

# Stichting BRAC International

**Annual Report 2020**

*"Small is beautiful but scale is necessary"*

Sir Fazle Hasan Abed

Founder of BRAC

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## Supervisory Board Report

The Supervisory Board has an overseeing role at Stichting BRAC International (SBI), and acts as the employer and advisor for the Management Board. The Supervisory Board upholds the principles of the Code of Good Governance for the Foundation and acts accordingly. The Supervisory Board's mandate and tasks are laid down in statutes. This report is prepared taking into account the guidance of RJ 405, but as this report is voluntary it does not meet all these requirements.

## Composition and functioning of the Supervisory Board

The Supervisory Board was chaired by the founder of BRAC Sir Fazle Hasan Abed until the 6<sup>th</sup> August 2019. Ms Ameerah Haq took over the role of the Chair from Mr Abed on the 6<sup>th</sup> August 2019 and she was replaced by Ms Marilou van Golstein Brouwers on the 7<sup>th</sup> April 2020 following Ms. Haq's appointment as the BRAC Global Board Chair. Later Ms Marilou van Golstein Brouwers was replaced by the current Chair Ms Irene Zubaida Khan on 16<sup>th</sup> September 2020. Ms Marilou van Golstein Brouwers continues to be the member of the board.

The Supervisory Board members are appointed by co-optation. The period of membership is governed by the constitution and there is no Board remuneration applicable for the Supervisory Board. As the organisation values women empowerment and diversity, five out of the seven (70%) Supervisory Board members are female.

The list of current Board members is as follows:

	<b>Name</b>	<b>Member</b>	<b>Nationality</b>
1	Ms Irene Zubaida Khan (Appointed on 16 September 2020)	Chair	Bangladeshi
2	Ms Sylvia Borren (Re-appointed on 8 December 2020)	Vice Chair	Dutch
3	Ms Marilou van Golstein Brouwers (Appointed on 28 March 2019)	Member	Dutch
4	Ms Parveen Mahmud (Re-appointed on 8 December 2020)	Member	Bangladeshi
5	Dr Debapriya Bhattacharya (Re-appointed on 8 December 2020)	Member	Bangladeshi
6	Ms Victoria Sekitoleko (Appointed on 8 November 2018)	Member	Ugandan
7	Mr Gregory Chen (Appointed on 6 August 2019)	Member	American

The following persons have served as members of the Supervisory Board previously and resigned in 2020:

- Ms Ameerah Haq (resigned on 7 April 2020);
- Ms Shabana Azmi (resigned on 31 December 2020).

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

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

In doing so, the members confirm that:

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

## **The Supervisory Board in its supervising role**

As part of its supervisory role, the Supervisory Board approved the 2020 audited financial statements and Board report, the 2021 revised budget and the 2021 annual plan and budget. The annual report of external auditors for 2020 was presented and discussed with the Supervisory Board. The Board also approved all new projects undertaken by the Foundation during the year.

The Finance and Audit committee, consisting of two members of the Supervisory Board, prepares advice for the Supervisory Board on the annual financial statements, budget and annual report. The committee also monitors the follow-up of points raised in internal, external audits and recommendations in the auditor's letter to management.

The board members also provided significant time in development of Business Continuity plan during the COVID-19 pandemic. They have analysed the cash flow projection of the entities and the potential risk of each entity.

## **The Supervisory Board as an employer and advisor**

The Supervisory Board appoints the Management Board. The Supervisory Board determines the salary and other terms of employment of the Management Board members and conducts their performance reviews. The Supervisory Board assists the management board by giving advice.

## **Compensation**

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

Stichting BRAC International

The Hague, 24 June 2021

On behalf of Stichting BRAC International Supervisory Board

Ms Irene Zubaida Khan

Ms Marilou van Golstein Brouwers

Ms Sylvia Borren

Ms Victoria Sekitoleko

Ms Parveen Mahmud

Mr Gregory Chen

Dr Debapriya Bhattacharya

## Management Board Report

The Management Board of Stichting BRAC International ('the Foundation') hereby submits the Management Board Report and the financial statements for the year ended 31 December 2020.

### General information

Stichting BRAC International was formed in 2009 as a non-profit foundation in the Netherlands to govern all international BRAC entities outside Bangladesh ('BRAC') and with an objective to engage in charitable and social welfare activities in any country of the world. Stichting BRAC International's is a foundation, organised and existing under the laws of the Netherlands with its registered address at Spaarneplein 2, 2515 VK The Hague.

### Our identity

BRAC is the largest non-governmental development organisation in the world, measured by the number of employees and number of people it has helped. BRAC was ranked the number one NGO in the world for the fifth consecutive year in 2020 by the Geneva based NGO Advisor, an independent organisation committed to highlighting innovation, impact and governance in the non-profit sector through its operations around the world. BRAC retained the top spot in the 2020 top 500 NGOs World rankings.

The journey of BRAC began in 1972 in the newly sovereign Bangladesh, it works toward poverty alleviation through empowering the poor and the ones in need. Currently, BRAC reaches out an estimated 138 million people with over 110,000 dedicated and motivated employees.

In 2002, BRAC started to venture out of Bangladesh in Afghanistan and started to implement programmes according to the contexts in different countries. Over the years, BRAC expanded its operation both in Asia and Africa. In 2009, Stichting BRAC International was formed as a non-profit foundation in the Netherlands, to govern all entities outside Bangladesh and with an objective to engage in charitable and social welfare activities in any country of the world.

Stichting BRAC International runs as a foundation that brings BRAC's various development programmes into one platform in all BRAC entities in Africa and Asia. The institutional expertise on successfully implemented programmes is deployed in countries while programmes are either replicated or re-designed as per the country context. The activities in countries are in the following major thematic areas: Financial inclusion, Health, Education, Early Childhood and Adolescents, Agriculture and food security and Research and specially designed programmes for Targeted Ultra-Poor communities in countries. Financial inclusion through microfinance programmes runs in six out of ten countries that are making substantial contribution to achieve economic emancipation and getting people out of poverty in general.

## **Our global reach**

Stichting BRAC International is based in the Netherlands. However, its reach is far greater, and it creates opportunity for an estimated 110 million people living in poverty in 10 countries spread over two continents. As of 31 December 2020, it operated in six countries in Africa: Uganda, Tanzania, South Sudan, Liberia, Sierra Leone and Rwanda, and four countries in Asia: Afghanistan, Nepal, Myanmar and the Philippines. It also consolidates a dormant company in Sri Lanka. In 2019, Stichting BRAC International started its Africa Regional office in Kenya.

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

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

## **Management Board's role in financial matters**

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

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

## **Our vision**

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

## **Our mission**

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

## **Our values**

### **Innovation**

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

## **Integrity**

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

## **Inclusiveness**

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

## **Effectiveness**

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

## **Our goal**

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

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

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

## **Our commitment towards the SDGs**

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

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

The environment where the legal entities under Stichting BRAC International operate are very often difficult to work in, such as post-Ebola crisis in West Africa, political conflicts in East Africa and few of the Asian countries, countries with hyper-inflation where foreign currency loss dents the bottom line to a large extent. However, we are committed to carry out our mission to develop countries in fragile conditions despite all drawbacks.

Stichting BRAC International carries out all of its development programmes mainly from donor grants through its branches and controlled entities in various countries. The microfinance programmes are run through its 100% owned subsidiary, BRAC International Holdings B.V. BRAC International Holdings B.V. plays the role to manage and consolidate the financial results of the microfinance and social enterprise operations in the in six countries.

## Governance

In line with the guidelines for corporate governance in the Netherlands, the Board decided to adopt a two-tier governance structure to create a clear division between executive and supervisory responsibilities from the end of 2016.

## Supervisory Board

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

## Management Board

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

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

The following persons have served as members of the Management Board in 2020:

Name	Member	Nationality
Dr. Muhammad Musa (Appointed on 1 May 2019)	Executive Director	Bangladeshi
Ms. Ruth Okowa (Appointed on 6 August 2019)	Director	Kenyan
Mr Shameran Abed (Appointed on 01 March 2021)	Director	British
Mr Syed Abdul Muntakim (Appointed on 6 August 2019)	Director	British
Ms Munmun Salma Chowdhury (Appointed on 01 March 2021)	Director	Bangladeshi

The following persons have served as members of the Management Board previously and resigned in 2020:

- Ms Sharmin Sultan (Resigned on 30 September 2020);
- Mr M. Anowar Hossain (Resigned on 4 March 2021).

The Foundation is trying to bring in more female participation into its Management Board. The male/female gender diversity in the Management Board is 60/40.

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

## **Consolidation principles**

Stichting BRAC International has the role to manage and consolidate the financial results of the social development programmes, microfinance and social enterprise operations in the 10 countries and a dormant company in Sri Lanka. The consolidated financial statements include the financial data of the stand-alone parent organisation, its group companies and other legal entities over which the Organisation has control.

Control exists when Stichting BRAC International, directly or indirectly via BRAC International Holdings B.V., has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing whether controlling interest exists, potential voting rights that are currently exercisable are taken into account where applicable.

## **Significant risks and uncertainties**

Risks and uncertainties are integral part of operation for any kind of organisation. For Stichting BRAC International, significant risks and uncertainties mainly involves around instability and uncertainties in the post-conflict and in-conflict countries where we operate in. The Foundation is taking necessary measures to handle this on a continuous basis with a risk management framework.

Risk management is practiced across the organisation in a structured approach, starting from category-wise risk profiling through risk matrix and monthly assessing and monitoring of extreme and high-risk elements. The risk management is categorised into five major categories: 1) Strategic, 2) Operational, 3) External/environmental/political/legal risks, 4) Financial, and 5) Financial reporting risks.

## **Strategic risks**

The strategic risks are mainly identified from the organisational sustainability point of view in a country, such as risks on loss of reputation leading to business failure and loss of donor funding due to changes in donor organisation priorities. Mitigation for strategic risks mainly involves monitoring through reporting, regular visits, and coordination between the program teams of the countries and head office and affiliates.

### **Operational risks**

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

### **External / environmental / political / legal risks**

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

### **Financial risk**

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

### **Credit risk**

The Foundation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the organisational customer base, including the default risk of the country in which customers are located, as these factors may have an influence on credit risk.

In addition, natural calamities, such as natural disaster or disease outbreak triggers risk of credit, which is beyond any control or cannot be mitigated through precautionary measures.

Exposure to credit risk is monitored on an ongoing basis by the respective management teams. For risk management reporting purposes, the Foundation considers and consolidates all above mentioned elements of credit risk exposure. In some subsidiaries (Uganda and Tanzania) the local entities have taken credit insurance policies with third parties to manage the exposure in both client and entity level. The Foundation expects to take such approach in all its subsidiaries subject to availability in the local market.

Stichting BRAC International does not have any significant exposure to any individual customer or counterparty. The service of providing unsecured loans to group members in subsidiary BRAC International Holdings B.V. is one of the main aspect of the group's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

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

Policy objectives:

- Protect the Foundation and its subsidiaries from risks of significant likelihood and consequence in the pursuit of the stated strategic goals and objectives.
- Provide a consistent risk management framework in which the risks concerning the Foundation will be identified, considered and addressed in key approval, review and control processes.
- Encourage pro-active rather than re-active management.
- Provide assistance to and improve the quality of decision making throughout the group.
- Meet legal or statutory requirements.
- Assist in safeguarding organisational assets: people, finance, property and reputation.
- Financial instruments only can be used to mitigate risks, these cannot be used for trading and speculation purposes.

The Management Board is responsible on behalf of the Foundation for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The risk management function is responsible to oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment and ensures that those are in conformity with global standards.

### ***Currency risk***

Stichting BRAC International is exposed to currency risk denominated in a currency other than the respective functional currencies of group entities. The functional currencies in the subsidiaries are their respective local currency and at group level, the US dollar (USD) is the functional and presentation currency which is different compared to the subsidiaries which have local currencies as functional currency. Stichting BRAC International uses hedging mechanism to reduce currency risk where possible. In case of hyper-inflation economies such as South Sudan, hedging is extremely difficult. In those situations, the group manages risk by keeping funds as much as possible in USD and converting funds into local only when necessary.

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

Country	2020	2019	Currency depreciation / (appreciation)
Uganda (UGX)	<b>3,645.43</b>	3,665.21	-1%
Tanzania (TZS)	<b>2,321.50</b>	2,295.00	1%
Zanzibar (TZS)	<b>2,321.50</b>	2,295.00	1%
Rwanda (RWF)	<b>972.48</b>	922.52	5%
Sierra Leone (SLL)	<b>10,133.36</b>	9,716.71	4%
Liberia (LRD)	<b>161.02</b>	186.41	-14%
Myanmar (Kyat)	<b>1,329.10</b>	1,479.80	-10%
South Sudan (USD)	<b>1.00</b>	1.00	0%
Afghanistan	<b>77.10</b>	77.46	0%
Nepal	<b>117.30</b>	113.13	4%
Philippines	<b>48.04</b>	50.74	-5%
Kenya	<b>108.80</b>	101.34	7%
The Netherlands (EUR)	<b>0.84</b>	0.91	-8%

#### ***Interest rate risk and cash flow risk***

Stichting BRAC International's exposure to interest rate fluctuations is mitigated by fixed interest rate borrowings as well as fixed interest rates applicable to loans provided to group members. The organisation does not engage in speculative transactions or take speculative positions on its interest rates.

#### ***Market risk***

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

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

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

#### ***Liquidity risk***

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

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

On December 2020, BRAC International Holdings B.V. incorporated a new Private Limited Liability Company in the Netherlands named BRAC International Finance B.V. The primary objective of the new company is to source external borrowings to support liquidity needs of its microfinance subsidiaries from 2021 and onwards.

### **Financial reporting risks**

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

The Internal Audit department conducts audits on a sample basis using risk-based approach. All departments or units in which irregularities are detected through the course of regular internal audit are then audited. Audits take place at least once a year and twice or more in locations and on programmes where a closer watch is warranted.

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

The Internal Audit team ensures through a periodical checks that the Foundation is in compliance with all applicable laws and regulations.

External audit of Stichting BRAC International and all of its subsidiaries are undertaken annually. Financial transparency is ensured by BRAC International's finance and accounts division, which prepares financial statements mainly following local GAAP, IFRS and the laws of relevant countries for the subsidiaries. For consolidated report for Stichting BRAC International Dutch Accounting Standard 640 of Dutch GAAP and the Netherlands Civil Code (BW2 Title 9) are applied.

### **Code of Conduct**

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

The general codes of conduct include general HR policies and procedures, such as codes of conduct on ethical behaviour, fraud management and safeguarding policy in the organisation. The 'whistle blower' policy is in place and HR takes actions as and when required.

## Budget utilization

In 2020, the Foundation had a budget of USD 126.4 million in the field of financial and development services. As of December 2020, the organisation was able to utilise USD 121.6 million. The budget amount includes cost of operation, capital expenditures and portfolio growth for microfinance. Sectorial budget versus utilisation rates are given below:

Particulars	Budget USD mln	Utilisation USD mln	Utilised %
Microfinance	74,636	74,853	100
Social Enterprise	1,271	1,028	81
Education	19,537	13,871	71
Health	9,638	8,775	91
Agriculture and Livelihood programme	2,241	2,140	95
Youth programme	1,546	1,549	100
Ultra Poor Graduation	1,876	1,346	72
Social Protection (CCAP)	2,090	1,750	84
Research for social development	1,522	1,281	84
Others	5,142	7,244	141
One off Tax on dividend from BRAC Tanzania Finance	–	931	–
Secretariat costs	6,914	6,739	97
	<b>126,413</b>	<b>121,507</b>	<b>96</b>

## Activities

### *Social Development Programmes*

2020 was a year full of uncertainty, challenges, and change for BRAC International. However, it was also a year full of opportunity and learning, from which we were able to renew our commitment to pursue BRAC's global strategic vision. The first couple of months of the year were spent mourning the departure of our founder and reflecting on the values and directions he left behind for us to carry forward. While we were deeply saddened by his passing, we also celebrated his life and teachings, too. Subsequently, though a series of challenges interrupted our ability to pursue this collective journey as we had imagined, we carried the spirit of our founder with us through the year.

It is with this spirit that the BRAC International team tackled the COVID-19 outbreak with full professionalism and commitment to not only protect those we serve from the virus, but to continue our development journey within the complex humanitarian context created in its wake. We quickly developed a four-pronged strategy to guide our response efforts, most of which are still ongoing, including working to build awareness, strengthening infection prevention and control on the ground, building partnerships to jointly tackle COVID related challenges, and helping communities to recover and rebuild post-COVID. Our response efforts were greatly aided by the scenario planning that was initiated with the guidance of the global board, which allowed us to review the evolving situation on a month-by-month basis and make quick and well-informed decisions.

With the passage of time, we have learned that, though the COVID-19 pandemic began as a public health crisis, it quickly became a social and economic crisis. Building on findings from our rapid food and income security assessments we have been witnessing that many people who had improved their lives and livelihoods in the last decade or so, with support from organisations like BRAC and its partners, have now been slipping back into poverty while inequality among the rich and poor has been widening around the world. We have also been seeing that more girls are facing the threat of not being able to go back to school while violence against women is on the rise. In order to address these pervading economic and social issues we designed a three component post-COVID Recovery Strategy. We have managed to secure about USD 10 million from a few donors to initiate a number of COVID response and recovery interventions in Afghanistan, Uganda, Tanzania, among other BRAC International countries. These recovery programmes have built on and complement our existing microfinance, education, health and nutrition, youth empowerment, and other development programmes. All told, our response and recovery programming has reached over 45 million people to date.

The COVID-19 outbreak has also pushed us to come up with innovative ideas and initiatives to figure out alternative ways to reach our programme Participants with regular social development interventions. These newly developed approaches, including radio based play labs in Uganda, distant education modules in Afghanistan, and youth empowerment and agricultural extension programmes in a number of African countries, were implemented ensuring critical public health measures to prevent or reduce COVID-19 transmission, including maintenance of social distancing, mask use, and hand-hygiene, which enabled us to continue development programmes, wherever possible, throughout the pandemic. Further exploration of the COVID-19 situation in our countries of operation can be seen in Section Two of this report.

Despite the challenge of COVID-19, we were able to make some positive progress on our Annual Operating Plan (AOP) for 2020. Our AOP highlighted six key priorities for the year, including developing a BI-wide strategy for the years 2021-2023, enhancing programme quality, improving financial viability, strengthening grants management, upgrading leadership, and rolling out and socializing safeguarding policies.

This year we were able to make progress on developing a number of foundational blocks for improving the quality of our programme implementation. Through the engagement of an expert external consultant we were able to work with the BI programme team to develop an agreed upon definition of programme quality. This definition is accompanied by ten programme standards with accompanying indicators to assess and strengthen BI's programme design, implementation, and measurement. We are currently designing a baseline assessment to set-up a programme quality benchmark for BI upon which we can assess progress through CY 2021. We have also revised the standard operating procedures for programme development which will help improve the quality of programme design.

In CY 2020, we pursued our planned leadership strengthening throughout the organisation by upgrading the Country Representative positions to Country Director positions, and filling those positions with qualified senior professionals. This was done simultaneously with beefing up our sectoral leadership positions to Associate Directors, and recruiting senior professionals in those roles to help us best position our programmes at a higher level of excellence.

We have also been able to contextualize the Board approved set of Safeguarding policy guidelines for all countries. In the past quarter we have been devoting our attention to rolling out the Safeguarding policies in Afghanistan, which has been helping us learn a number of practical lessons. By building on some of those lessons, we are now initiating further boost in rolling-out of the Safeguarding policies in all other countries in the first quarter of 2021.

We have also made a lot of progress in strengthening our grants management capacity at all levels through incorporating a number of formalized management processes in our grant management practices. Currently, we are hiring a number of new grant managers for Country Offices and Regions so that ongoing technical capacity building and hands-on support can be provided to our country level grants management teams.

Though 2020 was a year unlike any other, BI was able to continue its regular programmes at various levels during the COVID and post-COVID periods, especially picking up in the past three months, while also making significant progress on several organisation-wide initiatives.

Restarting the microfinance programme has been tremendously successful and has allowed us to strengthen our financial inclusion initiative in the post-COVID period while social development programmes have also begun to return to pre-pandemic levels.

Fund raising in Social development programme remained a challenge. In 2020, the Foundation raised new grants of USD 35 million for various programmes in Afghanistan, Tanzania, Sierra Leone, Liberia, Uganda, South Sudan, Myanmar and Philippines. As of 31 May 2021, the Foundation has a donor commitment of USD 38.8 million for 93 projects in its operating countries for the year 2021.

### **Education Programme**

**Active in: Liberia, Uganda, South Sudan, Afghanistan and The Philippines**

Based on the positive findings of a feasibility study in Afghanistan of post-Grade 10 education for girls through community based educational approach, BRAC is undertaking a new initiative to implement higher secondary education for girls through the same method. In Afghanistan, negotiations have resulted in the approval for the Girls Education Challenge-Transition (GEC-T) extension phase starting from January 2020 funded by DFID/PwC as well as a new education project of CAD 12 million funded by GAC. BRAC Afghanistan also obtained the ACCESS project from WCC amounting USD 1.2 million. BRAC is also undertaking Community based girls schools for out of school children in South Sudan funded by GAC and also implementing the Education for Peace, Recovery, And Resilience (EPRRR) Activity project funded by FHI 360 and USAID. In Uganda the MasterCard scholarship project is still ongoing. BRAC Philippines recently served as a resource expert for the government in crafting a senate bill positioned to provide an alternative learning system of education for adults, out-of-school youth, members of cultural minorities and indigenous people.

### ***Early Childhood Development (ECD) Programme***

**Active in:** Liberia, Tanzania and Uganda

In 2020, ECD programme has been operational in Tanzania, Uganda and Liberia with different projects focusing on children's early stimulation and play based learning. These projects are Play Lab project in Uganda and Tanzania funded by Lego Foundation; Education Empowerment and Life-Skills for Adolescent Girls and Young Children (EELAY) project in Uganda and Tanzania funded by NORAD; Expansion of Play Based ECD Project in Uganda funded by ELMA Philanthropy; Early learning Partnership (ELP) in Liberia funded by World Bank; High Impact Scalable Solutions in Early Childhood Development (ECD) in Uganda and Tanzania funded by Yidan Prize; an ECD Social Enterprise pilot funded by Vitol and Erol Foundation and ECD Covid 19 Response project in Tanzania and Uganda funded by Lego Foundation. Through these projects, ECD programme has reached 502,943 direct beneficiaries in 2020.

### ***Youth Empowerment Programme***

**Active in:** Liberia, Sierra Leone, Tanzania, Uganda, Nepal

The Youth Empowerment programme works towards empowering adolescent girls and young women, enabling them to fight existing social and economic oppressions by showing them the pathways to deal with those obstacles. In February 2020 BRAC in Liberia started working with UNFPA in the scope of the Adolescent and youth empowerment programme. Recently with the funding from BMGF BRAC also launched a project to researching ELA model School settings for scaling up in Uganda. In September 2020, BRAC Nepal became a part of DFID's global Disability Inclusive Development (DID) consortium, with partners Humanity and Inclusion (HI), Light for the World and Sense International, to strengthen reproductive health and livelihoods of youth, including those with disabilities, through safe spaces (ELA clubs). Youth Empowerment programme reached 59,359 people in 2020. The target was to reach 65,661 people.

### ***Health Programme***

**Active in:** Liberia, Sierra Leone, Uganda, Afghanistan

BRAC Afghanistan has the following projects : CCM Fund, (BPHS) in Helmand province (Sehatmandi), Strengthen routine immunization in Helmand- funded by BMGF, Expanding Community based Outreach Vaccination (CBOV) using mobile Immunization Strategy (Helmand Province) – funded by GAVI, Strengthening Routine Immunization in Polio Affected Province of Helmand- funded by GAVI-HSS, COVID-19 Emergency Response and Health Systems Preparedness Project in Helmand province. BRAC Uganda has the following projects: Essential Health care project funded by Living Goods (January 2020 – December 2021), Health Systems Strengthening funded by USAID/Palladium (January 2020 – December 2024), Digital Technologies for VHT and CHW (July 2020 – June 2021), Sanitation for Health Activity- USAID/ Tetra Tech (January 2018 – December 2022), YCHPs: Using Peer Health Promoters to Enhance Youth Reproductive Health in Uganda, funded by Grand Challenges Canada (August 2019 – January 2021), TB Wave 7 Integrated TB Program in Community Health Work in Refugee , funded by STOP TB (January 2020 – March 2021) and Reading Glass for Improved Livelihoods funded by Vision Spring (July 2017 – Dec 2021). BRAC Liberia is the sub recipient of PLAN International for the project HIV/AIDS Response for Key

Populations and Community TB Programme in High Burden Areas in Liberia (January 2021 – December 2023). BRAC Sierra Leone currently has one health project i.e. COVID-19 Emergency Response (Community Health REACH) funded by GIF (January – September 2021). BRAC International health programme has reached 4,789,590 population during 2020.

### ***Agriculture, Food Security and Livelihood (AFSL) Programme***

**Active in:** Liberia, Sierra Leone, South Sudan, Tanzania, Uganda and Myanmar

The AFSL programme's focus is to increase agricultural productivity and profitability while improving livelihoods through extending sustainable technologies and strengthening market linkages. The programme is jointly working with BI Microfinance to develop an agricultural loan product for Sierra Leone and Liberia. A project in Uganda with the support of FAO to assist host communities and newly arrived refugees was successfully completed. In South Sudan, the "Emergency Food Security and Agriculture Project" funded by International Organization for Immigrations (IOM) of the United Nations was implemented for three months and came to an end on 31st June 2020. For the first time, AFSL is implementing a project on Coffee Value Chain in Tanzania in partnership with Vi-Agroforestry. In Myanmar, BRAC has successfully secured a fund from World Fish and also started a new project on Cassava Value Chain in Sierra Leone. In Liberia, King Philanthropies (KP) is supporting the continuation of 2nd phase of AFSL project targeting 7,500 HH and an additional 20,000 indirect beneficiaries.

### ***Emergency Preparedness and Response Programme (EPRP)***

**Active in:** Sierra Leone, Uganda and Myanmar

With funding from the Bill and Melinda Gates Foundation, the BI Humanitarian Programme is on the verge of completing its second phase of the International Emergency Preparedness Programme in 2020. The project aims to build the response capacities of community leaders, volunteers, teachers and school students in Uganda, Sierra Leone and Myanmar. The initiative received additional supplementary funds from the Gates Foundation to engage in mitigation work in Myanmar and Sierra Leone and to provide training on psychosocial care and hygiene practices for community volunteers and school disaster committees in Uganda. As part of the deliverables for the project, the EPRP team completed the Standard Operating Procedures for BRAC International and the individual SOPs for both Sierra Leone, Uganda and Myanmar. In 2020, the project to reach a total of EPRP reached 33,315 people in 2020 through its capacity building initiatives and as well as its mitigation activities.

As a deliverable for the Bill and Melinda Gates funded project, the Programme has finalized BRAC's Global Humanitarian Strategy through the recruitment of an external consultant who conducted interviews with key BRAC staff to formulate this essential strategy. The Global Humanitarian Strategy will serve as the principal document to guide the operational direction of BI Humanitarian Programme in the coming years.

In the year 2020, the EPRP team also engaged in various COVID-19 prevention activities through which a total of 46,972 people were sensitized on COVID-19 prevention practices in the targeted project communities Sierra Leone, Uganda and Myanmar.

### **Ultra-Poor Graduation (UPG) Programme**

Active in: Liberia, Tanzania and Uganda

BRAC International currently implements Ultra-Poor Graduation projects in Liberia and Uganda, and has secured funding for a design phase in Tanzania. For the most part of the year 2020, due to the COVID-19 pandemic, direct implementation activities for the two ongoing UPG projects in Liberia and Uganda were significantly hampered. Most field activities by PAs were completely stopped or reduced between mid-March and mid-June 2020 in adherence to social distancing and the lockdown. Resources were redirected towards general COVID-19 awareness building activities. Since early July, regular project activities in both countries have resumed to a large extent while several adaptations were made to ensure safety of staff and program participants.

As of Jan 31 2021, the Disability Inclusive Graduation project in Uganda has completed Livelihoods Training for 1521 participants, transferred assets to 788 households and adapted the home or work environment of 94 persons with disabilities. The project has also secured a 200,000 GBP of rapid response and recovery grant to support ultra-poor families to cope with the Covid19 crisis.

In BRAC Liberia, the UPG project has continued to support the 750 ultra-poor participants and is ready to graduate participants by March 2021 with an expected graduation rate of over 80%.

### **Microfinance**

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

In line with the BRAC Global Strategy to ultimately reach 250 million people with our BRAC programmes by 2030, management developed its Growth for Impact plan for BRAC International Holdings B.V. (BIHBV) for the period 2020-2024, which was later extended by one year to 2025 due to the emergence of COVID-19. This ambitious agenda for the next five years endeavours to reach out to an additional one million people in existing countries and to expand in up to five countries. To tackle the colossal gap in financial inclusion for women, youth and smallholders farmers the plan also includes specific youth and agriculture finance strategies.

In order to achieve the mission and the associated social performance and financial targets, management will strengthen and support the maturing of the microfinance entities in six strategic priority areas. The strategic initiatives undertaken include systematically measuring and reporting on social performance management and client impact, to develop innovative new loan products, digitise operations and channels, develop human resources, and to ensure adequate funding of the entity operations. Management has made progress to determine an adequate finance, legal and tax structure to facilitate the newly incorporated BRAC International Finance B.V. with the issuing of a first round of notes in 2021.

### **COVID - 19 Pandemic**

The targets of the first year of the Growth for Impact plan of BIHBV Microfinance operation were affected by the COVID-19 pandemic and due the subsequent measures of the authorities to control the spread of the infection. The pandemic has affected nearly every business sector and region of the world, including microfinance services offered by the Company subsidiaries.

All microfinance entities suspended operations at various durations in consideration of the health and safety of staff and clients and in line with directives from the government and regulatory authorities (where applicable). All staff received training on COVID-19 prevention and control and protective wear, such as masks and hand sanitisers, to ensure their safety from the virus. Staff of respective entities also collaborated with BRAC's social development programmes to raise public awareness on COVID-19. The company had to take a higher amount of loan loss provision, determined based on a consistently applied methodology, as an impact of COVID-19 and is continuing reviewing the actual situation in 2021.

All entities conducted rapid assessments to understand the impact of the pandemic on clients' livelihoods and to inform management on resumption modalities that would best meet clients' needs and preferences. Staff also maintained communication with clients via mobile phones to provide them assurance that BRAC is with them. All entities continued to pay staff salaries during the suspension period. To withstand the economic shock of the pandemic, clients were offered moratorium on loan repayments and refinancing and rescheduling options to enhance their financial resilience and to assist them to recover from the crisis.

Furthermore, the company concentrated on the cash flow and other elements of operational continuity risks and were able to successfully complete the discussions with international lenders to postpone the instalments of their loans.

The initial budget for the year 2020 was to grow to 704,000 borrowers with a related interest income of USD 70 million and a surplus after tax of USD 4.5 million. The target was later revised to USD 48 million interest income and an after tax loss of USD 4.1 million. The target number of clients was revised to 655,000. The actual results in 2020 was better than anticipated due to the shorter lockdown in country operations than expected, the actual BIHBV after tax loss was USD 0.44 million compared to budgeted loss of USD 4.1 million.

### ***Country specific information***

#### ***East Africa***

Uganda experienced the longest period of response measures that restricted movements and limited ability to conduct economic activity. The client base of our micro finance bank and portfolio decreased and our PAR and provision for not performing loans went up significantly due to the most prolonged lockdown period compared to other countries. In order to strengthen the core capital ratio, the company converted the debt of the shareholder into a subordinated loan.

The new management team for BRAC Uganda Social Business Enterprise Ltd is actively trying to improve its efficiency and profitability. Although the entity is still in a loss position for the year 2020 there was an improvement in the income from sales by 72% and the corresponding negative result has reduced by 31%.

In Tanzania, the neighbouring country of Uganda, there was no official lockdown, nevertheless management of BRAC Tanzania Finance Ltd (BTFL) took necessary safety measures to protect staff and clients from the virus. Consequently, there was modest growth in client numbers and portfolio. The portfolio at risk increased from 2% to 4 %.

For BRAC Tanzania Finance, the license to operate as a Tier-2 financial institution has been approved in May 2021.

In the year 2020 a new social enterprise company was established in Tanzania named BRAC Enterprises Tanzania Limited to support early childhood education by Playful Learning for young children in Tanzania. It aims to build, launch, and evaluate an innovative early childhood development model for 3-5-year-old children. No operations are performed in 2020 and this is expected to start in 2021.

BRAC Rwanda Microfinance Company Plc, our newest micro finance entity in the East Africa area is still in the expansion phase. Country management was able to increase the number of branches from 7 to 14 and serve 7,196 clients. The disbursements and the outstanding portfolio increased by more than 200%.

The company opened a branch office in Nairobi, Kenya in order to create the legal structure to hire local and international staff. The branch in Kenya will support the BIHBV operating entities in line with the Growth for Impact Plan and provide technical assistance to achieve their strategic priorities.

### *West Africa*

The client base of BRAC Liberia Microfinance Company Ltd (BLMCL) remained almost unchanged compared to 2019. Disbursements also remained at a healthy level of USD 18 million on a yearly basis. The portfolio at risk increased from 1 % to 3 %. BLMCL Management opened 2 new branches in 2020.

The client base of BRAC Microfinance SL (Sierra Leone) Ltd (BMSLL) remained at the same level as to pre-covid period. Disbursements were around USD 17 million on a yearly basis. The portfolio at risk increased from 2% to 7%. BMSLL Management opened 3 new branches in 2020.

### *Asia*

BRAC Myanmar Microfinance Co (BMMCL) Ltd was confronted by various lockdowns during the year on a national - and on a regional level. Despite this difficult environment BMMCL management was able to open up 10 new branches bringing the number up to 85 and increased the number of borrowers from 124,889 to 154,119. Around USD 55 million was disbursed in 2020. Given the economic impact of the pandemic on our clients the portfolio at risk went up from 1% to 6 % at year end. The entity obtained the license to open savings accounts for its clients . At as 2020, 166,822 depositors savings accounts were opened with a total of USD 825,626 as deposited savings.

### *Social enterprise*

#### *Active in: Uganda and Tanzania*

BRAC Uganda Social Business Enterprise Ltd had a challenging year in 2020 due to the COVID-19 impact. Overall, there was USD 222,144 loss reported in 2020 mainly due to an increase in production cost and lower sales during the pandemic. The new management team for BRAC Uganda Social Business Enterprise Ltd is committed for performance improvement in 2021 as a recovery from the COVID-19 impact.

BRAC Enterprise Tanzania Limited (BETL) started its journey on 23rd July 2020 with a funding support from Vitol Foundation and Erol Foundation. The entity will focus on the enterprise model schools related to early childhood development. Currently it is organising overall set up of the entity.

## Financial information

### Highlights

- Grants income (NGO activities) increased by USD 0.3 million to USD 37.4 million (2019: USD 37.1 million) due to the support provided by many donors on the COVID projects during the COVID-19 pandemic.
- Service charge on loans decreased by USD 11.4 million (19%) to USD 47.7 million in 2020 due to increase in portfolio.
- Operating expenses increased by 12% to USD 89.3 million in 2020. This increase relates to the increased number of employees due to opening of new branches in Myanmar, Rwanda and increased compliance costs for Uganda. Operating expenses includes USD 331,250 non-recurring expenses as result of Covid-19.
- The net result for the year 2020 amounts to a loss of USD 1.37 million (2019: USD 13.1 million profit) due to the decrease in service charge as a result of the management's decision to waive the service charge during the operational suspension during the COVID-19.
- The group reserves amount to USD 112.9 million (2019: USD 112.1 million). The group reserves/total assets ratio was 44.9% (2019: 49.2%).
- Total assets increased by USD 23.8 million to USD 251.7 million in 2020 driven by the portfolio growth in microfinance entities.
- Loans to customers increased by 10% to USD 152.4 million in 2020.
- Impairment loss reserve increased from USD 3.7 million to USD 9.8 million in 2020 as management took a higher amount of provision, determined based on a consistently applied methodology, due to the impact of COVID-19 pandemic.
- Cash and cash equivalents increased by 16% to USD 76.5 million in 2020. Cash movement of the Foundation has been disclosed in the cash flow statement. The major driver of changes in cash flow is the higher realization of loans from customers in microfinance operations.
- Current liabilities increased from USD 71.5 million to USD 108.4 million, which is a result of the increase in voluntary deposits, loan security fund and the current portion of long-term borrowing.

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

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

### **Solvency ratio**

The solvency ratio (Result after Tax + Depreciation and amortisation / Total long-term and short-term liability) of the Foundation 2020 is 0.5% due to the loss reported in BIHBV as a result of service charge waiver of micro finance borrowers during the 2020 lockdown period, this is expected to improve in 2021 following resumption of post COVID recovery programme activities.

### **Quick (liquidity) ratio**

The quick ratio [(current assets - inventories) / current liabilities] of the Foundation is 2.17 (2019: 3.00). It shows that the Foundation has sufficient strength to manage its liabilities.

## **Outlook for 2021**

### **Planned spending 2021**

The sectorial planned spending for 2021 is as follows:

<b>Particulars</b>	<b>Actual 2020 USD mln</b>	<b>Budget 2021 USD mln</b>	<b>Increase / (decrease) %</b>
Microfinance	74,853	107,117	43
Social enterprise	1,028	1,887	84
Education	11,741	15,177	29
ECD	2,129	1,285	(40)
Health	8,775	7,734	(12)
Agriculture and Livelihood programme	2,140	2,277	6
Youth programme	1,549	496	78
Ultra Poor Graduation	1,346	1,736	29
Social Protection (CCAP)	1,750	348	(80)
Research	1,281	1,025	(20)
Others	7,244	3,249	(55)
One off Tax on BRAC Tanzania share conversion	931	–	–
Secretariat costs	6,740	7,127	6
	<b>121,507</b>	<b>149,458</b>	<b>23</b>

### **Social Development Programmes**

Looking forward to 2021, we are planning to restart design of the strategic-cum-growth planning exercise, conduct a system review of our operations and management to strengthen our organisational management practices, and roll out new sectoral strategies, concomitant with stepping-up with our fundraising efforts. Our plans for 2021 and key focus areas for discussion are elaborated below in sections 3 and 8 and will also be presented in the session of Annual Operating Plan (AOP) for CY 2021.

The new infections of COVID-19 may increase again in a number of countries. This could be the beginnings of a second wave in those countries. Our Country Office teams are keeping a close eye on these numbers and will make decisions around programming based on the trends and national decisions of the host countries.

We will be continuing our rapid food and income security assessments to assess the impact of COVID-19 in the people's livelihood. We have just finished round six - which shows gradually increasing food and income insecurity amongst families with whom we work. We know that we need to support these families by allowing them to engage in economic activities while also ensuring recommended public health measures for protecting them against infection, as much as possible. We also know that women and girls remain much more vulnerable to the impact of the pandemic. Our assessments reconfirms that the girl-child school dropouts and violence against women are on the rise among our programme participants, in most of the countries of our operation. In response to these findings, our country teams have been designing targeted programmes, and have been discussing with in-country, regional and global donors to address these issues by building on our existing education, youth empowerment, and financial inclusion programmes.

We will also continue to innovate solutions to continue our development work, including expanding radio play labs amongst other programmes to reach our programme participants, as much as possible. We are hoping for vaccination to get wide coverage in our countries of operation by mid-to-late 2021. To support host governments and their UN partners, we are staying prepared to help ensure high coverage of vaccines in urban and rural areas, as appropriate, when they become available. BRAC's strengths in social mobilization for vaccination, as was adopted in mass vaccination programmes in Bangladesh back in 1980s and '90s, would be highly useful in this campaign.

Despite the strong efforts to improve our internal practices and strengthen our overall capacity, a new challenge has emerged that is changing the way we work. The global Coronavirus pandemic has begun to affect BI's work in all our countries at various levels. To respond to the outbreak, BI developed a four-pronged strategic framework as an overall guide for its country office teams to respond to this pandemic. The initial focus of BI has been in promoting staff safety and security however, we have also started preparing for programmes needed at the community level. A strategic framework has been developed to guide each country's response to the outbreak, as well as provide materials for fundraising opportunities and outreach. The strategic framework is complimented by SOP's providing specific guidance for country office teams. All our staff are working tirelessly to respond to the outbreak and we are dedicated to standing by the people for whom we exist during this challenging time.

We continue to engage with donors to help communities in this crisis and received encouraging response on new projects. As of May 2021, we received USD 7.8 million additional commitment but in process of signing from donors for our specific COVID 19 related programmes.

The Foundation will continue its operation on the core programmes such as Education, Health, Agriculture and food security with special focus on Early childhood development, Maternal health. It will also try to expand its graduation programme (Ultra-poor graduation) to more countries where BRAC International is active.

There will be specific focus on strengthening monitoring and learning in Liberia by engaging a specialised team from Innovation for Poverty Action (IPA). Additionally, the Early Childhood Development and Adolescent and Youth Empowerment programmes embarked on the development of long-term programme strategies. The Management Board has also begun a separate exercise of improving programme quality standards to enhance the quality of our field level programme implementation.

In Stichting BRAC International, there is a separate department for research and development. This department is based in Kampala, Uganda and carries out R&D activities for all the legal entities in all countries. Budget for research is allocated within the programmes and the activities are managed centrally from Kampala.

### ***Microfinance***

The company anticipates that entity operations in some markets may continue to experience disruptions throughout 2021 as subsequent waves and variants of COVID-19 trigger measures to contain the spread. While vaccinations are made widely available in some countries, the company anticipates slow access/availability in the markets of operation. Business continuity plans will be activated if and when necessary with staff and client safety in mind.

### ***Social impact performance***

We continue to strengthen and support our microfinance companies in strategic priorities areas to provide responsible, client centric, inclusive financial solutions. Our financial services to women living in poverty in rural and hard to reach areas will be delivered in a transparent, fair and safe way. The entities will continue to close gaps identified in their audits, and documented in the Action Plans, to increase compliance with the USSPM and CPPs and to achieve the targets set out in their Annual Operating Plans. The third round of client impact survey assessments will be completed in all six entities, to continue to help management to track the social impact over time and provide valuable feedback to further refine and ensure client centric offerings and operations.

### ***Business operations***

Client resilience and recovery from the COVID-19 pandemic will continue to be a priority of entities in 2021. The 2021 objectives of the Growth for Impact strategic plan will be executed as the entities progress from recovery to rebuild, back to pre-covid operation stability, and the achievement of its ambitious growth targets. Microfinance program is targeting to increase 20 branches and 30 thousand borrowers in the year 2021. Number of savers expected to increase by 78 thousand. Principal outstanding is expected to increase by 7.5 million. It is expected to hit a USD 4.4 million profit in 2021 recovering from the loss in 2020.

2021 plans include several pilots of key strategic initiatives, including digital channels and Agri finance product prototypes. These learnings will be leveraged to refine offerings to ensure client centricity, sustainability and effectiveness before scaling up.

For social enterprise, the Company hired a dedicated manager for its seed business and training centers in Uganda. It is in process of developing its next three-year business plan focusing on growth, innovation by analysing the market conditions.

## Financing of programmes

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

For microfinance programmes, service charges income is the biggest source followed by external borrowings.

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

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

## HR

The Foundation is investing on the recruitment and retention of quality staff. Training programmes were conducted throughout the year for capacity building in the organisation. The number of employees are 8,032 (2019: 8,037), Female 71% (2019: 71%). For 2021 management expects further growth in the human resource capability to support the growth plan.

Country	2020	2019
<b>East Africa</b>		
Uganda	2,561	2,598
Tanzania	1,699	1,757
Rwanda	164	75
South Sudan	36	14
	<hr/>	<hr/>
	4,460	4,444
<b>West Africa</b>		
Sierra Leone	501	481
Liberia	460	445
	<hr/>	<hr/>
	961	926
<b>Asia</b>		
Afghanistan	1,645	1,733
Myanmar	875	842
Nepal	8	7
Philippines	4	20
	<hr/>	<hr/>
	2,532	2,602
	<hr/>	<hr/>
Carried forward	7,953	7,972

Country	2020	2019
Carried forward	7,953	7,972
<b>Dhaka office</b>	<b>58</b>	55
<b>Kenya Office</b>	<b>14</b>	5
<b>The Hague Office</b>	<b>7</b>	5
<b>Total</b>	<b>8,032</b>	8,037

## Subsequent events

Myanmar, military launched a coup on the 1st of February 2021, detaining State Counselor and her top cabinet leaders in the early morning raids and seizing power from a government established after the 2015 elections. Myanmar Banks Association initially announced a temporarily closure of the bank but later in the day the bank association stated that they will reopen the banks from the next day (2 February). BRAC Myanmar has activated the business continuity plan (including asset management plan). The BRAC Country management Team has prioritised the safety and security of its staff and clients in this situation. The BRAC Management Team is continuously monitoring the situation and taking preventative measures to continue social development programme and micro finance programme activities, where necessary. Communication with existing donors and lenders is being done on a regular basis about the situation and potential impacts. Based on the policies implemented and the operational performance over the first five months no going concern is expected for BRAC Myanmar.

## The Management Board's responsibility statement

The Foundation's Management Board is responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet as at 31 December 2020, the statements of income and expenses and the cash flow statement for the year then ended, and the notes to the financial statements.

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

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

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

### **Signing-off by board**

The Management Board prepared the financial statements and recommends that the Supervisory Board approves the 2020 financial statements.

The Hague, 24 June 2021

On behalf of the Management Board

Dr Muhammad Musa

Ms Ruth Okowa

Mr Shameran Abed

Mr Syed Abdul Muntakim

Ms. Munmun Salma Chowdhury

## Consolidated balance sheet as at 31 December 2020

(before appropriation of result)

		2020		2019
		USD	USD	USD
<b>Fixed assets</b>				
Intangible fixed assets	1	2,461,300		1,695,531
Tangible fixed assets	2	6,936,616		7,224,919
Financial fixed assets	3	7,068,147		4,053,742
			16,466,063	12,974,192
<b>Current assets</b>				
Inventories	4	376,036		321,507
Loans to customers	5	148,059,617		137,811,720
Trade and other receivables	6	10,289,851		11,100,055
Cash and cash equivalents	7	76,492,913		65,709,206
			235,218,417	214,942,488
<b>Total assets</b>			251,684,480	227,916,680
<b>Group reserves</b>				
Reserves	8	112,932,482		112,070,277
Minority interests	8	5,876,810		9,503,743
			118,809,292	121,574,020
<b>Non-current liabilities</b>	9	24,454,795		34,794,151
<b>Current liabilities</b>	10	108,420,393		71,548,509
<b>Total liabilities and reserves</b>			251,684,480	227,916,680

The notes on pages 37 to 88 are an integral part of these consolidated financial statements.

## Consolidated statement of income and expenses for the year ended 31 December 2020

		2020		2019	
		USD	USD	USD	USD
<b>Income</b>					
Grant income	12	37,433,154		37,139,686	
Service charge income	13	47,706,485		59,111,653	
Other operating income	14	6,534,284		9,483,097	
<b>Total operating income</b>			<b>91,673,923</b>		105,734,436
Cost of outsourced work and other external costs					
	15	(33,959,224)		(33,812,653)	
Wages and salaries					
	16	(37,074,211)		(34,168,351)	
Social security and pension charges					
	17	(2,496,266)		(1,370,950)	
Amortisation and depreciation on intangible and tangible fixed assets					
	1,2	(2,077,085)		(1,738,767)	
Impairment losses on loans to customers					
	5	(7,028,952)		(1,444,275)	
Other operating expenses					
	18	(6,616,421)		(7,091,764)	
<b>Total operating expenses</b>			<b>(89,252,159)</b>		(79,626,760)
<b>Operating result</b>			<b>2,421,764</b>		26,107,676
Interest income and similar income					
	19	2,389,060		1,452,839	
Interest expenses and similar charges					
	20	(9,247,236)		(6,601,283)	
Impairment of financial fixed assets					
	20	(139,316)			
			<b>(6,997,492)</b>		(5,148,444)
<b>Result from ordinary activities before tax</b>			<b>(4,575,728)</b>		20,959,232
Corporate income tax					
	21	(398,542)		(6,755,854)	
<b>Result after tax</b>			<b>(4,974,270)</b>		14,203,378
Minority interests					
			<b>3,601,538</b>		(1,065,418)
<b>Net result</b>			<b>(1,372,732)</b>		13,137,960

Stichting BRAC International

The Board of Management proposes to the General Meeting of Affiliates to appropriate the profit after tax for 2020 other reserves.

The notes on pages 37 to 88 are an integral part of these consolidated financial statements.

## Consolidated statement of comprehensive income for the year ended 31 December 2020

	2020		2019	
	USD	USD	USD	USD
<b>Consolidated result after tax attributable to the Foundation</b>		<b>(1,372,732)</b>		<b>13,137,960</b>
Translation differences on foreign participating interests	<b>1,009,994</b>		<b>(1,174,989)</b>	
<b>Total of items recognised directly in reserves of the Foundation as part of the group reserves</b>		<b>1,009,994</b>		<b>(1,174,989)</b>
<b>Comprehensive income</b>		<b>(362,738)</b>		<b>11,962,971</b>

The notes on pages 37 to 88 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in reserves for the year ended 31 December 2020

	General reserve	Legal reserve	Foreign currency translation reserve	Total
	USD	USD	USD	USD
As at 1 January 2019	77,120,200	37,528,263	(8,432,383)	106,216,080
Unappropriated result for the year	8,872,283	4,265,677	–	13,137,960
Transferred to general reserve (ref. – note 1)	31,457,706	(31,457,706)	–	–
Changes in consolidation scope	–	(6,108,774)	–	(6,108,774)
Foreign currency translation differences	–	2,745,721	(3,920,710)	(1,174,989)
As at 31 December 2019	117,450,189	6,973,181	(12,353,093)	112,070,277
As at 1 January 2020	117,450,189	6,973,181	(12,353,093)	112,070,277
Unappropriated result for the year	(239,913)	(1,132,819)	–	(1,372,732)
Transferred to general reserve (ref. – note 1)	989,343	(989,343)	–	–
Foreign currency translation differences	–	1,224,943	1,009,994	2,234,937
As at 31 December 2020	118,199,619	6,075,962	(11,343,099)	112,932,482

The notes on pages 37 to 88 are an integral part of these consolidated financial statements.

Legal reserve is restricted for the specific country operation and cannot be used for any other use. The profits and net equity of Uganda, Tanzania, Afghanistan, South Sudan operations are included under this category. From September 2019, BRAC Tanzania Finance Ltd was incorporated by shares therefore no longer included under legal reserves. In 2019, the profits and net equity of Zanzibar (100%) operations were under this category. In 2020, BRAC Zanzibar Finance Ltd was incorporated by shares therefore no longer included under legal reserves.

In 2019, changes in consolidation scope includes the amount of USD 6.1 million consolidation loss in BRAC Pakistan.

## Consolidated cash flow statement for the year ended 31 December 2020

		2020		2019	
		USD	USD	USD	USD
<b>Cash flow from operating activities</b>					
Net result			(1,372,732)		13,137,960
Adjusted for:					
— Depreciation/amortisation/ other value adjustments	1,2	2,077,085		1,738,767	
— Impairment/write-off in loans	5	7,028,952		1,444,275	
— Impairment provision on financial fixed assets		139,316		—	
— Interest income and expenses		6,858,176		5,148,444	
— Tax on result from ordinary activities	21	398,542		6,755,854	
— Change in minority interest	8	(3,601,538)		1,065,418	
— Other movements in loans	5	(4,026,323)		(3,671,250)	
— Changes in working capital:					
✓ Change in inventories		(54,529)		122,717	
✓ Change in trade and other receivables		1,688,976		(4,295,025)	
✓ Change in other liabilities		13,469,870		5,603,563	
			<b>23,978,527</b>		<b>13,912,763</b>
Cash flow from business operations			<b>22,605,795</b>		<b>27,050,723</b>
Interest paid		(6,973,656)		(6,565,793)	
Income tax paid		(4,935,784)		(3,229,324)	
			<b>(11,909,440)</b>		<b>(9,795,117)</b>
<b>Cash flow from operating activities (carried forward)</b>			<b>10,696,355</b>		<b>17,255,606</b>

Stichting BRAC International

		2020		2019
		USD	USD	USD
Brought forward			10,696,355	17,255,606
Investments in:				
— Tangible fixed assets	2	(1,253,138)	(2,558,917)	
— Intangible fixed assets	1	(1,050,672)	(259,778)	
Disposals of (in)tangible fixed assets		—	26,096	
Sale of shares Uganda 51%		—	11,636,265	
Change in consolidation Scope		—	(5,515,438)	
Loans to customers distributed	5	(238,361,386)	(298,683,466)	
Loans to customers repayment	5	225,173,443	274,331,147	
<b>Cash flow from investing activities</b>			<b>(15,491,753)</b>	<b>(21,024,091)</b>
Increase in borrowings	9	26,372,882	16,339,130	
Repayment of borrowings	9	(12,496,527)	(6,842,397)	
<b>Cash flow from financing activities</b>			<b>13,876,355</b>	<b>9,496,733</b>
<b>Net cash flow</b>			<b>9,080,957</b>	<b>5,728,248</b>
Exchange rate and translation differences on cash and cash equivalents			1,702,750	496,955
<b>Changes in cash and cash equivalents</b>			<b>10,783,707</b>	<b>6,225,203</b>
			<b>2020</b>	<b>2019</b>
			<b>USD</b>	<b>USD</b>
<b>Cash and cash equivalents as at the beginning of the financial year</b>			<b>65,709,206</b>	59,484,003
Changes in cash and cash equivalents			<b>10,783,707</b>	6,225,203
<b>Cash and cash equivalents as at the end of the financial year</b>			<b>76,492,913</b>	65,709,206

The notes on pages 37 to 88 are an integral part of these consolidated financial statements.

## Notes to the 2020 consolidated financial statements

### The reporting entity

Stichting BRAC International ('the Foundation') has its legal address in The Hague and its office address at Spaarneplein 2, 2515 VK, The Hague is a Foundation under Dutch law and is registered as a RSIN 820561320 under number 27339472 in the Trade Register.

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

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

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

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

### Financial reporting period

The financial statements are for the year from 1 January 2020 to 31 December 2020. The comparatives consist of the year 2019, which ended as at 31 December 2019.

### Basis of preparation

The consolidated financial statements of the Foundation are part of the statutory financial statements of the Foundation and have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code and the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

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

### Going concern

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

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

### **General**

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

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

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

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

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits and all or substantially all of the risks related to the asset or liability being transferred to a third party. Further, assets and liabilities are no longer recognised in the balance sheet if economic benefits are no longer probable and/or cannot be measured reliably anymore. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

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

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

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

### **Functional and presentation currency**

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

## **Use of estimates and judgements**

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

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

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

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

— The valuation of the loans to customers.

## **Consolidation principles**

### ***Consolidation scope***

The consolidated financial statements include the financial information of the Foundation, its group companies and other companies over which the Foundation can exercise control. Control exists when the Foundation has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group companies are participating interests in which the Foundation has a direct or indirect controlling interest. In assessing whether controlling interest exists, potential voting rights are taken into account that are currently exercisable and as a result will provide the Foundation with more or less influence.

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

### ***Consolidation method***

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

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

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

### Group structure of Stichting BRAC International

The following NGO branches and entities have been consolidated under Stichting BRAC International:

Name	Legal address	2020 share of interest %	2019 share of interest %
BRAC International Holding B.V.	The Hague, The Netherlands	<b>100</b>	100
BRAC Liberia	Monrovia, Liberia	<b>Branch</b>	Branch
BRAC Sierra Leone	Freetown, Sierra Leone	<b>Branch</b>	Branch
BRAC Philippine	Cotabato City, Philippines	<b>Branch</b>	Branch
BRAC Nepal	Kathmandu, Nepal	<b>Branch</b>	Branch
BRAC Kenya	Nairobi, Kenya	<b>Branch</b>	Branch
BRAC Uganda*	Kampala, Uganda	–	–
BRAC Afghanistan*	Kabul, Afghanistan	–	–
BRAC Maendeleo Tanzania*	Dar es Salaam, Tanzania	–	–
BRAC South Sudan*	Juba, South Sudan	–	–

\* The entities with no share of interest are locally established limited companies by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors.

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

Stichting BRAC International is represented in several countries as a Branch. On basis of the local registered offices, Stichting BRAC International manages its donor funded activities (NGO).

### **Consolidated entities of BRAC International Holdings BV**

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

<b>Name</b>	<b>Legal address</b>	<b>2020 share of interest %</b>	<b>2019 share of interest %</b>
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	<b>100</b>	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	<b>100</b>	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	<b>100</b>	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	<b>100</b>	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	<b>100</b>	–
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	<b>100</b>	–
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	<b>100</b>	100
BRAC Uganda Bank Ltd	Kampala, Uganda	<b>49</b>	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	<b>Branch</b>	–
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	<b>100</b>	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	<b>100</b>	100
BRAC International Finance B.V.	The Hague, The Netherlands	<b>100</b>	–

In 2020, following a group restructuring, the legal entity form of BRAC Zanzibar Finance Limited was transferred from a Company Limited by Guarantee to a Company Limited by Shares to BRAC International Holdings B.V. via Stichting BRAC International. The net book value of the assets transferred was USD 0.99 million and treated as a share premium contribution.

On July 2020, a new social enterprise company was established in Tanzania named BRAC Enterprises Tanzania Limited to support early childhood education by Playful Learning for young children in Tanzania. It aims to build, launch, and evaluate an innovative early childhood development model for 3-5 year old children. The operational activities are not started in 2020 and are expected to start in 2021.

BRAC Uganda Bank Ltd remained to be consolidated fully, despite having a 49% shareholding, as the Foundation continues to have full control on over the entity. Full control has been considered due to, but not limited to, the inability of the other shareholders to make critical business resolutions. For the most critical business resolutions a majority of at least 60% is required. This cannot be achieved without the involvement of BRAC International Holdings B.V. Furthermore, the Foundation has the ability to appoint a majority of the directors.

On May 2020, the company opened a branch office in Nairobi, Kenya, in order to create the legal structure to hire local and international staff. The branch in Kenya will support the BIHBV operating entities in line with the Growth for Impact Plan and provide technical assistance to achieve their strategic priorities.

On 31 December 2020, BRAC International Holdings B.V. incorporated a new Private Limited Liability Company in the Netherlands named BRAC International Finance B.V. The primary objective of the new company is to source external borrowings to support liquidity needs of its microfinance subsidiaries.

### ***Business combinations under common control***

A business combination under common control is a business combination of an entity that is under common control from the shareholders. Such business combinations are also referred to as common control transactions.

Business combinations under common control are accounted for using the 'carry over accounting' method. In this respect, the assets and liabilities of the combining entities, as well as their income and expenses, for the period in which the combination has occurred are included in the financial statements of the acquiring entity as if they have been combined from the beginning of the financial year. The carrying amounts of the assets and liabilities are combined, no revaluation to fair value takes place. Any differences between the accounting policies of the combined entities are unified through a change in accounting policies.

In the situation that the date of merger is not the date of the start of the reporting period, the results of the acquired entity are recognised in the profit and loss account of the acquiring entity.

Any difference between the nominal amount of the share capital issued as a result of the combination (plus any additional consideration in the form of cash or other assets) and the carrying amount of the assets and liabilities underlying the share capital acquired, is recognised in share premium.

### **Principles for the translation of foreign currency**

#### ***Transactions in foreign currencies***

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

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

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

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

### ***Foreign operations***

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

Goodwill resulting from the acquisition of a foreign operation and fair value adjustments made at the acquisition date are translated into the functional currency at the exchange rate at the balance sheet date.

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

When a foreign operation is fully or partially sold, the cumulative amount that relates to that foreign operation is transferred from the translation reserve to the statement of income and expenses.

### ***Hedging of the net investment in foreign operations***

Currency translation differences arising from the translation of a financial liability considered as a hedge of the net investment in a foreign operation, are directly recognised in equity (in the translation reserve) to the extent that the hedge is effective. The ineffective part is recognised as an expense in profit and loss.

### **Financial instruments**

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

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

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

Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the economic substance of the contractual terms. Presentation of the financial instruments is based on the individual components of financial instruments as a financial asset, financial liability or equity instrument.

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

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

### ***Loans granted and other receivables***

Loans granted and other receivables are carried at amortised cost on the basis of the effective interest method, less impairment losses. The effective interest and impairment losses, if any, are directly recognised in the profit and loss account.

### ***Non-current and current liabilities and other financial commitments***

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

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

### ***Derivatives***

The Foundation does not make use of derivatives.

### ***Offsetting financial instruments***

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

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

### ***Intangible fixed assets***

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

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

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

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

### ***Software licenses***

Software licenses are stated at cost less accumulated amortisation and impairment losses.

The capitalised amount is amortised on a straight-line basis during the ten-year term of the contract.

### ***Prepayments on intangible fixed assets***

Prepayments on intangible fixed assets are valued at cost. Prepayments on intangible fixed assets are not amortised.

## **Tangible fixed assets**

### ***Recognition and measurement***

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

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

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

### ***Depreciation***

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

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

	2020 %
Buildings	5
Equipment	20
Computers	33.33
Motor vehicles	20
Other	10

Tangible fixed assets, for which the Foundation and its group companies possess the economic ownership under a financial lease, are capitalised. The obligation arising from the financial lease contract is recognised as a liability. The interest included in the future lease instalments is charged to the statement of income and expenses during the term of the finance lease contract.

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

## Financial fixed assets

### *Participating interests with significant influence*

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If measurement at net asset value is not possible because the information required for this cannot be obtained, the participating interest is measured according to the visible equity. In assessing whether the Company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

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

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

(for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Foundation on behalf of the participating interest.

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

### ***Participating interests with no significant influence***

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

### ***Other financial fixed assets***

Receivables from non-consolidated participating interests are initially measured at fair value plus directly attributable transaction costs. Subsequently, these receivables are measured at amortised cost using the effective interest method, less impairment losses.

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

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

### ***Impairment of fixed assets***

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

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

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

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

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

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

### **Disposal of fixed assets**

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

### **Inventories**

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

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

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

### **Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Foundation does not intend to sell immediately or in the near term. Loans and advances are shown at the gross amount adjusted for any provision for impairment losses.

Loans originated by the Foundation by providing finance directly to borrowers is categorised as loans to group members and is carried at amortised cost on the basis of the effective interest method.

### ***Impairment of financial assets***

At each statement of financial position date, the Foundation and its subsidiaries assess whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Foundation on terms that the Foundation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Foundation, or economic conditions that correlate with defaults in the Foundation.

Management assesses the adequacy of allowance for impairment based on the age of the loan portfolio.

The Foundation considers evidence of impairment for loans and advances at both a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

The Foundation estimates losses on loans and advances as follows:

1. Given the volume and value of individual loans and advances and the fact that they are unsecured, it is not practical to estimate the future cash flows in order to derive the net present value for purpose of impairment. For this reason, industry practice is used to estimate the specific provision for loans and advances. The Foundation followed the guidance of IFRS 9, which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL.
2. In addition to the specific loan provisions, a general provision of 1-2% on current loans has been provided which was derived based on the Foundation's historic loss ratio. Loans within the maturity period are considered 'Current Loans'. Loans which remain outstanding after the expiry of their maturity period are considered as 'Late Loans'. Late loans which remain unpaid after one year of being classified as 'Late Loans' are considered as 'Non-interest-bearing loans (NIBL)' and are referred to the Board for write-off.

Apart from that, any loans can be written off subject to the approval of the Board where the Board thinks that they are not realisable due to death, dislocation of the borrower or any other natural or humanitarian disaster that affects the livelihood of the borrowers.

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

### **Cash and cash equivalents**

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

Investments with a longer maturity at acquisition do not become cash equivalents once their remaining maturity period falls to three months.

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

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

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

### **Reserves**

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

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

### **Foreign currency translation reserve**

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

### **Minority interests**

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

### **Provisions**

A provision is recognised if the following applies:

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

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

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

### **Non-current liabilities**

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

### **Current liabilities**

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

### **Revenue recognition**

Revenue is recognised on an accrual basis.

### ***Donor grants and grant income***

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

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

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

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

### ***Service charge on loans and advances***

Interest income on loans and advances (service charges) on regular loans that is, loans where no amounts are overdue as at the end of the reporting period are recognised on an accrual basis as income. The recognition of service charges ceases when the loan is transferred to non-interest bearing loan. These loans are referred to as 'non-performing' loans.

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

#### ***Fees and commission income***

Membership fees of customers and other charges are recognised on an accrual basis when the service has been provided.

#### ***Other income***

Other income comprises income from sale of seeds and includes gains from disposal of assets. Sale of seeds are recognised when the significant risk and rewards are transferred to the customers.

#### ***Costs of outsourced work and other external costs***

This includes costs incurred in order to generate operating income, insofar as these costs have been charged by third parties and are not to be regarded as costs of raw materials and consumables.

#### ***Employee benefits***

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

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

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

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

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

## **Pensions**

### ***Foreign pension plans***

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

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

### ***Dutch pension plans***

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

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

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

### **Interest receivable and similar income and interest payable and similar charges**

Interest income is recognised in the statement of income and expenses on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Premium, discount and redemption premiums are recognised as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognised in the statement of income and expenses. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the statement of income and expenses and the redemption premiums already recognised in the statement of income and expenses, are recognised as an

increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the statement of income and expenses are recognised as a reduction of the debt(s) to which they relate.

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

### **Corporate income tax**

Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the statement of income and expenses except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity, or to business combinations.

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

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

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

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

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

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

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

### **Share in result of participating interests**

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

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

## **Leasing**

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

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

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

### ***Financial leases***

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

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

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

### ***Operating leases***

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

## **Cash flow statement**

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

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

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

### **Related party transactions**

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

Related parties comprise directors, subsidiaries of BRAC International, BRAC Bangladesh (including related BRAC entities) and key management personnel of the Foundation and companies with common ownership and/or directors.

### **Contingent liabilities**

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

### **Determination of fair value**

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

### **Subsequent events**

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

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

## 1 Intangible fixed assets

Movements in intangible fixed assets were as follows:

	Software USD	Total USD
Balance as at 1 January 2020:		
— Purchase price	2,205,025	2,205,025
— Accumulated amortisation and impairment	(509,494)	(509,494)
	<hr/>	<hr/>
— Carrying amount	1,695,531	1,695,531
	<hr/>	<hr/>
Changes in carrying amount:		
— Investments	1,050,672	1,050,672
— Amortisation	(297,361)	(297,361)
— Exchange rate differences purchase price	22,487	22,487
— Exchange rate differences accumulated depreciation	(10,029)	(10,029)
	<hr/>	<hr/>
— Change in carrying amount	765,769	765,769
	<hr/>	<hr/>
Balance as at 31 December 2020:		
— Purchase price	3,278,184	3,278,184
— Accumulated amortisation and impairment	(816,884)	(816,884)
	<hr/>	<hr/>
— Carrying amount	2,461,300	2,461,300
	<hr/>	<hr/>

The intangible fixed assets consist of expenditure on software license purchased from third parties and system enhancement.

## 2 Tangible fixed assets

Movements in tangible fixed assets were as follows:

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2020:					
— Purchase price	613,826	5,326,320	1,559,129	4,271,444	11,770,719
— Accumulated depreciation and impairment	(109,313)	(2,052,043)	(955,196)	(1,429,248)	(4,545,800)
— Carrying amount	504,513	3,274,277	603,933	2,842,196	7,224,919
Changes in carrying amount:					
— Investments	90,591	714,663	214,814	295,898	1,315,966
— Disposals	—	(81,315)	14,948	3,539	(62,828)
— Depreciation	(31,364)	(995,331)	(215,080)	(525,037)	(1,766,812)
— Reversal of depreciation on disposal	—	38,297	5,044	12,372	55,713
— Changes in consolidation scope purchase price	—	17,580	52,160	11,078	80,818
— Changes in consolidation scope accu. depreciation	—	(4,375)	(14,123)	(1,113)	(19,611)
— Exchange rate differences purchase price	24,588	11,233	147,445	30,234	213,500
— Exchange rate differences accumulated depreciation	(5,158)	(15,729)	7,719	(91,881)	(105,049)
— Change in carrying amount	78,657	(314,977)	212,927	(264,910)	(288,303)
Balance as at 31 December 2020:					
— Purchase price	729,005	5,988,481	1,988,496	4,612,193	13,318,175
— Accumulated depreciation and impairment	(145,835)	(3,029,181)	(1,171,636)	(2,034,907)	(6,381,559)
— Carrying amount	583,170	2,959,300	816,860	2,577,286	6,936,616

### 3 Financial fixed assets

	2020 USD	2019 USD
Investment in SFRE Fund	3,338,728	3,392,071
Deferred tax assets	3,714,514	646,678
Finance lease on leasehold land	14,905	14,993
	<b>7,068,147</b>	<b>4,053,742</b>

#### Investment in SFRE Fund

The investment in SFRE Fund has been made to 56,151 'A' shares in SFRE fund Luxemburg and recognised at cost less impairment value. The cost per share is USD 71.24 each and the Net Asset Value (NAV) per share is USD 59.46. According to management estimation, the NAV of this fund will not increase to the level of its cost in the near future. Consequently, the difference has been impaired.

SFRE (Sustainability – Finance – Real Economies SICAV – SIF Fund) was initiated by the Global Alliance for Banking on Values (GABV) to meet growth capital needs of the value-based banks and expand their impact and reach. The total commitment of USD 4 million has been invested till 31 December 2020 (NAV USD 3,338,728). An impairment of USD 661,272 has been provisioned up to 2020.

	2020 USD	2019 USD
Investment in SFRE Fund at cost	4,000,000	4,000,000
Less: Cumulative Provision for Financial Loss	(661,272)	(607,929)
	<b>3,338,728</b>	<b>3,392,071</b>

#### Deferred tax assets

The deferred tax assets arise due to temporary differences between the accounting base and fiscal base in assets and liabilities using the principal tax rate of the subsidiaries. The Foundation's group companies in Uganda, Liberia, Sierra Leone have tax loss carry forwards and temporary tax assets in Tanzania due to higher provision of impairment losses. The management estimate to recover the past losses within next three years. The foundation is expecting to settle USD 1.9 million, related to recovery of tax losses applicable for BRAC Uganda Bank, out of the USD 3.7 million deferred tax assets in 2021.

### Finance lease on leasehold land

The finance lease relates to costs incurred for the acquisition of land located on Block 382, Plot 19 at Kiziba, Bulemezi for BRAC Uganda Social Business Enterprises Ltd. It is amortised on a straight-line basis over the period of the lease. The lease agreement became effective on 18 December 2008 for 99 years and as at 31 December 2020, the remaining lease period is 87 years.

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

## 4 Inventories

	2020 USD	2019 USD
Finished products and goods for resale	<b>376,036</b>	321,507

No provision for obsolete inventories is deemed necessary (2019: USD 0).

## 5 Loans to customers

### Principal loans outstanding

	2020 USD	2019 USD
Microfinance loans	<b>103,862,466</b>	101,480,853
Small enterprises programme (SEP)	<b>31,650,189</b>	29,911,196
Empowering and Livelihood for Adolescent Loans (ELA)	<b>6,111,486</b>	2,357,701
Agriculture	<b>10,916,315</b>	3,675,683
Other loans	<b>1,406,388</b>	3,333,468
	<b>153,946,844</b>	140,758,901

Microfinance loans to group members are traditional small ticket loans and is approximately for a 20 and 40 weeks period and for a period of 6-12 months. SEP loans are normally given to individual small businesses and for a period of 6-12 months. The duration of the loans regarding the ELA (Empowering and Livelihood for Adolescent Loans) and the Agriculture loan is approximately 40 weeks. These loans bear interest percentages from 15% to 30% per annum. It is estimated that the fair values of the loans are approximately the same as the carrying values as the time period of money is not material as the loans are no longer than 12 months. All loans are secured up to the balance of Loan Security Deposit.

## Loans to customers

	2020 USD	2019 USD
Opening balance as at 1 January	140,758,901	130,963,547
Changes in Consolidation Scope	–	(14,556,965)
Disbursements during the year	238,361,386	298,683,466
Repayment during the year	(225,173,443)	(274,331,147)
Gross advance to customers	153,946,844	140,758,901
Interest receivable as at 31 December	5,427,175	2,947,448
Less write-offs during the year	(1,546,596)	(2,233,344)
Loan loss reserve	(9,767,806)	(3,661,285)
Closing balance as at 31 December	148,059,617	137,811,720

The movement of the loan loss reserve is below:

	2020 USD	2019 USD
Opening balance as at 1 January	3,661,285	5,068,867
Charged for the year	7,028,952	1,444,275
Change in consolidation scope	–	(493,395)
Write-off	(1,546,596)	(2,233,344)
FX adjustment	624,165	(125,118)
Closing balance as at 31 December	9,767,806	3,661,285

The Foundation followed the guidance of IFRS 9 which is also acceptable under Dutch accounting principles. It follows the 'expected credit loss' (ECL) model. It requires the Foundation to measure Expected Credit Loss (ECL) on a forward-looking basis reflecting a range of future economic conditions. Management judgment is applied to determining the economic scenarios used and the probability weightings applied to them and the associated impact on ECL. The significant increase in the loan loss reserve is due to the impact of COVID-19 on the portfolio quality.

## 6 Trade and other receivables

	2020 USD	2019 USD
Grants receivable	5,332,749	4,869,093
Advances and prepayments to third parties	2,126,938	1,706,187
Advances to staff	80,366	105,070
Cash in transit Uganda Dividend	—	1,361,656
Other assets	1,477,922	2,664,945
Prepaid taxes	1,271,876	393,104
	<b>10,289,851</b>	<b>11,100,055</b>

Grants receivable mainly consist of funds receivable from donors against expenses incurred on various projects in Afghanistan (i.e. Girls Education Challenge project, MRRD - Citizen Charter project, BPHS Helmand Project, etc.), Myanmar (i.e. Small Scale Aquiculture investment for Livelihoods (SAIL) project and World Fish Inland Mysap Project), and Liberia (WFP, LEAP project), etc.

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

Other assets include National Bank of Rwanda, receivables from MTN against loan realized through mobile banking and interest accrued on short-term deposits.

The USD 1,250,000 receivable from BRAC USA will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

## 7 Cash and cash equivalents

	2020 USD	2019 USD
Cash at bank	52,568,307	48,677,720
Short-term deposits	22,678,166	15,944,092
Cash in hand	1,246,440	1,087,394
	<b>76,492,913</b>	<b>65,709,206</b>

All cash and cash equivalent balances are available on demand. In addition, the Foundation has a short-term deposit balance with Azania Bank in Tanzania of USD 861,668. BRAC Tanzania Finance Ltd. originally invested USD 3,458,988 in M Bank. Azania Bank who has taken over the Assets and Liabilities of M Bank.

## 8 Group reserves

	2020 USD	2019 USD
Reserves	112,932,482	112,070,277
Minority interest	5,876,810	9,503,743
	<b>118,809,292</b>	<b>121,574,020</b>

Refer to note 31 for the movement schedule.

### Reserves

	2020 USD	2019 USD
General reserve	118,199,619	117,450,189
Legal reserve	6,075,962	6,973,181
Foreign currency translation reserve	(11,343,099)	(12,353,093)
	<b>112,932,482</b>	<b>112,070,277</b>

The legal reserve is the total equity for certain group entities where it is not possible to pay out dividend. These entities with no share of interest are locally established as companies limited by guarantee and having no share capital. Stichting BRAC International has control over the governance and operational policy of these entities and is able to appoint directors. The profits and net equity of Uganda, Tanzania, Afghanistan, and South Sudan operations are under this category.

The movement in reserves can be specified as follows:

	2020 USD	2019 USD
As at 1 January	112,070,277	106,216,080
Surplus/(loss) for the year	(1,372,732)	13,137,960
Changes in consolidation scope	–	(6,108,774)
Foreign currency translation differences	2,234,937	(1,174,989)
As at 31 December	<b>112,932,482</b>	<b>112,070,277</b>

## Minority interests

	2020 USD	2019 USD
Minority interests:		
BRAC Uganda Bank Ltd.	5,876,810	9,503,743

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

## 9 Non-current liabilities

	2020 USD	2019 USD
Borrowings	62,635,075	47,614,679
Less: Current portion of borrowings	(38,180,280)	(12,820,528)
Long-term borrowings	24,454,795	34,794,151

The non-current liabilities per 31 December 2020 can be further disclosed as follows:

	2020 USD	Repayment obligation 2021 USD	Remaining duration >1 year USD	Remaining duration >5 year USD
responsAbility Investments AG	663,795	492,191	171,604	–
Bank of Africa	1,919,738	1,509,298	410,440	–
Stromme Microfinance (E.A.) Ltd.	1,766,100	506,575	1,259,525	–
Oiko Credit	1,219,183	1,219,183	–	–
Netherlands Development Finance Co. (FMO)	9,031,845	7,538,583	1,493,262	–
Triodos Investment Management	7,782,262	6,627,761	1,154,501	–
Global Partners	5,953,664	4,549,357	1,404,307	–
OPIC	5,000,000	1,320,000	3,680,000	–
aBi Trust and Finance	3,147,564	861,188	2,286,376	–
–Yoma Bank	2,558,122	2,558,122	–	–
AGD Bank	5,266,722	–	5,266,722	–
UAB Bank	7,125,000	7,125,000	–	–
Citi Bank	4,065,364	855,866	3,209,498	–
UECCC	1,097,264	–	1,097,264	–
Mastercard Foundation	1,466,204	1,466,204	–	–
CRDB Bank	1,938,400	–	1,938,400	–
Others	2,633,848	1,550,952	1,082,896	–
	62,635,075	38,180,280	24,454,795	–

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

	2020 USD	2019 USD
Opening balance as at 1 January	47,614,679	47,907,962
Received during the year	26,372,882	16,339,130
Repayment during the year	(12,496,527)	(6,842,397)
Changes in Consolidation Scope	–	(9,756,237)
Interest accrued	–	(80,292)
Foreign currency loss/(gain)	1,144,041	46,513
	<hr/>	<hr/>
Closing balance as at 31 December	62,635,075	47,614,679
	<hr/>	<hr/>

The specification of the borrowings as at 31 December:

		2020 USD	2019 USD
BRAC Bangladesh		–	98,077
responsAbility Investments AG	1	663,795	830,449
Bank of Africa	2	1,919,738	3,927,258
Stromme Microfinance (E.A.) Ltd.	3	1,766,100	1,085,250
Oiko Credit	4	1,219,183	2,425,206
Netherlands Development Finance Co. (FMO)	5	9,031,845	10,277,266
Triodos Investment Management	5	7,782,262	7,777,992
Global Partners	5	5,953,664	5,980,886
OPIC	6	5,000,000	5,000,000
aBi Trust and Finance	7	3,147,564	3,492,296
Grameen Credit Agricole Foundation	8	–	270,307
Yoma Bank	9	2,558,122	4,595,215
AGD Bank	10	5,266,722	–
UAB Bank	11	7,125,000	–
Citi Bank	12	4,065,364	–
UECCC	13	1,097,264	–
Mastercard Foundation	14	1,466,204	–
CRDB Bank	15	1,938,400	–
Others	16	2,633,848	1,854,477
		<hr/>	<hr/>
		62,635,075	47,614,679
		<hr/>	<hr/>

1. **responsAbility Investments AG:** In July 2015, a loan agreement was signed with responsAbility Investments AG worth USD 4,500,000 to the equivalent of USHS 15,079 million. The first tranche of USD 2,500,000 was immediately disbursed and the second one disbursed at close of November 2015. The facilities are payable in a period of 3 years at an interest rate of 6.95%. The outstanding balance was fully paid on 3 September 2019. The loan was not secured.

In July 2019, term loan facility worth USD 2 million was secured from responsAbility investments AG (a Swiss-based private enterprise) for 36 months for Tanzania. The loan is repayable in six equal instalments and attracts interest at 7.1%. The repayment schedule was renegotiated and delayed by six months from the maturity date of June 2022 to December 2022.

2. **Bank of Africa:** In March 2019, BRAC Uganda Bank Limited obtained a loan from Bank of Africa amounting to USHS 15,000,000,000 equivalent to USD 4,092,535. The loan period is 3 years. Interest and principal is paid on a quarterly basis at a rate of 14%. The loan is tagged to T-bill of 182 day and the outstanding balance is USHS 6.99 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.

In February 2019, BRAC Tanzania Finance Limited secured overdraft facility of TZS 2,000 million and trade line TZS 1,500 million making a total facility being TZS 3,500 million. The facility is subject to annual renewal on merit basis. The interest rate is 17% per annum.

3. **Stromme Microfinance (E.A.) Ltd.:** BRAC Tanzania Finance Limited secured a loan from Stromme Microfinance (E.A) Limited in June 2018 for a period of 48 months. The company changed name to Soluti Finance E.A. in 2020. The loan amounted to equivalent USD of 1.5 million as term loan. The loan is quoted at the rate of 18% fixed with no expected increase until maturity.
4. **Oikocredit:** In October 2016, BRAC Uganda Bank obtained a loan from Oikocredit, the loan agreement was for a total principal loan amount of USHS 20 billion for a period of 5 years, at a rate of 16.01% and disbursed in 4 tranches of USHS 5 billion each. The loan will be repaid in 18 quarterly instalments. The loan is secured by a floating charge on BRAC Uganda Finance's loan portfolio. The interest rate was revised to 14% from 16.1% because this facility is tagged to 182Tb+2% which reduced in the year 2018 this rate has not been revised to date. The outstanding balance of Ushs 4.4 billion will be maturing in December 2021.
5. **Netherlands Development Finance Co. (FMO), Triodos Investment Management, Global Partners:** In July 2017, BRAC Uganda and Tanzania Microfinance companies obtained a club finance facility of USD 21 million from Netherlands Development Finance Co. (FMO), Triodos Investment Management and Global Partners for a period of 4 years, at a rate of 15% to 17% and to be disbursed in 4 tranches. The first principal repayment was originally due in June 2020 however, it was renegotiated to be paid in June 2022 and rest of the principal repayments remain as scheduled originally and is due in 2021. The loan is not secured.

BRAC Myanmar Microfinance Company Limited also secured a loan USD 2.5 million from FMO repayable in 4 equal instalments. The current outstanding balance is USD 1.3 million. It attracts an interest of 6.99% on USD term. The loan is unsecured.

BRAC Liberia Microfinance Co Ltd received USD 500,000 from Global Partnership on September 03, 2019 at 6.6% interest rate with quarterly interest repayments. The principal is repayable as 50% in 2021 and 50% in 2022.

6. **OPIC:** In February 2019, BRAC Myanmar Microfinance Company Limited obtained a loan facility of USD 5 million from OPIC. The loan is repayable in 4 semi-annual instalment and attracts interest of 5% p.a. The loan is secured against a corporate guarantee from BRAC International Holdings B.V.
7. **aBi Trust and Finance:** In July 2017, a loan agreement was signed between BRAC Uganda Microfinance and aBi Finance limited amounting to USHS 6 billion (USD 1.69 million). The principal is repayable within 4 years and attracts an interest rate of minimum 14% p.a. with six months grace period for principal. The outstanding loan balance is Ushs 2 billion.  
  
In October 2019, a new loan agreement was signed between BRAC Uganda Bank Limited and aBi Finance limited amounting to Ushs 10 billion. The principle is repayable within 4 years and attracts an interest rate of minimum 12.8% pa with six months grace period for principal. The amount was disbursed on the 1 October 2019. Principal and interest payments are made on a quarterly basis. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio. This facility is tagged to 182Tb+2%. The outstanding loan balance is Ushs 9.5 billion (equivalent USD 3.1 million).
8. **Grameen Credit Agricole Foundation:** In April 2017, BRAC Myanmar Microfinance Company Limited obtained a loan facility of Kyat 2 billion (USD 1.50 million) from Grameen Credit Agricole Foundation. The loan is repayable in five equal instalments and attracts an interest of 13% p.a. The loan has been repaid in 2020.
9. **Yoma Bank:** In September 2018, BRAC Myanmar Microfinance Company Limited obtained a loan facility of Kyat 6.80 billion (USD 4.5 million) from Yoma Bank Ltd. The loan is repayable in 4 semi-annual instalment and attracts interest of 13% p.a. The loan is secured against a back-to-back facility over USD 2.5 million loan from FMO. The loan is further secured against a corporate guarantee from BRAC International Holdings B.V.
10. **AGD Bank:** In 2020, BRAC Myanmar Microfinance Company Limited entered into a facility agreement of Kyat 7 billion with AGD bank. The interest rate for the loan is fixed at 10% p.a. The loan is repayable on the 36 months anniversary of the first Disbursement date.
11. **UAB Bank:** In 2020, BRAC Myanmar Microfinance Company Limited entered a deal to accept and utilize 95% MMK withdrawal against deposited USD 7.5 million, initially for three months with monthly roll over (if required) under the same bank cross currency swap option.
12. **Citi Bank:** In January 2020, BRAC Uganda Bank Limited obtained a loan from Citi Bank amounting to Ushs 14.8 billion equivalent to USD 4,065,364 with a tenor of 4 years and a grace period of one year. Interest and principal is paid on a quarterly basis. The loan interest rate is tagged to T-bill of 182 day + 2.5% and the average interest rate for the 2020 was 13.03%. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio and the outstanding balance is Ushs 14.8 billion.

13. **Uganda Energy Credit Capitalization Company (UECCC):** In December 2020, BRAC Uganda Bank Limited obtained a loan from UECCC amounting to Ushs 8 billion at an interest rate of 5% per annum for a period of 5 years with a one-year grace period. Interest and principal is paid on a quarterly basis. During 2020, the Bank drew down Ushs 4 billion. The loan is secured by a floating charge on BRAC Uganda Bank's loan portfolio.
14. **Mastercard Foundation:** In July 2020, BRAC Uganda Bank Limited obtained managed funds from Mastercard foundation amounting to USD 1.47 million Equivalent Ushs 5.3 billion for one year; to facilitate refinancing of clients to help them recovery from the impact of the COVID-19 pandemic on their businesses.
15. **CRDB Bank:** In 2020, BRAC Tanzania Finance Limited secured a term loan of TZS 4,500 million from CRDB Bank PLC for working capital. The loan is for two years effective from 16 December 2020. The interest rate is 12% per annum.
16. Other includes a loan from Kiva Micro funds, an USA 501 non-profit organisation that allows to lend money via the Internet for low-income entrepreneurs, a loan from Whole Planet Foundation (WPF) in BRAC Tanzania Finance Limited, BRAC Microfinance (SL) Ltd, BRAC Liberia Microfinance Co Ltd; also includes a loan from Central Bank of Liberia and United Bank of Africa in Liberia and a loan from Myanmar Economic Bank in Myanmar.

Certain borrowings have covenant requirements, as per year-end, the covenants have been complied with.

## 10 Current liabilities

	2020 USD	2019 USD
Donor funds	15,064,226	12,792,557
Current portion of the borrowings (note 10)	38,180,280	12,820,528
Other current liabilities	55,175,887	45,935,424
	<b>108,420,393</b>	<b>71,548,509</b>

All the donor funds received in advance are approved by the donors.

### Donor funds

	2020 USD	2019 USD
Donor funds received in advance	12,813,296	10,974,725
Donor funds invested in microfinance loans	1,329,084	713,507
Donor funds utilised in fixed assets	921,846	1,104,325
	<b>15,064,226</b>	<b>12,792,557</b>

All amounts included are due within one year.

***Donor funds received in advance***

	<b>2020 USD</b>	<b>2019 USD</b>
Opening balance	<b>10,974,725</b>	16,305,407
Received during the year	<b>39,878,785</b>	31,469,001
Transfer to donor funds in fixed assets	<b>(587,178)</b>	(315,843)
Transfer to donor funds - loan to group members	<b>(340,676)</b>	–
Released to statement of income and expenses	<b>(36,660,884)</b>	(31,457,492)
Released to others	<b>(751,228)</b>	(4,432,024)
Receivable from donor	–	(414,166)
Other receivables	–	(31,294)
Changes in Consolidation Scope	–	(59,185)
Translation difference	<b>299,752</b>	(89,679)
	<hr/>	<hr/>
Closing balance	<b>12,813,296</b>	10,974,725
	<hr/>	<hr/>

***Donor funds invested in microfinance loans***

	<b>2020 USD</b>	<b>2019 USD</b>
Opening balance as at 1 January	<b>713,507</b>	1,006,155
Transferred from donor funds received in advance	<b>340,676</b>	–
Translation difference	<b>274,901</b>	(292,648)
	<hr/>	<hr/>
Closing balance as at 31 December	<b>1,329,084</b>	713,507
	<hr/>	<hr/>

***Donor funds utilised in fixed assets***

	<b>2020 USD</b>	<b>2019 USD</b>
Opening balance	<b>1,104,325</b>	1,269,789
Transfer from grant received in advance	<b>282,613</b>	334,691
Released to statement of income and expenses	<b>(370,516)</b>	(324,159)
Assets handed over to others	<b>(18,133)</b>	(116,949)
Changes in Consolidation Scope	–	(32,110)
Translation difference	<b>(76,443)</b>	(26,937)
	<hr/>	<hr/>
Closing balance	<b>921,846</b>	1,104,325
	<hr/>	<hr/>

## Other current liabilities

	2020 USD	2019 USD
Loan Security Fund – short-term	25,594,150	21,293,380
Deposits from savers	15,112,564	7,700,758
Payable to BRAC Bangladesh	3,344,674	3,966,191
Payable to biTs (BRAC IT Services Ltd)	264,550	685,509
Accrued expenses	5,260,654	5,627,663
Tax payable	1,292,308	3,250,046
Other liabilities	4,306,987	3,411,877
	<b>55,175,887</b>	<b>45,935,424</b>

The Loan Security Fund acts as a defence for the customers' loan obligations. This is computed as 10% of a part of the customers' approved loans. In the event of any default, customers forfeit all or part of the Loan Security Fund to the extent of the amount at risk. The loans have durations of 20-40 weeks and 6-12 months, depending on the loan types.

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

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

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

## 11 Financial instruments

### General

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

### Risk management framework

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

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

## **Credit risk**

Credit risk arises principally from the loans and receivables presented under financial fixed assets, trade and other receivables and cash. The maximum amount of credit risk calculated by the foundation is USD 9,767,806, which is equal to the loan loss provision. The credit risk is spread over a large number of counterparties (banks, customers and other third parties).

The Foundation exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Exposure to credit risk is monitored on an ongoing basis by the commercial ventures respective management teams. For risk management reporting purposes, the Foundation considers and consolidates all elements of credit risk exposure.

The Foundation does not have any significant exposure to any individual customer or counterparty.

The provision of non-collateralized loans to group members is the main aspect of the Foundation's business. As such, exposure to credit risk and the management of this risk is a key consideration for the Board.

COVID-19 has impact on the credit risks of repayment from customers. However, we have experience with such a crisis from EBOLA in West Africa. We noticed that borrowers are willing to repay and continue their business. We implemented Business Continuity Plan to manage our risks related to COVID-19. The foundation had to recognize higher impairment loss in 2020 as result of the COVID-19 impact on the loan portfolio.

## ***Management of credit risk***

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

## **Policy objectives**

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

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

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

### **Currency risk**

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

### **Interest rate risk and cash flow risk**

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

### **Market risk**

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

### ***Management of market risk***

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

### **Liquidity risk**

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

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

## 12 Grant income

The breakdown of grant income by country is as follows:

	2020 USD	2019 USD
Uganda	14,285,970	14,316,391
Afghanistan	12,097,778	12,046,806
The Netherlands	2,889,644	2,714,684
Liberia	2,165,855	2,389,194
Tanzania	1,361,511	3,348,076
Philippine	242,885	712,998
Sierra Leone	1,390,633	674,000
Myanmar	729,394	481,889
Nepal	158,588	78,796
Kenya	245,913	–
Rwanda	394,328	15,969
South Sudan	1,470,655	360,883
	<b>37,433,154</b>	<b>37,139,686</b>

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

	2020 USD	2019 USD
Government	15,172,760	17,091,991
International Organization	12,087,571	10,875,346
Private sector / Foundation	8,270,805	7,754,380
United Nations	1,003,884	1,121,310
EU Commission	790,739	132,726
Donation from individuals	107,395	163,933
	<b>37,433,154</b>	<b>37,139,686</b>

### 13 Service charge income

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

	2020 USD	2019 USD
Uganda	13,510,160	23,970,620
Tanzania	19,248,315	21,437,116
Sierra Leone	3,905,000	4,342,000
Myanmar	7,001,929	5,397,953
Liberia	2,950,748	2,980,317
Rwanda	893,311	34,081
Zanzibar	197,022	949,566
	<b>47,706,485</b>	<b>59,111,653</b>

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

### 14 Other operating income

	2020 USD	2019 USD
Overhead income	1,314,700	1,241,607
Fees and commission income	3,010,119	3,101,646
BRAC contribution income	496,747	605,294
Training income	268,211	89,321
Income from sale of seeds	659,850	436,603
Other income	784,657	4,008,626
	<b>6,534,284</b>	<b>9,483,097</b>

Fees and commission income includes membership fees charged to customers, loan appraisal fee charged to clients and sale of passbook. Other income includes gains made due to early repayment of loans, cost recovered from staffs as rent against share of space and utilities. In 2019, Other income includes USD 3.4 million gain on sale of 51% shares in BRAC Uganda Bank Ltd.

## 15 Cost of outsourced work and other external costs

	2020 USD	2019 USD
Programme supplies	12,944,220	11,273,474
General and administrative expenses	6,127,708	7,228,349
Travel and transportation	6,414,570	7,040,612
Staff Training and development	673,811	1,663,521
Rent and utilities	3,051,578	3,325,876
Printing and office stationeries	1,485,196	1,241,039
Audit fees	598,748	513,093
Professional and legal fees	2,663,393	1,526,689
	<b>33,959,224</b>	<b>33,812,653</b>

## 16 Wages and salaries

	2020 USD	2019 USD
Salaries and benefits	37,074,211	34,168,351

During the 2020 financial year, the average number of staff employed in the group, converted into full-time equivalents, amounted to 8,032 people (2019: 8,037). All staffs are employed outside the Netherlands, except 5 (2019: 5).

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

	2020	2019
Management	220	232
Microfinance services	4,624	4,681
Social development employees	2,008	2,067
Finance and IT	605	585
Monitoring, Risk and Internal Audit	140	134
Human Resources	40	41
Other Support functions	395	297
	<b>8,032</b>	<b>8,037</b>

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation and group companies amounted to USD 628,721 (2019: USD 357,286) for current and former managing directors.

## 17 Social security and pension charges

	2020 USD	2019 USD
Social security charges	<b>2,496,266</b>	1,370,950

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

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2020 is USD 44,898 (2019: USD 20,908).

## 18 Other operating expenses

	2020 USD	2019 USD
Other operating expenses	<b>6,616,421</b>	7,091,764

Other expenses include self-insurance provision, software maintenance, group member's death benefits provided to their families, etc.

## 19 Interest income and similar income

	2020 USD	2019 USD
Bank Interest	<b>2,139,683</b>	1,483,278
Exchange differences	<b>249,377</b>	(30,439)
	<b>2,389,060</b>	1,452,839

## 20 Interest expenses and similar charges

	2020 USD	2019 USD
External borrowings	<b>9,247,236</b>	6,601,283

On 31 December 2020, BRAC International Holdings B.V. decided to write-off the assets and liabilities in the dormant entity BRAC Lanka Investments (Private) Ltd. resulting in an impairment of USD 139,316.

## 21 Corporate income tax

The major components of the tax charge are as follows:

	2020 USD	2019 USD
Current tax	3,466,378	5,709,918
Movement in temporary differences	(3,067,836)	1,045,936
Tax on result from ordinary activities	<b>398,542</b>	6,755,854

The applicable weighted average tax rate in 2019 was 32.2%, whereby the weighted average has been calculated based on the results before taxes in the various tax jurisdictions.

The tax expense recognised in the profit and loss account for 2020 amounts to USD 398,542 (2019: USD 6,755,854).

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

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

	2020 USD	%	2019 USD	%
Result before taxation	<b>(4,575,728)</b>		20,959,232	
Tax using the domestic tax rate	<b>(1,143,932)</b>	25.0	5,239,808	25.0
Application of different tax rates abroad	<b>1,542,474</b>		1,516,046	
Income tax according to consolidated statement of income and expenses	<b>398,542</b>	8.7	6,755,854	32.2

Surpluses on development programmes are exempted from tax. The reason for lower weighted average tax rate in 2020 is due to the fact that the Foundation had some unrealized tax credit on past losses in Uganda.

## 22 Transactions with related parties

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

The following main balances with related parties existed at the year end:

	<b>2020</b>	2019
	<b>USD</b>	<b>USD</b>
Term deposit to BRAC Bank	<b>8,694,541</b>	8,408,596
Receivable from BRAC USA	<b>1,250,000</b>	1,250,000
Short term loan to BRAC Afghanistan	<b>680,000</b>	–
Short term loan to BRAC South Sudan	<b>220,000</b>	–
Short term loan to BRAC Myanmar Microfinance Co.	<b>7,500,000</b>	–
Short term loan to BRAC Uganda Bank Ltd	<b>1,741,522</b>	–
Short term loan to BRAC Uganda Social Business Enterprises Ltd	<b>300,000</b>	–
Donor fund deposit for BRAC Afghanistan	<b>3,200,000</b>	–
Payable to BRAC, Bangladesh	<b>3,344,674</b>	3,966,191
Payable to BRAC Lanka Guarantee Ltd	–	254,106

The following main related party transactions occurred during the year:

	<b>2020</b>	2019
	<b>USD</b>	<b>USD</b>
Expenses charged by BRAC Bangladesh	<b>1,759,037</b>	2,300,949
In kind contribution by BRAC Bangladesh	<b>1,759,037</b>	2,000,000
BRAC International Contribution to the countries	<b>685,296</b>	605,294
Recharged secretariat expenses to related parties	<b>2,723,979</b>	1,548,501
Interest on intercompany loan	<b>261,217</b>	3,883
Remuneration to the Management Board	<b>628,721</b>	357,286

## 23 Off-balance sheet assets and liabilities

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

BRAC International Holdings B.V. provided a 60% corporate guarantees to Yoma Bank for Kyat 6.8 billion (USD 5.0 million) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 2.6 million.

BRAC International Holdings B.V. provided corporate guarantees to AGD Bank for USD 5.3 million (30% cash backed) for term loans to BRAC Myanmar Microfinance. Current outstanding balance for the loan is USD 5.3 million.

BRAC International Holdings B.V. provided corporate guarantees to Bank of Africa for 100% of USD 4.1 million for term loans to BRAC Uganda Bank Ltd. Current outstanding balance for the loan is USD 1.9 million.

The Foundation has committed USD 1 million for BRAC Liberia Microfinance Ltd to support the portfolio growth. As of 31 December 2020, USD 500,000 is outstanding.

The Company committed USD 5 million to start up and grow the newly established microfinance company in Rwanda. The investment will be made in multiple tranches. As of December 2020, USD 3,575,916 has been transferred for equity and running cost.

Operational lease agreements for buildings with third parties can be terminated on a yearly basis and therefore no significant future (operation) lease commitments are disclosed.

Order issued by Honourable Paktika high court in 2012 against BRAC Afghanistan to cease its operations and pay penalties to MRRD on account of not releasing block grants to CDCs is currently under consideration with Honourable Supreme Court of Afghanistan. No provision for the penalty, so imposed, has been provided in the financial statements for the year as the management is reasonably assured that the decision shall be decided in BRAC's favour as the matter has already been settled with MRRD.

In relation to its transformation BRAC Uganda Bank changed its legal structure. In 2018, the net assets of BRAC Uganda Microfinance were transferred to the new company BRAC Uganda Bank, which qualifies as a common control transaction. The tax authorities are enquiring whether this transaction is subject to VAT. Within the Uganda Tax Law, there is an exemption from VAT on transfers of assets under common control, if both companies are registered for VAT. However, both companies are not VAT registered as this is not applicable for entities that provide microfinancing. Therefore, the company is of the opinion that this transaction is considered not to be in scope of the current legislation and no VAT is due on this common control transaction. The investigation of the URA is still ongoing and is expected to be finalized in August 2021. Would the outcome be different, this will have a significant impact on the financial results of BRAC Uganda Bank.

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

## 24 Auditor's fees

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

	<b>KPMG Accountants N.V. USD 1,000</b>	<b>Other KPMG Network USD 1,000</b>	<b>Total KPMG USD 1,000</b>
<b>2020</b>			
Audit of the financial statements	<b>163</b>	<b>202</b>	<b>365</b>
Other audit engagements	–	–	–
Tax-related advisory services	–	<b>230</b>	<b>230</b>
Other non-audit services	<b>30</b>	–	<b>30</b>
	<b>193</b>	<b>432</b>	<b>625</b>
<b>2019</b>			
Audit of the financial statements	<b>145</b>	<b>181</b>	<b>326</b>
Other audit engagements	–	–	–
Tax-related advisory services	–	<b>164</b>	<b>164</b>
Other non-audit services	–	<b>25</b>	<b>25</b>
	<b>145</b>	<b>370</b>	<b>515</b>

The fees mentioned in the table for the audit of the financial statements 2020 (2019) relate to the total fees for the audit of the financial statements 2020 (2019), irrespective of whether the activities have been performed during the financial year 2020 (2019).

## 25 Subsequent events

Myanmar, military launched a coup on the 1st of February 2021, detaining State Counselor and her top cabinet leaders in the early morning raids and seizing power from a government established after the 2015 elections. Myanmar Banks Association initially announced a temporarily closure of the bank but later in the day the bank association stated that they will reopen the banks from the next day (2 February). BRAC Myanmar has activated the business continuity plan (including asset management plan). The BRAC Country management Team has prioritised the safety and security of its staff and clients in this situation. The BRAC Management Team is continuously monitoring the situation and taking preventative measures to continue social development programme and micro finance programme activities, where necessary. Communication with existing donors and lenders is being done on a regular basis about the situation and potential impacts. Based on the policies implemented and the operational performance over the first five months no going concern is expected for BRAC Myanmar.

## 26 Segmental information

### Operational segments

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

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

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

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

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

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

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

**Segmental balance sheet as at 31 December 2020**

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
<b>Fixed assets</b>						
Intangible fixed assets	–	2,461,300	–	–	–	2,461,300
Tangible fixed assets	1,338,875	5,294,875	302,866	–	–	6,936,616
Financial fixed assets	26,621	3,687,893	14,905	160,347,060	(157,008,332)	7,068,147
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,365,496	11,444,068	317,771	160,347,060	(157,008,332)	16,466,063
<b>Current assets</b>						
Inventories	110,596	157,523	107,917	–	–	376,036
Loans to customers	–	148,059,617	–	–	–	148,059,617
Trade and other receivables	8,511,826	4,769,711	102,218	25,889,682	(28,983,586)	10,289,851
Cash and cash equivalents	12,097,363	37,028,816	38,100	27,328,634	–	76,492,913
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	20,719,785	190,015,667	248,235	53,218,316	(28,983,586)	235,218,417
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	22,085,281	201,459,735	566,006	213,565,376	(185,991,918)	251,684,480
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Stichting BRAC International

	Social development	Micro- Finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
<b>Group reserves</b>						
Reserves	4,508,072	62,706,853	(170,854)	203,048,402	(157,159,991)	112,932,482
Minority interests	–	5,876,810	–	–	–	5,876,810
	<u>4,508,072</u>	<u>68,583,663</u>	<u>(170,854)</u>	<u>203,048,402</u>	<u>(157,159,991)</u>	<u>118,809,292</u>
<b>Non-current liabilities</b>	–	24,454,795	–	–	–	24,454,795
<b>Current liabilities</b>	<u>17,577,209</u>	<u>108,421,277</u>	<u>736,860</u>	<u>10,516,974</u>	<u>(28,831,927)</u>	<u>108,420,393</u>
	<u><u>22,085,281</u></u>	<u><u>201,459,735</u></u>	<u><u>566,006</u></u>	<u><u>213,565,376</u></u>	<u><u>(185,991,918)</u></u>	<u><u>251,684,480</u></u>

**Segmental statement of income and expenses for the year ended 2020**

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Grant income	34,605,287	743,426	–	3,189,644	(1,105,203)	37,433,154
Service charge income	–	47,706,485	–	–	–	47,706,485
Other operating income	1,430,373	3,310,176	691,511	3,827,764	(2,725,540)	6,534,284
<b>Total operating income</b>	<b>36,035,660</b>	<b>51,760,087</b>	<b>691,511</b>	<b>7,017,408</b>	<b>(3,830,743)</b>	<b>91,673,923</b>
Cost of outsourced work and other external costs	(20,933,565)	(11,405,714)	(129,467)	(4,216,018)	2,725,540	(33,959,224)
Wages and salaries	(14,393,866)	(21,706,050)	(157,739)	(816,556)	–	(37,074,211)
Social security and pension charges	(600,288)	(1,881,333)	(14,645)	–	–	(2,496,266)
Amortisation and depreciation on intangible and tangible fixed assets	(395,692)	(1,623,175)	(58,218)	–	–	(2,077,085)
Impairment losses on loans to customers	–	(7,027,418)	(1,534)	151,757	(151,757)	(7,028,952)
Other operating expenses	(1,201,267)	(4,156,836)	(541,619)	(1,821,902)	1,105,203	(6,616,421)
<b>Total operating expenses</b>	<b>(37,524,678)</b>	<b>(47,800,526)</b>	<b>(903,222)</b>	<b>(6,702,719)</b>	<b>3,678,986</b>	<b>(89,252,159)</b>
<b>Operating result (carried forward)</b>	<b>(1,489,018)</b>	<b>3,959,561</b>	<b>(211,711)</b>	<b>314,689</b>	<b>(151,757)</b>	<b>2,421,764</b>

Stichting BRAC International

	Social development	Micro- finance	Social business enterprise	Holding	Elimination	Total
	USD	USD	USD	USD	USD	USD
Brought forward	(1,489,018)	3,959,561	(211,711)	314,689	(151,757)	2,421,764
Interest income and similar income	16,445	1,962,575	–	671,257	(261,217)	2,389,060
Interest expenses and similar charges	(27,903)	(9,414,425)	(10,433)	(55,692)	261,217	(9,247,236)
Impairment loss provision on financial fixed assets	–	(139,316)	–	–	–	(139,316)
	(11,458)	(7,591,166)	(10,433)	615,565	–	(6,997,492)
<b>Result from ordinary activities before tax</b>	<b>(1,500,476)</b>	<b>(3,631,605)</b>	<b>(222,144)</b>	<b>930,254</b>	<b>(151,757)</b>	<b>(4,575,728)</b>
Tax on result from ordinary activities	(1,572)	378,331	–	(775,301)	–	(398,542)
<b>Result after tax</b>	<b>(1,502,048)</b>	<b>(3,253,274)</b>	<b>(222,144)</b>	<b>154,953</b>	<b>(151,757)</b>	<b>(4,974,270)</b>
Minority interests	–	3,601,538	–	–	–	3,601,538
<b>Net result</b>	<b>(1,502,048)</b>	<b>348,264</b>	<b>(222,144)</b>	<b>154,953</b>	<b>(151,757)</b>	<b>(1,372,732)</b>

## Geographic information

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

### Geographical balance sheet as at 31 December 2020

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
<b>Fixed assets</b>					
Intangible fixed assets	2,423,736	37,564	–	–	2,461,300
Tangible fixed assets	6,438,833	497,783	–	–	6,936,616
Financial fixed assets	3,729,419	–	160,347,060	(157,008,332)	7,068,147
	<u>12,591,988</u>	<u>535,347</u>	<u>160,347,060</u>	<u>(157,008,332)</u>	<u>16,466,063</u>
<b>Current assets</b>					
Inventories	376,036	–	–	–	376,036
Loans to customers	104,140,023	43,919,594	–	–	148,059,617
Trade and other receivables	4,608,853	8,774,902	25,889,682	(28,983,586)	10,289,851
Cash and cash equivalents	35,568,247	13,596,032	27,328,634	–	76,492,913
	<u>144,693,159</u>	<u>66,290,528</u>	<u>53,218,316</u>	<u>(28,983,586)</u>	<u>235,218,417</u>
	<u>157,285,147</u>	<u>66,825,875</u>	<u>213,565,376</u>	<u>(185,991,918)</u>	<u>251,684,480</u>
<b>Group reserves</b>					
Reserves	47,950,408	19,093,663	203,048,402	(157,159,991)	112,932,482
Minority interests	5,876,810	–	–	–	5,876,810
	<u>53,827,218</u>	<u>19,093,663</u>	<u>203,048,402</u>	<u>(157,159,991)</u>	<u>118,809,292</u>
<b>Non-current liabilities</b>	15,907,188	8,547,607	–	–	24,454,795
<b>Current liabilities</b>	87,550,741	39,184,605	10,516,974	(28,831,927)	108,420,393
	<u>157,285,147</u>	<u>66,825,875</u>	<u>213,565,376</u>	<u>(185,991,918)</u>	<u>251,684,480</u>

***Geographical statement of income and expenses for the year ended 2020***

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Grant income	22,120,068	13,228,645	3,189,644	(1,105,203)	37,433,154
Service charge income	40,704,556	7,001,929	–	–	47,706,485
Other operating income	4,354,661	1,077,399	3,827,764	(2,725,540)	6,534,284
<b>Total operating income</b>	<b>67,179,285</b>	<b>21,307,973</b>	<b>7,017,408</b>	<b>(3,830,743)</b>	<b>91,673,923</b>
Cost of outsourced work and other external costs	(26,498,562)	(5,970,184)	(4,216,018)	2,725,540	(33,959,224)
Wages and salaries	(24,602,627)	(11,655,028)	(816,556)	–	(37,074,211)
Social security and pension charges	(2,451,986)	(44,280)	–	–	(2,496,266)
Amortisation and depreciation on intangible and tangible fixed assets	(1,868,442)	(208,643)	–	–	(2,077,085)
Impairment losses on loans to customers	(6,339,380)	(689,572)	151,757	(151,757)	(7,028,952)
Other operating expenses	(4,865,141)	(1,034,581)	(1,821,902)	1,105,203	(6,616,421)
<b>Total operating expenses</b>	<b>(66,626,138)</b>	<b>(19,602,288)</b>	<b>(6,702,719)</b>	<b>3,678,986</b>	<b>(89,252,159)</b>
<b>Operating result (carried forward)</b>	<b>553,147</b>	<b>1,705,685</b>	<b>314,689</b>	<b>(151,757)</b>	<b>2,421,764</b>

Stichting BRAC International

	Africa	Asia	The Netherlands	Elimination	Total
	USD	USD	USD	USD	USD
Brought forward	553,147	1,705,685	314,689	(151,757)	2,421,764
Interest income and similar income	1,960,391	18,629	671,257	(261,217)	2,389,060
Interest expenses and similar charges	(7,421,026)	(2,031,735)	(55,692)	261,217	(9,247,236)
Impairment loss provision on financial fixed assets	–	(139,316)	–	–	(139,316)
	<u>(5,460,635)</u>	<u>(2,152,422)</u>	<u>615,565</u>	<u>–</u>	<u>(6,997,492)</u>
<b>Result from ordinary activities before tax</b>	<b>(4,907,488)</b>	<b>(446,737)</b>	<b>930,254</b>	<b>(151,757)</b>	<b>(4,575,728)</b>
Tax on result from ordinary activities	536,661	(159,902)	(775,301)	–	(398,542)
<b>Result after tax</b>	<b>(4,370,827)</b>	<b>(606,639)</b>	<b>154,953</b>	<b>(151,757)</b>	<b>(4,974,270)</b>
Minority interests	3,601,538	–	–	–	3,601,538
<b>Net result</b>	<b><u>(769,289)</u></b>	<b><u>(606,639)</u></b>	<b><u>154,953</u></b>	<b><u>(151,757)</u></b>	<b><u>(1,372,732)</u></b>

## Stand-alone balance sheet as at 31 December 2020

(before appropriation of result)

		2020		2019
		USD	USD	USD
<b>Fixed assets</b>				
Tangible fixed assets	26	513,649		326,949
Financial fixed assets	27	94,472,235		92,826,599
			94,985,884	93,153,548
<b>Current assets</b>				
Trade and other receivables	28	6,660,083		4,712,276
Cash and cash equivalents	29	16,723,616		13,235,276
			23,383,699	17,947,552
			118,369,583	111,101,100
<b>Reserves</b>	30			
Reserves			106,856,520	105,098,717
<b>Current liabilities</b>	31		11,513,063	6,002,383
			118,369,583	111,101,100

The notes on pages 91 to 99 are an integral part of these stand-alone financial statements.

## Stand-alone statement of income and expenses for the year ended 31 December 2020

		2020		2019	
		USD	USD	USD	USD
<b>Income</b>					
Grant income	33	7,547,893		6,824,486	
Other operating income	34	1,830,376		1,420,114	
<b>Total operating income</b>			<b>9,378,269</b>		<b>8,244,600</b>
Cost of outsourced work and other external costs					
	35	(5,820,177)		(4,764,148)	
Wages and salaries	36	(2,998,879)		(1,651,183)	
Social security and pension charges	36	(125,288)		(75,208)	
Amortisation and depreciation on tangible fixed assets		(93,787)		(70,047)	
Impairment losses on receivable		–		1,621	
Other operating expenses	37	(413,489)		(568,978)	
<b>Total operating expenses</b>			<b>(9,451,620)</b>		<b>(7,127,943)</b>
<b>Operating result</b>			<b>(73,351)</b>		<b>1,116,657</b>
Interest income and similar income					
			<b>275,944</b>		<b>51,087</b>
<b>Result from ordinary activities</b>			<b>202,593</b>		<b>1,167,744</b>
Share in result of participating interests	38		(442,506)		7,706,160
<b>Net result</b>			<b>(239,913)</b>		<b>8,873,904</b>

The notes on pages 91 to 99 are an integral part of these stand-alone financial statements.

## **Notes to the 2020 stand-alone financial statements**

### **General**

The stand-alone financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code and the Guidelines for annual reporting of the Dutch Accounting Standard Board (Raad voor de Jaarverslaggeving), especially 'Guideline 640 for the Reporting of not-for-profit organizations'.

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

### **Accounting policies**

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

#### **Participating interests in group companies**

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

#### **Share in result of participating interests**

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

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

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

## 26 Tangible fixed assets

	Land and buildings USD	Plant and equipment USD	Motor vehicles USD	Furniture and fixture USD	Total USD
Balance as at 1 January 2020:					
— Purchase price	171,337	259,396	257,507	60,596	748,836
— Accumulated depreciation and impairment	(39,370)	(164,237)	(184,050)	(34,230)	(421,887)
— Carrying amount	131,967	95,159	73,457	26,366	326,949
Changes in carrying amount:					
— Investments	46,866	48,078	48,624	8,573	152,141
— Disposals	—	(20,122)	20,122	—	—
— Depreciation	(9,031)	(31,096)	(30,065)	(7,773)	(77,965)
— Exchange rate differences purchase price	35,324	49,685	83,060	20,555	188,624
— Exchange rate differences accumulated depreciation	(7,808)	(28,917)	(34,416)	(4,959)	(76,100)
— Balance	65,351	17,628	87,325	16,396	186,700
Balance as at 31 December 2020:					
— Purchase price	253,529	337,037	409,402	89,722	1,089,601
— Accumulated depreciation and impairment	(56,207)	(224,250)	(248,532)	(46,963)	(575,952)
— Carrying amount	197,322	112,787	160,781	42,759	513,649

## 27 Financial fixed assets

	2020 USD	2019 USD
Shareholding in BRAC International Holdings B.V.	<b>94,472,235</b>	92,826,599

The movement of financial fixed assets is as follows:

	2020 USD	2019 USD
Balance as at 1 January	<b>92,826,599</b>	57,172,160
Informal capital contribution	<b>989,343</b>	31,457,705
Share in result of subsidiary	<b>(442,506)</b>	7,706,160
Foreign currency translation difference	<b>1,098,799</b>	(3,509,426)
Balance as at 31 December	<b>94,472,235</b>	92,826,599

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

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

Name	Legal address	2020 share of interest %	2019 share of interest %
BRAC Microfinance (SL) Ltd	Freetown, Sierra Leone	<b>100</b>	100
BRAC Liberia Microfinance Ltd	Monrovia, Liberia	<b>100</b>	100
BRAC Rwanda Microfinance Co. PLC	Kigali, Rwanda	<b>100</b>	100
BRAC Tanzania Finance Ltd	Dar es Salaam, Tanzania	<b>100</b>	100
BRAC Zanzibar Finance Ltd	Mbweni, Zanzibar	<b>100</b>	–
BRAC Enterprises Tanzania Limited	Dar es Salaam, Tanzania	<b>100</b>	–
BRAC Social Business Enterprise Uganda Ltd.	Kampala, Uganda	<b>100</b>	100
BRAC Uganda Bank Ltd	Kampala, Uganda	<b>49</b>	49
BRAC International Holdings B.V. Kenya	Nairobi, Kenya	<b>Branch</b>	–
BRAC Myanmar Microfinance Company Ltd	Yangon, Myanmar	<b>100</b>	100
BRAC Lanka Investments (Private) Ltd	Colombo, Sri Lanka	<b>100</b>	100
BRAC International Finance B.V.	The Hague, The Netherlands	<b>100</b>	–

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

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

The entities with no share of interest are locally established limited companies by guarantee and having no share capital. BRAC International Holdings B.V. has control over the governance and operational policy of these entities and is able to appoint directors. The goals of the consolidated group companies are aligned with the goals of BRAC International Holdings B.V. Within these consolidated group companies, at least one of the executives of the Company is involved as member of the Board of Directors.

## 28 Trade and other receivables

	2020 USD	2019 USD
Grant receivables	1,435,989	1,327,592
Advances to third parties	218,675	380,868
Receivables related parties	4,899,576	2,928,985
Other assets	105,843	74,831
	<b>6,660,083</b>	<b>4,712,276</b>

The receivables from related parties include USD 2,549,340 (2019: USD 1,657,427) provided to BRAC International Holdings B.V. Other balance is due from the subsidiary against HO logistics and management support provided by Stichting BRAC International. The amount is payable on demand.

The USD 1 million receivable from BRAC USA will be received in 2023 after the repayment of OPIC loan in BRAC Myanmar Microfinance Company Ltd.

## 29 Cash and cash equivalents

	2020 USD	2019 USD
Cash at bank	11,237,022	8,178,960
Short-term deposits	5,061,000	5,000,000
Cash in hand	425,594	56,316
	<b>16,723,616</b>	<b>13,235,276</b>

## 30 Reserve

	2020 USD	2019 USD
Balance as at 1 January	105,098,717	68,387,413
Changes:		
— Unappropriated result for the year	(239,913)	8,873,904
— Direct changes in equity of subsidiaries	1,997,716	27,837,400
Balance as at 31 December	106,856,520	105,098,717

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

	2020 USD	2019 USD
Reserves according to the consolidated balance sheet	112,932,482	112,070,277
Less:		
— Reserve of affiliated Foundations and companies without participating interest:		
BRAC Uganda	6,307,547	6,207,289
BRAC Afghanistan	1,164,191	591,784
BRAC Maendeleo Tanzania	(240,126)	(36,005)
BRAC South Sudan	(1,155,650)	(779,230)
BRAC (Zanzibar)	—	989,343
	6,075,962	6,973,181
— Reversal of impairment	—	(1,621)
Reserves according to the stand-alone balance sheet	106,856,520	105,098,717
Net result according to the consolidated statement of income and expenses (carried forward)	(1,372,732)	13,137,960

## Stichting BRAC International

	2020 USD	2019 USD
Brought forward	(1,372,732)	13,137,960
Less:		
— Surplus of affiliated Foundations, without participating interest:		
BRAC Uganda	65,184	322,517
BRAC Afghanistan	(616,822)	(359,738)
BRAC Maendeleo Tanzania	(204,761)	(3,161)
BRAC South Sudan	(376,420)	(317,451)
BRAC (Zanzibar)	—	315,443
BRAC Tanzania Finance	—	4,308,067
	(1,132,819)	4,265,677
— Reversal of impairment	—	(1,621)
Net result according to the stand-alone statement of income and expenses	(239,913)	8,873,904

## 31 Current liabilities

	2020 USD	2019 USD
Donor funds	8,703,459	3,321,904
Other current liabilities	2,809,604	2,680,479
	11,513,063	6,002,383

## Donor funds

	2020 USD	2019 USD
Donor funds received in advance	8,371,757	3,065,415
Donor funds utilised in fixed assets	331,702	256,489
	8,703,459	3,321,904

***Donor funds received in advance***

	<b>2020 USD</b>	<b>2019 USD</b>
Opening balance	<b>3,065,415</b>	4,184,416
Received during the year	<b>11,861,353</b>	3,889,107
Transfer to donor funds in fixed assets	<b>(107,167)</b>	(74,753)
Released to statement of income and expenses	<b>(6,680,662)</b>	(4,635,035)
Released to others	<b>(85,213)</b>	(466,498)
Receivable from donor	<b>151,702</b>	313,709
Other receivables	<b>—</b>	(36,282)
Translation difference	<b>166,329</b>	(109,249)
	<hr/>	<hr/>
Closing balance	<b>8,371,757</b>	3,065,415
	<hr/>	<hr/>

***Donor funds utilised in fixed assets***

	<b>2020 USD</b>	<b>2019 USD</b>
Opening balance	<b>256,489</b>	239,595
Transfer from grant received in advance	<b>105,379</b>	73,863
Released to statement of income and expenses	<b>(119,125)</b>	(23,801)
Translation difference	<b>88,959</b>	(33,168)
	<hr/>	<hr/>
Closing balance	<b>331,702</b>	256,489
	<hr/>	<hr/>

***Other current liabilities***

	<b>2020 USD</b>	<b>2019 USD</b>
Related-party payables	<b>972,769</b>	1,730,013
Accrued expenses	<b>1,223,204</b>	628,521
Tax payable	<b>62,286</b>	37,715
Other liabilities	<b>551,345</b>	284,230
	<hr/>	<hr/>
	<b>2,809,604</b>	2,680,479
	<hr/>	<hr/>

Related party payables are mainly in relation to the expenses incurred by BRAC Bangladesh on behalf of the Foundation and its branches. The amount is payable on demand. All other current liabilities are payable within one year.

## 32 Off-balance sheet assets and liabilities

There are no off-balance sheet assets and liabilities.

## 33 Grant income

	2020 USD	2019 USD
Grant income from donors	<b>7,547,893</b>	6,824,486

In 2020, grant income includes USD 1.76 million (2019: USD 2 million) in kind support from BRAC Bangladesh. BRAC Bangladesh hosts the secretariat of Stichting BRAC International and also engaged a group of people to manage the operation. The cost of running the secretariat and the salaries of the staff are contributed to the Foundation up to 2020.

## 34 Other operating income

	2020 USD	2019 USD
Overhead income	<b>1,558,977</b>	1,105,000
Other income	<b>271,399</b>	315,114
	<b>1,830,376</b>	1,420,114

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

## 35 Cost of outsourced work and other external costs

	2020 USD	2019 USD
Programme supplies	<b>2,427,977</b>	2,010,743
Maintenance and general expenses	<b>1,278,226</b>	1,005,956
Travel and transportation	<b>503,355</b>	615,573
Staff training and development	<b>102,716</b>	382,822
Rent and utilities	<b>201,098</b>	186,757
Printing and office stationeries	<b>48,002</b>	34,966
Audit fees	<b>126,369</b>	114,790
Professional and legal fees	<b>1,132,434</b>	412,541
	<b>5,820,177</b>	4,764,148

### 36 Wages and salaries and social security and pension charges

	2020 USD	2019 USD
Staff costs	2,998,879	1,651,183
Social security and pension charges	125,288	75,208

The Foundation only has an employee pension scheme in the Netherlands and contributes 60% of annual pension charge, whereas the employee contributes 40%. The total contribution for the year 2020 is USD 44,898 (2019: USD 20,908).

### 37 Other operating expenses

	2020 USD	2019 USD
Other operating expenses	413,489	568,978

Other operating expenses include various programme expenses, security charges and supplies to the programmes.

### 38 Share in result of participating interests

	2020 USD	2019 USD
BRAC International Holdings B.V.	(442,506)	7,706,160

### 40 Remuneration of the Management Board

The emoluments, including pension costs as referred to in Section 2:383(1) of the Netherlands Civil Code, charged in the financial year to the Foundation amounted to USD 628,721 (2019: USD 357,286) for current and former Management Board Members.

### 41 Subsequent events

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

Stichting BRAC International

The Management Board prepared the financial statements on 24 June 2021 and recommends that the General Meeting adopts the financial statements as presented in this 2020 report:

The Hague, 24 June 2021

**Management Board Stichting BRAC International**

Dr Muhammad Musa

Ms Ruth Okowa

Mr Shameran Abed

Mr Syed Abdul Muntakim

Ms. Munmun Salma Chowdhury

**Supervisory Board Stichting BRAC International**

Ms Irene Zubaida Khan

Ms Marilou van Golstein Brouwers

Ms Sylvia Borren

Ms Victoria Sekitoleko

Ms Parveen Mahmud

Mr Gregory Chen

Dr Debapriya Bhattacharya

## **Other information**

### **Provisions in the Deed of Incorporation governing the appropriation of result**

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

### **Independent auditor's report**

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