

INTERNATIONAL FINANCE FACILITY FOR IMMUNISATION COMPANY

ANNUAL REPORT OF THE TRUSTEES AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

International Finance Facility for Immunisation Company, 2 Lambs Passage, London EC1Y 8BB, United Kingdom. Registered in England and Wales as a company limited by guarantee with number **5857343** and as a charity with number **1115413**.

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LEGAL AND ADMINISTRATIVE INFORMATION

TRUSTEES

Kenneth Lay, Board Chair
Bertrand de Mazières, Audit Committee Chair
Monique Barbut. Took office on 1 July 2021.
Fatimatou Zahra Diop. Concluded term on 30 June 2021.
Doris Herrera-Pol
Hassatou Diop N'Sele. Took office on 1 July 2021.
Jessica Pulay
Ingrid van Wees. Took office on 1 October 2021.
Helge Weiner-Trapnass

REGISTERED ADDRESS

2 Lambs Passage
London EC1Y 8BB
United Kingdom

COMPANY SECRETARY

Trusec Limited
2 Lambs Passage
London EC1Y 8BB
United Kingdom

SOLICITOR

Slaughter and May
One Bunhill Row
London EC1Y 8YY
United Kingdom

AUDITOR

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

TREASURY MANAGER

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

LEGAL STATUS

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

FILING OF REPORTS

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

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

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

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

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

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

In so far as the trustees are aware:

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

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

ANNUAL REPORT OF THE TRUSTEES

YEAR ENDED 31 DECEMBER 2021

OBJECTIVES AND PUBLIC BENEFIT

OBJECTIVES

The International Finance Facility for Immunisation Company (“IFFIm”) was created to accelerate the availability of predictable, long-term funds for health and immunisation programmes through Gavi, the Vaccine Alliance (“Gavi”), in over 71 developing countries around the world. IFFIm promotes the effective use of Gavi resources for charitable purposes, and for the benefit of the public, by providing services and facilities that assist Gavi in raising funds. Such services and facilities include, but are not limited to, borrowing money or entering into agreements that are backed by legally binding funding commitments from sovereign government donors (the “Grantors”).

Every year, in many of the world’s lower-income countries, millions of children miss out on vaccinations against common diseases, making them vulnerable to sickness, disability and death. Millions of children die from easily preventable diseases such as diphtheria, pneumonia, diarrhoea, meningitis and yellow fever. In 2020, the COVID-19 pandemic gave rise to unprecedented new challenges with providing vaccines for these preventable diseases while also introducing the need for a new coronavirus vaccine. In 2021, Gavi continued to co-lead COVAX, the vaccines pillar of the Access to COVID-19 Tools (ACT) Accelerator which involves coordinating the COVAX Facility, a global risk-sharing mechanism for pooled procurement and equitable distribution of COVID-19 vaccines. COVAX has the world’s largest and most diverse portfolio of COVID-19 vaccines and was created to maximise the chances of successfully developing COVID-19 vaccines and manufacturing them in the quantities needed to end the pandemic.

IFFIm funding accelerates the availability and increases the predictability of funds for immunisation, vaccine procurement and health systems strengthening (“HSS”) programmes. Gavi uses funds raised by IFFIm to reduce the number of worldwide vaccine-preventable deaths and illnesses. Gavi achieves this by funding the purchase and delivery of vaccines and strengthening health systems in many lower-income countries in the world, which become eligible for Gavi support if their average Gross National Income (“GNI”) per capita has been less than or equal to US\$ 1,630 over the past three years (according to World Bank data published every year on 1 July). Gavi has also leveraged these resources to address the COVID-19 pandemic.

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

PUBLIC BENEFIT

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

STRUCTURE, GOVERNANCE AND MANAGEMENT

STRUCTURE

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

IFFIm has control over IFFIm Sukuk Company III Limited (“IFFImSC III”), a Cayman Islands company with limited liability, which was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm’s operations. IFFIm’s 2021 consolidated financial statements include the accounts of IFFImSC III.

In order to achieve its objectives, IFFIm worked with the following organisations during 2021:

- **Gavi:** Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. It uses funds raised by IFFIm to finance immunisation-related charitable activities in many of the world’s lower-income countries. Gavi’s charitable activities are described further in the *Programmes Funded by IFFIm* section of this report. Gavi also provides administrative support to IFFIm.

- The International Bank for Reconstruction and Development (the “World Bank”): The World Bank is a global development organisation based in the United States. It provides treasury management, risk management and accounting services to IFFIm on a commercial basis. IFFIm’s relationship and interactions with the World Bank are described further in the *Financial Overview* and *Hedging IFFIm’s Market Risks* sections of this report.

GOVERNANCE AND MANAGEMENT

Board of Trustees

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

IFFIm has no employees. During 2021, there were six meetings of the IFFIm board and four meetings of a Committee of the board to undertake ad hoc decisions in the ordinary course of business. In accordance with its Board Charter and Code of Conduct, IFFIm directors are expected to attend all board meetings unless exceptional circumstances prevail. Directors had an average board meeting attendance of 83% in 2021.

As at 31 December 2021, IFFIm’s directors were as follows:

- Kenneth Lay, Chair: Mr Lay is Senior Managing Director of The Rock Creek Group, an asset management firm based in Washington D.C. that manages globally diversified portfolios of public and private assets for institutional investors. Mr Lay also works with international institutions, private foundations and NGOs in efforts to develop new approaches to increasing the scale and reducing the cost of financing for global public goods. Before joining Rock Creek at the end of 2010, Mr Lay served as Treasurer of The World Bank, where he and his colleagues managed more than US\$ 100 billion in investments for the World Bank and other international financial institutions and for more than 40 of the World Bank’s member countries’ central banks, sovereign wealth and pension funds, using the revenues to fund an extensive program of capacity-building partnerships and training. Mr Lay was appointed as a director effective 16 October 2020 and as Chair of the IFFIm board effective 1 January 2021.
- Bertrand de Mazières, Audit Committee Chair: Mr de Mazières is the Director General for Finance at the European Investment Bank (EIB). He oversees EIB’s Finance Directorate, which is responsible for the bank’s borrowing and treasury operations and its support functions for equity, lending, borrowing, and funding operations. Prior to that, he was the Chief Executive of Agence France Trésor, the division of the Ministry of Economy and Finance of the Republic of France responsible for the country’s debt and treasury management. Mr de Mazières was appointed as a director effective 18 May 2018 and as Audit Committee Chair effective 1 April 2020.
- Monique Barbut: Ms Barbut is the President of The World Wildlife Fund (WWF) France. After studying economics, Ms Barbut had a long career in different positions at the Agence Française de Développement Group (AFD), the main French public institution for aid in development. As a member of the French government delegation to the 1992 Rio Earth Summit, she was a key player in the financing negotiations, and later on an active negotiator in the creation of the Global Environment Facility (GEF) as well as the French Global Environment Facility (FGEF), to which she was appointed first Chief Executive Officer. From 2003 to 2006 she headed the Technology, Industry and Economics Division of the United Nations Environment Program (UNEP) before becoming CEO and President of the GEF in June 2006. In 2013, the United Nations Secretary General appointed her as Executive Secretary of the United Nations Convention to Combat Desertification (UNCCD). In addition to these functions, she became Under Secretary General of the United Nations in 2016. She joined the Board of trustees of WWF France in 2014 and became its President in January 2021. Ms Barbut was appointed as a director effective 1 July 2021.
- Doris Herrera-Pol: Ms Herrera-Pol retired from the World Bank in 2015 where she was the Global Head of Capital Markets. Her team was responsible for designing the World Bank’s funding strategy and managing its multi-currency funding programme in global money, capital and derivatives markets. From 2002 to 2007, she led the team responsible for the World Bank’s plain-vanilla debt products, including global bonds and emerging market bond issues. Ms Herrera-Pol was appointed as a director effective 13 November 2015 and she is a member of the audit committee.
- Hassatou Diop N’Sele: Ms N’Sele is the Treasurer of the African Development Bank Group (“AfDB”). Since June 2015, she has led the expansion of the AfDB capital markets activities across the globe, setting an effective funding strategy for the institution. She oversees the funding of the Bank’s activities, investing of the Bank Group’s US\$ 20 billion liquidity in multicurrency portfolios and hedging activities of the Group, and back-office operations. She leads discussions with rating agencies on treasury activities and provides strategic support to discussions with member countries on capital increases, replenishments of the African Development Fund (ADF), and the Multilateral Debt Relief Initiative (MDRI). Prior to this

position and from 2008, Ms N'Sele was the Head of funding of the AfDB. She joined the Bank in 1999 as a Senior Treasury Officer and was previously the finance director of a startup commodities trading company in Senegal (Tiger Denreees Senegal), and previously, a Manager in the Financial Institutions department of Citibank in Senegal. Ms N'Sele was appointed as a director effective 1 July 2021.

- Jessica Pulay: Ms Pulay is the Co-Head of Policy and Markets at the UK Debt Management Office (DMO) where she has responsibility for the UK government's debt issuance and cash management, as well as the policy, research and business operations areas. She is also a member of the managing board of the DMO. Previously Jessica spent 16 years at the European Bank for Reconstruction and Development (EBRD) in London where she was Deputy Head of Funding, responsible for the EBRD's borrowing programme and their listed equity divestments. Prior to joining the EBRD in 1999, Jessica worked as an executive director in the debt capital markets departments at Morgan Stanley and Goldman Sachs, and was also a managing director at Deutsche Bank. Ms Pulay was appointed as a director effective 3 March 2020 and she is a member of the audit committee.
- Ingrid van Wees: Ms van Wees is Vice President for Finance and Risk Management, Asian Development Bank. Ms van Wees is responsible for the overall management of the operations of the Office of Risk Management, the Controller's Department, and the Treasury Department. Prior to this, she was a senior official at the German Investment and Development Corporation (DEG), where her portfolio covered debt, equity and fund investments in Europe, the Middle East, and Asia. She also has treasury experience in developmental investment banking. Before she moved to DEG in 2004, Ms. van Wees held management positions in corporate finance and business development with private corporations. Ms van Wees was appointed as a director effective 1 October 2021.
- Helge Weiner-Trapness: Mr Weiner-Trapness is a founding partner of Quintus Partners, an independent financial advisory firm that provides strategic and investment advisory and capital raising services to a diverse client base of corporations, private investment firms, and institutions. Prior to that, he was the Managing Director and Co-Global Head of the Financial Institutions Group at Barclays Bank in Hong Kong and previously held senior positions at Asia Pacific Land, JP Morgan Securities, and Goldman Sachs. Mr Weiner-Trapness was appointed as a director effective 17 December 2018 and he is a member of the audit committee.

Directors are chosen for their skills and expertise in areas relevant to IFFIm and the IFFIm board maintains a skills matrix which it uses for succession planning purposes. Board succession planning is managed by the Board Chair in consultation with the entire board and as such there is no nomination committee. The IFFIm board is also guided by a diversity statement and seeks to adhere to Gavi's gender policy requiring that no more than 60% of the IFFIm board is the same gender. As of 31 December 2021, the gender composition was 60% female and 40% male.

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

A formal induction process is in place that includes briefings with members of the Gavi Secretariat and World Bank to ensure that directors have the knowledge and understanding of IFFIm's business to enable them to contribute effectively. On appointment, directors devote enough time to participate in a comprehensive induction programme, which introduces them to the main areas of IFFIm's business operations, in particular those that involve significant risk, and provide an overview of the entities associated with IFFIm, namely, Gavi and the World Bank. This induction was conducted virtually in 2021 for Ms Monique Barbut, Ms Hassatou Diop N'Sele and Ms Ingrid van Wees, and other serving directors were invited to attend some of the sessions as well.

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

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

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

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

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

Audit Committee

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

During 2021, there were three meetings of the audit committee. Committee member attendance was 100% at all meetings. The audit committee work plan includes the formal requirement for an executive session with the external auditor without any representatives from the Gavi Secretariat and the World Bank being present.

Regarding the reporting of alleged improprieties, misconduct, or wrongdoing, the IFFIm board implemented an Ethics reporting hotline in 2019 that is connected to Gavi's. The Ethics Hotline is prominently displayed on the homepage of IFFIm's public website. No reports related to IFFIm were received in 2021.

Board Effectiveness Review and UK Charity Governance Code

The IFFIm board carries out an effectiveness review annually and regularly discusses its effectiveness and ability to work together as a team. In 2021, the IFFIm board conducted a self-evaluation of the effectiveness of the board, the audit committee, and the Board Chair. The evaluation also assessed board composition, strategy, risk and performance, governance and operations, and relations with Grantors. The results of the evaluation were discussed by the IFFIm board in December 2021.

One of the areas highlighted in the board effectiveness review was succession planning. In early 2021, the IFFIm board agreed to expand its composition to eight seats which it reached by 1 October 2021. Three new director appointments were approved in June 2021; two directors were recruited to the audit committee; and a new chair was appointed as of 1 January 2021.

Another area highlighted in the effectiveness review was the IFFIm board's engagement with its stakeholders. The IFFIm board actively worked with Gavi, the World Bank, and donors in 2021, which resulted in an increase in IFFIm's capital base to a total of US\$ 2.4 billion through 2025, a new non-collateralised swap line for IFFIm, and two bond transactions totalling US\$ 1 billion.

As part of its own development, the IFFIm board reviews guiding principles under the UK Charity Governance Code (the "Code"). At its March 2021 board meeting, the board assessed IFFIm's current governance arrangements against the provisions of the Code. The IFFIm board concluded for the third successive year, overall, IFFIm's governance broadly aligns with the recommended practices set out in the Code other than for those requirements regarding a Chief Executive and staff given that IFFIm does not have any employees. The IFFIm board annually assesses its governance arrangements against the provisions of the Code and is scheduled to do so again at its March 2022 board meeting.

The IFFIm board has mandated that its work plan includes reviews of the Board Charter and Code of Conduct and other board-approved policies on a routine basis. It is also envisaged that an externally facilitated assessment of the board will be undertaken every third year, as was conducted in 2019.

Accountability and Transparency

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

REFERENCE AND ADMINISTRATIVE INFORMATION

Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees as indicated above. IFFIm trustees receive advice from Gavi and the World Bank and also delegate to them the day-to-day management of IFFIm's operations. Pursuant to an Administrative Support Agreement, IFFIm outsources all administrative support to Gavi, and, pursuant to a Treasury Management Agreement, IFFIm outsources its treasury management function, together with accounting support, to the World Bank. The responsibilities of the IFFIm trustees, as well as brief descriptions of Gavi and the World Bank, are provided in the *Structure, Governance and Management* section above.

IFFIm also receives professional services from the following organisations:

- Trusec Limited is IFFIm's company secretary. Its registered address is 2 Lambs Passage, London, EC1Y 8BB, United Kingdom.
- Slaughter and May is IFFIm's solicitor. Its registered address is One Bunhill Row, London, EC1Y 8YY, United Kingdom.
- Deloitte LLP is IFFIm's independent auditor. Its registered address is 1 New Street Square, London EC4A 3HQ, United Kingdom.
- BDO LLP is IFFIm's tax services provider. Its registered address is 55 Baker Street, London, W1U 7EU, United Kingdom.
- MaplesFS Limited is the administrator of IFFImSC III. Its registered address is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

PROGRAMMES FUNDED BY IFFIm

Gavi programmes are funded by IFFIm, subject to the IFFIm board's approval of a request for funding from Gavi and when an indicative funding confirmation, signed by any trustee on behalf of the IFFIm board, is issued to Gavi. The trustees are also directors of IFFIm for the purposes of company law. In the year ended 31 December 2021, IFFIm issued five new indicative funding confirmations, totalling US\$ 1,449 million, to fund Gavi programmes and made grant payments to Gavi, totalling US\$ 1,214 million, with respect to approved funding.

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

COUNTRY-SPECIFIC PROGRAMMES

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

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

- Pneumococcal Disease: This is a bacterial infection and is the leading cause of pneumonia. The bacterium that causes pneumococcal disease can also cause meningitis, which often leaves survivors with permanent disabilities, including mental retardation and seizures. Safe and affordable vaccines are the most effective way to prevent pneumococcal infection. The World Health Organization ("WHO") recommends that all countries introduce pneumococcal vaccines into their routine immunisation programmes, and that all children receive three doses of pneumococcal vaccine. This is particularly important in countries with high levels of pneumonia and high child mortality rates.
- Hepatitis B: This is a viral infection which is the leading cause of liver cancer. While infections occur mostly in young children, the deadly consequences of the virus usually occur later in life in the form of liver disease, including cirrhosis and liver cancer. Transmission of the virus from mother to newborn infant is a major contribution to disease in regions such as Asia and the Pacific Rim, where infection is widespread. Most cases could be avoided through vaccination. The vaccine is 98% effective in preventing infection and the development of chronic disease and liver cancer due to hepatitis B.
- Haemophilus Influenzae Type B ("Hib"): This is a bacterial infection which can cause meningitis, pneumonia, and septicaemia. It is considered the third biggest cause of vaccine-preventable death in children under five years of age. Spread through sneezing and coughing, Hib in the pre-vaccine era was

the leading cause of childhood meningitis. Many survivors suffer paralysis, deafness, mental retardation, and learning disabilities.

- **Diphtheria:** This is a bacterial infection which can cause myocarditis (inflammation of the heart muscle), inflammation of nerves, and kidney problems. It is transmitted from person to person through close physical and respiratory contact. The disease can be fatal. Death occurs in 5% to 10% of those infected, mainly in children under five years of age.
- **Tetanus:** Also known as lockjaw, tetanus is a bacterial infection. Tetanus affects new-born babies and their mothers, usually because of unsafe delivery in unhygienic conditions, often without skilled birth attendants.
- **Pertussis:** Also known as whooping cough, pertussis is a disease of the respiratory tract caused by bacteria that live in the mouth, nose, and throat. Many children who contract pertussis have coughing spells that last four to eight weeks. The disease is most dangerous in infants.
- **Yellow Fever:** As an acute viral haemorrhagic disease transmitted by mosquitoes, yellow fever causes devastating epidemics in areas where people who are not vaccinated are exposed to infected mosquitoes. Up to 50% of people severely affected by yellow fever will die. Yellow fever virus poses the greatest threat to 900 million people in Africa, Central and South America. Together, deforestation, urbanisation, climate change and low population immunity have contributed to its re-emergence since the 1980s.
- **Measles:** This is a highly contagious virus, whose symptoms include a high fever, severe skin rash, and a cough. Because it is so contagious, measles remains a significant threat to child health even in those areas where the rates of measles are reduced. By weakening the immune system, measles can also lead to other health problems such as pneumonia, blindness, diarrhoea, and encephalitis.
- **Rotavirus:** This virus is the leading cause of severe and fatal diarrhoea in children under five years of age. Nearly every child in the world will suffer a rotavirus infection by their third birthday. While rotavirus infects children in every country, more than 95% of rotavirus deaths occur in lower-income countries in Africa and Asia, where access to treatment for severe rotavirus-related diarrhoea is limited or unavailable.

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

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

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

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

INVESTMENT CASES

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

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

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

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

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

Yellow Fever Continuation: In March 2009, Gavi and IFFIm boards approved funding for an extension and expansion of Gavi's original yellow fever investment case described above. The additional funds allowed for increased and extended yellow fever vaccine coverage and helped offset higher than expected vaccine prices.

Meningitis Eradication: Gavi supported efforts to eliminate meningococcal A meningitis epidemics in 25 African countries that were estimated to be home to approximately 95% of the world's meningococcal meningitis burden. Meningococcal meningitis is a bacterial disease that mainly affects children and can result in death or permanent disability.

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

COVAX: COVAX is the vaccines pillar of the Access to COVID-19 Tools ("ACT") Accelerator, a ground-breaking global collaboration to accelerate the development, production, and equitable access to COVID-19 tests, treatments, and vaccines. COVAX is co-led by WHO, Gavi, and CEPI, alongside key delivery partner UNICEF. Its aim is to accelerate the development and manufacture of COVID-19 vaccines, and to guarantee fair and equitable access for every country in the world. Gavi's role in COVAX involves coordinating the COVAX Facility, a global risk-sharing mechanism for pooled procurement and equitable distribution of COVID-19 vaccines.

STRATEGIC REPORT

This Strategic Report relates to the year ended 31 December 2021. It forms part of the Annual Report of the Trustees, which contains all the information that company law requires to be provided in the directors' report. IFFIm's trustees are also the directors of IFFIm for the purposes of company law.

ACHIEVEMENTS AND PERFORMANCE

With the help of IFFIm funds, Gavi programmes led to the vaccination of more than 888 million children since Gavi's creation in 2000 and prevented more than 15 million deaths in the process. This was achieved by accelerating the uptake and use of new and underused vaccines, strengthening the capacity of integrated health systems to deliver immunisation in many lower-income countries, increasing the predictability of global financing and improving the sustainability of national financing for immunisation, and through shaping vaccine markets to ensure adequate supply of appropriate, quality vaccines at low and sustainable prices for eligible countries.

The Country-Specific Programmes and Investment Cases that are supported by Gavi with the help of IFFIm's funding are described in the *Programmes Funded by IFFIm* section above. In 2021, IFFIm made grant payments to Gavi totalling US\$ 1,214 million, with respect to approved funding, and issued five new indicative funding confirmations to Gavi totalling US\$ 1,449 million. The new indicative funding confirmations were in support of Gavi core programmes and the Gavi COVAX Advance Market Commitment ("Gavi COVAX AMC") programme. The grant payments to Gavi were comprised of US\$ 780 million in support of COVAX and US\$ 434 million for previously approved New and Underused Vaccine Support programmes.

From its inception in 2006 to 31 December 2021, IFFIm approved and disbursed the following amounts to help fund Gavi's Country-Specific Programmes:

In Millions of US\$	Cumulative Approvals	Cumulative Disbursements	Outstanding Balance Payable
New and underused vaccine support	2,481	(2,424)	57
Health systems strengthening and other	525	(525)	-
Total Country-Specific Programme support	3,006	(2,949)	57

From its inception in 2006 to 31 December 2021, IFFIm approved and disbursed the following amounts to help fund Gavi's Investment Cases:

In Millions of US\$	Cumulative Approvals	Cumulative Disbursements	Outstanding Balance Payable
Yellow fever stockpile and eradication	101	(101)	-
Polio eradication	191	(191)	-
Measles mortality reduction	139	(139)	-
Maternal and neonatal tetanus	62	(62)	-
Meningitis eradication	68	(68)	-
Vaccine research and development	272	(272)	-
COVAX	1,119	(780)	339
Total Investment Cases support	1,952	(1,613)	339

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

- **Maximising value for money:** IFFIm aims to deliver maximum value for money to Gavi for every dollar invested by its Grantors. As a measure of value for money, IFFIm expects that the cumulative total of IFFIm's disbursements to Gavi will exceed 90% of total Grantor pledges over IFFIm's lifetime. As an indicator of this measure, as of 31 December 2021, IFFIm's cumulative disbursements to Gavi were approximately 97.8 % of its total outlays since its inception in 2006.
- **Funding cost:** IFFIm's cost of funding compared to that of its Grantors serves as an indicator of IFFIm's efficiency. Since its inception, IFFIm has accessed the capital markets at a weighted average cost of borrowing that is in total lower than that of its Grantors. IFFIm's weighted average cost of all its bonds issued since its inception is 6 basis points over USD LIBOR. This is 1 basis points lower than the weighted average cost of borrowing of its Grantors, which is 7 basis points over USD LIBOR calculated over the same period. At its inception, IFFIm's funding cost, on average, was anticipated to be higher than that of its donors. The cost of funding is subject to macroeconomic factors.
- **Flexibility:** One of IFFIm's core values is the financial flexibility that it provides Gavi by allowing it to de-link its immunisation programmes from when Grantor payments are received and link them to when funding is needed. This means that Gavi can determine the timing and amount of drawdown from IFFIm based on its needs, for example, whether to frontload resources over a short period of time or draw down on smaller amounts over a longer period, without incurring significant costs in either situation. Because of this flexibility, Gavi was able to drawdown US\$ 1,214 million of IFFIm funding in 2021.
- **Strategic market access:** IFFIm's funding strategy is premised on the intention to optimise the following three objectives: (1) funding cost; (2) diversification; and (3) raising the profiles of IFFIm and Gavi and increasing awareness of Gavi's immunisation mission. IFFIm continues to achieve this strategy by issuing bonds in different currencies and regions, attracting new investors, and broadening its geographical reach. On 21 April 2021, IFFIm issued US\$ 750 million 5-year fixed rate Vaccine Bonds, which provided Gavi with immediate funding to support routine immunisation in lower-income countries. The issuance also accelerated the availability of critical funding for the Gavi COVAX AMC. On 18 November 2021, IFFIm increased the bond by US\$ 250 million bringing the total of the bond issuance to US\$ 1 billion. The bonds were oversubscribed with the participation of diverse and high-quality investors, demonstrating the continuing high appeal of IFFIm with global investors to support Gavi's core programmes and COVID-19 work.

In 2021, IFFIm received new sovereign pledges from the Commonwealth of Australia, the Kingdom of Norway, and the Kingdom of Sweden, respectively. IFFIm continues to engage with existing and prospective donors to attract further pledges in support of Gavi's immunisation mission, including its efforts to respond to the COVID-19 pandemic through the COVAX Facility. Further details of new sovereign pledges to IFFIm in 2021 are included in the *Financial Overview* section of this report.

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

Furthermore, based on the nature of outsourced operations at the World Bank and Gavi, any energy use attributable to IFFIm, with respect to the relevant supporting activities, would be impractical to obtain.

FINANCIAL OVERVIEW

Overview of Assets and Liabilities

The following table summarises IFFIm's assets and liabilities as of 31 December 2021 and 2020:

In Millions of US\$	2021	2020	Change
Sovereign pledges	3,437	3,286	151
Derivative financial assets	151	79	72
Funds held in trust	603	478	125
Other assets	12	14	(2)
Total assets	4,203	3,857	346
Bonds payable	1,845	916	929
Derivative financial liabilities	347	486	(139)
Grants payable	396	161	235
Other payables	1	1	-
Total liabilities	2,589	1,564	1,025
Net assets	1,614	2,293	(679)
Total liabilities and net assets	4,203	3,857	346

Sovereign Pledges: IFFIm's asset base consists primarily of irrevocable and legally binding multi-year sovereign pledges from the Grantors. As of 31 December 2021, the Grantors were the Republic of France, the Republic of Italy, the State of the Netherlands, the Kingdom of Norway, the Republic of South Africa, the Kingdom of Spain, the Kingdom of Sweden, the United Kingdom of Great Britain and Northern Ireland, the Commonwealth of Australia, and the Federative Republic of Brazil. The amounts pledged by the Grantors, along with the pledge dates, are listed in Note 2 to the financial statements. From inception to 31 December 2021, cumulative payments received from the Grantors totalled US\$ 3.9 billion.

During 2021, IFFIm's sovereign pledges increased by US\$ 151 million due to the following:

- **New Sovereign Pledges:** In 2021, IFFIm received new sovereign pledges of A\$ 86 million from the Commonwealth of Australia, kr (NOK) 4 billion from the Kingdom of Norway, and kr (SEK) 2.5 billion from the Kingdom of Sweden, which totalled US\$ 720 million. This increase due to new sovereign pledges was partially offset by fair value losses and payments received from grantors as described below.
- **Fair Value Losses:** IFFIm recorded US\$ 126 million in fair value losses on sovereign pledges during 2021, primarily comprised of (1) losses due to higher interest rates and (2) losses on pledges denominated in currencies other than the United States dollar due to the strengthening of the United States dollar in 2021.
- **Receipts from Grantors:** During 2021, IFFIm received payments from its Grantors totalling US\$ 443 million, which decreased sovereign pledges.

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

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

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

IFFIm holds sufficient liquidity to satisfy investor expectations and rating agency requirements that a sufficient balance be available to meet interest and principal payments to debt holders. Consistent with these purposes, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. As of 31 December 2021 and 2020, the calculated minimum liquidity was US\$ 99

million and US\$ 40 million, respectively, and the value of IFFIm's funds held in trust was US\$ 603 million and US\$ 478 million, respectively.

During 2021, funds held in trust increased by US\$ 125 million primarily due to (1) bond issuance proceeds of US\$ 993 million and (2) payments received from Grantors of US\$ 443 million. These were partially offset by (1) programme grant disbursements of US\$ 1,214 million, (2) bond redemptions of US\$ 38 million, (3) net swap settlement payments of US\$ 50 million, and (4) other net cash outlays of US\$ 9 million, including interest received and paid and general and administrative expenses.

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

Other assets: IFFIm's other assets comprise prepayments, amounts due from Gavi, and its cash balances held at depository bank accounts. Cash balances are moved to the investment portfolio on a regular basis.

Bonds Payable: IFFIm has continued to raise funds on the global capital markets. From inception to 31 December 2021, cumulative proceeds from bond issuances totalled US\$ 7.8 billion.

During 2021, IFFIm's bonds payable increased by US\$ 929 million primarily due to the following:

- Bond Issuances and Redemptions: IFFIm received proceeds of US\$ 993 million from two new bond issuances, partially offset by bond redemptions during the year totalling US\$ 38 million. This resulted in a net increase in bonds payable of US\$ 955 million. This net increase was partially offset by fair value gains as described below.
- Fair Value Gains: The fair value of bonds payable is highly sensitive to yield and exchange rate movements, which are some of the market observable inputs that are used to fair value IFFIm's bonds. During 2021, IFFIm recorded fair value gains of US\$ 29 million on its bonds.
- Other movements in bonds payable were a net increase of US\$ 3 million attributable to accrued interest payable.

As of 31 December 2021, IFFIm's bonds payable balance of US\$ 1,845 million comprised of bonds payable falling due within one year of US\$ 99 million and bonds payable falling due after more than one year of US\$ 1,746 million.

Derivative Financial Instruments: IFFIm's derivative financial instruments represent its net liability position on interest rate and currency swap contracts. As of 31 December 2021, IFFIm's net liability balance on its derivative financial instruments was US\$ 196 million (derivative financial liabilities of US\$ 347 million less derivative financial assets of US\$ 151 million), which was a decrease of US\$ 211 million compared to the prior year net liability balance on derivative financial instruments of US\$ 407 million (derivative financial liabilities of US\$ 486 million less derivative financial assets of US\$ 79 million). This US\$ 211 million decrease in 2021 was due to net fair value gains of US\$ 161 million and net swap settlement payments of US\$ 50 million. As of 31 December 2021, IFFIm's net liability balance on its derivative financial instruments of US\$ 196 million comprised of net amounts due after more than one year of US\$ 194 million and net amounts due within one year of US\$ 2 million. IFFIm's hedging strategy is described in the *Hedging IFFIm's Market Risks* section of this report and IFFIm's net liability position is discussed further in Note 8 to the financial statements.

Grants payable: Grants payable represent board approved commitments made by IFFIm to fund Gavi programmes. Each of these commitments is recognised when an indicative funding confirmation to Gavi is signed by one of IFFIm's trustees on behalf of the IFFIm board. During 2021, IFFIm's grants payable balance increased by US\$ 235 million due to new indicative funding confirmations issued by IFFIm to Gavi totalling US\$ 1,449 million, partially offset by grant payments to Gavi totalling US\$ 1,214 million.

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

Overview of Income and Expenses

The following table summarises IFFIm's income and expenses for the years ended 31 December 2021 and 2020:

In Millions of US\$	2021	2020	Change
Contribution revenue	720	1,347	(627)
Net fair value gains	64	45	19
Investment income	1	4	(3)
Other income	1	1	-
Total income	786	1,397	(611)
Programme grants	1,449	210	1,239
Financing costs	10	5	5
Other expenses	5	4	1
Total expenses	1,464	219	1,245
(Deficit) surplus for the year	(678)	1,178	(1,856)

Contribution Revenue: IFFIm receives its funding from Grantor contributions in the form of long-term legally binding sovereign pledges and converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. IFFIm then disburses the funds to Gavi to support various Gavi vaccine procurement, immunisation, and HSS programmes as described in the *Programmes Funded by IFFIm* section of this report. Contribution revenue for 2021 was comprised of new sovereign pledges of A\$ 86 million from the Commonwealth of Australia, kr (NOK) 4 billion from the Kingdom of Norway, and kr (SEK) 2.5 billion from the Kingdom of Sweden, with initial recorded fair values totalling US\$ 720 million.

Net Fair Value Gains: During 2021, IFFIm recorded net fair value gains of US\$ 64 million comprised of fair value gains of US\$ 161 million on its swaps and gains of US\$ 30 million on its bonds payable, which were partially offset by fair value losses of US\$ 126 million on its sovereign pledges and other foreign exchange losses of US\$ 1 million. The *Hedging IFFIm's Market Risks* section below further describes fair value adjustments on pledges, bonds, and swaps, and summarises their impact on IFFIm's income.

Investment Income: Investment income was lower by US\$ 3 million in 2021 compared to 2020 as IFFIm's investment portfolio had a relatively lower weighted average balance in 2021. The lower balance, together with lower market returns, resulted in a portfolio rate of return of 0.24% during 2021 compared to 0.99% during 2020.

Other income: Other income for 2021 was comprised of US\$ 1 million of administrative support services donated to IFFIm by Gavi.

Programme Grants: During 2021, four new indicative funding confirmations totalling US\$ 1,453 million were issued by IFFIm to fund Gavi's COVAX AMC and core programmes. The new indicative funding confirmations were partially offset by a programme reduction of US\$ 4 million related to previously approved funding for vaccine research and development activities.

Financing Costs: IFFIm's outstanding bonds payable balance was significantly higher in 2021 compared to 2020 due to the two new bond issuances in 2021 totalling US\$ 1 billion. As a result, financing costs were higher in 2021 compared to 2020.

Other Expenses: IFFIm's other expenses predominantly comprise treasury management fees billed by the World Bank, legal fees, audit fees, consulting fees, and administrative support services donated to IFFIm by Gavi. As there were no significant changes in IFFIm's operations or suppliers, its other expense in 2021 remained at about the same level as 2020. Marginal increases were recorded due to incremental project based legal fees and amounts accrued for statutory audit fees due to additional statutory financial reporting requirements.

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

IFFIm recorded a deficit of US\$ 678 million for the year ended 31 December 2021 primarily due to differences in the timing of when IFFIm recognises programme grants and the corresponding Grantor contributions that fund them. Programme grants are recognised as expenses annually when indicative funding confirmations are issued whereas Grantor contributions, which are multi-year in nature, are recognised upfront in full upon assignment of Grantor pledges to IFFIm by Gavi. Due to this difference in timing, programme grant expenses recognised in the year ended 31 December 2021 were greater than recorded contribution revenue, which resulted in a deficit.

RISK MANAGEMENT

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

- **Managing Financial Risks:** IFFIm's activities expose it to three principal types of financial risk: (1) credit risk, (2) liquidity risk, and (3) market risk. IFFIm seeks to mitigate each of these risks based on a risk management strategy approved by its board. IFFIm's mitigation of each type of financial risk is described below:

- (1) **Credit Risk:** IFFIm's credit ratings are closely tied to the credit ratings of Grantors. A change in the outlook for, or a downgrade of, the credit rating of one of the major Grantors may cause one or more of the credit rating agencies to review its outlook or credit rating for IFFIm and to amend such outlooks or credit ratings accordingly. A change in the credit rating of IFFIm may affect the market value of IFFIm's debt. IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and Standard and Poor's Ratings Service ("S&P") remained unchanged at AA-, Aa1, and AA, respectively, during 2021. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk. These measures are described in the *Credit Rating and Reserves Policy* section below. Note 13 to the financial statements describes IFFIm's credit risk and related risk management activities in more detail.

IFFIm's ability to make principal and interest payments to investors, and programme payments to Gavi, depends primarily on receipt by IFFIm of payments from Grantors under the grant agreements. IFFIm does not have any other significant sources of funds available to meet these obligations. In connection with this risk, each Grantor has represented and warranted to IFFIm, and to the other parties to IFFIm's Finance Framework Agreement, that the grant agreement to which it is a party constitutes valid and legally binding obligations of that Grantor. IFFIm has experienced occasional payment delays by some Grantors, which are administrative in nature. These delays have not been material and have not adversely affected IFFIm's credit ratings nor IFFIm's financial condition.

- (2) **Liquidity Risk:** Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months.

IFFIm's bond issuances are managed against the present value of expected future cash flows from Grantor pledges, in view of the Grant Payment Condition ("GPC") and other credit factors. The GPC is described further in Note 16 to the consolidated financial statements. IFFIm only raises bonds against a percentage of the present value of Grantor pledges. The residual, which is still available to IFFIm over time, creates a cushion to protect bond holders against adverse credit events such as many IFFIm-eligible countries falling into protracted arrears to the IMF. The cushion is a percentage of the present value of Grantor pledges, and is established through the Gearing Ratio Limit ("GRL") model. As of 31 December 2021, the GRL model had established that, at a triple-A equivalent confidence level, 74.1% of the present value of Grantor pledges may be used to support the issuance of IFFIm bonds. As of 31 December 2021, the fair value of IFFIm's outstanding bonds, net of bond swaps, cash and investments, was 34.1% of the present value of its grantor pledges net of pledge swaps.

The World Bank continues to have the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of the Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right. To mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the gearing ratio limit to manage the World Bank's exposure under the derivative transactions between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2021 and 2020, the Risk Management Buffer was 0% of the present value of expected future cash flows from Grantor pledges. In May 2020, the World Bank recalculated and reset the Risk Management Buffer to 0% from the previous value of 12% following the execution of a swap re-coupons transaction in the amount of US\$ 200 million, which reduced the World Bank's exposure on IFFIm's derivative positions by the same amount and enabled the World Bank to intermediate new swaps for IFFIm.

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

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

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

The programme risk related to misuse of funds is addressed by management controls and audit processes put in place at Gavi. Gavi has identified cases of misuse of funds in 39 countries since 2009. The estimated total Gavi funds misused in these countries since 2009 is US\$ 44.4 million, which is less than 0.28% of total funds disbursed by Gavi during that period. This includes cases of misuse estimated at US\$ 0.1 million, which were identified through audit processes that were finalised during 2021. Gavi has a zero-tolerance policy with respect to misuse of funds and actively works to bring all these identified cases to resolution and recover the misused funds from the countries. To date, a total of US\$ 40.9 million in misused funds has been scheduled for reimbursement to Gavi and resulted in actual reimbursements of US\$ 37.4 million from the countries, which represents a recovery rate of 91.3%. IFFIm funds have been used in only certain instances of misuse in 18 countries. It is estimated that approximately US\$ 22.1 million of the misuse identified above relates to funds provided by IFFIm, with a recovery rate of 99.1% against amounts scheduled for reimbursement to Gavi.

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

The COVID-19 pandemic has significantly disrupted economic activity and financial markets globally, including the economies of IFFIm's Grantors and implementing countries parts of which were shut down to slow the spread of the disease. As a result of the disruption caused by the pandemic, IFFIm is exposed to increased programme and financial risk and disruptions to its business operations, including treasury management and administrative support functions outsourced to the World Bank and Gavi, respectively. As described above, IFFIm has appropriate measures in place to mitigate the key programme and financial risks to which it is exposed and has relied on those measures to effectively mitigate incremental risk due to the pandemic, including the risk of misuse of COVID-19 vaccines in implementing countries the funding of which is leveraging IFFIm support through the COVAX Facility. The distribution of COVID-19 vaccines in countries may be associated with a higher risk of theft and diversion than traditional Gavi-supported vaccines given they are in low supply with potentially high demand and the existence of secondary markets. They could be diverted to non-target groups within countries or be used in exploitative transactions. The Gavi Secretariat is actively working on managing these risks and closely monitor the utilisation of vaccines in implementing countries through country monitoring and reporting from an early stage. Key IFFIm operational processes proceeded as planned during 2021 and continue to do so, ensuring that the directors receive timely information from the World Bank and Gavi to facilitate key decisions and provide necessary guidance on operational matters on a timely basis. The World Bank and Gavi each invoked business continuity procedures at the onset of the pandemic in March 2020, including home-based work and other prudent measures to ensure the health and safety of their employees, which have ensured IFFIm's operations continue to function. IFFIm's trustees have considered the impact of the COVID-19 pandemic on IFFIm's ability to continue undertaking its business activities on an ongoing basis and prepare its financial statements on a going concern basis as discussed further in Note 1 to the financial statements.

Considering the conflict between Russia and Ukraine and its global impact on economic activity and financial markets, management has assessed the potential impact of the conflict on IFFIm's financial position, performance, and its ability to continue meeting its obligations. IFFIm's sovereign pledges are legally binding contractual obligations, its investments are maintained under a conservative investment strategy, and its outstanding bonds are mostly fixed rate instruments, which are less susceptible to market volatility. IFFIm uses swaps to mitigate against interest rate and foreign exchange rate risks, which are the key market risks to which IFFIm's sovereign pledges and bonds payable are exposed. There is potential impact to the fair value of IFFIm's sovereign pledges, and associated cash flows, with respect to the GPC, which is a key variable in the valuation of IFFIm's sovereign pledges. The calculation of the GPC includes assessments of the risk that IFFIm-eligible recipient countries may fall into arrears to the IMF, which, among other factors, considers macroeconomic performance and a geopolitical assessment. As of 31 March 2022, there were no countries in protracted arrears to the IMF. Management has not quantified the potential impact due to the GPC and

will make this assessment as quarterly reporting is completed. Considering all these factors, management does not expect that IFFIm's overall financial position and performance will be significantly impacted by the adverse effects of the conflict and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility due to the conflict and the potential challenges it may involve.

Credit rating and reserves policy

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

IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2021 and 2020, the calculated minimum liquidity was US\$ 99 million and US\$ 40 million, respectively, and the value of IFFIm's Liquid Assets was US\$ 615 million and US\$ 492 million, respectively.

Hedging Market Risks

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

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

The following table shows IFFIm's fair value adjustments and interest expense, for the years ended 31 December 2021 and 2020, before and after the impact of IFFIm's currency and interest rate swaps:

In Millions of US\$	2021		2020	
	Pledges	Bonds	Pledges	Bonds
Interest and fair value adjustments before impact of swaps	(126)	23	214	(38)
Impact of currency and interest rate swaps	180	(19)	(139)	1
Net interest and fair value adjustments after impact of swaps	54	4	75	(37)
Interest expense on bonds before impact of swaps		8		4
Impact of bond swaps on interest expense		(4)		1
Net interest expense on bonds after impact of swaps		4		5

As described in Note 1 to the financial statements, IFFIm has applied IAS 39, as permitted by FRS 102, and elected not to apply hedge accounting. Therefore, the fair value gains and losses on currency and interest rate swaps are recognised in full without any offsetting.

As shown above, IFFIm recorded fair value losses on pledges and fair value gains on pledge swaps in 2021 due to several factors as discussed below. The following table further analyses fair value adjustments on pledges and pledge swaps:

In Millions of US\$	2021			2020		
	Pledges	Pledge Swaps	Total	Pledges	Pledge Swaps	Total
Fair value gains due to GPC Fair Value Adjustment	71	-	71	33	-	33
Interest rate fair value (losses) gains	(94)	68	(26)	(6)	(29)	(35)
Foreign currency fair value (losses) gains	(103)	112	9	187	(110)	77
Net fair value (losses) gains	(126)	180	54	214	(139)	75

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

- **Fair value gains due to GPC Fair Value Adjustment:** As described in Notes 1 and 16 to the financial statements, the Grant Payment Condition (the "GPC") allows the Grantors to reduce their payments to IFFIm in the event that an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the "IMF"). Therefore, when calculating the fair values of Grantor pledges, the expected future cash inflows from Grantors are reduced by an estimated percentage due to the GPC (the "GPC Fair Value Adjustment"). The GPC Fair Value Adjustment is calculated by the World Bank using a probabilistic model, which estimates the likelihood and duration that any implementing country might fall into arrears with the IMF over the life of the Grantor pledges. During 2021, the GPC Fair Value Adjustment decreased from 8.72% to 7.40%. When Grantor payments are made, they are reduced by the actual GPC level on the date that they are received. As described in Note 16 to the financial statements, Sudan, with a country weighting of 0.5%, cleared its arrears to the IMF in May 2021 and, as of 31 December 2021, there were no reference portfolio countries in protracted arrears to the IMF. Therefore, Grantor payments received in the period from 1 January 2021 to 31 May 2021 were reduced by an actual GPC level of 0.5%, except for payments received from the Kingdom of Norway, which opted to make grant payments due to IFFIm in full without applying any GPC reduction. No GPC reduction was applied to grantor payments received in the period from 1 June 2021 to 31 December 2021. Fair value gains on pledges of US\$ 71 million due to the GPC Fair Value Adjustment were due to the decrease in the GPC Fair Value Adjustment and the spread between the GPC Fair Value Adjustment and actual GPC reduction applied.
- **Interest rate fair value (losses) gains:** As described in Note 16, both pledges and pledge swaps are valued using the discounted cash flow method. Interest rate fair value losses on pledges of US\$ 94 million and gains on pledge swaps of US\$ 68 million in 2021 were primarily due to relatively higher interest rates in 2021.
- **Foreign currency fair value (losses) gains:** The majority of IFFIm's pledges are denominated in euros and British pounds. In addition, IFFIm has smaller foreign currency pledges denominated in Australian dollars, Norwegian kroner, and Swedish kronor. The United States dollar strengthened against the British pound, euro, and the other currencies in 2021, which resulted in net fair value losses on pledges of US\$ 103 million and gains on pledge swaps of US\$ 112 million due to foreign currency movements.
- **Net debit valuation adjustment:** IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. A net debit valuation adjustment of US\$ 0.2 million was included in the valuation of pledge swaps in 2021, compared to US\$ 0.6 million in 2020, which resulted in a fair value loss of US\$ 0.4 million in 2021.

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

In Millions of US\$	2021			2020		
	Bonds	Bond Swaps	Total	Bonds	Bond Swaps	Total
Interest (expense) income	(8)	4	(4)	(4)	(1)	(5)
Interest rate fair value gains (losses)	16	(17)	(1)	(16)	9	(7)
Foreign currency fair value gains (losses)	15	(6)	9	(18)	(7)	(25)
Net interest and fair value gains (losses)	23	(19)	4	(38)	1	(37)

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

- Interest expense: IFFIm recorded interest expense on bonds of US\$ 8 million and net interest expense on bond swaps of US\$ 4 million in 2021.
- Interest rate fair value gains (losses): As described in Note 16 to the financial statements, both bonds and bond swaps are valued using the discounted cash flow method. Due to higher interest rates in 2021, higher discount rates were applied to IFFIm's bonds and bond swaps in 2021, which resulted in fair value gains on bonds and fair value losses on bond swaps.
- Foreign currency fair value gains (losses): Some of IFFIm's bonds are denominated in South African rand and Norwegian krone. The United States dollar strengthened against both currencies during 2021, which resulted in foreign currency fair value gains of US\$ 15 million on bonds and losses of US\$ 6 million on bond swaps.

SECTION 172 (1) STATEMENT

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

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

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

Principal Activity and Board Approach

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

In relation to the Board's obligations to s.172 (1) matters, the Directors have agreed to consider the impact of its decisions on four identified key stakeholders. They are: investors, Grantors, the World Bank, and Gavi. The Board engages with these stakeholders by various means and address matters which concern them, both within board meetings and through other reports and engagements. The Board gives consideration of s.172 (1) matters in board meeting papers, encouraging authors to identify the interests of key stakeholders in the topic under discussion and clearly demonstrating how recommendations for decisions and requests for guidance put forward to the Board have taken stakeholder interests and other s.172 (1) matters into account. Stakeholder interests are considered prior to principal decisions being taken by the Board, often with IFFIm's stakeholders routinely participating directly in board meeting discussions.

High Standards of Business Conduct and Culture

The Board has a Board Charter and Code of Conduct which sets out the main principles relevant to IFFIm and its Directors in order to develop, implement and maintain a culture and standard of good corporate governance. The matters set out in the Charter are subject to the Companies Act 2006, charities' legislation and regulations, and IFFIm's statutes. Incorporated into the Charter are formal procedures to help ensure that IFFIm and the Board act in a transparent and dutiful manner, along with criteria against which IFFIm's stakeholders can assess the performance of IFFIm from a corporate governance perspective.

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

IFFIm's Board Chair is invited to attend meetings of the Gavi Board and is routinely available to meet with Grantors, investors and other stakeholders. The Board also meets with Grantors and conducts bilateral discussions separately as appropriate. Directors relay feedback from stakeholder engagements in board

meetings and in monthly informal virtual meetings. The World Bank and Gavi Secretariat participate in all IFFIm board meetings. Gavi's board secretary or delegated representative also attends all board and audit committee meetings and fulfils the role of company secretary envisaged under section 172.

Stakeholder Engagement

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

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

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

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

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

Key Decisions of the Company

The Board routinely seeks to ensure the interests of its key stakeholders are considered in its decision-making processes recognising that these stakeholders may have differing views on decisions taken by the Board. The World Bank and Gavi Secretariat participate in every IFFIm board meeting and interests of Investors and Grantors are discussed routinely in each meeting. In 2021, virtual meetings were particularly effective in engaging Grantors in discussions on IFFIm's role in supporting Gavi's COVID-19 response. The impact of decisions and choices taken by the Board are routinely evaluated in the relevant papers submitted to the Board for guidance or decision and recorded in the board minutes accordingly.

Key decisions made by the Board during 2021 include:

- Approval of the annual budget
- Approval of the annual strategic direction
- Approval of IFFIm's risk framework
- Approval of Transactions and Issuances
- Appointment of Directors, Officers and Authorised Signatories
- Approval of Gavi Programme Funding

In 2021, IFFIm executed two bond issuances totalling US\$ 1 billion to support Gavi programmes including COVID-19 vaccine research, development, and delivery. The Board sought advice and expertise from the World Bank to carry out the related transactions. The Board weighed investment costs against the benefits to Gavi and sought alignment of investor interests and Gavi's urgent funding needs which taken together influenced the Board's decision on how to structure the two transactions. The Board's actions helped provide immediate funding to support equitable and rapid access of COVID-19 vaccines to eligible countries (see Recent Developments below).

Consequences of decisions in the long term.

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

Impact on the Community

IFFIm is a public benefit entity that supports the charitable aims of Gavi, the Vaccine Alliance. IFFIm accelerates the delivery of vaccines by making the money from long term government donor pledges available immediately. Through this funding mechanism, IFFIm has helped Gavi to immunise more children sooner and has made vaccines more widely available. By creating a larger market and by stimulating greater competition from manufacturers, Gavi has played a notable role in driving down the cost of vaccines for lower-income countries since 2000. IFFIm's additional funding to Gavi has saved an estimated 2.6 million children's lives from potentially fatal infectious diseases.

RECENT DEVELOPMENTS

Effective 1 January 2021, following the United Kingdom's withdrawal from the European Union, IFFIm is required to prepare consolidated interim and annual financial statements in accordance with IFRS to comply with reporting obligations as an issuer of securities admitted to trading on a regulated market in the European Union. Accordingly, IFFIm prepared consolidated interim financial statements (unaudited) for the six months ended 30 June 2021 in accordance with IFRS, which were published and filed in Luxembourg in September 2022, and prepared consolidated annual financial statements for the year ended 31 December 2021 in accordance with IFRS, which were published and filed in Luxembourg on 29 April 2022.

On 18 November 2021, IFFIm increased by US\$ 250 million the 5-year fixed rate Vaccine Bonds of US\$ 750 million it issued in April 2021, providing Gavi with additional immediate funding to support routine immunisation in lower-income countries. The transaction will mature on 21 April 2026, has a re-offer price of 99.704%, and carries a semi-annual coupon of 1%.

In February 2022, IFFIm issued a reduction of US\$ 144 million to previously approved funding for Gavi's COVAX AMC programme and issued a new indicative funding confirmation of US\$ 275 million to support Gavi's new and underused vaccines programmes.

In April 2022, IFFIm Sukuk Company III Limited made the final payment of US\$ 50 million to the holders of its certificates.

In May 2022, IFFIm disbursed US\$ 130 million to Gavi as funding for its core programmes.

Considering the conflict between Russia and Ukraine and its global impact on economic activity and financial markets, management has assessed the potential impact of the conflict on IFFIm's financial position, performance, and its ability to continue meeting its obligations. Details of management's assessment are included in the *Risk Management* section of this report. Management does not expect that IFFIm's overall financial position and performance will be significantly impacted by the adverse effects of the conflict and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility due to the conflict and the potential challenges it may involve.

FUTURE PLANS

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

In response to the COVID-19 pandemic, IFFIm is playing an integral role in supporting the Gavi COVAX AMC, an innovative financing instrument within the COVAX Facility to procure and deliver COVID-19 vaccines for 92 low-income and lower middle-income countries. Co-led by Gavi, CEPI, and the World Health Organization ("WHO"), alongside key delivery partner UNICEF, the COVAX Facility aims to accelerate the development and manufacture of COVID-19 vaccines and to guarantee fair and equitable access for every country in the world. Gavi is raising additional funding for the COVAX AMC to mitigate against future new variants. IFFIm remains a critical instrument for donors accelerate funding to this AMC to finance this global fight.

DECLARATIONS BY IFFIm DIRECTORS

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

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

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

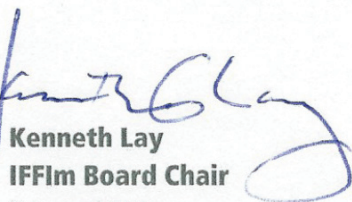
So far as each of the trustees is aware, applicable accounting standards have been followed.

INDEPENDENT AUDITOR

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

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

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



Kenneth Lay
IFFIm Board Chair
9 June 2022



Bertrand de Mazières
Audit Committee Chair
9 June 2022

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

In Thousands of US\$	Note	Year Ended 31 December 2021 Restricted Funds	Year Ended 31 December 2020 Restricted Funds
<u>Income from:</u>			
Contribution revenue	2	719,784	1,347,303
Donated services	2	942	911
Investments	3	667	4,479
Total income		721,393	1,352,693
<u>Expenditure on:</u>			
Raising funds	4	12,274	6,804
Charitable activities	4	1,451,849	212,471
Total expenditure		1,464,123	219,275
Net (expenditure) income before gains and losses		(742,730)	1,133,418
Net fair value gains on pledges, bonds, and swaps	5	64,282	44,925
Net movement in funds		(678,448)	1,178,343
<u>Reconciliation of funds:</u>			
Total funds as of the beginning of the year		2,292,608	1,114,265
Total funds as of the end of the year		1,614,160	2,292,608

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

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

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURES

In Thousands of US\$	Note	Year Ended 31 December 2021 Restricted Funds	Year Ended 31 December 2020 Restricted Funds
<u>Turnover</u>			
Contribution revenue	2	719,784	1,347,303
<u>Operating expenses</u>			
Programme grants	4	1,449,478	210,365
Treasury manager's fees	4	2,255	2,104
Governance costs	4	2,371	2,106
Total operating expenses		1,454,104	214,575
<u>Other operating income</u>			
Donated services	2	942	911
Total other operating income		942	911
Net operating (expenses) income		(733,378)	1,133,639
<u>Financing and investment income (expenses)</u>			
<u>Financing income (expenses) on bonds and bond swaps:</u>			
Net fair value gains (losses) on bonds and bond swaps	5	11,645	(32,278)
Interest expense on bonds	4	(7,885)	(4,141)
Net financing income (expenses) on bonds and bond swaps		3,760	(36,419)
<u>Other financing income (expenses):</u>			
Net fair value gains on pledges and pledge swaps	5	54,030	74,496
Other foreign exchange (losses) gains	5	(1,393)	2,707
Other financing charges	4	(2,134)	(559)
Net other financing income		50,503	76,644
<u>Investment income:</u>			
Investment and interest income	3	667	4,479
Total financing and investment income		54,930	44,704
(Deficit) surplus for the year		(678,448)	1,178,343

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

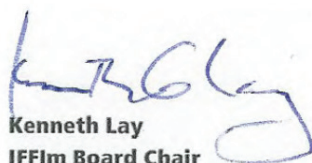
BALANCE SHEETS

Group and Parent Company In Thousands of US\$	Note	As of 31 December 2021	As of 31 December 2020
<u>Fixed assets</u>			
Sovereign pledges due after more than one year	6	2,882,001	2,880,945
Derivative financial instruments due after more than one year	8	150,087	79,391
Total fixed assets		3,032,088	2,960,336
<u>Current assets</u>			
Sovereign pledges due within one year	6	554,564	404,840
Derivative financial instruments due within one year	8	502	-
Prepayments		294	32
Amounts due from related parties		-	11
Funds held in trust	7	603,383	478,455
Cash		11,677	13,906
Total current assets		1,170,420	897,244
<u>Current liabilities</u>			
Creditors falling due within one year	9	495,511	201,995
Derivative financial instruments due within one year	8	2,245	5,638
Total current liabilities		497,756	207,633
Net current assets		672,664	689,611
Total assets less current liabilities		3,704,752	3,649,947
<u>Liabilities due after more than one year</u>			
Creditors falling due after more than one year	10	1,746,222	876,361
Derivative financial instruments due after more than one year	8	344,370	480,978
Total liabilities due after more than one year		2,090,592	1,357,339
Net assets		1,614,160	2,292,608
Restricted funds		1,614,160	2,292,608

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

The parent company's results were a deficit of US\$ 678 million and a surplus of US\$ 1.2 billion for the years ended 31 December 2021 and 2020, respectively.

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


Kenneth Lay
IFFIm Board Chair
9 June 2022


Bertrand de Mazieres
Audit Committee Chair
9 June 2022

Registered company number 5857343

CONSOLIDATED STATEMENT OF CASH FLOWS

In Thousands of US\$	Note	Year Ended 31 December 2021 Restricted Funds	Year Ended 31 December 2020 Restricted Funds
<u>Cash flows from operating activities</u>			
Net cash used in operating activities		(826,833)	(311,795)
<u>Cash flows from investing activities</u>			
Investment and interest income received	3	667	4,479
Increase in funds held in trust	17	(124,928)	(50,530)
Net cash used in investing activities		(124,261)	(46,051)
<u>Cash flows from financing activities</u>			
Proceeds from bond issuances	17	993,141	698,768
Redemption of bonds	17	(37,608)	(325,010)
Interest paid on bonds		(5,953)	(4,822)
Net cash provided by financing activities		949,580	368,936
Net change in cash		(1,514)	11,090
Cash as of the beginning of the year		13,906	15
Effect of exchange rate changes		(715)	2,801
Cash as of the end of the year		11,677	13,906

Reconciliation of net change in funds to net cash flows from operating activities:

In Thousands of US\$	2021	2020
Net change in funds	(678,448)	1,178,343
Investment and interest income	(667)	(4,479)
Interest expense on bonds	7,885	4,141
Bond issuance costs	1,457	(1)
Fair value losses (gains) on sovereign pledges	125,648	(213,574)
Fair value (gains) losses on bonds	(30,541)	33,450
Unrealised losses (gains) on cash balances	715	(2,801)
Initial fair value of pledges	(719,784)	(1,347,303)
Payments received from donors	443,356	348,928
(Increase) decrease in prepayments and amounts due from related parties	(251)	68
Decrease in amounts due under derivative financial instruments	(211,199)	(112,046)
Decrease in trade creditors ¹ and amounts due to related parties	(82)	(444)
Increase (decrease) in grants payable	235,078	(196,077)
Net cash used in operating activities	(826,833)	(311,795)

¹ Trade creditors are comprised of amounts due to service providers.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

The principal accounting policies of IFFIm are summarised below. These accounting policies were consistently applied from prior years. IFFIm's consolidated financial statements have been prepared on a going concern basis and approved by its trustees in accordance with applicable law and United Kingdom Generally Accepted Accounting Standards. As IFFIm's credit rating is AA-, the World Bank has the right to call for collateral, above a specified threshold amount, and protect its derivative exposure to IFFIm. However, following discussions and agreement with the World Bank, the World Bank has confirmed that it will not call collateral over at least 12 months from the date of approval of these financial statements, which could cause IFFIm to be unable to meet its required financial obligations. Furthermore, following Gavi's confirmation, IFFIm continues to maintain the ability to defer grant payments to Gavi to the extent that this is required for IFFIm to meet other obligations as they fall due within the next 12 months. In assessing the going concern basis, the trustees have also considered the potential impact of the COVID-19 pandemic whereby, in addition to assessing any potential impact of the pandemic on the factors considered above, the trustees considered (1) the continued stability of funding from Grantors due to its legally binding nature and commitment from the Grantors and (2) measures in place which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the date of approval of these financial statements as further described in Note 14 below. In their assessment, the trustees determined that the COVID-19 pandemic does not significantly impact the above key factors that IFFIm's going concern basis is primarily reliant upon. The trustees have also considered the impact of the conflict between Russia and Ukraine as described further in Note 22 to the consolidated financial statements. IFFIm recorded a deficit of US\$ 678 million for the year ended 31 December 2021 primarily due to differences in the timing of when IFFIm recognises programme grants and the corresponding Grantor contributions that fund them. Programme grants are recognised as expenses annually when indicative funding confirmations are issued whereas Grantor contributions, which are multi-year in nature, are recognised upfront in full upon assignment of Grantor pledges to IFFIm by Gavi. Due to this difference in timing, programme grant expenses recognised in the year ended 31 December 2021 were greater than recorded contribution revenue, which resulted in a deficit. Despite this deficit, there are measures in place, as indicated above, which ensure IFFIm will maintain the required minimum liquidity levels for at least the next 12 months from the date of approval of these financial statements as further described in Note 14 below. Therefore, the trustees concluded that the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about IFFIm's ability to continue as a going concern.

Basis of Accounting: The consolidated financial statements are prepared:

- on the accruals basis of accounting, under the historical cost convention, with the exception of sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable, which are included at fair value;
- in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (Charities SORP (FRS 102)), and the Financial Reporting Standard 102 applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and United Kingdom Generally Accepted Accounting Practice, as it applies from 1 January 2019 together with subsequent updates. The financial statements have been prepared to give a true and fair view of the state of IFFIm's affairs as of 31 December 2021, and of IFFIm's incoming resources and application of resources for the year then ended; and
- in accordance with International Accounting Standard 39 Financial Instruments: Recognition and Measurement (IAS 39), as permitted by FRS 102, sovereign pledges, funds held in trust, derivative financial instruments, and bonds payable are measured at fair value with changes in fair value recognised in the income statement. These assets and liabilities are recorded at fair value based on the methodologies described in Note 16.

Basis of Consolidation: A subsidiary is an entity controlled by a group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits

from its activities. The financial statements of a subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intragroup balances, and any gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

IFFIm has control over IFFIm Sukuk Company III Limited ("IFFImSC III"), a Cayman Islands company with limited liability. IFFImSC III was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations and its activities conducted on behalf of IFFIm and according to IFFIm's business needs. IFFIm is the primary beneficiary of IFFImSC III, bearing a significant level of risk incidental to its activities, and retaining residual or ownership risk related to the entity or its assets. Therefore, these consolidated financial statements include the accounts of IFFImSC III. As of 31 December 2021, IFFImSC III had cash of US\$ 250, share capital of US\$ 250, and retained earnings of US\$ 0, which are included in the group balance sheet but not included in the parent company balance sheet. The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present a separate parent company statement of income and expenditures. The parent company's deficit for the year ended 31 December 2021 was US\$ 678 million.

IFFImSC III's balances, income, and expenditure, except for cash of US\$ 250 and share capital of US\$ 250, are eliminated upon consolidation in these consolidated financial statements. Therefore, the balances, income and expenditure reported in these consolidated financial statements also represent IFFIm's parent company results and financial position.

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

Donated Services: Donated services are included at the value to IFFIm of the service provided.

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

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

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

Interest Income and Expense: Investment and interest income is recognised during the year in which it is earned. Interest expense is recognised during the year in which it is incurred.

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

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

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

Derivative Financial Instruments: IFFIm uses derivatives to manage its assets and liabilities. In applying IAS 39, as permitted by FRS 102, IFFIm has elected not to apply hedge accounting. Derivative financial

instruments are accounted for at fair value. Changes in the fair values of derivatives are recognised as changes in restricted net assets in the years of the changes and reported in fair value gains (losses) in the Statement of Financial Activities. Derivative contracts with positive fair values are recognised as financial assets while those with negative fair values are recognised as financial liabilities. Derivative assets and liabilities are not offset in the balance sheet when there is no legally enforceable right or intention to do so.

As of 31 December 2021, derivative financial instruments include the effects of a swap re-couponing transaction in the amount of US\$ 200 million, which was executed in May 2020 between IFFIm and the World Bank, which is a counterparty on IFFIm's swap contracts. The transaction, which reduced the World Bank's derivative exposure to IFFIm, amended certain swap contracts between IFFIm and the World Bank by modifying their cash flows such that IFFIm made an additional payment of US\$ 200 million to the World Bank upon execution and the World Bank will make scheduled repayments to IFFIm in future years totalling US\$ 200 million with interest. IFFIm evaluated the transaction and determined that it resulted in a hybrid financial instrument comprised of the amended swap contracts as an embedded derivative and the modified cash flows corresponding to a separate financial instrument as the host. As permitted by IAS 39, IFFIm elected to designate the entire hybrid instrument as a financial liability at fair value through profit or loss. As both components of the hybrid instrument have closely related economic characteristics and risks, they are not separated in IFFIm's financial statements and are reported as part of derivative financial instruments as the principal cash flows are primarily related to the embedded derivative component.

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

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

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

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

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

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

2. CONTRIBUTION REVENUE

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

Grantor	Grant Date	Payment Period	Grant Amount, in Thousands		Amount, in Thousands of US\$ ¹
Commonwealth of Australia	28 March 2011	19 years	A\$ (AUD)	250,000	181,250
Commonwealth of Australia	3 June 2016	5 years	A\$ (AUD)	37,500	27,188
Commonwealth of Australia	17 August 2021	8 years	A\$ (AUD)	86,000	62,350
Total			A\$ (AUD)	373,500	270,788
Federative Republic of Brazil	10 October 2018	20 years	US\$ (USD)	20,000	20,000
Republic of France	2 October 2006	15 years	€ (EUR)	372,800	421,972
Republic of France	7 December 2007	19 years	€ (EUR)	867,160	981,538
Republic of France	4 May 2017	5 years ²	€ (EUR)	150,000	169,785
Total			€ (EUR)	1,389,960	1,573,295
Republic of Italy	2 October 2006	20 years	€ (EUR)	473,450	535,898
Republic of Italy	14 November 2011	14 years	€ (EUR)	25,500	28,863
Republic of Italy ³	30 November 2020	1 month	€ (EUR)	5,000	5,660
Republic of Italy	1 December 2020	10 years	€ (EUR)	150,000	169,785
Total			€ (EUR)	653,950	740,206
State of the Netherlands ³	4 May 2017	4 years	US\$ (USD)	66,667	66,667
State of the Netherlands ³	18 December 2009	7 years	€ (EUR)	80,000	90,552
State of the Netherlands	17 December 2020	10 years	€ (EUR)	250,000	282,975
Total			€ (EUR)	330,000	373,527
Kingdom of Norway ³	2 October 2006	5 years	US\$ (USD)	27,000	27,000
Kingdom of Norway ³	31 August 2010	10 years	Nkr (NOK)	1,500,000	169,950
Kingdom of Norway	15 May 2019	5 years	Nkr (NOK)	600,000	67,980
Kingdom of Norway	12 June 2020	10 years	Nkr (NOK)	2,000,000	226,600
Kingdom of Norway	18 December 2020	10 years	Nkr (NOK)	1,000,000	113,300
Kingdom of Norway	14 July 2021	8 years	Nkr (NOK)	4,000,000	453,200
Total				9,100,000	1,031,030
Republic of South Africa	13 March 2007	20 years	US\$ (USD)	20,000	20,000
Kingdom of Spain	2 October 2006	20 years	€ (EUR)	189,500	214,495
Kingdom of Sweden	2 October 2006	15 years	Skr (SEK)	276,150	30,487
Kingdom of Sweden	17 August 2021	8.5 years	Skr (SEK)	2,250,000	248,400
Kingdom of Sweden	17 August 2021	9 years	Skr (SEK)	250,000	27,600
Total				2,776,150	306,487
United Kingdom	2 October 2006	20 years	£ (GBP)	1,380,000	1,859,688
United Kingdom	5 August 2010	19 years	£ (GBP)	250,000	336,900
United Kingdom	23 December 2020	9 years	£ (GBP)	500,000	673,800
Total				2,130,000	2,870,388
Total cumulative grantor pledges since inception					7,513,883

¹ United States dollar equivalent amounts of Grantor pledges at the exchange rates as of 31 December 2021.

² Corresponds to a payment period from 31 March 2022 to 31 March 2026.

³ These grant obligations were fully paid and were not outstanding as of 31 December 2021.

Contribution revenue recognised was comprised of:

In Thousands of US\$	2021	2020
Initial fair value of pledge received from the Commonwealth of Australia	55,867	-
Initial fair value of pledges received from the Republic of Italy	-	166,342
Initial fair value of pledge received from the State of the Netherlands	-	280,361
Initial fair value of pledges received from the Kingdom of Norway	397,910	290,390
Initial fair value of pledges received from the Kingdom of Sweden	266,007	-
Initial fair value of pledge received from the United Kingdom	-	610,210
Total contribution revenue	719,784	1,347,303

Donated Services: IFFIm received donated administrative services from Gavi in 2021 and 2020. The services donated by Gavi were valued by using a comprehensive cost allocation model to calculate a single administrative support amount.

The following donated services were recorded as both income and expense and valued at an amount equal to the cost incurred by Gavi:

In Thousands of US\$	2021	2020
Administrative support	942	911
Total donated services	942	911

3. INVESTMENT AND INTEREST INCOME

In Thousands of US\$	2021	2020
Income from funds held in trust	667	4,479
Total investment and interest income	667	4,479

4. TOTAL EXPENDITURE

In Thousands of US\$	2021	2020
<u>Expenditure on raising funds</u>		
<u>Treasury manager's fees:</u>		
Financial operations management	2,255	2,104
<u>Finance charges:</u>		
Bond interest expense	7,885	4,141
Other financing charges	2,134	559
Total finance charges	10,019	4,700
Total expenditure on raising funds	12,274	6,804

Expenditure on charitable activities

Programmes grants to Gavi:

Country-specific programmes:

New and underused vaccines	334,400	-
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Investment cases:

Vaccine research and development	(3,922)	210,365
COVAX	1,119,000	-

Support costs:

Professional services:

Consultancy fees	269	276
Gavi administrative support fee	942	911
Legal fees	660	507
Tax compliance services	16	16

Auditor's remuneration:

Statutory audit	475	352
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Other governance costs:

Trustees' indemnity insurance premiums	9	9
Trustees' meeting and travel expenses	-	35

Total expenditure on charitable activities	1,451,849	212,471
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Administrative and Financial Management Support: Pursuant to the Finance Framework Agreement entered into among IFFIm, the Grantors, the World Bank, and Gavi, IFFIm has no employees. IFFIm outsources all

administrative support to Gavi, and outsources its treasury function, together with certain accounting and financial reporting support, to the World Bank.

Auditor's Remuneration: Statutory audit expenses relate to the audit of financial information included in these financial statements and in the special purpose reporting package prepared by the World Bank in its capacity as IFFIm's treasury manager. Other financing charges include fees of US\$ 57 thousand and US\$ 162 thousand that were due to IFFIm's auditor in 2021 and 2020, respectively, for services related to IFFIm's bond issuances.

Trustees' Expenses: IFFIm's trustees are not remunerated. They are, however, reimbursed for expenses they incur in attending meetings and performing other functions directly related to their duties as trustees. IFFIm also incurs professional indemnity insurance premium expenses for the trustees. IFFIm had eight and six trustees as of 31 December 2021 and 2020, respectively.

5. FAIR VALUE GAINS AND LOSSES

In Thousands of US\$	2021	2020
<u>Fair value gains (losses) on bonds and bond swaps</u>		
Fair value gains (losses) on bonds	30,541	(33,450)
Net fair value (losses) gains on bond swaps	(18,896)	1,172
Net fair value gains (losses) on bonds and bond swaps	11,645	(32,278)
<u>Fair value gains (losses) on pledges and pledge swaps</u>		
Fair value (losses) gains on sovereign pledges	(125,648)	213,574
Net fair value gains (losses) on pledge swaps	179,678	(139,078)
Net fair value gains on pledges and pledge swaps	54,030	74,496
Other foreign exchange (losses) gains	(1,393)	2,707
Net fair value gains on pledges, bonds, and swaps	64,282	44,925

In 2021, fair value gains on sovereign pledges include fair value movements of US\$ 71 million (2020: US\$ 33 million) attributable to the GPC Fair Value Adjustment.

6. SOVEREIGN PLEDGES

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

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

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

Sovereign pledges were comprised of:

Group and Parent Company In Thousands of US\$	2021	2020
Balance as of the beginning of the year	3,285,785	2,073,836
Initial fair value of pledges	719,784	1,347,303
Payments received from donors	(443,356)	(348,928)
Fair value (losses) gains	(125,648)	213,574
Balance as of the end of the year	3,436,565	3,285,785
<u>Comprised of:</u>		
Sovereign pledges due within one year	554,564	404,840
Sovereign pledges due after more than one year	2,882,001	2,880,945
Total sovereign pledges	3,436,565	3,285,785

Note 8 provides details of interest rate and currency swaps that were recognised related to the sovereign pledges due.

7. FUNDS HELD IN TRUST

The World Bank maintains a single investment portfolio (the "Pool") for IFFIm and other trust funds it administers. The World Bank maintains the Pool's assets separate and apart from the funds owned by the

World Bank Group. Funds held in trust represent cash, money market instruments, government and agency obligations, asset-backed securities and corporate securities (together “Liquid Assets”) that are managed by the World Bank.

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

Group and Parent Company In Thousands of US\$	As of 31 December 2021	As of 31 December 2020
IFFIm’s share in the Pool’s fair value	603,383	478,455

The Pool’s fair value is based on market quotations. Gains, losses, and investment income are recognised in the year in which they occurred and are allocated to IFFIm on a daily basis. These net gains totalled US\$ 0.7 million and US\$ 4 million for the years ended 31 December 2021 and 2020, respectively, and were reported as investment income in the Consolidated Statement of Financial Activities.

8. DERIVATIVE FINANCIAL INSTRUMENTS

IFFIm entered into interest rate and currency swaps that economically hedged certain risks as discussed below. For financial reporting purposes, IFFIm elected not to define any qualifying hedge relationships as defined by IAS 39, as permitted by FRS 102. All derivatives were valued at fair value recognising the resulting gains and losses in the Consolidated Statement of Financial Activities during the year in which they occur. IFFIm applies overnight indexed swap discounting rates to value its interest rate and currency swaps for the major currencies. IFFIm includes a credit valuation adjustment and a debit valuation adjustment in the valuation of its derivative portfolio to account for counterparty credit risk and its own credit risk, respectively. These adjustments are determined by applying counterparty and own probabilities of default, based on the respective credit default swap spreads, to the market value of the derivative portfolio. The debit valuation adjustment is calculated based on the threshold amount, above which the World Bank, as a counterparty on IFFIm’s interest rate and currency swap contracts, has a right to call for collateral.

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

At issuance, IFFIm’s fixed rate bond obligations have been swapped simultaneously on a back-to-back basis into United States dollar 3-month LIBOR, floating-rate liabilities.

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

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

Group and Parent Company In Thousands of US\$	31 December 2021		31 December 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Currency and interest rate swaps receivable related to sovereign pledges	1,445,709	150,589	331,271	79,391
Total currency and interest rate swaps receivable		150,589		79,391
Currency and interest rate swaps payable related to sovereign pledges	1,076,671	(254,632)	2,384,053	(429,821)
Currency and interest rate swaps payable related to bonds payable	1,633,772	(91,983)	626,907	(56,795)
Total currency and interest rate swaps payable		(346,615)		(486,616)
Total fair value of interest rate and currency swaps		(196,026)		(407,225)
<u>Comprised of:</u>				
Net currency and interest rate swaps payable within one year		(1,743)		(5,638)
Net currency and interest rate swaps payable after more than one year		(194,283)		(401,587)

The above US\$ 196 million net liability on swaps is comprised of an amount of US\$ 216 million due to the World Bank and an amount of US\$ 20 million due from the Toronto-Dominion Bank, which are the counterparties on IFFIm's currency and interest rate swap contracts. The World Bank has the right to call for collateral, above a specified threshold amount, to protect against its exposure on IFFIm's derivative positions under the terms of a Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the World Bank. The World Bank has not exercised this right and has confirmed that it will not call collateral over at least 12 months from the date of approval of these financial statements. Note 14 describes measures in place to mitigate the risk that the World Bank may call collateral. IFFIm is not required to post any collateral to the Toronto-Dominion Bank. IFFIm has the right to call for collateral, above a specified threshold amount, to protect against its exposure on derivative positions under the terms of a Credit Support Annex ("CSA") to the ISDA Agreement between IFFIm and the Toronto-Dominion Bank.

As of 31 December 2021, derivative financial instruments included the effects of a swap re-couponing transaction in the amount of US\$ 200 million, which was executed in May 2020 between IFFIm and the World Bank, as a counterparty on IFFIm's swap contracts. The transaction, which reduced the World Bank's derivative exposure, amended certain swap contracts between IFFIm and the World Bank by modifying their cash flows such that IFFIm made an additional payment of US\$ 200 million to the World Bank in May 2020 and the World Bank will make scheduled repayments to IFFIm in 2023, 2024, and 2025 totalling US\$ 200 million with interest. IFFIm evaluated the transaction and determined that it resulted in a hybrid financial instrument comprised of the amended swap contracts as an embedded derivative and the modified cash flows corresponding to a separate financial instrument as the host. As permitted by IAS 39, IFFIm elected to designate the entire hybrid instrument as a financial liability at fair value through profit or loss. As both components of the hybrid instrument have closely related economic characteristics and risks, they are not separated in IFFIm's financial statements and are reported as part of derivative financial instruments as the principal cash flows are primarily related to the embedded derivative component.

9. CREDITORS FALLING DUE WITHIN ONE YEAR

Group and Parent Company In Thousands of US\$	2021	2020
Bonds payable falling due within one year	98,486	39,966
Grants payable within one year	396,065	160,987
Trade creditors ¹	676	1,042
Amounts due to Gavi	284	-
Total creditors falling due within one year	495,511	201,995

¹ Trade creditors are comprised of amounts due to service providers.

The table below shows changes in grants payable:

In Thousands of US\$	2021	2020
Balance as of the beginning of the year	160,987	200,000
Reclassifications from grants payable after more than one year	-	157,064
Grant approvals during the year:		
Gavi COVAX AMC programme support	1,119,000	-
New and underused vaccines programme support	334,400	-
Vaccine research and development support	-	210,365
Adjustment to previously approved support for vaccine research and development activities	(3,922)	-
Grant payments during the year:		
Gavi COVAX AMC programme support	(780,000)	-
New and underused vaccines programme support	(434,400)	(175,000)
Health systems strengthening support	-	(25,000)
Vaccine research and development support	-	(206,442)
Balance as of the end of the year	396,065	160,987

10. CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR

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

Issue Date	Maturity Date	Coupon Interest Rate	Nominal Amount In Thousands	Group and Parent Company In Thousands of US\$	
				Fair Value as of 31 December 2021	Fair Value as of 31 December 2020
24 June 2009	24 June 2024	0.50%	R (ZAR) 800,000	43,857	47,051
28 June 2012	29 June 2027	0.50%	R (ZAR) 520,000	23,108	25,097
9 April 2019	9 April 2022	Libor+4bps	US\$ (USD) 50,000	50,037	50,061
18 July 2019	15 March 2025	0.00%	Nkr (NOK) 480,000 ¹	53,080	69,412
7 July 2020	5 April 2030	0.00%	Nkr (NOK) 1,800,000 ²	189,075	223,328
6 November 2020	6 November 2023	0.38%	US\$ (USD) 500,000	496,403	501,378
21 April 2021	21 April 2026	1.00%	US\$ (USD) 750,000	741,861	-
26 November 2021	21 April 2026	1.00%	US\$ (USD) 250,000	247,287	-
Total bonds payable				1,844,708	916,327
Bonds payable falling due within one year				(98,486)	(39,966)
Bonds payable falling due after more than one year				1,746,222	876,361

¹ This is an amortising bond. The kr (NOK) 480 million nominal amount shown in the table above is as of 31 December 2021. The nominal amount as of 31 December 2020 was kr (NOK) 600 million.

² This is an amortising bond. The kr (NOK) 1.8 billion nominal amount shown in the table above is as of 31 December 2021. The nominal amount as of 31 December 2020 was kr (NOK) 2 billion.

As of 31 December 2021 and 2020, the fair values of creditors falling due after more than five years totalled US\$ 102 million and US\$ 132 million, respectively.

Total bonds payable by the parent company included a nominal amount due to IFFImSC III of US\$ 50 million as of 31 December 2021 and 2020.

11. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

Group and Parent Company In Thousands of US\$	As of 31 December 2021	As of 31 December 2020
<u>Financial assets:</u>		
<u>Mandatorily measured at fair value through profit or loss:</u>		
Sovereign pledges	3,436,565	3,285,785
Funds held in trust	603,383	478,455
Derivative assets	150,589	79,391
Cash	11,677	13,906
<u>Financial liabilities:</u>		
<u>Designated as at fair value through profit or loss upon initial recognition:</u>		
Bonds payable	(1,844,708)	(916,327)
Derivative liabilities	(346,615)	(486,616)
<u>Measured at amortised cost:</u>		
Grants payable	(396,065)	(160,987)

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

Group and Parent Company In Thousands of US\$	Year Ended 31 December 2021	Year Ended 31 December 2020
<u>Net gains (losses) on financial assets mandatorily measured at fair value through profit or loss:</u>		
Fair value (losses) gains on sovereign pledges	(125,648)	213,574
Income from funds held in trust	667	4,479
Fair value (losses) gains on derivative assets ¹	(61,296)	12,130
Other foreign exchange (losses) gains	(1,393)	2,707
<u>Net gains (losses) on financial liabilities designated as at fair value through profit or loss upon initial recognition:</u>		
Fair value gains (losses) on bonds	30,541	(33,450)
Fair value gains (losses) on derivative liabilities ¹	222,078	(150,036)

¹Fair value gains (losses) on derivative assets and liabilities are derived by prorating the net gains (losses) on derivative financial instruments in proportion to the averages of derivative assets and liabilities during the year.

There were no gains or losses on grants payable.

12. MOVEMENT OF FUNDS

In Thousands of US\$	As of 31 December 2020	Income	Expenditure	As of 31 December 2021
Sovereign pledges assigned from Gavi	5,066,656	719,784	(1,429)	5,785,011
Investment and interest income	147,479	667	-	148,146
Other gains (losses) and other income (expenses)	587,286	64,282	(12,274)	639,294
<u>Donated services:</u>				
Administrative support	-	942	(942)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,491,058)	-	(334,400)	(2,825,458)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Vaccine research and development	(276,065)	3,922	-	(272,143)
COVAX	-	-	(1,119,000)	(1,119,000)
Total restricted funds	2,292,608	789,597	(1,468,045)	1,614,160

In Thousands of US\$	As of 31 December 2019	Income	Expenditure	As of 31 December 2020
Sovereign pledges assigned from Gavi	3,720,548	1,347,303	(1,195)	5,066,656
Investment and interest income	143,000	4,479	-	147,479
Other gains (losses) and other income (expenses)	549,165	44,925	(6,804)	587,286
<u>Donated services:</u>				
Administrative support	-	911	(911)	-
<u>Programme funding to Gavi:</u>				
Country-specific programmes	(2,491,058)	-	-	(2,491,058)
Yellow fever stockpile investment case	(57,140)	-	-	(57,140)
Polio eradication investment case	(191,280)	-	-	(191,280)
Measles mortality reduction investment case	(139,000)	-	-	(139,000)
Maternal and neonatal tetanus investment case	(61,620)	-	-	(61,620)
Pentavalent payment guarantee	(181,050)	-	-	(181,050)
Yellow fever continuation investment case	(43,881)	-	-	(43,881)
Meningitis eradication investment case	(67,719)	-	-	(67,719)
Vaccine research and development	(65,700)	-	(210,365)	(276,065)
Total restricted funds	1,114,265	1,397,618	(219,275)	2,292,608

In 2021, IFFIm received new sovereign pledges from the Commonwealth of Australia, the Kingdom of Norway, and the Kingdom of Sweden in amounts totalling A\$ 86 million, kr (NOK) 4 billion, and kr (SEK) 2.5 billion, respectively, with initial recorded fair values totalling US\$ 720 million. The new pledges were made to IFFIm to support programme funding to Gavi encompassing its core programmes and the COVAX Advance Market Commitment, Gavi's innovative financial mechanism through which the world's low-income countries get access to COVID-19 vaccines. In 2021, IFFIm issued indicative funding confirmations totalling US\$ 1,449 million.

13. CREDIT RISK

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

In Thousands of US\$	As of 31 December 2021	As of 31 December 2020
Sovereign pledges	3,436,565	3,285,785
Cash and investments	615,060	492,361
Total credit exposure	4,051,625	3,778,146

IFFIm's derivative assets are excluded from its credit exposure as they would be netted against its derivative liabilities. As of 31 December 2021 and 2020, IFFIm had a net liability balance on its interest rate and currency swap contracts of US\$ 196 million and US\$ 407 million, respectively. The World Bank and the Toronto-Dominion Bank, whose credit ratings are AAA and AA-, respectively, serve as counterparties for IFFIm's swaps.

Credit Risk Related to Sovereign Pledges: IFFIm was exposed to Grantor credit risk on pledges from its Grantors. This exposure is detailed by Grantor in Note 2 above. The Grantors were rated between BB- and AAA as of 31 December 2021.

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

Grantor	As of 31 December 2021	As of 31 December 2020
Commonwealth of Australia	AAA	AAA
Federative Republic of Brazil	BB-	BB-
Republic of France	AA	AA
Republic of Italy	BBB	BBB
State of the Netherlands	AAA	AAA
Kingdom of Norway	AAA	AAA
Republic of South Africa	BB-	BB-
Kingdom of Spain	A	A
Kingdom of Sweden	AAA	AAA
United Kingdom	AA	AA

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

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

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

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

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

In Thousands of US\$	As of 31 December 2021	As of 31 December 2020
Instruments and securities rated AAA	88,527	226,333
Instruments and securities rated AA+	105	7,044
Instruments and securities rated AA	136,943	37,391
Instruments and securities rated AA-	157,711	6,841
Instruments and securities rated A+	122,880	197,359
Instruments and securities rated A	97,144	3,299
Instruments and securities rated A-	-	188
Instruments and securities rated BBB	13	-
Instruments and securities with no rating	60	-
Total funds held in trust	603,383	478,455

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

IFFIm's credit ratings by Fitch Ratings, Moody's Investor Service, and Standard and Poor's Ratings Service ("S&P") remained unchanged at AA-, Aa1, and AA, respectively, during 2021. The IFFIm board, working with the World Bank, has put in place measures to manage credit risk.

14. LIQUIDITY RISK

Liquidity risk is the risk that IFFIm may be unable to meet its obligations, when they fall due, because of a sudden, and potentially protracted, increase in cash outflows. Under its liquidity policy, IFFIm seeks to maintain an adequate level of liquidity to meet its operational requirements, provide predictability of programme funding and support its credit rating. Taking these factors into account, IFFIm maintains a minimum liquidity equivalent to its cumulative contracted debt service payments for the next 12 months. This minimum liquidity level is recalculated and reset on a quarterly basis. As of 31 December 2021, the calculated minimum liquidity was US\$ 99 million and the value of IFFIm's Liquid Assets was US\$ 615 million. As of 31 December 2020, the calculated minimum liquidity was US\$ 40 million and the value of IFFIm's Liquid Assets was US\$ 492 million.

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

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

To mitigate the risk that the World Bank may call collateral, an agreement is in place between the World Bank and IFFIm to apply an additional buffer to the GRL to manage the World Bank's exposure under the derivative transactions between IFFIm and the World Bank (the "Risk Management Buffer"). The Risk Management Buffer may be adjusted by the World Bank in its sole discretion. As of 31 December 2021 and 2020, the Risk Management Buffer was 0% of the present value of expected future cash flows from Grantor pledges. The World Bank recalculated and reset the Risk Management Buffer to 0% from the previous value of 12% following the execution of a swap re-couponing transaction in May 2020 in the amount of US\$ 200 million, which reduced the World Bank's exposure on IFFIm's derivative positions by the same amount and enabled the World Bank to intermediate new swaps for IFFIm.

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

As of 31 December 2021, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2023	Due in 2024	Due from 2025 through 2030
Bonds payable	(1,934,496)	(98,582)	(548,532)	(89,808)	(1,197,574)
Grants payable to Gavi	(396,064)	(396,064)	-	-	-
Derivative financial liabilities	(451,573)	(65,798)	(64,651)	(111,925)	(209,199)
Total undiscounted maturities	(2,782,133)	(560,444)	(613,183)	(201,733)	(1,406,773)

As of 31 December 2020, in Thousands of US\$	Total Cash Outflows	Due in Less than One Year	Due in 2022	Due in 2023	Due from 2024 through 2030
Bonds payable	(953,058)	(40,005)	(89,948)	(539,888)	(283,217)
Grants payable to Gavi	(160,987)	(160,987)	-	-	-
Derivative financial liabilities	(539,994)	(69,837)	(72,665)	(67,780)	(329,712)
Total undiscounted maturities	(1,654,039)	(270,829)	(162,613)	(607,668)	(612,929)

As of 31 December 2021 and 2020, the contractual undiscounted maturities of IFFIm's derivative financial liabilities totalling US\$ 452 million and US\$ 540 million, respectively, were approximately US\$ 105 million and US\$ 53 million higher than their fair values as of 31 December 2021 and 2020, respectively, as shown in Note 8.

As of 31 December 2021 and 2020, the contractual undiscounted maturities of IFFIm's bonds payable totalling US\$ 1,934 million and US\$ 953 million, respectively, were approximately US\$ 89 million and US\$ 37 million higher than their fair values as of 31 December 2021 and 2020, respectively, as shown in Note 10.

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

As of 31 December 2021, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2023	Due in 2024	Due from 2025 through 2030
Derivative financial assets	305,793	16,274	20,320	15,228	253,971
Derivative financial liabilities	(451,573)	(65,798)	(64,651)	(111,925)	(209,199)
Net cash outflows	(145,780)	(49,524)	(44,331)	(96,697)	44,772

As of 31 December 2020, in Thousands of US\$	Total Cash Inflows (Outflows)	Due in Less than One Year	Due in 2022	Due in 2023	Due from 2024 through 2030
Derivative financial assets	193,557	6,925	7,272	14,809	164,551
Derivative financial liabilities	(539,994)	(69,837)	(72,665)	(67,780)	(329,712)
Net cash outflows	(346,437)	(62,912)	(65,393)	(52,971)	(165,161)

15. MARKET RISK

Market risk is the risk that IFFIm's net assets or deficit for the year, or its ability to meet its objectives, may be adversely affected by changes in foreign exchange rates and interest rates. IFFIm's market risk objectives are: (1) understanding the components of IFFIm's market risk, (2) controlling IFFIm's market risk through the use of currency and interest swaps, and (3) facilitating predictable funding of Gavi programmes within a controlled and transparent risk management framework.

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

Foreign Exchange Rate Risk: IFFIm was exposed to foreign exchange risks from currency mismatches as well as timing differences between receipt of Grantor payments, payment of bond obligations, disbursements to Gavi and issuance of IFFIm bonds. To mitigate these risks, some Grantor pledges were swapped into United States dollar floating rate assets and, at issuance, some IFFIm bonds payable were swapped into United States dollar floating rate liabilities.

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

As of 31 December 2021, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	142,881	(85,692)	57,189
British pound	1,246,811	(1,301,533)	(54,722)
Euro	1,091,475	(997,673)	93,802
Japanese yen	1	-	1
Norwegian krone	719,817	(337,356)	382,461
New Zealand dollar	1	-	1
Swedish krona	244,252	-	244,252
South African rand	67,515	(66,966)	549

As of 31 December 2020, in Thousands of US\$	Foreign Currency Assets	Foreign Currency Liabilities	Net Exposure
Australian dollar	105,777	(106,255)	(478)
British pound	1,442,245	(1,544,916)	(102,671)
Canadian dollar	-	(1)	(1)
Euro	1,333,339	(963,888)	369,451
Japanese yen	2	-	2
Norwegian krone	399,998	(405,421)	(5,423)
New Zealand dollar	1	-	1
Swedish krona	2,114	(2,166)	(52)
South African rand	73,069	(72,148)	921

The following exchange rates applied during the year:

In US\$	Average Rate for the Year Ended 31 December 2021	Spot Rate as of 31 December 2021	Average Rate for the Year Ended 31 December 2020	Spot Rate as of 31 December 2020
Australian dollar	0.7513	0.7250	0.6907	0.7741
Brazilian real	0.1857	0.1795	0.1960	0.1925
British pound	1.3757	1.3476	1.2839	1.3649
Euro	1.1831	1.1319	1.1415	1.2275
Japanese yen	0.0091	0.0087	0.0094	0.0097
New Zealand dollar	0.7072	0.6832	0.6507	0.7240
Norwegian krone	0.1164	0.1133	0.1066	0.1174
South African rand	0.0677	0.0627	0.0611	0.0681
Swedish krona	0.1166	0.1104	0.1090	0.1224

Sensitivity to Foreign Exchange Rates: Strengthening and weakening of the United States dollar, against the above currencies, as of 31 December 2021 and 2020 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis is based on foreign currency exchange rate variances that IFFIm considered to be reasonably possible at the end of the year. The analysis assumes that all other variables, in particular interest rates, remain unchanged:

In Thousands of US\$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2021 ¹		Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2020 ¹	
	10% Strengthening of US\$	10% Weakening of US\$	10% Strengthening of US\$	10% Weakening of US\$
Australian dollar	(4,673)	5,712	580	(709)
British pound	5,871	(7,176)	9,614	(11,750)
Euro	(7,902)	9,658	(33,343)	40,752
Norwegian krone	(34,776)	42,504	508	(621)
South African rand	(50)	61	(84)	102
Swedish krona	(22,204)	27,138	10	(12)

¹Excludes impact to funds held in trust balances.

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

In Thousands of US\$	Carrying Amount as of 31 December 2021	Carrying Amount as of 31 December 2020
Fixed rate instruments		
Financial assets	115,302	78,686
Financial liabilities	(4,279,808)	(3,601,360)
Net fixed rate instruments	(4,164,506)	(3,522,674)
Variable rate instruments		
Financial assets	2,380,989	2,384,124
Financial liabilities	(257,415)	(185,630)
Net variable rate instruments	2,123,574	2,198,494

Sensitivity to Interest Rates: Changes of 25 basis points in interest rates as of 31 December 2021 and 2020 would have increased (decreased) IFFIm's net assets and surpluses for those years by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged:

In Thousands of US\$	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2021	Increase (Decrease) in Surplus for the Year Ended and Net Assets as of 31 December 2020
25 basis point increase	(8,509)	1,500
25 basis point decrease	8,405	(1,785)

Interest rate benchmark reform: Specific interest rate benchmarks, including LIBOR, are due to be discontinued and replaced with alternative benchmark rates which meet new regulatory and market requirements.

- **Exposure to LIBOR:** As of 31 December 2021, one of IFFIm's outstanding bonds, maturing on 9 April 2022, and its legacy swap contracts reference the United States dollar 3-month LIBOR. The last LIBOR fixing of the bond took place in January 2022. Therefore, as of the date of this report, IFFIm's outstanding bonds have no exposure to LIBOR. Details of IFFIm's outstanding bonds are included in Note 10 above.

In line with IFFIm's investment management policy and monthly liquidity management needs, IFFIm's investments are allocated between operational cash and stable cash (Libor) strategies in the Pool, the

single investment portfolio the World Bank maintains for IFFIm and other trust funds it administers. Considering the market transition to the Secured Overnight Financing Rate ("SOFR"), a SOFR-benchmarked investment strategy was established within the Pool at the end of 2021. As new IFFIm funding becomes linked to SOFR, it is expected that IFFIm's investment allocations to stable cash will be directed into the SOFR strategy going forward.

Besides the United States dollar 3-month LIBOR, which is due to be discontinued after 30 June 2023, no other interest rate benchmarks are currently referenced in IFFIm's financial instruments.

- **LIBOR transition strategy:** Only those IFFIm financial positions that have LIBOR fixings after 30 June 2023 need to be transitioned away from LIBOR.

With respect to IFFIm's legacy swap contracts, the IFFIm board resolved, at its meeting on 3 March 2021, for IFFIm to adhere to the ISDA 2020 IBOR Fallbacks Protocol ("the Protocol") as published by the International Swaps and Derivatives Association, Inc. ("ISDA") on 23 October 2020. The Protocol, which came into effect on 25 January 2021, was created to enable parties to Protocol Covered Documents to amend the terms of each such Protocol Covered Document to incorporate new terms and fallbacks as provided by the Protocol and the IBOR Fallbacks Supplement. The master agreements and credit support annexes governing IFFIm's legacy swaps with all IFFIm's swap counterparties are the relevant Protocol Covered Documents for IFFIm. On 24 March 2021 an Adherence Letter submitted by IFFIm to the ISDA, confirming IFFIm's adherence to the Protocol, was accepted by the ISDA. All IFFIm's swap counterparties adhered to the Protocol too. Adherence to the Protocol will allow IFFIm's legacy swaps to be transitioned automatically to the SOFR upon the discontinuation of the United States 3-month LIBOR on 30 June 2023. This is consistent with market practice around the management of LIBOR transition risk. Starting in 2022, IFFIm plans to hedge any new donor pledges and bond issuances against SOFR whenever possible to avoid adding to its exposure to LIBOR.

With respect to IFFIm's investments in the Pool, as the market moved away from LIBOR for new swap transactions since the beginning of 2022, no new swaps could be executed with counterparties using LIBOR reference rates unless a transaction was executed to hedge LIBOR liabilities. Therefore, IFFIm's Libor strategy within the Pool is being gradually rolled off, with no new swap transactions in 2022 and with maturity proceeds reinvested only into eligible money market and fixed income instruments, with the goal of ultimately transferring all maturity proceeds into the SOFR strategy by 30 June 2023.

- Given the pace of the LIBOR transition, the execution of new transactions using SOFR is already a common market practice and is not expected to be a challenge for IFFIm. IFFIm has considered risks to which it may be exposed arising from the transition from LIBOR to SOFR:

Interest rate basis risk: All IFFIm's LIBOR exposure will be transitioned to SOFR after June 2023 through the ISDA Fallbacks Protocol that IFFIm and its swap counterparties have agreed to. IFFIm's new transactions starting in the year 2022 have been and will continue to be executed based on SOFR. This is the most practical strategy to minimise basis risk from IFFIm's perspective and is consistent with the LIBOR transition strategy adopted by the World Bank.

Operational risk: The trade management system that the World Bank uses, in its capacity as IFFIm's Treasury Manager, to support trade capture, payments, and settlements has been upgraded to fully support SOFR transactions and has not encountered any issues.

As of 31 December 2021, IFFIm's financial positions that need to be transitioned from LIBOR to SOFR are as follows:

In Thousands of US\$	Notional Amount	Fair Value	Transition Progress
Currency and interest rate swaps maturing after 30 June 2023	3,481,181	190,259	To transition via ISDA Protocol

16. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

As of 31 December 2021, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Sovereign pledges	-	-	3,436,565	3,436,565
Funds held in trust	-	603,383	-	603,383
Derivative financial instruments	-	150,589	-	150,589
Total financial assets	-	753,972	3,436,565	4,190,537

<u>Financial liabilities</u>				
Bonds payable	-	1,844,708	-	1,844,708
Derivative financial instruments	-	346,615	-	346,615
Total financial liabilities	-	2,191,323	-	2,191,323

As of 31 December 2020, in Thousands of US\$	Level 1	Level 2	Level 3	Total
<u>Financial assets</u>				
Sovereign pledges	-	-	3,285,785	3,285,785
Funds held in trust	-	478,455	-	478,455
Derivative financial instruments	-	79,391	-	79,391
Total financial assets	-	557,846	3,285,785	3,843,631

<u>Financial liabilities</u>				
Bonds payable	-	916,328	-	916,328
Derivative financial instruments	-	486,616	-	486,616
Total financial liabilities	-	1,402,944	-	1,402,944

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

In Thousands of US\$	2021	2020
Balance as of the beginning of the year	3,285,785	2,073,836
Initial fair value of pledges	719,784	1,347,303
Donor payments	(443,356)	(348,928)
Fair value (losses) gains	(125,648)	213,574
Balance as of the end of the year	3,436,565	3,285,785

Total fair value losses on sovereign pledges of US\$ 126 million for the year ended 31 December 2021 are recognised in *Net fair value gains on pledges and pledge swaps* in the Consolidated Statement of Financial Activities and are comprised of realised gains of US\$ 156 million and unrealised losses of US\$ 282 million.

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

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

Funds Held in Trust: The World Bank, as treasury manager, maintains IFFIm's investments on a pooled accounting basis and the pooled investments are reported at fair value. IFFIm's share in pooled cash and investments represents IFFIm's allocated share of the Pool's fair value at the end of the year. The fair value is based on market quotations where available. If quoted market prices are not available, fair values are

based on quoted market prices of comparable instruments. The corresponding proportionate interest income and investment gains or losses are recognised by IFFIm in the year in which they occur.

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

The GPC allows the Grantors to reduce their payments if an IFFIm-eligible country falls into protracted arrears on its obligations to the International Monetary Fund (the “IMF”). Each implementing country has been ascribed a weight in a reference portfolio that will remain static for the life of IFFIm. Grantors reduce the amounts they pay IFFIm by the aggregate percentage weights of countries that are in protracted arrears to the IMF. When countries clear their arrears to the IMF, future amounts payable by Grantors to IFFIm are increased by the respective weights of those clearing countries. The reference portfolio comprises 70 predetermined IFFIm-eligible countries. Each implementing country has been given a weighting of either 0.5%, 1%, 3% or 5%, totalling of 100%, as shown in the table below. The amount of each Grantor payment is determined 25 business days prior to the due date of such payment.

The reference portfolio as of 31 December 2021 was as follows:

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

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

The initial GPC Fair Value Adjustment used in October 2006 was 17.6%, and it was 7.40% and 8.72% as of 31 December 2021 and 2020 respectively. 1% decreases in the GPC Fair Value Adjustment as of 31 December 2021 and 2020 would have resulted in increases in the fair values of sovereign pledges of US\$ 34 million and US\$ 33 million, respectively. 1% increases in the GPC Fair Value Adjustment would have had equal but opposite effects on the fair values of sovereign pledges.

As of 31 December 2021, no reference portfolio country was in protracted arrears to the IMF. Sudan's arrears to the IMF were cleared in May 2021.

For the above sovereign pledges as of 31 December 2021, market-based discount rates ranging from 0.0% to 5.6% were applied, as appropriate, depending on the Grantor, payment schedule and currency of the grant payments. 1% decreases in the discount rates applied as of 31 December 2021 and 2020 would have resulted in increases in the fair values of sovereign pledges of US\$ 126 million and US\$ 131 million, respectively. 1% increases in the discount rates applied as of 31 December 2021 and 2020 would have resulted in decreases in the fair values of sovereign pledges of US\$ 119 million and US\$ 124 million, respectively.

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

As of 31 December 2021 and 2020, the cumulative change in the fair value of bonds payable that was attributable to IFFIm's own credit spreads was an increase of US\$ 17.3 million and US\$ 12.5 million, respectively. During the years ended 31 December 2021 and 2020, the change in the fair value of bonds payable that was attributable to IFFIm's own credit spreads was an increase of US\$ 4.8 million and US\$ 10.6 million, respectively. Changes in the fair value of bonds payable due to IFFIm's own credit spreads are measured by revaluing each outstanding bond liability to determine the movement in its fair value arising from changes in IFFIm's cost of funding relative to the relevant reference rate.

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

As of 31 December 2021 and 2020, the cumulative change in the fair value of derivative financial instruments that was attributable to changes in credit risk was a net decrease of US\$ 0.2 million and US\$ 0.6 million, respectively. During the years ended 31 December 2021 and 2020, the change in the fair value of derivative financial instruments that was attributable to changes in credit risk was a net increase of US\$ 0.4 million and US\$ 0.2 million, respectively. The methodology used to determine changes in the fair value of derivative financial instruments due to changes in credit risk is described in Note 8 to the financial statements.

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

17. NOTES TO THE STATEMENT OF CASH FLOWS

The following table analyses changes in net debt:

In Thousands of US\$	Fair Value as of 31 December 2020	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2021
Bonds payable	(916,327)	(928,381)	(1,844,708)
Funds held in trust	478,455	124,928	603,383
Cash	13,906	(2,229)	11,677
Total	(423,966)	(805,682)	(1,229,648)

In Thousands of US\$	Fair Value as of 31 December 2019	Cash Flows and Fair Value Movements	Fair Value as of 31 December 2020
Bonds payable	(509,801)	(406,526)	(916,327)
Funds held in trust	427,925	50,530	478,455
Cash	15	13,891	13,906
Total	(81,861)	(342,105)	(423,966)

The following table reconciles net cash flows to movement in net debt:

In Thousands of US\$	2021	2020
Net debt as of the beginning of the year	(423,966)	(81,861)
(Decrease) increase in cash	(2,229)	13,891
Increase in funds held in trust	124,928	50,530
Proceeds from bond issuances	(993,141)	(698,768)
Redemption of bonds	37,608	325,010
Fair value gains (losses) on bonds	30,541	(33,450)
Interest expense on bonds	(7,885)	(4,141)
Interest paid on bonds	5,953	4,822
Bond issuance costs	(1,457)	1
Movement in net debt in the period	(805,682)	(342,105)
Net debt as of the end of the year	(1,229,648)	(423,966)

18. RELATED PARTY TRANSACTIONS

IFFIm's related parties are:

- **Gavi:** Gavi is a Swiss foundation that is accorded international institution status in Switzerland with certain privileges and immunities like those accorded to international intergovernmental organisations. Gavi is IFFIm's sole member.
- **IFFImSC III:** IFFImSC III is a Cayman Islands company with limited liability, which was incorporated on 5 March 2019 under the Companies Law (2013 Revision) of the Cayman Islands with company registration number 348825. IFFImSC III was established for the sole purpose of issuing sukuk certificates in support of IFFIm's operations. These consolidated financial statements include the accounts of IFFImSC III.

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

IFFIm's related party balances as of 31 December 2021 and 2020 were:

In Thousands of US\$	2021	2020
Programme grants payable to Gavi	396,065	160,987
Amounts due to (from) Gavi	284	(11)

Total bonds payable by the parent company included a nominal amount due to IFFImSC III of US\$ 50 million as of 31 December 2021 and 2020.

IFFIm recorded programme grants to Gavi of US\$ 1,449 million and US\$ 210 million during the years ended 31 December 2021 and 2020, respectively. IFFIm recorded in-kind contributions from Gavi of US\$ 911 thousand and US\$ 942 thousand during the years ended 31 December 2021 and 2020, respectively.

During the year ended 31 December 2020, trustees' meeting and travel expenses totalling US\$ 35 thousand were reimbursed by IFFIm.

19. COMMITMENTS AND CONTINGENCIES

The trustees are not aware of any commitments or contingencies as of 31 December 2021 or 2020.

20. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

21. CURRENT TAX

IFFIm is a registered United Kingdom charity and, as such, is exempt from United Kingdom taxation of income and gains falling within s478-489 Corporation Tax Act 2010 and s256 Taxation of Chargeable Gains Act 1992 on its charitable activities. No tax charges arose during the years ended 31 December 2021 or 2020. IFFImSC III is a Cayman Islands company with limited liability, incorporated under the Companies Law (2013 Revision) of the Cayman Islands. There are no taxes on income or gains in the Cayman Islands.

22. SUBSEQUENT EVENTS

In February 2022, IFFIm issued a reduction of US\$ 144 million to previously approved funding for Gavi's COVAX AMC programme and issued a new indicative funding confirmation of US\$ 275 million to support Gavi's new and underused vaccines programmes.

In April 2022, IFFIm Sukuk Company III Limited made the final payment of US\$ 50 million to the holders of its certificates.

In May 2022, IFFIm disbursed US\$ 130 million to Gavi as funding for its core programmes.

Considering the conflict between Russia and Ukraine and its global impact on economic activity and financial markets, management has assessed the potential impact of the conflict on IFFIm's financial position, performance, and its ability to continue meeting its obligations. IFFIm's sovereign pledges are legally binding contractual obligations, its investments are maintained under a conservative investment strategy, and its outstanding bonds are mostly fixed rate instruments, which are less susceptible to market volatility. IFFIm uses swaps to mitigate against interest rate and foreign exchange rate risks, which are the key market risks to which IFFIm's sovereign pledges and bonds payable are exposed. There is potential impact to the fair value of IFFIm's sovereign pledges, and associated cash flows, with respect to the Grant Payment Condition ("GPC") which is a key variable in the valuation of IFFIm's sovereign pledges. The calculation of the GPC includes assessments of the risk that IFFIm-eligible recipient countries may fall into arrears to the IMF, which, among other factors, considers macroeconomic performance and a geopolitical assessment. As of 31 March 2022, there were no countries in protracted arrears to the IMF. Management has not quantified the potential impact due to the GPC and will make this assessment as quarterly reporting is completed. Considering all these factors, management does not expect that IFFIm's overall financial position and performance will be significantly impacted by the adverse effects of the conflict and IFFIm has measures in place to ensure it maintains sufficient liquidity and capacity to meet its obligations as they fall due and continue undertaking its business activities on an ongoing basis. Management does acknowledge the risk of increased market volatility due to the conflict and the potential challenges it may involve.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2021

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the group's and IFFIm's affairs as at 31 December 2021 and of the group's incoming resources and application resources, including the group's income and expenditures for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of financial activities;
- the consolidated statement of income and expenditures;
- the consolidated and parent charity company balance sheets;
- the consolidated statement of cashflows; and
- the related notes 1 to 22.

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





2. Basis for opinion

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

We are independent of the group and the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and IFFIm for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent charitable company.

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

3. Summary of our audit approach

Key audit matters	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none">the valuation of sovereign pledges <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	<p>The materiality that we used for the group financial statements was \$36.5m (\$20.7m) which was determined on the basis of 1% of forecasted sovereign pledges held at fair value.</p>
Scoping	<p>As described in note 4 to the consolidated financial statements, IFFIm outsources all administrative support to the Vaccine Alliance ('Gavi') and outsources its treasury function, together with certain accounting and financial reporting support, to the International Bank for Reconstruction and Development (the 'World Bank') which is audited by the Deloitte member firm in the US ('Deloitte US'). As such we instructed Deloitte US to perform certain procedures on our behalf. As part of this work Deloitte US performed procedures over the Key Audit Matter set out below in this report. The work was performed under the direction and supervision of the UK audit engagement team.</p>
Significant changes in our approach	<p>There were no significant changes in our approach in the current year.</p>

4. Conclusions relating to going concern

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

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

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

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

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

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

5. Key audit matters

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

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

5.1. Valuation of sovereign pledges

Key audit matter description

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

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

The fair value of the contribution receivables is determined by calculating the expected future cashflows, applying a High-Level Financing Condition ('HLFC') haircut and discount factor. The HLFC is also referred to as Grant Payment Condition ('GPC').

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

As detailed in the summary of accounting estimates and judgements in note 20 and the fair value disclosures in note 16 to the consolidated financial statements, the estimation of the GPC fair value adjustment requires significant management judgement in particular the likelihood that any implementing country might fall into arrears with the IMF over the life of the pledges. Therefore, we have determined that there was a risk of error in or manipulation of this balance.

As at 31 December 2021, the fair value of the sovereign pledges amounted to US\$3.4b (2020: US\$3.3b). The fair value movement attributable to the GPC fair value adjustment in 2021 amounted to US\$71.0m (2020: US\$33.0m).

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

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

- Evaluated the design and implementation, and tested the operating effectiveness of relevant controls over the historical default experiences used within the fair value calculations;
- Tested the appropriateness of using the World Bank's historical default experience as a proxy for expected defaults to the IMF by analysing the full population of historical defaults from 1984 to present and testing the correlation between sovereign defaults to the World Bank and IMF;
- Determined if the World Bank's credit experience is an appropriate proxy for the IMF, including whether the IMF benefits from the same preferred creditor status ('PCS') as the World Bank, which is an inherent factor in the World Bank's default experience;
- Tested the inputs to the GPC fair value calculation, e.g., country credit risk rating, probability of default and loss given default by assessing the sovereign credit rating process at the World Bank and testing the historical arrears analysis;
- Recalculated the GPC fair value adjustment percentage;
- Tested the donor discount rate by independently obtaining sovereign yields for each donor country from Bloomberg as of 31 December 2021 and recalculating the discount rates and present value of cash flows from the contribution receivables; and
- Engaged a valuation specialist to perform an independent review of the calculation of the fair value of sovereign pledges and challenged the methodology used by management for the fair valuation.

Key observations

From the work performed, we concluded that the valuation of sovereign pledges is appropriate as at 31 December 2021.

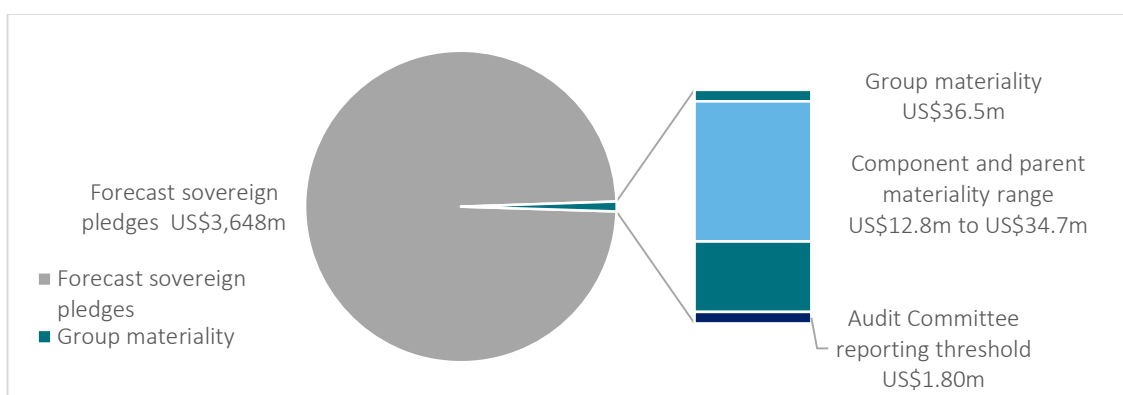
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent charitable company financial statements
Materiality	US\$36.5m (2020: US\$20.7m)	US\$34.7m (US\$19.7m)
Basis for determining materiality	We set our materiality based on 1% of forecasted sovereign pledges held at fair value. We reassessed the materiality at 31 December 2021 and continued to use the same materiality based on the forecasted figures. The parent charity company materiality was also determined as 1% of forecasted sovereign pledges but capped at 95% of group materiality.	
Rationale for the benchmark applied	IFFIm's main purpose is to raise funds to support Gavi for its health and immunisation programmes. These are financed by sovereign pledges and represents the capital of the bondholders as IFFIm converts these pledges into immediately available cash resources by issuing bonds in the international capital markets. Therefore, we identified this to be an appropriate benchmark for materiality.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent charitable company financial statements
Performance materiality	70% (2020: 70%) of group materiality	70% (2020: 70%) of parent charitable company materiality
Basis and rationale for determining performance materiality	<p>In determining performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> - our risk assessment, including our assessment of the group's overall control environment; and - our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US\$1.8m (2020: US\$1.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

We determined that there were two components for the purposes of our audit. The first component related to the treasury operations of the parent charitable company which are managed in the United States of America. The parent charitable company accounts for 99.99% of the asset balance and 99.99% of the liabilities of the group. It includes all treasury related balances managed by the World Bank and this component was subject to a full scope audit at a component materiality which was lower than the materiality of the financial statements as a whole. The second component related to one other legal entity, which is a subsidiary incorporated in the Cayman Islands.

As there are two legal entities in the group, consolidated financial statements have been prepared in accordance with UK GAAP; however, the subsidiary entity is immaterial to the group.

7.2. Working with other auditors

As described in the summary of audit scope section of the auditor's report, the parent charitable company is reliant upon treasury management, risk management and accounting services provided by the World Bank. As such, we instructed Deloitte US to perform certain procedures on our behalf. As part of this work, Deloitte US performed procedures over the Key Audit Matter set out above in this report and we directed the work performed by Deloitte US. In discharging this responsibility, we set materiality and the scope of the audit work and actively engaged in determining the nature, timing and extent of audit procedures. We also held regular virtual meetings with the Deloitte US team to oversee the component audit. As a result of the travel restrictions in place due to the COVID-19 pandemic, we reviewed the component audit file remotely and held regular calls with the component team to discuss the results of their work and resolve any queries.

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of trustees

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for trustees' remuneration and trustee expenses;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;

- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including valuations, charity and information technology specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

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

- the information given in the strategic report and trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' report have been prepared in accordance with applicable legal requirements.

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2 Trustees' remuneration

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

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Trustees on 4 June 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2018 to 31 December 2021.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

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

A handwritten signature in dark ink, appearing to read 'Simon Stephens'.

Simon Stephens, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

9 June 2022