387)
Reconciliation of funds:			
Total funds at the beginning of the year		1,598,773	1,614,160
Net movement in funds		(144,973)	(15,387)
Total funds at the end of the year		1,453,800	1,598,773

The accompanying notes are an integral part of these financial statements.

All incoming resources and resources expended derive from continuing operations and there are no gains or losses other than those included in this statement.

#### STATEMENT OF INCOME AND EXPENDITURES

		Year Ended 31 December 2023	Year Ended 31 December 2022
In Thousands of US\$	Note	Restricted Funds	Restricted Funds
<u>Turnover</u>			
Contribution revenue	2	141,701	541,226
Operating expenses			
Programme grants	4	377,736	490,000
Treasury manager's fees	4	2,759	2,893
Governance costs	4	2,442	2,297
Total operating expenses		382,937	495,190
Other operating income			
Donated services	2	1,215	986
Total other operating income		1,215	986
Net operating (expenses) income		(240,021)	47,022
Financing and investment income (expenses)			
Financing income (expenses) on bonds and bond swaps:			
Net fair value (losses) gains on bonds and bond swaps	5	(92,504)	28,484
Interest expense on bonds	4	(44,153)	(19,645)
Net financing (expenses) income on bonds and bond swaps		(136,657)	8,839
Other financing income (expenses):			
Net fair value gains (losses) on pledges and pledge swaps	5	183,993	(80,802)
Other foreign exchange gains	5	1,402	397
Other financing charges	4	(1,301)	(2,183)
Net other financing income (expenses)		184,094	(82,588)
Investment income:	3	47 611	11 340
	3	47,611 95,048	11,340 (62,409)

The accompanying notes are an integral part of these financial statements.

#### **BALANCE SHEET**

		As at 31 December	As at 31 December
In Thousands of US\$	Note	2023	2022
Fixed assets			
Sovereign pledges due after more than one year	6	2,312,322	2,466,778
Derivative financial instruments due after more than one year	8	352,572	446,875
Total fixed assets		2,664,894	2,913,653
Current assets			
Sovereign pledges due within one year	6	485,550	484,030
Derivative financial instruments due within one year	8	24,617	-
Prepayments		288	35
Funds held in trust	7	522,091	1,005,115
Cash		7,088	26,784
Total current assets		1,039,634	1,515,964
Current liabilities			
Creditors falling due within one year	9	115,049	612,419
Derivative financial instruments due within one year	8	57,770	2,393
Total current liabilities		172,819	614,812
Net current assets		866,815	901,152
Total assets less current liabilities		3,531,709	3,814,805
Liabilities due after more than one year			
Creditors falling due after more than one year	10	1,842,227	1,858,889
Derivative financial instruments due after more than one year	8	235,682	357,143
Total liabilities due after more than one year		2,077,909	2,216,032
Net assets		1,453,800	1,598,773
Restricted funds		1,453,800	1,598,773

The accompanying notes are an integral part of these financial statements.

Approved and authorised for issue by the trustees and signed on their behalf by:

Kenneth Lay IFFIm Board Chair

5 June 2024

Bertrado de Mazières Audit Committee Chair

5 June 2024

Registered company number 5857343

#### STATEMENT OF CASH FLOWS

		Year Ended 31 December 2023	Year Ended 31 December 2022
In Thousands of US\$	Note	Restricted Funds	Restricted Funds
Cash flows from operating activities			
Net cash provided by (used in) operating activities		22,647	(295,907)
Cash flows from investing activities			
Investment and interest income received	3	47,611	11,340
Decrease (increase) in funds held in trust	17	483,024	(401,732)
Net cash provided by (used in) investing activities		530,635	(390,392)
Cash flows from financing activities			
Proceeds from bond issuances	17	-	798,685
Redemption of bonds	17	(530,430)	(86,278)
Interest paid on bonds	17	(43,135)	(12,233)
Net cash (used in) provided by financing activities		(573,565)	700,174
Net change in cash		(20,283)	13,875
Cash at the beginning of the year		26,784	11,677
Effect of exchange rate changes		587	1,232
Cash at the end of the year		7,088	26,784
Reconciliation of net change in funds to net cash flows from operating a	ctivitie	s:	
In Thousands of US\$		2023	2022
Net change in funds		(144,973)	(15,387)
Adjustments for:			
Investment and interest income		(47,611)	(11,340)
Bond interest expense		44,153	19,645
Bond issuance costs		-	1,047
Fair value (gains) losses on sovereign pledges		(236,617)	473,976
Fair value losses (gains) on bonds		72,707	(152,336)
Unrealised gains on cash balances		(587)	(1,232)
Initial fair value of pledges		(141,701)	(541,226)
Payments received from donors		531,254	553,007
(Increase) decrease in prepayments		(253)	259
Decrease (increase) in amounts due under derivative financial instrument	:S	3,602	(283,365)
(Decrease) increase in trade creditors and amounts due to related parties	1	(263)	46
Decrease in grants payable		(57,064)	(339,001)
Net cash provided by (used in) operating activities		22,647	(295,907)

<sup>&</sup>lt;sup>1</sup>Trade creditors are comprised of amounts due to service providers.

The accompanying notes are an integral part of these financial statements.

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 1. SIGNIFICANT ACCOUNTING POLICIES

The International Finance Facility for Immunisation Company ("IFFIm") is a private company limited by guarantee and incorporated and domiciled in the United Kingdom. The GAVI Alliance ("Gavi") is the sole member of IFFIm and exercises direction over the timing and extent of IFFIm's fundraising and programme disbursement activities. Gavi's mission is to save children's lives and protect people's health by increasing equitable use of vaccines in lower-income countries. Gavi is domiciled in Switzerland and is recognised as an international institution under the Swiss Host State Act. Its principal address is Chemin du Pommier 40, 1218 Grand-Saconnex, Geneva, Switzerland. Gavi's Annual Financial Reports, including its Consolidated Financial Statements, are published on its website: <a href="https://www.gavi.org/news-resources/document-library/financial-reports">https://www.gavi.org/news-resources/document-library/financial-reports</a>.

The principal accounting policies of IFFIm are summarised below. These accounting policies were consistently applied from prior years. IFFIm's financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards. As IFFIm's credit rating is AA, the World Bank has the right to call for collateral, above a specified threshold amount, and protect its derivative exposure to IFFIm. However, following discussions and agreement with the World Bank, the World Bank has confirmed that it will not call collateral over at least 12 months from the signing date of these financial statements, which could cause IFFIm to be unable to meet its required financial obligations. Furthermore, following Gavi's confirmation, IFFIm continues to maintain the ability to defer grant payments to Gavi to the extent that this is required for IFFIm to meet other obligations as they fall due within the next 12 months from the signing date of these financial statements. In assessing the going concern basis, the trustees have also considered the potential impact of the ongoing conflicts between Russia and Ukraine and between Israel and Palestine and their global impact on economic activity and financial markets whereby, in addition to assessing any potential impact of these conflicts on the factors considered above, the trustees considered (1) the continued stability of funding from Grantors due to its legally binding nature and commitment from the Grantors and (2) measures in place which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the signing date of these financial statements as further described in Note 14. In their assessment, the trustees determined that the ongoing conflicts do not significantly impact the above key factors that IFFIm's going concern basis is primarily reliant upon. IFFIm recorded a deficit of US\$ 145 million for the year ended 31 December 2023 primarily due to differences in the timing of when IFFIm recognises programme grants and the corresponding Grantor contributions that fund them. Programme grants are recognised as expenses annually when indicative funding confirmations are issued whereas Grantor contributions, which are multiyear in nature, are recognised upfront in full upon assignment of Grantor pledges to IFFIm by Gavi. Due to this difference in timing, programme grant expenses recognised in the year ended 31 December 2023 were greater than recorded contribution revenue, which resulted in a deficit. Despite this deficit, there are measures in place, as indicated above, which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the signing date of these financial statements as further described in Note 14. Therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

#### Basis of Accounting: The financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign
  pledges, funds held in trust, derivative financial instruments, and bonds payable, which are included at
  fair value:
- in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("Charities SORP (FRS 102)"), the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland ("FRS 102"), the Charities Act 2011, and the Companies Act 2006. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as at 31 December 2023, and of IFFIm's incoming resources and application of resources for the year then ended; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable are measured at fair value with changes in fair value recognised in the Statement of Income and Expenditures. These assets and liabilities are recorded at fair value based on the methodologies described in Note 16.

<u>Basis of Consolidation</u>: A subsidiary is an entity controlled by a group. Control exists when a group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm had control over IFFIm Sukuk Company III Limited ("IFFImSC III"), a Cayman Islands company with limited liability, which was established in March 2019 for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. In April 2022, IFFImSC III made the final payment of US\$ 50 million to the holders of its certificates. In September 2023, IFFImSC III was dissolved. Therefore, these financial statements do not include the accounts of IFFImSC III.

<u>Contribution Revenue</u>: Income received by way of contributions and grants that are for a defined portfolio of programme implementing countries or specified purposes is recognised as revenue in the restricted net asset class when there is evidence of entitlement, it can be measured reliably, and receipt is probable. Contributions and grants are reported as contribution revenue at fair value in the year in which payments are received or unconditional promises to give or pledges are made. See Notes 2 and 6 for more details on revenue calculation and recognition of pledges.

<u>Donated Services</u>: Donated services are included at the value to IFFIm of the service provided.

<u>Charitable Activities</u>: Charitable expenses comprise the direct costs of programmes funded by IFFIm. They are recognised as expenses in the Statement of Financial Activities when indicative funding confirmations to Gavi have been signed by any trustee on behalf of the IFFIm board. Charitable expenses also include support costs and governance costs associated with meeting the constitutional and statutory requirements of IFFIm and include audit fees, legal fees, as well as the costs of providing strategic direction to IFFIm. No support costs are allocated to expenditure on raising funds as such costs are not considered material.

<u>Expenditure on Raising Funds</u>: Any costs of securing the sovereign pledges that are borne by IFFIm are expensed through its Statement of Financial Activities in the periods in which they are incurred. Consequently, IFFIm's costs of generating funds comprise the treasury manager's fees, for managing IFFIm's funds held in trust that generate its investment income and for managing IFFIm's borrowings that generate the funds IFFIm grants to Gavi for its programmes, and finance charges.

The bond issuance costs are presented as finance charges in the Statement of Financial Activities.

<u>Interest Income and Expense</u>: Investment and interest income is recognised during the period in which it is earned. Interest expense is recognised during the period in which it is incurred.

<u>Sovereign Pledges</u>: Sovereign pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. Sovereign pledges are initially recognised at fair value then subsequently remeasured at fair value as at each reporting date. Gains and losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities. Contribution amounts received from sovereign government donors (the "Grantors") depend on a Grant Payment Condition (the "GPC") which allows the Grantors to reduce such amounts. See Note 16 for details of the GPC.

<u>Funds Held in Trust</u>: Funds held in trust represent IFFIm's investments in a portfolio maintained by the World Bank in its capacity as IFFIm's treasury manager. IFFIm's share in the pooled investment portfolio is measured at fair value on initial recognition, and then subsequently remeasured at fair value at the reporting date in accordance with IAS 39, as permitted by FRS 102. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities. See Notes 7 and 16 for further details.

<u>Cash</u>: Cash consists of cash at depository bank accounts. Cash does not include IFFIm's pooled investment portfolio, which is presented separately as funds held in trust in the Balance Sheet.

<u>Derivative Financial Instruments</u>: IFFIm uses derivatives to manage its assets and liabilities. In applying IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting. Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivatives are recognised as changes in restricted net assets in the years of the changes and reported in fair value gains (losses) in the Statement of Financial Activities. Derivative contracts with positive fair values are recognised as financial assets while those with negative fair values are recognised as financial liabilities. Derivative assets and liabilities are not offset in the Balance Sheet when there is no legally enforceable right or intention to do so.

As detailed in Note 8, as at 31 December 2023, derivative financial instruments include the effects of a swap re-couponing transaction. IFFIm evaluated the transaction and determined that it resulted in a hybrid financial instrument comprised of the amended swap contracts as an embedded derivative and the modified cash flows corresponding to a separate financial instrument as the host. As permitted by IAS 39, IFFIm elected

to designate the entire hybrid instrument as a financial instrument through profit or loss. As both components of the hybrid instrument have closely related economic characteristics and risks, they are not separated in IFFIm's financial statements and are reported as part of derivative financial instruments as the principal cash flows are primarily related to the embedded derivative component.

<u>Bonds Payable</u>: Bonds payable are recognised at fair value at the time of issuance and subsequently remeasured at fair value at each reporting date. Bonds payable have been elected to be fair valued as IFFIm manages all its assets and liabilities on a fair value basis. The bond issuance costs are written off in the year of issue and reported in expenditure on raising funds in the Statement of Financial Activities. Gains or losses due to changes in fair market values are reported in fair value gains (losses) in the Statement of Financial Activities. As IFFIm's bonds payable are measured at fair value with changes in fair value recognised in the income statement, bond issuance costs are expensed as incurred.

<u>Grants Payable</u>: Grants payable are initially recognised at board approved amounts when an indicative funding confirmation to Gavi has been signed by one of IFFIm's trustees on behalf of the IFFIm board. They are subsequently remeasured at amortised cost where settlement is delayed and the effect of the time value of money is material.

<u>Classification of Current and Non-Current Assets and Liabilities</u>: Sovereign pledges and derivative financial assets are classified in the Balance Sheet as current assets when they are due to be received or settled within a period of 12 months or less after the reporting date. They are classified as fixed assets when they are due to be received or settled after more than 12 months after the reporting date. Bonds payable, grants payable, and derivative financial liabilities are classified in the Balance Sheet as current liabilities when they fall due within a period of 12 months or less after the reporting date. They are classified as liabilities due after more than one year when they fall due after more than 12 months after the reporting date.

<u>Funds</u>: Funds, revenues, gains, and losses are classified based on the existence of Grantor-imposed restrictions. IFFIm receives its funding from Grantors or by raising funds by borrowing in worldwide capital markets. Proceeds are used to fund Gavi programmes for a defined portfolio of eligible countries or specified purposes. Therefore, all funds are treated as restricted funds. Where a Grantor requests funds be made available to a specific Gavi programme, this further restriction is maintained. There are currently no unrestricted or designated funds. See Note 16 for IFFIm's defined portfolio of eligible countries.

<u>Foreign Currency Remeasurement</u>: The financial statements are presented in United States dollars which is IFFIm's functional and reporting currency. All financial assets are monetary assets. As such, foreign currency transactions are translated into the functional currency using the exchange rates in effect on the dates on which they occur. Exchange gains and losses arising on settled transactions are included in other incoming funds in the Statement of Financial Activities. Gains and losses on the translation of foreign currency denominated assets and liabilities at year end exchange rates are included in fair value gains (losses) in the Statement of Financial Activities.

<u>Use of Estimates</u>: The preparation of the financial statements in conformity with United Kingdom accounting standards involves the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of the revenues and expenses during the year. Actual results could differ from these estimates. Significant estimates and judgements are used in determining the fair values of IFFIm's sovereign pledges receivable, bonds payable, and derivative financial instruments. The natures of these significant estimates and judgements are described in Note 16 and Note 20.

#### 2. CONTRIBUTION REVENUE

<u>Contribution Revenue</u>: Grantors have entered into legally binding obligations ("Grantor pledges") to make scheduled grant payments to Gavi over periods of up to 20 years. Gavi has assigned the right to receive these grant payments to IFFIm in consideration for IFFIm's agreement to assess for approval programmes presented to IFFIm by Gavi, and to use its reasonable endeavours to raise funds for such programmes if approved.

The details of the grant obligations entered into by the Grantors are as follows:

Grantor	Grant Date	Payment Period <sup>5</sup>	Grant Amount, in Thousands			Grant Amount, in Thousands of US\$1
Canada	28 February 2023	7 years	C\$	(CAD)	125,000	94,313
Commonwealth of Australia	28 March 2011	19 years	A\$	(AUD)	250,000	169,975
Commonwealth of Australia <sup>2</sup>	3 June 2016	5 years	A\$	(AUD)	37,500	25,496
Commonwealth of Australia	17 August 2021	8 years	A\$	(AUD)	86,000	58,471
Total - Commonwealth of Australia		,		(AUD)	373,500	
Federative Republic of Brazil	10 October 2018	20 years	US\$	(USD)	20,000	20,000
Republic of France <sup>2</sup>	2 October 2006	15 years	€	(EUR)	372,800	412,951
Republic of France	7 December 2007	19 years	€	(EUR)	867,160	960,553
Republic of France	4 May 2017	4 years <sup>3</sup>	€	(EUR)	150,000	166,155
Total - Republic of France	•		€	(EUR)	1,389,960	1,539,659
Republic of Italy	2 October 2006	20 years	€	(EUR)	473,450	524,441
Republic of Italy	14 November 2011	14 years			25,500	
Republic of Italy <sup>2</sup>	30 November 2020	1 month		(EUR)	5,000	-
Republic of Italy	1 December 2020	10 years	€		150,000	-
Total - Republic of Italy	1 December 2020	10 years	€		653,950	
State of the Netherlands <sup>2</sup>	4 May 2017	4 years	US\$	(USD)	66,667	66,667
State of the Netherlands <sup>2</sup>	18 December 2009	7 years	€	(EUR)	80,000	88,616
State of the Netherlands	17 December 2020	10 years		. ,	250,000	276,925
State of the Netherlands	17 December 2020	10 years	€		330,000	
Total - State of the Netherlands			-	(LUII)	330,000	432,208
Kingdom of Norway <sup>2</sup>	2 October 2006	5 years	US\$	(USD)	27,000	27,000
Kingdom of Norway <sup>2</sup>	31 August 2010	10 years	kr	(NOK)	1,500,000	147,750
Kingdom of Norway	15 May 2019	5 years		(NOK)	600,000	-
Kingdom of Norway	12 June 2020	10 years		(NOK)	2,000,000	
Kingdom of Norway	18 December 2020	10 years		(NOK)	1,000,000	
Kingdom of Norway	14 July 2021	8 years		(NOK)	4,000,000	
		. ,		(NOK)	9,100,000	
Total - Kingdom of Norway				( - /		923,350
Republic of South Africa	13 March 2007	20 years	US\$	(USD)	20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€	(EUR)	189,500	209,909
Kingdom of Spain	28 November 2022	13 years	€	(EUR)	100,000	110,770
Kingdom of Spain	19 December 2023	12 years		(EUR)	75,000	83,078
Total - Kingdom of Spain		)			364,500	403,757
Kingdom of Sweden <sup>2</sup>	2 October 2006	15 years	kr	(SEK)	276,150	27,587
Kingdom of Sweden	17 August 2021	8.5 years	kr	(SEK)	2,250,000	27,367 224,775
Kingdom of Sweden	17 August 2021 17 August 2021	9 years	kr	(SEK)	250,000	24,975
Total - Kingdom of Sweden	17 August 2021	3 years	kr	(SEK)	2,776,150	277,337
			KI			
United Kingdom	2 October 2006	20 years	£		1,380,000	
United Kingdom	5 August 2010	19 years	£	(GBP)	250,000	
United Kingdom	23 December 2020	9 years	£	(GBP)	500,000	
United Kingdom	10 June 2022	3 years <sup>4</sup>	£	(GBP)	461,000	587,591
Total - United Kingdom			£	(GBP)	2,591,000	3,302,489
Total cumulative grantor pledges since	incontion					7,991,436

<sup>&</sup>lt;sup>1</sup> United States dollar equivalent amounts of Grantor pledges at the exchange rates as at 31 December 2023.

<sup>&</sup>lt;sup>2</sup>These grant obligations were fully paid and were not outstanding as at 31 December 2023.

<sup>&</sup>lt;sup>3</sup> Corresponds to a payment period from 31 March 2022 to 31 March 2026.

<sup>&</sup>lt;sup>4</sup> Corresponds to a payment period from 15 October 2026 to 15 October 2029.

<sup>&</sup>lt;sup>5</sup> Payment Period is the duration from the first to last payment date per the grant payment schedule.

Contribution revenue recognised was comprised of:

In Thousands of US\$	2023	2022
Initial fair value of pledge received from Canada	73,618	-
Initial fair value of pledge received from the Kingdom of Spain	68,083	80,823
Initial fair value of pledge received from the United Kingdom	-	460,403
Total contribution revenue	141,701	541,226

<u>Donated Services</u>: IFFIm received donated administrative services from Gavi in 2023 and 2022. The services donated by Gavi were valued by using a comprehensive cost allocation model to calculate a single administrative support amount. The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by Gavi:

In Thousands of US\$	2023	2022
III Tillousailus 01 053	2023	2022
Administrative support	1,215	986
Total donated services	1,215	986
3. INVESTMENT AND INTEREST INCOME		
In Thousands of US\$	2023	2022
Income from funds held in trust	47,611	11 2/10
Total investment and interest income	47,611	11,340 11,340
Total Investment and Interest income	47,011	11,340
4. TOTAL EXPENDITURE		
In Thousands of US\$	2023	2022
Expenditure on raising funds		
Treasury manager's fees:		
Financial operations management	2,759	2,893
Finance charges:		
Bond interest expense	44,153	19,645
Other financing charges	1,301	2,183
Total finance charges	45,454	21,828
Total expenditure on raising funds	48,213	24,721
Expenditure on charitable activities		
Programme grants:		
Country-specific programmes:		
New and underused vaccines <sup>1</sup>	390,124	556,000
Health systems strengthening and immunisation services <sup>1</sup>	(12,388)	78,000
Investment cases:		
COVAX <sup>2</sup>		(144,000)
Total programme grants	377,736	490,000
Governance costs:		
<u>Professional services</u> :		
Consultancy fees	309	318
Gavi administrative support fee	1,215	986
Legal fees	355	491
Tax compliance services	19	15
Auditor's remuneration:	422	445
Statutory audit	433	415
Other governance costs:	2	(10)
Trustees' indemnity insurance premiums	3 108	(10) 82
Trustees' meeting and travel expenses  Total governance costs	2,442	2,297
Total expenditure on charitable activities	380,178	492,297

<sup>&</sup>lt;sup>1</sup> In 2023, IFFIm recognised a programme reduction of US\$ 57 million in relation to Gavi programmes for which IFFIm funding was no longer needed as the relevant programmes had since been fully funded and executed by Gavi. The programme reduction was comprised of US\$ 45 million for new and underused vaccines programme support and US\$ 12

million for health systems strengthening support.

<sup>2</sup> In 2022, IFFIm recognised a programme reduction of US\$ 144 million to previously approved funding in support of COVAX due to a decrease in the uptake of COVID-19 vaccines in Gavi-supported countries.

<u>Administrative and Financial Management Support</u>: Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees. IFFIm outsources all administrative support to Gavi, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

<u>Auditor's Remuneration:</u> Statutory audit expenses relate to the audit of financial information included in these financial statements and in the special purpose reporting package prepared by the World Bank in its capacity as IFFIm's treasury manager. Other financing charges include fees of US\$ 56 thousand and US\$ 52 thousand that were paid to IFFIm's auditor in 2023 and 2022, respectively, for services related to IFFIm's bond issuances.

<u>Trustees' Expenses</u>: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had eight trustees as at 31 December 2023 and 2022. All eight trustees were reimbursed by IFFIm for travel expenses they incurred to attend some IFFIm board meetings in 2023 and 2022.

#### 5. FAIR VALUE GAINS AND LOSSES

In Thousands of US\$	2023	2022
Fair value gains (losses) on bonds and bond swaps		
Fair value (losses) gains on bonds	(72,707)	152,336
Net fair value losses on bond swaps	(19,797)	(123,852)
Net fair value (losses) gains on bonds and bond swaps	(92,504)	28,484
Fair value gains (losses) on pledges and pledge swaps		
Fair value gains (losses) on sovereign pledges <sup>1</sup>	236,617	(473,976)
Net fair value (losses) gains on pledge swaps	(52,624)	393,174
Net fair value gains (losses) on pledges and pledge swaps	183,993	(80,802)
Other foreign exchange gains	1,402	397
Net fair value gains (losses) on pledges, bonds, and swaps	92,891	(51,921)

<sup>&</sup>lt;sup>1</sup> When calculating the fair values of Grantor pledges, the expected future cash inflows from Grantors are reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"). In 2023, fair value gains on sovereign pledges include fair value movements of US\$ 39 million (2022: US\$ 37 million) attributable to the GPC Fair Value Adjustment.

#### 6. SOVEREIGN PLEDGES

IFFIm's sovereign pledges represent grants from the Grantors. These legally binding payment obligations are irrevocable by the Grantors and are paid in instalments according to predetermined fixed payment schedules.

The total amounts paid by the Grantors to IFFIm are impacted by the GPC. See Note 16 for further details.

Sovereign pledges, like contribution revenue, are recognised upon assignment of the Grantor contributions to IFFIm by Gavi. Fair value adjustments due to changes in interest rates, the GPC, including when Grantors choose to make grant payments in full without applying any GPC reduction, discounting, and exchange rates are recognised from inception until year end.

Sovereign pledges were comprised of:

In Thousands of US\$	2023	2022
Balance at the beginning of the year	2,950,808	3,436,565
Initial fair value of pledges	141,701	541,226
Payments received from donors	(531,254)	(553,007)
Fair value gains (losses)	236,617	(473,976)
Balance at the end of the year	2,797,872	2,950,808
Comprised of:		
Sovereign pledges due within one year	485,550	484,030
Sovereign pledges due after more than one year	2,312,322	2,466,778
Total sovereign pledges	2,797,872	2,950,808

Note 8 provides details on fair value gains from interest rate and currency swaps that were recognised related to the sovereign pledges due.

#### 7. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the World Bank Group. Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together "Liquid Assets") that are managed by the World Bank.

The Pool is divided into sub-portfolios to which allocations were made based on fund specific investment horizons, risk tolerances and other eligibility requirements set by the World Bank. Under an investment strategy approved by IFFIm's trustees, IFFIm's Liquid Assets were invested in high-grade fixed-income instruments with interest rate sensitivity matching that of the liabilities funding the portfolio.

In Thousands of US\$	2023	2022
IFFIm's share in the Pool's fair value	522,091	1,005,115

The Pool's fair value is based on market quotations. Gains, losses, and investment income are recognised in the year in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US\$ 47.6 million and US\$ 11.3 million for the years ended 31 December 2023 and 2022, respectively, and were reported as investment income in the Statement of Financial Activities.

#### 8. DERIVATIVE FINANCIAL INSTRUMENTS

IFFIm entered into interest rate and currency swaps that economically hedged certain risks as discussed below.

For financial reporting purposes, IFFIm elected not to define any qualifying hedge relationships as defined by IAS 39. All derivatives were valued at fair value recognising the resulting gains and losses in the Statement of Comprehensive Income during the year in which they occur. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as a counterparty on IFFIm's interest rate and currency swap contracts, has a right to call for collateral.

The World Bank, as IFFIm's treasury manager, executed a comprehensive swap programme to mitigate IFFIm's exposure to movements in foreign currency and interest rates. IFFIm's swap contracts under the comprehensive swap programme were executed: (1) using the market exchange and interest rates at the time the swap contracts were written, (2) considering the different payment profiles in different grant currencies and, (3) assuming that the reduction amounts due to the GPC will remain at the levels they were as of the time the swap contracts were written, (4) assuming no Grantor defaults.

Under the swap programme, Grantor pledges are swapped into United States dollar floating rate assets and, at issuance, IFFIm's fixed rate bond obligations are swapped into floating rate liabilities.

As described in Note 14, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.

The notional amounts and fair values of the interest rate and currency swaps were:

	31	December 2023	31 December 2022		
	Notional		Notional		
In Thousands of US\$	Amount	Fair Value	Amount	Fair Value	
Currency and interest rate swaps receivable	4 746 000	254 225	2 004 426	445 440	
related to sovereign pledges	1,716,020	364,326	2,084,136	446,148	
Currency and interest rate swaps receivable	200 175	12.002	F00 000	727	
related to bonds payable	300,175	12,863	500,000	727	
Total currency and interest rate swaps receivable		377,189		446,875	
receivable		377,103		440,073	
Currency and interest rate swaps payable					
related to sovereign pledges	1.396.284	(128,464)	1,243,767	(147,303)	
Currency and interest rate swaps payable	1,550,204	(120,404)	1,245,707	(147,505)	
related to bonds payable	1,648,726	(164,988)	1,941,212	(212,233)	
Total currency and interest rate swaps payable	, , , ,	(293,452)	7- 7	(359,536)	
Total fair value of interest rate and currency		(===)		(===/===/	
swaps		83,737		87,339	
Comprised of:					
Amounts receivable within one year		24,617		_	
Amounts payable within one year		(57,770)		(2,393)	
Amounts receivable after more than one year		352,572		446,875	
Amounts payable after more than one year		(235,682)		(357,143)	
Total fair value of interest rate and currency		(233,002)		(337,143)	
swaps		83,737		87,339	
		03,737		0,,555	

The above US\$ 84 million net receivable on swaps is comprised of an amount of US\$ 87 million due from the counterparties on IFFIm's currency and interest rate swap contracts, partially offset by a net credit valuation adjustment of US\$ 3 million.

As a counterparty on IFFIm swaps, the World Bank has the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of a Credit Support Annex ("CSA") to the International Swaps and Derivatives Association ("ISDA") Agreement between IFFIm and the World Bank. As described in Note 1, the World Bank has not exercised this right and has confirmed that it will not call collateral over at least 12 months from the signing date of these financial statements. Note 14 describes measures in place to mitigate the risk that the World Bank may call collateral.

As at 31 December 2023, derivative financial instruments included the effects of a swap re-couponing transaction in the amount of US\$ 200 million, which was executed in May 2020 between IFFIm and the World Bank, as a counterparty on IFFIm's swap contracts. The transaction, which reduced the World Bank's derivative exposure, amended certain swap contracts between IFFIm and the World Bank by modifying their cash flows such that IFFIm made an additional payment of US\$ 200 million to the World Bank in May 2020 and the World Bank will make scheduled repayments to IFFIm in 2023, 2024, and 2025 totalling US\$ 200 million with interest.

#### 9. CREDITORS FALLING DUE WITHIN ONE YEAR

In Thousands of US\$	2023	2022
Bonds payable falling due within one year	114,306	554,348
Grants payable within one year	-	57,065
Trade creditors <sup>1</sup>	593	677
Amounts due to Gavi	150	329
Total creditors falling due within one year	115,049	612,419

The table below shows changes in grants payable:

In Thousands of US\$	2023	2022
Balance at the beginning of the year	57,065	396,065
Grant approvals during the year:		
New and underused vaccines programme support <sup>2</sup>	390,124	556,000
Health systems strengthening support <sup>2</sup>	(12,388)	78,000
Gavi COVAX AMC programme support <sup>3</sup>	-	(144,000)
Grant payments during the year:		
Gavi COVAX AMC programme support	-	(195,000)
New and underused vaccines programme support	(434,800)	(556,000)
Health systems strengthening support	-	(78,000)
Other	(1)	-
Balance at the end of the year	-	57,065

<sup>&</sup>lt;sup>1</sup> Trade creditors are comprised of amounts due to service providers.

#### 10. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

Creditors falling due after more than one year are comprised of bonds payable. IFFIm issues bonds on worldwide capital markets to meet IFFIm's primary objective of funding Gavi's immunisation, vaccine procurement, and HSS programmes. IFFIm's outstanding bonds payable were:

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount, in Thousands		Fair Value as at 31 December 2023, in Thousands of US\$	Fair Value as at 31 December 2022, in Thousands of US\$
24 June 2009	24 June 2024	0.50%	R (ZAR)	800,000	41,677	42,336
28 June 2012	29 June 2027	0.50%	R (ZAR)	520,000	21,349	21,296
18 July 2019	15 March 2025	0.00%	¹kr (NOK)	240,000	22,944	35,220
7 July 2020	5 April 2030	0.00%	²kr (NOK)	1,400,000	122,538	142,986
6 November 2020	6 November 2023	0.375%	US\$ (USD)	500,000	-	481,808
21 April 2021	21 April 2026	1.00%	US\$ (USD)	750,000	696,052	669,735
26 November 2021	21 April 2026	1.00%	US\$ (USD)	250,000	232,017	223,245
26 July 2022	7 June 2025	2.75%	£ (GBP)	250,000	314,845	291,575
3 November 2022	3 November 2025	4.75%	US\$ (USD)	500,000	505,111	505,036
Total bonds payable	2				1,956,533	2,413,237
Bonds payable falling due within one year			(114,306)	(554,348)		
Bonds payable falling due after more than one year			1,842,227	1,858,889		

Amortising bond with nominal amount of kr 240 million and kr 360 million as at 31 December 2023 and 2022, respectively.

As at 31 December 2023 and 2022, the fair values of creditors falling due after more than five years totalled US\$ 32 million and US\$ 49 million, respectively.

<sup>&</sup>lt;sup>2</sup> In 2023, IFFIm recognised a programme reduction of US\$ 57 million (US\$ 45 million for new and underused vaccines programme support and US\$ 12 million for health systems strengthening support) in relation to programmes for which IFFIm funding was no longer needed as the programmes had since been fully funded by Gavi.

<sup>&</sup>lt;sup>3</sup> In 2022, IFFIm recognised a programme reduction of US\$ 144 million to previously approved funding in support of COVAX due to a decrease in the uptake of COVID-19 vaccines in Gavi-supported countries.

<sup>&</sup>lt;sup>2</sup> Amortising bond with nominal amount of kr 1.4 billion and kr 1.6 billion as at 31 December 2023 and 2022, respectively.

#### 11. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The table below shows the carrying amount of each category of IFFIm's financial assets and liabilities:

	As at	As at
	31 December	31 December
In Thousands of US\$	2023	2022
Financial assets:		
Mandatorily measured at fair value through profit or loss:		
Sovereign pledges	2,797,872	2,950,808
Funds held in trust	522,091	1,005,115
Derivative assets	377,189	446,875
Cash	7,088	26,784
Financial liabilities:		
Designated as at fair value through profit or loss upon initial recognition:		
Bonds payable	(1,956,533)	(2,413,237)
Derivative liabilities	(293,452)	(359,536)
Measured at amortised cost:		
Grants payable	-	(57,065)

The table below shows the net fair value gains or losses on each category of IFFIm's financial assets and liabilities:

In Thousands of US\$	Year Ended 31 December 2023	Year Ended 31 December 2022
III THOUSANDS OF 05\$	2023	2022
Net gains (losses) on financial assets		
Mandatorily measured at fair value through profit or loss:		
Fair value gains (losses) on sovereign pledges	236,617	(473,976)
Income from funds held in trust	47,611	11,340
Fair value (losses) gains on derivative assets <sup>1</sup>	(37,171)	281,603
Other foreign exchange gains	1,402	397
Net gains (losses) on financial liabilities		
Designated as at fair value through profit or loss upon initial recognition:		
Fair value (losses) gains on bonds	(72,707)	152,336
Fair value losses on derivative liabilities <sup>1</sup>	(35,250)	(12,281)

<sup>&</sup>lt;sup>1</sup> Fair value gains (losses) on derivative assets and liabilities are derived by prorating the net gains (losses) on derivative financial instruments in proportion to the changes in derivative assets and liabilities during the year.

There were no gains or losses on grants payable.

#### 12. MOVEMENT OF FUNDS

In Thousands of US\$	As at 31 December 2022	Incoming Resources	Resources Expended	As at 31 December 2023
Sovereign pledges assigned from Gavi	6,324,926	141,701	(1,227)	6,465,400
Investment and interest income	159,486	47,611	-	207,097
Other gains (losses) and other income				
(expenses)	562,652	92,891	(48,213)	607,330
Donated services:				
Administrative support	-	1,215	(1,215)	-
Programme funding to Gavi:				
Country-specific programmes	(3,459,458)	-	(377,736)	(3,837,194)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment				
case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment				
case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Vaccine research and development	(272,143)	-	-	(272,143)
COVAX	(975,000)	-	-	(975,000)
Total restricted funds	1,598,773	283,418	(428,391)	1,453,800

In Thousands of US\$	As at 31 December 2021	Incoming Resources	Resources Expended	As at 31 December 2022
Sovereign pledges assigned from Gavi	5,785,011	541,226	(1,311)	6,324,926
Investment and interest income	148,146	11,340	-	159,486
Other gains (losses) and other income				
(expenses)	639,294	(51,921)	(24,721)	562,652
Donated services:				
Administrative support	-	986	(986)	-
Programme funding to Gavi:				
Country-specific programmes	(2,825,458)	-	(634,000)	(3,459,458)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment				
case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment				
case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Vaccine research and development	(272,143)	-	-	(272,143)
COVAX	(1,119,000)	-	144,000 <sup>1</sup>	(975,000)
Total restricted funds	1,614,160	501,631	(517,018)	1,598,773

<sup>&</sup>lt;sup>1</sup> In 2022, IFFIm recognised a programme reduction of US\$ 144 million to previously approved funding in support of COVAX due to a decrease in the uptake of COVID-19 vaccines in Gavi-supported countries.

In 2023, IFFIm received new sovereign pledges from Canada and the Kingdom of Spain in the amounts of C\$ 125 million and € 75 million, respectively, with initial recorded fair values totalling US\$ 142 million. The new pledges were made to IFFIm to support programme funding to Gavi for its core activities and vaccine research and development activities, respectively.

In 2023, programme funding to Gavi of US\$ 378 million was comprised of an indicative funding confirmation of US\$ 435 million to fund new and underused vaccine programmes and a reduction of US\$ 57 million to previously approved funding. The reduction was issued in relation to Gavi programmes for which IFFIm funding was no longer needed as those programmes had since been fully funded and executed by Gavi.

#### 13. CREDIT RISK

Credit risk is the risk that IFFIm may suffer financial loss should the Grantors, market counterparties or implementing countries fail to fulfil their contractual obligations. Implementing countries are the eligible countries where Gavi programmes, including those funded by IFFIm, are implemented. The carrying amounts of financial assets represent IFFIm's maximum credit exposures. These maximum exposures were:

In Thousands of US\$	As at 31 December 2023	As at 31 December 2022
Sovereign pledges	2,797,872	2,950,808
Cash and investments	529,179	1,031,899
Total credit exposure	3,327,051	3,982,707

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As at 31 December 2023 and 2022, IFFIm had a net receivable balance of US\$ 84 million and US\$ 87 million, respectively, on its interest rate and currency swap contracts. As at 31 December 2023, the counterparties on IFFIm's swaps had credit ratings of AAA and AA-.

<u>Credit Risk Related to Sovereign Pledges</u>: IFFIm was exposed to Grantor credit risk on pledges from its Grantors. This exposure is detailed by Grantor in Note 2 above. The Grantors were rated between BB- and AAA as at 31 December 2023.

The Grantors' credit ratings, as determined by Standard and Poor's Ratings Service ("S&P"), were:

Grantor	As at 31 December 2023	As at 31 December 2022
Canada	AAA	AAA
Commonwealth of Australia	AAA	AAA
Federative Republic of Brazil	ВВ	BB-
Republic of France	AA	AA
Republic of Italy	BBB	BBB
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BB-	BB-
Kingdom of Spain	A	Α
Kingdom of Sweden	AAA	AAA
United Kingdom	AA	AA

IFFIm was also indirectly exposed to implementing country credit risk embodied in the GPC. IFFIm took this risk into account when determining the fair value of sovereign pledges. See Note 16 for details.

<u>Credit Risk Related to Cash and Investments:</u> To manage credit risk related to investments, the World Bank invests in highly rated Liquid Assets. The World Bank was limited to investments with the following minimum credit ratings at the time of purchase:

- Investments in money market instruments were limited to instruments issued or guaranteed by financial institutions whose senior debt securities were rated at least A- by the major rating agencies.
- Investments in government and agency obligations were limited to obligations issued or unconditionally guaranteed by government agencies rated at least AA- by the major rating agencies if denominated in a currency other than the issuers' home currencies. Obligations denominated in issuers' home currencies required no rating. Obligations issued by an agency or instrumentality of a government, a multilateral organisation or any other official entity required a minimum credit rating of AA-.
- Investments in asset-backed securities and corporate securities were limited to securities with a minimum rating of AAA.

In order to achieve greater diversification of portfolio risks and generate value, the World Bank has made investments in the short term domestic debt of new sovereign markets offering potential to generate excess yields over LIBOR, mainly from currency basis arbitrage. Investments in these sovereign markets are subject to specific approvals from the financial governing committees of the World Bank and prudent credit limits.

IFFIm's investments in money market instruments, government and agency obligations, asset-backed securities and corporate securities had the following credit ratings:

In Thousands of US\$	As at 31 December 2023	As at 31 December 2022
Instruments and securities rated AAA	196,334	524,912
Instruments and securities rated AA+	90,605	14,032
Instruments and securities rated AA	40,991	46,421
Instruments and securities rated AA-	27,954	62,675
Instruments and securities rated A+	121,414	276,575
Instruments and securities rated A	44,793	79,641
Instruments and securities rated A-	-	728
Instruments and securities with no rating	-	131
Total funds held in trust	522,091	1,005,115

Cash, receivables, and payables included in IFFIm's funds held in trust are reported in the AAA category as they are held by the World Bank, which is an AAA credit-rated institution.

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and Standard and Poor's Ratings Service ("S&P") remained unchanged during 2023. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

#### 14. LIQUIDITY RISK

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, because of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. This minimum liquidity level is recalculated and reset on a quarterly basis. As at 31 December 2023, the calculated minimum liquidity was US\$ 118 million and the value of IFFIm's Liquid Assets was US\$ 529 million. As at 31 December 2022, the calculated minimum liquidity was US\$ 576 million and the value of IFFIm's Liquid Assets was US\$ 1 billion.

Based on factors such as the strength of its financial base, its conservative financial policies, and the strong support of the Grantors, IFFIm's Global Debt Issuance Programme is rated AA by S&P, AA- by Fitch Ratings, and Aa1 by Moody's Investor Service.

To help maintain IFFIm's credit ratings and ensure the lowest possible cost of funds, bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the GPC and other credit factors. To provide comfort to the rating agencies and bond holders that IFFIm will always be able to service its bonds, IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as many IFFIm-eligible countries falling into protracted arrears to the International Monetary Fund ("IMF"). The cushion is a percentage of the present value of Grantor pledges and is established through the Gearing Ratio Limit ("GRL") model. The present value of Grantor pledges used in the GRL model is not reduced by the GPC Fair Value Adjustment, which is described in Note 16.

To mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As at 31 December 2023 and 2022, the Risk Management Buffer was 0% of the present value of expected future cash flows from Grantor pledges. The World Bank recalculated and reset the Risk Management Buffer to 0% from the previous value of 12% following the execution of a swap re-couponing transaction in May 2020 in the amount of US\$ 200 million, which reduced the World Bank's exposure on IFFIm's derivative positions by the same amount and enabled the World Bank to intermediate new swaps for IFFIm.

The following were the contractual undiscounted maturities of IFFIm's financial liabilities, including estimated interest payments:

As at 31 December 2023, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2025	Due in 2026	Due from 2027 through 2035
Bonds payable Derivative financial liabilities	(2,142,406) (318,497)	(117,640) (151,562)	(892,837) (66,443)	(1,024,849) (49,753)	(107,080) (50,739)
Total undiscounted maturities	(2,460,903)	(269,202)	(959,280)	(1,074,602)	(157,819)

As at 31 December 2022, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2024	Due in 2025	Due from 2026 through 2035
Bonds payable	(2,711,034)	(575,691)	(122,069)	(875,691)	(1,137,583)
Grants payable to Gavi	(57,064)	(57,064)	-	-	-
Derivative financial liabilities	(921,487)	(213,051)	(250,467)	(139,912)	(318,057)
Total undiscounted maturities	(3,689,585)	(845,806)	(372,536)	(1,015,603)	(1,455,640)

As at 31 December 2023 and 2022, the contractual undiscounted maturities of IFFIm's derivative financial liabilities totalling US\$ 318 million and US\$ 921 million, respectively, were approximately US\$ 25 million and US\$ 562 million higher than their fair values as at 31 December 2023 and 2022, respectively, as shown in Note 8.

As at 31 December 2023 and 2022, the contractual undiscounted maturities of IFFIm's bonds payable totalling US\$ 2,142 million and US\$ 2,711 million, respectively, were approximately US\$ 186 million and US\$ 298 million higher than their fair values as at 31 December 2023 and 2022, respectively, as shown in Note 10.

The trustees expect that IFFIm will receive cash inflows over the lives of its derivative financial assets. The following are the expected undiscounted inflows from derivative financial assets and the expected undiscounted cash outflows from derivative financial liabilities:

As at 31 December 2023, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2025	Due in 2026	Due from 2027 through 2035
Derivative financial assets Derivative financial liabilities	603,942 (318,497)	39,401 (151,562)	243,765 (66,443)	43,590 (49,753)	277,186 (50,739)
Net cash outflows	285,445	(112,161)	177,322	(6,163)	226,447

As at 31 December 2022, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	<b>Due in 2024</b>	Due in 2025	Due from 2026 through 2035
Derivative financial assets	626.880	51.153	58.246	303.303	214.178
Derivative financial liabilities	(921,487)	(213,051)	(250,467)	(139,912)	(318,057)
Net cash outflows	(294,607)	(161,898)	(192,221)	163,391	(103,879)

#### 15. MARKET RISK

Market risk is the risk that IFFIm's net assets or deficit for the year, or its ability to meet its objectives, may be adversely affected by changes in foreign exchange rates and interest rates. Other price risk, in relation to IFFIm's funds held in trust, is not a significant market risk to IFFIm as IFFIm's liquid assets are invested in high grade fixed-income instruments. IFFIm's market risk objectives are: (1) understanding the components of IFFIm's market risk, (2) controlling IFFIm's market risk through the use of currency and interest swaps, and (3) facilitating predictable funding of Gavi programmes within a controlled and transparent risk management framework.

IFFIm's market risk is comprised of foreign exchange rate risk and interest rate risk. Each of these is described further below.

<u>Foreign Exchange Rate Risk</u>: IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of Grantor payments, payment of bond obligations, disbursements to

Gavi and issuance of IFFIm bonds. To mitigate these risks, some Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, some IFFIm bonds payable were swapped into United States dollar floating rate liabilities.

The carrying amounts of IFFIm's foreign currency assets and liabilities, including derivatives, were:

As at 31 December 2023, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	99.314	(102,635)	(3,321)
British pound	1,434,648	(1,501,302)	(66,654)
Canadian dollar	74,976	(80,591)	(5,615)
Euro	852,410	(909,663)	(57,253)
Japanese yen	3	-	3
New Zealand dollar	1	-	1
Norwegian krone	496,980	(522,157)	(25,177)
South African rand	63,452	(63,026)	426
Swedish krona	153,605	(164,236)	(10,631)
Swiss franc	1	-	1

	Foreign Currency	Foreign Currency	Net
As at 31 December 2022, in Thousands of US\$	Assets	Liabilities	Exposure
Australian dollar	114,328	(113,063)	1,265
British pound	1,229,670	(1,279,640)	(49,970)
Euro	892,282	(949,285)	(57,003)
Japanese yen	1	-	1
New Zealand dollar	1	-	1
Norwegian krone	574,231	(605,091)	(30,860)
South African rand	64,393	(63,632)	761
Swedish krona	164,761	(174,302)	(9,541)
Swiss franc	1	-	1

The following exchange rates applied during the year:

	Average Rate for the Year Ended 31 December	Spot Rate as at 31 December	Average Rate for the Year Ended 31 December	Spot Rate as at 31 December
In US\$	2023	2023	2022	2022
Australian dollar	0.6643	0.6799	0.6951	0.6798
British pound	1.2435	1.2746	1.2372	1.2039
Canadian dollar	0.7410	0.7545	0.7691	0.7394
Euro	1.0815	1.1077	1.0539	1.0676
Japanese yen	0.0071	0.0071	0.0077	0.0076
New Zealand dollar	0.6141	0.6320	0.6362	0.6347
Norwegian krone	0.0948	0.0985	0.1045	0.1016
South African rand	0.0542	0.0542	0.0614	0.0591
Swedish krona	0.0943	0.0999	0.0993	0.0964
Swiss franc	1.1134	1.1957	1.0483	1.0838

<u>Sensitivity to Foreign Exchange Rates</u>: Strengthening and weakening of the United States dollar, against the above currencies, as at 31 December 2023 and 2022 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

	for the Year Ended	rease) in Surplus d and Net Assets December 2023¹	Increase (Decrease) in Surplus for the Year Ended and Net Assets as at 31 December 2022 <sup>1</sup>		
In Thousands of US\$	10% Strengthening of US\$	10% Weakening of US\$	10% Strengthening of US\$	10% Weakening of US\$	
Australian dollar	431	(527)	410	(501)	
British pound	6,469	(7,907)	5,831	(7,127)	
Canadian dollar	510	(624)	-	-	
Euro	5,434	(6,642)	6,593	(8,058)	
Norwegian krone	2,302	(2,813)	2,805	(3,429)	
South African rand	(39)	47	(69)	85	
Swedish krona	968	(1,183)	868	(1,061)	
Net increase (decrease)	16,075	(19,649)	16,438	(20,091)	

<sup>&</sup>lt;sup>1</sup>Excludes impact to funds held in trust balances.

<u>Interest Rate Risk</u>: IFFIm was exposed to interest rate risk from differences in the interest rate bases of the bonds payable and funds held in trust. IFFIm used interest rate swaps to mitigate this exposure. The interest rate profiles of IFFIm's interest-bearing financial instruments, including derivatives, with the exception of funds held in trust, were:

In Thousands of US\$	Carrying Amount as at 31 December 2023	Carrying Amount as at 31 December 2022
Fixed rate instruments		
Financial assets	448,839	459,217
Financial liabilities	(4,779,278)	(5,362,262)
Net fixed rate instruments	(4,330,439)	(4,903,045)
Variable rate instruments		
Financial assets	3,066,444	3,261,772
Financial liabilities	(606,018)	(680,562)
Net variable rate instruments	2,460,426	2,581,210

<u>Sensitivity to Interest Rates</u>: Changes of 100 basis points in interest rates as at 31 December 2023 and 2022 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on interest rate variances that IFFIm considered to be reasonably possible at the end of the year. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US\$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as at 31 December 2023	Increase (Decrease) in Surplus for the Year Ended and Net Assets as at 31 December 2022
100 basis point increase	5,211	18,276
100 basis point decrease	(5,627)	(23,276)

<u>Interest rate benchmark reform</u>: Interest rate benchmark reform: Specific interest rate benchmarks, including LIBOR, were discontinued and replaced with alternative benchmark rates which meet new regulatory and market requirements. Accordingly, IFFIm currently has no exposure to LIBOR or any other interest rate benchmarks that were discontinued.

With respect to IFFIm's investments in the Pool, all IFFIm liquidity is now linked to the Secured Overnight Financing Rate ("SOFR") and all new funding is executed against a SOFR benchmark. With the transition to SOFR, IFFIm's investments portfolio continued to outperform its benchmark. For the years ended 31 December 2023 and 2022, the return on IFFIm's investments portfolio was 5.80% and 1.91%, respectively, outperforming its benchmark by 61 basis points and 27 basis points, respectively.

With respect to IFFIm's legacy swap contracts, all positions that had LIBOR fixings after 30 June 2023 were transitioned automatically to the SOFR upon the discontinuation of the United States 3-month LIBOR on 30 June 2023 in accordance with the ISDA 2020 IBOR Fallbacks Protocol, which IFFIm and its swap counterparties adhered to. Details of IFFIm's interest rate and currency swaps as at 31 December 2023 and 2022 are included

in Note 8 above and details of net fair value gains and losses recorded by IFFIm on its swaps are included in Note 5 above.

Besides the exposure to SOFR in its investments portfolio and its legacy swap contracts, IFFIm has no other exposure to interest rate benchmarks.

#### 16. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of IFFIm's financial assets and liabilities are equal to their carrying amounts shown in IFFIm's Balance Sheet.

<u>Fair Value Hierarchy</u>: The table below analyses IFFIm's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- <u>Level 1</u>: Financial instruments that were valued using unadjusted prices quoted in active markets for identical assets and liabilities.
- <u>Level 2</u>: Financial instruments that were valued using inputs, other than quoted prices included with Level 1, which were observable for the asset or liability, either directly or indirectly.
- <u>Level 3</u>: Financial instruments whose valuation incorporated inputs for the asset or liability that were not based on observable market data.

As at 31 December 2023, in Thousands of US\$	Level 1	Level 2	Level 3	Total
	201011		201015	1000
Financial assets				
Sovereign pledges	-	-	2,797,872	2,797,872
Funds held in trust	-	522,091	-	522,091
Derivative financial instruments	-	377,189	-	377,189
Total financial assets	-	899,280	2,797,872	3,697,152
<u>Financial liabilities</u>				
Bonds payable	-	1,956,533	-	1,956,533
Derivative financial instruments	-	293,452	-	293,452
Total financial liabilities	-	2,249,985	-	2,249,985
As at 31 December 2022, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Sovereign pledges	-	-	2,950,808	2,950,808
Sovereign pledges Funds held in trust	-	- 1,005,115	2,950,808	2,950,808 1,005,115
3 . 3	- - -	- 1,005,115 446,875	2,950,808 - -	
Funds held in trust	- - -		2,950,808 - - - 2,950,808	1,005,115
Funds held in trust Derivative financial instruments	- - -	446,875	- -	1,005,115 446,875
Funds held in trust Derivative financial instruments	- - - -	446,875	- -	1,005,115 446,875
Funds held in trust Derivative financial instruments Total financial assets	- - - -	446,875	- -	1,005,115 446,875
Funds held in trust Derivative financial instruments Total financial assets  Financial liabilities	- - - -	446,875 1,451,990	- -	1,005,115 446,875 4,402,798

The changes in the aggregate fair value of IFFIm's Level 3 financial assets and liabilities were:

In Thousands of US\$	2023	2022
Policy of the heater transfel and a	2.050.000	2 426 565
Balance at the beginning of the year	2,950,808	3,436,565
Initial fair value of pledges	141,701	541,226
Donor payments	(531,254)	(553,007)
Fair value gains (losses)	236,617	(473,976)
Balance at the end of the year	2,797,872	2,950,808

Total fair value gains on sovereign pledges of US\$ 237 million for the year ended 31 December 2023 are recognised in *Net fair value gains on pledges and pledge swaps* in the Statement of Financial Activities and are comprised of realised gains of US\$ 101 million and unrealised gains of US\$ 136 million.

For its financial assets and liabilities, IFFIm determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period. There were no transfers between levels in the current or prior year.

The bases for techniques that IFFIm applied in determining the fair values of financial assets and liabilities

are summarised below.

<u>Funds Held in Trust</u>: The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

<u>Sovereign Pledges Receivable</u>: Fair values are estimated using a discounted cash flow method. Each cash flow is reduced by the GPC Fair Value Adjustment, except when a Grantor irrevocably commits to make grant payments in full without applying any reduction due to the GPC, and the reduced cash flows are discounted to present value using observable Grantor-specific interest rates.

The GPC allows the Grantors to reduce their payments if an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Grantors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by Grantors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 71 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio as at 31 December 2023 was as follows:

Country	Country Weighting	Total Share
South Sudan	0.5%	1%
Afghanistan, Angola, Armenia, Azerbaijan, Benin, Bhutan, Bolivia, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Ghana, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Kenya, Kiribati, Kyrgyzstan, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Moldova, Mongolia, Mozambique, Myanmar, Nepal, Nicaragua, Niger, Papua New Guinea, Rwanda, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sri Lanka, Tajikistan, Tanzania, Timor-Leste, Togo, Uganda, Ukraine, Uzbekistan, Yemen Republic, Zambia, Zimbabwe	1%	61%
Vietnam	3%	3%
Bangladesh, Democratic Republic of Congo, Ethiopia, India, Indonesia, Nigeria, Pakistan	5%	35%

The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. This probabilistic model assumes that the performance of the implementing countries since 1981 is a reasonable proxy for their future performance.

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 6.8% and 7.20% as at 31 December 2023 and 2022 respectively. Considering 1% as a reasonably possible variance in assessing the impact of changes in GPC Fair Value Adjustment, 1% decreases in the GPC Fair Value Adjustment as at 31 December 2023 and 2022 would have resulted in increases in the fair values of sovereign pledges of US\$ 28 million and US\$ 30 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

As at 31 December 2023 and 2022, no reference portfolio country was in protracted arrears to the IMF.

For the above sovereign pledges as at 31 December 2023, market-based discount rates ranging from 1.9% to 6.6% were applied, as appropriate, depending on the Grantor, payment schedule and currency of the grant payments. Considering 1% as a reasonably possible variance in assessing the impact of changes in market-based discount rates, 1% decreases in the discount rates applied as at 31 December 2023 and 2022 would have resulted in increases in the fair values of sovereign pledges of US\$ 92 million and US\$ 106 million, respectively. 1% increases in the discount rates applied as at 31 December 2023 and 2022 would have resulted in decreases in the fair values of sovereign pledges of US\$ 88 million and US\$ 101 million, respectively.

<u>Bonds Payable</u>: The fair values of IFFIm's bonds payable are determined using a discounted cash flow method, which relies on market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

As at 31 December 2023 and 2022, the cumulative change in the fair value of bonds payable that was attributable to IFFIm's own credit spreads was an increase of US\$ 7.3 million and US\$ 1.8 million, respectively.

During the years ended 31 December 2023 and 2022, the change in the fair value of bonds payable that was attributable to IFFIm's own credit spreads was an increase of US\$ 5.5 million and a decrease of US\$ 15.5 million, respectively. Changes in the fair value of bonds payable due to IFFIm's own credit spreads are measured by revaluing each outstanding bond liability to determine the movement in its fair value arising from changes in IFFIm's cost of funding relative to the relevant reference rate.

Derivative Financial Instruments: The fair values of derivatives are estimated using a discounted cash flow method representing the estimated cost of replacing these contracts on that date. All model inputs are based on readily observable market parameters such as yield curves, foreign exchange rates, and basis spreads.

As at 31 December 2023 and 2022, the cumulative change in the fair value of derivative financial instruments that was attributable to changes in credit risk was a net decrease of US\$ 7.2 million and US\$ 4.2 million, respectively. During the years ended 31 December 2023 and 2022, the change in the fair value of derivative financial instruments that was attributable to changes in credit risk was a net decrease of US\$ 3 million and US\$ 4 million, respectively. The methodology used to determine changes in the fair value of derivative financial instruments due to changes in credit risk is described in Note 8 to the financial statements.

With respect to cash and grants payable, their carrying amounts, reported in the financial statements, are reasonable approximations of their fair values due to their short-term nature.

#### 17. NOTES TO THE STATEMENT OF CASH FLOWS

The following table analyses changes in net debt:				
In Thousands of US\$	Fair Value as at 31 December 2022	Cash Flows and Fair Value Movements	Fair Value as at 31 December 2023	
Bonds payable	(2,413,237)	456,704	(1,956,533)	
Funds held in trust	1,005,115	(483,024)	522,091	
Cash	26,784	(19,696)	7,088	
Total	(1,381,338)	(46,016)	(1,427,354)	
In Thousands of US\$	Fair Value as at 31 December 2021	Cash Flows and Fair Value Movements	Fair Value as at 31 December 2022	
Bonds payable	(1,844,708)	(568,529)	(2,413,237)	
Funds held in trust	603,383	401,732	1,005,115	
Cash	11,677	15,107	26,784	
Total	(1,229,648)	(151,690)	(1,381,338)	
The following table reconciles net cash flows to movemen	nt in net debt:			
In Thousands of US\$		2023	2022	
Net debt at the beginning of the year		(1,381,338)	(1,229,648)	

#### 18. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

• <u>Gavi</u>: Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. Gavi is IFFIm's sole member.

Balances due to or from related parties are non-interest bearing and do not have specific terms of repayment.

IFFIm's related party balances as at 31 December 2023 and 2022 were:

In Thousands of US\$	2023	2022
Programme grants payable to Gavi	-	57,065
Amounts due to Gavi	150	329

IFFIm recorded programme grants to Gavi of US\$ 378 million and US\$ 490 million during the years ended 31 December 2023 and 2022, respectively. IFFIm recorded in-kind contributions from Gavi of US\$ 1,215 thousand and US\$ 986 thousand during the years ended 31 December 2023 and 2022, respectively.

#### 19. COMMITMENTS AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as at 31 December 2023 or 2022.

#### 20. ACCOUNTING ESTIMATES AND JUDGEMENTS

IFFIm manages its sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable on a fair value basis. Therefore, these assets and liabilities are measured at fair value in the Balance Sheet. When available, IFFIm generally uses quoted market prices to determine fair value. If quoted market prices are not available, fair value is determined using internally developed valuation models, which are often based on the discounted cash flow method and use market parameters such as interest rates and currency rates.

IFFIm applied the following key accounting estimate in the valuation of its sovereign pledges:

As described in Note 1, certain contribution amounts received from Grantors depend on a Grant Payment Condition ("GPC"), which allows the Grantors to reduce their payments if an IFFIm-eligible country falls into protracted arrears on its obligations to the IMF. Therefore, the fair values of IFFIm's sovereign pledges are estimated using a discounted cash flow method, which includes the application of an estimated reduction amount due to the GPC ("GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. See Note 16 for more details on the GPC Fair Value Adjustment and other estimates applied in determining the fair values of IFFIm's financial assets and liabilities.

IFFIm made the following critical judgement in the valuation of its derivative portfolio:

As described in Note 8, IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. The debit valuation adjustment is typically applied to the uncollateralised portion of a derivative portfolio. However, IFFIm has not posted any collateral as the World Bank has not exercised its right to call collateral and protect its derivative exposure to IFFIm, as described in Notes 1 and 8 above. After due consideration, consistent with market practice, IFFIm calculated the debit valuation adjustment based solely on the uncollateralised portion of its derivative portfolio.

#### 21. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2023 or 2022.

#### 22. SUBSEQUENT EVENTS

Considering recent and ongoing global economic developments, management has assessed (1) the ongoing conflicts between Russia and Ukraine and between Israel and Palestine and their impact on global economic activity and financial markets, and (2) the prevailing environment with high interest rates while noting market projections that rates are expected to begin dropping in 2024. Management has assessed the potential impact of these developments on IFFIm's financial position, performance, and its ability to continue meeting its obligations. Management does not expect that IFFIm's overall financial position and performance

will be significantly impacted by the adverse effects of these developments and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility and the potential challenges it may involve.

# INDEPENDENT AUDITOR'S REPORT YEAR ENDED 31 DECEMBER 2023

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

#### Report on the audit of the financial statements

#### 1. Opinion

In our opinion the financial statements of the International Finance Facility for Immunisation Company (the 'charitable company' or 'IFFIm'):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial activities;
- the statement of income and expenditures;
- the balance sheet;
- the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was:
	the valuation of sovereign pledges
	Within this report, key audit matter is identified as follows:
	Newly identified
	⊗ Increased level of risk
	Similar level of risk
	Decreased level of risk
Materiality	The materiality that we used in the current year was \$25.3m which was determined on the basis of 1% of forecasted sovereign pledges held at fair value as at 31 December 2023.
Scoping	As described in note 4 to the financial statements, IFFIm outsources all administrative support to Gavi, the Vaccine Alliance ('Gavi') and outsources its treasury function, together with certain accounting and financial reporting support, to the International Bank for Reconstruction and Development (the 'World Bank') which is audited by the Deloitte member firm in the US ('Deloitte US'). As such we instructed Deloitte US being the "contributing auditor" to perform certain procedures on our behalf. As part of this work Deloitte US performed procedures over the key audit matter set out below in this report. The work was performed under the direction and supervision of the UK audit engagement team.
Significant changes in our approach	As described in note 1, the charitable company had control over IFFIm Sukuk Company III Limited ("IFFImSC III"). In September 2023, IFFImSC III was dissolved. Our approach has been adapted to the extent required to reflect the fact that the

#### 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

charitable company no longer prepares consolidated financial statements.

Our evaluation of the trustees' assessment of the charitable company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the reasonableness of the cash flow forecasts prepared by management by testing the numerical accuracy and by agreeing the key assumptions used to supporting documentations;
- Challenging and reviewing IFFIm's stress testing exercise by independently recalculating the results of the stress test exercise using the worst-case scenario assumptions used by IFFIm;
- Assessing the impact of macro-economic uncertainties to the International Monetary Fund ('IMF') eligible countries by independently verifying the list of countries with protracted arrears with the IMF and published news. This is affecting the credit risk of the sovereign pledges and ultimately their collectability;
- Obtaining and assessing the confirmation letter that IFFIm has received from the World Bank to not call

- collateral for at least 12 months from the date of the approval of the financial statements; and
- Obtaining and assessing the confirmation letter that IFFIm has received from Gavi to be able to defer grant payments to the extent that this impacts IFFIm's ability to pay other liabilities that fall due within the next 12 months from the date of approval of the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

#### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### 5.1. Valuation of sovereign pledges



#### Key audit matter description

IFFIm's asset base consists primarily of sovereign pledges from sovereign government donors ('the pledges'). The pledges are used to raise finance to make payments to support various vaccine procurement and immunisation programmes of Gavi.

The pledges are recognised as contribution revenue and as receivables upon assignment of donor contributions to IFFIm by Gavi. They are recognised at fair value at inception and are subsequently remeasured at fair value.

The fair value of the contribution receivables is determined by calculating the expected future cashflows, applying a High-Level Financing Condition ('HLFC') haircut and discount factor. Pledges are payable by the donors to IFFIm over the respective period depending on a grant payment condition ('GPC') which requires the donors to reduce their contribution amounts if an IFFIm eligible country is in protracted arrears.

Determination of the GPC fair value adjustment is calculated by the World Bank using a probabilistic model, which estimates the likelihood and duration that a country implementing an immunisation programme might fall into arrears with the IMF over the life of the grantor pledges.

As detailed in the summary of accounting estimates and judgements in note 20 and the fair value disclosures in note 16 to the financial statements, the estimation of the GPC fair value adjustment requires significant management judgement in particular the likelihood that any implementing country might fall into arrears with

the IMF over the life of the pledges. Therefore, we determined that there was a risk of error in or manipulation of this balance.

As at 31 December 2023, the fair value of the sovereign pledges amounted to US\$2.8b (2022: US\$3.0b). The fair value movement attributable to the GPC fair value adjustment in 2023 amounted to US\$39.0m (2022: US\$37.0m).

# How the scope of our audit responded to the key audit matter

To scope our audit and respond to the key audit matter, we have:

- Tested relevant controls over the historical default experiences used within the fair value calculations which are performed by the World Bank;
- Tested the appropriateness of using the World Bank's historical default experience as a proxy for expected defaults to the IMF by analysing the full population of historical defaults from 1984 to present and testing the correlation between sovereign defaults to the World Bank and IMF;
- Evaluated whether the World Bank's credit experience is an appropriate proxy for the IMF, including whether the IMF benefits from the same preferred creditor status ('PCS') as the World Bank, which is an inherent factor in the World Bank's default experience;
- Tested the inputs to the GPC fair value calculation, e.g., country credit risk rating, probability of default and loss given default by assessing the sovereign credit rating process at the World Bank and testing the historical arrears analysis;
- Recalculated the GPC fair value adjustment percentage;
- Tested the donor discount rate by independently obtaining sovereign yields for each donor country from Bloomberg as of 31 December 2023 and recalculating the discount rates and present value of cash flows from the contribution receivables; and
- With the involvement of our valuation specialist, performed an independent assessment of the calculation of the fair value of sovereign pledges and evaluated the methodology used by management for the fair valuation.

#### **Key observations**

Based on the work performed, we concluded that the valuation of sovereign pledges is appropriate as at 31 December 2023.

#### 6. Our application of materiality

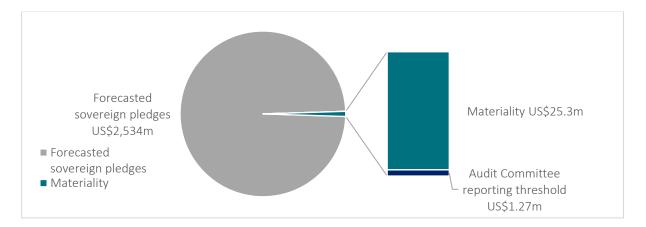
#### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

<b>Materiality</b> US\$25.3m (2022: US\$26.0m)	
--	--

Basis for determining materiality	We set our materiality based on 1% of forecasted sovereign pledges held at fair value as at 31 December 2023. We reassessed the materiality at 31 December 2023 and continued to use the same materiality based on the forecasted figures given it was lower.
Rationale for the benchmark applied	IFFIm's main purpose is to raise funds to support Gavi for its health and immunisation programmes. These are financed by sovereign pledges and represents the capital of the bondholders as IFFIm converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. Therefore, we identified this to be an appropriate benchmark for materiality.



#### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the control environment; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

#### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US\$1.27m (2022: US\$1.30m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

#### 7. An overview of the scope of our audit

#### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, which included our internal specialist as well as the contributing auditor.

The charitable company had control over IFFIm Sukuk Company III Limited. In September 2023, IFFImSC III was dissolved. Our approach has been adapted to the extent required to reflect the fact that the charitable company no longer prepares consolidated financial statements.

#### 7.2. Our consideration of the control environment

In assessing the control environment, we also considered the control environment of the key service providers, including the World Bank and GAVI, to whom the board have delegated certain functions for the charitable company. We adopted a control reliance approach in respect of the valuation of sovereign pledges controls by testing the relevant controls performed by the World Bank.

#### 7.3. Our consideration of climate related risks

As part of our audit we made enquiries of management to understand the process they have adopted to assess the potential impact of climate change on the financial statements. We used our knowledge of the charitable company to evaluate management's assessment of the impact on the financial statements.

#### 7.4. Working with other auditors

As described in the summary of audit scope section of the auditor's report, the charitable company is reliant upon treasury management, risk management and accounting services provided by the World Bank. As such, we instructed Deloitte US as the contributing auditor to perform certain procedures on our behalf. As part of this work, Deloitte US performed procedures over the key audit matter set out above in this report and we directed the work performed by Deloitte US. In discharging this responsibility, we set materiality and the scope of the audit work and actively engaged in determining the nature, timing and extent of audit procedures. We also held regular virtual meetings with the Deloitte US team to oversee the work of contributing auditor. We reviewed the Deloitte US audit file remotely and held regular calls with the Deloitte US team to discuss the results of their work and resolve any queries.

#### 8. Other information

The other information comprises the information included in the annual report of the trustees, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### 9. Responsibilities of trustees

As explained more fully in the statement of responsibilities of the trustees, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

#### 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### 11.Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

#### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the charitable company's remuneration policies, key drivers for trustees' remuneration and trustee expenses;
- results of our enquiries of management and trustees about their own identification and assessment of the risks of irregularities, including those that are specific to the charitable company's sector;
- any matters we identified having obtained and reviewed the charitable company's documentation of their policies and procedures relating to:

- o identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- o detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- o the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including contributing auditor and relevant internal specialists, including valuations, and information technology specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of sovereign pledges. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the charitable company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, the Charities Act 2011 and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These included requirements set by the Charity Commission for England and Wales ('Charity Commission').

#### 11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of sovereign pledges as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Charity Commission; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and contributing auditor, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

#### Report on other legal and regulatory requirements

#### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of the company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the trustees' report.

#### 13. Matters on which we are required to report by exception

#### 13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 13.2 Trustees' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of trustees' remuneration have not been made.

We have nothing to report in respect of this matter.

#### 14. Use of our report

This report is made solely to the IFFIm's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to IFFIm's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than IFFIm and IFFIm's members as a body, for our audit work, for this report, or for the opinions we have formed.

John Clacy, FCA (Senior statutory auditor) For and on behalf of Deloitte LLP Statutory Auditor London, United Kingdom 5 June 2024