



GLOBAL CROP DIVERSITY TRUST

Financial Statements for the year ended
31 December 2021



GLOBAL CROP DIVERSITY TRUST

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Statement from the Executive Board Chair

During a year in which the COVID-19 pandemic continued to darken lives and constrain normal activities worldwide, signs of hope for our shared future shone through. Among these was an increased sense of urgency within the global community to combat the climate crisis and secure our future global food supply, as evidenced by the launch of new initiatives, partnerships and proposed solutions.

The Crop Trust team, along with its partners and donors, continued their invaluable work in 2021 to meet the organization's unique mandate: to conserve and promote the use of crop diversity for a food-secure future.

For this continuity, I am particularly grateful to Sir Peter Crane, the outgoing Executive Board Chair (2019–2021), who stepped up to lead the Board after contributing as a member for 14 years. Though his tenure as Board Chair coincided with a period of great worldwide upheaval, the organization has managed to not only survive but thrive over the past year surpassing planned goals and launching new initiatives that will lay the foundations for a more secure global food system for decades to come. On behalf of the whole community, I thank Peter for his thoughtful leadership and unwavering commitment to the Crop Trust.

As in many international organizations, the Crop Trust's work in 2021 continued to take place mainly virtually. Planned meetings and training were largely conducted online, and many genebanks and research institutions continued to be constrained by unpredictable national lockdowns and restrictions.

Yet, these challenges did not prevent the Crop Trust from advancing its planned agenda and launching ambitious new initiatives together with partners and donors from the successful completion of the 11-year Crop Wild Relatives (CWR) project and the CGIAR Genebank Platform to the ramping up of the Seeds for Resilience project and the launch of two major projects.

Biodiversity for Opportunities, Livelihoods and Development (BOLD), a new 10-year initiative funded by the Government of Norway and building off the success of the CWR project, will strengthen the conservation and use of crop diversity worldwide. The "Strategic Development of the Global Crop Diversity Trust", a three-year project funded the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), will support the institutional development and strategic repositioning of the Crop Trust, particularly around sustainable financing.

In partnership with the Secretariat of the International Treaty for Plant Genetic Resources for Food and Agriculture (the Plant Treaty), the Crop Trust launched a new emergency relief fund for genebanks in crisis 2021. This is the first time that such support has been made available in a structured way, and we are grateful to the governments of Italy and Norway for providing funds for this venture.

Project activities, including the Genebank Platform, Crop Wild Relatives project and the development of crop-based strategies, together with the Crop Trust's long-term grants for the daily work of crop conservation, accounted for a total expenditure of USD 35.6 million in 2021, of which USD 33 million were related to program activities. Operational expenditures were 6% of total direct expenditures. The Crop Trust's small secretariat continues to focus on cost-effectiveness in achieving its objectives.

In 2021, funds withdrawn from the endowment fund supported the Crop Trust's long-term grants with the international research centers of the Consultative Group on International Agricultural Research (CGIAR), which hold the largest international collections of crop diversity. The endowment fund also



contributed to the operational costs of running the Svalbard Global Seed Vault, in conjunction with our partners (the Government of Norway and the Nordic Gene Resource Centre, “NordGen”), the Secretariat of the Pacific Community (SPC) and operational activities of the Crop Trust.

As at 31 December 2021, the total estimated value of the endowment fund amounted to USD 339 million, an increase of USD 35 million from 2020 (USD 304 million), plus loan proceeds from the German Development Bank (KfW) of USD 59 million (2020: USD 62 million).

Total new contributions of USD 9.8 million were received from five donors for the endowment, including USAID (USD 5.4 million), the Government of New Zealand (USD 2.1 million), Government of Germany (USD 2.1 million), the Government of India (USD 0.1 million) and Groupe Limagrain (USD 0.06 million). We are deeply grateful for all of these endowment fund contributions. In addition, market performance for both the endowment’s USD and EUR funds continued to exceed estimated benchmarks in 2021.

To date, USD 63 million in investment income (2020: 54.4 million) has been withdrawn from the fund since its inception, of which a major portion has been used to support long-term grants to the CGIAR international genebanks per its founding commitment. In 2021, USD 8.8 million was withdrawn from the endowment fund which was primarily used to support the CGIAR genebanks, the Svalbard Global Seed Vault (USD 0.16 million), to cover a long-term grant to the Secretariat of the Pacific Community (USD 0.06 million) and to support the operational activities of the Crop Trust. The withdrawn funds were supplemented by contributions from the Government of Germany and the European Commission totalling USD 5 million and we thank them for their continued support.

Notably, in 2021, the Crop Trust Executive Board tendered for a single outsourced Chief Investment Officer (oCIO) to replace the previous structure consisting of two investment managers which resulted in the selection of Mercer in October 2021. Mercer will work with the Crop Trust to enhance its Investment Policy and ESG Strategy further over the coming year.

As a responsible asset owner, the Crop Trust includes environmental, social and governance (ESG) considerations as important components of its investment strategy, and as a further means of supporting its broader mission and objectives.

The Crop Trust is also a signatory to the United Nations Principles of Responsible Investment (UNPRI) - an initiative that includes an international network of investors who are working to put responsible investment into practice.

The Crop Trust and its investment managers also consider other indicators, such as carbon foot printing, climate change scenarios and climate-related risks, in its investment processes.

Thanks to the leadership of Crop Trust Executive Director, Stefan Schmitz, outgoing Board Chair, Sir Peter Crane, and all its dedicated staff, partners and donors, the Crop Trust is entering 2022 with renewed energy and commitment to its mission.

I am deeply grateful to all these individuals and look forward to the year ahead as we work together to build a more secure global food supply.

A handwritten signature in cursive script that reads "Catherine Bertini".

Catherine Bertini
Chair of the Executive Board
Global Crop Diversity Trust



Board Statement on Risk Management

For the Year Ended 31 December 2021

The Crop Trust's Executive Board has the overall responsibility for ensuring an appropriate risk management process is in place to identify and manage high and significant risks to the Crop Trust. The Executive Board adopted an approach for the Crop Trust whereby the review and monitoring of key risks is a standing item at each Fall Executive Board meeting using a framework of identifying, assessing, managing and monitoring risks over the following eight categories - strategy, performance, governance, environment and climate change, finance and investment, operations, programs, external affairs and communication. This assessment calculates the probability that the risk will occur and, identifies the estimated magnitude of the potential loss, or "estimated risk value". A specific role of the Finance & Investment Committee of the Executive Board of the Crop Trust is to review the institutional risk management matrix ahead of the Executive Board Fall meeting and report to the Executive Board.

The Executive Board reviews the risks during the year to ensure that adequate attention is being paid to high risks and management has put in place adequate risk mitigation strategies. The Crop Trust's institutional risk management matrix was updated in October 2021 for 2022 following an analysis of risks, the potential severity of their impact on the Crop Trust and the likelihood of occurrence before and after considering mitigating factors currently in place.

The Executive Board notes that the effectiveness of risk management depends not only on identification of risks but also on the implementation of effective mitigation plans and the overall governance of the risk management system. The Executive Board is satisfied with the attention paid by management to risk management and is comfortable that the Executive Board's risk governance is sufficient to identify, manage and monitor key risks to the Crop Trust's operations.

For the year 2021, the Finance & Investment Committee (FIC) of the Executive Board of the Crop Trust was responsible for all matters relating to the financial affairs of the organization encompassing the areas of strategic financial planning, resource management, treasury management, investment and financial risk management, financial monitoring and policy related issues, and to provide timely advice to the Executive Board on areas within its remit. The specific role of FIC, as outlined in the FIC Charter, was also to review the institutional risk management strategy and report to the Executive Board.

The Executive Board, at its meeting on 17 December 2021, agreed to revise the Charter/Terms of Reference of the current FIC in order to ensure there is an effective oversight of these critical functions of the Crop Trust, and also to reduce the burden on committee members, in particular on external members who so graciously contribute their time and expertise pro bono. From 1 January 2022, the Investment Committee and Finance & Audit Committee will take over the responsibilities of the Finance and Investment Committee, which met for its last meeting on 7 December 2021.

A handwritten signature in cursive script, appearing to read "Catherine Bertini", written in a dark ink.

Catherine Bertini
Chair of the Executive Board
Global Crop Diversity Trust

Management Statement of Responsibility for Financial Statements

For the year ended 31 December 2021

The accompanying financial statements of the Global Crop Diversity Trust ("Crop Trust") are the responsibility of management and have been prepared in accordance with International Financial Reporting Standards (IFRS). Crop Trust management is responsible for the substance and objectivity of the information contained therein.

The financial statements of the Crop Trust are drawn up to present fairly the financial position of the Crop Trust as at 31 December 2021, and the results of its activities and cash flows for the year ended 31 December 2021. The Crop Trust maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management's authorisation. A system of reporting within the Crop Trust presents management with an accurate view of the operations enabling us to discern risks and, at the same time, providing a reliable basis for the financial statements and management reports.

The Executive Board exercised its responsibility in 2021 for these financial statements through the Executive Board and Finance and Investment Committee, who met regularly with management and representatives of the external auditors to review matters relating to financial reporting, internal controls, and auditing. From 1 January 2022, the Investment Committee and Finance & Audit Committee will take over the responsibilities of the Finance and Investment Committee, which met for its last meeting on 7 December 2021.

A handwritten signature in black ink, appearing to read "Schmitz".

Dr. Stefan Schmitz
Executive Director

A handwritten signature in black ink, appearing to read "Janet Muir".

Janet Muir
Director of Finance

Bonn, 24 March 2022

Independent Auditor's Report

To the Global Crop Diversity Trust, Bonn

Opinion

We have audited the annual financial statements of Global Crop Diversity Trust, Bonn, (the "Crop Trust") which comprise the statement of financial position as at December 31, 2021, and the statement of activity & other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Global Crop Diversity Trust as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as issued by the IASB.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements" section of our report. We are independent of the Crop Trust in accordance with the ethical requirements of the German professional provisions that are relevant to our audit of the annual financial statements in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRSs, as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Crop Trust'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 management either intends to liquidate the Crop Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Crop Trust's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Crop Trust's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on 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. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Crop Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

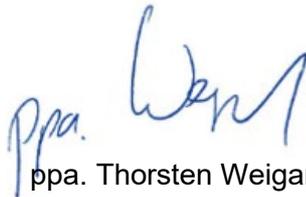
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cologne, March 31, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft



Jens Pollmann
Wirtschaftsprüfer
(German Public Auditor)



ppa. Thorsten Weigand
Wirtschaftsprüfer
(German Public Auditor)

Attachments

General Terms of Engagement for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften as of 1 January 2017

GLOBAL CROP DIVERSITY TRUST
Statement of Financial Position
As at 31 December 2021
(all figures expressed in thousands of US Dollars)

| | Notes | 2021 USD'000 | 2020 USD'000 |
|---|-------|-----------------|-----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 16,621 | 12,973 |
| Receivable: | 5 | | |
| Donors | | 1,449 | 2,613 |
| Other | | 160 | 88 |
| Prepaid expenses | 6 | 676 | 2,050 |
| Financial Asset | 16 | 5,748 | 6,747 |
| Total current assets | | 24,654 | 24,471 |
| Non-current assets | | | |
| Property, plant & equipment | 7 | 6 | 9 |
| Intangible Asset | 8 | 156 | 164 |
| Financial Asset | 16 | 397,750 | 365,552 |
| Total non-current assets | | 397,912 | 365,725 |
| TOTAL ASSETS | | 422,566 | 390,196 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payable: | 9 | | |
| Grants in advance | | 6,661 | 6,259 |
| Other | | 349 | 527 |
| Deferred Income | 10 | 10,615 | 8,081 |
| Accruals | 11 | 490 | 492 |
| Provisions | 12 | 97 | 13 |
| Total current liabilities | | 18,212 | 15,372 |
| Non-current liabilities | | | |
| Provisions | 12 | 105 | 205 |
| Borrowings | 13 | 56,860 | 61,177 |
| Total non-current liabilities | | 56,965 | 61,382 |
| TOTAL LIABILITIES | | 75,177 | 76,754 |
| NET ASSETS | | | |
| Unrestricted | 15 | 8,348 | 9,698 |
| Permanently restricted net assets | 16 | 339,041 | 303,744 |
| TOTAL NET ASSETS | | 347,389 | 313,442 |
| TOTAL LIABILITIES AND NET ASSETS | | 422,566 | 390,196 |



GLOBAL CROP DIVERSITY TRUST
Statement of Activities & Other Comprehensive Income
For the year ended 31 December 2021
(all figures expressed in thousands of US Dollars)

| | Notes | 2021 | | | | 2020 | | | |
|---------------------------------------|-----------|----------------|----------------------|------------------------|---------------|--------------|----------------------|------------------------|---------------|
| | | Unrestricted | Temporary Restricted | Permanently Restricted | Total | Unrestricted | Temporary Restricted | Permanently Restricted | Total |
| | | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Revenue and gains | 19 | | | | | | | | |
| Grant Revenue | | 1,393 | 23,978 | - | 25,371 | 1,498 | 24,659 | - | 26,157 |
| Contribution to Endowment Fund | | - | - | 7,648 | 7,648 | - | - | 17,031 | 17,031 |
| Contribution to Loan Interest | | - | - | 826 | 826 | - | - | 784 | 784 |
| Other Revenue | | 60 | - | - | 60 | 61 | - | - | 61 |
| Other Income and gains | | 2 | - | - | 2 | 44 | - | - | 44 |
| Total revenue and gains | | 1,455 | 23,978 | 8,474 | 33,907 | 1,603 | 24,659 | 17,815 | 44,077 |
| Expenses and losses | 20 | | | | | | | | |
| Program direct expenses | | 1,393 | 23,978 | 7,999 | 33,370 | - | 24,659 | 6,272 | 30,931 |
| Management and general expenses | | 1,359 | - | 839 | 2,198 | 1,865 | - | - | 1,865 |
| Total expenses and losses | | 2,752 | 23,978 | 8,838 | 35,568 | 1,865 | 24,659 | 6,272 | 32,796 |
| Finance Income and expenditure | 21 | | | | | | | | |
| Net gain on endowment fund | | - | - | 38,413 | 38,413 | - | - | 42,866 | 42,866 |
| FX revaluation Gain | | - | - | 4,411 | 4,411 | 405 | - | 5,124 | 5,529 |
| FX revaluation Loss | | (53) | - | (4,411) | (4,464) | - | - | (5,124) | (5,124) |
| Investment management fees | | - | - | (1,926) | (1,926) | - | - | (1,651) | (1,651) |
| Interest on loan | | - | - | (826) | (826) | - | - | (784) | (784) |
| Net Finance Income | | (53) | - | 35,661 | 35,608 | 405 | - | 40,431 | 40,836 |
| | | (1,350) | - | 35,297 | 33,947 | 143 | - | 51,974 | 52,117 |
| Other comprehensive income | | - | - | - | - | - | - | - | - |
| | | (1,350) | - | 35,297 | 33,947 | 143 | - | 51,974 | 52,117 |



GLOBAL CROP DIVERSITY TRUST

Statement of Changes in Net Assets

For the year ended 31 December 2021

(all figures expressed in thousands of US Dollars)

| | Notes | Unrestricted | Permanently Restricted | Total |
|--|-----------|--------------|------------------------|----------------|
| | | USD'000 | USD'000 | USD'000 |
| Balance as at 1 January 2020 | | 5,096 | 256,229 | 261,325 |
| Transfer of unspent allocated endowment balance to reserve | | 4,459 | (4,459) | - |
| Total comprehensive income for the period | | 143 | 51,974 | 52,117 |
| Balance as at 31 December 2020 | | 9,698 | 303,744 | 313,442 |
| Transfer of unspent allocated endowment balance to reserve | 15 | - | - | - |
| Total comprehensive income for the period | | (1,350) | 35,297 | 33,947 |
| Balance as at 31 December 2021 | | 8,348 | 339,041 | 347,389 |



GLOBAL CROP DIVERSITY TRUST

Statement of Cashflow

For the year ended 31 December 2021

(all figures expressed in thousands of US Dollars)

| | 2021 USD'000 | 2020 USD'000 |
|--|-----------------|-----------------|
| Cashflows from (used in) operating activities | | |
| Total comprehensive income for the period | 33,947 | 52,117 |
| Adjustments to reconcile net cash provided by operating activities: | | |
| Depreciation | 6 | 10 |
| Amortization of intangibles | 85 | 15 |
| Interest expense | 826 | 784 |
| Net gains on endowment fund | (38,413) | (42,866) |
| Other Non-Cash Items | (62) | (385) |
| Decrease/(increase) in assets: | | |
| Accounts Receivable | 1,092 | 380 |
| Prepaid expenses | 1,374 | (696) |
| (Decrease)/Increase in liabilities: | | |
| Accounts Payable | 224 | (1,415) |
| Deferred Income | 2,534 | 541 |
| Accruals | (2) | 170 |
| Provisions | (16) | 5 |
| Net cash used in /(provided by) operating activities | 1,595 | 8,660 |
| Cash flows from investment activities | | |
| Acquisition of equipment | (3) | (3) |
| Acquisition of intangible asset | (77) | (179) |
| Purchase of investments | (9,782) | (17,911) |
| Proceeds from maturity and sale of investments | 12,679 | 8,051 |
| Net cash provided by/(used in) investment activities | 2,817 | (10,042) |
| Cash flows from financing activities | | |
| Interest expense | (826) | (784) |
| Net cash (outflow) from financing activities | (826) | (784) |
| Net increase/(decrease) in cash | 3,586 | (2,166) |
| Cash and cash equivalents at the beginning of the period | 12,973 | 14,754 |
| Change in cash and cash equivalents due to change in exchange rates | 62 | 385 |
| Cash and cash equivalents at the end of the period | 16,621 | 12,973 |



GLOBAL CROP DIVERSITY TRUST

Notes to the Financial Statements

For the year ended 31 December 2021
(Expressed in United States dollars unless otherwise stated)

1. STATEMENT OF PURPOSE

The Global Crop Diversity Trust (hereinafter referred to as the “Crop Trust” or the “Organization”) was established in October 2004 as an independent organization under international law. This status was conferred on it through the signing of an Establishment Agreement by seven states from five of the regions referred to in the basic texts of the United Nations Food and Agriculture Organization. The international status of the Crop Trust is conferred under an Establishment Agreement, which has been signed by 28 countries.

As an independent international organization, the Crop Trust does not have any shareholders or parent. It is governed by an Executive Board. The headquarter of the Crop Trust is located at Platz der Vereinten Nationen 7, 53113 Bonn, Germany.

These financial statements have been reviewed by the Finance & Audit Committee and were authorized for issue on 24 March 2022 by the Executive Board of the Crop Trust.

Mission

The mission of the Crop Trust is to ensure the conservation and availability of crop diversity for food security worldwide. Crop diversity is central to food security. It underpins today’s production and provides the raw material needed for ensuring continuing supplies tomorrow, in the face of a rapidly changing world.

Crop collections require constant maintenance and even brief disruptions or variations in funding can leave material at risk of permanent loss. The conservation of crop diversity in genebanks is a long-term task. Only stable, predictable support from an endowment fund can guarantee a global system of conservation for a shared resource that is too important for anything less than perpetual care.

Donors to the Crop Trust include governments from developing and developed countries, foundations, the private sector and individuals. Together donors have contributed over USD 626 million (including endowment fund contributions, a concessional loan and project and operational funding) to the Crop Trust’s work as at 31 December 2021.

The Crop Trust is building an endowment fund, the recurring income from which will be sufficient to guarantee the conservation and the ready availability of the biological foundation of all major agricultural crops, forever. It currently has USD 245 million in paid contributions plus a EUR 50 million concessional loan from a wide array of donors with a non-current endowment fund market value of approximately USD 398 million as at 31 December 2021. 95% of the endowment contributions received have been provided by Governments.

The investment objective for the Crop Trust’s endowment fund is that it is highly diversified and structured for the long-term so that it can withstand short-term market dislocations, whether positive or negative. The key objective of the fund is to earn returns sufficient to outpace spending, maintaining the Fund’s real purchasing power over time and, if possible, grow it. With this goal in mind and given the 4% cap on spending adopted by the Crop Trust, the Fund aims to attain an annualized real total return of at least 4%, net of fees, over rolling ten-year periods.

To date approximately USD 63 million has been allocated by the Crop Trust to support long-term grants with the Consortium of International Agricultural Research Centers (CGIAR) international research centers that hold the international crop collections. The Crop Trust also contributes to the operational

costs associated with running the Svalbard Global Seed Vault, in conjunction with our partners, the Government of Norway and the Nordic Gene Resource Centre and the Secretariat of the Pacific Community (SPC). The support provided by the endowment fund comes solely from investment income earned i.e., the actual contributions invested in the endowment fund are not drawn on. The fund allows the Crop Trust to fulfil its purpose: to create a permanent legacy of support for the key international collections of critical importance to our food supply.

Principal activities of the Crop Trust include:

- (1) Rescuing the seeds in endangered national crop collections;
- (2) Funding the ongoing maintenance of vital global crop collections;
- (3) Documenting the characteristics of conserved seeds so that collections are useful for plant breeders;
- (4) Sponsoring and improving global information systems for managing and sharing crop genetic data, massively enhancing access, and therefore options, for plant breeders everywhere. Part of this work is being done in collaboration with the United States Department of Agriculture (USDA);
- (5) Funding of the ultimate safety back-up facility - the Svalbard Global Seed Vault deep in the Arctic permafrost - where currently 1,145,693 duplicates of the world's seed collections are being stored, originating from every country on earth.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the Crop Trust are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared on a historical cost basis except for investments that have been measured at fair value. The financial statements are presented in thousands of US dollars (USD '000) and all values are rounded to the nearest thousands, except where otherwise indicated.

In accordance with Article 9 of the Headquarters Agreement between the Federal Republic of Germany and the Crop Trust signed 29 June 2012, the Crop Trust is tax exempt.

The significant accounting policies followed are described below.

2.1 Cash and Cash Equivalents

Cash and cash equivalents comprise of contributions and grants in advance received together with related interest earned. As contributions for the endowment fund are permanently restricted, cash and cash equivalents at the year-end do not include contributions to the endowment fund. Rather, these are reported as financial assets.

Cash is comprised of cash on hand, petty cash funds, and currencies awaiting deposit as well as local or foreign currency deposits in banks which are immediately available for use in current operations.

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash, and when nearing their maturity date there is insignificant risk of changes in value arising from changes in interest rates. In general terms, only investments with original maturities of three months or less will qualify under this definition.

2.2 Receivable

Donors

These are claims held against debtors for the future receipt of money. Receivables due from donors can arise from unrestricted, temporarily restricted and permanently restricted grants that have been agreed between the Crop Trust and the donor. Receivables relating to unrestricted, temporarily



restricted and permanently restricted grants are recorded once the donor signed an irrevocable agreement to provide the grant to the Crop Trust. Receivables are carried at the lower of amortized cost or the estimated future cash flows.

The Crop Trust assesses whether there is objective evidence that the receivables are impaired at the end of each reporting period.

The allowance method is used to provide for doubtful accounts and is calculated as an amount equal to the total receivables shown, or reasonably estimated to be doubtful of collection. The amount in the allowance is based on past experience and on a continuous review of receivable reports and other relevant factors. When an account receivable is deemed doubtful of collection, an allowance is provided during the year the receivable is deemed doubtful. Any receivable, or portion of receivable judged to be uncollectible is written off. Write-offs of receivables are done via allowance for doubtful accounts after all efforts to collect have been exhausted.

The Crop Trust did not have any doubtful accounts during the year.

2.3 Prepaid Expenses

Prepaid expenses are payments made in advance for equipment, goods and services related to project costs that have not yet been expensed. The prepayment is released once the project costs have been expensed. The project costs for equipment are expensed once the equipment is in use. If project costs are not incurred in the future, the prepaid expenses are subject to repayment. Other prepaid expenses also include licenses, subscriptions and insurance.

2.4 Property, Plant and Equipment

Office equipment and furniture are recorded at cost and depreciated over the estimated useful life of the respective asset (between three to five years). The straight-line method is applied where the asset has an original cost greater than USD 2K. Items with an original cost lower than this amount are charged directly to operating expenses in the Statement of Activities in the period in which they are incurred.

The depreciation charge for each period is recognized in the Statement of Activities as management and general expenses.

2.5 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are recognized if, and only if, it is probable that the expected future economic benefit attributable to the asset will flow to the Crop Trust and the cost of the asset can be measured reliably.

An intangible asset is measured initially at cost. The cost of the separately acquired intangible asset comprises a) its purchase price and non-refundable purchase taxes and b) any direct attributable cost of preparing the asset for its intended use. The Crop Trust has no internally generated intangible assets, only acquired intangible assets.

Intangible assets are amortized over the estimated useful life of the respective asset, between 3 to 5 years, on a straight-line basis. Amortization begins when the asset is available for use. Amortization ceases at the earlier of the date that the asset is classified as held for sale or the date the asset is derecognized. The amortization charge for each period is recognized in the Statement of Activities as management and general expenses. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least annually at each financial year end.

2.6 Financial Assets and Liabilities

Financial Assets relate primarily to a permanently restricted endowment fund established by the Crop Trust to support the effective conservation and ready availability of the biological basis of agriculture.

The endowment fund is not a separate investment vehicle, it is a name used for diverse investments which are administered by two investment managers on behalf of the Crop Trust during the reporting period.

The endowment fund investments are recorded at fair value. The fair value option was exercised in line with the applied fair value management approach. The fair value of financial assets is determined with reference to quoted market prices, observable market data and unobservable valuation inputs. Regular purchases and sales of financial assets are recognized and derecognized using trade date accounting. Changes in the market value of the financial assets are reported as finance income or expense in the Statement of Activities.

Financial liabilities are borrowings, payables and accruals. Borrowings are classified as current liabilities with maturities of more than 3 months but not exceeding one year. Liabilities with the purpose of keeping them for more than one year from their acquisition date are to be classified as long-term borrowings.

Impact of the new financial standards:

The International Accounting Standards Board and the IFRS Interpretations Committee have implemented and approved amendments to a number of existing IFRSs, which became effective for the Crop Trust in 2021.

The Crop Trust does not expect any significant impact on its financial statements resulting from the following Amendments to the Standards and the interpretation of those:

- (1) Amendment to IFRS 16: Leases, COVID 19 – Related rent concession, effective 1 April 2021. This amendment provides lessees with relief in the form of an optional practical expedient from assessing whether a rent concession relates to COVID-19 is a lease modification. This allows lessees to account for rent concessions in the same way as if they were not lease modifications. This concession is applicable only for rent concessions directly linked to the COVID-19 pandemic with 3 conditions; 1) the change in lease payment resulted in revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change; 2) any reduction in lease payments affected only payments due on or before 30 June 2022 and 3) there was no substantive change to other terms and conditions of the lease.
- (2) Amendments to the Interbank Offered Rates (IBOR) reform Phase 2, effective 1 January 2021. Phase 2 of the IBOR reform, which addresses the issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. This includes amendments to IFRS 9, IFRS7, IFRS4 and IFRS 16. The amendments require entities to account for a change in the basis for determining the contractual cash flows by updating the effective interest rate in line with IFRS 9 for instruments to which the amortised cost measurement applies. The result of which is that no immediate gains or losses are recognized. This is only applicable for those changes that are a direct consequence of the IBOR reform. IFRS 7 was amended to include additional disclosures relating to the reform and IFRS 16 was also amended to require lessees to use a similar method when accounting for lease modifications that change the basis for determining future lease payments because of the reform.

2.7 Payables

These are the aggregate amount of short-term liabilities reflecting amounts owed in respect of goods, services and general expenditure relating to the operational activities of the Crop Trust received during the year, grants in advance for the year and grants payable.

Payables are split into grants in advance and other payables. Grants in advance represent amounts that have been expensed by partners and are included as program expenditures in the Statement of Activities; however, the funds in this case have been received from the donors but have not yet been paid to the partners. Other payables include liabilities due to suppliers for services to the Crop Trust.

Payables are stated at amortized costs.

2.8 Deferred Income

According to IAS 20.12, deferred income represents amounts received from the donor for which the related expense has not yet been incurred. Once the funds are expensed, the deferred income is reduced with a corresponding recognition of revenue in the Statement of Activities.

Deferred income includes other income receivable that has not yet been expensed and grants towards loan interest received that have not yet been expensed.

2.9 Employee Benefits

The Crop Trust provides the following employee benefits:

- (1) Short Term obligation - regular monthly benefits (wages, salaries, private medical), compensated absences (annual, medical, maternity/paternity leave) and other benefits (education grant, relocation grant - subject to terms and conditions);
- (2) Post-employment benefits relate to repatriation grants and pension contributions;
- (3) Other Long Term employee benefits include accumulated leave payable on separation; and
- (4) Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

Employee benefits are usually expensed and recognized in the Statement of Activities in the period in which they occur.

Leave obligations cover the Crop Trust's liability for annual leave. In accordance with the Crop Trust's Executive Board-approved Personnel Policies & Procedures Manual (PPPM) annual leave earned in any calendar year may be accumulated; provided that the total amount of accrued annual leave to be carried forward at the end of the leave year shall not exceed 30 working days. Days over 30 are lost as of 31 December of each year unless the Executive Secretary approves retention because taking leave was not possible due to exigencies of service. Therefore, all current annual leave obligations are expected to be settled within the next 12 months in the normal course of business.

The Crop Trust has established a defined contribution retirement fund. For all regular employees, and in accordance with the PPPM, the Crop Trust shall make a contribution to the fund of up to 20% of the employee's base salary. The employee may make additional voluntary contributions to the retirement plan. The Crop Trust has no further payment obligations once the contributions have been paid. The employer contributions are recognized as an employee benefit and are recorded as an expense in the Statement of Activities when they fall due.

2.10 Provisions and Contingent Liabilities

Provisions are recognized when: 1) the Crop Trust has a present obligation (legal or constructive) as a result of a past event, 2) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and 3) a reliable estimate can be made of the amount of the obligation. When the Crop Trust expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is certain. The expense relating to a provision is presented in the Statement of Activities net of any reimbursement.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Crop Trust; or a present obligation that arises from past events but is not recognized because: i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or ii) the amount of the obligation cannot be measured with sufficient reliability.

Included under provisions is an obligation to provide post-employment benefits to employees for

repatriation expenses upon separation from the Crop Trust. In accordance with the Personnel Policies & Procedures Manual PPPM, for professional regular employees, the Crop Trust will pay the cost of transportation of personal effects and household goods from the employee's residence in Bonn, Germany or another authorized location to the employee's authorized home location or another authorized location.

2.11 Net Assets

Unrestricted net assets consist of contributions received from unconditional transfers of cash or other assets to the Crop Trust as well as other incomes.

Permanently restricted net assets consist of contributions received from permanently restricted transfers of cash or other assets to the Crop Trust as well as income from the investment of such funds via the endowment fund. In accordance with the Investment Policy Statement approved by the Executive Board, an amount may be withdrawn to cover program and operational expenses of the Crop Trust. The amount available to be spent in a given calendar year is subject to a limit calculated in reference to the Fund's average market value over the preceding twelve quarters ending 31 December of the previous financial year. The Executive Board approved withdrawal policy is 2% of assets up to USD 500 million and 4% of any assets above USD 500 million. The amount withdrawn is subject to the discretion of the Executive Board.

For the calendar year 2021, the Executive Board approved a withdrawal of 2.9% from the endowment fund in order to fund the CGIAR Genebank Platform program, the Svalbard Global Seed Vault, to cover the long-term grant to the Secretariat of the Pacific Community and operational activities of the Crop Trust. Funds withdrawn are reported as permanently restricted expenses in the Statement of Activities and Other Comprehensive Income and split between program expenditure and management and general expenditure as appropriate.

2.12 Revenue Recognition

Contributions to the Crop Trust fall into three categories:

- (1) Unrestricted revenue and gains - revenue not subject to donor-imposed restrictions.
- (2) Temporarily restricted revenue and gains - revenue subject to donor-imposed time or use restrictions.
- (3) Permanently restricted revenue and gains - revenue is subject to donor-imposed restrictions or specific conditions that the funds be invested in perpetuity.

Unrestricted revenue and gains:

Unconditional transfers of cash or other assets to the Crop Trust.

"Unrestricted grant revenue" consists of contributions received from unconditional transfer of cash or other assets to the Crop Trust as well as other income. Those grants are recorded in full upon receipt of funds as contribution income in the period received in accordance with IAS 20 para. 20.

"Other revenue" consists of website donations whereas "other income and gains" include charges for services provided, etc. Both revenue streams are only recognized if they can be determined reliably and it is sufficiently probable that the economic benefit will flow to the Crop Trust.

Temporarily restricted revenue and gains:

Transfer of resources to the Crop Trust for the implementation of specified projects.

Upon receipt of cash, the funds are deferred until the specified project expense has been incurred (deferred income). When the Crop Trust recognizes the expense for the related project costs, the grant is recognized as income (IAS 20 para. 12). Unused funds at the end of a project are repaid to the donor.

Temporarily restricted grants are recorded as income based upon satisfaction of restrictions. Restrictions are deemed satisfied upon expenditure of project costs for which contributions have

been pledged based on the terms of the underlying contracts and additional agreements.

Permanently restricted revenue and gains:

At inception the Crop Trust was granted a non-reimbursable endowment fund. The initial contribution and subsequent contributions are recognized as income in the period received (IAS 20 para. 20). The investment returns on the endowment fund are recognized in accordance with IFRS 9 in the Statement of Activities.

2.13 Expenses and Losses

The activities of the Crop Trust have been summarized on a functional basis in the Statement of Activities. The costs have been allocated between program direct expenses (i.e. goods or services distributed to stakeholders that fulfill the purpose or mission for which the organization exists), management and general expenses (i.e. all activities other than program expenditure which are indirectly related to the purposes for which the organization exists and necessary for its conduct). Fundraising expenses (i.e. services specifically related to fundraising activities) has been incorporated into management and general expenses and classified as external affairs expenses. Expenses are allocated based on whether the expense is unrestricted, temporarily restricted or permanently restricted. Unrestricted expenses represent administrative and indirect costs not charged to projects or permanently restricted assets. Temporarily restricted expenses are those expenses charged as direct costs to projects. Permanently restricted costs are primarily amounts provided to centers to cover the routine operations of the genebanks and investment management fees.

Personnel expenses consist of salaries and other personnel related costs for Crop Trust staff and have been allocated on a functional basis.

Expenses are recorded on an accrual basis in the Statement of Activities in the period in which the cost is incurred, except for expenses based on management estimates which is recorded at the end of the year.

2.14 Foreign Currency Transactions

The Crop Trust conducts its operations in several currencies and maintains its accounting records in United States Dollars (USD). Thus, the Crop Trust Financial Statements are prepared in USD, which is also the functional currency.

Foreign currency transactions are translated into the functional currency using the UN monthly exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Activities. The average rate of exchange for 2021 was 0.841 (USD/EUR) and the year-end exchange rate as at 31 December 2021 was 0.881 (USD/EUR).

2.15 Management Estimates

Preparing the Crop Trust's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require adjustment to the carrying amount of the asset or liability in future periods.

The level of program expenditure recorded in the Statement of Activities includes information provided by partners up to the time of completion of the Crop Trust's Financial Statements. In instances where there is incomplete information from partners, management shall use judgment in estimating total program expenditure that results in information that is reliable (in that the financial statements represent faithfully the financial position, financial performance, and cash flows of the Crop Trust); reflect the economic substance of transactions, other events and conditions, and not

merely the legal form; are neutral (i.e. free from bias) and are prudent. Management's estimate of total program expenditure will be based on a signed contract and agreed budget with the partner.

Management has used judgement and decided that this policy is preferable, because it results in the best estimate of expenditures incurred by partners based on the signed contracts and agreed budget, making the entity's financial statements more reliable as it reflects a more prudent level of expenditure.

2.16 Non-Financial Grants

In accordance with the Headquarters Agreement signed between the Federal Republic of Germany and the Crop Trust in 2012, regarding the relocation of the Crop Trust to Bonn, the Crop Trust was granted rent-free premises at the Platz der Vereinten Nationen in Bonn. This qualifies as a non-monetary contribution in accordance with IAS 20.3. In accordance with the Standard Interpretations Committee (SIC) 10.3 the Crop Trust has adopted not to account for this grant at fair value but with the pro-memoria figure.

3. EVENTS AFTER THE REPORTING PERIOD

IAS10 *Events After the Reporting Period* contains requirements for events after the end of the reporting period which should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period (the latter being disclosed where material).

During 2021, the Crop Trust completed the tender process for a single Outsourced Chief Investment Officer (oCIO) for the discretionary management of the endowment funds and the Finance and Investment Committee recommended the selected candidate, Mercer, to the Executive Board for appointment, which was approved by the Executive Board in October 2021. In February 2022, the Crop Trust signed the oCIO agreement with Mercer. The value of the assets held by DWS as at 9 February 2022 was USD 149,824K and a total of USD 149,824K was transferred to Mercer on 9 February 2022. Final dividend payments in the amount of USD 11K will be transferred to the Crop Trust in March 2022.

The Organization has evaluated events and transactions up to 9 March 2022 for potential recognition or disclosure in the financial statements. Apart from the above, no other subsequent events have been recognized or disclosed.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2021 consist of:

| | 2021 USD'000 | 2020 USD'000 |
|-------------------------------|-----------------|-----------------|
| Cash and Bank accounts in USD | 14,825 | 11,300 |
| Cash and Bank accounts in EUR | 1,796 | 1,673 |
| TOTAL | 16,621 | 12,973 |

5. RECEIVABLE

Receivable - Donor

Receivables from donors consist of claims for expenses paid on behalf of restricted projects in excess of the amount received and amounts receivable from donors towards loan interest payable. In 2021 amounts receivable from donors for claim for expenses paid on behalf of restricted projects amounted to USD 1,449K (2020: USD 411K). There are no amounts receivable towards loan interest payable in 2021 (2020: USD 2,202K).

Receivable - Other

Other receivables of USD 160K (2020: USD 88K) consist mainly of a VAT receivable in the amount of USD 95K, outstanding balances from project partners to be returned following the completion of projects in the amount of USD 24K and a formation capital contribution and loan of USD 39K made by the Crop Trust to its German charitable organization, Crop Trust Foundation gGmbH.

The following table provides the detail of receivables as at 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|----------------------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Accounts Receivable Donor | | |
| Government of Germany | - | 2,245 |
| European Commission | - | 368 |
| CGIAR | 1,449 | - |
| | <u>1,449</u> | <u>2,613</u> |
| Accounts Receivable Donor | | |
| Other | | |
| VAT receivable | 95 | 42 |
| Other | 65 | 46 |
| | <u>160</u> | <u>88</u> |
| Receivable - Other | | |
| TOTAL | 1,609 | 2,701 |

The Crop Trust does not have any significant credit risk exposure as amounts receivable consist primarily of tax receivables and a formation capital loan to the Crop Trust Foundation gGmbH. Amounts receivable as at 31 December 2021 that were subsequently received post year-end to 9 March 2022 amounted to USD 1,403k.

6. PREPAID EXPENSES

Total prepaid expenses as at 31 December 2021 amount to USD 676K (2020: USD 2,050). The reduction in prepaid expenses was due to the release of the amount of USD 1,666K for Genebank Equipment committed and paid but not yet in use as at the end 2020. Included in this balance is the amount of USD 446K for grants paid in advance, USD 62K which represents prepayment of educational allowances for 2022, USD 40K for intangible assets not yet capitalized, USD 35K for special issue publications on Genebanks, USD 30K for system licenses and subscriptions paid and USD 63K with respect to other prepaid operational expenses.

| | 2021 | 2020 |
|-------------------------|------------|--------------|
| | USD'000 | USD'000 |
| Prepaid Expenses | | |
| Grants | 446 | 1,800 |
| Supplies & Services | 230 | 250 |
| TOTAL | 676 | 2,050 |

7. PROPERTY, PLANT AND EQUIPMENT

In 2021 the Crop Trust purchased capital equipment amounting to USD 3K. Depreciation is included under "management and general expenses" in the Statement of Activities and Other Comprehensive Income.

| Property, Plant and Equipment | Total USD'000 |
|-------------------------------|------------------|
| At 1 January 2020 | |
| Cost | 38 |
| Accumulated depreciation | (22) |
| Net book value | 16 |
| At 31 December 2020 | |
| Opening net book amount | 16 |
| Additions | 3 |
| Depreciation Charge | (10) |
| Net book value | 9 |
| At 31 December 2021 | |
| Opening net book amount | 9 |
| Additions | 3 |
| Depreciation Charge | (6) |
| Net book value | 6 |
| At 31 December 2021 | |
| Cost | 44 |
| Accumulated depreciation | (38) |
| NET BOOK VALUE | 6 |

8. INTANGIBLE ASSETS

Intangible assets as at December 2021 consist of information system development expenditures. Amortization is included under management and general expenditures in the statement of activities and other comprehensive income.

| Intangible Asset | Total USD'000 |
|----------------------------|------------------|
| At 31 December 2020 | |
| Opening net book amount | - |
| Additions | 179 |
| Amortization Charge | (15) |
| Net book value | 164 |
| At 31 December 2021 | |
| Opening net book amount | 164 |
| Additions | 77 |
| Amortization Charge | (85) |
| Net book value | 156 |
| At 31 December 2021 | |
| Cost | 256 |
| Accumulated amortization | (100) |
| NET BOOK VALUE | 156 |

9. PAYABLE

This balance consists mainly of amounts relating to grants payable to genebanks in support of project activities and genebank operations under the CGIAR Genebank Platform program. The amounts payable at the year-end for the Genebank Platform represents grants and contributions received in advance not yet disbursed. Grants in advance with respect to genebanks amount to USD 6,661K (2020: USD 6,259K) and these will be disbursed in early 2022 once final financial and technical reports for 2021 have been approved.

The following table provides the details of payables as at 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|--------------------------|--------------|--------------|
| | USD'000 | USD'000 |
| Grants in Advance | | |
| Genebank grants | 6,661 | 6,259 |
| Total | 6,661 | 6,259 |
| Other | | |
| Supplies & services | 250 | 421 |
| Interest on loan payable | 99 | 106 |
| Total | 349 | 527 |
| TOTAL | 7,010 | 6,786 |

10. DEFERRED INCOME

Deferred Income consists primarily of amounts received at the year-end in respect of temporary restricted grants not yet disbursed and grants relating to loan interest not yet released. The total for temporarily restricted grants amounted to USD 8,794K (2020: USD 5,289K) and reflects amounts relating to the Crop Trust's major projects. The total relating to the loan interest grant amounted to USD 1,715K (2020: USD 2,696K) and, please see note 12 for further information.

The following table provides details of Deferred Income as at 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|--------------------------------------|---------------|--------------|
| | USD'000 | USD'000 |
| Temporarily restricted contributions | 8,794 | 5,289 |
| Grant for Loan interest | 1,715 | 2,696 |
| Other | 106 | 96 |
| TOTAL | 10,615 | 8,081 |

11. ACCRUALS

The following table provides details of accruals as at 31 December 2021 and 31 December 2020.

| | 2021 | 2020 |
|--------------------------|------------|------------|
| | USD'000 | USD'000 |
| Employee benefit payable | 227 | 192 |
| Accruals | 263 | 300 |
| TOTAL | 490 | 492 |

Employee benefit payable consists primarily of accrued leave obligations. Accruals include an amount for services received during 2021 of USD 263K (2020: USD 300K) as well as other accruals and deferred income.

12. PROVISIONS

A provision for repatriation has been calculated based on the estimated costs of repatriating professional grade level staff to their home countries as specified in their appointment letters. The liability has been split between short term and long-term provisions in the Statement of Financial Position with short term representing all obligations resulting from contracts that are ending within the next twelve months and long term for those over twelve months.

In 2021 the repatriation provision was reduced by USD 16K to USD 202K (2020: USD 218K) represented by an increase of USD 84K in short term provision and a reduction of USD 100K in long term provisions. This movement was a result of staff movements and of the reclassification of the provision from long term to short term depending on the remaining duration of staff contracts. This movement is recognized as an expense in the Statement of Activities and as a reduction in liabilities in the Statement of Financial Position.

The following table provides details of provisions as at 31 December 2021 and 31 December 2020.

| | Short Term Provision | Long Term provision | Total |
|---------------------------------------|----------------------|---------------------|------------|
| | USD'000 | USD'000 | USD'000 |
| At 1 January 2020 | | | |
| Opening balance | 113 | 100 | 213 |
| Addition | - | 105 | 105 |
| Release | (100) | - | (100) |
| Balance as at 31 December 2020 | 13 | 205 | 218 |
| At 31 December 2021 | | | |
| Addition | 84 | - | 84 |
| Release | - | (100) | (100) |
| Balance as at 31 December 2021 | 97 | 105 | 202 |

13. BORROWINGS

On 12 October 2017 the Crop Trust signed a concessional loan agreement with KfW, a development bank existing under the laws of the Federal Republic of Germany, for EUR 50M (USD 57M) to contribute to the capitalization of the Endowment Fund of the Crop Trust and ultimately to contribute to long term food security by conserving and using plant genetic resources. The loan term is 15 years with a grace period of five years before loan repayments are due. The interest rate on the loan is 1.39%, however a grant from BMZ, the German Federal Ministry for Economic Co-operation and Development, of EUR 4,150K to repay the interest, and a contribution of EUR 225K from the Government of the Netherlands reduces the rate to an effective interest rate of 0.5% over the course of the loan.

The loan is recognized as a liability in the Statement of Financial Position. The balance of the grants from BMZ and the Government of the Netherlands towards the loan interest are recognized as Deferred Income.

Interest for the period is recognized as a financing expense in the Statement of Activities and the corresponding amount is released from Deferred Income and recognised as revenue in the Statement of Activities.

As part of the year-end currency revaluation which translates the EUR 50 million loan into USD for reporting purposes, foreign exchange unrealised book loss amounted to USD 4,317K and are recognized in the Statement of Activities and reflected in the year end value of the loan of USD 56,860K.

14. RELATED PARTIES

In accordance with IAS24 an entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party. The following are related parties to the Crop Trust in accordance with IFRS (IAS24).

- (1) Friends of Global Crop Diversity Limited, a US 501(c)3 public charity incorporated in the State of Delaware in 2005, is organized on a non-profit, non-stock basis and does not have the authority to issue any capital stock. The corporation is represented by three Directors and was established for the following purposes:



- To provide financial assistance to ensure the long-term conservation and availability of plant genetic resources for food and agriculture for global food security
- To promote the objectives and purposes of the Crop Trust; and
- To solicit and receive funds and other property for the purpose of providing assistance to achieve these objectives.

During the period, Friends of Global Crop Diversity Limited made a disbursement in the amount of USD 2K (2020: USD 0K) to the Crop Trust to cover administrative expenses paid by the Crop Trust on its behalf.

- (2) Crop Trust Foundation gGmbH is a charitable organization established in 2017 under German law with a registered office in Bonn, Germany. It is represented by the Crop Trust as the only shareholder, and by two Directors. The gGmbH pursues charitable purposes and has tax-privileged status. The purpose of the gGmbH is to support activities related to environmental protection, science and development cooperation. This purpose is achieved by fundraising activities to the exclusive benefit of the Crop Trust. The Crop Trust made a formation capital contribution of USD 28K to the Crop Trust Foundation gGmbH in January 2017 and a further operational loan of USD 11K in May 2019. The capital contribution and the loan, totalling USD 39K is recorded as an account receivable by the Crop Trust as at 31 December 2021.
- (3) Based on materiality considerations, the Crop Trust is not preparing consolidated financial statements.
- (4) Key Management personnel compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Crop Trust. The Crop Trust's "key management personnel" are members of the senior management team.

The total remuneration for key management personnel for the year 2021 amounted to USD 1,334K (2020: USD 1,058K). The increase in remuneration primarily relates to the restructuring of the Senior Management Team (SMT) on 1 October 2020, which merged the former SMT with the Project Development Team, increasing the SMT from four to seven personnel for 3 months of 2020 being compared to seven personnel for 12 months in 2021.

The following table provides details of key management personnel remuneration as at 31 December 2021 and 31 December 2020.

| | 2021 USD'000 | 2020 USD'000 |
|------------------------------|-----------------|-----------------|
| Short-term employee benefits | 1,334 | 1,058 |
| Long-term benefits | - | - |
| TOTAL | 1,334 | 1,058 |

Transactions between the Crop Trust, related parties and key management personnel were made on an arm's-length transaction basis.

15. NET ASSET BALANCES

Resources are classified for accounting and reporting purposes into net asset classes according to the restriction imposed.

The following table provides the details of unrestricted net asset movement as at 31 December 2021 and 31 December 2020.

| | 2021 USD'000 | 2020 USD'000 |
|---|-----------------|-----------------|
| Opening balance | 9,698 | 5,096 |
| Revenue and gains | | |
| Grant Revenue | 1,393 | 1,498 |
| Other Revenue | 60 | 61 |
| Other Income and gains | 2 | 44 |
| Total Revenue and gains | 1,455 | 1,603 |
| Expenses and losses | | |
| Program direct expense | 1,393 | - |
| Management and general expenses | 1,359 | 1,579 |
| Fundraising expenses | - | 286 |
| Total expenses and losses | 2,752 | 1,865 |
| Finance Income and Expenditure | | |
| FX revaluation (loss)/gain | (53) | 405 |
| Net Finance (loss)/income | (53) | 405 |
| Net Income/(loss) | (1,350) | 143 |
| Transfer of unspent allocated endowment balance to reserves | - | 4,459 |
| Balance as at 31 December 2021 | 8,348 | 9,698 |

The Crop Trust Executive Board approved, on 22 December 2020, the withdrawal of 4% from the USD and EUR endowment funds to fund the Genebank Platform commitment in 2020 and approved for any surplus after meeting this commitment to be held as unrestricted reserves to be used to meet the 2021 Genebank Platform commitment. This resulted in a transfer of the unspent allocated endowment balance to unrestricted reserves of USD 4,459K. A total of USD 1,393K from this amount was used to fund the Genebank Platform commitment in 2021, together with a withdrawal from the endowment fund and contributions received from GIZ and the European Commission.

16. FINANCIAL ASSETS

The Crop Trust manages an endowment fund, which is used to fund the effective conservation and ready availability of the biological basis of agriculture. An endowment fund provides a permanent source of financial support matching the long-term nature of conservation with long-term secure and sustainable funding.

Funds are invested in accordance with the Investment Policy Statement approved by the Executive Board. The Finance and Investment Committee implements the investment strategy adopted by the Executive Board. Following a tender process for investment management services in early 2016, the Crop Trust appointed two investment managers to manage the endowment funds - Mercer Global Investments Europe Limited, based in London, and DWS Group GmbH, based in Frankfurt. In 2021 the Crop Trust and its Executive Board took the decision to tender for a single investment manager and Mercer Global Investments Europe Limited was selected. The new agreement with Mercer was signed on 26 January 2022 and the assets held by DWS were transferred to Mercer in February 2022.

The Crop Trust is an official signatory to the United Nations Principles for Responsible Investment (UNPRI), an international framework for incorporating sustainability into investment decision-making. The Executive Board of the Crop Trust has approved the incorporation of UNPRI factors into its investment policy statement to ensure that it addresses risks and opportunities of Environmental, Social and Governance (ESG) factors in the management of the Crop Trust's assets and has approved a Statement of Investment Beliefs (which includes its Responsible Investment Policy) to align its investment strategy with its core mission.

The Crop Trust actively considers responsible investment capabilities when selecting and monitoring its investment advisors and investment managers, encouraging its investment advisors and investment

managers to proactively consider and integrate ESG issues. The Crop Trust monitors the decisions of its investment managers' regarding ESG issues that may have a material impact on the value of the Crop Trust's assets and monitors the active ownership activities of its investment managers. The Crop Trust encourages its external investment advisors and investment managers to be signatories, and demonstrate commitment, to the PRI.

The value of the financial assets at year-end was USD 403,498K (2020: USD 372,299K) which represents amounts held in both the USD and EUR endowment funds including amounts to be withdrawn to cover permanently restricted expenditures. The EUR endowment fund holds the value of the loan received in 2017 and has a balance of USD 65,159K which is made up of the value of the loan as at 31 December 2021 (USD 56,860K) together with grants received to cover interest payments on this loan (USD 4,975K) and net movement (USD 3,324K). The loan is recognized as a non-current liability, contributions towards the loan interest are recorded as deferred income and all other contributions, fees and gains/losses are reported as an increase or decrease in the Statement of Activities.

The amount to be withdrawn to fund the remaining genebank commitment and operations for 2021 of USD 5,748K (2020: USD 6,747K) has been recognized as a current asset and the remaining balance of USD 397,750K (2020: USD 365,552K) has been recognized as a non-current asset in the Statement of Financial Position.

The following table provides details of total Financial Assets as at 31 December 2021 and 31 December 2020.

| Financial Assets | 2021 USD'000 | 2020 USD'000 |
|--|-----------------|-----------------|
| Current Financial Asset – Amounts to be withdrawn from the endowment fund | 5,748 | 6,747 |
| Non - Current Financial Asset – Endowment balance less amounts to be withdrawn | 397,750 | 365,552 |
| Balance as at 31/12 | 403,498 | 372,299 |

The following schedule represents the composition of the market value of the funds held by the investment managers (comprising the endowment fund balance and amounts to be withdrawn) including amounts held in trust in the form of cash and cash equivalents as at 31 December 2021 and 31 December 2020.

| USD Endowment Fund | 2021 USD'000 | 2020 USD'000 |
|--------------------|-----------------|-----------------|
| Equities | 210,143 | 194,043 |
| Bonds | 66,934 | 75,690 |
| Hedge Funds | 10,480 | 10,275 |
| Commodities | 2,180 | 2,277 |
| Convertibles | 7,142 | 7,679 |
| Private Markets | 31,133 | 12,038 |
| Cash | 10,323 | 2,101 |
| TOTAL | 338,335 | 304,103 |
| EUR Endowment Fund | 2021 USD'000 | 2020 USD'000 |
| Equities | 9,954 | 10,911 |
| Bonds | 55,209 | 57,285 |
| TOTAL | 65,163 | 68,196 |
| GRAND TOTAL | 403,498 | 372,299 |

The permanently restricted net assets as at 31 December 2021 of USD 339,041K (2020: USD 303,744K) represent the amounts held in both the USD and EUR endowment funds which includes the

principal together with interest earned, changes in market value less management fees and income released - and cash and cash equivalents. The movements are reported in the Statement of Activities.

The annual return of the endowment in 2021 was 11.4% (2020: 13.6%) against a policy benchmark return (US inflation plus 4%) of 11.3% over the same period. Over the one-year period in 2021, this positive performance was a result of positive returns across major asset classes in USD terms.

The following table provides an analysis of changes to the Financial Assets during the year.

| USD Endowment Fund | Note | 2021 USD'000 | 2020 USD'000 |
|------------------------------------|------|-----------------|-----------------|
| Balance as at 1/1 | | 304,103 | 255,389 |
| Contribution | 1 | 7,648 | 17,031 |
| Endowment Fund Gain | 2 | 36,348 | 37,811 |
| Management fee | | (1,655) | (1,390) |
| Withdrawal | 3 | (8,835) | (9,003) |
| Total movement | | 33,506 | 44,449 |
| Change in Current Financial Assets | | 726 | 4,265 |
| Balance as at 31/12 | | 338,335 | 304,103 |
| EUR Endowment Fund | Note | 2021 USD'000 | 2020 USD'000 |
| Balance as at 1 January | | 68,196 | 59,132 |
| Contribution to Loan Interest | 1 | 2,134 | 879 |
| Endowment Fund Gain/(Loss) | 2 | 2,065 | 5,055 |
| Loan Interest paid | | (826) | (784) |
| Loan Interest payable | | - | - |
| Management fee | | (270) | (261) |
| Withdrawal | 3 | - | (1,724) |
| FX revaluation Gain/(Loss) | | (4,411) | 5,124 |
| Total movement | | (1,308) | 8,289 |
| Change in Current Financial Assets | | (1,724) | 775 |
| Balance as at 31 December | | 65,163 | 68,196 |
| GRAND TOTAL | | 403,498 | 372,299 |

Notes:

- (1) Contribution represents donations received from donors during the year towards the USD endowment fund and donations received towards the loan interest payable.
- (2) Endowment fund gain or loss represents the change in the market value of the fund and is reported as finance income. This represents an unrealized gain as at 31 December 2021.
- (3) In accordance with the Investment Policy Statement approved by the Executive Board of the Crop Trust, an amount may be withdrawn to cover program and operational expenses of the Crop Trust. The amount available to be spent in a given calendar year is subject to a limit calculated with reference to the Fund's average market value over the preceding twelve quarters ending 31 December of the previous financial year. The Executive Board approved withdrawal policy is 2% of assets up to USD 500 million and 4% of any assets above USD 500 million. The amount withdrawn is subject to the discretion of the Executive Board. For 2021, the Executive Board approved a withdrawal of 2.9% (2020: 4%) in order to fund the CGIAR Genebank Platform program commitment for 2021, to cover the long-term grants to the Svalbard Global Seed Vault, and the Secretariat of the Pacific Community and operational activities of the Crop Trust.

17. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The assets in the endowment fund of the Crop Trust are measured and recognized at fair value. In determining fair value, the Fund uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the Fund to determine fair value are consistent with the market or income approaches. The fair value is determined based on assumptions that market participants use in pricing an asset or liability in the market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels prescribed under the accounting standard on fair value hierarchy disclosure:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access. The fair value of financial assets traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held is the current bid price. These instruments are included in Level 1.

Level 2: Valuations based on inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly. The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Valuation techniques used to determine fair values

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgment. The Crop Trust considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For each class of assets and liabilities not measured at fair value in the Statement of Financial Position but for which fair value is disclosed, IFRS 13 requires the organization to disclose the level within the fair value hierarchy which the fair value measurement would be categorized and a description of the valuation technique and inputs used in the technique.

Cash and cash equivalents include deposits held with banks and other short-term investments in an active market and are categorized as Level 1.

Pooled investment vehicles that do not have a quoted price on a recognized stock exchange are classified as Level 2. The underlying assets of the pooled fund may be judged to belong to Level 1, for example, the equity funds however, due to the understanding that the level should be applied to the unit holding in the pooled fund, this would classify the equity funds as Level 2. Where funds comprise of collective investment schemes and not segregated investments and the underlying assets can be classed as Level 1 or 2 assets they will be classified as Level 2.



If no trade prices are available, prices are determined with the aid of valuation models which are agreed between the custodian and the investment company and are based as far as possible on the market parameters.

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described above.

The following tables present the composition of the funds held by the investment managers (comprising of the endowment fund balance and amounts to be withdrawn as per Note 16 including amounts held in trust in the form of cash and cash equivalents measured at fair value as at 31 December 2021 and 31 December 2020 (in thousands):

| USD Endowment Fund Portfolio | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2021 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | USD'000 | USD'000 | USD'000 | USD'000 |
| Financial assets at FVPL* | | | | |
| Equities | 36,122 | 174,021 | - | 210,143 |
| Bonds/ Credit | 21,780 | 45,154 | - | 66,934 |
| Hedge Funds | - | - | 10,480 | 10,480 |
| Commodities | - | 2,180 | - | 2,180 |
| Convertibles | - | 7,142 | - | 7,142 |
| Private Markets | - | - | 31,133 | 31,133 |
| Cash & Other | 1,264 | 9,059 | - | 10,323 |
| Total financial assets | 59,166 | 237,556 | 41,613 | 338,335 |

| EUR Endowment Fund Portfolio | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| As at 31 Dec 2021 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | USD'000 | USD'000 | USD'000 | USD'000 |
| Financial assets at FVPL* | | | | |
| Equities | - | 9,954 | - | 9,954 |
| Bonds | - | 55,209 | - | 55,209 |
| Total financial assets | - | 65,163 | - | 65,163 |

| | | | | |
|-------------------------|---------------|----------------|---------------|----------------|
| GRAND TOTAL 2021 | 59,166 | 302,719 | 41,613 | 403,498 |
|-------------------------|---------------|----------------|---------------|----------------|

| USD Endowment Fund Portfolio | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2020 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | USD'000 | USD'000 | USD'000 | USD'000 |
| Financial assets at FVPL* | | | | |
| Equities | 29,533 | 164,510 | - | 194,043 |
| Bonds/ Credit | 25,882 | 49,808 | - | 75,690 |
| Hedge Funds | - | - | 10,275 | 10,275 |
| Commodities | - | 2,277 | - | 2,277 |
| Convertibles | - | 7,679 | - | 7,679 |
| Private Markets | - | - | 12,038 | 12,038 |
| Cash & Other | 883 | 1,218 | - | 2,101 |
| Total financial assets | 56,298 | 225,492 | 22,313 | 304,103 |

| EUR Endowment Fund Portfolio | | | | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| At 31 Dec 2020 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | USD'000 | USD'000 | USD'000 | USD'000 |
| Financial assets at FVPL* | | | | |
| Equities | - | 10,911 | - | 10,911 |
| Bonds | - | 57,285 | - | 57,285 |
| Cash & Other | - | - | - | - |
| Total financial assets | - | 68,196 | - | 68,196 |

| | | | | |
|-------------------------|---------------|----------------|---------------|----------------|
| GRAND TOTAL 2020 | 56,298 | 293,688 | 22,313 | 372,299 |
|-------------------------|---------------|----------------|---------------|----------------|

*FVPL – changes in fair value are recognized in Statement of Activities and other Comprehensive Income as they arise

Level 3 Fair value measurements

The use of valuation techniques for Level 3 investments involve consideration of whether discounts or premiums, if any, are to be applied to the net asset value of the underlying collective investment scheme. No significant premiums or discounts have been applied to the net asset value at 31 December 2021, or 31 December 2020.

The investments are classified as Level 3 due to the inherent nature of these investments (i.e. side-pockets, funds with restricted liquidity and the fact that some of the inputs into the valuation were not observable on the market).

The following table presents the changes in Level 3 items for the periods ending 31 December 2021 and 31 December 2020.

| | Hedge fund | Private Market |
|--|---------------|----------------|
| | USD'000 | USD'000 |
| Opening Balance 1 January 2020 | 10,468 | 9,425 |
| Acquisitions | - | 2,020 |
| Gains recognised in permanent net asset | (193) | 593 |
| Closing balance as at 31 December 2020 | 10,275 | 12,038 |
| Acquisitions | - | 10,520 |
| (Losses)/Gains recognized in permanent net asset | 205 | 8,575 |
| Closing balance as at 31 December 2021 | 10,480 | 31,133 |

* includes unrealized gains or (losses) recognized in profit or loss attributable to balances held at the end of the reporting periods

There were no transfers to other levels in the fair value hierarchy in 2021. There are acquisitions included in the amount of USD 10,520K in Private Markets.

The private market investments included in the majority of collective investment schemes classified in Level 3 have been valued on the basis of the net asset value (NAV) of the underlying fund without adjustment, which the Directors believe is an appropriate measurement of fair value as at the financial period end date.

In relation to Funds invested in Level 3, assuming everything remained equal, but the NAV prices were changed by 3% then the fair value of Level 3 investments would change as outlined in the following table.

| Fund | 2021 | 2020 |
|----------------|---------|---------|
| | USD'000 | USD'000 |
| Hedge fund | 41 | 26 |
| Private Market | 934 | 361 |

Loan and other Fair value measurements

The fair value of USD 63,400K of the concessional loan is calculated with the aid of the discounted cash flow method based on observable interest rates and exchange rates and accordingly classified as a Level 2 instrument.

For cash and cash equivalents, receivables and payables the carrying amounts approximate fair value, because of the short maturity of these instruments, and therefore fair value information is not included in the notes.

18. RISK MANAGEMENT

As an international organization, the Crop Trust is exposed to financial risks in the normal course of business. A major objective of the organization's policy is to minimize the impact of market, liquidity and default risks on the value of the organization in order to avoid adverse fluctuations in cash flows and

earnings without forgoing the opportunity to benefit from positive market trends. For this purpose, a systematic financial risk management system has been established. Interest rate and exchange rate risks are managed in accordance with established corporate policies.

Market risk

Market risk can be subdivided into exchange rate, interest rate and commodity/other price risk. The organization's risk management is carried out by the finance department under policies approved by the Finance and Investment Committee and the Executive Board of Directors. The finance department works in close collaboration with the investment fund managers to identify, evaluate and manage financial risks. The management of these risks is explained below.

Exchange Rate Risk

Exchange rate risk arises from future commercial transactions and recognized asset and liabilities denominated in a currency that is not the functional currency of the organization. To the extent that assets are denominated in a different currency (or in currencies in different proportions) compared to expected spending, there is a risk that adverse currency moves could impact the ability of the Crop Trust to meet its obligations. The Crop Trust values its assets and considers its risk in USD terms as the Crop Trust has a global remit and spending can be made in a variety of currencies. The Crop Trust holds endowment funds in USD and EUR with the objective of minimizing its currency risk exposure. Spending from the Funds is predominantly in the currency of the fund. The Crop Trust aims to maintain well diversified portfolios by currency and does not consider it cost effective to hedge currency exposure (for example, into USD).

The exchange rate risks associated with the concessional loan include the risk that investments do not keep pace with inflation or the risk of a mismatch between the currency of debt service obligations and of the currency of invested loan principal and associated investment returns. The EUR denominated concessional loan is expected to be repaid with receipts from the EUR denominated endowment fund. The loan proceeds and interest subsidies have been invested within a separate EUR investment fund which mitigates the currency risk by matching the currency of the loan and its debt service obligations to the currency of the invested assets and to the corresponding investment income. In addition, net income generated by the investment in the separate EUR investment fund could be used in full, with no further currency risks attached, to support project and operational expenses of the Crop Trust Secretariat in EUR.

The following table summarizes the impact of the increase or decrease in USD exchange rate by 10 percent on total net asset as at 31 December 2021 and 31 December 2020 are as follows:

| Exchange Rate Risk | 2021 | 2020 |
|-----------------------------------|----------|----------|
| | USD'000 | USD'000 |
| USD exchange rate - increase 10%* | (17,979) | (17,599) |
| USD exchange rate - decrease 10%* | 17,979 | 17,599 |

*Holding all other variables constant

Interest Rate Risk

Interest rate management protects net income from the negative effects of fluctuations in market interest rates. Interest rate risk is managed by using derivative and non-derivative financial assets. The aim is to achieve an appropriate ratio of fixed and variable rates taking costs and risk into account.

The Crop Trust's main interest rate risks arise from long-term investments in the endowment funds, one of which holds the EUR concessional loan. The Crop Trust manages the risk associated with the loan by investing the loan proceeds in order to earn an expected average investment return of approximately 3% p.a. The net annual margin of ca. 2% between the expected investment return and the loan interest allows the Crop Trust to build a financial buffer to protect itself against a possible shortfall of investment income against the interest to be paid to the lender. The loan period of 15 years provides a sufficiently long investment horizon to accommodate possible short-term capital market volatility without jeopardizing the long-term investment performance of the invested loan principal. In addition, the loan has a fixed interest rate for the full term of the loan, thereby providing a predictable cost structure.

The interest rate risk of the USD endowment fund is managed by maintaining a well-diversified portfolio. The fund is exposed to interest rate risk due to the pooled funds and also to overseas interest rate risk as part of the investment strategy is to invest globally to add value. In addition to maintaining well diversified portfolios in the two dominant currencies of the Crop Trust's operation, interest rate risk is also managed by entering into operational contracts in the currencies of the underlying expenditure involved, that is, USD or EUR to reduce exposure to interest rate fluctuations.

The following table summarizes the impact of an increase or decrease in USD interest rates by 1 percent on total net asset as at 31 December 2021 and 31 December 2020 are as follows:

| Interest Rate Risk | Impact on total net asset | |
|----------------------------------|---------------------------|---------|
| | 2021 | 2020 |
| | USD'000 | USD'000 |
| USD interest rate - increase 1%* | (483) | (547) |
| USD interest rate - decrease 1%* | 640 | 692 |

*Holding all other variables constant

The following table summarizes the impact of an increase/decrease in bond prices by 5 percent on total net assets. The price risk of the bonds relates primarily to the interest risk whereas credit risk has no material impact.

| Price risk | Impact on total net asset | |
|--------------------------|---------------------------|---------|
| | 2021 | 2020 |
| | USD'000 | USD'000 |
| Bond price - increase 5% | 6,107 | 6,638 |
| Bond price - decrease 5% | (6,107) | (6,638) |

*Holding all other variables constant

Commodity / Equity Price Risk

Commodity price risk is the volatility in fair value due to the price fluctuations. Commodity risk affects various sectors of the market as a commodity's price is affected by politics, seasonal changes, technology and current market conditions. Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices.

The Crop Trust manages price risk exposure by constructing a diverse portfolio of investments across various markets and geographies. Diversification of the portfolio is done in accordance with the limits set by the organization.

The following table summarizes the impact of an increase/decrease in equity prices by 5 percent on total net assets.

| Equity Price risk | Impact on total net asset | |
|----------------------------|---------------------------|----------|
| | 2021 | 2020 |
| | USD'000 | USD'000 |
| Equity price - increase 5% | 13,105 | 11,374 |
| Equity price - decrease 5% | (13,105) | (11,374) |

*Holding all other variables constant

Credit Risk

Credit risk arises from cash and cash equivalents, investments, receivables, derivatives and deposits with banks and financial institutions. The carrying amount of these instruments represents the maximum credit risk of the Crop Trust. At the reporting date, there were no significant arrangements which reduced the maximum credit risk.

Credit risk management divides default risks into the categories, namely, debtors and creditor risk, country risk and the risk of default by financial counterparties, that is, the risk that a counterparty will not fulfill its contractual obligations.

The Crop Trust has in place operating procedures with a stringent due diligence process for the selection of a counterparty before entering into contracts. For banks and financial institutions, only independently

rated parties with a minimum rating of “A” are accepted. The debtors and creditor risk control assess their credit quality taking into account their financial position, past experiences and other factors. Default risks are analysed and monitored continuously with the aid of internal policy and procedures and strong reporting and interaction is implemented to limit risk exposure.

Country risk is also taken into account for donor agreements so that the overall risk assessment considers political risk factors. On the basis of this analysis, specific terms and conditions are defined in agreements with contracting parties. The Crop Trust sets high standards for the credit worthiness of counterparties.

The Crop Trust does not anticipate any debtor or creditor default as at 31 December 2021. Total “Receivable – other” amounts to USD 160K as at 31 December 2021 (see note 5 for details). “Receivable – other” does not contain any impairment and are not past due. Based on credit history, it is expected that these amounts will be received in full.

The risks associated with the loan are default and erosion risks. The risk of (a) not being able to repay the loan principal and/or interest due to a lack of funds at the loan repayment due date or (b) using endowment funds as ultimate resource to meet loan repayment obligations. The Crop Trust will manage this risk by restricting its withdrawals from investment income on invested loan principal to the actual returns generated minus any loan expenses. This will ensure that only actual net investment income earned will be withdrawn, therefore protecting against withdrawals from invested loan principal. In order to balance the level of funds available for investment with the level of funds withdrawn for funding Crop Trust’s activity, the interest subsidies along with the loan principal have been invested, together with the interest subsidies being used up gradually by covering a set proportion of the periodic interest payments.

The Crop Trust manages this risk by investing the loan proceeds in order to earn an expected average investment return of around 3% p.a. The net annual margin of ca. 2% between the expected investment return and the loan interest allows the Crop Trust to build a financial buffer to protect itself against a possible shortfall of investment income and the interest to be paid to lenders. The loan time horizon of 15 years provides a sufficiently long investment horizon to accommodate possible short-term capital market volatility without jeopardizing the long-term investment performance of the invested loan principal.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Liquidity risk management occurs through business planning to ensure that the funds required to finance the current operating business and current and future investments are available at the right time and in the right currency at optimum cost. Liquidity requirements for business operations, investments and other financial activities are derived from financing status and liquidity planning, which form part of liquidity risk management.

Management sets liquidity targets and monitors performance against these targets on the basis of cash and cash equivalents and expected cash flows. The liquidity target set for the endowment fund is 80% redeemable within 3 months under normal market conditions and 5% redeemable within 7 days under normal market conditions. The fund was within target as at 31 December 2021.

The Crop Trust had cash and cash equivalents and current financial assets as at 31 December 2021 of USD 22,423K (2020: USD 19,720K). Approximately USD 6,672K of this amount will be used to settle grant payables in 2022. In addition, as at 31 December 2021, the Crop Trust met all payment terms agreed for financial liabilities.

The table below analyses the group’s financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities and derivative financial assets for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows as at 31 December 2021 and 31 December 2020.

| Contractual maturities of financial liabilities as at 31 December 2021 | Up to 1 year | 1-5 years | More than 5 years | Total |
|--|---------------|---------------|-------------------|---------------|
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Non-derivatives | | | | |
| Payables | 7,010 | - | - | 7,010 |
| Accruals | 490 | - | - | 490 |
| Borrowings | 2,708 | 21,661 | 32,491 | 56,860 |
| Total non-derivatives | 10,207 | 21,661 | 32,491 | 64,360 |
| Derivatives | | | | |
| Trading derivatives | 10,480 | - | - | 10,480 |
| Total Derivatives | 10,480 | 0 | 0 | 10,480 |

| Contractual maturities of financial liabilities as at 31 December 2020 | Up to 1 year | 1-5 years | More than 5 years | Total |
|--|---------------|---------------|-------------------|---------------|
| | USD'000 | USD'000 | USD'000 | USD'000 |
| Non-derivatives | | | | |
| Payables | 6,786 | - | - | 6,786 |
| Accruals | 492 | - | - | 492 |
| Borrowings | - | 20,392 | 40,785 | 61,177 |
| Total non-derivatives | 7,278 | 20,392 | 40,785 | 68,455 |
| Derivatives | | | | |
| Trading derivatives | 10,697 | - | - | 10,697 |
| Total Derivatives | 10,697 | 0 | 0 | 10,697 |

Repayment of contractual obligations, in particular on the concessional loan, is ensured by the assets of the endowment fund.

Additional Information on Risk Management of the Financial Assets

The Investment Policy Statement ("IPS") issued by the Executive Board ("the Board") of the Crop Trust, affirms the investment principles that govern decisions about the investment of the Crop Trust's Endowment Fund ("the Fund"). This policy provides guidelines for the prudent management of the endowment fund of the Crop Trust and prioritizes the preservation of capital ahead of maximization of investment returns in order to minimize risk exposure.

The investment objective of the USD Fund is to earn returns sufficient to outpace spending, maintaining the Fund's real purchasing power over time and, if possible, growing it. With this goal in mind the Fund aims to attain an annualized real total return¹ of at least 4%, net of fees, over rolling ten-year periods.

The investment objective of the EUR Fund is to earn returns which exceed loan interest, maintaining the Fund's real value over time to cover the loan repayment. The fund aims to earn an expected average annual investment return of approximately 3%.

A further objective is to align investments to the Crop Trust's core mission to ensure the conservation and availability of crop diversity for food security worldwide. The Crop Trust's Responsible Investment Policy was approved by the Executive Board on 21 March 2018 with a revised Statement of Investment Beliefs and Investment Policy Statement approved by the Executive Board on 30 October 2019.

The Crop Trust believes that mitigating risk and capturing investment opportunities driven by the integration of environmental, social and governance (ESG) issues may have a material impact on investment returns across all asset classes. Therefore, the Crop Trust considers ESG integration into its investment process to be an important component of its investment strategy and could support the

¹ Real total return is the sum of realized and unrealized capital appreciation (or loss) and income in the form of dividends and interest, adjusted for inflation as measured by the U.S. Consumer Price Index.



broader mission and objectives of the Crop Trust. The Crop Trust also believes that factors beyond financial considerations may impact the assets within the endowment portfolio and that investments should be consistent with the Crop Trust's values and protect the Crop Trust's reputation. Climate change specifically poses a financial risk and therefore it is appropriate that the Crop Trust takes this into consideration in setting asset allocation and selecting investment managers.

The Endowment Fund achieves its investment objectives above within risk levels deemed appropriate by the Finance and Investment Committee (FIC) and consistent with the Executive Board approved Investment Policy Statement as follows:

- (a) Taking a longer-term approach to risk management, the probability of delivering a negative real return over a 10-year period should be maintained below 20%.
- (b) Conditional Value at Risk – the forward looking one-year conditional value at risk, at a 95% probability level, should be less than 25% of the value of the Fund.
- (c) On a forward-looking basis, the aim should be to maintain the annualized 10-year volatility of the portfolio within a target range of 10-13% per annum.

The investment performance of the Fund is monitored against the investment return objectives, risk tolerances and liquidity requirements set out in the Investment Policy Statement. Performance reports generated by the Investment Managers are consolidated quarterly and reviewed by the FIC. The evaluation of overall investment performance results is assessed over significantly longer periods of time meant to capture a full economic cycle, such as rolling ten-year periods.

In addition to the above, risk reporting assesses the additional financial risks incurred by the Crop Trust in pursuing its investment objectives, as well as analysis of whether the expected returns justify the risks taken. In addition to the those covered above these financial risks include, but are not limited to:

- **Concentration Risk**

The Executive Board recognizes the risks that may arise from the lack of diversification of investments. The Investment Managers therefore aim to ensure their asset allocation results in an adequately diversified portfolio. Some investment exposure is obtained via pooled vehicles. The concentration risk target of no more than 60% of the portfolio held in any single asset class is monitored by management.

- **Operational Risk**

This is the risk of inadequate or failed internal procedures and systems, inadequate capacity or external events (including legal risks) in the facilitation and administration of a new type of financial resource. To mitigate against this risk, the Crop Trust conducts periodic assessments of its internal capacity as well as the systems and procedures in place. To this effect, the relevant risk indicators relating to these issues are integrated into the Crop Trust's overall institutional risk management procedures and policies.

- **Donor Liability risks**

This is the risk of Crop Trust's donors being liable for acts or obligations of the Crop Trust or to have any actual or contingent liability arising out of their donations. This is not an actual risk in the Crop Trust's donors' case, as the acceptance of the loan would not impose any actual or contingent liabilities for current or future donors providing grant contributions to the Crop Trust.

- **Corona Virus risks**

Due to the structure of the Crop Trust, the endowment fund is subject to fluctuations in the global financial markets. From January 2020 the Corona virus had a significant impact on the financial markets which were initially subject to strong volatility throughout quarters 1 and 2 in 2020. However, the endowment fund is highly diversified and structured for the long-term so that it can withstand short-term market dislocations in order to achieve its objectives and these dislocations did not trigger structural changes to the strategic asset allocation of the portfolio. The Crop Trust is fortunate to have strong liquidity and a very long-term perspective.

The above risks relate to the specific financial risks that may be created by financial assets and liabilities. There are also other, general risks that the Crop Trust faces in its normal operations, for example, the risk of short-term capital market volatility that is inherent in any endowment structure, such as that of the Crop Trust. These will be mitigated through the institutional Risk Management process of the Crop Trust and the associated metrics, as adapted to cover the aspects related to the loan.

19. REVENUE AND GAINS

Total revenue and gains recognized in 2021 amount to USD 33,907K (2020: USD 44,077K) which includes USD 25,371K (2020: USD 26,157K) grant revenue released from restrictions.

The following table provides further details of revenue.

| | 2021 USD'000 | 2020 USD'000 |
|--------------------------------|-----------------|-----------------|
| Grant Revenue | 25,371 | 26,157 |
| Contribution to Endowment Fund | 7,648 | 17,031 |
| Contribution to loan interest | 826 | 784 |
| Other revenue | 60 | 61 |
| Other Miscellaneous income | 2 | 44 |
| TOTAL | 33,907 | 44,077 |

20. EXPENSE AND LOSSES

Expenses and losses are recorded on an accrual basis in the Statement of Activities in the period in which the cost is incurred.

Program expenses, including personnel costs, amounted to USD 33,370K in 2021 (2020: USD 30,931K). The Crop Trust continued to work with International Genebanks under the agreement with the Consortium of International Agricultural Research Centers (CGIAR) for the Genebank Platform program and other partners including the Norwegian Agency for Development Co-operation, the Federal Office for Agriculture and Food, the Federal Ministry for Economic Cooperation and Development in Germany and the European Commission. 2021 was the final year of two major projects implemented by the Crop Trust in conjunction with partners, that is, the Crop Wild Relatives project and the Genebank Platform program. The Crop Trust also started two new projects; Biodiversity for Opportunity, Livelihoods and Development “BOLD-CWR”, under the agreement with the Government of Norway and “Strategic Development of the Global Crop Diversity Trust” under the agreement with the Government of Germany GIZ/BMZ.

The Biodiversity for Opportunity, Livelihoods and Development “BOLD-CWR project supported by the Government of Norway is a 10 year project consisting of 3 phases. The agreement for Phase 1 commenced mid-way through 2021 and covers the period 2021-2024 with a total budget of USD 28 million.

The agreement with the Consortium of International Agricultural Research Centers (CGIAR) for the Genebank Platform program to support the international genebanks in helping them to upgrade to international standards concluded at the end of 2021. The Crop Trust will continue to work with international genebanks providing long term funding for essential operations under either Long-Term Grants or Long Term Partnership agreements with the genebanks.

During 2021 the Crop Trust entered into a project agreement with GIZ/BMZ entitled “Strategic Development of the Global Crop Diversity Trust” which is a 3 year project with a budget allocation to the Crop Trust of EUR 2.25 million. The project will support the institutional development and strategic repositioning of the Crop Trust particularly relating to sustainable financing. The overarching objective of the project is to strengthen the role of the Crop Trust in the conservation and use of agrobiodiversity.

Management and general expenses include administrative salaries, travel, external affairs, institutional communications, professional services and IT/Facilities. Expenditure increased from USD 1,865K in 2020 to USD 2,198K in 2021. The increase primarily relates to increases in personnel expenses due to an increase in full time equivalent staff members in 2021, staff movements, the reclassification of staff between programs and management and general expenses and foreign exchange movements upon conversion of salaries paid in EUR and converted into USD for financial reporting purposes. In addition, there was an increase in facilities expenses as a result of the implementation of the new information system. Savings were also realised because of a reduction in travel, governance, and professional services activities due to Covid19 related travel restrictions in 2021. The strategic development project (GIZ/BMZ) also covered some activities that would traditionally fall under external affairs which has resulted in lower external affairs costs included under management and general expenditure.

As at 31 December 2021 the Crop Trust employed 36 full time equivalent staff members (2020: 33.6). Total personnel costs, across programs and operations for 2021 amounted to USD 4,191K (2020: USD 3,973K).

The following table provides further details of expenses as at 31 December 2021 and 31 December 2020. Please note that in this table personnel costs have been split across program direct expenses and management and general expenses.

| | 2021 USD'000 | 2020 USD'000 |
|--|-----------------|-----------------|
| Program direct expenses | | |
| Genebank grants | 29,076 | 26,776 |
| Personnel expenses | 2,697 | 2,776 |
| Professional services | 1,337 | 1,131 |
| Supplies & Services | 191 | 125 |
| Travel | 69 | 123 |
| Total Program direct expenses | 33,370 | 30,931 |
| Management and general expenses | | |
| Personnel expenses | 1,494 | 1,197 |
| Travel | 3 | 12 |
| Governance | 42 | 51 |
| External Affairs | 86 | 129 |
| Communications | 87 | 64 |
| Professional services | 112 | 143 |
| Facilities | 374 | 269 |
| Total Management and general expenses | 2,198 | 1,865 |
| GRAND TOTAL | 35,568 | 32,796 |

21. FINANCE INCOME AND EXPENSES

Finance income and expenditure consists of the net gains on the endowment funds, investment management fees, loan interest and net foreign exchange (FX) revaluation gains and losses totalling USD 35,608K in 2021 (2020: USD 40,836K). FX revaluation loss in 2021 includes a book loss of USD 62K from the revaluation of the operational bank accounts.

| | 2021 | 2020 |
|-------------------------------|---------------|---------------|
| | USD'000 | USD'000 |
| Finance Income | | |
| Net gain on endowment funds | 38,413 | 42,866 |
| FX revaluation gains | 4,411 | 5,529 |
| Total Finance income | 42,824 | 48,395 |
| Finance Expenses | | |
| Net loss on endowment funds | - | - |
| FX revaluation loss | 4,464 | 5,124 |
| Investment management fees | 1,926 | 1,651 |
| Interest on loan | 826 | 784 |
| Total Finance expenses | 7,216 | 7,559 |
| GRAND TOTAL | 35,608 | 40,836 |

22. FINANCIAL STANDARDS ISSUED NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Crop Trust's Financial Statements are disclosed below. The Crop Trust intends to adopt these standards if applicable when they become effective.

The Crop Trust does not expect any significant impact on its financial statements resulting from the following Standards, Amendments to the Standards and the interpretation of those:

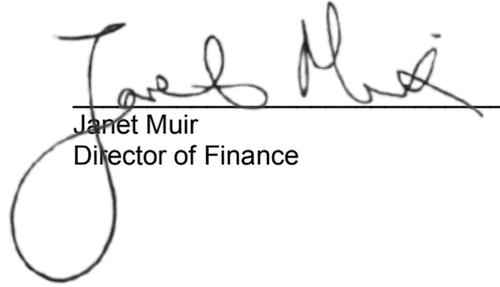
| Standard | Description | Effective for reporting year |
|---------------------------|---|------------------------------|
| IFRS 17 / IFRS 9 / IAS 41 | Amendments and some annual improvements on IFRS 1, IFRS 9, and IAS 41 | 2022 |
| IAS 16 | Amendment to IFRS 16: Property, Plant and Equipment | 2022 |
| IFRS 16 | Amendment to IFRS 16: Leases | 2022 |
| IAS 37 | Amendment to IAS 37: Provisions, Contingent Liabilities and Contingent Assets | 2022 |
| IFRS 3 | Amendment to IFRS 3: Business Combinations reference to the framework concept | 2022 |
| IFRS 4 | Insurance Contracts: Superseded by IFRS 17 | 2023 |
| IAS 1 | Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 | 2023 |
| IAS 8 | Amendment to ISA 8: Accounting Policies, Changes in Accounting Estimates and Errors | 2023 |
| IFRS 1 | Amendment to IFRS 1: First-time Adoption of International Financial Reporting Standards | 2023 |
| IFRS 17 | Insurance Contracts | 2023 |
| IAS 12 | Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction | 2023 |
| IAS 1 | Amendments to IAS 1: Presentation of financial statements – Classification of liabilities as current or non-current | 2024 |

On behalf of the Executive Board:

A handwritten signature in black ink, appearing to be "S. Schmitz", written over a horizontal line.

Dr. Stefan Schmitz
Executive Director

Bonn, 24 March 2022

A handwritten signature in black ink, appearing to be "Janet Muir", written over a horizontal line. A large, circular flourish is visible below the signature.

Janet Muir
Director of Finance

**ADDITIONAL INFORMATION WITH RESPECT TO GENE BANK PLATFORM FOR 2021
(UNAUDITED)**

Expenditure report for the year ended 31 December 2021

| | Windows 1&2 | Windows 3 / Bilateral | Total |
|--|----------------|--------------------------|---------------|
| | USD'000 | USD'000 | USD'000 |
| Genebanks direct expenditure: | | | |
| Africa Rice | 931 | - | 931 |
| Bioversity | 1,646 | 667 | 2,313 |
| CIAT | 2,178 | 1,618 | 3,796 |
| CIMMYT | 1,191 | 785 | 1,976 |
| CIP | 2,807 | 1,690 | 4,497 |
| ICARDA | 3,009 | 223 | 3,232 |
| ICRAF | 1,489 | - | 1,489 |
| ICRISAT | 1,895 | 1,073 | 2,968 |
| IITA | 2,804 | 536 | 3,340 |
| ILRI | 930 | 674 | 1,604 |
| IRRI | 691 | 1,448 | 2,139 |
| Total Genebanks direct expenditure: | 19,571 | 8,714 | 28,285 |
| Crop Trust management and Module activities | | | |
| Platform coordination | | | |
| Expenses by Natural Classification: | | | |
| Personnel costs | 536 | - | 536 |
| CGIAR Collaborator Expenses | - | - | - |
| Non-CGIAR collaboration Costs | - | - | - |
| Supplies and services | 122 | 21 | 143 |
| Travel cost | 44 | - | 44 |
| Depreciation/Amortization | - | - | - |
| Indirect cost | - | - | - |
| Total Platform coordination: | 702 | 21 | 723 |
| Genebank platform module costs | | | |
| Module 1: Conservation | 249 | 10 | 259 |
| Module 2: Use | 200 | 152 | 352 |
| Module 3: Policy | - | - | - |
| Total Genebank platform module: | 449 | 162 | 611 |
| Platform Management & Support Cost | 693 | - | 693 |
| Total management and Module activities | 1,844 | 183 | 2,027 |
| Grant Total | 21,415 | 8,897 | 30,312 |

General Engagement Terms

for

Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.