RÉPUBLIQUE FRANÇAISE
*Liberté*
*Égalité*
*Fraternité*

AFD GROUPE

# UNIVERSAL REGISTRATION 2020

Agence Française de Développement Group

#WorldInCommon

# 2020
# 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 20 April 2021 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 in the context of a public offering of financial securities or of admitting financial securities to trading on a regulated market if it is accompanied by an operating note and, where necessary, a summary of and any amendments made to the Universal Registration Document. The set of documents so formed is approved by the AMF in accordance with EU Regulation 2017/1129.

# A word from the CEO

With commitments that stabilised in 2020, at €12.1 billion, and disbursements which were up 35% compared to 2019 to reach a record level of €8.8 billion, the AFD Group confirmed its capacity to mobilise and its agility in the context of a crisis that underscored the essential role of the world's 450 public development banks, which met for the first time at the Finance in Common Summit held in November 2020.

AFD's teams were first mobilised as part of a health programme through the "Covid-19 – Health in Common" initiative, launched on 2 April 2020 and endowed with €150 million in donations and €1 billion in loans. At the end of 2020, 63 projects in 33 countries were thus able to receive support, mostly in priority countries for French official development assistance.

With regard to our economic response, it resulted in the expansion of our initiative to support the private sector, Choose Africa, with funds amounting to €3.5 billion. To play our countercyclical role, we mobilised an additional €1 billion for national and local business assistance plans while preparing recovery paths aligned with the Sustainable Development Goals and the Paris Climate Agreement. In addition, 27 of AFD's sovereign counterparties requested debt service suspension from the Paris Club, in accordance with the mechanism that provides for a suspension of debt service in capital and interest for all amounts due and unpaid at 30 April 2020, as well as amounts due in 2020.

This action, which is both a health and an economic measure, and reconciles short-term needs with long-term social and environmental requirements, is reflected in the "Joint Overseas Territories" programme. Estimated at over €1 billion, it made it possible to carry out a series of concrete actions around the health emergency, the economic emergency and a sustainable recovery. The level of authorised commitments in the French Overseas Departments and Collectivities thus increased 38% compared to 2019 to reach more than €1.2 billion in 2020.

This responsiveness is part of a Group approach that is now recognised and reinforced by Parliament, which honours us with its trust. This is reflected in the spirit of the Amending Finance Law of 30 July 2020, which established the possibility for AFD to use its subsidiary Proparco to provide services on a quasi-State-run basis. This is also the purpose of the integration of Expertise France within the AFD Group, planned on 1 July 2021 per the draft programming law on solidarity development and the fight against global inequalities, unanimously adopted by the National Assembly and being examined by the Senate.

Lastly, the resilience of our finance model was confirmed. In the context of an exceptional crisis, the AFD Group's consolidated net income remained positive at +€40 million, even though it was down, under the effect of a significant deterioration in the cost of risk and a decline in the fair value of the equity portfolio, which are the two main items affected by the crisis. In addition, the volume of bond issues for the 2020 financial year rose sharply, by 52%, to €9.9 billion with a diversified investor base. This year was also marked by the implementation of an emissions framework aligned with the Sustainable Development Goals (SDGs), which replaces the Climate emissions framework. Investors renewed their confidence, allowing the Group to launch a record thematic SDG issue amounting to €2 billion. This higher volume of issues made it possible to respond to the sharp increase in payments over the year.

To conclude, I would like to highlight the adaptability of AFD's teams who, driven by a spirit of solidarity, have helped the most vulnerable to cope with the crisis, notably in the African continent. The French State's decision to significantly reinforce the Agency's capital, as provided for in the 2021 Finance Law, is an important recognition of this commitment and of our sustainable development mission.

**Rémy Rioux**
**Directeur Général**

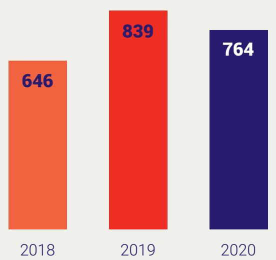
(1) *Excluding guarantees*
(2) *At the time of writing this foreword, on 2 April 2021.*

1

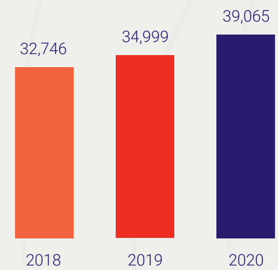
# Our key figures

*IFRS (€M)*

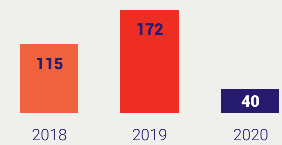
**Net Banking Income**



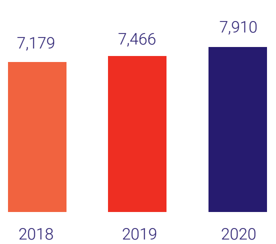

**Outstanding loans**



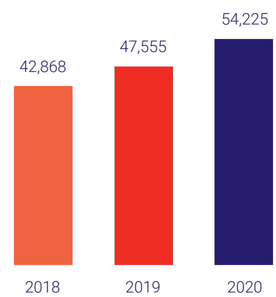

**Net income**




**Consolidated capital** *In €bn*

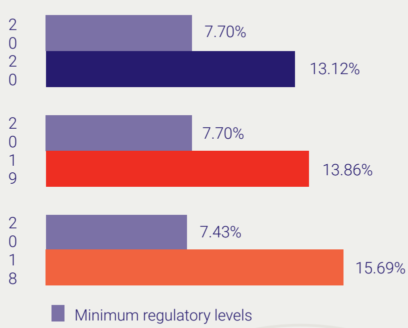



**Total of balance sheet** *In €bn*

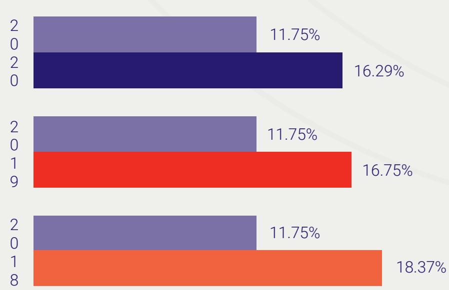



## *AFD is well within the banking ratios*

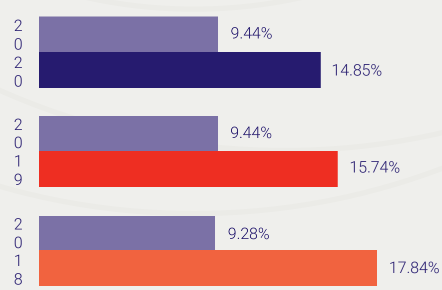
**CET1 ratio***




**Solvency ratio***




**T1 ratio***

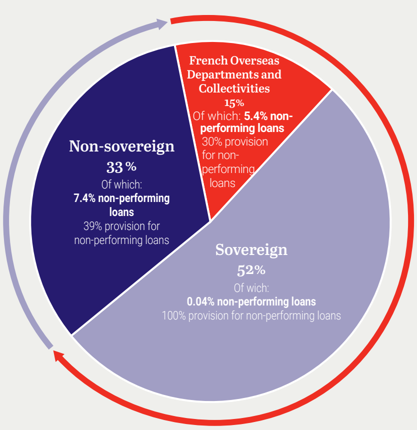



## *Performing assets*

Total outstanding loans at 31 December 2020

**€39.06bn**

Non-performing loans: 3.28%



# 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 Group mandate. 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 low-carbon 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.

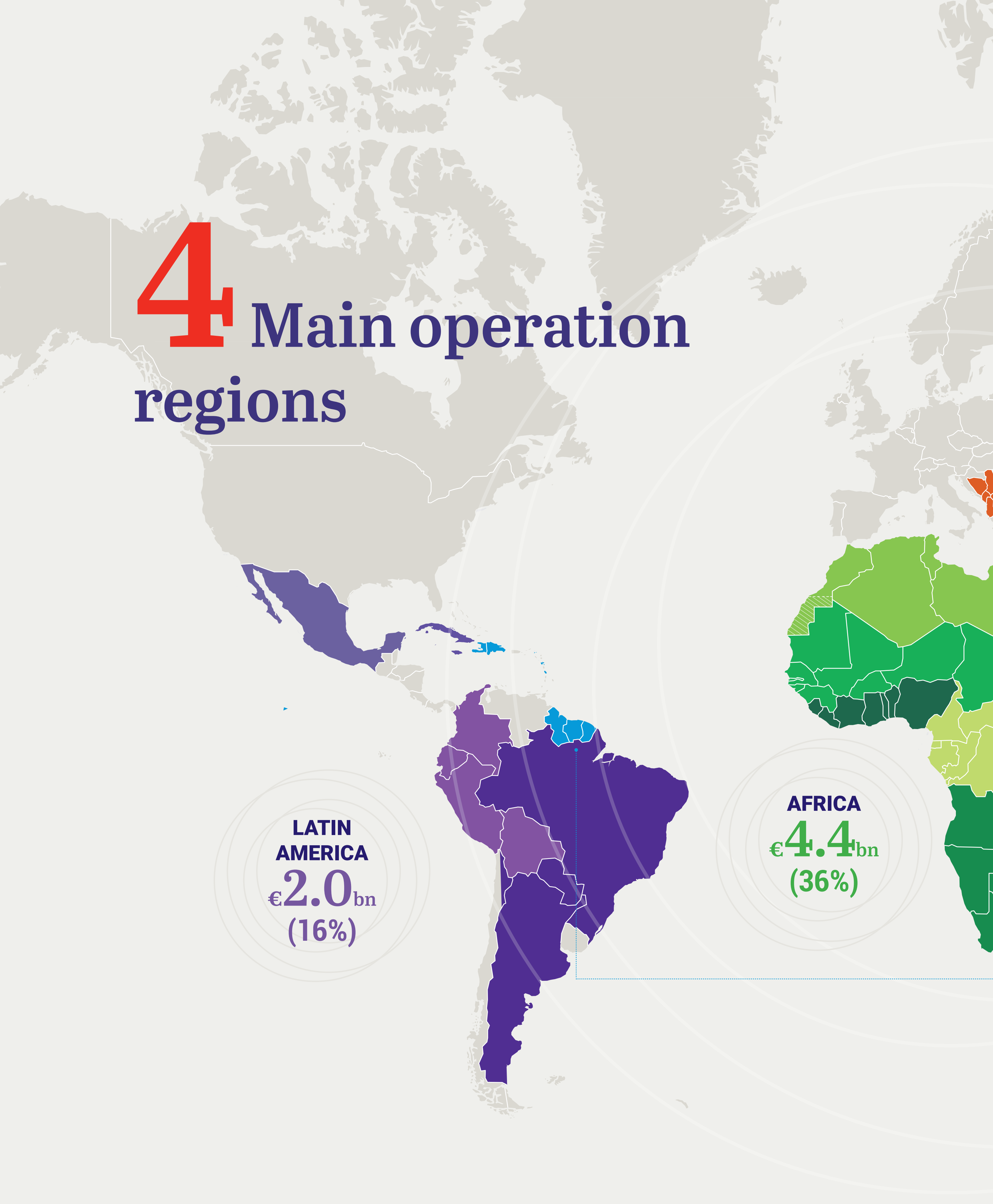
### #5. Political and civic

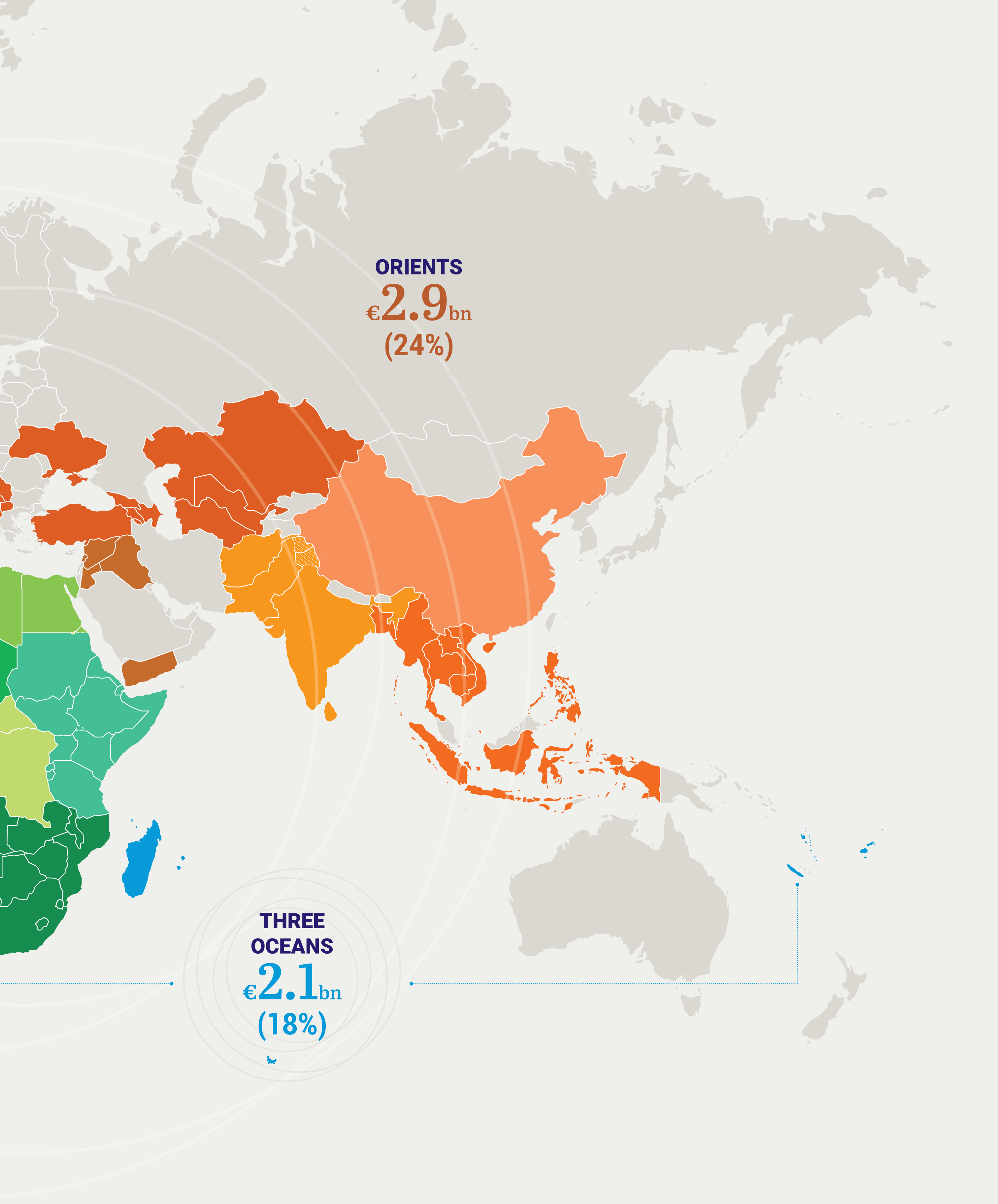
This means reinventing governance models to make them more inclusive and participative.

### #6. Economic and financial

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

# 4 Main operation regions




ORIENTS
€2.9bn
(24%)
THREE OCEANS
€2.1bn
(18%)

# 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

| | |
|---|---|
| AT: | 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: | Support for the Risk of Financing Private Investment in AFD's Areas of Operation |
| ECB: | European Central Bank |
| BPI: | Public Investment Bank |
| C2D: | Debt Reduction-Development Contracts |
| CSEC: | Central social and economic committee |
| Campus: | Ex Cefeb (Centre for Financial, Economic and Banking Studies) |
| CICID: | Inter-ministerial Committee for International Co-operation and Development (CICID) |
| CMF: | French Monetary and Financial Code |
| COM: | Contractual targets and resources |
| COS: | Strategic Steering Committee |
| CSE: | 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: | French Overseas Department |
| EPIC: | Industrial and commercial public undertaking |
| FEXTE: | Technical expertise and experience fund |
| FFEM: | French Global Environment Fund |
| Fisea: | Fonds d'investissement et de soutien aux entreprises en Afrique (Investment and Support Fund for Developpement Businesses in Africa) |
| PRGF: | Poverty Reduction and Growth Facility |
| FSD: | Solidarity Fund for Development |
| FSP: | Priority Solidarity Fund |
| IDFC: | International Development Finance Club |
| MEAE: | French Ministry of Europe and Foreign Affairs |
| MAE: | French Ministry of Foreign Affairs - Former title |
| MINEFI: | French Ministry of the Economy and Finance |
| NAO: | Mandatory Annual Negotiations |
| SDG: | Sustainable Development Goals |
| NGO: | Non-Governmental Organisation |
| OSEO: | Development Bank for Small and Medium-sized Enterprises |
| DC: | Developing country |
| PEE: | Employee Savings Plan |
| LDC: | Least developed countries |
| HIPC: | Heavily-indebted poor countries |
| MIC: | Middle-income countries |
| RCS: | 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 (0)1 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 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-yearly 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 €2,807,998,856. 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 stock issues

(not applicable)

### 1.1.5 Dividends

Pursuant to Article 79 of the amending Finance Bill No 2001-1276 of 28 December 2001 (amended by Article 88 of the amending Finance Bill 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 centered 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.

- Non-sovereign first.

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).

- The partnership reflex

AFD's fifth commitment is for thinking to automatically switch to partnerships. 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 3-lined matrix.

#### THE GEOGRAPHICAL LINE

Based on the specific needs of each territory, country or region, AFD has identified 3 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: 6 TRANSITIONS

AFD's strategic orientations are designed to support 6 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 General comments

### MAIN MISSIONS

AFD is responsible for financing international development projects and programmes within the strategic framework defined by the committee for International Cooperation and Development (the CICID). The framework agreement of 4 January 2007 between AFD and the French State defines the latter's public service role and the financial relationship 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). Since 2001, it has represented Caisse des Dépôts et Consignations for some of its activities in the French Pacific Collectivities and in Saint Pierre and Miquelon. Since 1 January 2014, it has represented Bpifrance Financement in the French Overseas Departments and Collectivities,
    - it can also manage activities funded by the European Union, international institutions and organisations and foreign States, as well as by local authorities, credit institutions and other development banks or public or private institutions (Article 10 of Act 2014-773 of 7 July 2014 Guidance and planning related to development and international solidarity policy). 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 Activities of AFD on its own behalf

The following types of financing are available:

### 1.3.2.1 In foreign countries

#### Ongoing operations

- Subventions

Priority operations in priority poor countries financed by MAEDI budget resources (Programme 209) and by the share of the Financial Transaction Tax (FTT) directly allocated to AFD. Grants are broken down into (i) financing project aid, (ii) advance research funds or supporting projects (iii) equity stakes 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 financial tools available to AFD in respect of the Ministry for French Overseas Departments and Collectivities' 123 budget programme (grants and subsidised loans) are part of the Trajectory 5.0 carried by the Ministry. This strategy is based on 5 priorities: "0 carbon", "0 waste", "0 pollutants", "0 exclusion" and "0 vulnerability".

AFD's overseas activities are mainly carried out *via* loans, 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 amounts to €6bn).
  - In addition, AFD can grant short-term loans to public authorities, as pre-financing of European and State subsidies, as well as the 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 Trajectory 5.0.
  - AFD also supports the development of microcredit institutions in the French Overseas Departments and Collectivities by contributing to their refinancing.
- Subventions
  - 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.

    In 2020, 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 French overseas territories, the fund was allocated a budget of €17.5M in 2020: on the one hand, €15M to finance project management and engineering assistance actions; and, on the other, €2.5M for the funding of research programmes. The action of the FOM will continue in 2021 and 2022, with a budget of €15M per year.
  - 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 also manages housing guarantee funds in the French overseas departments on behalf of third parties. As of 01/07/2020, this activity has been taken over by Bpifrance (01/01/2021 for the department of Mayotte). AFD was entrusted with the management of the Guarantee Fund for Agriculture, Fisheries, Aquaculture and Forestry (FOGAP) created in 2010 by the French State.
  - 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.
  - AFD 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 betweenAFD and the Ministry of Foreign Affairs dated 1 December 2000 and 9 November 2001 regarding the management of assigned funds delegated by the MAE 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 program 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, in application of Article 10 of framework law no. 2014-773 of 7 July 2014 on the development and international solidarity policy, AFD is authorised to carry out activities on behalf of third parties such as the European Union, international institutions and organisations, foreign States, any public authority, financial institutions and other development banks or public or private institutions. 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 activities on its own behalf



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 (€212M of credit appropriations received in 2020).
- Grants received from the State for project grant, French Overseas Departments and Collectivities and NGO activities (€483M of credit appropriations received in 2020).

## 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 2020, AFD received €247M in RCS resources.

## Market borrowings

AFD's bond issues totalled €9,912M in 2020.

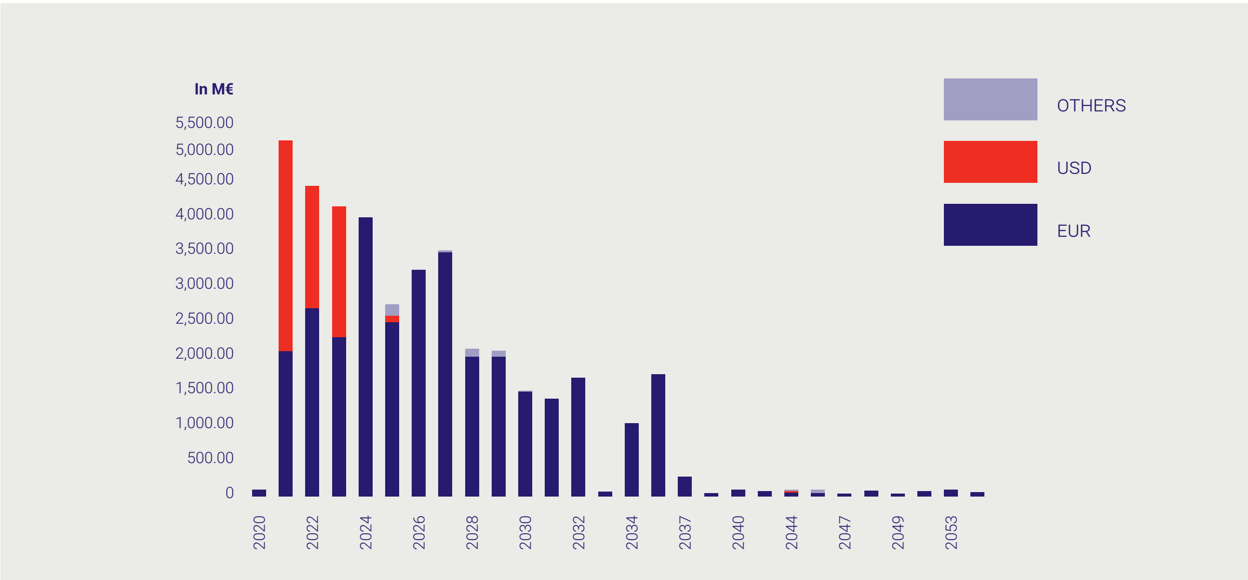
AFD has made six bond issuances in the form of public issues on the euro and US dollar markets for a total of €8,234M:

- €1,000M over 5 years (maturity March 2025) in climate bond format;
- €1,500M for 10 years (maturity May 2030);
- $2,000M for 3 years (equivalent to €1,841M; maturity April 2023);
- a tap issue with order book opening for €1,000M for 15 years (maturity May 2035);
- $1,000M for 18 months (equivalent to €893M; maturity December 2021);
- €2,000M for 7 years (maturity October 2027) in SDG bond format.

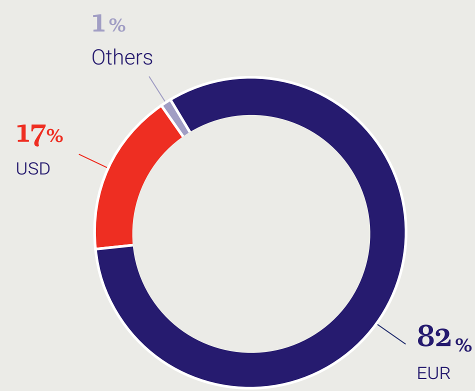
AFD has also undertaken:

- 8 tap issues without order book opening for a total of €1,236M;
- 7 private placements on the euro, US dollar and Australian dollar markets for a total of €442M.

Based on the 2020 issues, the nominal burden of AFD debt was €40.3bn as of 31 December 2020. The breakdown by maturity date is as follows:

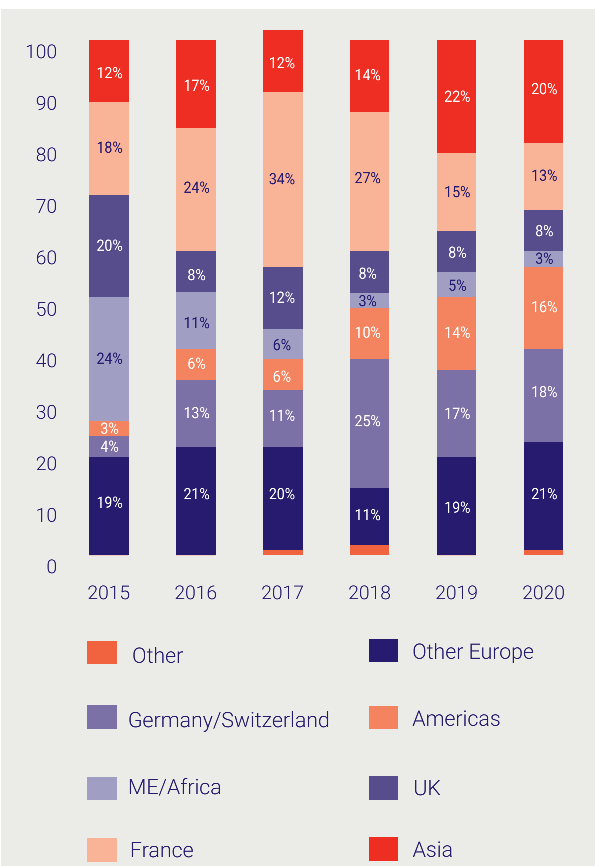


The outstanding debt stock at as of 31 December 2020 is mainly denominated in euros:

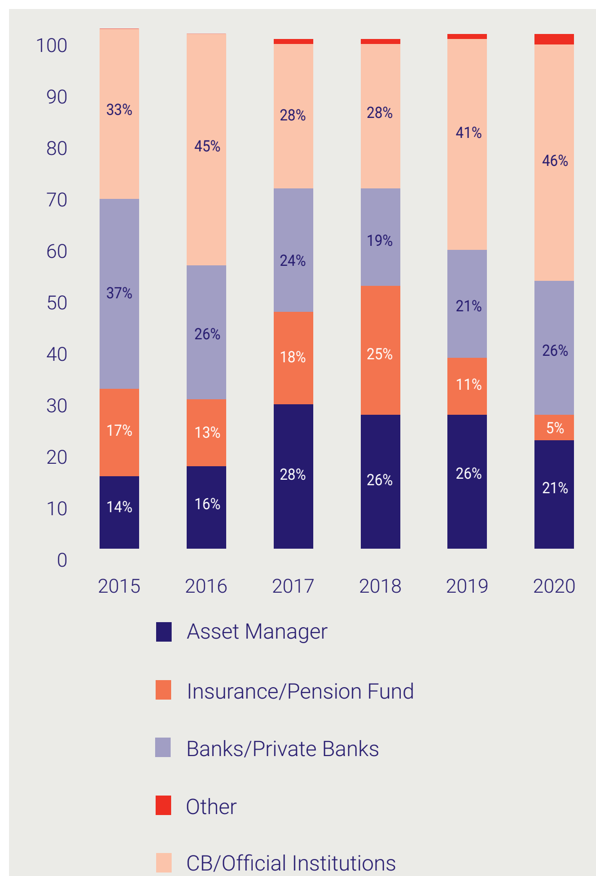



To meet its growing financing requirements, AFD ensures that it constantly maintains and expands its investor base which guarantees secure access to cash resources and competitive prices. The investor base by geographic area and type of "public" operations(1) breaks down as follows:

### 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 EUR or USD for fixed-rate loans).*

Over the past six years, AFD has had a solid investor base in France (13% in 2020) and in Europe (47% in 2020). 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, after having fallen slightly (26% in 2016, 19% in 2018) following the change of AFD's banking license in 2017, rose significantly in 2020 (26%); these investors participate heavily ingreen, social orsustainable bond issues, themes representing 30% of AFD's volumes in 2020. The share of official institutions also continued to grow, with the increase in AFD's borrowing programme increasing their participation, notably in liquidity tap issues.

Lastly, since mid-2018 we can see that AFD's spread has normalised and is back in line with that of its closest peers. Naturally, AFD's spread has evolved in line with the health, economic and financial crisis during 2020, in the same way as its counterparts. It should be noted that at the end of 2020 the spread returned to its levels of the beginning of the year.

# 1.5 AFD Group

## 1.5.1 Scope of consolidation

As part of its mission to finance development, AFD holds equity stakes 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.

| Country | | Method[(1)] | Percentage of ownership 31/12/2020 | Percentage of ownership 31/12/2019 | Percentage of ownership 31/12/2018 | Percentage of control 30/09/2020 | Percentage of control 31/12/2019 | Percentage of control 31/12/2018 |
|---|---|---|---|---|---|---|---|---|
| **France** | | | | | | | | |
| **Mainland France** | | | | | | | | |
| Proparco | France | FC | 78.19 | 74.18 | 64.95 | 78.19 | 74.18 | 64.95 |
| Sogefom | France | FC | 60.00 | 60.00 | 60.00 | 58.69 | 58.69 | 58.69 |
| Fisea | France | FC | 100.00 | 100.00 | 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 | 100.00 | 100.00 |
| SIC | France - New Caledonia | EM | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 | 50.00 |
| Simar | France - Martinique | EM | | | | | | |
| Socredo | France - Polynesia | EM | 35.00 | 35.00 | 35.00 | 35.00 | 35.00 | 35.00 |

*(1) FC: Full consolidation - EQ: Equity method.*
*AFD Group - Scope of consolidation at 31 December 2020*

Details of the consolidation scope are shown in Section 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 (9.81%), private investors (1.37%), international financial institutions (10.03%), ethical foundations and funds (0.60%)
Balance sheet total: €6,410M
Total net equity: €1,094.5M
Equity investments: €1,100.1M
Gross outstandings: €4,668.1M
Net banking income: €147.8M

### 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: €50.7M
Net position: €11.8M (excluding FRBG)
Gross outstandings: NS
Net banking income: €2.6M

#### 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
Stake held by AFD: 100%
Other shareholders: None
Balance sheet total: €5.3M
Total net position: - €116.1M (excluding FRBG)
Gross outstandings: NS
Net banking income: - €0.00M

#### 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: €227,000,000
AFD's stake: 100.00%
Other shareholders: None
Balance sheet total: €192.5
Total net equity: €115M
Gross outstandings: NS
Equity investments: €117.7M (amount net of impairments)
Net income: -€22.6M

## 1.5.3 Presentation of subsidiaries

### 1.5.3.1 Proparco

Proparco is a development financial institution.

The Chairman of the Board of Directors of Proparco noted the definitive completion, on 29 December 2020, of the capital increase of Proparco for a nominal amount of €175,780,880, together with an issue premium amounting to €23,730,418.80.

At the end of December 2020, 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's purpose is to work with the private sector in order to promote inclusive sustainable development 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.

From an organisational standpoint, the amended Finance Law of 30 July 2020 allows AFD to use its subsidiary Proparco to provide certain services (quasi-public). Proparco has thus become the Group's only player in private sector activities.

The law also provides for the State guarantee for AFD and Proparco in respect of loans and guarantees granted to companies and financial institutions in the African private sector until 31 December 2021, up to a limit of €160 million.

### 1.5.3.2 Activities of TR Propasia, a subsidiary of Proparco

TR Propasia was dissolved on 23 July 2020.

### 1.5.3.3 Fisea

Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. It mainly operates in Sub-Saharan Africa. It is managed by Proparco on behalf of AFD, within the framework of a regulated agreement.

The capital of Fisea is of €227M. AFD holds 227,000 shares.

The Fisea vehicle will be able to continue its activity since its Board of Directors approved the launch of a new Fisea+ initiative at the end of 2020 through the authorisation of a capital increase for Fisea of €277M, together with the mobilisation of €40M of resources from the 209 Programme of the Ministry for Europe and Foreign Affairs. In order to continue the action initiated over the last ten years while capitalising on feedback, Fisea+ aims to support the creation and development of SMEs in Africa, with specific investment objectives in fragile countries, social and solidarity-based companies, and SMEs integrating digital innovation. These investments, still mainly concentrated on investment funds (80% of investments by amount) will be recorded on Fisea's balance sheet. Fisea+ will open its investment period in early 2021.

### 1.5.3.4 Socredo bank

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.

For many years, Socredo has been the top banking institution in Papeete, ahead of Banque de Polynésie (Société Générale Group) and Banque de Tahiti (Groupe BPCE), with 49% of the lending market and nearly 36% of the companies market, as well as 42.4% of the deposit market at end-December 2019.

In addition to its banking activities, Socredo has five main subsidiaries through which it extends its operating activities: OSB (Océanienne de services bancaires, specialised in e-banking), ODI (Océanienne d'industrie, specialised in cheque processing and electronic publishing), Ofina (Océanienne de financement, which sends and receives cash for American Express cardholders in the French Pacific), OCSD (Océanienne de conservation sécurisée de données, a secure data storage centre) and finally OCA (Océanienne de centre d'appel, a call centre). The Bank also wholly owns OCI (Océanienne de Capital Investissement) which manages the equity stakes 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 2019, Socredo employed a headcount of 495 people. Its balance sheet total amounted to €2.45bn, mainly comprising customer receivables (€1.90bn). The bank generated net banking income (NBI) of €80.2M and net income of €12.4M, compared with €81.1M and €14.8M respectively in 2018. All regulatory ratios are satisfactory.

At the end of 2020, estimated outstanding loans amounted to €2.1bn, *i.e.* an increase of 10% mainly due to the granting of SGL (€127.5M). Estimated NBI and net income amounted respectively to €74.7M (-7%) and €2.5M (-396%). Regulatory ratios should remain 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. As of 30 September 2020, Banque Socredo had granted 5,336 deferrals for an amount of €11.7M in deferred monthly instalments (*i.e.* nearly €67M over the duration of the scheme), representing outstandings of €388M.

With 30% 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. Beyond this consideration, Socredo also has targets and a strategy fully in line with those of AFD in the Pacific zone in terms of financial inclusion, sustainable development and regional integration. AFD is actively involved in Socredo's governance with 3 out of 10 Directors (with 5 Directors from French Polynesia and 2 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 2019.

### 1.5.3.5 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 €106M and are fully written down in AFD's parent company financial statements.

### 1.5.3.6 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 strong increase in 2019 (+50%), the production of new guarantees in 2020 was down 47% in terms of amounts and 24% in terms of the number of guarantees granted. They break down as follows:

- **in New Caledonia**, after having recorded a strong increase in new production in 2018 (+54%) and in 2019 (+70%), grants recorded a significant decrease of 52% in 2020. Production amounted to only €6.3M compared to €13.1M at the end of 2019. This year, it was not enough to offset the amortisation of outstandings, which amounted to €32.2M at the end of 2020, compared with €32.9M at the end of 2019;
- **in French Polynesia**, production fell for the first time since 2015. This year, it stood at €18.7M compared with €34.3M in 2019 (-46%). Outstandings recorded at the end of 2020 amounted to €84.1M, up 9% compared to the outstanding amount at the end of 2019. They represent more than double that of New Caledonia and consist of 1,714 guarantees compared with 669 in New Caledonia.

- **to Wallis and Futuna**, the fund did not change this year with zero production, as in 2019.

The gross consolidated outstanding guarantees at 31 December 2020 (€116.4M) increased by 6% compared with 31 December 2019 (€109.9M).

#### 1.5.3.7 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 interests 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.

Following the negotiations conducted between the State and SNI, an agreement was signed for a disposal in two stages: first the purchase by SNI of 34% of the companies' share capital, including all AFD's shares in 2017, then an option to purchase the balance of the State's shares within five years. The full sale took place on 19 December 2019. AFD no longer holds any equity investments on its own behalf in SIDOM (with the exception of SIC in New Caledonia), as these were sold for €20.9M. The shares still recognised in its balance sheet are held on behalf of the State and were sold at the end of 2019.

As a result, as of the end of 2019, AFD's equity stake 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.

SIC is a social landlord whose mission is to further social cohesion and the fight against inequality and exclusion by offering housing solutions for people with the most modest means. It manages a stock of 10,700 accommodations, housing 40,000 people, *i.e.* 15% of the population of New Caledonia.

## 1.6 Activities of the Agence Française de Développement Group in 2020

### 1.6.1 International context

#### THE YEAR IN 2020

According to the latest IMF forecasts (January 2021), the global economy entered a recession in 2020, with a magnitude of-3.5% over the year. Emerging and developing countries (EDCs) saw their GDP contract by -2.4% (-4.9% for advanced economies) and all regions where AFD operates saw a decline in their activity in 2020, Latin America being the most affected continent, while emerging and developing Asia resisted relatively better due to a rapid rebound in Chinese growth, which stood in positive territory over the year, at 2.3%. The strongest impact of the crisis in relation COVID-19 was felt in the second quarter of 2020 in most economies. Following the almost general easing of lockdown measures, economic activity rebounded automatically during the second half of the year, even if in many countries (except China) GDP is not expected to return to its original level of 2019 before at least 2021. The appearance of new epidemic waves and more transmissible SARS-CoV-2 variants at the end of 2020 casts a veil of uncertainty on the prospects for recovery in 2021 despite the development of effective vaccines against the virus.

At the end of 2020, the external environment of EDCs improved: trade resumed, financial conditions relaxed and inflation remained low overall. The easing of monetary policies in advanced and emerging economies played a decisive role in supporting economic activity and reducing the liquidity tensions observed in the spring. The announcement of the arrival of vaccines had a positive effect on the normalisation of financing conditions and the tightening of spreads on the international bonds of many EDCS. In particular, they benefited from the return of capital flows at the end of the year, even if several countries in the speculative category are still excluded from the financial markets (Sri Lanka and Ecuador, for example). Lastly, commodity prices have started to rise again, including that of oil, although it remains well below its level at the beginning of 2020.

In 2020, according to the IMF, the real GDP of emerging and developing Asia is expected to fall -1.1%. Relatively protected from the crisis compared to other regions, Asia is benefiting from the rapid recovery in China, driven by the industrial sector. In Vietnam, the rapid response of the authorities, both in terms of health and economics, mitigated the impact of the crisis on activity despite a relatively outgoing growth model. In 2020, Vietnamese growth also remained positive, at +1.6%. India, on the other hand, is expected to be severely affected, in an already unfavourable economic context of slowing growth (+4.2% for FY 2019/20). While external balances hold up well to the shock, the contraction of economic activity of more than -10% for the 2020/21 financial year, combined with the increase in the budget deficit (-13.1% of GDP) should increase the weight of the public debt, which could reach 89.3% of GDP at the end of March 2021, even though government support for the economy seems measured. Like India, the Philippines and Indonesia are struggling to contain the epidemic. The economic impact of the crisis is expected to be greater in the Philippines (-8.3% recession expected in 2020) than in Indonesia (-1.5%), where the economic policy response was more decisive.

In Eurasia, the decline in growth is largely due to oil-importing countries (Armenia and Georgia) due to higher-than-expected economic losses from crisis-related containment measures, but also to weak trade, a collapse in tourism, and a sharp fall in remittances from Russia. According to IMF projections, the oil-exporting countries in this region (Azerbaijan, Kazakhstan and Uzbekistan) will also record a decline in economic activity in 2020 of -1.6% on average, but it will be relatively moderate by comparison with oil-exporting countries in other parts of the world. Uzbekistan, in particular, should avoid recession (growth expected to reach +0.7% in 2020), having benefited from the rise in gold prices and favourable weather conditions for agricultural production. In Turkey, the IMF anticipates a contraction in real GDP of -5% in 2020, which seems conservative, given the significant support from public banks to bank credit growth since the beginning of the year. In 2020, foreign investors approved the economic policy guidelines, responding to the primacy of short-term economic growth over macroeconomic balances (inflation and twin deficits). The massive and futile use of foreign exchange reserves to defend the pound has increased the liquidity and external refinancing risk.

In the Middle East, the impact of the health crisis on the tourism sector will lead to a recession of -3% in 2020 in Jordan, which continues to benefit from the financial support of the international community, in a context of continued deteriorating public finances. As for Lebanon, it has been experiencing a deep and multifaceted economic crisis since 2019, materialised by a default on sovereign debt in March 2020. The depreciation of the local currency (which has lost 70% of its value on the parallel market since the end of 2019), the application of informal controls on capital movements by all banks, and foreign exchange shortages have triggered a hyperinflation spiral, which has led to food shortages, power cuts and increased poverty. In August, a strong explosion at the port of Beirut caused significant loss of life and enormous material damage. It also led to the resignation of the government and to a new wave of demonstrations, with no prospects of a way out of the crisis at this stage.

Latin America and the Caribbean was the region hardest hit by the crisis in 2020, reflecting difficulty it had in stemming the epidemic. Compared with the average of other emerging regions, the greater impact of the crisis was due to a greater exposure of Latin American economies to intensive contact sectors (hospitality, tourism and entertainment), both in terms of jobs and GDP. The IMF projects a contraction of economic activity of -7.4%. In particular, the GDP of the two main economies in the region, Mexico and Brazil, is expected to fall, respectively,

-8.5% and -4.5% in 2020. Mexican domestic demand (consumption and investment) and the service sector are suffering from the prolonged effects of the lack of a fiscal stimulus, while oil production is at an all-time low. In Brazil, the less stringent lockdown measures than in some countries, and the fiscal and monetary stimulus led by the authorities, seemed to foster a dynamic recovery in consumption and activity in the second half of 2020. The budget deficit reached -16.8% of GDP in 2020, thus contributing to the acceleration of the upward trend in public debt (101.4% of GDP at the end of 2020).

Having entered into the crisis with fragile economic situations and deteriorated public finances, Argentina and Ecuador were severely affected in 2020 (projected real GDP down -11.8% and -11% respectively) but in the summer found an agreement with their private creditors to restructure their international bonds.

Although the spread of the epidemic has been more limited there than in other regions, Africa is also expected to experience an economic shock of an unprecedented magnitude in 2020, with a recession of -2.6%. In North Africa, Egypt is expected to maintain positive growth over FY 2019/20 (+3.5%) and FY 2020/21 (+2.8%) despite pressures on its traditional sources of currency, affected by the crisis: tourism, remittances and revenues from the Suez Canal. Having somewhat restored its budgetary and external room for manoeuvre since 2016, Egypt was able to rapidly take counter-cyclical budgetary and monetary measures with the support of the IMF and donors, and gain access to international financial markets to cover its need for external financing. In Tunisia, the limited budgetary room for manoeuvre due to high public debt (nearly 100% of GDP) and a difficult political context weighed on the authorities' ability to respond to the crisis. Like Tunisia, exposed to the impact of the crisis on tourism and demand from European countries (textiles, cars), Morocco is expected to experience a recession of similar magnitude (-7.4%) in 2020. The impact of the crisis on growth is particularly strong for commodity-exporting countries, with an average contraction of -4% for oil-exporting countries and -4.6% for other commodity exporters. A modest recovery (+3.1%) is expected by 2021, constrained by the lack of capacity of African countries to conduct expansionary budgetary policies. The deterioration of the economic situation in South Africa, which has been taking place for several years, is expected to worsen as a result of the crisis. A GDP contraction of -7.5% is expected in 2020, while public debt is expected to rise sharply (+20 percentage points of GDP compared to 2019) to 82% of GDP. In southern Africa, Zambia and Angola, economies dependent on copper and oil exports respectively, also saw their vulnerable economic situations worsen following the crisis (recessions expected by -4.8% and -4% respectively) while their public debts reached unsustainable levels (120% of GDP in both countries). Nigeria's GDP is also expected to fall by -3.2% in 2020, driven by low oil prices, reduced production under the OPEC+ deal and lower domestic demand due to the lockdown. Already permanently weakened by the oil-price shock of 2014, the CEMAC is likely to experience a significant recession in 2020 (-3.2%) which could undermine the adjustment efforts undertaken under IMF programmes and slow recovery of foreign exchange reserves in the region. In terms of economic activity, the countries of West Africa (Benin, Côte d'Ivoire, Ghana, Guinea) and East Africa (Kenya, Ethiopia, Tanzania) generally seem to be more resilient to the crisis, with positive growth rates, while nearly 30 African countries are likely to experience a recession this year. According to the latest World Bank estimates, in 2020, global poverty is expected to increase for the first time since 1998, with more than 26 million people falling into extreme poverty in sub -Saharan Africa alone. This impoverishment is likely to continue in 2021 and beyond.

## OUTLOOK FOR 2021

Global activity is expected to grow 5.5% in 2021, supported in particular by the budgetary stimuli announced in the advanced economies and in the United States in particular, following the election of President Biden. But the dynamics of the recovery will be very uneven from country to country, depending in particular on the effective control of the epidemic, the structure of economic activity and its dependence on the sectors most vulnerable to distancing, and the efficiency of the economic policy measures taken in response to the crisis. Differences in the timing of access to vaccination between developing countries and advanced economies, combined with constraints on budgetary and monetary room for manoeuvre could delay the rebound of the economies where AFD intervenes. Within this group of countries, additional differences are beginning to emerge: China already seems to have regained its pre-Covid real GDP trajectory, while oil-exporting or tourism-dependent countries will be affected in the longer-term.

According to the IMF, growth in emerging and developing Asia should rebound to +8.3% in 2021, largely driven by China (+8.1%) and India (+11.5%). In Latin America (+4.1%), the two largest economies, Brazil and Mexico, are expected to grow by +3.6% and +4.3% respectively in 2021. Economic activity in Sub-Saharan Africa is expected to increase more moderately (+3.6%) in 2021, due to the relative weakness of the economic performance of South Africa (+2.8%) and Nigeria (+1.5%).

## 1.6.2 Information about offices and activities at 31 December 2020

### 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.

| | FY 2020 | | | |
|---|---|---|---|---|
| | Net Banking Income in €M(1) | Revenue in €M(1) | Net income or loss before taxes(1) | Public subsidies received |
| **European Union member states:** | | | | |
| France | 1,028 | 69 | 19 | 222 |
| **TOTAL** | **1,028** | **69** | **19** | **222** |

*(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 2020-2019 approvals (€M)

| *In millions of euros* | Total approved in 2020 | Total approved in 2019 |
|---|---|---|
| **AFD Foreign countries** | | |
| **Ongoing operations** | **8,763** | **9,827** |
| Subventions | 870 | 1,422 |
| Sovereign concessional loans | 4,782 | 5,308 |
| Non-sovereign concessional loans | 1,157 | 889 |
| Non-sovereign non-concessional loans | 1,325 | 2,059 |
| of which NCLs declarable in AOP | 794 | 1,101 |
| Other loans | 310 | - |
| Other investments | 200 | - |
| Funding for NGOs | 115 | 93 |
| Guarantees | 4 | 56 |
| **Mandate-specific operations** | **192** | **308** |
| GBS | 82 | 62 |
| C2D | 89 | 235 |
| Assigned funds delegated by MAE (Pacific Fund and others) | | 0 |
| French GEF OR FGEF (French Global Environment Facility) | 21 | 12 |
| **Specific activities using resources from other backers** | **603** | **706** |
| Loans delegated by other funders | 513 | 706 |
| **Total AFD Foreign countries** | **9,559** | **10,841** |
| **AFD French Overseas Departments and Collectivities** | | |
| **Ongoing operations** | **1,246** | **933** |
| Loans | 1,206 | 875 |
| Guarantees granted to the private sector | 27 | 51 |
| Subventions | 13 | 7 |
| **Mandate-specific operations and representation** | **-** | **308** |
| BPI funding | - | 293 |
| Managed funds | - | 15 |
| **Total AFD French Overseas Departments and Collectivities** | **1,246** | **1,241** |
| **Proparco Foreign countries** | | |
| Loans | 1,604 | 1,786 |
| of which AFD sub-participation loans to Proparco | 660 | 451 |
| Equity stakes and other long-term securities | 188 | 319 |
| Fisea | 0 | 6 |
| Other investments | 21 | 164 |
| of which AFD sub-participations granted to Proparco | - | 52 |
| Guarantees | 197 | 250 |
| of which Proparco | - | 75 |
| of which ARIZ, EURIZ and MINKA | - | 175 |
| Subventions | 18 | 18 |
| **Total Proparco Foreign countries** | **2,029** | **2,543** |
| **Proparco French Overseas Departments and Collectivities** | | |
| Loans | - | - |
| of which AFD sub-participation loans to Proparco | - | - |

| *In millions of euros* | **Total approved in 2020** | Total approved in 2019 |
|---|---|---|
| Guarantees | - | - |
| **Total Proparco French Overseas Departments and Collectivities** | **-** | **-** |
| **Proparco - Specific activities using resources from other backers** | | |
| Loans | - | - |
| Equity stakes and other long-term securities | - | - |
| **Total Proparco - Specific activities using resources from other backers** | **-** | **-** |
| of which AFD sub-participations granted to Proparco | -758 | -502 |
| **TOTAL GROUP APPROVALS** | **12,075** | **14,123** |
| of which COVID | 1,557 | - |
| of which SEC | 860 | - |

In 2020, the AFD Group's overall activity reached €12.08bn in commitment approvals, down €2.06bn compared to 2019. This decrease is mainly due to i) a decrease in lending activity of €0.8bn. A decrease of €0.5bn was initially anticipated in the 2020 Business Plan approved by the Board of Directors in January 2020. With 2020 a year of consolidation of the operational activity. This decline was accentuated by the health crisis and the deterioration of the macroeconomic environnent, ii) a €0.6bn decrease in the amount of 209 grants made available to the Agency, and iii) a decrease in Proparco's activity of €0.5bn.

Authorisations of concessional sovereign loans, non-sovereign concessional loans, and non-concessional non-sovereign loans totalled, respectively, €4.78bn (-€0.53bn), € 1.16bn (+€0.27bn) and €1.32bn (-€0.73bn) at the end of 2020, *i.e.* a decrease of around €1bn, in line with i) a target for 2020 which provided for a decrease in this activity of €0.5bn between 2019 and 2020, and the remainder due to the health crisis.

Despite this decline in overall activity, AFD has been very active in providing solutions to the current context of the health crisis by mobilising, very early in 2020, a commitment of €2.8bn for the response to the health crisis ("Health in Common" Initiative - SEC and COVID response), including €2.4bn in "new" commitments and €0.4bn in reallocations of loans already committed.

### Zoom on AFD Group crisis response authorisations (€M)

| *In millions of euros* | Total approved in 2020 |
|---|---|
| **SEC projects** | **860** |
| Project grants | 60 |
| Sovereign loans | 496 |
| Non-sovereign concessional loans | 100 |
| Sovereign non-concessional loans | 100 |
| GBS | 82 |
| C2D | 13 |
| Other backers | 9 |
| **COVID projects** | **1,558** |
| Project grants | 28 |
| Sovereign loans | 860 |
| Non-sovereign concessional loans | 140 |
| Non-sovereign non-concessional loans | 20 |
| OMR loans | 480 |
| Other backers | 11 |
| Other delegators | 19 |

### 1.6.3.1 AFD, foreign States

#### Ongoing operations

The activity of **loans and guarantees** this year reached €7.58bn compared with €8.31bn in 2019, returning to its level of 2018.

The year in 2020 was marked by a decline in both sovereign (-€526M) and non-sovereign (-€466M) activity. The decline in non-concessional sovereign lending activity was -€734M but was partially offset by an increase of +€268M in concessional non-sovereign lending activity. Guarantee activity was down sharply to €4M compared to €56M in 2019. This decrease is explained by a tightening of constraints (country risks, sovereign and non-sovereign risks, suspended instructions, IMF programme suspensions, etc.) in some of the countries where the Agency operates.

Total authorisations in **grants** stood at €862M (-€552M) at the end of 2020 after an exceptional year in 2019 marked by the provision of budgetary resources of almost €1.5M.

Activity on **specific mandates** was also down compared to the previous year: approvals amounted to €0.19bn compared with €0.31bn in 2019. The sharp decrease on C2Ds (-62%) is to be compared with the moratoriums put in place as part of the Covid-19 crisis, which interrupted the debt service of the countries that requested to benefit from them.

#### Activities using resources from other sponsors

These activities amounted to €603M compared to €706M in 2019. This decline in the mobilisation of delegated funds in 2020 is proportional to the decline in the lending activity.

### 1.6.3.2 AFD, French Overseas Departments and Collectivities

The year 2020 confirmed the overseas anchoring of AFD, the leading public sector financial partner of the French Overseas Departments and Collectivities.

After a decline in 2019, AFD's activity in the French Overseas Departments and Collectivities stabilised despite the end of the Group's service on behalf of Bpifrance. Commitment authorisations, which now correspond to activity on its own behalf (loans, guarantees and subsidies), thus amounted to €1.25bn at the end of the year, compared with €0.93bn the previous year (excluding Bpifrance). Activity under a specific mandate - Sogefom, Fogap and Fonds de garantie à l'habitat Mayotte - amounted to €29M, in line with the forecasts for 2020.

AFD's activity in the overseas public sector was very dynamic in 2020, notably in order to meet the needs arising from the COVID crisis. Commitment authorisations (loans and subsidies) thus amounted to €1.1bn, up by 53%.

Loans to the public sector overseas, which account for four-fifths of loans on its own account, were maintained 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's business was strongly affected by the health crisis and the global economic recession, reaching €2bn (below the forecasts of the strategy for 2020-2022 (target of €3bn)). In this context, activity was refocused on the refinancing of banks and financial institutions, as was the case at all other development financial institutions, while infrastructure projects and corporate financing experienced a marked slowdown.

1

## 1.6.4 AFD's activities in foreign countries

### TOTAL VOLUME OF AUTHORISATIONS, DISBURSEMENTS, UNDISBURSED BALANCES AND OUTSTANDING LOANS[1]

| *In millions of euros* | 2020 | 2019 | Variance 2020/2019 €M | Variance 2020/2019 % |
|---|---|---|---|---|
| **Loans[1]** | | | | |
| Approvals | 7,574 | 8,256 | -482 | -5.8% |
| Disbursements | 6,016 | 3,825 | 2,191 | 57.3% |
| Undisbursed balance at 31/12 | 20,969 | 21,806 | -837 | -4% |
| Outstandings at 31/12 | 28,920 | 26,100 | 2,821 | 11% |
| **Grants** | | | | |
| Approvals | 1,073 | 1,577 | -503 | -32% |
| Disbursements | 674 | 546 | 128 | 23% |
| Undisbursed balance at 31/12 | 2,780 | 2,360 | 420 | 18% |
| Outstandings at 31/12 | 25 | 22 | 3 | 14% |
| **Guarantees** | | | | |
| Approvals | 4 | 56 | -53 | -94% |
| Outstandings | 156 | 177 | -21 | -12% |
| **Equity investments** | | | | |
| Approvals | 200 | 0 | 0 | 0% |
| Disbursements | 0 | 0 | 0 | |
| **Total** | | | | |
| Approvals | 8,851 | 9,889 | -1,038 | -10% |
| Disbursements | 6,690 | 4,371 | 2,319 | 53% |
| Undisbursed balance at 31/12 | 23,749 | 24,166 | -418 | -2% |
| Outstandings at 31/12 | 29,101 | 26,298 | 2,803 | 11% |

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

Total authorisations in foreign countries amounted to €8.85bn in 2020 compared to €9.89bn in 2019, *i.e.* a decrease of 10%. The decline in activity mainly affected loans (-15%) and guarantees which totalled €4M compared to €56M last year.

Total disbursements reached a very high amount of €6.69bn compared with €4.37bn, *i.e.* an increase of more than €2bn (+53%). The increase was mainly driven by loans with disbursements of €6.02bn, an increase of €2.1bn (+57%). Disbursements on grants increased by €128M, to €674M in 2020 compared with €546M in 2019. The year 2020 marked a general acceleration of AFD disbursements. The main sources of the acceleration of disbursements in 2020 related to the exceptional response to the health crisis but also to the acceleration of the implementation of the projects for which the financing was granted at the end of 2019. As a result, 65% of disbursement made in 2020 came from the 2019 and 2020 allocations of grants.

Driven by these very dynamic disbursements, undisbursed balances fell slightly (-2%) while outstanding loans increased by 11%.

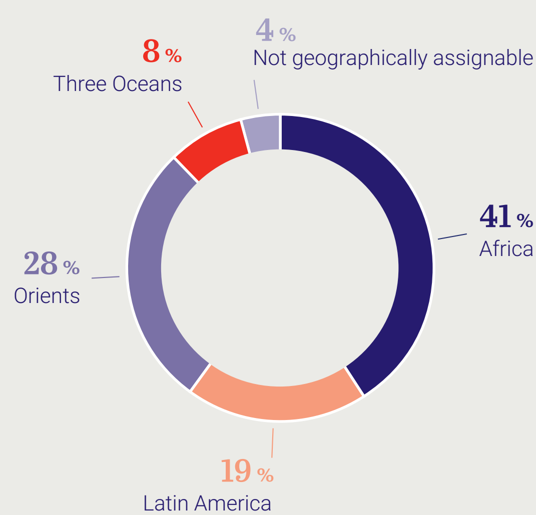
For a breakdown of approvals and disbursements by type of financing, see Appendix 6.

*(1) With sub-participations. Excluding grants on behalf of third parties and transactions on behalf of the State.*

## GEOGRAPHIC BREAKDOWN OF AFD APPROVALS

2019 and 2020 approvals, presented by beneficiary country, break down as follows:

| | Loans | | GBS, grants and equity stakes, ongoing operations | | Guarantees granted | | General | |
|---|---|---|---|---|---|---|---|---|
| *In millions of euros* | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Africa | 2,744 | 3,814 | 908 | 1,070 | 4 | 56 | 3,656 | 4,940 |
| Latin America | 1,668 | 1,622 | 24 | 36 | | | 1,692 | 1,657 |
| Orients | 2,284 | 2,372 | 140 | 203 | | | 2,424 | 2,575 |
| Three oceans | 568 | 444 | 128 | 138 | | | 696 | 582 |
| Not geographically assignable | 310 | 4 | 73 | 130 | | | 383 | 134 |
| **GRAND TOTAL** | **7,574** | **8,256** | **1,273** | **1,577** | **4** | **56** | **8,851** | **9,889** |




Commitment approvals in **Africa** were €3.66bn in 2020, down 26% on 2019 (-€1.28bn).

This decline was mainly driven by the lending activity (-€1.07bn, or -28%), partly anticipated in the initial business plan for 2021 and accentuated by the health crisis. Grants activity was also down, but to a lesser extent (-€0.16bn, or -15%). The Covid-19 crisis disrupted the achievement of AFD's grant targets in Africa. The reduction in the availability of project managers, the postponement of certain appraisal assignments and, sometimes, the deterioration of counterparty risks, had the effect of reducing the volume of activity in 2020 to €3.66bn compared to €4.94bn the previous year. The closure of certain windows for sovereign loans in line with the Lagarde doctrine, the deterioration of the macroeconomic situation in certain countries, and activity constrained by major risk limits also weighed on activity in 2020.

However, in the face of the spread of the coronavirus pandemic in Africa, AFD has been very responsive in rolling out its "Covid-19 - Health in Common" initiative, launched in April 2020, on the continent. €557 million were mobilised in Africa for this purpose. These funds have made it possible to respond to the health emergency by strengthening African capacities for epidemiological monitoring, diagnosis and care. They have made it possible to finance part of the national response plans of certain Sahelian States. This funding also helped to mitigate the social impact of this crisis on vulnerable populations (women, the informal sector, etc.).

In addition to responding to the health crisis and its economic and social consequences for African countries, the AFD Group continued to implement the major objectives set by the President of the French Republic in his speech in Ouagadougou in 2017, which guide its strategy on the continent. Grants in the Greater Sahel region remained a high priority and made it possible to strengthen the implementation of the 3D strategy – development, diplomacy and defence – in this region. More broadly, with 209 grant funding (excluding FICOL and FISONG) of €539 million, 2020 remained a year of sustained intervention in priority countries, particularly in the areas of (i) education and vocational training, (ii) health and (iii) agriculture and food security.

For example, AFD launched the EDIFIS initiative in the Sahel (Education, Sexual and Reproductive Health and Rights, Integration of Women and Girls in the Sahel) to promote gender equality and support demographic transition, socio-economic transition and resilience within the G5 Sahel countries and Senegal, by supporting the empowerment trajectories of girls and women. Technical assistance in the amount of €4 million supports the reinforcement of the regional actors on programme themes, before financing a set of projects to the tune of approximately €150 million by 2022.

2020 was also the year of the award of the Partnership with African Higher Education programme, a partnership programme among higher education institutions. Financed through a grant of €20 million, it will strengthen the capacities of African players and the influence of French players. Open to the 18 African priority countries for French development aid, it aims to: i) offer students from the continent the possibility of finding quality training in their country or region; ii) support French higher education players in developing partnerships; iii) allow the mobility of French and African students and teachers.

Thus, 46% of the Group's activity focused on the African Union (Africa Department plus the activity of the Indian Ocean Regional Department in foreign countries) in 2020.

AFD's activity in the **Latin America region** remained stable at €1.69bn compared with €1.66bn in 2019. Approvals for loan commitments amounted to €1.67bn, comparable to the activity in 2019 (€1.62bn). At the same time, AFD continued its grant activity initiated for the first time in this geographic area. Approvals for grant commitments amounted to €24M compared to €36M in 2019. In a context in which i) the Covid-19 epidemic severely affected Latin America and is now calling into question the years of economic and social progress recorded since the 2000s, ii) the recession, of an unprecedented magnitude (-9% of GDP), impacted Latin America to a greater extent than the rest of the emerging world and poor countries (multiple and structural inequalities, return to poverty, persistence of violence and corruption, all of these changes undermining the democratic pact), AFD has drawn on the varied range of its instruments, with a focus on providing a direct financial response to the Covid-19 crisis but also as part of a more global post-Covid perspective combining ecological transition and the well-being of populations. AFD has thus deployed countercyclical instruments while ensuring that this financing is reconciled with long-term objectives such as the protection of nature or the reduction of inequalities, and has thus maintained its activity.

AFD's activity in the **Orients region**, covering all of Asia, plus the countries of the Western Balkans, the Near and Middle East, as well as Turkey, decreased slightly in 2020 to €2.42bn compared to €2.58bn (-6%). It remains mainly in the form of loans. Grants represented 6% of commitment approvals in 2020 compared with 7% in 2019. AFD was able to provide emergency responses to the health crisis in this region by reorienting around twenty projects towards a "Covid response". Nonetheless, the year was marked by a significant decline in non-sovereign production due to operational difficulties (the inability to travel to China in particular), and a significant deterioration in the macroeconomic context (Lebanon, Sri Lanka and Jordan in particular). The presentation of certain financing projects has been postponed until the 2021 financial year due to material difficulties in carrying out the review cycles in the context of the health crisis and the revision of the counterparties' investment plans. The economic impact of the pandemic has reduced the budgetary margins of AFD's countries of operation in the region and called into question the investment priorities of some of them, such as Sri Lanka, for example.

AFD's activity in the region mainly took the form of sovereign loans (75% of commitments). Twelve operations in five countries - including Uzbekistan €355M, Indonesia €300M, India €250M, Bangladesh €200M and Georgia €190M - accounted for nearly 45% of total sovereign commitments. The year in 2020 was marked by a decline in non-sovereign activity compared to the previous year.

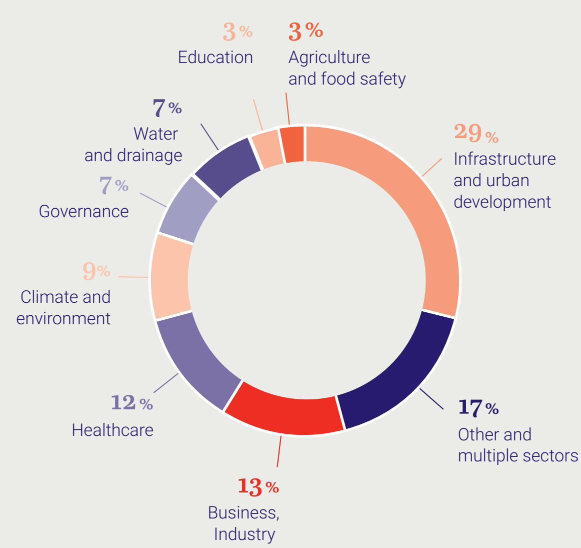
Commitment approvals in foreign states in the **Three Oceans zone** reached €0.70bn in 2020 compared to €0.58bn in 2019, up 20% compared to 2019. Under the effect of the Covid crisis, AFD mobilised actively and had an exceptional year for the neighbouring countries of the French overseas territories, in particular with budgetary loans in the Dominican Republic, Mauritius and, to a lesser extent, in Madagascar.

## BREAKDOWN OF AFD AUTHORISATIONS BY SECTOR OF ACTIVITY

The 2019 and 2020 approvals including budgetary aid, guarantees given, loans, grants and investments in ongoing operations are shown as follows, by branch of activity:

| *In millions of euros* | 2020 | 2019 | % of the 2020 total | % of the 2019 total |
|---|---|---|---|---|
| Agriculture and food safety | 290 | 489 | 3% | 5% |
| Climate and environment | 779 | 822 | 9% | 8% |
| Crises and vulnerabilities(1) | 3 | 0 | 0% | 0% |
| Water and drainage | 605 | 911 | 7% | 9% |
| Education | 290 | 682 | 3% | 7% |
| Governance(1) | 632 | 0 | 7% | 0% |
| Infrastructure and urban development | 2,597 | 3,400 | 29% | 34% |
| *of which transport* | *452* | *1,058* | *5%* | *11%* |
| *of which energy* | *746* | *1,208* | *8%* | *12%* |
| *of which development and urban management* | *470* | *601* | *5%* | *6%* |
| *of which infrastructure and miscellaneous social services* | *929* | *456* | *10%* | *5%* |
| *of which other* | *0* | *76* | *0%* | *1%* |
| Healthcare | 1,031 | 325 | 12% | 3% |
| Business, Industry and Trade | 1,135 | 1,637 | 13% | 17% |
| Other and multiple sectors | 1,488 | 1,623 | 17% | 16% |
| **TOTAL** | **8,851** | **9,889** | **91%** | **92%** |

*Information about loans does not include the status of AFD loans to Proparco.*
*(1) In 2019, the Governance and the Crises and Vulnerabilities sectors were divided into the Infrastructure and Urban Development sector and the Other and multi-sector.*




In 2020, the infrastructure and urban development sectors continued to represent almost one-third of AFD's commitments in Foreign States, with a total down to €2.6bn (compared to €3.48bn in 2019). These commitments cover four sectors: transport, energy, urban development and infrastructure.

The transport activity was severely affected by the socio-economic crisis resulting from the Covid-19 pandemic. The shutdown of economies has weakened many operators, both public and private, in all mobility sub-sectors. This is particularly true for the aviation and maritime sector, where the restructuring of current loans has started, but also for public passenger transport operators. Project preparation was also affected, forcing the postponement of grants. These deferrals are not always possible, however, as debt capacity has been drastically reduced. In this very constrained context, the Group's commitments in this sector are at an exceptionally low level.

Despite the health situation and the postponement of a certain number of projects, the energy sector remained significant in the Group's commitments. The year in 2020 was the first full year of implementation of the new strategy adopted in May 2019, and all of its priorities were rolled out (increase in commitments in the field of access to electricity, the financing of a variety of private renewable energy projects or through 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. At the end of the year, a proposal was submitted to the Green Climate Fund to promote this PEEB approach on a larger scale in around fifteen countries. The year in 2020 also enabled the financing of "smart" network projects (€74M) and public policy loans (€270M), the latter being associated with structuring technical cooperation components, including the exchange of expertise between French and local players in the countries of operation.

In 2020, the urban development activity was largely focused on the "three oceans" department with (i) numerous loans to local authorities to finance their investment programme; (ii) emergency financing to respond to the Covid-19 crisis in New Caledonia and French Polynesia, (iii) a supplement to the contingency loan in Madagascar to deal with the consequences of the Covid-19 crisis; and (iv) the financing of a multi-country programme to improve knowledge of the pollution caused by plastic waste and boost circular economy dynamics in the Indian Ocean. On the African continent, AFD granted (i) a second loan to the Moroccan Communal Equipment Fund to facilitate the financing of investments by Moroccan municipalities to promote a better consideration of climate issues and a regional rebalancing, (ii) the financing of a new phase of the programme to promote regional capitals in Cameroon, (iii) a new guarantee product (with the support of the EU) - Cityriz - to guarantee loans for African local authorities among domestic public and commercial banks. In Latin America, AFD granted (i) a non-sovereign loan to the Colombian municipality of Baranquilla to finance multi-year investments in the areas of biodiversity, the environment, risk management and social inclusion (ii) the financing of the integrated development programme of the Brazilian municipality of Teresina, (iii) a new line of credit to FINDETER in Colombia to finance investments in basic infrastructure in post-conflict territories. Lastly, in the Orients region, AFD granted funding for several projects and programmes, including: (i) the Lahore heritage rehabilitation project in Pakistan, (ii) the ecological revitalisation and heritage enhancement project in the district of Pingnan in China; (iii) new funding for the multi-donor capacity-building and infrastructure-financing programme for Palestinian municipalities; (iv) emergency financing for the reconstruction of Beirut.

This year, the production sector represented 13% of commitments (€1.1bn), a slight decrease compared to 2019 (17%).

The healthcare sector accounted for 12% of the commitments for the year, *i.e.* €1.03bn, an increase of almost €0.7bn compared to 2019. The year in 2020 was deeply marked by the Covid-19 crisis, which led AFD to adapt its activity to contribute to the global response to the Covid-19 epidemic, in line with France's international commitments and the needs expressed by the countries where it operates. The "Covid-19-Santé en commun" (Health in Common) initiative was launched on 2 April 2020 to finance projects in response to the Covid-19 pandemic, amounting to €150 million in donations and €1 billion in loans. This initiative aimed to provide an emergency response to the crisis and its economic and social consequences and to strengthen health and social systems over the longer term. The "Health in Common" initiative not only supports governments in their national response, but also civil society organisations, laboratories, public development banks and the private sector. Thanks to the mobilisation of trusted partners and the responsiveness of its teams, AFD has been able to build, with local and active players, an inclusive, adapted and country-specific solution. These interventions have notably contributed to financing national response plans to Covid-19 (*e.g.* €7M in Burkina Faso to support diagnosis and treatment in hospitals), to investing in screening and care (*e.g.* €1.5M for INSERM to strengthen diagnostic capacities in five African countries), to strengthening epidemiological surveillance networks (*e.g.* €2M for reference laboratories in five South East Asia countries), to raising awareness of communities and individuals (*e.g.* €2M for the NGO ALIMA to support community prevention and care in two African countries), to mitigating the social consequences of the crisis (*e.g.* €40M in Rwanda for a budget loan to support social measures). At the end of December 2020, 63 projects had been initiated in 33 developing countries, mainly the priority countries for French official development assistance. At the end of December, 97% of funding had been committed. 85% of projects had been signed and 58% of disbursements made (including reallocations).

In addition to the "Health in Common" initiative and in response to many countries, AFD granted several significant amounts of funding to help its partners cope with the health and social consequences of the Covid-19 epidemic. Financing for 15 projects including a social protection component was granted between March and December 2020 for an amount of €1.18bn in loans and €62M in grants. This support has often been carried out in collaboration with other donors, for example in Bangladesh where AFD has granted €150M to support the social response to the crisis, in conjunction with the World Bank.

Despite the Covid-19 crisis, activity in health and social protection also continued with funding planned for non-Covid projects responding to the key issues of AFD's strategic themes. For example, in Senegal, a grant of €8M was awarded to a consortium of NGOs to improve access to sexual and reproductive health and rights, particularly for young girls, through access to quality health services, as well as sexual and reproductive health education, aimed at reducing gender inequalities and related violence.

Water and drainage accounted for 7% of commitments this year at €0.6bn compared to €0.9bn the previous year. The health crisis, which has delayed or even cancelled some operations, largely explains this decline. As in 2019, the main area of intervention in the water and sanitation sector is the Orients region, which accounted for 65% of grants for the year. Initial funding for projects has been granted in Uzbekistan and Albania. While Africa accounts for only 16% of the total amount of commitments in foreign countries, *i.e.* a historically low level, 61% of French State subsidies are concentrated there, with several operations in particularly fragile areas (Chad, Niger, Burkina Faso, DRC). A priority at the heart of AFD's sector-based approach, several loans granted in 2020 will contribute to the improvement of governance and capacity-building.

In particular, it is worth highlighting the granting of a public policy loan (PrPP) of €100M to Indonesia, as well as a sectoral innovation facility for NGOs (FISONG) of €2.5M on the subject of citizen participation. In 2020, 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. The share of financing devoted to sanitation also increased. For example, AFD approved a loan of €64M for Cuba to improve the sanitation system for 500,000 inhabitants of Havana, as well as a grant of €8M to complete a project to develop this service in Djibouti. Lastly, since access to safe drinking water and good hygiene practices enable the implementation of the main barrier measures against infectious diseases, in 2020 AFD developed a specific water and sanitation activity in response to the Covid-19 pandemic. As part of the "Health in Common" initiative, for example, it awarded a grant of €1M to the slums of Nairobi in Kenya. It also provided emergency support through the financing of (i) budget support to financially support water and sanitation operators, (ii) webinars on crisis management mobilising French expertise, (iii) emergency work and protective equipment and (iv) public awareness measures.

The governance sector, for its part, in 2020 represented 7% of the commitments for the year, *i.e.* €0.6bn. The context of the year in 2020 did not allow all the activities planned at the beginning of the year to be rolled out. This particular year was focused on maintaining dialogue with the beneficiaries of our projects. AFD's intervention thus contributed i) to paying particular attention to governance issues in countries in fragile situations, with specific activities undertaken in the Middle East, in the Lake Chad region and in Central Africa, ii) to supporting the transformation of our partners (better alignment between organisation and choice of trajectory. This involves, for example: (i) meeting the needs of its partners by opening a space for technical dialogue on their strategy, internal operations and overall performance, without being confined to underlying needs associated with the appraisal of a specific sectoral project, (ii) assisting them in identifying favourable conditions for change, supporting them to create these conditions and formalising a development trajectory based on specific targeted transformations (HR, Digital, Strategy/Foresight); and (iii) to considering the operationalisation of this change-management strategy.

Commitments in the agriculture and food safety sector decreased. They amounted to €0.29bn in 2020 compared to €0.49bn in 2019, or 3% of AFD's activity. However, and despite a year marked by the emergence of the health crisis and its significant impact on food systems, particularly in West Africa, projects aimed at an integrated response to food security issues were funded, for example, in Burkina Faso and in Niger. The regional storage system for ECOWAS cereals was also strengthened. Major irrigation development projects (in Haiti, Ghana, Gambia and Mauritania) are also helping to strengthen food security by better covering basic needs. The activity remained, however, at a very high level in terms of numbers of projects, notably in grants.

In terms of climate and the environment and natural resources, commitments remained stable between 2020 and 2019, standing at €0.79bn. In line with France's commitments to double its funding for the preservation of global biodiversity, AFD is committed to increasing its biodiversity financing from €457M in 2019 to €1bn in 2025 (Biodiversity roadmap for 2019-2022). In 2020, the Latin America region became the leading region in biodiversity financing, followed by the Orients region. These two regions contribute nearly to two-thirds of AFD's biodiversity financing. This is largely due to the mobilisation of sovereign loans by Asian and Latin American countries to finance their pro-nature policies. In terms of purposes, 20% of AFD's biodiversity finance corresponds to projects dedicated to the conservation and protection of biodiversity (Biodiversity CAD2) and 80% of AFD's biodiversity financing in 2020 concerns projects where biodiversity is an explicit secondary objective (CAD1), in other words to foster the transition to a pro-nature economy, thanks to an effort to "mainstream" biodiversity in a growing number of intervention sectors. In this category of projects, 2020 consolidated AFD's historic commitment to the ecological transition of production methods and of the agricultural, forestry and fishing sectors. The latter sector saw its contribution to biodiversity increase sharply (from €8M in 2019 to €90M in 2020 due in particular to a major oceanographic research programme in Indonesia). Likewise, in terms of decontamination, AFD continues its efforts to promote sanitation and gradually strengthen its capacity to intervene in the waste treatment and recycling channels. The year in 2020 was also marked by an increase in projects aimed at greening cities, which limit the pressure of the artificialisation of land. AFD confirmed its support for the generalisation, in the countries where it operates, of robust policies to manage and offset the residual impacts of infrastructure and industrial projects on biodiversity. Lastly, the year 2020 confirmed its positioning as a funder of public policies favourable to biodiversity through the growth of public policy loans including an explicit biodiversity objective in their public policy reform matrix.

Finally, **the education sector** fell from 7% to 3% between 2019 and 2020, partly as a result of a lower number of 209 grant resources made available to AFD. Most of the commitments for 2020 concern Africa (90% of funding and 95% of the volume of commitments contribute to the reduction of gender inequalities). The year 2020 was marked by the impacts of the Covid crisis on the entire educational continuum. AFD responded by: (i) working closely with international, national and local partners to plan and implement a response and to support the production of knowledge to maximise the impact of the measures taken (*e.g.* support for IIEP-Dakar-UNESCO); (ii) the reorientation of the current instructions to include short- and medium-term responses (*e.g.* Formapro-Madagascar, to ensure the continuity of lessons; Ethiopia - Budgetary financing for the defence of employment and support for SMEs and decent work by reallocating a €70M loan); (iii) the reorientation of the portfolio of projects under implementation (*e.g.* Senegal: €2M for the PADES project - Support programme for the development of education in Senegal, in support of the response plan; ACE-Partner: Regional support for the scientific response in West Africa; Tunisia: €9M for the PAFIP project - Training and professional integration programme); (iv) management of SME delegations: AFD supported the governments of Niger, Burkina Faso and Senegal in submitting three funding requests to the SME to support the implementation of the emergency response to Covid-19 and support education systems so they are more resilient to crises.

## 1.6.5 AFD activities in French Overseas Departments and Collectivities

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

| In millions of euros | 2020 | 2019 | Variance 2020/2019 €M | Variance 2020/2019 % |
|---|---|---|---|---|
| **Approvals (excl. guarantees)** | **1,219** | **882** | **337** | **38%** |
| • French Overseas Departments | 534 | 559 | -25 | -4% |
| • French Overseas Territories | 683 | 319 | 364 | 114% |
| • Multi-country | 1 | 4 | -3 | -76% |
| **Disbursements** | **1,066** | **603** | **463** | **77%** |
| • French Overseas Departments | 476 | 412 | 64 | 16% |
| • French Overseas Territories | 589 | 191 | 398 | 209% |
| • Multi-country | 0 | 0 | 0 | |
| **Undisbursed balance at 31/12** | **764** | **948** | **-184** | **-19%** |
| • French Overseas Departments | 453 | 516 | -63 | -12% |
| • French Overseas Territories | 311 | 432 | -121 | -28% |
| **Outstandings at 31/12** | **6,070** | **5,501** | **569** | **10%** |
| • French Overseas Departments | 3,685 | 3,561 | 124 | 3% |
| • French Overseas Territories | 2,342 | 1,895 | 447 | 24% |
| • TAAF | 43 | 45 | -2 | -5% |

*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 2020 | Approvals 2019 | Variance 2020/2019 €M | Variance 2020/2019 % |
|---|---|---|---|---|
| **DOM** | **534** | **560** | **-25** | **-5%** |
| Guadeloupe | 39 | 67 | -28 | -41% |
| French Guiana | 11 | 68 | -57 | -84% |
| Martinique | 112 | 96 | 16 | 17% |
| Réunion | 245 | 258 | -13 | -5% |
| Mayotte | 97 | 68 | 29 | 43% |
| Multi-country French Overseas Departments | 30 | 4 | 26 | 649% |
| **French Overseas Territories** | **683** | **319** | **364** | **114%** |
| New Caledonia | 390 | 136 | 254 | 188% |
| French Polynesia | 259 | 158 | 101 | 64% |
| Wallis & Futuna | 1 | 0 | 1 | |
| St Pierre and Miquelon | 3 | 7 | -4 | -59% |
| Saint Martin | 30 | 18 | 12 | 63% |
| **Multi-country** | **1** | **3** | **-2** | **-66%** |
| **TOTAL** | **1,219** | **882** | **337** | **38%** |

*Approvals excl. Guarantees.*

The level of commitment approvals in the French Overseas Departments and Collectivities (excluding guarantees) was €1.22bn in 2020 compared to €0.88bn in 2019, up 38%.

All regions recorded an increase in their level of authorisations, with the exception of Guadeloupe, Réunion and the Collectivity of Saint-Pierre-et-Miquelon. The volume of commitments in the Pacific Collectivities reached an exceptional level, driven by loans granted on demand and with State guarantees.

The year in 2020 was marked by the "Outre-mer en commun" initiative, launched on 25 May 2020 by the Minister for French Overseas Departments and Collectivities and AFD's Chief Executive Officer to support local public and private stakeholders in the face of the impacts of the COVID crisis.

Estimated at more than €1bn, it resulted in a series of concrete actions focused on three components: health emergency, economic emergency and sustainable recovery. This initiative has made it possible, with constant resources, to make the most of all the tools used by the Group to meet the needs of overseas public and private players in the very-short and medium-long term as part of post-COVID-19 reconstruction. The Agency's actions included: (i) strengthening regional epidemic surveillance and response networks, (ii) processing requests for the extension of loan maturities for companies and local authorities and, (iii) granting emergency loans to New Caledonia and French Polynesia.

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

| | Approvals | | Variance 2020/2019 | |
|---|---|---|---|---|
| *In millions of euros* | 2020 | 2019 | €M | % |
| Ongoing operations | 1,220 | 884 | 336 | 38% |
| **Loans** | **1,206** | **875** | **331** | **57%** |
| Public sector | 1,085 | 712 | 404 | 52% |
| *Subsidised loans to local authorities* | 729 | 544 | -157 | -29% |
| *Other loans – public sector* | 698 | 168 | 530 | 315% |
| Private sector | 122 | 163 | -42 | -26% |
| *Direct financing* | 69 | 46 | 23 | 49% |
| *Banks* | 53 | 117 | -65 | -55% |
| **Grant** | **13** | **7** | **6** | **84%** |
| **Guarantees**(1) | **1** | **2** | **-1** | |
| Guarantees granted to the public sector | 0 | 0 | 0 | |
| Guarantees granted in the banking sector | 0 | 0 | 0 | |
| French Overseas Department Fund | 0 | 0 | 0 | |
| SPM and Mayotte guarantee funds | 1 | 2 | -1 | |
| **Equity stakes and other long-term securities** | **0** | **0** | **0** | |

*(1) The guarantees presented above do not take into account Sogefom's authorisations. (€27M in 2020) and FOGAP (€1M in 2020)*

Activity in the private sector was at a satisfactory level in 2020 with €91M in direct loans granted, in addition to the €27M in guarantees, for a total of €120M. Loans to the public sector amounted to €1.1bn (compared with €712M in 2019), a sharp increase, in line with 2019.

**The Group's active mobilisation in the COVID context boosted activity overseas.** Thus, of the €1.1bn in commitment authorisations, **€729M was granted for non-subsidised loans** (compared to €168M a year earlier), which were themselves drawn from the support measures of the "Outre-mer en commun" initiative, and in particular the emergency loans of €240M each granted to the French Polynesia and New Caledonia Collectivities for the partial financing of their safeguarding plans.

After an exceptional level of commitment in 2019, subsidised loans were in line with the trend of previous years, at €387M. These loans were down by 29%, under the combined effect of the slowdown in local authority investments due to the COVID crisis, and local election 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 contrast to subsidised loans, loans granted under the PSP-Vert Green Fund equivalent increased in 2020 (+32%, or €156M in commitments). This increase reflects the growing consideration of environmental issues and the fight against climate change in investments by the local public sector overseas.

In addition to traditional subsidised loans, the French Ministry of Overseas Departments and Collectivities and AFD have experimented with a subsidised loan intended to pre-finance the FCTVA. First rolled out in Mayotte as part of the recovery plan, before considering an extension to other overseas departments, this loan aims to support the investment of local authorities by enabling them to maintain a good level of cash flow.

The year 2020 was also marked by the launch of the French Overseas Territories Fund; as a result, 91 projects were approved for a total of €16.5M, of which 73% for the engineering component, 18% for regional projects and 9% for research.

For the private sector, loans to companies amounted to €91M for ten projects, a satisfactory level even if lower than the level of the previous year marked by significant funding for SOCREDO (€117M). Direct loans to private companies (excluding financial intermediation *via* BCI and ADIE) amounted to €44M, close to the previous year but for a higher number of projects (ten projects). The competitive environment for sector financing remained difficult in a context of significant liquidity and low interest rates.

## 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 introduces 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.

In 2020, research activities were impacted by the Covid 19 crisis with a slowdown in current research programmes and the identification of studies dedicated to the health crisis. On this last point, research focused on surveys of perceptions in Africa and in the French Overseas Departments and Collectivities, an analysis of the knowledge and attitudes of populations and caregivers in a differentiated manner in six African countries, a study on Covid and the resilience of health systems in Africa, and lastly on the impact of Covid on the labour market in Tunisia.

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, Indonesia and Morocco. 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. The development of a strong environmental sustainability indicator, ESGAP, also continued in 2020 with initial applications in New Caledonia, Vietnam and Kenya. AFD continued to develop GEMMES macroeconomic models, with six models (Brazil, Côte d'Ivoire, Colombia, Vietnam, Tunisia and Morocco). In 2020, the development of models focused on the inclusion of biophysical dynamics through coupling with hydro-agricultural (Morocco, Tunisia, Vietnam), technical-economic (Côte d'Ivoire) models or *via* theoretical discussions on macroeconomic-biodiversity links.

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 2020, AFD has ensured the coordination and set-up of a facility for a research programme on inequalities in the form of a delegation of DG DEVCO funds. In 2020, this facility was renewed for a period of five years to develop the public policy dialogue on the issue of inequality in Indonesia, Colombia, South Africa and Mexico.

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 approach of strategic dialogue was extended to Morocco and Mali in 2019, and with the UNECA, and will be formalised in Lebanon in 2021.

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 delivered their first results in 2020. 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 department managed four theses under the CIFRE system in 2020 and the first thesis was presented in December 2020 on the topic *Reading and Writing in an Untied World: African Poetics of Ecological Governance*. It will be published.

In support of the Agency's operations and risk management, ten countries macroeconomic assessments were carried out, despite the suspension of international travel for part of the year. These assessments focused primarily on (i) regions with high AFD exposure (Egypt, Senegal, Kenya, Turkey, Mexico), and (ii) regions in which an initial macroeconomic framework is useful for the establishment of an AFD intervention strategy (Rwanda, Azerbaijan, Georgia). In addition, cross-cutting macroeconomic analyses were conducted on the impact of the COVID-19 crisis on the regions where we operate.

#### Assessments

AFD commissioned *ex-post* evaluations of the projects and programmes it finances and also broader assessments of its sector and cross-sector strategies (set out in its intervention frameworks), on particular topics, countries and/or funding instruments. It also conducts joint assessments with other departments responsible for assessing France's development aid programmes at the Ministry for Europe and Foreign Affairs and the Ministry of the Economy and Finance. All broad-scope and joint evaluations result in publications, while only the performance sheets for the *ex-post* evaluations of projects/ programmes are published on the AFD website and the French cooperation open data site. In 2020, AFD assessed 44 *ex-post* projects in the context of 31 evaluations.

**Publications**

In 2020, 149 publications were published, an all-time high, with the average annual number of publications over the last three years standing at around 80 publications. The catalogue of research and evaluation publications exceeded in the fourth quarter 1,000 titles available in open access. They are disseminated externally *via* the AFD website and *via* two specialised research tools, Ideas/Repec and Google Scholar. The publications are promoted in several channels: a dedicated "Studies and knowledge" newsletter, through an active social media presence (1,290 members and 2,700 subscribers of the dedicated LinkedIn Group), the use of varied formats (graphics, just out, bookmarks, teaser videos) and at conferences and at publication-related events.

### 1.6.6.2 The development campus

The year 2020 was marked by the consequences of the health crisis, which made it impossible to conduct face-to-face training. The Campus and its partners made significant efforts to ensure that this situation did not lead to any disruption in the continuity of training courses, by working on their digitisation and remote roll-out. Training as part of the local authorities programme, the MoDEV master's, the Social and Inclusive Business Camp (SIBC), the Lead Campus, the Young Leaders programme, the Play workshops, the "Play With Transitions" programme, the Sahélien.ne.s2040 and Mouv'Outre-Mer programmes, or the SDG summer school, have been adapted to be delivered remotely, under the best conditions.

This particular context has made it possible to accelerate the operationalisation of the e-Campus tool, the AFD Group's online portal for educational resources.This portal, designed by the Campus, aims to guide and steer learners towards reliable and educational knowledge, in a world where access to information has become considerable. It aims to facilitate the mixing of knowledge (in particular on the SDGs and major transitions), the understanding of complex issues and the acquisition of the skills of the twenty-first century to effectively support transition projects and dynamics. After one year, the e-Campus portal has already welcomed more than 10,000 users for more than 70,000 resources consulted.

This portal is also a tool for promoting and disseminating the educational resources produced by the Campus and beyond, by the AFD Group. The year 2020 saw the design and implementation of four new MOOCs[(1)] by the Campus and its partners, numerous educational videos as part of the various distance learning courses, as well as the series "Des Nouvelles de Demain" (50 videos produced in 2020). This series highlights inspiring personalities committed to major transitions, who invite 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 the Field".

The year 2020, despite the health crisis, allowed us to maintain a sustained level of training activity thanks to digital technology. Almost 40,000 days of training were delivered through hybrid training and the production of MOOCs.

In 2020, the Campus continued to implement innovative training programmes, highlighting collective intelligence and new approaches. One example is the Sahelien.ne.s.2040 course, which uses a methodology of transmission/transformation through positive foresight to support a cohort of Sahélien.ne.s in thinking about a desirable future for their region. Another is the Mouv'Outremer programme which, by usingdesign thinking and prototyping, mobilises committed players in the French Overseas Departments and Collectivities around concrete projects aimed at achieving the SDGs. Lastly, this is the case of the SDG summer school, which, through an interdisciplinary, inter-cultural and cross-sectoral approach, brought together around a hundred scientists and SDG implementation stakeholders to collectively identify research issues at the heart of intertwined sustainable development challenges.

The year 2020 also saw the launch of new instructions, to prepare the innovative training courses of tomorrow. These include, for example, a training course on PPPs and the governance of public enterprises, a training programme for CCIs in Africa, an "Agir pour le Vivant" residency programme in Africa, a support programme for investment fund holders and a programme on strengthening the managerial capacities of African managers.

The activity of supporting and leading communities of change agents is still a key component of the training offer. In 2020, the Campus coordinated around ten learning communities bringing together players from various horizons involved in transitions. In 2020, the SIBC, along with Proparco, AFI and INN, for example, supported 60 start-ups producing a positive impact in Africa, as part of a growing community which today includes over 200 project initiators and mentors reaching out to 45,000 members on Facebook.

In 2020, the Local Authorities Steering (PCL) programme continued to evolve thanks to various co-construction workshops on participatory urban planning. These workshops will make it possible to design training courses on this essential theme for the emergence of new ways of thinking about development and urban mobility.

The Campus reinforced its positioning as a platform, multiplying structuring partnerships for the deployment of its training actions. New partnerships were set up in 2020, for example with Senghor University, Trace Academia, the 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

*(1) The MOOC on Biodiversity and the MOOC on urban mobility in Africa were produced and performed in 2020. A MOOC on sustainable and innovative cities, a MOOC on gender as well as educational capsules on green finance were also produced in 2020 and will be broadcast in 2021. MOOCs on the SDGs and on the Ecological and Energy Transition were broadcast in 2020 (produced in 2019).*

(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 will take shape in 2021 with an urban workshop in Casablanca.

### 1.6.7 Proparco's activity

The year 2020 focused on four priority operational objectives in accordance with Proparco's strategy for 2020-2022: Africa, border 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 2020 approvals amounted to €2,030M, broken down as follows:

- equity investments in the amount of €188M (€319M in 2019);
- guarantees amounting to €199M in 2020 (€250M in 2019) and €27M of guarantees received on 209 and 110 budgets not included in the total amount of authorizations;
- grants amounting to €13M (€18M in 2019);
- transactions on loans, quasi-equity and other securities amounting to €1,630M (€1,949M in 2019) which break down as follows:
  - loans: €1,608M,
    - of which subsidised loans: €104M (€171M in 2019),
    - of which 209-related loans: €6M, as in 2019,
    - of which AFD sub-participation loans representing €660M of these transactions in 2020 (€502M in 2019),
  - other securities: €22M (€164M in 2019).

In 2020, Africa remained at the core of Proparco's geographical mandate and approvals on the African continent reached €755M, representing 37% of own account approvals; Latin America and the Caribbean represented €490M, Asia €433M, the Middle East €86M and Europe €0M. €266M was approved for projects which impact several countries.

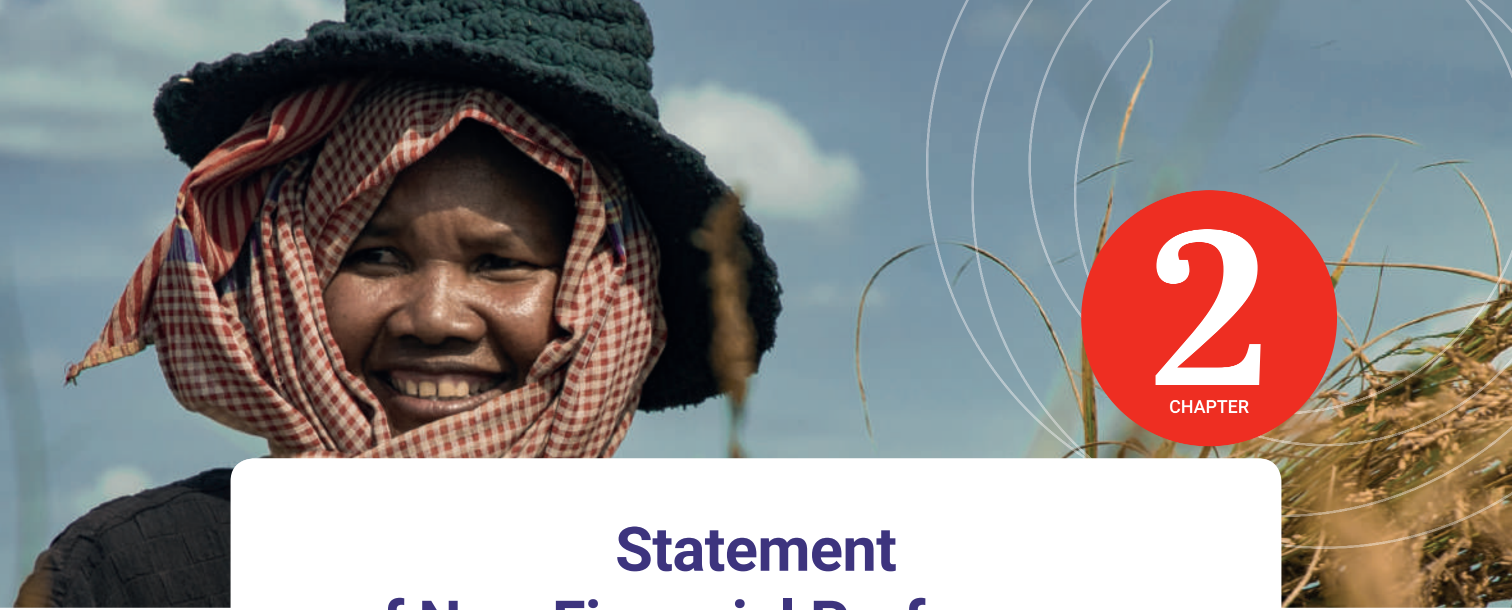
Proparco devoted 27% of its activity to projects aimed at combating climate change.

| | Loans | | Equity stakes and other long-term securities | | Other investments | | Guarantees | | Subventions | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| Southern Africa & Indian Ocean | 195 | 32 | | 27 | | | 15 | 4 | | 0 | 210 | 63 |
| Central & East Africa | 132 | 154 | 16 | 0 | 9 | 0 | 32 | 46 | | | 189 | 201 |
| East Africa | 118 | 341 | 4 | 3 | | 46 | 73 | 127 | | 5 | 195 | 521 |
| North Africa | 15 | 178 | 29 | 52 | | | 19 | 3 | 0 | 2 | 64 | 234 |
| LAC | 475 | 386 | 9 | 18 | | 45 | 6 | 14 | | | 490 | 462 |
| Asia | 330 | 317 | 49 | 51 | 13 | 13 | 41 | 6 | 0 | 0 | 433 | 388 |
| Europe | | 81 | | | | | | | | | 0 | 81 |
| Med & ME | 55 | | | | | | 3 | | | | 57 | 0 |
| Middle East | 29 | 77 | | 13 | | | | 13 | | 0 | 29 | 103 |
| Multi-country | 173 | 60 | 81 | 34 | 0 | 59 | 10 | 26 | 2 | 1 | 266 | 180 |
| Multi-country Africa | 87 | 135 | | 79 | | 0 | | | 11 | 10 | 97 | 224 |
| Multi-country Latin America and Caribbean | | | | 38 | | | | | | | 0 | 38 |
| Indian Ocean | | 25 | | 4 | | | | 12 | | | 0 | 41 |
| **TOTAL** | **1,608** | **1,786** | **188** | **319** | **22** | **164** | **199** | **250** | **13** | **18** | **2,030** | **2,537** |

For the year 2020, 36 countries (excluding multi-country) were concerned by the decisions of lending authorisations, among which were Brazil, South Africa, Kenya, Vietnam, India and Serbia.

The sectoral breakdown of loan authorisations is very varied and marked by the predominance of the financial institutions sector with €1,130M, *i.e.* 70% of loan authorisations, with the infrastructure sector accounting for €293M, *i.e.* 18% of the total number of authorisations. The corporate sector amounted to €185M, representing 11% of own account loan approvals.

In the equity investment activity, 63% of the authorisations concern investment funds and 37% direct investments, with a predominance of the microfinance sector followed by the social education sectors.



2
CHAPTER

# Statement of Non-Financial Performance

## Background

The Agence Française de Développement (AFD) group finances and supports transitions in all the regions where it works for 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. In 2020, AFD Group's activity took place in the unprecedented context caused by the pandemic of the 2019 coronavirus disease (Covid-19).

In the face of the health crisis and its economic and social consequences, the AFD Group fully mobilised to respond in a comprehensive and coordinated manner to the immediate and longer-term needs of its partners in the countries where it operates. In particular, through the "Health in Common" and "Covid response" programmes, the AFD Group granted €2.8bn in 2020, more than half of which has already been disbursed. It is a response of solidarity that was provided by all Group entities, in the form of financing, acceleration of project and programme disbursement procedures, counter-cyclical interventions and technical assistance. Proparco has worked hard to support the private sector in its countries of operation, contributing to "Health in Common" but also through the "Choose Africa Resilience" initiative adopted at the end of 2020. Expertise France, which will join the Group in 2021, was closely involved and has rolled out dedicated expertise platforms. This mobilisation was all the more exceptional as the Group had to adapt its operating methods in order to continue its activities, while ensuring the health and safety of its staff. While all international exchanges were interrupted, the local presence of the AFD Group through its network was decisive in its ability to work with its customers and partners, both to respond to the crisis and to continue the implementation of committed projects.

A policy of maximum protection of the Group's employees prevailed. Teleworking was introduced for almost all staff at the head office as of 16 March 2020, only keeping on-site the essential functions provided for in the business continuity plan. In the network, AFD took the necessary measures to ensure the health security of the teams as soon as the pandemic had spread in China and coordinated its action with diplomats, while simultaneously maintaining centralised exchanges on crisis management with the Ministry for Europe and Foreign Affairs. In addition, these disrupted working conditions required increased vigilance with regard to psycho-social risks and transformed the way in which all employees are supported. They also made it possible to test new ways of working and accelerate certain projects undertaken, such as the digitisation of the training offer.

The Group has been able to meet the challenges of 2020 by staying the course of its mandate and its strategic commitments. Activity for the year 2020 was stabilised, at €12.075bn in commitments for the Group, after four years of upward trajectory. 2020 remained a year of sustained intervention in priority countries, while more than 50% of the activity undertaken has climate co-benefits, *i.e.* more than €5bn for the climate, including more than €2bn for adaptation and nearly €520M for biodiversity, at the same time 67% of projects have a co-benefit for gender equality. 2020 also enabled the AFD Group to demonstrate a new capacity for conviction and mobilisation with the organisation of the first World Summit of Public Development Banks in Paris in November. This event brought together all the public development banks for the first time and laid the foundations for a new global coalition on *Finance in Common*, essential for the implementation of the Sustainable Development Goals' 2030 Agenda and the Paris Agreement.

The AFD Group's actions are supported by the CSR policy (2018-2022), both in terms of internal functioning and of operations, based on its six major commitments[(2)]. As such, it endeavours to drive the Group's excellence, consistency between its duties and the quality of its work, and cohesion within its teams.

The alignment between the Group's missions, its societal responsibility policy and the continued excellence of its non-financial performance was acknowledged in 2019 through the Vigeo-Eiris rating. The overall ESG score obtained during this assessment was 74/100, corresponding to an advanced performance and making AFD one of the best rated institutions in its sector[(3)]. This good performance was confirmed during the simplified review procedure carried out in 2020 by Vigeo-Eiris.

## Presentation of the Statement of Non-Financial Performance approach

Following the transposition of European Directive 2014/95/EU[(4)] pertaining to the disclosure of non-financial information, the "Grenelle 2" Act has been replaced, for financial yearsstarting from 1 September 2017, by legislation requiring a Statement of Non-Financial Performance.

The goal is to replace the previously exhaustive requirements of Article 225 of Grenelle 2 (detailed list of pre-established and identical CSR Information, regardless of the entity in question) with a more proactive and tailored approach.

*(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 is broken down into six commitments: 1 - Integration of sustainable development in its operations; 2 -Governance and ownership of societal responsibility; 3 - Transparency and dialogue with stakeholders; 4 - Professional ethics and financial exemplarity; 5 - Socially responsible and fair personnel management; 6 - Control of the direct social and environmental footprint.*

*(3) Non-financial rating not demanded during the Vigeo-Eiris September 2019 assessment cycle within the "Specific Purpose Banks and Agencies – Europe" sector, during which AFD emerges as the institution with the best rating in the sector, the region and the Vigeo-Eiris sphere.*

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

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. As such, it details:

- the business model;
- the main risks related to the company's activity, including, when relevant and proportionate, risks created by its business relations, products and services;
- the policies and action plans implemented to control these risks;
- the results, including key performance indicators.

As an entity whose securities are permitted in negotiations on a regulated market, the AFD is required to produce this new statement, as from financial year 2018. 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 presented in Chapter 1 of the 2020 Universal Registration Document.

## 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[1]. 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 Senior 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.

  The AFD Group conducted an initial materiality analysis in 2015, based on the issues predefined by the GRI[2]. 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 Senior Management.

  This materiality analysis was updated in 2017. In order to take into account the 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.

*(1) 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.*

*(2) Global Reporting Initiative, NGO.*

These issues were then prioritised by means of a ranking produced by internal and external stakeholders[1], in order to obtain the updated materiality matrix shown in Appendix 10.

**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. In 2020, this list was supplemented by two challenges: 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 Statement of Non-Financial Performance |
|---|---|---|
| Transparency of granted funds | • Risk that financing beneficiaries and customers may find it difficult to program their operations within known and controlled deadlines | § 5.1 |
| Dialogue with stakeholders | • Risk of discrepancies between the expectations and requirements of the stakeholders and AFD's services (projects funded) | § 5.2<br>§ 4.3.3<br>§ 6.1 |
| Management of impacts | • Reputational risk related to the projects' negative impact on the population or environment<br>• Risk of non-compliance with procedures for managing recipient complaints | § 3 (3.1, 3.2) |
| Coordination with development players | • Risk of lack of coordination with the other actors (international and European lessors, civil society organisations) for the financed projects<br>• Risk of non-compliance with delegated fund management procedures | § 6 (6.1, 6.2)<br>§ 4.3.3 |
| Stronger project management | • Risk of non-compliance with procedures and contractual clauses by project managers | § 6.3 |
| 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<br>§ 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) |
| Impact on local communities | • Risk of discrepancies between the funding offered and the operational context<br>• Risk of non-compliance with AFD's obligations in terms of impact analysis<br>• Risk of non-compliance with procedures for managing recipient complaints | § 3<br>§ 4<br>§ 5.2 |

(1) *For the rating of 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).*

| Issues included in the materiality matrix | Risks associated with each issue | Correspondence with Statement of Non-Financial Performance |
|---|---|---|
| Accountability for correct use of financing granted | • Risk of non-compliance with fraud, anti-money-laundering and counterterrorist financing procedures<br>• Risk of no information feedback due to the absence of a whistleblowing mechanism<br>• Risk of misappropriation of financial aid, of corruption and fraud<br>• Risk of participation in mechanisms involving tax fraud | § 7 |
| Professional ethics | • Risk of non-compliance with the Professional Ethics Charter<br>• Risk of impropriety by an employee | § 8.1 |
| Skills development | • Risk of no or insufficient staff training | § 8.2 |
| Transparency of employee information[1] (employee dialogue) | • Risk of no in-house dialogue on social issues<br>• Risk of employment practices and psychosocial risks | § 8 (8.3, 8.4) |
| *Health/safety of staff** | • Risk of serious bodily harm to an employee following a malicious act<br>• 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 confinement/ teleworking<br>• 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)<br>• Image and reputational risk | § 8.4 |

*(1) The issue formulated as such in the materiality matrix covers employee 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. The environmental and social assessment applies to all stages of the project cycle, from identification to approval of funding, and *ex-post* monitoring and assessments.

This approach is supplemented by the existence of two mechanisms for handling environmental and social complaints, respectively for AFD and Proparco (see above), which help to manage an operational risk. These systems make it possible to envisage reparation when it has not been possible to avoid, reduce or compensate for harmful 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 Agency'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 impacts, and the procedure for managing complaints

### 2.3.1.1 Management of AFD's E&S impacts

AFD has adopted a policy to control the social and environmental 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 E&S risks of the operations are categorised, distinguishing between four levels of risk for direct financing projects: High risks (category A), Important risks (category B+), Moderate risks (category B), or Low risks (category C) - and three risk levels for projects financed *via* financial intermediaries (IF): IF portfolio with High risks (FI-A), Moderate risks (FI-B) or Low risks (FI-C).

Accordingly, for 2020, the environmental and social risks of AFD's portfolio are broken down as follows, in terms of number of projects and amounts granted, respectively:

**Environmental and social risks in AFD's portfolio in 2020, as a number of projects awarded (foreign States)**

| E&S risk | Number of projects | % |
|---|---|---|
| **A** | 7 | 2.87 |
| **B+** | 38 | 15.57 |
| **B** | 79 | 32.38 |
| **C** | 92 | 37.70 |
| **FI-A** | 18 | 7.38 |
| **FI-B** | 8 | 3.28 |
| **FI-C** | 2 | 0.82 |
| **TOTAL** | **244** | **100.00** |

**Environmental and social risks in AFD's portfolio in 2020, as amounts granted (foreign States)**

| E&S risk | Amounts granted (€M) | % |
|---|---|---|
| **A** | 307.00 | 3.77 |
| **B+** | 2,325.67 | 28.58 |
| **B** | 1,334.90 | 16.41 |
| **C** | 2,160.96 | 26.56 |
| **FI-A** | 1,499.42 | 18.43 |
| **FI-B** | 507.15 | 6.23 |
| **FI-C** | 1.68 | 0.02 |
| **TOTAL** | **8,136.77** | **100.00** |

*(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.*

#### 2.3.1.2 AFD's environmental and social complaints management system

The AFD's E&S complaints management system is an extra-judicial system allowing any person or group of persons 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 2020, the System continued to operate in a flexible way, based on a pool of experts renewed for two years, an Eligibility Committee and the possibility of using the expertise of AFD's internal mediator during the conciliation phases. This operating mode increased flexibility, and prepared the System for handling a larger number of claims, more diverse in nature. However, it should be noted that since September 2020, the internal mediator has also taken on the role of Ethics Adviser. In order to retain all the independence necessary for her supervisory role, she will no longer intervene directly in the context of reconciliation missions.



Three years after its creation, the AFD System saw its activity grow in 2020: fourteen new complaints were received during the year.

| Year | Received | Not registered | Under analysis or treatment[1] | Closed | Being monitored |
|---|---|---|---|---|---|
| 2017 | 2 | 1 | 0 | 0 | 1 |
| 2018 | 8 | 8 | 0 | 0 | 0 |
| 2019 | 12 | 7 | 2 | 3 | 0 |
| 2020 | 14 | 7 | 6 | 1 | 0 |
| **TOTAL** | **36** | **24** | **7** | **4** | **1** |

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

Of these fourteen complaints received in 2020, eight were closed after referral to the relevant departments (procurement, projects carried out by civil society organisations, allegations of fraud or corruption), to the relevant landlord or after facilitation of an amicable solution with project management. One complaint was registered and underwent an eligibility study. The expert in charge of this study recommended non-eligibility, and the Eligibility Committee ruled likewise. Five complaints received are being processed, in addition to two complaints still being processed in respect of 2019. 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.

After three years of activity, the System will be able to draw up an initial assessment of its experience in 2021.

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

#### 2.3.2.1 Management of Proparco's E&S impacts

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), the main fundamental conventions of the International Labour Organization (ILO), the methodologies defined by the Corporate Governance Development Framework on corporate governance best practices, and the United Nations Guiding Principles on Business and Human Rights. It involves:

(i) assessing the environmental and social impacts and risks of each project submitted to Proparco's decision-making bodies, and the countermeasures envisaged 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 satisfactory management by the project of contingencies that have 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. A comparison with the classification of the overall portfolio highlights an increase in FI-B projects and a decrease in B+ projects.

*(1) https://www.Proparco.fr/fr/responsabilite*

### *Ex-ante* environmental and social classification of Proparco projects signed in 2020 and of the portfolio

| E&S classification | Number of projects signed in 2020 | % of projects signed in 2020 | % of Proparco portfolio projects as at 31/12/2020 |
|---|---|---|---|
| A | 6 | 10% | 16% |
| B+ | 11 | 18% | 19% |
| B | 2 | 3% | 7% |
| FI - A | 14 | 23% | 22% |
| FI - B | 15 | 24% | 28% |
| FI - C | 14 | 23% | 8% |
| **GRAND TOTAL** | **62** | **100%** | **100% (516 PROJECTS)** |

### Environmental and social risks of Proparco's portfolio in 2020, as a signed amount (foreign States)

| E&S classification | Audit | Percentage |
|---|---|---|
| A | €132,859,825 | 11% |
| B+ | €256,022,488 | 20% |
| B | €7,581,323 | 1% |
| FI-A | €421,272,385 | 33% |
| FI-B | €325,153,120 | 26% |
| FI-C | €121,342,484 | 9% |
| **GRAND TOTAL** | **€1,264,231,625** | **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 environmental and social experts, and corresponds to effective implementation in the field of measures to manage environmental and social challenges of projects in the reference framework of IFC standards. The comparison of E&S performance of projects signed in 2020 (before signature) underlines that on average, after signature the E&S performance of the projects in the portfolio undergoes a positive change on the Proparco projects (reduction in proportion of "poor" E&S performance and increase in proportion of "good" performance). The representation of "excellent" E&S performance projects in 2020 was influenced by the higher proportion of intermediated projects.

### Environmental and social performance levels of projects signed in 2020 and of the Proparco portfolio

| Environmental and social performance | % of projects signed in 2020 | % of Proparco portfolio projects as at 31/12/2020 |
|---|---|---|
| Excellent | 27% | 19% |
| Good | 15% | 30% |
| Average | 27% | 32% |
| Poor | 31% | 19% |
| **TOTAL NUMBER OF PROJECTS FOR WHICH E&S PERFORMANCE IS CALCULATED[(1)]** | **55** | **270** |

*(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.

In November 2020, a first complaint was received, the admissibility of which is being studied by the panel of independent experts.

### 2.3.3 Human Rights due diligence

The appraisal procedures of each operation obligatorily included the social risk assessment. 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 this end, AFD Group relies on the IFC's performance standards and the World Bank's environmental and social standards. The human rights issues covered by these standards enable us to address matters related to:

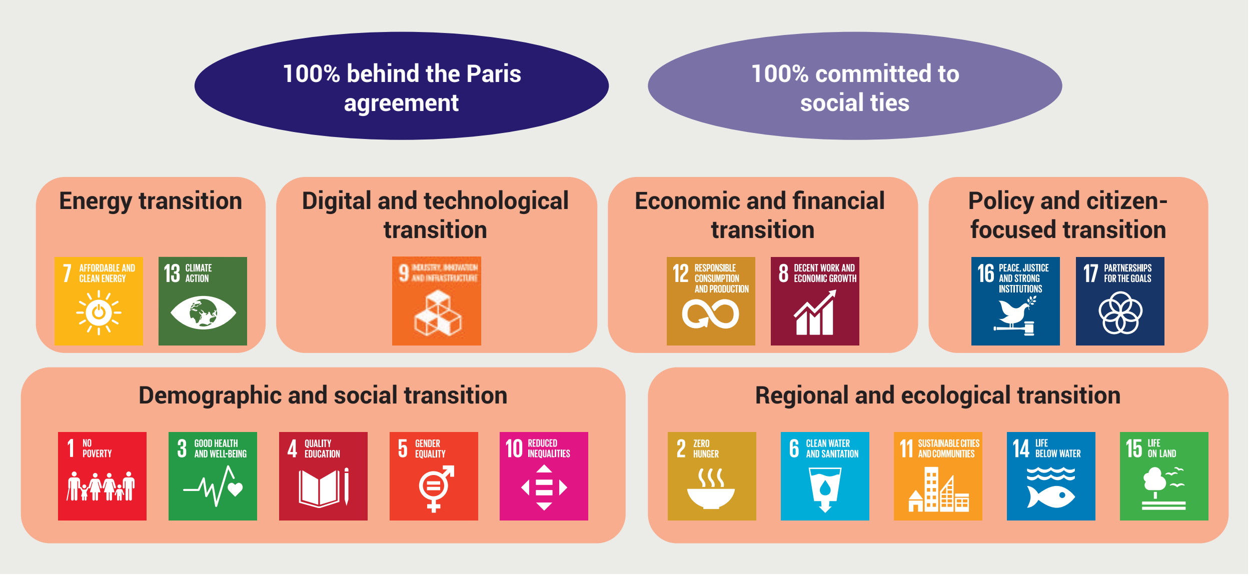
- working conditions and labour protection (in particular the fight against forced and child labour);
- the health and safety of communities potentially affected by projects (in particular potential violence against such communities);
- the acquisition of land and involuntary resettlement (in particular to prevent forced evictions);
- the rights of indigenous populations.

Where necessary, the implementation of these standards is accompanied by the establishment of complaint management systems with respect to AFD and Proparco projects, making it possible to collect and process potential complaints by people affected by Group projects. The financing agreements signed with partners and recipients must necessarily mention the commitments made by counterparties to respect the rights of persons potentially affected, and reiterate the compliance with the ILO's fundamental conventions in such a manner as to make them legally binding.

*(1) https://www.proparco.fr/fr/icm*

# 2.4 The Group's contribution to sustainable development

Adopted in 2018, the AFD Group's Strategic Orientation Plan places its action within the framework of the Sustainable Development Goals (SDG) 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, territorial and ecological, digital and technological, economic and financial, and political and civic[(1)].




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

The Group checks the validity of its operations in the geographical and sectorial environments in which it operates, and conducts regular impact and result assessments.

In order to ensure that sustainable development issues are taken into account in the financed projects, and to guarantee they are consistent with the adopted strategies, in 2014 AFD started to use a "Sustainable development Analysis and Opinion" tool. This system consists of an analysis conducted by the Operations Department project team during the appraisal, providing the wherewithal to assess the expected effects (positive, neutral or negative) for each aspect of sustainable development[(2)], and of a sustainable development opinion given by the Sustainable Development Analysis and Opinion unit, in the Strategy Department. This opinion, which can be favourable, favourable with recommendations, reserved or negative, appears in the notes sent to the decision-making bodies (in particular the Board of Directors).

## 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/fr/ressources/plan-dorientation-strategique-2018-2022*

*(2) The six dimensions of the sustainable development analysis are: (i) sustainable growth and a resilient economy; (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 the project's effects and governance framework.*

## 2020 AFD *ex-ante* result indicators[(1)]

| SDG* | Categories | Indicators | Annual volume |
|---|---|---|---|
| SDG 9 | Transport | Daily volume of passengers using new or modernised public transport | 1,490,850 |
| SDG 11 | Low-income neighbourhoods | People whose housing conditions, access to public spaces or to collective social urban facilities have been improved | 2,444,550 |
| SDG 7 | Energy | People benefiting from an improvement in electricity services | 4,665,516 |
| | | Establishment of renewable energy capacity (Mw) | 653 |
| | | People benefiting from access to sustainable electricity services | 4,592,300 |
| SDG 6 | Water and drainage | People benefiting from a securely managed drinking water supply service | 5,472,350 |
| | | People benefiting from an elementary drinking water supply service | |
| | | People benefiting from a securely managed sanitation service | 837,200 |
| | | People benefiting from an elementary sanitation service | |
| SDG 4 | Education and employment | Children enrolled in primary and junior school | 2,730,267 |
| | | People benefiting from vocational training | 15,573 |
| SDG 8 | Microfinance and economic fabric | Small businesses benefiting from financial aid or funding | 9,804 |
| SDG 15 | Agriculture | Family farms whose economic performance has been improvedand which are converting to agro-ecological systems | 403,429 |
| SDG 3 | Healthcare | Number of people with improved access to healthcare | 42,013,607 |
| SDG 8 | Employment | Full-time equivalent (FTE) jobs supported by AFD in the private sector and public enterprises | 96,888 |
| SDG 1 | Essential goods and services | Final beneficiaries of essential urban goods and services | 1,719,000 |

* *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 AFD's financing activities can also be assessed *via* the sector-based breakdown of its commitments and through their typology. The amount in euros of AFD's financing approvals in foreign States and in the French Overseas Departments and Collectivities as well as their typology is broken down based on the activity sectors within the meaning of the OECD CAD.

## Breakdown of AFD's approvals by sector of activity

| | Year | |
|---|---|---|
| **Approval in euros** | **2020** *(€M)* | **2019** *(€M)* |
| **CICID sector*** | | |
| Agriculture and food safety | 347.9 | 569.1 |
| Climate and environment | 847.9 | 906.4 |
| Crises and vulnerabilities | 32.1 | 78 |
| Urban development and management | 719.7 | 979.7 |
| Water and drainage | 767.7 | 1,206.9 |
| Education | 421.6 | 864.8 |
| Energy | 859.7 | 1,362.7 |
| Governance | 701.4 | 726.6 |
| Infrastructure and miscellaneous social services | 1,455.1 | 467.4 |
| Healthcare | 1,120.1 | 485.4 |
| Business, Industry and Trade | 1,207.3 | 1,903.2 |
| Transport | 469.1 | 1,222.6 |
| Other | 1,827.8 | 1,309.3 |
| **GRAND TOTAL** | **10,777.5** | **12,082** |

* *Interministerial Committee for International Co-operation and Development.*

(1) *These indicators are tracked in conformity with Act 2014-773 of 7 July 2014 on Guidance and planning related to development and international solidarity, a.k.a. LOPDSI. Some indicator labels have been modified since 2019 in order to adjust them better to the SDGs and/or to clarify them to make them closer to operational reality.*
*The CICID sectors were modified in 2020. We present the details of the authorisations according to the new wording, for FY 2019 and 2020. Details of the correspondence are available in the methodological note in Appendix 9.*

## 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, which is in line with the main priorities of the AFD Group strategic plan, reaffirms Proparco's priority to significantly increase 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 do this, Proparco seeks to strengthen the mobilisation of private players in order to direct private financing flows towards the sustainable development goals. 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, 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.

The effects that projects are expected to have on development are identified based on quantity and quality indicators the data for which is provided by project managers with the support of the Impact Measurement Unit, by means of business plans, project studies, and discussions with the customer.

The strategic impact objectives prioritised by Proparco are linked to the number of jobs supported, the number of tonnes of CO2 avoided, and access to essential services or goods (education, healthcare, electricity, water and sanitation, financial inclusion). They make a significant contribution to achieving several Sustainable Development Goals[(2)].

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

Of the 73 projects signed in 2020 (excluding ARIZ/EURIZ[(3)], Fisea, exceptional Covid-19 financing and subsidies), 57 projects were the subject of an *ex-ante* analysis of the expected impacts which were recorded[(4)].

*(1) In 2020, Proparco published its second sustainable development report covering FY 2019, which presents, among other things, this new roadmap (https://www.proparco.fr/fr/ressources/rapport-de-developpement-durable-2019).*

*(2) Notably SDG 3 (Good health and well-being), SDG 4 (Quality education), SDG 5 (Gender equality), SDG 7 (Clean and affordable energy), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 9 (Industry, innovation and infrastructure), SDG 12 (Responsible consumption and production) and SDG 13 (Measures to combat climate change).*

*(3) The ARIZ schemes (Support for the Risk of Financing Private Investment in AFD's Areas of Operation), developed since 2008, and EURIZ, launched in 2019 with the financial support of the European Union, are credit risk guarantees for SMEs and microfinance institutions.*

*(4) Of the 15 projects where the expected impacts have not been recorded:*
- *6 projects are additional financing for existing customers for which the ex-ante impacts had been recorded at the time of the initial signature;*
- *3 trade finance guarantee projects, 3 European Financing Partners (EFP) projects, 1 EDFI project and 1 Interact Climate Change Facility (ICCF) project were outside the "impact" scope at appraisal and were therefore not subject to an ex-ante, recognised, external impact analysis.*
- *1 project was subject to an estimate of expected impacts but it was not recognised due to a risk of double counting of the expected impacts at the level of the project itself (TCX A shares: leverage effect with theCurrency Exchange Fund, "TCX", a fund specialised in currency risk hedging).*
- *1 project was not subject to an ex-ante impact analysis due to the non-availability of the fund's business flow.*

**2020 Proparco *ex-ante* result indicators**

| SDG | Indicator | 2020 value |
|---|---|---|
| SDG 8 | Number of jobs supported | 803,321 |
| | Number of jobs created | 21,431 |
| SDGs 5 and 10 | Gender equity:% of amounts signed qualifying for the 2X Challenge(1) | 13% |
| SDG 17 | Volume of private finance mobilised by projects authorised in 2020 (€M) | 1,777 |
| SDG 7 & 13 | Climate: Tonnes of $CO_2$ eq avoided | 718,935 |
| | Energy: renewable energy capacity established (MW) | 600 |
| New or improved access to an essential good or service (SDG 3, SDG 4, SDG 7, SDG 8, SDG 9, SDG 10) | Number of theoretical beneficiaries of new or improved access to an essential good or service | 2,589,553 |
| | of which Energy: improved access to electricity through renewable energy projects | 133,608 |
| | of which Health: improved access to a health service | 1,729,086 |
| | of which Microfinance: access to a micro-credit | 398,584 |
| | of which Education: improved access to an education service | 4,275 |
| | of which Transport: improved access to public transport | 324,000 |

*(1) Launched in 2018 by Proparco and five other development finance institutions, the initial objective of the 2X Challenge initiative was to mobilise $3 billion 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. In June 2020, this target was exceeded, with $4.1 billion mobilised.*

In 2020, Proparco continued to intensify its commitment to monitoring and evaluating the impact of projects. The Impact Measurement Unit analysed the actual impact obtained in 2019 by the projects signed between 2015 and 2018 to compare the *ex-ante* forecasts (upstream) with the impact achieved and identify the most effective ways to support the impact targets. In 2020, the number of projects monitored doubled (214 projects, compared to 94 projects in 2019).

## 2.4.3 Impact of the Group's activity on climate change

### 2.4.3.1 The 2017-2022 Climate Development strategy

AFD Group's commitment to the climate has become a key feature of its action. The Group has been committed to this global challenge for more than 15 years. It further strengthened its climate ambition by joining the momentum created by the Paris Agreement and Sustainable Development Goals. 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 volumes: 50% of the Group's annual financing in foreign countries targets projects with co-benefits for the climate, reaching €5bn per year for climate protection by 2020, of which €1.5bn is devoted to adaptation measures;
iii. redirecting financial and investment flows: maximising the knock-on effect of its financing to redirect private and local investments; developing new high-volume, high-impact instruments; and integrating financial climate risks (physical and transition-related) in its risk analysis and credit decision processes;
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[2]. Carried out in the first half of 2020, this exercise was based on a large internal consultation (30 interviews within the AFD Group, a questionnaire for all AFD employees, with a total of 300 responses -10% of employees) and external consultation (NGOs, think tanks, multilateral and regional banks, ministries).

This mid-term review confirmed that AFD is on track to meet or has already met 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[3]. Several projects launched as part of this mid-term review are aimed at a more comprehensive and ambitious application of the climate strategy and prepare the foundations for the future post-2022 strategy.

*(1) https://www.afd.fr/fr/ressources/strategie-climat-developpement-2017-2022*
*(2) https://www.afd.fr/fr/ressources/strategie-climat-developpement-2017-2022-revue-mi-parcours*
*(3) International Development Finance Club*

### 2.4.3.2 AFD's climate financing in 2020

In 2020, the AFD Group approved 202 climate projects in foreign States, for a total amount of €5.2bn in financing (down compared to 2019 but beyond the target to which AFD was committed at COP21 in 2015 of providing €5bn in climate finance per year by 2020). In this way, 50% of the Group's financing produces co-benefits for the climate, thereby achieving the goal set in 2012 that was renewed in its Climate and Development strategy.

The climate projects financed in 2020 cover two areas, namely:

- climate change mitigation: €2.9bn in financing;
- adaptation to the impacts of climate change: €2.3bn in financing.

The Group's climate finance volume in 2019 exceeded the goals set in its Climate and Development strategy one year ahead of schedule, *i.e.* "to reach €5bn of climate finance volume, including €1.5bn for adaptation in 2020".

36 mitigation projects will help to avoid 4.6 MTeq$CO_2$ every year throughout their life cycle. Adaptation activities were undoubtedly perceived as more relevant in the context of the Covid-19 pandemic than mitigation activities. Climate finance in 2020 represented 47% of total commitments including the French Overseas Departments and Collectivities, and 50% without them.

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 10 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 area in 2020, with the publication of a renewed programmatic framework focused on the Sustainable Development Goals(1). The purpose of this new Registration 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" which AFD signed up to, 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. The Group issued an inaugural 7-year SDG bond in October 2020, in the format of asustainable bond, as well as a new 5-year climate bond of €1bn. At 31 December 2020, the outstanding amount of climate bonds - incorporated in this new programmatic framework - was €3.25bn and that of sustainable bonds was € 2bn(2).

### 2.4.3.3 A stronger partnership strategy

In 2020, despite the postponement of the main deadlines of the climate and biodiversity agenda, AFD played a decisive role in keeping the climate and the SDGs high on the international agenda.

In 2019, AFD was reappointed as Chair of the IDFC, which it has held since 2017, for this club which brings together 26 national and regional development banks. As such, AFD is working to better integrate climate issues at the technical and strategic levels. Finance in Common Summit co-organised by AFD in November 2020 led to numerous commitments by the nearly 450 participating public development banks, with a view to aligning their financing with the Paris Agreement, to move away from coal financing, to take action in favour of biodiversity, and to accelerate investments in renewable energies(3). At the Climate Ambition summit held on 12 December 2020, to mark five years of the Paris Agreement, AFD was able to report on the momentum initiated with the coalition of public development banks for the climate and the SDGs.

In 2020, as the host of the IDFC Climate Facility(4), AFD supported the rapid and effective roll-out of the first member support activities. This enabled the IDFC to participate in the dialogue with the multilateral development banks on the common principles of accounting for climate finance, to improve and facilitate the annual reporting of green finance, to examine a request for a grant to the Green Climate Fund to strengthen IDFC's ability to access international climate financing, and to create the necessary conditions for pooling efforts to increase its weight 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 2020, the GCF Board approved co-financing of US$38M for the EBAIO (Ecosystem-based adaptation) project in the Indian Ocean(5). To date, five projects led by AFD have been co-financed by the GCF for a total amount of approximately €330M. In addition, AFD plays an active role in the roll-out of the strategic partnership between the GCF and IDFC thanks to the IDFC Climate Facility, which supports its members in the accreditation process and in improving their capacity to identify, advise and implement projects in accordance with GCF standards. The GCF awarded a US$700K grant to the Climate Facility to finance these support activities.

AFD continued to focus on strategic dialogue with civil society organisations on climate change. It brought together, at the

*(1) https://www.afd.fr/sites/afd/files/2020-10-07-33-42/cadre-emission-odd-afd.pdf*

*(2) https://www.afd.fr/fr/actualites/communique-de-presse/finance-durable-succes-de-la-premiere-emission-dobligation-odd-de-lafd-pour-un-montant-de-2-milliards-deuros*

*(3) https://financeincommon.org/sites/default/files/2021-01/FiCS%20-%20Joint%20declaration%20of%20all%20Public%20Development%20Banks_0.pdf*

*(4) https://www.idfc.org/idfc-climate-facility/*

*(5) https://www.greenclimate.fund/document/ecosystem-based-adaptation-indian-ocean-eba-io*

Partners Committee in the first half of 2020, 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 the mid-term review of the climate strategy, 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 Climate Action in Financial Institutions initiative[1]. 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[2], or the implementation of climate processes and tools within institutions.

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 2020, the Group made progress on a similar approach to transition risks with the aim of making it operational in 2021. These considerations were fuelled by the Group's voluntary participation in the ACPR 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 2020, 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.

### 2.4.3.4 Direct environmental 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 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 climate footprint makes it possible to identify the organisation's strengths and vulnerabilities. The widespread context of teleworking due to the health crisis nevertheless made the 2020 financial year more complex, as the indicators were not adapted to this exceptional monitoring.

With regard to the head office's overall GHG emissions, the results show a reduction in emissions of 23% between 2020 (21,388 Teq $CO_2$, or 12.2 Teq $CO_2$ per employee) and 2019 (27,939 Teq $CO_2$, or 16.7 Teq $CO_2$ per employee). Teleworking recommendations combined with international mobility restrictions largely explain this reduction. The direct impacts of the Covid-19 pandemic are reflected in the 15% reduction in the consumption of fluids and the 63% fall in emissions related to air travel. Likewise, the less significant emissions linked to waste and home-work travel, subject to the authorised level of presence on the sites, show a downward trend, without however having any instruments for their precise estimation.

Lastly, the technological agility required for business continuity, which has led to the roll out and reinforcement of digital tools, has indeed led to additional indirect consumption in the workplace, but it is difficult to measure in the absence of any data feedback. All of the carbon footprint items are part of this downward trajectory, apart from "fixed assets" (+5%) and "inputs" (+3% as a monetary ratio). These are partly the result of the increase in digital technologies in response to the health crisis.

As the carbon footprint of the Group's network is carried out each year at the end of the first half of Y+1, the figures provided here are those for 2019, not impacted by the health context. The activities of the 90 agencies included in the total scope generated around 12,600 Teq $CO_2$ *i.e.* an increase of 11% compared to emissions assessed in 2019 based on the 2018 data. The emissions ratio per branch decreased due to the extension of the network -140 Teq $CO_2$ on average per branch in 2019 compared to 147 Teq $CO_2$ in 2018 - while emissions in relation to the number of employees increased slightly -12 Teq $CO_2$ on average per employee in 2019 compared to 11 Teq $CO_2$ in 2018 - correlated with the increase in air travel (+14% in GHG emissions).

The Group is working to control its environmental impact by improving the energy efficiency of its real estate portfolio and by using 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*, the Barthes photovoltaic modules having produced 12,122 kWh in 2020.This momentum extends to its network: the branches in Ndjamena and Accra produce the majority of their energy needs from photovoltaic panels.

For low-carbon mobility in line with the objectives of the mobility guidance law, AFD strengthened its support for soft mobility by setting up bike maintenance workshops during the European Mobility Week, conducted face-to-face outside lockdown periods and in compliance with health protocols. Initiatives are also encouraged at the local level: for example, the Phnom Penh agency provides a fleet of bicycles for short trips.

(1) *https://www.mainstreamingclimate.org/*
(2) *https://www.mainstreamingclimate.org/mainstreaming-climate-to-align-with-paris/*

In addition, the AFD Group considers responsible purchasing to be one of the three major pillars of its new purchasing policy. Thus, it anticipated the law on the fight against waste and the circular economy by eliminating plastic cups and bottles at the head office in 2019. The extension of this approach to the network is continuing, with the Tbilisi agency having implemented similar measures. The 100% recycled paper intended for use by employees (with the exception of the reprography department) is collected by a recycling channel at the Paris sites.

With respect to issues relating to biodiversity, AFD is also committed to minimising the impact of its direct footprint wherever it is present. For example, for corporate catering at the head office, 50% of produce used originates from organic agriculture. Efforts are also being made in this area within the network.

Lastly, AFD has been offsetting the Group's residual emissions by following a carbon neutrality pathway since 2009. In 2020, AFD supported two projects, biogas in Sichuan (China) and improved cooking stoves in Uganda, both Gold Standard certified and both of which have significant environmental and social co-benefits.

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

The AFD Group achieved an important milestone in 2020 with the finalisation of its "100% Social Link" strategy and the associated action plan. This strategy was approved by AFD's Executive Committee on 29 September 2020. It was subsequently presented to the French Ministry of Europe and Foreign Affairs, the French Ministry of the Economy and Finance, and also to French civil society organisations. Its approval is on the agenda of the AFD's Board of Directors in March 2021.

Through the roll-out of this strategy, the AFD Group aims, on the one hand, to reinforce the consideration of inequalities in public policy dialogue and public policy loans, by proposing diagnostic and training tools to agencies - this work will notably feed studies on inequalities steered by the Agency's research department. On the other, the Group aims to encourage its operational teams to take into account the themes of "co-construction" and "living together", for example by drafting dedicated methodological guides.

In 2020 AFD continued its action in favour of gender equality. Thus, in 2020, 67% of AFD projects presented a CAD 1 (specific objective) and CAD 2 (main objective) co-benefit for gender equality, thus exceeding the initial objective of 40% by 2020. €372M has been allocated to CAD 2 projects, based on a target of €370M.

AFD's activity in the cultural and creative industries increased in 2020 with the granting of 17 loans (compared to 8 in 2019) and €74.7M in committed amounts. In 2020, activity mainly focused on the African continent and in priority countries, and amounted to 66.5% in grants. AFD has been active in African heritage issues in Benin and Ethiopia, where the Agency has been asked to finance the rehabilitation of heritage sites or the construction of museums.

In the field of Sport & Development, AFD's activity also increased in 2020 with the granting of 7 loans and a commitment of €7.5M. The activity, based in Africa, mainly takes the form of multi-country competitions 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 fabric.

At the same time, AFD continued its efforts to support the technical divisions and agencies in the identification of new "sport and development" and "creative and cultural industries" projects through a series of webinars offered in early 2021, rolled out depending on the regions, and specific tools.

## 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[(1)], 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.

This policy aims to contribute to the effectiveness of the aid and to ensure accountability of the AFD Group's actions, in particular through the transparency of all funding granted, and to help legitimise France's Official Development Assistance policy. It is based on five principles: usefulness, openness, the protection of trust and sensitive information, attentive listening, and dialogue.

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.

*(1) 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/politique-de-transparence-et-de-dialogue-du-groupe-afd*

AFD is continuing to reinforce its policy to publish business data in the IATI format on its open data website[1]. At 31 December 2020, the published project data covered 78% of sovereign and non-sovereign projects in progress for amounts greater than €100K financed in all the countries where AFD operates.

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

| | 2020 | 2019 |
|---|---|---|
| Financial aid to be disclosed (number) | 2,107 | 1,709 |
| Financial aid disclosed (number) | 1,649 | 1,124 |
| *Financial aid disclosed (%)* | *78.26%* | *65.77%* |



## 2.5.2 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 2020, AFD launched two digital consultations to enable stakeholders to react to the proposals on the regional and ecological transition strategy and the 100% Social Link strategy. The online consultation on the regional and ecological transition strategy took place from 9 July to 28 August, and involved 70 external participants. The one on the 100% Social Link strategy took place from 9 November to 7 December 2020 and involved 34 external participants. All their contributions were taken into account, summarised and published on the digital consultation platform[2].

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, the Agency 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.

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.

*(1) http://afd.opendatasoft.com/*
*(2) https://consultation-numerique.afd.fr/*

# 2.6 Coordination with development actors: priority to partnership

As part of its 2018-2022 Strategic orientation plan, adopted by the AFD Board of Directors in July 2018[(1)], the AFD Group has set itself the target of becoming the bilateral platform of the French development policy, and undertakes to place a partnership approach at the heart of all of its interventions, and to contribute to any partnership or coalition that brings added operating value – whether in terms of finance, expertise, analysis or network – and the means to capitalise and innovate.

## 2.6.1 Partnerships 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, published on the Agency's website[(2)].

The funding granted under the "CSO Initiatives" strategy continued to increase, reaching €105M in 2020. This amount corresponds to the funding of 104 projects initiated by French CSOs with their partners from developing countries. At the request of the Ministry for Europe and Foreign Affairs, an additional €10M were added for the dedicated funding of CSO initiative projects in response to the crisis caused by Covid-19, which benefited 17 additional projects.

During the year, AFD also renewed three multi-year partnership agreements for French CSOs: Humanité et Inclusion (formerly Handicap International), Médecins du Monde (MDM) and Action Contre la Faim (ACF). At the end of 2020, the portfolio of projects under implementation under the "CSO Initiatives" system included 494 CSO projects.

More than 72% of funding granted in 2020 was invested in operations on the ground (most of which were Africa-related). The main sectors targeted are, in order of importance, education and health (26% each), human rights and governance (21%), agriculture and food security (10%) and lastly, environment, energy and climate (7%). Around 28% of the funding granted was invested in public interest projects (education in citizenship and international solidarity – ECSI, and structuring of the voluntary sector).

The Covid-19 crisis has strongly affected French CSOs in their internal activities and their interventions in the field. The mobilisation of financial resources was disrupted and made more complex with the withdrawal of certain private donors. AFD paid particular attention to the difficulties encountered by CSOs; it was able to make its procedures more flexible, increase its co-financing rate and accept an increase in the indirect costs of projects in 2021. It strengthened its dialogue through close monitoring to understand the adaptation and resilience strategies developed by French CSOs.

In addition to the "CSO Initiative", AFD significantly developed its partnership with CSOs in 2020 and granted, across all funding mechanisms, more than €408M to French and international CSOs in all the regions where it operates.

## 2.6.2 Partnerships with European and international players

In 2020, the AFD Group continued its financial cooperation with the European Union. €363M in EU funds delegated to AFD were covered in resolutions by AFD bodies in 2020. Every year, AFD is audited by an external firm regarding management of EU delegated funds, and is subject to an obligation to send the audit assessment to the European Commission in order to be able to continue receiving funds.

Globally, AFD financing approvals using resources from other sponsors topped €603.4M in 2020. AFD receives funds from other development players such as the Green Fund. The international and European partnerships division works in close collaboration with the external delegated funds unit and the legal department. It provides it with support for appraisal and monitoring/implementation of the projects carried out with these different partners, in order to control any risks of lack of coordination with the other participants or non-compliance with procedures in management of delegated funds.

In addition, in 2020, as Chair of the IDFC, a club that brings together 26 national and regional development banks, the AFD Group co-organised Finance in Common as part of the Paris Peace Forum. This first World Summit of Public Development Banks (PDB) was held on 11 and 12 November 2020 and enabled a new dynamic of conviction and mobilisation to be triggered.

This 100% virtual summit resulted in numerous commitments made by the PDB thematic sub-coalitions, as well as a joint declaration signed by the ten networks of development banks and six multilateral development banks. This declaration is the ambitious roadmap that PDBs have set for themselves to support the transformation of the economy and societies towards sustainable and resilient development. Around 450 PDBs have made strong commitments, such as aligning their financing with the Paris Agreement, phasing out coal financing, promoting biodiversity, and taking better account of the fight against inequalities, particularly between women and men, and the application of the most stringent environmental and social standards. They also committed to forming the global Finance in Common, to promote cooperation and act in a coherent manner in the service of the planet and its populations. In 2021, AFD will ensure the implementation of its commitments, contribute to the structuring of the coalition and ensure the sustainability of Finance in Common dynamic.

*(1) This is the AFD Group's overall strategy, published on the AFD website: https://www.afd.fr/fr/plan-dorientation-strategique-2018-2022*
*(2) https://www.afd.fr/sites/afd/files/2018-06-04-17-28/Strat%C3%A9gie-OSC-VF-version-finale.pdf*

### 2.6.3 Support for project management and the building of capacities

Project management is one of the cornerstones of projects financed by the AFD Group. In particular, these activities enable the project owner to better coordinate and manage the funding, and ensure the activities and/or works are performed properly. They contribute to reducing the risk that project managers may fail to comply with contractual procedures or clauses.

To support its partners in terms of advice on organisational development and support for change, the Group initiated two major projects in 2020 aimed at better responding to the challenges that concern them: (i) the creation and testing of an offering: support services for the organisational transformations of project owners to meet the SDGs and sustainable recovery challenges, (ii) the improvement of the tools and methodological approaches available to project owners to optimise their public policy dialogue. These two projects will continue during 2021.

- Support for the transformation of project owners financed by the Group aims to improve the performance of partners, a *sine qua non* condition of sustainable development, and is part of an approach that seeks to go beyond a dialogue focused on the needs of projects and the requirements of the lessor at the time of appraisal. Project owners with a clear vision, a known trajectory, built by their teams and an appropriate internal organisation, will be the most efficient for the management of projects and the inclusion of cross-cutting SDGs such as gender and climate. In 2020, the Capacity Building Support Unit developed this role of supporting change within organisations by setting up pilots. This involves creating a space for dialogue around the strategy of project owners, their internal functioning and their overall performance; then to support them in identifying or creating favourable conditions for change and to formalise a development trajectory; and finally to think about the operationalisation of this change management strategy. Three "historical" counterparties are supported in terms of organisational development (ONAS in Senegal, HACP and Nigelec in Niger) to enable them to better face the sustainability challenges of their core business. Likewise, four financial institutions were supported in the diagnosis of their climate or gender maturity and the definition of a transformational roadmap affecting internal organisation, strategy and internal processes.
- The AFD Group is committed to making continuous progress in supporting public procurement policies, which takes the form of public policy dialogues, the establishment of budget funding matrices, and technical and implementation assistance.

In addition to its own project capacity-building activity, AFD has specific tools to strengthen the capacities of its project managers, such as:

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

In 2020, these different tools represented €90.1M in commitment approvals.

In 2021, the integration of Expertise France will provide the AFD Group with additional and complementary leverage to reach its goals set with partners.

## 2.7 Fair practices

### 2.7.1 Initiatives for preventing 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 the financing of terrorism.To avoid unwittingly participating in any of these violations, the AFD Group has a general policy[1] on prohibited practices, 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 has also enriched its system for preventing and combating prohibited practices by devoting to this purpose a dedicated page on the AFD and Proparco institutional website, as well as by publishing the guiding principles for investigations carried out by the AFD Group.

*(1) https://www.afd.fr/fr/lutte-contre-la-corruption*

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 of conduct[(1)] 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 corruption risks of the suppliers with which the AFD Group worked in 2019. 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. The Group is also developing a procedure to enable it to identify and assess the risk of corruption associated with suppliers, at the entry point and throughout the business relationship with them. This procedure will come into force in 2021. In 2021, the Group will also adopt a charter as part of its relations with its suppliers, aimed at specifying the commitments expected from them and any subcontractors, notably in terms of ethics and the fight against corruption.

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 2021.

E-learning training modules on the prevention of corruption and influence peddling and the AFD Group's anti-corruption code of conduct will be rolled out in 2021 among AFD Group employees.

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 and Fisea.

## 2.7.2 Checks made during a project's 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. Persons 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 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. Such screening is also included in the processing chain for payments issued by AFD's Financial Department. The objective is to ensure that no counterparts, person concerned by checks, supplier and successful tenderer to a tender financed by AFD, is the subject of financial sanctions or is involved in sectors subject to an embargo, which the Group is required to implement.

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 investigating, 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.

## 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 certain cases and after AFD's approval, an *ex-post* control may also be exercised for certain procurement processes.

In addition to these controls, AFD imposes exclusion criteria[(2)] 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.

As part of the response to the Covid-19 crisis, and in particular the "Health in Common" initiative, a specific accelerated procedure was put in place for emergency supply contracts, associated with a standard application for simplified quotation (in French, English and Spanish), in order to promote a rapid response capacity.

Another type of response to the Covid-19 crisis: a comprehensive e-learning training course on contracting for project owners was launched in June 2020. In preparation before the health crisis, this support made it possible to propose an alternative while the crisis prevented the training missions planned for project owners/ Internally, training has also been adapted so that it can be delivered remotely and a large number of courses have been maintained (in a lighter format in certain cases), making it easier for branch employees to participate, an opportunity which is the same for other sectors (see above, section on "Skills development, employability and training).

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

## 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 the Agency of cases of alleged prohibited practices or proven reprehensible practices, and to take remedial measures to the satisfaction of the AFD Group. 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.

## 2.7.5 Information reporting 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 and 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 or action plan. The AFD 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.

## 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, the training format had to be adapted so that it could continue to welcome new employees within the Group, but also to raise awareness among all staff. Thus, in addition to AML/CFT e-learning, remote training courses have been set up (*via* Skype or the tools offered by the AFD Training Department).

This year, these training sessions were provided in e-learning format, in the form of a webinar and in a face-to-face mode (before the lockdown period).

- Training provided in e-learning format on AML/CFT: this training has been completely redesigned to take into account regulatory changes and their implementation in the AFD Group's procedural system, but also to offer a new-generation-digital, personalised, flexible and collaborative training course. All Group employees (Headquarters and Network, whether new hires or existing employees) were asked to follow one or two e-learning 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. The results for 2020 are as follows: 77% of employees enrolled in pathway 1 including a module (*i.e.* 890 of the 1,154 people enrolled) completed their training and 76% of employees enrolled in pathway 2 including two modules (*i.e.* 1,310 of the 1,724 people enrolled) validated their training.
- 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 2020, 207 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. Compliance thus developed two offers: one intended for operational employees, and the other for support employees.

## 2.7.7 Initiatives undertaken to prevent tax evasion

Keen to participate in the French policy to fight against tax fraud and tax evasion as promoted by France within the framework of the G8, the G20, the LOP-DSI or the CICID, the AFD Group has, since 2009, a rigorous and specific policy with regard to transactions carried out and projects financed in Non-Cooperative Jurisdictions (NCJs) in tax or AML/CFT matters or involving one or more NCJs and/or more broadly one or more offshore centres.

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 fiscal NCJ or AML/CFT, the AFD Group policy determines the types of transactions authorised and the types of projects eligible for Group financing: depending on the case, the use of fiscal NCJs is either authorised subject to conditions, or strictly prohibited.

The AFD Group's NCJ Policy is regularly updated, both with regard to the list of countries concerned and the content of the applicable restrictions. It was recently impacted by two texts:

- law no. 2018-898 on the fight against fraud has, on the one hand, integrated the European list of non-cooperative jurisdictions for tax purposes ("EU list of fiscal NCJs") with the French list of Non-Cooperative States and Territories ("NCSTs") and, on the other hand, enshrined in the law the prohibition on the Group's participation in the financing of projects in which the controlling shareholder is registered in an NCST, unless this registration is justified by a real economic interest in the country in question, or the project is being carried out in the country. The EU list of fiscal NCJs now impacts both EU-funded projects and the Group's own-resources projects.

  It should nevertheless be noted that the integration of the EU list of tax NCJs into the list of NCST is not automatic and must be done by decree pursuant to Article 238-0 A of the French General Tax Code. Insofar as the list of NCST has not been updated since 7 January 2020[(1)] despite subsequent changes to the EU list[(2)], the latter in its most recent version is currently only applicable to projects involving the delegation of European funds or a mix of resources;
- the Financial Regulation of 2018 (known as "Euratom") prohibits partners implementing EU funds from financing projects (i) whose counterparty is located in a country on the EU list of high-risk third countries in terms of AML/CFT, on the EU list of non-cooperative jurisdictions for tax purposes, or not meeting the OECD Global Forum standard for the exchange of information on request or (ii) likely, in addition to fraud and tax evasion, to contribute to tax optimisation.

  These requirements were clarified and specified during several discussions with the European Commission services in charge of tax and customs issues and will be formally incorporated into the Group's NCJ policy in 2021.

At the same time, Compliance, together with Proparco's legal department, initiated a project to reform the AFD Group's NCJ policy to make it more readable for the operational teams and to integrate a more detailed understanding of tax matters in relation to projects.

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

The constraints imposed by the lockdown made it necessary to adapt the working methods of all AFD Group employees, including Compliance. The severity and depth of the health and economic crisis have led to a reorientation of the Group's priorities and the implementation of a dedicated response to meet the needs of our counterparties.

- As part of the reorganisation of project appraisal procedures, Compliance is fully involved in this effort by jointly developing, with the operational departments, an adapted procedure (known as "Health in Common") for appraising, as quickly as possible, plans to respond to the health and economic crisis linked to the pandemic while prescribing safeguards and maintaining targeted controls on risky instructions.

  In this exceptional framework, Compliance has reduced its time-frame for monitoring projects. It focused its analysis on risky instructions, *i.e.* on new projects and on those involving counterparties that did not already have relations with the Group before the crisis.
- Against a backdrop of an upsurge in fraud, a trend specific to each period of crisis, Compliance 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 structures emphasised that the typologies encountered reflected those traditionally observed following natural disasters 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 Investigation function wished 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) As of 8 January 2020, the following States and Territories appeared on this list: Anguilla, Bahamas, British Virgin Islands, Panama, Seychelles, Vanuatu, Fiji, Guam, American Virgin Islands, Oman, American Samoa, Samoa, Trinidad and Tobago.*

*(2) The last EU update took place on 7 October 2020.*

# 2.8 A meaningful work environment

The AFD Group strives to promote a responsible approach in its internal operations and to provide its employees with an inclusive and rewarding work environment. This approach constitutes one of the six commitments in its corporate social responsibility policy. The Group encourages employee dialogue and offers its employees the most favourable working conditions possible to develop their skills and pursue interesting and motivating career paths, while preserving a balance between their private and professional life.

## 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. It consists of a Charter, a Committee and an Ethics Adviser.

The Ethics Charter was written in 2004 and updated in 2012. It defines[(1)] 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 as 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.

The Ethics Committee meets at least six times every year. It is chaired by the Chief Operating Officer of AFD. The other members are the representatives of each Executive Department of AFD (7), Proparco, the personnel (CSE: Social and Economic Committee) and the Ethics Adviser. On the strength of the many business lines it represents, it gives Senior Management and the Group the benefit of its discussions and recommendations on operational ethical subjects that it identifies or that are submitted to it.

The Ethics Adviser runs training/awareness-raising sessions for new recruits and employees soon to be assigned to the network (the network comprises almost one hundred AFD or Proparco departments/local offices/offices). As such, 23 in-house ethics sessions were held in 2020, involving 455 employees.

He participates in regular discussions about ethics with all the head office teams and visits several network teams every year (outside the current health context). He meets regularly with Senior 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 (112 consultations in 2020, almost a third of which were for network employees).

Although the Adviser preserves the anonymous nature of these consultations, he communicates with Senior Management and reports as necessary to the AFD and Proparco Boards of Directors, and also to their specialised committees. 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.

The ethical method seeks to be attractive and appealing, by adopting a positive and constructive educational approach. This approach stimulates individual and collective questions, reinforces the desire to act in a correct manner, and encourages the demand for compliance.

In the summer of 2020, Senior Management decided to appoint the internal mediator, who is also an ethics adviser, and to entrust her with a task of reflecting on the AFD Group's ethics system and the synergies between the two functions.

## 2.8.2 Skills development, employability and training

As is the case for many organisations, the Covid-19 health crisis has significantly disrupted training practices and thwarted the roll-out of the AFD Group's annual skills development plan. But the year 2020 also helped to revitalise the training activity by refocusing the offer on the immediate challenges of the business lines and employees, and by remarkably accelerating the adoption of distance learning. It is therefore in the light of these disruptions and these transformations that the very singular results of the training activity in 2020 should be considered, beyond the usual quantitative indicators.

With a start to the year marked by strikes and the implementation of the first lockdown, the 2020 training report shows, unsurprisingly, indicators trending down. The total number of training hours taken by employees fell by 55% between 2019 and 2020, dropping from 66,012 hours to 29,636 hours[(2)].

This significant decrease is primarily due to the cancellation of all face-to-face training[(3)] from mid-March to the end of 2020. It is also due to the fact that the transposition to a remote training offer, undertaken in April, could not be applied to a significant number of actions or training cycles.

Certain programmes are based on immersion experiences, requiring travel - to the head office for network employees (World Seminar), to the network for head office employees ("Development Professions" cycle), or even regionally (sectoral

*(1) https://www.afd.fr/fr/ressources/charte-ethique-du-groupe-afd*
*(2) General training effort, for all audiences (general managers, local managers, international volunteers, interns and staff seconded to AFD).*
*(3) Face-to-face training was banned from mid-March 2020 and for the rest of the year, with the exception of safety training for employees who had to travel to sensitive areas as part of a professional assignment.*

training, for example, organised at regional level in the network). This also applies to training that is based on a technical infrastructure that cannot be virtualised (training on payments, or on local IT correspondents). In total, training courses which cannot be adapted to a digital format represent some 20,000 hours per year, not recoverable in the balance sheet, despite the compensatory digitisation effort made elsewhere.

In the context of the transposition to a remote offer, it was also necessary to shorten the duration of certain actions. This new calibration linked to the specific constraints of distance learning (shorter sessions preserving attention spans and concentration skills) also explains, to a lesser extent, the reduction in the number of hours spent thereon by employees.

Lastly, the overall assessment does not reflect the number of visitors to the e-training platform or the monitoring of open access e-learning modules. While our tools do not allow us to accurately measure these training times independently, nor to demonstrate an increase in connections throughout the year (these were sometimes generated by the completion of a mandatory e-learning training course), we can nevertheless see that the platform was increasingly used by AFD employees during this period. The training department has noted an increase in user requests, demonstrating higher attendance since the end of face-to-face training.

The decrease in the overall number of hours must therefore be put into perspective with regard to the current constraints of the training activity (part of the offer cannot be provided remotely; transfer to the distance learning space not included in reports) but also to the renewals of practice that took place throughout the year and which benefited the users of the training offer: access to critical or essential training maintained thanks to the remote modality and a wider coverage of audiences at a distance from headquarters.

In order to maintain pedagogical continuity, the training department undertook, in April, the digitisation of all training courses considered as "critical", that is to say conditional on integration, expatriation or taking up a position in management. Significant re-engineering work was carried out in two months to translate these training courses into virtual classes. From the end of May, a number of actions were provided again (modules for the reception of newcomers known as "onboarding", preparation for expatriation, managerial paths, etc.). Then remote transposition was gradually extended to training deemed essential by the business lines (sectoral training, financial training, etc.). This prioritisation made it possible to secure the development of skills in response to business-line challenges or major individual challenges.

But distance learning has also had a beneficial effect in the coverage of network agents. The modules offered in virtual classes attracted a very large audience, mixing employees from the head office and the network in unprecedented proportions. Over the year, 237 local employees took part in the training sessions organised by the HR Department, despite the discontinuation of regional training[1].

Lastly, to support this digital transition, the need for which remains just as strong in early 2021, the training department has embarked on a skills-development plan aimed at developing its know-how in terms of leadership, design and administration of digital training. These new skills have made it possible to support in-house trainers in the appropriation of digital training tools and techniques (virtual classroom tools, digitalisation of teaching materials, etc.) and to implement effective digitisation strategies, with the support of our external service providers, for example on virtual integration projects.

### 2.8.3 Employee dialogue and social relations

Employee 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 employee 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 employee 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.

Following the Macron Orders, social and economic committees were set up at the level of all the institutions that make up the Agency (head office and five French overseas departments: Réunion, Mayotte, French Guiana, Martinique and Guadeloupe) as well as centrally during the professional elections held in May 2018.

In this context, AFD management and the representative trade unions met and negotiated an experimental operating agreement signed on 7 February 2019, for a fixed period of one year. It defines the operating rules applicable to the newly created social and economic committees to ensure effective and constructive social dialogue.

*(1) In 2019, 324 local employees had benefited from training activities organised by HR.*
*(2) https://www.afd.fr/fr/politique-de-responsabilite-societale-du-groupe-afd-2018-2022*

As such, employee representation is now organised 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 twice-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;
- a **Group committee** meets annually, bringing together employee representatives of AFD and its subsidiaries.

It should be noted that a new operating agreement is currently being negotiated. Its signature may result in the amendment of some of the aforementioned provisions.

Lastly, as the terms of office of employee representatives expire on 17 May 2021, new professional elections will be held shortly.

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, and then in June 2019. Given the exceptional circumstances caused by the Covid-19 health crisis, the 2020 edition of the Committee of Staff Representatives of Foreign States has been postponed until 2021. An intermediate discussion with the Committee's spokespersons was nevertheless held remotely in mid-December. In addition, the terms of office of CREE representatives expire on 26 February 2021.

As the health context is clearly not suited to the implementation of a ballot for professional elections in the Agency, the Human Resources Department has mandated a specialised and approved company, the company Neovote, to entrust it with the implementation of this electronic vote, to guarantee the security of electoral operations but also the confidentiality of the vote. These elections should take place in late March or early April.

### A review of collective agreements (and notifications of disapprovals) signed in 2020:

| | |
|---|---|
| 03/01/2020 | Agreement on Quality of Life at Work |
| 03/01/2020 | Agreement on teleworking at AFD |
| 06/05/2020 | Notification of disapproval Negotiation on remuneration, working hours, and the sharing of added value |

Labour negotiations with the representative trade unions during the year were mainly related to the revision of salaries (NAO - Mandatory Annual Negotiations), professional equality, and the functioning of bodies (CSE/CSEC).

Management also started the project to reform the Staff Regulations with the opening of negotiations on the agreement on methods and resources at the end of 2020. Negotiations and discussions with representative trade unions will continue throughout 2021.

The year 2020 was marked by the Covid-19 pandemic. Faced with this health crisis, social dialogue had to adapt: remote meetings, remote signing, multiple meetings to inform and consult the social partners on the management of the crisis.

While crisis management involved most of the discussions, the other aspects of social dialogue continued in parallel.

## 2.8.4 Promotion of professional equality and diversity

### Promotion of professional gender equality

Professional gender equality is a major priority in the AFD Group's HR 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.

Negotiations on a new "Professional Equality" agreement with the social partners were completed at the end of 2020. This agreement 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 that 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 targets for the recruitment of women engineers and for the promotion of women to senior and expatriate positions. In addition to maintaining previous commitments, AFD is innovating by extending the length of paternity leave with salary maintenance, setting up a support system for caregivers and combating domestic violence. Onboarding training without discrimination becomes mandatory for managers.

### Main actions in 2020

In addition to maintaining the actions of previous years:

- recruitment: establishment of a partnership with an engineering school (EPF) to encourage the hiring of women engineers;
- professional pathways:
  - implementation of a pilot business line for non-managerial positions within the accounting department,
  - promotion of female career pathways in management and expatriate positions in internal communications;
- raising awareness of and combating sexism:
  - promotion of e-learning course on "Professional equality",
  - organisation of a conference on gender, virility and self-confidence,
  - participation in an internal event on domestic violence,
  - awareness-raising for the panels interviewed during the AFNOR audit on professional equality and sexism.

Lastly, AFD published its gender equality index at 1 March 2020 in accordance with the law on the freedom to choose a professional future (2018). This index stood at 91 points out of 100.

### Promoting diversity within teams

The issue of diversity is at the heart of the AFD Group's action and HR policy, with 85 agencies and offices around the world. 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 approach aimed to i) launch a first level of awareness-raising on what diversity is and what its challenges are for AFD: conference, video, creation of an intranet page dedicated to the theme, e-learning; ii) open an external listening unit for suspected cases of discrimination for head office and network employees; iii) define AFD's diversity policy and an associated action plan to be rolled out over the coming years *via* an original approach of co-construction of this policy by and for AFD's employees.

In 2020, this approach was continued and saw the adoption and launch of AFD's diversity and inclusion policy. It also resulted in the following actions: raising the awareness of the Executive Committee and the Management Committee on the challenges of diversity and inclusion as a lever of AFD's strategy; the first assessment of the external listening unit (11 referrals); and finally the construction of an inclusion barometer, which is scheduled for dissemination in 2021.

AFD is committed, through its application for the dual AFNOR "Alliance for diversity and professional equality" label, to continue its action to promote diversity and inclusion over the coming years.

## 2.8.5 Quality of employee working conditions and safety

AFD Group strives to ensure high-quality working conditions and the safety of persons. In 2020, in response to the Covid-19 crisis, the Group had to make changes to its operations at an unprecedented scale and pace, requiring significant support for the prevention of potential risks, notably related to the widespread use of teleworking, but also generating learning opportunities and opportunities linked to new ways of doing things.

### Security of Group employees

The security of AFD Group's property and people is based on several internal policies and texts, including a Group Security Policy (PSEC) and an Agency Security Policy (PSAG). These documents are brought to the attention of all Group employees.

Furthermore, the Group has deployed an international security management system that is regularly audited by the AFD General Inspection Department.

In application of the international security risk prevention strategy, AFD has set up an organisation that puts the regional divisions at the heart of the system. This makes it easier to take account of the diverse security situations in the network. In addition to the security standards and the process to secure travel abroad modernised in 2018, AFD has deployed human resources exclusively devoted to network backup. Regional security advisers are constantly available to regional directors, to ensure constant security vigilance and dynamically adapt the local means of protection. The security advisers also contribute to reinforcing security culture in the field, and assist the AFD crisis management unit when it manages 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 watchdog unit which is organised around a cross-cutting watchdog unit. 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 were maintained in 2020 at the head office and in the network. 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. The e-learning awareness-raising campaign implemented in 2018 reached 948 employees at 15 January 2021 (a staggered financial year), *i.e.* an additional 78 employees compared to 2019[(1)].The increase in the number of employees trained is less than in previous years, on the one hand due to the near achievement of the target, defined as all employees who may go on assignment to sensitive areas (orange and red areas designated by the Ministry for Europe and Foreign Affairs), and on the other due to the drastic reduction of missions at Group level due to the health crisis. In addition, awareness-raising will be overhauled as part of the implementation of the digital travel security tools developed in 2020, which will be rolled out in 2021.

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 AFD or Proparco offices; the simultaneous unavailability of the two Paris offices, AFD and Proparco; 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 2020, in order to manage the situation, the crisis unit held 41 decision-making meetings. Following these meetings, 13 general information and instruction messages were disseminated among employees.

### Establishment of large-scale teleworking due to the health crisis

The Covid-19 crisis led AFD to test whether its teleworking system is operational on an actual basis. Efficient business continuity was enabled by the tools and services made available by the Information Systems Department (ISD) at head office and in the branch network: laptops, remote access to information system applications, a generalised Skype for Business communication tool, enabling remote (or hybrid) meetings to be held in audio-video mode, regardless of their size and purpose (from work meetings to the various committees and the Board of Directors).

User support was adapted to continue the delivery of equipment to the agents and the treatment of IT problems. Access to remote business applications was extended. A dedicated working group supported users in the identification and deployment of digital tools to facilitate teleworking, in terms of collective intelligence, the organisation of webinars, electronic signatures and distance learning.

The capacities of AFD's communication infrastructures were greatly increased: the Internet connection speed was multiplied by ten at the head office, and the maximum number of simultaneous connections of remote workstations multiplied by five. From the start of the lockdown, the teleconferencing systems enabled an average of 21,800 remote meetings to be held per month, representing 14,800 hours of audio and video discussions per month.

At the same time, the IT department continued to develop a new video-conferencing service that could be adapted to the contexts and needs of its international operations, while strengthening and optimising local communication lines. This improvement in communication tools with the branch network will support the process of reducing the number of missions from the mainland and reducing the Group's carbon footprint.

### Quality of working conditions

The agreement on Quality of Life at Work signed in early 2020 was a roadmap in this area, alongside the exceptional measures

*(1) "Mission security" e-learning awareness-raising sessions from 15 January 2020 to 15 January 2021 inclusive.*

rolled out during the year to deal with the Covid-19 crisis and the profound organisational changes it may have brought about.

Thus, the psychosocial risk prevention systems already in place were maintained and some were strengthened. For example, a psychological assistance platform, accessible 24 hours a day, seven days a week, for employees at the head office and the network, was deployed from March to September, in order to respond to the increasing number of requests made in this context of uncertainty and potential stress. Tele-risks were regularly identified and the DUERP (Single Occupational Risk Assessment Document) updated accordingly. Prevention players (managers, HR managers, social partners, occupational health services, psychologists, mediators, etc.) were more involved and critical situations were dealt with in a collegial manner.

The preservation of health and the benevolence of management were the key words in view of the constraints imposed on the teams (material conditions for teleworking, which are sometimes difficult, schooling for children at home, etc.). Communication with employees from Management, Human Resources, the General Secretariat and the internal crisis unit was regular to inform, support, reassure and disseminate best practices and maintain contact with employees.

Several webinars were provided to support employees and managers on the topics most closely related to their concerns: “Parents and children in confinement, staying calm during the crisis”, “Remote management in times of crisis”, “Managing the transition and supporting your team during de-confinement”, “Opening spaces for the team to express”, “Raising-awareness on the ergonomics of the workstation at home”. Distance training is now also available to managers, to support them in their role as a player in the quality of life at work, and to consolidate their remote management skills, which may be used in the future.

Although the AFD Group has already experienced a significant and steady increase in teleworking for employees at head office for several years, this way of working has suddenly become fully-applied and sustainable in practice, with its share of opportunities but also risks. The adaptability and agility of the teams, which continued to perform their duties in a highly operational manner, were noteworthy. This “full-scale test” enabled the Group to overcome any fears that might still remain. A survey conducted among all employees in September shows greater support for teleworking and encourages a reflection on post-crisis teleworking on the social dialogue agenda.

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



*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.*

For the year ended 31 December 2020

To the Annual General Meeting,

In our capacity as Statutory Auditors of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049[1], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2020 (hereinafter the "Statement"), included on a voluntarily basis in the Group 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*).

## RESPONSIBILITY OF THE ENTITY

The Management Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

## RESPONSIBILITY OF THE STATUTORY AUDITOR APPOINTED AS 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 information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

## NATURE AND SCOPE OF OUR WORK

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000[2]:

- 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 as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation set out in article L. 22-10-36];

*(1) Accreditation Cofrac Inspection, number 3-1049, scope available at www.cofrac.fr*
*(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information*

- 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[(1)]. Our work was carried out on 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;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important[(2)], 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 the consolidating entity 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.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

## MEANS AND RESOURCES

Our work was carried out by a team of four people between December 2020 and March 2021 and took a total of two 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.

## CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial 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.

Paris-La Défense, on 2 April 2021

KPMG S.A.

| | |
|---|---|
| Anne Garans | Valéry Foussé |
| Partner<br>Sustainability Services | Partner |

*(1) Policy relating to the ongoing development of employee skills; Organization of social dialogue and collective agreements; Measures taken to promote gender equality and inclusion; Actions to control the environmental footprint; Procedures put in place for good business conduct and the fight against corruption; Measures taken to identify specific non-compliance risks related to the Covid-19 crisis; Measures taken in favor of human rights; AFD and Proparco's policy for managing environmental, social and societal impacts; Policy for dialogue with stakeholders; Partnerships with civil society organizations; Diligences relating to the respect of human rights in financing agreements.*

*(2) Group headcount at 31/12 and breakdown by gender; Number of people enrolled for the AML/CFT training who validated the e-learning (for the pathway 1 and 2); Number of targeted people who have taken the security e-learning ; Number of consultations with the ethics adviser; Number of training courses provided by the ethics adviser; Percentage of sovereign and non-sovereign financing reported in IITA format; Number of complaints received by the AFD 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; Number of climate co-benefit projects; Amount of climate co-benefit projects; Greenhouse gas emissions avoided; Funding granted as part of the «CSO Initiatives» (Civil Society Organizations) projects..*


# 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 Chairman 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 Chairman and Chief Executive Officer.

At 31 December 2020, Senior Management[1] was as follows:

| | AFD position appointment | Other mandates and positions |
|---|---|---|
| **Rémy RIOUX** | Chief Executive Officer (CEO)<br>*For 3 years, decree published on 29 May 2019* | Director, Chairman of the Proparco Board of Directors<br>Chairman of the IDFC Club |
| **Philippe BAUDUIN** | Chief Operating Officer<br>*Indefinite term, memorandum of instruction AFD/DGL NI – 2016-67 of 6 July 2016* | Director of Proparco<br>Director of Fisea<br>Director of the Société Immobilière de Nouvelle-Calédonie |
| **Bertrand WALCKENAER** | Deputy Chief Executive Officer NI – 2019-16 AFD/DRH of 21 February 2019 | Proparco:<br>Director, Vice-Chairman of the Board of Directors<br>Chairman of the Investment Advisory Committee<br>Chairman of the Proparco Appointments Committee<br>Fisea:<br>Permanent representative of AFD, shareholder, director,<br>Chairman of the Board of Directors and Chairman of Fisea<br>BPIfrance financement:<br>Permanent representative of AFD on the Board of Directors as a non-voting member<br>Expertise France:<br>AFD representative on the Expertise France Board of Directors of as an observer<br>ACPR:<br>Executive officer at the ACPR |

### 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 assumed the management of the Agence Française de Développement.

### CHIEF OPERATING OFFICER: PHILIPPE BAUDUIN

Recruited to the Caisse Centrale de Coopération Économique in 1983, Philippe Bauduin was assigned as an officer to the Papeete agency. In 1987, he joined the French Guiana Development Finance Company (Sofideg), a subsidiary of the Caisse centrale as head of the department for business and home loans.

His career continued with two postings by the Caisse Française de Développement (former CCCE) to Africa. Firstly, he was adviser to the Chief Executive Officer of the National Bank of Economic Development of Burundi in Bujumbura from 1992 to 1995. He subsequently served as Secretary General of the Guarantee Fund for Private Investment in West Africa at the West African Development Bank in Lomé from 1995 to 1998. He set up and organised this fund to support credit institutions in the 18 member countries of the Economic Community of West African States (ECOWAS).

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

Philippe Bauduin returned to the headquarters of Agence Française de Développement (formerly CFD) in 1998 to take over as Director of the Banking Division in the French Overseas Departments and Collectivities Department. In September 2002, he was appointed Chief Operating Officer at the Caledonian Investment Bank (BCI) in Nouméa, which at the time was a subsidiary of AFD. He became Chief Executive Officer in 2008. In 2009, he was appointed AFD Director in Pointe-à-Pitre for Guadeloupe, Saint-Martin and Saint-Barthélemy.

In 2012, he was seconded to Société Immobilière de la Guadeloupe (SIG) as interim Chief Executive Officer.

In 2013, Philippe Bauduin became AFD Chief Financial Officer, before being appointed Chief Operating Officer by Rémy Rioux in July 2016.

#### DEPUTY CHIEF EXECUTIVE OFFICER: BERTRAND WALCKENAER

Since February 2019, Bertrand Walckenaer has been 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 12 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:

- Chief Operating Officer: Philippe Bauduin;
- Deputy Chief Executive Officer: Bertrand Walckenaer;
- Operations Executive Officer: Jean-Pierre Marcelli;
- General Secretary Executive Officer: François Parmantier;
- Director of the Finance department: Françoise Lombard;
- Human Resources Executive Officer: Martha Stein-Sochas;
- Risks Executive Officer: Amaury Mulliez;
- Strategy, Partnerships and Communication Executive Officer: Laurence Breton-Moyet;
- Studies, Research and Knowledge Executive Officer: Thomas Melonio;
- Chief Executive Officer of Proparco: Grégory Clemente;
- Head of the General Inspection Department: Eric Baulard.

## 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 Chairman:

- 5 representatives of 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 Chair of the Board of Directors is appointed by 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 Chairman 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 Chair 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 Chair 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 2019, there were 35 members. Of the 31 who had been duly appointed (16 permanent and 15 alternate), 13 were women (6 permanent and 7 alternate directors), representing 37.1% of the members and 41.9% of the seats filled.

At 31 December 2020, the Board of Directors had the following members:

| Director | Term on the Board appointment | Address | Current position<br>Other offices held |
|---|---|---|---|
| Laurence Tubiana | Chairwoman Decree published on 10/07/2019 | Agence Française de Développement – 5, rue Roland-Barthes 75598 Paris Cedex 12 | **Chairwoman of the AFD Board of Directors**<br>• European Climate Foundation - Chairwoman and Chief Executive Officer<br>• IDDRI - Board member<br>• TERI Governing Council - Member<br>• Expertise France - Chairwoman of the Board of Directors<br>• French High Council for the Climate - Member<br>• European Commission - Executive Vice-President Frans Timmermans - Adviser<br>• Citizen's Climate Convention, Governance Committee - Co-Chairwoman |
| **Representatives of the French State (5)** | | | |
| VACANT | | | |
| Christophe Bories | Alternate 03/04/2020 | French Ministry of the Economy and Finance – Directorate General of the Treasury – 139, rue Bercy – 75572 Paris Cedex 12 | **Deputy Director of Multilateral Financial Affairs and Development**<br>• No other office or function |
| Morgan Larhant | Permanent 01/10/2020 | 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**<br>Permanent Director representing the Ministry of the Budget to:<br>• the Agency for French Teaching Abroad (AEFE);<br>• the National Forests Office;<br>• the Service and Payment Agency (ASP);<br>• the French Office for Immigration and Integration (OFII);<br>• the Institut Français;<br>• the French 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)**<br>Member of the following Boards of Directors:<br>• Expertise France;<br>• OFPRA;<br>• OFII;<br>• Institut Français;<br>• Campus France;<br>• 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)**<br>• 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**<br>• General Directorate for Global Affairs, Culture, the Environment and International Development |

| Director | Term on the Board appointment | Address | Current position Other offices held |
|---|---|---|---|
| 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**<br>• No other office or function |
| Jean-Baptiste Faivre | Alternate 06/11/2020 | French Ministry for Foreign Affairs and International Development – 37, quai d'Orsay – 75700 Paris | **Deputy Head, North Africa and the Middle East**<br>• No other office or function |
| Isabelle Richard | Permanent 22/10/2020 | Ministry for 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**<br>• Board member of SIG<br>• Board member of Simar<br>• Member of the IEOM Supervisory Board<br>• Government Commissioner for ICAP<br>• Government Commissioner GIP Formation Cadres Avenir (in New Caledonia<br>• Director on the Board of Atout France. |
| Pierre-Eloi Bruyerre | Alternate 11/11/2018 | Ministry for French Overseas Departments and Collectivities – 27, rue Oudinot – 75007 Paris | **Head of the Office of Economic Life, Employment and Training at the Directorate General of French Overseas Departments and Collectivities**<br>• Sogefom Director<br>• Alternate Director on the IEDOM Supervisory Board<br>• Alternate Government Commissioner for the ICAP in New Caledonia. |
| **Person appointed for their expertise in migration matters (1)** | | | |
| Vacant | Permanent | | Awaiting appointment by decree |
| 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<br>• Association Néodiaspora: Chairwoman (volunteering)<br>• Presidential Council for Africa: member (volunteering) |
| Jean-Louis Mattei | Alternate 02/04/2020 | KEYSTONE 11 rue Jean MERMOZ 75008 Paris | **Director of the ORABANK group (Proparco is a shareholder)**<br>• Director of SGBL in Lebanon<br>• Director of TOG (Thunnus Overseas Group), a canned tuna manufacturing company with production units in Abidjan and Antsiranana<br>• Chairman and shareholder of Nelle SIAT, an agricultural company in Côte d'Ivoire with a SG loan partially guaranteed by ARIZ<br>• Director of KEYS, a real estate investment fund whose activities are supervised by the AMF |
| 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<br>• Director & Chairwoman of the Audit Committee of the Vivendi group<br>• Director of the Ivorian subsidiary of Société Générale Group |
| Anne-Lise Avril | Alternate 29/03/2018 | SAFEGE Suez Consulting 15-27 rue du Port Parc de l'Ile 92022 NANTERRE CEDEX | **Director of Research, Innovation and Digital Transformation of the SUEZ Group**<br>• Vice-Chairwoman of the Strategic Council of Filière Eau (CSF Eau)<br>• Member of the Conseil d'École de l'École Nationale Supérieure d'électrotechnique, d'électronique, d'informatique, d'hydraulique et des télécommunications de Toulouse (ENSEEIHT)<br>• Vice-Chairwoman of the International Financial Institutions Council of MEDEF International |

| Director | Term on the Board appointment | Address | Current position Other offices held |
|---|---|---|---|
| Sarah Lacoche | Permanent 19/10/2020 | 7bis rue Kleber, 94200 Ivry Sur Seine | • Of the Supervisory Board of CDC Habitat and member of the Audit and Risk Committee;<br>• Of the Board of Directors of the SCET and chair of the Audit and Risk Committee;<br>• Non-voting member of the Board of Solidarités Nouvelles pour le Logement (SNL-Prologists) |
| Sylvie Lemaire | Alternate 29/03/2018 | Syndicat du Sucre labour union of Réunion<br>CS81036<br>33 rue Emmerez de CHARMOY<br>97495 SAINTE-CLOTILDE Cedex<br>LA REUNION | **General Delegate of the Syndicat du Sucre labour union of Réunion**<br>• Member of the Management Committee of TEREOS Sucre Océan Indien<br>• Vice-Chair of CESER Réunion responsible for the Finances-Evaluation Commission<br>• Director of eRcane (Sugar Industry Research Centre)<br>• Director of SAFER<br>• Vice-Chair of the Réunion Committee of French Foreign Trade Advisors |
| VACANT | Permanent | | Awaiting appointment by decree |
| Martine Audibert | Alternate 28/03/2018 | Université de Clermont Auvergne<br>CERDI<br>26 Avenue Léon Blum<br>63 000 CLERMOND-FERRAND Cedex | **Research head emerita at CERDI, Senior fellow at FERDI (International Development Study and Research Foundation)**<br>• No other office or function |
| **Person appointed because of his/her knowledge of ecological and sustainable development issues (1)** | | | |
| Chantal Jouanno | Permanent 24/02/2018 | CNDP<br>244 Boulevard Saint Germain<br>75007 Paris | **Chairwoman of CNDP**<br>• Member of the Advisory Board of IDDRI<br>• Member of the Ethics Committee of the Lagardère Group<br>• Director of the Alstom foundation |
| Maya Leroy | Alternate 24/02/2018 | AgroParisTech<br>648, rue Jean-François Breton<br>BP 44494<br>34093 Montpellier Cedex 5 | **Head of Faculty Environmental Management**<br>• Member of Scientific Advisory Boards<br>• French Scientific Committee on Desertification-CSFD, United Nations Convention to Combat Desertification (UNCCD).<br>• Scientific and Technical Committee of the French Global Environment Facility (FFEM)<br>• Chairwoman - Scientific Advisory Board of GIP ECOFOR<br>• Member of the environmental authority<br>• Member of the Regional Environmental Authority of Occitanie MRAe-CGEDD<br>• Member of the Board of Directors<br>• AgroParisTech Board of Directors<br>• International Francophone Secretariat for Environmental Evaluation (SIFEE) Board of Directors<br>• Member of the Technical Committee<br>• AgroParisTech Technical Committee<br>• Member of Teacher and/or Guidance Boards<br>• AgroParisTech Lecturers' Board<br>• HEC Paris Guidance Committee for the Master programme on Sustainability & Social Innovation |
| **Members of Parliament (4)** | | | |
| Hervé Berville | Permanent 09/12/2020 | National Assembly<br>3 rue Aristide Briand<br>75007 Paris | **Deputy for the Côtes d'Armor department**<br>• No other office or function |
| Amelia Lakrafi | Permanent 09/12/2020 | National Assembly<br>Rue de l'Université<br>75007 Paris | **Deputy for the 10th district of French nationals established outside France**<br>• No other office or function |
| VACANT | | | |
| VACANT | | | |

| Director | Term on the Board appointment | Address | Current position Other offices held |
|---|---|---|---|
| **AFD personnel representatives (2)** | | | |
| Stéphanie Picard-Hemery | Permanent<br>11/12/2019 | AFD<br>5 rue Roland Barthes<br>75012 Paris | **AFD employee**<br>• Part-time lecturer at the Clermont-Ferrand School of Economics/Clermont Auvergne University CNRS Centre for Studies and Research on International Development (CERDI)<br>• Part-time lecturer at the Foundation for Studies and Research on International Development (FERDI)<br>• Municipal councillor (Vic le Comte -63) |
| Grégory Villeneuve | Alternate<br>11/12/2019 | AFD<br>5 rue Roland Barthes<br>75012 PARIS | **AFD employee**<br>• No other office or function |
| Nicolas Mora | Permanent<br>11/12/2019 | AFD<br>5 rue Roland Barthes<br>75012 PARIS | **AFD employee**<br>• No other office or function |
| Linda Zanfini-Magne | Alternate<br>11/12/2019 | AFD<br>5, rue Roland-Barthes<br>75012 Paris | **AFD employee**<br>• 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 Monetary and Financial Code, the Board of Directors deliberates on the institution's strategic orientations implementing the objectives entrusted 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 Chair 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 between the duties regarding the Agency by any of the Directors and their private interests and/or other duties, with the exception of Anne-Lise Avril who performs the role of corporate officer of a company likely to be an *adhoc* service provider on behalf of AFD or the recipient of contracts financed by AFD;
- 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 Chair of the Board of Directors. The specialised committee for supporting the initiatives of non-governmental organisations is chaired by the Chair 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 Chair 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 Chairman. During 2020, the Board of Directors and its specialised committees met 40 times.

## 3.1.4 Remuneration and benefits to the executive 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, 02/06/2016): 217,825
- Bertrand Walckenaer, Deputy Chief Executive Officer (start of term, 14/02/2019): 168,253
- Philippe Bauduin, Chief Operating Officer (start of term, 12/07/2016): 160,122

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 executive 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 (Article L. 2 25-37-4 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 The specific terms and conditions of shareholder participation in the general meeting or the provisions of the bylaws that provide for such terms and conditions (Article L. 225-37-4 of the French Commercial Code)

Not applicable.

### 3.1.6.4 Report by the statutory auditors drawn up pursuant to Article L. 225-235 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. 225-37-5 of the French Commercial Code)

Among the items referred to in Article L. 225-37-5 of the French Commercial Code, there is no item that may have an impact in the event of a takeover or exchange offer.

### 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 Chairman, Chief Executive Officers, Deputy Chief Executive Officers, because of their mandate (Article L. 225-37-2 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

| 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 2020: €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 2020, 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 2020:<br>SODEMA: €9,500K<br>SODEGA: €12,710K<br>SOFIDEG: €534K<br>• Remuneration received by AFD in 2020<br>SODEMA: €44K<br>SODEGA: €132K<br>SOFIDEG: €0K<br>• The credit risk supported by AFD is covered by a provision of €19,854K at 31/12/2020, i.e. a net reversal of €257K. |
| **WITH FERDI-FONDDRI** | |
| AFD/FERDI loan agreement<br>FONDDRI loan agreement | At 31 December 2020, the outstanding loans granted by AFD stood at €25M |
| **WITH PROPARCO** | |
| Co-financing framework agreement between Proparco and AFD | Declared by Proparco in regulated agreements. No impact in 2020. |
| Agreement to manage AFD's contribution to the African Agriculture Fund of 18 December 2014 | Declared by Proparco in regulated agreements. €97K in commissions paid in 2020. |
| AFD/Proparco service agreement modified by an amendment signed on 1 August 2019 | Declared by Proparco in regulated agreement AFD remuneration in 2020: €63,222K. |
| Mandate agreement relating to the "transforming financial systems for the climate" (TFSC) programme | Declared by Proparco in regulated agreements. No impact in 2020. |
| **WITH THE EIB** | |
| Agreement for the deployment of "Junker Plan 1" in French Overseas Departments. | |
| **WITH THE NGOS** | |
| Coordination SUD - Financing of the FRIO facility (2016-2017 financial year) | Maximum amount of €584K. All the grant was paid in 2019. |
| Coordination SUD - Financing Agreement | Grant of €65K. All the grant was paid in 2019. |

| Name of the convention | Additional information |
|---|---|
| **Agreements and commitments approved in previous financial years which continued to be performed** | |
| National Secular Solidarity Committee (Comité National de Solidarité Laïque or CNSL) - Programme for Developing Education Networks in West Africa (final phase 2016-2018) | Maximum amount of €910K. All the grant was paid in 2019. |
| CS_Financing of the three-year activities programme.pdf | A meeting of the Board of Directors on 23 February 2017 authorised the conclusion of an agreement with Coordination SUD for €2,943K. All the grant was paid in 2019. |
| CNSL_Financing of a project to support citizen participation in Colombia.pdf | A meeting of the Board of Directors on 13 July 2017 authorised the conclusion of an agreement with CNSL for €350K. All the grant was paid in 2019. |
| CNSL_Improvement of the quality of nursery schools in Sri Lanka | Grant of €375K approved. In 2020, payment of €167K. To date, the entire grant has been paid. |
| CNSL_ Coalition Education phase 2 | Grant of €272K approved. In 2020, payment of €101K. To date, the entire grant has been paid. |
| **New agreements authorised by the Board of Directors** | |
| **WITH THE NGOS** | |
| N/A | |
| **WITH PROPARCO** | |
| Proparco framework refinancing agreement in sub-investment 2021 | The AFD Board of Directors of 8 October 2020 authorised the conclusion of an agreement with Proparco; the agreement was signed on 25 January 2021 for entry into force on 9 October 2020. |
| Service agreement between AFD and Proparco for the administrative and financial monitoring of certain investments | AFD's Board of Directors' meeting on 5 November 2020 authorised the conclusion of an agreement with Proparco. |
| **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 2020 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 banks 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 €5 billion, 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. 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 Principal remuneration policy characteristics

### 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 elements:

- 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]";
- 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.

(1) *Extract from Staff Regulations*

### 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 Ties) unit;
- and employee representatives on the Board of Directors.

The total amount of remuneration of any kind paid during the 2020 financial year to all people falling within these categories (69 positions and 78 employees) amounted to €7,967,558.

Furthermore, the total remuneration paid to executive officers (Chief Executive Officer, Chief Operating Officer and Deputy Chief Executive Officer), the Risks Executive Officer, the Head of Compliance and the Head of Permanent Control amounted to €911,155 in respect of 2020 (for the incumbent individuals as at 31 December). These amounts are the total remuneration amounts of any kind paid during the 2020 financial year to all persons 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 31/12/2020**

| AFD Group | Balance sheet 31/12/2020 | Off-balance sheet 31/12/2020 | Total 31/12/2020 | Breakdown of commitments 31/12/2020 |
|---|---|---|---|---|
| AFD corporate entity | | | | |
| Non-sovereign financing | 13,908 | 3,101 | 17,009 | 32% |
| *of which French Overseas Departments and Collectivities* | *5,751* | *503* | *6,254* | *12%* |
| *of which Foreign Countries and sub-part. Proparco* | *8,133* | *2,598* | *10,731* | *20%* |
| *of which other* | *25* | *0* | *25* | *0%* |
| Sovereign financing | 20,198 | 11,786 | 31,984 | 60% |
| AFD financing subtotal | 34,016 | 14,887 | 49,108 | 93% |
| Proparco (own behalf) | 3,185 | 625 | 3,810 | 7% |
| **GROUP TOTAL** | **37,291** | **15,512** | **52,803** | **100%** |

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

| *In thousands of euros* | Balance sheet 31/12/2020 | Off-balance sheet 31/12/2020 | Total 31/12/2020 | Breakdown of commitments 31/12/2020 |
|---|---|---|---|---|
| Healthy risk (stage 1) | 26,547 | 12,899 | 39,446 | 75% |
| IFRS 9 provisions | 9 | 4 | 13 | 1% |
| Sensitive risk (stage 2) | 9,501 | 2,482 | 11,982 | 23% |
| IFRS 9 provisions | 339 | 82 | 421 | 44% |
| Doubtful risk (stage 3) | 1,244 | 131 | 1,375 | 3% |
| Individual provisions | 532 | 0 | 532 | 55% |
| **TOTAL RISK(1)** | **37,291** | **15,512** | **52,803** | **100%** |
| **TOTAL PROVISIONS** | **881** | **86** | **966** | **100%** |

*(1) Including JV loans.*

Outstandings in risks categorised as doubtful (stage 3) are limited to 3% of total group outstandings at 31/12/2020 with provision of 39% 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, AFD's portfolio was impacted by the health crisis. 61 counterparties requested an extension of the maturity date, representing a maturity of €133M.

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

- the global geographical diversity of the portfolio (operations in 93 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 thousands of euros* | Africa 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 | 11,075 | 5,721 | 8,592 | 5,447 | 1,150 | 0 | 0 | 31,984 |
| AFD non-sovereign | 2,365 | 2,064 | 890 | 1,557 | 909 | 2,987 | 6,237 | 17,009 |
| Proparco | 1,120 | 1,069 | 466 | 302 | 420 | 420 | 13 | 3,810 |
| **GROUP TOTAL** | **14,560** | **8,854** | **9,948** | **7,306** | **2,479** | **3,407** | **6,250** | **52,803** |

- the diversity of the portfolio by counterparty type.

### Breakdown of risks on AFD Group loans by counterparty type

| Loans *(in millions of euros)* | 31/12/2020 |
|---|---|
| Local authorities | 5,490 |
| Public institutions | 29,195 |
| Public financial institutions | 3,987 |
| Private financial institutions | 4,653 |
| Private non-financial entities | 4,021 |
| Public non-financial entities | 5,458 |
| **TOTAL** | **52,803** |

- 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-2020.

## 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. As the biggest category of risk associated with climate change, physical risks may have consequences that could affect the real economy and financial institutions. As such, AFD's regulator (French Prudential Supervisory and Resolution Authority) has asked banking and insurance providers to include this aspect in their risk analysis. As a response, as part of its climate strategy, AFD has taken a proactive approach in order to better factor in these risks in its banking practices. 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 31/12/2017, 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 5 climate indicators (extreme heat, extreme precipitation, rising sea levels, cyclones, drought). In total, 63% 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 90$^{th}$ percentile of the AFD sample. 23% of counterparties (17% of outstandings) had 2 points requiring attention and only 6 counterparties (4% of counterparties and 2% of outstandings) had three points requiring attention. Thus, at 31/12/2017, even if the probability of a concomitant occurrence is low, the portfolio identified as having a climate risk amounted to €176M. At this stage, this relative and theoretical climate exposure of the portfolio – not factored into the credit rating for methodological reasons essentially linked to the time horizon - has never resulted in an impact on the risk profile of a counterparty. In order to perpetuate the assessment of physical risks, AFD has developed a specific methodology and operational tools to assess and monitor portfolio exposures or new operations. 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.

AFD took part in the pilot climate stress exercise organised by the ACPR in the second half of 2020, focusing on transition risk. Preliminary results indicate a relatively low impact of this exercise on AFD's portfolio due to its low exposure to carbon-intensive sectors linked to its mandate to ensure that its financing is fully compatible with the provisions of the Paris Climate Agreement.

Climate risk, although relatively low to date, cannot be excluded from the risk factors because the subject is changing rapidly and it has become of major importance in all economic, financial, political and societal spheres. In 2021 AFD will continue its methodological work on the assessment of transition risk in order to integrate it into the risk processes, as was done for physical risks.

### 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. As an illustration, the effects of contagion linked to regional conflicts (Middle East or the Sahel) or the rise of protectionist trading policies (United States and China or Brexit) fall into this category.

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[(1)] | | % | Risks | % | AFD's regions of intervention |
|---|---|---|---|---|---|
| Middle East | 1,336 | 8% | 1,651 | 8% | Egypt, Jordan, Lebanon, Turkey, Yemen |
| Mercosur | 597 | 3% | 972 | 4% | Argentina, Bolivia, Brazil, Paraguay, Uruguay |
| ASEAN | 467 | 3% | 680 | 3% | Burma, Cambodia, Indonesia, Laos, Philippines, Thailand, Vietnam |
| OPEC | 462 | 3% | 704 | 3% | Algeria, Angola, Indonesia, Gabon, Iraq, Nigeria |
| Sahel | 218 | 1% | 257 | 1% | Burkina Faso, Mali, Mauritania, Niger, Chad |

*(1) Non-sovereign at end-2020*

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[2].

*(1) Portfolio risk of a bank arising from its concentration on a single counterparty, sector or country.*
*(2) 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* | Acct 30/06/2019 | Acct 31/12/2019 | Acct 30/06/2020 | Acct 31/12/2020 | Var. balance sheet 1 year |
|---|---|---|---|---|---|
| **TOTAL ASSETS** | **46,326** | **47,850** | **51,142** | **53,574** | **5,724** |
| Gross outstandings | 36,169 | 38,328 | 39,582 | 42,054 | 3,726 |
| *(-) individual impairments* | *-526* | *-539* | *-549* | *-415* | *124* |
| *(+) accrued interest* | *174* | *174* | *171* | *161* | *-13* |
| Investment portfolio | 750 | 713 | 687 | 686 | -27 |
| Short-term cash assets | 6,761 | 6,004 | 7,945 | 7,936 | 1,932 |
| Equity stakes at cost and in companies accounted for by the equity method | 865 | 873 | 858 | 1,024 | 151 |
| Fixed assets | 235 | 227 | 225 | 230 | 3 |
| Accruals and other assets | 1,148 | 1,313 | 1,812 | 1,483 | 170 |
| IMF-PRGF transactions | 749 | 758 | 410 | 415 | -343 |
| **TOTAL LIABILITIES** | **46,326** | **47,850** | **51,142** | **53,574** | **5,724** |
| Borrowings from French Treasury | 1,703 | 1,943 | 2,191 | 2,180 | 237 |
| Market borrowings | 34,218 | 35,156 | 38,151 | 40,536 | 5,380 |
| Current accounts | 351 | 470 | 406 | 421 | -49 |
| Managed funds and government advances | 880 | 904 | 1,024 | 894 | -10 |
| Accruals and other liabilities | 1,621 | 1,685 | 1,874 | 1,817 | 132 |
| Provisions | 1,250 | 1,327 | 1,413 | 1,598 | 271 |
| Provision retained earnings | 5,448 | 5,448 | 5,448 | 5,608 | 160 |
| Income FY | 106 | 160 | 226 | 106 | -54 |
| IMF-PRGF transactions | 748 | 758 | 409 | 415 | -343 |

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 2020, the "increase in parallel rates" is the most adverse scenario with a loss of equity value of around €809 million.

### 4.1.1.5 Currency 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 this year will have shown, the AFD Group saw a drop of 77% in its net income attributable to owners of the parent, which stood at +€40M at the end of December 2020. 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 could not be offset by the increase in credit margins (stickiness and moderation of the price effect).

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 our 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). 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 R5 15-6 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 mass outsourcing of IT solutions and services; the increase in the number of cyber-attacks, the *modus operandi* of which are increasingly elaborate; and finally, the ambition of the AFD Group to become a "digital donor" 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, 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 risk exposing AFD to a fine).

In addition to the consequences of the risk of a cyber-attack, the AFD Group is beginning to overhaul the part of its IT system linked to the Finance and Risk functions, with a dual objective of making efficiency savings and developing functionality tailored to future regulatory requirements and expansion. Diagnostics, encryption, phasing and allotment for this project were carried out in 2019. The roll-out began in 2020 and is expected to take 5 years. Completion by project cluster is taking place in progressive stages since 2020 to allow the delivery of new tools and/or the upgrading of existing tools. As with any other transformation, it carries a risk, particularly in terms of staying on budget and meeting deadlines. Specific governance involving the Executive Committee and a dedicated programme team reporting to Senior Management and the loan of full-time teams attest to the strengthened management to meet these challenges.

### 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

### RISKS RELATED TO THE SPREAD OF A GLOBAL EPIDEMIC

#### 4.1.3.1 Risks related to the spread of a global epidemic

The current health crisis linked to covid-19 is an example of this type of risk. Even if changes are still uncertain, the expected impact could be threefold:

- **a potential impact on the achievement of the AFD Group's annual business programme,** resulting from prolonged restrictions on travel and lockdown measures associated with this type of health crisis which have slowed down appraisal missions; despite the introduction of teleworking, videoconferences and relaying in the field (finalisation of the roll-out plan for the 17 Regional Departments) this could also result from the reduced capacity of our counterparties to work jointly with AFD on the appraisal and implementation of projects and financing. This negative impact on the initially planned business plan could, however, be mitigated by the responses AFD is working on to deal with the health crisis in its areas of operation; the magnitude (areas affected) but especially the duration of the crisis will be the two determining factors of the final impact. In 2020, the Group's activity was down €2.08bn compared to 2019. While this decrease is mainly due to i) a decrease in lending activity of nearly €1bn in line with the objectives set by the business plan, 2020 being a year of consolidation after an exceptional 2019; but also impacted by the health crisis, ii) a €0.6bn decrease in the amount of grants made available to the Agency, and iii) a decrease in Proparco's activity of €0.5bn;
- **the weakening of certain portfolio counterparties** following the spread of the health crisis in the global economy, but above all in emerging and developing economies. The potential impact of this health crisis on the AFD Group's counterparties will, however, depend on its duration, its scale and the budgetary and monetary measures taken by governments and international organisations to support SMEs, public/private companies and financial institutions; depending on the regulatory and accounting measures that may be taken in the context of the COVID-19 crisis, this weakening could lead to a more or less significant increase in the cost of risk;

  A sectoral provision for the impairment of receivables in the loan portfolio is a collective accounting provision for impairment of receivables, allocated to a homogeneous portfolio of performing receivables carried by non-doubtful counterparties in the same sector of activity. Twenty-eight counterparties are concerned for an exposure of €574M and provisions in the amount of €108M including sectoral provisions and of €29M excluding sectoral provisions;
- **the health risks for employees and their families.** Across its French sites, the AFD Group ensures strict and immediate compliance with the recommendations made by the government and the public health agencies. Overseas, the situation is managed on a case-by case basis, particularly on the basis of the recommendations of the French Ministry of Europe and Foreign Affairs and the recommendations of the local authorities. A crisis unit was set up when French authorities moved to stage 2 and the recommendations were circulated and applied in real time. On 16 March 2020, AFD launched its Business Continuity Plan (BCP) for its sites in mainland France.

In terms of impact on AFD's countries of operation, one can anticipate significant economic consequences, which could further develop:

- developing and emerging countries could face an increase in the risk aversion of international investors, which could lead to rapid capital outflows as materialised in March/April 2020. These capital repatriations would lead to a sharp correction of the main currencies under flexible exchange rate regimes such as stock market indices and the access of emerging countries to the international financial markets could again be put under pressure;
- the deterioration in the health of the headcount and the measures to prevent the spread of the virus (lockdown, quarantine) could slow down or shut down production systems, with significant consequences for the fabric of companies - particularly SMEs and the informal sector - and therefore on employment and public finances through the decline in tax revenues;
- the impact could also be significant for commodity-exporting countries, and primarily oil-producing countries exposed to the double impact on demand and supply which has lowered oil prices below their level of 2019 (the AFD Group has sovereign outstandings of €1,010M in oil-exporting countries such as Algeria, Congo, Ecuador, Gabon and Nigeria). The impact should also prove to be significant for countries that are highly dependent on tourism-related revenues (the sovereign debt on countries whose tourism accounts for more than 20% of export revenues, namely Egypt, Ethiopia, Jordan, Lebanon, Morocco, Mauritius and Sri Lanka, amounted to €3,158M). In terms of non-sovereign outstandings, the impact could be significant in the tourism and aviation sectors (the Group's exposure in this sector amounts to around €574M), and the financial sector (Group outstandings of €6,813M, of which €544M in French Overseas Departments and Collectivities and €6,269M in Foreign States).

#### 4.1.3.1 Risks linked 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 confinement 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).

#### 4.1.3.2 Risk of a 100-year flood

The 100-year flood is a major flood which has a one in one hundred chance of occurring each year. 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 400 m 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. In the event of a flood like the one in 1910, the ground floor of AFD's main building would be overrun with almost 60 cm of water and the basements submerged. As for the lowest point of the streets around the building, maximum water levels could reach over 1.5 m. Such flooding would prevent staff from accessing buildings and result in the temporary suspension of certain activities.

# 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.

This involves companies:

- 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.

### 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 2020 was €7,910M compared with €7,466M at the end of 2019, *i.e.* up €444M. CET1 capital stood at €6,375M, compared with €6,177M at the end of 2019. Total Tier 1 increased from €7,018M to €7,215M.

**Capital structure of the AFD Group at 31 December 2020**

| *In thousands of euros* | |
|---|---:|
| CET1 capital before deductions | 6,155 |
| CET1 deductions | 0 |
| **CET1 capital after deductions** | **6,375** |
| T1 subordinated securities | 840 |
| T1 capital before deductions | 7,215 |
| T1 deductions | 0 |
| **T1 capital after deductions** | **7,215** |
| T2 capital before deductions | 695 |
| T2 deductions | 0 |
| **T2 capital after deductions** | **695** |
| **TOTAL CAPITAL** | **7,910** |

The breakdown of regulatory capital at 31 December 2020 was as follows:

- €6,375M 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%;
- €695M in additional shareholders 'equity (RCS).

When itemised, the capital breaks down as follows:

### Consolidated risk capital

| *In thousands of euros* | 31/12/20 |
|---|---|
| Equity | 2,808 |
| Consolidated reserves | 2,634 |
| Earnings | -55 |
| Projected distribution (20% company income statement) | 0 |
| FRBG | 460 |
| Equity method diff. | 144 |
| Unrealised capital gains and losses | 38 |
| Minority interests | 176 |
| Intangible assets | -46 |
| Prudent valuation | -4 |
| CET1 capital | 6,155 |
| CET1 deductions | 0 |
| Impairments | 220 |
| **CET1 capital after deductions** | **6,375** |
| T1 subordinated securities | 840 |
| T1 capital | 7,215 |
| T1 deductions | 0 |
| **T1 capital after deductions** | **7,215** |
| RCS | 695 |
| Subordinated loans, Art. 4d | 0 |
| Subordinated loans, Art. 4c | 0 |
| T2 capital | 695 |
| T2 deductions | 0 |
| **T2 capital after deductions** | **695** |
| **TOTAL CONSOLIDATED CAPITAL** | **7,910** |

### Deductions and prudential restatements under CRR/CRD4

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Cut back of non-eligible minority interests | 20.7 | 12.6 |
| *Prudent Value Adjustment* | -4.4 | -4.6 |
| **TOTAL** | **16.4** | **8.0** |

Articles 81 and 479 of the CRR provide for the deduction from capital of the minority 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 16.29% at 31 December 2020, down on 2019 when it was 16.75%.

#### Consolidated AFD capital adequacy ratio at 31/12/2020

| *In thousands of euros* | RWA | Capital requirements |
|---|---|---|
| Credit risk (CAD) | 43,626 | 3,490 |
| Equity stakes and other long-term securities | 2,439 | 195 |
| **TOTAL CREDIT RISK** | **46,065** | **3,685** |
| CR SEC | 314 | 25 |
| DVA | 786 | 63 |
| Operational risk | 1,406 | 112 |
| Market risk | 49 | 0 |
| Total RWA | 48,571 | 3,886 |
| Regulatory capital | | 7,910 |
| **SOLVENCY RATIO** | | **16.29%** |

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 and 2020 on a 4-year horizon. The 2020 ICAAP was presented to the Risk Committee on 14 December 2020 and was approved by the Board of Directors on 18 December 2020.

#### Capital adequacy

| *In thousands of euros* | | |
|---|---|---|
| **Total capital** | | **7,910** |
| **CET1 capital** | **6,375** | |
| **Tier 1 capital** | **7,215** | |
| **Tier 2 capital** | **695** | |
| **Eligible capital** | | **3,886** |
| **Credit risk** | **3,685** | |
| Governments and central banks | 2,135 | |
| Banks | 667 | |
| Corporates | 682 | |
| Equities | 202 | |
| **DVA** | **63** | |
| **CR SEC** | **25** | |
| **Market risk** | **-** | |
| Foreign currency net position < 2% of capital | - | |
| **Operational risk** | **112** | |
| Standard approach to operational risk | 112 | |
| **Capital surplus or deficit** | | **4,024** |
| **Solvency ratio** | | **16.29%** |

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. In particular, AFD has focused its projections on the regulatory approach, which is more conservative than the economic approach with the key difference being that it factors in the definition of internal capital of instruments with the capacity to absorb losses, *i.e.* the reserve account.

AFD measures the adequacy of its capital using the two following approaches:

- 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.

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 2020, the Group kept the materiality threshold set at 10 cents (0.1%) of the defined regulatory solvency.

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 2020 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, approved by the Board of Directors at its meeting of 18 December 2020, applies to all entities within the prudential scope of consolidation of the AFD Group.

The ICAAP will be updated in the first quarter of 2022 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 (2020-2022) 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 16.29%, compared with 16.75% at 31 December 2019.

#### 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 non-performing 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<br>*In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Cash, due from central banks | 3,157,677 | 1,259,133 |
| Financial assets measured at fair value through profit and loss (excluding derivatives) | 2,329,084 | 2,594,420 |
| Financial assets measured at fair value through other comprehensive income | 1,455,998 | 1,512,546 |
| Debt securities at amortised cost | 1,358,235 | 1,221,164 |
| Loans and receivables due from credit institutions and equivalent at amortised cost | 8,959,315 | 8,080,093 |
| *On demand* | *1,639,791* | *2,164,099* |
| *On term* | *7,319,523* | *5,915,995* |
| Loans and receivables due from customers at amortised cost | 32,327,164 | 28,822,617 |
| *Commercial receivables* | | |
| *Other loans to customers* | *32,327,164* | *28,822,617* |
| *Overdrafts* | | |
| **Total loans and receivables** | **41,286,479** | **36,902,710** |
| Equity stakes in companies accounted for by the equity method | 140,004 | 146,753 |
| Financial assets at fair value through profit and loss (derivatives) | 299,455 | 143,725 |
| Hedging derivatives | 2,893,471 | 2,558,978 |
| *Derivatives* | *3,192,927* | *2,702,703* |
| **BALANCE SHEET TOTAL** | **52,920,404** | **46,339,430** |
| **Off-balance sheet** | | |
| Firm lending commitments | 15,634,371 | 14,502,203 |
| Financial guarantees | 651,315 | 725,058 |
| **OFF-BALANCE SHEET TOTAL** | **16,285,685** | **15,227,261** |
| **GRAND TOTAL** | **69,206,090** | **61,566,691** |

#### 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 stakes and other long-term securities**

| | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | IFRS | | | IFRS | | |
| *In thousands of euros* | Listed | Unlisted | Total | Listed | Unlisted | Total |
| Equity instruments at fair value through profit or loss | | 1,073,492 | 1,073,492 | | 1,199,384 | 1,199,384 |
| Equity stakes included in financial assets recognised in equity | | 487,090 | 487,090 | | 455,470 | 455,470 |
| Companies accounted for by the equity method | | 140,004 | 140,004 | | 146,753 | 146,753 |
| **TOTAL** | | **1,700,586** | **1,700,586** | | **1,801,608** | **1,801,608** |

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

| *In thousands of euros* | 31/12/2020 IFRS<br>Assets | 31/12/2019 IFRS<br>Assets |
|---|---|---|
| **Fair value hedging** | | |
| Interest rate derivatives | 2,400,454 | 1,787,323 |
| Interest rate and foreign exchange derivatives (cross-currency swaps) | 493,018 | 771,655 |
| **Total 1** | **2,893,471** | **2,558,978** |
| **Financial assets at fair value** | | |
| Interest rate derivatives | 353 | 374 |
| Foreign exchange derivatives | 170,929 | 65,402 |
| Derivatives at fair value through profit and loss | 128,158 | 77,917 |
| **CVA/DVA** | **15** | **32** |
| **Total 2** | **299,455** | **143,725** |
| **TOTAL DERIVATIVES** | **3,192,927** | **2,702,703** |

*Source DEF*

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* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Financing commitments made to credit institutions | 2,148,651 | 1,735,164 |
| Financing commitments made to customers | 13,485,720 | 12,767,039 |
| **Subtotal financing commitments** | **15,634,371** | **14,502,203** |
| Guarantee commitments made to credit institutions | 116,498 | 140,169 |
| Guarantee commitments made to customers | 534,817 | 584,889 |
| **Subtotal guarantee commitments** | **651,315** | **725,058** |

At 31 December 2020, the off-balance sheet items relating to sovereign outstanding loans amounted to €11,788M and off-balance sheet outstanding loans at State risk amounted to €112M.

#### 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 thousands of euros* | Outstandings | Impairments | Outstandings net of impairments |
|---|---|---|---|
| **Foreign countries** | | | |
| Sovereign | 31,984 | 0 | 31,984 |
| *of which doubtful* | *3* | *0* | *3* |
| Non-sovereign | 14,528 | 800 | 13,727 |
| *of which doubtful* | *1,053* | *457* | *597* |
| **French Overseas Departments and Collectivities** | | | |
| Non-sovereign | 6,266 | 166 | 6,100 |
| *of which doubtful* | *319* | *75* | *244* |
| **Other outstanding loans** | **25** | **0** | **25** |
| **TOTAL** | **52,803** | **966** | **51,837** |
| *of which doubtful* | *1,375* | *532* | *843* |

#### 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 doubtful debt.

The weightings applied by the Group for rated counterparties are as follows:

**Weighting used to calculate risks**

| Rating<br>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 | Sovereign and other institutions | Banks | Corporates | Equities | Total |
|---|---|---|---|---|---|
| 0% | | | | | |
| 10% | | | 21 | | 21 |
| 20% | 830 | 1,027 | 23 | | 1,880 |
| 50% | 3,076 | 1,307 | | | 4,383 |
| 100% | 20,708 | 5,782 | 7,486 | 518 | 34,493 |
| 150% | 1,996 | 299 | 991 | 1,349 | 4,635 |
| 250% | 0 | | | 653 | 653 |
| **TOTAL** | **26,610** | **8,415** | **8,522** | **2,519** | **46,065** |

#### 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:

- €3,551M of balance sheet exposure that mainly consists of loans guaranteed by the French State and foreign governments;
- €673M 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 thousands 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 | 656 | 506 | -506 | 0 |
| Corporates | 1,482 | 1,636 | -492 | 1,144 |
| Institutions | 305 | 280 | -45 | 236 |
| Public sector entities | 0 | 0 | 0 | 0 |
| Local and regional governments | 1,108 | 1,228 | -329 | 899 |
| **TOTAL** | **3,551** | **3,650** | **-1,371** | **2,779** |

**Off-balance sheet exposure to credit risk covered by eligible personal sureties (guarantees)**

| *In thousands of euros* | Net unweighted exposure covered by a guarantee – Before conversion factor | Net unweighted exposure covered by a guarantee – After conversion factor | Net weighted exposure covered by a guarantee | Mitigating techniques (guarantees) | Net weighted exposure after mitigating techniques |
|---|---|---|---|---|---|
| Governments and central banks | 35 | 35 | 35 | -35 | 0 |
| Corporates | 578 | 416 | 436 | -20 | 416 |
| Institutions | 59 | 59 | 59 | -10 | 50 |
| Local and regional governments | 0 | 0 | 0 | 0 | 0 |
| **GRAND TOTAL** | **673** | **510** | **531** | **-65** | **466** |

#### 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

AFD Group does not carry out any securitisation transactions and does not intend to invest in this type of vehicle. However, in 2020, an investment transaction carried out by the Proparco subsidiary in a debt fund was reclassified as securitisation in view of the terms of the contract in question. This is an atypical transaction that was not intended to be a securitisation transaction and the Group's strategy to date is not to develop its investments in transactions qualifying a priori as securitisation.

In addition, quarterly monitoring of the underlying portfolio is carried out in order to calculate the weighted exposure of this position using the SEC-SA method.

### 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 2020 is €62M, 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 declaringoperational 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 (net banking income, excluding provisions and impairments) smoothed over three years.

#### Capital requirements for operational risk

AFD's average net banking income (NBI) for the last three financial years is €749M. The capital requirement for operational risk is €112M (15% of average NBI).

| *In thousands of euros* | 2020 | 2019 | 2018 |
|---|---|---|---|
| GDP - Smoothed 3-year average | 749,792 | 756,286 | 723,136 |
| Capital requirement ratio | 15% | 15% | 15% |
| Capital requirement | 112,469 | 113,443 | 108,470 |

### 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 equity) (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 P&L (Note 13) or at fair value through equity (Note 14).

Capital requirements for this category of risk equalled €202M based on a risk-weighted amount of €2,519M.

### 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 €65M.

# 4.3 Risk management

## 4.3.1 Internal control and risk monitoring

AFD's internal control system is intended to provide Senior 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 Senior 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 Senior 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 Senior Management and the Director of the IGE reports to the Internal Control Committee of the AFD Group. It 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 mitigation is governed through three main bodies:

1) the Board of Directors;

2) 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;

3) 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.

## Composition of the Group Audit Committee and Risk Committee as at 31/12/2020

| Name | First name | Organisation | Date of resolution | Term ends | Position |
|---|---|---|---|---|---|
| **Chairman of the Group Audit Committee and Risk Committee** | | | | | |
| MATTEI | Jean-Louis | Qualified person | 07/05/2020 | 06/05/2023 | Chairman, Alternate Director of the AFD Board of Directors |
| **Members of the Group Audit Committee** | | | | | |
| BORIES | Christophe | Directorate General of the Treasury, MINEFI | 07/05/2020 | 06/05/2023 | Director and on the Audit and Risk Committee, representing the Directorate General of the Treasury |
| GAILLARD | Marie-Pierre | Budget Department, MINEFI | 05/11/2020 | 04/11/2023 | Replacing M. BORIES (exceptionally) on the Audit and Risk Committee |
| BOURBOULON | Baptiste | Budget Department, MINEFI | 18/06/2020 | 17/06/2023 | Director on the Audit and Risk Committee, representing the Budget Department |
| OUVRY | Zoé | Budget Department, MINEFI | 18/12/2020 | 17/12/2023 | Replacing M. BOURBOULON (exceptionally) on the Audit and Risk Committee |
| LACOCHE | Sarah | CDC | 05/11/2020 | 04/11/2023 | Director on the AFD Board of Directors, permanent member of the Audit and Risk Committee |
| PICARD | Stéphanie | AFD employee | 20/12/2018 | 19/12/2021 | Staff representative, Director on the AFD Board of Directors, permanent member of the Audit and Risk Committee |
| **Members of the Group Risk Committee** | | | | | |
| BORIES | Christophe | Directorate General of the Treasury, MINEFI | 07/05/2020 | 06/05/2023 | Director and on the Audit and Risk Committee, representing the Directorate General of the Treasury |
| GAILLARD | Marie-Pierre | Budget Department, MINEFI | 05/11/2020 | 04/11/2023 | Replacing M. BORIES (exceptionally) on the Audit and Risk Committee |
| BOURBOULON | Baptiste | Budget Department, MINEFI | 18/06/2020 | 17/06/2023 | Director on the Audit and Risk Committee, representing the Budget Department |
| OUVRY | Zoé | Budget Department, MINEFI | 18/12/2020 | 17/12/2023 | Replacing M. BOURBOULON (exceptionally) on the Audit and Risk Committee |
| LACOCHE | Sarah | CDC | 05/11/2020 | 04/11/2023 | Director on the AFD Board of Directors, permanent member of the Audit and Risk Committee |
| PICARD | Stéphanie | AFD employee | 20/12/2018 | 19/12/2021 | Staff representative, Director on the AFD Board of Directors, permanent member of the Audit and Risk Committee |

#### 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 risks within the scope of the AFD Group, with a particular focus on macro-economic risks in the countries in which it operates ("country risk") and credit risks ("counterparty risk"). It is chaired by AFD's executive head of risk (DXR) and is attended by Senior 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 the AFD Group, (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. It is chaired by the AFD's executive head of risk (DXR). In its "New activities and new products" configuration, its role is to examine all projects for new activities and new products as well as any significant changes made to existing products and, as part of an annual review, to examine all of AFD's activities and products to ensure their compliance and relevance to the Agency'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.

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 and IT Committee (COSI): in its "security" configuration, it is the steering body for the security of AFD's assets, people and information system, including business continuity. In its "IT" configuration, it is notably in charge of examining the strategic orientations and priorities of the Group's information system, the annual budget for IT expenses (projects & maintenance, equipment & operations), and organising and monitoring IT projects. It is chaired by the General Secretary.

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 Deputy Chief Executive 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 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 Committee for cross-cutting projects that are not geographically assignable, director of the executive operations department (DOE) or Senior Management).

Information is also passed on to executive officers *via* memos which formally record, for example, the 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 department 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 personnel 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 components include:

- 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 2018, 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 Currency 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 2020, 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 persons 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 (DCO) is responsible for the prevention, detection, monitoring and management of non-compliance risk 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 DCO 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, provisions that govern 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 (DXR). 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 mitigation system during 2020:

- continuation of the roll-out of an anti-corruption and influence peddling programme resulting from the so-called "Sapin II" law of 9 December 2016 with the entry into force of the new procedures relating to the regulation of gifts and invitations in order to clarify the applicable rules, in particular in terms of thresholds and the declaration and approval process, and the strengthening of the procedures relating to the assessment of the situation of the Group's first-tier suppliers with the development of a classification matrix to assess the risks of supplier corruption with which the AFD Group worked in 2019 and the development of a procedure to enable it to identify and assess the risk of corruption associated with new suppliers as well as throughout the business relationship with them. This procedure will come into force in 2021;
- finalisation of the project to overhaul measures to prevent and manage conflicts of interests within the Group with the aim of streamlining the roles and responsibilities of each of the players involved in preventing and managing conflicts of interest and reviewing internal procedures. The revised system entered into force on 1 January 2021.

#### 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 IT-related risks

#### 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 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.

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 good 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.

*(1) This insurance contract has been transferred to and is managed by the HR Department.*

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 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 2020, 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) of the General Secretary has full responsibility for updating and controlling the BCP, the director of which is 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 at least annually to 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. In October 2020 annual updates were finalised and the BCP kits published.

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.

BCP activation tests were conducted in early 2020. A full restore test of the company email system from backups was carried out in 2020 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.

An audit of the plan by the General Inspection Department (IGE) of AFD was begun in late 2016 and completed in February 2017. The BCP will be audited again by the IGE in 2021.

## 4.3.6.5 Tax risk

AFD did not undergo any tax audits in 2020.

## 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.

Permanent control provides regular reports to the Group's Risk Committee and Internal Control Committee (COCINT).


# Financial information

# 5.1 Recent changes and future prospects

## 5.1.1 Recent changes

### ACTIVITIES

The AFD Group's total activity in 2020 reached €12bn in commitment authorisations, *i.e.* a decrease of around 15% (€2.1bn) compared to the results achieved in 2019. These results are lower than the targets set by the business plan for 2020, which were €13.4bn for the Group (after notification of the loans of the 209 programme).

### GOVERNANCE

AFD's governance system has not changed.

## 5.1.2 Future prospects

The year 2021 should be marked by the reinforcement of the management of activity through signatures and disbursements with special attention paid to the implementation of operations in a context of significant macroeconomic deterioration due to the health crisis. This is part of a process of consolidation of achievements and management by 2022 through the disbursements and impacts of AFD financing, which should be reflected in the new contractual targets and resources (COM) being finalised. The AFD Group has set itself the target of reaching €10.8bn in signatures by 2021. The disbursement target for the AFD Group is set at €8.6bn, *i.e.* a disbursement ratio of 24.6%. This target for 2021 stems from the growth in the Group's signatures over the last two years and reflects the structural acceleration of the implementation of committed projects.

The AFD Group will remain active in the health and education sectors in 2021, while the health crisis has put the education of hundreds of millions of children around the world, particularly girls, on hold. At the beginning of the year, the AFD Group will present its Social Link strategy, which will show, in the run-up to the Generation Equality Forum, the Group's ambition to go even further on gender equality issues. The AFD Group will fully contribute to "Planet" issues by working within the France team to prepare for COP15 in Kunming on biodiversity and COP26 in Glasgow on climate. The priority given to Africa will be reaffirmed at the summit for the financing of African economies and at the Africa-France summit in Montpellier.

The AFD Group's transformation will accelerate in 2021. The integration of Expertise France, which was the subject of significant preparatory work in 2020, will take place on 1 July 2021. The company project launched in the autumn of 2020 around eleven programmes will be fully implemented in 2021. The AFD Group will continue the major projects to modernise its information system. It will also make progress in its exemplary environmental and social approach. The reform of staff regulations will be another element of the transformation of the AFD Group in 2021. This year, AFD will also sign the purchase contract for its new head office, at Gare d'Austerlitz.

Lastly, the AFD Group will step up its action in 2021 to publicise the usefulness and results of the development policy. AFD will continue to increase the number of projects assessed in 2021 and will steer the creation of an Innovation for Development Fund chaired by Esther Duflo. To this end, AFD will also mobilise around two key moments: the "Tour de France of international commitment to sustainable development" and the Agency's 80th anniversary on 2 December 2021.

Concerning the outlook for intervention by geographical area:

- **the first half of 2021 will be marked by several events dedicated to Africa,** with which AFD is associated. In May 2021, France will host a conference dedicated to the financing of African economies, in response to the financing needs of African States due to the health context and the measures taken to combat the Covid-19 pandemic. Lastly, from 8 to 10 July 2021, the new Africa-France Summit will be held in Montpellier, entirely dedicated to African youth and civil society with a focus on "Young Leaders" and cultural and creative industries.

  From an operational standpoint, AFD will endeavour in 2021 to maintain a stable volume of grants compared to 2020. On a thematic level, the engagement strategy will focus on the continuation of the Minka projects in the Sahel, on gender and education.

  AFD's Africa strategy for 2021-2024 will be presented. This exercise will make it possible to strengthen a continental approach to major African issues by relying in particular on the potential offered by the young people of Africa, and to strengthen our action in the areas of vocational training, employment, the promotion of female empowerment, the support of human capital and the promotion of sustainable peace;
- **the activities of the Orients department** are now structured around five regional departments: Eurasia, Middle East and South Asia (all three established in 2019), South East Asia and China (both established in 2018). AFD's commitment target in this geographical area is €2.6bn in 2021 (compared with €3.1bn in 2020);
- **AFD's activity target in the Three Oceans** amounts to €1.4bn for 2021. This objective reflects the continued mobilisation of our agencies in the three ocean basins to respond to the unprecedented economic and social impact of the Covid-19 crisis.

  In the French Overseas Departments and Collectivities, AFD will include its overseas action as part of the government's recovery plan and, in particular, its support system for local authorities, in parallel with the "5.0 trajectory" launched in 2019 by the French Ministry of Overseas Departments and Collectivities. Financing projections (excluding Bpifrance and Sogefom guarantees) should stand at €915M for 2021, down 24% compared to what was achieved in 2020 (subject to additional needs in the Pacific COMs in particular). A significant portion of the funding will once again be for the public sector, which is estimated at €691M for the loan component, to which must be added the commitments made by AFD for the Patient-Cazeneuve system (COROM contracts for the return to financial equilibrium in the French Overseas Departments and Collectivities). On the subsidy component (French Overseas Departments and Collectivities Funds), €15M should be committed in 2021. For the private sector, the 2021 target can reasonably be expected to be close to that observed in 2020, with a high degree of uncertainty. Lending activity to the private sector will depend on the conclusion of certain infrastructure and renewable energy projects, on the one hand, and on the speed of the recovery from the Covid-19 crisis, on the other. A cautious resumption of Sogefom's activity is also expected in 2021 with a production of €25.3M of which €8.3M in New Caledonia and €17M in Polynesia. AFD will be attentive to the impact of the roll-out of the portfolio guarantee and the revival of economic activity in these regions in 2021, on which Sogefom's activity will strongly depend.

In foreign countries neighbouring the French overseas territories, AFD set a target for financing authorisations of nearly €469M in grants and loans. 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. The Comoros should continue to benefit from a particularly sustained effort under the France-Comoros Development Plan adopted in July 2019;

- with a signatures target of €1.2bn, disbursements of €1.1bn and commitment authorisations of €1.5bn, of which around two-thirds in sovereign and one-third in non-sovereign, **the year 2021** should confirm the possibility of bringing in significant volumes of financing in **Latin America** in an uncertain political and economic landscape of sustainable post-Covid recovery. In addition to its objective of 70% of climate co-benefits in the region, AFD will endeavour to combine environmental and social impacts through the promotion of projects or lines of credit to support ecological and social transitions, in accordance with its mandate in the region.

  The 2021 business plan will initially focus on three main countries, namely Mexico, Colombia and Brazil. In addition, the activities initiated in 2019 in Costa Rica (project loans) will continue, as well as in Bolivia, with discussions to come in early 2021 with the new government resulting from the elections at the end of 2020. Interventions in the other five countries of the region will depend on the evolution of the specific contexts of each country: Ecuador (uncertain macroeconomic context and presidential elections scheduled for April 2021), Peru (country which still uses very little external debt), Argentina (awaiting a new agreement with the IMF during the first half of 2021) and Cuba (legal uncertainties and difficulties in transferring the Counter-value Fund to AFD).

### 5.1.3 Borrowings

To take into account the new needs of counterparties during the Covid crisis, the Board of Directors of 17 September 2020 raised the maximum authorised borrowing amount for 2020 to €10.7bn. This authorisation was used for an amount of €10.159bn, divided in €9.912bn in bonds and €247M in Treasury resources.

### 5.1.4 Information about trends

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 2020.

### 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 2020.

## 5.2 Post-closing events

No other significant events took place after 31 December 2020.

# 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 (in millions of euros)

### Assets

| In millions of euros | 2020 | 2019 |
|---|---|---|
| Loans (net outstanding) | 39,514 | 35,394 |
| • Gross outstandings | 40,290 | 36,062 |
| • Fair value adjustment | -15 | -6 |
| • Individual impairments | -477 | -554 |
| • Collective impairments | -358 | -201 |
| • Accrued interest | 74 | 93 |
| Collateral | 674 | 707 |
| Financial hedging derivatives | 3,194 | 2,704 |
| Accruals and other assets | 329 | 203 |
| Companies accounted for by the equity method | 140 | 147 |
| Other equity investments | 1,658 | 1,843 |
| Investment portfolio | 762 | 713 |
| Short-term cash assets | 7,654 | 5,540 |
| Fixed assets | 301 | 305 |
| **TOTAL ASSETS** | **54,225** | **47,555** |

### Liabilities

| In millions of euros | 2020 | 2019 |
|---|---|---|
| Market borrowings | 40,368 | 34,480 |
| Treasury loan | 1,535 | 1,288 |
| Current accounts | 12 | 12 |
| Collateral | 1,317 | 1,181 |
| Financial hedging derivatives | 2,168 | 1,846 |
| Managed funds | 458 | 468 |
| Accruals and other liabilities | 799 | 818 |
| Provisions | 1,287 | 1,152 |
| Equity (Group share) | 6,125 | 6,106 |
| of which Group income | 40 | 172 |
| Minority interests | 155 | 204 |
| **TOTAL LIABILITIES** | **54,225** | **47,555** |

## ASSETS

The change in total assets is mainly due to the increase in net outstandings (+12%), the AFD Group's cash position (+38%), as well as the derivative instruments portfolio (+18%).

Net **loans outstanding of AFD Group** totalled €39,514M at 31 December 2020, *i.e.* 73% of the consolidated balance sheet, an increase of €4,120M (+12%) compared with the previous year.

Gross outstanding loans stood at €40,290M, up €4,229M or (+12%) compared with 2019.

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 (+€3,885M);
- an increase in outstanding loans in the French Overseas Departments and Collectivities (+€217M);
- the increase in loans with risks borne by the French State (+€162M).

At 31 December 2020, the adjustment to fair value of the loan portfolio for which the contractual flows do not meet SPPI characteristics under IFRS 9 amounted to (-€15M).

| | 2020 | | 2019 | |
|---|---|---|---|---|
| *In millions of euros* | Audit | % | Audit | % |
| **Loans at AFD Group's risk** | **39,065** | **97%** | **34,999** | **97%** |
| Of which Foreign countries | 33,133 | 82% | 29,317 | 81% |
| *Sovereign* | *20,138* | *50%* | *17,251* | *48%* |
| *Non-sovereign* | *12,995* | *32%* | *12,067* | *33%* |
| Of which French Overseas Departments and Collectivities | 5,799 | 14% | 5,563 | 15% |
| Of which other outstanding loans | 133 | 0% | 118 | 0% |
| **Loans at the State's risk** | **1,225** | **3%** | **1,063** | **3%** |
| *Loans guaranteed by the State* | *1,225* | *3%* | *1,056* | *3%* |
| *Loans granted by the State* | *0* | *0%* | *7* | *0%* |
| **GROSS CONSOLIDATED OUTSTANDING LOANS** | **40,290** | | **36,062** | |

Outstanding loans at the Group's risk (€39,065M, of which €33,152M for foreign countries and €5,799M for French Overseas Departments and Collectivities) resulted in impairments totalling €1,753M, or a coverage rate of 5%.

Performing sovereign loans were covered for the amount of €919M at 31 December 2020, 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 | 20,138 | 919 |
| *of which doubtful* | *8* | *0* |
| Non-sovereign | 12,995 | 739 |
| *of which doubtful* | *964* | *380* |
| **French Overseas Departments and Collectivities** | | |
| Non-sovereign | 5,799 | 94 |
| *of which doubtful* | *311* | *94* |
| Other outstanding loans | 133 | |
| **TOTAL** | **39,065** | **1,753** |
| *of which doubtful* | *1,283* | *475* |

The change in total assets is also due to changes in cash and cash equivalents (€7,654M), a marked increase over the financial year (+€2,114M). This increase is mainly due to the level of cash at AFD, linked to bond maturities and expected disbursements at the beginning of the year.

| Short-term cash assets | 2020 | 2019 | Change |
|---|---|---|---|
| AFD | 7,244 | 5,346 | 1,898 |
| Proparco | 383 | 153 | 231 |
| Fisea | 8 | 22 | -14 |
| Socredo | 0 | 0 | 0 |
| Soderag | 5 | 5 | 0 |
| Sogefom | 13 | 15 | -1 |
| Other subsidiaries | 0 | 0 | 0 |
| **GROUP TOTAL** | **7,654** | **5,540** | **2,114** |

**Other assets** amounted to €7,057M in 2020 *versus* €6,621M in 2019 and represented 13% of total assets. They include the following items:

- financial hedging derivatives of €3,194M (€2,704M in 2019);
- other equity investments for €1,658M (€1,843M in 2019);
- fixed assets, accruals and other assets of €606M (€508M in 2019);
- the investment portfolio of €762M (€713M in 2019);
- collateral of €674M (€707M in 2019);
- equity-accounted equity stakes of €140M (€147M in 2019).

## LIABILITIES

AFD Group **borrowings** totalled €41,903M in 2020. They consist of the following items:

- outstanding **market borrowings** stood at €40,368M at 31 December 2020, an increase of €5,888M on 31 December 2019 as a result of 21 bonds issues;
- outstanding **borrowings from the French Treasury** amounted to €1,535M *versus* €1,288M in 2019. This increase was mainly linked to the receipt of a resource with special conditions for a total of €247M.

**Other liabilities** amounted to €6,048M in 2020 (€5,477M in 2019). They include the following items:

- hedging derivatives of €2,168M (€1,846M in 2019);
- provisions of €1,287M (€1,152M in 2019);
- collateral of €1,317M (€1,181M in 2019);
- funds under management and advances from the State of €458M (€468M in 2019);
- current accounts and accruals and other liabilities of €811M (€830M in 2019). Other liabilities include €7.4M 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 2020 are shown below:

| | 31/12/2020 | | | | | 31/12/2019 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Unmatured debt | | | | | Unmatured debt | | | | |
| *In millions of euros* | 0-30 days | 31-60 days | 61 days or more | Supplier debt | TOTAL | 0-30 days | 31-60 days | 61 days or more | Supplier debt | Total |
| Trade payables | 0.6 | 5.0 | 0.0 | 1.7 | 7.4 | 1.8 | 0.0 | 0.0 | 4.2 | 4.2 |

The contribution of the Group's various companies to its net position excluding minority interests is as follows:

| Net position | 2020 | 2019 | Change |
|---|---|---|---|
| AFD | 5,984 | 5,831 | 147 |
| Proparco | 231 | 330 | -99 |
| Socredo | 110 | 109 | 1 |
| Soderag | -122 | -122 | 0 |
| Other subsidiaries | -77 | -42 | -36 |
| **GROUP TOTAL** | **6,125** | **6,106** | **19** |

The **"regulatory" equity**[1] amounts to €7,910M at 31 December 2020 compared with €7,466M at the end of 2019. Tier 1 capital for 2019 stands at €6,375M (€6,178M in 2019); Tier 2 capital stands at €840M (€840M in 2019); and eligible RCS Tier 2 amounts to €695M (€448M at end-2019).

**Minority interests** (share of equity) were down, amounting to €155M at 31 December 2020, compared with €204M at the end of 2019.

## 5.3.2 Consolidated income statement

| *In millions of euros* | 2020 | 2019 | Change 2019/2020 |
|---|---|---|---|
| **Net banking income** | **764** | **839** | **-75.0** |
| Overheads | 444 | 440 | 4.7 |
| • Employee benefits expense | 313 | 295 | 18.5 |
| • Taxes and other general expenses | 131 | 145 | -13.8 |
| Provisions for depreciation/amortisation on intangible assets and property, plant and equipment | 40 | 48 | -8 |
| **Total expenses on non-banking operations** | **484** | **487** | **-3.2** |
| **Gross operating income** | **280** | **352** | **-71.8** |
| **Cost of risk** | **-269** | **-150** | **-118.8** |
| - Collective provisions | -164 | -54 | -109.8 |
| - Individual impairments of non-sovereign loans | -37 | -89 | 52.1 |
| - Capital losses on bad loans | -69 | -10 | -58 |
| - Other provisions | 1 | 4 | -3 |
| **Operating income** | **12** | **202** | **-190.6** |
| Share of earnings from companies accounted for by the equity method | -6 | -2 | -4.7 |
| Net gains or losses on other assets | 0 | 0 | 0.2 |
| **Pre-tax income** | **5** | **200** | **-195.1** |
| Corporate tax | 10 | -18 | 28.5 |
| **Net income** | **15** | **182** | **-166.7** |
| Minority interests | -25 | 10 | -34.6 |
| **NET INCOME – GROUP SHARE** | **40** | **172** | **-132** |

*(1) Shareholders'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:

| *NR* | 2020 | 2019 | Change |
|---|---|---|---|
| **Net banking income** | **764** | **839** | **-75** |
| Overheads on non-banking operations | 484 | 487 | -3 |
| **Gross operating income** | **280** | **352** | **-72** |
| Cost of risk | -269 | -150 | -119 |
| **Operating income** | **12** | **202** | **-191** |
| **Pre-tax income** | **5** | **200** | **-195** |
| **Net income** | **15** | **182** | **-167** |
| Minority interests | -25 | 10 | -35 |
| **NET INCOME – GROUP SHARE** | **40** | **172** | **-132** |

AFD Group's income for 2020 was €40M (Group share), down €132M compared with 2019.

## NET BANKING INCOME

The contribution of the Group's various companies to its net banking income (NBI) is as follows:

| *Net banking income* | 2020 | 2019 | Change |
|---|---|---|---|
| AFD | 746 | 682 | 64 |
| Proparco | 43 | 168 | -124 |
| Fisea | -28 | -13 | -15 |
| Soderag | 0 | 0 | 0 |
| Sogefom | 3 | 3 | 0 |
| **GROUP TOTAL** | **764** | **839** | **-75** |

NBI amounted to €764M in 2020, down €75M from 2019 due to the combined effect of the following items:

| *Net banking income* | 2020 | 2019 |
|---|---|---|
| Balance of loans/borrowings | 470 | 391 |
| Income from instruments at fair value | -91 | 74 |
| Commissions | 124 | 142 |
| Income and expenses from other activities | 261 | 232 |
| **GROUP TOTAL** | **764** | **839** |

The change in NBI is mainly due to the drop in income on financial instruments at fair value through profit or loss (-€165M) mainly related to the fair value adjustment of the Group's equity securities in connection with the health situation offset by an increase in the loan/borrowing balance following the signing of a debt reorganization agreement between the French Republic and a foreign State.

## GROSS OPERATING INCOME

Gross operating income totalled €280M in 2020 *versus* €352M in 2019. This decrease of €72M is in line with the drop in NBI (-€75M), with stable non-banking operating expenses.

The health crisis led to a contained increase in external expenses and a limit on recruitment during 2020. As a result, operating expenses (AFD only) amounted to €469 million at 31 December 2020, compared with €467 million at 31 December 2019.

## COST OF RISK

The cost of risk changed significantly in comparison with the previous financial year. It represented an expense of €269M compared with €150M in 2019 and breaks down as follows:

| Cost of risk | 2020 | 2019 | Change |
|---|---|---|---|
| AFD | -191 | -117 | -74 |
| Proparco | -77 | -31 | -45 |
| Sogefom | -1 | -1 | 0 |
| **GROUP TOTAL** | **-269** | **-150** | **-119** |

The increase in the cost of risk over the financial year is mainly due to the increase in collective provisions of €109.8M related to the health situation.

## OPERATING INCOME

The drop in operating income of €12M compared to €202M in 2019 is due to the increase in the cost of risk in connection with the health crisis and the decrease in NBI of respectively (-€269M in 2020 *versus* €150M in 2019 and €839M *versus* €764M in 2020).

## PRE-TAX INCOME

The share of equity-accounted companies[(1)] (-€6.3M) was down compared with the previous year, mainly as a result of the -€7M decrease in SIC's income.

Operating income before tax thus came to €5M in 2020 (compared with €200M in 2019).

## NET INCOME

The interests of the minority shareholders of Proparco and Sogefom amounted to (-€24.9M) and deferred taxes net of current taxes amounted to +€10M, while income, Group share, was positive and amounted to €40.4M.

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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 (hereinafter "AFD") is an industrial and commercial public undertaking tasked with financing development assistance. AFD funding amounts to €2,808M.

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 2020

### Assets

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Cash, due from central banks | | 3,157,677 | 1,259,133 |
| Financial assets at fair value through profit and loss | 1 | 2,628,539 | 2,738,146 |
| Hedging derivatives | 2 | 2,893,471 | 2,558,977 |
| Financial assets measured at fair value through other comprehensive income | 3 | 1,455,998 | 1,512,546 |
| Debt securities at amortised cost | 5 | 1,358,235 | 1,221,164 |
| Financial assets at amortised cost | | 41,286,479 | 36,902,710 |
| Loans and receivables due from credit institutions and equivalent at amortised cost | 5 | 8,959,315 | 8,080,093 |
| *On demand* | | *1,639,791* | *2,164,099* |
| *On term* | | *7,319,523* | *5,915,995* |
| Loans and receivables due from customers at amortised cost | 5 | 32,327,164 | 28,822,617 |
| *Commercial receivables* | | - | - |
| *Other loans to customers* | | *32,327,164* | *28,822,617* |
| Revaluation differences on interest rate-hedged portfolio | | 1,150 | 1,172 |
| Current tax assets | | 92 | 31 |
| Deferred tax assets | | 26,446 | 16,858 |
| Accruals and other miscellaneous assets | 6 | 975,605 | 892,637 |
| *Accruals* | | *28,541* | *-3,185* |
| *Other assets* | | *947,064* | *895,822* |
| Equity stakes in companies accounted for by the equity method | 17 | 140,004 | 146,753 |
| Property, plant and equipment | 7 | 254,951 | 268,618 |
| Intangible assets | 7 | 46,408 | 36,280 |
| **TOTAL ASSETS** | | **54,225,057** | **47,555,027** |

## Liabilities

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| Central banks | | - | 61 |
| Financial liabilities measured at fair value through profit or loss | 1 | 287,169 | 359,698 |
| Hedging derivatives | 2 | 1,881,323 | 1,486,117 |
| Financial liabilities at amortised cost | | 40,383,217 | 34,492,871 |
| Debt securities in issue at amortised cost | 8 | 40,369,524 | 34,481,774 |
| *Interbank market securities* | | *701,728* | *100,029* |
| *Bonds* | | *39,667,796* | *34,381,745* |
| *Debts to credit institutions and equivalent at amortised cost* | 8 | *11,665* | *9,440* |
| *On demand* | | *11,125* | *8,807* |
| *On term* | | *540* | *634* |
| *Debts to customers at amortised cost* | 8 | *2,028* | *1,657* |
| *On demand* | | *2,028* | *1,657* |
| Deferred tax liabilities | | 10,536 | 11,156 |
| Accruals and other miscellaneous liabilities | 6 | 2,560,629 | 2,455,403 |
| *Allocated public funds* | | *81,230* | *87,363* |
| *Other liabilities* | | *2,479,399* | *2,368,040* |
| Provisions | 9 | 1,287,076 | 1,151,884 |
| Subordinated debt | 10 | 1,535,334 | 1,288,009 |
| **TOTAL DEBTS** | | **47,945,284** | **41,245,199** |
| Equity Group share | (Tab 1) | 6,124,821 | 6,105,877 |
| Provisions and related retained earnings | | 3,267,999 | 3,267,999 |
| Consolidated retained earnings and other | | 2,778,501 | 2,638,563 |
| Gains and losses directly recognised in other comprehensive income | | 37,917 | 26,877 |
| Earnings for the period | | 40,404 | 172,439 |
| Minority interests | (Tab 1) | 154,952 | 203,950 |
| **Total equity** | | **6,279,773** | **6,309,828** |
| **TOTAL LIABILITIES** | | **54,225,057** | **47,555,027** |

## 6.1.2 Income statement at 31 December 2020

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 |
|---|---|---|---|
| **Interest and related income** | 11 | **1,613,563** | **1,658,638** |
| Transactions with credit institutions | | 327,246 | 332,881 |
| Transactions with customers | | 786,776 | 763,613 |
| Bonds and other fixed-income securities | | 29,506 | 27,369 |
| Other interest and similar income | | 470,034 | 534,775 |
| **Interest and related expenses** | 11 | **1,143,401** | **1,267,467** |
| Transactions with credit institutions | | 678,006 | 723,598 |
| Transactions with customers | | 1,596 | 651 |
| Bonds and other fixed-income securities | | 494,794 | 564,219 |
| Other interest and similar expenses | | -30,995 | -21,002 |
| **Commissions (income)** | 12 | **128,850** | **144,411** |
| **Commissions (expenses)** | 12 | **4,851** | **2,466** |
| **Net gains or losses on financial instruments at fair value through profit or loss, net of foreign currency impact** | 13 | **-91,877** | **55,150** |
| **Net gains and losses on financial assets recognised at fair value through equity** | 14 | **575** | **18,595** |
| **Other incomes** | 15 | **271,764** | **238,157** |
| **Other expenses** | | **10,434** | **5,789** |
| **Net banking income** | | **764,187** | **839,229** |
| **Overheads** | 16 | **444,451** | **439,716** |
| *Staff costs* | | *313,438* | *294,922* |
| *General and administrative expenses* | | *131,013* | *144,794* |
| **Depreciation/amortization and impairment of property, plant, equipment and intangible assets** | 7 | **39,623** | **47,581** |
| **Gross operating income** | | **280,114** | **351,932** |
| **Cost of credit risk** | 17 | **-268,597** | **-149,823** |
| **Operating income** | | **11,517** | **202,109** |
| **Share of earnings from companies accounted for by the equity method** | 18 | **-6,305** | **-1,584** |
| **Net gains or losses on other assets** | | **123** | **-57** |
| **Pre-tax income** | | **5,335** | **200,468** |
| **Corporate tax** | 19 | **10,102** | **-18,350** |
| **Net income** | | **15,437** | **182,118** |
| **Minority interests** | | **-24,967** | **9,679** |
| **NET INCOME – GROUP SHARE** | | **40,404** | **172,439** |

## 6.1.3 Net income, gains and losses recognised directly as equity at 31 December 2020

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Net income** | **15,437** | **182,118** |
| **Net gains and losses directly recognised in equity to be recycled in profit or loss** | **6,903** | **3,468** |
| Net gains or losses on debt securities recognised in equity to be recycled in profit or loss | 6,903 | 3,468 |
| **Net gains and losses directly recognised in other comprehensive income not to be recycled in profit or loss:** | **9,003** | **-36,048** |
| Actuarial gains and losses on retirement benefits | -10,669 | -29,720 |
| Net gains and losses on equity securities directly recognised in other comprehensive income not to be recycled in profit or loss | 19,672 | -6,328 |
| **TOTAL GAINS AND LOSSES DIRECTLY RECOGNISED IN EQUITY** | **15,906** | **-32,580** |
| **Net income and gains and losses directly recognised in equity** | **31,343** | **149,538** |
| of which Group share | 51,444 | 142,868 |
| of which minority interests | -20,101 | 6,670 |

## 6.1.4 Statement of changes in shareholders' equity from 1 January 2019 to 31 December 2020

| *In thousands of euros* | Provisions | Funding reserves | Consolidated reserves | Income for the financial year | Unrealised or deferred gains or losses | Equity attributable to owners of the parents | Equity – Minority interests | Total consolidated equity |
|---|---|---|---|---|---|---|---|---|
| **EQUITY AT 1 JANUARY 2019** | **2,807,999** | **460,000** | **2,540,341** | **115,225** | **56,447** | **5,980,012** | **216,524** | **6,196,536** |
| Share of 2018 earnings retained in reserves | | | 86,146 | -86,146 | | - | - | - |
| Dividends paid | | | | -29,079 | | -29,079 | -2,439 | -31,519 |
| Other changes | | | -1,286 | | | -1,286 | -685 | -1,971 |
| Changes related to put options | | | 13,362 | | | 13,362 | -16,119 | -2,757 |
| 2019 income | | | | 172,439 | | 172,439 | 9,679 | 182,118 |
| Gains or losses directly recorded in equity for 2019 | | | | | -29,571 | -29,571 | -3,010 | -32,580 |
| **EQUITY AT 31 DECEMBER 2019** | **2,807,999** | **460,000** | **2,638,564** | **172,439** | **26,876** | **6,105,877** | **203,951** | **6,309,828** |
| Share of 2019 income allocated to retained earnings | | | 172,439 | -172,439 | | - | - | - |
| Dividends paid | | | | - | | - | - | - |
| Other changes | | | 3,705 | | | 3,705 | -1,859 | 1,846 |
| Changes related to put options | | | -36,205 | | | -36,205 | -27,039 | -63,244 |
| 2020 income | | | | 40,404 | | 40,404 | -24,967 | 15,437 |
| Gains or losses directly recorded 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** |

## 6.1.5 Cash flow statement at 31 December 2020

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **PRE-TAX INCOME (A)** | **30,302** | **190,789** |
| Depreciation/amortization and impairment of property, plant, equipment and intangible assets | 24,851 | 33,117 |
| Net depreciation/amortisation provisions on fixed assets related to the application of IFRS 16 | 14,772 | 14,462 |
| Impairment of goodwill and other fixed assets | - | 6,714 |
| Provisions net of other provisions (including technical insurance provisions) | 221,116 | 233,686 |
| Share of earnings from companies accounted for by the equity method | 6,305 | 1,584 |
| Net gain/(net loss) on investment activities | -37,505 | -19,630 |
| Net loss/(gain) on financing activities | 69,574 | 13,571 |
| Other items | -61,646 | -700 |
| **TOTAL NON-CASH ITEMS INCLUDED IN NET PRE-TAX INCOME AND OTHER ITEMS (B)** | **237,467** | **282,803** |
| Cash flows from credit institutions and equivalent | -1,543,327 | -1,190,099 |
| Cash received from customers | -2,966,437 | -1,842,866 |
| Cash flows from other operations affecting other financial assets or liabilities/Cash flows in net trading securities and net derivatives | -111,626 | 223,652 |
| Cash flows from operations affecting non-financial assets or liabilities | 7,956 | -165,689 |
| Taxes paid | -1,640 | -10,543 |
| **= NET INCREASE (DECREASE) IN CASH-RELATED ASSETS AND LIABILITIES FROM OPERATING ACTIVITIES (C)** | **-4,615,074** | **-2,985,545** |
| **Net cash flows from operating activities (A + B + C)** | **-4,347,305** | **-2,511,953** |
| Cash flows from financial assets and equity investments* | -91,582 | -260,045 |
| Cash flows from property, plant and equipment and intangible assets | -17,875 | -41,405 |
| **Net cash flows from investment activities** | **-109,456** | **-301,450** |
| Cash flows related to the application of IFRS 16 | -15,680 | -12,993 |
| Cash flows from shareholders** | 530,206 | 257,000 |
| Cash flows to shareholders*** | -83,695 | -65,101 |
| Other net cash flows from financing activities**** | 5,397,538 | 2,752,448 |
| **Net cash flows from financing activities** | **5,828,369** | **2,931,354** |
| **Net increase/(decrease) in cash and cash equivalents** | **1,371,608** | **117,951** |
| **Opening balance of cash and cash equivalents** | **3,412,707** | **3,294,756** |
| Net balance of cash and cash equivalents | 1,259,072 | 1,399,405 |
| Net balance of on demand loans and deposits from credit institutions | 2,153,635 | 1,895,351 |
| **Ending balance of cash and cash equivalents** | **4,784,315** | **3,412,707** |
| Net balance of cash and cash equivalents(1) | 3,157,677 | 1,259,072 |
| Net balance of on demand loans and deposits from credit institutions(2) | 1,626,638 | 2,153,635 |
| **Change in cash and cash equivalents** | **1,371,608** | **117,951** |

*(1) Net balance of "Cash accounts and accounts with central banks" as it appears in the Group's consolidated balance sheet at 31 December 2020.*
*(2) Net balance of "Demand receivables and payables from/to credit institutions".*
** 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).*

# 6.2 Notes to the consolidated financial statements

SOMMAIRE DES NOTES



## 6.2.1 Significant events at 31 December 2020

### 6.2.1.1 The impact of the health situation linked to the Covid-19 pandemic

In the context of the Covid-19 health crisis, strong measures were applied. As a result, whole sectors of the economy, particularly in services, have been affected by significant restrictions on working conditions or the closure of establishments. Alongside these measures, the government has announced a number of measures to support the economy in order to mitigate the negative impact of the health measures taken.

Similar measures have been taken in all countries affected by the pandemic. Different governments have announced strong health measures to avoid overburdening their health systems, with varying degrees of support for the economy.

AFD Group has mobilised to provide responses to the health and economic emergency and to translate the French government's commitments to support priority countries for French official development assistance.

#### Implementation of moratoriums

In the context of the Covid-19 global health crisis, the G20 and the Paris Club jointly took the initiative in April 2020 to propose a Debt Service Suspension Initiative (DSSI) for the Poorest Countries.

It potentially covers 77 poor countries and is conditional on the countries already benefiting from IMF programmes or having applied for emergency financing from the IMF.

The implementation of the DSSI, for France and other bilateral creditor members, is conducted in the framework of the Paris Club. Each country eligible for the DSSI and wishing to benefit from it must sign a Memorandum of Understanding (MoU)[1], based on a standard template, with the Paris Club. The MoU provides for a suspension of the debt service in terms of interest for all sums due and unpaid on 30 April 2020, as well as sums due between the 1 May and 31 December 2020. Under the general terms, the suspended amounts will be deferred and repaid in six instalments between 15 June 2022 and 15 December 2024. The mechanism also provides for the capitalisation of interest accrued in 2020 and aims to preserve the net present value of the original claims.

*(1) Memorandum of understanding on the treatment of the debt service.*

AFD is participating in the implementation of the DSSI, under which 35 of its sovereign counterparts have been declared eligible, but only 27 of them have requested a DSSI from the Paris Club. Of these 27 countries, as of 31 December 2020, 26 had signed the MoU, and 15 had also turned the MoU into a bilateral agreement with France.

Payment suspensions have also been granted on the non-sovereign and other sovereign scope.

As at 31 December 2020, the payment suspensions under these moratoriums had an insignificant impact on the financial statements. The contractual amendments resulting from these moratoriums did not constitute substantial modifications requiring the derecognition of assets.

### Assessment of credit risk

As part of the various publications of the regulators and the IASB, in particular that of 27 March 2020 on the recognition of expected credit losses in connection with IFRS 9 on financial instruments, the importance of the exercise of judgement in the application of the standard in respect of credit risk was emphasised.

In the context of the preparation of the Group's annual financial statements, the extension of maturity alone did not constitute a significant increase in credit risk leading to a shift in the recognition of impairment losses on loans estimated on the basis of 12-month credit losses (stage 1) to the recognition of impairment losses expected at maturity (stage 2), nor to the systematic shift of loans to the doubtful category (stage 3).

Deferral of maturity in a context other than the moratoria presented above was deemed in the majority of cases to be a significant increase in credit risk leading to a downgrading to stage 2 unless it could be demonstrated that the cash flow difficulties were temporary and that the pre-Covid financial situation was deemed to be healthy with the capacity to quickly resume the pace of repayments[1].

In addition, given the uncertainties that remain in the air and tourism sectors, the AFD Group decided to adopt a multi-scenario approach in order to take into account the increased vulnerability of the tourism sector in the AFD Group's countries and territories of intervention as well as the extent of the crisis in the air sector marked by the brutal halt of the global air sector.

The assumptions and estimates used to prepare the annual financial statements led to an additional allocation of €79.4M on exposure to the air and tourism sectors.

### Valuation of the equity portfolio

IFRS 13 defines fair value as "the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants at the valuation date". The Group applies IFRS 13 in the preparation of these interim financial statements.

The impact of the Covid-19 crisis on the AFD Group's regions and counterparty portfolio has led to a decrease in the valuations of a majority of the Agency's equity investments, for example through a deterioration in the performance and fundamentals of the entities concerned and/or of the transaction multiples observed in terms of valuation.

The valuation methods of the equity portfolio remained unchanged as of 31 December 2020. These methods are based on standard valuation approaches (share price, comparable to recent transactions, discounted cash flow, net book value, etc.).

However, in the context of the Covid-19 pandemic and the uncertainties involved, the AFD Group completed its assessment policy:

- in the absence of annual financial statements reflecting the effects of the crisis, on the one hand, and the persistence of uncertainties concerning the impact of the said crisis on the counterparties, on the other hand, certain valuations obtained by applying the usual methods have been subject to a discount;
- this discount was determined by observing the behaviour of the main stock markets in the AFD Group's areas of operation and benchmarks that track the composition of the portfolio (*e.g.* MSCI Index).

This value adjustment applied since 30 June 2020 was applied to a lesser extent in the preparation of the financial statements at 31 December 2020.

As of 31 December 2020, the AFD Group recorded a decrease in valuations of €153M.

### Continuing activity in an uncertain context

The AFD Group has decided to support weakened economies by providing responses in the form of counter-cyclical operations to support the policies and response plans implemented by countries and territories in terms of managing the health crisis but also, supporting the business fabric, and reviving the economy towards trajectories in line with the Sustainable Development Goals and the Paris Climate Agreement

The AFD Group is responding to requests from its partners and is fast-tracking operations to respond to the health crisis and its economic and social consequences, mainly in the form of lines of credit to support SMEs penalised by the paralysis of the economy, as well as in the form of budget financing to support public policies to combat the epidemic.

Proparco, an AFD Group subsidiary, is also stepping up its monitoring of clients and offering them solutions to help them cope with the economic crisis, notably by making existing loans more flexible (moratoriums and changes of purpose). Additional financing may be provided to support the economic recovery and revival that will follow the health crisis.

Other measures accompany AFD's response, namely:

- "Health in Common" initiative;
- institutional partnerships for Africa and the Middle East;
- support for NGOs;
- "Outre-mer en commun" programme;
- global response with other development actors.

*(1) This exception was not applied for:*
- *Counterparties in the air transport and tourism transport sectors;*
- *Moratoriums resulting in a loss of NPV > 1%;*
- *Moratoriums resulting in an extension of the credit maturity.*

#### 6.2.1.1 Financing of the Group's activity

To finance the growth of its own activity, AFD issued six public bonds and seven private placements in 2020, as well as eight top-up operations, for a total volume of €9,900M.

#### 6.2.1.2 Allocation of 2019 net income

In accordance with article 79 of the Amended Finance law 2001 no. 2001-1276 of 28 December 2001, the amount of dividends paid by AFD to the French State is set by ministerial decree.

The 2019 financial statements were approved by the Board of Directors on 2 April 2020.

In anticipation of the impact of the current health crisis on AFD's activities:

- the AFD Board of Directors of 2 April 2020 proposed the full allocation of AFD's income for 2019 (€160.1M) to reserves.

### 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 2020 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 2020 are described in Note 6.2.3.2.

These consolidated financial statements are presented in thousands of euros.

The standards and interpretations used in the financial statements at 31 December 2020 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 |
|---|---|---|
| **Amendments to IFRS 16 "Leases" related to the Covid-19 crisis** | May 2020 | 1 January 2020 |
| **Amendments to IAS 39 – IFRS 9 and IFRS 7 following changes in reference rates** | September 2019 | 1 January 2020 |
| **Amendments to IFRS 3 "Business Combinations"** | April 2019 | 1 January 2020 |
| **Amendments to IAS 1 and IAS 8 "Materiality Definitions"** | December 2019 | 1 January 2020 |

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.

#### AMENDMENT TO IFRS 16 ON RENT REDUCTIONS LINKED TO COVID-19

The amendment allows tenants benefiting from reductions in rents linked to the Covid-19 pandemic not to consider these concessions as contract amendments and therefore not to spread these reductions over the term of the contract, but to recognise them directly in income as rent reversals. This amendment does not affect lessors. The AFD Group's financial statements did not benefit from these reductions at 31 December 2020.

#### 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 the AFD Group departments concerned (Operations, Legal, Risks, Information Systems and Communication). At the same time, the proposals and recommendations of market players, central bank working groups and the authorities were regularly monitored and a customer communication plan was launched. Since September 2020, the work related 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).

As of these dates, LIBOR rates will no longer be representative of the underlying markets and may no longer be used. The authorities recommend ending the use of USD LIBOR in new contracts from the end of 2021.

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.

Since April 2018, the FED has published a new index for the overnight rate, the SOFR: Secured Overnight Financing Rate, based on the US Treasury repos market and which will serve as the basis for the replacement of the USD LIBOR rate.

The majority of AFD Group's positions are in USD LIBOR, which must transit before their maturity date.

Several aspects of the transition remain to be implemented, however the success of the transition to new alternative rates will depend on their adoption by market participants and their liquidity. A liquid market on the new indices is the essential condition for the development of a market for derivatives, such as futures, which will serve as the basis for the creation of RFR rates with a forward structure to replace IBORs by 2022.

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.

The transition of the clearing houses from the EONIA discount rate (€STR +8.5bps) to €STR flat (EUR) had a €2.5M impact on the Group's financial statements at the end of 2020.

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. As a result, the AFD Group is mainly exposed to these hedging relationships at EONIA, EURIBOR and LIBOR rates. The micro-hedging relationships were tested at 31 December 2020 on the basis of a discount on the €STR and compared with the fair values of the statement based on an EONIA discount in order to simulate the impact on income of a hypothetical transition to the €STR. As a result of this work, the impact as at 31 December 2020 was not material.

The other standards and interpretations applicable at 1 January 2020 had no significant impact on the Group's financial statements at 31 December 2020.

## 6.2.3 Principles for the preparation of the consolidated financial statements of the AFD Group at 31 December 2020

### 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 interest that exceeds 20% of the company's share capital is presented on the following page.

| *In thousands of euros* | Localisation | % control 2019 | % interest 2019 | % control 2020 | % interest 2020 | Balance sheet total[1] | Total net income | Contribution to earnings[2] |
|---|---|---|---|---|---|---|---|---|
| **AFD** | | | | | | **53,621,972** | | **163,009** |
| **Fully consolidated companies** | | | | | | | | |
| Soderag | Antilles | 100.00 | 100.00 | 100.00 | 100.00 | 5,293 | | -33 |
| Proparco | Paris | 74.18 | 74.18 | 78.19 | 78.19 | 6,325,737 | | -88,168 |
| Sogefom – AFD share | Paris | 58.69 | 60.00 | 58.69 | 60.00 | 50,653 | | -562 |
| Sogefom – Socredo share | Paris | 1.31 | | 1.31 | | | | |
| Fisea | Paris | 100.00 | 100.00 | 100.00 | 100.00 | 196,749 | | -27,537 |
| Propasia | Hong Kong | 100.00 | 74.18 | - | - | - | | |
| **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 | 29,004 | | -7,034 |
| • *Financial entities* | | | | | | | | |
| Banque Socredo | Polynesia | 35.00 | 35.00 | 35.00 | 35.00 | 109,919 | | 730 |
| **Other non-consolidated investments** | | | | | | | | |
| • *Foreign state-owned or partially state-owned entities* | | | | | | | | |
| Banque Nationale de Développement Agricole | Mali | 22.67 | 22.67 | 22.67 | 22.67 | 758,537,467 | 15,052,923 | |
| Banque de Développement des Seychelles | Seychelles | 20.41 | 20.41 | 20.41 | 20.41 | 67,393,484 | 328,815 | |
| Société de Gestion et d'Exploitation de l'Aéroport de Conakry G'Bessia | Guinea | 20.00 | 20.00 | 20.00 | 20.00 | 26,605,191 | 3,210,333 | |
| • *Stakes held by Proparco in entities abroad* | | | | | | | | |
| ACON ALAOF V | Multi-country | 37.50 | 37.50 | | | | | |
| Acon Latin America Opportunities Fund A | Multi-country | 20.00 | 20.00 | 20.00 | 20.00 | 16,521 | 12 | |
| Acon Renewables BV (Hidrotenencias SA) | Panama | 24.47 | 24.47 | 24.47 | 24.47 | 1,513 | -287 | |
| African Education Holdings | Multi-country | 33.33 | 33.33 | | | | | |
| Africinvest III SPV I | Kenya | 21.82 | 21.82 | 21.82 | 21.82 | 219,904 | 40,577 | |
| Aif Pharma Lux | Morocco | | | 37.28 | N/D | N/D | | |
| Amethis Milling SPV | Mozambique | 26.32 | 26.32 | 26.32 | 26.32 | 31,098 | -58 | |
| Averroes Finance II | Multi-country | 50.00 | 50.00 | 50.00 | 50.00 | 22,674 | -404 | |
| Averroes Finance III | Multi-country | 40.00 | 40.00 | 50.00 | 50.00 | 27,517 | -292 | |
| Bredev SAS | Brazil | 100.00 | 100.00 | 100.00 | 100.00 | 12,039 | 15 | |
| Capsquare Asia Partners Fund II LP | Indonesia | 21.30 | 21.30 | | | | | |
| Central Africa Growth Fund | Multi-country | 23.41 | 23.41 | 23.41 | 23.41 | 292 | -45 | |
| EuroPro Holding SAL (formerly Wadi Holding) | Egypt | 35.29 | 35.29 | 35.29 | 35.29 | 307,253 | 15,935 | |

| *In thousands of euros* | Localisation | % control 2019 | % interest 2019 | % control 2020 | % interest 2020 | Balance sheet total[1] | Total net income | Contribution to earnings[2] |
|---|---|---|---|---|---|---|---|---|
| Frontier Clearing Funds | Multi-country | 23.32 | 23.32 | | | | | |
| Ilera Holdings | Morocco | 27.22 | 27.22 | 28.77 | 28.77 | 37,945 | -551 | |
| IT worx (It holding) | Egypt | 23.87 | 23.87 | 23.87 | 23.87 | 22,256 | -15,831 | |
| Seaf India Agribusiness international Fund | India | 33.36 | 33.36 | 33.36 | 33.36 | 902 | -483 | |
| TIBA EDUCATION HOLDING BV | Egypt | 100.00 | 100.00 | 100.00 | 100.00 | 17,346 | -92 | |
| TLG Finance SAS (Alios Finance) | Multi-country | 22.84 | 22.84 | 22.84 | 22.84 | 13,473 | -3,047 | |
| TPS (D) Limited | Tanzania | 20.50 | 20.50 | | | | | |
| Tunisie Participations SA (formerly Tunisie Sicar) | Tunisia | 20.00 | 20.00 | 20.00 | 20.00 | 1,498 | -7 | |
| Kantara Proparco I Ltd (ex Unimed) | Tunisia | 26.00 | 26.00 | 26.00 | 26.00 | 138 | -20 | |
| Retiro Participations | France | 100.00 | 100.00 | 100.00 | 100.00 | N/D | N/D | |
| • *French entities with balance sheets of no significance* | | | | | | | | |
| Retiro Participations – Proparco share | Paris | 100.00 | 100.00 | 100.00 | 100.00 | N/D | N/D | |
| • *Stakes held by Fisea in entities abroad* | | | | | | | | |
| AB Bank Zambia Limited | Zambia | 22.50 | 22.50 | 22.50 | 22.50 | 14,138 | 59 | |
| Catalyst Mattress Africa | Multi-country | 20.97 | 20.97 | 20.97 | 20.97 | 15,108 | -12 | |
| Chain Hotel Conakry | West Africa | 23.17 | 23.17 | 23.17 | 23.17 | 997 | -2,810 | |
| Fanisi Venture Capital Fund | Multi-country | 22.99 | 22.99 | 22.99 | 22.99 | 7,884 | -569 | |
| Fefisol | Multi-country | 20.00 | 20.00 | 20.00 | 20.00 | 29,484 | -167 | |
| Metier Capital Growth International Fund II | Multi-country | 28.91 | 28.91 | 28.91 | 28.91 | 26,979 | 4,123 | |
| **INCOME GROUP SHARE** | | | | | | | | **40,404** |

*(1) The balance sheet total indicated corresponds to the balance sheet total before restatement of intragroup entries.*
*(2) Before elimination of intragroup transactions.*

**Minority interests:**

- Non-controlling interests are immaterial with regard to the Group's financial statements, either separately or cumulatively.

| In thousands of euros | 31/12/2020 % of control and vote held by minority interests | 31/12/2020 Share of net income | 31/12/2020 Share of equity (including income) | 31/12/2019 % of control and vote held by minority interests | 31/12/2019 Share of net income | 31/12/2019 Share of equity (including income) |
|---|---|---|---|---|---|---|
| Proparco | 21.81% | -24,592 | 150,244 | 25.82% | 9,998 | 196,933 |
| Other subsidiaries | | -375 | 4,708 | | -319 | 7,018 |
| **TOTAL MINORITY SHARE** | | **-24,967** | **154,952** | | **9,679** | **203,950** |
| **TOTAL GROUP SHARE** | | **38,077** | **6,122,494** | | **172,439** | **6,105,877** |

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 2020, 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 2020, the company's share capital amounted to €5.6M. It is 100% owned by AFD;
- the Société de gestion des fonds de garantie Outremer (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 2020, the company's share capital amounted to €1.1M. It is 58.69% owned by AFD;
- Fisea (Investment and Support Fund for Businesses in Africa) was created in April 2009. This simplified joint-stock company with a share capital of €227M is wholly owned by AFD. It is managed by Proparco.

**Equity method**

Companies over which AFD 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 2020, 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, the 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 and loss" or "Financial assets at fair value through shareholders' equity".

### 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 2020 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. Translation adjustments 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 and loss" and in liabilities if the asset is classified under "Financial assets at fair value through equity".

#### 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 recorded as liabilities on the balance sheet (provisions for employee benefit 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 fair 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 equity 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 remuneration 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:

| Financial Assets (IAS 32) | Cash flow characteristics | Management model | Asset classes |
|---|---|---|---|
| Debt securities | "SPPI (Solely Payment of Principal and Interest)" | Collection of contractual flows | Amortised cost |
| | | Collection of contractual flows and sales | Fair value through equity to be recycled in profit or loss |
| | | Other | Fair value through P&L |
| Non basic debt instruments and derivatives | Non SPPI | All management models | Fair value through P&L |
| Equity securities | Non SPPI | All management models | Fair value through P&L or Option Fair Value through equity not to be recycled in P&L |

**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 book value. 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 whose business model is classified as "hold to collect".

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 shareholders' equity".

**b) Debt securities at fair value through equity**

Debt instruments are classified at fair value through shareholders' 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 investments in investment funds and direct investments 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 (< 6 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, the 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 shareholders' equity 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 shareholders' equity 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.

Stage 2 of IFRS 9, relating to the general approach to 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 classification of financial liabilities was not affected by IFRS 9. Therefore, financial liabilities are classified in one of two 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 at amortised cost are measured at fair value at inception and subsequently at amortised cost using the effective interest method – there is no change in the amortised cost method compared with 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. 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 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 2020, AFD received €236M in RCS (resources with special conditions).

### 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 book value 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 book value 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

The AFD Group has decided not to apply the third stage 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 fair 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 differences on interest-rate hedged portfolios" in the case of a portfolio hedging relationship.

If the hedge no longer meets the effectiveness requirements of IAS 39, the hedging derivatives are transferred to "Financial assets at fair value through profit and loss" or to "Financial liabilities at fair value through profit and 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 3 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.

This is 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 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: 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 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 the 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.

In 2020, the AFD Group analysed the new rules related to the application of the definition of default EBA guidelines (EBA/GL/2016/7) and thresholds defined by the European Union (Article 1 of Regulation (EU) 2018/1845 ECB of 21 November 2018). The application of this new regulation to the scope of non-sovereign loans did not have a material impact on the Group's financial statements as at 31 December 2020.

As of 1 January 2021, the AFD Group will adopt this new definition for the scope of sovereign loans and does not anticipate any significant impact given the reserve account mechanism (see 6.2.3.2.6. Provisions).

***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 year-end, adopting a forward looking approach.

The internal ratings calibrated by AFD are by nature reporting date, 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 year-end (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 the 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 the AFD Group, and the low default portfolio nature of certain portfolios, the 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 book value, a discount must be recognised under "Cost of credit risk" to bring the book value back to the new present value.

### Gains or losses on financial instruments

**Gains and 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 revenues 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 shareholders' equity is recognised under this heading and includes:

- dividends and other revenues;
- gains and losses realised on financial assets at fair value through transferable shareholders' equity.

### 6.2.3.2.4 Commitments to buy out minority interests

In 2014 and again in 2020, during the Proparco capital increase, the Group made commitments to buy back the interests of Proparco's minority shareholders.

The strike price is defined contractually depending on the restated net asset value on the exercise date.

In the 2020 financial statements, these commitments led to a debt of €153.9M to the minority shareholders of Proparco, with a corresponding entry of an increase in "minority interests" in the amount of €120.7M and a decrease in "Consolidated reserves – Group Share" of €33.2M. 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 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 periods have been estimated on the basis of each item's useful life.

| Title | | Depreciation period |
|---|---|---|
| 1. | Land | Non-depreciable |
| 2. | Structural system | 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 2 to 5 years.

As for intangible assets, software is amortised according to its type: 4 years to 8 years for enterprise resource planning systems and 2 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 year-end, fixed assets are valued 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.

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 debts 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: 0.70%;
- annual increase in salary: 2% 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).

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).

In the absence of a significant change in interest rates, the valuation of employee benefit obligations has not changed as at 31 December 2020.

### 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 book value of assets and liabilities and their tax base.

The AFD Group recognises deferred taxes mainly 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 2020

The comparative data at 31 December 2019 and the accounting principles applied to this comparative data are available in the Group's consolidated financial statements at 31 December 2019.

For financial instruments, the comparative data for the 2019 financial year presented against the 2020 data remain in accordance with the provisions of IFRS 9.

### 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 | 31/12/2020 Assets | 31/12/2020 Liabilities | 31/12/2020 Notional/ Outstanding | 31/12/2019 Assets | 31/12/2019 Liabilities | 31/12/2019 Notional/ Outstanding |
|---|---|---|---|---|---|---|---|
| Interest rate derivatives | 1.1 | 353 | 10,955 | 408,825 | 374 | 11,550 | 568,885 |
| Foreign exchange derivatives | 1.1 | 170,929 | 238,004 | 4,740,971 | 65,402 | 268,707 | 4,993,202 |
| Derivatives at fair value through profit and loss | | 128,158 | 36,597 | 1,090,076 | 77,917 | 77,474 | 1,284,569 |
| Loans and securities that do not meet SPPI criteria | 1.2 | 2,329,084 | | 2,390,826 | 2,594,420 | | 2,552,997 |
| CVA/DVA | | 15 | 1,612 | - | 32 | 1,967 | - |
| **TOTAL** | | **2,628,539** | **287,169** | **8,630,698** | **2,738,146** | **359,698** | **9,399,652** |

#### 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 beheld 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 not meeting the criteria

| *In thousands of euros* | Notes | 31/12/2020 | Notional/ Outstanding | 31/12/2019 | Notional/ Outstanding |
|---|---|---|---|---|---|
| **Loans to credit institutions** | **1.2.1** | **437,597** | **453,225** | **483,040** | **482,847** |
| Performing loans | | 436,718 | 434,765 | 469,839 | 466,558 |
| Non-performing loans | | 879 | 18,460 | 13,201 | 16,290 |
| **Loans to customers** | **1.2.1** | **724,000** | **721,903** | **813,498** | **819,621** |
| Performing loans | | 718,339 | 690,426 | 808,480 | 799,890 |
| Non-performing loans | | 5,661 | 31,478 | 5,017 | 19,730 |
| **Title** | | **1,167,487** | **1,215,699** | **1,297,882** | **1,250,529** |
| Bonds and other fixed-income securities | 1.2.2 | 39,474 | 38,900 | 45,769 | 47,173 |
| UCITS | | 54,521 | 41,044 | 52,728 | 41,051 |
| Equity stakes and other long-term securities | 1.2.3 | 1,073,492 | 1,135,754 | 1,199,384 | 1,162,304 |
| *Of which equity stakes held in investment funds* | | *949,287* | *1,034,222* | *1,022,251* | *1,025,387* |
| *Of which equity stakes held directly with a put option* | | *124,205* | *101,533* | *177,133* | *136,917* |
| **TOTAL** | | **2,329,084** | **2,390,826** | **2,594,420** | **2,552,997** |

### 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. 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, the 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 stakes and other long-term securities

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.

The 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 | Number of equity stakes | 31/12/2020 IFRS | Number of equity stakes | 31/12/2019 IFRS |
|---|---|---|---|---|
| **Homogeneous activity portfolios** | | | | |
| Agribusiness | 9 | 40,392 | 9 | 68,443 |
| Energy | 5 | 35,668 | 5 | 44,791 |
| Infrastructure | 7 | 58,933 | 7 | 78,532 |
| Mining | 2 | 91 | 2 | 4 |
| Multi-sector SME-SMI | 13 | 61,952 | 12 | 65,876 |
| Healthcare | 6 | 40,052 | 6 | 51,794 |
| Financial services | 22 | 230,197 | 20 | 233,266 |
| Multi-sector | 78 | 482,002 | 72 | 479,547 |
| **NON-CONSOLIDATED STRUCTURED ENTITIES** | **142** | **949,287** | **133** | **1,022,251** |

#### Breakdown by operating region

| Equity investments held in the Investment Funds | Number of equity stakes | 31/12/2020 | Number of equity stakes | 31/12/2019 |
|---|---|---|---|---|
| **Operating region** | | | | |
| Southern Africa | 5 | 3,035 | 5 | 3,927 |
| East Africa | 11 | 75,624 | 10 | 77,456 |
| West Africa | 6 | 30,917 | 7 | 34,447 |
| North Africa | 17 | 47,971 | 18 | 90,836 |
| Asia | 17 | 88,627 | 16 | 108,511 |
| Multi-region | 86 | 703,113 | 77 | 707,074 |
| **NON-CONSOLIDATED STRUCTURED ENTITIES** | **142** | **949,287** | **133** | **1,022,251** |

### Investments in unconsolidated structured entities – Risk exposure and dividends received

| | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Financial assets measured at fair value through profit and loss | Maximum exposure | Dividends received over the year | Financial assets measured at fair value through profit and loss | Maximum exposure | Dividends received over the year |
| **Homogeneous portfolios** | | | | | | |
| Agribusiness | 40,392 | 40,392 | 6 | 68,443 | 68,443 | - |
| Energy | 35,668 | 35,668 | - | 44,791 | 44,791 | - |
| Infrastructure | 58,933 | 58,933 | 11 | 78,532 | 78,532 | 16 |
| Mining | 91 | 91 | - | 4 | 4 | - |
| Multi-sector SME-SMI | 61,952 | 61,952 | - | 65,876 | 65,876 | 848 |
| Healthcare | 40,052 | 40,052 | - | 51,794 | 51,794 | - |
| Financial services | 230,197 | 230,197 | 3,854 | 233,266 | 233,266 | 2,668 |
| Multi-sector | 482,002 | 482,002 | 264 | 479,547 | 479,547 | 15 |
| **UNCONSOLIDATED STRUCTURED ENTITIES – INVESTMENT FUNDS** | **949,287** | **949,287** | **4,135** | **1,022,251** | **1,022,251** | **3,547** |

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 financial year end. 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 commitments.

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.

On first-time adoption of IFRS 9, the Group opted for the fair value classification under non-recyclable equity of its portfolio of direct investments without put options, which make up the majority of the Group's equity instruments.

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## NOTE 2 Financial hedging derivatives

### Note 2.1 Fair value hedging instruments

| | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | Book value | | | Book value | | |
| *In thousands of euros* | Assets | Liabilities | Notional | Assets | Liabilities | Notional |
| Fair value hedging | | | | | | |
| Interest rate derivatives | 2,400,454 | 1,265,603 | 49,211,444 | 1,787,323 | 940,348 | 41,278,499 |
| Interest rate and foreign exchange derivatives (cross-currency swaps) | 493,018 | 615,720 | 10,113,105 | 771,655 | 545,769 | 10,580,278 |
| **TOTAL** | **2,893,471** | **1,881,323** | **59,324,549** | **2,558,977** | **1,486,117** | **51,858,777** |

### 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 | 31/12/2020 |
|---|---|---|---|---|---|
| **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** |

| *In thousands of euros* | Less than 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | 31/12/2019 |
|---|---|---|---|---|---|
| **Fair value hedging** | | | | | |
| Interest rate derivatives | 240,000 | 787,167 | 12,232,268 | 28,019,064 | 41,278,499 |
| Interest rate and foreign exchange derivatives (cross-currency swaps) | 1,114,098 | 1,256,475 | 3,697,707 | 4,511,998 | 10,580,278 |
| **TOTAL** | **1,354,098** | **2,043,642** | **15,929,975** | **32,531,062** | **51,858,777** |

### Note 2.3 Hedged items

| | 31/12/2020 | | | | |
|---|---|---|---|---|---|
| | Current hedges | | Expired hedges | | |
| *In thousands of euros* | Book value | Accrued remeasure-ments of fair value hedges | Accrued remeasure-ments of fair value hedges remaining | Accrued remeasure-ments 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 measured 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** | **0** | **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** | **0** | **-107,345** | **624,267** |
| Debt securities in issue at amortised cost | -5,339,698 | 140,280 | 0 | -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

| | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| | Net income (Income of hedge accounting) | | | Net income (Income of hedge accounting) | | |
| *In thousands of euros* | 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 | 254,674 | -291,867 | -37,193 | 334,296 | -305,596 | 28,700 |
| Interest rate and foreign exchange derivatives (cross-currency swaps) | -337,521 | 402,738 | 65,217 | -171,207 | 173,996 | 2,790 |
| **TOTAL** | **-82,847** | **110,870** | **28,023** | **163,089** | **-131,600** | **31,490** |

## NOTE 3 Financial assets at fair value through shareholders' equity

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Book value | Change in fair value over the period | Book value | Change in fair value over the period |
| **Debt securities recognised at fair value through equity to be recycled in profit or loss** | **968,908** | **6,903** | **1,057,076** | **3,468** |
| Government paper and equivalent | 785,639 | 3,370 | 874,958 | 5,199 |
| Bonds and other securities | 183,270 | 3,533 | 182,118 | -1,731 |
| **Equity securities recorded at fair value through equity not to be recycled in profit or loss** | **487,090** | **-567** | **455,470** | **-14,476** |
| Unconsolidated equity stakes | 487,090 | -567 | 455,470 | -14,476 |
| **TOTAL** | **1,455,998** | **6,336** | **1,512,546** | **-11,008** |

## NOTE 4 Financial assets and liabilities at fair value measured according to the level of fair value

| | 31/12/2020 | | | | 31/12/2019 | | | |
|---|---|---|---|---|---|---|---|---|
| *In thousands of euros* | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| **Assets/Liabilities** | | | | | | | | |
| Equity instruments at fair value through profit and loss | - | - | 1,073,492 | 1,073,492 | - | - | 1,199,384 | 1,199,384 |
| Loans and securities that do not meet SPPI criteria | 54,521 | - | 1,201,071 | 1,255,592 | 52,728 | - | 1,342,307 | 1,395,036 |
| Financial assets recorded through equity | 938,908 | 30,000 | 487,090 | 1,455,998 | 1,026,347 | 30,729 | 455,470 | 1,512,546 |
| Hedging derivatives (Assets) | - | 2,893,471 | - | 2,893,471 | - | 2,558,977 | - | 2,558,977 |
| Financial liabilities measured at fair value through profit or loss | - | 285,557 | 1,611 | 287,169 | - | 358,033 | 1,666 | 359,698 |
| Hedging derivatives (Liabilities) | - | 1,881,323 | - | 1,881,323 | - | 1,486,117 | - | 1,486,117 |
| Derivatives | - | 288,523 | 10,932 | 299,455 | - | 138,282 | 5,444 | 143,726 |

- Sensitivity of the fair value of level 3 instruments

The category of instruments measured at level 3 fair value mainly comprises equity investments.

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

| | | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|---|
| *In thousands of euros* | Notes | On demand | On term | On demand | On term |
| Debt securities | 5.1 | | 1,358,235 | | 1,221,164 |
| Loans and receivables due from credit institutions | 5.2 | 1,639,791 | 7,319,523 | 2,164,099 | 5,915,995 |
| Loans and receivables due from customers | 5.2 | | 32,327,164 | | 28,822,617 |
| **TOTAL** | | **1,639,791** | **41,004,923** | **2,164,099** | **35,959,776** |

### Note 5.1 Debt securities at amortised cost

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | On demand | On term | On demand | On term |
| Government paper and equivalent | - | 701,693 | - | 704,462 |
| Bonds and other securities | - | 656,542 | - | 516,702 |
| **TOTAL** | **-** | **1,358,235** | **-** | **1,221,164** |
| Impairments | - | - | - | - |
| **TOTAL** | **-** | **-** | **-** | **-** |

### Note 5.2 Loans and receivables from credit institutions and customers at amortised cost

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | On demand | On term | On demand | On term |
| **Loans to credit institutions at amortised cost** | | **5,919,605** | | **5,118,882** |
| Performing loans | | 5,617,415 | | 4,910,692 |
| Non-performing loans | | 302,190 | | 208,190 |
| **Impairments** | | **-145,559** | | **-97,110** |
| **Related receivables** | | **63,141** | | **76,123** |
| **Valuation adjustments of loans hedged by forward financial instruments** | | **60,154** | | **48,177** |
| **Subtotal** | | **5,897,342** | | **5,146,072** |
| **Loans to customers at amortised cost** | | **31,335,157** | | **28,366,744** |
| Performing loans | | 30,253,197 | | 27,259,287 |
| Non-performing loans | | 1,081,960 | | 1,107,456 |
| **Impairments** | | **-689,285** | | **-658,164** |
| **Related receivables** | | **41,308** | | **52,779** |
| **Valuation adjustments of loans hedged by forward financial instruments** | | **1,639,985** | | **1,061,258** |
| **Subtotal** | | **32,327,164** | | **28,822,617** |
| **TOTAL LOANS** | **-** | **38,224,506** | **-** | **33,968,689** |
| **Other receivables** | | | | |
| Deposits (available cash) at credit institutions | 1,639,791 | 1,421,696 | 2,164,099 | 769,552 |
| Related receivables | | 486 | | 371 |
| **TOTAL OTHER RECEIVABLES** | **1,639,791** | **1,422,182** | **2,164,099** | **769,923** |
| **TOTAL LOANS AND OTHER RECEIVABLES** | **1,639,791** | **39,646,687** | **2,164,099** | **34,738,612** |

At 31 December 2020, sovereign outstanding loans amounted to €20,138M and outstanding loans at State risk amounted to €1,225M.

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## NOTE 6 Accruals and miscellaneous assets/liabilities

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Assets | Liabilities | Assets | Liabilities |
| Guarantees against collateral | 674,060 | 1,317,621 | 706,680 | 1,181,378 |
| Allocated public funds | | 81,230 | | 87,363 |
| Other assets and liabilities | 301,544 | 1,025,275 | 185,958 | 1,073,391 |
| Accounts payable, French State | | 136,502 | | 113,270 |
| **TOTAL ACCRUALS AND OTHER MISCELLANEOUS ASSETS/LIABILITIES** | **975,604** | **2,560,629** | **892,637** | **2,455,403** |

## NOTE 7 Property, plant and equipment and intangible assets

| | Property, plant and equipment | | | | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Land & development | Buildings & development | Others | Intangible assets | Total 31/12/2020 | Total 31/12/2019 |
| **Gross value** | | | | | | |
| At 1 January 2020 | 88,846 | 224,378 | 64,711 | 100,888 | 478,823 | 464,555 |
| Purchases | 1,326 | 4,815 | 9,654 | 24,954 | 40,749 | 36,310 |
| Disposals/retirements | -20 | -287 | -3,128 | -1,077 | -4,512 | -14,101 |
| Other items | -607 | -2,792 | -3,640 | -5,176 | -12,215 | -7,943 |
| Change in scope | - | - | - | - | - | - |
| **At 31 December 2020** | **89,545** | **226,115** | **67,597** | **119,589** | **502,846** | **478,822** |
| **Depreciation/amortisation** | | | | | | |
| At 1 January 2020 | 3,125 | 137,973 | 44,273 | 64,609 | 249,979 | 230,475 |
| Provisions | 215 | 9,328 | 5,883 | 9,482 | 24,908 | 23,376 |
| Reversals | -2 | -250 | -2,387 | -933 | -3,572 | -3,661 |
| Other items | - | - | -15 | 23 | 8 | -216 |
| Change in scope | - | - | - | - | - | - |
| **At 31 December 2020** | **3,338** | **147,050** | **47,753** | **73,181** | **271,324** | **249,974** |
| **NET VALUE** | **86,206** | **79,063** | **19,843** | **46,408** | **231,520** | **228,847** |

Since 1 January 2019, the AFD Group applies IFRS 16, resulting in a restatement of property leases impacting “Property, plant and equipment” on the asset side and lease liabilities under “Other liabilities”. As of 31 December 2020, the right of use was valued at €69.9M.

| *In thousands of euros* | Registered offices | Offices | 31/12/2020 |
|---|---|---|---|
| **Gross value** | | | |
| At 1 January 2020 | 86,041 | 4,473 | 90,514 |
| New contract | 0 | 5,768 | 5,768 |
| Modification of contract | 0 | 0 | - |
| Other items | 2,777 | 0 | 2,777 |
| **At 31 December 2020** | **88,818** | **10,241** | **99,059** |
| Depreciation/amortisation | 26,380 | 2,840 | 29,220 |
| **NET VALUE** | **62,438** | **7,401** | **69,839** |

## NOTE 8 Financial liabilities measured at amortised cost

### Debts to credit institutions and customers and debt securities in issue at amortised cost

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Debts to credit institutions at amortised cost** | | |
| On demand debts | 11,125 | 8,807 |
| On term debts | 540 | 634 |
| Related debts | - | |
| **TOTAL DEBTS TO CREDIT INSTITUTIONS** | **11,665** | **9,440** |
| **Debts to customers at amortised cost** | | |
| Accounts payable, customers | 2,028 | 1,657 |
| **TOTAL CUSTOMER DEBTS** | **2,028** | **1,657** |
| **Debt securities in issue at amortised cost** | | |
| Interbank market securities | 701,728 | 100,029 |
| Bonds | 36,845,286 | 32,199,229 |
| Related debts | 351,942 | 379,730 |
| Valuation adjustments of debt securities in issue hedged by derivatives | 2,470,568 | 1,802,786 |
| **TOTAL DEBTS REPRESENTED BY A SECURITY** | **40,369,524** | **34,481,774** |

### Maturity of debt securities in issue 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 | 31/12/2020 |
|---|---|---|---|---|---|
| **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** |

| *In thousands of euros* | Less than 3 months | From 3 months to 1 year | From 1 to 5 years | More than 5 years | 31/12/2019 |
|---|---|---|---|---|---|
| **Maturity of debt securities in issue** | | | | | |
| Bonds | 1,858,086 | 2,745,406 | 14,887,647 | 14,890,606 | 34,381,746 |
| Interbank market securities | 100,029 | | | | 100,028 |
| **TOTAL** | **1,958,115** | **2,745,406** | **14,887,647** | **14,890,606** | **34,481,774** |

### Debt securities in issue by currency

| *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** |

| *In thousands of euros* | EUR | USD | JPY | CHF | AUD | 31/12/2019 |
|---|---|---|---|---|---|---|
| **Debt securities in issue by currency** | | | | | | |
| Bonds | 26,792,219 | 7,087,171 | 119,118 | 279,081 | 104,156 | 34,381,746 |
| Interbank market securities | 100,029 | | | | | 100,029 |
| **TOTAL** | **26,892,248** | **7,087,171** | **119,118** | **279,081** | **104,156** | **34,481,774** |

# NOTE 9 Provisions

## Provisions

| In thousands of euros | 31/12/2019 | Provisions | Reversals available | Foreign exchange differencies | 31/12/2020 |
|---|---|---|---|---|---|
| **Included in the cost of risk** | | | | | |
| French Overseas Department subsidiary risks | 26,788 | - | 257 | - | 26,531 |
| Other provisions for risk | 167,137 | 78,310 | 65,058 | -10 | 180,380 |
| **Excluded from the cost of risk** | - | | | | - |
| Provision for expenses – Sovereign loans | 804,658 | 106,045 | 596 | 0 | 910,108 |
| Staff costs | 146,881 | 19,035 | 3,335 | - | 162,581 |
| Provision for risks and expenses | 6,420 | 1,274 | 209 | -9 | 7,477 |
| **TOTAL** | **1,151,884** | **204,665** | **69,454** | **-19** | **1,287,076** |

* *The allocation to the reserve account in the amount of €106M over the period compared with €61M at the end of 2019 corresponds to €74M in usual allocations to the reserve account and €32M in respect of an agreement to reorganize debt between the French Republic and a foreign State.*

## Asset impairment

| In thousands of euros | 31/12/2019 | Dotations | Reversals available | Translation adjustment | 31/12/2020 |
|---|---|---|---|---|---|
| Banks | 97,110 | 77,067 | 25,308 | -3,312 | 145,558 |
| Credit to customers | 658,197 | 320,357 | 270,714 | -18,554 | 689,285 |
| *Of which stage 1* | *10,619* | *1,525* | *2,937* | - | *9,207* |
| *Of which stage 2* | *190,559* | *158,585* | - | - | *349,144* |
| *Of which stage 3* | *554,130* | *214,592* | *270,336* | *-21,893* | 476,493 |
| Other receivables | 10,805 | - | - | - | 10,805 |
| **TOTAL** | **766,112** | **397,424** | **296,022** | **-21,866** | **845,648** |

# NOTE 10 Subordinated debt

| In thousands of euros | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Fixed-term subordinated debt | 695,328 | 448,003 |
| Open-ended subordinated debt | 840,006 | 840,006 |
| **TOTAL** | **1,535,334** | **1,288,009** |

### 6.2.4.2 Notes to the income statement

## NOTE 11 Income and expenses by accounting category

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **From financial assets measured at amortised cost** | **871,975** | **829,854** |
| Cash and demand accounts with central banks | 2,316 | 2,943 |
| Loans and receivables | 854,956 | 809,635 |
| Transactions with credit institutions | 358,920 | 384,998 |
| Transactions with customers | 496,036 | 424,637 |
| Debt securities | 14,703 | 17,276 |
| **From financial assets measured at fair value through equity** | **11,431** | **8,242** |
| Debt securities | 11,431 | 8,242 |
| **From financial assets measured at fair value through profit and loss** | **44,480** | **85,631** |
| Loans and receivables | 44,480 | 85,631 |
| Transactions with credit institutions | 18,247 | 25,728 |
| Transactions with customers | 26,232 | 59,904 |
| **Interest accrued and due on hedging instruments** | **683,604** | **734,267** |
| **Other interest and similar income** | **2,073** | **643** |
| **TOTAL INTEREST INCOME** | **1,613,563** | **1,658,638** |
| **From financial liabilities measured at amortised cost** | **496,574** | **564,916** |
| Financial liabilities valued at amortised cost | 496,574 | 564,916 |
| **Interest accrued and due on hedging instruments** | **646,521** | **701,979** |
| **Other interest and similar expenses** | **306** | **571** |
| **TOTAL INTEREST EXPENSES** | **1,143,402** | **1,267,467** |

## NOTE 12 Net commissions

| | 31/12/2020 | | | 31/12/2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Income | Expenses | Net | Income | Expenses | Net |
| Commissions on commitments | - | - | - | - | - | - |
| Monitoring and investment commissions | 0 | 2,625 | -2,625 | 189 | 1,700 | -1,510 |
| Analysis commissions | 25,349 | - | 25,349 | 18,569 | - | 18,569 |
| Commissions on grants and subsidies | 96,313 | - | 96,313 | 113,137 | - | 113,137 |
| Miscellaneous commissions | 7,187 | 2,227 | 4,960 | 12,514 | 766 | 11,748 |
| **TOTAL** | **128,850** | **4,851** | **123,998** | **144,411** | **2,466** | **141,945** |

## NOTE 13 Gains or losses on financial instruments at fair value through profit and loss

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | 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 | -156,132 | 4,884 | 24,390 | 9,124 |
| Income from financial instruments at fair value through P&L | 17,331 | - | 11,259 | - |
| Unrealised or realised gains or losses on debt instruments that do not meet SPPI criteria | -161,062 | | 8,322 | |
| Hedging of loans at fair value through profit or loss | -12,401 | 4,884 | 4,809 | 9,124 |
| Income resulting from hedge accounting | 28,023 | 8,201 | 31,489 | -9,674 |
| Change in fair value of hedging derivatives | -82,847 | 7,975 | 163,089 | -9,567 |
| Change in fair value of the hedged item | 110,870 | 226 | -131,600 | -107 |
| Natural hedging/*Trading* | 35,895 | -101,370 | -4,762 | -20,494 |
| CVA/DVA | 337 | - | 4,033 | - |
| **TOTAL** | **-91,877** | **-88,285** | **55,150** | **19,943** |

## NOTE 14 Net gains or losses on other financial assets recognised at fair value through shareholders' equity

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Dividends received on equity instruments recognised at fair value through non-recyclable shareholders' equity | 2,778 | 21,346 |
| Gains or losses on equity instruments recognised at fair value through non-recyclable shareholders' equity | - | - |
| Gains or losses on debt securities recorded at fair value through equity to be recycled in profit or loss | -2,203 | -2,751 |
| **NET GAINS OR LOSSES ON FINANCIAL ASSETS RECOGNISED IN EQUITY** | **575** | **18,595** |

## NOTE 15 Income from other activities

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| Subsidies | 231,627 | 220,381 |
| Other income | 40,137 | 17,776 |
| **TOTAL** | **271,764** | **238,157** |

Subsidies on loans and borrowings are paid by the State to reduce the financing cost or to reduce lending costs for borrowers.

## NOTE 16 Overheads

### Staff costs

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Staff costs** | | |
| Wages and bonuses | 205,994 | 190,233 |
| Social security expenses | 82,593 | 77,880 |
| Profit sharing | 9,304 | 9,817 |
| Taxes and similar payments on remuneration | 18,650 | 17,870 |
| Provisions/reversal of provisions | 5,031 | 8,612 |
| Rebilling banks' staff | -8,133 | -9,491 |
| **TOTAL** | **313,438** | **294,922** |

### General and administrative expenses

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **General and administrative expenses** | | |
| Taxes | 10,036 | 9,017 |
| *of which application of IFRIC 21* | *194* | *-190* |
| Outside services | 122,575 | 138,341 |
| Rebilled expenses | -1,598 | -2,564 |
| **TOTAL** | **131,013** | **144,794** |

## NOTE 17 Cost of credit risk

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Impairments on performing (stage 1) or deteriorated (stage 2) assets** | **-162,697** | **-52,403** |
| **Stage 1: Losses assessed at the amount of expected credit losses for the coming 12 months** | **1,717** | **-6,715** |
| Debt securities recognised in equity to be recycled in profit or loss | - | - |
| Debt securities recorded at amortised cost | 1,412 | -4,388 |
| Signature commitments | 305 | -2,327 |
| **Stage 2: Losses assessed at the amount of expected credit losses for the lifetime** | **-164,413** | **-45,688** |
| Debt securities recognised in equity to be recycled in profit or loss | - | - |
| Debt securities recorded at amortised cost | -158,585 | -8,369 |
| Signature commitments | -5,828 | -37,319 |
| **Impairments of impaired assets (stage 3)** | **-37,954** | **-86,728** |
| **Stage 3: Impaired assets** | **-37,856** | **-86,302** |
| Debt securities recognised in equity to be recycled in profit or loss | - | - |
| Debt securities recorded at amortised cost | -9,212 | -71,965 |
| Signature commitments | -28,644 | -14,337 |
| **Other provisions for risk** | **-98** | **-426** |
| **Net reversals of impairments and provisions** | **-200,650** | **-139,131** |
| Losses on bad loans and receivables not written off | -68,470 | -10,246 |
| Recovery of loans and receivables | 472 | 94 |
| Discounts on restructured loans | 52 | -540 |
| **COST OF RISK** | **-268,597** | **-149,823** |

## NOTE 18 Equity-accounted companies

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Balance sheet | Income | Balance sheet | Income |
| SIC | 29,659 | -7,034 | 37,138 | -5,884 |
| Socredo | 110,345 | 730 | 109,616 | 4,300 |
| **TOTAL** | **140,004** | **-6,305** | **146,753** | **-1,584** |

## NOTE 19 Corporate income tax

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Corporate tax** | **10,102** | **-18,350** |
| Taxes due | -1,201 | -10,438 |
| Deferred tax | 11,303 | -7,913 |

### Underlying tax position

| *In thousands of euros* | 31/12/2020 IFRS | 31/12/2019 IFRS |
|---|---|---|
| **Net income** | **15,437** | **182,118** |
| Corporate tax | 10,102 | -18,350 |
| **Pre-tax income** | **5,335** | **200,468** |
| **Total theoretical tax expense 34.43% (A)** | **-7,990** | **-82,775** |
| **Total matching items (B)** | **18,092** | **64,425** |
| **Net recorded tax expense (A) + (B)** | **10,102** | **-18,350** |

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 2020) and 25.83% for stage 2 (rate in force from 2022);
- deferred taxes based on the unrealised gains or losses on loans, investments and convertible bonds were estimated on the basis of the rate of 28.41%.

## NOTE 20 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* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Commitments received** | | |
| Financing commitments received from the French State | - | - |
| Guarantee commitments received from the French State on loans | 1,318,769 | 1,151,055 |
| Guarantee commitments received from credit institutions | 821,726 | 754,142 |
| *as part of the Group's credit activity* | *821,726* | *754,142* |
| **Commitments given** | | |
| Financing commitments made to credit institutions | 2,148,651 | 1,735,164 |
| Financing commitments made to customers | 13,485,720 | 12,767,039 |
| Guarantee commitments made to credit institutions | 116,498 | 140,169 |
| Guarantee commitments made to customers | 534,817 | 584,889 |

*At 31 December 2020, the off-balance sheet items relating to sovereign outstanding loans amounted to €11,788M and off-balance sheet outstanding loans at State risk amounted to €112M.*

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 individual 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 2019 and 2020 financial years are set out in the table below:

| *In thousands of euros* | At 31/12/2020 | Impact on income | Impact on equity | At 31/12/2019 | Impact on income | Impact on equity | At 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Provisions for employee benefits | 161,937 | 7,554 | 10,669 | 143,714 | 7,333 | 29,720 | 106,660 |
| *Defined benefit plans* | *160,538* | *7,434* | *10,669* | *142,434* | *7,157* | *29,720* | *105,558* |
| *Other long-term benefits* | *1,399* | *120* | | *1,279* | *177* | | *1,102* |

The sensitivity analysis, based on the actuarial assumptions used to value the defined benefit plans at year-end, is as follows:

| *In millions of euros* | Retirement | as a% of change |
|---|---|---|
| **Present value of the commitment at 31/12/2020** | | |
| • Discount rate: 0% | | |
| • Annual increase in salary: 2% | 26.3 | |
| • Retirement age: 63 (non-executive level employees)/65 (executive level employees) | | |
| **Sensitivity to the discount rate assumption** | | |
| Rate change to 0.25% | 26.1 | -0.8% |
| Rate change to -0.25% | 26.5 | 0.8% |
| **Sensitivity to the career profile assumption** | | |
| Rate change to 2.50% | 26.8 | 1.9% |
| Rate change to 1.5% | 25.8 | -1.9% |
| **Sensitivity to the retirement age assumption** | | |
| • Increase of 1 year (for all guarantees) | 26.6 | 1.1% |
| • Reduction of 1 year (for all guarantees) | 25.9 | -1.5% |

| *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 31/12/2020** | | | | | | | | |
| • Discount rate: 0.70%, | | | | | | | | |
| • Annual increase in salary: 2% AFD and 2.20% TOM | | | | | | | | |
| • Retirement age: 63 (non-executive level employees)/65 (executive level employees) | 13.5 | | 133.5 | | 22.2 | | 1.4 | |
| **Sensitivity to the discount rate assumption** | | | | | | | | |
| Rate change to 1.20% | 11.7 | -13.0% | 117.4 | -12.1% | 20.8 | -6.4% | 1.3 | -4.3% |
| Rate change to 0.20% | 15.8 | 16.8% | 152.9 | 14.6% | 23.8 | 7.1% | 1.5 | 4.4% |
| **Sensitivity to the career profile assumption** | | | | | | | | |
| Rate change to 2.50% AFD and 2.70% TOM | 15.7 | 16.5% | 133.5 | 0.0% | 23.9 | 7.2% | 1.4 | 0.0% |
| Rate change to 1.5% AFD and 1.70% TOM | 11.6 | -13.7% | 133.5 | 0.0% | 20.8 | -6.6% | 1.4 | 0.0% |
| **Sensitivity to the retirement age assumption** | | | | | | | | |
| • Increase of one year: 64 (non-executive level employees)/66 (executive level employees) | 12.9 | -4.6% | 129.0 | -3.3% | 21.7 | -2.2% | 1.4 | 0.0% |
| • Decrease of one year: 62 (non-executive level employees)/64 (executive level employees) | 14.1 | 4.7% | 138.1 | 3.5% | 22.8 | 2.4% | 1.4 | 0.0% |

Projected commitments at 31 December 2020 are as follows:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Actuarial debt at 31/12/2020** | **13,482** | **26,305** | **133,464** | **22,245** | **195,497** | **1,399** | **196,895** |
| Cost of services rendered in 2021 | 513 | 111 | 9,068 | 2,208 | 11,900 | 202 | 12,102 |
| Financial cost in 2021 | 98 | - | 998 | 163 | 1,259 | 11 | 1,269 |
| Services payable in 2020/transfer of capital in respect of departures in 2021 | -78 | -12,850 | -2,095 | -1,496 | -16,519 | -123 | -16,641 |
| **Estimated debt at 31/12/2021** | **14,016** | **13,566** | **141,435** | **23,121** | **192,137** | **1,488** | **193,625** |

The changes in commitments over the 2020 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 | 11,797 | 28,223 | 119,281 | 20,207 | 179,507 | 1,279 | 180,786 |
| Financial cost | 122 | 0 | 1,268 | 212 | | 14 | |
| Cost of services rendered over the year | 450 | 140 | 7,557 | 1,943 | | 189 | |
| Cost of past services | - | | 0 | | | | |
| Reductions/Liquidations | - | - | - | - | | - | |
| Services paid | -65 | -1,979 | -2,043 | -1,172 | | -121 | |
| Actuarial gains (losses) | 1,178 | 128 | 7,967 | 1,262 | | 49 | |
| Change in scope between AFD and IEDOM | 0 | -206 | -567 | -206 | | -11 | |
| **Present value of the commitment at 31/12/2020** | **13,482** | **26,305** | **133,464** | **22,245** | **195,497** | **1,399** | **196,895** |
| **Change in the fair value of retirement plan assets** | | | | | | | |
| Fair value of assets at 1 January | | 37,073 | | | 37,073 | | 37,073 |
| Expected return on assets | | 0 | | | | | |
| Services paid | | -1,979 | | | | | |
| Actuarial gains (losses) | | -134 | | | | | |
| Liquidations | | - | | | | | |
| Change in scope between AFD and IEDOM | | | | | | | |
| **Fair value of assets at 31/12/2020** | | **34,960** | | | **34,960** | | **34,960** |
| **Corridor limits** | | | | | | | |
| Actuarial gains (losses) not recognised at 1 January | - | - | - | - | - | - | - |
| Corridor limits at 1 January | | | | | | | |
| Actuarial gains (losses) generated over the year | -1,178 | -262 | -7,967 | -1,262 | -10,669 | -49 | -10,718 |
| Actuarial gains (losses) recognised in profit or loss | - | - | - | - | - | 49 | 49 |
| Actuarial gains (losses) N-1 recognised in equity | - | - | - | - | - | - | - |
| Actuarial gains (losses) recognised in equity this period | 1,178 | 262 | 7,967 | 1,262 | 10,669 | - | 10,669 |
| **Actuarial gains (losses) not recognised at 31/12/2020** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Amounts recognised on the balance sheet at 31/12/2020** | | | | | | | |
| Present value of the funded commitment | | 26,305 | | | | | |
| Fair value of financed assets | | -34,960 | | | -8,654 | | -8,654 |
| Present value of unfunded commitment | 13,482 | | 133,464 | 22,245 | 169,191 | 1,399 | 170,590 |
| **Net position** | **13,482** | **-8,654** | **133,464** | **22,245** | **160,537** | **1,399** | **161,936** |
| Unrecognised actuarial gains (losses) | - | - | - | - | - | - | - |
| **Balance sheet provision** | **13,482** | **-8,654** | **133,464** | **22,245** | **160,537** | **1,399** | **161,936** |
| **Amounts recognised on the income statement at 31/12/2020** | | | | | | | |

| *in thousands of euros* | Expatriate employees healthcare expenses | Retirement | Retiree health insurance | Retirement lump sum | Total defined benefit plans | Service award | Grand total |
|---|---|---|---|---|---|---|---|
| Cost of services rendered over the period | 450 | 140 | 7,557 | 1,943 | 10,091 | 189 | 10,280 |
| Cost of past services | - | - | 0 | - | 0 | - | 0 |
| Financial cost for the period | 122 | 0 | 1,268 | 212 | 1,603 | 14 | 1,617 |
| Recognised actuarial gains (losses) | - | - | - | - | - | 49 | 49 |
| Expected return on retirement plan assets | - | 0 | | | 0 | | 0 |
| Cost of services rendered | | | | | | | |
| Impact of reductions/liquidations | | | | | | | |
| **Expenses booked** | **573** | **140** | **8,826** | **2,155** | **11,694** | **252** | **11,946** |
| **Reconciliation of opening and closing net liability** | | | | | | | |
| Liability at 1 January | 11,797 | -8,851 | 119,281 | 20,207 | 142,434 | 1,279 | 143,713 |
| Expenses booked | 573 | 140 | 8,826 | 2,155 | 11,694 | 252 | 11,946 |
| Contributions paid | - | - | | | - | - | - |
| Restatements and transfers | - | -206 | -567 | -206 | -980 | -11 | -991 |
| Employer contributions | -65 | | -2,043 | -1,172 | -3,280 | -121 | -3,401 |
| Items not to be recycled in profit or loss | 1,178 | 262 | 7,967 | 1,262 | 10,669 | - | 10,669 |
| **Net liabilities at 31/12/2020** | **13,482** | **-8,654** | **133,464** | **22,245** | **160,537** | **1,399** | **161,936** |
| **Change in net liabilities** | **1,685** | **196** | **14,183** | **2,039** | **18,103** | **120** | **18,223** |

## 6.2.5 Risk Information

The role of the Executive Risk Department (DXR) is to analyse, inform and advise executive officers (Senior 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;
- 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;
- reviewing yearly AFD's non-sovereign credit risks, monitoring of borrowers on the watchlist and appraising individual impairments;
- 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 provisions on the contribution to the portfolio and the

*(1) Soderag, Proparco, Sogefom, Fisea, Propasia.*
*(2) Société immobilière de Nouvelle Calédonie, Banque Socredo.*

periodic update of the parameters taken into account in these calculations, and iii) the reporting of the Group's risks to the Senior 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, 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 (CORIS Pays) 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** (CORIS Contreparties) examines the Group's exposure in terms of the system of operational and regulatory thresholds, the Group's major sovereign and non-sovereign risks, the borrowers on the watchlist, application of the recovery and penalty procedures, the quality of the portfolios, the impairments/provisions and cost of risk and the activity of the subsidiaries.

The Risk Committees are chaired by the Executive Risk Director. Their permanent members include Senior Management, the Executive Operations Director, the Executive Finance Director, the Head of Risk Management 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. 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, guarantees given, other securities, holdings) not guaranteed by the French State, excluding products subsidised by the government (*e.g.* micro-finance facility or ARIZ Prime). It consolidates the exposures of AFD, Proparco and Fisea.

AFD's limit system consists of three monitoring levels:

- regulatory with limits common to all credit institutions;
- internal limits;
- internal with monitoring indicators whose objective is to alert on the level of exposure before a limit is crossed (crossing of the first threshold: report to the Executive Committee – crossing of the second threshold: report to the Group Management Risk Committee).

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 and **unauthorised exposure and new approvals** |
| **"Large exposure" limit**** | Ceiling: 25%<br>Reporting as "large exposure" when exposure exceeds 10% | 23% or 24%* of exposure | 23% or 24%* > an alert is given to the BoD<br>21% > an alert is given to the Executive Committee |

*    *If all exposures are euro-denominated.*
**    *With the first public NS 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 BoD<br>25% of exposure > an alert is given to the Executive Committee |
| | Limit by counterparty (and counterparty group) | Ceiling: 25%<br>Reporting as "large exposure" when exposure exceeds 10% | 8% for an individual counterparty (risk-weighted exposure)<br>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 major risks 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 "Counterparties Risk Committee (CORIS)", of which the Executive Management is a permanent member, and to the Group Risk Committee for the monitoring of major risks.

#### Large exposure limit

The "large exposure" regulatory limit defines the aggregate maximum authorised exposure to third parties or groups of connected third parties as 25% of eligible capital. Based on consolidated capital of €7,910M at 31 December 2020, the regulatory limit for large exposures is €1,977M. The default internal limit is 23% (€1,819M). If all exposures are euro-denominated, the internal limit increases to 24% (€1,898M).

Large exposures reported to the regulator correspond to authorised exposures exceeding 10% of capital. The list at 31 December 2020 includes exposures on (i) 16 central governments (with related public entities, where applicable) and (ii) three banks based in France.

Two preventive alert thresholds also exist to inform the Executive Committee and the Group Risk Committee of a risk of a threshold being exceeded (major risks and non-sovereign limits). In 2020, nine regions 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. These are India, Tunisia, Mexico, Indonesia, Egypt, Colombia, Morocco, Brazil and Nigeria.

#### Non-sovereign limits

- Regional limits:

  Non-sovereign regional limits are presented for all foreign countries in the portfolio. Their exposure is calculated as non-weighted risk for greater transparency. In addition, these regional limits are presented in two ways: with undisbursed balance and without undisbursed balance. The regional ceiling on non-sovereign risks (only applicable in foreign countries) is set at 30% of large exposure capital (*i.e.* €2,373M);
- 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 23% of Large Exposure Capital;
- Sector limit:

  A limit on credit institutions is set by region at up to 50% of the non-sovereign geographic limit (*i.e.* 15% of the FPGR). 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 the FPGR (*i.e.* €949M). The single counterparty limit is also risk-weighted with a ceiling of 8% of the FPGR (€633M).

  In 2020, a new rating (CCC with a weighting of 700%) was validated by the Group's bodies. The impact study carried out on the portfolio revealed two breaches of limits due to the reassessment of the weightings for ratings below B-. These breaches are qualified as "sustained" because they do not result from the introduction of a new grant. AFD's Board of Directors of 18 December 2020 approved these overruns.

  At the end of 2020, they concerned:

  - the "Municipality of Guayaquil" (Ecuador) third party: 8.3% (for a limit of 8%), *i.e.* an overrun of €3.4M,
  - Caisse des Dépôt et Gestion Group (Morocco): 16.5% (up to a limit of 12%), *i.e.* an overrun of €85M.

### 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 €910M at the end of 2020.

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 (or the operational departments at Headquarters for multi-country risks).

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;
- preparation of the evaluation grid and spreadsheets for analysis and calculation of financial and prudential ratios;
- proposal for an intrinsic rating accompanied by a reasoned assessment report and any shareholder support which, automatically cross-referenced with the country risk, generate a credit rating in the risk assessment sheet.

The project managers of the Portfolio Management and Quality Division as well as the Country Managers carry out 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.

The risk assessment sheets are updated independently of the six-monthly 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.

#### 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 the key information relating to these third parties (outstandings, undisbursed balances, arrears, credit rating, current situation, etc.), is composed of three compartments: borrowers subject only to monitoring, doubtful borrowers or restructured borrowers and pre-litigation or litigation cases. It identifies counterparties in financial difficulty who have benefited from a forborne exposure.

The watchlist is updated on a quarterly basis by the project managers responsible for managing the projects (DOE/GPS/GEP or DOE/OCN or JUR/JIN) and by the Group Risk Management Department and then sent to the Counterparty Risk Committee, which reviews the pertinence of the files, decides on the proposed entries and exits from the list, may place certain cases under legal monitoring, and authorise exemptions from recovery procedures. 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 (automatic) criteria based on risk exposure thresholds, during the period of arrears, and on significant deterioration in the score observed over a 24-month period and a very low rating,
  - 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 debts and/or stability or improvement in the credit rating over the last 24 months,
    - if restructuring criterion: end of the 24-month probationary period;
  - renewed compliance with contractual commitments,
  - 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.

*(1) A rating is valid for 18 months from the date of approval of the certified financial statements used to determine the rating.*

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.

In 2020, the AFD Group analysed the new rules related to the application of the definition of default (EBA guidelines (EBA/GL/2016/7) and thresholds defined by the European Union (Article 1 of Regulation (EU) 2018/1845 ECB of 21 November 2018). The application of this new regulation to the scope of non-sovereign loans did not have a material impact on the Group's financial statements as at 31 December 2020.

As of 1 January 2021, the AFD Group will adopt this new definition for the scope of sovereign loans and does not anticipate any significant impact given the reserve account mechanism.

### 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. As of 31 December 2020, AFD's collective provisions amounted to €403M.

In the context of the Covid-19 crisis, AFD decided to set up a sectoral provision to cover potential risks:

- in the aviation and tourism sectors particularly affected by this crisis,

This provision was calculated on the basis of a rating downgrade of the performing counterparties concerned compared to their rating observed at 31 December 2020. The amount of the provision stands at €79M.

### Maximum credit risk exposure

In total, the gross consolidated outstandings under Group risk exposure (excluding doubtful on non-sovereign) amounted to €36.1bn at 31 December 2020 (compared with €32.5bn at 31 December 2019), of which €30.4bn in foreign countries and €5.8bn in French Overseas Departments and Collectivities. The parent company bears most of the Group's credit risk (€33.5bn, *i.e.* 93% of outstanding loans).

The AFD Group's non-performing loans amounted to €1.2bn as of 31 December 2020, of which €2.8M in sovereign non-performing loans and 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 47.8%.

The following figures only deal with non-sovereign loans, as sovereign loans are covered by the reserve account.

### Age of arrears

The age of arrears on loans and receivables at the closing date may be analysed as follows:

| *In thousands of euros* | 31/12/2020 |
|---|---|
| AFD non-sovereign (excluding sub-inv.) | 76,645 |
| Proparco (excluding sub-inv.) | 54,972 |
| Sub-investments (AFD side) | 55,101 |
| Sub-investments (Proparco side) | 61,680 |
| | **248,399** |

## Concentration of credit risk

### Financial assets at amortised cost

| | At 31 December 2019 | | | | At 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Performing assets | | Doubtful assets | | Performing assets | | Doubtful assets | |
| *In thousands of euros* | Bucket 1 | Bucket 2 | Bucket 3 | Total | Bucket 1 | Bucket 2 | Bucket 3 | Total |
| **Rating** | | | | | | | | |
| from AAA to BBB- (Investment) | 5,550,884 | 316,916 | - | 5,867,799 | 5,711,085 | 352,245 | - | 6,063,330 |
| from BB+ to CCC (Speculative) | 4,191,359 | 4,248,945 | - | 8,440,304 | 3,194,704 | 5,517,350 | - | 8,712,054 |
| not applicable* | 32,458 | - | - | 32,458 | 7,762 | - | - | 7,762 |
| Doubtful** | - | - | 1,170,748 | 1,170,748 | - | - | 1,205,720 | 1,205,720 |
| **TOTAL** | **9,774,701** | **4,565,861** | **1,170,748** | **15,511,309** | **8,913,551** | **5,869,595** | **1,205,720** | **15,988,866** |

* *Assets without a purpose relate to budgets granted pending allocation to a beneficiary.*

** *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".*

### Securities at fair value through recyclable equity or at amortised cost

| | Performing assets | | | | |
|---|---|---|---|---|---|
| *In thousands of euros* | Bucket 1 | Bucket 2 | Doubtful assets Bucket 3 | Financial assets impaired from their acquisition or creation | Total |
| **Rating** | **Book value** | | | | |
| 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** |
| from AAA to BBB- (Investment) | 2,343,589 | | | | 2,343,589 |
| from BB+ to CCC (Speculative) | 31,781 | 44,626 | | | 76,407 |
| Doubtful | | | | | |
| **TOTAL AT 31 DECEMBER 2019** | **2,375,369** | **44,626** | | | **2,419,996** |

### Financing commitments

| | At 31 December 2019 | | | | At 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Performing assets | | Doubtful assets | Total | Performing assets | | Doubtful assets | Total |
| *In thousands of euros* | Bucket 1 | Bucket 2 | Bucket 3 | | Bucket 1 | Bucket 2 | Bucket 3 | |
| **Rating** | | | | | | | | |
| from AAA to BBB- (Investment) | 1,035,623 | 8,070 | - | 1,043,693 | 1,103,294 | 730 | - | 1,104,024 |
| from BB+ to CCC (Speculative) | 1,650,580 | 841,167 | - | 2,491,747 | 1,610,642 | 698,377 | - | 2,309,019 |
| (not applicable)* | 180,132 | - | - | 180,132 | 181,325 | - | - | 181,325 |
| Doubtful** | - | - | 93,883 | 93,883 | - | - | 131,493 | 131,493 |
| **TOTAL** | **2,866,335** | **849,236** | **93,883** | **3,809,455** | **2,895,261** | **699,108** | **131,493** | **3,725,861** |

* *Unused assets relate to budgets granted pending allocation to a final beneficiary As at 31 December 2019 As at 31 December 2020 Performing assets Performing assets.*

** *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".*

### Guarantee commitments

| | At 31 December 2019 | | | | At 31 December 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Performing assets | | Doubtful assets | Total | Performing assets | | Doubtful assets | Total |
| *In thousands of euros* | Bucket 1 | Bucket 2 | Bucket 3 | | Bucket 1 | Bucket 2 | Bucket 3 | |
| **Rating** | | | | | | | | |
| from AAA to BBB- (Investment) | 32,332 | 1,031 | - | 33,363 | 26,151 | 545 | - | 26,696 |
| from BB+ to CCC (Speculative) | 65,891 | 514,333 | - | 580,224 | 83,874 | 446,345 | - | 530,219 |
| (not applicable) | - | 26,198 | - | 26,198 | - | - | - | - |
| Doubtful | - | - | 36,807 | 36,807 | - | - | 49,041 | 49,041 |
| **TOTAL** | **98,223** | **541,562** | **36,807** | **676,592** | **110,024** | **446,891** | **49,041** | **605,956** |

6

## Exposure to credit risk: Change in the book values 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.

| *In thousands of euros* | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Provisions at 31/12/2019** | **15,010,426** | **312,851,905** | **632,175,359** | **960,037,690** |
| New signatures | 4,695,208 | 16,884,199 | | 21,579,408 |
| Extinct exposures | -547,455 | -5,194,765 | | -5,742,220 |
| Change in exposure | 159,919 | 6,063,016 | | 6,222,935 |
| Stage change | -3,977,550 | 25,790,343 | | 21,812,793 |
| Other (including changes in parameters) | -2,026,270 | 41,503,992 | | 39,477,723 |
| **Total change in provisions** | **-1,696,147** | **85,046,786** | **-70,207,921** | **13,142,717** |
| **PROVISIONS AT 31/12/2020 EXCLUDING SECTORAL PROVISION** | **13,314,279** | **397,898,691** | **561,967,438** | **973,180,407** |
| **PROVISIONS AT 31/12/2020 WITH SECTORAL PROVISION** | **13,293,831** | **477,298,691** | **561,967,438** | **1,052,559,959** |

### 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 stressed liquidity coverage ratio, which is the regulatory LCR, to which AFD is no longer strictly subject, with a methodology adapted to AFD's activity regarding liquidity outflows. The target value of this indicator is 110%.

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 €1,600M at 31 December 2020.

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 2020.

### 6.2.5.3 Currency 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.

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 -€4.6M (+€4.6M 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 18 December 2020: 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 2020.

## 6.2.6 Additional information

### 6.2.6.1 Investments held on managed funds

AFD has interests in 15 companies *via* a number of managed funds (Cidom, FAC, Fides and Fidom) 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 stakes | Purchase price |
|---|---|---|
| Caisse d'investissement des DOM (CIDOM) | 2 | 1,330 |
| Fonds d'investissement & de développement économique et social (Fides) | 5 | 642 |
| Fonds d'investissement des DOM (FIDOM) | 6 | 236 |
| Other Government resources | 2 | 3,683 |
| **TOTAL** | **15** | **5,891** |

### 6.2.6.2 IMF balance sheet

| *In thousands of euros* | 31/12/2020 | 31/12/2019 |
|---|---|---|
| **Assets** | | |
| Loans and receivables due from credit institutions | 400,109 | 734,217 |
| *On demand* | *225,720* | *393,395* |
| *On term* | *174,388* | *340,822* |
| Accruals | 14,659 | 23,715 |
| **TOTAL ASSETS** | **414,768** | **757,933** |
| **Liabilities** | | |
| Debt securities in issue | 412,676 | 755,090 |
| *Bonds* | *400,000* | *734,000* |
| *Of which accrued interest* | *12,676* | *21,090* |
| Accruals and other miscellaneous liabilities | 2,091 | 2,843 |
| **TOTAL LIABILITIES** | **414,768** | **757,933** |

Loans granted to the International Monetary Fund (IMF) for the Poverty Reduction and Growth Facility (PRGF), financed by bonded debt 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 €0.2M, the IMF loans have no impact on the AFD Group's financial position.

Commitments given to the IMF are restated from the consolidated financial statements.

### 6.2.6.3 Transactions between related parties

| | 31/12/2020 | | 31/12/2019 | |
|---|---|---|---|---|
| *In thousands of euros* | AFD Group | Equity-accounted companies | AFD Group | Equity-accounted companies |
| Credits | 399,111 | | 346,072 | |
| Other financial assets | | | | |
| Other assets | | | | |
| **TOTAL ASSETS WITH RELATED ENTITIES** | **399,111** | **-** | **346,072** | **-** |
| Debts | | 399,111 | | 346,072 |
| Other financial liabilities | | | | |
| Other liabilities | | | | |
| **TOTAL LIABILITIES TO RELATED ENTITIES** | **-** | **399,111** | **-** | **346,072** |
| Related interest, income and expenses | 11,092 | -11,092 | 11,261 | -11,261 |
| Commissions | | | | |
| Net income on financial transactions | | | | |
| Net income from other activities | | | | |
| **TOTAL NBI GENERATED WITH RELATED ENTITIES** | **11,092** | **-11,092** | **11,261** | **-11,261** |

### 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.

Act 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 2020, 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 2020 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 2020 | KPMG | BDO | Total |
|---|---|---|---|
| AFD | €192,800 | €192,800 | €385,600 |
| Proparco | €73,650 | €73,650 | €147,300 |
| Soderag | €15,000 | | €15,000 |
| Sogefom | €27,500 | | €27,500 |
| Fisea | €13,750 | | €13,750 |
| BREDEV | €3,200 | | €3,200 |
| **TOTAL** | **€325,900** | **€266,450** | **€592,350** |

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2020 amounted to €121,000.

| SACC fees excl. tax – FY 2020 | KPMG | BDO | Total |
|---|---|---|---|
| **TOTAL** | **€116,500** | **€4,500** | **€121,000** |

### 6.2.6.6 Significant events since 31 December 2020

No other significant events took place after 31 December.

# 6.3 Statutory auditor's report on the consolidated financial statements

### FOR THE YEAR ENDED 31 DECEMBER 2020

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 31 December 2020.

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 2020 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 1 January 2020 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 on the consolidated social, environmental and societal information contained in the AFD's management report ;
- Forensic investigation by KPMG SA in Laos ;
- Detailed review of the mapping of primary consolidated financial statements to ESEF Taxonomy.

## 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 31 December 2020, AFD's consolidated financial statements include €845 million for impairment of assets and €207 million in provisions for liabilities as indicated in Notes 3.2.3, 3.3.1 notes 5.2 and 9 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 (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 31 December 2020, the fair value of financial assets at fair value of level 3 is €2,774M 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

Pursuant to paragraph III of Article 222-3 of the AMF's General Regulations, the management of your company has informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2020, to reporting periods beginning on or after 1 January 2021. Consequently, this report does not contain a conclusion on compliance of the presentation of the consolidated financial statements to be included in the annual financial report mentioned in paragraph I of article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) with this format.

### APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Statutory Auditors of Agence Française de Développement by the board of directors meeting held on 3 July 2002 for KPMG S.A. and on 2 April 2020 for BDO Paris Audit & Advisory.

As at 31 December 2020, KMPG SA was in the 19th year of total uninterrupted engagement, and BDO Paris Audit & Advisory was in the 1st 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, on 2 April 2021

The auditors

KPMG S.A.
Valéry Foussé
Partner

BDO Paris Audit & Advisory
Arnaud Naudan
Partner

# 6.4 Statutory auditors' special report on related-party agreements

Board of Directors for the approval of the financial statements for the year ended 31 December 2020

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.

## 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 comité national de solidarité laïque (CNSL)

**Agreement between AGENCE FRANÇAISE DE DEVELOPPEMENT and the CNSL for the financing of a project to improve the quality of primary schools in Sri Lanka**

On 11 April 2018, the AFD Board of Directors approved the signature of a regulated agreement with the Comité National de Solidarité Laïque (CNSL) for the financing of a project to improve the quality of education at primary schools in Sri Lanka and promote exchange and coordination between state and non-state players.

To this end, AFD provided the CNSL with a grant of €375,000.

The agreement between stakeholders was signed on 21 December 2018.

As at 31 December 2020, AFD had paid €167,000.

**Agreement between AGENCE FRANÇAISE DE DÉVELOPPEMENT and the CNSL for the financing of a project entitled Coalition Education Phase 2 – Les OSC (Organisations de sociétés civiles) françaises engagées pour l'éducation dans le monde (French civil society organisations committed to education worldwide)**

On 30 January 2018, the AFD Board of Directors approved the signing of a regulated agreement with the Comité National de Solidarité Laïque. Phase 2 of the project aims to further develop an initiative launched in 2015 to construct a platform of French Civil Society Organisations (OSCs) committed to education worldwide.

The maximum grant amount is €272,000.

At 31 December 2020, AFD had paid €101,000.

#### With Société 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 2020.

### With Sociéte de Crédit pour le Développement de la Martinique (SODEMA), Société de Crédit pour le développement de la Guadeloupe (SODEGA) and Société Financière pour le Développement économique 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 2020, outstanding loans in AFD's books amounted to €9,500,000 for SODEMA, €12,710,000 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 2020, AFD was paid fees and interest for these loans that amounted to €44,000 from SODEMA, €132,000 from SODEGA. AFD did not receive any remuneration for these loans from SOFIDEG.

In 2020, up to €19,854,000 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 €257,000 in 2020.

### With Société de Promotion et Participation pour la Coopération économique (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 2020, AFD paid €97K in commissions under this agreement.

#### Service agreement signed between AFD and your company 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 €63,222,000 under this agreement in 2020.

### 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.

Through this, the EIB shares risk up to a maximum amount of €150,000,000 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 €47,000. 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 2020, SODERAG'S debt to AFD under agreements signed between 1997 and 2005 totalled €106,346,000.

## With Fondation pour les Études et Recherches sur le Développement International (FERDI) and Fondation de Recherche pour le Développement 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 €12,500,000 to each foundation, repayable in one instalment after 15 years.

Loan outstanding amounted to €25,000,000 at 31 December 2020.

AFD received no remuneration under these agreements in 2020.

## With Société de Promotion et Participation pour la Coopération économique (PROPARCO)

### Co-financing framework agreement between PROPARCO and AFD

On 18 May 2017, the AFD Board of Directors approved the signing of an agreement with its subsidiary PROPARCO.

This framework agreement, signed on 27 November 2017, aims to clarify and streamline the procedures for processing co-financed projects for the private sector, to help AFD Group meet its objectives.

The benefits of this agreement are the streamlining of the procedures and processing costs and monitoring of co-financed projects.

Under the financial terms of the agreement, the processing and project monitoring costs will be split equally by sharing the processing and administration fees payable by each counterparty.

Thanks to this agreement, which came into effect on the date of its signature, AFD can promote a broader range of financing to private sector counterparties, thereby strengthening the group's internal synergies. The agreement stipulates the procedures for loan or guarantee transactions co-financed by AFD and PROPARCO S.A. for cases not covered by the sub-participation agreement, namely:

- that AFD's commitment amount will be higher than that of PROPARCO S.A.;
- a tranche of the financing at a concessional rate.

In return, PROPARCO S.A. receives remuneration calculated as follows:

- processing and admin costs which are invoiced to the borrower and split as follows:
  - for the first 0.75%: split between AFD and PROPARCO S.A. pro rata to the participations,
  - the portion between 0.75% and 1.50%: received in full by PROPARCO S.A.,
  - the portion above 1.50%: split between AFD and PROPARCO S.A. pro rata to the participations.
- monitoring and waiver commission: AFD receives the monitoring commission pro rata to its financing amount and PROPARCO S.A. receives the full rider and surrender fee.
- management commission: AFD pays PROPARCO S.A. an annual management fee which is calculated according to the terms of the sub-participation agreement in force and a basis equating to at least i) PROPARCO S.A.'s own outstandings and ii) the total of AFD's co-financing outstandings and sub-participation outstandings.

AFD received no remuneration under these agreements in 2020.

### Agreement relating to the " transforming financial systems for the climate" (TFSC) programme

At its meeting on 28 September 2018, the Board of Directors authorised the principles of the Subsidiary Agreement between AFD and PROPARCO as part of the Transforming Financial System for Climate programme. This is a programme for public and private financial institutions who wish to make climate impact investments. The agreement formalises the vital role AFD will play in rolling out the programme among private financial institutions.

It was signed on 14 October 2019 for a 13-year term which can be tacitly renewed for two successive five-year periods.

AFD recorded no financial impact on account of this agreement in 2020.

The auditors,

Paris-La Défense, on 2 April 2021

KPMG S.A.
Valéry Foussé
Partner

Paris, on 2 April 2021

BDO Paris Audit & Advisory
Arnaud Naudan
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 2020 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 2020 | KPMG | BDO | Total |
|---|---|---|---|
| AFD | €192,800 | €192,800 | €385,600 |
| Proparco | €73,650 | €73,650 | €147,300 |
| Soderag | €15,000 | | €15,000 |
| Sogefom | €27,500 | | €27,500 |
| Fisea | €13,750 | | €13,750 |
| BREDEV | €3,200 | | €3,200 |
| **TOTAL** | **€325,900** | **€266,450** | **€592,350** |

The other fees invoiced to AFD for services other than certification of the financial statements for financial year 2020 amounted to €121,000.

| SACC fees excl. tax – FY 2020 | KPMG | BDO | Total |
|---|---|---|---|
| **TOTAL** | **€116,500** | **€4,500** | **€121,000** |

CHAPTER 7

# AFD'S annual parent company financial statements

# Balance sheet at 31 December 2020

## Assets

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|---|
| Assets | | | | |
| Cash, due from central banks | | 3,157,672 | 1,259,130 | 1,898,541 |
| Government paper and equivalent | 1 and 2 | 1,341,718 | 1,433,575 | -91,857 |
| Receivables from credit institutions | 3 | 14,541,206 | 14,281,005 | 260,201 |
| *On demand* | | *1,971,072* | *2,674,712* | *-703,639* |
| *On term* | | *12,570,134* | *11,606,294* | *963,840* |
| Transactions with customers | 4 | 30,900,499 | 27,698,218 | 3,202,281 |
| *Other loans to customers* | | *30,900,499* | *27,698,218* | *3,202,281* |
| Bonds and other fixed-income securities | 1 and 2 | 817,817 | 668,981 | 148,836 |
| Shares and other variable-income securities | 1 and 2 | 39,033 | 39,033 | - |
| Equity stakes and other long-term securities | 5 | 125,672 | 153,853 | -28,182 |
| Shares in related businesses | 6 | 898,582 | 719,485 | 179,097 |
| Intangible assets | 9 | 46,404 | 36,276 | 10,128 |
| Property, plant and equipment | 9 | 183,572 | 190,500 | -6,928 |
| Other assets | 10 | 926,748 | 829,488 | 97,259 |
| Accruals | 11 | 595,283 | 540,928 | 54,356 |
| **TOTAL ASSETS** | | **53,574,205** | **47,850,473** | **5,723,733** |
| Off-balance sheet: Commitments given | | | | |
| Financing commitments | | 17,089,239 | 15,252,097 | 1,837,142 |
| *To credit institutions* | | *3,945,158* | *2,909,110* | *1,036,048* |
| *To customers* | | *13,144,081* | *12,342,987* | *801,095* |
| Guarantee commitments | 32 | 2,542,184 | 2,548,348 | -6,165 |
| *To credit institutions* | | *40,759* | *30,834* | *9,926* |
| *To customers* | | *2,501,424* | *2,517,515* | *-16,091* |
| Commitments on securities | | 116,326 | 84,386 | 31,941 |
| *Other commitments on securities* | 32 | *116,326* | *84,386* | *31,941* |

# Balance sheet at 31 December 2020

## Liabilities

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|---|
| Liabilities | | | | |
| Debts to credit institutions | 12 | 423,114 | 468,966 | -45,851 |
| *On demand* | | *195,569* | *200,608* | *-5,039* |
| *On term* | | *227,545* | *268,357* | *-40,812* |
| Transactions with customers | 13 | 2,028 | 1,657 | 371 |
| *Other on demand debts* | | *2,028* | *1,657* | *371* |
| Debt securities in issue | 14 | 40,947,949 | 35,910,831 | 5,037,118 |
| *Interbank market and negotiable debt* | | *701,728* | *100,029* | *601,699* |
| *Bonds* | | *40,246,221* | *35,810,802* | *4,435,419* |
| Other liabilities | 10 | 2,332,033 | 2,195,849 | 136,184 |
| *Allocated public funds* | | *84,335* | *90,821* | *-6,486* |
| *Other liabilities* | | *2,247,698* | *2,105,027* | *142,671* |
| Accruals | 11 | 365,149 | 368,025 | -2,876 |
| Provisions | 15 | 1,598,140 | 1,326,757 | 271,383 |
| Subordinated debt | 16 | 2,179,584 | 1,943,009 | 236,575 |
| Reserve for General Banking Risk (RGBR) | 17 | 460,000 | 460,000 | |
| Equity excluding RGBR | 18 | 5,266,207 | 5,175,379 | 90,828 |
| *Provisions* | | *2,807,999* | *2,807,999* | |
| *Reserves* | | *2,339,900* | *2,179,759* | *160,141* |
| *Subventions* | | *12,756* | *27,480* | *-14,724* |
| *Income* | | *105,552* | *160,141* | *-54,588* |
| **TOTAL LIABILITIES** | | **53,574,205** | **47,850,473** | **5,723,733** |
| Off-balance sheet: Commitments received | | | | |
| Financing commitments | | | | |
| Received from credit institutions | | | | |
| Received from the French State | | | | |
| Guarantee commitments | 32 | 347,739 | 290,861 | 56,879 |
| Received from credit institutions | | 347,739 | 290,861 | 56,879 |
| Commitments on securities | | | | |
| Other commitments received on securities | | | | |
| Other commitments | 32 | 5,112,763 | 4,645,686 | 467,076 |
| Guarantees received from the French State | | 5,112,763 | 4,645,686 | 467,076 |

*(1) Change in accounting method § 1.7.*

# 2020 income statement

| *In thousands of euros* | Notes | 31/12/2020 | 31/12/2019 | Variation |
|---|---|---|---|---|
| **Income and expenses on banking operations** | | | | |
| **Interest and related income** | **20** | **1,627,457** | **1,710,367** | **-82,911** |
| On transactions with credit institutions | | 477,958 | 502,234 | -24,276 |
| On transactions with customers | | 596,049 | 569,777 | 26,272 |
| On bonds and other fixed-income securities | | 17,632 | 20,597 | -2,965 |
| Other interest and similar income | | 535,818 | 617,760 | -81,942 |
| **Interest and related expenses** | **21** | **1,188,598** | **1,341,969** | **-153,370** |
| On transactions with credit institutions | | 679,622 | 743,353 | -63,731 |
| On transactions with customers | | 1,596 | 522 | 1,074 |
| On bonds and other fixed-income securities | | 518,842 | 599,420 | -80,578 |
| Other interest and similar income | | -11,462 | -1,326 | -10,136 |
| **Income on variable-income securities** | | **818** | **10,293** | **-9,474** |
| **Commissions (income)** | **22** | **124,100** | **133,792** | **-9,693** |
| **Commissions (expenses)** | | **2,227** | **766** | **1,461** |
| **Gains or losses on investment portfolio transactions and similar** | **23** | **-2,304** | **-225** | **-2,079** |
| **Other income on banking operations** | **24** | **329,654** | **307,992** | **21,661** |
| **Other expenses on banking operations** | **25** | **82,507** | **69,702** | **12,805** |
| **Net banking income** | | **806,393** | **749,784** | **56,609** |
| **Other ordinary income and expenses** | | | | |
| **Overheads** | **26** | **444,665** | **434,392** | **10,273** |
| *Staff costs* | | *314,250* | *294,175* | *20,075* |
| *General and administrative expenses* | | *130,416* | *140,217* | *-9,801* |
| **Depreciation/amortisation and impairment expenses on property, plant and equipment and intangible assets** | **9** | **24,134** | **32,508** | **-8,374** |
| **Gross operating income** | | **337,594** | **282,884** | **54,710** |
| **Cost of risk** | **29** | **-191,099** | **-117,335** | **-73,764** |
| **Operating income** | | **146,495** | **165,549** | **-19,054** |
| **Gains or losses on fixed assets** | **30** | **-39,857** | **-5,161** | **-34,696** |
| **Pre-tax income from operations** | | **106,638** | **160,388** | **-53,749** |
| **Exceptional income** | **31** | **-1,027** | **-247** | **-780** |
| **Income tax** | | **59** | | **59** |
| **INCOME FOR THE FINANCIAL YEAR** | | **105,552** | **160,141** | **-54,588** |

# 7.1 Highlights of the financial year

## 7.1.1 Growth of the balance sheet

At 31 December 2020, the total balance sheet stood at €53.5bn, up 12% compared to the previous year. This change mainly stems from the growth in activity, with an increase of 9% 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 six public bonds and seven private placements in 2020, as well as eight top-up operations, for a total volume of €9.9bn.

## 7.1.3 Appropriation of 2019 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 2019 financial statements were approved by the Board of Directors on 2 April 2020.

In anticipation of the impact of the health crisis linked to the COVID-19 pandemic on AFD's activities, the AFD Board of Directors of 2 April 2020 proposed the full allocation of AFD's income for 2019 (€160.1M) to reserves.

## 7.1.4 Proparco capital increase

At 31 December 2020, AFD subscribed to Proparco's capital increase and now holds a 78.19% stake compared with 74.18% in 2019. AFD subscribed for an amount of €185M out of the €200M capital increase.

## 7.1.5 The impact of the health situation linked to the COVID-19 pandemic

In the context of the COVID-19 health crisis, strong measures were applied. As a result, whole sectors of the economy, particularly in services, have been affected by significant restrictions on working conditions or the closure of establishments. Alongside these measures, the government has announced a number of measures to support the economy in order to mitigate the negative impact of the health measures taken.

Similar measures have been taken in all countries affected by the pandemic. Different governments have announced strong health measures to avoid overburdening their health systems, with varying degrees of support for the economy.

AFD Group has mobilised to provide responses to the health and economic emergency and to translate the French government's commitments to support priority countries for French official development assistance.

### IMPLEMENTATION OF MORATORIUMS

In the context of the Covid-19 global health crisis, the G20 and the Paris Club jointly took the initiative in April 2020 to propose a Debt Service Suspension Initiative (DSSI) for the Poorest Countries.

It potentially covers 77 poor countries and is conditional on the countries already benefiting from IMF programmes or having applied for emergency financing from the IMF.

The implementation of the DSSI, for France and other bilateral creditor members, is conducted in the framework of the Paris Club. Each country eligible for the DSSI and wishing to benefit from it must sign a Memorandum of Understanding (MoU)[1], based on a standard template, with the Paris Club. The MoU provides for a suspension of the debt service in terms of interest for all sums due and unpaid on 30 April 2020, as well as sums due between the 1 May and 31 December 2020. Under the general terms, the suspended amounts will be deferred and repaid in six instalments between 15 June 2022 and 15 December 2024. The mechanism also provides for the capitalisation of interest accrued in 2020 and aims to preserve the net present value of the original claims.

AFD is participating in the implementation of the DSSI, under which 35 of its sovereign counterparts have been declared eligible, but only 27 of them have requested a DSSI from the Paris Club. Of these 27 countries, as of 31 December 2020, 26 had signed the MoU, and 15 had also turned the MoU into a bilateral agreement with France.

Payment suspensions have also been granted on the non-sovereign and other sovereign scope.

As at 31 December 2020, the payment suspensions under these moratoriums had an insignificant impact on the financial statements. The contractual amendments resulting from these moratoriums did not constitute substantial modifications requiring the derecognition of assets.

### ASSESSMENT OF CREDIT RISK

As part of the various publications of the regulators and the IASB, in particular that of 27 March 2020 on the recognition of expected credit losses in connection with IFRS 9 on financial instruments, the importance of the exercise of judgement in the application of the standard in respect of credit risk was emphasised.

In the context of the preparation of the Group's annual financial statements, the extension of maturity alone did not constitute a significant increase in credit risk leading to a shift in the recognition of impairment losses on loans estimated on the basis of 12-month credit losses (stage 1) to the recognition of impairment losses expected at maturity (stage 2), nor to the systematic shift of loans to the doubtful category (stage 3).

*(1) Memorandum of understanding on the treatment of the debt service.*

Deferral of maturity in a context other than the moratoria presented above was deemed in the majority of cases to be a significant increase in credit risk leading to a downgrading to stage 2 unless it could be demonstrated that the cash flow difficulties were temporary and that the pre-Covid financial situation was deemed to be healthy with the capacity to quickly resume the pace of repayments(1).

In addition, given the uncertainties that remain in the air and tourism sectors, AFD decided to adopt a multi-scenario approach in order to take into account the increased vulnerability of the tourism sector in AFD's countries and territories of intervention as well as the extent of the crisis in the air sector marked by the brutal halt of the global air sector.

The assumptions and estimates used to prepare the annual financial statements led to an additional allocation of €69.9M on exposure to the air and tourism sectors.

## VALUATION OF THE EQUITY PORTFOLIO

The impact of the COVID-19 crisis on AFD's regions and counterparty portfolio has led to a decrease in the valuations of a majority of the Agency's equity investments, for example through a deterioration in the performance and fundamentals of the entities concerned and/or of the transaction multiples observed in terms of valuation.

At 31 Decembre 2020, AFD recorded an allocation of €40.2M to its portfolio.

## CONTINUING ACTIVITY IN AN UNCERTAIN CONTEXT

The AFD Group has decided to support weakened economies by providing responses in the form of counter-cyclical operations to support the policies and response plans implemented by countries and territories in terms of managing the health crisis but also, supporting the business fabric, and reviving the economy towards trajectories in line with the Sustainable Development Goals and the Paris Climate Agreement.

The AFD Group is responding to requests from its partners and is fast-tracking operations to respond to the health crisis and its economic and social consequences, mainly in the form of lines of credit to support SMEs penalised by the paralysis of the economy, as well as in the form of budget financing to support public policies to combat the epidemic.

Proparco, an AFD Group subsidiary, is also stepping up its monitoring of clients and offering them solutions to help them cope with the economic crisis, notably by making existing loans more flexible (moratoriums and changes of purpose). Additional financing may be provided to support the economic recovery and revival that will follow the health crisis.

Other measures accompany AFD's response, namely:

- "Health in Common" initiative;
- institutional Partnerships for Africa and the Middle East;
- support for NGOs;
- "Outre-mer en commun" programme;
- global response with other development actors.

*(1) This exception was not applied for:*
- *Counterparties in the air transport and tourism transport sectors;*
- *Moratoriums resulting in a loss of NPV > 1%;*
- *Moratoriums resulting in an extension of the credit maturity.*

# 7.2 Accounting principles and assessment methods

## 7.2.1 General comments

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 previous 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 on the closing date of the financial year.

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 stakes 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

Loans to credit institutions and customers are shown in the balance sheet in their amount (including related credits) after impairment is booked to account for 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 debts 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 18 months 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 non-performing loans.

Non-performing outstanding loans are non-performing 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 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 debts.

#### 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 book value, a discount must be booked to bring the book value back to the new present value.

At 31 December 2020, restructured loans had a balance of €2.6M.

### 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 book value 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 stakes 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 recognized 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 15 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;
- 5 or 10 years for fixtures, fittings and furnishings;
- 2 to 5 years for equipment and vehicles.

As for intangible assets, software is amortised according to its type: 4 years to 8 years for enterprise resource planning systems and 2 years for office automation tools.

Impairment testing is conducted on depreciable/amortisable assets when signs of loss of value are identified at the end of the financial year. 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 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.

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*(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.

### COLLECTIVE PROVISIONS ON NON-SOVEREIGN LOANS AND COMMITMENTS GIVEN

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 debts 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 3 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 3 stages an asset belongs to.

This is 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 7.2.3 Loans to credit institutions and customers).

In 2020, the AFD Group analysed the new rules related to the application of the definition of default EBA guidelines (EBA/GL/2016/7) and thresholds defined by the European Union (Article 1 of Regulation (EU) 2018/1845 ECB of 21 November 2018). The application of this new regulation to the scope of non-sovereign loans did not have a material impact on the Group's financial statements as at 31 December 2020.

As of 1 January 2021, the AFD Group will adopt this new definition for the scope of sovereign loans and does not anticipate any significant impact given the reserve account mechanism.

#### 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 year-end.

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.

*(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.*

### 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.

### 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 defaultis 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 €134M.

Collective provision allocations for off-balance sheet commitments (undisbursed balance and guarantees given) had a negative impact on the cost of risk in the amount of €4M.

## 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%;
  - retirement age: 63 for non-executive level employees and 65 for executive level employees;
  - annual increase in salary: 2%.
- 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: 0.70%;
  - rate of annual increase in salary: 2% 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 2020, the amount of the provision was increased by €8,246K.

### Other long-term benefits

AFD gives its employees bonuses as long-service benefits. An additional provision was recognised on 31 December 2020 in the amount of €120K.

The aggregate impacts on the 2019 and 2020 reporting years are set out in the table below:

| *In thousands of euros* | At 31/12/2020 | Change in the impact on income | At 31/12/2019 | Change in the impact on income | At 31/12/2018 |
|---|---|---|---|---|---|
| Provisions for employee benefits | **120,243** | **8,365** | **111,877** | **6,586** | **105,291** |
| • Defined benefit plans | 118,843 | 8,246 | 110,597 | 6,409 | 104,188 |
| • Other long-term benefits | 1,401 | 120 | 1,281 | 177 | 1,104 |

The changes in commitments over the 2020 financial year are shown in the table below:

| *In thousands of euros* | Expatriate employees healthcare expenses | Retire-ment | Retiree health insurance | Retire-ment 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** | **11,797** | **28,223** | **119,281** | **20,207** | **179,507** | **1,279** | **180,786** |
| Financial cost | 122 | 0 | 1,268 | 212 | 1,603 | 14 | 1,617 |
| Cost of services rendered over the year | 450 | 140 | 7,557 | 1,943 | 10,091 | 189 | 10,280 |
| Cost of past services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reductions/Liquidations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Services paid | -65 | -1,979 | -2,043 | -1,172 | -5,260 | -121 | -5,380 |
| Actuarial gains (losses) | 1,178 | 128 | 7,967 | 1,262 | 10,535 | 49 | 10,584 |
| Other (commitment transfers) | 0 | -206 | -567 | -206 | -980 | -11 | -991 |
| **Present value of the commitment at 31/12/2020** | **13,482** | **26,305** | **133,464** | **22,245** | **195,497** | **1,399** | **196,895** |
| **Change in the fair value of retirement plan assets:** | | | | | | | |
| Fair value of assets at 1 January | | 37,073 | | | 37,073 | | 37,073 |
| Expected return on assets | | 0 | | | 0 | | 0 |
| Services paid | | -1,979 | | | -1,979 | | -1,979 |
| Actuarial gains (losses) | | -134 | | | -134 | | -134 |
| Liquidations | | 0 | | | 0 | | 0 |
| **Fair value of assets at 31/12/2020** | | **34,960** | | | **34,960** | | **34,960** |
| **Corridor limits:** | | | | | | | |
| Actuarial gains (losses) not recognised at 1 January | -2,309 | 6,508 | -32,385 | -3,650 | -31,836 | 0 | -31,836 |
| Corridor limits at 1 January | 1,180 | 3,707 | 11,928 | 2,021 | | | |
| Actuarial gains (losses) generated over the year | -1,178 | -262 | -7,967 | -1,262 | -10,669 | -49 | -10,718 |
| Actuarial gains (losses) recognised in profit or loss | 67 | -785 | 1,392 | 137 | 812 | 49 | 861 |
| Actuarial gains (losses) recognised in equity | | 0 | | | 0 | | |
| **Actuarial gains (losses) not recognised at 31/12/2020** | **-3,420** | **5,460** | **-38,959** | **-4,774** | **-41,693** | **0** | **-41,693** |

| *In thousands of euros* | Expatriate employees healthcare expenses | Retire-ment | Retiree health insurance | Retire-ment lump sum | Total defined benefit plans | Service award | Grand total |
|---|---|---|---|---|---|---|---|
| **Amounts recognised on the balance sheet at 31/12/2020:** | | | | | | | |
| Present value of the funded commitment | | 26,305 | | | | | |
| Fair value of financed assets | | -34,960 | | | -8,654 | | -8,654 |
| Present value of unfunded commitment | 13,482 | | 133,464 | 22,245 | 169,191 | 1,399 | 170,590 |
| **Net position** | **13,482** | **-8,654** | **133,464** | **22,245** | **160,537** | **1,399** | **161,936** |
| Unrecognised actuarial gains (losses) | -3,420 | 5,460 | -38,959 | -4,774 | -41,693 | | -41,693 |
| **Balance sheet provision** | **10,063** | **-3,194** | **94,504** | **17,471** | **118,844** | **1,399** | **120,243** |
| **Amounts recognised on the income statement at 31/12/2020** | | | | | | | |
| Cost of services rendered over the period | 450 | 140 | 7,557 | 1,943 | 10,091 | 189 | 10,280 |
| Cost of past services | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial cost for the period | 122 | 0 | 1,268 | 212 | 1,603 | 14 | 1,617 |
| Recognised actuarial gains (losses) | 67 | -785 | 1,392 | 137 | 812 | 49 | 861 |
| Expected return on retirement plan assets | 0 | 0 | | | 0 | | 0 |
| Cost of services rendered | | | | | | | |
| Impact of reductions/liquidations | | | | | | | |
| **Expenses booked** | **640** | **-645** | **10,218** | **2,293** | **12,506** | **252** | **12,757** |
| **Reconciliation of opening and closing net liability:** | | | | | | | |
| Liability at 1 January | 9,488 | -2,343 | 86,896 | 16,557 | 110,598 | 1,279 | 111,877 |
| Expenses booked | 640 | -645 | 10,218 | 2,293 | 12,506 | 252 | 12,757 |
| Contributions paid | | | | | | | |
| Restatements and transfers | | -206 | -567,077 | -206 | -980 | -11 | -991 |
| Employer contributions | -65 | | -2,043 | -1,172 | -3,280 | -121 | -3,401 |
| Items not to be recycled in profit or loss | | | | | | | |
| **Net liabilities at 31/12/2020** | **10,063** | **-3,194** | **94,504** | **17,471** | **118,844** | **1,399** | **120,243** |
| **Change in net liabilities** | **575** | **-851** | **7,608** | **914** | **8,246** | **120** | **8,365** |

Projected commitments at 31 December 2020 are as follows:

*In thousands of euros*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Actuarial debt at 31/12/2020** | **10,063** | **26,305** | **94,504** | **17,471** | **148,343** | **1,399** | **149,742** |
| Cost of services rendered in 2020 | 513 | 111 | 9,068 | 2,208 | 11,900 | 202 | 12,102 |
| Financial cost in 2020 | 98 | | 998 | 163 | 1,259 | 11 | 1,269 |
| Actuarial losses (gains) recognised in profit or loss | 124 | | 1,503 | 149 | 1,775 | | 1,775 |
| Services payable in 2020/transfer of capital upon departures in 2020 | -78 | -12,850 | -2,095 | -1,496 | -16,519 | -123 | -16,641 |
| **Estimated debt at 31/12/2021** | **10,720** | **13,566** | **103,978** | **18,495** | **146,759** | **1,488** | **148,247** |

## 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 2020, AFD received €236M in RCS (resources with special conditions).

## 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 Fisea's new share issue, namely €23M at 31 December 2020.

## 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.

Act 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 2020, 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

No significant events took place after 31 December.

# 7.3 Notes to the financial statements at 31 December 2020

## SOMMAIRE DES NOTES

## NOTE 1 Short-term investments[1]

| | December 2020 | | | December 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Listed securities | Unlisted securities | Total | Listed securities | Unlisted securities | Total |
| Government paper and equivalent | 722,468 | | 722,468 | 787,366 | | 787,366 |
| Related receivables | 6,129 | | 6,129 | 6,790 | | 6,790 |
| Impairments | -102 | | -102 | - | | - |
| **Net total** | **728,494** | | **728,494** | **794,157** | | **794,157** |
| Bonds and other fixed-income securities | 175,456 | 570,014 | 745,471 | 175,315 | 419,590 | 594,906 |
| Related receivables | 456 | -602 | -145 | 455 | 167 | 622 |
| Impairments | - | - | - | - | - | - |
| **Net total** | **175,913** | **569,413** | **745,325** | **175,770** | **419,758** | **595,528** |
| 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** | **943,440** | **569,413** | **1,512,852** | **1,008,960** | **419,758** | **1,428,717** |

| *In thousands of euros* | Fixed income | Variable income | Total 2020 | Fixed income | Variable income | Total 2019 |
|---|---|---|---|---|---|---|
| Unrealised capital gains | 24,740 | 13,480 | 38,220 | 21,331 | 11,681 | 33,012 |

| *In thousands of euros* | Less than 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of bonds and other fixed-income securities | | 451,000 | 269,603 | 24,867 | 745,471 |

## NOTE 2 Investment securities[1]

| | December 2020 | | | December 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | Listed securities | Unlisted securities | Total | Listed securities | Unlisted securities | Total |
| Government paper and equivalent | 605,716 | | 605,716 | 631,728 | | 631,728 |
| Related receivables | 7,508 | | 7,508 | 7,690 | | 7,690 |
| Net total | 613,223 | | 613,223 | 639,418 | | 639,418 |
| Bonds and other fixed-income securities | 70,576 | | 70,576 | 71,520 | | 71,520 |
| Related receivables | 1,916 | | 1,916 | 1,933 | | 1,933 |
| Net total | 72,492 | | 72,492 | 73,453 | | 73,453 |
| **TOTAL NET VALUE** | **685,715** | | **685,715** | **712,871** | | **712,871** |
| Difference between purchase price and redemption price | 43,760 | | 43,760 | 41,252 | | 41,252 |

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 | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of bonds and other fixed-income securities | | 13,789 | 56,787 | - | 70,576 |

(1) *Total balance sheet items: Government paper and similar securities (€1,341,718K), Bonds and other fixed-income securities (€817,817K), Equities and other variable-income securities (€39,033K) i.e. €2,198,568K as at 31/12/2020.*

## NOTE 3 Receivables from credit institutions

| | December 2020 | | | December 2019 | | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | On demand | On term | Total | On demand | On term | Total |
| Regular accounts | 1,159,809 | - | 1,159,809 | 1,190,633 | - | 1,190,633 |
| Loans to credit institutions | 811,239 | 12,670,427 | 13,481,666 | 1,484,049 | 11,673,214 | 13,157,263 |
| of which interbank investment(1) | 811,239 | 1,520,769 | 2,332,008 | 1,484,049 | 1,036,406 | 2,520,455 |
| of which loan activity | - | 11,149,658 | 11,149,658 | - | 10,636,808 | 10,636,808 |
| Related receivables | 27 | 58,163 | 58,190 | 34 | 69,301 | 69,336 |
| Impairments | -3 | -158,456 | -158,458 | -4 | -136,221 | -136,225 |
| **TOTAL** | **1,971,072** | **12,570,134** | **14,541,206** | **2,674,712** | **11,606,294** | **14,281,005** |

*(1) This item includes money-market UCITS.*

The amount of outstandings at the State's risk and on behalf of the State is €2,144K.

| *In thousands of euros* | Less than 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of loans to credit institutions | 1,108,263 | 498,645 | 2,169,278 | 7,373,472 | 11,149,658 |

The amount of non-performing loans, €172,674K, is included in the column "Less than 3 months".

| | December 2020 | | December 2019 | |
|---|---|---|---|---|
| **Details of doubtful term loans (in thousands of euros)** | Gross | Impairments | Gross | Impairments |
| non-performing loans (excluding related receivables) | 172,674 | 150,601 | 136,614 | 128,367 |
| of which non-performing outstanding sovereign loans(1) | | | | |
| of which non-performing outstanding non-sovereign loans | 112,040 | 112,005 | 111,978 | 111,944 |

*(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 2020 | December 2019 |
|---|---|---|
| Credit to customers | 31,054,042 | 27,996,102 |
| Related receivables | 103,214 | 104,978 |
| Impairments | -256,757 | -402,862 |
| **TOTAL** | **30,900,499** | **27,698,218** |

Outstanding credit at the State's risk was €1,895K at 31 December 2020.

| *In thousands of euros* | Less than 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of loans to customers | 3,312,759 | 1,738,117 | 8,838,516 | 17,164,650 | 31,054,042 |

Total arrears on ordinary receivables (€172,093K) and total non-performing loans (€766,092K) are included in "Less than 3 months".

| | December 2020 | | December 2019 | |
|---|---|---|---|---|
| *Details of doubtful term loans (In thousands of euros)* | Gross | Impairments | Gross | Impairments |
| non-performing loans (excluding related receivables) | 766,092 | 256,495 | 858,369 | 402,862 |
| of which non-performing outstanding sovereign(1) | 1,408 | 266 | 102,852 | 85,531 |
| of which non-performing outstanding non-sovereign loans | 213,836 | 65,070 | 157,199 | 153,260 |

*(1) Granted to States or with their endorsement. Only the outstanding principal of these loans is the object of provisions for liabilities. The change over the year is linked to the signing of a debt restructuring agreement between the French Republic and a sovereign state.*

## NOTE 5 Equity stakes and other long-term investments

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| **Long-term securities and equity stakes** | **168,539** | **171,205** |
| Gross value[1] | 172,486 | 182,368 |
| Translation differences | -3,947 | -11,163 |
| Impairments | 42,868 | 17,351 |
| **NET TOTAL** | **125,672** | **153,853** |

*(1) The gross amount of listed shares totalled €10,745K in 2020.*

## NOTE 6 Shares in related businesses

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Gross value | 941,062 | 747,245 |
| Impairments | 42,480 | 27,760 |
| **NET TOTAL** | **898,582** | **719,485** |

## NOTE 7 Transactions with related businesses

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| **Assets** | | |
| Receivables from credit institutions | 4,724,520 | 4,724,434 |
| **Liabilities** | | |
| Term debts to credit institutions | 227,142 | 267,954 |
| **Off-balance sheet** | | |
| Financing commitments given | 1,854,288 | 1,587,835 |
| Guarantee commitments given | 1,324,580 | 1,238,529 |

## NOTE 8 List of subsidiaries and equity stakes

### Subsidiaries held at more than 50%

| | Proparco | Soderag |
|---|---|---|
| Head office | 151, rue Saint-Honoré | rue Félix-Éboué BP 64 |
| | 75001 Paris | 97110 Pointe-à-Pitre |
| Equity | 984,373 | 5,577 |
| Equity holdings | 78.19% | 100.00% |
| Shareholders' equity | 1,094,459 | -116,179 |
| of which income after tax | -69,812 | -33 |
| Gross book value | 701,973 | 5,980 |
| Net book value | 701,973 | 0 |

| | Sogefom | Fisea |
|---|---|---|
| Head office | 5, rue Roland-Barthes | 5, rue Roland-Barthes |
| | 75012 Paris | 75012 Paris |
| Equity | 1,102 | 227,000 |
| Equity holdings | 58.69% | 100.00% |
| Shareholders' equity | 11,770 | 114,960 |
| of which income after tax | -937 | -22,589 |
| Gross book value | 5,015 | 227,000 |
| Net book value | 5,015 | 190,499 |

### Equity stakes of between 10% and 50%

| | |
|---|---|
| Gross value | 67,722 |
| Net value | 50,163 |

## NOTE 9 Fixed assets and depreciation/amortisation

| *In thousands of euros* | 31/12/2019 | Purchases | Sales | Other items | 31/12/2020 |
|---|---|---|---|---|---|
| **Gross value** | | | | | |
| Land and development | 88,846 | 1,326 | 20 | -607 | 89,545 |
| Buildings and development | 219,566 | 4,634 | 280 | -2,794 | 221,127 |
| Other property, plant and equipment | 62,888 | 9,639 | 3,096 | -3,640 | 65,792 |
| Intangible assets | 100,815 | 24,953 | 1,077 | -5,177 | 119,513 |
| **GROSS AMOUNT** | **472,116** | **40,552** | **4,473** | **-12,217** | **495,977** |

| *In thousands of euros* | 31/12/2019 | Purchases | Sales | Other items | 31/12/2020 |
|---|---|---|---|---|---|
| **Depreciation/amortisation** | | | | | |
| Land and development | 3,125 | 216 | 2 | - | 3,339 |
| Buildings and development | 134,672 | 8,814 | 251 | 6 | 143,241 |
| Other property, plant and equipment | 43,005 | 5,683 | 4,500 | 2,143 | 46,331 |
| Intangible assets | 64,538 | 9,484 | 933 | 1 | 73,090 |
| **Amount of depreciation/amortisation** | **245,340** | **24,197** | **5,686** | **2,149** | **266,001** |
| **NET AMOUNT** | **226,775** | **16,355** | **-1,213** | **-14,366** | **229,975** |

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## NOTE 10 Other assets and liabilities

| | December 2020 | | December 2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Assets | Liabilities | Assets | Liabilities |
| Accounts payable, French State | | 350,489 | | 403,000 |
| Allocated public funds | | 77,471 | | 82,879 |
| Guarantee funds in the French Overseas Departments | | 6,864 | | 7,943 |
| Collateral deposit | 673,386 | 1,317,384 | 706,242 | 1,181,167 |
| Others | 253,362 | 579,826 | 123,246 | 520,861 |
| **TOTAL** | **926,748** | **2,332,033** | **829,488** | **2,195,849** |

## NOTE 11 Accruals

| *In thousands of euros* | December 2020 | | December 2019 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Currency adjustment accounts on off-balance sheet items | 73,589 | | 48,543 | |
| Income and expenses resulting from *swaps* | 351,670 | 104,689 | 391,837 | 123,643 |
| Shared income and expenses | 127,505 | 200,781 | 40,232 | 189,358 |
| Other accruals | 42,519 | 59,679 | 60,315 | 55,024 |
| **TOTAL** | **595,283** | **365,149** | **540,928** | **368,025** |

## NOTE 12 Debts to credit institutions

| *In thousands of euros* | December 2020 | | December 2019 | |
|---|---|---|---|---|
| | On demand | On term | On demand | On term |
| Debts to credit institutions | 195,395 | 225,654 | 200,576 | 266,389 |
| Related debts | 174 | 1,891 | 33 | 1,968 |
| **TOTAL** | **195,569** | **227,545** | **200,608** | **268,357** |

| *In thousands of euros* | Less than 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of loans due to credit institutions | | 15,006 | 188,647 | 22,000 | 225,654 |

## NOTE 13 Transactions with customers

| *In thousands of euros* | December 2020 | | December 2019 | |
|---|---|---|---|---|
| | On demand | On term | On demand | On term |
| Accounts payable, customers | 2,028 | - | 1,657 | - |
| Related debts | - | - | - | - |
| **TOTAL** | **2,028** | **-** | **1,657** | **-** |

## NOTE 14 Debt securities in issue

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Negotiable debt securities | 702,597 | 100,090 |
| Bonds | 39,881,603 | 35,409,982 |
| Related debts | 363,750 | 400,758 |
| **TOTAL** | **40,947,949** | **35,910,831** |

| *In thousands of euros* | Less than 3 months | 3 months to 1 year | From 1 to 5 years | More than 5 years | Total 2020 |
|---|---|---|---|---|---|
| Maturity of debt securities in issue | 3,312,174 | 1,651,343 | 15,081,666 | 19,836,420 | 39,881,603 |

## NOTE 15 Provisions

| *In thousands of euros* | 31/12/2019 | Provisions | Reversals | Translation adjustment | 31/12/2020 |
|---|---|---|---|---|---|
| Sovereign loans(1) | 804,660 | 106,045 | 596 | 1 | 910,112 |
| Performing non-sovereign loans(2) | 161,344 | 158,955 | 26,764 | | 293,535 |
| Guarantees granted(2) | 15,391 | 31,443 | 1,372 | | 45,462 |
| Financing commitments to non-sovereign loans(2) | 100,605 | 29,878 | 56,352 | | 74,131 |
| Provisions for ARIZ and Proparco guarantees | 84,624 | 34,094 | 4,144 | -6,125 | 108,450 |
| French Overseas Department subsidiary risks | 26,305 | - | 257 | | 26,048 |
| Other risks | 10,276 | 676 | 676 | | 10,276 |
| Foreign exchange losses(1) | 8,065 | 734 | - | | 8,799 |
| Administrative expenses(1) | 637 | | | | 637 |
| Personnel expenses(1) | 114,848 | 8,606 | 2,523 | -241 | 120,691 |
| **TOTAL** | **1,326,758** | **370,431** | **92,683** | **-6,365** | **1,598,140** |

*(1) These provisions are not recorded in "cost of risk".*
*(2) Collective provisions amounted to €413,149K of which €9,506K in stage 1 and €403,642K in stage 2. In 2019, collective provisions amounted to €277,344K, of which €7,024K in stage 1 and €270,320K in stage 2.*

## NOTE 16 Subordinated debt

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Subordinated debt | 2,179,250 | 1,943,000 |
| Lowest-ranked subordinated debt | - | - |
| Related debts | 334 | 9 |
| **TOTAL** | **2,179,584** | **1,943,009** |

## NOTE 17 Reserve for General Banking Risk (RGBR)

| *In thousands of euros* | December 2019 | Provisions | Reversal | December 2020 |
|---|---|---|---|---|
| Reserve for General Banking Risk (RGBR) | 460,000 | - | - | 460,000 |

## NOTE 18 Equity excluding RGBR

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Provisions | 2,807,999 | 2,807,999 |
| Reserves | 2,339,900 | 2,179,759 |
| Subventions | 12,756 | 27,480 |
| Unallocated income(1) | 105,552 | 160,141 |
| **TOTAL** | **5,266,207** | **5,175,379** |

*(1) Due to the health crisis, no dividend was paid to the State in 2020.*

## NOTE 19 Assets and liabilities in foreign currencies[1]

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Amount of assets denominated in foreign currencies[2] | 9,074,770 | 9,593,054 |
| Amount of liabilities denominated in foreign currencies[2] | 7,220,912 | 7,936,026 |

*(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 2020 | December 2019 |
|---|---|---|
| **Interest and income on transactions with credit institutions[1]** | **477,958** | **502,234** |
| Interest on loans | 274,049 | 301,119 |
| Interest on short-term investments | -7,067 | 3,453 |
| Income from forward financial instruments | 210,977 | 197,661 |
| **Interest and income on transactions with customers[1]** | **596,049** | **569,777** |
| **Interest and income on bonds and other fixed-income securities** | **17,632** | **20,597** |
| Short-term investments | 2,929 | 3,321 |
| Investment securities | 14,703 | 17,276 |
| **Other interest and similar income** | **535,818** | **617,760** |
| Income from forward financial instruments | 535,818 | 617,760 |
| **TOTAL** | **1,627,457** | **1,710,367** |

*(1) The amount of net reversals of provisions for interest on non-performing loans, adjusted for losses on interest on bad loans, was +€95,186K at 31/12/2020 compared with -€5,894K at 31/12/2019. This €95M change is mainly related to the decrease in doubtful sovereigns in connection with the signature of a debt restructuring agreement between the French Republic and a sovereign state.*

| | DOM | Pacific Collectivities | Abroad |
|---|---|---|---|
| Breakdown of interest on loans by geographical area: | 13% | 0% | 87% |

## NOTE 21 Interest and related expenses

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| **Interest and expenses on transactions with credit institutions** | **679,622** | **743,353** |
| Interest on accounts payable | 3,542 | 3,492 |
| Expenses on forward financial instruments | 676,080 | 739,862 |
| Interest on borrowings | - | - |
| **Interest and expenses on transactions with customers** | **1,596** | **522** |
| Interest on subordinated debts | 1,596 | 522 |
| Other interest and expenses on transactions with customers | - | - |
| **Interest and expenses on bonds and other fixed-income securities** | **518,842** | **599,420** |
| Interest on interbank market securities and negotiable debt securities | -1,578 | -1,648 |
| Interest on bonds | 518,318 | 598,968 |
| Interest on lowest-ranked subordinated debt | 2,103 | 2,100 |
| **Other interest and similar income** | **-11,462** | **-1,326** |
| Expenses on forward financial instruments | -11,462 | -1,326 |
| Interest on allocated public funds | - | - |
| **TOTAL** | **1,188,598** | **1,341,969** |

## NOTE 22 Commission income and expenses

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Commission income | 124,100 | 133,792 |
| from grants | 96,313 | 113,137 |
| from processing | 25,233 | 17,964 |
| other | 2,554 | 2,691 |
| Commission expenses | 2,227 | 766 |

## NOTE 23 Gains or losses on investment portfolio transactions

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Balance of investment portfolio transactions | -2,304 | -225 |
| Capital gains on disposals | 0 | 38 |
| Capital losses on disposals | 2,203 | 2,789 |
| Reversals of provisions for depreciation | 4 | 2,530 |
| Provisions for depreciation | 104 | 4 |

## NOTE 24 Other income on banking operations

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Other income on banking operations | 329,654 | 307,992 |
| Subsidies | 242,787 | 229,591 |
| Other banking income | 86,867 | 77,081 |
| Net foreign exchange gains | 0 | 1,320 |

## NOTE 25 Other expenses on banking operations

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Other expenses on banking operations | 82,507 | 69,702 |
| Other operating expenses | 82,221 | 69,702 |
| Net foreign currency losses | 286 | 0 |



## NOTE 26 Overheads – Personnel costs

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Wages and bonuses | 205,994 | 190,233 |
| Social security expenses | 82,593 | 77,880 |
| Profit sharing | 9,304 | 9,817 |
| Taxes and similar payments on remuneration | 18,650 | 17,870 |
| Provisions/reversal of provisions | 5,842 | 7,865 |
| Rebilling banks' staff | -8,133 | -9,491 |
| **TOTAL** | **314,250** | **294,175** |

## NOTE 27 Average headcount

| *Head office and branches (excluding institutions)* | Executives | Supervisory staff | Employees Supervisors | Service staff | Stationary staff | Total 2020 |
|---|---|---|---|---|---|---|
| | 1,848 | 121 | 2 | 0 | 566 | 2,537 |

## NOTE 28 Asset impairment

| *In thousands of euros* | December 2019 | December 2020 | | | |
|---|---|---|---|---|---|
| | | Provisions | Reversals | Translation adjustment | Total |
| Unpaid interest on loans (Notes 3 and 4) | 155,616 | 34,517 | 146,244 | -10,181 | 33,708 |
| Individualised risk on loans (Notes 3 and 4) | 383,467 | 118,097 | 113,506 | -6,553 | 381,504 |
| Impairment of equity stakes (Notes 5 and 6) | 45,018 | 40,245 | 8 | | 85,255 |
| Impairment of short-term investments (Note 23) | 1 | 104 | 4 | | 101 |
| **TOTAL** | **584,102** | **192,963** | **259,762** | **-16,734** | **500,569** |

## NOTE 29 Cost of credit risk(1)

| *In thousands of euros* | December 2020 | | | December 2019 |
|---|---|---|---|---|
| | Provisions | Reversals | Total | |
| Provisions (Note 15)(1) | 255,046 | 89,564 | -165,481 | -49,715 |
| Impairment of principal of non-performing loans (Note 28) | 118,595 | 108,442 | -10,152 | -61,777 |
| Capital losses on bad debts | 15,937 | 472 | -15,465 | -5,844 |
| **TOTAL** | **389,577** | **198,478** | **-191,099** | **-117,335** |

*(1) These figures do not include the first line nor the last three lines of Note 15.*

## NOTE 30 Gains or losses on fixed assets

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| **Gains or losses on financial fixed assets** | **-39,981** | **-5,140** |
| Capital gains and losses | 256 | 2,364 |
| Provisions/reversals for depreciation | -40,237 | -7,503 |
| **Gains or losses on other fixed assets** | **124** | **-22** |
| **TOTAL** | **-39,857** | **-5,161** |

## NOTE 31 Exceptional income

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Exceptional gains | 240 | 158 |
| Exceptional losses | 1,267 | 404 |
| **NET TOTAL** | **-1,027** | **-247** |

## NOTE 32 Other off-balance sheet commitments

| *In thousands of euros* | December 2020 | December 2019 |
|---|---|---|
| Guarantee commitments received from the French State on loans | 5,112,763 | 4,645,686 |
| Guarantee commitments received from credit institutions | 347,739 | 290,861 |
| Guarantee commitments made to credit institutions | 40,759 | 30,834 |
| Guarantee commitments given on securities | 116,326 | 84,386 |
| Guarantee commitments made to customers | 2,501,424 | 2,517,515 |

## NOTE 33 Commitments on forward financial instruments excluding IMF transactions[1]

| | December 2020 | | December 2019 | |
|---|---|---|---|---|
| *In thousands of euros* | Notional | Valuation[2] | Notional | Valuation[2] |
| **Outright transactions** | | | | |
| Interest rate swaps (hedging transactions) | 49,817,119 | 1,052,848 | 41,974,188 | 749,903 |
| Currency swaps (hedging transactions) | 31,985,063 | -262,006 | 32,689,252 | -139,671 |
| Commitments received | 16,018,892 | | 16,351,938 | |
| Commitments given | 15,966,171 | | 16,337,314 | |
| Other instruments (hedging transactions) | | | | |
| **Options** | 232,920 | 353 | -285,556 | 375 |

*(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 2020 |
|---|---|---|---|---|
| **Outright, micro-hedge and OTC market transactions** | | | | |
| Interest rate swaps | 2,076,513 | 13,172,026 | 34,568,580 | 49,817,119 |
| Currency swaps | 5,924,996 | 11,146,502 | 14,913,565 | 31,985,063 |
| Commitments received | 2,893,404 | 5,469,629 | 7,655,859 | 16,018,892 |
| Commitments given | 3,031,592 | 5,676,874 | 7,257,705 | 15,966,171 |
| **Options** | 2,427 | 36,000 | 194,493 | 232,920 |

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## NOTE 34 Valuation of forward financial instruments excluding IMF transactions by issuer rating[1]

| Banking counterparty rating | 31/12/2020 valuation[2] | 31/12/2019 valuation[2] |
|---|---|---|
| AAA | - | - |
| AA | 343,504 | 60,777 |
| A | 572,209 | 784,645 |
| BBB | -28,525 | 4,306 |
| NR | - | -1,015 |
| **TOTAL** | **887,188** | **848,714** |

*(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 stakes | Purchase price |
|---|---|---|
| Caisse d'investissement des DOM (CIDOM) | 2 | 1,330 |
| Fonds d'investissement et de dévelop. économique et social (FIDES) | 5 | 642 |
| Fonds d'investissement des DOM (FIDOM) | 6 | 236 |
| Other Government resources | 2 | 3,683 |
| **TOTAL** | **15** | **5,891** |

*(1) This information does not appear in the publishable off-balance sheet.*

## NOTE 36 Executive compensation

Gross annual compensation allocated to corporate officers is €377,456.

## 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 exposure

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 General Management with the agreement of the Board of Directors.

# 7.4 AFD's financial results over the last five financial years

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Capital + Retained earnings + Income** *(in millions of euros)* | 5,253 | 5,148 | 5,017 | 4,794 | 4,607 |
| Net banking income *(in millions of euros)* | 806 | 750 | 637 | 568.5 | 539 |
| Net income *(in millions of euros)* | 106 | 160 | 145 | 214.6 | 138 |
| Net income/capital + retained earnings + income | 2.01% | 3.11% | 2.90% | 4.48% | 3.00% |
| Net income/balance sheet total | 0.20% | 0.33% | 0.32% | 0.52% | 0.37% |
| **Staff** | | | | | |
| Number of employees (average) | 2,537 | 2,379 | 2,187 | 1,978.33 | 1,811 |
| Total payroll costs *(in millions of euros)* | 314 | 294 | 261 | 236 | 210 |
| of which social and cultural initiatives *(in millions of euros)* | 21 | 21 | 20 | 21 | 16 |
| **Dividends paid** | 0 | 29 | 43 | 28 | 36 |

# 7.5 Statutory auditor's report on the financial statements

### FOR THE YEAR ENDED 31 DECEMBER 2020

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 31 December 2020.

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 31 December 2020 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 1 January 2020 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 on the consolidated social, environmental and societal information contained in the AFD's management report ;
- Forensic investigation by KPMG SA in Laos ;
- Detailed review of the mapping of primary consolidated financial statements to ESEF Taxonomy.

## 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 1 January 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 31 December 2020, AFD's annual financial statements include €415 million for impairment of assets and €521 million in provisions for liabilities as indicated in Notes 2.3, 2.10, 3.3, 3.4, 3.15 and 3.28 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 31 December 2020, AFD's long-term investments net value is €1 024 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 articles L.225-37-4 et L.22-10-10*).

## Other verifications and information pursuant to legal and regulatory equirements

### PRESENTATION OF THE FINANCIAL STATEMENTS TO BE INCLUDED IN THE ANNUAL FINANCIAL REPORT

Pursuant to paragraph III of Article 222-3 of the AMF's General Regulations, the management of your company has informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Consequently, this report does not contain a conclusion on compliance of the presentation of the financial statements to be included in the annual financial report mentioned in paragraph I of article L.451-1-2 of the French Monetary and Financial Code (Code monétaire et financier) with this format.

### APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed Satutory Auditors of Agence Française de Développement by the board of directors meeting held on 3 July 2002 for KPMG S.A. and on 2 April 2020 for BDO Paris Audit & Advisory.

As at 31 December 2020, KMPG SA was in the 19th year of total uninterrupted engagement, and BDO Paris Audit & Advisory was in the 1st 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, on 2 April 2021

The auditors

KPMG SA
Valéry Foussé
Partner

MAZARS
Arnaud Naudan
Partner


# Person responsible for the Registration Document and the Audit of the financial statements

## 8.1 Name and position

Philippe Bauduin, 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 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, 19 April 2021

Chief Operating Officer

Philippe Bauduin

## 8.3 Name, address and qualification of the financial statements' statutory auditors

| | For 2017 financial year | | For 2018 financial year | | For 2019 financial year | | For 2020 financial year | |
|---|---|---|---|---|---|---|---|---|
| **Name** | KPMG Audit | Mazars | KPMG Audit | Mazars | KPMG Audit | Mazars | KPMG Audit | BDO Paris Audit & Advisory |
| **Represented by** | Pascal Brouard | Nicolas De Luze | Pascal Brouard | Nicolas De Luze | Pascal Brouard | Nicolas De Luze | 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 | 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 |
| **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

Françoise Lombard
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 | 2020 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 | Financing activities on its own behalf | 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.222-100-15°) | 4.3.2 |
| **3.** | **Presentation of the consolidated financial statements** | **5.3** |
| 3.1 | Consolidated balance sheet *(in millions of euros)* | 5.3.1 |
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| **4.** | **Risk management** | |
| 4.1 | Risk factors | 4.1 |
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| **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 players: the "automatic switch to partnership" | 2.6 |
| 5.7 | Fair practices | 2.7 |
| 5.8 | A meaningful work environment | 2.8 |
| **6.** | **Recent changes and future prospects** | **5.1** |
| 6.1 | Recent changes | 5.1.1 |
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| 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 simplified balance sheet based on French GAAP** | **9.6** |
| **Appendix 3** | **AFD income statement using French standards (simplified)** | **9.7** |
| **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 parent company and consolidated financial statements for the year ended 31 December 2018, set out on pages 179 to 204 and 99 to 166 respectively, the related Statutory Auditors' reports, pages 205 and 167 respectively, and the Group's management report (including the consolidated financial statements) which appears on pages 8 to 70 and 89 to 97 of the Registration Document submitted to the AMF on 25 April 2019 under Number D19-0388.

3 The parent company and consolidated 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.

4 A description of the type of transactions carried out and the main activities for financial year 2017, on pages 5 to 7 of the 2017 Registration Document submitted to the AMF on 24 April 2018 under the reference no. D18-0375.

5 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 Registration Document submitted to the AMF on 25 April 2019 under the reference no. D19-0388.

6 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 Registration Document submitted to the AMF on 21 April 2020 under the reference no. D20-0328.

## 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 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 |
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| Point 8.3 | Financing requirements and structure | 15-17; |
| Point 8.4 | Restriction in the use of capital | 14 |
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| **SECTION 9** | **REGULATORY ENVIRONMENT** | **92-100** |
| **SECTION 10** | **INFORMATION ABOUT TRENDS** | |
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| 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** |
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| | | Pages of the 2020 Universal Registration Document |
|---|---|---|
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| Point 18.3 | Audit of annual historical financial information | 169-177; 205-209 |
| Point 18.4 | Pro forma *financial information* | n/a |
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| Point 18.6 | Legal and arbitration proceedings | 105 |
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| **SECTION 19** | **ADDITIONAL INFORMATION** | |
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| Point 19.2 | Memorandum of association and bylaws | 71;77 |
| **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

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| 435 | Risk management objectives and policies | | |
| | Risk management objectives and policies for each risk category | a/ | 6.2.5, 4.3.1 |
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| | | d/ | 4.2.5.1.3 |
| | | e/ | 8.2 |
| | | f/ | 8.2 |
| | Corporate governance system | a/ | 3.1 |
| | | b/ | 3.1 |
| | | c/ | 3.1 |
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| | | c/ | 4.2.2.3 |
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| | | e/ | 4.2.2.2 |
| 437 | Capital | a/ | 4.2.3 |
| | | b/ | 4.2.3 |
| | | c/ | 4.2.3 |
| | | d/ | 4.2.3.1 |
| | | e/ | 4.2.3.1 |
| | | f/ | n/a |
| 438 | Capital requirements and risk-weighted exposure amounts | a/ | 4.2.3.2 |
| | | b/ | 4.2.3.2 |
| | | c/ | 4.2.3.2 |
| | | d/ | n/a |
| | | e/ | 4.2.3.3 |
| | | f/ | 4.2.3.2 |
| 439 | Counterparty credit risk exposure | a/ | 6.2.5.1 |
| | | b/ | 4.2.4.1.3 |
| | | c/ | n/a |
| | | d/ | n/a |
| | | e/ | 4.2.4.1.4, 6.2.4 |
| | | f/ | 4.2.4.1.2 |
| | | g/ | n/a |
| | | h/ | n/a |
| | | i/ | n/a |
| 440 | Capital cushions | a/ | n/a |
| | | b/ | n/a |

| Item CRR | Title | | Paragraph |
|---|---|---|---|
| 441 | Systemic global importance indicators | | n/a |
| 442 | Adjustments for credit risk | a/ | 6.2.3.2 |
| | | b/ | 6.2.3.2 |
| | | c/ | 4.2.4.1.1.1 |
| | | d/ | 4.2.4.1.1.2 |
| | | e/ | 4.2.4.1.1.2 |
| | | f/ | 4.2.4.1.1.1 |
| | | g/ | 4.2.4.1.1.4 |
| | | h/ | 4.2.4.1.1.4 |
| | | i/ | 4.2.4.1.1.5 |
| 443 | Unencumbered assets | | n/a |
| 444 | Use of ECAIs – use of the standard approach | | 4.2.4.1.2 |
| | | a/ | 4.2.4.1.2 |
| | | b/ | 4.2.4.1.2 |
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| | | d/ | 4.2.4.1.2 |
| | | e/ | 4.2.4.1.2 |
| 445 | Market risk exposure | | 4.2.3.3 |
| 446 | Operational risk | | 4.2.4.3 |
| 447 | Non-trading book equities exposure | a/ | 6.2.3.2 |
| | | b/ | 4.2.4.1.1.2 & note 3 of financial statements |
| | | c/ | 4.2.4.1.1.2 & note 3 of financial statements |
| | | d/ | 4.2.4.1.1.2 & note 3 of financial statements |
| | | e/ | 4.2.4.1.1.2 & note 3 of financial statements |
| 448 | Interest rate risk exposure for non-trading portfolio positions | a/ | 4.1.1.4 |
| | | b/ | 4.1.1.4 |
| 449 | Securitisation exposure | a/ | 4.2.4.1.5 |
| | | b/ | 4.2.4.1.5 |
| | | c/ | 4.2.4.1.5 |
| | | d/ | 4.2.4.1.5 |
| | | e/ | 4.2.4.1.5 |
| | | f/ | 4.2.4.1.5 |
| | | g/ | 4.2.4.1.5 |
| | | h/ | 4.2.4.1.5 |
| | | i/ | n/a |
| | | j/ | n/a |
| | | k/ | n/a |

| Item CRR | Title | | Paragraph |
|---|---|---|---|
| | | l/ | n/a |
| | | m/ | n/a |
| | | n/ | n/a |
| | | o/ | n/a |
| | | p/ | n/a |
| | | q/ | n/a |
| | | r/ | n/a |
| 450 | Remuneration policy | | 3.2 |
| | | b/ | 3.2 |
| | | c/ | 3.2 |
| | | d/ | n/a |
| | | e/ | n/a |
| | | f/ | n/a |
| | | g/ | 3.2 |
| | | h/ | 3.1 |
| | | i/ | n/a |
| | | j/ | 3.1 |
| | | | 3.1 |
| | | | 3.1 |
| 451 | Leverage | a/ | n/a |
| | | b/ | n/a |
| | | c/ | n/a |
| | | d/ | n/a |
| | | e/ | n/a |
| | | | n/a |
| 452 | Use of NI approach for credit risk | | n/a |
| 453 | 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 |
| 454 | Use of advanced measurement approaches for operating risk | | n/a |
| 455 | Use of internal market risk models | | n/a |

# 9.5 Appendix 1 – AFD's operating region

**Africa**

South Africa
Algeria
Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Rep.
Comoros
Rep. Congo
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
Gambia
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
Jordan
Kazakhstan
Kosovo
Laos
Lebanon
Macedonia
Montenegro
Myanmar (Burma)
Sri Lanka
Syria
Palestinian territories
Thailand
Turkey
Vietnam
Yemen

| | |
|---|---|
| Georgia | Uzbekistan |
| India | Pakistan |
| Indonesia | Philippines |
| Iraq | Serbia |

**Latin America**

| | |
|---|---|
| Argentina | Ecuador |
| Bolivia | Mexico |
| Brazil | Peru |
| Colombia | |
| Costa Rica | |
| Cuba | |

** Countries of the regional cooperation mandate.*

**The 19 priority countries 2018-2020**

| | |
|---|---|
| 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 simplified balance sheet based on French GAAP

## AFD simplified balance sheet at 31 December 2020

### Assets

| *In millions of euros* | 2020 | 2019 | Change |
|---|---|---|---|
| Loans (net outstanding) | 41,799 | 37,962 | 3,837 |
| *of which net loans on AFD's own behalf* | *38,510* | *34,787* | *3,723* |
| Gross outstandings | 42,054 | 38,328 | 3,726 |
| *of which loans on AFD's own behalf* | *38,765* | *35,152* | *3,613* |
| *of which loans on behalf of the State* | *3,289* | *3,175* | *113* |
| (-) individual impairments | 415 | 539 | -124 |
| (+) accrued interest | 161 | 174 | -13 |
| IMF-PRGF transactions | 415 | 758 | -343 |
| Investment portfolio | 686 | 713 | -27 |
| Short-term cash assets | 7,936 | 6,004 | 1,932 |
| Equity stakes and other long-term securities | 1,024 | 873 | 151 |
| Fixed assets | 230 | 227 | 3 |
| Accruals and other assets | 1,483 | 1,313 | 171 |
| **TOTAL** | **53,574** | **47,850** | **5,724** |

### Liabilities

| *In millions of euros* | 2020 | 2019 | Change |
|---|---|---|---|
| Market borrowings | 40,536 | 35,156 | 5,380 |
| Borrowings from French Treasury | 2,180 | 1,943 | 237 |
| Current accounts | 421 | 470 | -49 |
| IMF-PRGF transactions | 415 | 758 | -343 |
| Managed funds and government advances | 894 | 904 | -10 |
| Accruals and other liabilities | 1,817 | 1,685 | 132 |
| Provisions | 1,598 | 1,327 | 271 |
| Capital and retained earnings | 5,608 | 5,448 | 160 |
| Income for the financial year | 106 | 160 | -55 |
| **TOTAL** | **53,574** | **47,850** | **5,724** |

# 9.7 Appendix 3 – AFD simplified income statement based on French GAAP

## AFD income statement 2019-2020

| Expenses *(in millions of euros)* | 2020 | 2019 | Change |
|---|---|---|---|
| **Expenses on borrowings** | **1,166** | **1,283** | **-117** |
| • Interest on borrowings | 502 | 571 | -69 |
| • Expenses on *swaps* | 651 | 716 | -65 |
| • Net foreign exchange balance | 13 | -3 | 17 |
| **Miscellaneous financial expenses** | **11** | **18** | **-7** |
| **Expenses on IMF-PRGF transaction** | **1** | **2** | **-1** |
| **TOTAL EXPENSES ON BANKING OPERATIONS** | **1,178** | **1,303** | **-125** |
| *Net of income from IMF-PRGF transaction* | *1,177* | *1,301* | *-124* |
| **Net banking income** | **806** | **750** | **57** |
| **Overheads Staff costs** | **445** | **434** | **10** |
| • Employee benefits expense | 314 | 294 | 20 |
| • Wages and bonuses | 205 | 190 | 15 |
| • Social security contributions and expenses | 83 | 78 | 5 |
| • Profit sharing | 9 | 10 | -1 |
| • Taxes and similar payments on remuneration | 19 | 18 | 1 |
| • provisions for retirement – employee benefits | 7 | 8 | -1 |
| • Rebilling banks' staff | -8 | -9 | 1 |
| • Taxes and similar payments | **7** | **7** | **0** |
| • Other general expenses | 123 | 133 | -10 |
| Depreciation/amortization and impairment of property, plant, equipment and intangible assets (net) | 24 | 33 | -8 |
| **Total expenses on non-banking operations** | **469** | **467** | **2** |
| **Gross operating income** | **338** | **283** | **55** |
| **Cost of risk** | **-191** | **-117** | **-74** |
| Net provisions for impairments for unpaid interest | -10 | -65 | 55 |
| Net provisions for risk and expenses | -165 | -47 | -119 |
| Capital losses on bad debts | -15 | -6 | -10 |
| **Operating income** | **146** | **166** | **-19** |
| Gains or losses on fixed assets | -40 | -5 | -35 |
| **Income from operations** | **107** | **160** | **-54** |
| Net exceptional transactions | -1 | 0 | -1 |
| Corporate tax | 0 | 0 | 0 |
| **NET INCOME** | **106** | **160** | **-55** |

| Income | 2020 | 2019 | Change |
|---|---|---|---|
| **Income on loans and guarantees** | **1,560** | **1,612** | **-52** |
| • Interest and commissions on loans and guarantees | 907 | 952 | -45 |
| • Income on *swaps* | 725 | 780 | -55 |
| • Net provisions for unpaid interest | 127 | -2 | 129 |
| • Loss of interest income | -34 | -1 | -33 |
| • Net provisions for sovereign outstandings | -105 | -64 | -42 |
| • Recoveries on subsidy account for SAL and mixed loan-grants | 6 | 5 | 1 |
| • Repayment of Proparco margin | -64 | -58 | -6 |
| **Subsidies** | **238** | **223** | **15** |
| **Investment income** | **2** | **17** | **-15** |
| **Income from equity stakes** | **1** | **10** | **-9** |
| **Commissions on operations** | **103** | **119** | **-17** |
| • AFD fees, donations, SAS, SAL, C2D | 74 | 97 | -23 |
| • Other commissions | 29 | 23 | 7 |
| **Ancillary income and miscellaneous** | **80** | **69** | **11** |
| **Income from IMF-PRGF transaction** | **1** | **2** | **-1** |
| **TOTAL INCOME ON BANKING OPERATIONS** | **1,985** | **2,053** | **-68** |
| *Net of expenses on IMF-ESAF transaction* | *1,983* | *2,051* | *-67* |

## 9.8 Appendix 4 – Key ratios and indicators

The following data is from AFD's parent company financial statements.

| *In thousands of euros* | 2020 | 2019 |
|---|---|---|
| **Net banking income** | **806,393** | **749,784** |
| Staff costs | 39.0% | 39.2% |
| Net banking income | | |
| **Cost-to-income ratio** | **58.1%** | **62.3%** |
| General expenses | | |
| Net banking income | | |
| **Benefit-cost ratio** | **2.1%** | **3.2%** |
| Net earnings | | |
| Provisions + reserves* | | |
| **Efficiency ratio** | **0.20%** | **0.33%** |
| Net earnings | | |
| Balance sheet total | | |
| **Staff** | **2,537** | **2,379** |
| Number of employees (average) | | |
| Total payroll costs | 314,250 | 294,175 |
| Of which social and cultural activities | 21.1 | 21.4 |
| **Net income** | **105,552** | **160,141** |
| **Distributed income** | **0** | **29,079** |

* *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)

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Capital + Retained earnings + Income** *(in millions of euros)* | **5,253** | **5,148** | **5,017** | **4,794** | **4,607** |
| Net banking income *(in millions of euros)* | 806 | 750 | 637 | 568.5 | 539 |
| Net income *(in millions of euros)* | 106 | 160 | 145 | 214.6 | 138 |
| Net income/capital + retained earnings + income | 2.01% | 3.11% | 2.90% | 4.48% | 3.00% |
| Net income/balance sheet total | 0.20% | 0.33% | 0.32% | 0.52% | 0.37% |
| **Staff** | | | | | |
| Number of employees (average) | 2,537 | 2,379 | 2,187 | 1,978 | 1,811 |
| Total payroll costs *(in millions of euros)* | 314 | 294 | 261 | 236 | 210 |
| of which social and cultural initiatives *(in millions of euros)* | 21.1 | 21.4 | 19.5 | 20.6 | 16.3 |
| **Dividende versé** | 0 | 29 | 43 | 28 | 36 |

# 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 2020 | Approvals 2019 | Approvals % of the total in 2020 | Disbursements 2020 | Disbursements 2019 | Disbursements % of the total in 2020 |
|---|---|---|---|---|---|---|
| **1 – Ongoing operations** | **8,766** | **9,827** | **99%** | **6,646** | **4,301** | **99%** |
| **Loans** | **7,574** | **8,256** | **86%** | **6,016** | **3,825** | **90%** |
| Sovereign concessional loans | 4,782 | 5,308 | 54% | 4,304 | 2,705 | 64% |
| *of which loans with direct concessionality* | *2,032* | *3,044* | *23%* | *1,933* | *1,553* | *29%* |
| *of which loans with indirect concessionality* | *2,749* | *2,264* | *31%* | *2,372* | *1,151* | *35%* |
| Non-sovereign loans | 2,482 | 2,948 | 28% | 1,712 | 1,070 | 26% |
| *of which concessional loans* | *1,157* | *889* | *13%* | *904* | *380* | *14%* |
| *of which non-concessional loans* | *1,325* | *2,059* | *15%* | *808* | *690* | *12%* |
| *of which sub-participations granted to Proparco* | *730* | *502* | *8%* | *334* | *311* | *5%* |
| Other loans | 310 | 0 | | 0 | 50 | |
| **Ongoing grants** | **989** | **1,515** | **11%** | **630** | **475** | **9%** |
| Project and FEXTE grants | 874 | 1,422 | 10% | 524 | 379 | 8% |
| Funding for NGOs | 115 | 93 | 1% | 106 | 97 | 2% |
| **Guarantees** | **4** | **56** | **0%** | **0** | **0** | **0%** |
| **Other investments** | **200** | **0** | **2%** | **0** | **0** | **0%** |
| **2 – Mandate-specific operations** | **85** | **62** | **1%** | **44** | **70** | **1%** |
| General budget support (GBS) subsidies | 82 | 62 | 1% | 44 | 70 | 1% |
| Other delegators | 2 | 0 | 0% | 0 | | |
| **TOTAL FOR FOREIGN COUNTRIES** | **8,851** | **9,889** | **100%** | **6,690** | **4,313** | **100%** |

### AFD approvals and disbursements by type of loan – Overseas

| In millions of euros | Approvals 2020 | Approvals 2019 | Variance 2020/2019 €M | Variance 2020/2019 % |
|---|---|---|---|---|
| **Ongoing operations** | **1,220** | **884** | **336** | **38%** |
| **Loans** | **1,206** | **875** | **331** | **38%** |
| *Public sector* | *1,116* | *712* | *404* | *57%* |
| *Subsidised loans to local authorities* | *387* | *544* | *-157* | *-29%* |
| *Other loans – public sector(1)* | *729* | *168* | *561* | *n.s.* |
| *Private sector* | *122* | *163* | *-72* | *-44%* |
| *Direct financing* | *69* | *46* | *4* | *9%* |
| *Banks* | *53* | *117* | *-76* | *n.s.* |
| **Subventions** | **13** | **7** | **6** | **84%** |
| **Guarantees(2)** | **1** | **2** | **-1** | **n.s.** |
| *Guarantees granted to the public sector* | *0* | *0* | *0* | |
| *French Overseas Department Fund* | *0* | *0* | *0* | |
| *Mayotte Guarantee Fund* | *1* | *2* | *-1* | |
| **Equity stakes and other long-term securities** | **0** | **0** | **0** | |

*(1) Other public sector loans include ADIE and CISPM loans.*
*(2) The guarantees shown above do not include Sogefom approvals (€27M in 2020) or FOGAP approvals (€2M in 2020).*

# 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 2020 of AFD's and Proparco's loans in foreign countries:

| | Disbursements | | Outstanding loans | | Remainder to be paid | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | AFD | Proparco | AFD | Proparco | AFD | Proparco |
| SOUTH AFRICA | 24,532 | - | 557,816 | 145,294 | 292,523 | 102,216 |
| ALBANIA | - | - | - | - | 160,000 | - |
| ALGERIA | - | - | 40,760 | - | - | - |
| ANGOLA | 3,928 | - | 14,841 | - | 379,645 | 32,709 |
| ARGENTINA | 1,635 | 697 | 57,940 | 61,097 | 226,360 | 118,735 |
| ARMENIA | 9,000 | - | 102,254 | 18,290 | 19,000 | 16,355 |
| AZERBAIJAN | 99,600 | - | 166,840 | - | 106,086 | - |
| BANGLADESH | 22,731 | - | 177,207 | 28,556 | 601,717 | - |
| BENIN | 28,200 | - | 52,171 | 6,556 | 289,691 | 20,000 |
| BURMA | 744 | 3,367 | 1,041 | 22,051 | 121,659 | 3,680 |
| BOLIVIA | 15,439 | - | 279,344 | - | 224,949 | - |
| BOTSWANA | - | 8,177 | 38 | 8,177 | 14,719 | - |
| BRAZIL | 22,823 | - | 1,164,264 | 198,033 | 430,973 | 189,958 |
| BURKINA FASO | 47,151 | - | 234,325 | 30,455 | 242,600 | 18,504 |
| CAMBODIA | 66,475 | 689 | 428,089 | 30,570 | 184,642 | 42,256 |
| CAMEROON | 86,600 | 25,592 | 863,348 | 50,194 | 176,874 | 41,239 |
| CAPE VERDE | 3,064 | - | 50,669 | - | 5,404 | - |
| CHILE | - | - | - | 40,647 | - | - |
| CHINA | 42,116 | 49,795 | 531,073 | 65,194 | 677,013 | 12,987 |
| COLOMBIA | 210,000 | - | 1,840,263 | 4,374 | 295,000 | 62,269 |
| CONGO | 23,168 | - | 67,722 | - | 244,840 | - |
| COSTA RICA | 127,670 | 49,137 | 127,670 | 80,078 | 53,152 | 9,813 |
| COTE D'IVOIRE | 90,608 | 31,478 | 230,626 | 153,284 | 722,892 | 166,848 |
| CUBA | 15,738 | - | 20,039 | - | 193,262 | - |
| DJIBOUTI | - | - | 21,286 | - | - | - |
| DOMINICAN REP. | 269,309 | 273 | 640,449 | 36,944 | 289,462 | 26,355 |
| EL SALVADOR | - | 9,032 | - | 61,109 | - | 24,532 |
| EGYPT | 205,144 | 26,226 | 938,652 | 104,067 | 790,554 | 8,199 |
| ECUADOR | 114,184 | 3,860 | 477,461 | 137,782 | 221,378 | 24,532 |
| ETHIOPIA | 58,818 | - | 248,633 | 4,097 | 289,562 | 8,995 |
| FRANCE | - | - | 25,340 | - | - | - |
| GABON | 26,775 | 1,514 | 170,557 | 31,069 | 279,762 | 68,200 |
| GEORGIA | 190,000 | 13,089 | 405,000 | 47,492 | 58,000 | 40,886 |
| GHANA | 54,034 | 26,723 | 439,994 | 87,792 | 131,059 | 24,532 |
| GRENADA | - | - | 19 | - | - | - |
| GUATEMALA | - | - | - | 35,199 | - | - |
| GUINEA | 10,023 | 7,200 | 44,208 | 22,011 | 160,228 | - |
| HAITI | - | 5,182 | - | 15,406 | - | 1,554 |

| | Disbursements | | Outstanding loans | | Remainder to be paid | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | AFD | Proparco | AFD | Proparco | AFD | Proparco |
| HONDURAS | - | 16,355 | - | 99,451 | - | - |
| DOMINICA ISLAND | - | - | 14,331 | - | - | - |
| INDIA | 257,030 | 121,147 | 1,208,082 | 169,958 | 776,495 | 72,321 |
| INDONESIA | 271,860 | - | 1,538,546 | 15,013 | 398,495 | 25,000 |
| JAMAICA | - | 546 | - | 60,863 | - | - |
| JORDAN | 108,000 | - | 783,927 | 168,797 | 404,931 | 26,167 |
| KAZAKHSTAN | - | - | - | 15,140 | - | - |
| KENYA | 98,338 | 149,496 | 840,567 | 256,655 | 652,349 | 33,189 |
| LAOS | - | 3,653 | 4,300 | 24,747 | - | 1,090 |
| LEBANON | 1,865 | - | 42,081 | 25,123 | 229,322 | 4,089 |
| LIBERIA | - | - | - | - | - | 4,089 |
| MADAGASCAR | 16,843 | - | 90,334 | 24,482 | 98,667 | 5,518 |
| MALDIVES | - | - | 11,209 | - | - | - |
| MALI | 36,564 | - | 204,049 | 13,021 | 335,251 | - |
| MOROCCO | 308,829 | - | 2,079,808 | 36,385 | 1,038,559 | - |
| MAURITIUS | 305,117 | 61,330 | 534,268 | 117,891 | 87,579 | 12,500 |
| MAURITANIA | 9,416 | - | 119,562 | - | 764 | - |
| MEXICO | 250,000 | - | 1,348,642 | 29,096 | 402,495 | 32,109 |
| MONGOLIA | - | - | - | 14,527 | - | 24,532 |
| MONTENEGRO | - | - | - | 8,780 | 50,000 | - |
| MOZAMBIQUE | 4,872 | 1,635 | 170,923 | 31,507 | 30,853 | 35,162 |
| MULTI-COUNTRY | 716,424 | 136,472 | 1,958,482 | 348,077 | 899,236 | 389,264 |
| NAMIBIA | 13,576 | - | 57,517 | - | - | - |
| NEPAL | - | - | - | 43 | - | 8,995 |
| NICARAGUA | - | - | - | 71,833 | - | - |
| NIGER | 18,808 | - | 122,215 | 17,949 | 234,650 | - |
| NIGERIA | 171,780 | 166,187 | 436,130 | 209,516 | 1,187,035 | 9,878 |
| UGANDA | 72,928 | 6,133 | 205,176 | 61,649 | 519,844 | 28,620 |
| UZBEKISTAN | 201,144 | - | 354,963 | 11,178 | 279,367 | 43,800 |
| PAKISTAN | 41,192 | - | 367,584 | 23,390 | 639,271 | - |
| PANAMA | - | 17,172 | - | 157,336 | - | 22,896 |
| PARAGUAY | - | 32,709 | - | 46,154 | - | 24,532 |
| PERU | 70,000 | 64,148 | 171,702 | 71,014 | 44,157 | |
| PHILIPPINES | 250,000 | - | 603,270 | - | 68,894 | - |
| DEM. REP. OF THE CONGO | - | - | - | - | - | - |
| RWANDA | 40,000 | - | 53,373 | - 0 | 84,004 | - |
| SAINT LUCIA | - | - | 1,488 | - | - | - |
| SERBIA | - | 3,000 | - | 26,024 | - | 57,576 |
| SENEGAL | 193,578 | 7,693 | 1,020,633 | 57,942 | 477,256 | 43,109 |
| SEYCHELLES | - | - | 9,731 | - | 16,000 | - |
| SOMALIA | - | - | 1,397 | - | - | - |
| SRI LANKA | 10,534 | 83,067 | 119,790 | 97,584 | 542,844 | - |
| ST-VINCENT-GREN | - | - | 2 | - | - | - |
| SURINAMA | 54 | - | 32,002 | - | 30,628 | - |
| TAJIKISTAN | - | 2,105 | - | 3,366 | - | - |
| TANZANIA | 7,579 | - | 163,008 | 16,281 | 700,744 | 0 |

| | Disbursements | | Outstanding loans | | Remainder to be paid | |
|---|---|---|---|---|---|---|
| *In thousands of euros* | AFD | Proparco | AFD | Proparco | AFD | Proparco |
| PALESTINIAN TERRITORIES | 7,000 | 10,630 | 20,076 | 19,059 | 6,352 | - |
| THAILAND | - | - | 6,767 | - | - | - |
| TOGO | 503 | - | 1,125 | 14,698 | 119,002 | - |
| TUNISIA | 132,420 | 15,000 | 906,404 | 74,002 | 1,083,630 | 103,000 |
| TURKEY | 150,000 | 50,000 | 1,114,579 | 348,286 | 308,800 | 15,000 |
| URUGUAY | - | - | - | 7,564 | - | - |
| UKRAINE | - | 10,001 | - | 27,664 | - | 1,705 |
| VANUATU | - | - | 103 | - | - | - |
| VIETNAM | 40,745 | 62,217 | 784,273 | 58,515 | 466,573 | 40,886 |
| YEMEN | - | - | 1,422 | - | - | - |
| ZAMBIA | - | - | 66,726 | 25,402 | 82,930 | 12,266 |
| **TOTAL** | **5,676,513** | **1,282,726** | **27,990,503** | **4,431,779** | **20,179,985** | **2,142,648** |
| **AGGREGATE TOTAL** | **6,959,238,731** | | **32,422,281,344** | | **22,322,632,946** | |

*NB: Not restated for IFRS adjustments, forgiven loans, convertible bonds and loans on behalf of Proparco third parties.*

# 9.12 Appendix 8 – Table of Proparco's approvals

## 9.12.1 Appendix 8.1: part 1

| Countries *(In millions of euros)* | Loans | | Equity stakes and other long-term securities | | Other investments | | Guarantees | | Subventions | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| South Africa | 105.9 | - | - | - | - | - | 0.4 | 1.8 | - | 0.1 | 106.3 | 1.9 |
| Algeria | - | - | - | 0.7 | - | - | - | - | - | - | - | 0.7 |
| Angola | 33.7 | - | - | - | - | - | - | - | - | - | 33.7 | - |
| Argentina | - | 102.1 | - | - | - | 44.6 | - | - | - | - | - | 146.7 |
| Armenia | 17.4 | 1.5 | - | - | - | - | - | - | - | - | 17.4 | 1.5 |
| Benin | 20.0 | - | - | - | - | - | - | 0.7 | - | - | 20.0 | 0.7 |
| Burma | - | - | - | 6.3 | - | - | - | - | - | - | - | 6.3 |
| Botswana | - | 9.1 | - | - | - | - | - | - | - | - | - | 9.1 |
| Brazil | 202.0 | - | 8.8 | - | - | - | - | - | - | - | 210.9 | - |
| Burkina Faso | 18.5 | 25.0 | - | - | - | - | 3.8 | 14.0 | - | - | 22.4 | 39.0 |
| Cambodia | 44.5 | 8.9 | - | - | - | - | - | 4.8 | - | - | 44.5 | 13.8 |
| Cameroon | - | 27.2 | - | - | - | - | 23.9 | 44.3 | - | - | 23.9 | 71.5 |
| Cape Verde | - | - | - | - | - | - | - | 2.0 | - | - | - | 2.0 |
| China | 8.4 | 18.0 | - | - | - | - | - | - | - | - | 8.4 | 18.0 |
| Colombia | 43.0 | - | - | - | - | - | - | - | - | - | 43.0 | - |
| Congo-Brazzaville | - | - | - | - | - | - | 2.6 | 1.2 | - | - | 2.6 | 1.2 |
| Costa Rica | 42.8 | 4.1 | - | - | - | - | - | - | - | - | 42.8 | 4.1 |
| Côte d'Ivoire | 5.0 | 206.0 | - | - | - | - | 37.1 | 72.1 | - | 5.0 | 42.1 | 283.1 |
| Egypt | - | 68.1 | 28.5 | 15.0 | - | - | - | - | - | 1.7 | 28.5 | 84.7 |
| El Salvador | 27.8 | - | - | - | - | - | - | - | - | - | 27.8 | - |
| Ecuador | 24.7 | 40.8 | - | - | - | - | - | 13.6 | - | - | 24.7 | 54.4 |
| Ethiopia | - | 10.0 | - | - | - | - | - | - | - | - | - | 10.0 |
| Gabon | - | 76.5 | - | - | - | - | - | 0.8 | - | - | - | 77.3 |
| Georgia | 46.6 | 22.7 | - | - | - | - | - | - | 0.2 | - | 46.8 | 22.7 |
| Ghana | 21.8 | 27.2 | - | - | - | - | 6.1 | 4.1 | - | - | 27.9 | 31.3 |
| Guatemala | - | 18.2 | - | - | - | - | - | - | - | - | - | 18.2 |
| Guinea | - | - | - | - | - | - | 4.8 | 16.4 | - | - | 4.8 | 16.4 |
| Haiti | - | 3.0 | - | - | - | - | 0.9 | - | - | - | 0.9 | 3.0 |
| Honduras | 16.8 | - | - | - | - | - | - | - | - | - | 16.8 | - |
| India | 62.9 | 94.0 | 26.6 | 13.5 | 4.5 | 13.5 | 33.9 | - | - | - | 127.9 | 121.1 |
| Indonesia | - | 37.0 | - | - | - | - | 2.0 | 1.2 | - | - | 2.0 | 38.2 |
| Jordan | 28.7 | - | - | - | - | - | - | - | - | - | 28.7 | - |
| Kazakhstan | 13.7 | - | - | - | - | - | - | - | - | - | 13.7 | - |
| Kenya | 103.4 | 64.0 | 16.4 | 0.4 | 8.0 | 0.4 | - | - | - | - | 127.7 | 64.9 |
| Kyrgyzstan | - | - | 8.3 | - | - | - | - | - | - | - | 8.3 | - |
| Laos | - | - | - | - | - | - | 1.0 | - | - | - | 1.0 | - |
| Lebanon | - | 4.5 | - | - | - | - | - | 2.3 | - | - | - | 6.8 |
| Liberia | - | 4.4 | - | - | - | - | - | - | - | - | - | 4.4 |
| Madagascar | - | - | - | - | - | - | 11.8 | 11.6 | - | - | 11.8 | 11.6 |
| Mali | - | - | - | - | - | - | 3.2 | 0.6 | - | - | 3.2 | 0.6 |
| Morocco | - | - | - | 13.7 | - | - | 15.0 | - | 0.4 | - | 15.4 | 13.7 |

| Countries *(In millions of euros)* | Loans | | Equity stakes and other long-term securities | | Other investments | | Guarantees | | Subventions | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Mauritius | 42.4 | 25.0 | - | 4.0 | - | - | - | - | - | - | 42.4 | 29.0 |
| Mauritania | - | - | - | - | - | - | - | 3.0 | - | - | - | 3.0 |
| Mexico | 4.9 | 26.7 | - | 17.6 | - | - | - | - | - | - | 4.9 | 44.4 |
| Mongolia | - | 39.9 | - | - | - | - | - | - | - | - | - | 39.9 |
| Mozambique | - | - | - | - | - | - | 3.0 | 1.0 | - | - | 3.0 | 1.0 |
| Multi-country | 173.3 | 60.0 | 81.1 | 34.1 | 0.4 | 59.0 | 10.0 | 26.2 | 1.5 | 1.7 | 266.2 | 180.9 |
| Multi-country North Africa | - | - | - | 17.6 | - | - | - | - | - | - | - | 17.6 |
| Multi-country West Africa | 72.5 | - | - | - | - | - | - | - | - | - | 72.5 | - |
| Multi-country Africa | 14.3 | 157.7 | - | 111.0 | - | - | - | - | 10.5 | 9.5 | 24.8 | 278.2 |
| Multi-country Latin America and Caribbean | - | - | - | 37.5 | - | - | - | - | - | - | - | 37.5 |
| Myanmar | 4.0 | - | - | - | - | - | - | - | - | - | 4.0 | - |

## 9.12.2 Appendix 8.2: part 2

| Countries *(In millions of euros)* | Loans | | Equity stakes and other long-term securities | | Other investments | | Guarantees | | Subventions | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Nepal | - | 22.4 | - | - | - | - | - | - | - | - | - | 22.4 |
| Niger | - | 2.3 | - | - | - | - | 1.0 | - | - | - | 1.0 | 2.3 |
| Nigeria | 23.7 | 12.2 | 4.0 | 2.7 | - | - | - | 4.7 | - | - | 27.7 | 19.6 |
| Uganda | 28.9 | - | - | - | - | - | - | - | - | - | 28.9 | - |
| Uzbekistan | 43.8 | 13.5 | - | - | - | - | - | - | - | - | 43.8 | 13.5 |
| Pakistan | - | - | - | - | 8.6 | - | - | - | - | - | 8.6 | - |
| Panama | 16.4 | 84.8 | - | - | - | - | - | - | - | - | 16.4 | 84.8 |
| Paraguay | 25.8 | 36.3 | - | - | - | - | - | - | - | - | 25.8 | 36.3 |
| Peru | 42.4 | 7.3 | - | - | - | - | - | - | - | - | 42.4 | 7.3 |
| Philippines | - | - | - | 13.4 | - | - | - | - | - | - | - | 13.4 |
| Dem. Rep. of the Congo | - | - | - | - | 1.0 | - | 0.4 | - | - | - | 1.4 | - |
| Dominican Republic | 28.4 | 62.7 | - | - | - | - | 5.0 | - | - | - | 33.4 | 62.7 |
| Senegal | 29.0 | 40.0 | - | - | - | 15.0 | 17.0 | 12.2 | - | - | 46.0 | 67.2 |
| Serbia | 50.0 | - | - | - | - | - | - | - | - | - | 50.0 | - |
| Sri Lanka | - | 53.5 | - | - | - | - | - | - | - | - | - | 53.5 |
| Swaziland | - | - | - | - | - | - | - | 1.2 | - | - | - | 1.2 |
| Tajikistan | - | 5.3 | - | - | - | - | - | - | - | - | - | 5.3 |
| Tanzania | - | - | - | - | - | - | 4.8 | - | - | - | 4.8 | - |
| Palestinian Territories | 4.6 | 7.2 | - | 13.5 | - | - | 2.6 | 10.4 | - | 0.4 | 7.2 | 31.5 |
| Thailand | - | - | - | 18.1 | - | - | - | - | - | - | - | 18.1 |
| Togo | - | - | - | - | - | 31.1 | - | - | - | - | - | 31.1 |
| Tunisia | 15.0 | 110.0 | 0.4 | - | - | - | 4.4 | - | - | - | 19.8 | 110.0 |
| Turkey | - | 65.0 | - | - | - | - | - | - | - | - | - | 65.0 |
| Ukraine | - | 81.4 | - | - | - | - | - | - | - | - | - | 81.4 |
| Vietnam | 88.5 | - | 13.9 | - | - | - | 4.0 | - | - | - | 106.4 | - |
| Zambia | 12.7 | - | - | - | - | - | - | - | - | - | 12.7 | - |
| **TOTAL** | **1,608.0** | **1,785.5** | **188.0** | **319.2** | **22.5** | **163.6** | **198.6** | **250.4** | **12.5** | **18.4** | **2,029.5** | **2,537.1** |

# 9.13 Appendix 9 – Note on the Statement of Non-Financial Performance methodology

This report has been prepared in accordance with the GRI Standards: 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 indicators "Number of "safety" e-learning courses" – period from 15 January 2019 to 15 January 2020, inclusive – and "Number of Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) e-learning courses modules 1 and 2" – period from 1 January 2020 to 8 February 2021.

- **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.

Apart from the addition of the two issues mentioned in the paragraph "Identification of the main non-financial challenges and risks", the statement of non-financial performance for 2020 is produced on an iso-scope basis compared to 2019.

- **Description of the policies applied**

For each material risk, a description of the policies applied to prevent it, identify it and reduce the likelihood of it occurring.

- **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 pertinent information on the risks and challenges covered by the policies.

- **Comparability with previous year (N-1)**

Whenever possible, 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);
  - **Headoffice**: AFD and Proparco head offices (65.3% of the Group's headcount);
  - **AFD headoffice**: AFD head office only, including Marseille site and excluding Proparco (53.4% of the Group's headcount);
  - **AFD Paris headoffice**: AFD head office excluding Marseille site: Barthes, Mistral and 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**

SR 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 Official Relations Department ensures that the information released on indicators is consistent.

- **External audit**

The statutory auditors must certify that the declaration of non-financial performance required by Article L.225-102-1 of the French Commercial Code is effectively included in the management report.

The independent third party body must be instructed to verify the Statement of Non-Financial Performance. It produces a reasoned opinion on:

- the declaration'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 to the 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.

- **Main non-financial performance statement indicators**

| Information | Scope | Challenges |
|---|---|---|
| % of sovereign financing reported in IATI and data.gouv.fr format | AFD | Transparency of funds granted (ADP) |
| Introduction of dialogue on strategy and projects | Group | Dialogue with stakeholders |
| Complaints management system | AFD<br>Proparco | Dialogue with stakeholders<br>Management of impacts<br>Impact on local communities |
| Number of complaints received by the AFD complaints management system | AFD | Dialogue with stakeholders<br>Impact on local communities |
| E&S risk management process over the project cycle | AFD<br>Proparco | Management of impacts<br>Analysis of environmental risks<br>Impact on local communities |
| Classification of AFD projects according to level of environmental and social risk (in number of projects and amounts granted) | AFD | Management of impacts<br>Analysis of environmental risks |
| Classification of Proparco projects according to level of environmental and social risk (in number of projects and amounts granted) | Proparco | Management of impacts<br>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<br>Impact on local communities |
| Proparco *ex-ante* result indicators | Proparco | The activity's impact on Sustainable Development Goals<br>Impact on local communities |
| AFD capacity building activities | AFD | Stronger project management |
| Amount of commitments approvals for specific capacity building tools | AFD | Stronger project management |
| Initiatives engaged for preventing corruption, fraud, money laundering and the financing of terrorism | Group | Accountability for correct use of financing granted(1)<br>Compliance(1) |
| Number of people who validated their AML/CFT training (modules 1 and 2) | Group | Accountability for correct use of financing granted(1)<br>Compliance(1) |
| The ethics system | 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 | Promotion of diversity(5) |
| Collective agreement evaluation | Group(6) | Social dialogue(5) |
| Psychological risk management system | 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 |
| Greenhouse gas emissions avoided | Group | Impact on climate change |
| Breakdown of AFD's approvals by sector of activity | AFD | Impact on local communities |
| Number of "safety" e-learning *courses* | Group | Employee health/safety(1) |

*(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 HR department at 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.*

- **Methodology for calculating *ex-ante* performance indicators**

*Ex-ante* or expected 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 prescribed by Law no. 2014-773 of 7 July 2014 on the orientation and programming of development policy and international solidarity, known as LOPDSI (list of indicators in Annex 2 of the said 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 2019 and 2020 financial years**

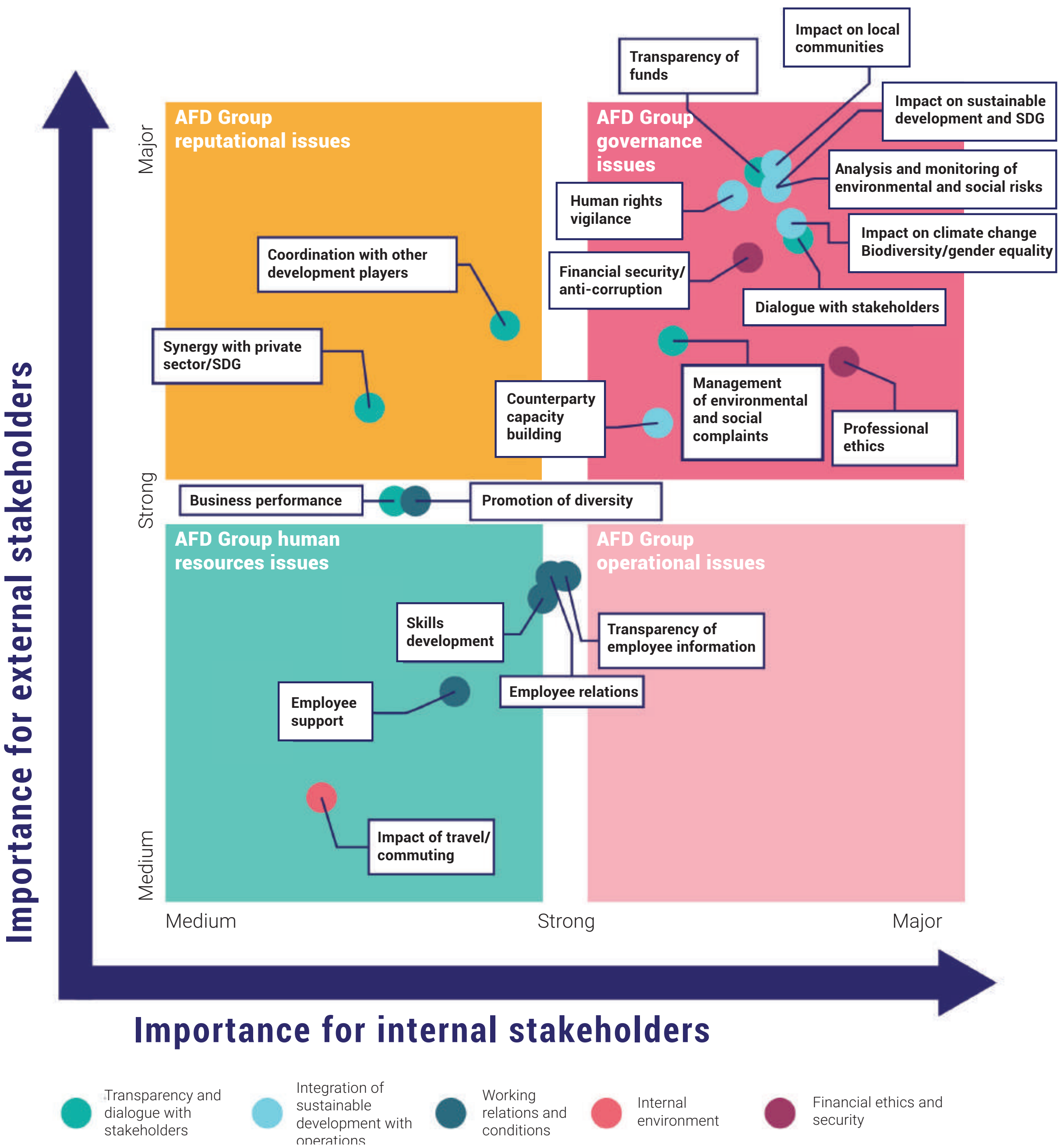
| CICID Sector 2019 | CICID Sector 2020 |
|---|---|
| **Agriculture and food safety** | Agriculture and food safety |
| **Water and drainage** | Water and drainage |
| **Education** | Education |
| **Environment and natural resources** | Agriculture and food safety |
| | Environment and natural resources* |
| **Infrastructure and urban development** | Crises and vulnerabilities |
| | Urban development and management |
| | Energy |
| | Governance |
| | Infrastructure and miscellaneous social services |
| | Transport |
| **Health/AIDS** | Healthcare |
| | Health/AIDS |
| **Business, industry and trade** | Other |
| | Business, Industry and Trade |
| | Transport |
| | *French Overseas Departments and Collectivities (excluding accounting)* |
| **Excl. CICID** | Other |
| | Crises and vulnerabilities |
| | Governance |
| | Infrastructure and miscellaneous social services |

* *Title changed to "Climate and Environment".*

(1) *https://www.legifrance.gouv.fr/loda/id/JORFTEXT000029210384/*

# 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 headcount managed by the Group as at 31 December 2020**

| *Employees* | End-2018 | End-2019 | End-2020 |
|---|---|---|---|
| Mainland France[(1)] | 1,576 | 1,713 | 1,776 |
| Agencies and representations in the countries of intervention | 195 | 234 | 242 |
| Technical assistance | 2 | 2 | 3 |
| Temporary assignments | 34 | 28 | 32 |
| **Group head office[(1)]** | **1,807** | **1,977** | **2,053** |
| French Overseas Collectivities | 107 | 100 | 92 |
| foreign countries[(2)] | 515 | 537 | 554 |
| **Group staff recruited locally[(2)]** | **622** | **637** | **646** |
| **AFD GROUP TOTAL** | **2,429** | **2,614** | **2,699** |
| of which Provided to French Overseas reserve banks[(1)] | 57 | 49 | 35 |
| **OF WHICH OVERSEAS RESERVE BANK TOTAL** | **57** | **49** | **35** |
| AFD Group VIA/VSC[(3)] | 141 | 147 | 138 |
| Overseas reserve bank VSC[(3)] | 6 | 1 | 1 |
| **INTERNATIONAL VOLUNTEERS TOTAL (VIA/VSC)** | **147** | **148** | **139** |
| Apprenticeship and professionalisation contract | 12 | 10 | 5 |
| Standard contract | 46 | 72 | 106 |
| **TOTAL FIXED-TERM CONTRACTS (CDD)** | **58** | **82** | **111** |

*(1) Excluding apprenticeships and professionalisation contracts. The figures for the 2018 headcount have been corrected in relation to the Statement of Non-Financial Performance published in the 2018 Registration Document, in order to use the same management scope for 2018 and 2019.*
*(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 2,699 people worldwide, excluding VIA/VSC and fixed-term contracts, *i.e.* an increase of 3.25% compared to 2019.

The 2,053 head office employees, recruited in Paris (76 more than in 2019), include:

- 2,018 AFD Group head office employees;
- 35 head office employees seconded to French Overseas reserve banks;
- The 646 locally hired employees (+9 on 2019) 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

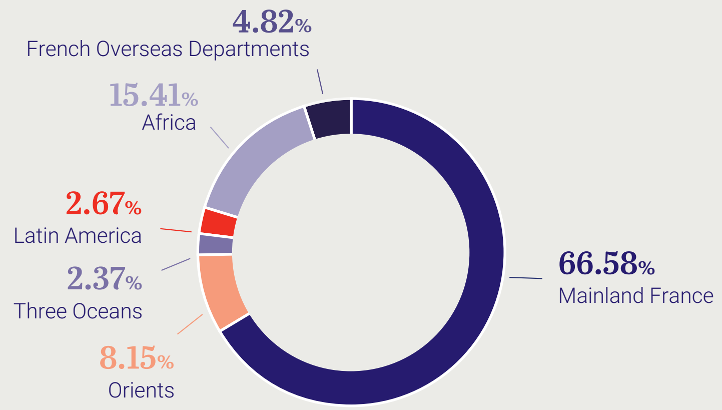
**Total staff managed by the Group broken down according to gender and age range in 2020 (at 31 December 2020)**


At the end of 2020, 54.8% of AFD Group employees are women. Their average age is 42.5 years old compared to 44.4 years old for men.

### Breakdown of employees per geographic area

| Geographic area | 31/12/2020 |
|---|---|
| Mainland France* | 1,797 |
| FRENCH OVERSEAS DEPARTMENTS | 130 |
| AFRICA | 416 |
| LATIN AMERICA | 72 |
| THREE OCEANS | 64 |
| ORIENT | 220 |
| **GRAND TOTAL** | **2,699** |

* *Mainland France (Mainland France AFD employees + temporary assignments).*




## Recruitment and departures

| Recruitment | Head office employees | Locally hired employees | Total |
|---|---|---|---|
| **TOTAL** | **163** | **67** | **230** |

### External departures of Group employees

In 2020, the total number of permanent departures worldwide* (excluding suspensions of contracts) totalled 135 (78 head office employees and 57 employed locally).

| Reasons for departure | Head office employees | Locally hired employees | Total departures | Turnover rate |
|---|---|---|---|---|
| Retirement | 18 | 18 | 36 | 1.33% |
| Voluntary redundancy | 5 | 1 | 6 | 0.22% |
| Resignation | 30 | 15 | 45 | 1.67% |
| End of fixed-term contract | 9 | 13 | 22 | 0.82% |
| End of trial period | 7 | 1 | 8 | 0.30% |
| Dismissals | 6 | 2 | 8 | 0.30% |
| Death | 3 | 1 | 4 | 0.15% |
| Contract conversion (to head office status) | | 6 | 6 | 0.22% |
| **TOTAL** | **78** | **57** | **135** | **5.00%** |

## Remuneration for employees managed by AFD Group

| **Indicators** *(in thousands of euros)* | 2018 | 2019 | 2020 |
|---|---|---|---|
| Average gross annual salary | 72.4 | 73.7 | 73.6 |

* *Excluding local employees of reserve banks linked to the end of the UES.*
*Suspension of contract not counted: -2 head office employees and -1 locally hired employee.*

### 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 2020, 16,804 days were lost to illness for head office employees on permanent (CDI) and fixed-term (CDD) contracts (of which 300 days for CDD employees), which equates to an absenteeism rate of 2.51%.

### 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 2020 (12 in 2019), with 214 days lost to accidents over the year (424 in 2019).

The frequency rate was 3.4 (4.4 in 2019) and the severity rate 0.07 (0.16 in 2019).

AFD Group could find no occupational illness contracted within the organisation.

### Measures taken to promote equality between men and women

- Recruitment: 57.7% of women hired.
- Women in supervisory positions: 53.2%.
- Women in managerial positions: 47.6%.
- Women in the network: 39%.
- Population: **Group head office.**

### Measures taken to promote the employment and integration of disabled people

- The number of people employed in 2020 who are recognised as disabled workers was 63, including 40 women and 23 men, compared with 54 in 2019 (32 women and 22 men).
- The number of employees recognised as disabled workers who were hired in 2020 is 2 compared with 7 in 2019, including 5 men and 2 women.

## 9.14.3 Statement of Non-Financial Performance Appendix 3: Grenelle II Law indicators – Environmental information

| Indicator and scope | 2020 value |
|---|---|
| Pollution and waste management | |
| **Waste production (scope: Head Office):** | |
| Total production | 90.12 t/year |
| *of which paper/cardboard* | *39.6 t* |
| Per employee | 51.4 kg/employee |
| Sustainable use of resources | |
| Water consumption (scope: AFD Paris head office) | 9,007 $m^3$/year |
| Raw materials consumption (scope: Head office, excluding service providers) | |
| • Total paper consumption | 10 t/year |
| • Paper consumption per employee | 5.7 kg/employee |
| • Energy consumption SHON(1) AFD (head office and Proparco) | 6,153 MWh/year |

*(1) Net floor area (excluding technical rooms).*

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 soon, 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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