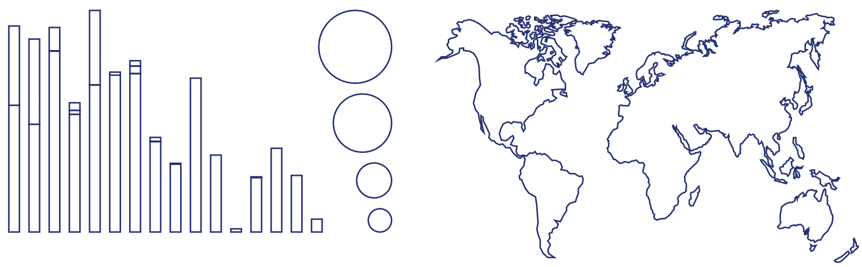
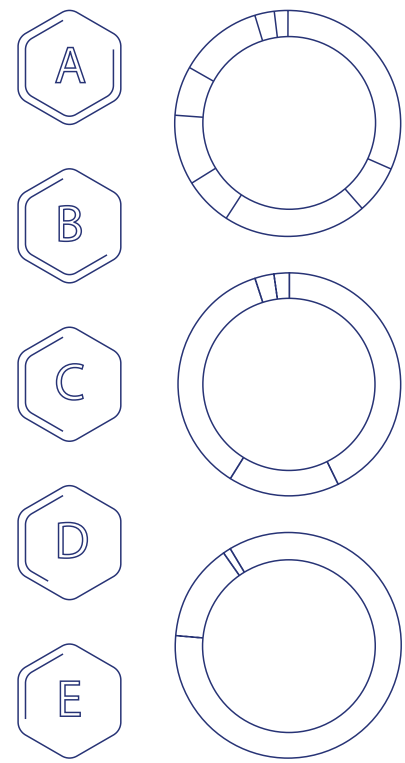
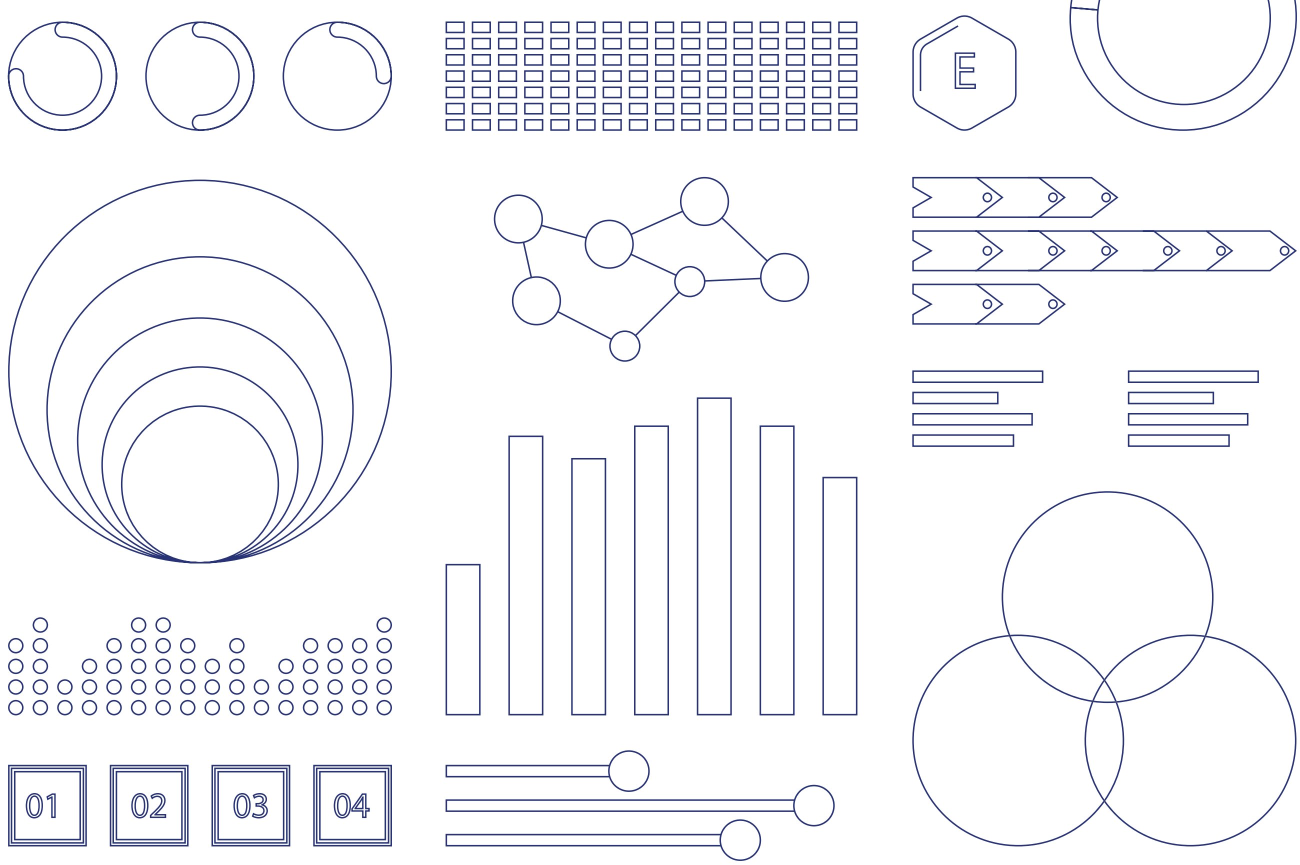
RÉPUBLIQUE FRANÇAISE
Liberté
Égalité
Fraternité

AFD GROUPE



2021 UNIVERSAL REGISTRATION DOCUMENT





#WorldInCommon

2021 UNIVERSAL REGISTRATION DOCUMENT

AFD
AGENCE FRANÇAISE DE DÉVELOPPEMENT

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This is a translation into English of the universal registration document of the Company issued in French and it is available on the website of the Issuer.

This Universal Registration Document was filed on 28 April 2022 with the AMF in its capacity as the competent authority under EU Regulation 2017/1129, without prior approval pursuant to Article 9 of said Regulation.

The Universal Registration Document may be used for the purpose of an offer to the public of securities or admission of securities to trading on a regulated market, if supplemented by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The resulting documents are approved as a whole by the AMF in accordance with Regulation (EU) 2017/1129.

This Document is a reproduction of the official version of the Universal Registration Document including the 2021 Annual Financial Report prepared in accordance with the European Single Electronic Format (ESEF) and filed with the AMF, available on the websites of the Company and the AMF.

Message from the CEO

Eighty years after its creation by General de Gaulle on 2 December 1941, the AFD Group continues its relentless quest for impact. It is in this spirit that AFD, guided by the 2030 Agenda of the United Nations, maintained a very high level of approvals in 2021, to the tune of €12.1bn, to finance nearly 1,000 projects in 115 countries.

On the strength of its humanist mission, AFD works "alongside others" as part of an offer resolutely focused on its customers and partners. First, by supporting their initiatives very early on, as evidenced by the ramping up of project preparation funds such as FAPS and FEXTE, and by supporting their diversity. This is the meaning of AFD's "non-sovereign" commitment, more than half of the financing of which - exactly 55% - benefited, in 2021, civil society actors, local authorities, NGOs, and entrepreneurs. The funding granted under the "CSO Initiatives" strategy continued to increase, reaching €116M in 2021. We also undertook initiatives to support companies weakened by the collateral effects of the ongoing Covid-19 pandemic: thanks to the mobilisation of our teams, €600M were rolled out in 2021 as part of the Choose Africa initiative. In line with this counter-cyclical action, the moratoriums granted were also extended. Lastly, by providing a concrete materialisation of these financial commitments, illustrated by the high level of disbursements, which amounted to €8.5bn in 2021.

In 2021, the year also served as a reminder of the strength of our qualitative trajectory, set by the Sustainable Development Goals (SDGs), the compass of our action. Pursuant to our strategic plan, we met our "100% Paris Agreement" commitment, recording €6bn in climate co-benefit commitments, as well as our "100% social link" objective. For example, 50% of our projects contributed to gender equality. Without forgetting, of course, our contribution to peace-building efforts in crisis areas, and first and foremost in the Sahel, where €210M in funding was granted last year. Lastly, we continued to implement a partnership policy, including through the Team Europe format. Re-elected as the Chair of the International Development Finance Club (IDFC), AFD remains very committed to the Finance in Common Summit (FiCS) movement, which brings together the 530 public development banks, and third edition of which will take place in Abidjan in October 2022, co-organised by the African Development Bank and the European Investment Bank.

These results are part of an unprecedented institutional reinforcement of the French development policy with the unanimous adoption, on 4 August 2021, of the programming law on solidarity-based development and the fight against global inequalities. This legislative framework places development policy at the same level as other major public policies, through clear and ambitious programming. A concrete translation of the presidential goal in this field, the law provides for an increase in the loans allocated to Official Development Assistance (ODA), from 0.55% of GNI in 2022 to 0.7% in 2025 – a historic target never before achieved. Lastly, this law ratifies Parliament's recognition of AFD's essential role in solidarity partnerships.

It is ultimately a larger and stronger group that continued to evolve in 2021. The law of 4 August made it possible to integrate Expertise France into the Group, as of 1 January 2022, in order to provide a complete range of technical and financial products for international development. From 2021, AFD's ability to act as a group was notably demonstrated by the amounts involved in joint projects implemented by Expertise France and AFD, amounting to €80M. AFD now has all the instruments to implement its policy.

The expansion of the Group comes at the end of a year of significant financial consolidation, with €298M in consolidated net income and an increase in the valuations of the Group's equity portfolio, as well as a return to normal of our cost of risk. The success of our issuance policy should also be noted: 48% of the 2021 financing programme was carried out in the form of green bonds. Moreover, the Group's equity was reinforced with €1.4bn in CET1 capital.

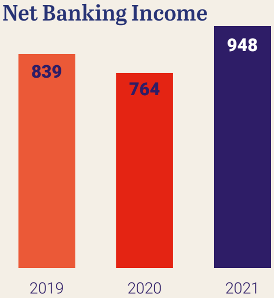
To conclude, it is worth highlighting the mobilisation of our teams, deeply committed to a world in common, which is being pursued in a European and international environment destabilised by the war in Ukraine. Relying on Proparco, Expertise France and AFD employees, as well as on the diversity of its portfolio of instruments, the newly formed Group is now, more than ever, able to contribute to crisis response and act in the service of the SDGs and the Paris Agreement.

Rémy Rioux
CEO

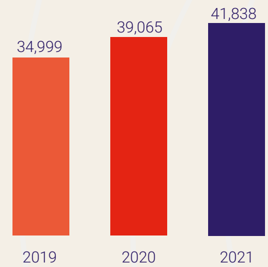
Our key figures

IFRS (€M)

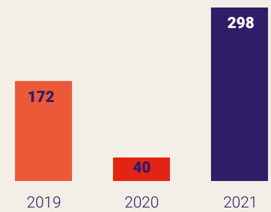
Net Banking Income



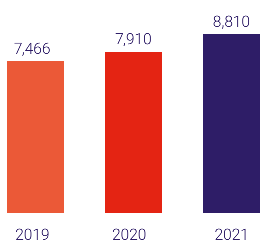
Outstanding loans



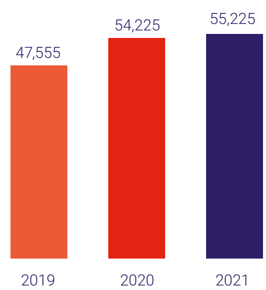
Net income



Consolidated capital *In €bn*

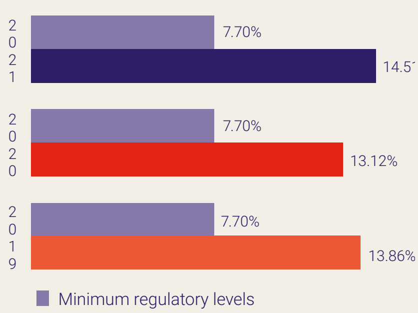


Total of balance sheet *In €bn*

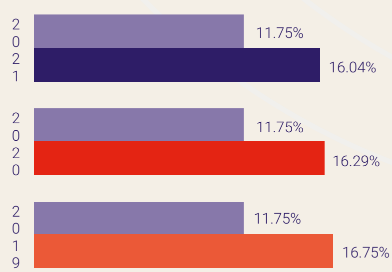


AFD is well within the banking ratios

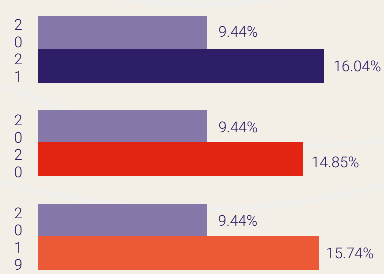
CET1 ratio



Solvency ratio



T1 ratio

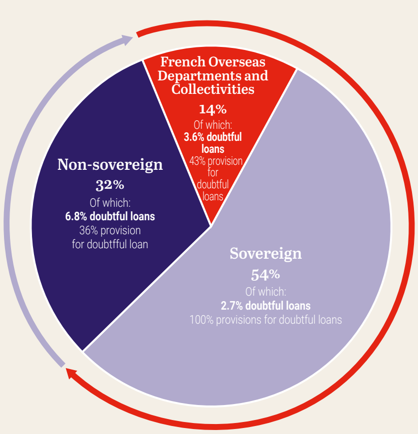


Performing assets

Total outstanding loans at 31 December 2021

€41.84bn

Doubtful loans 4.1%



AFD GROUP: A HIGH-PERFORMANCE MODEL FOR IMPLEMENTING FRANCE'S DEVELOPMENT POLICY

SOURCES of financing

LOANS
FINANCIAL MARKETS

DIVIDENDS PAID TO THE STATE
€47.9 M

GRANTS
STATE BUDGET
FR
€1.7 BN

EUROPE AND OTHER DONORS
EU
€0.3 BN

OTHER ACTIVITIES

AFD GROUPE

NET INCOME: €240 M

GROUP COMMITMENTS €12.1 BN

AMOUNTS commited

9.3 BILLION EUROS
OF WHICH
PROPARCO €1.5 BN

1.5 BILLION EUROS

1.3 BILLION EUROS
OF WHICH
DELEGATED FUNDS €336 M
GUARANTEES €433 M
EQUITY INVESTMENTS €542 M

LOANS	SUBSIDIZED LOANS		GRANTS
✓	✓	AFRICA AND THE MIDDLE EAST	✓
✓		LATIN AMERICA	
✓		ASIA	
✓	✓	FRENCH OVERSEAS TERRITORIES	

IMPACTS 2021

#climate #health #education
#genderequality #water #energy

CLOSE TO **450,000** GIRLS RECEIVE PRIMARY OR SECONDARY EDUCATION

DRINKING WATER: PERMANENT ACCESS FOR **2.6 M** PEOPLE

HEALTH: IMPROVED ACCESS FOR **52.4 M** PEOPLE

5.7 M PEOPLE HAVE ACCESS TO BETTER QUALITY ELECTRICITY

750,000 HECTARES BENEFIT FROM CONSERVATION PROGRAMS OR BIODIVERSITY RESTORATION

Our 2018-2022 strategy

The Group's strategy is based on 5 commitments which come together as the #A Shared World vision.

5 commitments

1 100% Paris Agreement

The Paris Agreement now stands at the heart of the AFD Groupmandate. The Agency will draw on public and private resources to fund capital investments that protect the Earth from climate change and biodiversity loss: all project funding will finance resilient lowcarbon development in keeping with the Paris Agreement.

2 100% social link

AFD Group will base its actions on their capacity to reinforce social cohesion within populations and between territories, reducing inequalities — particularly gender inequality — and increasing access to education.

We are convinced that these two major commitments, 100% Paris Agreement and 100% social link, are closely linked and are the heart of the 2030 Agenda.

3 3D development thinking

In fragile and crises-afflicted situations, sustainable development requires peace and stability, which in turn require resolutions for the social, political, and environmental causes of conflict.

AFD Group pledges to uphold the third "D" in France's Defense, Diplomacy and Development trinity. Promoting a 3D vision for conflict prevention, the Group will work alongside other development professionals, complementing the work of humanitarian organizations and the French diplomatic and military corps.

4 Non-sovereign first

Alongside sovereign central governments, non-sovereign entities must also direct their investments toward attaining the Sustainable Development Goals. Local governments, public enterprises, civil society organizations, foundations, companies, and financial institutions all have a vital role to play. AFD Group will thus dedicate more funding to all of them in countries where it operates.

5 Partnership by design

The fifth AFD Group commitment to working with partners will affect all Agency commitments and operating modes. The Group will apply a very simple principle: a project conducted with a third party is always better than one undertaken alone.

The United Nations 2030 Agenda for Sustainable Development and the Paris Agreement on climate — in their comprehensiveness, geographic universality, and relevance at every level from central governments to civil society – require a collective response made stronger through partnerships. The new AFD Group strategy therefore features a systematic openness to all potential partners.

Implementing these 5 commitments requires us to look at the world in a different way. We will also have to incorporate the SDGs into a dynamic transitions policy and increasingly apply the results of research and innovation.

The 6 transitions underlying AFD's actions are:

#1. Demographic and social

This means financing basic social services such as education and health and helping to improve social ties.

#2. Energy

This means ensuring universal access to a reliable, sustainable, affordable source of low- carbon energy to help keep global warming below the 1.5°C to 2°C mark in comparison with the pre-industrial era.

#3. Regional and ecological

This means sustainably developing the potential of all land, urban and rural, with respect for the ecological and social issues at stake.

#4. Digital and technological

This means capitalising on digital, technological transfers and cross-cutting innovations to speed up development trajectories and achieve the SDGs.

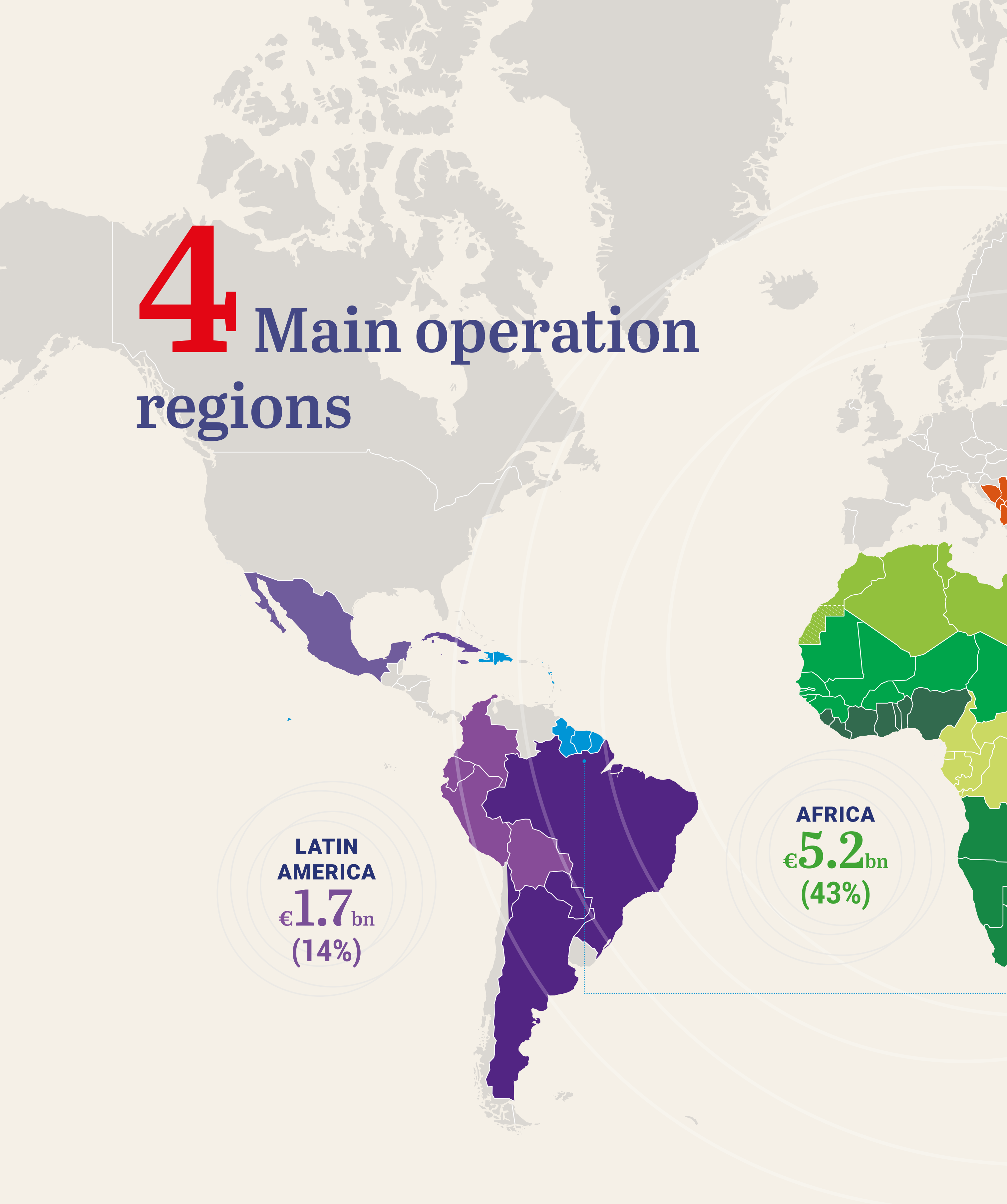
#5. Political and civic

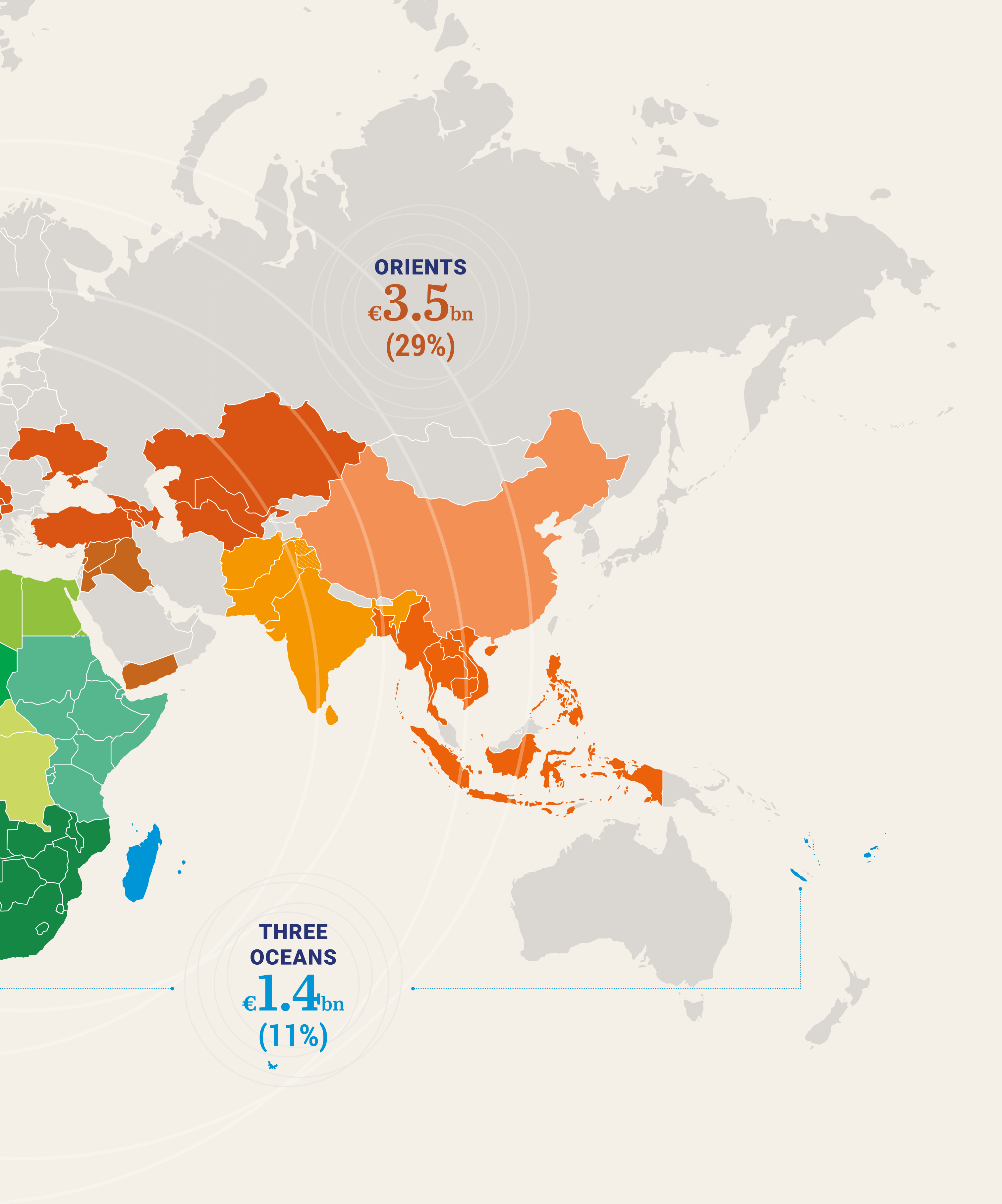
This means reinventing governance models to make them more inclusive and participative.

#6. Economic and financial

This means promoting diversified economic models and financial systems and channelling resources towards sustainable development..

4 Main operation regions




ORIENTS
€3.5bn
(29%)
THREE
OCEANS
€1.4bn
(11%)

Methodology and glossary

Figures

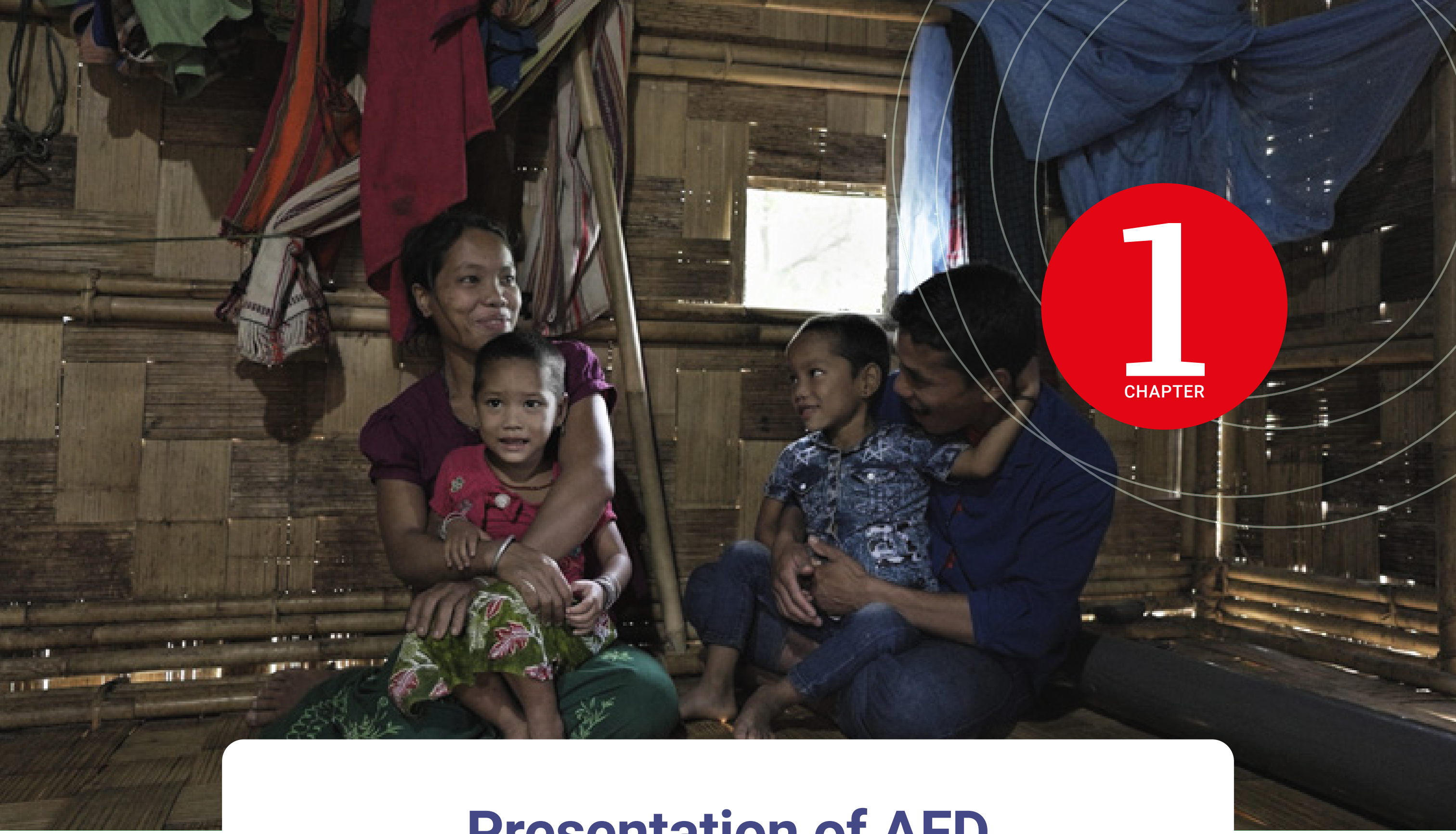
Due to rounding, the tables' column totals may differ slightly from the sum of the lines composing them. The abbreviation €K signifies thousands of euros, €M signifies millions of euros and €bn signifies billions of euros. Commitments are presented net of cancellations during the year. For loans and grants, data in foreign currencies have been converted into euros for payments at the end of the month of disbursement, using the exchange rate at the date when the commitment was approved and the closing price (31 December) for outstandings. For borrowings, the year's issues were converted to the closing exchange rate.

Scope

Except for the table in Section 1.6.3 which presents all of the activities carried out by AFD on its own behalf and on behalf of third parties, all other data included in this document covers the same scope as that used to prepare financial statements established according to international accounting standards - in other words, only activities on AFD's own behalf.

Glossary

TA:	Technical assistance
ACPR:	Autorité de contrôle prudentiel et de résolution (French Prudential Supervisory Authority)
GBS:	general budget support
AFD:	Agence Française de Développement
ODA:	Official Development Assistance
ARIZ:	Assurance pour le risque – Insurance for private investment financing risk in AFD's areas of operation
ECB:	European Central Bank
PIB:	Public Investment Bank
C2D:	Debt Reduction-Development Contracts
CSEC:	Central Social and Economic Committee
Campus:	formerly Cefeb (Centre d'études financières économiques et bancaires – Centre for Financial, Economic and Banking Studies)
CICID:	Comité interministériel de la coopération internationale et du développement (Interministerial Committee for International Co-operation and Development)
CMF:	Code monétaire et financier (French Monetary and Financial Code)
COM:	Contrat d'objectifs et de moyens (Contractual targets and resources)
SSC:	Strategic Steering Committee
SEC:	Social and Economic Committee. It replaces the elected employee representatives in the company. It brings together all the employee representative bodies (IRP), employee representatives (DP), works council (CE) and Health, Safety and Working Conditions Committee (CHSCT).
DFID:	Department for International Development
DOM:	Département d'Outre-mer (French Overseas Department)
EPIC:	Établissement public industriel et commercial (Industrial and commercial public undertaking)
FEXTE:	Fonds d'expertise technique et d'échanges d'expériences (Technical expertise and experience fund)
FFEM:	Fonds français pour l'environnement mondial (French Global Environment Fund)
Fisea:	Fonds d'investissement et de soutien aux entreprises en Afrique (Investment and support fund for businesses in Africa)
PRGF:	Poverty Reduction and Growth Facility
FSD:	Fonds de solidarité pour le développement (Solidarity Fund for Development)
FSP:	Fonds de solidarité prioritaire (Priority Solidarity Fund)
IDFC:	International Development Finance Club
MEAE:	Ministère de l'Europe et des Affaires étrangères (French Ministry of Europe and Foreign Affairs)
MAE:	Ministère des Affaires étrangères (French Ministry of Foreign Affairs) - Former title
MINEFI:	Ministère de l'Économie et des Finances (French Ministry of the Economy and Finance)
NAO:	Négociation annuelle obligatoire (Mandatory Annual Negotiations)
SDG:	Sustainable Development Goals
NGO:	Non-Governmental Organisation
OSEO:	Development Bank for Small and Medium-sized Enterprises
DC:	Developing country
PEE:	Plan d'épargne entreprise (Employee Savings Plan)
LDC:	least developed countries
SOP:	Strategic orientation plan
HIPC:	Heavily-indebted poor countries
MIC:	middle-income countries
RCS:	Ressources à conditions spéciales (Resources with special conditions)
FFT:	Financial Transaction Tax
PSZ:	Priority Solidarity Zone



Presentation of AFD

1.1 General information

1.1.1 Legal status

HEAD OFFICE

Agence Française de Développement
5, rue Roland-Barthes
75598 Paris Cedex 12
Tel.: (+33) 01 53 44 31 31

LEGAL FORM

Agence Française de Développement (hereafter "AFD") is an industrial and commercial State public undertaking (EPIC) with the status of a financially independent legal entity. AFD is a financing company with an ongoing role that serves the public interest. Its bylaws are defined in Articles L.515-13 and R.515-5 to R.515-25 of the CMF (Decree No. 2017-582 of 20 April 2017). AFD is managed by a Chief Executive Officer who is appointed by Decree for a three-year term (Article R.515-16 of the CMF) and a Board of Directors in its areas of responsibility (Articles L.515-13 and R.515-17 to R.515-19 of the CMF). The Strategic Steering Committee (SSC), an AFD entity comprising State representatives on the Board of Directors and headed up by the Minister for Cooperation (Article R.515-7 of the CMF), is responsible for strengthening the link between policy guidelines relating to Official Development Assistance (ODA) set out by the Interministerial Committee for International Co-operation and Development (CICID), and the way in which these policies are laid out and executed by AFD.

ACPR SUPERVISION

AFD, as a financing company, comes under the direct supervision of the French Prudential Supervisory Authority (ACPR).

THE ISSUER'S GOVERNING LAW

AFD is subject to French law.

DATE OF CREATION AND DURATION

AFD was created for an indefinite period by Order No. 21 of 2 December 1941 establishing the Caisse Centrale de la France Libre.

STATUTORY PURPOSE

In accordance with the provisions of Article R.515-15 of the CMF, AFD has an ongoing role that serves the public interest under the meaning of Article L.511-104 of the CMF. It may carry out the banking tasks related to this mission. In accordance with CMF Article R.515-6, AFD's role is to carry out all financial operations that contribute to the implementation of the French State's official development aid policy to developing countries abroad and the development of the French Overseas Departments and Collectivities and New Caledonia. To this end, AFD finances environmentally friendly development operations and may conduct other activities and services linked to its role. In particular, AFD is responsible for directly or indirectly providing technical expertise to its beneficiaries.

TRADE AND COMPANIES REGISTRATION

RCS Paris B 775 665 599

LEGAL ENTITY IDENTIFIER (LEI)

9695008K5N8MKIT4XJ91

CONSULTATION OF LEGAL DOCUMENTS

At the head office – 5, rue Roland-Barthes – 75598 Paris Cedex 12

FINANCIAL YEAR

From 1 January to 31 December.

DOCUMENTS AVAILABLE TO THE PUBLIC

While this document remains valid, the following documents (or copies thereof) may be consulted:

a) AFD's current memorandum of association, amending decrees and bylaws;
b) Universal Registration Documents, reference documents;
c) the annual financial statements, the consolidated financial statements, the half-year reports, the statutory auditors' reports on the annual financial statements, the statutory auditors' reports on the consolidated financial statements.

The above documents may be consulted at AFD's Head Office or on its website, www.afd.fr.

1.1.2 General information about AFD's share capital

AFD'S FUNDING

AFD funding amounts to €4,227,998,856. This may be increased through the capitalisation of reserves upon deliberation by the Board of Directors and approved by order of the French Minister of the Economy and Finance. It may also be increased through the allocation of public funds in accordance with current laws and regulations.

1.1.3 Current breakdown of share capital and voting rights

(not applicable)

1.1.4 AFD's securities market

(not applicable)

1.1.5 Dividends

Pursuant to Article 79 of the amending Finance Law No. 2001-1276 of 28 December 2001 (amended by Article 88 of the amending Finance Law for 2003 No. 2003-1312 of 30 December 2003), a dividend may be paid to the French State. The dividend is deducted as a priority from the distributable profit for the financial year, under the meaning of Article L.232-11 of the French Commercial Code. It may be deducted from the available reserves.

The capital allocations received by AFD do not give rise to remuneration.

After examining AFD's financial position and ascertaining the existence of distributable amounts, on the basis of the report of the Board of Directors, the Minister for the Economy and the Minister for the Budget set by decree the dividend paid to the State.

1.2 AFD Group's 2018-2022 strategy

1.2.1 AFD Group's missions and commitments

The AFD Group's main mission is to help build a shared world, a world that preserves and protects our five great global assets, namely the planet, social ties, peace, partnerships and economic prosperity.

To best meet these development challenges and the ambition of the French government, AFD is implementing its strategy for the period 2018-2022. The Group has identified five structural commitments to promote global assets.

- 100% Paris Agreement

AFD Group's strategy is centred around implementation of the Paris Agreement and ensuring that all its financing is compatible with low-carbon, resilient development, within the meaning of this agreement.

- 100% social link

The Group is committed to combating inequality and carrying out action governed by the single tenet of stronger social ties between communities and territories. Access to education and gender equality are two top priorities in this area.

- 3D development thinking

AFD promotes the triptych of Defence, Diplomacy and Development (the "3Ds") and works alongside other development players to supplement the action of humanitarian aid workers, diplomats and military personnel. A "3D vision" is a vision focused first and foremost on the prevention of armed conflict.

- Priority for non-sovereign players

AFD intends to reinforce the financing of non-sovereign actors in its countries of intervention: public companies, local authorities, civil society organisations, foundations, and the private and financial sectors. Their role is essential in order to direct investments towards the achievement of the sustainable development goals (SDGs).

- Partnership by design

AFD's fifth commitment is to prioritise partnership. To meet these commitments, AFD Group firmly believes in the principle whereby working on a project with a partner is always better than working on a project alone. This willingness to always embrace new players is one of the key markers of our new strategy.

1.2.2 AFD Group's action

The AFD Group's action takes the shape of a three-lined matrix.

THE GEOGRAPHICAL LINE

Based on the specific needs of each territory, country or region, AFD has identified three areas for action:

- "Africa", to obtain an accurate, comprehensive picture of the whole continent;
- "the Three Oceans" where France is represented through its Overseas Departments and Collectivities and seeks to boost regional momentum;
- the emerging regions of the "Orients" and the "Americas" where a significant share of the issues surrounding low-carbon transition and the transformation of our economic and social models are found.

THE SEGMENT LINE: SIX TRANSITIONS

AFD's strategic orientations are designed to support six major transitions: demographic and social, energy, territorial and ecological, digital and technological, political and civic, and economic and financial.

THE RESEARCH AND INNOVATION LINE

The aim is to anticipate future development issues to help us constantly improve our projects and invent the models and orientations for future sustainable development.

1.3 AFD operations

1.3.1 Overview

MAIN MISSIONS

AFD is responsible for financing international development projects and programmes within the strategic framework defined by the committee for the Interministerial Committee for International Co-operation and Development (CICID). The framework agreement of 20 July 2021 signed between the French State and AFD defines the latter's role and public service missions as well as the financial relations between them. AFD is also responsible for financing development in the French Overseas Departments and Collectivities and in New Caledonia.

Under its bylaws, AFD may also carry out other activities and provide services related to its mission:

- it is responsible for directly or indirectly providing technical expertise to its beneficiaries (Article R.516-6 of the CMF);
- in addition to its operations on its own behalf, it is authorised to carry out a certain number of operations on behalf of third parties:
  - as such, it may represent financing companies, other French or international credit institutions, the European Union, foreign States or international organisations and institutions (Article R.515-13 of the CMF),
  - it is authorised to manage public and private funds in the context of operations financed by the European Union, by international institutions or organisations, by public authorities, by foreign States, by credit institutions and development banks and by public or private legal entities, governed by French or foreign law. It may also entrust the management of public or private funds to the same entities under specific agreements (Article 10 of Programming Law No. 2021-1031 of 4 August 2021 on solidarity-based development and the fight against global inequalities). AFD also manages operations financed by the French State's budget on behalf and at the risk of the latter (Article R.515-12 of the CMF);
- it has the task of managing the annual loan portfolio delegated by the State for financing projects proposed by NGOs and ensuring project design and evaluation;
- AFD is increasingly focused on its intellectual production, in other words, discussion, production, capitalisation and research relating to development aid and sustainable development issues;
- lastly, AFD, provides training and further education for top-level managers in the foreign countries and the French Overseas Departments and Collectivities in which it is active *via* the Development Campus (formerly CEFEB: Centre for Financial, Economic and Banking Studies), which it founded in 1961.

CONTRACTUAL TARGETS AND RESOURCES

The purpose of the contractual targets and resources (COM) agreed between the French government and AFD is to define AFD's objectives and schedule its resources. They cover all of AFD Group's activities, and set the guidelines for them, in foreign countries and the French Overseas Departments and Collectivities, while considering goals and characteristics unique to each type of intervention. It also covers the coordination of intellectual production, communication, support and advisory activities for the State and the policy for AFD partners.

1.3.2 AFD activities conducted on its own behalf

The following types of financing are available:

1.3.2.1 In foreign countries

Current activities

- Grants

Priority operations in priority poor countries financed by MEAE budget resources (Programme 209) and by the share of the Financial Transaction Tax (FTT) directly allocated to AFD in 2017 and 2018. Grants are broken down into (i) financing project aid, (ii) advance research funds or supporting projects (iii) equity investments in partnerships and facilities.

- Loans
  - The non-sovereign pricing structure includes subsidised products with subsidy levels that vary primarily according to counterparty and country risk. This subsidy is funded by State budgets. The structure also includes a market-rate product that is entirely unsubsidized.
  - The sovereign pricing structure includes concessional products obtained due to direct subsidisation and/or use of RCSs from the French Treasury. The level of subsidisation varies according to country and project. The structure also includes a product that is not subsidised by the State.
- Guarantees

Guarantee activity in foreign countries entails, on the one hand, commitments made directly by AFD to cover such operations as borrowings, bond issue subscriptions or cash facilities and, on the other hand, guarantee commitments through Ariz, its guarantee facility. This facility guarantees private-sector outstandings through local banks that request it. Ariz is available to any AFD operating region provided it meets the geographical objectives set in its contractual targets and resources. Ariz offers two standard individual guarantee and portfolio guarantee products and additional innovative products such as a capital guarantee.

- Equity investments in foreign countries.

Mandate-specific operations

Global Budget Support (GBS) on the basis of the Treasury's resources (Programme 110) granted in the form of grants, primarily in the least developed countries (LDCs).

1.3.2.2 In French Overseas Departments and Collectivities

Since 2019, all the financial tools available to AFD under budget programme 123 of the Ministry for French Overseas Departments and Collectivities (grants and loan subsidies) is part of the Sustainable Trajectory supported by the Ministry, in line with the Sustainable Development Goals (SDGs).

AFD's overseas activities are mainly carried out *via* loans (subsidised and non-subsidised), grants and guarantees. They aim to contribute to the development of overseas territories and the integration of the overseas economies into their regional environment.

- Loans
  - Financing public-sector investment in a spirit of partnership, especially thanks to the support given to local authorities for defining and implementing their development strategies. This activity takes the form of subsidised loans to the public sector (local authorities, EPCIs, public institutions, public utility associations), or in the form of non-subsidised loans. AFD is today the leading financial partner for the overseas public sector covering almost 2/3 of its annual loan requirements (excluding social housing) and half of its debt (AFD debt outstanding in French Overseas Departments and Collectivities amounts to €6bn).
  - In addition, AFD can grant short-term loans to public authorities, as pre-financing prior to European and State subsidies, as well as pre-financing the value-added tax compensation fund (FCTVA).
  - Financing of the private sector through direct lending to companies at market rates, in a spirit of complementarity with the banking sector, and consistent with the climate commitments of the Group and the SDGs.
  - AFD also supports the development of microcredit institutions in the French Overseas Departments and Collectivities by contributing to their refinancing.
- Grants
  - In addition to its loan activity, AFD implements consulting and support actions for the overseas public sector. The Agency thus supports the reinforcement of public players' abilities to complete their investment operations. AFD's grant activities in the French Overseas Departments and Collectivities, initiated in 2017 and extended in 2020 with the roll-out of the French Overseas Departments and Collectivities Fund, continued in 2021.
  - In 2021, these actions were mainly based on the French Overseas Departments and Collectivities Fund (FOM), created at the end of 2019 by the French Ministry of Overseas Departments and Collectivities. Focused on the priorities of the overseas territories, the fund was allocated €15M in 2021. The FOM's action will continue in 2022, with a similar budget.
  - The French Ministry of Overseas Departments and Collectivities has also delegated two grant budgets to AFD: Support for Project Management (AMO) of the French Overseas Departments and Collectivities Green Fund (€2M) for the initiation of environmental projects (climate, biodiversity) and AMO Structuring Investments (€2M) for the initiation of projects in priority sectors for the regions (water, sanitation, employment, early childhood in French Guiana, etc.).
- Guarantees
  - AFD also carries out a significant medium to long-term bank loan guarantee activity to small and medium businesses in the French Pacific Collectivities through Sogefom, in which it is the majority shareholder.
  - It manages the Guarantee Fund for Agriculture, Fisheries, Aquaculture and Forestry (FOGAP) created in 2010 by the French State and entrusted to AFD.
  - The Fonds de Garantie de Saint-Pierre-et-Miquelon (FGSPM) and the Fonds de Garantie de Mayotte, for the General Economy section (FGM-EG), are run on a run-off basis due to the deployment of Bpifrance "guaranteed" products in these regions. This management is carried out by AFD.
- Management or representation mandates in the French Overseas Departments and Collectivities
  - AFD is in charge of the extinction management of Crédit foncier de France's operations in the French Overseas Departments and Collectivities. It also acted to promote the development of social housing in the French Overseas Departments through equity investments in six real estate companies held on its own behalf and/or on behalf of the State. All of these equity investments were sold to CDC Habitat at the end of 2019. AFD has a stake on its own behalf in the share capital of the Société Immobilière de Nouvelle Calédonie (SIC).

1.3.3 Other AFD activities

1.3.3.1 Intellectual production

AFD ensures that the projects it finances integrate the development issues of the future. Through its research and development, AFD helps to construct the future sustainable development models and orientations. AFD relies on intellectual production through modelling, studies and assessments, the management of a network of experts and the publication of its research work to increase the added value of its operations. Through its experimentation processes, it also promotes research into new practices. All these activities are part of AFD's strategic and operational orientations. They are carried out in partnership with French and international research centres, with a focus on the use and promotion of expertise of Southern countries.

1.3.3.2 Promoting knowledge of sustainable development

Based in Marseille, the purpose of the Development Campus (formerly CEFEB) is to design and develop innovative educational formats, educational resources (training cycles, seminars, capsules, MOOC, etc.) and coordinate learning communities for the benefit of the categories of players who contribute to the transitions in the countries in which AFD operates. These training courses target the Group's partners in the countries of operation, the community of development players (in France or abroad) and also as part of mixed audience training courses, AFD agents at head office and in the network. Its purpose is to transfer and share knowledge and expertise required to become committed and creative change players to serve transitions.

1.3.4 AFD mandate-specific activities

AFD's bylaws provide for cases in which AFD acts on behalf of third parties. In accordance with Article R.515-12 of the CMF, AFD manages the specific operations financed by the French State's budget on the State's behalf and at its risk. The terms of these operations are set out in agreements with the appropriate ministries.

These are either (i) framework agreements governing terms for AFD's implementation of a project category, or (ii) individual temporary agreements setting terms for the implementation of a specific project. For example, the following agreements were signed:

- the framework agreements between AFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the Ministry of Foreign Affairs to AFD;
- the agreement of 23 December 2003 related to the implementation of bilateral aid in Heavily-Indebted Poor Countries (HIPC). Refinancing through donations, particularly in the form of debt reduction-development contracts (C2D) as part of the debt relief programme for HIPCs and the conversion of monetary debts;
- the agreement of 14 May 2012 on the management of the French Global Environment Fund and the bilateral share in the Montreal Protocol Multilateral Fund;
- the agreement of 6 December 2016 on the implementation of the Trade Capacity Building Programme (TCBP);
- the agreement of 15 December 2016 related to the management by AFD of the Solidarity Fund for Development (FSD), financed by the solidarity tax on airline tickets and the Financial Transaction Tax. As a priority, FSD inflows are used to pay for multilateral aid expenses for development related to global public goods in the areas of health, climate and environment and in particular to fund the International Finance Facility for Immunisation (IFFIm);
- the agreement of 24 November 2017 related to the management by AFD of the loan granted to the African Development Fund (ADF) for the French representation.

Moreover, pursuant to Article 10 of Programming Law No. 2021-1031 of 4 August 2021 on solidarity-based development and the fight against global inequalities, AFD is authorised to carry out activities on behalf of other third parties (European Union, international institutions or organisations, foreign States but also for any public authority, any credit financial institution, development banks or public or private institutions and generally for public or private legal entities, governed by French or foreign law). To this end, it has been entrusted with managing loans delegated by the European Commission or other funders (the UK's DFID, the Monegasque Cooperation, etc.).

In accordance with international accounting regulations, these activities are excluded from the consolidated balance sheet. AFD's remuneration for this type of activity is decided on a case-by-case basis as set out by the agreement and is intended to cover AFD's costs.

1.3.5 AFD's operating scope (see Appendix I)

The geographical areas in which AFD is authorised to operate are listed in Appendix 1, with the understanding that its operating mandate (forms of intervention, sectors, etc.) differs according to the country.

1.3.6 Information about any restrictions on the use of capital that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

The restrictions on the use of capital that could materially affect the issuer's operations are limited to:

- equity investments made by AFD: these are transactions subject to State approval by an interministerial decree under the conditions set by Decree No. 53-707 of 9 August 1953 on the State's control of national companies;
- lending granted by AFD outside of its geographic scope of operations defined by Article R.515-9 of the French Monetary and Financial Code: these transactions require State authorisation under the conditions set by the aforesaid Article R.515-9 of the French Monetary and Financial Code.

1.4 Financing of own-account activities

AFD's lending and grant activities are financed by different kinds of resources.

For activities carried out on its own behalf, AFD uses three main types of financing:

Budgetary resources

- Funds for foreign country and French Overseas Departments and Collectivities loan subsidies (€224M of credit appropriations drawn in 2021)[1].
- Grants received from the State for project grant, French Overseas Departments and Collectivities and NGO activities (€714M of credit appropriations drawn in 2021)[2].

Loans from the State (RCS)

Up to 2017 inclusive, AFD contracted loans with the State for a period of 30 years including 10 years deferred at 0.25%. Apart from the liquidity that they provide and their eligibility for Tier 2 of the regulatory capital, these resources contribute to subsidising the outstandings that justify the use of State rates: the financial advantage in comparison with market resources is thus measured and injected into operations making use of subsidies.

In 2021, AFD received €225M in RCS resources.

Market borrowings

AFD's bond issues totalled €7,475M in 2021.

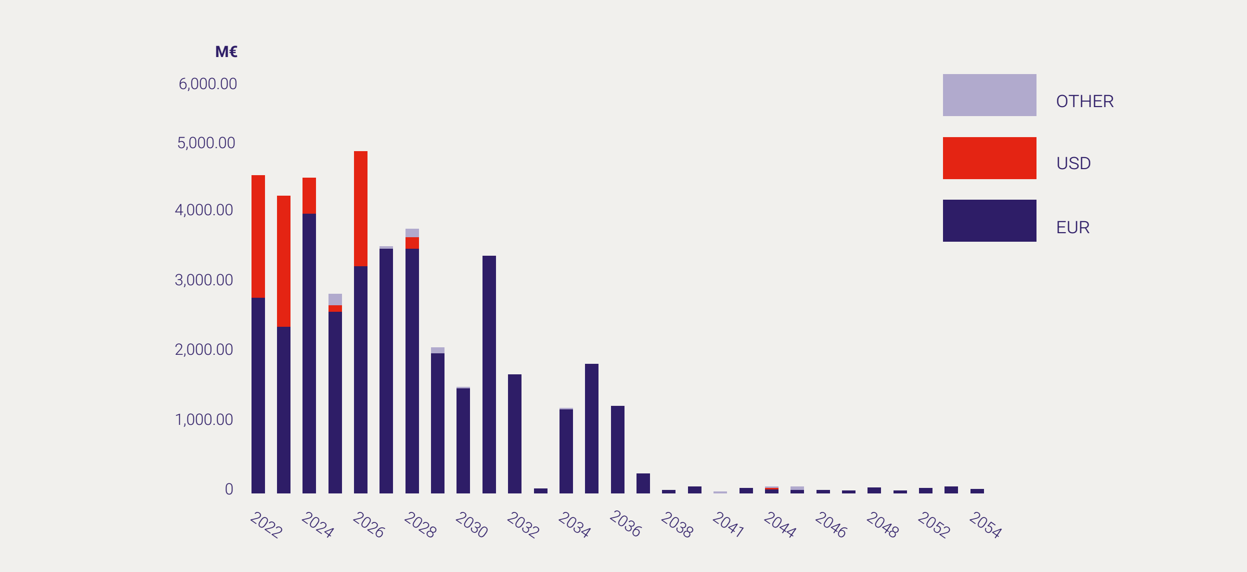
AFD has made five bond issuances in the form of public issues on the euro and US dollar markets for a total of €6,915M:

- $2,000M for 5 years (equivalent to €1,646M; maturity January 2026);
- €1,250M for 15 years (maturity May 2036);
- €1,500M for 7.5 years (maturity November 2028) in SDG bond format;
- €2,000M for 10 years (maturity September 2031) in SDG bond format;
- $600M SOFR FRN for 3 years (equivalent to €519M; maturity November 2024).

AFD has also undertaken:

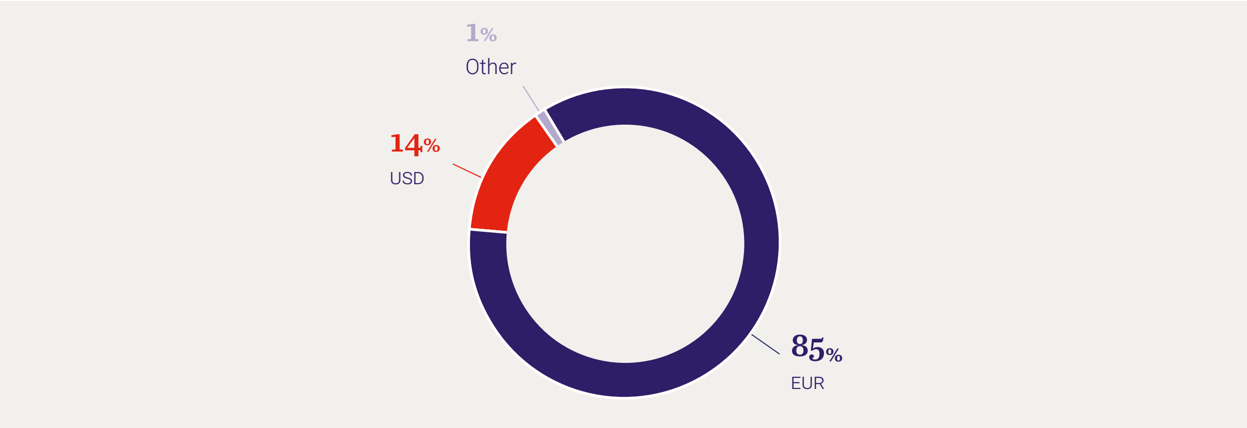
- 2 tap issues without order book opening for a total of €200M;
- 6 private placements on the euro, US dollar and Australian dollar markets for a total of €360M.

Based on the 2021 issues, the nominal burden of AFD debt was €42.7bn as of the end of 2021. The breakdown by maturity date is as follows:



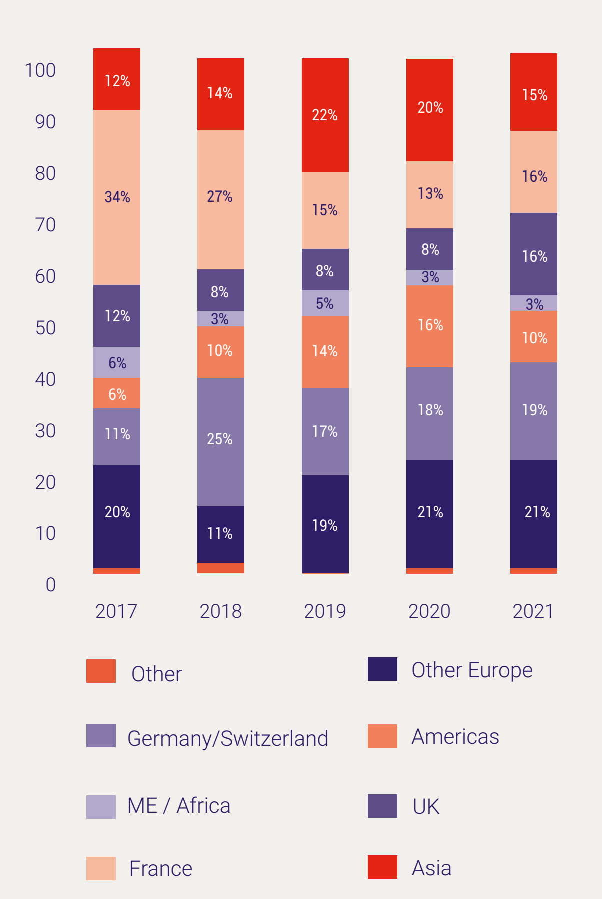
(1) *Excluding RCS.*
(2) *Grants excluding DGT.*

The outstanding debt stock at as of 31 December 2021 is mainly denominated in euros:

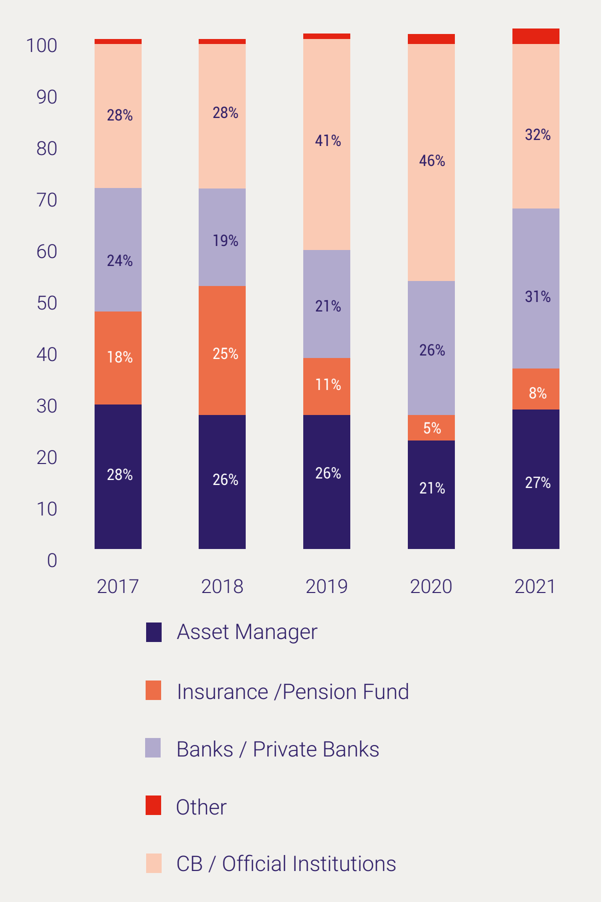


To meet its growing financing requirements, AFD ensures that it constantly maintains and expands its investor base which guarantees secure access to cash resources and competitive prices. The investor base by geographic area and type of "public"(1) operations breaks down as follows:

Geographical area



Type of operation



(1) *So-called "public" operations generally meet three main criteria: (i) they are publicised widely to target domestic and international investors, (ii) an order book is held to collate investor subscriptions and (iii) there is a minimum amount to meet the benchmark size (equal to or greater than €500M or $500M for fixed-rate loans).*

Over the past five years, AFD has had a solid investor base in France (16% in 2021) and in Europe (56% in 2021). This investor base is also supplemented by international players in Asia, America and the Africa, Middle East region. This geographical diversity goes hand-in-hand with the type of investors.

The last graph also shows that the share of banking investors, has grown since 2020; these investors participate heavily in green, social or sustainable bond issues, themes representing 48% of AFD's volumes in 2021. Moreover, the change in the relative percentage of other categories (official institutions, asset managers, etc.) results from the maturities of the issues carried out in a given year (for example, the five-year USD bond issued in 2021 structurally attracts fewer central banks than a three-year USD bond).

Lastly, 2021 was marked by strong support from the ECB, which backed purchases of notes.

This environment supported the normalisation of AFD's spread, which, for the two Sustainable issues of the year, reached its lowest level since the change of banking license in 2017.

1.5 AFD Group

1.5.1 Scope of consolidation

As part of its mission to finance development, AFD holds equity investments in companies or organisations in the geographic areas in which it is active, *i.e.* foreign countries and the French Overseas Departments and Collectivities. The percentages of ownership and of voting rights shown below represent both direct and indirect investments.

Countries		Method[1]	Percentage of ownership 31/12/2021	Percentage of ownership 31/12/2020	Percentage of control 31/12/2021	Percentage of control 31/12/2020
France						
Mainland France						
Proparco	France	FC	78.19	78.19	78.19	78.19
Sogeform	France	FC	60.00	60.00	58.69	58.69
Fisea	France	FC	100.00	100.00	100.00	100.00
French Overseas Departments and Collectivities						
Soderag	France – Guadeloupe	FC	100.00	100.00	100.00	100.00
SIC	France – New Caledonia	EM	50.00	50.00	50.00	50.00
Simar	France – Martinique	EM				
Socredo	France – Polynesia	EM	35.00	35.00	35.00	35.00

(1) FC: Full consolidation - EQ: Equity method.
AFD Group – Scope of consolidation at 31 December 2021.

Details of the consolidation scope are shown in Paragraph 6.2.3.1.1.

1.5.2 Information about subsidiaries

The information below (company data in accordance with French accounting standards) sets out the principal data relating to the subsidiaries which are fully consolidated into the financial statements of AFD.

PROPARCO (SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE)

Purpose: to promote development projects, acquire equity investments and grant loans in the regions in which AFD is mandated to operate

Legal form: Public limited company *(société anonyme société financière)*

Head office: 151 rue Saint-Honoré, 75001 Paris

Share capital: €984,373,280 (excluding issue premium)

AFD's stake: 78.19%

Other shareholders: French banks (9.80%), private investors (1.37%), international financial institutions (10.03%), ethical foundations and funds (0.60%)

Balance sheet total: €7,230M

Total net equity: €7,239M

Equity investments: €1,291M

Gross outstandings: €5,320M

Net banking income: €173M

SOGEFOM (SOCIÉTÉ DE GESTION DES FONDS DE GARANTIES D'OUTRE-MER)

Purpose: to provide a partial guarantee for financing operations undertaken by credit institutions operating in the French Overseas Departments and Collectivities and having subscribed to a portion of its capital or having received approval from its Board

Legal form: Public limited company *(société anonyme)*

Head office: 5 rue Roland-Barthes – 75012 Paris

Equity: €1,102,208

Stake held by AFD: 60% (of which 1.32% through Socredo)

Other shareholders: nine credit institutions (40.00%) including Banque de Nouvelle-Calédonie (7.51%) and Banque de Polynésie (7.51%)

Balance sheet total: €50.0M

Total net position: €11.2M (excluding FRBG)

Gross outstandings: NS

Net banking income: €1.8M

SODERAG (SOCIÉTÉ DE DÉVELOPPEMENT RÉGIONAL ANTILLES-GUYANE)

Purpose: to grant loans and acquire equity investments in order to promote development in the Antilles – French Guiana region

Legal form: public limited company in liquidation (*société anonyme en liquidation* – SDR)

Head office: Pointe-à-Pitre (Guadeloupe)

Equity: €5,576,859

AFD's stake: 100%

Other shareholders: none

Balance sheet total: €7.0M

Total net position: €114.4M (excluding FRBG)

Gross outstandings: NS

Net banking income: €0.0M

FISEA (INVESTMENT AND SUPPORT FUND FOR BUSINESSES IN AFRICA)

Purpose: to promote the growth of African SMEs

Legal form: simplified joint stock company *(société anonyme par actions simplifiée)*

Head office: 5 rue Roland-Barthes – 75012 Paris

Equity: €277,000,000

AFD's stake: 100.00%

Other shareholders: none

Balance sheet total: €166.4M

Total net equity: €157.5M

Gross outstandings: NS

Equity investments: €136.8M (amount net of impairments)

Net income: -€7.5M

1.5.3 Presentation of subsidiaries

1.5.3.1 Proparco

Proparco is a development financial institution.

At the end of December 2021, Proparco's share capital stood at €984,373,280 and was distributed between AFD for 78% and private shareholders for 22% (including 10% French financial institutions, 10% international financial institutions, 1.4% investors and 0.6% ethical funds and foundations).

Proparco is Group's only player in private sector activities. Its mission is to work with the private sector to promote sustainable and inclusive growth models with a low carbon footprint in developing and emerging countries. Proparco plays a role in achieving sustainable development goals (SDGs). Its sector-focused strategy, adapted to match each country's level of development, is focused on business, industry and trade, banking intermediation and financial systems, infrastructure, energy, health, education and private equity. Proparco's operating scope has extended to all developing countries as defined by the Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) and covers a geographic area extending from the major emerging countries to the poorest countries, especially in Africa; it must meet high corporate social responsibility (CSR), and impact, requirements. Proparco offers a complete range of financial instruments to meet the specific needs of private investors in developing countries: loans, quasi-equity, equity and guarantees.

1.5.3.2 Fisea

The capital of Fisea is of €277M.

The year in 2021 was marked by the launch of the Fisea+ programme for which Proparco is the investment services provider. This programme aims to support VSEs/SMEs directly or through investment funds in Africa and has specific investment objectives in relation to fragile countries, social and solidarity-based enterprises and SMEs integrating digital innovation.

Fisea+ authorised 11 financing projects in 2021 (excluding technical assistance) for an amount of €76M and one delegated technical assistance project for a total amount of €180K for an investment fund and the companies (agricultural cooperatives and microfinance institutions) in which it invests.

Over its first year of investment, Fisea+ made seven subscriptions in 2021 excluding technical assistance, including two additional budgets for 2019 projects for a total amount of €43.4M (compared to €11.1M in 2020, the last year of Fisea subscriptions). These projects concern two generalist funds, a fund dedicated to the agricultural sector in sub-Saharan Africa, a bank in Palestine, and a holding company for investment in the health sector. The additional budgets concern direct investments in the capital of a microfinance institution and a bank in Zambia.

In 2021, a delegated technical assistance project for a total amount of €180K was signed to support the reinforcement of the IT security of a microfinance group operating mainly in Sub-Saharan Africa.

Disbursements for the two vehicles amounted to €40M (compared to €20M in 2020).

1.5.3.3 Banque Socredo

Socredo (50% Country, 35% AFD and 15% BRED), a French semi-public company *(société anonyme d'économie mixte)* (law of 1946) with share capital of €184.4M, approved as a bank since 1984, is a major player in the financing of the Polynesian economy. It notably ensures a presence across the region, unlike the competing commercial banks. Its activities extend to every sector of the economy and, more particularly, to several key segments such as housing, the marine sector and tourism. It is heavily involved in marine transport that serves distant archipelagos such as the Tuamotu Archipelago, the Marquesas and the Austral Islands, in air transport as a shareholder in carriers Air Tahiti and Air Tahiti Nui, as well as in the housing sector.

In 2019, Socredo adopted a new three-pillar strategy: (i) being a committed player in the sustainable development of Polynesia, (ii) placing innovation and digital technologies at the heart of improving customer relations and (iii) developing operational efficiency to support the Bank's transformation. While the last two pillars should ensure the sustainability of Socredo's financial model through its digital transition, as well as its operational efficiency, above all, this new strategy has firmly anchored the concept of "development bank" in Socredo's DNA. It has placed the following objectives at the centre of the Bank's action:

- banking inclusion, *i.e.* access to banking services for all (vulnerable individuals, associations, VSEs/SMEs), and the presence of branches in remote archipelagos;
- taking into account the environmental and social dimensions of projects financed, with a sustained dialogue with clients on environmental issues and 100% of files reviewed in view of sustainable development in 2023;
- supporting the Country's priorities and public policies, notably blue and green economies, and economic development and social inclusion in the archipelagos.

Socredo therefore differs greatly from the two competing banks on the market (Banque de Polynésie and Banque de Tahiti, subsidiaries of Société Générale and Groupe BPCE) as a result of its unique positioning in inclusive banking (in 2020, 59% of the Bank's clients were part of this segment, comprising most of the relevant individuals, associations and professionals in the region) and in Green Finance. With this in mind, on 7 December, it organised the first event on this theme in the Pacific Ocean, thus proving its leading role in the sector.

Socredo is the leading banking institution in Papeete with a market share of 48.4% for loans to individuals and nearly 26.1% of loans to companies, as well as approximately 39.7% of the inflows from deposits at the end of December 2021.

In addition to its banking activities, Socredo has three main subsidiaries which are extensions of its operating activities: OSB (Océanienne de services bancaires, specialised in digital banking, checking and publishing), OFINA (Océanienne de financement, which sends and receives cash for American Express cardholders in the French Pacific), and OCA (Océanienne de centre d'appel, a call centre). The Bank also wholly owns OCI (Océanienne de Capital Investissement) which manages the equity investments and development interests of the "venture capital" activity. In 2016, it created OFIMMO (Océanienne de financement Immobilière), a company which is wholly-owned by OCI, with a view to preparing projects as part of the OLS-P (Social-private housing body) initiative.

At 31 December 2021, Socredo employed 490 people. Its forecast results show a balance sheet total of €2.93bn, consisting mainly of customer loans (€2.13bn). The bank should generate net banking income (NBI) of €77M and net income of €9.4M, compared with €74.6M and €2.5M respectively in 2020. All regulatory ratios are satisfactory.

In the context of the health crisis, since March 2020, Banque Socredo has been granting deferrals for a maximum of 6 months to its customers (companies, professionals and individuals) affected by the health crisis. Between March 2020 and the end of December 2021, €366M in equity were carried forward, of which 73% focused on five sectors: retail, transport, real estate, services and industry. Socredo also granted over €144M in SGLs, mainly in 2020 (30% of loan production for the year).

With 35% of Socredo's share capital, AFD is considered by the ACPR to be the reference banking shareholder, which implies an obligation of financial and technical support to its subsidiary. AFD is actively involved in Socredo's governance with three out of ten Directors (with five Directors from French Polynesia and two from the BRED).

According to the recommendations of the ACPR, Socredo did not pay dividends to its shareholders in respect of its earnings recorded at the end of 2020.

1.5.3.4 Soderag

The Regional Development Company of the Antilles-French Guiana (Soderag) is a regional development company in which AFD took control in 1995 at the State's request. The extent of its losses and poor prospects led to the company's liquidation in July 1998. AFD took over its liabilities and is serving as the company's receiver. Cash advances by AFD to this subsidiary amount to €114M and are fully written down in AFD's parent company financial statements.

1.5.3.5 Sogefom

The French Overseas Guarantee Fund Management company (Sogefom) is a company that manages guarantee funds in the French Pacific Collectivities, providing partial guarantees for financing operations undertaken by credit institutions in this zone. In particular, its aim is to support small and very small businesses (SMEs and VSEs) in a range of economic sectors. AFD manages Sogefom within the framework of a regulated agreement.

After experiencing a year in 2020 marked by a significant decline in its activity to €25M in the context of the Covid crisis and the roll-out of SGLs in the Pacific (47% decrease in amount terms and 24% decrease in number of guarantees granted), 2021 was marked by a moderate recovery in activity to €28M:

- in New Caledonia, after a sharp 52% downturn in activity with €6.2M in 2020, production amounted to €6.6M in 2021, remaining below 2019 (€13.1M). This year, it was not enough to offset the amortisation of outstandings (excluding funds under management), which amounted to €27.5M at the end of 2021, compared with €32.2M in 2020;
- in French Polynesia, after a major downturn in production in 2020 to €18.7M compared to €34.3M in 2019 (*i.e.* a decrease of 46%), activity also recovered to a production level of €21.4M in 2021. Outstandings recorded at the end of 2021 amounted to €77.4M compared with €84.1M, *i.e.* down 8% compared with 2020. They represent more than double the amount recorded in New Caledonia and consist of 1,600 guarantees compared with 613 in New Caledonia;
- in Wallis and Futuna, the fund did not change this year with zero production, as in 2019 and 2020. Outstandings only comprise four guarantees for €0.1M.

Gross consolidated outstandings on guarantees at 31 December 2021 amounted to €105.0M compared to €116.4M at the end of 2020. It was thus down by 9.8%.

1.5.3.6 Property companies

In connection with its operations in French Overseas Departments and Collectivities, AFD was a shareholder, alongside the State and local authorities, of six property companies, the SIDOMs.

At the end of 2015, the Government announced its intention to reorganise the shareholding of the SIDOMs by transferring its equity investments to a public operator specialising in social housing, the Société Nationale Immobilière (SNI), a wholly-owned subsidiary of the Caisse des Dépôts et Consignations. The State asked AFD to sell its own shares at the same time as the transfer.

The sale was completed on 19 December 2019 and AFD no longer holds any equity investments in the capital of Sidom (except for SIC in New Caledonia), which was sold at a price of €20.9M. As a result, as of the end of 2019, AFD's equity investment in its own name in the share capital of SIC in New Caledonia was down to 50%, so the company was not included in the transaction as the State had no equity interest in this company.

1.6 Activities of the Agence Française de Développement Group in 2021

1.6.1 International context

THE YEAR IN 2021

After activity fell -2.1% in developing countries in 2020, the IMF estimates that economic growth in emerging and developing countries recovered sharply to +6.5% in 2021.

At the end of the year, emerging and developing Asia was the world region that saw the largest downward revision of its growth outlook for 2021 (-1.4 percentage points compared to April 2021) due to new lockdowns related to the resurgence of the epidemic due to the delta variant. However, the region remained the most dynamic worldwide, with growth of +7.2% in 2021, supported in particular by external demand and the manufacturing sector, at least during the first part of the year. Chinese growth stood at +7.9% in 2021, but the economic recovery remains unbalanced to the detriment of consumption and a slowdown was observed in Q3 and Q4 2021, as a result of the delta variant, difficulties in the real estate sector, floods, and the energy crisis. The Chinese authorities have tightened credit conditions, with the aim of correcting growing vulnerabilities in the financial system and stabilising the indebtedness of non-financial companies and households. In Vietnam, a new wave of the epidemic, coupled with a low vaccination rate, forced the country to lock down its economic centres during the summer of 2021, which should weigh on internal consumption and private investment. After a major recession (-7.3%) in the 2021 financial year, Indian growth is expected to rebound to +9.5% in the 2022 financial year. The second wave of Covid-19 in the spring of 2021 was particularly virulent and mitigated the upturn in investment and the effects of budgetary and monetary support. While India's external balances remain solid, a continuing high budget deficit (-11.3% of GDP in the 2022 financial year) should increase the weight of public debt, which would reach 90.6% of GDP at the end of March 2022. The economic impact of the Covid-19 crisis is also likely to weaken a banking sector that was still recovering prior to the crisis. The Philippines and Indonesia have struggled to contain the epidemic, which is weighing on the service sector and domestic demand. A moderate upturn (which was revised downwards) in these economies was therefore expected in 2021 (+3.2% for both counties) before a return to more vigorous growth in 2022.

The recovery of economic activity in 2021 was dynamic in Eurasia, despite the acceleration of inflation, under the combined effect of the increase in global food and commodity prices, currency devaluations and the recovery of demand. The economic outlook for Armenia was significantly revised upwards to +6.4%, due to the strong performance of exports and domestic demand, despite the conflict with Azerbaijan at the end of 2020 and the turbulence of internal politics in early 2021. Real GDP also grew faster than expected in Georgia (+7.7%), thanks to a sustained fiscal stimulus and despite a tense political situation. Higher oil prices and the increase in public spending on the reconstruction of Nagorno-Karabakh should also lead to a moderate upturn in activity in Azerbaijan (+3%). Uzbekistan's growth should also be higher than expected at +6.1%. Driven by internal demand and exports, Turkish growth is expected at +9%, despite a new lockdown in April-May and the disruptions of certain supply chains in the industrial sector. However, past macroeconomic imbalances persist, despite this strong economic performance. The country remains exposed to a significant refinancing risk as the confidence of foreign investors was once again shaken by negative signals in terms of monetary policy and the announcement of a tightening of global liquidity.

In the Middle East, the business outlook for 2021 remained bleak in Jordan (+2%). The country's debt trajectory continues to deteriorate, limiting the prospects for recovery in 2022, in a context of persistent unemployment, notably among young people. In Lebanon, the major economic and financial crisis that the country has been facing for several years has evolved into a humanitarian crisis, with the population now experiencing shortages of basic necessities. The absence of any prospect of a resolution to the crisis raises fears of the persistence of deleterious long-term effects on the Lebanese economy and society.

Latin America and the Caribbean was the region hardest hit by the crisis in 2020, with a recession of -7%. Economic activity was expected to rebound to +6.7% in 2021. According to the IMF, a resurgence of the epidemic at the end of 2021 was not to be ruled out due to the penetration of the delta variant, despite a vaccination rate which was expected to reach 60% of the population over the period in question. In addition, a busy electoral calendar in 2022 could reactivate the social unrest that the region regularly faces. Capital flows were particularly subdued in the region in 2021 compared to other emerging markets, and the relative increase in risk premiums and yields on local currency bonds reflects investor concerns about inflationary pressures and the consolidation of public finances. Despite the mobility restrictions linked to the health crisis, Brazilian economic growth rebounded to +4.8% in 2021, driven by private consumption, credit growth and the improvement in the terms of trade (notably supporting agriculture). The country's external position remains solid and the budget deficit was halved in 2021 to -6.2% of GDP, which allowed a marked inflection in the trajectory of public debt, after an increase to nearly 100% of GDP in 2020. However, the electoral context should limit further consolidation of public finances in 2022. Despite shortages in industrial supply chains, the absence of a fiscal stimulus and the tightening of monetary policy, the recovery in Mexico is expected to reach +5.3%, thanks to the knock-on effect of the expected rebound in the US and to higher oil prices. The deterioration of Colombia's public finances led to the loss of its investment grade status in 2021, in a difficult social context, which was not conducive to budgetary consolidation in the run-up to the elections scheduled for 2022, and despite growth projected at +7.6%. In Ecuador, higher oil prices give the new administration the budgetary space to carry out the fiscal consolidation expected under the IMF programme while the limiting recessive effects that could potentially lead to political and popular opposition. However, the upturn in economic growth remained relatively moderate in 2021, at +2.8%. Argentina's economic situation remains worrying, as do its public finances, despite the restructuring carried out with private creditors in August 2020. In 2021, the government was able to use its SDR[(1)] allocation and negotiate a deferral of its maturities *vis-à-vis* the Paris Club creditors to cover its debt service, but concluding an agreement with the IMF in the first quarter of 2022 is now imperative to avoid a new payment default.

(1) Special Drawing Right

In 2021, Africa was the region with the lowest economic growth at +3.6% (+3.9% for sub-Saharan Africa). Despite the rise in commodity prices and the upturn in global trade, the gap in terms of access to vaccination and measures to support economies, compared to the rest of the world, is likely to undermine the process of convergence at work prior to the crisis. The crisis has also widened the gaps between countries (diversified economies *versus* economies dependent on natural resources) and within countries (income and spatial inequalities).

In North Africa, Egyptian economic growth should approach its potential with a forecast of +5.2% for the 2022 financial year. Having somewhat restored its budgetary and external room for manoeuvre since 2016, Egypt was able to rapidly take counter-cyclical measures with the support of the IMF and donors, and gain access to international financial markets to cover its need for external financing. While the service of Egypt's external debt remains under control, the State's borrowing requirements are considerable (over 35% of GDP). Local banks play a key role in covering these financing needs, overexposing the banking system to sovereign risk. Tunisia enters 2022 in a precarious position, which could call into question its ability to honour the service of its external public debt. The power grab by President Saïed, who has suspended Parliament since the end of July 2021, complicates the discussions around the reforms to be carried out as part of an IMF programme, which is essential to releasing the funds necessary to cover public financing requirements. Moroccan economic growth rebounded strongly in 2021 to +5.7%, buoyed by a good agricultural season and the economic recovery in Europe. The health crisis exacerbated the pressure on public debt, up to 96% of GDP, despite the debt profile remaining favourable. Economic activity in South Africa was up in 2021, at +5%, driven in particular by the recovery of household consumption and exports, despite the July riots and the third wave of Covid-19. The pace of structural reforms should nevertheless remain slow in a difficult socio-political context and South African GDP growth should therefore be sluggish in 2022. In Nigeria, economic growth in 2021 was +2.6%, driven by the recovery in the non-oil sector and the increase in oil prices, although oil production will remain below pre-crisis levels. In Angola, the economy contracted by -0.7% in 2021, the sixth consecutive year of recession for the country. Growth for 2021 was markedly revised downwards, from April, due to the decline in investments and repeated technical problems in the oil sector. The non-oil sector is expected to remain the main driver of economic growth, with trade and agriculture recovering to post results well above pre-pandemic levels.

Weakened by the 2014 shock on oil prices, CEMAC should benefit from the increase in prices and return to positive GDP growth, at +2.6% in 2021 and +2.8% in 2022. In terms of economic activity, WAEMU countries generally withstood the crisis better, and for the most part maintained positive growth rates in 2020 (with the exception of Mali and Guinea-Bissau). The upturn in economic activity in the zone in 2021 was particularly marked, at +5.5%, should increase to +6.1% in 2022.

While thirty African countries benefited from the Debt Service Suspension Initiative for a carry-over of around US$6.2bn, according to the IMF, the resumption of repayments from 2022 could pose a problem for many African countries. At this stage, the Common Debt Framework has yet to prove fully convincing in operational terms, as the first three countries to apply (Chad, Ethiopia and Zambia) are yet to reach an agreement with all their creditors.

OUTLOOK FOR 2022

At the start of 2022, there are many obstacles to the expected normalisation of the economic situation in emerging and developing countries (EDCs) and to their return to pre-Covid-19-crisis trends. The rapid spread of the Omicron variant is likely to extend the impact of the pandemic in several countries, such as in China, for example. Furthermore, the effects of the war in Ukraine will jeopardise the recovery of the global economy. The latest IMF forecasts (April 2022) have revised global growth for 2022 downwards, to 3.5% (-0.9 pp). On average, advanced, emerging and developing economies are expected to experience slowdowns compared to 2021, with emerging and developing Europe in particular expected to experience a significant recession (-3.8%), due to recessions projected in Ukraine (-35%), Russia (-11%) and Belarus (-6.4%). Emerging and developing Asia should remain the most dynamic region (+5.4%), despite the Chinese slowdown due to the difficulties of the real estate sector, the energy crisis and a restrictive zero-Covid strategy. On the other hand, Latin America should see its growth slow significantly, to +2.6%, mainly due to less favourable outlooks in Brazil (impact of the monetary tightening on consumption) and in Mexico (additional impact of the reduced dynamism in the US on external demand). African growth should also be particularly sluggish, at +3.8%, despite high commodity prices. In the medium term, the drop in vaccination coverage in many EDCs (notably in Africa) increases the likelihood of new viral mutations, even if this is offset by lower mortality than in the rest of the world.

The rise in inflation, including after excluding energy and food prices, is also more marked and more lasting than expected. The fact that it will remain high, at least during a large part of 2022, will weigh on growth through its impact on consumption. This recessionary effect should be amplified by the tightening of monetary policies in several emerging countries, notably in Latin America. In order not to erode their credibility, several Central Banks were forced to react quickly, by raising their key rates, to higher-than-targeted inflation, even though these countries experienced major recessions in 2020 and employment has not returned to its pre-crisis level. In addition, low-income countries such as those in North Africa and the Middle East are particularly affected by the increase in food prices, exacerbated by the war in Ukraine and its impact on cereal prices (wheat, corn). The external balances of net hydrocarbon-exporting countries, on the other hand, should benefit from the increase in prices.

Lastly, the accelerated normalisation of monetary policy in advanced economies, in the United States in particular, is likely to have an impact on developing countries, through the tightening of international financial conditions. While acute financing problems remain very localised at this stage, some countries, which benefited from a relatively high appetite for risk worldwide, are now seeing their spreads widen again and, for the vast majority of EDCs, these are still higher than their December 2019 levels. The concomitant appreciation of the US dollar poses an additional risk to EDCs that are heavily indebted in this currency. In a context of a general increase in debt ratios, the fiscal policy of EDCs should also remain prudent this year, owing to the pressure to reduce budget deficits and the persistence of the effects of the crisis in terms of employment and purchasing power on vulnerable populations, exacerbated by rising energy and food prices. In several countries, the year's elections could complicate the budgetary equation by exacerbating socio-political tensions.

1.6.2 Information about offices and activities at 31 December 2021

NET BANKING INCOME AND REVENUE BY COUNTRY OF FULLY CONSOLIDATED SUBSIDIARIES ACCOUNTED FOR UNDER THE EQUITY METHOD IN AFD'S FINANCIAL STATEMENTS

The table below presents the NBI and revenue of AFD employees of fully consolidated and equity-accounted companies.

	2021 financial year				At 31/12/2021
	Net banking income *(in millions of euros)*(1)	Revenue *(in millions of euros)*(1)	Profit or loss before tax(1)	Public subsidies received	FTE headcount
European Union member states:					
France	1,046	69	326	331	3,235
TOTAL	1,046	69	326	331	3,235

(1) Data from the individual company financial statements of the entities concerned.

ENTITY OFFICES PER COUNTRY

The table below lists all Group companies, whether consolidated fully or using the equity method.

Offices by country	Activities
France	
AFD – Agence Française de Développement	Financial institution
Fisea – Fonds d'investissement et de soutien aux entreprises en Afrique	Investment funds
Proparco – Société de promotion et de participation pour la coopération économique	Financial institution
Soderag – Société de développement régional Antilles-Guyane	Guarantee fund
Sogefom – Société de gestion des fonds de garantie d'Outre-mer	Guarantee fund
New Caledonia	
SIC NC – Société immobilière de Nouvelle-Calédonie	Real estate company
French Polynesia	
Banque Socredo	Bank

1.6.3 AFD Group activities

The data provided herein exclude AFD's refinancing operations for Proparco.

To make the scopes more comparable, AFD's activities in foreign countries include Proparco sub-participations, *i.e.* Proparco financing guaranteed by AFD.

AFD Group 2021-2020 approvals *(in millions of euros)*

In millions of euros	**Amount approved for 2021**	Amount approved for 2020
AFD Foreign countries		
Current activities	**8,368**	**8,763**
Grants	894	870
Sovereign concessional loans	4,552	4,782
Non-sovereign concessional loans	1,182	1,157
Non-sovereign non-concessional loans	1,565	1,325
of which NCLs declarable in AOP	-	794
Other loans	-	310
Other investments	-	200
Funding for NGOs	116	115
Equity investments	60	1
Guarantees	-	4
Mandate-specific operations	**493**	**192**
GBS	60	82
C2D	403	89
FGEF (French Global Environment Facility)	30	21
Specific activities using resources from other backers	**321**	**603**
Loans delegated by other funders	321	513
Total AFD Foreign countries	**9,182**	**9,559**
AFD French Overseas Departments and Collectivities		
Current activities	**1,095**	**1,246**
Loans	1,049	1,206
Private sector guarantees	29	27
Grants	18	13
Total AFD French Overseas Departments and Collectivities	**1,095**	**1,246**
Proparco Foreign countries		
Loans	1,452	1,604
of which AFD sub-participation loans to Proparco	494	660
Equity investments	356	188
Fisea	-	0
Other investments	127	21
Guarantees	404	197
Grants	11	18
Total Proparco Foreign countries	**2,350**	**2,029**
Proparco French Overseas Departments and Collectivities		
Total Proparco French Overseas Departments and Collectivities	**-**	**-**
Proparco – Specific activities using resources from other backers		
Grants	15	
Total Proparco – Specific activities using resources from other backers	**15**	**-**
of which AFD sub-participations granted to Proparco	- 492	- 758
TOTAL GROUP APPROVALS	**12,150**	**12,075**

In 2021, the AFD Group's overall activity reached €12.15bn in commitment approvals, up €0.75bn compared to 2020. This slight increase is explained by:

- a decrease in approvals on AFD's scope (-€527M): this decrease occurred in both in foreign States (-€377M) and in the French Overseas Departments and Collectivities (-€151M), but is explained by different causes according to the geographic area:
  - for foreign States, the decrease is mainly due to no other loans being granted, as the green fund replenishment loan (€310M granted in 2021) is not intended for renewal. Other current activity aggregates for foreign States were broadly stable, with the exception of sovereign concessional loans, which were down €230M, offset by the increase in non-sovereign non-concessional loans of €239M,
  - in the French Overseas Departments and Collectivities, the €150M decrease was almost exclusively due to the decrease in loans approved. The year in 2020 was buoyed by two exceptional State-guaranteed loans, amounting to €480M, in response to the Covid crisis.
- the increase in approvals on the Proparco scope, of €322M, partially offset the decrease on the AFD scope. The -€159M decrease in loans was offset by the increase in equity investments (+€168M), other securities (+€106M) and guarantees (+€206M).

1.6.3.1 AFD, foreign States

Current activities

The activity of **loans** and **guarantees** reached €7.29bn this year compared to €7.58bn in 2020, slightly lower than in 2018.

The year in 2021 was marked by a decline in sovereign activity (-€230M) offset by an increase in non-sovereign activity (+€264M). The latter was particularly marked for non-sovereign non-concessional loans (+€240M). There were no approvals in the guarantee activity, unlike in 2020 when it accounted for €4M, already a sharp decline compared to previous years. In addition, in 2020, other loans and other securities represented €310M and €200M respectively. These amounts were not renewed in 2021.

Total **grant** approvals amounted to €895M (+€24M) at the end of 2021, stable compared to 2020 and in line with what was reported in the 209/110 programme, after the sharp decline observed from 2019 to 2020.

Activity on **specific mandates** was up sharply compared to the previous year: approvals amounted to €0.49bn compared with €0.19bn in 2020. This increase was due to C2Ds returning to their 2017 level following the agreements between France and Côte d'Ivoire, 2020 having been particularly low (€89M).

Activities using resources from other sponsors

These activities are down sharply, to €321M compared to €603M in 2020, mainly due to a year of replenishment of European funds in Brussels.

1.6.3.2 AFD, French Overseas Departments and Collectivities

In 2021, AFD continued to implement its overseas activities as part of the government's Recovery Plan, and in particular its support system for local authorities, in line with the Sustainable Development Goals (SDGs).

After an exceptional year in 2020, driven by loans on behalf of the State granted to Pacific authorities, commitment approvals (loans, guarantees and grants) in the French Overseas Departments and Collectivities stabilised at €1.1bn in 2021. Activity under a specific mandate – Sogefom, Fogap and Fonds de garantie à l'habitat Mayotte - amounted to €29M, in line with the forecasts for 2021.

Once again, a significant portion of the overseas activity relates to financing the public sector, in a context still marked by the Covid crisis. Commitment approvals (loans and grants) amounted to €918M compared to €1.1bn the previous year. Loans to the overseas public sector, which accounted for four-fifths of proprietary loans, remained stable despite the context which exacerbated the persistent financial difficulties of local authorities, in order to enable them to respond to the crisis. The subsidy budgets have made it possible to increase commitments on operations promoting social ties (PSP B) and those that preserve the environment or contribute to climate change mitigation and adaptation (Green PSP).

1.6.3.3 Proparco, Foreign States

Proparco approvals, signatures and disbursements in 2021 were up compared to 2020. Approvals amounted to €2.3bn, up 13% compared to 2020, while signatures rose sharply (+48%) to €2.1bn. Disbursements were also up sharply (+46%) and amounted to €1.6bn.

1.6.4 AFD's activities in foreign countries

Total volume of authorisations, disbursements, undisbursed balances and outstanding loans(1)

The change in AFD's activities over the last two years can be broken down as follows for the four types of financing:

In millions of euros	2021	2020	Variance 2021/2020 (in millions of euros)	Variance 2021/2020 (in %)
Loans(1)				
Approvals	7,298	7,574	-276	-3.6%
Disbursements	5,036	6,016	-980	-16.3%
Undisbursed balance at 31/12	22,641	20,969	1,672	7.9%
Outstandings at 31/12	32,637	28,920	3,717	12.8%
Grants				
Approvals	1,064	1,073	-9	-0.9%
Disbursements	832	674	158	23.5%
Undisbursed balance at 31/12	2,965	2,780	185	6.6%
Outstandings at 31/12	30	25	5	20.7%
Guarantees				
Approvals	-	4	-4	-100.0%
Outstandings	137	156	-19	-12.0%
Equity investments				
Approvals	-	200	-200	-100.0%
Disbursements	200	-	200	0%
Total				
Approvals	8,362	8,851	-489	-5.5%
Disbursements	6,068	6,690	-622	-9.3%
Undisbursed balance at 31/12	25,606	23,749	1,857	7.8%
Outstandings at 31/12	32,804	29,101	3,703	12.7%

(1) Information about loans does not include the status of AFD loans to Proparco.

Total approvals in foreign countries amounted to €8.36bn in 2021 compared to €8.85bn in 2020, *i.e.* a slight decrease.

Total disbursements amounted to €6.07bn. In 2020, they reached the very high amount of €6.69bn compared to €4.37bn in 2019. The 9.3% decrease from 2021 to 2020 is therefore to be compared with the exceptional level of 2020.

This decrease stems from a twofold change:

- disbursements fell by nearly €1bn (-16.3%);
- while disbursements on grants increased by €0.16bn (an increase of 23.5%) and the €0.2bn bond in South Africa granted in 2020 was paid in 2021.

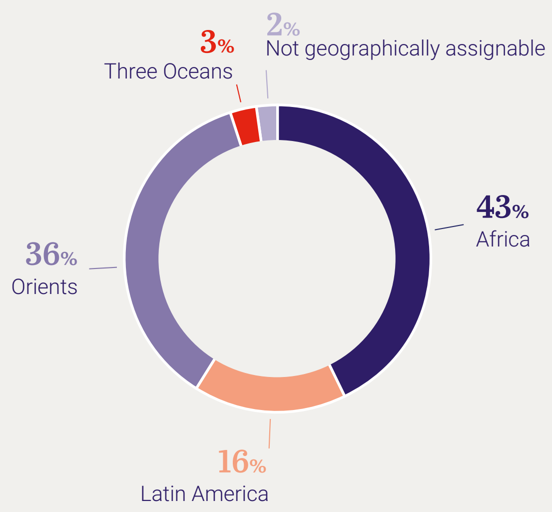
Disbursements in 2021 concerned 18% of grants for the year, compared to 40% of grants in 2020, 12% of grants in 2019, 11% of grants in 2018 and 18% of prior grants.

For a breakdown of approvals and disbursements by type of financing, see Appendix 6.

GEOGRAPHIC BREAKDOWN OF AFD APPROVALS

Approvals in 2020 and 2021, presented by beneficiary country, break down as follows:

	Loans		GBS, grants and equity investments, current activities		Guarantees granted		General	
In millions of euros	2021	2020	2021	2020	2021	2020	2021	2020
Africa	2,936	2,744	656	908		4	3,592	3,656
Latin America	1,323	1,668	22	24			1,345	1,692
Orients	2,918	2,284	127	140			3,045	2,424
Three Oceans	121	568	118	128			239	696
Not geographically assignable	0	310	142	73			142	383
GRAND TOTAL	**7,298**	**7,574**	**1,064**	**1,273**	**0**	**4**	**8,362**	**8,851**



Commitment approvals in Africa amounted to €3.59bn in 2021, down 2% on 2020 (-€0.06bn).

The fall is due to the decrease in activity on grants (-€0.25bn, or -28%). It was only partially offset by a slight increase in loans, of €0.19bn, *i.e.* 7% more approvals compared to 2020.

In line with the contractual targets and resources (COM), in 2021, Africa concentrated the grants financed with the 209 programme of the French Ministry for Europe and Foreign Affairs.

Grants are mainly directed to Poor Priority Countries (67% of the total budget) to support (i) education and vocational training, (ii) health and (iii) agriculture and food safety, while promoting gender equality.

As COP26 took place in 2021, projects with climate co-benefits reached an unprecedented share of AFD's commitments in Africa, exceeding 50% of projects (compared to 45% in 2020).

The year in 2021 was also marked by the New Africa-France Summit, held in Montpellier on 15 October, which was an opportunity for the French State to announce additional resources to allow AFD to carry out its work on the continent in three pioneering sectors: cultural and creative industries, sport, and digital technologies, while pursuing its activities in more "traditional" sectors. The New Africa-France Summit in Montpellier was an opportunity to hear from our partners and beneficiaries on the African continent. Young, creative, committed, innovative and visionary, they expressed high expectations for a renewed relationship between Africa and France. This message will inspire our reflection on the development of a new Africa strategy for the AFD Group.

2021 was a year of transition in relation to vulnerability issues in Africa. In addition to the emergence of new crises, which require a certain flexibility in the implementation of our projects (in Ethiopia or Guinea, for example), AFD anticipated taking into account prevention issues in response to the Sahel crisis. Initially, focused on the three-border area (Mali, Niger, Burkina Faso), in close coordination with the actions of the other players of the France team (Barkhane, CDCS, DCSD, etc.), AFD identified areas where the Group's projects have strong transformational impacts. This 3-D approach ("Development-Diplomacy-

Defense") has resulted in an "anticipation-prevention" roadmap in the Gulf of Guinea. This roadmap has three components:

- taking into account topics identified as fragility issues (youth employment, access to natural resources, etc.) or focusing on target regions, notably in the northern Gulf of Guinea and in the south of Sahel countries;
- setting up monitoring and analysis tools to clearly identify the elements of the context, and sharing these analyses in 3D mode;
- mapping precisely the AFD's achievements in order to better exchange with counterparties and all the partners that AFD mobilises *via* the regional approach it supports. These maps give us entirely new elements of precision. For example, AFD can indicate that its projects have enabled the completion of 641 activities between February and December 2021 (148 in Mali, 211 in Niger and 282 in Burkina Faso).

AFD's activity in Latin America decreased by 20% to €1.35bn in 2021, compared to €1.69bn in 2020. This decrease was observed for loans (-21% to €1.32bn) and grants (-10%, to €0.22bn).

Latin America was the world region most affected by the Covid-19 pandemic in socio-economic terms. Although positive growth was expected in 2021, gross domestic product per capita is not expected to return to its pre-crisis level before 2024. The impact of the crisis has been asymmetric, especially affecting the most vulnerable groups, with poverty and extreme poverty at their highest levels in 20 years. Targeted policies, mainly through unconditional cash transfers, provided rapid support to public health systems, households and businesses. AFD was already part of this recovery trend in 2020.

A context that remains very complicated has not called into question AFD's activity in the region, although it had to adapt and optimise the management of exacerbated risks while being part of an ambitious programme for the ecological transition and the well-being of populations. In 2021, AFD's activity was limited by the classification of one third of its nine countries of operation as at high or very high risk (Argentina, Cuba, Ecuador). In terms of regional distribution, the Andean Regional Directorate contributed 50% of the business plan with €667M, while the Brazil/Southern Cone Regional Directorate committed €210M and the Mexico, Cuba, Costa Rica Regional Directorate provided €350M.

In terms of financial instruments, activity returned to a relatively balanced distribution, with around one-third in public policy loans, one-third in credit lines and one-third in projects.

AFD's activity in the Orient, covering all of Asia, in addition to the countries of the Western Balkans, the Near and Middle East, as well as Turkey, rose sharply in 2021, growing from €2.42bn in 2020 to €3.05bn in 2021, *i.e.* an increase of 26%. This increase in activity was driven by loans, which accounted for 96% of approvals, and increased by 28% to €2.92bn in AFD approvals in the region. Grants fell by 10%, from €0.14bn to €0.13bn.

In the Orients region, AFD continued to provide emergency responses to the crisis brought about by Covid-19, notably with a public policy loan (PrPP) in Bangladesh to support the vaccination campaign in the country. The year in 2021 was marked by the persistence of the health crisis, with the appearance of new variants, notably in certain regions of the Orients, generating very strong contagion waves, and exacerbating many economic, political and diplomatic crises (Armenia, Georgia, Pakistan, Sri Lanka, Turkey), which could continue beyond 2021. The situation has especially worsened in Lebanon and Afghanistan, countries facing major political, social and economic collapses.

In this context, the financing approved in 2021 benefited primarily Eurasia countries (35% of 2021 commitments), followed by South Asia (25%), South-East Asia (16%), China (13%), and Near and Middle East countries (11%). There was only one regional project, the objective of which was to support the public policies of partners in South-East Asia to improve air quality *via* awareness-raising actions and reinforce local knowledge and capacity-building. Commitments were supported by significant financing granted to India, China, Bangladesh, the Philippines (first transaction since 2018 after cooperation with AFD ended due to the deteriorated diplomatic relations between the Philippines and France), Kazakhstan (first operation in the country), Turkey, Georgia and Serbia (first transactions in the country).

AFD's activity in the region mainly took the form of sovereign loans (71% of commitments). Eight transactions in six countries accounted for nearly 67% of total sovereign commitments. In 2021, the year was marked by a strong increase in non-sovereign lending activities compared to the previous year, both in terms of volume and as a share of the "Orients" department's activity. Three transactions in China, Turkey, and India accounted for 64% of total non-sovereign loans in 2021.

Commitment approvals in foreign states in the Three Oceans zone reached €0.24bn in 2021 compared to €0.70bn in 2020, *i.e.* down 66% compared to 2020.

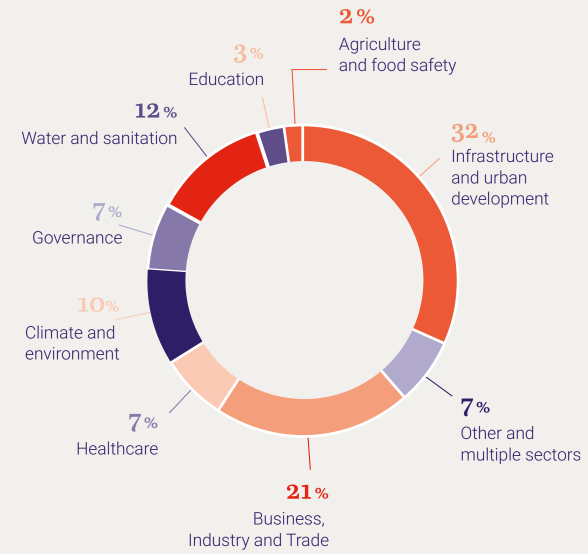
Three countries are priorities for French development aid on the Three Oceans scope – namely Haiti, Madagascar and the Comoros. The Comoros should continue to benefit from a particularly sustained effort under the France-Comoros Development Plan adopted in July 2019. In these three countries, the reinforcement of human capital (health, education, training), access to basic services (including water), the preservation of natural resources, and increased economic and employment opportunities are targeted.

BREAKDOWN OF AFD APPROVALS BY SECTOR OF ACTIVITY

The 2020 and 2021 approvals including budgetary aid, guarantees given, loans, grants and investments in current activities are shown as follows, by branch of activity:

In millions of euros	2021	2020	% of the 2021 total	% of the 2020 total
Agriculture and urban development	169	290	2%	3%
Climate en environment	799	779	10%	9%
Crisis and vulnerabilities	3	3	0%	0%
Water and sanitation	966	605	12%	7%
Education	266	290	3%	3%
Governance	564	632	7%	7%
Infrastructure and urban development	2,662	2,597	32%	29%
Healthcare	557	1,031	7%	12%
Business, industry and trade	1,781	1,135	21%	13%
Other and multiple sectors	596	1,488	7%	17%
TOTAL	**8,362**	**8,851**	**100%**	**91%**

Information about loans does not include the status of AFD loans to Proparco.



1. The **agriculture** sector represented €0.17bn in approvals in 2021, down compared to 2020, when it totalled €0.29bn in approvals.

   More than half of this financing is allocated to the African continent, of which nearly a third to the G5 Sahel countries (Burkina Faso, Mali, Mauritania, Niger, Chad), to support food security and the resilience of the regions in these fragile areas. The projects financed in Africa focus on the development of rural areas and the management of natural resources, support for value chains and consulting services for farmers, irrigation and support for public policies and regional institutions.

During a year marked by high levels of food insecurity, particularly in West Africa, the ECOWAS regional cereal storage system was strengthened. In addition, irrigation development projects (in Chad, Burkina Faso and Mauritania) are helping to strengthen food security by better covering basic needs.

AFD also continued its work to promote the integrated development of rural regions. In the Sahelian strip, these projects are helping to accelerate the implementation of the Great Green Wall, for example in Niger, in relation to wood fuel issues, or in Chad.

Support for the agroforestry and agricultural sectors, including plant-based proteins, was also financed in 2021. This support helps to strengthen the resilience of producers in the face of shocks such as those in Lebanon, Burma and Iraq. In Laos, AFD is contributing to the development of a sustainable and quality coffee sector. Lastly, in Togo, the structuring of the soybean sector is supported *via* a partnership with the Avril Foundation. The economic development of cotton, coffee and cocoa production areas is also supported by improving the access of farms to means of production and markets.

Lastly, partnerships with other development banks were consolidated in 2021, notably with KFW in Burkina Faso on irrigation or with IFAD on agricultural risk management issues.

2. In 2021, total **Climate** approvals in Foreign States amounted to €0.80bn, compared to €0.78bn in 2020. This amount - stable - represents 10% of AFD's approvals for foreign States.

   Despite the Covid-19 crisis, AFD achieved its climate targets in 2021.

   The AFD Group's partnership with the Green Climate Fund continued with the approval in 2021, by the Fund's consulting service, of new cofunding, of US$52.8M, for the HYDROMET project, which aims to strengthen the resilience of Indian Ocean States to climate change, *via* the improvement of ecosystem services. To date, six projects led by AFD have been co-financed by the Green Fund. Partnership activities between the Green Climate Fund and IDFC are also continuing with a view to supporting IDFC members in their accreditation process or to help recently accredited members to seek funds.

   Lastly, AFD has been in regular contact with French and international climate NGOs as part of the Partners Committee, which is made up of ministries, think tanks, French CSOs and other civil society actors, and has participated in consultation meetings on the evolution of climate finance methodologies and in involvement meetings on the Finance in Common Summit.

3. In 2021, AFD granted €0.97bn to the **water and sanitation** sector, *i.e.* an increase of 12% compared to 2020 (€0.61bn). The sector thus represented 12% of AFD's total approvals in 2021 compared to 7% the previous year.

   Commitments in Africa, historically low over the last two years, were back to a significant level, at over one-third of commitments in 2021. Nearly three-quarters of French State subsidies are focused there, with several transactions in particularly fragile areas (Mauritania, Burkina Faso, Djibouti, Ethiopia, Central African Republic, Chad).

   Several loans granted in 2021 will contribute to improving governance and capacity-building, which are a priority at the heart of AFD's sectoral approach. In particular, it is worth highlighting a public policy loan (PrPP) granted in Georgia and a loan granted in Djibouti for a project to support the National Water and Sanitation Office of Djibouti (ONEAD).

   In 2021, the water and sanitation sector continued to make a significant contribution to the fight against climate change: 100% of projects have climate co-benefits. These projects will make it possible to better understand water resources, to preserve water in terms of quantity and quality, to reduce the health vulnerability of populations and to promote circular economy approaches.

   Each year, the sector contributes increasingly to AFD's commitments to foster biodiversity, notably through projects promoting nature-based solutions and a concerted management of resources. This notably involves: (i) a loan for the ecological restoration of Lake Shi in the city of Wuhan in China, (ii) a grant to protect water resources in the greater Dakar region, in Senegal, and (iii) a water resources development project in Mauritania in order to prevent the risk of conflict between herders and farmers.

   The share of financing dedicated to sanitation reached the target of 40%. For example, AFD approved a loan to finance the Al Kahlidiya municipality's sanitation and rainwater drainage project in Iraq and a loan accompanied by a grant from the European Union for the rehabilitation of the Helwan wastewater treatment plant in South Cairo.

   Lastly, the contribution of the sector's projects to gender equality reached a high level in 2021, with 67% of projects having a positive impact. Gender was the main/cross-cutting objective of two projects in 2021, including innovative financing for the implementation of a development impact contract for Menstrual Health and Hygiene Management.

4. The **education** sector covers youth education, training and employment. The approvals allocated to these fields were down slightly, from €0.29bn in 2020 to €0.26bn in 2021, *i.e.* an 8% decrease.

   AFD launched 28 new projects (excluding the Project Start-up, Preparation and Monitoring Facility project – FAPS) in foreign countries in 2021 (compared to 26 in 2020 and 40 in 2019). Most commitments in 2021 concern Africa (82% of financing). 58% targeted the priority countries for French aid and 18% the six countries of the Sahel. The ocean basins of the "three oceans" also benefited from commitments, with new projects in Haiti, the Comoros, Madagascar and Vanuatu.

   Approvals covered project funding for basic education (primary and secondary), through grants or through delegations from the Global Partnership for Education. These funds mainly support the implementation of national education policies around the issues of system equity, quality and governance, whenever possible *via* multi-donor pooled funds (notably in Niger). Projects on vocational training aim to improve the employability of young people and transitions, notably the energy transition and agricultural and rural transitions, through skills development. Approvals also cover projects in higher education and in employment, in particular on the integration of marginalised young people, notably in the Sahel (Niger, Mauritania). The sector's interventions are closely intertwined with other areas such as gender equality and the fight against climate change. 24% of the projects financed have a climate co-benefit, which is continually increasing (10% in 2019, 18% in 2020), with an approximately equivalent impact on adaptation and mitigation. Equally, almost all the projects financed have a gender dimension (99%), among which 37% of commitments are classified as CAD 2, which is in line with the AFD's desire to support the empowerment of women across the entire sector.

   Lastly, the year in 2021 was marked by AFD's mobilisation around and participation in the World Education Summit (reconstitution conference of the Global Partnership for Education), during which France renewed its commitment to education.

5. In 2021, approvals in relation to **governance** decreased by 11%, bringing the total amount approved in this sector to €0.56bn, compared to €0.63bn in 2020.

   In 2021, nearly 75% of financing in the field of governance was allocated to the African continent, which remains the main region of intervention and which concentrates the greatest variety of themes and projects implemented. It should be noted, moreover, that governance activities are now underway in 47 countries, with a notable breakthrough in 2021 in Latin America (Mexico, Bolivia, Ecuador and Costa Rica), through an Environmental and Climate Justice support project (a theme which was also the subject of additional financing in Laos). Other themes continue to be developed and receive technical and financial support, such as gender-sensitive budgeting in Morocco and Jordan. Lastly, emerging issues are the subject of positioning and prospecting studies, such as parliamentary support, mutual criminal assistance or electoral processes.

6. In 2021, the **infrastructure and urban development** sectors continued to represent almost one-third of AFD's commitments in Foreign States, with a total up slightly to €2.66bn (compared to €2.60bn in 2020). These commitments cover four sectors: transport, energy, urban development and infrastructure.

   - i. After a year in 2020 severely affected by the Covid-19 crisis, the appraisal and implementation of **transportation** projects resumed in 2021 and a number of projects that were under preparation for several years could be completed.

     Among new commitments in 2021, "urban mobility" was of particular significance, as it represented three quarters of commitments, with a great diversity of projects. Thus, the financing committed in 2021 includes relatively traditional capacity-based collective transport projects, such as the Turkish metros and trams, the Saint Domingue metro, and the High-level Service Bus in Agadir in Morocco (which is a precursor of future interventions in secondary Moroccan cities). They also reflect AFD's desire to support all the components of an urban mobility system with, for example, the *Yaoundé Cœur de Ville* project in Cameroon, in which special attention was paid to pedestrian pathways and the professionalisation of small-scale transport operators.

     Within the "national connectivity" area of intervention, two projects in the rail sector, in Egypt and in Serbia, were launched and AFD pursued its commitments on road safety in Africa, alongside partners such as IRD or CEREMA (Centre for Studies and Appraisals on Risks, the Environment, Mobility and Planning). In addition, the ongoing financing of the *Route du Nord* in Côte d'Ivoire has a dual dimension: national, since it includes a rural mobility component, and regional, because the project strengthens the Abidjan-Ouagadougou corridor.

     This "regional integration" dimension is receiving increasing attention. In 2021, AFD approved an original project in the African aviation sector. It aims to improve air navigation safety and also to avoid substantial GHG emissions and reinforce regional integration. The project is the beneficiary of a large European grant. AFD is also supporting a new partnership for green and resilient ports in the Indian Ocean.

     More than half of new commitments are concentrated in Africa. In South-East Asia, resources were allocated to prepare air quality projects, in accordance with the new strategic focus of the Urban Territorial Transition and Mobility Department.

   - ii. The year in 2021 was marked by the approval of the mid-term review of the **Energy Transition** Strategy, after the first two years of its implementation. This review was an opportunity to conduct an initial assessment, which confirmed the Group's main intervention priorities, but also made it possible to further develop the Strategy's climate goal, notably by terminating financing for electricity and heat[(1)] production using gas. Through this enhanced selectivity, announced at COP26, AFD joined a coalition of countries and financial institutions in committing to phase out international fossil fuel financing (Statement on international public support for the clean energy transition).

     In 2021, despite the health context and the postponement of a certain number of projects, energy remained a significant component of the Group's commitments.

     The year in 2021 was thus marked by an increase in commitments in the field of renewable energies and networks, covering a wide range of technologies (solar, hydro, biomass, wind), countries and financial tools (sovereign and non-sovereign financing, Proparco and OCN loans, green credit lines).

     With regard to energy efficiency, the preparation and support work carried out by the Programme on Energy Efficiency in Buildings (PEEB) continued, and made it possible to commit nearly €400M to building projects with high energy performance standards, *i.e.* double the commitments in 2020. At the end of the year, European funding was obtained to roll out this approach on a larger scale in the Mediterranean region, PEEB Med.

     The year in 2021 also saw the reinforcement of actions in terms of public policy dialogue and support for long-term decarbonisation strategies, associated with structuring technical cooperation components, including the exchange of expertise among French and local actors in the countries of intervention.

     In 2021, Asia remained AFD's main area of intervention in the energy sector, with strong activity in the Eurasia

(1) Excluding heat production in industry and construction. A project dedicated to a detailed analysis of alternatives in these sectors will be conducted in 2022.

region. Operations in Africa and Latin America remained significant.

In 2021, the AFD Group was active in supporting major international initiatives such as the International Solar Alliance, but also acted in a more localised manner: (i) in West Africa, through active participation in the Alliance Sahel coordination group of energy donors, and by supporting the Desert to Power initiative of the African Development Bank (AfDB); (ii) in Asia, where AFD supported the South East Asia Energy Transitions Partnership, through a platform bringing together different types of donors and foundations to accelerate the energy transition in the region. Notably, this platform was used as part of the preparation for COP26, to finance certain studies on decarbonisation trajectories.

AFD also rolled out, operationally, the Digital Energy Facility (to improve the performance of electricity operators through digital technologies), with the completion of a first challenge and the allocation of financing to electricity operators and start-ups, notably in Africa.

Lastly, the partnership with the French Environment and Energy Management Agency (Ademe) was pursued, with collaboration on energy efficiency and on the transition trajectories of the overseas territories, and interesting capitalisation work on mini-grid projects.

- In the **urban development** sector, AFD granted, in Africa, (i) financing to improve the quality of life of, and access to basic urban services for, the populations of five disadvantaged and under-equipped neighbourhoods of Abidjan (Côte d'Ivoire), (ii) financing to support the sustainable local economic development of the city of Bobo-Dioulasso (Burkina Faso), through the implementation of a fiscal and regional policy, from the point of view of commercial facilities, (iii) a new non-sovereign loan to Holding Al Omrane, a public development and housing operator in Morocco, to finance a multi-year programme for the construction of affordable and energy-efficient housing, to improve substandard housing and to develop two new urban centres.

  In Latin America, AFD granted a public policy budgetary loan to support Costa Rica's sustainable and low-carbon trajectory, focused on three thematic sectors (sustainable construction, solid waste management, fair transition) and one cross-functional sector (promotion of gender equality).

  In the Orients zone, AFD granted financing for several projects and programmes, including: (i) a public policy budgetary loan to support the roadmap for natural disaster risk management and local climate change adaptation in the Philippines; (ii) phase 2 of the CITIIS programme in India, which supports the improvement of urban governance, through resilient interventions at all levels of government and through technical and financial support for around fifteen smart city projects; (iii) a public policy budgetary loan to support the adoption and implementation of the climate change law in Serbia, as well as its implementation in terms of sustainable and resilient urbanism.

  In the Three Oceans region, financing for French overseas local authorities concerned in particular (i) a number of loans for local authorities to finance their investment programmes, including in the solid waste management sector; (ii) technical assistance and project management assistance to support local authorities in their investment projects; (iii) emergency financing to respond to the Covid-19 crisis in French Polynesia. In the foreign States of the Three Oceans zone, AFD financed a multi-country programme to combat the pollution caused by plastic waste and support the structuring of a collection and treatment channel for said waste in the Eastern Caribbean States.

  In 2021, financing was also provided for the preparation of 17 urban projects and FAPS and FEXTE projects to support local authorities.

  Moreover, in 2021, the roll out of the Sustainable Cities sector platform was reinforced. The platform is a cross-functional and operational community bringing together all Group employees (AFD, Proparco and Expertise France) working in the sustainable cities sector. It aims to develop and strengthen the AFD Group's expertise in the sector and to create links at all levels, in Paris and in the network. It is an essential tool in terms of sharing knowledge and know-how, but also in terms of operational activities, notably for agencies (access to various resources to structure prospecting activities and to forecast activities over the medium term), with a view to improving the quality and monitoring of sustainable city projects.

7. Approvals granted in the **health** sector were halved, from €1.03bn in 2020 to €0.56bn in 2021, *i.e.* a 46% decrease. Representing 12% of approvals last year, this sector returned to a level consistent with previous years to account for 7% of total approvals in 2021. The exponential trajectory in 2020 was due to the emergency response to the Covid-19 crisis; AFD's health and social protection activity decreased in 2021 but remained at a high level. In 2021, AFD financed 64 projects (45 in 2019 and 123 in 2020) in the health and social protection sectors. Of these commitments, 91.4% were made in foreign States and 8.6% in the French Overseas Departments and Collectivities.

   However, in addition to financing whose main objective is health and social protection, it is worth mentioning financing that includes a health or social protection component as part of more generalised cross-cutting support, as is the case, for example, in Polynesia, where a €300M AFD loan aims to finance the region's recovery plan, notably the general social protection system.

   In line with the commitments made by the AFD Group, health and social protection activities in 2021 paid particular attention to climate and gender issues. Many health and social protection projects also have climate co-benefits (mainly adaptation to climate shocks).

   As part of the FGE organised by France in June 2021, AFD continued its commitment to combating gender inequalities and promoting sexual and reproductive health and rights. As part of FISONG, it launched a call for projects on Obstetric and Gynaecological Violence which led to the selection of projects in Senegal (consortium of NGOs led by Equipop) and in Guinea (consortium of NGOs led by AMREF). In partnership with the French Red Cross, AFD also supports the Panzi general hospital and the Panzi Foundation, created by the Nobel Peace Prize winner Dr Mugwege, to fight against sexual violence and reduce gender inequalities in the access to healthcare in the Democratic Republic of Congo. Ongoing attention is devoted to integrating gender equality issues, including as regards new AFD themes, as illustrated by the financing granted in the Democratic Republic of Congo to improve the epidemiological surveillance system, through the reinforcement of laboratories in South Kivu, while promoting the fight against gender inequalities.

Lastly, in the French Overseas Departments and Collectivities, more funding was provided in particular to support the investment programmes of the Martinique and Reunion University Hospitals. Highly structuring support for public policies has also been provided with the French Overseas Departments and Collectivities Fund, for example in Polynesia, where AFD is supporting the reform of the country's social protection system.

8. The productive sector accounted for 21% of commitments this year (€1.78bn), up sharply compared to 2020, when it represented 13% of approvals. However, this increase should be put into perspective over several years: this sector already represented 17% of approvals in 2019.

1.6.5 AFD activities in French Overseas Departments and Collectivities

Total volume of approvals, disbursements and outstandings (loans on AFD's own behalf)

			Variance 2021/2020	
In millions of euros	**2021**	2020	€M	(in %)
Approvals *(excl. guarantees)*	**1,067**	**1,219**	**-152**	**-12%**
• DOM	594	535	59	11%
• French Overseas Territories	472	683	-211	-31%
• Multi-country	1	1	0	
Disbursements	**824**	**1,066**	**-272**	**-26%**
• DOM	405	477	-72	-15%
• French Overseas Territories	419	589	-170	-29%
• Multi-country	0	0	0	n.s.
Undisbursed balance at 31/12	**1,122**	**764**	**358**	**47%**
• DOM	561	453	108	24%
• French Overseas Territories	561	311	250	81%
Outstandings at 31/12	**5,845**	**6,070**	**-225**	**-4%**
• DOM	3,742	3,685	57	2%
• French Overseas Territories	2,062	2,342	-280	-12%
• TAAF	40	43	-3	-6%

The French Overseas Territories include the Pacific, Saint-Pierre-et-Miquelon, Saint Martin and Saint Barthélemy collectivities.

Breakdown by region

In millions of euros	Approvals 2021	2020	Variance 2021/2020 (in millions of euros)	(in %)
DOM	**594**	**535**	**59**	**11%**
Guadeloupe	84	39	45	n.s.
French Guiana	50	11	39	n.s.
Martinique	192	112	80	71%
Mayotte	52	97	-45	-47%
La Réunion	208	245	-37	-15%
Multi-country French Overseas Departments	8	30	-22	n.s.
French Overseas Territories	**472**	**683**	**-211**	**n.s.**
New Caledonia	118	390	-272	n.s.
French Polynesia	354	259	95	37%
St Pierre and Miquelon	0	3	-3	n.s.
Saint Martin	0	30	-30	n.s.
Wallis & Futuna	0	1	0	
Multi-country French Overseas Departments	0.00	0.00	0	
Multi-country	**1**	**1**	**0**	
TOTAL	**1,067**	**1,219**	**-152**	**-12%**

Approvals excl. Guarantees.

Commitment approvals in the French Overseas Departments and Collectivities (excluding guarantees) amounted to €1.1bn in 2021, down slightly, 12%, after a very dynamic year in response to the health crisis. All the regions of the French Overseas Departments and Collectivities recorded an increase in approvals, with the exception of Mayotte and La Réunion. Commitments in Polynesia remained at an exceptional level, driven by a new €300M loan granted on request and with a State guarantee for the partial financing of its safeguard plan. In New Caledonia, commitments were aligned with the average for financial years prior to 2021. Disbursements, amounting to €824M, were in line with commitment approvals, also driven by disbursements made on countercyclical loans (SGLs) granted in 2020.

Loans, provisions and guarantees given on its own behalf, by product

In millions of euros	Approvals 2021	2020	Variance 2021/2020 (in millions of euros)	(in %)
Current activities	**1,067**	**1,220**	**-152**	**-12%**
Loans	**1,049**	**1,206**	**-157**	**-13%**
Public sector	900	1,116	-216	-19%
Subsidised loans to local authorities(1)	391	387	4	1%
Other loans – public sector(2)	509	729	-220	n.s.
Private sector	149	91	58	65%
Direct financing	50	50	0	0%
Banks	99	41	58	n.s.
Grants	**18**	**13**	**6**	**44%**
Guarantees(3)	**0**	**1**	**-1**	**n.s.**
Guarantees granted - public sector	0	0	0	
French Overseas Department funds(4)		0	0	
Mayotte Guarantee Fund(4)		1	-1	
Equity investments	**0**	**0**	**0**	

(1) Of which Green loan, PS2E and PS2E-FCTVA.
(2) Other public sector loans include ADIE and CISPM loans.
(3) The guarantees presented above do not take into account Sogefom (€28M in 2021) and FOGAP (€1M in 2021) approvals.
(4) Housing guarantee funds in the French Overseas Departments and Collectivities and in Mayotte are no longer managed by AFD.

Activity in the private sector was at a satisfactory level in 2021 with €149M in direct loans granted, in addition to the €29M in guarantees (€28M for Sogefom and €1M for Fogap), for a total of €178M. Public sector loans amounted to €900M compared to €1.1bn in 2020.

The Group maintained its overseas activity and played its countercyclical role by offering a response adapted to the scale of the crisis. Thus, out of the €900M in commitment approvals, €509M were granted in respect of non-subsidised loans, compared to €729M in 2020, a year marked by the support measures of the "French Overseas Departments and Collectivities" initiative, and in particular the SGLs, of €240M each, granted to the Collectivities of French Polynesia and New Caledonia for the partial financing of their safeguard plans. Non-subsidised loans were mainly driven by a second SGL of €300M granted to French Polynesia.

Subsidised loans (traditional subsidised loans, Green PSP and FCTVA) were in line with the trend of previous years, at €391M. They remained stable at a relatively low level, under the combined effect of the slowdown in local authority investments due to the Covid crisis, and local electoral cycles. In fact, the approach of the ballot traditionally affects the pace of investment, but the health crisis has severely disrupted the electoral calendar and has notably delayed the establishment of numerous municipal teams. The renewal of municipal councillors in large local authorities in 2021, as well as the closure of the European programmes for 2014-2020, may also explain the significant slowdown observed this year in subsidised commitments for the benefit of the regions and departments.

In addition to the traditional subsidised loans (€169M), the subsidised loan intended to pre-finance the FCTVA rolled out in 2020 as part of the recovery plan amounted to €3M. This loan, which ultimately was only rolled out in Mayotte, due to a lack of applications in the other French Overseas Departments, aims to support local authority investment by enabling them to maintain good cash flow.

Loans granted under the equivalent Green PSP-Green Fund continued to increase in 2021, amounting to €219M (+41%). This increase reflects the growing consideration of environmental issues and the fight against climate change in investments by the local public sector overseas.

Lastly, 2021 was marked by the renewal of the French Overseas Departments and Collectivities Fund (FOM), which was dedicated to the implementation of the Recovery Plan in the French Overseas Departments and Collectivities. In 2021, the interventions of the French Overseas Departments and Collectivities Fund (€15M) mainly targeted engineering support for public project management in order to facilitate the initiation of investment projects included in the Recovery Plan. In addition, at the request of the French State, AFD provided technical support for the Patient-Cazeneuve system through the COROM contracts. Established in 2021 by the Ministry for French Overseas Departments and Collectivities, these contracts translate into a technical assistance and financial support service for overseas authorities in financial difficulty.

For the private sector, corporate loans amounted to €169M for 11 projects, from which a €20M deduction was made to take into account a partial cancellation of intra-annual commitments on a project. This level was very satisfactory and higher than the commitments made in 2020 (€91M) and 2019 (€117M), and was enabled by good commitment levels in the banking sector and in relation to energy transition infrastructure projects. The competitive environment for sector financing remained difficult in a context of significant liquidity and low interest rates.

AFD remains fully mobilised in order to contribute to a sustainable recovery in the overseas territories for which the medium- or long-term repercussions of the crisis could prove to be more serious due to the size and specificities of some of these economies.

1.6.6 Intellectual production

1.6.6.1 Research, assessment and publication activities

In April 2019, AFD's Board of Directors adopted the research, innovation and knowledge strategy for the 2019-2022 period. It introduced two major changes to studies and research: (i) increasing the number of collaborations with local research partners in the AFD Group's regions of operation, (ii) focusing the research agenda on the following areas: French policy priorities by focusing on a few key themes: climate/biodiversity, inequalities and social ties, growth.

An initial mid-term review of this strategy presented at the end of 2021 attests to the progress made in these two areas:

- 86% of the research work funded by AFD in 2019-2020 involved research teams from the Group's regions of operation (target: 90%);
- a recognised capacity to be at the forefront of key and emerging sustainable development topics: climate risk assessment, biodiversity financing, gender equality, contributions of the commons approach.

It provides prospects for improvement by 2022 as regards (i) further developing partnerships with local players by strengthening the degree of involvement of research institutions from AFD's regions of operation and (ii) reinforcing the link between research and public policy formulation.

In 2021, the Covid-19 crisis continued to impact ongoing research activities due to the difficulties of international and local travel and the organisation of face-to-face events. Some of these challenges were overcome by making greater use of digital solutions, but delays in the execution of the work could not be avoided. Research programmes launched to analyse the consequences of the crisis were pursued (studies on Covid and the resilience of health systems in Africa and on the impact of Covid on the labour market in the MENA region) or completed (perception surveys in Africa and the French Overseas Departments and Collectivities, a differentiated analysis of the knowledge and attitudes of populations and caregivers in six

African countries, with the first results being published at the end of 2021).

AFD's research on the Climate/biodiversity theme focuses on an analysis of the interactions between economic development/ prosperity on the one hand, and the environment on the other, with the introduction of tools for the measurement and the quantification of these interactions. Work on financial climate risks was extended in 2021 in Colombia, China, India and Indonesia. With regard to adapting to climate change, the work focuses on small insular states and the development of weather and climate services with the aim of reducing the risk of natural disasters. A research and knowledge programme on biodiversity aims to promote the development of a pro-nature economy based on research findings. Initial discussions on the assessment of financial risks related to biodiversity were initiated in partnership with Banque de France and TNFD and will continue in 2022 to inform, notably, COP15 on biodiversity. The calculation of the strong environmental sustainability indicator, ESGAP, for New Caledonia, Vietnam and Kenya confirmed the relevance of the methodology and identified avenues for further development in 2022. AFD continued to develop GEMMES macroeconomic models, with six models (Brazil, Côte d'Ivoire, Colombia, Vietnam, Tunisia and Morocco). In 2021, the first results of the Vietnam and Morocco projects were presented at the COP26 climate conference and triggered a public policy debate on the main trajectory options in these countries. Discussions with India were also held on the development of an India GEMMES.

For cohesion/social ties and human development, work focuses on four main themes: inequalities, social protection – notably through integration into the labour market – training/ employment match and demographic transition insisting on gender. This work falls within the prospect of fair transition, by studying the different aspects of sustainable structural change induced by development. The studies carried out propose recommendations on public policies. From 2017 to 2021, AFD has ensured the coordination and set-up of a facility for a research programme on inequalities in the form of a delegation of European Commission funds. In 2021, initiatives were undertaken in Indonesia, Colombia, South Africa and Mexico to develop public policy dialogue on the issue of inequalities based on a fair transition approach. Work on the interaction between Gender and Climate, the socio-economic success trajectories of women in Ouagadougou, and the cross-border migration of women in West Africa contributed to the discussions launched by the Generation Equality Forum in June 2021.

On the Governance, Common goods and Regions theme, AFD focuses its work on several themes: (i) the sector deployment of the common goods approach (medicine, water, oceans and biodiversity, urban and rural land, access to energy), (ii) the analysis of their economic model and relationship with States, notably in a context of fragility, (iii) the study of how public policies are made in Africa, (iv) issues of security-development, notably in the Sahel. Studies on structural changes in Africa are also being conducted: (i) trajectory of late industrialisation, (ii) integration of the pharmaceutical industry into the global value chain.

Grounded in a partnership process, all research programmes will promote the national research networks of our partner countries. With the signature of a memorandum of partnership with Côte d'Ivoire (2016) and Tunisia (2018), the strategic dialogue approach was extended to Morocco and Mali in 2019, and was formalised in Lebanon in 2021. AFD also provided support for Pôle de Clermont pour le Développement International (PCDI), which brings together CERDI, FERDI and the new GDN branch in Clermont, and will notably contribute to reinforcing research in French-speaking Africa.

Priority is given to work on Africa. Granted in January 2019, the *Savoirs Sahel* (Sahel knowledge) project has enabled financing for several research programmes entrusted to Sahel teams on key themes to understand the transformations and challenges in the Sahel in crisis and to contribute to steering the Agency's portfolio: regional governance and local legitimacy, Arab-Islamic education, resilience of agro-pastoral systems to climate constraints, social integration of young people. These research programmes provided new results in 2021. They will be supplemented from 2022 by a new project, *Savoirs Sahel 2*, that will notably focus on reinforcing the capacities of Sahelian think tanks and studying local dynamics around the delivery of public services. In addition, in January 2021, AFD published the second annual edition of the series on African economies, started in 2020, which was published in *Repères La Découverte*.

The ECO Department oversaw four theses under the CIFRE system in 2021.

To support the Agency's operations and risk management, twelve macroeconomic analysis missions were carried out, despite international travel again being disrupted this year. These diagnostics primarily focused on (i) regions with high AFD exposure (Morocco, Tunisia, Cameroon, Brazil, Jordan, Indonesia and Ecuador), and (ii) regions where an initial macroeconomic framework is useful in establishing an AFD intervention strategy and up-scaling operations (Kosovo, North Macedonia, etc.).

Assessments

AFD conducts evaluations of the projects and programmes it finances and also produces extensive evaluations of its sectoral or cross-sector strategies (set out in its intervention frameworks), on specific topics, countries and/or funding instruments. AFD also conducts joint evaluations with the Ministry for Europe and Foreign Affairs and the Ministry of the Economy, Finance and the Recovery. All extensive and joint evaluations lead to a publication, while only the performance summaries for the evaluations of projects/programmes are published on the AFD website and the French cooperation open data site. In 2021, AFD evaluated 62 projects through 37 evaluations.

Publications

In 2021, 123 research and evaluation publications were published by Éditions AFD (compared to 149 in 2020, the historical high). The annual average number of publications over the last three years is around 120 publications. In Q4, over 1,100 downloadable titles were available in the AFD Éditions catalogue. Since 1 January 2021, new publications are released under a Creative Commons license.

These publications are disseminated externally *via* the AFD website and *via* two specialised research tools, Ideas/Repec and Google Scholar. Part of the catalogue is now also available on the Cairn and Cairn International portals.

Publications are promoted through various channels: the dedicated *Études et savoirs* newsletter; active presence on social media (1,347 members and 3,039 subscribers of the dedicated LinkedIn group); use of various formats (videos and motion design, computer graphics, etc.); as well as events held around the publications.

1.6.6.2 The development campus

The year in 2021 was marked by the publication of the Campus catalogue, the result of a year of design and implementation work (which was an opportunity to continue the drive to reposition the Campus as a team). This catalogue will be updated over time to reflect the continuous enhancement of the training courses provided. The catalogue displays the wide range of courses designed by the Campus, always co-constructed with its partners, and its positioning as a laboratory for educational innovation at the service of players involved in projects and policies on the transition to sustainable development.

In 2021, the Campus continued to roll out its emblematic and innovative courses, highlighting the acquisition of key skills to contribute to transitions, through new educational approaches. It is worth highlighting the *Sahélien.nes 2040* project, which uses a transmission/transformation methodology of positive foresight to help a cohort of men and women form Sahel to think about a desirable future for their region and to propose the first steps to make it come to life. The project was recognised at the last France-Africa Summit in Montpellier, on the one hand as being the "backer" of two start-ups invited to a meeting with the President of the Republic, and on the other as inspiring the methodology that made it possible to support the "start-ups" in their participation in this summit. It is also worth mentioning the *Mouv'Outremer* programme which, by using design thinking and prototyping, mobilises committed players in the French Overseas Departments and Collectivities around concrete projects aimed at achieving the SDGs. After the Antilles-French Guiana zone in 2020, Indian Ocean zone participants were supported in 2021. Several older campus projects also confirmed their relevance: the Play project, of course, which continues to be rolled out internally, externally and among aid operators; the SIBC project, which supports a cohort of around 40 impact entrepreneurs as they scale up; the Lead Campus and Young Leaders projects, which offer high-potential African people the keys to developing their leadership and their ability to manage their business, and develop a network young African and French talent. Lastly, MoDEV, a professional master's programme in project management and the challenges of sustainable development, supported a new 2021 generation of 40 master's students in Clermont, Marseille and remotely.

The activity of supporting and leading communities of change agents is still a key component of the training offer. In 2021, the Campus coordinated around ten learning communities bringing together players from various horizons involved in transitions. In particular, with EGI, the Campus is working on the design and management of a platform to bring together and support the players involved in the modernisation of the energy sector in our countries of operation, as part of the Digital Energy Facility.

In 2021, new courses were also initiated. Among them, a course on CCIs, with Trace Accademia and Senghor University, to enable CCI players in Africa to better produce, finance, promote and disseminate work. The Transform'Action pilot project, launched in the summer of 2021, will enable managers of public organisations in Senegal and Niger to develop innovative managerial practices and to become transformation facilitators at their organisations. The BiPP (Biodiversity Partner Programme) course, launched in June 2021, allowed 15 *entrepreneurs* and *intra-preneurs*, from eight southern African countries, to discover deep ecology, accelerate their pro-nature projects and anchor their leadership positions. Lastly, the "Learning Regions" pilot project in the African continent, supported by the company project knowledge programme, aims to roll out collective learning to meet the transitional challenges of a region.

In 2021, the Campus continued to develop its production of online educational resources. Around thirty new educational resources were promoted each month on e-Campus, the AFD Group's online educational resources portal. In 2021, over 10,000 users consulted more than 70,000 resources on this portal. Season 3 of the "News of Tomorrow" series was uploaded in November, addressing a collection of inspiring new personalities committed to major transitions, and inviting people to search, think, transmit, produce or live differently. It will be supplemented by two other series, on the lessons of research in the service of major transitions towards the SDGs entitled "On the Research side", and on the design and implementation of development projects, seen from the side of practitioners and beneficiaries, entitled "News from Here", currently under development. Three new MOOCs were also launched in 2021: on gender, in partnership with Expertise France, on urban mobility, with CODATU, and on sustainable and innovative cities, with Ademe. Lastly, a number of educational vignettes on climate change were designed and produced by the Campus, addressing various themes such as mitigation, adaptation, Bilan Carbone® (carbon assessments), biodiversity-climate convergence, financial climate risks or low-carbon trajectories.

The year in 2021 also saw the launch of new instructions, to prepare the innovative training courses of tomorrow. Examples include the preparation of a training course on PPPs, a training course on the creation of an Academy of Mediterranean Worlds, and a training programme on participatory urban planning.

In 2021, the Campus consolidated its position as a Group Campus by piloting training courses on behalf of Expertise France and Proparco. Service agreements were signed in 2021 between the Campus and these two subsidiaries, to clearly define the Campus's specific contribution to the themes of community leadership, 21st century skills, and the multidisciplinary approach.

Through the collective intelligence and foresight methodologies it deploys, it is closely associated with the follow-up to the Africa-France Summit, in the vein of the "Interdependencies" project that it launched with other AFD divisions, to reinvent the relationship between the South and the North, and the ODA narrative.

The Campus continued to reinforce its positioning as a platform, multiplying structuring partnerships for the deployment of its training actions. New partnerships were set up in 2021, for example with Trace Academia, FMDV, So Good, Makesense Africa, Institut des Futurs Souhaitables, Agir pour le Vivant, Parlement des Entrepreneurs d'Avenir, Ateliers de la pensée de Dakar, the Spinoza Foundation, the Cynthia Fleury Chair and the Charles Dullin Academy. The partnership with the Mohammed VI University in Morocco was strengthened following the setting up of a new training course (certificate on ecological transition with Ferdi). The partnership with the University of Havana continued for the launch of a Master's degree in 2021. The partnership with AVITEM continued and materialised in 2021 with an urban workshop in Casablanca.

1.6.7 Proparco's activity

The year in 2021 focused on four priority operational objectives in accordance with Proparco's strategy for 2020-2022: Africa, fragile countries, the climate and French interests.

Proparco is the only private sector player of the AFD Group, as the amended Finance Law of 30 July 2020 established the possibility for AFD to use its subsidiary Proparco to provide certain services (quasi-public).

Proparco's 2021 approvals amounted to €2,290M, broken down as follows:

- equity investments in the amount of €274M (€188M in 2020);
- guarantees in the amount of €407M (€199M in 2020);
- grants in the amount of €22M (€13M in 2020);
- transactions on loans, quasi-equity and other securities amounting to €1,589M (€1,630M in 2020) which break down as follows:
  - loans: €1,462M,
    - of which subsidised loans: €62M (€104M in 2020),
    - of which 209-related loans: €4M (€6M in 2020),
    - of which loans on green funds for €147M,
    - of which AFD sub-participation loans representing €443M of these transactions in 2021 (€660M in 2020);
  - other securities: €127M (€22M in 2020).

In 2021, Africa remained at the core of Proparco's geographical mandate and approvals on the African continent reached €1,215M, representing 53% of own account approvals; Latin America and the Caribbean represented €453M, Asia €387M, the Middle East €204M and Europe €4M. €25M was approved for projects which impact several countries.

Proparco devoted 29% of its activity to projects aimed at combating climate change.

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Africa	684	547	149	49	21	9	356	139	7	11	1,218	755
LAC	356	475	74	9	-	-	23	6	-	-	453	490
Asia	242	330	29	49	106	13	10	41	-	-	387	433
Europe	-	-	-	-	-	-	4	-	-	-	4	-
Med & ME	53	55	-	-	-	-	13	3	12	-	77	57
Middle East	125	29	-	-	-	-	-	-	1	-	126	29
Multi-country	0	173	22	81	-	-	-	10	2	2	25	266
TOTAL	**1,462**	**1,608**	**274**	**188**	**127**	**22**	**407**	**199**	**22**	**13**	**2,290**	**2,030**

In 2021, 34 countries (excluding multi-country) were concerned by loan approval decisions, among which, in particular, South Africa, Brazil, Turkey, Mexico, Nigeria and Morocco. The sectoral breakdown of loan approvals is very varied and marked by the predominance of the financial institutions sector with €906M, *i.e.* 62% of loan approvals, with the corporate sector, the second most significant segment, accounting for €449M, *i.e.* 31% of the total number of approvals. The infrastructure sector, for its part, amounted to €107M, or 7% of loan approvals.

In the equity investment activity, 58% of approvals relate to direct investments, with a predominance of the renewable energy sector, followed by the health and education sectors, while 42% were investment funds..

Statement of Non-Financial Performance

Background

The Agence Française de Développement (AFD) group finances and supports transitions in all the regions where it works towards a fairer and more sustainable world. It implements the priorities defined by the government in the field of development policy, in accordance with France's international commitments, within the reference framework set by the 2030 Agenda[(1)] and by the Paris Climate Agreement. The Programming Law N°2021-1031 of 4 August 2021 related to the solidarity-based development and the fight against global inequalities sets these major goals and enacts the integration of Expertise France, the interministerial agency for international technical cooperation, within the AFD Group at 1 January 2022. This integration gives the Group an additional and complementary lever to achieve its objectives. It will enable AFD Group to provide its partners, both public and private, with a complete and combined range of financial and technical solutions (design, financing and implementation of projects, sectoral expertise services); it will strengthen the effectiveness and clarity of the French system for implementing its development policy, which is essential in a context of growth of the global financing offer and the emergence of new players disrupting the previous balances; and will contribute to developing partnerships in the service of development policy, with French, European and international players.

Over this second year of the Covid-19 pandemic, AFD was able to respond to the crisis while remaining on course with its mandate and strategy. Africa remains the primary region of intervention. The majority of grants were directed to priority countries to support the health, education and vocational training sectors as well as agriculture and food security, while promoting gender equality.

Despite the Covid-19 crisis, the AFD Group met its climate targets in 2021 with €5.99bn in financing, *i.e.* 56% of commitments with climate co-benefits, thus exceeding the target of 50%. The adaptation finance target was exceeded with an amount of €1.96bn, *i.e.* nearly a third of total climate finance. The AFD Group thus enables France to meet the commitments made and reaffirmed at COP26 of contributing €6bn per year to climate finance for developing countries.

Among the significant strategic advances made over the past year, it is worth highlighting, in particular, the approval of the "100% Social link" strategy in March 2021 by the Board of Directors. This strategy has two overall goals: the fight against inequalities, and for inclusion and living together. In terms of gender equality, all indicators were met. Commitments whose main or secondary objective is gender equality represent 50%, for a target of 45%. The share of grants with a main objective (CAD-2) promoting gender equality reached 25.6%, against a target of 15%. The AFD Group followed up on its "feminist agenda" by contributing to the success of the Generation Equality Forum (FGE – *Forum Génération Égalité*) and the roll out of the Fund to Support Feminist Organisations (FSOF – *Fonds de soutien aux organisations féministes*).

Furthermore, AFD has issued thematic bonds since 2014, and in 2020 it renewed its framework to extend it to the Sustainable Development Goals (SDGs), thus reflecting the Group's strategy. In 2021, the issue of two thematic bonds made it possible to achieve almost half of the year's refinancing through a sustainable format.

Lastly, the AFD Group continued to develop its partnerships with its bilateral and multilateral donor partners, as well as its commitment to the new global coalition of public development banks, at the second Finance in Common Summit organised by *Cassa Depositi e Prestiti* in partnership with the International Fund for Agricultural Development (IFAD) in Rome in October of 2021.

AFD Group's operations as well as its internal functioning are supported by the Corporate Social Responsibility - CSR - policy (2018-2022), based on its six major commitments[(2)]. As such, it endeavours to drive the Group's excellence, consistency between its comitments and the quality of its work, and foster cohesion within its teams.

With regard to the integration of sustainable development within operations, AFD updated its exclusion list in 2021, by specifying and strengthening its red lines of intervention, in particular in terms of climate, preservation of biodiversity, and human rights. This exclusion list will come into force in 2022 for new projects.

Internally, AFD carried out major projects in 2021, for example overhauling the ethics system, which will now be based on a single Ethics Charter for the entire Group, setting out the values and commitments that the Group has set for itself and expects from all its employees; the creation of an Ethics board was decided in 2021, and will be implemented over 2022. Its composition will reflect the diversity of the Group's workforce and it will organise open Ethics Dialogue sessions. In terms of human resources, AFD first and foremost ensured, monitored and implemented all the necessary actions to protect its teams in France and abroad, in view of the evolution of the health crisis. Notably, it adapted its working methods (face-to-face/remote) and multiplied initiatives (webinars, surveys, conferences, etc.) to preserve social cohesion despite the long periods of lockdown or limited presence on its premises. On the one hand, the systems for the prevention of psychosocial risks remained in place, while, on the other, the reflection on the workload and the support to managers to help them organise hybrid work were continued over a period still strongly marked by telework. Lastly, the works carried out during the last two years on professional equality and diversity resulted in the obtention in 2021 of a double certification dedicated to these fields granted by AFNOR.

(1) Adopted on 25 September 2015 by the Heads of State and Government at the Special Summit of the United Nations on sustainable development, the 2030 Agenda sets 17 Sustainable Development Goals (SDGs) broken down into 169 targets to meet the challenges of globalisation based on the three components – environmental, social and economic – of sustainable development.

(2) The CSR policy breaks down into six commitments: 1 – Integrating sustainable development into operations; 2 – Governance and ownership of social responsibility; 3 – Transparency and dialogue with stakeholders; 4 – Professional ethics and financial exemplarity; 5 – Socially responsible and equitable management of employees; 6 – Controlling the direct environmental and societal footprint.

The alignment between the Group's missions, its CSR policy and the continued excellence of its non-financial performance was again acknowledged in 2021 through the Vigeo-Eiris rating. The overall ESG rating obtained from this assessment was 73/100, corresponding to a performance qualified as advanced, *i.e.* the best level, a result almost stable compared to 2019 (74/100). By comparison, in 2017, AFD obtained a score of 70/100. This rating enabled AFD to retain first place in the "Specific purpose banks and agencies (Europe)" category.

Presentation of the Statement of Non-Financial Performance approach

The publication of non-financial information as part of the Statement of Non-Financial Performance results from the transposition into French law of European Directive 2014/95/EU, known as the Non-Financial Reporting Directive (NFRD).

AFD, both an industrial and commercial public undertaking (a French EPIC) and a financing company, whose securities are admitted to trading on a regulated market, follows an exemplary approach and publishes a Statement of Non-Financial Performance since the 2018 financial year, the content of which complies with legal and regulatory requirements.

This statement provides information on the manner in which the Group monitors the social and environmental consequences of its activity and – for listed or related entities, including AFD – the effects of this activity on human rights and the fight against corruption and tax avoidance. It thus includes: the business model; the main risks related to the Company's activity including, where relevant and proportionate, risks created by its business relations, products or services; the policies and action plans rolled out to manage these risks; results, including key performance indicators.

The methodology used is described in the methodological note (see Appendix 9 below), while the actual statement is presented below.

2.1 The business model

AFD's business model is described in Chapter 1.

2.2 Identification of the main non-financial challenges and risks

Pursuant to the transposition into the French law-books of Directive 2014/95/EU pertaining to non-financial reporting by companies (see above), the Statement of Non-Financial Performance is based on the main non-financial risks and issues facing the AFD Group.

- **The priority risks for the Group are identified mainly through two mapping exercises:**
  - the regulatory mapping of operational risks: it is based on the classification of the seven Basel risk families[(2)]. It is updated annually and reflects the vision of the business lines, with risks being identified and rated by managers at the finest level of the organisation chart (bottom-up approach),
  - the mapping of AFD's major risks: all of AFD's executive directors and of Proparco's Executive Management are asked to express their views on "major risks", namely the major risks likely to limit or prevent the achievement of the Group's strategic objectives and/or threaten its main assets (top-down approach).

These two approaches are complementary: they make it possible to compare the risks identified at the closest level by the business lines and the risks identified by the executive body, and to prioritise the actions to be taken to strengthen the risk management system.

- **The non-financial issues deemed to be the most relevant for the AFD Group were identified and ranked through a materiality analysis.** This analysis aims to offer a view of the most important issues for the organisation, in order to select the most relevant information for its corporate and social responsibility report based on its activities, its own objectives, and the expectations of its external and internal stakeholders.

(1) Order No 2017-1180 of 19th July 2017 regarding the disclosure of non-financial information by some major companies and some groups of companies, and Decree No 2017-1265 of 9th August 2017 implementing Order No 2017-1180 of 19th July 2017 regarding the disclosure of non-financial information by some major companies and some groups of companies.

(2) The seven categories of potentially risk-generating events defined by the Basel Committee on Banking Supervision (Basel II) are as follows: internal fraud; external fraud; employment and job security practices; clients, products and commercial practices; damage caused to physical assets; interruption of business and malfunctioning systems; execution, delivery and management of processes.

The AFD Group conducted an initial materiality analysis in 2015, based on the issues predefined by the GRI(1). The analysis initially identified the 58 CSR issues falling within the scope of the Group's activity. Then it short-listed the issues considered to be the most significant, based on document analysis, benchmarking conducted on similar institutions and interviews with senior management. This resulted in a list of 16 material issues that were approved by Executive Management.

This materiality analysis was updated in 2017. In order to take into account changes in the international context and in French society, and to reflect the Group's strategic changes, some of the issues have been reformulated and four new issues have been added, namely:

- impact of activities on local communities and indigenous populations;
- promoting diversity within teams;
- employee support as part of the Group's transformation (agility, stress management, well-being);
- synergies with the private economic sector to benefit the SDG.

These issues were then prioritised by means of a ranking produced by internal and external stakeholders(2), in order to obtain the updated materiality matrix shown in Appendix 10(3).

As part of the Statement of Non-Financial Performance, the AFD Group conducted a review of priority issues and risks at the end of 2018. This exercise was conducted by the Strategy Department (responsible in particular for the corporate social responsibility process) and the Finance Department, in collaboration with the Risk Department. The review was underpinned by an analysis of the AFD Group's main strategic documents and by interviews conducted internally. In particular, it consisted in examining the mapping of the Group's operational risks and in comparing it with its materiality matrix of non-financial issues. It was performed in three stages:

- review of the presentation of risks and the coverage of main risks;
- review of the information on the risk identification, ranking and approval process;
- review of the link between non-financial risks and the overall risk mapping, and alignment with the material issues presented.

The review made it possible to target the main non-financial risks presented in the Statement of Non-Financial Performance and to refine their correspondence with non-financial issues, leading to the list of issues associated with these risks guiding the Statement of Non-Financial Performance in 2019, which, in 2020, were supplemented in by two issues: the promotion of diversity and inclusion, and the impact of the Covid-19 health crisis.

Issues included in the materiality matrix	Risks associated with each issue	Correspondence with the sections of the Statement of Non-Financial Performance
Transparency of funds granted	• Risk that financing beneficiaries and customers may find it difficult to program their operations within known and controlled deadlines	§ 5.1 and 5.2
Dialogue with stakeholders	• Risk of discrepancies between the expectations and requirements of the stakeholders and AFD's services (projects funded)	§ 5.3 § 4.3.3 § 6.1
Management of impacts	• Reputational risk related to the projects' negative impact on the population or environment • Risk of non-compliance with procedures for managing recipient complaints	§ 3 (3.1, 3.2)
Coordination with development players	• Risk of non-coordination with other players (international and European donors, civil society) in relation to funded projects • Risk of non-compliance with delegated fund management procedures	§ 6 (6.1, 6.2) § 4.3.3
Reinforcement of project management	• Risk of non-compliance with procedures and contractual clauses by project managers	§ 6.2.2
Impact on the SDGs	• Reputational risk related to misalignment between the projects funded and the strategic areas defined by the SDGs and the Paris Agreement (misaligned interests)	§ 4 § 6
Impact on climate change	• Reputational risk related to discrepancies between the projects funded and the strategic areas defined by the SDGs and the Paris Agreement	§ 4.3
Analysis of environmental risks	• Risk of non-compliance with AFD's obligations in terms of impact analysis and compliance with environmental standards	§ 3 (3.1, 3.2)

(1) Global Reporting Initiative.
(2) To rate the issues, a questionnaire was sent to 106 people (of which 41 are outside the Group); 45 people answered (of which 17 people outside the Group).
(3) It will be updated in 2022, in a Group format integrating Expertise France, its business lines and its challenges.

Impact on local communities	• Risk of discrepancies between the funding offered and the operational context • Risk of non-compliance with AFD's obligations in terms of impact analysis • Risk of non-compliance with procedures for managing recipient complaints	§ 3 § 4 § 5.3
Accountability for correct use of financing granted	• Risk of non-compliance with fraud, anti-money-laundering and counterterrorist financing procedures • Risk of no information feedback due to the absence of a whistleblowing mechanism • Risk of misappropriation of financial aid, of corruption and fraud • Risk of participation in mechanisms involving tax fraud	§ 7
Professional ethics	• Risk of non-compliance with the Professional Ethics Charter • Risk of impropriety by an employee	§ 8.1
Skills development	• Risk of no or insufficient staff training	§ 8.2
Transparency of employee information[(1)] (social dialogue)	• Risk of no in-house dialogue on social issues • Risk of employment practices and psychosocial risks	§ 8 (8.3, 8.4)
Employee health/safety*	• Risk of serious bodily harm to an employee following a malicious act • Risk of non-compliance with safety rules by employees when performing their duties	§ 8.5
Impact of the Covid-19 health crisis*	• Specific psychosocial risks related to lockdown/teleworking • Internal and external business continuity risks	§ 8 (8.2, 8.3, 8.5)
Promotion of diversity and inclusion	• Risk of non-compliance with regulations (6% direct employment of people with disabilities, and referral to the defender of rights on the 25 discrimination criteria) • Image and reputational risk	§ 8.4

(1) The issue formulated as such in the materiality matrix covers social dialogue and relations.
** Issue not included in the current materiality matrix.*

2.3 Managing the risks and impacts of our action

AFD Group incorporates corporate social responsibility into its governance system and its activities. As such, it takes measures to assess and manage the environmental and social risks (E&S) of the operations it funds. It implements procedures to identify, prevent or mitigate environmental and social damages, as well as any human rights violations that may arise from these activities. Environmental and social risk management takes place at each stage of the project cycle, from identification to financing approval, to monitoring and *ex-post* evaluation.

This approach is supplemented by the existence of two mechanisms for handling environmental and social complaints, respectively for AFD and Proparco (see below), which help to manage an operational risk. These systems make it possible to contemplate remediation when it has not been possible to avoid, reduce or compensate for negative or unexpected environmental and social impacts by means of the provisions of the E&S management plans for projects funded by AFD or by Proparco. These mechanisms help to strengthen the AFD's transparency and accountability practices, drawing on the experience of other donors, thanks to exchanges within the IAMnet international network (Independent Accountability Mechanism Network).

2.3.1 AFD's management of environmental and social risks, and the procedure for managing complaints

2.3.1.1 AFD's management of environmental and social risks

AFD has adopted a policy to control the social and environmental (E&S) risks of the operations it finances(1). This policy defines the framework and guiding principles applicable to E&S risk management. AFD also has a procedural corpus enabling it to roll out this policy operationally.

The E&S risk management policy implemented under development operations financed by AFD is an ongoing, differentiated and proportionate process:

- it is ongoing because various actions must be carried out at every stage of the project cycle (identification, feasibility, assessment, decision-making, contractualisation and supervision) and these actions form part of a continuum;
- moreover, it is differentiated and proportionate because the nature and scope of the actions to be implemented under the process are adapted to the significance of the E&S risks to be managed.

This proportionality principle is rolled out at the different stages of the project cycle and concerns in particular the choice of the applicable E&S regulatory framework (national regulations, international World Bank standards), the nature and scope of *ex-ante* E&S assessments to be produced by the recipients of AFD funding, the level of involvement of AFD's Environmental and Social Support Division, and the robustness of the E&S monitoring system.

In order to determine *ex-ante* the means to be engaged within this framework, by AFD and recipients of funding, the potential E&S risks of the operations are categorised, distinguishing between four levels of risk for direct financing projects: high risks (category A), significant risks (category B+), moderate risks (category B), or low or no risks (category C) – and three risk levels for projects financed *via* financial intermediaries (FI): IF portfolio with high risks (FI-A), moderate risks (FI-B) or low risks (FI-C).

Thus, for financing granted in 2021, the E&S risks in AFD's portfolio, respectively in terms of the number of projects and the amounts granted, break down as follows:

Environmental and social risks in AFD's portfolio in 2021, as a number of projects awarded (foreign States)

E&S risk	Number of projects	%
A	9	4.02%
B+	50	22.32%
B	72	32.14%
C	68	30.36%
FI-A	13	5.80%
FI-B	9	4.02%
FI-C	3	1.34%
TOTAL	**224**	**100%**

Environmental and social risks in AFD's portfolio in 2021, as amounts granted (foreign States)

E&S risk	Amounts granted (€M)	%
A	531.80	6.94%
B+	2,944.15	38.42%
B	1,673.79	21.84%
C	1,217.37	15.89%
FI-A	655.02	8.55%
FI-B	594.87	7.76%
FI-C	46.50	0.61%
TOTAL	**7,663.50**	**100%**

(1) This policy was adopted by AFD's Board of Directors in July 2017; it is available on the AFD website: https://www.afd.fr/fr/politique-de-maitrise-des-risques-environnementaux-et-sociaux-lies-aux-operations-financees-par-lafd.

The E&S classifications established at the identification stage, as described previously, are based on an analysis of the significance of the potential negative E&S impacts of the projects, *i.e.* the impacts that would occur if no mitigation measures were put in place.

Mitigation measures (avoidance, reduction or offsetting measures of the so-called "ARO" sequence to "Avoid Reduce Offset") are defined as part of the *ex-ante* E&S assessments in order to control the potential E&S risks of projects. During project implementation and after establishing mitigation measures, residual negative E&S impacts may remain, the nature and magnitude of which may vary depending on the different phases of the project (preparation, construction, operation, etc.) and which it is therefore important to monitor.

Also, to strengthen the E&S monitoring of projects during implementation, AFD developed, in 2020, a method to assess the residual E&S risks of projects that are considered to be the most risky (those classified as A or B+ at the identification stage). This residual E&S risk assessment method is based on four criteria:

- the magnitude of the E&S impacts, taking into account the progress of the project;
- the quality of the project's environmental and social management and compliance with the E&S commitments made by the beneficiary through the financing agreement;
- the sensitivity of the context;
- the occurrence of major E&S events.

It makes it possible to classify projects according to four levels, based on the importance of their residual E&S risks:

- project on alert requiring specific monitoring;
- sensitive project requiring increased monitoring;
- project requiring ongoing monitoring;
- project requiring basic monitoring (or no monitoring).

This analysis not only makes it possible to have an overview of the quality of the portfolio at a given time, but also to define specific and proportionate E&S monitoring programmes for each level of risk, and thus to focus on the most risky projects.

An analysis of the portfolio's residual E&S risks, carried out in 2021, addressed projects classified as A and B+, granted between 2016 and 2020, and in progress (projects not cancelled, for which an agreement has been signed but not completed), which amounted to a total of 164 projects.

The level of E&S monitoring to be implemented was thus determined for each of these 164 projects. The level of monitoring, respectively in terms of the number of projects and the amounts involved, breaks down as follows:

Breakdown of environmental and social monitoring levels, by number of projects

Level of E&S monitoring	Number of projects	%
Project on alert requiring specific monitoring	5	3%
Sensitive project requiring increased monitoring	62	38%
Project requiring ongoing monitoring	76	46%
Project requiring basic monitoring (or no monitoring)	21	13%
TOTAL	**164**	**100%**

Breakdown of environmental and social monitoring levels, by amount

Level of E&S monitoring	Amounts (in €M)	%
Project on alert requiring specific monitoring	202	2%
Sensitive project requiring increased monitoring	3,485	40%
Project requiring ongoing monitoring	3,910	44%
Project requiring basic monitoring (or no monitoring)	1,221	14%
TOTAL	**8,818**	**100%**

In 2021, AFD also structured a new training programme on the management of environmental and social risks in operations. This programme, consisting of thirteen modules offered as asynchronous e-learning or in the form of virtual classes, will be gradually made available in 2022 (five modules were already available in 2021). Twelve modules are intended for AFD's operational staff at the head office and in the network, and one module is intended for project managers of development projects. All modules will be accessible remotely in order to increase their accessibility for employees working overseas and to avoid any constraints related to the health context.

2.3.1.2 AFD's environmental and social complaints management system

The AFD's environmental and social (E&S) complaints management system is an extra-judicial system allowing any individual or group of individuals attached from an environmental or social point of view by a project financed by AFD to submit a complaint. It promotes a constructive approach, based on seeking solutions out-of-court. Its functioning (eligibility criteria, methods for processing eligible complaints by reconciliation and/or a compliance audit) is described in the System regulations, available on the AFD website. It is placed under the supervision of the Ethics Adviser.

In 2021, the System continued its work by operating in the same way as it did in 2020. It relies on a pool of experts and an eligibility committee to process claims. This structure has made it possible to process a growing number of complaints of diverse nature. After four years of existence, 2021 was a timely moment to launch a review phase. Claims, which offered an unprecedented number of test cases for settlement by the System, also led to it being clarified, especially as it organises and makes available to the public the System's operation. It will be published at the end of the review, in the first half of 2022. It features changes that will contribute to maintaining the efficiency of the System and establishes stringent requirements in the processing of complaints.

Four years after its creation, the AFD System saw its activity grow in 2021: 21 new complaints were received during the year.

Year	Received	Not registered	Under analysis or being processed(1)	Closed	Being monitored
2017	2	1	0	0	1
2018	8	8	0	0	0
2019	12	7	1	4	0
2020	14	9	3	2	0
2021	22	13	6	2	0
TOTAL	**57**	**38**	**10**	**8**	**1**

(1) Claims undergoing registration analysis, eligibility review or processing (claims deemed as eligible are processed through mediation and/or a compliance audit).

Of the 21 complaints received in 2021, 13 could not be recorded and were therefore closed for the following reasons:

- the projects in question were not financed by AFD;
- they were off-scope (complaints are then redirected to the relevant departments: procurement, projects led by civil society organisations, allegation of fraud or corruption);
- the complaint was beyond the time limit or without merit;
- the claimants did not pursue the exchanges initiated in the System.

One complaint was registered and underwent an eligibility study. The expert in charge of this study recommended a conciliation procedure and a compliance audit, which are currently being carried out. Six complaints received are being processed, in addition to four complaints in respect of 2019 and 2020. For one complaint, received in 2017, the Secretariat continues to monitor the AFD action plan and mediation agreement, resulting from the compliance audit performed in 2018.

2.3.2 Proparco's management of environmental and social risks, and the procedure for managing complaints

2.3.2.1 Proparco's management of environmental and social risks

Proparco operates a system to manage environmental, social and governance risks[1], using a system similar to the AFD system, aligned with best practices in international financial institutions.

Its approach is based on the performance standards of the International Finance Corporation (IFC) of the World Bank group, on the main fundamental conventions of the International Labour Organization (ILO), on the methodologies defined by the Corporate Governance Development Framework on corporate governance best practices, and on the United Nations Guiding Principles on Business and Human Rights. It involves: (i) assessing the environmental and social (E&S) impacts and risks of each project submitted to Proparco's decision-making bodies, and the countermeasures foreseen by the beneficiaries of the financing; (ii) proposing additional measures to implement by customers aiming to avoid or limit these risks, or compensate for their effects; (iii) monitoring proper implementation of these measures during the operation execution phase; (iv) ensuring the due management by the project of unforeseen events with negative environmental and/or social impacts; and (v) supporting the customer, where necessary, to strengthen their capacities to manage and implement their environmental, social and governance performance.

The implementation of environmental, social and/or governance recommendations is monitored by the calculation of indicators that are regularly produced and managed by Proparco teams. The following tables illustrate the monitoring of these indicators.

The two tables below present the potential risk classification of a project. It is determined in the initial analysis phase, and does not subsequently change. The classification ranges from A (high risk) to C (low risk), to which the FI prefix is added, for financial intermediaries. Projects rated FI-A, A, B+ as well as investment funds rated FI-B undergo detailed due diligence. The first table shows figures in relation to a number of different projects (one project may be linked to several loans, for example). The second presents the E&S classification in relation to amounts. The comparison made in the first table shows an increase in the fraction of projects classified as FI-C and B/B+ in 2021 and a decrease in those classified as FI-A and A in relation to the total Proparco portfolio (and the trend observed in 2020).

(1) https://www.proparco.fr/en/institution-commited-promoting-responsible-private-sector-south

Ex-ante environmental and social classification of Proparco projects signed in 2021 and of the portfolio

E&S classification	Number of projects signed in 2021	% of projects signed in 2021	% of Proparco portfolio projects as at 31/12/2021
A	4	4%	15%
B+	22	23%	18%
B	11	12%	9%
C	7	7%	1%
FI-A	7	7%	19%
FI-B	27	28%	29%
FI-C	17	18%	10%
GRAND TOTAL	**95**	**100%**	**100%**

Environmental and social risks of Proparco's portfolio in 2021, as a signed amount (foreign States)

E&S classification	Outstandings	Percentage
A	€185,554,132	10%
B+	€502,764,478	27%
B	€156,016,951	8%
C	€2,260,000	0%
FI-A	€227,494,510	12%
FI-B	€579,499,686	32%
FI-C	€185,489,873	10%
TOTAL	**€1,839,079,630**	**100%**

The table below presents one of the indicators used for environmental and social monitoring of projects, the E&S performance. It has been drawn up by internal environmental and social experts, and corresponds to the effective implementation in the field of measures to manage the environmental and social challenges of projects pursuant to the reference framework of IFC standards. A comparison of the E&S performance of projects signed in 2021 (before signature) underlines that after signature (portfolio projects) the E&S performance of the projects changes, on average, positively for Proparco projects (reduction in proportion of "poor" E&S performance and increase in proportion of "excellent/good" performance). The number of "excellent" E&S performance projects in 2021 decreased compared to 2020 (27% in 2020) due to the lower number of FI-Bs in the calculation of this indicator.

Environmental and social performance levels of projects signed in 2021 *(ex-ante)* and of the Proparco portfolio

Environmental and social performance	% of projects signed in 2021	% of Proparco portfolio projects as at 31/12/2021
Excellent	11%	20%
Good	28%	33%
Average	35%	29%
Poor	26%	19%
TOTAL NUMBER OF PROJECTS FOR WHICH E&S PERFORMANCE IS CALCULATED(1)	**46**	**280**

(1) E&S performance is not calculated for low risk projects, type B, FI-C or certain FI-Bs.

2.3.2.2 Proparco system for processing complaints

Since 2019, Proparco has had an environmental and social complaints processing system that gives any person or group of people who feel adversely affected by the environmental or social aspects of a project financed by Proparco the opportunity to file a complaint and be heard by independent experts[1].

This is a joint initiative by Proparco and its German and Dutch counterparts, DEG – the German private sector bilateral development bank, member of the KfW group – and FMO – the Dutch private sector bilateral development bank.

If the complaint does indeed concern a project funded by Proparco, if the complaint does not correspond to one of the exclusion cases specified in the System's documentation, and if the complaint file is complete (complying with the contents described on the Proparco website), it is sent to a panel of independent experts who first of all give a ruling on its eligibility, in compliance with the System's regulations.

Once a complaint has been declared eligible, two processing methods are offered:

- a compliance audit, in which the panel of independent experts will examine whether the project financing was implemented according to the applicable rules in terms of compliance and Proparco's internal policies;
- reconciliation, aiming for the out-of-court settlement of a dispute between the complainant and the recipient of the funding. Proparco then offers mediation services, but is not involved in the mediation process. In the second case, the panel will work with the plaintiff and the project sponsor to develop an appropriate process to deal with the problems raised by the complaint. This may include information sharing, discussion support, or mediation to find a solution acceptable to all parties. The panel of independent experts does not then adopt a position concerning the truthfulness of the allegations, and will not seek to determine liability or to impose a solution.

In certain particular cases, the two approaches can be combined.

The process is considered to be complete when an agreement is reached between the parties when resolving a dispute, or when establishing final recommendations by the expert panel in the case of a compliance audit. An action plan is then proposed, the implementation of which is monitored by the complaints office and the expert panel.

The very first Proparco complaint was received in November 2020 and closed in 2021. As this complaint corresponded to a purely operational dispute, it was generally considered that addressing it outside the system, as proposed by the panel of experts, was preferable.

A new complaint was declared admissible by the panel in July 2021. Mediation between the various stakeholders is ongoing, with the support of the panel of experts.

Year	Received	Under analysis or being processed	Closed
2019	0	0	0
2020	1	0	1
2021	1	1	0
TOTAL	**2**	**1**	**1**

An initial assessment of the joint DEG, FMO and Proparco system will be conducted in 2022 and published on the three sites.

2.3.3 Human Rights due diligence

The AFD Group operates in countries where human rights are not always fully respected, even if these countries formally adhere to treaties and conventions governed by international human rights law.

The mandatory due diligence in the field of operations includes the assessment of the social risks of the projects financed. The issue of applying international human rights standards is thus constantly on the agenda and integrated into the assessment and implementation of all projects, whatever the shape or form.

To do so, the AFD Group relies on the performance standards of Société Financière Internationale (SFI)[2], on the environmental and social standards and the environmental, health and safety Directives of the World Bank, as well as on the fundamental conventions of the International Labour Organization (ILO)[3]. The human rights issues covered by these standards enable us to address matters related to:

- workers' rights: namely working and employment conditions, and the protection of the workforce (and notably against forced labour or child labour, discrimination, etc.);
- the rights of communities, in particular the health and safety of communities potentially affected by projects (and notably potential violence against these communities); land acquisition and involuntary resettlement (notably to avoid forced evictions);

(1) https://www.proparco.fr/en/icm
(2) https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home
(3) https://www.ilo.org/global/lang--en/index.htm

- the rights of indigenous populations;
- environmental rights, in particular concerning the preservation of ecosystems, the prevention of pollution, etc.

Where applicable, the implementation of these standards is accompanied by the establishment, by project managers, of mechanisms to manage complaints at project level, making it possible to collect and process potential complaints from people affected by these projects. The financing agreements signed with recipients must necessarily mention the commitments made by counterparties to respect the rights of individuals potentially affected, and reiterate the compliance with the ILO's fundamental conventions in such a manner as to make them legally binding.

Various training courses are offered to Group employees to support them in taking human rights into account in project financing, in understanding the contexts of intervention, and more generally in reinforcing internal capacities.

As part of the French Human Rights and Development Strategy and the associated action plan validated at the end of 2020, AFD is developing a digital training programme which consists of five modules entirely dedicated to the theme of "Human rights and development" and to the human rights-based approach in cooperation projects. This multimodal educational project combines synchronous and asynchronous formats. These modules are gradually being made available to all Group employees (AFD, Proparco and Expertise France), both at the head office and in the network. In 2021, two "Human rights and development" training modules were developed and posted online, and are available on AFD's e-training platform.

Proparco follows the same appraisal procedures for each operation, which must include the assessment of social and environmental risks. This assessment is also based on the World Bank's environmental, health and safety Directives, and the harmonised EDFI standards[1] which define due diligence requirements by referring mainly to the IFC performance standards and the ILO core labour standards, but also to the Voluntary Principles on Safety and Human Rights and the United Nations Guiding Principles on Business and Human Rights. The application of these standards in its reasonable due diligence enables Proparco to address human rights issues.

To further strengthen respect for human rights and manage the risks that may arise from its activities, in 2021, Proparco, together with its peers of the EDFI association, actively participated in the development of operational tools enabling its employees to better integrate the human rights dimension throughout the project cycle.

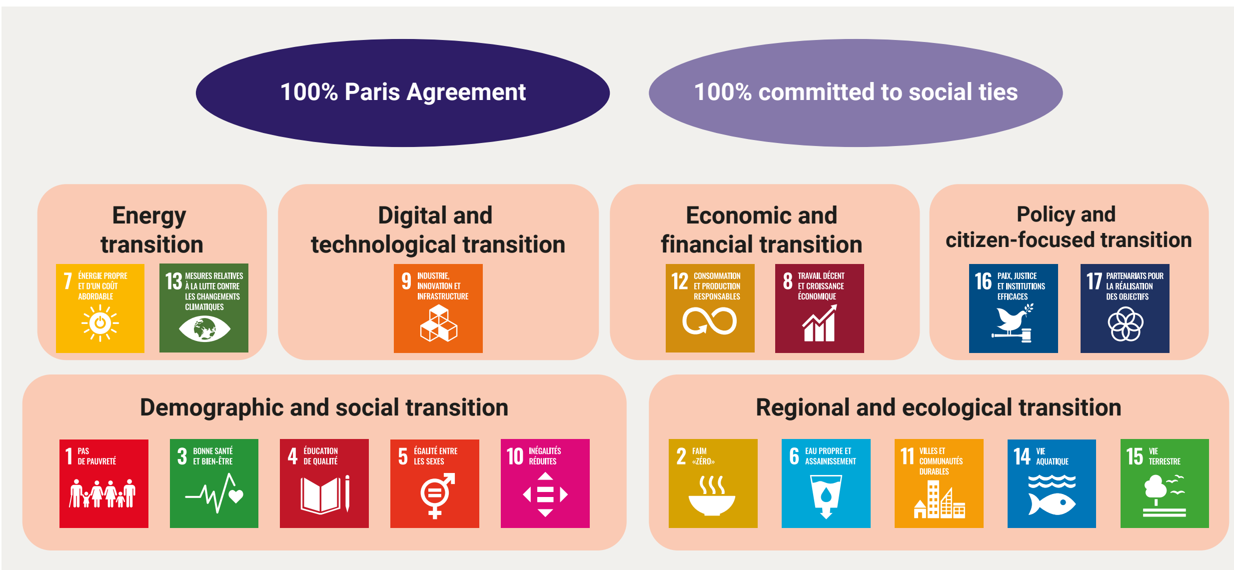
Since 2019, the complaints management mechanism set up at Proparco (together with its counterparts DEG and FMO) completes and strengthens the operational system by offering affected people an independent channel to collect and process their complaints (see above). The financing agreements signed with partners and recipients must necessarily mention the commitments made by counterparties to respect the rights of individuals potentially affected, and reiterate compliance with the ILO's fundamental conventions and the SFI's standards, in such a manner as to make them legally binding.

For the AFD Group, the integration of human rights issues is an ongoing process of learning and sharing best practices through participation in the working groups of bilateral and multilateral partners dedicated to the subject, and through exchanges within the Group that make it possible to develop employees' knowledge of the subject and improve due diligence practices.

(1) Association of European Development Financial Institutions.

2.4 Contribution of the Group's activity to sustainable development

Adopted in 2018, the AFD Group's 4th Strategic Orientation Plan places its action within the framework of the Sustainable Development Goals (SDGs) and the Paris Climate Agreement, while promoting social ties, in order to help build "a world in common". Accordingly, the AFD Group is responsible for helping to achieve the 17 goals of the 2030 Agenda by supporting six transitions: demographic and social, energy, regional and ecological, digital and technological, economic and financial, and policy and citizen-focused.[1].



Link between the SDGs and the transitions in the AFD Group 2018-2022 Strategic Orientation Plan

In order to improve how sustainable development issues are taken into account in the financed projects, AFD set up a "Sustainable Development Analysis and Opinion" system. This system makes it possible to qualitatively estimate the impacts (positive, neutral or negative) of a project on the main dimensions of sustainable development[2]. It embodies the notion of integrating the different facets of sustainable development (social, environmental and economic) put forward in the 2030 Agenda and is, therefore, a tool for aligning operations with sustainable development objectives.

The system is based on an analysis grid that makes it possible to analyse the impacts of each intervention, in their context. It promotes dialogue around the improvement of the expected effects of the project, both with the project management and internally at AFD. It is part of AFD's project cycle and takes form, firstly, at the identification and appraisal stage, through an analysis carried out by the team in charge of the project, and then at the award stage, through an independent sustainable development opinion issued by the Sustainable Development Analysis and Opinion unit, which is part of the Strategy Department. Said opinion can be favourable, favourable with recommendations, reserved or negative. It appears in the notes communicated to the decision-making bodies (notably the Board of Directors) and thus informs the decision of these bodies. In 2020, a review of the system made it possible to introduce an early warning mechanism to identify upstream projects presenting significant risks in terms of sustainable development and to abandon or redirect them. The added value of the system also lies in the learning process that it fosters to promote the gradual integration of sustainability concerns in operations and to aim for more transformational impacts.

2.4.1 Impacts of AFD's activity

AFD funds and supports development projects and programmes that contribute to direct and indirect job creation and to regional development in its countries of operation. AFD calculates result indicators to measure and provide a summarised report on the impact of its activity on the ground, in order to serve the development of the areas where it operates and the populations benefiting from the projects funded, and, more generally, the impact of its work on the SDGs.

(1) https://www.afd.fr/en/ressources/afd-group-2018-2022-strategy
(2) The six dimensions of the sustainable development analysis are: (i) sustainable growth and resilient economies; (ii) social well-being and reduction of social imbalances; (iii) gender equality; (iv) preservation of biodiversity, management of natural environments and resources; (v) climate: transition to a low-carbon trajectory (v-a) and resilience to climate change (v-b); (vi) sustainability of project effects and governance framework.

2021 AFD *ex-ante* result indicators[(1)]

SDG*	Categories	Indicators	Annual volume
SDG 13	Agriculture, Rural Development, Natural Resources, Biodiversity	Areas benefiting from biodiversity improvement programmes or sustainable management of natural resources	7,720,468 ha
SDG 1		Number of family farms supported	66,056
SDG 13	Climate	Greenhouse gas emissions avoided or reduced	3,867,153 ha
SDG 16	Crisis and conflict	Number of people living in crisis and/or fragile areas	13,571,580
SDG 6	Water and sanitation	Number of people benefiting from an elementary drinking water supply service	7,988,534
		Number of people benefiting from an elementary sanitation service	5,378,690
SDG 4	Education, higher education, vocational training	Number of children enrolled in primary and lower secondary education	915,874
		Number of people who participated in vocational training	161,716
SDG 7	Energy	New renewable energy capacities installed	2,992 MW
SDG 3	Healthcare	Number of people with improved access to healthcare	52,431,523

* *This indication corresponds to the contribution of a principal SDG, without pre-judging a contribution from achievement of other SDGs through co-benefits or systemic effects.*

The impact of the AFD Group's financing activities can also be captured *via* the sector-based breakdown of its commitments.

Breakdown of the AFD Group's approvals by sector of activity

	Year	
Approval *(in euros)*	**2021** *(€M)*	**2020** *(€M)*
CICID Sector*		
Agriculture and urban development	261.2	347.9
Climate and environment	827.3	847.9
Crises and vulnerabilities	4.8	32.1
Water and sanitation	1,050.9	767.7
Education, training, employment	308.4	421.6
Governance	582.4	701.4
Infrastructure and urban development	3,808.1	2,048.5
Healthcare	520.5	1,120.1
Business, industry and trade	3,528.0	1,207.3
Other	1,258.4	1,827.8
GRAND TOTAL	**12,150.0**	**10,777.5**

* *Interministerial Committee for International Co-operation and Development. The CICID sectors were modified in 2021. Approvals are presented according to the new classifications, for the 2020 and 2021 financial years. Correspondence details are available in the methodological note in Appendix 9.*

(1) *These indicators are monitored in accordance with Law No. 2021-1031 of 4 August 2021 on programming relating to solidarity-based development and the fight against global inequalities, known as LOP-DSI. They are aligned to the SDGs using AFD's own methodology.*

2.4.2 Impacts of Proparco's activity

Operating within the private sector, Proparco aims to promote transitions to sustainable and balanced, inclusive and carbon-free growth models in developing and emerging countries.

Proparco has put in place a new strategic roadmap for the 2020-2022 period, which was approved by its Board of Directors on 7 February 2020, after an initial presentation to the AFD Board of Directors in January 2020. This new roadmap for 2020-2022, which is in line with the major priorities of the AFD Group's strategic plan, reaffirms Proparco's priority objective of significantly increasing its impact on development and the achievement of the SDGs[(1)]. The objective is to double the impacts over the 2020-2022 period compared to the 2016-2018 period. To that end, Proparco seeks to strengthen the mobilisation of private players in order to direct private financing flows towards the SDGs. Proparco is also targeting the emergence of tomorrow's players and markets, particularly in the most vulnerable areas. These main objectives are accompanied by operational priorities that contribute to the AFD Group's strategic priorities: climate financing, financial inclusion, financing of VSEs and SMEs, notably on the African continent, and a proactive approach in vulnerable areas.

To support this strategy focused on the impact and added value of the institution, since 2018 Proparco has had a dedicated department – Support for Sustainable Development – positioned at the same hierarchical level as the operational departments. It brings together, in three units, Proparco's experts in the areas of (i) environment, social and governance, (ii) impact monitoring and analysis and (iii) company support and the mobilisation of mix resources.

As a development finance institution, [and] an accountable one, Proparco evaluates and reports on the impact of its action through an approach that measures the results and impacts of its financing.

Integrated into the project cycle, this approach aims, first of all, to inform financing decisions by characterising the expected impacts of loans, notably with regard to Proparco's three major strategic objectives: amplifying its direct impacts on employment support and improving access to essential goods and services; reinforcing the mobilisation of private financing for sustainable development investments (SDI); and accelerating Proparco's contribution to the emergence of the players and sectors of tomorrow.

The expected effects of each project are assessed by collecting indicators established through project studies and discussions with clients. An *ex-ante* impact analysis is presented from a more general perspective, addressing the project's contribution to the SDGs.

The analysis of expected impacts is conducted during the appraisal and entered into the project's documentation submitted to decision-making bodies.

Of the 86 projects signed in 2021 (excluding ARIZ[(2)]/EURIZ[(3)] guarantees, Fisea[(4)] projects, Covid-19 exceptional financing, loans from delegated funds and grants), 75 have been the subject of a recognised *ex-ante* analysis[(5)] of expected impacts.

(1) This roadmap was published in the 2019 sustainable development report (https://www.proparco.fr/en/ressources/sustainable-development-report-2019). Proparco has since published a 2020 sustainable development report (https://www.proparco.fr/en/ressources/sustainable-development-report-2020). The report on the 2021 financial year will be published in the spring of 2022.

(2) ARIZ is a terminal loss guarantee offered by AFD to financial institutions to cover 50% to 75% of an individual loan or a portfolio of loans to SMEs and microfinance institutions. https://www.proparco.fr/en/ressources/ariz

(3) Euriz enables financial institutions in Africa and the Caribbean to develop their loan offers to VSEs and SMEs active in sectors with a strong employment and societal impact. This project is supported by the European Union and the African, Caribbean and Pacific Group of States. https://www.proparco.fr/en/actualites/launch-euriz-guarantee-eu181-million-facilitate-msmes-access-credit-africa-and-caribbean

(4) Investment and Support Fund for Businesses in Africa.

(5) Of the 11 projects for which the expected impacts were not recognised, five are additional loans for existing customers for which the expected ex-ante impacts had been recognised at the time of the first signature. three European Financing Partners (EFP) projects, two Interact Climate Change Facility (ICCF) projects and one trade finance guarantee project were outside the "impact" scope at appraisal and were therefore not subject to a recognised ex-ante impact analysis.

2021 Proparco *ex-ante* result indicators

SDG	Indicator	2021 value
SDG 8	Number of jobs supported	1,423,800
	Number of jobs created	33,300
SDG 5 & 10	Gender equity: % of amounts signed qualifying for the 2X Challenge[(1)]	20%
SDG 17	Volume of private finance mobilised by projects authorised in 2021 (€M)	1,742
SDG 7 & 13	Climate: Tonnes of CO_2 eq avoided per year	1,952,000
	Energy: renewable energy capacity established (MW)	550
New or improved access to an essential good or service (SDG 3, SDG 7, SDG 8, SDG 9, SDG 11)	Number of theoretical beneficiaries of new or improved access to an essential good or service	8,902,000
	of which Energy: improved access to electricity through renewable energy projects	3,233,300
	of which Health: improved access to a health service	566,200
	of which Microfinance: access to a micro-credit	697,900
	of which Waste Collection: access to a waste collection service	1,422,600
	of which Transport: improved access to public transport	150,600
	of which Telecommunications: access to a telecommunications service	2,827,800
	of which Affordable Housing: access to affordable housing	3,600

(1) Launched in 2018 by Proparco and five other development finance institutions, the initial objective of the 2X Challenge initiative was to mobilise US$3bn by 2020 for projects promoting gender equality, based on criteria related to female entrepreneurship, female leadership, quality female employment and the provision of goods and services for women. The first phase of implementation of the 2X Challenge initiative, from June 2018 to December 2020, was a great success both in terms of commitments mobilised for 2X Challenge projects (US$4.1bn for an initial target of US$3bn), as well as in terms of development bank participation (20 DFIs and multilateral banks) and the establishment of standards aligned with best practices. For the 2021-2022 period, the 2X Challenge aims to mobilise US$15bn for projects to reduce gender inequalities.

In 2021, Proparco intensified its commitment to monitoring and evaluating the impact of projects. The Impact Measurement Unit (IMP) analysed the impact made in 2020 by the projects signed between 2015 and 2019, *i.e.* a total of 273 projects (compared to 214 projects in 2020), to compare the *ex-ante* forecasts (upstream) with the impact achieved and identify the most effective ways to support the impact targets.

A CONSTANTLY IMPROVING IMPACT MANAGEMENT SYSTEM

In 2021, to improve forward-looking knowledge of impacts by sector and type of operation, the Impact Measurement Unit continued to develop sectoral analysis frameworks, in close collaboration with the operating divisions. Intended for the head office and the network's offices, these specialists aim to support project managers during the prospecting and appraisal stages of projects, to better understand the potential impacts of projects, and to identify additional impacts that may be sought in the event of access to mixed resources and/or technical assistance. After the cement, construction materials, off-grid electricity (excluding networks) and textiles sectors in 2020, eleven sectoral frameworks are being finalised and ten are under development.

A NEW STAGE IN THE IMPLEMENTATION OF THE "100% PARIS AGREEMENT" COMMITMENT IN 2021

Since 2018, in addition to estimating the expected results of projects on the basis of impact indicators, an analysis of the potential inconsistency of Proparco financing and direct investment with regard to the Paris Agreement is systematically carried out, in order to ensure that climate and sustainability issues of projects supported are better taken into account. To do so, Proparco analyses the risk of misalignment of its operations with the Paris Agreement. This risk may be related to high emission levels by a project; to potential structural effects on the country and/or on the sector under consideration, which block access to low-carbon trajectories; to an inconsistency with national or sectoral climate commitments; or to eviction effects of lower-emission alternatives. 2021 was marked by a new stage in Proparco's implementation of the "100% Paris Agreement" commitment, with the extension of the analysis of the risk of misalignment of its financing with the Paris Agreement to intermediated transactions, notably in taking into account climate issues. In this context, Proparco developed a technical assistance facility, *Pro Climat*, to support the development of climate finance for its partner banks, as well as the integration of climate issues into their strategies and operations.

2.4.3 Impact of the Group's activity on climate change

2.4.3.1 The 2017-2022 Climate and Development strategy

AFD Group's commitment to the climate has become a key feature of its action. Committed to this global issue for more than fifteen years, the Group is actively involved in the work around the Paris Agreement and the SDGs. The "Climate and Development" strategy[(1)] (2017-2022) adopted by the Board of Directors in 2017, is based on four objectives:

i. ensuring its activity is "100% Paris Agreement": making all the Group's financing consistent with resilient and low-carbon development, in particular by adopting a new framework of questioning for the "sustainable development" analysis of projects;

ii. increasing climate finance: 50% of the Group's annual financing in foreign countries is aimed at projects with climate co-benefits, exceeding the target of €5bn for the climate in 2020 (including €1.5bn dedicated to adaptation), and a significant contribution from 2021 to achieving France's new climate finance target set at €6bn/year, including €2bn for adaptation (reported in the UN Framework Agreement on Climate Change – UNFCCC) for the 2021-2025 period;

iii. redirecting financial and investment flows: maximise the knock-on effect of its financing on the assignment of private and local investments; develop new high-volume, high-impact instruments; and integrate financial climate risks (physical and transition) into its risk analysis and credit decision processes, as attested to by the Group's first TCFD report[(2)] (Task Force on Climate Related Financial Disclosure), published in 2021;

iv. co-developing solutions and shaping standards, in particular through its partnership strategy and by participating in major international events and in discussions on climate finance and support for knowledge production.

In 2020, in accordance with the commitment made when it was adopted in 2017, AFD conducted a mid-term review of the climate strategy[(3)]. It confirmed that AFD is on track to achieve, or has already achieved, many of the targets set in 2017. Significant results should be highlighted in terms of the volume of climate finance, influence in the debates related to the alignment with the Paris Agreement, the Group's positioning as a key player on the climate, recognition of the role of development banks and their IDFC platform[(4)]. Several projects launched as part of this mid-term review target a more comprehensive and ambitious implementation of the climate strategy and prepare the foundations for the future post-2022 strategy, which will be built around the necessary convergence of climate and biodiversity issues.

At COP26, in Glasgow, and in accordance with the mid-term review of its energy transition strategy, AFD committed to no longer financing fossil fuels, including as regards electricity and heat production from natural gas.

2.4.3.2 AFD's climate financing in 2021

Climate financing in 2021 represented 56% of total commitments in foreign countries with €5.99bn in financing across all regions, including the French Overseas Departments and Collectivities.

In Foreign States, the AFD Group approved 332 climate projects, for a total amount of €5.75bn in financing. The Group therefore exceeded the 50% target set in 2012 and renewed in its Climate and Development strategy.

Climate projects in foreign states financed in 2021 covered two areas:

- climate change mitigation: €3.79bn in financing;
- adaptation to the impacts of climate change: €1.96bn in financing.

They are 147 mitigation projects in foreign states that will contribute to avoiding 5.3 MTeq CO_2 per year throughout their life cycle.

The Group is also continuing its action in the area of sustainable bonds. In 2014, the Group was the first issuer of a green bond in the French public sector, focused on the climate (€1bn at ten years), then, in 2017, it adopted a programmatic framework for climate bonds and continued its policy of regular issuance of climate bonds. The Group reached a new milestone in this field in 2020, with the publication of a renewed SDG-focused programmatic framework[(5)]. The purpose of this benchmark document is to reflect the Group's actions in all their environmental and social dimensions; it naturally follows the four pillars of the "Green Bond Principles & Social Bond Principles", namely the justification of the use of funds, the process for examining the projects financed, the monitoring of flows and the requirement for robust reporting. After an inaugural issue in 2020, the AFD Group completed 48% of its 2021 programme in thematic form, issuing a €2 billion 10-year sustainable bond and a 1.7 billion 7-year sustainable bond[(6)].

2.4.3.3 A stronger partnership strategy

In 2021, AFD played an important role in keeping the climate and the SDGs at the top of the international agenda.

At COP26, in Glasgow, AFD was reappointed as Chair of the International Development Finance Club (IDFC), which it has held since 2017; this club brings together 27 national and regional development banks. As such, AFD is working to better integrate climate issues at the technical and strategic levels. The second

(1) https://www.afd.fr/en/ressources/climate-development-2017-2022-strategy
(2) https://www.afd.fr/en/ressources/afd-group-tcfd-report
(3) https://www.afd.fr/en/ressources/climate-development-2017-2022-strategy-midterm-review
(4) International Development Finance Club.
(5) https://www.afd.fr/sites/afd/files/2020-10-07-38-47/sdg-bond-framework-afd.pdf
(6) https://www.afd.fr/en/actualites/communique-de-presse/afd-successfully-launches-eu2-billion-0125-regs-sustainable-benchmark-due-29-september-2031

edition of the *Finance in Common* summit, held in October 2021, confirmed the numerous commitments of more than 500 public development banks, in terms of aligning their financing with the Paris Agreement, ending international coal financing, taking action for biodiversity, and accelerating investments in renewable and adaptation energies[1]. This second edition also showcased agriculture, agribusiness and food systems, bearing in mind climate and biodiversity issues. The results obtained were officially presented at the Finance Day organised by the COP26 Presidency.

In 2021, as the host of the IDFC Climate Facility[2], AFD continued to roll out support activities for its members. This allowed the IDFC to finalise, with the multilateral development banks, the update of the common accounting principles for mitigation finance; to continue to improve and facilitate annual reporting on green finance by improving how biodiversity is taken into account; to develop a mentoring programme among member institutions; to launch projects in order to adopt shared tools for analysing climate risks, recognising GHG emissions and classifying adaptation projects; to reinforce the IDFC's capacity to access international climate finance by examining an IKI financing request[3]; to ensure a significant presence of its members at COP26 through over 40 events organised at the IDFC pavilion; and to create the conditions necessary to pool efforts in order to have more influence in the international debate.

AFD continues its collaboration with the Green Climate Fund (GCF). It was accredited in 2015, and benefited from a framework agreement in 2017. In 2021, the GCF's Board approved new cofunding of $52.8M for the HYDROMET project, which aims to strengthen the resilience of the Indian Ocean States to climate change, *via* the improvement of ecosystem services. To date, six projects led by AFD have been co-financed by the GCF for a total amount of over €370M. New projects and programmes are under review, with a view to being presented to the Board of the GCF in 2022/2023. Partnership activities conducted by the GCF and IDFC also continued to support IDFC members in their accreditation process or to help recently accredited members to examine projects/programmes.

AFD continued to focus on strategic dialogue with civil society organisations on climate change. It brought together, at the Partners Committee in the first half of 2021, French and international civil society organisations (CSOs) dedicated to climate, ministries and French think tanks and commercial banks, in order to present to them the challenges of both the mid-term review of the climate strategy and the mid-term review of the energy transition; the role of development banks in the international agenda for 2021; the methodological changes in climate finance; and the prospects for convergence between climate and biodiversity. In addition, this regular dialogue and the relationship of trust forged with civil society for the climate facilitated the involvement of these NGOs in the preparation of *Finance in Common* Summit.

The partnership with the Institute for Climate Economics (I4CE) contributes to the development of its work, and to its implementation at the international level and in developing countries, in areas such as the management of climate finance, assessment tools for the alignment of public budgets with long-term objectives, financial regulations and the alignment of financial institutions with the Paris Agreement. Lastly, through its contribution and active participation in the Mainstreaming Climate in Financial Institutions[4] initiative, AFD participates in dialogue with around fifty public and private financial institutions and thus contributes to the experience-sharing activities and technical analyses carried out within the Initiative on various topics such as financial climate risks, alignment with the Paris Agreement[5], or the implementation of climate processes and tools within institutions.

2.4.3.4 Progress in addressing financial climate risks

AFD holds an important dialogue on the consideration of financial climate risks with its peers and financial system players, and contributes to the sharing of best practices. Since 2017, the AFD Group has been working to integrate financial climate risks into its risk analysis processes through various projects. Following an initial mapping of the AFD portfolio's exposure to physical risks, a methodology for assessing physical risks and operational tools was rolled out in 2020 enabling the Group to systematically measure these risks when granting new loans and to engage in dialogue with its most exposed borrowers. In 2021, the Group continued its work using a similar approach for transition risks. These considerations were fuelled by the Group's voluntary participation in the ACPR (Autorité de contrôle prudentiel et de résolution) climate stress test exercise in 2020, focusing on transition risks. Based on the assumptions provided by the regulator and the macroeconomic data of a scenario leading to carbon neutrality by 2050, the potential impact on the quality of the AFD Group portfolio was studied. In 2021, the Group also made progress in integrating climate risks into the service offering to financial systems, including central banks, to identify potential collaborations and public policy dialogues on the low-carbon transition led by AFD with country authorities. As part of the 2021 Finance in Common Summit (FiCS), AFD published its first TCFD report, thus presenting its activities in the four areas identified by the Taskforce: governance, strategy, risk management, and the indicators or metrics used. Lastly, in 2021, AFD developed an online training module dedicated to financial climate risks[6] in order to develop awareness and due consideration of these risks within the Group, but also among the community of partner development banks.

(1) https://financeincommon.org/sites/default/files/2021-01/FiCS%20-%20Joint%20declaration%20of%20all%20Public%20Development%20Banks_0.pdf
(2) https://www.idfc.org/idfc-climate-facility/
(3) The International Climate Initiative Fund (IKI) is an EIB trust fund financed by Germany. Created in 2019, the IKI Fund aims to catalyse investments in ambitious projects to mitigate and adapt to climate change in emerging and developing countries.
(4) https://www.mainstreamingclimate.org/
(5) https://www.mainstreamingclimate.org/mainstreaming-climate-to-align-with-paris/
(6) https://mooc-campus.afd.fr/enrol/synopsis/index.php?id=12

2.4.3.5 Direct climate footprint and carbon offsetting

The low-carbon trajectory is implemented internally within the AFD Group and in its value chain through operational measures to reduce the impact of its activity. The AFD Group is thus mobilising to control its direct greenhouse gas (GHG) emissions by taking action simultaneously to reduce these emissions and to offset them through actions contributing to the SDGs. The annual assessment of the Group's carbon footprint makes it possible to identify its strengths and vulnerabilities.

With regard to the head office's overall GHG emissions, the results show a slight reduction in emissions of 8% between 2020 (21,388 Teq CO_2, or 12.2 Teq CO_2 per employee) and 2021 (19,707 Teq CO_2, or 11.2 Teq CO_2 per employee). The ongoing international restrictions on mobility and the continued use of teleworking largely explain this relative stability of the GHG emissions of the AFD Group's head office. However, it covers fairly significant changes: emissions related to travel, fixed assets and freight fell by 20%, 30% and 25% respectively, while those specific to inputs, mainly consisting of the purchase of intellectual services, increased by 2%. The increase for the largest item (representing 66% of the total) was enough to offset the various decreases and explains the slight change in the volume of Teq CO_2 emissions.

The 2020 carbon assessment (Bilan Carbone®) for the Group's network could only be calculated at the end of 2021 due to a change of service provider and tools. In 2020, in the context of the global pandemic, the impact of the health measures was felt across the network, as its premises were subject to more or less severe restrictions, mainly in terms of travel. GHG emissions were down 23% in 2020 compared to 2019, going from 12,600 Teq CO_2 in 2019 to 9,700 Teq CO_2 in 2020, *i.e.* approximately 9 Teq CO_2 per network employee in 2020. This decrease was due to a significant fall, of 35%, in travel-related emissions in 2020, while those from the purchase of services increased by 15%.

The AFD Group is working to manage its carbon and environmental impact. The AFD Group thus established responsible purchasing as one of the three major areas of its new purchasing policy, and anticipated the law on the fight against waste and the circular economy by eliminating, in 2019, plastic cups and bottles at the head office. The extension of this approach to the network is continuing, with the Tbilisi local office, among others, having implemented similar measures. The 100% recycled paper used by employees (with the exception of the reprography department) is collected by a recycling channel at the Paris sites. As regards GHG emissions, a global approach, in the form of a "low carbon trajectory" project, was launched at the end of 2020 to define the axes and action plans to be adopted in order to further strengthen the exemplary approach and practices already in place.

Firstly, the goal is to improve the energy efficiency of the real estate portfolio by optimising uses and drawing on renewable energies. At the head office, at the Barthes and Mistral sites, 100% of the electricity consumed is produced from renewable energy sources, including, *in situ*, from the Barthes photovoltaic modules which produced 11,195 kWh in 2021. This dynamic is gradually extending across the network: the local offices in N'Djamena and Accra thus produce the majority of their energy needs from photovoltaic panels.

Since the end of 2020, a Sustainable Mobility Package ("FMD") has been set up for head office employees who use bicycles to commute at least 100 days per year, offering financial compensation of €650 gross per year. A study conducted in 2017 indicated that 15% of AFD's employees travelled by bicycle. However, to date, 161 employees have subscribed to the FMD. In order to facilitate the use of bicycles, the number of bicycle racks has been multiplied at all AFD and Proparco metropolitan sites. The future AFD Group head office will make it possible to further increase such infrastructures. In addition, bicycle maintenance workshops are regularly held, notably during European Mobility Week – five were held in 2021, in compliance with the health measures, which made it possible to check and repair over 100 bicycles. Initiatives are also encouraged at the local level: for example, the Phnom Penh local office provides a fleet of bicycles for short trips. A number of local offices, such as the one in Tunis, organise carpooling among employees.

In addition, as part of the Low Carbon Trajectory project, supported by the Corporate Project, a new "Responsible Consumption" plan provides for the implementation of new measures (from 2022) to reduce paper consumption, improve sorting and waste recycling, extend the lifespan of products, and optimise air travel; there is also a "Green IT" action plan to reduce the carbon and environmental impact of our use of digital resources.

Lastly, by offsetting its residual emissions annually, since 2007, the AFD Group aims to achieve carbon neutrality. Due to the change of service provider and tools to collect and process the carbon assessment (Bilan Carbone®) data in 2021, the call for tenders for the selection of offsetting projects, located in the countries of operation of the AFD Group, will be launched in early 2022.

2.4.4 Impacts related to the Group's activity in reinforcing social relations

In 2021, AFD was able to structure its 100% social ties commitment through the adoption of a dedicated strategy, approved by its Board of Directors in March 2021, formalising one of the pillars of its strategic orientation plan. AFD now has dedicated targets, both in terms of combating inequalities ("Reducing inequalities in wealth and opportunities, both vertical and horizontal") and in terms of living together ("Strengthening inclusion by improving how contexts are taken into account") guided by a human rights-based approach. This document was published externally and translated into several languages. A communication brochure was also produced, for internal and external use, to explain the Social Ties strategy to a diverse audience.

With the roll-out of this strategy, the AFD Group aims first and foremost to take inequalities into account, including in public policy dialogue, by providing diagnostic, impact and awareness-raising tools for the network's local offices and regional directorates. This work will notably inform the studies on inequalities which are under way, steered by the AFD's Research Department. Financed by the European Commission's Directorate General for International Partnerships (INTPA) and implemented by AFD, the Inequalities Research Facility(1) aims to develop knowledge about inequalities in low- and middle-income countries. After the success of the first phase implemented in around thirty countries from 2017 to 2020(2), AFD and the EU launched a second phase in four countries: South Africa, Mexico, Colombia and Indonesia. With €3M in funding over five years, this extension will contribute to the development of more effective public policies to reduce inequalities as part of the United Nations 2030 Agenda. Moreover, in order to foster co-construction, the social ties division developed a guide on this topic that will serve as a bridge to AFD's other technical divisions.

The year 2021 focused on gender equality, pursuant to the feminist strategy of the Presidency of the Republic. In 2021, AFD's teams continued to strengthen and improve their capacity to take into account gender inequalities in projects, in order to achieve and exceed the gender equality targets:

- financing classified as CAD1 (one of the project objectives includes the gender dimension) and CAD2 (the main objective of the project is the fight against gender inequalities) represented 50% of financing(3);
- 25.6% of grant financing (209 programme) was classified as CAD2, exceeding the target by 10 points. The target set is an average of 15% per year for the 2020-2022 period;
- lastly, a total of €850M in project loans and grants classified as CAD2 were granted in 2021 (AFD excluding Proparco).

In 2021, AFD pursued its activities in the cultural and creative industries, with €9.9M in loans and commitments. In 2021, activities mainly focused on the African continent and on priority countries. AFD has been active in matters relating to African heritage, in Zimbabwe in particular, where it was asked to finance the restoration of the historic site of Great Zimbabwe; it also addresses professionalisation in the sector, cultural entrepreneurship, and governance in the context of cultural policies. In line with its new mandate, the team also began to roll out its support for the other technical divisions of the AFD Group, with four projects supported and €110.8M in committed amounts.

In the field of sport and development, the year 2021 was marked by a change in the positioning of the sports team, which now provides further support to the other divisions in the integration of sports components. AFD's activity in this area remained stable in 2021 with six loans granted and €6M in committed amounts, including two grants to the "education" department in the amount of €3M (Rwanda and Comoros). The project management activity mainly takes the form of multi-country projects based in Africa, and is divided into five main areas: school sport and support for the education sector; the emancipation of girls and women through sport; the strengthening of governance and strategy; the strengthening of local infrastructures, and their management; and finally the strengthening of the sports and associative networks.

2.5 Transparency and dialogue with stakeholders

2.5.1 Transparency of funds granted

Transparency of funding is a strong corporate and social responsibility challenge for AFD Group. Transparency of AFD's activities must be guaranteed in compliance with the regulatory requirements associated with its legal status (business secrecy) and protection personal data and individual and public freedoms guaranteed by the French data protection laws.

Through its policy of transparency and dialogue(4), the AFD Group strives to comply with the best practices observed by other sponsors and with international standards, including the standard of the International Aid Transparency Initiative (IATI), whilst taking on board the expectations of its stakeholders.

The transparency and dialogue policy reflects the Group's desire to better respond to the growing demand for information and explanations expressed by its stakeholders with regard to its governance, strategy and objectives, the financing granted, and the goals and results of the French development aid policy mainly implemented by the Group. It is based on five principles: usefulness, openness, the protection of trust and sensitive information, attentive listening, and dialogue.

(1) https://www.afd.fr/en/eu-afd-research-facility-better-understand-inequalities

(2) More than a hundred research papers and "policy briefs" resulted from the 22 projects carried out during the first phase of the Inequalities Research Facility. These deliverables are based on the results of research and consultations conducted from 2017 to 2020. They aim to inform governments and development actors of the implementation of public policies which are more sensitive to inequalities. See the summary: https://www.afd.fr/en/ressources/eu-afd-research-facility-inequalities-2017-2020-synthesis

(3) The OECD monitors aid efforts for gender equality and women's rights using this gender equality aid policy marker, a statistical tool prepared by the OECD's Development Assistance Committee (DAC).

(4) The scope of this policy concerns AFD and its subsidiary Proparco, and provides for specific adaptations for AFD and Proparco. It is available on the AFD website (https://www.afd.fr/fr/ressources/politique-de-transparence-et-de-dialogue-du-groupe-afd).
Expertise France publishes data on purchase contracts and grants of more than €15,000 awarded as part of technical cooperation projects.

Internally, AFD has a legal notice and a procedure for the disclosure of information to provide a framework for implementing transparency and ensuring compliance with the rules applying to confidential information and business secrecy. The information disclosure requests may concern information reported on AFD's website, AFD's open data platform, and the IATI registry, or other information on the AFD Group, its strategy, financing transactions and intellectual productions.

AFD is continuing to reinforce its policy to publish business data in the IATI format on its open data website[1]. In particular, since 2021, the open data portal has a specific section listing projects with climate co-benefits, which makes it possible to distinguish, for each of them, the amounts dedicated to adaptation and mitigation. As at 31 December 2021, the published project data covered 81% of sovereign and non-sovereign financing exceeding €100,000 and falling in the transparency scope for all its countries of operation.

Number and % of sovereign and non-sovereign financing published in IATI and data.gouv.fr format

	2021	2020
Financial aid to be disclosed (number)	2,107	2,107
Financial aid disclosed (number)	1,705	1,649
Financial aid disclosed (%)	*80.92%*	*78.26%*

2.5.2 Transparency of relations with French and European parliamentarians

AFD is registered in the European Commission transparency register[2]. This register enables public and private organisations, interest groups and more generally civil society as a whole to exercise a monitoring role with regard to possible influence on legislative processes and the implementation of public policies.

Moreover, at the request of the High Authority for Transparency in Public Life (HATVP), AFD chose to register in the directory of interest representatives as of 2021. Each year, AFD must report on influence-related actions undertaken and on the corresponding resources. The adoption, on 4 August 2021, of the programming law on solidarity-based development and the fight against global inequalities, the increased number of requests from parliamentarians, and the growth of loans dedicated to development aid led AFD to intensify its institutional relations. This reinforcement of ties notably explains the inclusion in the HATVP register and will enable AFD to meet a legal obligation, in a shared spirit of transparency.

2.5.3 Dialogue with stakeholders

Under its corporate social responsibility policy, AFD has entered into dialogue with its stakeholders. This dialogue helps take on board the wants and needs of stakeholders and stay as closely tuned to their concerns as possible.

The transparency and dialogue policy acknowledges this dialogue with stakeholders as a cornerstone of AFD's corporate social responsibility approach, insofar as it helps to factor social, environmental, ethical and human rights concerns into the Group's strategies. The strategic documents prepared by AFD, which determine its areas of operation with respect to sectors, regions and cross-business issues, are subject to stakeholder consultation (civil society organisations, regional government authorities, companies, research institutes, etc.) prior to submission to the Board of Directors. Once approved, these strategic documents are available on AFD's website.

In order to be as broad as possible, stakeholder consultation on strategic documents is generally conducted through a digital consultation platform[3]. On the basis of registration on the platform, which is open to all, stakeholders are invited to comment, react and vote on the AFD Group's proposals; they may also add other proposals which they deem relevant for the Group.

Thus, in 2021, AFD launched a digital consultation on the political and citizen transition strategy to enable stakeholders to react to the proposals of this strategy. The online consultation took place in June and July 2021 and collected 136 votes and 55 contributions. The AFD Group also conducted a mid-term review of its energy transition strategy. The work was discussed with external stakeholders such as the Climate Action Network, Oxfam, OCI (Oil Change International), E3G and Coordination Sud (GERES, etc.), as well as Caisse des Dépôts et Consignations. As a result, the strategy's climate goals were made more ambitious. All stakeholder contributions are available to all on the digital consultation platform.

This policy also makes dialogue part of an approach fostering continuous improvement, mutual learning, innovation and impact. In this respect, it encompasses more than just information and communication.

When investigating and implementing the projects it funds, AFD ensures, through legal conditions and support processes, that the project owner consults with the various stakeholders.

For projects with significant environmental and social risks, AFD applies the World Bank's Environmental and Social Framework. Revised in 2016, the Framework now includes measures regarding the responsibility to involve stakeholders at each and every stage of a project.

(1) https://afd.opendatasoft.com/explore/?sort=modified
(2) https://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=348060711585-82&locale=en#en
(3) https://consultation-numerique.afd.fr/en/

It is essential to engage in dialogue with local authorities, communities and associations regarding projects proposed for funding, in particular those presenting environmental and social risks, to take their opinions and concerns into consideration and thereby improve the living conditions of populations and the sustainability of projects.

2.6 Coordination with development players: the "Priority to partnership"

As part of its 2018-2022 Strategic Orientation Plan, adopted by the AFD Board of Directors in July 2018, the AFD group aims to become the bilateral platform of the French development policy, and is committed to placing the partnership approach at the heart of its interventions. Over the last four years, advocacy efforts and efforts to mobilise partners and coalitions of stakeholders to promote the alignment of financial flows with the Paris Agreement and the Sustainable Development Goals have thus been reinforced.

Despite the health crisis, the mobilisation of external financial resources, through the delegation of resources or through cofunding, remained a structuring factor for the Group.

Beyond the mobilisation of resources, 2021 was marked by the re-election of the AFD Chief Executive Officer to the head of the IDFC (International Development Finance Club), a network of 27 public development banks, which is a powerful illustration of the partnership approach of the AFD group. As the Chair, AFD sought to inject a new dynamic into the Club, by further raising the goals on climate finance and the alignment with the Paris Agreement, as well as on the achievement of the SDGs(1). Over his new term of office, the Chief Executive Officer will pursue this strategy, while preparing the Club for a transfer of the Chair to a Southern bank at the end of 2023.

2021 was also marked by the second FiCS (Finance in Common Summit), co-organised with the Italian *Cassa Depositi e Prestiti* (CDP). A leitmotif now structuring the partnerships of the AFD group, the preparation of the second edition of the summit held in October 2021 gave rise to a very active dialogue with our international partners, including as part of the "Finance" section of the G20. The support of the Italian Presidency proved decisive. For the first time, the final statement by the Finance Ministers and Central Bank Governors recognised the role of the global coalition of public development banks in aligning with the Paris Agreement and achieving the SDGs. With this mandate, the coalition is now able to reinforce its contribution to the various key stages of international coordination for sustainable development.

Lastly, 2021 was also marked by the creation of the TNFD (Taskforce on Nature-related Financial Disclosure): its "Public institutions" hub is located in Paris and its secretariat is coordinated by AFD, thus attesting to the recognition of AFD's expertise in biodiversity issues.

2.6.1 Partnership with civil society organisations

In 2018, the AFD Board of Directors adopted a new cross-cutting partnership strategy with civil society organisations (CSOs) for the 2018-2023 period(2).

The funding granted under the "CSO Initiatives" strategy continued to increase, reaching €116M in 2021. This amount corresponds to the funding of 145 projects initiated by French CSOs with their partners from developing countries.

During the year, AFD also renewed several multi-year partnership agreements (MPAs) signed in 2019, at the end of a first two-year implementation phase. They involve three CSOs with which AFD maintains long-term partnerships: CCFD (Comité catholique contre la faim et pour le développement), IECD (Institut européen de coopération et de développement) and AVSF (Agronomes et vétérinaires sans frontières). A new multi-year partnership agreement was also signed with Secours Catholique. New MPAs will be pursued in 2022. At the end of 2021, the portfolio of projects whose implementation is being monitored included 528 CSO projects for a total cofunding amount of around €445M.

Nearly 89% of the financing granted in 2021 benefited interventions in the field. The majority of these transactions focuses on Africa. Financing still targets a variety of sectors, in order of importance: agriculture and food security, human rights and governance, education and vocational training, health, and, to a lesser extent, climate and biodiversity, economic development and entrepreneurship, and water and sanitation. Of the funding granted, 11% was for general interest projects, of which 36% for projects to structure non-profit organisations, and 64% for projects on citizenship education and international solidarity.

Since 2020, the Covid-19 crisis has impacted French CSOs, with regard to both their internal activities and their field interventions. The mobilisation of financial resources was disrupted and made more complex with the withdrawal of some private donors. AFD paid particular attention to the difficulties encountered by CSOs; it was able to make its procedures more flexible, to increase its cofunding rate and to accept an increase in the indirect costs of projects in 2021 and 2022 (14%). It strengthened its dialogue through close monitoring to understand the adaptation and resilience strategies developed by French CSOs.

(1) See Section 5.4.3.3 "A stronger partnership strategy".

(2) https://www.afd.fr/en/ressources/partnerships-civil-society-organizations-2018-2023-strategy

Beyond the "CSO Initiative", AFD continued its partnership with and financing for CSOs in 2021, across all mechanisms (Minka[1], FSOF[2], Fisong[3], calls for sectoral and geographical projects). Dialogue is also diversifying as part of the partnership strategy and is intensifying with foundations and other funders committed to CSO financing. However, issues relating to compliance and the fight against the financing of terrorism affected the AFD-CSO dialogue throughout 2021, pending ministerial arbitration, which took place in December 2021, and clarified expectations and operating methods.

2.6.2 Partnership with European and international players

2.6.2.1 European actors: continued efforts to mobilise European financing and develop our relations with our bilateral partners

2021 was a pivotal year in Europe with the adoption in June 2021 of the NDICI[4], the European Union's (EU) new multi-annual financial framework for 2021-2027, as well as the completion of the discussions of the "Senior Panel" on the framework of the European financial aid architecture. In this context, AFD continued to work for the establishment of an open, inclusive and consistent European system, allowing direct and equal access to EU guarantees and delegated funds for all European development institutions, in order to mobilise as many resources and complementary areas of expertise as possible.

In 2021, the AFD group continued its financial cooperation with the European Union, despite the institutional context that significantly reduced the amounts that could be mobilised. Thus, 20 project grants, amounting to €274M (15 mixed projects for €195.8M, including €11.5M from Proparco, and five direct delegations for eight projects for €78.7M), as well as €157M in Expertise France contracts, were granted by the EU to the AFD group, as a result of the carryforwards of the 2014-2020 multi-annual financial framework on the INTPA mix[5], of the NEAR's efforts[6] to anticipate the 2021-2027 programme, and of the dynamism of the partnerships between the EU delegations and the local offices in the field.

2021 was also an opportunity for the **"reinforced partnership"** initiative to start the implementation of a cofunding mechanism common to the four bilateral players (AFD, KfW, CDP – *Cassa Depositi e Prestiti*, the Italian agency – and AECID – the Spanish Agency for International Development and Cooperation), in response to the Commission's drive for a reinforced "Team Europe" format, which will be implemented in 2022.

In its relations with European bilateral players, AFD continued to strengthen its **relationship with German institutions,** through its relations with **GIZ and KfW,** notably on the European aid architecture, on the dialogue with the European Commission on the FEDD tool, and on issues related to the IDFC club. AFD also pursued its dialogue with the UK's FCDO (Foreign, Commonwealth & Development Office), and made an AFD climate expert available to support preparations for COP26.

With the **European Investment Bank (EIB),** 2021 was marked by the follow-up to the EIB's internal reorganisation, with the creation of a branch for the Bank's operations outside the European Union, which will be operational on January 1st. It is a dedicated department, with a capitalisation and a risk policy distinct from the rest of the Bank and adapted to its activities outside the EU. As regards the **European Bank for Reconstruction and Development (EBRD),** an MoU[7] was signed at the AFD group level to strengthen our partnership on institutional and operational activities.

2.6.2.2 International actors: Pursuit and development of structuring partnerships with multilateral and regional development banks

The management of structuring partnerships relating to the AFD group's activities continued to be reinforced, with in-depth discussions on transactions in virtual or hybrid format. In parallel, executive staff-to-staff meetings were held regularly. The partnership with the African Development Bank was strengthened in 2021.

With the **World Bank Group** (WBG), the high-frequency and decentralised coordination in the field (both among agencies and at the Regional Directorate level), which characterises this strategic partnership, continued, while the specific coordination required by the crisis diminished in 2021. In August 2021, the cofunding framework agreement was renewed for three years. This framework agreement resulted in a very significant reduction (by half) of the average cost of delegating tasks to the WBG, while the use of this type of cofunding is growing.

AFD reinforced its cooperation with the **Inter-American Development Bank** throughout 2021, by ramping-up strategic and operational dialogue. The two banks drew up a review of their cofunding, amounting to $4bn since 2018, therefore far exceeding the $1bn target that was set when the partnership agreement was renewed.

The **African Development Bank** (AfDB) and AFD collaborated throughout 2021 on the Finance in Common Summit. They also worked on the mobilisation of public development banks by organising a satellite event at the Summit on the financing of African economies held in May 2021. In November 2021, the AfDB and AFD also signed a new partnership agreement, including cofunding arrangements, which set a cumulative target of €2bn within three years.

(1) *https://www.afd.fr/en/minka-peace-and-resilience-fund*
(2) *https://www.afd.fr/en/support-fund-feminist-organizations*
(3) *https://www.afd.fr/en/financing-ngo-projects*
(4) *New neighbouring, development cooperation and international cooperation instrument.*
(5) *Directorate-General for International Partnerships of the European Commission.*
(6) *Directorate-General for European Neighbourhood Policy and Enlargement Negotiations.*
(7) *Memorandum of Understanding.*

With the **Asian Development Bank** (ADB), a portfolio review and strategic coordination meetings were held, for example the annual retreat in April 2021. The priority given by the ADB to massive short-term countercyclical action with rapid disbursements, combined with a drying up of cofunding opportunities in South-East Asia, explained the decline in our joint operational results. The amount of AFD-ADB cofunding over the 2019-2021 period is estimated at a total of US$2.8bn. In 2021, we co-financed three operations with ADB, amounting to €200.5M in AFD financing and €415M in ADB financing, *i.e.* a cumulative total of €615.5M in cofunding.

The drive to strengthen **AFD's relations with United Nations agencies** continued in 2021, with, notably, a strong mobilisation of the UN sphere around the Finance in Common Summit (speech by the Secretary-General of the United Nations, co-organisation of IFAD, UNDP, UNICEF, UNESCO, ILO and UN Women participation in the thematic coalitions), reflected by several new operations. In 2021, the United Nations also recognised, for the first time, the role of public development banks in their annual report on the financing of development.

Lastly, 2021 was marked by close cooperation with the **Bill & Melinda Gates Foundation** on the theme of gender, as part of the Generation Equality Forum, and through regular discussions on vaccination, in response to the health crisis. At the same time, collaboration with the **Aga Khan Network for Development (AKDN)** continued in 2021 despite the impacts of the health crisis on certain ongoing operations. In 2022, AFD and AKDN will reinforce their cooperation on gender, climate, agroecology and vulnerabilities.

2.6.3 Support for project management and capacity-building

Project managers steer the projects, programmes or public policies financed by the AFD group. Supporting activities must enable them, notably, to better coordinate and manage financing and ensure the due completion of the activities and/or work planned. And *in fine*, the Group's strategic and operational objective is to promote more efficient, user-centric, open, innovative and transparent institutions.

AFD acts (i) directly through its technical experts working to strengthen the capacities of our partners and (ii) through specific tools to mobilise consultancies to support project management, such as:

- the start-up, preparation and monitoring facility project (FAPS);
- the Technical expertise and experience exchange fund (FEXTE);
- the French local authority financing facility (FICOL);
- the Crisis recovery expertise and studies fund (FEESC).

In 2021, these different tools represented €88.7M in commitment approvals.

In 2022, the integration of Expertise France will provide the AFD Group with additional and complementary leverage to reach its goals set with partners.

In 2021, AFD, notably thanks to its dedicated capacity-building unit, worked on a range of services to support the organisational transformations of our project manager customers and tested them through pilot projects:

- "Transfo'Agile": rapid support offer (continuous support and rapid deployment of experts from the unit and consultants);
- an initial FAPS loan of €500,000 aimed at mobilising transformation consultants;
- a structured project portfolio with five Regional Directorates and local offices from the network, although this does not exclude requests outside these regions;
- internal communication with the head office and the network, to integrate the "transformation" habit and structure dedicated project components, or initiate a business relationship with young project managers (activities without an appraisal).

In 2021, AFD also worked on a methodological guide on the financing of public policies and programmes, including:

- a "quick screening" method at the pre-identification or identification stage and, depending on the maturity of the programme or the public policy, an appraisal and consulting service scenario to be triggered;
- a standard approach to support appraisals;
- a typology of consulting activities available to support the design of public policies or programmes, or to support their implementation or reform.

Lastly, at the end of 2021, AFD launched a project to support innovation in order to provide tools for project managers for the implementation of citizen participation actions. It aims to:

- help structure citizen participation and innovation activities in project management that will be funded the AFD group;
- promote a range of innovative public action approaches among beneficiary project managers and then support them in the initial stages (calls for projects, prototyping, beneficiary-oriented design);
- support the use of digital technology, considered an essential condition for the success of the institutional development and strengthening process, as a decisive means of guaranteeing the success of the transformation and of public action.

2.7 Fair practices

2.7.1 Initiatives to prevent corruption, fraud, money laundering, terrorist financing and tax evasion

Corruption, fraud and any form of misappropriation of public and private aid will cause long-term damage to the AFD group's mission of acting to protect the most vulnerable populations. The same applies to any funding which, unknown to AFD and Proparco, would lead to money laundering or to the financing of terrorism. To avoid unwittingly participating in any of these violations, the AFD Group has a general policy on prohibited practices, available on its institutional website[1], which was revised in 2020, in the form of operational procedures describing in particular the commitments made by the Group, the verification actions carried out, as well as the remedial measures likely to be taken in cases of detection of such practices. The AFD group also has guidelines for the examination of such practices. Since September 2021, AFD's institutional website has offered any third party the opportunity to report any allegations of fraud and corruption relating to its activities.

The AFD Group implements a programme to prevent and combat corruption and influence peddling within its organisation, in conformity with the "Sapin II" Act, which became applicable in December 2016. The Group adopted an anti-corruption code[1] of conduct, clarifying the expected and prohibited behaviour of Group employees regarding the prevention and fight against corruption and influence peddling in performing their duties. The Group adopted a professional whistle-blowing system open to internal employees and external or temporary service providers working for the Group. It also mapped the risks of corruption and influence peddling, integrated into the mapping of operational risks.

With regard to service providers and suppliers, in 2020 the Group developed a risk classification matrix to assess the risks of supplier corruption. The objective of this matrix is to determine the gross risk (low, medium, high) presented by these suppliers, resulting from a rating based on two axes: the financial impact of the supplier and the corruption risk index of the country where the supplier is registered. In 2021, the Group developed a procedure to enable it to identify and assess the risk of corruption associated with suppliers, from the start and throughout the business relationship with them. This procedure will come into force in 2022. In 2022, the Group will also adopt a charter as part of its relations with its suppliers, aimed at specifying the commitments expected from them or any potential subcontractors, notably in terms of ethics and the fight against corruption.

In 2022, the beneficiaries of philanthropic and sponsorship actions will also be subject to an assessment process of their situation with regard to corruption risk factors.

Controls on the merits of transactions (such as the absence of accounting entries likely to conceal acts of corruption or influence peddling) were implemented in 2020. They will be completed and reinforced in 2022.

Mandatory e-learning training modules, dedicated to the prevention of corruption and influence peddling, as well as an AFD group anti-corruption code of conduct, were rolled out in 2021 among employees of the AFD group and will be monitored annually by the latter.

This anti-corruption and influence peddling compliance programme applies not only to AFD as an industrial and commercial State public undertaking but also to its subsidiaries Proparco, Sogefom[2] and Fisea.

2.7.2 Checks made during a projects life cycle

In accordance with banking regulations, prior to beginning a project, the counterparty and any appropriate shareholders are researched in depth in order to identify the beneficial owner. Individuals subject to political exposure are also identified. As part of the monitoring of project execution, the methods for reimbursing and receiving amounts of any kind, in particular dividends, and for the settlement of equity investments (transfer of equity investments) are closely monitored, because they can reveal fraudulent practices.

At the time of the examination, and then throughout the life of the projects, the Group provides its employees with a filtering tool which consolidates information such as the financial and commercial sanctions adopted by France, the European Union, the United States, the United Kingdom and the UN. This filter is also integrated into the settlement processing chain issued by AFD's Finance Department. The objective is to ensure that no counterparty, person concerned by the controls, supplier or beneficiary of a call for tenders financed by AFD, is facing financial sanctions, or intervenes in sectors under embargo.

It should be noted that when reports of prohibited practices are reported in connection with the implementation of projects, they are processed, since the end of 2018, by a dedicated function within the Compliance Department. The "Investigation" function's main task is to investigate, in a professional and objective manner, the reports made to it by AFD group employees (called "suspicions") or by third parties (called "allegations") concerning prohibited practices, namely acts of corruption, fraud, anti-competitive practices, money laundering and terrorist financing.

(1) https://www.afd.fr/en/combating-corruption

(2) Sogefom (Société de Gestion de Fonds de Garantie d'Outre-Mer) is a guarantee fund that, at the request of banks, provides partial guarantees for loans that banks grant to VSEs and SMEs (defined according to European standards).

2.7.3 Checks carried out as part of the foreign public procurement process

Public procurement for contracts financed in foreign States by the AFD group undergo specific checks ensuring that the various stages of the procurement process unfold under the required conditions of integrity, transparency, fairness and efficiency. These checks are published through the issuance of a notice of no objection (NNO) and are carried out *ex-ante* at specific stages of the public procurement process. In some cases, and after AFD's approval, an *ex-post* control may also be exercised for some procurement processes.

In addition to these controls, AFD imposes exclusion criteria for project management, in addition to those existing in local legislation. Thus, a contract cannot be financed by AFD if the successful tenderer is in one of the cases of exclusion or ineligibility specified in the Directives for the award of contracts financed by AFD in foreign States[(1)].

Already in preparation before the health crisis, a comprehensive e-learning training course on the award of contracts, primarily for project managers, was launched in June 2020. In response to the Covid-19 crisis, this tool made it possible to offer an alternative while the crisis prevented the training missions planned for project managers. Internally, training was also adapted so it could be delivered remotely. In 2021, this digitisation also made it easier for employees in local offices to participate, thus transforming the initial constraint into an opportunity for other sectors (see below, section on "Skills development, employability, training").

2.7.4 Counterparty commitments

AFD group's financing agreements include a certain number of provisions that impose commitments on counterparties in terms of combating corruption, fraud, cartels, money laundering and terrorist financing. These clauses require counterparties to inform AFD of any allegations of prohibited practices or proven reprehensible practices, and to take remedial measures to comply with the Group's expectations. In the absence of remediation, the Group reserves the right to trigger an event of breach. The Group can suspend payments, cancel the portion of its financing in relation to which improper or non-compliant practices have been detected and demand early repayment of all or part of a loan or repayment of all or part of a grant paid. The Group may also decide to take the matter to the French courts or to the local courts where the project is being carried out.

2.7.5 Information escalation systems

There are several reporting mechanisms within the AFD group to report reprehensible practices. Firstly, Group employees have an operating incident declaration system which collects and centralises all shortcomings identified by employees (including AML/CFT/corruption and fraud issues).

Group employees must also report, through a reporting mechanism following management reporting lines, any suspicion of irregular practices within or outside projects. The processing of these reports is managed by the "Investigations" function of the Compliance Department in order to have an exhaustive overview of the cases encountered, and to ensure a consistent response. The Group's employees also have the right to consult the Director of this department and his/her deputy directly if they believe they have identified a situation where there is a compliance risk.

Since January 2019, the AFD Group has provided its employees with a whistleblowing system, in accordance with the requirements of the so-called "Sapin II" law of 9 December 2016. This system constitutes an ancillary, voluntary and optional warning system when an employee believes that current alert channels have not operated properly, or that there is a serious obstacle preventing their use.

Lastly, since September 2021, a reporting system has been open to the Group's stakeholders on the AFD institutional website[(2)].

2.7.6 Training of Group employees

In accordance with applicable French regulations, the AFD group ensures that all of its employees, including those of its office network, receive regular training and notifications on the risks and procedures to implement in terms of the fight against money laundering, terrorist financing, fraud and corruption.

Due to the health crisis, this training was again delivered both in e-learning format and through a webinar.

(i) **AML/CFT training provided in e-learning format:** all Group employees and representatives (head office and network, whether newcomers or existing employees) were asked to take one or two e-learning training modules. The number of modules assigned to each employee takes into account the risks identified with regard to the activities carried out by the employee. In 2021, 83% of the Group's employees subject to the obligation to follow module 1 validated their training (2,478 employees out of 2,979 employees subject to completing this module, a group comprising employees on permanent and fixed-term contracts, as well as international volunteers and civil servants seconded to AFD) and 62% of Group employees subject to the obligation to follow module 2 validated their training (1,145 employees out of 1,838). Among this staff, 83% of AFD employees validated module 1

(1) *See Guidelines for the award of contracts financed by AFD in foreign States – October 2019: https://www.afd.fr/fr/ressources/directives-pour-la-passation-des-marches-finances-par-l-afd-dans-les-etats-etrangers*

(2) *https://www.afd.fr/en/form/signaler-un-abus*

(2,126 trained out of 2,576) and 60% validated module 2 (881 trained out of 1,458). In addition, in 2021, the completion of module 1 of the AML/CFT e-learning training was included as an indicator in the calculation of the Group's profit-sharing and will be the subject of a "point of attention" in 2022 as part of the annual assessment interviews[1].

(ii) **Training provided in e-learning format on the fight against corruption and influence peddling and the management of conflicts of interest:** in 2021, a set of six online training modules on several risk topics was made available to Group employees under the "Must" label; one of the six modules concerns the fight against corruption and influence peddling and the management and treatment of conflicts of interest. 62% of the Group's employees validated this module (1,859 trained out of 2,979 subject to the obligation to follow these modules); among this group, 63% of AFD employees validated this training (*i.e.* 1,614 trained out of 2,576 enrolled).

(iii) **Training delivered in a face-to-face or webinar format:** they complement the self-training system and aim to provide employees with all the regulatory and legislative knowledge required to carry out their activities within the AFD Group. In 2021, 256 employees were trained (new hires and some employees catching up). These training courses are adapted to the profile of the people trained because they take into consideration the assignments of employees as part of the process of welcoming new hires but also with regard to the professional mobility carried out by AFD group employees. The Compliance Department thus developed two offers: one intended for operational employees, and the other for support employees.

2.7.7 Initiatives undertaken to prevent tax evasion

Eager to participate in the French policy to combat fraud and tax evasion, as promoted by France in the framework of the G8, the G20, the 2014 Law on the Orientation and Programming of Development and International Solidarity Policy (LOP-DSI) and the Interministerial Committee for International Co-operation and Development (CICID), the AFD group has had a rigorous policy since 2009. This policy is specific to transactions carried out and projects financed in non-cooperative jurisdictions (NCJs) for tax or AML/CFT matters, or with regard to transactions involving one or more NCJs and/or, more broadly, one or more jurisdiction(s) considered as offshore centre(s).

As such, any project involving a counterparty registered in a NCJ (whether it is a fiscal NCJ or AML-CFT) is considered to present a very high level of risk under the AML/CFT risk classification of the Group. The level of due diligence expected for its projects is therefore more granular.

When a project involves one or more fiscal NCJs or LCB/FTs, the AFD Group's policy sets out the categories of operations authorised or eligible for Group financing: depending on the case, the presence of fiscal NCJs may be authorised under conditions or strictly prohibited.

The AFD Group's JNC policy is subject to regular updates, both as regards the list of countries concerned, and the content and methods of application of the restrictions.

The Group initiated a project to reform this NCJ policy in 2022, looking for greater clarity for the operational teams, and a more detailed understanding of the taxation of projects.

2.7.8 Specific risks of non-compliance related to the Covid-19 crisis

Against a backdrop of an upsurge in fraud, a trend specific to each period of crisis, the Compliance Department has endeavoured to prevent the risks of non-compliance linked to the criminal opportunities offered by this pandemic.

Thus, Compliance has been attentive to communications from regulatory bodies (ABE, ACPR, AMF) calling for enhanced vigilance in terms of AML/CFT, fraud and corruption or those of financial intelligence units such as Tracfin in France or FinCEN in the United States, which raised awareness in the banking and financial sector about the types of financial crime relating to Covid-19. Unsurprisingly, these entities emphasised that the typologies encountered reflected those that were traditionally observed following natural disasters or crises, and that the scams commonly encountered, such as false transfer orders, had been able to adapt to the increasing number of orders for medical equipment and increased funding for healthcare projects. These players in the fight against money laundering also highlighted the significant risks of misappropriation of State mechanisms put in place in response to the crisis.

In this context, the Compliance Department's "Investigation" function wanted to reinforce the vigilance of the Group's employees by sending dedicated communication messages describing the most sensitive risk areas and providing tools/advice aimed at protecting the institution but also its partners against the risks of fraud and embezzlement.

(1) *In 2020, 77% of the employees enrolled in pathway 1, comprising one module (i.e. 890 of the 1,154 people enrolled), completed their training and 76% of the employees enrolled in pathway 2, comprising two modules (i.e. 1,310 of the 1,724 people enrolled), completed their training. The format was reviewed in 2021 to allow a greater number of employees to participate in training.*

2.8 A meaningful work environment

2.8.1 The ethics system

The AFD Group is well aware of the strong demands associated with its public service mission in French Overseas Departments and Collectivities and Foreign Countries, and in 2004 decided to put in place an ethics system.

In the summer of 2020, Executive Management decided to appoint the internal mediator, also, as the Ethics Adviser, and to entrust her with a task of reflecting on the AFD group's ethics system, as well on the synergies between the two functions. This mission resulted in policy proposals that were validated in 2021 and will be implemented in 2022. These new guidelines focus on the links between ethics and individual and collective questioning around the group's values, and on appointing a representative Ethics Adviser, who is independent and invited to clarify some sensitive issues for all employees during "Ethics dialogues".

The group's ethics system is based on three pillars: a charter, an ethics committee and an adviser.

The Ethics Charter[1] was written in 2004 and updated in 2012. It defines a common ambition for the Group and its employees, guidelines for behaviour and commitments consistent with its triple status as a development agency, a financial institution and a public body. The Charter "aims to reinforce the identity, unity and performance of the institution […] and also to protect the Group and its employees against any reputational risk" (Article 1). It applies to every employee, regardless of their business line, hierarchical position or duties. It promotes commitment, integrity, openness and adaptability which are the Group's four key values (Articles 11 to 15). A copy of the Charter is given to new recruits when they sign their employment contract. An update of the Charter is being drawn up, integrating Expertise France, and providing a single Ethics Charter for the Group.

From May 2017 to May 2021, the ethics committee has met at least six times a year. It was chaired by AFD's Chief Operating Officer and comprised members representing each of AFD's executive directorates, Proparco, the staff (social and economic council) and the Ethics Adviser. On the strength of the many business lines it represented, it shared with Executive Management and the Group its discussions and recommendations on operational ethical subjects that it identified or that were submitted to it. The committee will be replaced by an ethics council, with a different role and composition, as part of the new guidelines for the ethics system decided at the end of 2021.

The Ethics Adviser runs training/awareness-raising sessions for newcomers or staff soon to be posted abroad. Following the pooling of the ethics and mediation functions, the information, awareness-raising and training sessions cover both subjects, with some exceptions. As such, 26 sessions on ethics and mediation (including three in the network) were conducted in 2021, reaching 477 employees.

The Ethics Adviser participates in regular exchanges on ethics with all the head office teams and visits several offices worldwide each year (outside the current health context). He meets regularly with Executive Management and the members of the Executive Committee. He can be contacted directly by all Group employees. The Adviser welcomes, listens and gives confidential advice to all head office and network employees who wish to talk about a problem or have a question about ethics (44 consultations in 2021, 18 of which from the network compared to 112 consultations in 2020). Following the establishment, in January 2021, of a new procedure for managing conflicts of interest, the Ethics Adviser is no longer the point of reception for these files, which are now the responsibility of the compliance team at the Risk Department. This transfer largely explains the decrease in the number of ethics consultations observed in 2021. The health situation also led to a reduction of the number of ethics awareness-raising sessions, as well as to shifting communication around the ethics system.

While protecting the anonymity of people interviewed, the Ethics Advisor has regular exchanges with the Executive Management and reports on his activities to the Boards of Directors of AFD and Proparco, as well as to their specialised committees, as necessary. In addition, the Ethics Adviser supervises the AFD system for managing environmental and social complaints. Lastly, since January 2019, it has been the point of entry for AFD group's professional whistleblowing system.

Through its positive and constructive educational methodology, the ethics approach strives to be attractive and engaging, and seeks to sharpen individual and collective questioning as well as everyone's responsibility in understanding and implementing the Group's values.

2.8.2 Skills development, employability, training

After the considerable impact of the health crisis on training in 2020, results in 2021 clearly show a dynamic of upturn. A transition period now seems to be starting, with training practices being sustainably transformed by two years of remote work and the search for a measured return to face-to-face interactions, and whose specific educational objectives are being re-examined.

In 2021, the total number of training hours completed by employees increased by 65%, from 29,636 hours to 48,932 hours[2]. This significant increase is the result of several factors. The first is the extension of the remote methodology to almost all of the training provided by the Group. This extension is itself the result of the development of the skills of internal and external stakeholders in remote management, the engineering carried out on topics hitherto partially covered, and the gradual acculturation of employees to this method. Another factor also explains this increase: the roll-out of the first large-scale mandatory training campaign at the Group; the hourly volume of these "Must" training courses, which address various recommendations and regulations, amounted to a total of 8,228 hours.

(1) https://www.afd.fr/en/ressources/ethics-charter-afd-group

(2) Overall training effort (including mandatory training), for all types of employee (general managers, local managers, international volunteers, interns and staff seconded to AFD).

Over the course of the epidemic waves in 2021, remote training made it possible to cover both operational needs and individual support, without disruption. It supported employees embarking on a professionalisation process or internal mobility. It served as a breadcrumb trail for newcomers in their remote discovery of AFD. It brought together very large audiences and opened up a space for expression and discussion other than team meetings. Thanks to the virtual classes, 427 local employees[(1)] were able to participate in training sessions organised by the Human Resources Department. As we observed in the spring of 2020, the remote methodology increased the accessibility of training for people far from the head office.

The benefits derived from the digital transformation of training since March 2020 are therefore undeniable. However, they are not incompatible with the need to reintroduce face-to-face interactions, wherever possible.

2.8.3 Social dialogue and employee relations

Social dialogue is a cornerstone of AFD Group's policy and a driver of fairness, cohesion and commitment amongst employees. Accordingly, the Group has adopted various systems to deal with the risks inherent in employment practices, the lack of internal dialogue on social issues, and psychosocial risks.

The AFD human resources policy prioritises on more inclusive social dialogue. The corporate social responsibility policy[(2)] adopted by the AFD Board of Directors in 2018 undertakes to strengthen the dialogue with all Group stakeholders, and to ensure harmonised management of human resources.

Four key principles underpin social dialogue within the Group: a constructive dialogue between management and personnel representatives; compliance with each person's rights; professionalism in negotiations; and the anticipation of social issues. Accordingly, major changes planned within the Group are subject to negotiations and dialogue with trade unions and to procedures for informing and/or consulting with personnel representative bodies.

AFD does not have a branch collective agreement. Labour contracts for AFD employees under French law are governed by staff regulations unique to each institution. Employees recruited in foreign agencies have an employment contract governed by a staff regulation in the form of a collective agreement or internal regulations and are subject to compliance with the provisions of local law.

Social and economic committees are in place at all the institutions that make up the AFD (head office and five overseas departments: Reunion, Mayotte, Guyana, Martinique and Guadeloupe), as well as centrally.

The last professional elections were held in May 2021. In addition to the renewal of elected members in each Social and Economic Committee (SEC), these elections were marked by the emergence of a new representative union, the UNSA, which brings the number of representative unions at AFD to five (Autonome FO, SNB CFE-CGC, CFDT, UNSA, CGT).

A new collective agreement relating to the operation of the institutions' SECs and the central SEC was also signed on 6 April 2021, and organises employee representation as follows:

- a **head office Social and Economic Committee and five local Social and Economic Committees for the French Overseas Departments** collectively represent employees for all matters related to the company's management, economic and financial development, organisation and working conditions, vocational training and social protection. Moreover, they organise social and cultural activities established within the company. The Social and Economic Committees also work to ensure the protection and safety of employees, to improve working conditions, and to gather and present to the company all individual and collective employee claims on the application of laws and by-laws;
- a **Central Social and Economic Committee** holds four yearly ordinary session meetings that bring together representatives from the six committees and handles strategic, financial and economic initiatives that affect all employees governed by French law. It may also be required to handle matters related to health, safety and working conditions at the central level.

Moreover, a **Group committee** meets annually, bringing together employee representatives of AFD and its subsidiaries.

Created in 2017, the committee representing AFD employees in foreign countries (CREE) brings together personnel representatives working in AFD or Proparco agencies/offices abroad, whether employees governed by local law (permanent or temporary contract) or service providers (in countries where social legislation does not allow direct employment by the Agency). Its creation is consistent with AFD's corporate social responsibility commitments. The first elections were held in February 2018, and the committee met for the first time in March 2018 at the AFD head office in Paris.

As the terms of office of CREE representatives expired on 26 February 2021, elections were held on 14 April 2021. Given the health situation, these were conducted electronically. Another novelty of these elections was that the electoral scopes changed and the number of seats was adjusted accordingly. Thus, sixteen seats were to be filled, distributed within each of the sixteen Regional Directorates. All seats were filled in the elections.

Discussions with the representative trade unions during 2021 mainly focused on the reform of the Staff Regulations, and then on the negotiation of a classification agreement, which was extended in 2022. It should be noted that this reform project is causing tensions with the trade unions. Thus, some organisations did not participate in the discussions on the future Regulations. Opposition to the reform resulted in two strikes, on 21 October and 2 December 2021. Subject to the information-consultation procedures under way, and the approval of the Ministries, the new Staff Regulations, common to AFD's head office and the five French overseas departments, should come into force on 1 January 2023.

(1) Excluding mandatory training. In 2020, 237 local employees benefited from the training actions organised by the Human Resources Department.
(2) https://www.afd.fr/en/ressources/afd-groups-corporate-social-responsibility-policy-2018-2022

Furthermore, in 2021, the application of the collective agreement on teleworking in the context of the health crisis generated a dispute over interpretation. The Paris Court of Justice *(Tribunal Judiciaire de Paris)*, to which the trade unions had referred the matter, gave them satisfaction.

Among the negotiations initiated in 2021, several resulted in the signing of a collective agreement.

A review of collective agreements (and notifications of disapprovals) signed in 2021:

21/01/2021	Agreement on gender equality in the workplace (2021-2023)
18/03/2021	Electronic voting agreement
30/03/2021	Agreement on the extension of the terms of office of employee representatives
06/04/2021	Agreement on the functioning of the social and economic committees of the institutions and the central social and economic committee
15/04/2021	Minutes of the disagreement in relation to the Negotiation on remuneration, working hours, and the sharing of added value in 2021
30/06/2021	Agreement on profit-sharing for the 2021, 2022 and 2023 financial years

At the employee representative bodies, a number of issues were addressed. Of the 12 consultations held at the head office SEC, ten resulted in a favourable opinion, seven of which were unanimous. At the level of the central SEC, 11 favourable opinions were issued, including six unanimously among the 12 projects submitted for consultation.

Finally, 2021, like 2020, was marked by the Covid-19 pandemic. Faced with this health crisis, social dialogue had to adapt: remote meetings and signatures, multiple meetings to inform and consult the social partners on the management of the crisis, professional elections adapted to the health context, implementation of a remote voting tool for procedure meetings, etc.

2.8.4 Promotion of professional equality and diversity

2.8.4.1 Promotion of professional gender equality

Professional gender equality is a major priority in the AFD Group's human resources management policy, which aims to promote diversity and equal opportunities. It is anchored in the Group's values and is an integral part of its corporate social responsibility approach.

A new "professional equality" agreement, signed with the social partners, has been in force since January 2021. It reflects the commitment of AFD's management and its elected officials to continue the actions to promote professional equality initiated several years ago and reaffirms their commitment to respect the principle of non-discrimination and equal opportunities for women and men. Guaranteeing professional equality, developing diversity in jobs at all levels and in different functions, and promoting gender parity represent a source of progress and overall performance, both economically and socially. This approach is consistent with the approach initiated by the Group in terms of its operations by making the theme of gender a lever for achieving the SDGs.

The new agreement identifies the following professional equality priorities for the Group:

- access to employment;
- promotion and professional development;
- equal pay;
- work organisation, work-life balance;
- training and awareness-raising on professional equality;
- action in the fight against domestic violence.

The agreement is applicable from 2021 to 2023 and includes employees working in French overseas departments. AFD is increasing its objectives in terms of recruiting women engineers, promoting women to high-level positions of responsibility, and expatriation. In addition to maintaining its previous commitments, AFD is innovating by setting up a support system for caregivers. Onboarding training without discrimination becomes mandatory for managers.

In addition to previous achievements, the focus was on the implementation of a system to prevent and combat domestic violence. AFD signed the charter of commitment against domestic violence in the presence of Minister Élisabeth Moreno. Thanks to a partnership with the inter-company collective OITW, supported by the FACE foundation, AFD benefits from an e-learning module dedicated to domestic violence, and human resources managers received more in-depth training. A communication campaign informed all employees of useful contacts and social assistance that can be activated in the event of domestic violence.

The Executive Committee was made aware of the links between ordinary sexism and professional gender inequality.

AFD's efforts concerning professional gender equality were recognised when it received the AFNOR label(1) on professional equality in July 2021. AFD published its gender equality index at 1 March 2021 in accordance with the law on the freedom to choose a professional future (2018). This index stood at 92 points out of 100.

(1) Association française de normalisation.

2.8.4.2 Promoting diversity within teams

The issue of diversity is at the heart of the AFD Group's action and human resources policy, with 85 local branches and offices and 17 Regional Directorates worldwide. The teams of women and men on the ground are diverse, plural, multicultural and multi-generational.

AFD has undertaken a structuring approach to promote diversity and inclusion since 2019. This commitment was recognised when it obtained the AFNOR diversity label in July 2021.

AFD continued its actions: awareness-raising, training, use of an external listening unit, participation in an inclusion barometer. In October 2021, AFD organised its first Diversity and Inclusion Week. On this occasion, awareness-raising among employees took place at conferences on the inclusion of LGBT+ professionals, racism, and discrimination regarding age and disability. Sessions to present the diversity policy were organised at the departments, the objective being for all teams to be informed of AFD's commitments. The group of diversity "relays" celebrated its first year of existence and a working group for the inclusion of LGBT+ people at AFD was launched. The management training course includes a segment dedicated to discrimination, diversity and inclusion. At the end of 2021, 38% of managers had completed the online training on "Recruiting without discrimination".

2.8.5 Quality of employee working conditions and safety

AFD Group strives to ensure high-quality working conditions and the safety of individuals. Since 2020, in response to the Covid-19 crisis, the Group has had to make adjustments to its operations at an unprecedented scale and pace, requiring significant support for the prevention of potential risks, notably in relation to the widespread use of teleworking. These adaptations have also led to learning and created opportunities in relation to new ways of doing things.

2.8.5.1 Security of Group employees

The security of property and people at the AFD Group is based on several internal policies and texts, which were updated in 2021; the only one not to be completed was the revision of the crisis management plan, which will be finalised in 2022. These texts, in order to address the entire AFD spectrum, cover activities in France and abroad (Group security policy, PSEC) and local office security policy (PSAG). These documents are brought to the attention of all Group employees and can be consulted on the Group's intranet.

In addition, the Group has an international security management system, led by the department in charge of safety, which is regularly audited by AFD's General Inspection Department. This system, pursuant to the international security risk prevention strategy published in 2017, positions the Regional Directorates at the heart of the system. This makes it possible to better take into account the diversity of security situations in the network, and to have a system that is as adapted as possible to the security situations concerned, guaranteeing responsiveness in the event of an incident.

In addition to the security standards and the process to secure travel abroad – updated in 2021 -, AFD has deployed human resources exclusively devoted to network backup. Regional security advisers, some of whom are positioned at the Regional Directorates, are permanently available to the regional directors to ensure constant security vigilance and to dynamically adapt local protection resources. The Security Advisers also contribute to reinforcing security culture in the field, and assist the AFD crisis management unit when it manages potential emergencies.

The security sector lead located at the head office coordinates the entire system and ensures it is consistent across the Board. It sets up a permanent monitoring system based on a regular monitoring unit, which meets regularly. This unit takes all permanent or temporary decisions on a global level that are necessary to ensure employee security.

Security training and awareness-raising actions continued in 2021 at the head office and in the network, despite the current health crisis. All employees who are new to AFD are made aware of AFD's security challenges and how the protection systems they benefit from on a daily basis. The regional directors were systematically trained in their specific responsibilities in terms of safety. Awareness-raising e-learning modules set up in 2018 explaining the authorisation procedure for assignments was put on hold this year; as the security system has evolved, an update is necessary in order to bring it into line with the revised mission security procedure.

In order to raise employee awareness of international security risks, the department in charge of security has set up a series of e-learning modules, which are also mandatory: depending on the risk where the AFD employee is heading, the agent will have to follow one or more modules containing context scenarios.

In addition, AFD strengthened its "mission risk management" training system (Hostile Environment Awareness Training): in addition to the sessions organised in France *via* Expertise France and the Ministry of Europe and Foreign affairs, almost 80 Group employees were trained in 2021 in the network (Greater Sahel and Near and Middle East Regional Directorates).

The department in charge of security also reinforced the security of its agents, whether departing from France or abroad, by establishing a mission monitoring tool. AFD's travel security procedure was digitised in this tool, giving the security department a complete view of the location of its employees.

In addition to traditional security measures, AFD has deployed specific protection measures to take into account the situation related to Covid-19. In order to manage this unprecedented situation, AFD activated its Business Continuity Plan (BCP) under the direction of the Covid-19 crisis unit. The BCP is intended to cover all of the Group's business lines and activities, including its subsidiary Proparco. This plan is intended to ensure the continuation of the Group's business in the aftermath of a disaster of low likelihood but with critical impact. AFD's continuity system covers four perfectly identified types of claims: the total or partial unavailability of one of the Parisian offices (AFD or Proparco); the simultaneous unavailability of the two Paris offices; the unavailability of the hosted information system; and the unavailability of a significant portion of the Group's staff.

As of 21 January 2020, a reinforced health watch was put in place to monitor the development of Covid-19 in China. The crisis unit was activated on 25 February 2020 to take global emergency measures for the Group and then to activate the BCP from 16 March 2020.

Reinforced security measures were taken by the crisis unit to ensure the health security of employees at the head office and in the network. In addition to hygiene and physical distancing measures, teleworking rapidly became widespread throughout the Group. All these provisions relating to employee health were discussed at length with the employee representative bodies and included in the Single Document on Occupational Risks (DUERP).

In 2021, the crisis unit continued its regular meetings and exchanges in order to best support all AFD employees and structures.

2.8.5.2 Large-scale improvement of remote working conditions

In 2020, the Covid-19 crisis led AFD to put its telework system to the test on a real scale, thanks to the tools and services made available by the Information Systems Department, at the head office and in the network's local offices: laptops, remote access to information system applications, widespread use of the Skype for Business audio-video communication tool, and extension of remote access possibilities to business applications.

In 2021, the Group continued its actions to extend its range of services to improve remote working conditions for employees at the head office or in local offices.

The videoconferencing service was completed to allow hybrid meetings (face-to-face/remote), whatever their size and purpose (from working meetings to various committees and the Board of Directors):

- supplementing the Skype tool by rolling out a new PEXIP tool, allowing the use of video for more than 4/5 people without performance degradation (optimisation of the bandwidth of computer networks);
- videoconferencing project adapted to new working conditions to facilitate hybrid meetings, by equipping all meeting rooms with videoconferencing systems, at the head office and in the local offices.

The reinforcement of AFD's communication capacities was pursued:

- by setting up a redundant very high-speed Internet link (2*10G), making it possible to secure remote working connections and the increased use of video for hybrid meetings at the head office and in the local offices;
- by continuing and completing the project to review branch telecom links in order to increase the number of sites eligible for videoconferencing;
- by deploying a new Wi-Fi connection system in the local offices.

The digital initiatives committee (cross-cutting working group) continued its identification activities in 2021, publishing, in March 2021, a range of digital services (ten types of needs covered with more than 17 tools provided): distance learning (e-learning), collaborative work, organisation of webinars, video publishing. Work on the electronic signature led to an extensive experiment, with a view to its generalisation taking place in 2022.

User support was reinforced through the creation of a unit responsible for supporting the use of tools for the organisation of events or meetings in hybrid mode (speeches by Chief Executive Officer, board meetings, interactive seminars), and the development of a support service to react quickly to problems in using these tools.

The end of 2021 was marked by the launch of the audiovisual equipment modernisation project in the auditorium with a view to holding internal or external high-stakes seminars in hybrid mode.

2.8.5.3 Quality of working conditions

The agreement on quality of life at work signed at the beginning of 2020 was the roadmap in this area, in parallel with the exceptional measures taken to address the health crisis that continued throughout 2021.

The emphasis remained on the prevention of psychosocial risks. All internal and external prevention players (managers, HR managers, social partners, occupational health services, psychologists, the mediator, etc.) were mobilised to provide the best possible support to all employees. The psychological assistance firms deployed at the head office and across the network saw their work reinforced, in order to respond to the increasing number or requests resulting from this uncertain and potentially anxiety-causing context. The risks in relation to remote working were regularly identified and the DUERP (Single Occupational Risk Assessment Document) was updated accordingly and presented to the social partners. A joint unit monitoring suffering at work makes it possible to examine the situation of colleagues who express a need in this respect, and to find appropriate responses in a collegial manner.

The preservation of health and the management's goodwill were at the forefront throughout the health crisis, in view of the constraints imposed on teams by the extended periods of teleworking. Communication with employees from Management, human resources, the General Secretariat and the internal crisis unit was regular to inform, support and disseminate best practices and maintain contact with employees.

Several webinars and workshops were provided, notably as part of the Quality of Life at Work Week: "Managing your energy", "Non-violent communication", "Reasoned negotiation", "Recognition", "Working together with our differences", in order to support employees and managers on matters of particular importance to them. Remote training was also provided to managers, to support them in their role as players in the quality of life at work, and to consolidate their remote management skills.

A social barometer was used. It aims to obtain statistical data and indicators concerning the various dimensions of the working environment: well-being, commitment, work-life balance, workload, management, professional development, interpersonal relationships, and adherence to values. It makes it possible to assess the impact of the policies put in place and the effectiveness of the prevention actions carried out, and to adapt them to the new contexts encountered where necessary. Overall, the results of the barometer were satisfactory. However, although the stress indicator was in line with the external benchmark, it requires further vigilance, notably with regard to the ability to disconnect and with high workloads. The well-being and commitment indicators were favourable and slightly above the benchmark. This barometer, which will be updated regularly, will make it possible to monitor changes over time. Results were presented to all staff and to the different executive directorates.

A special effort was made to promote soft mobility. The sustainable mobility package ("FMD") was implemented and significantly increased so that AFD's effort to cover the costs of public transport is equivalent to the effort to finance the costs of soft mobility.

Although the AFD Group has been regularly developing telework for its head office employees for several years, the health crisis turned it into a permanent feature of working practices. This "full-scale test" enabled the Group to overcome any fears that might still remain. A large majority of employees now take advantage of the possibilities offered by the teleworking agreement currently in force. This method of work organisation is set to become part of the working environment at the head office and across the network, where teleworking will be formalised in 2022.

2.9 Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

For the year ended 31 December 2021

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the COFRAC under number 3-10491 [(1], we have undertaken a limited assurance engagement on the historical financial information (actual or extrapolated) of the consolidated non-financial statement, prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), for the year ended December 31st 2021 (hereinafter, respectively, the "Information" and the "Statement"), included on a voluntary basis in the Group's Management Report pursuant to the requirements of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (Code de commerce).

CONCLUSION

Based on the procedures performed, as set out in the "Nature and scope of our work" section of this report, and the information collected, nothing has come to our attention that causes us to believe that the Statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

PREPARATION OF THE STATEMENT

The absence of a commonly used generally accepted reporting framework or as established practices on which to draw to evaluate and measure the Information allows for different, but acceptable, measurement techniques that can affect comparability between entities and over time.

Consequently, the Information needs to be read and understood together with the Guidelines, the main elements of which are presented in the Statement (or available on request from the entity's registered office).

RESPONSIBILITY OF THE ENTITY

The Management Board is responsible for:

- Selecting or establishing suitable criteria for preparing the Information;
- Preparing a Statement in accordance with legal and regulatory requirements, including a presentation of the business model, a description of the main extra-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators, and the information provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- Implementing internal control over information relevant to the preparation of the Information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared by applying the entity's Guidelines as mentioned previously.

RESPONSIBILITY OF THE STATUTORY AUDITOR, APPOINTED AS INDEPENDENT THIRD PARTY/ INDEPENDENT THIRD PARTY

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- The compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- The fairness of the historical financial information (actual or extrapolated) provided in accordance with Article R.225-105-I(3) and II of the French Commercial Code concerning action plans and policy outcomes, including the key performance indicators on the main risks.

(1) Accreditation Cofrac Inspection, number 3-1049, scope available at www.cofrac.fr

As it is our responsibility to provide an independent conclusion on the Information as prepared by Management, we are not authorised to help prepare said Information, as that could compromise our independence.

However, it is not our responsibility to comment on:

- The entity's compliance with other applicable legal and regulatory requirements (in particular, the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- The fairness of the disclosures provided for in Article 8 of Regulation (EU) 2020/852 (the Taxonomy Regulation);
- The compliance of products and services with the applicable regulations.

REGULATORY PROVISIONS AND APPLICABLE PROFESSIONAL GUIDANCE

We performed our work described below in accordance with the provisions of Articles A. 225 1 and following of the French Commercial Code, the professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes) relating to this engagement and International Standard on Assurance Engagements 3000 (Revised)(1).

OUR INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) for statutory auditors. Our firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with applicable legal, regulatory and ethical requirements and the professional guidance issued by the French Institute of Statutory Auditors relating to this engagement.

MEANS AND RESOURCES

Our work was carried out by a team of five people between December 2021 and March 2022 and took a total of three weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around ten interviews with the people responsible for preparing the Statement.

NATURE AND SCOPE OF OUR WORK

We planned and performed our work to address the areas where we identified that a material misstatement of the Information was likely to arise.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion:

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important(2). Our work was carried out at the head office of the consolidating entity.
- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;

(1) ISAE 3000 (Revised) - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

(2) Collective agreements on social dialogue practices; Strategic orientation plan; Employee health and safety policy; Commitments and actions to reduce the environmental impact of activities; Awareness-raising actions on ethics in business and professional relations; Procedures put in place in terms of good business conduct and the fight against corruption; Support system for organizational transformations; Actions in favor of the transparency of activities; E-learning training on the management of environmental, social and human rights risks

- For the key performance indicators and other quantitative outcomes that we considered to be the most important[1], we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

The procedures performed in a limited assurance engagement are less in extent than for a reasonable assurance engagement performed in accordance with the professional guidance issued by the French Institute of Statutory Auditors; a higher level of assurance would have required us to carry out more extensive procedures.

Paris-La Défense, on April 15th 2022

KPMG S.A.

Anne Garans	Valéry Foussé
Partner *Sustainability Services*	Partner

(1) *Group headcount at 31/12 and breakdown by gender; Percentage of people enrolled for AML/CFT training who validated the e-learning (for the pathway 1 and 2); Number of consultations with the ethics adviser; Percentage of sovereign and non-sovereign financing reported in IATI format; Number of complaints received by the complaints management system; Number and amounts of AFD projects that have undergone an environmental and social risk assessment; Number and amounts of Proparco projects that have undergone an environmental and social risk assessment; Share of activities undertaken by the Group with climate co-benefits; Greenhouse gas emissions (from headquarters).*

3
CHAPTER

Corporate governance

3.1 Report on corporate governance

This report on corporate governance was prepared by the Board of Directors pursuant to the last paragraph of Article L.225-37 of the French Commercial Code as amended by Order No. 2017-1162 of 12 July 2017.

3.1.1 Separation of the functions of Chairperson and Chief Executive Officer

In accordance with the transposition of the European Parliament and Council directive 2013/36/EU of 26 June 2013 ("CRD IV") by Order No. 2014-158 of 20 February 2014, by Decree No. 2014-1315 of 3 November 2014 and by Decree No. 2014-1316 of 3 November 2014, AFD, as a financing company, separates the functions of Chairperson and Chief Executive Officer.

At 31 December 2020, Executive management(1) was as follows:

	AFD position appointment	Other mandates and positions
Rémy Rioux	Chief Executive Officer (CEO) For 3 years, decree published on 29 May 2019	Proparco: Director, Chairperson of the Board of Directors International Development Finance Club (IDFC): Chairperson Académie des sciences d'Outre-mer: Permanent member of the 2nd section since 01/10/2021. International Olympic Committee (IOC): Member of the Board of Directors – Member of the "Public Affairs and Social development through sport" commission of La France s'engage.
Marie-Hélène Loison	Chief Operating Officer For an indefinite period, AFD/DGL Instruction Notes NI-2021-46 of 9 June 2021 and NI-2021-55 of 17 June 2021	Director of Proparco
Bertrand Walckenaer	Chief Operating Officer For an indefinite period, AFD/DGL Instruction Notes NI-2021-46 of 9 June 2021 and NI-2021-55 of 17 June 2021	Proparco: Director, Vice-President of the Board of Directors Chairperson of the Investment Advisory Committee Chairperson of the Proparco Appointments Committee Fisea: Permanent representative of AFD, shareholder, director, Chairperson of the Board of Directors and Chairperson of Fisea BPIfrance financement: Permanent representative of AFD on the Board of Directors as a non-voting Board member Expertise France; Representative of AFD on the Board of Directors of EF as an observer

CHIEF EXECUTIVE OFFICER: RÉMY RIOUX

A Senior Member of the Auditor General's Department, Rémy Rioux has held positions in France in the service of development and of Africa.

As Director of the Office of the French Minister of the Economy, Finance and External Trade from 2012 to 2014, he took part in the work to consolidate the public accounts and on the competitiveness of the French economy.

In 2014, he was appointed Deputy General Secretary at the French Ministry of Foreign Affairs and International Development. He was at the heart of economic diplomacy policy. He also coordinated the "finance" agenda for the French presidency of COP21 up to the final negotiation of the Paris Agreement on climate change.

In June 2016, he was appointed to the management of the Agence Française de Développement Group and was reappointed for a second term in 2019. He has also chaired the International Development Finance Club since 2017.

CHIEF OPERATING OFFICER: MARIE-HÉLÈNE LOISON

Marie-Hélène Loison is a graduate of the Institut d'Études Politiques de Paris and of the School of Advanced International Studies in Washington DC.

She began her career in 1996 at Société Générale, in export financing. She joined the AFD Group in 2000, at Proparco, AFD's subsidiary in charge of private sector financing, initially as an account manager to structure financing in the agribusiness,

(1) *The Chief Executive Officer, Chief Operating Officer and Deputy Chief Executive Officer are executive officers within the meaning of Article L.511-13 of the French Monetary and Financial Code.*

health and tourism sectors. She then joined the equity team, of which she became the head in 2008 in order to structure and develop its activity. In 2011, she became Deputy Chief Executive Officer of Proparco in charge of operations, at the head of a division of around hundred people, in France and abroad. She developed its activity, reviewed the strategy and contributed to a capital increase of €200M.

In 2015, she joined AFD as Director for the Mediterranean, overseeing a network of local offices in eight countries of operation. She initiated the development of activities in the Western Balkans and adapted activities in the Middle East in response to the Syrian crisis. She was appointed Executive Operations Director in September 2018, managing 1,500 people in charge of approximately €10bn in loans per year. There, she notably oversaw the creation of 17 Regional Directorates to decentralise management.

She took up her duties as Chief Operating Officer on 8 July 2021.

CHIEF OPERATING OFFICER: BERTRAND WALCKENAER

Bertrand Walckenaer, appointed Chief Operating Officer on 8 July 2021, had been, since February 2019, Deputy Chief Executive Officer of Agence Française de Développement. He was previously Head of the cabinet of the Secretary of State under the Finance Minister. Prior to that, he spent ten years at the Treasury (between 2005 and 2017), where he held a range of business-related positions: industrial restructuring, financing of aerospace exports, monitoring of foreign investments. He also represented the State on the Boards of Directors of Bpifrance, La Poste and CNP Assurances in 2016 and 2017. During this period, he spent two years at the Ministry for Foreign Affairs (2014-2016), as vice head of the cabinet of the Secretary of State for Foreign Trade. Finally, for one year Bertrand Walckenaer was technical director at the Pouma bush hospital in Cameroon (2010). He is a graduate of AgroParisTech and an international affairs graduate of Université Paris-Dauphine.

3.1.2 Executive Committee

Members of AFD's Executive Committee are appointed by the Chief Executive Officer.

In 2021, the composition of the Executive Committee was as follows:

- the Chief Operating Officer: Marie-Hélène Loison;
- the Chief Operating Officer: Bertrand Walckenaer;
- the Operations Executive Officer: Jean-Pierre Marcelli;
- the General Secretary: Sylvie Boyer;
- the Director of the Finance Department: Françoise Lombard;
- the Human Resources Executive Officer: Martha Stein-Sochas;
- the Risks Executive Officer: Amaury Mulliez;
- the Strategy, Partnerships and Communication Executive Officer: Awaiting appointment;
- the Studies, Research and Knowledge Executive Officer: Thomas Melonio;
- the Chief Executive Officer of Proparco: Grégory Clemente;
- the Head of the General Inspection Department: François Parmantier.

3.1.3 The Board of Directors

3.1.3.1 Composition of the Board of Directors

In accordance with Article R.515-17 of the French Monetary and Financial Code, the Board of Directors includes the following members, aside from its Chairperson:

- 5 members representing the French State;
- 4 members appointed for their expertise in economic and financial matters;
- 1 member appointed for his expertise in ecological and sustainable development issues;
- 1 member appointed for their expertise in migration matters;
- 4 members of Parliament (two deputies and two senators);
- 2 elected representatives of AFD's staff.

Each member of the Board of Directors can be substituted by an alternate, who is appointed under the same conditions as the permanent member, in the event of a scheduling conflict or absence.

The Chairperson of the Board of Directors is appointed by presidential decree based on the report of the French Minister in charge of the Economy, the French Minister in charge of Cooperation, the French Minister in charge of the French Overseas Departments and Collectivities and the French Minister in charge of Immigration. The age limit applicable to the Chairperson of the Board of Directors is 70 years of age. He or she casts the deciding vote in the event of a tie. If the Chairperson is absent, he or she is replaced by the eldest of the State representatives.

Members of the Board of Directors have a three-year term. However, the term on the Board of Directors of members of Parliament ends when they cease to be members of the assemblies to which they were elected. Members of the Board of Directors are not paid. However, the Chairperson of the Board of Directors receives compensation, the amount of which is set by joint decree by the French Ministers in charge of the Economy, Cooperation and French Overseas Departments and Collectivities.

AFD strives to better meet the principle of balanced representation of women and men on the Board, in particular when renewing offices. At the end of December 2021, there were 34 members. Of the 29 who had been duly appointed (17 permanent and 12 alternate), 13 were women (9 permanent and 4 alternate directors), representing 53% of the positions and 45% of the seats filled.

At 31 December 2021, the Board of Directors had the following members:

Director	Term on the Board appointment	Address	Current position Other offices held
Laurence Tubiana	Chairperson Decree published on 10/07/2019	Agence Française de Développement – 5, rue Roland-Barthes – 75598 Paris Cedex 12	**Chairperson of the AFD Board of Directors** • European Climate Foundation – Chairperson and Chief Executive Officer • IDDRI – Board member • Expertise France – Chairperson of the Board of Directors • French High Council for the Climate – Member • European Commission – Executive Vice-President Frans Timmermans - Adviser
Members representing the French State (5)			
William Roos	Permanent 19/05/2021	French Ministry of the Economy and Finance – General Directorate of the Treasury – 139, rue Bercy – 75572 Paris Cedex 12	**Head of Multilateral Affairs, Development and Trade/Co-Chairperson of the Paris Club – DG Treasury** • No other office or function
Christophe Bories	Alternate 03/04/2020	French Ministry of the Economy and Finance – General Directorate of the Treasury – 139, rue Bercy – 75572 Paris Cedex 12	**Deputy Director of Multilateral Financial Affairs and Development** • No other office or function
Anne-Hélène Bouilllon	Permanent 20/09/2021	French Ministry of Public Action and Accounts Budget Department – 139, rue de Bercy – 75572 Paris Cedex 12	**Deputy Head Europe, Foreign Affairs ODA, Asylum and Agriculture** Director representing the Ministry of the Budget at: • National Agency for Food, Environmental and Occupational Health Safety (Anses); • Campus France; • the National Forests Office; • the Service and Payment Agency (ASP); • the Office for Immigration and Integration (OFII); • Institut Français; • the Office for the Protection of Refugees and Stateless Persons (Ofpra).
Baptiste Bourboulon	Alternate 29/05/2020	French Ministry of Public Action and Accounts Budget Department – 139, rue de Bercy – 75572 Paris Cedex 12	**Head of the Office of Foreign Affairs and Development Aid (7 BAED)** Member of the following Boards of Directors: • Expertise France • OFPRA • OFII • Institut Français • Campus France • AEFE
Michel Miraillet	Permanent 27/03/2020	French Ministry for Foreign Affairs and International Development – General Directorate for Global Affairs, Culture, Education and International Development (DGM) – 27, rue de la Convention – CS 91533 – 75732 Paris Cedex 15	**Chief Executive Officer (CEO)** • No other office or function
Philippe Lacoste	Alternate 20/05/2020	French Ministry of Europe and Foreign Affairs 27, rue de la Convention – 75732 Paris Cedex 15	**Head of Sustainable Development** • General Directorate for Global Affairs, Culture, the Environment and International Development
Christophe Bigot	Permanent 13/10/2020	French Ministry of Europe and Foreign Affairs 37, quai d'Orsay – 75700 Paris	**Head, Africa and the Indian Ocean** • No other office or function

Director	Term on the Board appointment	Address	Current position Other offices held
Emmanuel Suquet	Alternate 10/09/2021	French Ministry for Foreign Affairs and International Development – 37, quai d'Orsay – 75700 Paris	**Deputy Head, North Africa and the Middle East** • No other office or function
Isabelle Richard	Permanent 22/10/2020	Ministry of French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris	**Deputy Head of Public Policy at the Directorate General of French Overseas Departments and Collectivities** • Board member of SIG • Board member of Simar • Member of the IEOM Supervisory Board • Government Commissioner for ICAP • Government Commissioner GIP Formation Cadres Avenir (in New Caledonia) • Director on the Board of Atout France
VACANT	Alternate		
Person appointed for their expertise in migration matters (1)			
Jean-Yves TOLOT	Permanent 30/03/2021	27 rue Singer 75016 Paris	**Chairperson of Œuvre d'Orient (1901 non-profit group)** • Director of SEE (Santé en Entreprise, 1901 non-profit group)
VACANT	Alternate		Awaiting appointment by decree
Persons appointed because of their expertise in economic and financial matters (4)			
Bourry Ndao	Permanent 19/10/2020	17, rue des Petits Champs – 75001 Paris	• FINAF SASU: founder and corporate officer • Association Néodiaspora: Chairperson • Presidential Council for Africa
Jean-Louis Mattei	Alternate 02/04/2020	KEYSTONE 11, rue Jean Mermoz – 75008 Paris	• Director of ORAGROUP Holding in Togo • Director of SGBL in Lebanon • Director of KEYS, a real estate investment fund in Luxembourg and France • Chairperson of JLM Entreprises, a consulting company in France • Chairperson of Nelle SIAT, an agricultural operations company in Côte d'Ivoire • Director of TOG, a holding company of an industrial group producing canned tuna.
Cathia Lawson-Hall	Permanent 19/10/2020	7, rue de l'Alboni – 75016 Paris	• Société Générale – Director of Client Relations and Investment Banking for Africa • Director & Chairperson of the Audit Committee of the Vivendi group • Director of the Ivorian subsidiary of Société Générale Group • Director of Universal Music Group
VACANT	Alternate		
Sarah Lacoche	Permanent 19/10/2020	5 rue Viala – 94100 Saint Maur des Fosses	• Of the Supervisory Board of CDC Habitat and member of the Audit and Risk Committee • Of the Board of Directors of the SCET and Chairperson of the Audit and Risk Committee • Non-voting Board member of the Board of Solidarités Nouvelles pour le Logement (SNL-Prologists)
Sylvie Lemaire	Alternate 22/04/2021	Syndicat du Sucre de La Réunion CS81036 33 rue Emmerez de Charmoy – 97495 Sainte-Clotilde Cedex – La Réunion	• General Delegate of the Syndicat du Sucre labour union of Réunion • Member of the Management Committee of TEREOS Sucre Océan Indien • Vice-President of CESER Réunion responsible for the Finances-Evaluation Commission • Director of SAFER • Member of the Board of Directors of ODEADOM • Vice-President of the Réunion Committee of French Foreign Trade Advisors • Member of the CPCS (Comité Paritaire Interprofessionnel de la Canne et du Sucre de La Réunion) and CTICS (Comité Technique Interprofessionnel de la Canne et du Sucre)
VACANT	Permanent		Awaiting appointment by decree

Director	Term on the Board appointment	Address	Current position Other offices held
Martine Audibert	Alternate 22/04/2021	Université de Clermont Auvergne CERDI 26 Avenue Léon Blum – 63000 Clermond-Ferrand Cedex	• Research head emerita at CERDI, Senior fellow at FERDI (International Development Study and Research Foundation) • No other office or function
Person appointed because of his/her knowledge of ecological and sustainable development issues (1)			
VACANT	Permanent		
VACANT	Alternate		
Members of Parliament (4)			
Hervé Berville	Permanent 09/12/2020	National Assembly – 3, rue Aristide Briand – 75007 Paris	• Deputy for the Côtes d'Armor department • Member of the Board of Directors of Fonds d'Innovation pour le Développement • No other office or function
Bérengère Poletti	Alternate 15/09/2021	National Assembly – 101, rue de l'Université – 75007 Paris	• Deputy for the Ardennes department • Member of the Board of Directors of Expertise France
Amelia Lakrafi	Permanent 09/12/2020	National Assembly – Rue de l'Université – 75007 Paris	• Deputy for the 10th district of French nationals established outside France • Chairperson: creation of a non-profit group under the 1901 law, La Francilienne Internationale
Dominique Potier	Alternate 15/09/2021	National Assembly – 126, rue de l'Université – 75007 Paris	• Deputy for Meurthe et Moselle department • Chairperson of Association Spirit Civic • Chairperson of Association du Pays Terres de Lorraine • Director of the Agriculture and Rurality Observatory of Fondation Jean Jaurès
Alain Joyandet	Permanent 25/03/2021	Senator of Haute-Saône Palais du Luxembourg 15, rue de Vaugirard – 75006 Paris	• Regional Councillor for Burgundy – Franche-Comté • Director of Chaîne Public Sénat, general mandate • Manager of EARL Domaine de la Pâturie and EURL Joy Développement. These two companies are owners and managers of Domaine de la Pâturie, a vineyard located in Champlitte, volunteer mandates
Isabelle Briquet	Permanent 25/03/2021	Senator of Haute-Vienne Palais du Luxembourg 15, rue de Vaugirard – 75006 Paris	
AFD personnel representatives (2)			
Stéphanie Picard-Hemery	Permanent 11/12/2019	AFD 5, rue Roland-Barthes – 75012 Paris	• AFD employee • Part-time lecturer at the Clermont-Ferrand School of Economics/ Clermont Auvergne University CNRS Centre for Studies and Research on International Development (CERDI) – research unit attached to the CNRS • Part-time lecturer at the Foundation for Studies and Research on International Development (FERDI) • Municipal councillor (Vic le Comte – 63)
Grégory Villeneuve	Alternate 11/12/2019	AFD 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function
Nicolas Mora	Permanent 11/12/2019	AFD 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function
Linda Zanfini-Magne	Alternate 11/12/2019	AFD 5, rue Roland-Barthes – 75012 Paris	• AFD employee • No other office or function

3.1.3.2 The Directors' Charter

A charter sets out the rights, obligations and rules applicable to all members of Agence Française de Développement's Board of Directors, special committees or its Audit Committee. All directors, both permanent and alternate, agree to adhere to the guidelines set out in the Charter (confidentiality, banking secrecy and the duty of circumspection, duty to inform, duty of vigilance, etc.) and to apply them when acting as individuals and as members of a company body called upon to make collective decisions.

3.1.3.3 Conditions for the preparation and organisation of the work of the Board of Directors

Pursuant to Article R.515-18 of the French Monetary and Financial Code, the Board of Directors deliberates on the institution's strategic orientations implementing the objectives entrusted to it by the State. It approves: the aims and means contract entered into with the State; the agreements listed in Article R.515-12 (management on behalf and at the risk of the State); the financial aid mentioned in Articles R.515-9, R.515-10 and R.515-11, as well as the regulations provided in the latter article; the agreements entered into pursuant to the second, third, fourth and fifth paragraphs of Article R.515-13 (management on behalf of a third party); the annual amount of loans to be taken out by the Agency; the statement of estimates of operating income and expenses; the general terms and conditions on financial aid; the annual financial statements and the management report prepared by the Chief Executive Officer; the purchase and sale of properties; the creation or abolition of local offices or representations; transactions on Agency interests and arbitration clauses; and the appointment of statutory auditors. The Board of Directors is informed of quality assessments, analyses and evaluations regarding the Agency and its operations.

The Board of Directors' operations are formally set out in the internal regulations, in accordance with Article R.515-19 II of the French Monetary and Financial Code. The internal regulations define the procedure for consultation of the Board's members by the Chairperson remotely for urgent deliberations. This procedure at the least defines a minimum consultation time, quorum rules and the right of any member of the Board and the Government Commissioner to oppose this consultation procedure.

3.1.3.4 Conflicts of interest

To the Agency's knowledge:

- there are no family ties between the Agency's corporate officers. Moreover, over the last five years, no corporate officers have been subject to a conviction for fraud, bankruptcy, receivership or liquidation, an official public accusation and/or penalty pronounced by the legal or regulatory authorities, nor have been prevented by a court from acting as a member of an administrative, management or supervisory body or from managing company affairs;
- there are no potential conflicts of interest regarding the duties of any of the Directors *vis-à-vis* the Agency and their private interests and/or other duties;
- at the time of writing, no corporate officer was related to the Agency or one of its subsidiaries by a service contract that provided for the granting of any benefits.

3.1.3.5 The specialised committees of the Board of Directors

The Board of Directors may delegate a part of its powers, to the degree that it determines, to three specialised committees (for operations in the French Overseas Departments and Collectivities, for operations in foreign countries and for supporting the initiatives of non-governmental organisations). The specialised committee for activities in the French Overseas Departments and Collectivities includes three representatives of the French State, two of whom are appointed by decree of the Minister responsible for the French Overseas Departments and Collectivities and the third appointed by decree of the Minister of the Economy. The specialised committee for activities in foreign countries includes five representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, a further two of whom are appointed by the Minister of the Economy and the fifth appointed by decree of the Minister of Immigration and Solidarity-based Development. The specialised committee for supporting the initiatives of non-governmental organisations includes four representatives of the French State, two of whom are appointed by decree of the Minister of Foreign Affairs, the third appointed by decree of the Minister of the Economy and the fourth appointed by the Minister of Immigration and Solidarity-Based Development. In addition, each specialised committee includes two qualified experts appointed by the Board of Directors (one of whom sits on the Board) and one of the staff representatives on the Board of Directors chosen by these representatives. These specialised committees may be supplemented by one or several members of the Board of Directors at its own discretion.

The specialised committee for operations in the French Overseas Departments and Collectivities and the specialised committee for operations in foreign countries are chaired by the Chairperson of the Board of Directors. The specialised committee for supporting the initiatives of non-governmental organisations is chaired by the Chairperson of the Board of Directors or by a member of the Board of Directors whom she appoints from among the representatives of the French State. For the members of specialised committees, other than the Chairperson and the members of the Board of Directors, an alternate is appointed under the same conditions as the permanent member. The term limit for members of the specialised committees and the conditions for their possible replacement are the same as those set for the members of the Board of Directors. The specialised committees may decide to submit any business within their remit to the Board of Directors. In such cases, they give the Board their opinion on the business referred to it.

The Board of Directors may also delegate a part of its powers to the Chief Executive Officer, who reports back to the Board about the decisions that he made under this delegation.

The Board of Directors appoints an Audit Committee and a Group Risk Committee, composed of three to five qualified financial and risk analysts. The Audit Committee provides its opinion to the Board of Directors whenever necessary and at least yearly on the Agency's financial statements, the effectiveness of its internal control and the management of its risks. The Risk Committee advises the Board of Directors on AFD Group's overall strategy and risk appetite.

The Agency borrows over the short, medium and long term in France and abroad, either through financial organisations, or by issuing bonds, notes, securities or any other debt instrument. It performs all financial transactions required for its activities. The Agency's transactions are recorded in accordance with the rules concerning trade and in compliance with regulations governing credit institutions. A Government Commissioner, appointed by the Minister of the Economy, performs the duties set out in Article L.615-1 and Articles D.615-1 to D.615-8 of the French Monetary and Financial Code for the Agency. The Agency's financial statements are audited by two statutory auditors, appointed pursuant to the provisions of Articles L.511-38, D.511-8, D.511-9 and D.612-53 to R.612-60 of the French Monetary and Financial Code. The statutory auditors are subject to the obligations provided for in Article L.511-38.

Article R.515-19 of the French Monetary and Financial Code stipulates that the Board of Directors meets at least four times a year when convened by its Chairperson. During 2021, the Board of Directors and its specialised committees met 37 times.

3.1.4 Remuneration and benefits of the executive corporate officers

In accordance with Act No. 2005-842 of 26 July 2005 on economic trust and modernisation, please see below for the remuneration paid in 2020 to each corporate officer:

TOTAL GROSS REMUNERATION (IN EUROS)

- Rémy Rioux, Chief Executive Officer (start of term on 2 June 2016): 190,292.
- Bertrand Walckenaer, Chief Operating Officer (start of term on 14 February 2019): 172,360.
- Marie-Hélène Loison, Chief Operating Officer (start of term on 8 July 2021): 141,894.

There are no benefits in kind, special retirement schemes, stock option plans or variable remuneration for AFD's executive officers.

3.1.5 Remuneration and benefits of the corporate officers

AFD's directors receive no payment or benefits in kind.

3.1.6 Other information

3.1.6.1 Possible limitations that the Board of Directors can place on the powers of the Chief Executive Officer (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code)

Unlike commercial companies, AFD's EPIC (industrial and commercial public undertaking) status does not permit it to limit the powers granted to the Chief Executive Officer by the Board of Directors. The powers granted to the CEO are laid down in AFD's Bylaws and the Chief Executive Officer exercises them with respect for the rights of the Board of Directors.

3.1.6.2 Summary table of the valid delegations granted by the general meeting of shareholders with respect to capital increases, pursuant to Articles L.225-129-1 and L.225-129-2 of the French Commercial Code, showing how those delegations were used during the financial year

Not applicable.

3.1.6.3 Specific terms and conditions of shareholder participation in the general meeting or provisions of the bylaws that provide for such terms and conditions (Articles L.225-37-4 and L.22-10-10 of the French Commercial Code)

Not applicable.

3.1.6.4 Report by the statutory auditors drawn up pursuant to Article L.22-10-71 of the French Commercial Code on the Board of Directors' report on corporate governance

As part of the specific verifications, the statutory auditors verify the fairness and consistency of the information given in the Board of Directors' report on corporate governance.

3.1.6.5 Items likely to have an impact in the event of a takeover or exchange offer (Article L.22-10-11 of the French Commercial Code)

Among the items referred to in Article L.22-10-11 of the French Commercial Code, there is no item that may have an impact in the event of a takeover or exchange offer.

Not applicable.

3.1.6.6 Presentation of the draft resolutions relating to the principles and criteria for determining, allocating and distributing the fixed, variable and exceptional items comprising the total remuneration and benefits of all kinds attributable to the Chairperson, Chief Executive Officers, Deputy Chief Executive Officers, because of their mandate (Article L.22-10-8 of the French Commercial Code)

Not applicable in the absence of variable remuneration for the executives of the public institution.

3.1.6.7 Agreements entered into, directly or by proxy, between, firstly, a corporate officer or a shareholder holding over 10% of a company's voting rights and, secondly, another company in which the former owns, directly or indirectly, more than half of the capital, with the exception of agreements relating to current transactions and entered into under normal conditions

Regulated agreements in 2021

Name of the convention	Additional information
Agreements and commitments approved in previous financial years which continued to be performed	
WITH SOGEFOM	
Service agreement entered into between AFD and Sogefom	Remuneration for AFD in 2021: €2,002K
WITH SODERAG	
Cessation of interest on advances to current accounts	n/a
Provision of non-interest bearing shareholder advances to Soderag	At 31 December 2021, Soderag's debt to AFD (under agreements signed between 97 and 2005): €106,346K (excluding interest)
WITH THE THREE DEPARTMENTAL CREDIT COMPANIES (SDCS)	
Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from Soderag by the three SDCs	• Loans outstanding at 31 December 2021: SODEMA: €9,300K SODEGA: €12,567K SOFIDEG: €534K • Remuneration received by AFD in 2021 SODEMA: €21K SODEGA: €27K SOFIDEG: €0K • The credit risk supported by AFD is covered by a provision of €19,528K at 31/12/2021, i.e. a net reversal of €326K
WITH FERDI-FONDDRI	
AFD/FERDI loan agreement	At 31 December 2021, the outstanding loans granted by AFD stood at €25M
FONDDRI loan agreement	
WITH PROPARCO	
Framework agreement for the management of private sector financing activities	Agreement signed on 16/07/2021. Impact in 2021: €7,345K
Sub-investment cofunding framework agreement	Agreement signed on 25/01/2021 for entry into force on 09/10/2020. Impact in 2021: €7,608K
Service agreement between AFD and Proparco for the administrative and financial monitoring of certain investments	Agreement signed on 05/07/2021 for entry into force on 15/07/2021. It should be noted that the Management Agreement on AFD's participation in the African Agriculture Fund of 18 December 2014, which was previously mentioned in the list of regulated agreements, has now been included in this new agreement since its entry into force No impact in 2021
Agreement to manage AFD's contribution to the African Agriculture Fund of 18 December 2014	€40K in commissions paid for 2021 (agreement terminated on 15/07/2021)
AFD/Proparco service agreement modified by an amendment signed on 1 August 2019	Remuneration for AFD in 2021: €61,530K
Mandate agreement relating to the "transforming financial systems for the climate" (TFSC) programme	Impact in 2021: €886K

Name of the convention	Additional information
WITH THE EIB	
Agreement for the deployment of “Junker Plan 1” in French Overseas Departments and Collectivities.	
WITH THE NGOS	
N/A	
New agreements authorised by the Board of Directors	
WITH THE NGOS	
N/A	
WITH PROPARCO	
Service agreement between AFD and Proparco	Agreement signed on 24/12/2021 and which entered into force on 01/01/2022
MENA-facilitated framework agreement	Agreement signed on 28/07/2021. Impact in 2021: €560K
N/A	

For agreements signed before 2020, the dates of signature were mentioned in the special report of the statutory auditors. Only the dates of the agreements signed during FY 2021 are included in this table.

3.2 Remuneration policy and practices

3.2.1 Remuneration policy governance

Article L.511-89 of the French Monetary Code, resulting in particular from the implementation of the CRDIV directive, requires that credit institutions and financing companies of “significance” establish an Appointments Committee and a Compensation Committee and refers to a decree from the Minister of the Economy for the definition of “significance”.

Article 104 of the Decree of 3 November 2014 uses, as the sole criteria for determining “significance”, the fact that the total company or consolidated balance sheet exceeds €5bn, meaning that these provisions apply to AFD, while the CRDIV directive contains provisions that have not been transposed and which would exempt AFD from establishing these committees.

However, the establishment of Appointments Committees and Compensation Committees conflicts with certain bylaw and legal provisions and certain organisational rules on State public undertakings applicable to AFD.

With regard to Compensation Committees, pursuant to Article 76-2 and Article 95-1 of the CRDIV directive, governments are only obliged to stipulate that Compensation Committees are established in undertakings that are “significant” in terms of their size, but also in terms of their internal organisation and the nature, scope and complexity of their activities. These derogations and criteria established by the CRDIV directive and Article L.511-89 of the French Monetary and Financial Code were not specified in the Decree of 3 November 2014.

It should be noted that the remuneration paid to all AFD employees, including the Executive Committee and “individuals whose activities have a significant impact on the company’s risk profile”, is determined by AFD’s bylaws on employees. Moreover, no variable remuneration is awarded. This particular characteristic of AFD, together with the partial transposition of the CRDIV directive into French law, argues in favour of exempting AFD from establishing a committee which would, ultimately, not have the power to exercise the prerogatives expected by the regulator.

The HR function is the only entity involved in designing and implementing the remuneration policy. The reason for this is that no AFD employee receives variable remuneration (except for profit sharing).

3.2.2 Main features of the remuneration policy

3.2.2.1 Setting remuneration

The remuneration of every AFD employee is defined essentially using their salary point: on recruitment, a job level (comprising a range of salary points) is allocated to each individual in accordance with the strict definitions in the Staff Regulations. The salary point value is then determined, within this range, according to the employee’s age, training and experience (there is a strong internal concept of fairness).

3.2.2.2 Remuneration structure

Remuneration comprises the following items:

- **basic salary (Article 12.1 of the Staff Regulations)**

  For C to G grade employees, the basic salary includes remuneration for all hours worked including overtime indiscriminately.

  “It is calculated by applying the Caisse Française de Développement value to the salary point. It is monthly and payable in arrears[1];

(1) Extract from the Staff Regulations.

- **awards and bonuses (Article 12.2)**

  In addition to the basic salary, employees who meet the required conditions receive the following awards and bonuses; these are calculated on a *pro rata* basis according to hours of work for individuals whose working hours are fewer than the collective hours of work:

  - year-end bonus (12.2.1)

    It will be calculated on December's base salary as defined in Article 12.1 and multiplied by 1.4. For each employee, it is in line with the number of paid days over the year,
  - holiday bonus (12.2.2)

    The amount is identical for every employee. It is paid in three instalments: 20% at the end of February, 50% at the end of May and 30% at the end of August. For each employee, it is in accordance with the number of paid days during the period 1 June to 31 May,
  - dependent child(ren) and ascendant(s) family supplement (12.2.3)

    It is defined by a scale indexed to the value of the salary point,
  - long service bonus (12.2.4)

    A to C grade employees receive a long service bonus defined by a scale negotiated with the trade unions,
  - professional bonus (12.2.5)

    It is related to holding a type of position and is paid to every employee who holds this type of position. The types of positions in question and the corresponding bonus amounts are decided by the Chief Executive Officer. The bonus stops being paid if the employee is transferred to a position to which the professional bonus does not apply,
  - personal supplement (12.2.6)

    The company may, on an exceptional basis, pay personal remuneration supplements, on a provisional basis, other than those described above, primarily in accordance with the specific positions held or to address exceptional situations. These personal remuneration supplements are paid for as long as the reason for their being awarded continues. Management will inform the Employee-Management Committees provided for in Article 58 of the Regulations about measures taken in this respect;
- some employees receive a supplementary retirement allocation according to their retirement plan;
- no employee (including directors) receives individual variable remuneration, whether deferred or not (*e.g.* bonus, shares, stock options, etc.);
- employees also enjoy employment benefits, such as supplementary defined contribution retirement plans, health fees and insurance, and housing loans financed entirely or partly by AFD;
- expatriate employees also enjoy several allowances related to their expatriate status.

Lastly, any employee on a fixed term or indefinite-term contract, whether full or part-time, who has three months of service within AFD (excluding employees whose contracts were entered into locally and are not governed by French law), receives, in addition to their fixed remuneration, an annual profit sharing component calculated using indicators related to the Group's operations, cost control, efficiency and overall effectiveness.

3.2.2.3 Change in remuneration

The arrangements for implementing the remuneration policy place a significant emphasis on informing, consulting and negotiating with the unions.

Remuneration for AFD employees may be re-evaluated by (i) increasing the value of the salary point, (ii) and/or a general revaluation (or by job level) of salary points, (iii) and/or the award on an individual basis of salary points. General increases together with the budget for individual increases are negotiated on an annual basis during the Mandatory Annual Negotiations (NAO) and are subject to the framework of AFD's supervisory ministries. There is a safeguard clause for salary point increases which ties the increase in AFD's salaries to the increase in government civil service salaries over a three-year period.

An individual increase in basic salary agreed by Management is based on an assessment of an employee's mastery of his or her position in accordance with the terms and conditions provided in Heading III Chapter II of the Staff Regulations on evaluations. Individual increases are distributed fairly between departments, job levels or men/women. For a promotion decision, a minimum number of salary points must be awarded according to the job level.

An Employee-Management Committee enables employees to appeal in the event that they disagree with the Management's decision or when an employee has not had an individual promotion for four full years.

3.2.2.4 Early termination of the employment contract

Remuneration payments for early termination of an employment contract are defined in Heading V of the Staff Regulations.

In addition to the particular cases referred to in Articles 25, 28 and 30-3, an employee may be dismissed:

1° for economic reasons;

2° on the grounds of professional incompetence;

3° as disciplinary action;

4° on the grounds of medical unfitness.

In the event of dismissal for the following reasons, remuneration is calculated on the basis of an average monthly salary, which is defined as a twelfth of the remuneration over the previous 12 months:

1° Dismissal for economic reasons:

Remuneration for dismissal paid to an employee at the end of the notice period is equal to one and a half months of this average monthly salary per year of service up to the sixth year inclusive, and to one and three-quarter months of this salary for every year of service beyond the sixth year.

For employees whose services were performed partly in French Overseas Departments and Collectivities and/or abroad and partly in mainland France, or vice versa, remuneration is calculated on a *pro rata* basis in relation to the time spent in each of these postings, according to the following terms and conditions:

- the portion of the remuneration relating to their services in mainland France is calculated on the basis of one twelfth of their annual reference salary in mainland France;

- the portion of the remuneration relating to their services performed in French Overseas Departments and Collectivities and/or abroad is calculated on the basis of one twelfth of the annual salary allocated to an employee ranked on the same salary point in the last posting in French Overseas Departments and Collectivities and/or abroad.

The amount of the dismissal remuneration may not be less than three times the average monthly salary, or more than 18 times this salary.

Only full months of service are taken into account to determine the dismissal remuneration.

2° Dismissal on the grounds of professional incompetence:

Remuneration for dismissal paid to an employee at the end of the notice period is set by the Chief Executive Officer. However, this remuneration may not be less than half of that provided in the event of dismissal for economic reasons.

3° Dismissal as disciplinary action:

The amount of remuneration potentially awarded to an employee is determined by the Chief Executive Officer when giving notice of the penalty in accordance with legal provisions. Only serious or gross misconduct results in no remuneration for dismissal.

4° Dismissal on the grounds of medical unfitness:

Remuneration for dismissal paid to an employee pursuant to the procedure set forth in Article 25 of the Staff Regulations is equal to half the remuneration payable in the event of dismissal for economic reasons and, as a minimum, equal to the legal remuneration provided by the French Labour Code in this event.

3.2.3 Information about remuneration for executive officers and individuals whose professional activities have a significant impact on the company's risk profile

As previously stated, the remuneration principles and changes described above are applicable to all AFD employees, including the Executive Committee and "individuals whose activities have a significant impact on the company's risk profile".

At AFD, executive officers and individuals whose professional activities have a significant impact on the company's risk profile belong to the following categories:

- the Executive Committee (including Proparco's Chief Executive Officer);
- the Management Committee, notably including:
  - deputies to the Executive Directors and to the General Secretary,
  - departmental Directors,
  - the Communications Department and French Global Environment Facility (FFEM) managers and the Director of the Office to the Chief Executive Officer (who are also members of the Management Committee CODIR),
  - managers of the Board and Second Opinion secretariats,
  - the Deputy Heads of the DCO (Compliance), ROC (Permanent Control) and IGE (General Inspection) Departments,
  - managers of the CLI (Climate) and CCC (Crises and Conflicts) Divisions, and the manager of the CLS (Social links) unit;
- and employee representatives on the Board of Directors.

The total amount of remuneration of any kind paid during the 2021 financial year to all people falling within these categories (71 positions and 85 employees) amounted to €7,949,070.

Furthermore, the total remuneration paid to executive officers (Chief Executive Officer and Chief Operating Officers), the Risks Executive Officer, the Head of Compliance and the Head of Permanent Control amounted to €861,004 in respect of 2021 (for the incumbent individuals as at 31 December). These amounts are the total remuneration amounts of any kind paid during the 2021 financial year to all individuals within these categories.

Risk management

4.1 Risk factors

4.1.1 Banking and financial risks

4.1.1.1 Credit risk

Credit risk is defined as the risk of a borrower failing to repay all or some of their loan within the schedule stipulated in the agreement signed with the AFD Group. The level of credit risk (rating) reflects the likelihood of the borrower defaulting on their obligations. This risk is assessed during the credit check and forms the basis of the decision of whether to grant the loan combined with the institution's risk appetite and the system of regulatory and internal operational limits (individual, geographical, sectoral, etc.) in place.

This level of risk is reassessed periodically, and at least once a year, to identify any degradation of that risk subsequent to the loan being granted and to provision accordingly. This provision is based on the estimated debt recovery rate and is used to calculate the cost of risk of the institution, also factoring in losses.

Overview of the AFD Group's credit risks at 31 December 2021

AFD Group	Balance sheet 31/12/2021	Off-balance sheet 31/12/2021	Total 31/12/2021	Total Breakdown of commitments 31/12/2021
AFD corporate entity				
Non-sovereign financing	14,689	3,228	17,918	31%
of which French Overseas Departments and Collectivities	*5,863*	*501*	*6,364*	*11%*
of which Foreign Countries and sub-part. Proparco	*8,801*	*2,727*	*11,528*	*20%*
of which other	*25*	*0*	*25*	*0%*
Sovereign financing	22,814	13,158	35,971	62%
AFD financing subtotal	37,503	16,386	53,889	93%
Proparco (own behalf)	3,581	622	4,203	7%
GROUP TOTAL	**41,084**	**17,008**	**58,092**	**100%**

Breakdown of credit risks on AFD Group loans by level of risk and associated provisions

In millions of euros	Balance sheet 31/12/2021	Off-balance sheet 31/12/2021	Total 31/12/2021	Total Breakdown of commitments 31/12/2021
Healthy risk (stage 1)	30,639	13,887	44,526	77%
IFRS 9 provisions	45	17	62	7%
Sensitive risk (stage 2)	8,790	2,414	11,204	19%
IFRS 9 provisions	340	56	396	43%
Doubtful risk (stage 3)	1,655	707	2,362	4%
Individual provisions	470	0	470	50%
TOTAL RISK	**41,084**	**17,008**	**58,092**	**100%**
TOTAL PROVISIONS	**855**	**73**	**928**	**100%**

Outstandings in risks categorised as doubtful (stage 4) are limited to 4% of total Group outstandings at 31 December 2020 with provision of 20% on average.

Factors affecting credit risk

Owing to its remit and the nature and location of its borrowers in emerging or developing countries, the AFD Group is particularly exposed to macroeconomic fluctuations and geopolitical and regional financial events that may have a significant impact on its activities and financial solvency of borrowers, thus potentially generating a higher risk that is, by nature, more volatile. As an example, the AFD portfolio was successively impacted by the crises in Turkey in 2018, and in Argentina and Lebanon in 2019, which led to most counterparties in the portfolio being downgraded as non-performing loans – primarily those linked to the banking sector which was most affected – and an increase in the associated provision rate. In 2020 and 2021, AFD's portfolio was impacted by the health crisis. The Group proactively set up provisions in a few sectors weakened by the environment (air & tourism sector provision of €69.1M at the end of December 2021 *vs* €79.4M at the end of December 2020 and provision for the Ariz portfolio of €22.3M at the end of December 2021 *vs* €31.2M at the end of December 2020).

However, the Group's credit risk is naturally mitigated owing to:

- the global geographical diversity of the portfolio (operations in 96 countries) as presented below, within the framework of the Group's limit system.

Breakdown by geographical area of risks in respect of AFD Group loans

In millions of euros	Central and Southern Africa	Latin America, Central America and Caribbean	Asia-Pacific	Middle East and North Africa	Europe	Multi-country foreign	French Overseas Departments and Collectivities	Total
AFD Sovereign	12,173	6,474	9,792	5,894	1,638	0	0	35,971
AFD non-sovereign	4,036	3,086	1,065	1,898	1,111	397	6,325	17,918
Proparco	1,121	1,207	575	301	426	567	6	4,203
GROUP TOTAL	**17,330**	**10,767**	**11,432**	**8,093**	**3,175**	**964**	**6,331**	**58,092**

- the diversity of the portfolio by counterparty type.

Breakdown of risks on AFD Group loans by counterparty type

Loans (in millions of euros)	31/12/2021
Local authorities	5,789
Public institutions	33,278
Public financial institutions	5,366
Private financial institutions	3,852
Private non-financial entities	4,293
Public non-financial entities	5,514
TOTAL	**58,092**

- the proportion of the Group's activity in French Overseas Departments and Collectivities for which the associated credit risk is significantly reduced owing to the implicit support of the French state for most of the counterparties in question (local authorities in particular). Risk exposure in French Overseas Departments and Collectivities accounted for 30% of the Group's non-sovereign risk as of end-2021.

Climate risks

Owing to its operations in a significant number of countries that are potentially subject to climate risks, AFD is exposed to the impact of climate risk in respect of some of its borrowers which may increase the associated credit risk. Moreover, AFD's regulator (French Prudential Supervisory and Resolution Authority – ACPR) asked French banking and insurance providers to include this aspect in their risk analysis. In 2020, the ACPR organised an innovative climate stress exercise to measure the sector's exposure to these risks. To meet these challenges, AFD adopted, in 2018, as part of its climate strategy, a multi-year roadmap dedicated to climate risks, including a dimension for AFD to measure and take into account these risks in the analysis of the credit quality of its customers.

As the biggest category of financial risk associated with climate change, **physical risks** may have consequences that could affect the real economy and financial institutions in our areas of operation. As recommended by the regulator, a mapping of the AFD Group's portfolio exposure to physical climate risks was carried out during 2018 and this exercise led to the development and implementation of a long-term methodology for physical risk assessment.

The sample analysed as part of the initial mapping represents 80% of the AFD Group's loan portfolio as at 31 December 2017, 60% of the total balance sheet and 20% of borrowers, *i.e.* nearly 200 borrowers analysed. Each borrower was scored on exposure to physical risks, which comprises five climate indicators (extreme heat, extreme precipitation, rising sea levels, cyclones, drought). In total, 61% of borrowers in the sample were assigned at least one point where attention was required, which means that these borrowers have a climate exposure score higher than or equal to the 90th percentile of the AFD sample. 15% of counterparties (14% of outstandings) had two points requiring attention and only six counterparties (3% of counterparties and 2% of outstandings) had three points requiring attention. This portfolio's exposure to climate hazards is not included in the credit rating assigned to AFD's counterparties, for methodological reasons mainly related to the time horizon, but is subject to a scoring separate from the credit rating. In order to determine this exposure score, AFD has developed a permanent methodology for assessing physical risks and specific operational tools to assess and monitor portfolio exposures or new transactions. The purpose of the tools developed is to systematically engage in dialogue with our counterparties to measure their exposure to these risks and to support them in the implementation of any strategies to adapt to physical risks.

The inclusion of the analysis of our counterparties' exposure to physical risks in AFD's risk information systems in the first quarter of 2021 completes the system and in the future will provide a better understanding of these risks for the portfolio and will regularly update the portfolio mapping.

A second category of financial risks associated with climate change, **transition risk** was given special attention from 2020. In 2020, the AFD Group took part in a stress test exercise on transition risk led by the ACPR. The work carried out revealed a limited impact of stress on credit ratings, including in the most adverse scenario (average deterioration of one notch by 2050 in the adverse "accelerated transition" scenario, average deterioration of 0.03 of a notch in the central "orderly transition" scenario). This result is explained by AFD's low level of exposure to the highest-emitting sectors, resulting from the implementation of the "50% Climate" and "100% Paris Agreement" strategy adopted by the Group. However, the exercise made it possible to identify certain sectors that are potential vectors of transition risk within the AFD portfolio and require further methodological and analytical work. The year in 2021 was also devoted to the development of a transition risk analysis methodology based in part on the work carried out as part of the stress exercise. Tools (preliminary analysis matrix, questionnaires to help with customer dialogue and scoring methodology) will be rolled out in the test phase in 2022 before being rolled out across the entire portfolio and fully integrated into Risk information systems.

Climate risks, although they have not led to a deterioration in the risk profile of AFD's counterparties to date, cannot be excluded from the Group's risk factors. Indeed, this subject is changing rapidly and has become of key importance in all economic, financial, political and societal spheres. These risks also tend to increase over time and their materialisation becomes progressively more certain. A more exhaustive discussion on this topic is presented in AFD's TCFD (Task-Force on Climate Related Financial Disclosure) report published for the first time in 2021.

4.1.1.2 Geopolitical and macroeconomic risk

Owing to the scope of its operations, AFD is exposed to the emergence of crises of political or geopolitical origin. This risk may take the form of any national or international political or administrative risks which could result in economic, commercial or financial losses for importers or exporters or businesses with investments overseas. By way of illustration, monetary policy decisions in advanced economies (with a tightening expected in the United States and possibly in the euro zone) are likely to have impacts on the financing conditions of the countries in which AFD operates, while the appreciation of hard currencies (USD, EUR) against local currencies could weigh on the debt service expenses for countries heavily indebted in foreign currencies (Angola, Kenya, Ghana, Ethiopia, Tunisia, Turkey, Sri Lanka, Cambodia, Armenia, Serbia, Georgia, Argentina, Dominican Republic). Although this type of risk is, by nature, largely exogenous, in making operational decisions, AFD limits its operations in a given region based on the risk appetite framework relating to the risk of concentration[(1)]. Nevertheless, here is a presentation of assets under management by "economic or geopolitical zone" that could be subject to a massive effect.

	Outstandings*	%	Risks	%	AFD's regions of intervention
Middle East	3,707	9%	5,193	9%	Egypt, Jordan, Lebanon, Turkey, Yemen
Mercosur	2,315	6%	2,659	5%	Argentina, Bolivia, Brazil, Paraguay, Uruguay
ASEAN	3,863	9%	4,802	8%	Burma, Cambodia, Indonesia, Laos, Philippines, Thailand, Vietnam
OPEC	2,528	6%	4,489	8%	Algeria, Angola, Indonesia, Gabon, Iraq, Nigeria
Sahel	720	2%	1,498	3%	Burkina Faso, Mali, Mauritania, Niger, Chad

(*) Sovereign and non-Sovereign at the end of 2021.

(1) Portfolio risk of a bank arising from its concentration on a single counterparty, sector or country.

Main countries of operation heavily impacted by foreign currencies

	Outstandings[(1)]	Risks
Angola	26	401
Argentina	112	216
Armenia	134	185
Cambodia	591	699
Dominican Republic	924	1067
Ethiopia	256	445
Georgia	589	648
Ghana	550	627
Kenya	1,070	1,718
Serbia	79	260
Sri Lanka	214	456
Tunisia	970	1,652
Turkey	1,417	1,872
TOTAL	**6,932**	**10,248**

(1) Sovereign and non-Sovereign at the end of 2021.

4

Moreover, measuring the consequences of the war in Ukraine on the global economy seems premature and hazardous. The extent and duration of the conflict, its geopolitical impact and the effects of the sanctions imposed on Russia remain as uncertain as they are influential. The table below presents the Group's exposures to countries in the region outlined.

	Outstandings*	Risks incl. accrued interest not yet due
Albania	0	100
Armenia	139	190
Azerbaijan	203	274
Georgia	600	659
Kazakhstan	12	12
Montenegro	8	58
Uzbekistan	404	587
Serbia	79	260
Turkey	1,461	1,909
Ukraine	32	35
TOTAL	**2,937**	**4,084**

** Sovereign and non-Sovereign at the end of 2021.*

However, the Group inevitably remains exposed to an exceptional situation that cannot be modelled which could involve the simultaneous emergence of a large number of high-intensity geopolitical crises in regions with significant activity.

4.1.1.3 Refinancing risk

The AFD Group, including its Proparco subsidiary, does not receive deposits or repayable funds from the public. As its funding model is essentially based on medium and long-term market borrowings, liquidity is a priority in terms of the Group's performance target, which involves keeping the cost of resources under control and minimising the carrying cost[(1)].

(1) The carrying cost of a resource is the difference between the cost of financing and interest from investing the resource.

Changes to AFD's condensed balance sheet are presented below. Most of AFD's funding is from market borrowings.

In millions of euros	Accounting 31/12/2020	Accounting 31/12/2021	Var. Balance sheet 1 year
TOTAL ASSETS	**53,574**	**56,898**	**3,324**
Gross outstandings	42,054	45,967	3,913
(-) individual impairments	*-415*	*-434*	*-19*
(+) accrued interest	*161*	*183*	*22*
Investment portfolio	686	608	-77
Short-term cash assets	7,936	7,152	-784
Equity stakes at cost and in companies accounted for by the equity investments	1,024	1,255	231
Fixed assets	230	240	10
Accruals and other assets	1,483	1,521	38
IMF-PRGF transactions	415	406	-9
TOTAL LIABILITIES	**53,574**	**56,898**	**3,324**
Borrowings from French Treasury	2,180	1,463	-717
Market borrowings	40,536	43,181	2,645
Current accounts	421	576	155
Managed funds and State advances	894	907	13
Accruals and other liabilities	1,817	1,357	-460
Provisions	1,598	1,657	59
Provision retained earnings	5,608	7,112	1,504
Income for the financial year	106	240	134
IMF-PRGF transactions	415	406	-9

As such, the AFD Group's refinancing risk takes the form of:

- its inability to fund the development of its assets and to repay commitments made at a time when financing or repayments appear;
- its temporary inability to raise capital at a reasonable cost.

Measures put in place by AFD to guard against refinancing risk enable it to be restricted to situations of systemic risk.

4.1.1.4 Interest rate risk

The Group does not have a trading book or speculative operations portfolio. As such its interest rate risk is only linked to its credit activity and is part of its "banking book".

Interest rate risk in the banking book refers to current or future risk to which the AFD Group's equity or profits are exposed owing to adverse fluctuations in interest rates which influence the positions of the institution's banking book.

For information, measuring the sensitivity of the economic value of the AFD Group's equity based on six scenarios ("increase in parallel rates", "reduction in parallel rates", "increase in short-term rates", "steeping of the curve", "flattening of the curve") compared to the central scenario indicates that, as of 30 September 2021, the "increase in parallel rates" is the most adverse scenario with a loss of equity value of around €1,198M. An increase in interest rates would lead to a decrease in our income, since part of our fixed-rate cash is backed by variable-rate resources. In the event of a change in compensation, an outflow of cash instruments could be made quickly in order to be replaced on better terms.

4.1.1.5 Foreign exchange risk

The AFD Group defines foreign-exchange risk as current or future risk to which its equity and its profits are exposed owing to adverse exchange rate fluctuations.

The AFD Group's exposure to foreign-exchange risk is tolerated to a marginal degree in the case of its local currency loans. No negotiating position would expose it to this risk. Exposure to this risk can increase occasionally due to internal events, such as the disbursement of small amounts of currency that are not hedged, but above all to external events, such as arrears, counterparties defaulting on a loan in a local currency or the receipt of share dividends in local currency.

4.1.1.6 Profitability risk

AFD's economic and financial model is built on the principle of moderate profitability and normative pricing in view of its long-term credit activity in favour of entities and projects falling under Official Development Assistance. The normative pricing of its credit activity essentially consists of covering, on the basis of actual costs, the costs of refinancing, operating costs and the cost of risk (estimated over a long historical period).

The Group carries out its mission within the banking regulatory framework applicable to financing companies and in an international environment subject to external crises and shocks. As the year in 2020 will have shown, the AFD Group may suffer a 77% drop in its net income due to the cumulative effect of the increase in one-off provisions (individual, collective and sectoral) for credit risk and the decrease in the valuation of equity investments without the possibility of quickly offsetting the effect by increasing credit margins (stickiness and moderation of the price effect).

At the end of December 2021, net income, Group share, recovered to amount to €298M. The probability of recognising negative net income in the event of the emergence of a new global economic and/or financial crisis remains.

This particularity of the economic and financial model is assumed and supported by the French State, AFD's sole shareholder. The impact of such a risk (solvency in particular) is taken into account by the shareholder, as part of the dialogue and medium-term strategic management.

4.1.2 Non-financial risks

4.1.2.1 Reputational and accountability risk

Reputational risk is a risk resulting from a negative perception (whether justified or not) on the part of AFD's counterparties, its stakeholders, its investors or the regulator, which may adversely affect its revenues, activities and ability to maintain or initiate business relationships, or the continuity of its access to sources of financing, or result in litigation or other onerous legal proceedings.

This reputational risk should be reflected in the accountability expected of AFD in its financing actions from its stakeholders (customers, the French State, citizens) insofar as AFD is the operator of a public policy, that of development aid for France. It is therefore incumbent upon it to assure its stakeholders that the debt and grant financing it provides meet the objectives and purpose assigned to it. Otherwise, AFD incurs a reputational risk.

For the AFD Group – as for all players in the development sector – reputational risk is among the major risks that could have a significant impact on activities and the economic and financial model. Reputational risk is particularly high for three reasons: first, the purpose of the Group's financing is often to respond to environmental and social challenges in the countries where we operate. These sectors, which affect the most vulnerable populations and areas, are closely monitored by civil society organisations. Finally, the geographical scope of the Group's operations exposes it to certain countries where the business environment is impaired, particularly in terms of corruption and financial security (see below, 4.1.2.2). Finally, owing to its public interest remit as set out in its bylaws and agreements with institutions signed in countries where it operates, the AFD Group has a duty of accountability and to lead by example in implementing the best practices in financing development assistance.

Also, the following are likely to entail a reputational risk for AFD:

- failure to ensure that its customers comply (or that AFD itself complies) with the environmental and social commitments that condition the aid that AFD grants, a point of special attention in civil society with whom AFD has entered into a strategic dialogue;
- the embezzlement of aid for personal gain by the client (fraud, corruption, money laundering) or simply the misappropriation of it from its contractual point of assignment (non-compliance with the purpose of the financing) or that aid ultimately ends up in the hands of terrorists, given the regions where the AFD Group operates;
- failure to comply with the commitments made in terms of accountability to AFD's stakeholders and the exemplary nature of the actions that guide it.

A reputational attack on its business would have a major impact that would damage the credibility of the AFD Group as an operator, reduce the funding allocated to it and reduce demand among our partners and customers through the loss of trust that would follow.

In addition to quality and risk management requirements, the heart of the procedure for processing and monitoring loans and grants awarded, the Board of Directors which includes, in particular, independent experts from civil society, is an additional bulwark in the event of a failure to identify or measure a risk of this nature.

4.1.2.2 Risk of misuse of loans, risk of fraud/ corruption, money-laundering and financing terrorism, non-compliance with economic and financial sanctions

As a key player in French public policies in terms of development and international solidarity, the AFD Group is particularly attentive to the proper allocation of its funds and does its utmost to ensure that they serve their intended purpose. This concern is intrinsically linked to its remit as set out[1] in its bylaws and strategic orientations under which its fundamental mission is to combat poverty and promote growth in the countries in which it operates. Corruption, fraud and any form of misuse of public and private assistance would have a significant impact on such missions. The same is true of any financing that would result in the Group inadvertently supporting money-laundering or the financing of terrorism.

(1) According to our bylaws (Article R515-6 COMOFI): "The Agency is a State-owned industrial and commercial public undertaking, whose missions and organisation are set out in this section. Its mission is to carry out financial transactions of all kinds with a view to: a) contributing to the implementation of the State's foreign aid policy; b) contributing to the development of French Overseas Departments and Collectivities as well as New Caledonia. To this end, it finances environmentally-friendly development operations and may conduct other activities and services linked to its role. In particular, it is responsible for directly or indirectly providing technical expertise to its beneficiaries. The Agency is subject, for activities within its remit, to the provisions of this Code."

The AFD Group operates in a very specific environment: in particular it supports countries that are in crisis, are vulnerable, have limited capacity and/or are stigmatised in the corruption perception index produced by civil society[1]. It often supports weak public contracting authorities, in areas of public finances where the regulatory environment is weak or, in a number of countries, operates in sectors, particularly banking and finance, that are weak or lack maturity in terms of regulation and control. The Group also grants funding in countries that are subject to international, EU or domestic economic and financial sanctions.

The AFD Group is particularly aware of the specific features of this operational context.

Despite this robust set of risk-management measures, the Group may be faced with the predation of its funding or could inadvertently support money laundering or the financing of terrorism. This situation could give rise to a significant legal and financial risk for the Group and damage its image and reputation, the impact of which is detailed above. To date, the AFD Group is not facing any litigation in France or overseas for non-compliance on financial security, corruption or non-compliance with sanctions.

4.1.2.3 IT and cyber risk

As is the case of all financial institutions, AFD's exposure to the risk of data breaches, cyber-crimes or IT failures has increased in recent years due to a combination of a number of factors: the increasing use of "cloud" solutions; the use of numerous technical assistance service providers to support AFD's growth and associated IS needs; the growing number of cyberattacks, whose operating methods are increasingly sophisticated; and lastly, the AFD Group's desire to become a "digital lessor" by 2022. The digital transition has indeed been identified as one of the six major transitions introduced as part of the Strategic Orientation Plan for 2018-2022 and changes made since, particularly the mass introduction of paperless documents and processes, as well as the generalisation of telework during the Covid-19 pandemic, have increased the Group's reliance on IT resources.

The Group cannot completely eliminate risks of the malfunction or outage of its systems, failure of its IT providers or malicious acts on the part of its own employees or third parties (particularly the risk of leaks of confidential data in the event of piracy and the risk of destruction of data centre software). Although, to date, AFD has never been the victim of a cyber-attack on this scale, were these risks to materialise, they would have significant impacts on the Group's activity, its reputation (in the case of a leak of confidential or personal data for example), on its ability to respond to certain regulatory requirements and engender non-negligible financial losses (in the event of a misuse of AFD funds for example, or an IT failure exposing AFD to a fine).

In addition to the consequences of the risk of a cyber-attack, the AFD Group is beginning a major overhaul of a significant part of its IT system, with a dual objective of making efficiency savings and developing functionality tailored to future regulatory requirements and expansion. The IT Strategic Orientation Plan no. 4 (ISOP IV) validated in July 2021 describes this transformation phase and the associated objectives for the coming years, concerning notably the Finance and Risk activities (Fabrik programme launched in 2020), the Operations activities, the opening of IS to the outside, and a vast programme to improve IS security.

Like any transformation phase, it carries risks, notably in terms of compliance with budgets and deadlines for the delivery of new tools and/or changes to the tools in place. ISOP IV has thus redefined a global governance for information systems, put in place at the end of 2021, with a stronger management, capable of addressing the underlying challenges, involving the Executive Committee through the creation of an IS Advisory Committee, the half-yearly definition and review of business line trajectories, changes in the composition and role of the IS Investment Committee (COSI), and coordination with the governance of dedicated programmes, based on the model of the Fabrik Finances and Risk programme (a dedicated programme team, a dedicated Steering Committee under the chairmanship of Executive Management, and the provision of full-time teams).

4.1.2.4 Regulatory risk

Changes to the regulatory and legislative environment may have a significant impact on the AFD Group's operations.

Changes to European or French financial regulation legislation resulting in a significant increase in the capital required for AFD's banking activities could have significant impacts for the AFD Group. Firstly, a strategic impact on the programme of activities with the withdrawal of, or significant reduction in, certain types of products, combined with an impact on the model linked to the reallocation of human resources towards other activities/ products. Nor should the risk of an impact on profitability be ruled out. Profitability may be affected by increased expenditure, particularly following new capital expenditure and new resources put in place to limit operational risk linked to the introduction of new standards which could not be implemented on a like-for-like basis. Changes to the legislative framework remain largely unforeseeable like the introduction of Basel III, following the financial crisis. Whilst there is a high likelihood of such changes in the future, it is impossible to assess in advance the nature and scope of these.

(1) MINKA zone countries: countries of the Sahel, countries around Lake Chad, Central African Republic, and Middle East.

4.1.3 Health and safety risks

4.1.3.1 Business interruption risks

The current health crisis linked to Covid-19 is an example of this type of risk. Even though, after the last two years, remote working methods have become commonplace and been improved, their long-term effects as a whole, including in terms of Quality of Life at Work (QLW) and psychosocial risks, have not yet been identified and or are not yet identifiable. Moreover, while the drastic reduction in assignments did not prevent the implementation of the short-term business plan, it could have a medium-term effect on the origination of new operations; lastly, the all-digital world towards which we are being thrown by the events impacting business continuity makes us all the more vulnerable to cyber-attacks, new frauds using information system vulnerabilities, and of course the risk of digital blackouts.

Business continuity could also be severely hampered by the occurrence of a 100-year flood in Paris; It is characterised by slow floods (10 to 15 days of floods, or even more before the water level drops) of which the biggest was in 1910 (+8.62 metres). AFD is exposed to this risk since its registered office, made up of a number of buildings, is located in Paris, not far from the Seine. The AFD buildings, which comprise a number of storeys and basements, are located less than 400m from the bed of the Seine, and is in an area where, according to the City of Paris's Flood Risk Prevention Plan, water would exceed 30 metres in the event of a 100-year flood. Such flooding would prevent staff from accessing buildings, would put some of our archives at risk.

4.1.3.2 Risks related to employee security

Owing to the geographical scope of its operations and locations, AFD is particularly vigilant to risks faced by employees on the ground. In addition to staff recruited locally, AFD sends employees overseas either as expatriates or on assignment, for the purposes of local representation and to monitor financing projects. Employees working in the network (staff recruited locally and expatriated) account for around a third of AFD's total headcount. AFD operates in 115 countries. This means it is liable as an employer irrespective of the extent of existing risks on the ground.

These risks vary in nature according to the country: climate risks, seismic or volcanic risks, risks of accidents (traffic accidents in particular), risks linked to inadequate public health and safety infrastructure. But the biggest risks remain the risk of political instability and terrorism (attacks, kidnapping, uprisings, etc.). Indeed, AFD is present in certain regions that are particularly exposed (Sahel, Iraq, Palestinian Territories, Pakistan, etc.), in which the risk of danger to its employees is deemed to be very high, despite the operational security measures in place and continuously adapted to changing contexts of vulnerability or crisis. Certain events could lead AFD to reduce its activities in certain countries, to rely on degraded systems (as in the case of China – early 2020 – where the Beijing local office had to introduce remote working methods faced with the lockdown of Chinese employees imposed by local authorities as a response to the coronavirus epidemic), or even to close certain local representations (as was the case briefly in Haiti – at the end of 2019 – where, as a response to a deteriorating security context, AFD decided to close its local office in Port-au-Prince so as not to expose its staff).

4.2 Basel III Pillar 3

4.2.1 General principles

The objective of Pillar 3 of the Basel III framework is to improve financial transparency by publishing quantitative and qualitative disclosures of different types of risk, risk evaluation procedures and the capital adequacy of companies.

In terms of challenges, for each institution, they involve:

- aligning data with the new international accounting standards (IFRS) on financial communication;
- explaining their internal rating methodology and their risk assessment process to the market.

4.2.2 Scope of application

4.2.2.1 AFD's prudential regime

Article 7 of the Decree of 23 December 2013 on the prudential regime for financing companies stipulates that they are required to comply with the provisions applicable to credit institutions pursuant to Regulation (EU) No. 575/2013 of the European Parliament unless otherwise exempted by this decree. These exemptions relate to:

- the leverage ratio;
- the liquidity management ratios (LCR and NSFR);
- the BRRD directive and its resulting MREL on the resolution of banking institutions in the EU.

In 2021, the AFD Group received two new regulatory qualifications listed by the ACPR:

- parent company of financing companies, due to its two financing company subsidiaries, Proparco and Sogefom;
- investment holding company, due to its subsidiary Proparco being formally recognised as an investment company.

4.2.2.2 Corporate name of the Group's parent company to which the system applies

Agence Française de Développement (AFD).

Detailed information about AFD Group's corporate purpose is presented in Paragraph 1.1 "General information".

4.2.2.3 Consolidation scope and methods

There is no difference with regard to consolidation principles between accounting data and prudential data. The consolidation scope and methods are defined in Paragraph 6 "Consolidated financial statements prepared in accordance with IFRS adopted by the European Union"; Note 6.2.3.1 "Consolidation scope and methods".

Moreover, there are no restrictions on transferring funds or regulatory capital within the Group.

4.2.3 Equity

4.2.3.1 Capital structure

The AFD Group's capital at 31 December 2021 was €8,810M compared with €7,910M at the end of 2020, *i.e.* up €900M. CET1 capital stood at €7,970M, compared with €6,375M at the end of 2020. Total Tier 1 increased from €7,215M to €8,810M.

Capital structure of the AFD Group at 31 December 2021

In millions of euros	
CET1 capital before deductions	7,727
CET1 deductions	0
Phase In	243
CET1 capital after deductions	**7,970**
T1 subordinated securities	840
T1 capital before deductions	8,810
T1 deductions	0
T1 capital after deductions	**8,810**
T2 capital before deductions	0
T2 deductions	0
T2 capital after deductions	**0**
TOTAL CAPITAL	**8,810**

The breakdown of regulatory capital at 31 December 2021 was as follows:

- €7,970M in category 1 base capital, comprising hard, non-refundable capital (mainly provisions and reserves);
- €840M in additional category 1 capital in the form of undated subordinated bonds subscribed by the French State. The securities commitments made by AFD (which are obligatory under French law), in terms of principle and interest, are direct, unconditional, lowest rank subordinated commitments for an indefinite term without an AFD guarantee. Save for the occurrence of a regulatory event, as provided for in the agreement with the State (point of non-viability, *i.e.* non-compliance with the minimum CET1 ratio as provided by law at a specific time), the securities will pay an annual interest of 0.25%.

When itemised, the capital breaks down as follows:

Consolidated risk capital

In millions of euros	31/12/2021
Equity	4,228
Consolidated reserves	2,684
FRBG	460
Equity method diff.	139
Unrealised capital gains and losses	69
Non-controlling interests	216
Intangible assets	-64
Prudent valuation	-4
CET1 capital	7,727
CET1 deductions	0
Phase-In	243
CET1 capital after deductions	**7,970**
T1 subordinated securities	840
T1 CAPITAL	8,810
T1 deductions	0
T1 capital after deductions	**8,810**
RCS	0
Subordinated loans Art 4d	0
Subordinated loans Art 4c	0
Additional regulatory capital	0
T2 deductions	0
T2 capital after deductions	**0**
TOTAL CONSOLIDATED CAPITAL	**8,810**

Deductions and prudential restatements under CRR/CRD4

In millions of euros	31/12/2021	31/12/2020
Cut back of non-eligible non-controlling interests	34.8	20.7
Prudent Value Adjustment	-4.2	-4.4
TOTAL	**30.6**	**16.4**

Articles 81 and 479 of the CRR provide for the deduction from capital of the non-controlling interests in entities not governed by the CRR and CRDIV, or equivalent requirements, with a transition period.

4.2.3.2 Capital adequacy

AFD easily meets the minimum capital requirements set out in Pillar 1, with a capital adequacy ratio of 16.04% at 31 December 2020, down on 2020 when it was 16.29%.

Consolidated AFD capital adequacy ratio at 31 December 2021

In millions of euros	RWA	Capital requirements
Credit risk (CAD)	50,215	4,017
Equity investments	2,569	206
TOTAL CREDIT RISK	**52,784**	**4,223**
CR SEC securitisation	293	23
DVA	261	21
Operational risk	1,595	128
Market risk	38	0
Total RWA	54,933	4,395
Regulatory capital		8,810
SOLVENCY RATIO		**16.04%**

Under Pillar 2, AFD began its Internal Capital Adequacy Assessment Process (ICAAP) in November 2016. Supported by a firm of consultants and involving teams from the departments concerned, several workshops were held in late 2016 and in the first quarter of 2017 to finalise the definition, approach, methodology and results of the calculations relating to material risks and to formalise the planning and capital allocation process. The formalisation of this first ICAAP was approved by AFD's Board of Directors in April 2017.

Work continued in 2019, 2020 and 2021 on a four-year horizon. The 2021 ICAAP will be presented to the Risk Committee for approval on 14 March 2022 and will be presented to the Board of Directors for approval on 17 March 2022.

Capital adequacy

In millions of euros		
Capital into account		**8,810**
CET1 capital	**7,970**	
Tier 1 capital	**8,810**	
Tier 2 capital	**0**	
Eligible capital		**4,189**
Credit risk	**4,223**	
Governments and central banks	2,445	
Credit institutions	772	
Corporates	793	
Equities	203	
DVA	**21**	
CR SEC	**23**	
Market risk	**0**	
Foreign currency net position <2% of capital	-	
Operational risk	**128**	
Standard approach to operational risk	128	
Capital surplus or shortfall		**4,621**
Solvency ratio		**16.04%**

Since the first ICAAP declaration in 2016, the process was reviewed in line with the change in its status to a financing company and in its risk profile. The methodological approach has been adapted and the process updated.

As part of this internal process, AFD could use the following two approaches to measure its capital adequacy:

- the regulatory approach which is based on regulatory capital ratios;
- the internal approach which is based on the capital adequacy ratio and reserve account resources for hedging sovereign exposure.

Of the two approaches the most restrictive is used as a priority in decision-making processes relating to managing capital such as forward-looking assessments and the allocation of capital.

The process applied is therefore that of a projection exercise focused on the regulatory approach, which is more conservative than the economic approach, which essentially differs in that it takes into account, in the definition of internal capital, instruments with a capacity to absorb loss, *i.e.* the reserve account. It should be recalled that, since the first ICAAP declaration in 2016, the process was reviewed in line with the change in its status to a financing company and in its risk profile. In the regulatory approach, a materiality threshold was determined to identify tangible risks (AFD defines as tangible any risk that may have a significant impact on its solvency). In 2021, the Group maintained the materiality threshold set at a loss level equal to 10 basis points of the regulatory solvency ratio.

Capital planning includes capital ratio projections in a central scenario and an adverse scenario established in conjunction with the Risk and Economic Departments over the same time horizon.

The 2021 ICAAP has enabled the AFD Group to ensure that its capital is adequate to cover the tangible risks to which it is exposed, in terms of its activity, its economic model and its business plan. This process will be presented to the Board of Directors for approval on 17 March 2022 and will apply to all entities within the AFD Group's prudential scope.

The ICAAP will be updated in the first quarter of 2023 to be presented to and approved by the Board of Directors, enabling the latest trends in activity to be factored in and to ensure alignment with the planned duration of the AFD Group's next Contractual Targets and Resources (2023-2025) and changes to the Group's risk profile as set out in its Risk Appetite Framework.

4.2.3.3 Basel III ratios

Because AFD does not hold speculative positions, market risk is limited to foreign-exchange risk. This year the capital requirement is nil (see application of Regulation (EU) No. 575/2013 on capital adequacy with regard to the market).

AFD meets the minimum capital requirements with a solvency ratio of 16.04%, compared with 16.29% at 31 December 2020.

The entry into force of the CCR2/CRDV regulation on 28 June 2021 resulted in amendments to the calculation of risk-weighted assets and new ratio requirements.

The main impacts for the Group are as follows:

- The value of derivates exposed to risk, previously modelled according to the mark-to-market method, is now modelled using the standard method (SA – CCR), corresponding to the sum of the replacement cost and the potential future exposure;
- Exposures in the form of shares or stocks of collective investment funds, previously weighted according to the simple weighting method, are now treated according to the transparency approach.

The implementation of CRR2 had a limited impact on the Group over the 2021 financial year.

4.2.3.4 Leverage ratio

Since AFD's status was changed to that of a "financing company" in 2017, it is no longer subject to this ratio.

4.2.4 Risk exposure and evaluation procedures

4.2.4.1 Credit risk

4.2.4.1.1 General information

Exposure to credit risk includes balance sheet risk, notably exposure to loans, equity investments, financial instruments and derivatives, as well as off-balance sheet exposures (financing commitments and guarantees given).

Regarding risk stemming from loans, exposures that are in arrears, *i.e.* primarily loan risk, are monitored in the information system and are automatically downgraded as doubtful loans, in accordance with arrears rules defined by the regulations, and impairments are recorded. The approaches adopted for specific and general provisions and impairments are presented in Paragraph 6.2.3.2 of the consolidated financial statements. Ratings are reviewed on a periodic basis to ensure individual monitoring of counterparties. The review of information on risks is presented in Paragraph 6.2.5.1 on credit risk.

4.2.4.1.1.1 Exposure to credit risk

Balance sheet and off-balance sheet items exposed to credit risk are presented in the table below:

Assets *In thousands of euros*	31/12/2021	31/12/2020
Cash, due from central banks	2,085,492	3,157,677
Financial assets at fair value through profit or loss (excluding derivatives)	2,428,459	2,329,084
Financial assets at fair value through other comprehensive income	1,386,196	1,455,998
Debt securities at amortised cost	1,295,925	1,358,235
Loans and receivables due from credit institutions and equivalent at amortised cost	10,062,791	8,959,315
Demand	*2,342,185*	*1,639,791*
Term	*7,720,605*	*7,319,523*
Loans and receivables due from customers at amortised cost	34,235,953	32,327,164
Commercial receivables		
Other loans to customers	*34,235,953*	*32,327,164*
Regular accounts receivable		
Total loans and receivables	**51,494,815**	**49,587,473**
Equity stakes in companies accounted for by the equity investments	147,729	140,004
Financial assets at fair value through profit or loss (derivatives)	127,344	299,455
Hedging derivatives	2,003,043	2,893,471
Derivatives	*2,278,116*	*3,332,931*
BALANCE SHEET TOTAL	**53,772,931**	**52,920,404**
Off-balance sheet		
Firm lending commitments	17,064,334	15,634,371
Financial guarantees	966,741	651,315
OFF-BALANCE SHEET TOTAL	**18,031,075**	**16,285,685**
GRAND TOTAL	**71,804,006**	**69,206,090**

4.2.4.1.1.2 Breakdown by major credit exposure category, type of counterparty and geographic area

The geographic spread (foreign countries/French Overseas Departments and Collectivities) and the breakdown by type of activity (sovereign/non-sovereign) for the gross loan portfolio is discussed in Chapter 5.3.1 "Consolidated balance sheet" ("ASSETS").

The different types of financial assets are detailed in Note 5 to the consolidated financial statements "Financial instruments at amortised cost".

As for equity investments, the relevant consolidated balance sheet headings are presented in the table below:

Equity investments

	31/12/2021			31/12/2020		
	IFRS			IFRS		
In thousands of euros	Listed	Unlisted	Total	Listed	Unlisted	Total
Equity instruments at fair value through profit or loss		1,311,491	1,311,491		1,073,492	1,073,492
Equity instruments included in financial assets recognised in equity		549,062	549,062		487,090	487,090
Companies accounted for by the equity method		147,729	147,729		140,004	140,004
TOTAL		**2,008,281**	**2,008,281**		**1,700,586**	**1,700,586**

Similarly, the following table breaks down the various items making up the derivatives heading presented in Notes 1.1 and 2.1 to the financial statements:

Derivatives

	31/12/2021 IFRS	31/12/2020 IFRS
In thousands of euros	Assets	Assets
Fair value hedging		
Interest rate derivatives	1,526,512	2,400,454
Interest rate and foreign exchange derivatives (cross-currency swaps)	476,531	493,018
Total 1	**2,003,043**	**2,893,471**
Financial assets at fair value		
Interest rate derivatives	604	353
Foreign exchange derivatives	51,909	170,929
Derivatives at fair value through profit and loss	74,804	128,158
CVA/DVA	**28**	**15**
Total 2	**127,344**	**299,455**
TOTAL DERIVATIVES	**2,130,387**	**3,192,927**

All derivative transactions are carried out with credit institutions in OECD countries.

The off-balance sheet commitments given consist of financing commitments related to undisbursed amounts under signed loan agreements and guarantees.

Off-balance sheet – commitments given (financing and guarantees) according to counterparty type

In thousands of euros	31/12/2021	31/12/2020
Financing commitments made to credit institutions	1,850,484	2,148,651
Financing commitments made to customers	15,213,849	13,485,720
Subtotal financing commitments	**17,064,334**	**15,634,371**
Guarantee commitments made to credit institutions	141,783	116,498
Guarantee commitments made to customers	824,959	534,817
Subtotal guarantee commitments	**966,741**	**651,315**

At 31 December 2021, the off-balance sheet items relating to sovereign outstandings amounted to €13,159M and off-balance sheet outstanding loans at State risk amounted to €56M.

4.2.4.1.1.3 Amount of impaired receivables and provisions by major counterparty category and major geographic area

Impaired loans and impairments recorded by counterparty category are presented in Note 5.2 to the financial statements "Receivables due from credit institutions and customers".

The Group's loan portfolio in gross and net values, with impaired assets separated out

In millions of euros	Outstandings	Impairment	Outstandings net of impairments
Foreign countries			
Sovereign	35,971	9	35,971
of which doubtful	*1,219*	*8*	*1,219*
Non-sovereign	15,725	747	14,978
of which doubtful	*927*	*383*	*544*
French Overseas Departments and Collectivities			
Non-sovereign	6,370	173	6,197
of which doubtful	*215*	*79*	*136*
Other outstanding loans	**25**	**0**	**25**
TOTAL	**58,092**	**928**	**57,164**
of which doubtful	*2,362*	*470*	*2,161*

4.2.4.1.1.4 Reconciliation of changes in provisions for impaired receivables

Note 9 "Provisions", in the notes to the financial statements, outlines the changes for each category of provisions and impairments.

4.2.4.1.2 Credit risk: portfolios under the standard approach and regulatory weightings

AFD chose the standardised method to calculate the risks used to determine the solvency ratio. The weightings applied depend on the ratings given to countries or entities by external bodies (Moody's, FITCH and Standard & Poor's) and to the type of counterparty (third-party asset class). As most of the non-sovereign counterparties do not have a rating from an external body, they are weighted at 100% or 150% for non-performing loans.

The weightings applied by the Group for rated counterparties are as follows:

Weighting used to calculate risks

Rating Asset class	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	Lesser than or equal to CCC+	Not rated
Sovereign	0%	20%	50%	100%	100%	150%	100%
Banks	20%	50%	50%	100%	100%	150%	100%
Corporates	20%	50%	100%	100%	150%	150%	100%

The application of weightings to AFD's credit risk results in the following weighted exposures:

Group credit risk: portfolio subject to the standardised approach, by risk segment

Risk weighting	Sovereigns and other institutions	Banks	Corporates	*Covered bonds*	Equities	Total
10%				20		20
20%	857	721	18			1,597
50%	2,655	1,477	1		4	4,136
100%	25,612	7,192	7,433		1,411	41,648
150%	1,435	265	2,460		273	4,433
250%					847	847
1250%					104	104
TOTAL	**30,559**	**9,655**	**9,911**	**20**	**2,639**	**52,784**

4.2.4.1.3 Techniques for reducing credit risk

To guarantee repayment of its loans to non-sovereign counterparties, AFD uses real securities (bank account pledges, receivables pledges, Daily assignments for its activities in French Overseas Departments and Collectivities, etc.) and personal sureties (joint sureties, first-demand guarantees, etc.). It also enters into payment mechanism agreements which give AFD priority access to the cash flow generated by the borrower's activity.

Specialist operations lawyers help AFD to structure its financing and, for counterparties based in a foreign country, they consult local lawyers on the legitimacy of the loan agreement and related agreements before the first payment is made.

Bank account pledges are subject to periodic valuation taken into account in provisioning.

Moreover, AFD records exposure guaranteed by the French State on its balance sheet and off-balance sheet.

In calculating its solvency ratio, AFD recorded its exposure covered by eligible personal guarantees, which breaks down as follows:

- €3,325M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €851M of off-balance sheet exposure consisting mainly of undisbursed amounts guaranteed by the French State and foreign governments.

Balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

In millions of euros	Net unweighted exposure covered by a guarantee	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
Governments and central banks	675	625	-625	0
Corporates	1,497	1,588	-408	1,180
Institutions	301	279	-46	233
Public sector entities	0	0	0	0
Local and regional governments	851	961	-110	851
TOTAL	**3,325**	**3,454**	**-1,190**	**2,264**

Off-balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)

	Net unweighted exposure covered by a guarantee	Net unweighted exposure covered by a guarantee	Net weighted exposure covered by a guarantee	Mitigating techniques (guarantees)	Net weighted exposure after mitigating techniques
In millions of euros	Before conversion factor	After conversion factor			
Governments and central banks	56	34	34	-34	0
Corporates	672	471	491	-20	471
Institutions	123	67	67	0	67
Local and regional governments	0	0	0	0	0
GRAND TOTAL	**851**	**571**	**591**	**-53**	**538**

4.2.4.1.4 Counterparty risk

Counterparty risk relating to financial activities

AFD uses derivatives to hedge interest rate and foreign exchange risks (see derivative exposure table above). Transactions are limited to counterparties that have signed framework agreements with French (AFB or FBF) or international (ISDA) bodies. AFD renegotiated collateral contracts with almost all of its active counterparties. These contracts are activated with no regard to rating and are triggered immediately and with no deductible upon reaching a certain threshold. AFD does not carry out credit derivative transactions.

Limit system

Counterparty risk on financial instruments is managed using a set of limits and management rules whose principles and main characteristics are set by the Board of Directors.

The unitary approval limit is set for a counterparty based on the counterparty's type, rating, capital and AFD's capital.

4.2.4.1.5 Securitisation

Proparco does not carry out any securitisation transactions and does not intend to invest in this type of vehicle. However, as an investor in funds (AIF, UCITS, etc.), an incidental reclassification of a securitisation exposure is possible. The criteria for classification as a securitisation, notably under subordination structure, are sought and, if necessary, trigger analyses on the prospecting as well as on the portfolio to date.

In 2020, an investment transaction in a fund was reclassified as a securitisation in view of the conditions of the contract in question. This is an atypical transaction that was not intended to be a securitisation transaction and Proparco's strategy to date is not to develop its investments in transactions qualifying *a priori* as securitisation.

4.2.4.2 Foreign exchange and market risk

AFD does not have a speculative operations portfolio. However, it records in its trading book any non-deliverable or illiquid currency hedging instruments, forward hedging instruments and/or hedging instruments that have lost their hedging purpose.

AFD's positions were below the thresholds applicable to capital requirements for market risk. The Group's overall net foreign-currency position subject to capital requirements at 30 September 2021 is €71.4M, primarily in dollars.

4.2.4.3 Operational risk

Operational risk management within AFD Group (identifying and evaluating risks, rating risk management data, reporting, procedure for declaring operational incidents) is described in detail in Paragraph 4.3.1 "Internal control and risk monitoring".

The measurement and management of operational risk is incorporated in the permanent control system.

Operational risk assessment

When calculating its regulatory capital requirements for operational risk, AFD Group uses the basic method, which relies on the basic indicator as defined in Article 316 of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms. Under the basic method, capital requirements for operational risk are equal to 15% of the average of the basic indicator smoothed over three years.

Capital requirements for operational risk

AFD's average net banking income (NBI) for the last three financial years is €851M. The capital requirement for operational risk is €128M (15% of average NBI).

In thousands of euros	2021	2020	2019
GDP – Smoothed 3-year average	850,758	749,792	756,286
Capital requirement ratio	15%	15%	15%
Capital requirement	127,614	112,469	113,443

4.2.4.4 Risk on equities and other financial instruments

The methods for valuing and recording equity investments held by the Group are presented in Paragraph 6.2.3.2 of the financial statements and in the following notes thereto: Note 1 "Financial assets and liabilities at fair value through profit and loss" and Note 3 "Financial assets at fair value through other comprehensive income" (Paragraph 6.2.4.1). The accounting standards for equity-accounted equity investments are outlined in Paragraph 6.2.3.1.2 "Accounting principles and methods".

The summary table of equity investment exposure is provided in Paragraph 4.2.4.1.1.2.

The amount of capital gains (losses) realised on disposals and liquidations during the period under review is presented in Notes 13 and 14 to the consolidated financial statements (Paragraph 6.2.4.2).

Realised gains and losses are recorded as gains or losses on assets at fair value through profit and loss (Note 13) or at fair value through other comprehensive income (Note 14).

Capital requirements for this category of risk equalled €211M based on a risk-weighted amount of €2,639M.

4.2.4.5 Interest rate risk in the banking portfolio

The Paragraph 4.1.1.4 on "Interest rate risk" describes this type of risk in detail.

4.2.4.6 Information on encumbered and unencumbered assets

An asset is considered to be "encumbered", or may be used contractually for the purpose of guaranteeing, acting as collateral for or enhancing a transaction from which it is inseparable. On the other hand, an "unencumbered" asset is one free of any restrictions of a legal, regulatory, contractual or any other nature, and free from the possibility of being liquidated, sold, transferred or assigned.

AFD does not record any assets as encumbered apart from securities sold under repurchase agreements to the Banque de France for a nominal amount of €50.5M.

4.3 Risk management

4.3.1 Internal control and risk monitoring

AFD's internal control system is intended to provide Executive Management with reasonable assurance of the implementation of the following three objectives: (i) implementation and optimisation of transactions, (ii) reliability of financial information, and (iii) compliance with laws and regulations.

It includes the four targets set in the Decree of 3 November 2014, namely (i) the quality and reliability of accounting and financial information, (ii) the compliance of transactions, organisation, and internal procedures with legal and regulatory provisions, (iii) the quality of information systems, and (iv) compliance with decisions made by Executive Management.

At AFD, the internal control process is overseen by the Operational Risk and Permanent Control Department (ROC) – which sits within the Group's Executive Risk Department – and by the General Inspection Department (IGE) – reporting to Executive Management – for periodic controls.

4.3.1.1 Permanent control system

The AFD Group's permanent control process is supported by (i) the Permanent Control function – which sits within the ROC Department – responsible for leading and overseeing the AFD Group's permanent control system, safeguarding its standardisation and effectiveness, (ii) Group managers, responsible for risk management at the level of their structure and who, in this respect, are the key contacts of the Permanent Control Function and (iii) any Group employees at the registered offices and in the international network, who come to identify and assess risks, conduct first and second level controls, report incidents and/or process them.

AFD's permanent control is exhaustive in scope, because its aim is to ensure that all risks generated by the Group's activities, whatever they may be, are indeed subject to an appropriate control system. Lastly, with regard to the specific disbursements control system, the role of the Disbursement Control Division of the ROC Department is to carry out second-level checks following disbursements for AFD's financing projects. It is a specialist unit that, in accordance with Article 14 of the Decree of 3 November 2014, is independent of operational structures and is responsible for controlling disbursement requests.

4.3.1.2 Compliance and anti-money laundering/combating the financing of terrorism system (AML/CFT)

The Compliance function performed by the Compliance Department (DCO) on behalf of AFD Group, which is independent of operational staff, is tasked with monitoring compliance in all sectors, operations, geographic areas and regulatory contexts of AFD Group. Its ultimate aim is to ensure that non-compliance risks and risks to the Group's reputation are monitored and managed.

The Compliance function's field of expertise enables it to (i) decide on AFD Group's financial security policy, (ii) ensure that the financial institution follows the provisions on combating money laundering and terrorist financing, those on the prevention of corruption and on conducting banking and financial activities, and those ensuring the protection of clients' personal data.

4.3.1.3 Periodic control system

In view of the rules of independence of the function it performs, the General Inspection Department (IGE) reports to Executive Management and the Director of the IGE reports to the Internal Control Committee of the AFD Group. The IGE is in charge of the periodic control of transaction compliance, the actual risk level incurred, the respect of procedures, and the efficiency and suitability of the permanent control systems set up by AFD. It serves AFD's internal audit function and has jurisdiction over all of the company's activities, including outsourced activities.

The Group's risk management is governed through three main bodies:

1) the Board of Directors;

2) the committees emanating from the Board of Directors:

- the Group Risk Committee

  Under the responsibility of the Board of Directors, the Group Risk Committee, set up in 2015 to meet the requirements of the Order of 3 November 2014, is responsible for:

  - conducting a regular review of the strategies, policies, procedures, systems, tools, and underlying limitations and assumptions and reporting its findings to the Board of Directors,
  - assessing all significant risks as listed by regulations and the risk management policies, and the changes made thereto; to this end, it is informed of significant incidents identified by the internal control procedures and of any significant anomalies detected by the anti-money laundering and anti-terrorist financing monitoring and analysis system, as well as any shortcomings of this system,
  - assessing the measures taken to ensure business continuity,
  - advising the Board of Directors on the AFD Group's overall strategy and risk appetite, both current and future, and assisting the supervisory body in overseeing the implementation of this strategy by management;

- the Group Audit Committee

  Reporting to the Board of Directors, the Group Audit Committee is responsible for:
  - verifying the clarity of the financial information and assessing the relevance of the accounting methods adopted for the preparation of the individual and consolidated financial statements,
  - issuing an opinion on the institution's financial statements,
  - assessing the accounting and financial aspects of the internal control system,
  - supervising the choice of statutory auditors, and establishing a direct relationship with them, in order to familiarise themselves with their work programme and to discuss the conclusions of their work with them.

  In summary, the Group Audit Committee monitors issues relating to the preparation and control of accounting and financial information;

3) the Internal Control Committee: a body within which the heads of Periodic Control, Permanent Control, Compliance and the Risk Management function of the AFD Group, appointed pursuant to Articles 16, 17, 28 and 74 of the Order of 3 November 2014, report on the performance of their duties to the executive directors within the meaning of Article 10 (a) of the Order of 3 November 2014 in accordance with Articles 23, 31 and 77 of the same Order.

Composition of the Group Audit Committee and Risk Committee as at 31 December 2021

Name	First name	Organisation	Date of resolution	Term ends	Position
Chairperson of the Group Audit Committee and Risk Committee					
MATTEI	Jean-Louis	Qualified person	07/05/2020	06/05/2023	Chairperson, Alternate Director of the AFD Board of Directors
Members of the Group Audit Committee					
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors
COMOLET	Gabriel	General Directorate of the Treasury, MINEFI	23/09/2020	22/09/2023	Replacing Mr Bories (exceptionally) on the Audit and Risk Committee
BOURBOULON	Baptiste	Budget Department, MINEFI	18/06/2020	17/06/2023	Representative of the Budget Department Alternate Director of the AFD Board of Directors
HOET	Victor	Budget Department, MINEFI	18/11/2020	17/11/2023	Replacing Mr Bourboulon (exceptionally) on the Audit and Risk Committee
LACOCHE	Sarah	CDC	05/11/2020	04/11/2023	Permanent Director on the AFD Board of Directors
PICARD	Stéphanie	AFD employee	20/12/2018	19/12/2021	Permanent Director on the AFD Board of Directors *(member of all committees in 2021)*
Members of the Group Risk Committee					
BORIES	Christophe	General Directorate of the Treasury, MINEFI	07/05/2020	06/05/2023	Representative of the General Directorate of the Treasury Alternate Director of the AFD Board of Directors
COMOLET	Gabriel	General Directorate of the Treasury, MINEFI	23/09/2020	22/09/2023	Replacing Mr Bories (exceptionally) on the Audit and Risk Committee
BOURBOULON	Baptiste	Budget Department, MINEFI	18/06/2020	17/06/2023	Representative of the Budget Department Alternate Director of the AFD Board of Directors
HOET	Victor	Budget Department, MINEFI	18/11/2020	17/11/2023	Replacing Mr Bourboulon (exceptionally) on the Audit and Risk Committee
LACOCHE	Sarah	CDC	05/11/2020	04/11/2023	Permanent Director on the AFD Board of Directors
PICARD	Stéphanie	AFD employee	20/12/2018	19/12/2021	Permanent Director on the AFD Board of Directors *(member of all committees in 2021)*

4.3.1.4 Risk monitoring

Risk monitoring is ensured by the Group Risk Management Department (DRG) of the Executive Risk Department (DXR): by the Counterparty Risks Division (DRC) at the individual level of credit risks and the Risk Monitoring Division (DSR) at a consolidated level, both for credit risks and market transactions. This supervision is not exclusive to this department: among other procedures, a six-monthly review of non-sovereign counterparties is conducted by local departments, credit transactions are referred for a second opinion (DXR/SOP) and the Finance Department provides strategic and financial guidance (DEF/PFG).

4.3.1.5 Methods of informing executive officers

The executive officers are informed through different channels which are essentially committees and executive officer memos.

The Internal Control Committee (Cocint) comprises members of the AFD Executive Committee (including the Chief Executive Officer of Proparco), the head of the Group Risk Management Department (DRG), the head of the General Inspection Department, the head of the Compliance Department, and the head of the Operational Risk and Permanent Control Department. It makes sure that systems are in place to monitor the activities and risks, as required by the Decree of 3 November 2014, to ensure the AFD Group's internal control system operates effectively. It mobilises management to put these systems in place. It is through this body that the heads of Periodic Control (the General Inspection Department – IGE) and of Permanent Control and Compliance of AFD Group report on the fulfilment of their roles. The committee is also regularly informed of incidents and risks updated in the operations risk mapping.

The Risk Committee (Coris) is responsible for proprietary risks on the AFD Group scope, notably as regards macroeconomic risks in the countries where it operates ("country risks") and credit risks covering both commitments in loans, guarantees or other financing instruments as well as all of the Group's subsidiaries and equity investments ("counterparty risk"). It is chaired by AFD's executive head of risk (DXR) and is attended, notably, by the AFD and Proparco Executive Management.

In its "Compliance" configuration, the New Products and New Activities Committee (Coconap) examines (i) any changes to French or local laws or regulations which affect compliance, (ii) any significant compliance events in the respective areas of activity, (iii) the list of operational non-compliance incidents, (iv) the updated compliance, fraud and corruption risk mapping and (v) the progress of corrective measures and (vi) the activity reports of the environmental and social complaint management system. It is chaired by the AFD's executive head of risk (DXR). In its "New activities and new products" configuration, its role is (i) to examine all projects for new activities and products as well as any significant transformation carried out on pre-existing products, (ii) to record any which may have been issued by the participants, (iii) to record the final opinion of the Compliance Department, (iv) as part of an annual review, to review all AFD activities and products, in order to ensure their compliance and relevance with AFD's overall product offering.

The role of the Accounting, Finance and Management Control Committee (Cofico) is to examine and monitor AFD's financial, accounting and management control activities. It is chaired by the Chief Operating Officer or the Chief Financial Officer. It has four sub-committees that report to it: (i) Budget (COBUD), (ii) Treasury (COTRES), (iii) Balance Sheet Management (COGAP), (iv) Monitoring of Climate Bonds (COSOC).

The Professional Ethics Council (CETH): chaired by the Chief Operating Officer, the mission of the CETH is to help identify the Group's internal doctrine for the application of the Ethics Charter and to issue opinions at the request of the Chief Executive Officer or the Ethics Adviser. Its role, composition and functioning are set out in memoranda of instruction.

The Security Committee (COSEC) created in 2021 to replace the Security and IT Committee (COSI) in its "security" configuration: it is competent in all areas covered by the Group's Security function (personal and property security, information system security, business continuity, information confidentiality (excluding GDPR)). The COSEC is chaired by the Secretary General.

The Organisation and Procedures Committee (COMOP): its role is to examine significant changes to the documents of AFD's organisation and procedures manual. It is chaired by AFD's Chief Executive Officer or Chief Operating Officer.

The Partnerships Committee (Copar) is responsible for discussing major strategic lines with the AFD Group's partners, and deciding on the financing of partnerships. It is chaired by the Chief Operating Officer or the Executive Director for Strategy, Partnerships and Communication (SPC).

The role of the Credit Committee (CCR) is notably:

- to verify all the due diligence carried out at the time of project appraisal;
- to examine the financing proposals prior to their submission to the AFD decision-making bodies;
- to validate the terms of the resolution proposals or decision to grant funds;
- to ensure the economic balance of projects;
- to review the advisability of decentralisation of project management within the international network;
- to log any reservations expressed by the Compliance Department (DOC), the Second Opinion Unit or any other member of the committee;
- to record the sustainable development appraisal and the final opinion of the Second Opinion Unit and log any follow-up rights issued.

The chair of the CCR will be appointed according to the value of the applications submitted, with provision for three levels of delegation (director of the regional department or Operational Steering Division for cross-cutting projects that are not geographically assignable, director of the Executive Operations Department (DOE) or Executive Management).

The Grant Committee (COSUB): like the CCR, its role is:

- to verify all the due diligence carried out at the time of project appraisal;
- to examine the financing proposals prior to their submission to the AFD decision-making bodies;
- to validate the terms of resolution proposals;
- to ensure the economic balance of the grant activity as a whole;
- to log any reservations expressed by the Compliance Department, the Second Opinion Unit or any other member of the committee;
- to record the opinion of the Compliance Department and the final opinion of the Second Opinion Unit and to log any follow-up rights issued.

The COSUB chair depends on the amounts of the projects presented, with the procedure providing for three levels of delegation (the Head of the Geographical Department, the Executive Operations Director or Executive Management).

Information is also passed on to executive officers *via* memos which formally record, for example, the regulatory verdicts of the Second Opinions Unit or compliance opinions, legal warnings or notification of thresholds being exceeded.

4.3.2 Internal control procedures and organisation of audit trail for accounting and financial information (Article L.225-100-1-5)

The AFD Group's accounting is handled by the Regulatory Accounting Consolidation Department of the AFD Finance Department (DEF).

The activities of this department include:

- the accounting registration of transactions initiated at the Head Office on the accounts payable, fixed assets, investments and services functions;
- auditing of local office and Regional Directorate accounts;
- the control of the centralisation in the general accounting of ancillary accounts and the implementation of accounting controls on all sectors;
- tax returns with the exception of those relating to wages and the building;
- the preparation of the parent company financial statements in accordance with French standards and the consolidated financial statements in accordance with IFRS;
- regulatory reporting (mainly SURFI, FINREP and COREP statements); and
- for the subsidiaries, Sogefom, Proparco and Soderag: bookkeeping using French standards, the production of the half-year financial statements (quarterly in the case of Proparco) and of fiscal and regulatory declarations (SURFI – Balance of payments).

The accounting recognition of loans, grants and guarantees granted is carried out by the Accounting Controls Support Division of the Funding Financial Management Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The accounting recognition of market transactions (borrowings, derivatives and short-term investments) is carried out by the Post-Market Division of the Treasury and Financial Markets Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

Personnel expenses and provisions related to salary and employee benefit expenses are recognised in the accounts by the Compensation, Welfare and Expatriation Division of the Human Resources Department. Accounting controls are carried out by the Regulatory Accounting Consolidation Department.

The separation between the engagement, accounting and execution functions for treasury operations is maintained by both the organisation of services and the implementation of procedures.

Accounting entry is largely decentralised (international offices, other Head Office services).

Accounting control is split between banking operations and general expenses.

The Group's accounting is audited by two audit firms (KPMG and BDO) which were appointed by the Board of Directors on 2 April 2020 for the six financial years in 2020-2025.

The Regulatory Accounting Consolidation Department is in contact with the external auditors (statutory auditors, tax authorities, French Prudential Supervisory and Resolution Authority).

An accounting procedures manual that includes procedures and accounting schematics for all transactions is available on the intranet site. It includes a procedure for accounting controls. With regard specifically to the audit trail, its functioning is described below.

The accounting system is structured around a multi-company (AFD-Proparco-Sogefom) and multi-currency accounting software package powered by business applications and auxiliary accounting systems.

The conversion of foreign currency transactions is performed by a specific module of the accounting software package, which publishes control reports at each step of the conversion and calculation of translation adjustments. A procedure describes the controls to be performed at each stage of the conversion treatment for the exchange positions until the determination of translation adjustments.

An "Infocentre" application makes it possible to retrieve the accounting information for balances and accounting movements for each transaction or at the desired aggregated level.

In accordance with Article 85 of the Decree of 3 November 2014, the audit trail allows the unitary event to be traced back to the accounting aggregate or, conversely, from the accounting aggregate to the corresponding unit events. In the case of a grouping of accounting movements within an upstream interface, the audit trail also makes it possible to retrieve the unit events that make up those grouping movements.

In addition, all IT applications owned by the Regulatory Accounting Consolidation Department have IT security classification in terms of (i) availability (availability required in the event of an extreme shock and current service availability),

(ii) integrity (capacity to prevent unauthorised modification of the information), (iii) confidentiality (ownership of information that should not be available or disclosed to unauthorised individuals, entities or processes) and (iv) proof (ability to identify the individual, entity or automated process from whom or which access to information originated).

4.3.3 Credit risk

4.3.3.1 Credit risk measurement and monitoring system

The system in place to measure and monitor credit risk is described in Paragraph 6.2.5 "Risk Information".

4.3.3.2 System of operational limits

The system of operational limits is described in Paragraph 6.2.5.1.

4.3.3.3 Monitoring of major counterparty risks

The monitoring of the risks of sovereign counterparties is described in Paragraph 6.2.5.1.

4.3.3.4 Monitoring the risks of non-sovereign counterparties

The monitoring of the risks of non-sovereign counterparties is described in Paragraph 6.2.5.1.

4.3.4 Comprehensive interest rate, foreign exchange, liquidity and market risks

Asset and liability management covers the management of liquidity, interest-rate and foreign-exchange risks as well as counterparty risk management for financial activities. AFD is responsible for financing the operations of its main subsidiaries and holds most of the Group's asset and liability management risks on its balance sheet.

The key components of AFD's financial and asset and liability management strategy are submitted to the Board of Directors every year for approval. These guidelines can be summarised as follows:

- limiting exposure to liquidity risk;
- ensuring sustainable and steady interest revenue streams for AFD;
- limiting exchange rate exposure to the minimum necessary for temporary operational needs;
- limiting counterparty risk exposure from financial activities by carrying out market and investment operations with only the counterparties that have the highest credit ratings.

Limits and management criteria are set based on guidance from AFD's Board of Directors. In 2021, this body carried out the annual review of the system.

4.3.4.1 Liquidity risk

Liquidity risk is described in Paragraph 6.2.5.2.

4.3.4.2 Interest rate risk

Interest rate risk is described in Paragraph 4.1.1.4.

4.3.4.3 Foreign exchange risk

Foreign exchange risk is described in Paragraph 6.2.5.4.

4.3.4.4 Market risk

Market risk is described in Paragraph 6.2.5.4.

4.3.5 Major risk ratio

At 31 December 2021, the AFD Group was in compliance with the major individual risk ratio set out by banking regulations, *i.e.* a maximum of 25% of risk-based consolidated capital.

4.3.6 Other operational risks

4.3.6.1 Risks related to the settlement process

AFD has established a number of measures to tighten up the organisation and control of settlements:

- procedures which describe and formalise the processing of settlements;
- pre- and post-settlement checks;
- training and awareness-raising initiatives, primarily on the risks of fraud, for staff involved in settlement processing and checks.

In terms of anti-money laundering measures, AFD uses commercial software that provides an automated system to cross-check settlement records against a list of individuals and entities that require extra vigilance.

In addition, in order to meet national regulatory obligations in terms of paperless invoicing, AFD has upgraded its supplier payment process to a paperless process, *via* the use of the Chorus Pro platform.

4.3.6.2 Legal risks

The Legal Department is responsible for managing the Group's legal risks. It covers all legal areas (with the exception of Human Resources, taxation and non-compliance risks).

The Legal Department provides legal support:

- in financing, guarantee and equity investment transactions, at all stages of the project cycle, as well as in implementation monitoring, recoveries, restructuring, pre-litigation and litigation;
- in cross-cutting issues and innovative projects (Group risk prevention, international government agreements, relations with other funders, guarantee funds, partnerships, relations

with subsidiaries and equity investments, new products, climate finance, digital, etc.);

- in market transactions;
- in institutional matters (bylaws, governance, relations with the State and supervisory bodies, etc.);
- regarding banking and finance regulations;
- in criminal matters, on all subjects where AFD Group or its directors may be held liable;
- by providing consulting services for all AFD entities.

To AFD's knowledge, there are no governmental, legal or arbitration proceedings, whether suspended or pending, that could have or have had a material effect on the financial situation or the profitability of AFD and/or AFD Group over the last 12 months.

4.3.6.3 Non-compliance risks

According to regulations, the Compliance Department is responsible for the prevention, detection, monitoring and management of non-compliance risks throughout AFD Group.

Non-compliance risk is defined as "the risk of legal, administrative or disciplinary sanction, material financial loss or loss to reputation arising from failure to comply with the provisions governing banking and financial activities, whether they be directly applicable legal, regulatory, national or European provisions, or whether they are professional and ethical standards or the instructions given by executive officers, particularly in light of the guidelines from the supervisory body" (Decree of 3 November 2014, Article 10p).

The Compliance Department ensures the Group complies with (i) internal and external provisions related to preventing money laundering and terrorist financing (AML/CFT), (ii) provisions related to the fight against corruption and associated offences as well as fraud and anti-competitive practices, (iii) provisions to do with abiding by national and international trade and financial sanctions, (iv) provisions that govern, with regard to banking ethics, the performance of banking and financing activities or (v) provisions that ensure the protection of the personal data and private lives of clients.

The department is part of the Executive Risk Department. The Compliance function reports on its activities to the Internal Control Committee (Cocint) and to the New Products and New Activities Committee (Coconap in its Compliance configuration), as well as the Regulatory Risk Committee.

The Compliance function covers all sectors, operations, geographic areas and regulatory contexts of AFD Group. In addition to operational projects and activities, it also concerns the Group's new activities and products, in accordance with regulations.

Its ultimate aim is to ensure that non-compliance risks are appropriately evaluated in the interest of preventing and limiting the exposure of AFD Group and its management to legal and/or administrative action and to reputational risks, by supervising them should these risks arise.

Non-compliance risk monitoring is ongoing and backed by a risk map.

The following changes were made to the non-compliance risk management system during 2021:

- as regards the fight against corruption and influence peddling: continued roll out of the last segments of the AFD Group's compliance programme, as required by the law on transparency, the fight against corruption and the modernisation of economic life (SAPIN 2);
- as regards the fight against fraud and prohibited practices within the meaning of the Group's general policy: creation and provision of a reporting mechanism, open to third parties outside the AFD Group, on the AFD and Proparco website;
- as regards the internal control structure: amendments to the procedural documents impacted by the overhaul of the Decree of 3 November 2014 and the adoption of the Decree of 6 January 2021, and control of the due appointment of the persons undertaking new positions in relation to the permanent and periodic control of the anti-money laundering and anti-terrorist financing system.

Insurance – Coverage of risks run by AFD

AFD has a "Civil Liability" insurance policy that also covers Proparco, a "Directors and Officers civil liability" policy, a "labour relations" policy, a "first excess property damage" policy that also covers Proparco and VAL, an "all exhibition risks – works of art" policy, and a "Directors and Officers civil liability specific to supplementary pension scheme management (IGRS) risk policy"(1).

All of the network's agencies are covered by locally underwritten insurance policies (multi-risk residential and office, and civil liability for office activities).

These policies are accompanied by vehicle insurance covering head office (head office policy) and the network (local policies) plus "worldwide" "individual accident" insurance guaranteeing disbursement of share capital in case of death or disability caused by an accident with a vehicle belonging to or rented by AFD.

4.3.6.4 Risks related to the information system

Information systems security

The Security Department oversees all aspects of ICT risks, including IS security. To this end, the head of the department is supported by the AFD Group's head of IT system security (RSSI).

An analysis of ITC (information and communication technologies) risks is carried out at least once a year under the IS risk governance system. Security risks are extracted from it and processed under the IT security management system (SMSI), in compliance with ISO 27001. The SMSI provides a framework for addressing AFD's IT-related risks, from appraisal of the risks to implementing remedial measures and ongoing IT system security checks. After the annual risk analysis, AFD's operational risk map and the triennial security project plan are updated. The steering bodies use this plan to determine the security upgrades for the IT system.

(1) This insurance contract has been transferred to and is managed by the HR Department.

The information system security policy (ISSP), which is compliant with ISO 27001 and ISO 27002, defines the 90 security rules needed to protect AFD's information systems. The application of each rule is stipulated by a set of internal security standards and procedures, in compliance with best practices in the field.

This ISSP is accompanied by an IT user charter which has been enforceable for all users since it was included in the rules and regulations.

Measures to raise awareness of ISS, in the form of regular talks and digital training, ensure that all Group users are familiar with the main rules for use.

Under the ISSP, all information systems and business line applications are classified according to four security criteria, namely availability, integrity, confidentiality and proof. These criteria allow for protection measures to come into effect in line with security requirements during the design and active use stages of a given system. The most sensitive information systems regularly undergo a security approval certification procedure.

The management of security incidents is overseen by a specific ISS incident management policy that sets management rules for a security incident. This makes it possible to coordinate (i) the procedure for managing IT incidents (to ITIL[1] standards), (ii) the "user" incident alert system run by the IT Support Department, and (iii) the Security Department (SEC). The Security Department coordinates all immediate responses to security incidents. The RSSI may request the activation of a crisis unit if the nature of the incident so requires.

In 2021, AFD did not suffer any cyberattack crises.

Emergency and business continuation plan

The AFD Group has a Business Continuity Plan (BCP) intended to cover all of the AFD Group's business lines and activities, including its Proparco and Sogefom subsidiaries. This plan is intended to ensure the continuation of the Group's business in the aftermath of a disaster of low likelihood but with critical impact.

The plan is formalised in three framework documents applicable to the entire group: the business continuity policy, the crisis management plan and the business continuity plan. These documents are supplemented by procedures for each essential activity.

The business continuation policy was updated in 2017 to include a new class of activity recovery (level 5 availability) providing the means to characterise activities that do not support service interruptions.

Continuity procedures are grouped into "BCP kits" provided for each structure operating one of the vital functions. These procedures describe the actions required for implementing the plan, as well as the manual operating modes to be used in case of any long-term unavailability of business premises or IT tools.

AFD also has a "pandemic" plan which describes the principles and ways of maintaining business activity in the event of a global or local pandemic.

The Information and Telecommunications Recovery Plan (PRIT), which covers the risk of an extended IT system outage, includes an IT infrastructure that reactivates the AFD Group's applications and essential systems. The PRIT system covers all of the business lines' IT continuity requirements by duplicating 70% of the Group's Information System and 100% of production data. This includes all systems essential to users' "core business" activity for the first month of loss. The remaining 30%, corresponding to non-essential systems, are re-established within three months. Improvements to the PRIT engaged in 2018 cut the time needed to activate the emergency platform by 70%. The update of the technical platform was carried out in 2020, including the company messaging system.

A Flood Risk Prevention Plan (PPRI), intended to cover the risk of the Seine bursting its banks and mitigate the impact of such a contingency on AFD's two main head office buildings, has also been introduced.

The Security Department (SEC) and its Resilience and Information Security (RSI) unit, which are part of the General Secretariat, have full responsibility for updating and controlling the BCP; the head of this department is also responsible for the Group's business continuity management plan (BCMP). The SEC Director is responsible for crisis management and coordinates and synchronises the resumption of business once the BCP is triggered.

The seventeen entities composing AFD, Sogefom and Proparco, whose activities are deemed essential and are covered by the BCP, are asked to regularly revise their business impact assessments (BIAs) and update their degraded procedures. Each person in charge of entities registered in the BCP is responsible for applying the procedures of his or her BCP Kit once the plan has been triggered. A major update of the BCP will be undertaken in 2022 to integrate Covid feedback.

A permanent standby mechanism at the level of the General Secretariat and Executive Committee (EXCOM) is in place to enable AFD to respond rapidly to a major disaster. The mechanism provides for a crisis unit led by an EXCOM member to be activated when in need. In case of a major disaster, the crisis unit decides whether to activate the BCP. The mechanism also covers Proparco and Sogefom.

The BCP triggering tests were carried out in early 2021, including the reactivation of the company messaging system, as part of the PRIT checks.

The business continuity plan, in its "pandemic" form, was effectively activated in all AFD regions in order to take into account the Covid situation. In this context, the monitoring and crisis management system has proven its worth. The business continuity plan made it possible, in particular, to switch all sites and staff to teleworking, without disrupting the processes. The Covid BCP remained in operation in 2021.

The plan was audited by the General Inspection Department (IGE) at the end of 2021.

NBP : (1) Information Technology Infrastructure Library

4.3.6.5 Tax risk

AFD did not undergo any tax audits in 2021.

4.3.6.6 Other operational risks

In addition to the risks detailed above, the Group's permanent control system seeks to cover all risks within the remit of Basel categories 1 to 7 to which the Group is exposed (risks relating to (i) internal and (ii) external fraud, (iii) human resources; concerning (iv) the Group's financing activity, (v) personal safety, (vi) information systems and (vii) management, processes and procedures).

This system for monitoring and mitigating all operational risks is based on:

- operational risk mapping, which is the main tool used to measure and monitor these risks;
- recording of operational incidents, enabling the implementation of corrective actions and new controls aimed at (i) preventing any repeated dysfunction or limiting their impact and (ii) improving operational risk mapping;
- first and second level controls;
- action plans to correct high-risk areas;
- permanent monitoring of New Products/New Activities, *via* participation in dedicated Committees to ensure that a comprehensive risk assessment has been carried out;
- monitoring of outsourced services and the implementation of procedures to manage associated risks.

Permanent control provides regular reports to the Group's Risk Committee and Internal Control Committee (COCINT).

5
CHAPTER

Financial information

5.1 Recent changes and future outlook

5.1.1 Recent changes

ACTIVITIES

The overall activity of the AFD Group in 2021 amounted to €12.1bn, and increased slightly compared to 2020. AFD's commitments in foreign States amounted to: €8.8bn (-1%). In the French Overseas Departments and Collectivities, commitments amounted to €1.1bn. Proparco's activity amounted to €2.4bn in commitments (incl. Fisea), up 14% compared to 2020. These results are in line with the targets set by the business plan for the year.

GOVERNANCE

AFD's governance system has not changed.

5.1.2 Future outlook

The year in 2022 was in line with 2021, with the consolidation of achievements in terms of management through signatures, increased attention to monitoring results and impacts, and the consolidation of AFD's and Proparco's activity, which amounted to €12bn in annual commitments. The AFD Group also integrated Expertise France's activity, which amounted to €335M in revenue.

The Group set itself the target of reaching €10.2bn in signatures in 2022, and €8.8bn in payments and €12bn in commitments.

In 2022, the AFD Group will continue to implement the strategic objectives of the 4th strategic orientation plan (SOP4) in terms of climate, social ties, action in crisis areas, non-sovereign activities and partnerships. It will work on the definition of its future strategy for the 2023-2027 period (5th strategic orientation plan). This SOP5 will transpose the provisions of the law of 4 August 2021 into the Group's strategic guidelines. It will be fully consistent with the future contractual targets and resources ("COM") for the 2023-2025 period and will result in a new organisation whose outlines are being drawn up.

The AFD Group will also contribute to the French presidency of the European Union. On 16 February, it will organise an event in Paris bringing together its African and European counterparts to highlight and further develop new initiatives and coalitions for investment in Africa.

It will continue to transform itself in 2022, its objective being simplicity and collective efficiency in a new Group scope with, notably, the simplification of its processes, and the implementation of a new stage in the modernisation of its information systems with the launch of the Operational Functions Master Plan *(OpéraSIons programme)*, for which the first studies began in 2021. The IT Master Plan for the finance and risk functions *(FabRIk programme)* will be pursued in parallel. In 2022, the off-plan sales contract for the future head office will be signed. Lastly, after obtaining the double AFNOR diversity and professional equality label in 2021, the implementation of which will continue in 2022, the AFD Group will develop its ethics system and update its CSR policy.

Concerning the outlook for intervention by geographical area:

- In 2022, the volume of commitments should amount to €4.4bn in continental Africa, making it possible to achieve the COM's "All Africa" objective by 2022. Several operational constraints weigh on this ambitious objective, notably the evolution of sovereign risks as measured in the IMF's and World Bank's Debt Sustainability Analyses (DSA). In fact, these analyses show a weakening of the debt trajectories of certain sub-Saharan African countries, which began before the Covid-19 crisis. From an operational standpoint, the year in 2022 will thus have to maintain a good balance between risk management and support for the continent in the financing of its SDG trajectory. In 2022, the volumes of signatures and payments are expected to amount to €3.5bn and €3bn respectively.

In continental Africa, AFD will continue to seed the new sectors recently cleared, and to offer the right space to civil society, to which it is entitled. Thus, on 7 and 8 February, the Forum of Mediterranean Worlds will be held at the *Palais des Congrès* of Marseille, bringing together civil society stakeholders from both sides of the Mediterranean, where AFD will host a "Projects and Solutions Village". In February, the European Union-African Union Summit will take place in Brussels, under the French Presidency of the EU, which will be an opportunity to forge stronger and more strategic links between the two continents, and to reinforce the principle of the Team Europe Initiative. In March, in Dakar, the World Water Forum will hold everyone's attention. It should also be noted that Egypt will host COP27.

The Orients department will pursue an ambitious signature target of €2.3bn, building on the achievements of previous years. Activities will again depend largely on the political, diplomatic and economic uncertainties of the region, while there are many areas of proven or suspended crises (notably Turkey, the Middle East, the South Caucasus, Kazakhstan, Afghanistan, Pakistan, Sri Lanka, and Myanmar).

In the wake of the French Presidency of the EU Council, the Orients department will strengthen its support for the European convergence of the Western Balkan countries in 2022, building on its increased presence in the region. The operationalisation of the French and European strategy in the Indo-Pacific region will also be a central subject for the department.

Lastly, the Orients department will once again be involved in reducing inequalities, notably in terms of gender (60% of ORE commitments in 2022 must have gender co-benefits – gender marker CAD 1 and 2). Efforts will also be pursued in the fight against climate change with a sustained target of 65% climate benefits.

AFD's signature target in the Three Oceans amounts to €1.1bn for 2022. This objective reflects the continued mobilisation of our local offices in the three ocean basins to respond to the unprecedented economic and social impact of the Covid-19 crisis, in line with the "Overseas in Common" initiative.

In the French Overseas Departments and Collectivities, AFD will continue to implement its action in the framework of the government's Recovery Plan, notably through the Recovery Contracts for the French Overseas Departments and Collectivities (COROM) launched in 2021 by the Ministry for the French Overseas Departments and Collectivities (MOM), and in parallel with the Overseas Development Fund, whose operational deployment in 2020 coincided with the health crisis. Projected commitments (excluding Sogefom guarantees) are expected to amount to around €900M for 2022, down 17% compared to 2021. In 2020 and 2021, the years were marked by the exceptional State-guaranteed loans for New Caledonia and Polynesia, amounting to €780M. In 2022, a significant portion of financing will focus on public sector funding, which is estimated at €722M for the loan segment. For the grant segment (Overseas Development Fund), €15M should be committed in 2022, to which must be added the commitments made by AFD though the COROM contracts.

In the foreign States neighbouring the overseas territories, AFD has a target of €0.2bn in grant and loan approvals. The three priority countries for French development aid in the Three Oceans scope – namely Haiti, Madagascar and the Comoros – will benefit from most of the donation effort. In these three countries, the reinforcement of human capital (health, education, training), access to basic services (including water), the preservation of natural resources, and increased economic and employment opportunities will be targeted.

A signature target of €1.1bn should allow AFD (which will remain the leading bilateral funder) to bring significant volumes of financing to Latin America in a political and economic landscape that remains uncertain due to the consequences of the Covid-19 epidemic.

It should be noted that Brazil, Colombia and Costa Rica will enter an electoral cycle, while Argentina will have to negotiate a very significant agreement with the IMF, which will condition its way out of the crisis. The balance between the three Regional Directorates should remain unchanged, with the Andes contributing about half of the business plan, the Mexico/Cuba/Costa Rica Regional Directorate one third, and Brazil and the Southern Cone 20%.

In parallel with its still high target of 70% climate co-benefits in the region, AFD will place a greater emphasis on the combination of environmental and social impacts through the promotion of projects, credit lines, and public policy loans in support of the ecological and social transitions, pursuant to its mandate in the region. The gender targets will be raised in line with AFD's commitments in this area.

5.1.3 Borrowings

To take into account the new needs of counterparties during the Covid crisis, the Board of Directors of 28 January 2021 raised the maximum authorised borrowing amount for 2021 to €9.6bn. This authorisation was used for an amount of €7.7bn.

5.1.4 Trend information

There has been no significant deterioration in the financial position of the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2021.

5.1.5 Significant change in the issuer's financial position

There has been no significant change in the financial position of the issuer and its subsidiaries (considered as a whole) since the last audited financial statements of 31 December 2021.

5.2 Events after the reporting period

UKRAINE POLITICAL CONFLICT

The recent events in Ukraine led Proparco to adopt measures to closely monitor (i) its counterparties in this country and neighbouring countries and (ii) the effects of the sanctions imposed on Russia. No additional adjustment was recorded in AFD's 2021 parent company financial statements in respect of the current situation in the region.

At 31 December 2021, Proparco had a net balance sheet exposure of €26.4M in Ukraine. Moreover, the measurement of the direct and indirect consequences of the Russia-Ukraine conflict on the countries in which Proparco operates and on its operating conditions is premature at this stage.

CONSOLIDATION OF EXPERTISE FRANCE

Following the signature in 2020 of the AFD/Expertise France strategic project for an extended group at the service of France's development policy, Expertise France became part of the AFD Group's scope of consolidated as of 1 January 2022.

On the same date, the EPIC Expertise France was transformed into an SAS with a share capital of €829K and wholly-owned by AFD.

The consolidation of Expertise France has no significant impact on the Group's IFRS financial statements.

PROPARCO SHAREHOLDERS

Crédit Agricole SA sold part of its Proparco shares to AFD, bringing AFD's stake in Proparco to 79.76% compared to 78.19% in 2020.

Crédit Agricole SA remains a Proparco shareholder with a 0.37% stake.

This operation came into force after the ministerial order dated 17 February 2022.

5.3 Economic presentation of the consolidated financial statements

The analysis below aims to provide an economic overview of the AFD Group's development, by type of activity, based on the consolidated accounting data.

A detailed description of the changes in the financial statements is provided in the notes to the consolidated financial statements.

The parent company financial statements are presented in Notes 9.6 and 9.7.

5.3.1 Consolidated balance sheet

Assets

ASSETS *In millions of euros*	2021	2020
Loans (net outstanding)	42,109	39,514
• Gross outstandings	42,858	40,290
• Fair value adjustment	-44	-15
• Individual impairments	-419	-477
• Collective impairments	-389	-358
• Accrued interest	102	74
Collateral	815	674
Financial hedging derivatives	2,129	3,194
Accruals and other assets	339	329
Companies accounted for by the equity method	148	140
Other equity investments	2,184	1,658
Investment portfolio	604	762
Short-term cash assets	6,599	7,654
Fixed assets	298	301
TOTAL ASSETS	**55,225**	**54,225**

Liabilities

LIABILITIES *In millions of euros*	2021	2020
Market borrowings	41,138	40,368
Treasury loan	840	1,535
Current accounts	29	12
Collateral	726	1,317
Financial hedging derivatives	1,787	2,168
Accruals and other liabilities	1,291	1,257
Provisions	1,355	1,287
Equity (Group share)	7,877	6,125
of which Group income	298	40
Non-controlling interests	181	155
TOTAL LIABILITIES	**55,225**	**54,225**

ASSETS

Changes in total assets were mainly due to the increase in net loans outstanding (+7%), which was partly offset by the decrease in the AFD Group's cash position (-14%), and the derivatives portfolio (-33%).

The AFD Group's net loans outstanding totalled €42,109M at 31 December 2021, *i.e.* 76% of the consolidated balance sheet, an increase of €2,595M (+7%) compared with the previous year.

Gross outstanding loans stood at €42,858M, up €2,568M or (+6%) compared with 2020.

The change in gross consolidated outstanding loans was mainly due to:

- the increase in loans at the Group's risk in the foreign country zone (+€2,650M);
- an increase in outstanding loans in the French Overseas Departments and Collectivities (+€109M);
- the decrease in loans with risks borne by the French State (-€205M).

At 31 December 2021, the adjustment to fair value of the loan portfolio for which the contractual flows do not meet SPPI[1] characteristics under IFRS 9 amounted to (-€44M).

	2021		2020	
In millions of euros	Outstandings	%	Outstandings	%
Loans at AFD Group's risk	**41,838**	**98%**	**39,065**	**97%**
Of which Foreign countries	35,783	83%	33,133	82%
Sovereign	22,747	53%	20,138	50%
Non-sovereign	13,037	30%	12,995	32%
Of which French Overseas Departments and Collectivities	5,908	14%	5,799	14%
Of which other outstanding loans	147	0%	133	0%
Loans at the State's risk	**1,020**	**2%**	**1,225**	**3%**
Loans guaranteed by the State	1,020	2%	1,225	3%
Loans granted by the State	0	0%	0	0%
GROSS CONSOLIDATED OUTSTANDING LOANS	**42,858**		**40,290**	

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Outstanding loans at the Group's risk (€41,838M, of which €35,783M for foreign countries and €5,908M for French Overseas Departments and Collectivities) resulted in impairments totalling €1,791M, or a coverage rate of 4.3%.

Performing sovereign loans were covered for the amount of €995M at 31 December 2021, mainly by the reserve account, which represents a coverage rate of 4.4%.

Summary of outstandings and impairments

In millions of euros	Outstandings	Impairment
Foreign countries		
Sovereign	22,747	995
of which doubtful	*611*	*10*
Non-sovereign	13,037	706
of which doubtful	*891*	*317*
French Overseas Departments and Collectivities		
Non-sovereign	5,908	90
of which doubtful	*212*	*90*
Other outstanding loans	147	
TOTAL	**41,838**	**1,791**
of which doubtful	*1,713*	*417*

(1) SSPI: solely payment of principal and interests.

The change in total assets was also due to changes in cash and cash equivalents (€6,599M), down over the financial year (-€1,055M). This decrease in cash and cash equivalents was mainly due to the arrival at maturity of bond repayments and disbursements made on loans.

Short-term cash assets	2021	2020	Change
AFD	6,211	7,244	-1,034
Proparco	342	383	-42
Fisea	29	8	21
Socredo	0	0	0
Soderag	7	5	2
Sogeform	11	13	-2
Other subsidiaries	0	0	0
GROUP TOTAL	**6,599**	**7,654**	**-1,055**

Other assets amounted to €6,517M in 2021 *versus* €7,057M in 2020 and represented 12% of total assets. They include the following items:

- financial hedging derivatives of €2,129M (€3,194M in 2020);
- other equity investments for €2,184M (€1,658M in 2020);
- fixed assets, accruals and other assets of €637M (€630M in 2020);
- the investment portfolio of €604M (€762M in 2020);
- collateral of €815M (€674M in 2020);
- equity-accounted equity investments of €148M (€140M in 2020).

LIABILITIES

AFD Group borrowings totalled €41,978M in 2021. They consist of the following items:

- outstanding market borrowings, which amounted to €41,138M at 31 December 2021, an increase of €770M compared to the end of 2021. This increase in borrowings related to:
  - issues amounting to €7,608M: out of the 13 issues carried out since the beginning of the year, two were carried out in AUD for €45M, eight were in euros for an amount of €5,100M and three were issued in dollars for an issued amount of €2,459M,
  - maturities due: €5,177M, including five loans maturing in euros for €2,085M and five loans in dollars for €3,092M;
- outstanding borrowings from the French Treasury, which amounted to €840M *versus* €1,535M in 2020. This decrease was mainly due to the early repayment of four loans for €920M and the receipt of a resource subject to special conditions for a total of €225M.

Other liabilities amounted to €5,188M in 2021 (€6,042M in 2020). They include the following items:

- hedging derivatives of €1,787M (€2,168M in 2020);
- provisions of €1,355M (€1,287M in 2020);
- collateral of €726M (€1,317M in 2020);
- current accounts and accruals and other liabilities of €1,320M (€1,269M in 2020). Other liabilities include €4.7M in trade payables. In accordance with Article L.441-6 of the French Commercial Code, the due dates of the trade payables at 31 December 2021 are shown below:

	31/12/2021					31/12/2020				
	Unmatured debt					Unmatured debt				
In millions of euros	0-30 days	31-60 days	61 days and over	Matured debt	Total	0-30 days	31-60 days	61 days and over	Matured debt	Total
Trade payables	0.6	1.2	0.0	2.9	4.7	0.6	5.0	0.0	1.7	7.4

The contribution of the Group's various companies to its **net position** excluding non-controlling interests is as follows:

Net position	2021	2020	Change
AFD	7,595	5,984	1,611
Proparco	356	231	126
Socredo	114	110	4
Soderag	-120	-122	2
Other subsidiaries	-67	-77	11
GROUP TOTAL	**7,877**	**6,125**	**1,752**

"Regulatory" equity[1] amounted to €8,810M at 31 December 2021 compared to €7,910M at the end of 2020. Tier 1 capital amounted to €7,970M in 2021 (€6,154M in 2020), and Tier 2 capital amounted to €840M (€840M in 2020).

The **dividend paid** by AFD to the French State amounted to €21M in 2021, compared to €0M in 2020 and €29M in 2019 (distribution rate stable at 20%).

Non-controlling interests (share of equity) are up amounting to €181M at 31 December 2021, compared with €155M at the end of 2020.

5.3.2 Consolidated income statement

In millions of euros	2021	2020	Change
Net banking income	**948**	**764**	**184**
Overheads	473	444	28
• Salary and employee benefit expense	333	313	20
• Taxes and other general expenses	140	131	9
Provisions for depreciation/amortisation on intangible assets and property, plant and equipment	42	40	3
Total expenses on non-banking operations	**515**	**484**	**31**
Gross operating income	**433**	**280**	**153**
Cost of risk	**-106**	**-269**	**162**
• Collective provisions	-39	-164	125
• Individual impairments of non-sovereign loans	62	-37	99
• Losses on bad loans	-130	-69	-61
• Other provisions	1	1	0
Operating income	**327**	**12**	**316**
Share of earnings from companies accounted for by the equity method	7	-6	13
Pre-tax income	**334**	**5**	**328**
Corporate tax	-11	10	-21
Net income	**323**	**15**	**308**
Non-controlling interests (-)	25	-25	50
NET INCOME – GROUP SHARE	**298**	**40**	**257**

(1) Equity is calculated in compliance with EU Directive 2013/36/EU and Regulation (EU) No. 575/2013.

INTERMEDIATE BALANCES

Changes in the intermediate balances over the last two financial years are as follows:

In millions of euros	**2021**	2020	Change
Net banking income	948	764	184
Overheads on non-banking operations	515	484	31
Gross operating income	433	280	153
Cost of risk	-106	-269	162
Operating income	327	12	316
Pre-tax income	334	5	328
Net income	323	15	308
Non-controlling interests	-25	-25	50
NET INCOME – GROUP SHARE	**298**	**40**	**257**

The AFD Group's income for 2021 amounted to €298M (Group share), up €257M compared to 2020.

NET BANKING INCOME

The contribution of the Group's various companies to its net banking income (NBI) is as follows:

Net banking income	**2021**	2020	Change
AFD(1)	651	743	-92
Proparco(2)	290	46	244
Fisea	3	-28	31
Soderag	2	0	2
Sogeform	2	3	-1
GROUP TOTAL	**948**	**764**	**184**

(1) AFD's NBI amounted to €794 million at the end of 2021 compared to €806 million at the end of 2020 in AFD's parent company financial statements;
(2) Proparco's NBI amounted to €173 million at the end of 2021 compared to €148 million at the end of 2020 in Proparco's parent company financial statements.

NBI amounted to €948M in 2021, up €184M compared to 2020 due to the combined effect of the following items:

Net banking income	**2021**	2020
Balance of loans/borrowings	509	470
Income from instruments at fair value	34	-92
Commissions	123	124
Income and expenses from other activities	282	262
GROUP TOTAL	**948**	**764**

The significant change in NBI resulted from:

- the improvement in income on financial instruments at fair value through profit or loss net of the foreign exchange effect (+€126M) due notably to the significant increase in the valuation of the Equity portfolio. In 2020, discounts were applied to the Equity portfolio to take the health crisis into account. In 2021, the valuations intrinsically took into account the impact of the Covid crisis and led to an improvement in the fair value of the portfolio;
- the increase in the balance of loans/borrowings (+€39M) stemming from changes in average outstandings (+8%).

GROSS OPERATING INCOME

Gross operating income totalled €433M in 2021 *versus* €280M in 2020. This €153M increase was driven by the increase in NBI (+€184M), with a slight change in non-banking operating expenses of +€31M over the year and a positive impact of the cost of risk of +€162M.

The increase in non-banking operating expenses was thus linked to the increase in external expenses as well as an increase in personnel costs in line with the budget.

COST OF RISK

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €106M compared with €269M in 2020 and breaks down as follows:

Cost of risk	2021	2020	Change
AFD	-27	-191	164
Proparco	-79	-77	-2
Sogeform	0	-1	1
GROUP TOTAL	**-106**	**-269**	**163**

The improvement in the cost of risk over the year was mainly due to the decrease, of -€125M, in collective provisions.

OPERATING INCOME

Operating income rose sharply over the financial year, by +€316M to €327M compared to €12M in 2020. This rise resulted from the positive impact of the increase in the cost of risk and the significant improvement in NBI (of, respectively, -€106M in 2021 *vs* -€269M in 2020 and €948M vs €764M in 2020).

PRE-TAX INCOME

The share of equity-accounted companies[(1)] (+€7M) was up markedly compared to the previous financial year.

Pre-tax income thus amounted to €334M in 2021 (compared to €5M in 2020 mainly due to the effects of the health crisis).

NET INCOME

After taking into account income tax (€11M) and the interests of the minority shareholders of Proparco and Sogefom (€25M), income, Group share, amounted to €298M at the end of 2021.

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(1) Corresponds to the share of earnings from the equity-accounted companies in the Group's consolidated financial statements.

6
CHAPTER

Consolidated financial statements prepared in accordance with IFRS accounting standards adopted by the European Union

6.1 Overview

Agence Française de Développement (AFD) is an industrial and commercial public undertaking tasked with financing development assistance. AFD funding amounts to €4,228M.

Registered office: 5, rue Roland-Barthes – 75598 Paris Cedex 12.

Listed on the Paris Trade and Companies Register under Number 775,665,599.

6.1.1 Balance sheet at 31 December 2021

Assets

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Cash, due from central banks		2,085,492	3,157,677	-1,072,185
Financial assets at fair value through profit or loss	1	2,555,803	2,628,539	-72,736
Hedging derivatives	2	2,003,043	2,893,471	-890,429
Financial assets at fair value through other comprehensive income	3	1,386,196	1,455,998	-69,803
Debt securities at amortised cost	5	1,295,925	1,358,235	-62,310
Financial assets at amortised cost		44,298,744	41,286,479	3,012,265
Loans and receivables due from credit institutions and equivalent at amortised cost	5	10,062,791	8,959,315	1,103,476
Demand		*2,342,185*	*1,639,791*	*702,394*
Term		*7,720,605*	*7,319,523*	*401,082*
Loans and receivables due from customers at amortised cost	5	34,235,953	32,327,164	1,908,789
Other loans to customers		*34,235,953*	*32,327,164*	*1,908,789*
Revaluation differences on interest rate-hedged portfolio		441	1,150	-709
Current tax assets		124	92	32
Deferred tax assets		32,129	26,446	5,682
Accruals and other miscellaneous assets	7	1,120,598	975,605	144,993
Accruals		*85,947*	*28,541*	*57,406*
Other assets		*1,034,651*	*947,064*	*87,587*
Equity stakes in companies accounted for by the equity investments	18	147,729	140,004	7,725
Property, plant and equipment	8	234,373	254,951	-20,579
Intangible assets	8	64,108	46,408	17,700
TOTAL ASSETS		**55,224,704**	**54,225,057**	**999,648**

Liabilities

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Financial liabilities at fair value through profit or loss	1	259,993	287,169	-27,176
Hedging derivatives	2	1,527,245	1,881,323	-354,079
Financial liabilities at amortised cost		41,166,932	40,383,217	783,715
Debt securities in issue at amortised cost	9	*41,138,981*	*40,369,524*	*769,457*
Interbank market securities		*500,230*	*701,728*	*-201,498*
Bonds		*40,638,751*	*39,667,796*	*970,955*
Debts to credit institutions and equivalent at amortised cost	9	*25,441*	*11,665*	*13,776*
Demand		*24,901*	*11,125*	*13,776*
Term		*540*	*540*	*-0*
Debts to customers at amortised cost	9	*2,511*	*2,028*	*482*
on demand		*2,511*	*2,028*	*482*
Deferred tax liabilities		9,857	10,536	-680
Accruals and other miscellaneous liabilities	7	2,006,755	2,560,629	-553,874
Allocated public funds		*84,297*	*81,230*	*3,068*
Other liabilities		*1,922,458*	*2,479,399*	*-556,941*
Provisions	10	1,355,318	1,287,076	68,242
Subordinated debt	11	840,006	1,535,334	-695,328
TOTAL DEBTS		**47,166,105**	**47,945,284**	**-779,179**
Equity Group share	(Tab 1)	7,877,243	6,124,821	1,752,422
Provisions and related retained earnings		4,687,999	3,267,999	1,420,000
Consolidated retained earnings and other		2,822,843	2,778,501	44,342
Gains and losses directly recognised in other comprehensive income		68,580	37,917	30,663
Earnings for the period		297,822	40,404	257,418
Non-controlling interests	(Tab 1)	181,356	154,952	26,404
Total equity		**8,058,599**	**6,279,773**	**1,778,826**
TOTAL LIABILITIES		**55,224,704**	**54,225,057**	**999,648**

6.1.2 Income statement at 31 December 2021

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Interest and related income	**12**	**1,491,324**	**1,613,563**	**-122,238**
Transactions with credit institutions		285,652	327,246	-41,594
Transactions with customers		749,600	786,776	-37,176
Bonds and other fixed-income securities		30,633	29,506	1,127
Other interest and similar income		425,439	470,034	-44,596
Interest and related expenses	**12**	**981,916**	**1,143,401**	**-161,485**
Transactions with credit institutions		640,562	678,006	-37,444
Transactions with customers		930	1,596	-666
Bonds and other fixed-income securities		444,669	494,794	-50,125
Other interest and similar expenses		-104,246	-30,995	-73,251
Commissions (income)	**13**	**129,127**	**128,850**	**277**
Commissions (expenses)	**13**	**6,327**	**4,851**	**1,476**
Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact	**14**	**34,205**	**-91,877**	**126,082**
Net gains and losses on financial assets recognised at fair value through equity	**15**	**9,268**	**575**	**8,693**
Income from other activities	**16**	**286,335**	**271,764**	**14,571**
Expenses on other activities		**13,754**	**10,434**	**3,320**
Net banking income		**948,262**	**764,187**	**184,074**
Overheads	**17**	**472,809**	**444,451**	**28,358**
Salary and employee benefit expense		333,070	313,438	19,632
Other administrative expenses		139,739	131,013	8,726
Provisions for amortisation of intangible assets and depreciation of property, plant and equipment	**8**	**42,123**	**39,623**	**2,501**
Gross operating income		**433,329**	**280,114**	**153,216**
Cost of credit risk	**18**	**-106,125**	**-268,597**	**162,471**
Operating income		**327,204**	**11,517**	**315,687**
Share of earnings from companies accounted for by the equity method	**19**	**6,540**	**-6,305**	**12,844**
Net gains or losses on other assets		**-130**	**123**	**-253**
Pre-tax income		**333,613**	**5,335**	**328,278**
Corporate tax	**20**	**-10,586**	**10,102**	**-20,688**
Net income		**323,027**	**15,437**	**307,590**
Non-controlling interests		**25,206**	**-24,967**	**50,172**
NET INCOME – GROUP SHARE		**297,822**	**40,404**	**257,418**

6.1.3 Net income, gains and losses recognised directly as equity at 31 December 2021

In thousands of euros	31/12/2021	31/12/2020
Net income	**323,027**	**15,437**
Net gains and losses directly recognised in equity to be recycled in profit or loss	**-3,618**	**6,903**
Gains or losses on debt securities recognised in equity to be recycled in profit or loss	-3,618	6,903
Net gains and losses directly recognised in other comprehensive income equity:	**35,571**	**9,003**
Actuarial gains and losses on retirement benefits	23,675	-10,669
Net gains and losses on equity securities directly recognised in other comprehensive income equity	11,896	19,672
TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY	31,952	15,906
Net income and gains and losses directly recognised in other comprehensive income	**354,980**	**31,343**
of which Group share	328,484	51,444
of which non-controlling interests	26,495	-20,101

6.1.4 Statement of changes in shareholders' equity from 1 January 2020 to 31 December 2021

In thousands of euros	Provisions	Funding reserves	Consolidated reserves	Income for the financial year	Unrealised of deferred gains or losses	Equity Group share	Equity – non-controlling interests	Total consolidated equity
EQUITY AT 1 JANUARY 2020	**2,807,999**	**460,000**	**2,638,564**	**172,439**	**26,876**	**6,105,877**	**203,951**	**6,309,828**
Share of 2019 incomes affected by retained earnings			172,439	-172,439		-	-	-
Dividends paid				0		0	0	0
Other changes			3,705			3,705	-1,859	1,846
Changes related to put options			-36,205			-36,205	-27,039	-63,244
2020 net income				40,404		40,404	-24,967	15,437
Gains or losses directly recognised in equity for 2020					11,040	11,040	4,866	15,906
EQUITY AT 31 DECEMBER 2020	**2,807,999**	**460,000**	**2,778,502**	**40,404**	**37,917**	**6,124,821**	**154,952**	**6,279,773**
Share of 2020 income affected by retained earnings			40,404	-40,404		-	-	-
Dividends paid			-21,110	-		-21,110	-	-21,110
Other changes			-10			-10	-269	-279
Changes related to put options			25,059			25,059	178	25,236
AFD capital increase	1,420,000					1,420,000		1,420,000
2021 net income				297,822		297,822	25,206	323,027
Gains or losses directly recognised in equity for 2021					30,663	30,663	1,290	31,952
EQUITY AT 31 DECEMBER 2021	**4,227,999**	**460,000**	**2,822,844**	**297,822**	**68,579**	**7,877,243**	**181,356**	**8,058,600**

6.1.5 Cash flow statement at 31 December 2021

In thousands of euros	31/12/2021	31/12/2020
PRE-TAX INCOME (A)	**333,613**	**5,335**
Net depreciation/amortisation expenses on property, plant and equipment and intangible assets	27,521	24,851
Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16	14,600	14,772
Impairment of goodwill and other fixed assets	0	0
Provisions net of other provisions (including technical insurance provisions)	63,897	221,116
Share of earnings from companies accounted for by the equity method	-6,540	6,305
Net loss/(net gain) on investment activities	-27,166	-37,505
Net loss/(net gain) on financing activities	181,784	69,574
Other items(1)	61,404	-36,679
TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)	**315,501**	**262,434**
Cash received from credit institutions and equivalent	-776,463	-1,543,327
Cash received from customers	-2,811,701	-2,966,437
Cash flows from other operations affecting other financial assets or liabilities	135,593	-111,626
Cash flows from operations affecting non-financial assets or liabilities	-786,578	7,956
Taxes paid	-16,041	-1,640
= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)	**-4,255,191**	**-4,615,074**
Net cash flows from operating activities (A + B + C)	**-3,606,077**	**-4,347,305**
Cash flows from financial assets and equity investments*	-144,562	-91,582
Cash flows from property, plant and equipment and intangible assets	-39,876	-17,875
Net cash flows from investment activities	**-184,437**	**-109,456**
Cash flows related to the application of IFRS 16	-15,659	-15,680
Cash flows from shareholders**	775,000	530,206
Cash flows to shareholders***	-21,110	-83,695
Other net cash flows from financing activities****	2,668,234	5,397,538
Net cash flows from financing activities	**3,406,465**	**5,828,369**
Net increase/(decrease) in cash and cash equivalents	**-384,049**	**1,371,608**
Opening balance of cash and cash equivalents	**4,784,315**	**3,412,707**
Net balance of cash accounts and accounts with central banks	3,157,677	1,259,072
Net balance of on demand loans and deposits from credit institutions and customers	1,626,638	2,153,635
Ending balance of cash and cash equivalents	**4,400,266**	**4,784,315**
Net balance of cash accounts and accounts with central banks(2)	2,085,492	3,157,677
Net balance of on demand loans and deposits from credit institutions and customers(3)	2,314,774	1,626,638
Change in cash and cash equivalents	**-384,049**	**1,371,608**

(1) Non-controlling interests have been reallocated over the period to Pre-tax income (A) in order to improve the clarity of the cash flow statement and facilitate reconciliation with the Income Statement.
** The flows related to financial assets and equity investments mainly come from the equity investment activity of the Proparco subsidiary and correspond to the flows during the period between acquisitions, disposals and fund raising.*
*** Cash flows from shareholders correspond to RCS issues.*
**** Cash flows to shareholders correspond to the dividends paid by AFD to the French State and paid to minority shareholders by the Proparco subsidiary.*
***** Other net cash flows from financing activities correspond to market borrowings carried out by AFD to meet the growth in its operating activity (see 1.1 Business financing).*
(2) Net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet at 31 December.
(3) Net balance of "Demand receivables and payables from/to credit institutions".

6.2 Notes to the consolidated financial statements

SUMMARY OF NOTES

6.2.1 Significant events at 31 December 2021

6.2.1.1 Extension of international moratoria – Covid-19 crisis

It should be recalled that, in 2020, the G20 focused the majority of its efforts on the global pandemic. One of the key actions was the launch, in coordination with the Paris Club, of a Debt Service Suspension Initiative for the Poorest Countries (DSSI) to help address financial vulnerabilities in developing countries and enable countries to devote resources to combating the pandemic. Numerous moratoriums have been granted by AFD as part of this process. These moratoriums resulted in the deferral of final payments due between 1 May and 31 December 2020. The deferred amounts will be repaid in six instalments scheduled for between 15 June 2022 and 15 December 2024 (phase 1).

AFD signed agreements or amendments to initial agreements with 26 eligible countries to implement the extension of the debt service suspension initiative (phase 2) which applies to final payments due between 1 January and 30 June 2021.

Given the significant financing needs that countries eligible for the DSSI initiative are expected to face this year, the Paris Club members and the G20 have approved the additional six-month extension of this initiative, until the end of December 2021 (phase 3). AFD signed an agreement or an amendment to an initial agreement with 22 countries and a bilateral agreement with nine countries under this last phase.

The moratoriums generally granted to creditors, and intended to cover temporary cash flow difficulties linked to the Covid-19 crisis, have affected the repayment schedules of these receivables without substantially impacting their characteristics.

As of 31 December 2021, the suspension of payments as part of phase 2 and phase 3 of the DSSI initiative had no material impact on the financial statements.

6.2.1.2 Financing of the Group's activity

To finance the growth of its activity on its own behalf, in 2021, AFD issued five bonds in the form of public issues, six private placements, as well as two tap issues, for an overall volume of €7,475M.

6.2.1.3 Allocation of 2020 net income

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2020 financial statements on 8 April 2021.

The French Minister of the Economy and Finance set the 2020 dividend to be paid to the State. It amounted to €21.1M, *i.e.* 20% of AFD's corporate income, and was paid out after publication in the Official Journal.

The balance of income after payment of the dividend, *i.e.* €84.4M, was allocated to reserves.

6.2.1.4 Increase in AFD's capital allocation by the French State

A new capital allocation was made to AFD by the French State in the amount of €1,420M to strengthen the Agency's equity capital. AFD's initial allocation, which was €2,808M, stood at €4,228M at the end of this period.

This allocation increase was carried out by converting the State's RCS (resources with special conditions) debt into AFD's books, in accordance with the agreement signed on 18 June 2021 between the French State and AFD. This agreement defines the terms and conditions relating to (i) AFD's capital allocation from the French State in the amount of €1,420M, and (ii) the early repayment by AFD to the French State of payments due from 1 June 2021 on several loans issued between 1 January 2018 and 31 May 2021 for a total amount of €920M.

6.2.1.5 Fisea capital increase

On 9 February 2021, Fisea carried out a €50M capital increase by creating ordinary shares fully subscribed by AFD and fully paid up over the period.

Fisea's capital was thus increased to €277M compared to €227M previously.

6.2.1.6 Application of the new definition of default to the scope of sovereign loans

On 1 January 2021, AFD Group adopted a new definition of default to downgrade financial assets in stage 3. This new definition is aligned with that of the Basel framework and is notably based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

Sovereign loans used to be downgraded to doubtful after 18 months of arrears. Following the application of this new definition, these loans are considered to be non-performing loans when they carry a proven credit risk. At 31 December 2021, doubtful sovereign outstandings amounted to €610M. The doubtful rate of the sovereign loan portfolio rose from 0.01% at the end of 2020 to 2.7% at the end of 2021.

6.2.2 Accounting standards applied to Agence Française de Développement

The financial statements given in this document include the summary financial statements and the notes to the financial statements. They are presented in accordance with French Accounting Standards Authority (ANC) Recommendation No. 2017-02 of 2 June 2017 concerning the format of the summary documents of companies subject to banking and finance regulations under international accounting standards.

The consolidated financial statements of the AFD Group at 31 December 2021 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting standards used in the preparation of AFD's financial statements at 31 December 2021 are described in Section 3.2

These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the financial statements at 31 December 2021 were supplemented by the provisions of IFRS as adopted by the European Union and with mandatory application for the first time during this period. They relate to:

Standards, amendments or interpretations	Dates of publication by the European Union	Date of application: financial years starting from
Phase 2 amendments to IAS 39 – IFRS 9 – IFRS 7 – IFRS 16 – IFRS 4 following changes in reference rates	August 2020	1 January 2021
Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2021	August 2021	1 January 2021

In preparing the financial statements for the year ended 31 December 2021, the Group took into consideration:

- the IFRIC's final decision of 20 April 2021, published in May 2021, which clarifies the allocation of post-employment benefits to periods of service for defined benefit plans in accordance with IAS 19. This decision has no impact on the AFD Group's financial statements (uncapped retirement bonuses);
- the IFRIC's final decision, published on 27 April 2021, on the recognition of configuration/adaptation costs under a SaaS contract, in accordance with IAS 38. This decision has no impact on the Group's financial statements (these contracts continue to be qualified as continuous services, so the conditions for controlling a fixed asset are not met within the meaning of IFRS 16 or IAS 38).

Unless otherwise stated, when application of the standards and interpretations adopted by the European Union is optional for a period, the AFD Group does not take up the option.

AMENDMENTS TO IAS 39, IFRS 9 AND IFRS 7 "CHANGES IN CRITERIA FOR HEDGE ACCOUNTING REQUIREMENTS"

The index transition project began in early 2019 under the responsibility of the Finance Department with the participation of all relevant departments (Operations, Legal, Risks, Information Systems and Communication) at AFD Group. At the same time, the proposals and recommendations of market players were regularly monitored. Equally, working groups of central banks and authorities as well as a customer communication plan were initiated. Since September 2020, the work relating to the operational and systems impacts has been integrated into the "information transformation" programme of the Group Finance Department and Risk Department.

The FCA (Financial Conduct Authority) announced the end dates of the LIBORs on 30 November 2020:

- 31 December 2021 for all maturities of GBP, JPY, CHF, EUR LIBOR and for USD LIBOR 1W and 2M (one week and two months);
- 30 June 2023 for other maturities of USD LIBOR (1M, 3M, 6M and 12M).

Following the FCA's announcement of the end of the USD LIBOR publication in June 2023, and the initiatives to support the SOFR, two important events took place during the third quarter of the year:

- the ARRC, Alternative Reference Rates Committee, in charge of identifying a replacement rate for USD LIBOR, formally recommended the CME Term SOFR as the replacement rate for USD LIBOR for bilateral and syndicated loans;
- the FCA, the UK Financial Conduct Authority, formally prohibited the use of USD LIBOR from 1 January 2022 for new loan agreements.

The CME Term SOFR recommendation is an important milestone towards the end of USD LIBOR. The CME Term SOFR has a pre-set structure, known at the beginning of the interest period, like the USD LIBOR, which reduces the impact of the transition and was a key element in the decision of the ARRC. Other SOFR-based alternatives were put forward, such as the Compound or Average SOFR. However, these rates are post-set, *i.e.* known at the end of the interest period, which requires a profound transformation of practices and significant changes to the operating systems and elicited the reluctance of market players.

AFD closely monitors changes in the SOFR market and is in favour of the CME Term SOFR, in line with the official recommendations. New agreements in USD will be offered on the basis of the CME Term SOFR rate.

All our new agreements have included fallback provisions since early 2020. As regards previous contracts, as a European institution, our agreements being established under French law, the revision of the Benchmark Regulation would cover a significant portion of legal risks. The European Commission has revised the Benchmark Regulation to introduce a "prescriptive" fallback clause, whereby the Commission grants itself the possibility of determining the replacement rate for all contracts in stock of European establishments without adequate fallback clauses. Contracts in inventory under French law are within the scope of the regulation revision. The same actions are being undertaken across the Channel and the Atlantic (Great Britain and the United States).

In September 2019, the IASB introduced amendments to IAS 39, IFRS 9 and IFRS 7 for the first phase of the IBOR reform, which changes the requirements of the criteria for using hedge accounting by allowing the continuation of hedging relationships existing before the effective implementation of that reform. These amendments were adopted by the European Commission on 15 January 2020 with mandatory application for the 2020 financial statements.

In August 2020, the IASB published "Phase 2" amendments, clarifying that amendments related solely to changes in interest rates as part of the reform must not lead to an interruption in hedging relationships. In addition, the data were surveyed and analysed. It was found that the rates the AFD Group is largely exposed to in its hedging relationships are EONIA, EURIBOR and LIBOR.

For these hedging relationships, the hedged and hedging instruments will be progressively amended, when necessary, in order to incorporate the new rates. The "Phase 1" amendments to IAS 39 and IFRS 7 are applicable when the contractual terms of the hedged instruments or hedging instruments have not yet been amended.

Conversely, the "Phase 2" amendments are applicable once the contractual terms of the hedged instruments or hedging instruments have been amended, and the terms and date of transition to the new benchmark interest rates have been clearly stipulated.

New overnight benchmark rates are published for the Yen: the TONAR (Tokyo Overnight Average Rate); for sterling: the SONIA (Reformed Sterling Overnight Index Average); and for the CHF: the SARON (Swiss Average Rate Overnight). Since October 2019, the ECB (European Central Bank) has published the €STR, the Euro Short-Term Rate, which will replace the EONIA on 3 January 2022.

The documentation of the micro-hedging relationships was carried out on the basis of the EONIA discount rate as at 31 December 2020 and the €STR as at 31 December 2021. Also, the change in the benchmark rate for the derivatives portfolio (not eligible for hedge accounting and so-called "natural" hedges) resulted in the transition from the EONIA discount rate (€STR + 8.5 bps) at €STR flat (EUR). As at 31 December 2021, the net impact of these changes on the Group's financial statements was immaterial.

EXTENSION OF THE APPLICATION OF AMENDMENTS TO IFRS 16 "LEASES" – COVID-19-RELATED RENT CONCESSIONS BEYOND 30 JUNE 2021

These amendments extend by one year the period of application of the amendments to IFRS 16 "Leases" relating to the Covid-19 crisis published by the IASB on 28 May 2020. They are intended to allow tenants benefiting from rent concessions in the context of the Covid-19 pandemic to not analyse whether the concessions granted to them should be recognised as lease amendments (which would imply a deferral of the effects of the benefit granted over the term of the lease) but, rather, to recognise these reductions as negative variable rents (generating an immediate gain in income).

Thus, this simplification measure can be applied to rent concessions on payments originally due until 30 June 2022.

In 2021, as in 2020, the AFD Group did not benefit from any Covid-19-related rent concessions.

The other standards and interpretations applicable at 1 January 2021 had no significant impact on the Group's financial statements at 31 December 2021.

In addition, the IASB has published standards and amendments, not all of which have been adopted by the European Union as at 31 December 2021. They will come into force on a mandatory basis for financial years beginning on or after 1 January 2022 at the earliest, or their adoption by the European Union. They were therefore not applied by the Group as at 31 December 2021.

Standards applicable to future financial years	Provisional date of application
Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to the IFRS (Cycle 2018-2020)	1 January 2022
Amendments to IAS 1 "Accounting policy disclosures"	1 January 2023
Amendments to IAS 8 "Definition of an accounting estimate"	1 January 2023
Amendments to IAS 12 "Income Taxes" – Deferred taxes relating to assets and liabilities arising from the same transaction	1 January 2023

6.2.3 Principles for the preparation of the consolidated financial statements of the AFD Group at 31 December 2021

6.2.3.1 Consolidation scope and methods

6.2.3.1.1 Scope of consolidation

AFD's consolidated financial statements cover all fully-controlled enterprises, joint ventures and companies on which the Institution exerts a significant influence.

The following are not included in the consolidation scope:

- companies of no real significance;
- foreign companies in which AFD holds a minority interest and does not exercise significant influence due to the companies being either fully or partially state-owned.

IFRS 10-11-12 consolidation standards: significant judgements and assumptions used in determining the scope of consolidation

The elements used to draw a conclusion on whether AFD exercises control or influence over the entities in which it invests are many. Accordingly, the Group determines its ability to exercise influence over the management of another entity by taking due consideration of the entity's structure, shareholders, arrangements and the participation of AFD and its subsidiaries in decision-making bodies.

Moreover, materiality with regard to Group accounts is also subject to analysis.

The list of companies in which AFD directly or indirectly holds an equity investment that exceeds 20% of the company's share capital is presented below.

In thousands of euros	Localisation	% control 2020	% interest 2020	% control 2021	% interest 2021	Balance sheet total[1]	Total net income	Contribution to net earnings[2]
AFD						**54,584,134**	**196,507**	
Fully consolidated companies								
Soderag	Antilles	100.00	100.00	100.00	100.00	7,031		1,721
Proparco	Paris	78.19	78.19	78.19	78.19	7,187,340		91,130
Sogefom – AFD share	Paris	58.69	60.00	58.69	60.00	49,980		-318
Sogefom – Socredo share	Paris	1.31		1.31				
Fisea	Paris	100.00	100.00	100.00	100.00	268,378		2,241
Companies accounted for by the equity method								
• *Non-financial entities*								
Société Immobilière de Nouvelle Calédonie	New Caledonia	50.00	50.00	50.00	50.00	33,115		2,926
• *Financial entities*								
Banque Socredo	Polynesia	35.00	35.00	35.00	35.00	113,533		3,614
Other non-consolidated investments								
• *Foreign state-owned or partially state-owned entities*								
Banque nationale de Dévelopement Agricole	Mali	22.67	22.67	22.67	22.67	866,022	12,496	
Banque de Développement des Seychelles	Seychelles	20.41	20.41	20.41	20.41	39,376	420	
Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia	Guinea	20.00	20.00	20.00	20.00	21,038	-1,734	
• *Stakes held by Proparco in entities abroad*								
Acon Latin America Opportunities Fund A	Multi-country	20.00	20.00	20.00	20.00	19,928	1,607	
Acon Renewables BV (Hidrotenencias SA)	Panama	24.47	24.47					
African Education Holdings	Multi-country							
Africinvest III SPV I	Kenya	21.82	21.82	3.67	3.67	230,305	12,392	
Aif Pharma Lux	Morocco	37.28	N/A	39.31	39.31	23,401	3,512	
Amethis Milling SPV	Mozambique	26.32	26.32	26.32	26.32	89,034	1,284	
Averroes Finance II	Multi-country	50.00	50.00	50.00	50.00	18,106	-349	
Averroes Finance III	Multi-country	50.00	50.00	50.00	50.00	28,746	-596	
Bredev SAS	Brazil	100.00	100.00	100.00	100.00	12,008	-17	
Central Africa Growth Fund	Multi-country	23.41	23.41	23.41	23.41	37	62	
EuroPro Holding SAL (ex Wadi Holding)	Egypt	35.29	35.29	35.29	35.29	330,598	-9,572	
Ilera Holdings	Morocco	28.77	28.77	31.68	31.68	74,961	-1,303	
IT worx(It holding)	Egypt	23.87	23.87	23.87	23.87	3,559	454	
Seaf India Agribusiness international Fund	India	33.36	33.36	6.67	6.67	63,822	-853	
Tiba Education Holding BV	Egypt	100.00	100.00	100.00	100.00	8,927	-950	
TLG Finance SAS (Alios Finance)	Multi-country	22.84	22.84	22.84	22.84	4,499	-6,208	
TPS (D) Limited	Tanzania							
Tunisie Participations SA (formerly Tunisie Sicar)	Tunisia	20.00	20.00	20.00	20.00	457	1	
Kantara Proparco I Ltd (ex Unimed)	Tunisia	26.00	26.00	26.00	26.00	0	0	

In thousands of euros	Localisation	% control 2020	% interest 2020	% control 2021	% interest 2021	Balance sheet total[1]	Total net income	Contribution to net earnings[2]
Retiro Participations	France	100.00	100.00	100.00	100.00		-1	
• *French entities with balance sheets of no significance*								
Retiro Participations – Proparco share	Paris	100.00	100.00	100.00	100.00		-1	
• *Stakes held by Fisea in entities abroad*								
AB Bank Zambia Limited	Zambia	22.50	22.50	22.50	22.50	21,530	-807	
Catalyst Mattress Africa	Multi-country	20.97	20.97	21.00	21.00	22,944	-38	
Chain Hotel Conakry	West Africa	23.17	23.17	23.20	23.20	32,032	-4,249	
Fanisi Venture Capital Fund	Multi-country	22.99	22.99	23.00	23.00	8,935	-82	
Fefisol	Multi-country	20.00	20.00	20.00	20.00	28,949	163	
Metier Capital Growth International Fund II	Multi-country	28.91	28.91	28.90	28.90	28,961	-910	
INCOME GROUP SHARE								**297,822**

(1) The balance sheet total indicated corresponds to the balance sheet total before restatement of intragroup entries.
(2) Before elimination of intra-group transactions.

6

Non-controlling interests

Non-controlling interests are immaterial with regard to the Group's financial statements, either separately or cumulatively.

	31/12/2021			31/12/2020		
In thousands of euros	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)	% of control and vote held by non-controlling interests	Share of net income	Share of equity (including income)
Proparco	21.81%	25,418	176,860	21.81%	-24,592	150,244
Other subsidiaries		-212	4,496		-375	4,708
TOTAL MINORITY SHARE		**25,206**	**181,356**		**-24,967**	**154,952**
TOTAL GROUP SHARE		**297,822**	**7,877,243**		**38,077**	**6,122,494**

Interests in joint arrangements and associates have a negligible impact on the financial statements of AFD Group.

6.2.3.1.2 Consolidation principles and methods

The following consolidation methods are used:

Full consolidation

This method applies to subsidiaries over which AFD has exclusive control. Such exclusive control is determined by the power to govern the financial and operating policies of the subsidiary. It is evidenced by (i) holding, directly or indirectly, most of the voting power of the subsidiary, (ii) holding the power to appoint or remove members of the executive, administrative or supervisory bodies of the subsidiary or (iii) having significant influence over the subsidiary under the statutes in force.

This consolidation method consists of including all accounts, line item by line item, both on and off AFD's balance sheet, while reporting the claims of "minority shareholders". The same process is used for income statements.

The following four companies are consolidated:

- the Société de promotion et de participation pour la coopération économique (Proparco), created in 1977.

  Proparco's status change from a credit institution to a finance company became effective on 25 May 2016 on receipt of notification from the ECB.

  At 31 December 2021, the company's share capital totalled €984M and AFD's stake was 78.19%;
- the Société de développement régional Antilles-Guyane (Soderag), of which AFD took control in 1995 at the behest of the French State, was liquidated in 1998 after it lost its licence to operate as a credit institution.

  At 31 December 2021, the company's share capital amounted to €5.6M. It is 100% owned by AFD;
- Société de gestion des fonds de garantie d'Outre-mer (Sogefom), whose shares AFD purchased, and which were held by the Institut d'émission d'Outre-mer (IEOM), on 12 August 2003, following the request from the Minister for the Economy, Finance and Industry and the Minister for French Overseas Departments and Collectivities.

  At 31 December 2021, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;
- the Fonds d'investissement et de soutien aux entreprises en Afrique (Fisea) was created in April 2009. This simplified joint stock company *(société anonyme par actions simplifiée)* with a share capital of €277.0M is wholly-owned by AFD. Fisea is managed by Proparco.

Equity method

Companies over which AFD Group has significant influence are accounted for by the equity method. Significant influence means the power to participate in the financial and operating policy decisions of the subsidiary but without having control over them. It is usually evidenced by (i) representation on the executive or supervisory bodies, (ii) participation in policy-making processes, or (iii) material transactions between the companies. At 31 December 2021, this method was used for two companies in which AFD directly or indirectly holds a stake of between 20% and 50% and over which significant influence may be proven: la Société immobilière de Nouvelle Calédonie (SIC) and Socredo.

The consolidation method consists of measuring interest by using the company's net position and calculating a share of its restated income according to the stake held in its share capital.

Comments on other companies

AFD also has equity investments in a number of companies over whose management it has no significant influence. Through their equity investments, either directly or through investment funds, and through their lending activities, AFD Group subsidiaries aim to contribute to the economic and social development of disadvantaged regions. In no case will the acquisition of control of the entities be pursued. These companies are not consolidated, either globally or using the equity method, with regard to the normative analyses carried out by the Group on the notion of control and materiality. They are recorded under "Financial assets at fair value through profit or loss" or "Financial assets at fair value through other comprehensive income".

6.2.3.1.3 Restatement of transactions

Account balances on the balance sheet, transactions and income and expenses resulting from intragroup transactions are eliminated when the consolidated financial statements are drawn up. Gains arising from transactions with equity-accounted entities are eliminated by offsetting equity method investments to the extent of the Group's interest in the entity. Losses are eliminated in the same manner but only when they do not represent an impairment loss.

6.2.3.2 Accounting principles and methods

AFD's consolidated financial statements are prepared using accounting methods applied consistently across all of the periods presented in the consolidated financial statements and applicable in line with the Group's principles by entities consolidated by AFD.

The main evaluation and presentation rules used in preparing AFD's financial statements at 31 December are described below.

6.2.3.2.1 Conversion of foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are converted into the Group's accounting currency (euros) at the closing exchange rate. Discrepancies in exchange rates are recognised in the income statement.

Non-monetary assets and liabilities in foreign currencies may be recorded at historic cost or marked to market. Non-monetary assets denominated in foreign currencies are, in the first case, converted at the exchange rate on the date of the initial transaction or, in the second case, at the rate applicable on the date on which market value was determined. Exchange rate differences relating to non-monetary assets denominated in foreign currencies and marked to market are recognised in the income statement if the asset is classified under "Financial assets at fair value through profit or loss" and in liabilities if the asset is classified under "Financial assets at fair value through other comprehensive income".

6.2.3.2.2 Use of estimates

Some items recognised in the consolidated financial statements in accordance with the accounting principles and policies involve the use of estimates made on the basis of available information. These estimates are mainly used for the fair value measurement of financial instruments, impairments and provisions.

The use of estimates notably concerns:

- the assessment of losses expected at 12 months or maturity in application of the second section of IFRS 9;
- provisions recognised as liabilities in the balance sheet (provisions for employee benefits obligations, litigation, etc.);
- some financial instruments that are valued using complex mathematical models or by discounting probable future cash flows.

6.2.3.2.3 Financial instruments

IAS 32 defines a financial instrument as any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

Financial assets and liabilities are recognised in the financial statements in accordance with the provisions of IFRS 9 as adopted by the European Union.

Accordingly, financial assets are classified at amortised cost, at fair value through equity or at fair value through profit and loss, depending on the contractual characteristics of the instruments and the business model at the time of initial recognition. Financial liabilities are classified at amortised cost or at fair value through profit and loss.

AFD Group continues to apply the provisions of IAS 39 on hedging while awaiting the future provisions on macro-hedges.

Financial assets

Classification and measurement of financial assets

Upon initial recognition, financial assets are measured at their market value as defined in IFRS 13 and are classified in the Group's balance sheet in one of three categories (amortised cost, fair value through other comprehensive income or fair value through profit and loss), as defined in IFRS 9. Purchases/sales of financial assets are recognised at the completion date. The accounting classification defines the way in which the financial assets are subsequently measured.

This classification depends on the characteristics of their contractual flows and the way in which the entity manages its financial instruments (business model).

- The contractual characteristics ("Solely Payments of Principal & Interests" or "SPPI" test)

Contractual cash flows which fall into the "Solely payments of principal & interests" category are likened to a basic loan for which interest is paid essentially in consideration of the time value of the money and the credit risk.

The interest may also however contain consideration for other risks (liquidity risk, for example) and charges (admin charges, for instance) for holding the financial asset for a certain period. The interest may include a margin which is in keeping with a basic loan agreement.

However, when the contractual arrangements expose the contractual cash flows to risks or volatility which are not commensurate with a basic loan agreement, for example exposure to variations in the price of equities or goods, the contractual cash flows are not solely payments of principal and interests and the contract is therefore recognised at fair value through profit and loss.

- The management model

The management model defines how the instruments used to generate cash flows are managed.

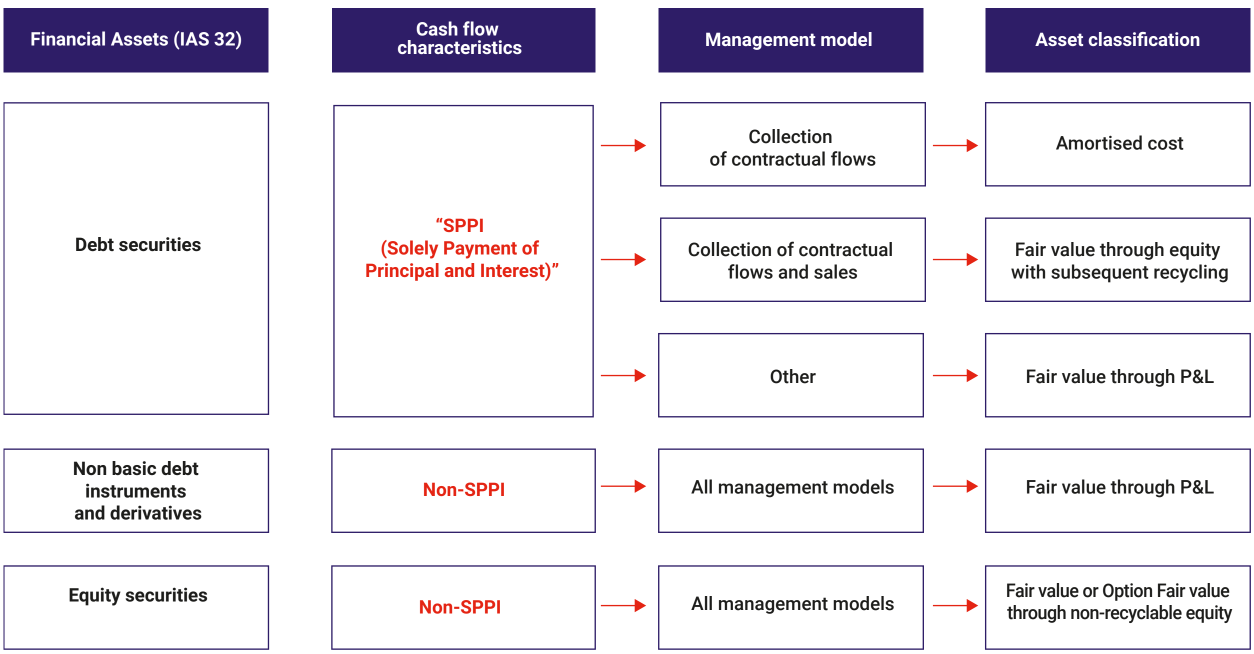
The management model is identified at portfolio level, and not instrument by instrument, primarily by analysing and observing:

  - the performance reports submitted to the Group's Senior *Management;*
  - *the compensation policy for portfolio managers;*
  - *completed* and anticipated asset sales (size, frequency, etc.).

Based on the criteria observed, the three management models for the classification and measurement of financial assets are:

- the collection only model for contractual cash flows of financial assets;
- the model based on the collection of contractual cash flows and the sale of financial assets;
- and any other model, notably the transfer only model.

The recognition method for financial assets resulting from the analysis of the contractual clauses and the qualification of the management model is presented in the diagram below:



a) Debt instruments at amortised cost

Debt instruments are classified at amortised cost if the following two criteria are met: the contractual cash flows only constitute payments of the principal and interest on the principal and the management model is qualified as collection only. This category of financial assets includes:

- Loans and receivables

Loans and receivables are initially booked at market value plus transaction costs. In general, this is the amount originally paid (including related receivables). Loans and receivables are measured after their initial recognition at amortised cost based on the effective interest rate and may be subject to individual impairment whenever a default event has occurred after the grant of the loan with an impact on future projected asset cash flows and, is therefore, likely to generate measurable loss. These impairments are determined by comparing discounted cash flows to carrying amount. The effect of subsequent reversal of the impairment is booked under net banking income.

- Securities at amortised cost

This category includes debt securities whose contractual characteristics are SPPI and for which the management model is qualified as "collection".

They are recognised initially at market value plus transaction costs and then at amortised cost using the effective interest method, which includes the amortisation of premiums and discounts. Interest accrued on coupons that are not yet due are included at their balance sheet value under IFRS.

These financial assets are subject to impairment under the conditions described in the paragraph below "Impairment of financial assets at amortised cost and at fair value through other comprehensive income".

b) Debt securities at fair value through equity

Debt instruments are classified at fair value through equity if the following two criteria are met: the contractual cash flows are solely comprised of payments on principal and interest on the principal and the management model is qualified as "collection and sale".

This category essentially corresponds to fixed income and fixed maturity securities that AFD may have to sell at any time, particularly securities held as part of its asset/liability management.

These financial assets are initially measured at their fair value plus transaction costs. They are subsequently marked to market and changes in fair value are recognised in equity to be recycled in P&L to be included in profit and loss in the future. They are also subject to a calculation of expected credit risk losses on the same terms as those applicable to debt securities at amortised cost (Note 5 "Financial instruments at amortised cost").

Interest is recorded as income using the effective interest method.

On disposal, changes in values previously recognised in shareholders' equity will be transferred to the income statement.

c) Debt securities at fair value through profit and loss

This category includes debt instruments that do not comply with the SPPI criteria:

- Equity investment in funds and direct instruments with put options and other debt instruments (*e.g.* UCITS, etc.)

The characteristics of the contractual flows are such that these do not pass the SPPI test, therefore they cannot be measured at amortised cost.

In line with its procedures, AFD classifies its financial assets using two primary criteria: assets listed on a market and unlisted assets.

Listed assets are divided into two subgroups, those listed on an "active" market, an attribute that is appraised according to objective criteria, or those listed on an inactive market. Assets listed on an "active" market are automatically classified as fair value level 1. Assets listed on an "inactive" market are classified as fair value level 2 or 3, depending on the valuation method used. When there are direct or indirect observable data used for the valuation, the asset is classified as fair value level 2.

When there are no such data or those data are not "observable" (isolated observation, without recurrence), the asset is classified as fair value level 3, just like the unlisted assets. All unlisted assets are classified as fair value level 3 and are evaluated primarily using two methods, the proportionate share of the re-evaluated net asset based on the latest financial statements transmitted by the concerned entities (< six months) and the historic cost for AFD's real estate subsidiaries.

Valuations are reviewed every six months. In the event of any changes to the parameters that could be cause for changes to the fair value classification level, the Group Risks Department decides to propose the change in classification that is subject to approval by the Group Risk Committee.

- Loans

Some loan agreements have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. The early repayment flows of these loans are considered to be non-SPPI if they do not purely reflect the effect of changes in the reference interest rates.

As a result, AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan.

- Foreign exchange or interest rate derivatives used in economic hedging

These are derivatives that do not meet the definition of hedge accounting under IAS 39. These assets and liabilities are measured at fair value through profit and loss. The change in fair value is recorded in the income statement under "net gains and losses on financial instruments at fair value". The fair value of the foreign-exchange derivatives entered into by AFD frequently includes a hedge of the future margin on loans denominated in foreign currencies. The foreign-exchange income from related assets recognised in income or expenses from other activities partially offsets this impact. The amount initially recorded on the balance sheet for a derivative measured at fair value is equal to the consideration given or received, *e.g.* the premium on an option or commission received. Subsequent valuations are generally calculated based on discounted future cash flows using a zero-coupon curve.

Finally, the last items to be included under this heading are assets and liabilities designated at fair value through profit and loss and the impacts stemming from credit risk (Credit Valuation Adjustment/Debit Valuation Adjustment).

d) Equity instruments

In principle, equity instruments are recognised at fair value through profit and loss. However, the option remains of designating equity instruments at fair value through equity reported outside profit and loss. This choice is made on a case-by-case basis for each instrument and is irrevocable.

When the option to designate an equity instrument at fair value through other comprehensive income is made:

- only the dividends that do not represent the recovery of part of the cost of the investment are recognised in the income statement under "Net gains or losses on financial assets at fair value through shareholders' equity";
- the changes in the fair value of the instrument are only recognised in other comprehensive income and are not subsequently transferred to the income statement. Consequently, if the investment is sold, no profits or losses are recognised in the income statement, and the gains and losses are reclassified in consolidated reserves.

The IFRS 9 general approach of impairment, does not apply to equity instruments.

e) Reclassification of financial assets

The reclassification of financial assets takes place only in exceptional cases brought about by a change in business model.

A change in the management model for financial assets involves changes in the way the activity is managed operationally, systems, etc. (acquisition of a business, end of a business, etc.) with the accounting consequence of a reclassification of all financial assets in the portfolio when the new management model is effective.

Financial liabilities

The categories of financial liabilities have not been modified by IFRS 9, and are consequently classified in two accounting categories:

- financial liabilities at fair value through profit and loss by nature or by option are assessed at fair value, and changes in fair value are recognised in the income statement;
- financial liabilities measured at amortised cost are initially measured at fair value and subsequently at amortised cost according to the effective interest rate method – there is no change in the amortised cost method compared to IFRS 9.

Financial liabilities measured using the fair value through profit and loss option are measured at fair value and changes in fair value have an offsetting entry in profit and loss. The effect of the remeasurement of own credit risk is recognised directly in equity reported outside profit and loss.

It is still necessary to separate embedded derivatives from financial liabilities, where applicable.

Financial liabilities within AFD Group (excluding derivative instruments) are measured at amortised cost and correspond to:

- debt securities in issue which are first recognised at fair value less transaction costs and then measured at amortised cost using the effective interest rate method. Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using an actuarial method;
- subordinated debt: In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. This agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In accordance with riders No. 1 of 19 March 2015 and No. 2 of 24 May 2016, on the initiative of the French State and as per the third stage of additional financing of €280M, there was a drawdown of €160M on this last tranche of RCS (Resources with special conditions) in September 2017. The drawdown of the balance of €120M took place in September 2018, thereby reaching the €840M total for the 2015-2018 period.

In 2021, a special conditional facility of €225M was granted to AFD and then repaid in advance to the State as part of AFD's capital increase.

Derecognition of financial assets and liabilities

AFD Group derecognises all or part of a financial asset when:

- the contractual rights to the cash flows linked to the asset expire; or
- AFD transfers the contractual rights to receive the cash flows from the financial asset, and transfers almost all the risks and benefits of the ownership of this asset; or
- AFD retains the contractual rights to receive the cash flows from the financial asset, but bears the contractual obligation to pay these cash flows to one or several entities.

When derecognising a financial asset in its entirety, the difference between the carrying amount of that asset and the amount of consideration received should be recognised in the profit and loss account among the gains or losses on disposal corresponding to the financial asset transferred.

AFD Group derecognises a financial liability if and only if it has expired, *i.e.* when the obligation stipulated in the contract has legally expired, lapsed, been cancelled, or reached expiry.

When derecognising a financial liability in its entirety, the difference between the carrying amount of that liability and the consideration paid must be recognised in profit and loss as an adjustment to the interest expense account corresponding to the derecognised financial liability.

Hedging derivatives

AFD Group has decided not to apply the third phase of IFRS 9 on "hedge accounting", since AFD applies fair value hedge accounting as defined in IAS 39. This involves a hedge of the exposure to changes in fair value of an asset or liability recognised on the balance sheet. Changes in the fair value stemming from the hedged risk are recorded in the income statement under "Net gains and losses on financial instruments at market value through profit and loss", alongside the change in the fair value of the hedging instruments.

Interest-rate swaps and cross-currency swaps (fixed and variable rates) are used by AFD to shield it from interest and exchange rate risk.

Hedge accounting is applicable if the effectiveness of the hedging relationship is proven and if the correlation between the effective changes in value of the item hedged and the hedging instrument is between 80% and 125%.

The revaluation of the hedged item is booked either in accordance with the classification of the hedged item, in the case of a hedging relationship covering an identified asset or liability, or under "Revaluation adjustments on portfolios hedged against interest rate risk" in the case of a portfolio hedging relationship.

If the hedge does not meet the effectiveness requirements of IAS 39, the hedging derivatives are transferred to "Financial assets at fair value through profit or loss" or to "Financial liabilities at fair value through profit or loss" and recorded in accordance with the principles applicable to this category.

As for non-zero value swaps involved in a fair value hedge, the accumulated total of changes in fair value of the hedged component that are not zero is spread out over the remaining term of hedged items.

Impairment of financial assets at amortised cost and at fair value through equity

In accordance with IFRS 9, the impairment model for credit risk is based on the expected credit losses (ECL). Impairment is recognised on debt securities measured at amortised cost or at fair value through equity to be included in profit and loss in the future, as well as on loan commitments and financial guarantee contracts that are not recognised at fair value.

General principle

AFD Group classifies financial assets into three separate categories (also called "stages") according to the change, from the origin, of the credit risk associated with the asset. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

These are defined as follows:

- stage 1: is for "performing" assets, for which the counterparty risk has not increased since they were granted. The provision calculation is based on the Expected Loss within the following 12 months;
- stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The method of calculating the provision is statistically based on expected loss at maturity;
- stage 3: is for assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The method of calculating the provision is based on expected loss at maturity, as determined by an expert.

Concept of default

The transfer to stage 3 (which meets the definition of "incurred loss" under IAS 39) is linked to the notion of default which is not explicitly defined by the standard. The standard associates the rebuttable presumption of 90 days past due with this concept. It states that the definition used must be consistent with the entity's credit risk management policy and must include qualitative indicators (*i.e.* breach of "covenant").

Thus, for AFD Group, "stage 3" under IFRS 9 is characterised by the combination of the following criteria:

- definition of a doubtful third party according to AFD Group;
- use of the default contagion principle.

Third parties with arrears of over 90 days, or 180 days for local authorities, or a proven credit risk (financial difficulties, financial restructuring, etc.) are downgraded to "doubtful" and the doubtful contagion character is applied to all financing for the third party concerned.

The definition of default is aligned with that of the Basel framework, based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

Significant increase in credit risk

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the closing date, adopting a forward looking approach.

The internal ratings calibrated by AFD are by nature forward-looking, taking into account:

- forward-looking elements on the counterparty's credit quality: anticipation of adverse medium-term changes in the counterparty's position;
- country risk and shareholder support.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2 and then to stage 3, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

According to this standard, if the risk for a particular financial instrument is deemed to be low at the closing date (a financial instrument with a very good rating, for example), then it can be assumed that the credit risk has not increased significantly since its initial recognition. This arrangement has been applied for debt securities recognised at fair value through equity to be included in profit and loss in the future and at amortised cost. For the purposes of stage 1 and 2 classification, counterparties with a very good rating are automatically classified as stage 1.

Measuring expected credit losses (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

Based on the specificities of AFD Group's portfolio, work was carried out to define the methodological choices for calculating expected credit losses for all of the Group's assets eligible for recognition at amortised cost or at fair value through equity, in line with stage 1 of IFRS 9. The Group's chosen calculation method was thus based on internal data and concepts, and also adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

Probability of default (PD)

The likelihood of a default on a loan can be estimated over a given time span. This probability is modelled:

- from risk segmentation criteria;
- over a 12-month time period (noted PD 12 months) for the calculation of the expected losses for assets in stage 1; and
- on all asset payment maturities associated with stage 2 (Maturity PD or Lifetime PD Curve).

Given the low volume of loans within AFD Group, and the "low default portfolio" nature of certain portfolios, AFD Group does not have a collection of internal historic defaults that are sufficiently representative of the economic reality of the operating regions of the Group's entities.

For these reasons, AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. It may be necessary to adjust the external transition matrices that serve as the basis for measuring the probability of default in order to correct some irregularities that might affect the consistency of default probabilities.

Loss given default (LGD)

Loss given default is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

In view of AFD's business model and its debt recovery capacity, AFD Group uses internal recovery data models based on the coverage ratios of doubtful debts and factoring in the likelihood of recovery.

Exposure at default (EAD)

Exposure at default reflects the amount of debt outstanding at the time of default and thus takes future cash flows and forward looking factors into account. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

Financial asset restructuring

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If the restructuring does not result in derecognition of the assets and the changes in terms are such that the present value of these new expected future flows at the original effective interest rate of the asset is lower than its carrying amount, a discount must be recognised under "Cost of risk" to bring the carrying amount back to the new present value.

Gains or losses on financial instruments

Gains or losses on financial instruments at fair value through profit and loss

Income from financial instruments recognised at fair value through profit and loss is recognised under this heading, and mainly includes:

- dividends, other revenue and gains and losses realised;
- changes in fair value;
- the impact of hedge accounting.

Gains and losses on financial instruments at fair value through equity

Income from financial instruments recognised at fair value through other comprehensive income is recognised under this heading, and includes:

- dividends and other revenue;
- gains and losses realised on financial assets at fair value through other comprehensive income to be recycled in profit or loss.

6.2.3.2.4 Commitments to buy out non-controlling interests

In 2014, and again in 2020 during the Proparco capital increase, the Group made commitments to buy back the equity investments of Proparco's minority shareholders.

The strike price is defined contractually depending on the restated net asset value on the exercise date.

In the annual financial statements at 31 December 2021, these commitments led to a debt of €128.7M to the minority shareholders of Proparco, with a corresponding entry of a decrease in "non-controlling interests" in the amount of €120.5M and a decrease in "Consolidated reserves – Group Share" of €8.1M. The closure of the put window granted in 2014 is scheduled for June 2024 and the one related to the put granted in 2020 is scheduled for 2030.

6.2.3.2.5 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets. Fixed assets are recorded at their acquisition cost plus directly similar expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table.

This item-by-item approach has been used for head office. Depreciation periods have been estimated on the basis of each item's useful life.

Title		Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- office buildings in the French Overseas Departments and Collectivities are depreciated over 15 years;
- residential buildings are depreciated over 15 years;
- fixtures, fittings and furnishings are depreciated over 5 or 10 years;
- equipment and vehicles over two to 5 years.

With regard to intangible assets, software is amortised according to its type: four years to eight years for management software and two years for office automation tools.

Depreciation and amortisation are calculated using the straight-line method, according to the expected useful life of the asset; its residual value is deducted from the depreciable base. At each closing date, fixed assets are measured at their amortised cost (cost minus total amortisation and any loss of value). When applicable, the useful lives and residual values are adjusted in the accounts.

Leases

Leases, as defined by IFRS 16 "Leases", are recorded in the balance sheet, leading to the recognition of:

- an asset which corresponds to the right to use the leased asset over the lease duration;
- a debt in respect of the payment obligation.

Measuring the right of use in leases

At the date on which a lease comes into effect, the right of use is measured at its cost and includes:

- the initial lease debt, to which is added, if applicable, advance payments made to the lessor, net of any benefits received from the lessor;
- if applicable, the initial direct costs incurred by the lessee to complete the contract. These are costs that would not have been incurred if the contract had not been signed;
- the estimated costs to rehabilitate and dismantle the rented asset according to the lease terms.

After the initial recognition of the lease, the right of use is measured according to the cost method, involving the recognition of linear depreciation and impairment in accordance with the provisions of IFRS 16 (the depreciation method reflecting the way in which the future economic benefits will be consumed).

Measuring the right of use of the assets

On the date a lease takes effect, the lease debt is recognised for an amount equal to the discounted value of the rent over the lease period. The amounts taken into account in respect of rent when measuring the debt are:

- the fixed payments of rent less incentive benefits received from the lessor;
- the variable payments of rent based on an index or rate;
- the payments to be made by the lessee in respect of a residual value guarantee;
- the price paid to exercise a purchase option that the lessee is reasonably certain to exercise;
- the penalties to be paid in the event of the exercise of a cancellation option or the non-renewal of the lease contract.

The leases signed by the AFD Group do not include a guaranteed value clause for rented assets.

The change in the debt related to the lease involves:

- an increase up to the interest rate expenses set by applying the discount rate to the debt;
- and a decrease in the amount of the rent payments made.

The financial expenses for the period relating to the lease debt are recorded under "Interest and similar expenses on transactions with credit institutions".

In the income statement, the impairment expense for the right to use the asset and the financial expense relating to the interest on the lease debt partially replace the operating expense previously recognised for rent, but are presented as two different items (the impairment expense in depreciation expenses and rent in other administrative expenses).

The lease debt is estimated again in the following situations:

- review of the lease period;
- modification related to the assessment of the reasonably certain exercise of an option (or not);
- new estimate related to the guarantees of residual value;
- review of the rates or indexes on which the rent is based.

6.2.3.2.6 Provisions

Provisions are recorded if it is likely that an outflow of resources representative of economic benefits is necessary to meet an obligation due to past events and if the amount of the obligation can be reliably estimated.

Provisions for sovereign outstandings

The agreement "on the reserve account" signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging sovereign risk and the principles for using those provisions.

This reserve account is intended to (i) fund the provisions that AFD would have to recognise in case a sovereign borrower defaults, (ii) serve normal unpaid interest and (iii) more generally, help compensate AFD in the event of debt cancellation for sovereign loans.

The balance of this account cannot be less than the amount required to establish collective provisions on performing or restructured loans. This calibration is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Doubtful sovereign outstandings are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

Provisions on financing and guarantee commitments

Financing and guarantee commitments that are not recognised at fair value through profit and loss and that do not correspond to derivatives are subject to provisions according to the principles defined by IFRS 9.

Provisions for subsidiary risk

This item is intended to cover the cost to AFD of the takeover and liquidation of Soderag, which was decided in 1998, and to cover AFD's risk of loss on loans issued to Sodema, Sodega and Sofideg to buy Soderag's portfolio. These loans were transferred to Soredom (formerly Sofiag).

Provision for employee benefits – Post-employment benefits

Defined benefit plans

Retirement and early retirement commitments

Immediate retirement and early retirement commitments are all transferred to an external insurance company.

Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

The assumptions used for the valuations are as follows:

- discount rate: 0%;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- annual increase in salary: 2%.

Retirement bonuses and the financing of the health insurance plan

AFD pays retirement bonuses (IFC) to its employees. It also contributes to the cost of its retired employees' health insurance plans.

The assumptions used for the valuations are as follows:

- discount rate: 1.2%;
- annual increase in salary: 2.00% and 2.20% for French Overseas Departments;
- retirement age: 63 for non-executive level employees and 65 for executive level employees;
- actuarial tables: TGH 05 (men)/TGF 05 (women).

In accordance with IAS 19, these commitments (retirement bonuses and the financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method.

At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

In compliance with IAS 19 (Revised), actuarial gains and losses are recognised in other comprehensive income (OCI).

Thus, the allocations to provisions recognised at 31 December 2021:

- in the income statement, amount €8.5M and are recorded under personnel costs; they represent the total of the cost of services rendered and the financial cost for 2021 less benefits paid by the employer during the financial year;
- in the balance sheet, under items that cannot be recycled in the income statement, amount to a loss of €23.7M in respect of the valuation of commitments at 31 December 2021 and are recorded in equity.

6.2.3.2.7 Deferred taxes

To produce the consolidated financial statements, deferred tax was calculated on a per-company basis while adhering to the rule of symmetry and using the comprehensive liability method. This method was applied to temporary differences between the carrying amount of assets and liabilities and their tax base.

AFD Group recognises deferred taxes mainly over the costs and expenses on the unrealised gains and losses of the equity securities held by Proparco and Fisea, impairment recognised by Proparco on loans at amortised cost and on unrealised gains and losses on loans recognised at fair value through profit and loss by applying the current rates.

6.2.3.2.8 Segment reporting

In application of IFRS 8 "Operating Segments", AFD has identified and reported on only one operating segment for its lending and grant activity, based on the information provided internally to the Chief Executive Officer, who is AFD's chief operational decision-maker.

This lending and grant activity is the Group's main activity, falling within the scope of its public service role of financing development assistance.

6.2.3.2.9 Principles of the cash flow statement

The cash flow statement analyses changes in the cash position resulting from operating, investment and financing transactions from one year to the next.

AFD's cash flow statement is presented in accordance with ANC Recommendation No. 2017-02 respecting the format of summary statements for institutions in the banking sector drawn up in accordance with international accounting standards.

It is prepared using the indirect method, with net income restated for non-monetary items: provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets, net allocations to provisions and other transfers not involving cash disbursement, such as accrued liabilities and income.

Cash flows arising from operating, investment and financing transactions are calculated as the difference between items in the accounts for the preceding and current financial years.

Cash flow includes cash funds and demand deposits held at the Banque de France and with credit institutions.

6.2.4 Notes to the financial statements at 31 December 2021

6.2.4.1 Notes to the balance sheet

NOTE 1 Financial assets and liabilities at fair value through profit and loss

In thousands of euros	Notes	31/12/2021 Assets	31/12/2021 Liabilities	31/12/2021 Notional/ Outstanding	31/12/2020 Assets	31/12/2020 Liabilities	31/12/2020 Notional/ Outstanding
Interest rate derivatives	1.1	604	5,898	457,586	353	10,955	408,825
Foreign exchange derivatives	1.1	51,909	197,901	4,073,655	170,929	238,004	4,740,971
Derivatives at fair value through profit and loss		74,804	54,384	983,927	128,158	36,597	1,090,076
Loans and securities that do not meet SPPI criteria	1.2	2,428,459		2,462,188	2,329,084		2,390,826
CVA/DVA		28	1,810	-	15	1,612	-
TOTAL		**2,555,803**	**259,993**	**7,977,355**	**2,628,539**	**287,169**	**8,630,698**

Note 1.1 Foreign exchange and interest rate derivatives

Foreign exchange and interest rate derivatives are measured at fair value through profit and loss and are therefore treated as financial assets held for trading.

Under IFRS, a derivative is always presumed to be held for trading, unless there is documented evidence of the hedging intention and the derivative is eligible for hedge accounting. At AFD, this category covers the hedging instruments not eligible for hedge accounting or so-called "natural" exchange rate hedging.

Note 1.2 Loans and securities that do not meet SPPI criteria

In thousands of euros	Notes	31/12/2021	Notional/ Outstanding	31/12/2020	Notional/ Outstanding
Loans to credit institutions	**1.2.1**	**456,066**	**474,854**	**437,597**	**453,225**
Performing loans		455,621	454,685	436,718	434,765
Non-performing loans		455	20,169	879	18,460
Loans to customers	**1.2.1**	**586,407**	**612,770**	**724,000**	**721,903**
Performing loans		573,694	563,831	718,339	690,426
Non-performing loans		12 713	48,939	5,661	31,478
Title		**1,385,986**	**1,374,563**	**1,167,487**	**1,215,699**
Bonds and other fixed-income securities	1.2.2	19,058	24,259	39,474	38,900
UCITS		55,437	41,033	54,521	41,044
Equity investments and other long-term securities	1.2.3	1,311,491	1,309,271	1,073,492	1,135,754
Of which equity investments held in investment funds		*1,159,296*	*1,190,817*	*949,287*	*1,034,222*
Of which equity investments held directly with a put option		*152,195*	*118,454*	*124,205*	*101,533*
TOTAL		**2,428,459**	**2,462,188**	**2,329,084**	**2,390,826**

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1.2.1 Loans that do not meet SPPI criteria

Loan agreements may have an early repayment clause, the contractual amount of which corresponds to a settlement equal to the cost of unwinding an associated hedge swap. Loan contracts may also include a remuneration clause indexed to the borrower's performance. The flows of these loans are not considered as SPPI as they do not only reflect the effect of changes in the benchmark interest rate.

As a result, AFD Group has identified a loan portfolio which is measured at fair value through profit and loss. The loans are therefore subjected to a valuation exercise based on the methodology for discounting future flows, with a discount rate specific to each loan in accordance with the accounting rules applied by the Group.

1.2.2 Bonds and other long-term securities

Convertible bonds are debt instruments for which the contractual flows do not meet SPPI characteristics due to the nature of the flows exchanged, and are consequently assessed at fair value through profit and loss.

1.2.3 Equity investments

The AFD Group aims to encourage private investment in the developing countries, mainly *via* its subsidiaries Proparco and Fisea (Investment and Support Fund for Businesses in Africa). It acts primarily through investments in investment funds, as this activity enables it to increase the impact of its financing by supporting a large number of companies doing business in multiple sectors, thus promoting economic growth and the creation of job-creating businesses.

AFD Group also holds direct equity investments with put options for operational purposes.

The contractual flows of these financial assets are not SPPI and are therefore measured at fair value through profit and loss.

Investments in unconsolidated structured entities

Breakdown by portfolio activity

Equity investments held in the Investment Funds *(in thousands of euros)*	Number of equity investments	31/12/2021	Number of equity investments	31/12/2020
Homogeneous activity portfolios				
Agribusiness	9	39,100	9	40,392
Energy	5	33,844	5	35,668
Infrastructure	7	74,720	7	58,933
Mining	2	-	2	91
Multi-sector SME-SMI	12	73,598	13	61,952
Healthcare	7	89,578	6	40,052
Financial services	30	343,330	22	230,197
Multi-sector	74	505,126	78	482,002
NON-CONSOLIDATED STRUCTURED ENTITIES	**146**	**1,159,296**	**142**	**949,287**

Breakdown by operating region

Equity investments held in the Investment Funds *(in thousands of euros)*	Number of equity investments	31/12/2021	Number of equity investments	31/12/2020
Operating region				
Southern Africa	4	2,918	5	3,035
East Africa	14	148,514	11	75,624
West Africa	5	32,628	6	30,917
North Africa	15	44,485	17	47,971
Asia	19	118,911	17	88,627
Multi-region	89	811,840	86	703,113
NON-CONSOLIDATED STRUCTURED ENTITIES	**146**	**1,159,296**	**142**	**949,287**

Investments in unconsolidated structured entities – Risk exposure and dividends received

	31/12/2021			31/12/2020		
In thousands of euros	Financial assets at fair value through profit or loss	Maximum exposure	Dividends received over the year	Financial assets at fair value through profit or loss	Maximum exposure	Dividends received over the year
Homogeneous portfolios						
Agribusiness	39,100	39,100	-	40,392	40,392	6
Energy	33,844	33,844	-	35,668	35,668	-
Infrastructure	74,720	74,720	11	58,933	58,933	11
Mining	-	-	-	91	91	-
Multi-sector SME-SMI	73,598	73,598	-	61,952	61,952	-
Healthcare	89,578	89,578	-	40,052	40,052	-
Financial services	343,330	343,330	3,214	230,197	230,197	3,854
Multi-sector	505,126	505,126	377	482,002	482,002	264
UNCONSOLIDATED STRUCTURED ENTITIES – INVESTMENT FUNDS	**1,159,296**	**1,159,296**	**3,603**	**949,287**	**949,287**	**4,135**

Bearing in mind the type of interests, maximum exposure to loss is defined in this note as the fair value of the investment fund presented on the balance sheet as of the closing date. This amount includes financing commitments that have not yet been disbursed.

Furthermore, the Group has not and does not offer financial support or other assistance to an unconsolidated structured entity outside of contractual obligations.

The AFD Group does not act as a sponsor for structured entities. Sponsorship is assumed when AFD does not have or no longer has an ownership interest in an entity yet still provides this entity with both operational and strategic support.

Note 1.3 Equity instruments at fair value through profit and loss

Equity instruments measured at fair value through profit and loss correspond to investments held by AFD for which the classification at fair value through non-transferable shareholders' equity has not been selected.

The Group has opted for a classification at fair value through non-transferable equity for its portfolio of direct equity investments without put options, which make up the majority of the Group's equity instruments.

NOTE 2 Financial hedging derivatives

Note 2.1 Fair value hedging instruments

	31/12/2021			31/12/2020		
	Carrying amount			Carrying amount		
In thousands of euros	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Fair value hedging						
Interest rate derivatives	1,526,512	958,749	54,268,105	2,400,454	1,265,603	49,211,444
Interest rate and foreign exchange derivatives (cross-currency swaps)	476,531	568,496	11,534,129	493,018	615,720	10,113,105
TOTAL	**2,003,043**	**1,527,245**	**65,802,234**	**2,893,471**	**1,881,323**	**59,324,549**

Note 2.2 Analysis by residual maturity (notional)

The breakdown of the notional amount of hedging derivatives is presented by residual contractual maturity.

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31/12/2021
Fair value hedging					
Interest rate derivatives	3,391,541	0	13,281,769	37,594,794	54,268,105
Interest rate and foreign exchange derivatives (cross-currency swaps)	1,782,832	0	4,707,599	5,043,698	11,534,129
TOTAL	**5,174,373**	**0**	**17,989,369**	**42,638,492**	**65,802,234**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	31/12/2020
Fair value hedging					
Interest rate derivatives	2,065,000	11,513	13,115,026	34,019,905	49,211,444
Interest rate and foreign exchange derivatives (cross-currency swaps)	1,227,870	376,053	4,285,570	4,223,611	10,113,105
TOTAL	**3,292,870**	**387,566**	**17,400,596**	**38,243,517**	**59,324,549**

Note 2.3 Hedged items

	31/12/2021				
	Current hedges		Expired hedges		
In thousands of euros	Carrying amount	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
Interest rate derivatives	**17,973,755**	**418,578**		**8,626**	**-833,597**
Loans and receivables due from credit institutions at amortised cost	1,130,902	6,409		152	-26,057
Loans and receivables due from customers at amortised cost	15,831,593	405,418		9,725	-797,497
Financial assets at fair value through other comprehensive income	1,011,260	6,752		-1,251	-10,043
Interest rate derivatives (currency swaps)	**5,548,931**	**325,860**		**7,623**	**100,876**
Loans and receivables due from credit institutions at amortised cost	702,333	16,832		2,303	22,704
Loans and receivables due from customers at amortised cost	4,846,599	309,028		5,320	78,172
Total fair value hedging of assets	**23,522,686**	**744,438**	**0**	**16,249**	**-732,721**
Interest rate derivatives	**-35,039,520**	**-1,064,291**	**70,376**	**7,984**	**1,392,145**
Debt securities in issue at amortised cost	-35,039,520	-1,064,291	70,376	7,984	1,392,145
Interest rate derivatives (currency swaps)	**-6,204,944**	**-74,809**	**0**	**-21,705**	**-189,659**
Debt securities in issue at amortised cost	-6,204,944	-74,809	0	-21,705	-189,659
TOTAL FAIR VALUE HEDGING ON LIABILITY ITEMS	**-41,244,464**	**-1,139,100**	**70,376**	**-13,722**	**1,202,486**

In thousands of euros	31/12/2020				
	Current hedges		Expired hedges		
	Carrying amount	Accrued remeasurements of fair value hedges	Accrued remeasurements of fair value hedges remaining	Accrued remeasurements of fair value	Remeasurement of fair value during the hedging period (incl. hedges that expired in the period)
Interest rate derivatives	**17,803,602**	**1,254,424**		**-4,539**	**386,049**
Loans and receivables due from credit institutions at amortised cost	1,062,939	32,437		199	3,419
Loans and receivables due from customers at amortised cost	15,795,608	1,198,393		58	388,865
Financial assets at fair value through other comprehensive income	945,055	23,593		-4,796	-6,236
Interest rate derivatives (currency swaps)	**4,975,489**	**226,251**		**6,346**	**-221,529**
Loans and receivables due from credit institutions at amortised cost	419,032	-5,938		5,075	-25,747
Loans and receivables due from customers at amortised cost	4,556,458	232,189		1,271	-195,783
Total fair value hedging of assets	**22,779,091**	**1,480,674**		**1,807**	**164,519**
Interest rate derivatives	**-33,374,980**	**-2,431,234**	**45,174**	**45,078**	**-677,879**
Debt securities in issue at amortised cost	-33,374,980	-2,431,234	45,174	45,078	-677,879
Interest rate derivatives (currency swaps)	**-5,339,698**	**140,280**		**-107,345**	**624,267**
Debt securities in issue at amortised cost	-5,339,698	140,280		-107,345	624,267
TOTAL FAIR VALUE HEDGING ON LIABILITY ITEMS	**-38,714,678**	**-2,290,954**	**45,174**	**-62,267**	**-53,612**

Note 2.4 Income resulting from hedge accounting

In thousands of euros	31/12/2021			31/12/2020		
	Net income (Income of hedge accounting)			Net income (Income of hedge accounting)		
	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge	Change in fair value of hedging instruments	Change in fair value of hedged items	Ineffective portion of hedge
Interest rate derivatives	-560,562	558,548	-2,014	254,674	-291,867	-37,193
Interest rate and foreign exchange derivatives (cross-currency swaps)	73,552	-88,783	-15,231	-337,521	402,738	65,217
TOTAL	**-487,011**	**469,765**	**-17,245**	**-82,847**	**110,870**	**28,023**

NOTE 3 Financial assets at fair value through other comprehensive income

	31/12/2021		31/12/2020	
In thousands of euros	Carrying amount	Change in fair value over the period	Carrying amount	Change in fair value over the period
Debt securities recognised at fair value through equity to be recycled in profit or loss	**837,134**	**-3,618**	**968,908**	**6,903**
Government paper and equivalent	655,662	-3,232	785,639	3,370
Bonds and other securities	181,472	-387	183,270	3,533
Equity securities recorded at fair value through equity not to be recycled in profit or loss	**549,062**	**-10,605**	**487,090**	**-567**
Unconsolidated equity investments	549,062	-10,605	487,090	-567
TOTAL	**1,386,196**	**-14,224**	**1,455,998**	**6,336**

NOTE 4 Financial assets and liabilities at fair value measured according to the level of fair value

	31/12/2021				31/12/2020			
In thousands of euros	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets/Liabilities								
Loans and securities that do not meet SPPI criteria	55,437		2,373,022	2,428,459	54,521	-	2,274,563	2,329,084
Financial assets recorded through equity	806,699	30,435	549,062	1,386,196	938,908	30,000	487,090	1,455,998
Hedging derivatives (Assets)	-	2,003,043	-	2,003,043	-	2,893,471	-	2,893,471
Derivatives (Liabilities)	-	258,000	1,993	259,993	-	285,557	1,611	287,169
Hedging derivatives (Liabilities)	-	1,527,245	-	1,527,245	-	1,881,323	-	1,881,323
Derivatives (Assets)	-	123,372	3,973	127,344	-	288,523	10,932	299,455

- Sensitivity of the fair value of level 3 instruments

The category of instruments measured at level 3 fair value mainly comprises equity securities.

The sensitivity calculations do not apply because their valuations are not linked to market parameters.

NOTE 5 Financial instruments at amortised cost

Financial assets measured at amortised cost

		31/12/2021		31/12/2020	
In thousands of euros	Notes	Demand	Term	Demand	Term
Debt securities	5.1		1,295,925		1,358,235
Loans and receivables due from credit institutions	5.2	2,342,186	7,720,605	1,639,791	7,319,523
Loans and receivables due from customers	5.2		34,235,953		32,327,164
TOTAL		**2,342,186**	**43,252,483**	**1,639,791**	**41,004,923**

Note 5.1 Debt securities at amortised cost

	31/12/2021		31/12/2020	
In thousands of euros	Demand	Term	Demand	Term
Government paper and equivalent	-	631,880	-	701,693
Bonds and other securities	-	664,044	-	656,542
TOTAL	**-**	**1,295,925**	**-**	**1,358,235**
Impairment	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**

Note 5.2 Loans and receivables from credit institutions and customers at amortised cost

	31/12/2021		31/12/2020	
in thousands of euros	Demand	Term	Demand	Term
Loans to credit institutions at amortised cost		**6,755,398**		**5,919,605**
Performing loans		6,532,777		5,617,415
Non-performing loans		222,622		302,190
Impairment		**-134,618**		**-145,559**
Related receivables		**75,779**		**63,141**
Valuation adjustments of loans hedged by forward financial instruments		**16,583**		**60,154**
Subtotal		**6,713,142**		**5,897,342**
Loans to customers at amortised cost		**34,195,838**		**31,335,157**
Performing loans		32,577,759		30,253,197
Non-performing loans		1,618,078		1,081,960
Impairment		**-672,780**		**-689,285**
Related receivables		**63,355**		**41,308**
Valuation adjustments of loans hedged by forward financial instruments		**649,539**		**1,639,985**
Subtotal		**34,235,953**		**32,327,164**
TOTAL LOANS	**-**	**40,949,095**	**-**	**38,224,506**
Other receivables				
Deposits (available cash) at credit institutions	2,342,186	1,006,314	1,639,791	1,421,696
Related receivables		1,150		486
TOTAL OTHER RECEIVABLES	**2,342,186**	**1,007,463**	**1,639,791**	**1,422,182**
TOTAL LOANS AND OTHER RECEIVABLES	**2,342,186**	**41,956,558**	**1,639,791**	**39,646,687**

At 31 December 2021, sovereign outstandings amounted to €22,747M and outstanding loans at State risk amounted to €1,020M.

NOTE 6 Asset impairment

Asset impairment	31/12/2020	Provisions	Reversals available	Other items	31/12/2021
Credit institutions	145,558	50,313	60,677	-576	134,618
Credit to customers	689,285	192,845	220,994	11,616	672,780
Of which stage 1	9,207	37,863	-	-	47,070
Of which stage 2	349,144	-	7,290	-	341,854
Of which stage 3	476,493	139,272	208,342	10,998	418,421
Other receivables	10,805	-	-	-	10,805
TOTAL	**845,548**	**243,157**	**281,671**	**11,041**	**818,202**

NOTE 7 Accruals and miscellaneous assets/liabilities

	31/12/2021		31/12/2020	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Guarantees against collateral	815,589	726,358	674,060	1,317,621
Allocated public funds		84,297		81,230
Other assets and liabilities	305,009	1,053,563	301,544	1,025,275
Accounts payable, French State		142,536		136,502
TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/LIABILITIES	**1,120,598**	**2,006,754**	**975,604**	**2,560,629**

NOTE 8 Property, plant and equipment and intangible assets

	Property, plant and equipment					
In thousands of euros	Land & development	Buildings & development	Other	Intangible assets	Total 31/12/2021	Total 31/12/2020
Gross value						
At 1 January 2021	89,545	226,114	67,597	119,568	502,824	478,823
Purchases	154	5,244	4,255	45,176	54,828	40,749
Disposals/retirements	-	193	2,080	295	2,569	-4,512
Other items	-47	-1,372	-900	-15,079	-17,397	-12,215
Change in scope						
At 31 December 2021	**89,651**	**229,794**	**68,871**	**149,391**	**537,708**	**502,846**
Depreciation/amortisation						
At 1 January 2021	3,339	147,050	47,769	73,160	271,319	249,979
Provisions	249	9,142	6,015	12,135	27,540	24,908
Reversals	-	181	1,980	13	2,174	-3,572
Other items	-	-	5	1	6	8
At 31 December 2021	**3,588**	**156,011**	**51,808**	**85,283**	**296,691**	**271,324**
NET VALUE	**86,063**	**73,783**	**17,063**	**64,108**	**241,017**	**231,520**

Since 1 January 2019, the AFD Group has applied IFRS 16, resulting in a restatement of property leases impacting “Property, plant and equipment” in assets and rental debts in “Other liabilities”. As of 31 December 2021, the right of use was valued at €57.5M.

In thousands of euros	Registered offices	Offices	31/12/2021
Gross value			
At 1 January 2021	88,818	10,241	99,059
New contract		1,854	1,854
Modification of contract			-
Other items	371		371
At 31 December 2021	**89,189**	**12,095**	**101,284**
Depreciation/amortisation	39,570	4,250	43,820
NET VALUE	**49,619**	**7,844**	**57,463**

NOTE 9 Financial liabilities measured at amortised cost

Debts to credit institutions and customers and debt securities in issue at amortised cost

In thousands of euros	31/12/2021	31/12/2020
Debts to credit institutions at amortised cost		
On demand debts	24,901	11,125
Debts at maturity	540	540
Related debts	-	0
TOTAL DEBTS TO CREDIT INSTITUTIONS	**25,441**	**11,665**
Debts to customers at amortised cost		
Accounts payable, customers	2,511	2,028
TOTAL CUSTOMER DEBTS	**2,511**	**2,028**
Debt securities in issue at amortised cost		
Interbank market securities	500,230	701,728
Bonds	39,356,644	36,845,286
Related debts	328,726	351,942
Valuation adjustments of debt securities in issue hedged by derivatives	953,381	2,470,568
TOTAL DEBTS REPRESENTED BY A SECURITY	**41,138,981**	**40,369,524**

Maturity of debt securities issued at amortised cost

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2021
Maturity of debt securities in issue					
Bonds	1,802,078	2,801,997	16,359,571	19,675,110	40,638,756
Interbank market securities	305,083	195,146	-	-	500,230
TOTAL	**2,107,161**	**2,997,143**	**16,359,571**	**19,675,110**	**41,138,986**

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In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	31/12/2020
Maturity of debt securities in issue					
Bonds	3,359,483	1,651,692	14,829,014	19,827,607	39,667,796
Interbank market securities	125,043	576,685	-	-	701,728
TOTAL	**3,484,526**	**2,228,377**	**14,829,014**	**19,827,607**	**40,369,524**

Debt securities in issue by currency

In thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2021
Debt securities in issue by currency						
Bonds	33,839,266	6,180,210	110,924	292,020	216,331	40,638,751
Interbank market securities	500,230	-	-	-	-	500,230
TOTAL	**34,339,495**	**6,180,210**	**110,924**	**292,020**	**216,331**	**41,138,981**

In thousands of euros	EUR	USD	JPY	CHF	AUD	31/12/2020
Debt securities in issue by currency						
Bonds	32,753,119	6,351,242	115,025	279,970	168,439	39,667,796
Interbank market securities	701,728	-	-	-	-	701,728
TOTAL	**33,454,847**	**6,351,242**	**115,025**	**279,970**	**168,439**	**40,369,524**

NOTE 10 Provisions

Provisions	31/12/2020	Provisions	Reversals available	Other items	31/12/2021
Included in the cost of risk					
French Overseas Department subsidiary risks	26,531	13	340		26,205
Other provisions for risk	180,380	37,610	33,896		184,094
Of which stage 1	*4,087*	*15,666*			*19,753*
Of which stage 2	*128,155*	*4,153*	*11,212*		*121,096*
Of which stage 3	*48,138*	*17,792*	*22,684*		*43,245*
Excluded from the cost of risk					
Provision for expenses – Sovereign loans	910,108	83,031	7,719	-1	985,420
Salary and employee benefit expenses	162,581	11,141	278	-23,740	149,704
Provision for risks and expenses	7,477	3,553	1,135		9,895
TOTAL	**1,287,076**	**135,350**	**43,367**	**-23,741**	**1,355,318**

NOTE 11 Subordinated debt

In thousands of euros	31/12/2021	31/12/2020
Fixed-term subordinated debt		695,328
Open-ended subordinated debt	840,006	840,006
TOTAL	**840,006**	**1,535,334**

6.2.4.2 Notes to the income statement

NOTE 12 Income and expenses by accounting category 151

In thousands of euros	31/12/2021	31/12/2020
From financial assets measured at amortised cost	**829,183**	**872,160**
Cash and demand accounts with central banks	2,491	2,316
Loans and receivables	813,395	855,141
Transactions with credit institutions	89,346	94,597
Transactions with customers	724,049	760,544
Debt securities	13,296	14,703
From financial assets at fair value through equity	**17,337**	**14,803**
Debt securities	17,337	14,803
From financial assets at fair value through profit or loss	**39,713**	**44,480**
Loans and receivables	39,713	44,480
Transactions with credit institutions	14,162	18,247
Transactions with customers	25,551	26,232
Interest accrued and due on hedging instruments	**605,092**	**682,119**
Of which transactions with credit institutions	179,654	212,086
Of which other interest and similar income	425,438	470,034
TOTAL INTEREST INCOME	**1,491,324**	**1,613,563**
From financial liabilities measured at amortised cost	444,598	496,574
Financial liabilities measured at amortised cost	444,598	496,574
Interest accrued and due on hedging instruments	**537,095**	**646,521**
Other interest and similar expenses	**224**	**306**
TOTAL INTEREST EXPENSES	**981,916**	**1,143,402**

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NOTE 13 Net commissions

	31/12/2021			31/12/2020		
In thousands of euros	Income	Expenses	Net	Income	Expenses	Net
Commissions on commitments	-	-	-	-	-	-
Monitoring and investment commissions	1,956	2,722	-767	-	2,625	-2,625
Analysis commissions	21,182	-	21,182	25,349	-	25,349
Commissions on grants and subsidies	97,015	-	97,015	96,313	-	96,313
Miscellaneous commissions	8,974	3,605	5,369	7,187	2,227	4,960
TOTAL	**129,127**	**6,327**	**122,799**	**128,850**	**4,851**	**123,998**

NOTE 14 Gains or losses on financial instruments at fair value through profit and loss

In thousands of euros	31/12/2021		31/12/2020	
	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives	Gains and losses on financial instruments at fair value through profit and loss	o/w Foreign currency impact on derivatives
Financial assets and liabilities at fair value through profit and loss	85,302	27,352	-156,132	4,884
Income from financial instruments at fair value through profit and loss	8,231		17,331	-
Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria	113,108		-161,062	
Hedging of loans at fair value through profit or loss	-36,037	27,352	-12,401	4,884
Income resulting from hedge accounting	-17,245	-6,109	28,023	8,201
Change in fair value of hedging derivatives	-486,310	5,893	-82,847	7,975
Change in fair value of the hedged item	469,065	216	110,870	226
Natural hedging/Trading	-33,667	50,265	35,895	-101,370
CVA/DVA	-185	-	337	-
TOTAL	**34,205**	**71,509**	**-91,877**	**-88,285**

NOTE 15 Net gains or losses on financial assets recognised at fair value through equity

In thousands of euros	31/12/2021	31/12/2020
Dividends received on equity instruments recognised at fair value through non-recyclable shareholders' equity	12,300	2,778
Gains or losses on equity instruments recognised at fair value through non-recyclable shareholders' equity	0	-
Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss	-3,033	-2,203
NET GAINS OR LOSSES ON FINANCIAL ASSETS RECOGNISED IN EQUITY	**9,268**	**575**

NOTE 16 Income from other activities

In thousands of euros	31/12/2021	31/12/2020
Subsidies	238,547	231,627
Other income	47,787	40,137
TOTAL	**286,335**	**271,764**

Subsidies on loans and borrowings are paid by the State to reduce the financing cost or to reduce lending costs for borrowers.

NOTE 17 Overheads

Salary and employee benefit expense

In thousands of euros	31/12/2021	31/12/2020
Salary and employee benefit expenses		
Wages and bonuses	208,083	205,994
Social security expenses	84,807	82,593
Profit sharing	10,451	9,304
Taxes and similar payments on remuneration	23,288	18,650
Provisions/reversal of provisions	10,799	5,031
Rebilling banks' staff	-4,357	-8,133
TOTAL	**333,071**	**313,438**

Other administrative expenses

In thousands of euros	31/12/2021	31/12/2020
Other administrative expenses		
Taxes	8,594	10,036
of which application of IFRIC 21	-98	194
Outside services	133,211	122,575
Rebilled expenses	-2,067	-1,598
TOTAL	**139,739**	**131,013**

NOTE 18 Cost of credit risk

In thousands of euros	31/12/2021	31/12/2020
Impairments on performing (stage 1) or deteriorated (stage 2) assets	**-39,159**	**-162,697**
Stage 1: losses assessed at the amount of expected credit losses for the coming 12 months	**-53,508**	**1,717**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	-37,863	1,412
Signature commitments	-15,646	305
Stage 2: losses assessed at the amount of expected credit losses for the lifetime	**14,349**	**-164,413**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	7,290	-158,585
Signature commitments	7,059	-5,828
Impairments of impaired assets (stage 3)	**63,769**	**-37,954**
Stage 3: impaired assets	**62,150**	**-37,856**
Debt securities recognised in equity to be recycled in profit or loss	-	-
Debt securities recorded at amortised cost	10,374	-9,212
Signature commitments	51,776	-28,644
Other provisions for risk	**1,619**	**-98**
Net reversals of impairments and provisions	**24,610**	**-200,650**
Losses on loans and bad loans	-129,978	-68,470
Recovery of loans and receivables	-757	472
Discounts on restructured loans		52
COST OF RISK	**-106,125**	**-268,597**

NOTE 19 Equity method

In thousands of euros	31/12/2021		31/12/2020	
Impact	Balance sheet	Income	Balance sheet	Income
SIC	33,770	2,926	29,659	-7,034
Socredo	113,959	3,614	110,345	730
TOTAL	**147,729**	**6,540**	**140,004**	**-6,305**

NOTE 20 Corporate income tax

In thousands of euros	31/12/2021	31/12/2020
Corporate tax	**-10,586**	**10,102**
Taxes due	-16,153	-1,201
Deferred tax	5,567	11,303

Underlying tax position

In thousands of euros	31/12/2021	31/12/2020
Net income	**323,027**	**15,437**
Corporate tax	-10,586	10,102
Pre-tax income	**333,613**	**5,335**
Total theoretical tax expense 34.43% (A)	**-86,569**	**-7,990**
Total matching items (B)	**75,983**	**18,092**
Net recorded tax expense (A) + (B)	**-10,586**	**10,102**

Deferred taxes are estimated on the basis of the following assumptions:

- deferred taxes based on impairments were estimated on the basis of the following rates: 28.41% for stage 1 (rate in force in 2021) and 25.83% for stage 2 (rate in force from 2022);
- deferred taxes based on the unrealised gains or losses on loans and convertible bonds were estimated on the basis of the rate of 28.41%. The same rate is used over costs and expenses on the unrealised gains and losses of the equity investments.

NOTE 21 Financing and guarantee commitments

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions.

In thousands of euros	31/12/2021	31/12/2020
Commitments received		
Financing commitments received from the French State	-	-
Guarantee commitments received from the French State on loans	1,135,687	1,318,769
Guarantee commitments received from credit institutions	412,479	821,726
as part of the Group's credit activity	412,479	821,726
Commitments given		
Financing commitments made to credit institutions	1,850,484	2,148,651
Financing commitments made to customers	15,213,849	13,485,720
Guarantee commitments made to credit institutions	141,783	116,498
Guarantee commitments made to customers	824,959	534,817

At 31 December 2021, the off-balance sheet items relating to sovereign outstandings amounted to €13,159M and off-balance sheet outstanding loans at State risk amounted to €56M.

Financing commitments given are the amounts to be disbursed under lending agreements with customers or credit institutions. The commitment amount is lower than the figure stated in AFD's parent company financial statements because the transactions on behalf of third parties (IMF, on behalf of the French government) are not included in the Group's consolidated financial statements.

6.2.4.3 Employee benefits and other remuneration

The aggregate impacts of the post-employment benefits on the 2020 and 2021 financial years are set out in the table below:

In thousands of euros	At 31/12/2021	Impact on income	Impact on equity	At 31/12/2020	Impact on income	Impact on equity	At 31/12/2019
Provisions for employee benefits	146,738	8,476	-23,675	161,937	7,554	10,669	143,714
Defined benefit plans	*145,308*	*8,445*	*-23,675*	*160,538*	*7,434*	*10,669*	*142,434*
Other long-term benefits	*1,430*	*31*		*1,399*	*120*		*1,279*

The sensitivity analysis, based on the actuarial assumptions used to value the defined benefit plans at the closing date, is as follows:

In millions of euros	Retirement	as a % of change
Present value of the commitment at 31/12/2021		
• Discount rate: 0.00%		
• Annual increase in salary: 2.00%	15.3	
• Retirement age: 63 (non-executive level employees)/65 (executive level employees)		
Sensitivity to the discount rate assumption		
Rate change to 0.25%	15.2	-0.7%
Rate change to -0.25%	15.4	0.7%
Sensitivity to the career profile assumption		
Rate change to 2.50%	15.6	1.9%
Rate change to 1.5%	15.1	-1.4%
Sensitivity to the retirement age assumption		
• Increase of 1 year (for all guarantees)	14.9	-2.7%
• Reduction of 1 year (for all guarantees)	15.7	2.5%

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In millions of euros	ETRG employees healthcare expenses		Retiree health insurance	as a% of change	Retirement lump sum	as a% of change	Service award	as a% of change
Present value of the commitment at 31/12/2021								
• Discount rate: 1.20% • Annual increase in salary: 2.00% AFD and 2.20% TOM • Retirement age: 63 (non-executive level employees)/65 (executive level employees)	17.1		120.1		20.5		1.4	
Sensitivity to the discount rate assumption								
Rate change to 1.70%	14.8	-13.5%	106.1	-11.6%	19.3	-6.3%	1.4	-4.1%
Rate change to 0.70%	19.9	16.4%	136.9	14.0%	22.0	7.0%	1.5	4.4%
Sensitivity to the career profile assumption								
Rate change to 2.50% AFD and 2.70% TOM	19.9	16.2%	120.1	0.0%	22.0	7.1%	1.4	0.0%
Rate change to 1.5% AFD and 1.70% TOM	14.8	-13.4%	120.1	0.0%	19.2	-6.5%	1.4	0.0%
Sensitivity to the retirement age assumption								
Increase of one year: 64 (non-executive level employees)/66 (executive level employees)	16.4	-4.4%	116.0	-3.4%	20.0	-2.8%	1.4	0.0%
Decrease of one year: 62 (non-executive level employees)/64 (executive level employees)	17.9	4.6%	124.5	3.7%	21.2	3.0%	1.4	0.0%

Projected commitments at 31 December 2021 are as follows:

Actuarial debt at 31/12/2021	**17,116**	**15,312**	**120,103**	**20,548**	**173,078**	**1,430**	**174,508**
Cost of services rendered in 2022	640	71	7,807	1,999	10,516	196	10,712
Financial cost in 2022	213	-	1,535	257	2,005	18	2,024
Services payable in 2021/transfer of capital upon departures in 2022	-110	-5,395	-2,087	-1,319	-8,911	-126	-9,038
Restatements and transfers		-12	-286	-81	-379	-5	-384
Estimated debt at 31/12/2022	**17,858**	**9,975**	**127,071**	**21,405**	**176,309**	**1,513**	**177,822**

The changes in commitments over the 2021 financial year are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment							
Present value of the commitment at 1 January	13,482	26,305	133,464	22,245	195,497	1,399	196,895
Financial cost	98	0	998	163		11	
Cost of services rendered over the year	513	111	9,068	2,208		202	
Cost of past services	-		0				
Reductions/Liquidations	-	-	-	-		-	
Services paid	-78	-7,264	-2,095	-1,496		-123	
Actuarial gains (losses)	3,100	-3,744	-20,579	-2,376		-47	
Change in scope between AFD and IEDOM	0	-96	-753	-197		-11	
Present value of the commitment at 31/12/2021	**17,116**	**15,312**	**120,103**	**20,548**	**173,078**	**1,430**	**174,508**
Change in the fair value of retirement plan assets							
Fair value of assets at 1 January		34,960			34,960		34,960
Expected return on assets		0					
Services paid		-7,264					
Actuarial gains (losses)		75					
Liquidations		-					
Change in scope between AFD and IEDOM							
Fair value of assets at 31/12/2021		**27,771**			**27,771**		**27,771**
Corridor limits							
Actuarial gains (losses) not recognised at 1 January	-	-	-	-	-	-	-
Corridor limits at 1 January							
Actuarial gains (losses) generated over the year	-3,100	3,820	20,579	2,376	23,675	47	23,722
Actuarial (gains) losses recognised in profit or loss	-	-	-	-	-	-47	-47
Actuarial (gains) losses N-1 recognised in equity	-	-	-	-	-	-	-
Actuarial (gains) losses recognised in equity this period	3,100	-3,820	-20,579	-2,376	-23,675	-	-23,675
Actuarial gains (losses) not recognised at 31/12/2021	**-**	**0**	**-**	**-**	**0**	**-**	**0**
Amounts recognised on the balance sheet at 31/12/2021							
Present value of the funded commitment		15,312					
Fair value of financed assets		-27,771			-12,459		-12,459
Present value of unfunded commitment	17,116		120,103	20,548	157,766	1,430	159,196
Net position	**17,116**	**-12,459**	**120,103**	**20,548**	**145,307**	**1,430**	**146,737**
Unrecognised actuarial gains (losses)	-	0	-	-	0	-	0
Balance sheet provision	**17,116**	**-12,459**	**120,103**	**20,548**	**145,307**	**1,430**	**146,737**

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Amounts recognised on the income statement at 31/12/2021							
Cost of services rendered over the period	513	111	9,068	2,208	11,900	202	12,102
Cost of past services	-	-	0	-	0	-	0
Financial cost for the period	98	0	998	163	1,259	11	1,269
Recognised actuarial gains (losses)	-	-	-	-	-	-47	-47
Expected return on retirement plan assets	-	0			0		0
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**611**	**111**	**10,066**	**2,371**	**13,159**	**165**	**13,324**
Reconciliation of opening and closing net liability							
Liability at 1 January	13,482	-8,654	133,464	22,245	160,537	1,399	161,936
Expenses booked	611	111	10,066	2,371	13,159	165	13,324
Contributions paid	-	-			-	-	-
Restatements and transfers	-	-96	-753	-197	-1,045	-11	-1,056
Services paid by employer	-78		-2,095	-1,496	-3,668	-123	-3,791
Items not to be recycled in profit or loss	3,100	-3,820	-20,579	-2,376	-23,675	-	-23,675
Net liabilities at 31/12/2021	**17,116**	**-12,459**	**120,103**	**20,548**	**145,307**	**1,430**	**146,737**
Change in net liabilities	**3,633**	**-3,805**	**-13,361**	**-1,697**	**-15,230**	**31**	**-15,199**

6.2.5 Risk information

The role of the Executive Risk Department (DXR) is to analyse, inform and advise executive officers (Executive Management) on the risks to which the Group companies are exposed. It is involved in the implementation of risk policies and procedures and systems to measure, control, analyse and monitor these risks. It ensures that the Group's activities and the inherent risks, are in line with the risk management objectives, company policy and regulatory requirements.

This department comprises:

- the Second Opinion Unit, which provides a second opinion on projects which are being appraised, in accordance with Article 112 of the Order of 3 November 2014;
- the Compliance Department (DCO);
- the Operational Risk and Permanent Control Department (ROC);
- the Group Risk Management Department (DRG).

6.2.5.1 Credit risk

Risk measurement and monitoring

The AFD Group's credit risk monitoring system is the responsibility of the Group Risk Management Department (DRG) within the Executive Risk Department.

Within the Group Risk Management Department, the Credit Risk Assessment Division is responsible for:

- validating the credit risk due diligence carried out by the Executive Operations Department, rating non-sovereign counterparties, determining the reporting groups and assessing the financial structure of the operations during the project appraisal cycle by producing a structuring opinion;
- implementing the follow-up right beyond the bodies, when this right is requested by the Second Opinion unit, and reviewing the updated credit risk before agreements are signed and in the event of requests for waivers and riders, and in the event of significant adverse events;
- annually reviewing AFD's non-sovereign credit risks, monitoring borrowers under surveillance (watchlist) and measuring individual impairment (definition of the recoverability rate of doubtful loans);
- developing tools, methods and training materials to evaluate credit risks, mainly for use by the operating departments.

The role of the **Risk Monitoring Division** is to monitor financial risks (credit, counterparty, market, ALM, etc.) within the scope of consolidation (fully consolidated subsidiaries[1] and equity-accounted investments[2]) and ensure monitoring and control. In particular, it is responsible for continuously monitoring the Group's risks in terms of position and outlook, by undertaking i) the secretariat and coordination of the AFD Risk Committee (CORIS), ii) the quarterly calculation of the Group's collective

(1) Soderag, Proparco, Sogefom, Fisea.
(2) Société immobilière de Nouvelle Calédonie, Banque Socredo.

provisions on the contribution to the portfolio and the periodic update of the parameters taken into account in these calculations, and iii) the reporting of the Group's risks to the Executive Management, the Audit Committee, the Group Risk Committee and the Board of Directors. The division participates in defining the risk response framework (limits, pricing, new products, credit and concentration indicators of the Risk Appetite Framework, etc.) and monitors compliance with it.

The Second Opinion Unit, which reports to the Executive Risk Director, performs the regulatory function of expressing a "second opinion" on financial transactions in the form of loans (sovereign and non-sovereign), guarantees or equity investments recorded on AFD's balance sheet. This unit participates in project cycle committees (Identification Committees and Credit Committees for AFD, Project Committees for Proparco). It expresses an independent opinion on projects submitted to the decision-making bodies regarding the various types of risk (credit, operational, reputation, etc.) based on the analyses produced by AFD's project teams and other departments involved in the appraisal (environmental and social analysis, macroeconomic analysis, credit analysis, compliance, etc.). For non-sovereign risks, the Second Opinion Unit works closely with the analysts in the Credit Risk Evaluation Division who have expertise in credit risk rating and financial structuring. Before each Credit Committee meeting, a preparatory meeting led by the Executive Risk Director is held to ensure a concerted risk position in committees.

The Economic Assessment and Public Policy Department (ECO), which reports to the Innovation, Research and Knowledge Executive Department, measures the country risks (growth, stability of the financial system, public finances, external balances and socio-political situation) and credit risks of sovereign counterparties in regions where the Group operates (analysis of the structure and level of public debt, budget implementation, payment history and structural solvency indicators, etc.).

Every six months, **the Country and Sovereign Risk Committee** (Country CORIS) examines changes in the international financial and economic climate and in macroeconomic risks in countries where AFD operates, in addition to credit risks reported by agents of the Economic Assessment and Public Policy Department. It validates the classification of country risk and sovereign risk.

Each quarter, **the Counterparty Risk Committee** (Counterparty CORIS) examines the risk of concentration (Large Exposures), exposure in terms of the system of operational thresholds, the quality of the portfolios, impairments/provisions and the associated cost of risk, borrowers on the watchlist, the implementation of the recovery procedures, and the monitoring of activities on the scope of consolidation. Every six months, a review of equity investment monitoring is carried out.

The Risk Committees are chaired by the Executive Risk Director. Their permanent members include Executive Management, the Executive Operations Director, the Executive Finance Director, the Risk Management Director at Proparco, the Director of the Group Risk Management Department and the Head of the Second Opinion Unit.

The Group Risk Committee meets at least quarterly, after the Counterparty Risk Committee meetings or prior to a Board of Directors meeting. Its role is to conduct a regular review of the strategies, policies, procedures, systems, tools, risk positions (notably credit risk) and thresholds, to notify the Board of Directors of its conclusions and to advise the latter on the Group's global risk strategy.

System of operational limits

The system of operational limits applies to products (loans, quasi-equity loans, guarantees given, ARIZ guarantees, other securities, equity investments) not guaranteed by the French State, excluding products subsidised by the French State (*e.g.* micro-finance facility or ARIZ Prime). It consolidates exposures net of individual AFD, Proparco and Fisea provisions.

AFD's limits system has three levels of monitoring: regulatory, internal, and a warning system whose purpose is to alert before a limit is crossed through an information system based on escalation.

This system is reviewed annually at the time of the review of the Agency's risk appetite framework and operational system.

It is broken down into two main limit categories:

- limits and alert thresholds regarding sovereign activity, by region (see table 1);
- limits regarding non-sovereign activity, by region (see table 2), sector and counterparty.

Table 1: summary of AFD's limits and alert indicators for large exposures (sovereign + related)

Unless otherwise indicated, the percentages apply to Large Exposure capital (FPGR).

	Limit system		
	Regulatory requirements	Internal requirements	Alert system
Type of exposure/outstandings considered	Authorised exposure	Authorised exposure	Authorised exposure **+ unauthorised exposure + new provisional approvals**
"Large exposure*" limit	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	24% of exposure	24% > an alert is given to the Board of Directors 21% > an alert is given to the Executive Committee

With 1st public non-sovereign group attached to the central government.

Table 2: Summary of AFD's limits and alert indicators for non-sovereign activity

		Limit system		
		Regulatory requirements	Internal requirements	Alert system
Type of exposure/outstandings considered		Authorised exposure	Authorised exposure	Authorised and **unauthorised exposure and new approvals**
Monitoring of non-sovereign activity	**Regional limits***		30% of exposure (unweighted)	30% of exposure > an alert is given to the Board of Directors 25% of exposure > an alert is given to the Executive Committee
	Limit by counterparty (and counterparty group)	Ceiling: 25% Reporting as "large exposure" when exposure exceeds 10%	8% for an individual counterparty (risk-weighted exposure) 12% for a counterparty group (risk-weighted exposure)	

Without the 1st public NS group attached to the central government.

Within the Executive Risk Department (DXR), the Risk Monitoring (DSR) Division is responsible for monitoring credit risk and limits for the AFD Group. The "Group Risk Monitoring and Reporting (SRG)" unit, attached to DSR, prepares the database that makes it possible to calculate the Large Exposures declared on a quarterly basis and to monitor the limits set by the Board of Directors. The SRG unit prepares the pre-grant document which is inserted for each loan in the notes to AFD's decision-making bodies (the latter are systematically approved by DSR), thus ensuring continuous monitoring of the level of major risks and credit limits.

Every quarter, a review of the operational limits is presented to the "Counterparty Risk Committee (CORIS)", of which the Executive Management is a permanent member, and to the Group Risk Committee for the monitoring of Large Exposures.

Large exposure limit

The "Large Exposures" regulatory limit defines the aggregate maximum authorised exposure to third parties or groups of connected third parties as 25% of eligible capital. As consolidated equity amounted to €8,810M at 31 December 2021, the regulatory limit for Large Exposures was €2,203M. The internal limit is set at 24% by default (€2,114M).

As regards Large Exposures declared to the regulator, more restrictive regulations came into force on 28 June 2021. They sets a new threshold for reporting exposures, of €300M for a counterparty or group of related counterparties (compared to 10% of eligible equity previously). 65% of the AFD Group's exposures were reported after the new reporting methods came into force (51% before).

Two preventive alert thresholds also exist to inform the Executive Committee and the Group Risk Committee of a risk of a threshold being exceeded (Large Exposures and non-sovereign limits). In 2021, six countries were the subject of an information memorandum from DXR regarding the risk of breach of the preventive alert and/or tolerance threshold for the Large Exposure limit: India, Tunisia, Mexico, Egypt, Colombia, and Morocco.

Non-sovereign limits

- Regional limits:

  Non-sovereign geographic limits are monitored for all foreign countries in the portfolio, in two ways: through balance-to-pay and excluding balance-to-pay. The ceiling by region is set at 30% of Large Exposure capital (*i.e.* €2,643M).
- Unknown third party limit:

  Pursuant to Article 390 (8) of the CRR of Delegated Regulation 1187/2014 of 2 October 2014, where the transparency approach is not possible, certain exposures (in particular related to collective investment schemes) are assigned to the “unknown client” category which constitutes a counterparty subject to an internal limit set at 24% of Large Exposure capital (*i.e.* €2,114M).
- Sector limit:

  A limit on credit institutions is set by region at 50% of the non-sovereign regional limit (*i.e.* 15% of the Large Exposure capital, in other words €1,322M). This limit is calculated quarterly on the closing date according to the exposure base used to value the non-sovereign geographic limit.
- Limits per group of connected counterparties and per counterparty:

  The non-sovereign limit per group of connected counterparties is risk-weighted (according to the type of instrument and the counterparty’s listing) with a ceiling of 12% of Large Exposure capital (*i.e.* €1,057M). The risk-weighted ratio applicable to a counterparty is also set at 8% of Large Exposure capital (€705M). The breakdown of limits (for loans) by rating is shown in the tables below. The weightings by type of instrument are also specified and adjust the limits accordingly.

Monitoring the risks of sovereign counterparties

The French State is responsible for the payment of arrears and write-offs of receivables relating to sovereign activities *via* a reserve account endowed with a total of €985M at the end of 2021.

The local offices take the following reminder and penalty measures within the maximum periods from the due date of the loan (or of notification of the government’s call of the guarantee for guaranteed loans). AFD may ask the Secretariat of Paris Club to send a reminder letter.

The official bilateral creditors who are members of the Paris Club submit their arrears on their sovereign debt for review at the monthly review meetings known as the *Tour d’horizon*. AFD takes part in these meetings under the guise of the French Ministry of Finance. Where applicable, the Paris Club can grant debtor countries restructuring arrangements or write off their debt. The restructuring arrangements may affect AFD debts. The financial impact of these arrangements on AFD is absorbed by the French Treasury.

Monitoring the risks of non-sovereign counterparties

Within the Operations Department, the Portfolio Management and Specialised Support Department provides financial monitoring through (i) the Portfolio Management and Quality Division, which monitors non-sovereign loans from the first payment (monitoring the financial commitments of counterparties, or “covenants”, monitoring recovery and management of waivers, amendments and restructuring) and (ii) the Counterparty Regulatory Knowledge Division, which is responsible for the quarterly updating of permanent credit files.

The Risk Assessment Sheets, which contain the categories for the different rating methods, are updated each year by the local offices with, potentially, the support of the Regional Portfolio Monitoring managers (or the operational departments at Headquarters for multi-country risks). The annual updates of the Risk Assessment Sheets are carried out on an ongoing basis according to the date of availability of the financial statements of the counterparties and to different deadlines prepared according to a risk-based approach. The Risk Assessment Sheets may also be updated independently of the annual review cycles in the event of a new appraisal, the signing of a new loan agreement[1] or a major event which affects the quality of the borrower.

The exercise consists of the following stages:

- collection and control of qualitative and financial data (accounting documentation, latest available company accounts, qualitative assessment of the borrower and/or the beneficiary and the exposure situation);
- visit and interview with the counterparty;
- update of qualitative information (local context, governance, internal organisation, etc.);
- preparation of the evaluation grid and spreadsheets for analysis and calculation of financial and prudential ratios;
- proposing intrinsic rating, which is then automatically cross-referenced with the country risk;
- reasoned assessment of possible shareholder support;
- determination of the credit rating based on the cross-referencing of the intrinsic rating with the country risk, the level of shareholder support and a possible expert opinion.

Investment officers of the Portfolio Management and Quality Division (for third parties monitored after the first payment) as well as Country Managers conducting a first-level control. Credit analysts in the Credit Risk Assessment Division perform second-level checks and validate credit ratings.

Third parties with overdue payments of more than 90 days (180 days for local authorities in French Overseas Departments and Collectivities) or with a proven credit risk are downgraded to “doubtful” (credit rating D+ or lower). Individual impairments on the corresponding loans are estimated taking into account the associated guarantees.

Watchlist monitoring

Borrowers with a high credit risk, because of their likelihood of default (especially all doubtful third parties) are included on a watchlist and monitored particularly closely. The watchlist, which summarises key information relating to these third parties (outstandings, undisbursed balance, unpaid bills, credit rating, news, provisions).

(1) A rating is valid for 18 months from the date of approval of the certified financial statements used to determine the rating.

The watchlist is updated quarterly by the investment officers responsible for managing the files (DOE/GPS/GEP or DOE/OCN or JUR/JIN). This represents the first-level control. The credit analysts of the Risk Assessment Division carry out a second-level control and validate proposals for changes to the watchlist (entry, exit, maintenance) as well as the proposed level of provisioning. The watchlist is then sent to the Counterparty Risk Committee, which reviews the topicality of the files, validates the entries or exits as proposed by the Risk Assessment Division and, in the event of disagreement between the operational and risk teams, serves as the arbitrator. The Counterparty Risk Committee may also place certain cases under legal oversight, authorise exemptions from collection procedures and validate write-offs. There are three levels of watchlist:

- borrowers under simple monitoring (level 1 watchlist);
- restructuring and non-performing loans (level 2 watchlist);
- pre-litigation cases, from the date of acceleration of payment, and cases in litigation from the start of a legal proceeding (level 3 watchlist).

The inclusion of a third party on a watchlist is proposed to the Risk Committee based on the following criteria:

- level-1 watchlist inclusion criteria:
  - qualitative criterion with expert appraisal: significant adverse event impacting the borrower's credit quality,
  - quantitative criteria based on risk exposure thresholds, on the duration of arrears, as well as on a significant deterioration in the rating observed over a period of 24 months as well as on the deterioration in the rating leading to a final CCC rating (or on the granting of a loan for a counterparty rated CCC that received a negative opinion from the SOP),
  - restructuring criteria: counterparties that have been restructured with regular resumption of repayments of principal must be added to the level-1 watchlist for a 24-month probationary period;
- level-2 watchlist inclusion criteria:
  - counterparties classified as doubtful for accounting purposes (unless if already in level 3),
  - counterparties with restructured loans (unless if already in level 3);
- level-3 watchlist inclusion criteria:
  - notification of acceleration of payment,
  - anticipation/initiation of a legal proceeding,
  - anticipation/initiation of insolvency proceedings (amicable or collective);
- removal from the watchlist is proposed to the Risk Committee based on the following criteria:
  - resolution of the criteria that resulted in inclusion on the watchlist and any new criteria observed during monitoring:
    - if arrears criterion: payment of arrears and non-occurrence of new arrears for two consecutive due dates,
    - if rating criterion: removal from doubtful or stable or improvement in the credit rating over the last 24 months for performing counterparties (with an additional condition of improving the credit rating to at least B- over this 24-month period for counterparties formerly pre-doubtful, *i.e.* rated CCC),
    - if restructuring criterion: end of the 24-month probationary period;
  - renewed compliance with contractual obligations,
  - management of the impacts of the significant unfavourable events that led to monitoring or continued monitoring.

Compliance with the removal criteria alone does not automatically result in removal, which is subject to an expert appraisal.

Classification of outstandings according to the different stages of deterioration

In accordance with IFRS, AFD has developed a collective provisioning mechanism for performing loans. The level of impairment is determined for each contract, based on changes in credit risk since approval. At the reporting date, each contract is assigned to a risk category depending on whether or not it has recorded a significant deterioration in credit risk since its initial recognition.

Each instrument is classified according to the following risk stages:

- stage 1: this category includes the performing (non-impaired) loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost of third parties which do not meet any of the criteria for significant impairment (stage 2) or default (stage 3) set out below, and
  - debt securities recognised at fair value through equity to be included in profit and loss in the future or at amortised cost which do not meet any of the significant impairment criteria of stages 2 or 3. Under IFRS, the low credit risk (LCR) exemption applies to some of these securities and those with a rating above BBB- will therefore be classified in stage 1;
- stage 2: this category includes the impaired performing loans of third parties, namely:
  - outstandings (balance sheet and off-balance sheet) measured at amortised cost which have suffered a significant deterioration in their credit risk since inception,
  - exposures related to ARIZ guarantees,
  - and debt securities recognised at fair value through equity to be included in profit and loss in the future or at amortised cost which have suffered a significant deterioration in their credit risk since inception. Those to which the LCR exemption applies and those with a rating below BB+ will also be classified in stage 2.

  This significant deterioration in risk is demonstrated by at least one of the following criteria being met:

    - downgrading of the counterparty's internal rating between the state at inception of the contract and the current state,
    - placement of the counterparty under supervision,
    - 30 days past due;
- stage 3: this category includes non-performing loans, *i.e.* outstandings (balance sheet and off-balance sheet) of third parties with:
  - significant arrears exceeding 90 days (180 days for local authorities); a significant unpaid rent is determined by the following two cumulative criteria:
    - the sum of unpaid loans on all credit obligations exceeds €500,
    - the sum of arrears on all credit obligations is greater than 1% of all credit obligations of the third party (excluding the balance to be paid and equity investments);
  - proven credit risk,
  - a restructured ("forborne") credit which is more than 30 days past due and/or a second forbearance during the probation period.

The doubtful nature is applied to all exposures to the third party concerned, according to the contagion principle.

A new definition of doubtful sovereign loans was validated in 2021, resulting in a breakdown of doubtful sovereign loans into three sub-classes:

- CR6a = doubtful with proven credit risk, classification based on the occurrence of a significant adverse event or an alert signal;
- CR6b = simple doubtful with automatic classification in the event of material arrears of more than 3 months;
- CR6c = doubtful including in the event of arrears of more than 15 months (3 months + 1 year).

Estimates of impairments and provisions

The model used to estimate credit losses varies depending on the stage to which the outstanding amount relates and the type of outstanding amount involved. Impairment and provisions are calculated for non-sovereign loans issued by AFD, debt securities, financial guarantees and undisbursed balances that have been authorised (by identifying a conversion factor and estimating early repayment).

For stage 1 loans, provisions are based on the calculation of the expected loss at one year, which takes into account the probability of default (which varies in particular according to the credit rating), the loss in the event of default, and exposure at default (varying according to the residual maturity and the conversion factor for off-balance sheet exposures).

For loans in stage 2, individual impairments or provisions are determined using the same calculation methodology, but based on a calculation at maturity (instead of after one year).

Provisions and impairments are calculated quarterly by the Risk Monitoring Division. They are subject to a control plan and an analysis of changes. At 31 December 2021, the Group's collective provisions amounted to €529.7M.

In the context of the Covid-19 crisis, AFD decided to maintain two exceptional provisions in 2021 to cover potential risks:

- in the aviation and tourism sectors particularly affected by this crisis;
- on the ARIZ portfolio of guarantees, which benefit small and medium-sized companies sensitive to the deterioration of the economic environment.

This provision was calculated on the basis of a rating downgrade of the performing counterparties concerned compared to their rating observed at 31 December 2021. At Group level, these two provisions amounted to €91.4M as at 31 December 2021 (including €69.1M for the aviation and tourism sectors and €22.3M for the ARIZ guarantee portfolio).

Maximum credit risk exposure

In total, gross consolidated outstandings under Group risk exposure amounted to €41.4bn at 31 December 2021 (compared with €36.1bn at 31 December 2020), of which €35.3bn in foreign countries and €6.1bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€38bn, *i.e.* 92% of outstanding loans).

The AFD Group's non-performing loans amounted to €1.7bn at 31 December 2020, of which €569M in non-performing sovereign loans and €1.1bn in non-sovereign non-performing loans.

Non-sovereign non-performing loans are covered by impairments and provisions totalling €0.5bn, equivalent to a coverage ratio of 44.7%.

6

Age of arrears

The age of arrears on AFD loans and receivables at the closing date breaks down as follows:

In thousands of euros	31/12/2021
AFD non-sovereign (excluding sub-inv.)	119,196
Proparco (excluding sub-inv.)	67,209
Sub-investments (AFD side)	8,014
Sub-investments (Proparco side)	11,036
	205,455

Concentration of credit risk

Financial assets at amortised cost

Non-sovereign

	At 31 December 2020				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (Investment)	5,711,085	352,245	-	6,063,330	5,584,154	391,091	-	5,975,245
from BB+ to CCC (Speculative)	3,194,704	5,517,350	-	8,712,054	5,056,664	5,142,758	-	10,199,421
Not applicable(1)	7,762	-	-	7,762	7,000	-	-	7,000
Doubtful(2)	-	-	1,205,720	1,205,720	-	-	1,060,155	1,060,155
TOTAL	**8,913,551**	**5,869,595**	**1,205,720**	**15,988,866**	**10,647,817**	**5,533,849**	**1,060,155**	**17,241,821**

(1) Unused assets relate to budgets granted pending allocation to a final beneficiary.
(2) The CCC rating used at the end of 2019 as the first notch of doubtful debt was replaced in the course of 2020 by a new wording "D+". The CCC rating now corresponds to the latest performing rating. This change was made to make the internal rating scale more consistent so that all doubtful third parties have a rating starting with a "D".

Sovereign

	At 31 December 2020				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (RC1 to RC2)	6,904,562	20,930	-	6,925,493	7,660,087	0	-	7,660,087
from BB+ to CCC (RC3, RC4, RC5)	10,047,145	2,812,105	-	12,859,251	11,750,001	2,806,810	-	14,556,811
Not applicable*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	348,513	2,757	351,270	-	-	570,432	570,432
TOTAL	**16,951,708**	**3,181,549**	**2,757**	**20,136,013**	**19,410,088**	**2,806,810**	**570,432**	**22,787,330**

** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Securities at fair value through recyclable equity or at amortised cost

	Performing assets				
In thousands of euros	stage 1	stage 2	Doubtful assets stage 3	Financial assets impaired from their acquisition or creation	Total
Rating	**Carrying amount**				
from AAA to BBB- (Investment)	1,798,062				1,798,062
from BB+ to CCC (Speculative)	238,019	32,981			271,000
Doubtful					
TOTAL AT 31 DECEMBER 2021	**2,036,081**	**32,981**			**2,069,062**
from AAA to BBB- (Investment)	2,162,017				2,162,017
from BB+ to CCC (Speculative)		72,534			72,534
Doubtful					
TOTAL AT 31 DECEMBER 2020	**2,162,017**	**72,534**			**2,234,551**

Financing commitments

Non-sovereign

	At 31 December 2020				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (Investment)	1,103,294	730	-	1,104,024	1,213,010	-	-	1,213,010
from BB+ to CCC (Speculative)	1,610,642	698,377	-	2,309,019	1,959,063	463,041	-	2,422,104
Not applicable(1)	181,325	-	-	181,325	156,434	-	-	156,434
Doubtful(2)	-	-	131,493	131,493	-	-	58,575	58,575
TOTAL	**2,895,261**	**699,108**	**131,493**	**3,725,861**	**3,328,506**	**463,041**	**58,575**	**3,850,123**

(1) Unused assets relate to budgets granted pending allocation to a final beneficiary.
(2) The CCC rating used at the end of 2019 as the first notch of doubtful debt was replaced in the course of 2020 by a new wording "D+". The CCC rating now corresponds to the latest performing rating. This change was made to make the internal rating scale more consistent so that all doubtful third parties have a rating starting with a "D".

Sovereign

	At 31 December 2020				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (RC1, RC2)	1,658,618	-	-	1,658,618	2,109,968	-	-	2,109,968
from BB+ to CCC (RC3, RC4, RC5)	8,345,174	1,258,014	-	9,603,188	8,448,829	1,950,725	-	10,399,554
Not applicable*	-	-	-	-	-	-	-	-
Doubtful (RC6)	-	524,418	-	524,418	-	-	648,251	648,251
TOTAL	**10,003,791**	**1,782,432**	**-**	**11,786,223**	**10,558,796**	**1,950,725**	**648,251**	**13,157,772**

** Unused assets relate to budgets granted pending allocation to a final beneficiary.*

Guarantee commitments

	At 31 December 2020				At 31 December 2021			
	Performing assets		Doubtful assets	Total	Performing assets		Doubtful assets	Total
In thousands of euros	stage 1	stage 2	stage 3		stage 1	stage 2	stage 3	
Rating								
from AAA to BBB- (Investment)	26,151	545	-	26,696	20,367	267	-	20,634
from BB+ to CCC (Speculative)	83,874	446,345	-	530,219	248,556	603,653	-	852,209
Not applicable	-	-	-	-	-	-	-	-
Doubtful	-	-	49,041	49,041	-	309,372	69,702	70,011
TOTAL	**110,024**	**446,891**	**49,041**	**605,956**	**268,923**	**604,229**	**69,702**	**942,854**

Exposure to credit risk: change in the carrying amounts and value adjustments for losses over the period

Value adjustments for losses correspond to impairment on assets and provisions on off-balance sheet commitments recognised in net income ("Cost of risk") in respect of the credit risk.

	Stage 1	Stage 2	Stage 3	Total
Provisions at 31/12/2020	**13,293,831**	**477,298,691**	**561,967,438**	**1,052,559,960**
New signatures	7,312,369	21,274,036		28,586,405
Extinct exposures	-102,546	-7,758,738	-73,458,156	-81,319,440
Change in exposure	-167,837	-39,940,724	2,452,179	-37,656,383
Stage change	-13,531,238	4,425,730	27,551,318	18,445,810
Other (including changes in parameters)	997,331	7,803,528	-9,227,711	-426,852
IFRS restatements	-	-	-10,608,750	-10,608,750
Total change in operating provisions	**-5,491,920**	**-14,196,169**	**-63,291,120**	**-82,979,209**
TOTAL CHANGE IN EXCEPTIONAL PROVISIONS	**13,273,598**	**-65,834,144**	**-**	**-52,560,546**
PROVISIONS AT 31/12/2021 ACTIVITY + PARAMETERS + EXCEPTIONAL PROVISIONS	**66,822,284**	**462,949,874**	**498,676,318**	**1,028,448,476**

6.2.5.2 Liquidity risk

The notion of liquidity refers to the company's ability to finance new assets and meet obligations as they mature. Liquidity must enable the Group to meet its commitments, including under adverse circumstances (crisis, financial market tensions, etc.). The AFD Group, including its Proparco subsidiary, does not receive deposits or repayable funds from the public. Its financing model is mainly based on medium- and long-term market borrowings; liquidity is given high priority in light of the Group's performance target, which entails controlling the financing cost and minimising the cost of carry. This model reflects the Agency's aversion to refinancing risk and liquidity risk, which are monitored as part of asset and liability management for both AFD and Proparco.

The Group's risk appetite framework primarily uses two indicators to monitor liquidity risk:

- the standard liquidity indicator, which enables the Group to measure the time horizon over which it will be able to meet its commitments without raising new resources. The target value of this indicator is between 9 and 12 months;
- the liquidity coefficient: this is a regulatory indicator (order of 5 May 2009) reported on a quarterly basis. It is the ratio of liquidities (available resources) against payables (commitments to be met) at one month. It determines AFD's ability to mobilise the necessary resources to meet its immediate commitments. This indicator must be greater than 100%.

AFD has a Euro Medium Term Notes (EMTN) programme for not more than €50,000M enabling it to complete financing transactions with fewer financial disclosure requirements. Short-term liquidity risk prevention relies on a programme of short term Negotiable European Commercial Papers ("NEU CPs") amounting to €4,000M. There is also a €2,000M programme of Negotiable European Medium-Term Notes ("NEU MTNs").

AFD also has a portfolio of high quality bonds, which constitutes a liquidity reserve that can be mobilised through market repurchase agreements. The notional amount outstanding of these portfolios amounted to €1,461M at 31 December 2021.

The liquidity risk measuring and monitoring system includes both regulatory ratios and internal indicators. The various liquidity risk measuring and monitoring indicators reveal very moderate exposure to liquidity risk.

The statement of financial assets and liabilities by contractual maturity presents the maturity of financial liabilities at 31 December 2021.

Residual contractual maturities	Less than 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Carrying amount
Liabilities					
Financial liabilities at fair value through profit or loss	87	2,538	56,288	201,080	259,993
Derivatives used for hedging purposes (liabilities)	702	5,019	190,285	1,331,238	1,527,245
Financial liabilities measured at amortised cost	2,974,578	2,997,143	16,359,571	19,675,651	42,006,943

6.2.5.3 Foreign exchange risk

The foreign exchange risk is the risk of losses on financial instruments and margins due to adverse changes in exchange rates.

AFD's general policy is to systematically hedge foreign currency loans through cross-currency swaps, which exchange future foreign currency cash flows for future euro cash flows. Financing transactions carried out in currencies other than the euro are also hedged using cross-currency swaps.

As AFD does not hold speculative positions, market risk is limited to exchange rate risk, which is below the threshold for applying CRBF Regulation No. 95-02 on capital adequacy *vis-à-vis* the market.

Foreign exchange risk can be measured by analysing sensitivity: if foreign currencies appreciate against the euro by 10%, this has an estimated impact on income of -€4.5M (+€4.5M for a 10% decrease), the sensitivity to exchange rates mainly originating from the dollar.

For information, the AFD Group applies an internal limit approved by the Board of Directors on 16 December 2021: individual currency exposure may not exceed 1.5% of the three-month average of regulatory capital, while aggregated exposure must remain below 3%. This internal policy keeps foreign exchange risk to a minimum (excluding ownership interests, provisions and arrears).

Fair value hedging modifies the risk induced by the changes in fair value of a fixed-rate instrument caused by changes in interest rates. This hedging transforms fixed-rate assets and liabilities into variable-rate items.

Fair value hedging notably includes the hedging of loans, securities, deposits and debts.

In practice, the resources raised by AFD (fixed-rate bond issues) are not immediately "allocated" to the refinancing of loan transactions as part of the Resources with Ordinary Conditions regime. The resources raised initially increase the volume of AFD's cash invested at variable rates. In order to eliminate interest rate risk, at the same time as the bond issue is raised, AFD sets up an issue swap that makes the debt service variable over the total period of the loan.

It is only when the loans are effectively disbursed on an adjustable basis that the loans are allocated, for AFD's balance sheet management requirements and for an amount corresponding to the outstanding capital for the loan issued in resources with ordinary conditions.

AFD breaks down the outstanding loans in resources with ordinary conditions by quarterly maturity band and based on their contractual term.

In order to set the subsidy paid by the French State, AFD "resets" the resource when disbursing the loans through a "fixed rate/ adjustable rate" swap. The notional value of the swap is, therefore, a function of the outstanding principal not past due in resources with ordinary conditions. As it is allocated to a set of loans (resources with ordinary conditions) and not singly, this transaction is qualified as "macro-hedging".

6.2.5.4 Compliance with regulatory ratios

The Group was in compliance with all of the regulatory ratios at 31 December 2021.

6.2.6 Additional information

6.2.6.1 Investments held on managed funds

AFD has interests in ten companies *via* a number of managed funds (Cidom, Fides, Fidom and Micro Finances Facility) or *via* funds contributed by the French State. These holdings, recorded at cost, do not appear on the balance sheet. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

Fund source	Number of equity investments	Purchase price
Caisse d'investissement des DOM (CIDOM)	2	1,330
Fonds d'investissement & de développement économique et social (FIDES)	4	630
Fonds d'investissement des DOM (FIDOM)	2	93
Other State resources	2	3,683
TOTAL	**10**	**5,736**

6.2.6.2 IMF balance sheet

In thousands of euros	31/12/2021	31/12/2020
Assets		
Loans and receivables due from credit institutions	391,867	400,109
Demand	*319,513*	*225,720*
Term	*72,354*	*174,388*
Accruals	21,888	14,659
TOTAL ASSETS	**413,755**	**414,768**
Liabilities		
Debt securities in issue	412,676	412,676
Bonds	*400,000*	*400,000*
Of which accrued interest	*12,676*	*12,676*
Accruals and other miscellaneous liabilities	1,079	2,091
TOTAL LIABILITIES	**413,755**	**414,768**

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonds issued by AFD and supplemented by hedging instruments concluded with different banking counterparties, are provided on behalf and at the risk of the French government. With the exception of management fees totalling €0.1M, the IMF loans have no impact on AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

6.2.6.3 Related-party transactions

	31/12/2021		31/12/2020	
In thousands of euros	AFD Group	Equity-accounted companies	AFD Group	Equity-accounted companies
Credits	359,729		399,111	
Other financial assets				
Other assets				
TOTAL ASSETS WITH RELATED ENTITIES	**359,729**	**-**	**399,111**	**-**
Debts		359,729		399,111
Other financial liabilities				
Other liabilities				
TOTAL LIABILITIES TO RELATED ENTITIES	**-**	**359,729**	**-**	**399,111**
Related interest, income and expenses	10,754	-10,754	11,092	-11,092
Commissions				
Net income on financial transactions				
Net income from other activities				
TOTAL NBI GENERATED WITH RELATED ENTITIES	**10,754**	**-10,754**	**11,092**	**-11,092**

6.2.6.4 Disclosure on non-cooperating States and territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

Law No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

The Orders of 6 January 2020 and then 4 March 2021 amended the list of non-cooperative States or territories.

At 31 December 2021, the AFD Group did not have any offices in non-cooperative countries or territories.

6.2.6.5 Statutory auditors' fees

In compliance with Decree No. 2008-1487 of 30 December 2008, the table below shows the fees paid in 2021 to the AFD Group's statutory auditors. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – FY 2021	KPMG	BDO	Total
AFD	€201,150	€198,600	€399,750
PROPARCO	€75,850	€75,850	€151,700
Soderag	€15,000		€15,000
Sogefom	€28,300		€28,300
FISEA	€14,150		€14,150
BREDEV	€3,200		€3,200
TOTAL	**€337,650**	**€274,450**	**€612,100**

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2021 amounted to €45,240.

SACC fees excl. tax – FY 2021	KPMG	BDO	Total
TOTAL	**€37,740**	**€7,500**	**€45,240**

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6.2.6.6 Significant events since 31 December 2021

Ukraine political conflict

The recent events in Ukraine have led Proparco to adopt measures to closely monitor (i) its counterparties in this country and neighbouring countries and (ii) the effects of the sanctions imposed on Russia. No additional adjustment was recorded in Proparco's 2021 parent company financial statements in respect of the current situation in the region. At 31 December 2021, Proparco had a net balance sheet exposure of €26.4M in Ukraine. Moreover, the measurement of the direct and indirect consequences of the Russia-Ukraine conflict on the countries in which Proparco operates and on its operating conditions is premature at this stage.

Consolidation of Expertise France

Following the signature, in 2020, of the AFD/Expertise France strategic project for an enlarged group to serve France's development policy, Expertise France joined the AFD Group's consolidated scope in 1 January 2022.

On the same date, the EPIC Expertise France was transformed into an SAS with a share capital of €829K and wholly-owned by AFD.

The consolidation of Expertise France has no significant impact on the Group's IFRS financial statements.

Proparco shareholders

Crédit Agricole SA sold part of its Proparco shares to AFD, bringing AFD's stake in Proparco to 79.76% compared to 78.19% in 2020.

It remains a Proparco shareholder with a 0.37% stake.

This operation came into force after the ministerial order dated 17 February 2022.

6.3 Statutory auditors' report on the consolidated financial statements

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the board of directors of Agence Française de Développement

Opinion

In compliance with the engagement entrusted to us by board of directors, we have audited the accompanying consolidated financial statements of Agence Française de Développement for the year ended December 31, 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the consolidated Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Furthermore, the non-audit services that we provided to your Company and its controlled entities during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows:

- Issuance of a comfort letter related to the EMTN program update;
- KPMG SA mandatory statement on the « Climate Bond » issue;
- KPMG SA report related to FISEA preference shares conversion;
- KPMG SA report on the consolidated social, environmental and societal information contained in the AFD's management report.

Justification of Assessments - Key Audit Matters

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of the accounts for this year. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency induce multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on how audits are carried out.

It is in this complex and evolving context that in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

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

Identification and assessment of credit risk

RISK IDENTIFIED

The Agence Française de Développement Group is exposed to credit and counterparty risks.

These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD or its subsidiaries (especially PROPARCO).

- The provision calculation for sound exposures is based on an expected loss model which, in addition to the outstandings, takes into account the performing commitments signed and the undisbursed balances of the corresponding loans. This method is based on a classification of exposures into distinct categories (also called "stage") according to the evolution, from the outset, of the credit risk attached to the asset:
  - Stage 1: groups together sound exposures that have not suffered any significant increase in credit risk since their inception. The method of calculating depreciation is based on expected losses over a 12-month horizon;
  - Stage 2: groups together the sound exposures for which a significant increase in credit risk has been observed since initial recognition. The method of calculating depreciation is statistically based on expected losses over a maturity horizon.
- The AFD group also records impairments on doubtful exposures. These are calculated individually and correspond to the difference between the book value of the asset and the discounted value of future cash flows estimated by the Group at maturity after considering the effects of the bringing into play of guarantees. They correspond to so-called "Stage 3" impairments and are determined individually on the basis of assumptions such as the counterparty's financial position, the corresponding country risk, the valuation of any guarantees, and expected future cash flows.

We consider that the credit risk assessment and the impairment/provisions calculation are a key audit matter as they correspond to significant accounting estimates, as they require Management to exercise its judgement when making the assumptions and classifying the exposure, in particular in the COVID-19 context.

As at December 31, 2021, AFD's consolidated financial statements include €818 million for impairment of assets and €210 million in provisions for liabilities as indicated in Notes 3.2.3, 3.3.1 notes 5.2, 6 and 10 to the consolidated financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

To assess the reasonableness of the provisions booked, we:

- examined the governance of the provisioning processes;
- tested the operating efficiency of the provisioning processes of the related internal controls;
- verified the consistency of data between the risk management systems and the accounting data;
- assessed the consistency of changes in exposures and provisions.

When the provision was calculated on a collective basis (stage 1 and stage 2), we:

- assessed the methodological principals and the reasonableness of key underlying risk parameters;
- checked the completeness of the exposures subject to provision calculations and the appropriate application of methodological principals;
- tested data quality on a sample basis;
- verified of the arithmetical accuracy of the calculations performed.

When the provision was determined on an individual basis (stage 3), we:

- tested the appropriateness downgrading rules for doubtful receivables and verified their application;
- tested the underlying assumptions and data used by Management to estimate impairments on a sample basis;
- ensured the appropriate application of decision taken by the Risk Committee.

Valuation of level 3 financial instruments at fair value

RISK IDENTIFIED

The Agence Française de Développement holds assets at fair value as detailed in Notes 3.2.3, 3.3.1, Note 1, note 3 and note 4 to the consolidated financial statements. Changes in fair value from one period to the following are recognized either through profit or loss or through equity depending on the IFRS 9 accounting classification.

Due to the limited availability of market data, the valuation of level 3 financial instruments requires the exercise of judgment by management for the selection of the valuation method and parameters to be used.

We considered the valuation of financial assets at fair value of level 3 to be a key audit matter, given:

- the significant impact of the choice of the valuation method on AFD's results;
- the sensitive nature of the parameters used for Management's assumptions;
- the significance amounts in the financial statements.

As at December 31, 2021, the fair value of financial assets at fair value of level 3 is €2 928 million as indicated in Note 4 to the consolidated financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

In this context, our work consisted of:

For the portfolio of equity securities (direct and non direct investments):

- updating our knowledge and then testing the effectiveness of the control procedures relating to the determination of the valuation method used;
- checking the consistency between accounts and management;
- testing, on the basis of sampling, the correct application of the valuation method to a selection of assets; reconciling, on the basis of sampling, the valuation of these securities with the external documentation that justified it.

For the portfolio of loans not eligible for recognition at amortized cost under IFRS 9:

- checking the consistency between accounts and management;
- assessing the methods used to determine the valuations (coherence between assumptions and market parameters used) by involving our financial modeling experts;
- checking the exhaustiveness of the scope used as a basis for calculation of the fair values;
- checking the consistency of the parameters applied in the calculation method and any updates in line with the methods validated;
- checking the arithmetical accuracy of the calculations made on a sample of loans.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the Group management report includes the consolidated non-financial information statement required under article L.225-102-1 of the French Commercial Code. However, in accordance with article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Other verifications and information pursuant to legal and regulatory requirements

PRESENTATION OF THE FINANCIAL STATEMENTS TO BE INCLUDED IN THE ANNUAL FINANCIAL REPORT

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included19 in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Statutory Auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 2, 2020 for BDO Paris.

As at December 31, 2021, KPMG SA was in the 20th year of total uninterrupted engagement, and BDO Paris was in the 2nd year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Chief Executive Officer.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards 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 consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Collects information related to persons and entities included in the scope of consolidation that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. The auditor is responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as the opinion expressed on these accounts.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Paris, April 15, 2022

The auditors

KPMG SA	BDO Paris
Valéry Foussé	Arnaud Naudan
Partner	Partner

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6.4 Statutory auditors' special report on related-party agreements

This is a translation into English of the statutory auditors' report on the related-party agreements issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

BOARD OF DIRECTORS FOR THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR END 31 DECEMBER 2021

To the members of the Board of Directors of Agence Française de Développement,

In our capacity as Statutory Auditors of Agence Française de Développement, we hereby present our report on your regulated agreements.

It is our responsibility to report to members of the Board of Directors, based on the information provided to us, on the main terms and conditions of the agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. It is the responsibility of the members of the Board of Directors, under the provisions of article R.225-31 of the French Commercial Code (Code de commerce), to evaluate the benefits arising from these agreements prior to their approval.

Where applicable, it is also our responsibility to provide you with the information required by article R.225-31 of the French Commercial Code relating to the execution, during the year elapsed, of agreements already approved by the Board of Directors.

We performed the procedures we considered necessary in accordance with the professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the basic documentation from which it was taken.

Agreements to be submitted for the approval of the board of directors

AGREEMENTS AUTHORISED AND ENTERED INTO DURING THE YEAR

We hereby inform you that we have not been notified of any agreements authorised and entered into during the year to be submitted to the Board of Directors for approval in accordance with Article L. 225-38 of the French Commercial Code.

With la societe de promotion et participation pour la cooperation economique (proparco)

New sub-participation co-financing framework agreement signed between PROPARCO and AFD on 25 January 2021

Your company entered into a first sub-participation Framework Agreement with PROPARCO on 26 October 2007, and then, given the good use of the sub-participation lines, each year thereafter. In order to simplify the contracting procedures for the various annual framework agreements, your company signed a new sub-participation co-financing framework agreement with PROPARCO on 30 March 2018 to develop the operations carried out in co-financing in favour of the private sector during the period 2018-2022. This framework agreement provides for envelopes to be set on an annual basis by authorisation of the Board of Directors of PROPARCO and AFD.

A new Framework Agreement was approved at the Board of Directors meeting on 8 October 2020 in order to integrate the new modalities of subsidized private sector financing.

PROPARCO retains all the fees it charges its clients to cover project identification, processing and formalization costs.

AFD pays a management fee to PROPARCO in return for project monitoring services for equity investments.

The financial expense recorded by your company for this agreement for the year 2021 amounts to 7,608 thousand euros.

Service agreement between AFD and PROPARCO for the administrative and financial monitoring of certain equity investment effective 15 July 2021

The purpose of the agreement, which was signed on 5 July 2021 and came into force on 15 July 2021, is to specify the tasks carried out by PROPARCO in the name of and on behalf of AFD in the context of the monitoring equity investments. This agreement concerns the administrative and financial monitoring of certain equity investments of AFD. It should be noted that the management agreement for AFD's equity investment in the African Agriculture Fund fund of 18 December 2014, which was previously mentioned in the list of regulated agreements, has been included in this new agreement since its entry into force.

PROPARCO's remuneration is calculated as follows :

- Equity investments subject to a co-investment between AFD and PROPARCO or FISEA : the remuneration will be calculated as a fraction, equal to 50 %, of the overall cost of monitoring the line on the basis of the cost accounting of Group AFD ;
- Equity investments not subject to co-investment : the remuneration will be calculated on the basis of the cost accounting (100 % of the overall monitoring cost) ;
- Equity investments backed by national resources (only Climate Finance Partnership at the date of this agreement) : AFD will retrocede to PROPARCO any remuneration received from the State for the mobilisation of funds from programmes 110 or 209 to which the equity investment is backed. In the event that the cumulative cost of appraising and monitoring the line, as derived from the analytical accounts, is higher than this retrocession of commission, AFD and PROPARCO will share the additional cost equally.

No financial impact has been recorded by your company under this agreement during the year 2021.

Framework mandate agreement for the management of private sector financing activities, signed on 16 July 2021

On 8 and 9 October 2020, AFD's and PROPARCO's Boards of Directors respectively approved the terms and conditions for subsidized financing and financing, whether subsidized or not, accompanied by a grant, mobilizing national budgetary resources for the private sector in foreign countries. PROPARCO carries these financing projects on its balance sheet, using the AFD sub-participation mechanism for the associated financing.

This agreement with PROPARCO specifies the terms and conditions for managing private sector financing operations in foreign countries which remain recorded in AFD's accounts and which AFD entrusts to PROPARCO. AFD mandates PROPARCO to identify, instruct, authorize, contract and monitor these private sector financing operations in the name and on behalf of AFD. The mandate framework agreement signed on 16 July 2021 is retroactive.

PROPARCO invoices all missions in accordance with cost accounting rules, with an additional margin of (+4 %) except for (i) operations calling on Delegated Funds for which the remuneration is provided for in the Special Agreements and (ii) grant operations calling on Public Funds from the 209 resource.

The financial expense recognised by your company in respect of this agreement for the year 2021 amounts to 7,345 thousand euros.

New service agreement between AFD and PROPARCO

On 13 April 2018, AFD and PROPARCO signed a service agreement retroactive to 1 January 2017 (the "2017 Agreement") which covers a range of management (IT, accounting, financial, logistical, etc.) and support services provided by AFD's teams at headquarters and in the network to PROPARCO as well as the provision of staff, as PROPARCO does not directly employ its own staff.

The overhaul of AFD's cost accounting system and the development of certain services, particularly in view of the growth in PROPARCO's activity and the transfer of activities to the private sector, led to a review of the service agreement.

This new agreement also responds to a recommendation by the ACPR to include measures to ensure that outsourcing arrangements meet appropriate performance and quality standards in accordance with their policies, including adequate quality indicators.

The new agreement was approved by the Board of Directors on 18 November 2021 and signed on 21 December 2021.

No financial impact has been recorded for the year under this agreement.

MENA Facility Framework Agreement signed on 28 July 2021

The purpose of this facility is to finance beneficiaries in the target countries of the agreement.

This agreement covers the terms and conditions for the use of this facility, in particular the distribution of the subsidy envelope according to the various tools that can be mobilised.

The financial expense recognised by your company in respect of this agreement for the year 2021 amounts to 560 thousand euros.

Agreements already approved by the board of directors

AGREEMENTS APPROVED IN PRIOR YEARS THAT WERE IMPLEMENTED DURING THE YEAR

Pursuant to Article R. 225-30 of the French Commercial Code, we were informed of the following agreements, approved by the Annual General Meeting in prior years, which were implemented during the year.

With societe de gestion des fonds de garanties d'outre-mer (sogefom)

Service agreement

On 15 March 2004, AFD and SOGEFOM signed a service agreement effective retroactively to 28 August 2003. Under this agreement, AFD provides management, representation and technical support services to SOGEFOM.

AFD was paid a fee of €2,002,000 under this agreement in 2021.

With les societes de credit pour le developpement de la martinique (sodema), pour le developpement de la guadeloupe (sodega) et la societe financiere pour le developpement economique de la guyane (sofideg)

Agreements relating to the refinancing and guaranteeing of the customer loan portfolios taken over from SODERAG by the three SDCs (departmental credit companies)

Under the terms of the protocol agreements signed in October and November 1998 between AFD, SODERAG and the three SDCs (SODEMA, SOFIDEG and SODEGA), the SDCs acquired the portion of SODERAG'S customer loan portfolio relating to their department, as SODERAG was in liquidation. In September and October 2000, three additional protocol agreements were signed with the three departmental credit companies, setting out the terms for managing the portfolio of loans from SODERAG.

At 31 December 2021, outstanding loans in AFD's books amounted to €9,300,000 for SODEMA, €12,567,000 for SODEGA and €534,000 for SOFIDEG.

Two thirds of the interest and early repayment charges received by the SDCs from customer loans are paid to AFD.

The loans' principal is repaid by the SDCs to AFD to the extent that it is repaid by customers, bearing in mind that the total repayment is limited to the acquisition value of the loans.

Lastly, AFD provides the SDCs with guarantees of the outstanding capital of the loans taken over, up to their net book value.

In 2021, AFD was paid fees and interest for these loans that amounted to €21,000 from SODEMA, €27,000 from SODEGA. AFD did not receive any remuneration for these loans from SOFIDEG.

In 2021, up to €19,528,000 of the credit risk assumed by AFD was covered by a provision for risks for the SODERAG portfolio transferred to the three SDCs, producing a net reversal of €326,000 in 2021.

With la societe de promotion et participation pour la cooperation economique (proparco)

Management agreement for AFD's equity stake in the African Agriculture Fund

On 18 December 2014, the AFD Board of Directors approved the signing of an agreement with its subsidiary PROPARCO.

Under this agreement AFD commissioned PROPARCO to manage its equity stake in the main African Agricultural Fund (AAF) and indirectly in the African Agricultural Fund SME (AAF SME) sub-fund.

To pool the management of this investment fund between its various subsidiaries, AFD assigned to PROPARCO S.A. the following key tasks :

- managing and monitoring AFD's equity stake in the AAF (and indirectly in the AAF SME), specifically to represent it on all the governing bodies of the AAF and AAF SME on which AFD was required to sit ;
- managing and processing, on behalf of AFD, all capital disbursements or distributions requested or carried out by the AAF management fund ;
- acting as the designated point of contact for the AAF and AAF SME fund managers ;
- sending AFD each semester the list of documents provided by the AAF and AAF SME fund managers under their reporting obligations to investors ;
- holding the permanent credit files, preparing the "internal quality" reports and rating the "Risk assessment files" on behalf of AFD ;
- more generally, taking the right decisions to ensure the efficient management of AFD's equity stake in the AAF and AAF SME (excluding disposal of AFD's equity stake in the AAF which can only be done at AFD's request).

In return, PROPARCO's commission is as follows :

- between the effective date of this agreement and the end of the AAF investment period : 0.60 % per annum of the amount subscribed by AFD ;
- between the end of the AAF investment period and the date on which AAF and AAF SME are liquidated : 0.60 % per annum of the cost price of the portfolio investments payable to AFD.

In 2021, AFD paid €40,000 in commissions under this agreement.

Service agreement signed between AFD and PROPARCO on 13 April 2018, and amended by the addendum dated 1 August 2019

AFD has signed a service agreement with its subsidiary PROPARCO.

The agreement, signed on 13 April 2018 with retroactive effect from 1 January 2017, establishes primarily the following services :

- Provision of dedicated staff at head office or in the representation offices and staff seconded to external organisations ;
- Various services (financial management, HR management, permanent control, compliance, data protection, risk management (particularly country risk and sovereign risk), periodic control, security and business continuation, documentation and archiving) ;
- Technical support services provided by some operational departments (possibly AFD's functional departments).

This agreement was amended on 1 August 2019.

AFD was paid a fee of €61,530,000 under this agreement in 2021.

Agreement on the programme "Transforming Financial Systems for Climate" (TFSC)

At the Board of Directors meeting of 28 September 2018, the Board of Directors authorised the principles relating to the Subsidiary Agreement between your Agency and PROPARCO in the framework of the "Transforming Financial System for Climate" programme. This programme is intended for public and private financial institutions wishing to carry out financing with an impact on the climate. The agreement formalizes the key role that will be entrusted to your Agency in the deployment of the programme to private financial institutions.

This agreement was signed on 14 October 2019, for a period of 13 years, which may be tacitly renewed for 2 successive periods of 5 years.

The financial impact recorded by AFD under this agreement during the 2021 financial year amounts to 886 thousand euros.

Agreements approved in prior years that were not implemented during the year

In addition, we were informed of the following agreements, approved by the Board of Directors in previous years, which were not implemented during the year.

With the european investment bank

Risk sharing framework agreement with the EUROPEAN INVESTMENT BANK

On 22 December 2016, AFD signed a risk sharing framework agreement with the European Investment Bank (EIB).

Through this, the EIB shares risk up to a maximum amount of €150M for projects included in the portfolio of eligible projects. These are projects for which a confirmation of participation has been signed by AFD and the EIB.

In the event of payment default, AFD may send notification to the EIB indicating the amount and the nature of the unpaid sums, their due date and the amount of the EIB's share of these sums.

Up to the threshold of its available participation commitment, the EIB is committed irrevocably to paying AFD within a period of 60 days following receipt of the notification, an amount corresponding to its percentage share.

In exchange for the EIB's risk sharing commitment, AFD will pay the EIB a risk sharing commission calculated for each project. Should a project default, no participation commission will be payable from AFD to the EIB.

The EIB's risk sharing benefits from a European Union guarantee in respect of the European Fund for Strategic Investments.

This agreement was approved by the Board of Directors on 15 December 2016.

With the societe de developpement regional antilles guyane (soderag)

Cessation of interest on advances to shareholder current accounts

In 1997, 1998 and 1999, AFD granted SODERAG interest-bearing current account advances in the amount of €47M. These advances were intended to reinforce SODERAG's capital.

Because of SODERAG's irremediably compromised position since it went into voluntary liquidation in 1998, and given AFD's status as sole shareholder, on 5 July 2001 AFD's Supervisory Board authorised the cessation of interest on all of its shareholder current account advances.

Provision of non-interest bearing shareholder advances to SODERAG

Between 1999 and 2005, AFD provided its subsidiary with additional non-interest-bearing current account advances to SODERAG so that its liquidation could continue.

At 31 December 2021, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 amounted to €106,346,000.

With la fondation pour les etudes et recherches sur le developpement international (ferdi) et la fondation de recherche pour le developpement durable et les relations internationales (fonddri)

Lending agreements

Under two agreements signed with FERDI and FONDDRI, respectively, AFD undertook in 2000 to grant an interest-free loan of €12,500K to each foundation, repayable in one instalment after 15 years.

Loan outstanding amounted to €25,000K at 31 December 2021.

AFD received no remuneration under these agreements in 2021.

The auditors,

Paris La Défense, April 15, 2022	Paris, April 15, 2022
KPMG SA	BDO
Valéry Foussé	Arnaud Naudan
Partner	Partner

6.5 Statutory auditors fees

In compliance with Decree No. 2008-1487 of 30 December 2008, the table below shows the fees paid in 2021 to the AFD Group's statutory auditors. The fees are based on those stated in their engagement letters. These fees are invoiced for statutory auditing services:

Fees excluding tax – FY 2021	KPMG	BDO	Total
AFD	€201,150	€198,600	€399,750
PROPARCO	€75,850	€75,850	€151,700
Soderag	€15,000		€15,000
Sogefom	€28,300		€28,300
FISEA	€14,150		€14,150
BREDEV	€3,200		€3,200
TOTAL	**€337,650**	**€274,450**	**€612,100**

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2021 amounted to €45,240.

SACC fees excl. tax – FY 2021	KPMG	BDO	Total
TOTAL	**€37,740**	**€7,500**	**€45,240**

AFD'S annual parent company financial statements

Balance sheet at 31 December 2021

Assets

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Cash, due from central banks		2,085,489	3,157,672	-1,072,183
Government paper and equivalent	1 and 2	1,172,950	1,341,718	-168,767
Receivables from credit institutions	3	16,163,896	14,541,206	1,622,690
Demand		*2,934,510*	*1,971,072*	*963,438*
Term		*13,229,386*	*12,570,134*	*659,252*
Transactions with customers	4	33,769,617	30,900,499	2,869,118
Other loans to customers		*33,769,617*	*30,900,499*	*2,869,118*
Bonds and other fixed-income securities	1 and 2	836,695	817,817	18,878
Shares and other variable-income securities	1 and 2	39,033	39,033	-
Equity investments and other long-term investments	5	121,027	125,672	-4,644
Shares in related businesses	6	934,105	898,582	35,522
Intangible assets	9	64,104	46,404	17,700
Property, plant and equipment	9	175,978	183,572	-7,594
Other assets	10	1,023,978	926,748	97,230
Accruals	11	511,355	595,283	-83,928
TOTAL ASSETS		**56,898,227**	**53,574,205**	**3,324,022**
Off-balance sheet: Commitments given				
Financing commitments		18,899,729	17,089,239	1,810,490
To credit institutions		*4,363,560*	*3,945,158*	*418,403*
To customers		*14,536,169*	*13,144,081*	*1,392,087*
Guarantee commitments	32	2,942,289	2,542,184	400,105
From credit institutions		*35,010*	*40,759*	*-5,750*
From customers		*2,907,279*	*2,501,424*	*405,855*
Commitments on securities		111,532	116,326	-4,794
Other commitments on securities	*32*	*111,532*	*116,326*	*-4,794*

Balance sheet at 31 December 2021

Liabilities

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Debts to credit institutions	12	574,181	423,114	151,066
Demand		*362,015*	*195,569*	*166,445*
Term		*212,166*	*227,545*	*-15,379*
Transactions with customers	13	2,511	2,028	482
Other on demand debts		*2,511*	*2,028*	*482*
Debt securities in issue	14	43,593,134	40,947,949	2,645,185
Interbank market and negotiable debt		*500,230*	*701,728*	*-201,498*
Bonds		*43,092,904*	*40,246,221*	*2,846,683*
Other liabilities	10	1,840,682	2,332,033	-491,351
Allocated public funds		*84,667*	*84,335*	*331*
Other liabilities		*1,756,015*	*2,247,698*	*-491,683*
Accruals	11	404,720	365,149	39,571
Provisions	15	1,656,734	1,598,140	58,594
Subordinated debt	16	1,462,756	2,179,584	-716,828
Reserve for General Banking Risk (RGBR)	17	460,000	460,000	-
Equity excluding RGBR	18	6,903,510	5,266,207	1,637,303
Provisions		*4,227,999*	*2,807,999*	*1,420,000*
Reserves		*2,424,342*	*2,339,900*	*84,442*
Grants		*11,419*	*12,756*	*-1,337*
Income		*239,750*	*105,552*	*134,198*
TOTAL LIABILITIES		**56,898,227**	**53,574,205**	**3,324,022**
Off-balance sheet: Commitments received				
Financing commitments				-
Received from credit institutions				
Received from the French State				-
Guarantee commitments	32	334,046	347,739	-13,694
Received from credit institutions		334,046	347,739	-13,694
Commitments on securities				
Other commitments received on securities				
Other commitments	32	4,943,801	5,112,763	-168,962
Guarantees received from the French State		4,943,801	5,112,763	-168,962

2021 income statement

In thousands of euros	Notes	31/12/2021	31/12/2020	Change
Income and expenses on banking operations				
+ Interest and related income	**20**	**1,479,810**	**1,627,457**	**-147,646**
On transactions with credit institutions		433,121	477,958	-44,837
On transactions with customers		537,132	596,049	-58,917
On bonds and other fixed-income securities		21,330	17,632	3,698
Other interest and similar income		488,228	535,818	-47,590
- Interest and related expenses	**21**	**1,044,089**	**1,188,598**	**-144,509**
On transactions with credit institutions		661,239	679,622	-18,384
On transactions with customers		928	1,596	-668
On bonds and other fixed-income securities		464,074	518,842	-54,768
Other interest and similar income		-82,152	-11,462	-70,690
+ Income on variable-income securities		**1,841**	**818**	**1,023**
+ Commissions (income)	**22**	**120,289**	**124,100**	**-3,811**
- Commissions (expenses)		**3,605**	**2,227**	**1,378**
+/- Gains or losses on investment portfolio transactions and similar	**23**	**-5,920**	**-2,304**	**-3,616**
+ Other income on banking operations	**24**	**334,091**	**329,654**	**4,438**
- Other expenses on banking operations	**25**	**88,294**	**82,507**	**5,787**
= Net banking income		**794,124**	**806,393**	**-12,269**
Other ordinary income and expenses				
- Overheads	**26**	**474,812**	**444,665**	**30,147**
Salary and employee benefit expense		334,235	314,250	19,985
Other administrative expenses		140,577	130,416	10,162
- Depreciation/amortisation and impairment expenses on property, plant and equipment and intangible assets	**9**	**26,904**	**24,134**	**2,771**
= Gross operating income		**292,408**	**337,594**	**-45,187**
+/- Cost of risk	**29**	**-35,184**	**-191,099**	**155,914**
= Operating income		**257,223**	**146,495**	**110,728**
+/- Gains or losses on fixed assets	30	-18,586	-39,857	21,271
= Pre-tax income from operations		**238,637**	**106,638**	**131,999**
+/- Exceptional income	**31**	**1,207**	**-1,027**	**2,234**
- Income tax		**94**	**59**	**34**
INCOME FOR THE FINANCIAL YEAR		**239,750**	**105,552**	**134,198**

7.1 Highlights of the financial year

7.1.1 Balance sheet growth

At 31 December 2021, the total balance sheet stood at €56.9bn, up 6% compared to the previous year. This change mainly stems from the growth in activity, with an increase of 9.3% in outstanding loans on its own behalf over the period.

7.1.2 Financing of the Group's activity

To finance the growth of its own activity, AFD issued five public bonds and six private placements in 2021, as well as two tap issues, for a total volume of €7.5bn.

7.1.3 Appropriation of 2020 earnings

Pursuant to Article 79 of the 2001 amending Finance Bill No. 2001-1276 of 28 December 2001, the amount of the dividend paid by AFD to the French State is set by ministerial decree.

The Board of Directors approved the 2020 financial statements on 8 April 2021.

The French Minister of the Economy and Finance set the 2020 dividend to be paid to the State. It amounted to €21.1M, *i.e.* 20% of AFD's corporate income, and was paid out after publication in the Official Journal.

The balance of income after payment of the dividend, *i.e.* €84.4M, was allocated to reserves.

7.1.4 Increase in AFD's capital allocation from the French State

A new capital allocation was made to AFD by the French State in the amount of €1,420M to strengthen the Agency's equity capital. AFD's initial allocation, which was €2,808M, stood at €4,228M at the end of this period.

This allocation increase was carried out by converting the State's RCS (resources with special conditions) debt into AFD's books, in accordance with the agreement signed on 18 June 2021 between the French State and AFD. This agreement defines the terms and conditions relating to (i) AFD's capital allocation from the French State in the amount of €1,420M, and (ii) the early repayment by AFD to the French State of payments due from 1 June 2021 on several loans issued between 1 January 2018 and 31 May 2021 for a total amount of €920M.

7.1.5 Fisea capital increase

On 9 February 2021, Fisea carried out a €50M capital increase by creating ordinary shares fully subscribed by AFD and fully paid up over the period.

Fisea's capital was thus increased to €277M compared to €227M previously.

7.1.6 Extension of international moratoria – Covid-19 crisis

It should be recalled that, in 2020, the G20 focused the majority of its efforts on the global pandemic. One of the key actions was the launch, in coordination with the Paris Club, of a Debt Service Suspension Initiative for the Poorest Countries (DSSI) to help address financial vulnerabilities in developing countries and enable countries to devote resources to combating the pandemic. Numerous moratoriums have been granted by AFD as part of this process. These moratoriums resulted in the deferral of final payments due between 1 May and 31 December 2020. The deferred amounts will be repaid in six instalments scheduled for between 15 June 2022 and 15 December 2024 (phase 1).

AFD signed agreements or amendments to initial agreements with 26 eligible countries to implement the extension of the debt service suspension initiative (phase 2) which applies to final payments due between 1 January and 30 June 2021.

Given the significant financing needs that countries eligible for the DSSI initiative are expected to face this year, the Paris Club members and the G20 have approved the additional six-month extension of this initiative, until the end of December 2021 (phase 3). AFD signed an agreement or an amendment to an initial agreement with 22 countries and a bilateral agreement with nine countries under this last phase.

The moratoriums generally granted to creditors, and intended to cover temporary cash flow difficulties linked to the Covid-19 crisis, have affected the repayment schedules of these receivables without substantially impacting their characteristics.

As of 31 December 2021, the suspension of payments as part of Phase 2 and Phase 3 of the DSSI initiative had no material impact on the financial statements.

7.1.7 Application of the new definition of default to the scope of sovereign loans

On 1 January 2021, AFD Group adopted a new definition of default to downgrade financial assets in stage 3. This new definition is aligned with that of the Basel framework and is notably based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

Sovereign loans used to be downgraded to doubtful after 18 months of arrears. Following the application of this new definition, these loans are considered to be non-performing loans when they carry a proven credit risk. At the end of December 2021, doubtful sovereign outstandings amounted to €610M. The doubtful rate of the sovereign loan portfolio rose from 0.01% to 2.7%.

7.2 Accounting principles and assessment methods

7.2.1 Overview

AFD's annual financial statements are presented according to the accounting principles for credit institutions and financing companies prevailing in France, in accordance with ANC Regulation 2014-07 of 26 November 2014.

The individual financial statements include the balance sheet, off-balance sheet, income statement and notes to the financial statements, which supplement the information provided in the first three documents.

These have been prepared in accordance with the principles of prudence, going concern, separation of accounting periods and consistency of methods.

In accordance with current applicable standards:

- as of 1 January 2006, AFD has applied CRC Regulation 2005-03, which was repealed and replaced by ANC Regulation 2014-07 of 26 November 2014, relative to accounting practice for credit risk;
- as of 1 January 2014, AFD has applied ANC recommendation 2013-02 of 7 November 2013 on the assessment and accounting rules for retirement obligations and similar benefits, which supersedes CNC Recommendation 2003-R01 of 1 April 2003.

7.2.2 Conversion of foreign currencies

Amounts receivable, amounts payable and off-balance sheet commitments denominated in foreign currencies are evaluated based on the exchange rates at financial year-end.

The conversion into a common currency, using the closing dates, results in differences in the income statement except in the following transactions, where the difference is shown in an adjustment account:

- equity securities denominated in foreign currencies but financed in euros;
- balance sheet and off-balance sheet items recorded in illiquid currencies.

Foreign currency income and expenditure on loans, borrowings, securities or off-balance sheet operations are recorded in the foreign currency, in profit and loss accounts kept for each of the currencies concerned, with conversions made on a monthly closing date.

Foreign currency income and expenditure are converted to euros on a monthly basis, and any subsequent variations in exchange rates result in exchange gains or losses in the income statement. With regard to AFD borrowings used to finance the International Monetary Fund's PRGF[1] programme, it should be noted that foreign exchange gains and losses on interest are offset by subsidies, and therefore have no impact on the final result.

In the case of transactions in illiquid currencies, only unrealised losses are taken into account by booked provisions. In compliance with regulations, unrealised gains on such transactions are not taken into account.

(1) PRGF: Poverty Reduction and Growth Facility.

7.2.3 Loans to credit institutions and customers

They are recognised in the balance sheet at their amount (including related receivables) after impairment to address the risk of non-recovery.

Commitments with respect to credit agreements signed but not yet disbursed or partly disbursed are shown as an undisbursed balance on the off-balance sheet.

Interest and commitment fees are recognised under banking income on an accruals basis, whether due or not due, and are calculated *pro rata temporis*.

In accordance with banking regulations, loans are downgraded to doubtful loans where instalments due have been unpaid for three or six months, depending on the type of debt.

Debts guaranteed by the French State that are not downgraded and sovereign debts for which the allowed period of arrears has been extended to 90 days are exempt from this rule.

Non-sovereign loans and credits for which the rating system shows significant risks are downgraded to doubtful debts (possibly even in the absence of arrears) and are subject to a partial or total impairment for the outstanding capital (impairment for specific risks).

Litigated debt obligations are included in doubtful loans.

Non-performing outstanding loans are doubtful loans for which the prospect of repayment is greatly reduced and for which reclassification to the rank of performing outstanding loan is unlikely. Loans rated doubtful for more than 12 consecutive months and credit agreements beyond their term are always classified in this category.

AFD has recorded depreciations to cover the discounted value of all projected losses on non-performing loans and non-performing outstanding loans. The projected losses are equal to the difference between the initial contractual cash flows, less those already received, and projected cash flows. Cash flows are discounted at the original effective interest rate for fixed-rate loans and at the last effective interest rate for variable-rate loans.

An impairment loss is recorded for the full amount of unpaid interest due and interest accrued on doubtful loans.

ASSET RESTRUCTURING

Restructuring for the borrower's financial difficulties results in a change to the terms of the initial contract to allow the borrower to contend with the financial difficulties it is having. If, in view of the change in the borrowing terms, the present value of these new expected future flows at the original effective interest rate of the asset is lower than its carrying amount, a discount must be booked to bring the carrying amount back to the new present value.

At 31 December 2021, restructured loans had a balance of €2.5M.

7.2.4 Short-term and long-term investments

Depending on the purpose of the transaction, the following rules apply:

- short-term investment securities intended to be held for six months or more are recorded at the date of their acquisition, at the purchasing price, excluding accrued interest.

  Premiums or discounts are amortised on a linear basis. At each monthly account closing, the coupon accrued since the last period is recognised as income.

  Impairment for unrealised losses, calculated as the difference between carrying amount and market price, is made monthly on a line-by-line basis, without offsetting unrealised gains. Unrealised gains are not shown in the financial statements;
- long-term investment securities (mainly bonds), purchased with the intention of holding them for a long time, until maturity, are recorded at the date of their acquisition, at the purchase price, excluding accrued interest.

  They may be subject to impairment in case of counterparty risk.

  Premiums or discounts (the difference between purchase price and redemption price) are spread on a linear basis over the residual life of the investment.

  At each monthly account closing, the coupon accrued since the last period is recognised as income.

  AFD has secured resources allocated to funding its long-term securities investments.

7.2.5 Shares in related businesses, equity securities and long-term investments

SHARES IN RELATED BUSINESSES

Shares in related businesses are those held in exclusively controlled companies that can be fully consolidated.

They are recognised on the asset side of the balance sheet at their acquisition value, excluding costs.

EQUITY SECURITIES

Equity securities are recognised on the assets side of the balance sheet at their acquisition value, excluding costs.

These are securities for which long-term retention is deemed useful to the company's activities, particularly because it enables influence or control to be exercised over the issuing company.

This relates notably to interests that meet the following criteria:

- interests in the form of securities issued by equity-accounted companies;
- interests in companies with directors or managers who are also in the holding company, under terms that enable influence to be exercised over the company whose shares are held;
- interests in companies belonging to the same group controlled by individuals or corporate entities with control over the whole group and thus demonstrating centralised decision-making;
- interests representing over 10% of rights in the capital issued by a credit institution or a company that is in the same line of business as the holding company.

OTHER LONG-TERM SECURITIES

Other long-term securities are recognised on the asset side of the balance sheet at their acquisition value, excluding costs.

This category includes investments in securities designed to promote the development of lasting business relations by creating a special link with the issuing company, but with no influence on the management of the companies in which the shares are held given the small percentage of voting rights they represent.

In view of its negligible impact, this last item is not included separately in the notes to the financial statements.

For these three categories:

- shares are recorded at acquisition cost. Impairment is recorded when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company, particularly on conditions in its country) or its stock market valuation, as the case may be, is lower than the acquisition cost;
- a 100% provision for foreign exchange loss is made in the case of conversion differentials if the currency concerned is impaired;
- dividends are recorded as income on receipt of the minutes of the general meetings held until 31 December of the financial year.

Capital gains or losses on disposal of these shares are recorded under "gains or losses on fixed assets".

AFD also has interests in ten companies *via* a number of managed funds (Cidom, Fides and Fidom) or *via* funds contributed by the French State. These holdings, recorded at cost, do not appear on the publishable off-balance sheet. Details of the amounts involved are provided in Note 35. These holdings, which were subscribed to on behalf of the French State with public funds made available to AFD, are not included in ownership or control percentages and are therefore not consolidated in the financial statements.

7.2.6 Bonds

Call premiums (difference between the redemption price and par value of securities) and positive or negative share premiums (difference between the issue price and par value of securities) are spread over the maturity of the borrowings using a linear method.

7.2.7 Grants

The "Grants" item records the subsidies on loans for global budget support and investment subsidies on mixed loans, which are paid by the State at the start of the loan and which enable the granting of concessional loans by lowering the average cost of the funding allocated in each of the loan categories concerned.

These grants and investment subsidies are amortised over the life of each of the loans they help to finance.

7.2.8 Fixed assets

Fixed assets appearing on AFD's balance sheet include property, plant and equipment and intangible assets used for operations. Intangible assets are mainly custom or purchased software. Fixed assets are recorded at their acquisition cost (cost price net of recoverable VAT) plus directly related expenses.

If a fixed asset consists of a number of items that may be regularly replaced and have different useful lives, each item is booked separately according to its own depreciation table. This item-by-item approach has been used for head office.

Depreciation and amortisation periods have been estimated on the basis of each item's useful life:

	Title	Depreciation period
1.	Land	Non-depreciable
2.	Structural systems	40 years
3.	Building envelope	20 years
4.	Technical building services, fixtures and fittings	15 years
5.	Sundry fittings	10 years

Other property, plant and equipment are depreciated using the straight-line method:

- 15 years for office buildings in the French Overseas Departments and Collectivities;
- 15 years for residential buildings;
- five or ten years for fixtures, fittings and furnishings;
- two to five years for equipment and vehicles.

With regard to intangible assets, software is amortised according to its type: four years to eight years for management software and two years for office automation tools.

Impairment testing is conducted on depreciable/amortisable assets when signs of loss of value are identified at the closing date. If there is a loss of value, an impairment charge is recorded under "Provisions for the depreciation of property, plant and equipment and the amortisation of intangible assets", which may be reversed if there is a change in the conditions that led to it being recognised. This impairment reduces the depreciable/amortisable amount of the asset and thus also affects its future depreciation/amortisation schedule.

Capital gains or losses from the sale of assets used in operations are recorded under "Net gains or losses on fixed assets".

7.2.9 Forward financial instruments

Off-balance sheet assets for financial instruments result entirely from outright transactions – interest-rate swaps and cross-currency swaps – made over-the-counter. These transactions are recorded in the non-publishable off-balance sheet and discussed in Notes 33 and 34.

These instruments are managed primarily as part of transactions for micro-hedging debt and loans.

In accordance with ANC Regulation 2014-07[1], the par value of these contracts is recorded off balance sheet, while symmetry in relation to the hedged item results in income or expenses recorded as interest and related income or expenses for hedged items. Such income and expenses are not offset.

(1) Book II, Title 5, of ANC Regulation 2014-07 concerning forward financial instruments, which repeals and replaces CRBF Regulation 90-15 as amended by CRBF 92-04.

7.2.10 Provisions

This item covers provisions meant to hedge risks and expenses that past or ongoing events have rendered likely to occur, and whose purpose is clearly specified.

PROVISIONS FOR SOVEREIGN OUTSTANDINGS

The agreement "on the reserve account"(1) signed on 8 June 2015 between AFD and the French State for an indefinite term, determines the mechanism for creating provisions for hedging the sovereign risk and the principles for using the provisions recognised thereby.

This reserve account is intended to (i) fund the provisions that AFD would have to recognise in case a sovereign borrower defaults, (ii) serve normal unpaid interest and (iii) more generally, help compensate AFD in the event of debt cancellation for sovereign loans.

The balance of this account cannot be less than the amount required by banking regulations applicable to collective provisions on performing or restructured loans. This lower regulatory limit is calculated using estimated losses expected across the sovereign loan portfolio (losses at one year, losses at termination, regulatory requirements on provisions or any other data available to AFD that can be used to anticipate the sovereign loan portfolio's risk profile).

Doubtful sovereign outstandings are provisioned. Furthermore, this depreciation is neutralised by deduction from the reserve account.

Net provisions for reversals of provisions are recorded in Net Banking Income.

PROVISIONS ON NON-SOVEREIGN OUTSTANDINGS AND COMMITMENTS GIVEN

Loans amortised collectively comprise all non-sovereign loans in countries outside France and in the French Overseas Departments and Collectivities not amortised individually, as well as guarantee commitments given and financing commitments given for amounts to be disbursed under signed lending agreements.

General principle

Assets are sorted into three categories, or "stages", according to how the related credit risks change since loan origination. The method used to calculate the provision differs according to which of the three stages an asset belongs to.

These are defined as follows:

- stage 1: groups "performing" assets for which the counterparty risk has not increased since they were granted. The provision calculation is based on expected losses within the following 12 months;
- stage 2: groups performing assets for which a significant increase in credit risk has been observed since they were first entered in the accounts. The provision calculation is statistically based on expected losses on maturity;
- stage 3: groups assets for which there is an objective impairment indicator (identical to the notion of default currently used by the Group to assess the existence of objective evidence of impairment). The provision calculation is based on expected losses on maturity (see Section 2.3 Loans to credit institutions and customers).

The definition of default is aligned with that of the Basel framework, based on a rebuttable presumption that the status of default is applied after no more than 90 days of non-payment. This definition takes into account the EBA guidelines of 28 September 2016, in particular with regard to applicable thresholds in the event of non-payment, and probationary periods.

SIGNIFICANT INCREASE IN CREDIT RISK

The significant increase in credit risk can be measured individually or collectively. The Group examines all the information at its disposal (internal and external, including historic data, information about the current economic climate, reliable forecasts about future events and economic conditions).

The impairment model is based on the expected loss, which must reflect the best information available at the closing date.

To measure the significant increase in credit risk of a financial asset since its entry into the balance sheet, which involves it moving from stage 1 to stage 2, the Group has created a methodological framework which sets out the rules for measuring the deterioration of the credit risk category. The methodology selected is based on a combination of several criteria, including internal ratings, inclusion on a watchlist and the refutable presumption of significant deterioration because of monies outstanding for more than 30 days.

MEASURING EXPECTED CREDIT LOSSES (ECL)

Expected credit losses are estimated as the discounted amount of credit losses weighted by the probability of default over the next 12 months or during the asset's lifetime, depending on the stage.

In view of the specific nature of AFD Group's portfolio, its chosen calculation method is based on internal data and concepts as well as adaptations of external transition matrices.

Calculation of the expected credit losses (ECLs) is based on three key parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), bearing in mind the amortisation profiles.

(1) The signature of this agreement precludes the agreement "on recording provisions for sovereign loans granted by AFD on its own behalf" of 30 December 2010 between the State and AFD.

Probability of default (PD)

The likelihood of a default on a loan can be estimated over a given time span. This probability is modelled:

- from risk segmentation criteria;
- over a 12-month time period (noted PD 12 months) for the calculation of the expected losses for assets in stage 1; and
- over the entire duration of loan repayments for stage 2 assets (known as the default probability curve, or lifetime PD).

Given the low volumes of loans within AFD Group, the latter has no database of its own of past defaults sufficiently representative of the economic reality of the regions of the world where its entities operate.

For these reasons, AFD Group has selected an approach based on rating transitions and default probabilities communicated by the rating agencies. It may be necessary to adjust the external transition matrices that serve as the basis for measuring the probability of default in order to correct some irregularities that might affect the consistency of default probabilities.

LOSS GIVEN DEFAULT (LGD)

Loss given default is modelled for assets in all three stages. AFD Group has taken into account the collateral valuation in the LGD modelling.

In view of AFD's business model and its debt recovery capacity, AFD Group uses internal recovery data models based on the coverage ratios of doubtful debts and factoring in the likelihood of recovery.

EXPOSURE AT DEFAULT (EAD)

Exposure at default corresponds to the forecast residual amount by the debtor at the time of the default and must, therefore, take into account future cash flows. As such, the EAD takes into account:

- the contractual amortisation of the principal;
- elements of drawdowns of lines recognised off-balance sheet;
- any early repayments.

AFD may also recognise an additional provision for specific events impacting its area of operations.

Collective provision allocations for performing non-sovereign loans had a negative impact on the cost of risk in the amount of €20.5M.

Collective provision allocations for off-balance sheet commitments (undisbursed balance and guarantees given) had a positive impact on the cost of risk in the amount of €0.6M.

PROVISIONS FOR SUBSIDIARY RISK

This item is intended to cover the cost to AFD of the takeover and liquidation of Soderag, which was decided in 1998, and to cover AFD's risk of loss on loans issued to Sodema, Sodega and Sofideg to buy Soderag's portfolio. These loans were transferred to Soredom (formerly Sofiag).

PROVISIONS FOR MISCELLANEOUS RISK

This item covers miscellaneous risks and litigation for which resources are likely to be withdrawn.

PROVISIONS FOR FOREIGN-EXCHANGE RISK

This item is intended to cover foreign exchange losses on interests in foreign currencies if the currency concerned is devalued.

PROVISIONS FOR EMPLOYEE BENEFITS

Defined benefit plans

- Retirement and early retirement commitments.

  Immediate retirement and early retirement commitments are all transferred to an external insurance company.

  Deferred retirement and early retirement commitments are kept by AFD and covered by specific insurance policies. They are valued in accordance with the provisions of contracts signed by AFD and the insurer.

  The assumptions used for the valuations are as follows:

  - discount rate: 0.00%,
  - retirement age: 63 for non-executive level employees and 65 for executive level employees,
  - annual increase in salary: 2.00%;
- Commitments for end-of-career payments and financing of the health insurance plan.

  AFD pays retirement bonuses (IFC) to its employees. It also contributes to the cost of its retired employees' health insurance plans.

  The assumptions used for the valuations are as follows:

  - discount rate: 1.2%,
  - rate of annual increase in salary: 2.00% and 2.20% for TOM,
  - retirement age: 63 for non-executive level employees and 65 for executive level employees,
  - actuarial tables: TGH 05 (men)/TGF 05 (women).

These commitments (retirement bonuses and financing of health insurance plans and pensions) undergo actuarial valuations that factor in demographic and financial assumptions. The amount of provisions for commitments is determined using the Projected Unit Credit Method. At each closing, the retirement commitments carried by AFD are remeasured and compared with the value of the insurance policies.

As of 31 December 2021, the amount of the provision was increased by €9,610K.

Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2021 in the amount of €31K.

The aggregate impacts on the 2020 and 2021 reporting years are set out in the table below:

In thousands of euros	At 31/12/2021	Change impact on revenue	At 31/12/2020	Change impact on revenue	At 31/12/2019
Provisions for employee benefits	129,883	9,641	120,243	8,365	111,877
• Defined benefit plans	128,453	9,610	118,843	8,246	110,597
• Other long-term benefits	1,431	31	1,401	120	1,281

The changes in commitments over the 2021 financial year are shown in the table below:

In thousands of euros	Expatriate employees healthcare expenses	Retirement	Retiree health insurance	Retirement lump sum	Total defined benefit plans	Service award	Grand total
Change in the present value of the commitment:							
Present value of the commitment at 1 January	13,482	26,305	133,464	22,245	195,497	1,399	196,895
Financial cost	98	0	998	163	1,259	11	1,269
Cost of services rendered over the year	513	111	9,068	2,208	11,900	202	12,102
Cost of past services	0	0	0	0	0	0	0
Reductions/Liquidations	0	0	0	0	0	0	0
Services paid	-78	-7,264	-2,095	-1,496	-10,932	-123	-11,055
Actuarial (gains) losses	3,100	-3,744	-20,579	-2,376	-23,600	-47	-23,647
Other (commitment transfers)	0	-96	-753	-197	-1,045	-11	-1,056
Present value of the commitment at 31/12/2021	**17,116**	**15,312**	**120,103**	**20,548**	**173,078**	**1,430**	**174,508**
Change in the fair value of retirement plan assets:							
Fair value of assets at 1 January		34,960			34,960		34,960
Expected return on assets		0					
Services paid		-7,264					
Actuarial gains (losses)		75					
Liquidations		0					
Fair value of assets at 31/12/2021		**27,771**			**27,771**		**27,771**
Corridor limits:							
Actuarial gains (losses) not recognised at 1 January	-3,420	5,460	-38,959	-4,774	-41,693	0	-41,693
Corridor limits at 1 January	1,348	3,496	13,346	2,225			
Actuarial gains (losses) generated over the year	-3,100	3,820	20,579	2,376	23,675	47	23,722
Actuarial (gains) losses recognised in profit or loss	124	-611	1,503	149	1,164	-47	1,117
Actuarial (gains) losses recognised in equity		0	0	0	0		0
Actuarial gains (losses) not recognised at 31/12/2021	**-6,396**	**8,669**	**-16,877**	**-2,250**	**-16,854**	**0**	**-16,854**
Amounts recognised on the balance sheet at 31/12/2021:							
Present value of the funded commitment		15,312					
Fair value of financed assets	0	-27,771			-12,459		-12,459
Present value of unfunded commitment	17,116		120,103	20,548	157,766	1,430	159,196
Net position	**17,116**	**-12,459**	**120,103**	**20,548**	**145,307**	**1,430**	**146,737**
Unrecognised actuarial gains (losses)	-6,396	8,669	-16,877	-2,250	-16,854	0	-16,854
Balance sheet provision	**10,720**	**-3,790**	**103,226**	**18,298**	**128,453**	**1,430**	**129,883**

Amounts recognised on the income statement at 31/12/2021:							
Cost of services rendered over the period	513	111	9,068	2,208	11,900	202	12,102
Cost of past services	0	0	0	0	0	0	0
Financial cost for the period	98	0	998	163	1,259	11	1,269
Recognised actuarial gains (losses)	124	-611	1,503	149	1,164	-47	1,117
Expected return on retirement plan assets	0	0			0		0
Cost of services rendered							
Impact of reductions/liquidations							
Expenses booked	**734**	**-500**	**11,569**	**2,520**	**14,323**	**165**	**14,488**
Reconciliation of opening and closing net liability:							
Liability at 1 January	10,063	-3,194	94,504	17,471	118,844	1,399	120,243
Expenses booked	734	-500	11,569	2,520	14,323	165	14,488
Contributions paid							0
Restatements and transfers	0	-96	-753	-197	-1,045	-11	-1,056
Services paid by employer	-78	0	-2,095	-1,496	-3,668	-123	-3,791
Items not to be recycled in profit or loss	0	0	0	0	0		0
Net liabilities at 31/12/2021	**10,720**	**-3,790**	**103,226**	**18,298**	**128,453**	**1,430**	**129,883**
Change in net liabilities	**657**	**-596**	**8,721**	**827**	**9,610**	**31**	**9,641**

Projected commitments at 31 December 2021 are as follows:

In thousands of euros

Actuarial debt at 31/12/2021	**10,720**	**15,312**	**103,226**	**18,298**	**147,555**	**1,430**	**148,985**
Cost of services rendered in 2022	640	71	7,807	1,999	10,516	196	10,712
Financial cost in 2022	213	0	1,535	257	2,005	18	2,024
Actuarial losses (gains) recognised in profit or loss	275		287	11	574		574
Restatements and transfers		-12	-286	-81	-379	-5	-384
Services payable in 2021/transfer of capital upon departures in 2022	-110	-5,395	-2,087	-1,319	-8,911	-126	-9,038
Estimated debt at 31/12/2022	**11,737**	**9,975**	**110,481**	**19,166**	**151,360**	**1,513**	**152,873**

7.2.11 Reserve for General Banking Risk (RGBR)

In accordance with CRBF 90-02, the Reserve for General Banking Risk is intended to remain permanently in capital reserves for comprehensive general coverage of AFD's risks.

Among other things, the Reserve is intended to hedge:

- general risks from AFD's direct activities in the French Overseas Departments and Collectivities;
- general risks for real estate holdings in foreign countries.

7.2.12 Subordinated debt

In 1998, an agreement was reached with the French State whereby part of AFD's debt to the French Treasury, corresponding to drawdowns between 1 January 1990 and 31 December 1997, was converted into subordinated debt. The agreement also provides for the general rescheduling of the debt's repayment period over 20 years with a 10-year grace period, with any new borrowings after 1 January 1998 recognised as subordinated debt (with a repayment period scheduled over 30 years and a 10-year grace period).

In 2021, a special conditional facility of €225M was granted to AFD and then repaid in advance to the State as part of AFD's capital increase.

7.2.13 Financing commitments

Financing commitments given record the amounts to be disbursed under lending agreements with customers or credit institutions and under investment fund agreements.

Financing commitments given to credit institutions include the undisbursed balance, on the State's behalf, under agreements signed with the IMF for financing the PRGF.

Financing commitments given to investment funds include remaining commitments for AFD's subscription to the new Fisea + share issue, namely €250M at 31 December 2021.

7.2.14 Guarantee commitments

Commitments given for guarantees to credit institutions include, in particular:

- guarantees granted by AFD for the Ariz I, Ariz II and Ariz Med procedure (Support for the risk of financing private investment in AFD's PSZ, in Sub-Saharan Africa and in Mediterranean countries). These guarantees are intended to encourage the creation and development of local businesses.

Commitments given for guarantees to clients include, in particular:

- the guarantee of the debt of its subsidiary in liquidation, Soderag, bearing in mind that a very large part of this debt was repaid early in 1998 and 1999 after Soderag sold its portfolio to Sodega, Sodema and Sofideg. The portfolio was then taken over by BRED;
- the guarantee granted to BRED accounts for 50% of gross outstandings on the loan portfolio sold by Socredom in 1998 in preparation for its dissolution, which took place on 1 January 1999;
- repayment guarantees for the three bonds issued by IFFIM as part of managing the French contribution to the Solidarity Fund for Development (FSD) on behalf of the French State;
- sub-participation guarantees granted to Proparco.

Commitments received from credit institutions are related to loan transactions conducted by AFD.

Other commitments received included the French State's guarantee of loans to foreign countries.

Guarantee commitments for securities include share buyback options offered to Proparco's minority shareholders as part of the capital increases undertaken in 2014 and 2020. These buyback options may be exercised for a period of five years following a lock-in period of five years.

7.2.15 Disclosure on non-cooperating States and territories

Article L.511-45 of the French Monetary and Financial Code (as amended by Article 3 of Order 2014-158 of 20 February 2014) requires credit institutions to publish an appendix to their annual financial statements presenting information about their offices in countries or territories that have not signed an administrative assistance agreement with France for the purpose of combating fraud and tax evasion.

Law No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities broadens the list of required disclosures from banks regarding their offices in non-cooperative countries or territories.

The Order of 6 January 2020 modified the list of non-cooperative states or territories.

At 31 December 2021, AFD did not have any offices in non-cooperative countries or territories.

7.2.16 Other information related to consolidation

AFD's financial statements are fully reflected in AFD Group's consolidated financial statements using the full consolidation method.

7.2.17 Events after the reporting period

CONSOLIDATION OF EXPERTISE FRANCE

At 1 January 2022, the EPIC Expertise France joins the AFD Group. On the same date, the EPIC Expertise France was transformed into an SAS with a share capital of €829K and wholly-owned by AFD.

This operation had no significant impact on AFD's parent company financial statements.

PROPARCO SHAREHOLDERS

Crédit Agricole SA sold part of its Proparco shares to AFD, bringing AFD's stake in Proparco to 79.76% compared to 78.19% in 2020.

It remains a Proparco shareholder with a 0.37% stake.

This operation came into force after the ministerial order dated 17 February 2022.

7.3 Notes to the financial statements at 31 December 2021

SOMMAIRE DES NOTES

NOTE 1 Short-term investments[1]

In thousands of euros	December 2021			December 2020		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	620,758		620,758	722,468		722,468
Related receivables	4,882		4,882	6,129		6,129
Impairment	-2,989		-2,989	-102		-102
Net total	**622,652**		**622,652**	**728,494**		**728,494**
Bonds and other fixed-income securities	175,598	601,149	776,747	175,456	570,014	745,471
Related receivables	456	1,449	1,905	456	-602	-145
Impairment	0	0	0	0	0	0
Net total	**176,054**	**602,598**	**778,652**	**175,913**	**569,413**	**745,325**
Shares and other variable-income securities	39,033		39,033	39,033		39,033
Net total	**39,033**		**39,033**	**39,033**		**39,033**
TOTAL NET VALUE	**837,738**	**602,598**	**1,440,336**	**943,440**	**569,413**	**1,512,852**

In thousands of euros	Fixed income	Variable income	Total 2021	Fixed income	Variable income	Total 2020
Unrealised capital gains	12,647	14,407	27,054	24,740	13,480	38,220

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of bonds and other fixed-income securities	150,529	204,604	221,581	200,033	776,747

NOTE 2 Investment securities[1]

In thousands of euros	December 2021			December 2020		
	Listed securities	Unlisted securities	Total	Listed securities	Unlisted securities	Total
Government paper and equivalent	544,121		544,121	605,716		605,716
Related receivables	6,178		6,178	7,508		7,508
Net total	550,299		550,299	613,223		613,223
Bonds and other fixed-income securities	56,533		56,533	70,576		70,576
Related receivables	1,510		1,510	1,916		1,916
Net total	58,043		58,043	72,492		72,492
TOTAL NET VALUE	**608,342**		**608,342**	**685,715**		**685,715**
Difference between purchase price and redemption price	34,571		34,571	43,760		43,760

During the financial year, no investment security was sold before maturity for the needs of managing counterparty risk.

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of bonds and other fixed-income securities		28,541	27,991		56,533

(1) Total balance sheet items: Government securities and related items (€1,172,950K), bonds and other fixed-income securities (€836,695K), shares and other variable-income securities (€39,033K), i.e. €2,048,678K at 31 December 2021.

Note prépa: en N-1 la note ci-dessous est la même que la suivante (une note avec deux appels page 194 du PDF), je la reporte au cas où les deux titres ne seraient plus sur la même page.

NOTE 3 Receivables from credit institutions

	December 2021			December 2020		
In thousands of euros	Demand	Term	Total	Demand	Term	Total
Regular accounts	2,173,712	0	2,173,712	1,159,809	0	1,159,809
Loans to credit institutions	760,679	13,311,832	14,072,511	811,239	12,670,427	13,481,666
of which interbank investment[(1)]	760,679	1,211,190	1,971,869	811,239	1,520,769	2,332,008
of which loan activity	0	12,100,642	12,100,642	0	11,149,658	11,149,658
Related receivables	122	64,542	64,664	27	58,163	58,190
Impairment	-3	-146,988	-146,991	-3	-158,456	-158,458
TOTAL	**2,934,510**	**13,229,386**	**16,163,896**	**1,971,072**	**12,570,134**	**14,541,206**

Outstandings where risk is born by the French State and on behalf of third parties amounted to €30,259K and €1,962,519K, respectively.
(1) This item includes money-market UCITS.

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of loans to credit institutions	570,006	1,114,137	5,290,818	5,125,682	12,100,642

The amount of non-performing loans, €161,240K, is included in the column "Less than 3 months".

	December 2021		December 2020	
Details of non-performing term loans (in thousands of euros)	Gross	Impairment	Gross	Impairment
Non-performing loans (excluding related receivables)	161,240	139,134	172,674	150,601
of which non-performing outstanding sovereign loans[(1)]				
of which non-performing outstanding non-sovereign loans	151,902	129,242	112,040	112,005

(1) Granted to States or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

NOTE 4 Transactions with customers

In thousands of euros	December 2021	December 2020
Credit to customers	33,937,475	31,054,042
Related receivables	119,387	103,214
Impairment	-287,244	-256,757
TOTAL	**33,769,617**	**30,900,499**

Outstanding loans where risk is born by the French State and on behalf of third parties amounted to €989,831K and €1,622,269K, respectively, at 31 December 2021.

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of loans to customers	768,261	1,906,256	10,289,829	20,973,129	33,937,475

Total arrears on ordinary receivables (€282,567K) and total non-performing loans (€1,221,029K) are included in "Less than 3 months".

	December 2021		December 2020	
Details of non-performing term louant (in thousands of euros)	Gross	Impairment	Gross	Impairment
Non-performing loans (excluding related receivables)	1,305,897	286,903	766,367	256,495
of which non-performing outstanding sovereign loans[(1)]	6,131	7,775	1,408	266
of which non-performing outstanding non-sovereign loans	328,014	110,550	213,836	65,070

(1) Granted to States or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities.

NOTE 5 Equity investments and other long-term investments

In thousands of euros	December 2021	December 2020
Long-term securities and equity securities	**167,902**	**168,539**
Gross value[1]	177,763	172,486
Translation differences	-9,860	-3,947
Impairment	46,875	42,868
NET TOTAL	**121,027**	**125,672**

(1) The gross amount of listed shares totalled €11,561K in 2021.

NOTE 6 Shares in related businesses

In thousands of euros	December 2021	December 2020
Gross value	991,062	941,062
Impairment	56,958	42,480
NET TOTAL	**934,105**	**898,582**

NOTE 7 Transactions with related businesses

In thousands of euros	December 2021	December 2020
Assets		
Receivables from credit institutions	5,425,572	4,724,520
Liabilities		
Term debts to credit institutions	211,763	227,142
Off-balance sheet		
Financing commitments given	1,817,985	1,854,288
Guarantee commitments given	1,600,779	1,324,580

NOTE 8 List of subsidiaries and equity investments

Subsidiaries held at more than 50%

	Proparco	Soderag
Head office	151, rue Saint-Honoré 75001 Paris	rue Félix-Éboué BP 64 97110 Pointe-à-Pitre
Equity	984,373	5,577
Equity holdings	78.19%	100.00%
Equity	1,166,056	-114,388
of which income after tax	74,006	1,721
Gross carrying amount	701,973	5,980
Net carrying amount	701,973	0

	Sogeform	Fisea
Head office	5, rue Roland-Barthes 75012 Paris	5, rue Roland-Barthes 75012 Paris
Equity	1,102	277,000
Equity holdings	58.69%	100.00%
Equity	11,240	157,496
of which income after tax	-530	-7,464
Gross carrying amount	5,015	277,000
Net carrying amount	5,015	226,022

Equity investments of between 10% and 50%

Gross value	68,362
Net value	46,240

NOTE 9 Fixed assets and depreciation/amortisation

In thousands of euros	31/12/2020	Purchases	Sales	Other items	31/12/2021
Gross value					
Land and development	89,545	154	0	-47	89,651
Buildings and development	221,127	5,230	17	-1,370	224,970
Other property, plant and equipment	65,792	4,250	1,980	-900	67,161
Intangible assets	119,513	45,176	295	-15,079	149,315
GROSS AMOUNT	**495,977**	**54,809**	**2,292**	**-17,396**	**531,098**

In thousands of euros	31/12/2020	Provisions	Reversals	Other items	31/12/2021
Depreciation/amortisation					
Land and development	3,339	249			3,588
Buildings and development	143,241	8,676	8		151,909
Other property, plant and equipment	46,331	5,859	1,883		50,307
Intangible assets	73,090	12,135	13		85,212
Amount of depreciation/amortisation	**266,001**	**26,919**	**1,904**	**0**	**291,016**
NET AMOUNT	**229,975**	**27,890**	**388**	**-17,396**	**240,082**

NOTE 10 Other assets and liabilities

	December 2021		December 2020	
In thousands of euros	Assets	Liabilities	Assets	Liabilities
Accounts payable, French State		283,424		350,489
Allocated public funds		77,778		77,471
Guarantee funds in the French Overseas Departments		6,888		6,864
Collateral deposit	814,444	726,004	673,386	1,317,384
Other	209,534	746,587	253,362	579,826
TOTAL	**1,023,978**	**1,840,682**	**926,748**	**2,332,033**

NOTE 11 Accruals

In thousands of euros	December 2021		December 2020	
	Assets	Liabilities	Assets	Liabilities
Currency adjustment accounts on off-balance sheet items		20,249	73,589	
Income and expenses resulting from *swaps*	334,330	104,588	351,670	104,689
Shared income and expenses	135,387	213,318	127,505	200,781
Other accruals	41,638	66,565	42,519	59,679
TOTAL	**511,355**	**404,720**	**595,283**	**365,149**

NOTE 12 Amounts due to credit institutions

In thousands of euros	December 2021		December 2020	
	Demand	Term	Demand	Term
Debts to credit institutions	362,073	210,647	195,395	225,654
Related debts	-59	1,519	174	1,891
TOTAL	**362,015**	**212,166**	**195,569**	**227,545**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of loans due to credit institutions		30,093	158,554	22,000	210,647

NOTE 13 Transactions with customers

In thousands of euros	December 2021		December 2020	
	Demand	Term	Demand	Term
Accounts payable, customers	2,511	-	2,028	-
Related debts	-	-	-	-
TOTAL	**2,511**	**-**	**2,028**	**-**

NOTE 14 Debt securities in issue

In thousands of euros	December 2021	December 2020
Negotiable debt securities	500,483	702,597
Bonds	42,751,502	39,881,603
Related debts	341,150	363,750
TOTAL	**43,593,134**	**40,947,949**

In thousands of euros	Less than 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total 2021
Maturity of debt securities in issue	1,756,584	2,799,633	16,625,990	21,569,295	42,751,502

NOTE 15 Provisions

In thousands of euros	31/12/2020	Provisions	Reversals	Translation adjustments	31/12/2021
Sovereign loans(1)	910,112	83,031	7,719	-1	985,425
Performing non-sovereign loans(2)	293,535	63,606	43,058		314,083
Guarantees given(2)	45,462	16,110	180		61,392
Financing commitments to non-sovereign loans(2)	74,152	18,928	35,431		57,649
Provisions for ARIZ and Proparco guarantees	108,429	16,435	70,345	3,183	57,704
French Overseas Department subsidiary risks	26,048	13	340		25,721
Other risks	10,276				10,276
Foreign exchange losses(1)	8,799	3,007	609		11,197
Administrative expenses(1)	637				637
Salary and employee benefit expenses(1)	120,691	12,306	278	-65	132,654
TOTAL	**1,598,140**	**213,435**	**157,959**	**3,118**	**1,656,734**

(1) These provisions are not recorded in "cost of risk".
(2) Collective provisions amounted to €433,123K, of which €40,752K in stage 1 and €392,371K in stage 2. In 2020, collective provisions amounted to €413,149K, of which €9,506K in stage 1 and €403,642K in stage 2.

NOTE 16 Subordinated debt

In thousands of euros	December 2021	December 2020
Subordinated debt	1,462,750	2,179,250
Lowest-ranked subordinated debt	-	-
Related debts	6	334
TOTAL	**1,462,756**	**2,179,584**

NOTE 17 Reserve for General Banking Risk (RGBR)

In thousands of euros	December 2020	Provisions	Reversal	December 2021
Reserve for General Banking Risk (RGBR)	460,000	-	-	460,000

NOTE 18 Equity excluding RGBR

In thousands of euros	December 2021	December 2020
Provisions	4,227,999	2,807,999
Reserves	2,424,342	2,339,900
Grants	11,419	12,756
Unallocated income(1)	239,750	105,552
TOTAL	**6,903,510**	**5,266,207**

(1) The State's dividend amounted to €21,110K in 2020.

NOTE 19 Assets and liabilities in foreign currencies[1]

In thousands of euros	December 2021	December 2020
Assets in foreign currencies[2]	10,148,537	9,074,770
Liabilities in foreign currencies[2]	7,069,861	7,220,912

(1) Excluding IMF transactions and off-balance sheet hedging transactions, as these transactions offset balance sheet positions.
(2) In principle, these foreign-currency positions are offset by forward financial instruments recorded off-balance sheet.

NOTE 20 Interest and related income

In thousands of euros	December 2021	December 2020
Interest and income on transactions with credit institutions[1]	**433,121**	**477,958**
Interest on loans	261,484	274,049
Interest on short-term investments	-10,067	-7,067
Income from forward financial instruments	181,705	210,977
Interest and income on transactions with customers[1]	**537,132**	**596,049**
Interest and income on bonds and other fixed-income securities	**21,330**	**17,632**
Short-term investments	8,033	2,929
Investment securities	13,296	14,703
Other interest and similar income	**488,228**	**535,818**
Income from forward financial instruments	488,228	535,818
TOTAL	**1,479,810**	**1,627,457**

(1) The amount of net reversals of provisions for interest on non-performing loans, adjusted for losses on interest on bad loans, was +€4,787K at 31/12/2021 compared with -€95,186K at 31/12/2020. It should be recalled that, in 2020, the decrease in doubtful sovereigns was related to the signing of a debt restructuring agreement between the French Republic and a sovereign State.

NOTE 21 Interest and related expenses

In thousands of euros	December 2021	December 2020
Interest and expenses on transactions with credit institutions	**661,239**	**679,622**
Interest on accounts payable	2,839	3,542
Expenses on forward financial instruments	658,399	676,080
Interest on borrowings	-	-
Interest and expenses on transactions with customers	**928**	**1,596**
Interest on subordinated debts	928	1,596
Other interest and expenses on transactions with customers	-	-
Interest and expenses on bonds and other fixed-income securities	**464,074**	**518,842**
Interest on interbank market securities and negotiable debt securities	-4,830	-1,578
Interest on bonds	466,805	518,318
Interest on lowest-ranked subordinated debt	2,100	2,103
Other interest and similar income	**-82,152**	**-11,462**
Expenses on forward financial instruments	-82,152	-11,462
Interest on allocated public funds	-	-
TOTAL	**1,044,089**	**1,188,598**

NOTE 22 Commissions income and expenses

In thousands of euros	December 2021	December 2020
Commission income	**120,289**	**124,100**
from grants	97,015	96,313
from processing	19,092	25,233
other	4,182	2,554
Commission expenses	**3,605**	**2,227**

NOTE 23 Gains or losses on investment portfolio transactions

In thousands of euros	December 2021	December 2020
Balance of investment portfolio transactions	**-5,920**	**-2,304**
Capital gains on disposals	2,207	0
Capital losses on disposals	5,240	2,203
Reversals of provisions for depreciation	3	4
Provisions for depreciation	2,890	104

NOTE 24 Other income on banking operations

In thousands of euros	December 2021	December 2020
Other income on banking operations	**334,091**	**329,654**
Subsidies	246,999	242,787
Other banking income	86,083	86,867
Net foreign exchange gains	1,009	-

NOTE 25 Other expenses on banking operations

In thousands of euros	December 2021	December 2020
Other expenses on banking operations	**88,294**	**82,507**
Other operating expenses	88,294	82,221
Net foreign currency losses	-	286

NOTE 26 Overheads – Salary and employee benefit expense

In thousands of euros	December 2021	December 2020
Wages and bonuses	208,083	205,994
Social security expenses	84,807	82,593
Profit sharing	10,451	9,304
Taxes and similar payments on remuneration	23,288	18,650
Provisions/reversal of provisions	11,963	5,842
Rebilling banks' staff	-4,357	-8,133
TOTAL	**334,235**	**314,250**

NOTE 27 Average headcount

Head office and local offices (excluding institutions)	Executives	Supervisory staff	Employees Supervisors	Service staff	Stationary staff	Total 2021
	1,908	111	2	0	571	2,592

NOTE 28 Asset impairment

In thousands of euros	December 2020	December 2021				
		Provisions	Reversals	Translation adjustments	Total
Unpaid interest on loans (Notes 3 and 4)	33,708	25,794	30,797	287	28,993
Individualised risk on loans (Notes 3 and 4)	381,504	77,738	59,918	5,916	405,239
Impairment of equity investments (Notes 5 and 6)	85,255	19,207	629		103,833
Impairment of short-term investments (Note 23)	101	2,890	3		2,988
TOTAL	**500,569**	**125,629**	**91,347**	**6,203**	**541,054**

NOTE 29 Cost of credit risk(1)

In thousands of euros	December 2021			December 2020
	Provisions	Reversals	Total	
Provisions (Note 15)	115,092	149,353	34,262	-165,481
Impairment of principal of doubtful loans (Note 28)(2)	70,249	59,487	-10,762	-10,152
Capital losses on bad debts	58,730	47	-58,684	-15,465
TOTAL	**244,071**	**208,887**	**-35,184**	**-191,099**

(1) These figures do not include the first line nor the last three lines of Note 15.
(2) These figures do not include impairments of doubtful sovereign loans amounting to €7,083K.

NOTE 30 Gains or losses on fixed assets

In thousands of euros	December 2021	December 2020
Gains or losses on financial fixed assets	**-18,577**	**-39,981**
Capital gains and losses	0	256
Provisions/reversals for depreciation	-18,577	-40,237
Gains or losses on other fixed assets	**-9**	**124**
TOTAL	**-18,586**	**-39,857**

NOTE 31 Exceptional income

In thousands of euros	December 2021	December 2020
Exceptional gains	2,116	240
Exceptional losses	909	1,267
NET TOTAL	**1,207**	**-1,027**

NOTE 32 Other off-balance sheet commitments

In thousands of euros	December 2021	December 2020
Guarantee commitments received from the French State on loans	4,943,801	5,112,763
Guarantee commitments received from credit institutions	334,046	347,739
Guarantee commitments made to credit institutions	35,010	40,759
Guarantee commitments given on securities	111,532	116,326
Guarantee commitments made to customers	2,907,037	2,501,424

NOTE 33 Commitments on forward financial instruments excluding IMF transactions(1)

	December 2021		December 2020	
In thousands of euros	notional	Valuation(2)	notional	Valuation(2)
Outright transactions				
Interest rate swaps (hedging transactions)	54,965,740	459,226	49,817,119	1,052,848
Currency swaps (hedging transactions)	32,861,869	-332,193	31,985,063	-262,006
Commitments received	16,414,545		16,018,892	
Commitments given	16,447,324		15,966,171	
Other instruments (hedging transactions)				
Options	**238,876**	**532**	**232,920**	**353**

(1) This information does not appear in the publishable off-balance sheet.
(2) The value of these financial instruments was established with reference to market value.

In thousands of euros	Less than 1 year	From 1 to 5 years	More than 5 years	Total 2021
Outright, micro-hedge and OTC market transactions				
Interest rate swaps	3,541,541	13,332,369	38,091,830	54,965,740
Currency swaps	3,746,202	13,070,169	16,045,497	32,861,869
Commitments received	1,874,799	6,589,391	7,950,355	16,414,545
Commitments given	1,871,404	6,480,778	8,095,142	16,447,324
Options	**2,000**	**18,000**	**218,876**	**238,876**

NOTE 34 Valuation of forward financial instruments excluding IMF transactions by issuer rating[1]

Banking counterparty rating	31/12/2021 valuation[2]	31/12/2020 valuation[2]
AAA	-	-
AA	345,796	343,504
A	29,367	572,209
BBB	-31,474	-28,525
NR	-	-
TOTAL	**343,689**	**887,188**

(1) Counterparty risk on derivatives related to the financing of IMF transactions is covered by the overall guarantee granted to AFD by the French State for this purpose.
(2) Replacement cost is represented by the net gain on market values, including accrued interest. If the balance is negative, the cost is zero.

NOTE 35 Investments held in managed funds[1]

Fund source	Number of equity investments	Purchase price
Caisse d'investissement des DOM (CIDOM)	2	1,330
Fonds d'investissement et de dévelop. économique et social (FIDES)	4	630
Fonds d'investissement des DOM (FIDOM)	2	93
Other State resources	2	3,683
TOTAL	**10**	**5,736**

(1) This information does not appear in the publishable off-balance sheet.

NOTE 36 Executive compensation

Gross annual compensation allocated to corporate officers is €340,832.

NOTE 37 Corporate income tax

Only income from property and from representing mainland credit institutions in the French Overseas Departments, as well as AFD's refinancing activity with regard to its Proparco subsidiary, are subject to corporation tax.

NOTE 38 Risk exposures

AFD operates on its own behalf in forward financial markets as part of its own activities and those delegated to it by the French State. These transactions are undertaken within the limits authorised by Executive Management with the agreement of the Board of Directors.

7.4 AFD's financial results over the last five financial years

	2021	2020	2019	2018	2017
Capital + Retained earnings + Income *(in millions of euros)*	**6,892**	**5,253**	**5,148**	**5,017**	**4,794**
Net banking income *(in millions of euros)*	794	806	750	637	568.5
Net income *(in millions of euros)*	240	106	160	145	214.6
Net income/capital + retained earnings + income	3.48%	2.01%	3.11%	2.90%	4.48%
Net income/balance sheet total	0.42%	0.20%	0.33%	0.32%	0.52%
Staff					
Number of employees (average)	2,592	2,537	2,379	2,187	1,978.33
Total payroll costs *(in millions of euros)*	334	314	294	261	236
of which social and cultural initiatives *(in millions of euros)*	23	21	21	20	21
Dividend paid	**21**	**0**	**29**	**43**	**28**

7.5 Statutory auditors' report on the financial statements

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users. This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the board of directors of Agence Française de Développement

Opinion

In compliance with the engagement entrusted to us by the board of directors, we have audited the accompanying financial statements of Agence Française de Développement for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2021 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for Statutory Auditors, for the period from January 1, 2021 to the date of our report, and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

Furthermore, the non-audit services that we provided to your Company and its controlled entities during the financial year that are not disclosed in the management report or in the notes to the financial statements are as follows :

- Issuance of a comfort letter related to the EMTN program update ;
- KPMG SA mandatory statement on the « Climate Bond » issue ;
- KPMG SA report related to FISEA preference shares conversion ;
- KPMG SA report on the consolidated social, environmental and societal information contained in the AFD's management report.

Justification of Assessments – Key Audit Matters

The global crisis linked to the Covid-19 pandemic creates special conditions for the preparation and audit of the accounts for this year. Indeed, this crisis and the exceptional measures taken in the context of the state of health emergency induce multiple consequences for companies, particularly on their activity and their financing, as well as increased uncertainties on their future prospects. Some of these measures, such as travel restrictions and remote working, have also had an impact on the internal organization of companies and on how audits are carried out.

It is in this complex and evolving context that in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were the most significant in our audit of the financial statements of the current period, as well as how we addressed those risks.

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

Identification and assessment of credit risk

RISK IDENTIFIED

The Agence Française de Développement is exposed to credit and counterparty risks.

These risks are defined as the probability that a debtor will be unable to handle the repayment of the financing granted. A default by a counterparty can have a material impact on the results of AFD. Your Agency is booking provisions to cover those risks. These are estimated as follows :

- Since January 1st, 2018, the provision calculation for sound exposures has been based on an expected loss model which, in addition to the outstandings, takes into account the performing commitments signed and the undisbursed balances of the corresponding loans. This method involves calculating expected losses based a model which incorporates several parameters (probability of default, loss rate in the event of default, exposure in default, rating).
- AFD also records impairments on doubtful exposures. These are calculated individually and correspond to the difference between the book value of the asset and the discounted value of future cash flows recoverable on maturity after considering the effects of the bringing into play of guarantees. They are determined individually on the basis of assumptions such as the counterparty's financial position, the corresponding country risk, the valuation of any guarantees, and expected future cash flows.

We consider that the credit risk assessment and the impairment/provisions calculation are a key audit matter as they correspond to significant accounting estimates, as they require Management to exercise its judgement when making the assumptions and classifying the exposure, in particular in the COVID-19 context.

As at December 31, 2021, AFD's annual financial statements include €434 million for impairment of assets and €491 million in provisions for liabilities as indicated in Notes 2.3, 2.10, 3.3, 3.4, 3.15 and 3.29 to the annual financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

To assess the reasonableness of the provisions booked, we :

- examined the governance of the provisioning processes ;
- tested the operating efficiency of the provisioning processes of the related internal controls ;
- verified the consistency of data between the risk management systems and the accounting data ;
- assessed the consistency of changes in exposures and provisions.

When the provision was calculated on a collective basis, we :

- assessed the methodological principals and the reasonableness of key underlying risk parameters ;
- checked the completeness of the exposures subject to provision calculations and the appropriate application of methodological principals ;
- tested data quality on a sample basis ;
- verified of the arithmetical accuracy of the calculations performed.

When the provision was determined on an individual basis, we :

- tested the appropriateness downgrading rules for doubtful receivables and verified their application ;
- tested the underlying assumptions and data used by Management to estimate impairments on a sample basis ;
- ensured the appropriate application of decision taken by the Risk Committee.

Valuation of equity stakes

RISK IDENTIFIED

The Agence Française de Développement holds long-term investments as detailed in Notes 1.5, 2.5, 3.5, 3.6, 3.8, 3.28 and 3.30 to the annual financial statements. These securities are recorded at their acquisition cost. These assets are impaired when the estimated value, assessed according to the company's net position and its prospects (which are estimated based on economic and financial information gathered on the company particularly on conditions in its country) or its stock market value, as the case may be, is lower than the acquisition cost.

Due to the limited availability of market data, the valuation of some of these financial instruments requires the exercise of judgment by management for the selection of the valuation method and parameters to be used, in particular in the COVID-19 context.

We considered the valuation of long-term investments to be a key audit matter, given :

- the significant impact of the choice of the valuation method on AFD's results ;
- the sensitive nature of the parameters used for Management's assumptions ;
- the significance of those amounts in the financial statements.

As at December 31, 2021, AFD's long-term investments net value is €1 055 million as indicated in Notes 5 and 6 to the annual financial statements.

AUDIT PROCEDURES IMPLEMENTED IN RESPONSE TO RISKS IDENTIFIED

In this context, our work consisted of :

- updating our knowledge and then testing the effectiveness of the control system for the determination of the valuation method used for these investments ;
- testing, on a sample basis, the correct application of the valuation method of investments.

To this purpose, we verified the appropriateness of the accounting methods used by Agence Française de Développement and ensured that they were correctly applied.

We also performed the following substantive procedures :

- verifying the accounting / management reconciliation for the equity portfolio ;
- reconciling, on the basis of sampling, the valuation of securities with the external documentation that justified it ;
- reviewing all securities with an objective indicator of impairment to ensure the accuracy and completeness of the recorded impairments.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN THE OTHER DOCUMENTS PROVIDED TO THE BOARD OF DIRECTORS WITH RESPECT TO THE FINANCIAL POSITION AND THE FINANCIAL STATEMENTS

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the board of directors and in the other documents provided to the members of the board of directors with respect to the financial position and the financial statements, with the exception of the following matter.

The sincerity and consistency of the information relating to the payment terms mentioned in Article D.441-6 of the French Commercial Code (Code de Commerce) with the financial statements lead us to report the following observation : as indicated in the management report, this information does not include banking operations, as your company considers that they do not fall within the scope of the information to be produced.

We attest that the non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (Code de commerce) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fairness nor the compliance with the annual accounts of the information contained in this statement and which are subject to a report of an independent third-party.

INFORMATION WITH RESPECT TO THE CORPORATE GOVERNANCE

We attest the existence, in the Management Report section on corporate governance, of information required by articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code (Code de commerce).

Other verifications and information pursuant to legal and regulatory equirements

PRESENTATION OF THE FINANCIAL STATEMENTS TO BE INCLUDED IN THE ANNUAL FINANCIAL REPORT

We have also verified, in accordance with the professional standard applicable in France relating to the procedures performed by the statutory auditor relating to the annual and consolidated financial statements presented in the European single electronic format, that the presentation of the financial statements intended to be included19 in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier), prepared under the responsibility of Chief Executive Officer, complies with the single electronic format defined in the European Delegated Regulation No 2019/815 of 17 December 2018.

Based on the work we have performed, we conclude that the presentation of the financial statements intended to be included in the annual financial report complies, in all material respects, with the European single electronic format.

We have no responsibility to verify that the financial statements that will ultimately be included by your company in the annual financial report filed with the AMF are in agreement with those on which we have performed our work.

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Satutory Auditors of Agence Française de Développement by the board of directors meeting held on July 3, 2002 for KPMG S.A. and on April 2, 2020 for BDO Paris.

As at December 31, 2021, KPMG SA was in the 20th year of total uninterrupted engagement, and BDO Paris was in the 2nd year of total uninterrupted engagement.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines 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, management is responsible for assessing the 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 it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Chief Executive Officer.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

OBJECTIVES AND AUDIT APPROACH

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards 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.

As specified in Article L.823-10-1 of the French Commercial Code (Code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore :

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for the audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (Code de commerce) and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Paris, April 15, 2022

The auditors

KPMG SA	BDO Paris
Valéry Foussé	Arnaud Naudan
Partner	Partner

CHAPTER 8

Person responsible for the Registration Document and the audit of the financial statements

8.1 Name and position

Bertrand Walckenaer, Chief Operating Officer.

8.2 Certification of the person responsible

I certify that I have taken all reasonable steps to ensure that the information contained in this Universal Registration Document is, to the best of my knowledge, correct and that no fact has been omitted that would be likely to alter its scope.

I certify that to the best of my knowledge the financial statements are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets, financial position and results of the company and all the subsidiaries included in the scope of consolidation. The management report faithfully reflects the development of the business, financial position and results of the company and all the subsidiaries included in the scope of consolidation and describes the primary risks and uncertainties with which they have to contend.

Paris, 26 April 2021

Chief Operating Officer

Bertrand Walckenaer

8.3 Name, address and qualification of the financial statements' statutory auditors

	For 2018 financial year		For 2019 financial year		For 2020 financial year		For 2021 financial year	
Name	KPMG Audit	Mazars	KPMG Audit	Mazars	KPMG Audit	BDO Paris Audit & Advisory	KPMG Audit	BDO Paris
Represented by	Pascal Brouard	Nicolas De Luze	Pascal Brouard	Nicolas De Luze	Valéry Foussé	Arnaud Naudan	Valéry Foussé	Arnaud Naudan
Address	2, avenue Gambetta, 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta, 92066 Paris La Défense Cedex	61, rue Henri-Regnault 92075 Paris La Défense Cedex	2, avenue Gambetta, 92066 Paris La Défense Cedex	43-47, avenue de la Grande Armée 75116 Paris	2, avenue Gambetta, 92066 Paris La Défense Cedex	43-47, avenue de la Grande Armée 75116 Paris
Professional body	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles	Compagnie régionale des commissaires aux comptes de Versailles

8.4 Information policy

Mr. Bokar Cherif
Director of the Executive Finance Department
Tel.: +33 (0)1 53 44 40 14

9

CHAPTER

Additional information

9.1 Cross-reference table of the management report

Management report reference	2021 wording	URD Reference
1.	**About AFD Group**	
1.1	General information	1.1
1.2	AFD Group's 2018-2022 strategy	1.2
1.3	AFD operations	1.3
1.4	Own-account activities	1.4
1.5	AFD Group	1.5
1.6	Activities of Agence Française de Développement Group in 2020	1.6
2.	**Report on corporate governance and internal control**	
2.1	Report on corporate governance	3.1
2.2	Internal control procedure and organisation of the audit trail (Art. L.222-100-1-5)	4.3.2
3.	**Presentation of the consolidated financial statements**	**5.3**
3.1	Consolidated balance sheet (in millions of euros)	5.3.1
3.2	Consolidated income statement	5.3.2
4.	**Risk management**	
4.1	Risk factors	4.1
4.2	Main hedges	6.2.5.3, 6.2.5.4
5.	**Statement of Non-Financial Performance**	**2**
5.1	The business model	2.1
5.2	Identification of the main non-financial challenges and risks	2.2
5.3	Managing the risks and impacts of our action	2.3
5.4	Contribution of the Group's activity to sustainable development	2.4
5.5	Transparency and dialogue with stakeholders	2.5
5.6	Coordination with development actors: partnership by design	2.6
5.7	Fair practices	2.7
5.8	A meaningful work environment	2.8
6.	**Recent changes and future outlook**	**5.1**
6.1	Recent changes	5.1.1
6.2	Future outlook	5.1.2
6.3	Borrowings	5.1.3
7.	**Events after the reporting period**	**5.2**
Appendix 1	**AFD's operating region**	**9.5**
Appendix 2	**AFD balance sheet using on French standards (simplified)**	**9.6**
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Appendix 4	**Key ratios and indicators**	**9.8**
Appendix 5	**Results of operating activities for the last 5 financial years**	**9.9**
Appendix 6	**AFD approvals**	**9.10**
Appendix 7	**Summary table of AFD's and Proparco's loans in foreign countries**	**9.11**
Appendix 8	**Table of Proparco's approvals**	**9.12**
Appendix 9	**Note on the Statement of Non-Financial Performance methodology**	**9.13**
Appendix 10	**Statement of Non-Financial Performance appendices**	**9.14**

9.2 Incorporation by reference

1 In application of Article 19 of Regulation (EU) 2017/1129 of 14 June 2017, the following information is included by reference in this Universal Registration Document:

2 The consolidated and separate financial statements for the year ended 31 December 2019, set out on pages 173 to 197 and 109 to 161 respectively, the related statutory auditors' reports, pages 198 and 162 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 73 and 77 to 93 of the Universal Registration Document submitted to the AMF on 21 April 2020 under Number D20-0328.

3 The consolidated and separate financial statements for the year ended 31 December 2020, set out on pages 179 to 204 and 119 to 168 respectively, the related statutory auditors' reports, pages 205 and 169 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 79 and 83 to 91 of the Universal Registration Document submitted to the AMF on 21 April 2020 under Number D21-0333.

4 A description of the type of transactions carried out and the main activities for financial year 2018, on pages 12 to 14 of the 2018 Universal Registration Document submitted to the AMF on 25 April 2019 under reference no. D19-0388.

5 A description of the type of transactions carried out and the main activities for financial year 2019, on pages 12 to 14 of the 2019 Universal Registration Document submitted to the AMF on 21 April 2020 under reference no. D20-0328.

6 A description of the type of transactions carried out and the main activities for financial year 2020, on pages 12 to 14 of the 2020 Universal Registration Document submitted to the AMF on 20 April 2021 under reference no. D21-0333.

9.3 Cross-reference table between Appendices 1 and 2 of the delegated regulation 2019/980 and the Universal Registration Document

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Point 1.2	Statement of the person responsible	217
Point 1.3	Statement or report attributed to a person acting as an expert	71-73; 175-179; 211-215
Point 1.4	Information from a third party	71-73; 175-179; 211-215
Point 1.5	Approval of the competent authority	n/a
SECTION 2	**STATUTORY AUDITORS**	
Point 2.1	Name and address of the issuer's financial statements' statutory auditors	217
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SECTION 3	**RISK FACTORS**	**88-95**
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Point 4.2	Issuer's place of registration, registration number and legal entity identification (LEI)	10
Point 4.3	Date of creation and duration of the issuer, where it is not indefinite	10
Point 4.4	The issuer's registered office and legal form	10
SECTION 5	**OVERVIEW OF ACTIVITIES**	
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Point 5.4	Financial and non-financial strategy and objectives	11 ; 44-51

		Pages of the 2021 Universal Registration Document
Point 5.5	Degree of dependence on industrial, commercial or financial patents, licenses or contracts	Not applicable
Point 5.6	Competitive position	11-14;
Point 5.7	Investment	189
SECTION 6	**ORGANISATIONAL STRUCTURE**	
Point 6.1	Description of the Group of which the issuer may be a part of	17-20;
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Point 8.5	Expected sources of financing that will be required to honour the commitments referred to in point 5.7.2	n/a
SECTION 9	**REGULATORY ENVIRONMENT**	**96-104**
SECTION 10	**INFORMATION ABOUT TRENDS**	
Point 10.1	Provide a description of any significant change in the Group's financial performance between the end of the last financial year for which financial information has been published and the date of the Registration Document, or provide an appropriate negative statement	116-117
Point 10.2	Report any trends, uncertainties, constraints, commitments or events of which the issuer is aware and which are reasonably likely to have a material impact on the issuer's outlook, at least for the current financial year	Not applicable
SECTION 11	**EARNINGS FORECASTS OR ESTIMATES**	**N/A**
SECTION 12	**ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE BODIES**	
Point 12.1	Information about members of the administrative, management or supervisory bodies	76-80;
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SECTION 13	**COMPENSATION AND BENEFITS**	
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SECTION 14	**OPERATION OF ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**	
Point 14.1	The end of that person's current mandate, where applicable, and the period during which he or she remained in office	76-84;
Point 14.2	Information on service contracts binding the members of the administrative, management or supervisory bodies to the issuer or to any of its subsidiaries and providing for the grant of benefits at the end of such a contract, or an appropriate statement attesting to the absence of such benefits	77-83;
Point 14.3	Information about the Audit Committee and the Compensation Committee	77-83; 105-108

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Point 14.4	Statement as to whether or not the issuer complies with the corporate governance regime(s) applicable to it	77-83; 211-215
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SECTION 15	**EMPLOYEES**	
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Point 15.3	Employee Profit Share Agreement	n/a
SECTION 16	**MAIN SHAREHOLDERS**	
Point 16.1	Name of any person owning a percentage of the issuer's share capital or voting rights to be notified	10-11
Point 16.2	Main shareholders and voting rights	10-11
Point 16.3	Information on issuer control	10
Point 16.4	Description of agreements that could lead to a change of control	n/a
SECTION 17	**TRANSACTIONS WITH RELATED PARTIES**	
SECTION 18	**FINANCIAL INFORMATION ABOUT THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND INCOME**	
Point 18.1	Historical financial information	116-121;
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Point 18.3	Audit of annual historical financial information	175-179; 210-213
Point 18.4	Pro forma *financial information*	n/a
Point 18.5	Dividend policy	11 ; 127
Point 18.6	Legal and arbitration proceedings	102
Point 18.7	Significant change in the issuer's financial position	Not applicable
SECTION 19	**ADDITIONAL INFORMATION**	
Point 19.1	Share capital	10
Point 19.2	Memorandum of association and bylaws	76; 82
SECTION 20	**MAJOR CONTRACTS**	**N/A**(1)
SECTION 21	**AVAILABLE DOCUMENTS**	**10**

(1) No significant contracts were entered into, other than those entered into in the normal course of business.

9.4 Cross-reference table of the CRR articles and the Pillar III report tables

Item CRR	Title		Paragraph
435	Publication of risk management objectives and policies	a/	6.2.5, 4.3.1
		b/	6.2.5, 4.3.1
		c/	6.2.5
		d/	4.2.5.1.3
		e/	8.2
		f/	8.2, 4.1, 4.3
	Governance arrangements	a/	3.1
		b/	3.1
		c/	3.1
		d/	3.1, 4.3.1, 6.2.5.1
		e/	3.1
436	Publication of scope of application	a/	1.1, 4.2.3.1
		b/	4.2.2.3
		c/	4.2.4
		d/	Not applicable
		e/	Not applicable
		f/	4.2.2.3
		g/	Not applicable
		h/	4.2.2.3
437	Publication of information on equity	a/	4.2.3
		b/	4.2.3
		c/	4.2.3
		d/	4.2.3.1
		e/	4.2.3.1
		f/	Not applicable
437 bis	Publication of information on equity and eligible commitments	a/	Not applicable
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
438	Publication of information on capital requirements and risk-weighted exposure amounts	a/	4.2.3.2
		b/	4.2.3.2
		c/	4.2.3.2
		d/	4.2.3.2
		e/	Not applicable
		f/	Not applicable
		g/	Not applicable
		h/	Not applicable
439	Publication of information on counterparty credit risk exposures	a/	6.2.6.1
		b/	4.2.4.1.3
		c/	Not applicable
		d/	Not applicable
		e/	4.2.4.1.3
		f/	4.2.4.1.2
		g/	4.2.4.1.2
		h/	4.2.4.1.1
		i/	4.2.3.2

Item CRR	Title		Paragraph
		j/	Not applicable
		k/	Not applicable
		l/	4.2.4.1.3
		m/	4.2.4.1.1
440	Publication of information on countercyclical equity buffer information	a/	Not applicable
		b/	Not applicable
441	Publication of information on global systemically important indicators		Not applicable
442	Publication of information on credit risk and dilution risk exposures	a/	6.2.3.2.3
		b/	6.2.3.2
		c/	4.2.4.1.1
		d/	6.2.3.2
		e/	Not applicable
		f/	6.2.5.1
		g/	4.2.4.1.1.2
443	Publication of information on encumbered and unencumbered assets		4.2.4.6
444	Publication of information on the use of the standardised approach	a/	4.2.4.1.2
		b/	4.2.4.1.2
		c/	4.2.4.1.2
		d/	4.2.4.1.2
		e/	4.2.4.1.2, 4.2.4.1.3
445	Publication of information on market risk exposure		4.2.3.3, 4.2.4.2
446	Publication of information on operational risk management	a/	4.2.4.3
		b/	Not applicable
		c/	Not applicable
447	Publication of information on key indicators (to be published in tabular form)	a/	4.2.3.1
		b/	4.2.4
		c/	4.2.3.1
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
		g/	Not applicable
		h/	Not applicable
448	Publication of information on interest rate exposures for positions not held in the trading book	a/	4.1.1.4
		b/	4.1.1.4
		c/	Not applicable
		d/	4.1.1.4
		e/	Not applicable
		f/	4.1.1.4
		g/	Not applicable
449	Publication of information on exposure to securitisation positions	a/	4.2.4.1.5
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
		g/	4.2.4.1.5
		h/	Not applicable
		i/	Not applicable
		j/	Not applicable
		k/	Not applicable
		l/	Not applicable

Item CRR	Title		Paragraph
449 bis	Publication of information on environmental, social and governance risks (ESG risks)		Not applicable
450	Publication of information on the remuneration policy	a/	3.1
		b/	3.1
		c/	3.1
		d/	Not applicable
		e/	Not applicable
		f/	Not applicable
		g/	3.1
		h/	3.1
		i/	Not applicable
		j/	3.1
		k/	Not applicable
		l/	3.1
451	Publication of information on leverage ratio	a/	Not applicable
		b/	Not applicable
		c/	Not applicable
		d/	Not applicable
		e/	Not applicable
451 bis	Publications on of liquidity requirements – Liquidity coverage ratio	a/	Not applicable
		b/	Not applicable
		c/	Not applicable
	Publication of information on liquidity requirements - Net stable funding requirement	a/	Not applicable
		b/	Not applicable
		c/	Not applicable
	Publication of information on liquidity requirements - Liquidity management		Not applicable
452	Publication of information on the use of the NI approach for credit risk		Not applicable
453	Publication of information on the use of credit risk mitigation techniques	a/	4.2.4.1.3
		b/	4.2.4.1.3
		c/	4.2.4.1.3
		d/	4.2.4.1.3
		e/	4.2.4.1.3
		f/	4.2.4.1.3
		g/	4.2.4.1.3
		h/	4.2.4.1.3
		i/	4.2.4.3.2
		j/	Not applicable
454	Publication of information on the use of advanced measurement approaches for operational risk		Not applicable
455	Use of internal market risk models		Not applicable

9.5 Appendix 1 – AFD's operating region

Africa

South Africa
Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Comoros
Rep. Congo Dem.
Dem. Rep. of the Congo
Côte d'Ivoire
Djibouti
Egypt
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Equatorial Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Libya
Malawi
Mali
Morocco
Mauritania
Mozambique
Namibia
Niger
Nigeria
Uganda
Rwanda
Sao Tome and Principe
Senegal
Sierra Leone
Somalia
Sudan
South Sudan
Swaziland
Tanzania
Chad
Togo
Tunisia
Zambia
Zimbabwe

3 Oceans

Antigua-and-Barbuda*
Cook Islands*
Dominican Rep.*
Dominica
Fiji*
Grenada*
Guyana*
Haiti
Jamaica*
Kiribati*
Madagascar
Maldives*
Marshall Islands*
Mauritius
Federated States of Micronesia*
Territory of Montserrat
Nauru*
Niue*
Palau
Papua New
Guinea*
Saint-Lucia*
St-Kitts and Nevis*
St-Vincent and the Grenadines*
Solomon Islands*
Samoa*
Seychelles*
Suriname
Tokelau territory*
East Timor
Tonga*
Tuvalu*
Vanuatu

Orients

Albania
Afghanistan
Armenia
Azerbaijan
Bangladesh
Bosnia and Herzegovina
Cambodia
China
Georgia
Kazakhstan
Kosovo
Laos
Lebanon
Macedonia
Moldova
Montenegro
Myanmar (Burma)
Uzbekistan
Syria
Palestinian territories
Thailand
Turkey
Vietnam
Yemen

India	Pakistan
Indonesia	Philippines
Iraq	Serbia
Jordan	Sri Lanka
Latin America	
Argentina	Ecuador
Bolivia	Mexico
Brazil	Peru
Colombia	
Costa Rica	
Cuba	

* *Countries of the regional cooperation mandate.*

The 19 priority countries 2018-2021	
Benin	Haiti
Burkina Faso	Liberia
Burundi	Madagascar
Central African Republic	Mali
Comoros	Mauritania
Dem. Rep. of the Congo	Niger
Ethiopia	Senegal
Djibouti	Chad
Gambia	Togo
Guinea	

9.6 Appendix 2 – AFD balance sheet using French standards (simplified)

AFD simplified balance sheet at 31 December 2021

Assets

In millions of euros	2021	2020	Change
Loans (net outstanding)	45,715	41,799	3,916
of which net outstanding loans on own behalf	*42,131*	*38,510*	*3,620*
Gross outstandings	45,967	42,054	3,913
of which loans on own behalf	*42,382*	*38,765*	*3,617*
of which loans on behalf of the State	*3,585*	*3,289*	*296*
(-) individual impairments	434	415	19
(+) accrued interest	183	161	22
IMF-PRGF transactions	406	415	-9
Investment portfolio	608	686	-77
Short-term cash assets	7,152	7,936	-784
Equity investments	1,255	1,024	231
Fixed assets	240	230	10
Accruals and other assets	1,521	1,483	38
TOTAL	**56,898**	**53,574**	**3,324**

Liabilities

In millions of euros	2021	2020	Change
Market borrowings	43,181	40,536	2,645
Borrowings from French Treasury	1,463	2,180	-717
Current accounts	576	421	155
IMF-PRGF transactions	406	415	-9
Managed funds and State advances	907	894	13
Accruals and other liabilities	1,357	1,817	-460
Provisions	1,657	1,598	59
Capital and retained earnings	7,112	5,608	1,504
Income for the financial year	240	106	134
TOTAL	**56,898**	**53,574**	**3,324**

9.7 Appendix 3 – AFD income statement using French standards (simplified)

AFD simplified income statement 2020-2021

Expenses *(in millions of euros)*	2021	2020	Change
Expenses on borrowings	**1,001**	1,166	-165
• Interest on borrowings	450	502	-52
• Expenses on *swaps*	561	651	-90
• Net foreign exchange balance	-10	13	-24
Miscellaneous financial expenses	**37**	**11**	**26**
Expenses on IMF-PRGF transaction	**1**	**1**	**0**
TOTAL EXPENSES ON BANKING OPERATIONS	**1,039**	**1,178**	**-140**
Net of income from IMF-PRGF transaction	*1,038*	*1,177*	*-139*
Net banking income	**794**	**806**	**-12**
Overheads	**475**	**445**	**30**
• Salary and employee benefit expense	334	314	20
wages and bonuses	207	205	2
social security contributions and expenses	85	83	2
profit sharing	10	9	1
taxes and similar payments on remuneration	23	19	5
provisions for retirement – employee benefits	13	7	6
rebilling banks' staff	-4	-8	4
• Taxes and similar payments	7	7	0
• Other general expenses	133	123	10
Depreciation/amortisation and impairment of property, plant, equipment and intangible assets (net)	27	24	3
Total expenses on non-banking operations	**502**	**469**	**33**
Gross operating income	**292**	**338**	**-45**
Cost of risk	-35	-191	156
Net impairment charges for deduction of capital assets	-11	-10	-1
Net provisions for risk and expenses	34	-165	200
Capital losses on bad debts	-59	-15	-43
Operating income	**257**	**146**	**111**
Gains or losses on fixed assets	-19	-40	21
Income from operations	**239**	**107**	**132**
Net exceptional transactions	1	-1	2
NET INCOME	**240**	**106**	**134**

Income	2021	2020	Change
Income on loans and guarantees	**1,403**	**1,560**	**-157**
• Interest and commissions on loans and guarantees	898	907	-9
• Income on *swaps*	650	725	-75
• Net provisions for unpaid interest	-2	127	-128
• Loss of interest income	-4	-34	31
• Net provisions for sovereign outstandings	-75	-105	30
• Recoveries on subsidy account for SAL and mixed loan-grants	3	6	-3
• Repayment of Proparco margin	-67	-64	-3
Subsidies	246	238	8
Investment income	-2	2	-5
Income from equity investments	2	1	1
Commissions on operations	105	103	2
• AFD fees, donations, SAS, SAL, C2D	80	74	7
• Other commissions	25	29	-4
Ancillary income and miscellaneous	**79**	**80**	**-1**
Income from IMF-PRGF transaction	**1**	**1**	**-1**
TOTAL INCOME ON BANKING OPERATIONS	**1,833**	**1,985**	**-152**
Net of expenses on IMF-ESAF transaction	*1,832*	*1,983*	*-151*

9.8 Appendix 4 – Key ratios and indicators

The following data is from AFD's parent company financial statements.

In thousands of euros	2021	2020
Net banking income	**794,124**	**806,393**
Salary and employee benefit expense	42.1%	39.0%
Net banking income		
Cost-to-income ratio		
General expenses	63.2%	58.1%
Net banking income		
Benefit-cost ratio		
Net earnings	3.6%	2.1%
Additions + reserves*		
Efficiency ratio		
Net earnings	0.42%	0.20%
Balance sheet total		
Staff		
Number of employees (average)	2,592	2,537
Total payroll costs	334,235	314,250
Of which social and cultural activities	23.1	21.1
Net income	**239,750**	**105,552**
Distributed income	**21,110**	-

* *Capital and retained earnings exclude the Reserve for general banking risk, or FRBG.*

9.9 Appendix 5 – Results of operating activities for the last 5 reporting years (parent company basis)

	2021	2020	2019	2018	2017
Capital + Retained earnings + Income *(in millions of euros)*	**6,892**	**5,253**	**5,148**	**5,017**	**4,794**
Net banking income *(in millions of euros)*	794	806	750	637	568.5
Net income *(in millions of euros)*	240	106	160	145	214.6
Net income/capital + retained earnings + income	3.48%	2.01%	3.11%	2.90%	4.48%
Net income/balance sheet total	0.42%	0.20%	0.33%	0.32%	0.52%
Staff					
Number of employees (average)	2,592	2,537	2,379	2,187	1,978.33
Total payroll costs *(in millions of euros)*	334	314	294	261	236
of which social and cultural initiatives *(in millions of euros)*	23.1	21.1	21.4	19.5	20.6
Dividend paid	**21**	**0**	**29**	**43**	**28**

9.10 Appendix 6 – AFD approvals

Typology of AFD's approvals

AFD approvals and disbursements by type of loan – Foreign countries

In millions of euros	Approvals 2021	Approvals 2020	Approvals % of the total in 2021	Disbursements 2021	Disbursements 2020	Disbursements % of the total in 2021
1 – Current activities	**8,302**	**8,766**	**99%**	**5,992**	**6,646**	**99%**
Loans	**7,298**	**7,574**	**87%**	**5,036**	**6,016**	**83%**
Sovereign concessional loans	4,552	4,782	54%	3,363	4,304	56%
of which loans with direct concessionality	*1,554*	*2,032*	*19%*	*1,480*	*1,933*	*24%*
of which loans with indirect concessionality	*2,997*	*2,749*	*36%*	*1,883*	*2,372*	*31%*
Non-sovereign loans	2,746	2,482	33%	1,673	1,712	28%
of which concessional loans	*1,182*	*1,157*	*14%*	*509*	*904*	*8%*
of which non-concessional loans	*1,565*	*1,325*	*19%*	*1,164*	*808*	*19%*
of which sub-participations granted to Proparco	*492*	*730*	*0%*	*486*	*334*	*8%*
Other loans		310		0	0	
Ongoing grants	**1,004**	**989**	**12%**	**756**	**630**	**12%**
Project and FEXTE grants	888	874	11%	646	524	11%
Funding for NGOs	116	115	1%	110	106	2%
Guarantees	**0**	**4**	**0%**	**0**	**0**	**0%**
Other investments	**0**	**200**	**0%**	**200**	**0**	**3%**
2 – Mandate-specific operations	**60**	**85**	**1%**	**76**	**44**	**1%**
General budget support (GBS) subsidies	60	82	1%	76	44	1%
Other delegators	0	2	n/a	0	0	
TOTAL FOR FOREIGN COUNTRIES	**8,362**	**8,851**	**100%**	**6,069**	**6,690**	**100%**

AFD approvals and disbursements by type of loan – Overseas

In millions of euros	Approvals 2021	Approvals 2020	Variance 2021/2020 (in millions of euros)	Variance 2021/2020 (in %)
Current activities	**1,067**	**1,220**	**-153**	**-13%**
Loans	**1,049**	**1,206**	**-157**	**-13%**
Public sector	900	1,116	-216	-19%
Subsidised loans to local authorities[(1)]	*391*	*387*	*4*	*1%*
Other loans – public sector[(2)]	*509*	*729*	*-220*	*n.s.*
Private sector	149	91	58	65%
Direct financing	*50*	*50*	*0*	*0%*
Banks	*99*	*41*	*58*	*n.s.*
Grants	**18**	**13**	**6**	**44%**
Guarantees[(3)]	**0**	**1**	**-1**	**n.s.**
Guarantees granted - public sector	*0*	*0*	*0*	
French Overseas Departments funds[(4)]		*0*	*0*	
Mayotte Guarantee Fund[(4)]		*1*	*-1*	
Equity investments	**0**	**0**	**0**	

(1) Of which Green loan, PS2E and PS2E-FCTVA.
(2) Other public sector loans include ADIE and CISPM loans.
(3) The guarantees presented above do not take into account Sogefom (€28M in 2021) and FOGAP (€1M in 2021) approvals.
(4) Housing guarantee funds in the French Overseas Departments and Collectivities and in Mayotte are no longer managed by AFD.

9.11 Appendix 7 – Summary table of AFD's and Proparco's loans in foreign countries

AFD and Proparco account for 99% of the Group's balance sheet total and represent the bulk of consolidated income (99% of NBI). The geographic distribution of loans granted by AFD on its own behalf and by Proparco in foreign countries is presented in the table below. Sub-participation loans with Proparco (joint financing) at AFD's risk are not included in AFD's figures.

Situation at 31 December 2021 of AFD's and Proparco's loans in foreign countries: *NB: Not restated for IFRS adjustments, forgiven loans, convertible bonds and loans on behalf of Proparco third parties.*

	Disbursements		Outstandings		Undisbursed balance[3]	
In thousands of euros	AFD	Proparco	AFD[1]	Proparco[2]	AFD[1]	Proparco[2]
AFGHANISTAN						
SOUTH AFRICA	17,680	22,509	683,044	162,720	333,524	17,567
ALBANIA			375		210,000	
ALGERIA			29,733		-	
ANGOLA	9,278		25,513	-	609,960	35,134
ARGENTINA	4,116	2,950	62,747	49,303	175,604	46,822
ARMENIA	15,642	4,392	117,170	21,271	24,482	66,350
AZERBAIJAN	35,398		202,236		70,688	
BANGLADESH	129,487		303,616	18,373	802,225	12,121
BENIN	33,384		85,473	4,880	319,893	20,000
BOLIVIA	120,156		399,207		104,792	
BOTSWANA				8,783		-
BRAZIL	250,669	256,741	1,345,360	395,049	324,834	65,876
BURKINA FASO	31,407		259,617	27,728	259,211	21,475
BURUNDI						
CAMBODIA	93,296	62,956	506,094	84,579	107,132	24,594
CAMEROON	62,031	14,487	931,654	52,154	150,545	26,752
CAPE VERDE	-		51,062		5,386	
CENTRAL AFRICA						
CHILE				38,004		-
CHINA	74,896	13,950	554,138	77,202	986,818	61,484
COLOMBIA	299,153		2,083,310	26,383	225,000	52,435
COMOROS						
CONGO	27,590		93,127		217,250	
COOK ISLANDS			-0		-	
COSTA RICA	13,260	15,620	140,956	55,780	193,917	-
COTE D'IVOIRE	117,660	21,353	348,023	158,006	1,055,232	143,495
CUBA	10,543		30,282		182,719	
DJIBOUTI			21,855		-	
DOMINICAN REP.	245,798	13,175	894,054	30,139	135,671	10,000
EL SALVADOR		26,350		86,086		-
EGYPT	180,096	8,806	1,059,724	112,510	972,458	-
ECUADOR	57,196	23,276	562,699	190,191	258,959	11,858
ETHIOPIA	10,500		241,629	14,458	219,062	9,662
FRANCE			25,343		-	

In thousands of euros	Disbursements AFD	Disbursements Proparco	Outstandings AFD(1)	Outstandings Proparco(2)	Undisbursed balance(3) AFD(1)	Undisbursed balance(3) Proparco(2)
GABON	41,166	23,500	190,999	54,086	253,596	44,700
GAMBIA						
GEORGIA	150,000		555,000	34,280	88,000	88,917
GHANA	55,437		477,467	72,149	99,222	32,600
GRENADA	-		15		-	
GUATEMALA				32,744		-
GUINEA	27,357		72,171	19,050	186,250	-
GUINEA-BISSAU						
EQUATOR. GUINEA						
HAITI				16,545		1,669
HONDURAS				96,312		-
DOMINICA ISLAND	-		16,044		-	
INDIA	74,815	65,876	1,194,249	193,842	1,033,060	30,742
INDONESIA	100,575	5,000	1,553,095	16,867	305,500	2,000
IRAQ			-		80,000	
JAMAICA				62,365		-
JORDAN	97,703		849,000	199,476	409,150	41,282
KAZAKHSTAN			-	11,383	250,000	-
KENYA	34,604	11,226	872,867	197,752	729,705	34,673
LAOS		1,171	930	20,795	-	-
LEBANON	4,172		40,110	27,848	197,319	4,392
LIBERIA				-		4,392
LIBYA						
MADAGASCAR	36,146		125,140	19,482	98,522	20,518
MALDIVES	-		11,315		-	
MALI	9,679		209,159	13,188	295,598	3,750
MOROCCO	259,622		2,074,939	23,456	1,511,937	47,500
MAURITIUS	7,025	12,500	505,853	119,028	80,553	-
MAURITANIA	-		89,987		764	
MEXICO	328,402	5,094	1,643,370	34,565	286,706	117,933
MOLDOVA				-		8,000
MONGOLIA		11,431		26,719		11,431
MONTENEGRO			-	8,329	50,000	-
MOZAMBIQUE	12,575	11,419	188,968	40,772	19,350	26,350
MULTI-COUNTRY	306,575	363,497	2,078,328	762,602	944,334	296,629
MYANMAR (formerly BURMA)	48		1,089	17,420	121,611	0
NAMIBIA			50,354		-	
NEPAL				96		9,662
NICARAGUA				54,139		18,797
NIGER	37,183		161,007	16,079	227,467	-
NIGERIA	106,675	36,913	531,394	226,241	1,140,804	48,817
UGANDA	55,956		254,076	56,346	463,887	0
UZBEKISTAN		38,931	354,964	47,316	279,367	9,269
PAKISTAN	17,647	4,392	386,768	24,465	577,524	31,759
PANAMA		31,621		178,102		10,540

	Disbursements		Outstandings		Undisbursed balance[3]	
In thousands of euros	AFD	Proparco	AFD[1]	Proparco[2]	AFD[1]	Proparco[2]
PARAGUAY		26,350		68,511		-
PERU		17,567	146,201	93,311	105,000	254
PHILIPPINES	250,000		839,029		47,894	
DR CONGO		1,000		1,000		-
RWANDA	50,000		102,161	-0	114,300	-
SAINT LUCIA	-		1,539		-	
SAO-TOME						
SERBIA		52,680	-86	78,627	176,000	4,896
SENEGAL	92,505	19,109	1,109,805	89,804	410,751	66,500
SEYCHELLES			8,962		16,000	
SIERRA LEONE						
SOMALIA	-		1,397		-	
SUDAN						
SOUTH SUDAN						
SRI LANKA	23,933		133,543	80,782	513,465	-
ST-VINCENT-GREN			-0		-	
SURINAME			32,441		30,628	
SYRIA, REP.						
TAJIKISTAN		4,392		6,204		-
TANZANIA	33,387		198,071	9,680	822,357	0
CHAD				-		10,000
AUTO. PALES. TERR.	6,352		24,821	17,849	-	48,309
THAILAND		7,242	5,800	7,242	-	-
TOGO	7,930		9,413	10,350	156,072	-
TUNISIA	210,317	15,150	1,002,095	61,866	892,859	98,000
TURKEY	146,304	32,567	1,116,554	337,011	480,496	67,742
URUGUAY				6,807		-
UKRAINE				24,620		1,705
VANUATU						
VIETNAM	110,621	52,701	817,825	99,304	474,673	19,324
YEMEN	-		1,434		-	
ZAMBIA	3,695		74,140	26,978	79,501	13,175
ZIMBABWE						
TOTAL	**4,537,642**	**1,337,893**	**31,171,841**	**5,357,385**	**21,995,586**	**1,901,854**

The amounts presented here correspond to AFD and Proparco transactions, excluding third-party accounts and loans that were waived by the State.
(1) AFD loans exclude sub-investment loans with Proparco and microfinance transactions.
(2) Proparco loans also include subordinated loans, bonds and other securities.
(3) Signed and unsigned balance to be paid.

9.12 Appendix 8 – Table of Proparco's approvals

9.12.1 Appendix 8.1: part 1

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
Countries *(in millions of euros)*	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
South Africa	178	106	21	-	-	-	29	-	3	-	230	106
Angola	-	34	-	-	-	-	-	-	-	-	-	34
Armenia	9	17	-	-	44	-	-	-	-	-	53	17
Bangladesh	12	-	-	-	-	-	-	-	-	-	12	-
Benin	-	20	-	-	-	-	-	-	-	-	-	20
Brazil	163	202	40	9	-	-	-	-	-	-	203	211
Burkina Faso	3	19	-	-	-	-	34	4	-	-	37	22
Cambodia	40	45	-	-	-	-	4	-	-	0	44	45
Cameroon	-	-	-	-	-	-	93	24	-	-	93	24
China	-	8	-	-	62	-	-	-	-	-	62	8
Colombia	12	43	34	-	-	-	-	-	-	-	47	43
Congo	-	-	-	-	-	-	13	-	-	-	13	-
Congo-Brazzaville	-	-	-	-	-	-	2	3	-	-	2	3
Costa Rica	-	43	-	-	-	-	-	-	-	-	-	43
Cote D'ivoire	3	5	-	-	-	-	46	37	-	-	49	42
Djibouti	-	-	-	-	-	-	2	-	-	-	2	-
Egypt	-	-	-	28	-	-	-	-	-	-	-	28
Ecuador	12	25	-	-	-	-	-	-	-	-	12	25
El Salvador	-	28	-	-	-	-	-	-	-	-	-	28
Georgia	45	47	10	-	-	-	-	-	-	-	55	47
Ghana	6	22	-	-	-	-	5	6	-	-	11	28
Guinea	-	-	-	-	-	-	8	5	-	-	8	5
Haiti	-	-	-	-	-	-	-	1	-	-	-	1
Honduras	-	17	-	-	-	-	-	-	-	-	-	17
India	21	63	-	27	-	4	-	34	-	-	21	128
Indonesia	-	-	-	-	-	-	2	2	-	-	2	2
Iraq	-	-	-	-	-	-	12	0	-	-	12	-
Jordan	41	29	-	-	-	-	-	-	1	-	42	29
Kazakhstan	-	14	-	-	-	-	-	-	-	-	-	14
Kyrgyzstan	-	-	-	8	-	-	-	-	-	-	-	8
Kenya	11	103	10	16	-	8	40	-	1	-	62	128
Laos	-	-	-	-	-	-	-	1	-	-	-	1
Liberia	-	-	-	-	-	-	8	-	-	-	8	-
Madagascar	15	-	-	-	-	-	17	12	-	-	32	12
Mali	4	-	-	-	-	-	2	3	-	-	6	3
Morocco	48	-	10	-	-	-	-	15	-	-	58	15
Mauritius	-	42	12	-	-	-	-	-	-	-	12	42
Mexico	82	5	-	-	-	-	-	-	-	-	82	5
Moldova	8	-	-	-	-	-	-	-	-	-	8	-
Mongolia	26	-	-	-	-	-	-	-	-	-	26	-
Mozambique	-	-	-	-	-	-	-	3	-	-	-	3

9.12.2 Appendix 8.2: part 2

	Loans		Equity investments		Other investments		Guarantees		Grant		Total	
Countries *(in millions of euros)*	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Multi-country	-	173	22	81	-	-	-	10	2	2	25	266
Multi-country AFA	200	-	-	-	-	-	-	-	-	-	200	-
Multi-country AFC	-	-	-	-	21	-	-	-	2	-	23	-
Multi-country AFN	-	-	30	-	-	-	-	-	-	-	30	-
Multi-country AFO	45	73	-	-	-	-	-	-	-	-	45	73
Multi-country AFQ	-	-	30	-	-	-	-	-	-	-	30	-
Multi-country AFR	1	14	-	-	-	-	-	-	-	11	1	25
Multi-country AFS	34	-	37	-	-	-	-	-	-	-	70	-
Multi-country ALC	26	-	-	-	-	-	-	-	-	-	26	-
Myanmar	-	4	-	-	-	-	-	-	-	-	-	4
Namibia	-	-	-	-	-	-	4	-	-	-	4	-
Nicaragua	19	-	-	-	-	-	-	-	-	-	19	-
Niger	-	-	-	-	-	-	-	1	-	-	-	1
Nigeria	74	24	-	4	-	-	10		-	-	84	28
Uganda	-	29	-	-	-	-	13	-	-	-	13	29
Uzbekistan	25	44	-	-	-	-	-	-	-	-	25	44
Pakistan	28	-	-	-	-	9	-	-	-	-	28	9
Panama	-	16	-	-	-	-	23	-	-	-	23	16
Paraguay	-	26	-	-	-	-	-	-	-	-	-	26
Peru	21	42	-	-	-	-	-	-	-	-	21	42
Dem. Rep. of the Congo	-	-	-	-	-	1	3	-	-	-	3	1
Dominican Republic	20	28	-	-	-	-	-	5	-	-	20	33
Senegal	43	29	-	-	-	-	6	17	-	-	49	46
Serbia	-	50	-	-	-	-	-	-	-	-	-	50
Switzerland	-	-	-	-	-	-	4	-	-	-	4	-
Swaziland	-	-	-	-	-	-	1	-	-	-	1	-
Tajikistan	4	-	-	-	-	-	-	-	-	-	4	-
Tanzania	-	-	-	-	-	-	8	5	-	-	8	5
Chad	10	-	-	-	-	-	2	-	-	-	12	-
Autonomous Palestinian Territories	45	5	-	-	-	-	1	3	12	-	58	7
Thailand	7	-	18	-	-	-	-	-	-	-	26	-
Tunisia	10	15	-	-	-	-	10	4	-	-	20	20
Turkey	84	-	-	-	-	-	-	-	-	-	84	-
Vietnam	26	88	-	14	-	-	4	4	-	-	31	106
Zambia	-	13	-	-	-	-	2	-	-	-	2	13
TOTAL	**1,462**	**1,608**	**274**	**188**	**127**	**22**	**407**	**199**	**22**	**13**	**2,290**	**2,030**

9

9.13 Appendix 9 – Note on the Statement of Non-Financial Performance methodology

This report has been prepared in accordance with the GRI Standards (Global Reporting Initiative): Core compliance option (GRI 152-4 compliance).

- Reporting period

The data is submitted on an annual basis.

The data collected covers the period from 1 January to 31 December of year N, with the exception of the indicator "Number of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) e-learning courses modules 1 and 2" – period from 1 January 2021 to 8 February 2022.

- Presentation of main risks

The material risks for the four social/societal, environmental, human rights and anti-corruption categories are identified by cross-referencing the work already carried out in the materiality assessment of the AFD Group's non-financial challenges with the existing risk map.

The materiality of each of the risks was assessed according to financial criteria (operating cost of the risk materialising), impact, temporality and likelihood of occurrence.

The Statement of Non-Financial Performance for 2021 was prepared on the same perimeter compared to 2020.

- Description of the policies applied

For each material risk, a description of the policies applied to prevent it, as well as identify and mitigate it should it occur.

- Choice of indicators

Key performance indicators are used to measure the results of the policies mentioned in the above point. These indicators have been selected to provide the most relevant information on the risks and challenges covered by the policies.

- Comparability with previous year (N-1)

Whenever possible and relevant, indicators are mentioned for year N and N-1.

- Reporting and scope of indicators

Scopes vary depending on each corporate, social or environmental indicator, according to need, and the suitability and availability of information. The measurement scope is specified for each indicator.

- The scopes taken into account are as follows:
  - **Group:** AFD, Proparco, Sogefom and Fisea, and French Overseas reserve banks (100% of the Group's headcount),
  - **AFD:** AFD head office and local offices (98.7% of the Group's headcount),
  - **Head office:** AFD and Proparco head offices (65.3% of the Group's headcount),
  - **AFD head office:** AFD head office only, including Marseille site and excluding Proparco (53.4% of the Group's headcount),
  - **AFD Paris head office:** AFD head office excluding Marseille site: Barthes, Mistral, Vivacity and Art&Co buildings (52.6% of the Group's headcount),
  - **France:** all employees under French law at the head offices and local offices of AFD, Proparco and French Overseas reserve banks, excluding local foreign office staff.

This scope refers only to the tables showing quantitative social and environmental indicators.

- Consolidation of data and internal control

Extra-financial indicators are produced by AFD's various departments according to their areas of expertise and are compiled for the management and activity reports. The Strategy, Foresight and Institutional Relations Department ensures that the information released on indicators is consistent.

- External audit

The statutory auditors must certify that the Statement of Non-Financial Performance required by Article L.225-102-1 of the French Commercial Code is effectively included in the management report.

An independent third party body must be appointed to verify the Statement of Non-Financial Performance. It produces a reasoned opinion on:

- the statement's compliance with the provisions of I and II of Article R.225-105 (presentation and content of the Statement of Non-Financial Performance),
- the accuracy of the information provided, specifically the policy results including the key performance indicators (3°of I and UU of Article R.225-105).

As permitted by the regulations, AFD has appointed one of its auditors as independent third party body.

- Reasons for excluding mandatory topics

The following information, listed in Paragraph 2 of title III of Article L.225-102-1 of the French Commercial Code, is not considered to be relevant because of the nature of the AFD Group's activities: the circular economy, combating food waste, combating food poverty, respect for animal welfare, respect for responsible, fair and sustainable food.

Due to the late amendment, on 4 March 2022, of Article L.225-102-1 III paragraph 2, the Statement of Non-Financial Performance for the 2021 financial year does not include information relating to actions of promotion of the practice of physical activities and sports, but will be included next year.

- Main non-financial performance statement indicators

Information	Scope	Challenges
Share of sovereign and non-sovereign financing published in IATI format	AFD	Transparency of funds granted
Introduction of dialogue on strategy and projects	Group	Dialogue with stakeholders
Complaints management system	AFD Proparco	Dialogue with stakeholders Management of impacts Impact on local communities
Number of complaints received by the AFD complaints management system	AFD Proparco	Dialogue with stakeholders Impact on local communities
E&S risk management process over the project cycle	AFD Proparco	Management of impacts Analysis of environmental risks Impact on local communities
Classification of AFD projects according to level of environmental and social risk (in number of projects and amounts granted)(7)	AFD	Management of impacts Analysis of environmental risks
Classification of Proparco projects according to level of environmental and social risk (in number of projects and amounts granted)(7)	Proparco	Management of impacts Analysis of environmental risks
Funding granted as part of "CSO Initiatives" projects	AFD	Coordination with development players
Number of CSO projects	AFD	Coordination with development players
Amount of AFD financing approvals using resources from other sponsors	AFD	Coordination with development players
AFD *ex-ante* result indicators	AFD	The activity's impact on Sustainable Development Goals Impact on local communities
Proparco *ex-ante* result indicators	Proparco	The activity's impact on Sustainable Development Goals Impact on local communities
Policies to reinforce project management	AFD	Reinforcement of project management
Amount of commitments approvals for specific capacity building tools	AFD	Reinforcement of project management
Initiatives engaged for preventing corruption, fraud, money laundering and the financing of terrorism	Group	Accountability for correct use of financing granted(1) Compliance(1)
Number of people registered for AML/CFT e-learning training (modules 1 and 2) *and* having validated it	Group	Accountability for correct use of financing granted(1) Compliance(1)
The ethics system (Charter, Committee, ethics adviser)	Group	Professional ethics
Number of consultations with the ethics adviser	Group	Professional ethics
Number of training courses provided by the ethics adviser	Group	Professional ethics
Number of training hours	Group (excluding local employees)(2)	Skills development
Global training effort	Group(3)	Skills development
Training for local employees: number of employees and training hours	Group (local employees only)(4)	Skills development
Group headcount at 31/12 and breakdown by gender	Group	Promoting diversity(5)
Collective agreement evaluation	Group(6)	Social dialogue(5)
System for managing psychosocial risks	Group	Social dialogue(5)
Percentage of climate co-benefit projects	Group	Impact on climate change
Amount of climate co-benefit projects	Group	Impact on climate change
Breakdown of AFD's commitments by sector of activity	AFD	Impact on local communities

(1) Issues not identified in the materiality matrix.
(2) Chargeable training sessions, SAM AFD/Proparco/IE, Head Office and Network employees, excluding local employees.
(3) All chargeable + non-chargeable training sessions, all AFD/Proparco/IE Head Office and Network employees, including local employees.
(4) Local AFD/Proparco/IE employees, training organised by the Human Resources Department, at the head office or in the network.
(5) Issue identified in the materiality matrix as transparency of employee information.
(6) NB: the scope may differ depending on the agreement.
(7) The 2020 data is not mentioned because the comparison is not relevant. The data depends on the composition of the project portfolio for the year. As projects are diverse and unique, changes do not relate to annual targets but rather to a multi-year strategy.

- Methodology for calculating *ex-ante* performance indicators

Ex-ante indicators present expected outcomes at the time of the *ex-ante* appraisal of the project. They are, therefore, given before project funding is granted and are aggregated per year of grant. *Ex-ante* estimates are defined at the end of the project identification and *ex-ante* evaluation phase. The project manager estimates the expected results with the support of the Agency and the counterparty. Actual data is collected on an annual basis as soon as the project begins to deliver results. Project managers mobilise their contacts in the branch and within the counterparties and/or local project managers to collect the necessary data (reporting, supervision mission checklist, technical implementation report, other elements of the monitoring-evaluation system, etc.). All data is entered and stored in AFD's information system.

Some of the *ex-ante* indicators are stipulated by Law 2021-1031 of 4 August 2021 on programming related to solidarity-based development and the fight against global inequalities, known as the LOP-DSI (list of indicators in the appendix of the aforementioned law)[1].

The other indicators, not provided for by law, are put in place to monitor sector strategies and action plans in a more targeted manner. They are regularly updated in order to align them with our areas of intervention and priorities and to better capture the achievements of our projects. This may result in changes to the indicators or their titles.

The AFD Group makes available the methodological notes corresponding to the preparation of these indicators.

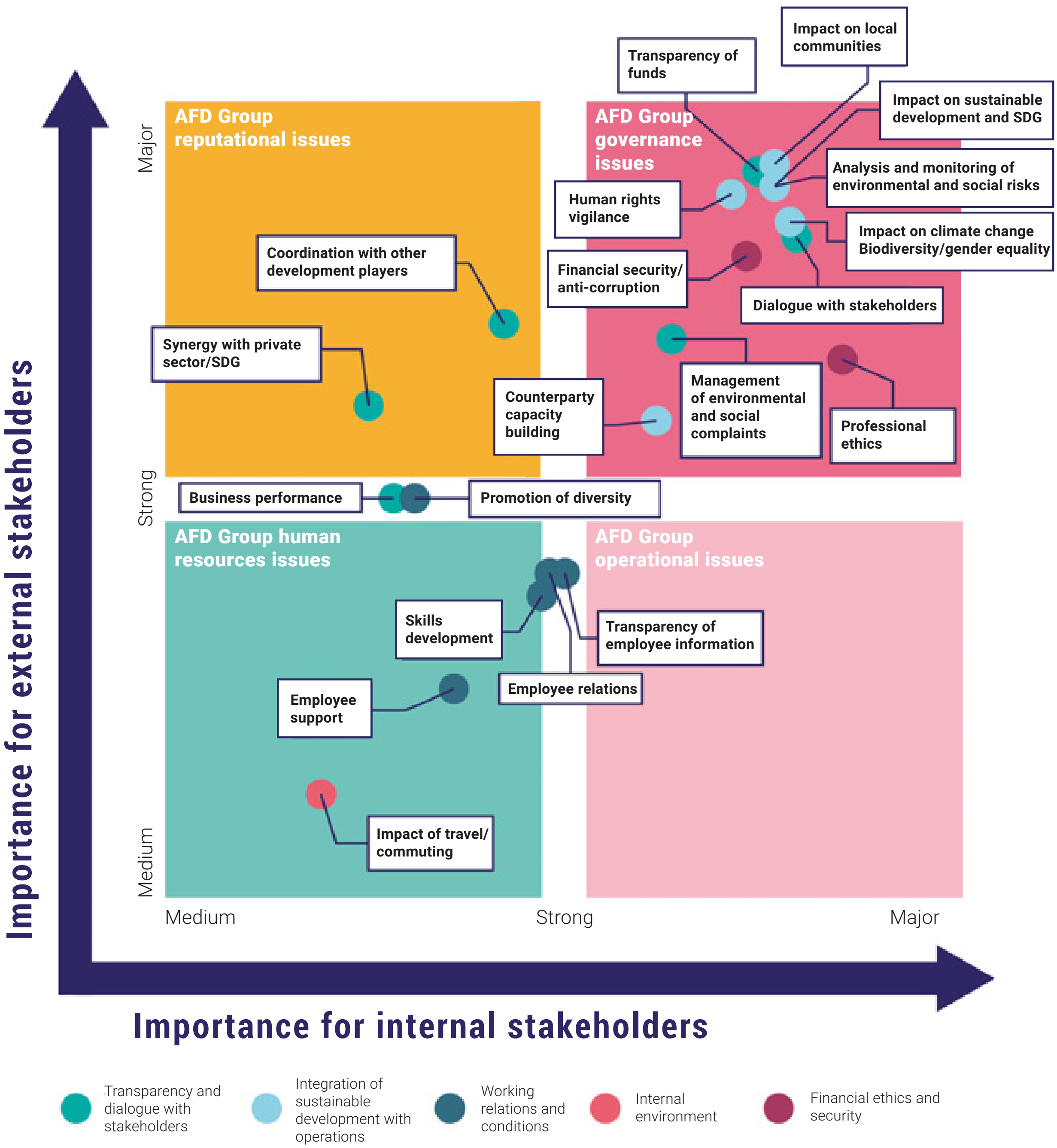
- Correspondence of the CICID sectors between the 2020 and 2021 financial years

CICID 2020 sectors	Correspondence with CICID 2021 sectors
Agriculture and urban development	Agriculture and urban development
Climate and environment	Climate and environment
Crises and vulnerabilities	Crises and vulnerabilities
Urban development and management	Infrastructure and urban development
Water and sanitation	Water and sanitation
Education	Education, training, employment
Energy	Infrastructure and urban development
Governance	Governance
Infrastructure and miscellaneous social services	Infrastructure and urban development
Healthcare	Healthcare
Business, industry and trade	Business, industry and trade
Transport	Infrastructure and urban development
Other	Other

(1) *https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000043898536/*

9.14 Appendix 10 – Statement of Non-Financial Performance appendices

9.14.1 Statement of Non-Financial Performance appendix 1: Materiality matrix



9.14.2 Statement of Non-Financial Performance Appendix 2: Grenelle II Law indicators – Labour information

TOTAL HEADCOUNT AND BREAKDOWN OF EMPLOYEES BY GENDER, AGE AND GEOGRAPHICAL AREA

Total workforce managed by the Group at 31 December 2021

Employees	End of 2019	End of 2020	End of 2021
Mainland France[(1)]	1,713	1,776	1,744
Agencies and representations in the countries of intervention	234	242	254
Technical assistance	2	3	3
Temporary assignments	28	32	49
Group head office[(1)]	**1,977**	**2,053**	**2,050**
French Overseas Territories	100	92	93
Foreign countries[(2)]	537	554	573
Group staff recruited locally[(2)]	**637**	**646**	**666**
AFD GROUP TOTAL	**2,614**	**2,699**	**2,716**
of which provided to French Overseas reserve banks[(1)]	49	35	13
OF WHICH TOTAL OVERSEAS RESERVE BANKS	**49**	**35**	**13**
AFD Group VIA/VSC[(3)]	147	138	149
Overseas reserve bank VSC[(3)]	1	1	
INTERNATIONAL VOLUNTEERS TOTAL (VIA/VSC)	**148**	**139**	**149**
Apprenticeship and professionalisation contract	10	5	8
Standard contract	72	106	92
TOTAL FIXED-TERM CONTRACTS (CDD)	**82**	**111**	**100**

(1) Excluding apprenticeships and professionalisation contracts.
(2) Since 2007, these figures have included employees hired locally according to the provisions of the labour regulations in each country, along with staff equivalent to employees, in other words, service providers in various foreign countries.
(3) VIA: Volontaires internationaux en administration (volunteer positions for young people abroad at embassies, French Institutes, Business France offices, etc.)/VSC: Volontariat de Service Civique (general interest volunteer positions for young people abroad).

The AFD Group currently employs 2,716 people worldwide, excluding VIA/VSC and fixed-term contracts, *i.e.* an increase of 0.6% compared to 2020.

The 2,716 head office employees, recruited in Paris (+17 more than in 2020), include:

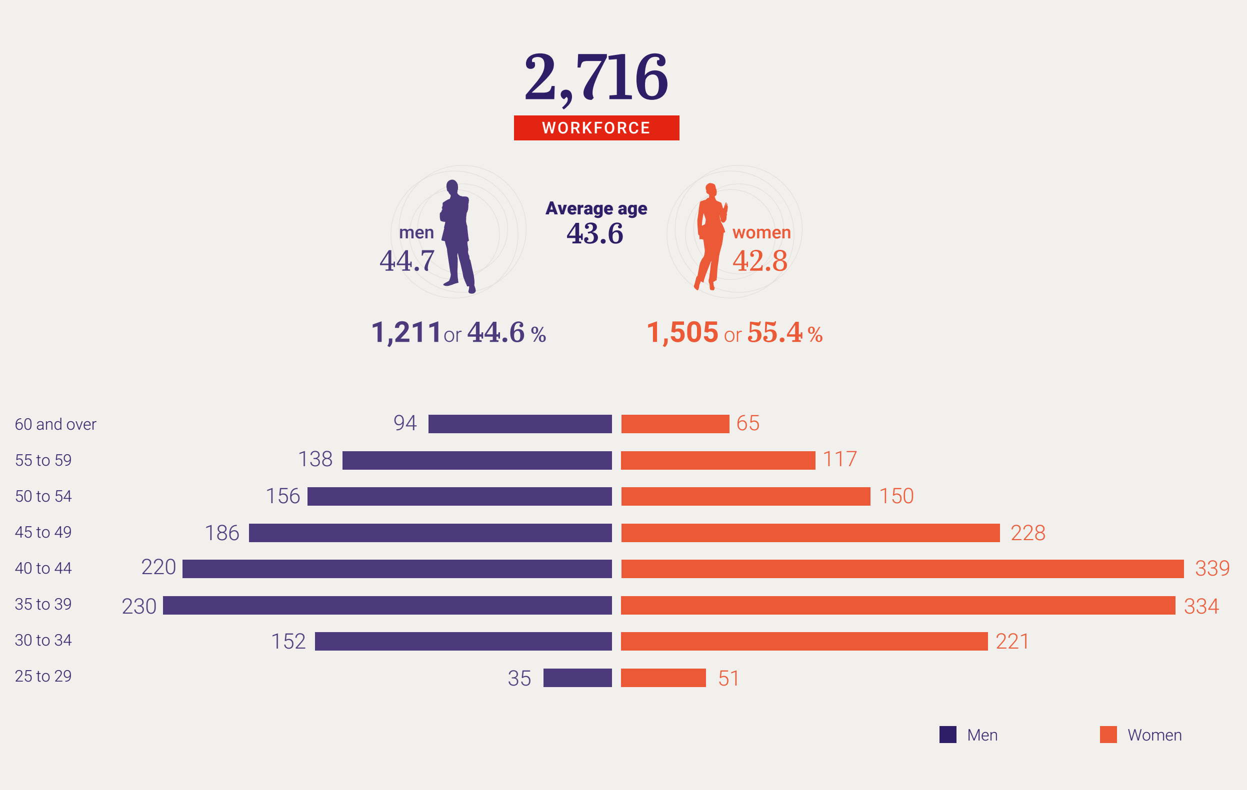
- 2,703 AFD Group head office employees;
- 13 head office employees seconded to French Overseas reserve banks.

The 666 locally hired employees (+20 on 2020) are all AFD employees.

For several years, AFD has strengthened its local skills base, particularly by recruiting highly qualified managers in its local offices.

Employees by gender and age

Total staff managed by the Group broken down according to gender and age range in 2021 (at 31 December 2021)

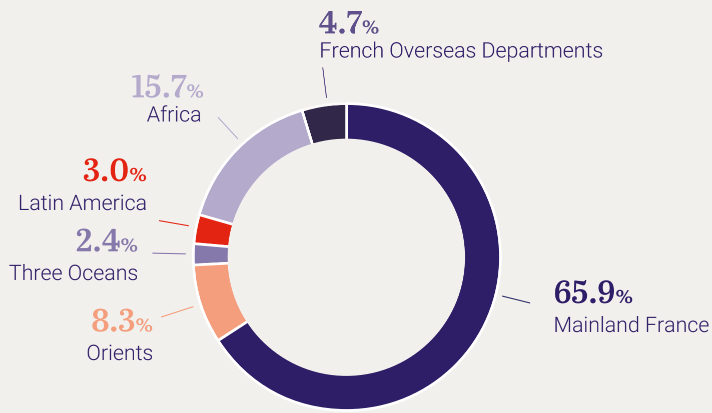


At the end of 2021, 55.4% of AFD Group employees are women. Their average age is 42.8 compared to 44.7 for men.

Breakdown of employees per geographic area

Geographic area	31/12/2021
Mainland France*	1,790
French Overseas Departments	127
Africa	427
Latin America	82
Three Oceans	65
Orients	225
GRAND TOTAL	**2,716**

* *Mainland France (Mainland France AFD employees + temporary assignments).*



Recruitment and departures

Recruitment	Head office employees	Locally hired employees	Total
TOTAL	**95**	**73**	**168**

External departures of Group employees

In 2021, the total number of permanent departures [(1)] worldwide (excluding suspensions of contracts) totalled 155 (104 head office employees and 51 employed locally).

Reasons for departure	Head office employees	Locally hired employees	Total departures	Turnover rate
Retirement	32	24	56	2.07%
Voluntary redundancy	10	1	11	0.41%
Resignation	43	13	56	2.07%
End of fixed-term contract	6	6	12	0.44%
End of trial period	9		9	0.33%
Dismissals	4	3	7	0.26%
Death		1	1	0.04%
Contract conversion (to head office status)		3	3	0.11%
TOTAL	**104**	**51**	**155**	**5.74%**

Remuneration for employees managed by AFD Group

Indicators (in thousands of euros)	2019	2020	2021
Average gross annual salary	73.7	73.4	74.9

(1) Excluding local employees from Overseas reserve banks related to the end of the UES.
Unrecognised contract suspension flow: -2 Locally hired employees.

Scheduling of working hours

For head office employees (recruited in Paris), and since the agreement on the scheduling and reduction of working hours was signed on 30 June 2000, the number of annual working hours has been:

- 1,575 hours for employees whose working time is expressed in hours;
- 206 days for employees whose working time is expressed in days.

Absenteeism

In mainland France in 2021, 16,001 days were lost to illness for head office employees on permanent (CDI) and fixed-term (CDD) contracts (of which 375 days for CDD employees), which equates to an absenteeism rate of 2.43%.

Occupational accidents, including their frequency and severity, and occupational illnesses

There were 10 work- or travel-related accidents requiring time off in mainland France in 2021 (10 in 2020), with 220 days lost to accidents over the year (214 in 2020).

The frequency rate stood at 3.4 and the severity rate at 0.07, both stable compared to 2020.

AFD Group could find no occupational illness contracted within the organisation.

Measures taken to promote equality between men and women

Recruitment: **50.5%** of women hired.

Women in supervisory positions: **53.7%**.

Women in managerial positions: **47.5%.**

Women in the network: **40.9%.**

Population: General manager group with open-ended contracts.

Measures taken to promote the employment and integration of disabled people

Since 2013, AFD has implemented a proactive and ambitious disability policy. To this end, three agreements were signed by the social partners and validated by the Employment Department in 2013, 2015 and 2019.

In 2021, the number of people recognised as disabled workers was 64, including 40 women and 24 men, compared to 63 in 2020 (40 women and 23 men).

The number of employees recognised as disabled workers who were hired in 2021 was five, including two men and three women, compared with two women in 2020. The employment rate of employees recognised as disabled workers increased from 1.72% in 2013 to 3.38% in 2020.

9.14.3 Statement of Non-Financial Performance Appendix 3: Grenelle II Law indicators – Environmental information

Indicator and scope	2021 values
Pollution and waste management	
Waste production (scope: Head Office):	
Total production	70.24 t/year
of which paper/cardboard	*27.7 t*
Production per employee	40.62 kg/employee
Sustainable use of resources	
Water consumption (scope: AFD Paris head office)	9,621 m³/year
Raw materials consumption (scope: Head office, excluding service providers)	
• Total paper consumption	7 t/year
• Paper consumption per employee	4 kg/employee
Energy consumption SHON[1] AFD (head office and Proparco)	6,188 MWh/year

(1) Net floor area (excluding technical rooms).

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Towards a world in common

AFD Group implements France's policy in the areas of development and international solidarity. The Group includes Agence Française de Développement (AFD), which finances the public sector and NGOs, as well as research and education in sustainable development; its subsidiary Proparco, which is dedicated to private sector financing; and Expertise France, a technical cooperation agency. The Group finances, supports and accelerates transitions towards a fairer, more resilient world.

With our partners, we are building shared solutions with and for the people of the Global South. Our teams are at work on more than 4,000 projects in the field, in the French Overseas Departments and Territories, in 115 countries and in regions in crisis. We strive to protect global public goods – promoting a stable climate, biodiversity and peace, as well as gender equality, education and healthcare. In this way, we contribute to the commitment of France and the French people to achieve the Sustainable Development Goals (SDGs). Towards a world in common.

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