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## **Annex II: Audited financial statements of the Green Climate Fund for the year ended 31 December 2022**

*The audited financial statements of the Green Climate Fund for the year ended 31 December 2022 are contained below.*



# Green Climate Fund Draft Audited Financial Statements

For the years ended December 31, 2022 and 2021

Prepared Under International Financial Reporting Standards



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## APPROVAL OF FINANCIAL STATEMENTS

## Overview of financial results

The Financial Statements for the Green Climate Fund (GCF/the Fund) have been prepared following the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The Financial Statements are presented in US dollars which is the Fund's reporting and functional currency. Unless otherwise stated, the figures are rounded to the nearest thousand.

### Financial Performance

GCF's income for the year 2022 decreased by 5% compared to the 2021 figure. The trend is normal in the GCF's resource mobilization cycles which typically last four years. Contributions are high in the first two years and decrease gradually towards the end of the cycle. GCF has undertaken two formal resource mobilization drives since its inception. The initial resource mobilization (IRM) was meant to secure funds for the 2015 – 2018 programming period. Most of the contributions for the IRM period were received gradually until 2019 when the replenishment exercise was conducted. The funds secured in the first replenishment exercise are projected to support programming for 2020 – 2023. As of 31<sup>st</sup> December 2022, GCF had received USD 7.2 billion out of USD 9.9 billion confirmed pledges for the first replenishment (GCF-1)<sup>3</sup>.

Overall, request for project disbursements from Accredited Entities slowed in 2022 compared to 2021 resulting in a decline in the expenditure by 20% compared to 2021. The decline in expenditure resulted in a 5% increase in comprehensive income compared to 2021. The summary of financial performance is as per figure 1 below, while the comparison to 2021 expenditure is shown in table 1.

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<sup>3</sup> The figures have calculated using the reference exchange rates established for the first replishment period.

FIGURE 1: SUMMARY OF GCF 2022 FINANCIAL PERFORMANCE

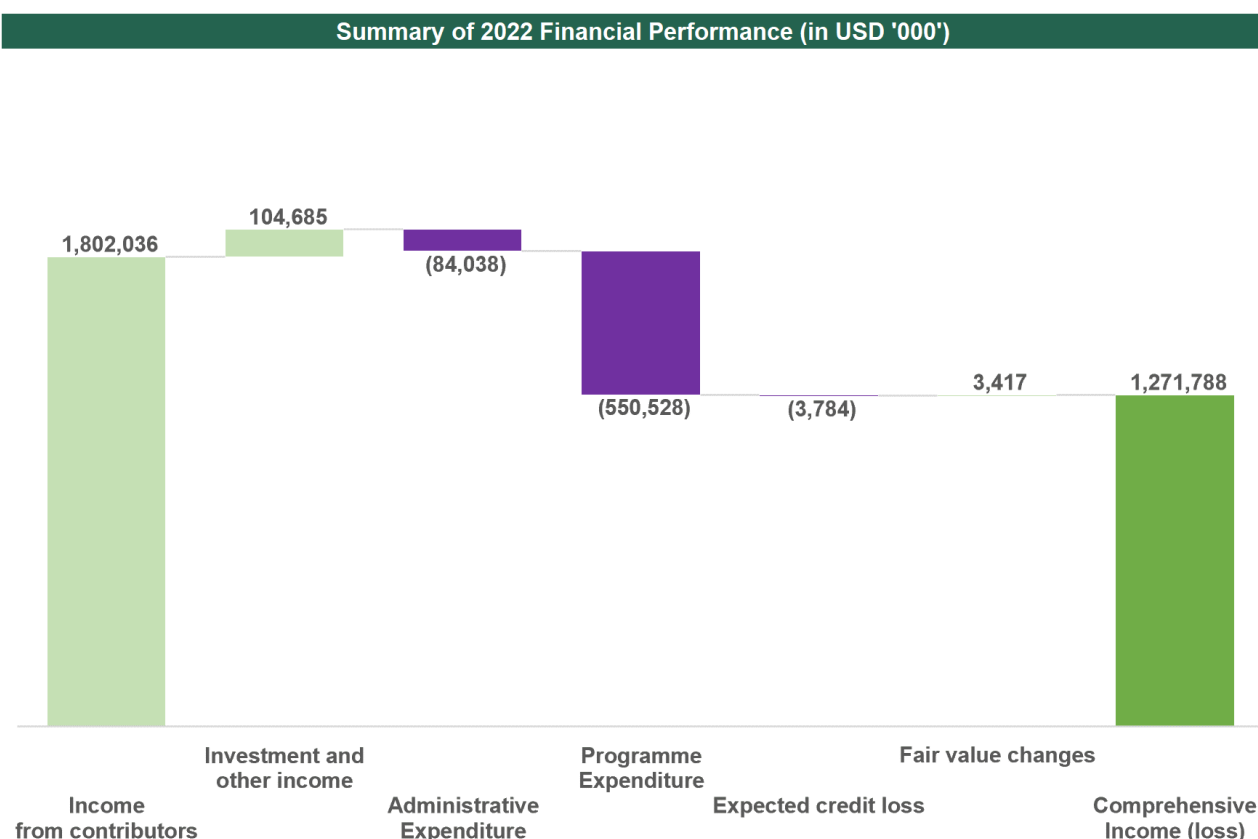


TABLE 1: COMPARISON OF GCF 2022 AND 2021 FINANCIAL PERFORMANCE

Comparison of 2022 and 2021 Financial Performance (in USD '000')				
	2022	2021	Change	% change
Income	1,906,721	2,014,359	(107,638)	▼ -5%
Expenditure	(638,350)	(799,151)	160,801	▼ -20%
Fair value changes	3,417	(5,081)	8,498	▲ 167%
<b>Comprehensive Income (loss)</b>	<b>1,271,788</b>	<b>1,210,127</b>	<b>61,661</b>	<b>▲ 5%</b>

### Income

In 2022, the Fund's income from contributors, the largest source of income, decreased by 10% over 2021 as fewer pledges were received for GCF-1 in 2022 when compared to 2021. To curb the rising inflation, many countries increased their interest rates. The increase in interest rates, coupled with a higher cash balance due to lower disbursements and front loading of contributions in 2022, resulted in a 668% increase in the revenue realized from investments of the cash held with the Trustee compared to the income earned in 2021. The funds held by the Trustee are mainly invested in short-term government securities. Other income, mainly reflows from investments, increased by

224% in 2022. On the other hand, there was a 12% decrease in loan interest from investments, as shown in table 2. As shown in figure 2, income from contributors remains the largest source of income, making up 95% of the income, while the other components added up to 5% of the total income

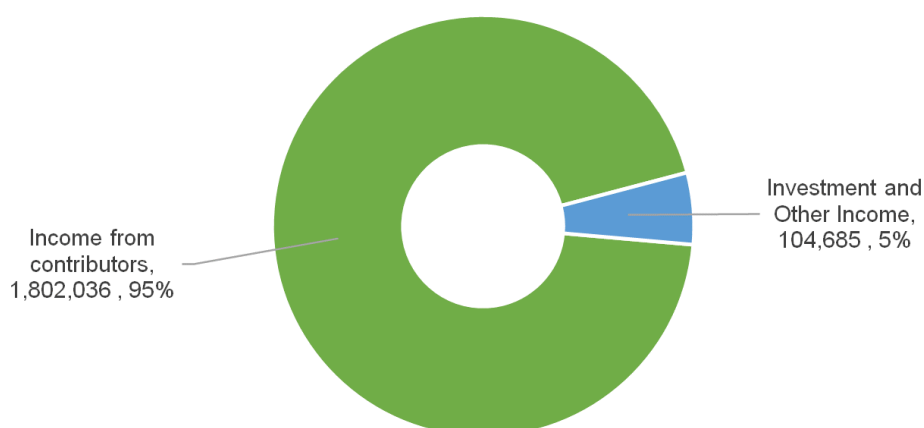
**TABLE 2: SUMMARY OF THE FUND'S INCOME**

Comparison of the Fund's 2022 and 2021 income (in USD '000')

	2022	2021	Change	% change
Income from contributors	1,802,036	1,993,403	(191,367)	▼ -10%
Trust fund investment income	87,306	11,371	75,935	▲ 668%
Loan Interest	7,244	6,456	788	▲ 12%
Other Income	10,135	3,129	7,006	▲ 224%
<b>Total Income</b>	<b>1,906,721</b>	<b>2,014,359</b>	<b>(107,638)</b>	<b>▼ -5%</b>

**FIGURE 2: ANALYSIS OF 2022 INCOME BY TYPE**

Analysis of 2022 income by type (in USD '000')



### Expenses

The 2022 grant expenditure for approved projects, Accredited Entity (AE) fees, and Project Preparatory Facility decreased by 34%, 8%, and 35%, respectively over the 2021 expenditure due to the reduced disbursement requests from the Accredited Entities. On the other hand, expenditure for the readiness and preparatory support programme, administrative expenditure, management fee on equity investments, and impairment loss provision increased by 44%, 8%, 241%, and 49%, respectively, compared to the 2021 expenditure. The high management fees on equity investments and the increase in impairment loss provision were expected, given the growing disbursements for

loan and equity-funded projects. Overall, the total expenditure decreased by 20% over the 2021 expenditure. The summary of the expenses is shown in table 3.

**TABLE 3: SUMMARY OF 2022 AND 2021 EXPENSES**

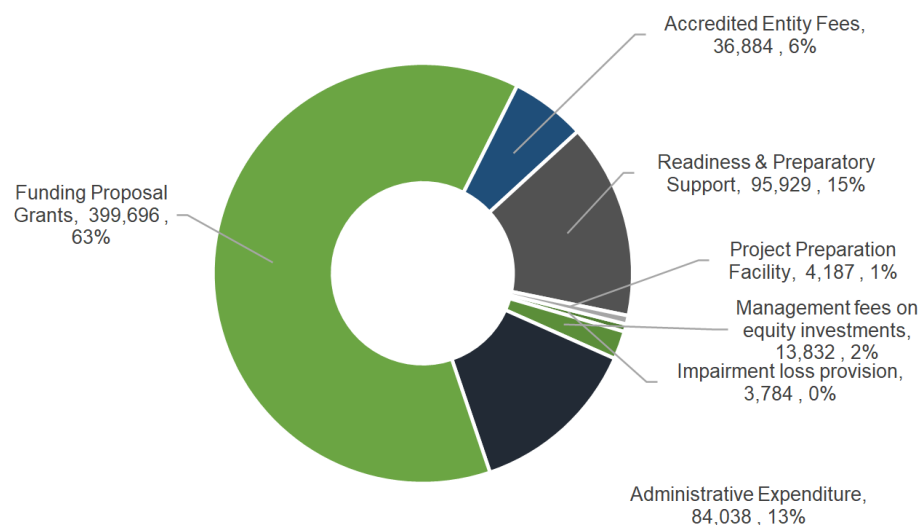
Summary of the Fund's expenses in 2022 and 2021 (in USD '000')

	2022	2021	Change	% change
Impairment loss provision	3,784	2,537	1,247	▲ 49%
Management fees on equity investments	13,832	4,060	9,772	▲ 241%
Administrative Expenditure	84,038	77,567	6,471	▲ 8%
Funding Proposal Grants	399,696	601,976	(202,280)	▼ -34%
Accredited Entity Fees	36,884	40,027	(3,143)	▼ -8%
Readiness & Preparatory Support	95,929	66,497	29,432	▲ 44%
Project Preparation Facility	4,187	6,487	(2,300)	▼ -35%
<b>Total Expenses</b>	<b>638,350</b>	<b>799,151</b>	<b>(160,801)</b>	<b>▼ -20%</b>

GCF's 2022 expenditure totaled USD 638 million. Out of this, USD 400 million (63%) was spent on funding proposal grants, USD 96 million (15%) on the readiness and preparatory support programme, USD 84 million (13%) on administrative expenses, USD 37 million (6%) on Accredited Entity fees, USD 14 million (2%) on management fees on equity investments, USD 4 million (1%) on the project preparation facility, and USD 4 million (1%) was set aside as an impairment loss provision on financial assets. The composition of the expenditure is shown in figure 3.

**FIGURE 3: ANALYSIS OF 2022 EXPENSES BY TYPE**

Analysis of 2022 expenses by type (in USD '000')



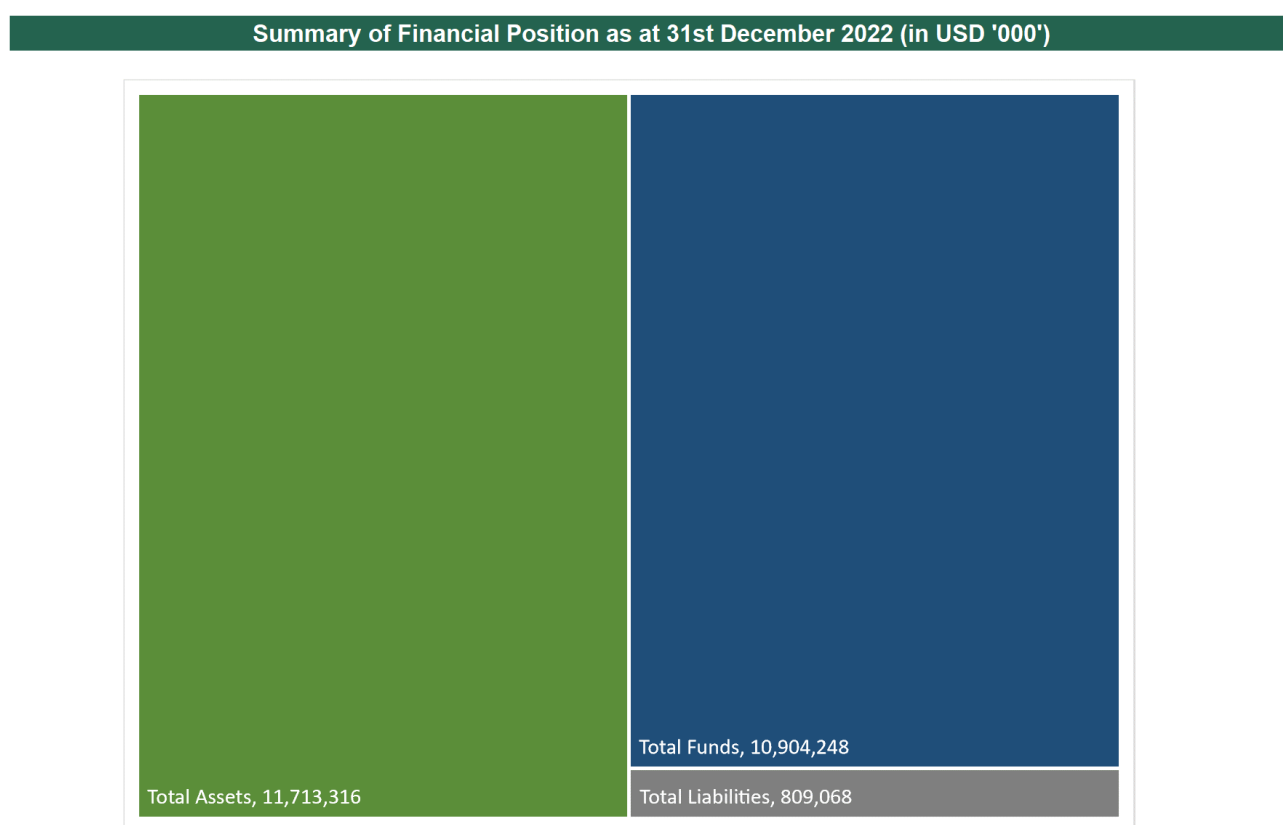
## Financial Position



As shown in table 4, the Fund's assets for the year ended 31st December 2022, increased by 17% over the 2021 figure, mainly due to additional cash inflows from contributors. The Fund's liabilities increased by 93%. The increase is attributable to additional loan drawdowns from contributors. Overall, the net assets increased by 13%. The summary of the financial position as of 31st December 2022 is shown in figure 4 below.

Out of the USD 10.9 billion available net assets as of 31st December 2022, USD 9 billion (81%) is committed by means of approved funding proposals, project fees, and to support the Readiness and Preparatory support programme. The committed funds by amounts and type and progress of disbursements are shown in table 5 and figure 5 below:

**FIGURE 4: SUMMARY OF GCF'S FINANCIAL POSITION AS OF 31<sup>ST</sup> DECEMBER 2022**



**TABLE 4: GCF'S SUMMARY OF FINANCIAL POSITION AS OF 31ST DECEMBER 2022 AND 31<sup>ST</sup> DECEMBER 2021**

Summary of the Fund's financial position in 2022 and 2021 (in USD '000')

	2022	2021	Change	% change
Total Assets	11,713,316	10,052,386	1,660,930	▲ 17%
Total Liabilities	(809,068)	(419,926)	(389,142)	▲ 93%
<b>Total Funds/net assets</b>	<b>10,904,248</b>	<b>9,632,460</b>	<b>1,271,788</b>	<b>▲ 13%</b>

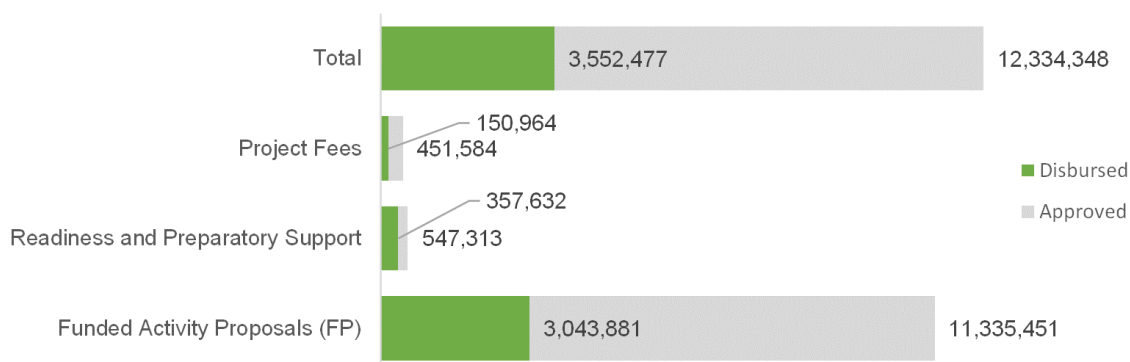
Table 5: Summary of committed funds as of 31st December 2022<sup>4</sup>

Summary of committed funds as at 31st December 2022 (in USD '000')

	Approved	Disbursed	Committed
Funded Activity Proposals (FP)	11,335,451	3,043,881	8,291,570
Readiness & Preparatory Support	547,313	357,632	189,681
Project Fees	451,584	150,964	300,620
<b>Total</b>	<b>12,334,348</b>	<b>3,552,477</b>	<b>8,781,871</b>

FIGURE 5: PROGRESS OF DISBURSEMENTS FOR APPROVED PROJECTS AS AT 31ST DECEMBER 2022

Disbursements progress as at 31st December 2022 (in USD '000')



<sup>4</sup> The figures are cumulative to date

## Assets

In 2022, GCF's cash and due from banks increased by 27% over the 2021 figure due to increased cash inflows from contributors. There was a marginal decrease in promissory notes balances as of 31<sup>st</sup> December 2022 as contributors paid the cash against their promissory notes deposits. There was also an increase of 89% and 25%, respectively in disbursements for equity and loan projects over 2021 figures as the AEs called up more equity and drew down more loans for the implementation of the approved projects. Ultimately, the increase in cash and due from banks and contributions receivable outweighed the increased demand for disbursement for loans and equity investments. As a result, the total assets increased by 17% over the 2021 figure. Table 6 below summarizes the comparison between 2022 and 2021 figures.

**Table 6: Changes in the Fund's assets over 2021**

### Summary of the Fund's assets in 2022 and 2021 (in USD '000')

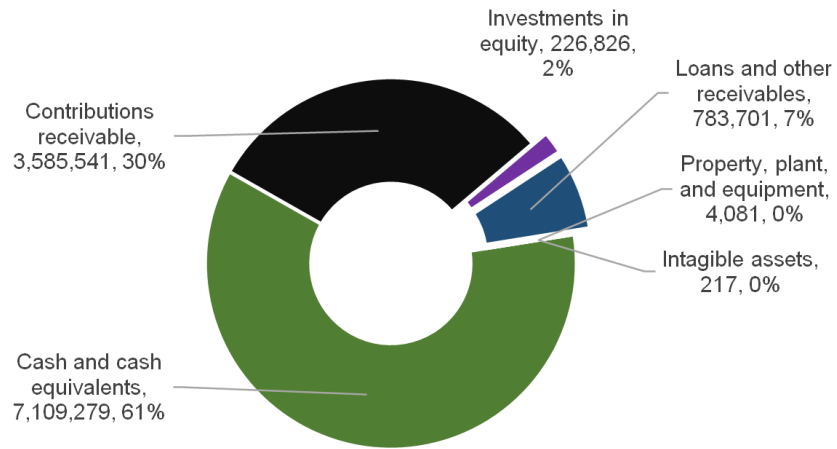
	2022	2021	Change	% change
Cash and due from banks	7,109,279	5,618,557	1,490,722	▲ 27%
Contribution receivables	3,585,541	3,682,397	(96,856)	▼ -3%
Investments in equity	226,826	119,979	106,847	▲ 89%
Loans and other receivables	783,701	628,776	154,925	▲ 25%
Property, plant, and equipment	4,081	792	3,289	▲ 415%
Intangible assets	217	340	(123)	▲ 100%
Prepayments	3,671	1,545	2,126	▲ 138%
<b>Total Assets</b>	<b>11,713,316</b>	<b>10,052,386</b>	<b>1,660,930</b>	<b>▲ 17%</b>

As of 31st December 2022, the largest portion of GCF's assets (61%) comprised of cash and due from banks followed by 30% in the form of contribution receivables (i.e., promissory notes deposited by IRM<sup>5</sup> and GCF-1 contributors). The promissory notes are expected to be encashed gradually until 2028. As shown in Figure 6 below, the balance of 9% comprises loans and other receivables, investment in equity, property, plant, and equipment, and prepayments.

<sup>5</sup> Initial Resource Mobilization

Figure 6: GCF's assets composition as of 31st December 2022

Composition of the Fund's assets in 2022 (in USD '000')



## Liabilities

In 2022, GCF drew down two loans from contributions resulting in a 96% increase in the Long-term borrowings. The accruals for employee leave entitlements increased by 8%, while the dues to vendors declined by 75%. Overall, the Fund's liabilities increased by 93% over the 2021 figure. The changes in liabilities and the composition of liabilities as of 31st December 2022 are summarized in table 7 and figure 7 below.

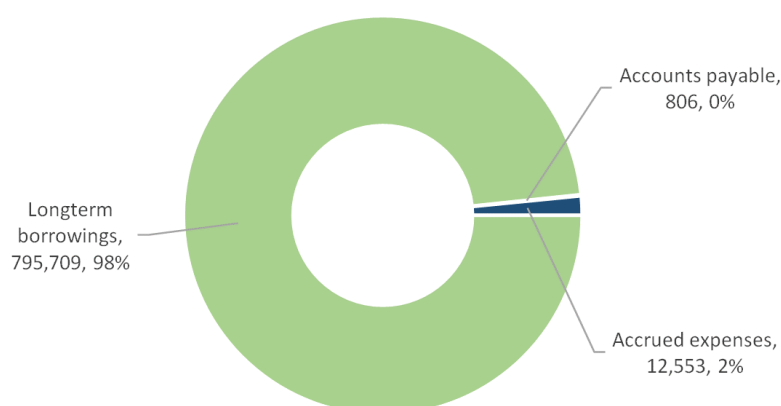
**TABLE 7: CHANGE IN THE FUND'S LIABILITIES OVER 2022**

### Summary of the Fund's liabilities in 2022 and 2021 (in USD '000')

	2022	2021	Change	% change
Accounts payable	806	3,239	(2,433)	▼ -75%
Accrued expenses	12,553	11,616	937	▲ 8%
Longterm borrowings	795,709	405,071	390,638	▲ 96%
<b>Total Liabilities</b>	<b>809,068</b>	<b>419,926</b>	<b>389,142</b>	<b>▲ 93%</b>

**FIGURE 7: GCF'S LIABILITIES COMPOSITION AS OF 31ST DECEMBER 2022**

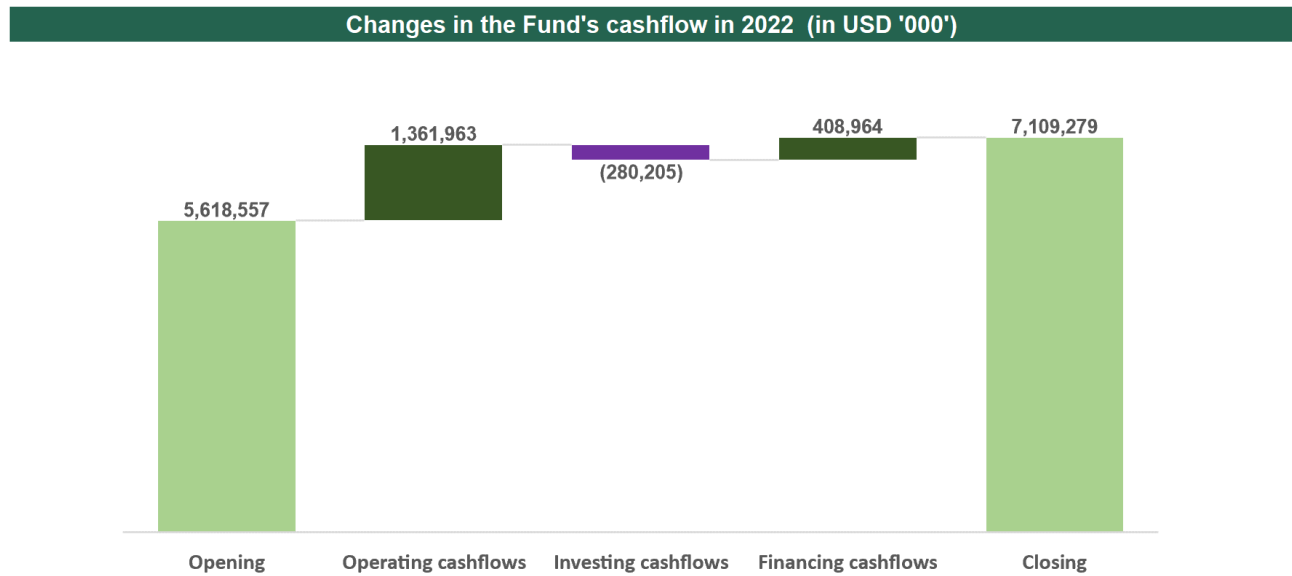
### Composition of the Fund's liabilities in 2021 (in USD '000')



## Cashflow

The largest movement was witnessed in cash flow from operations given the increased cash from contributors, which were more than disbursements made for programme activities and administrative expenses. Disbursements for loans and equity investments increased by 38% in response to the increased demand for cash from AEs to finance program activities. GCF also drew down two loans from contributors hence the 100% increase in cash flow from financing activities. Overall, there was a net increase of USD 1,491 million (27%) over the 2021 balance. The summary of the changes is shown in table 8 and figure 8 below.

**FIGURE 8: CHANGES IN GCF CASHFLOW POSITION IN 2022**



**TABLE 8: COMPARISON OF GCF'S CASHFLOW POSITION IN 2022 AND 2021**

Summary of the Fund's cashflow in 2022 and 2021 (in USD '000')				
	2022	2021	Change	% change
Cashflow from operations	1,361,963	866,290	495,673	▲ 57%
Cashflow from investing activities	(280,205)	(203,055)	(77,150)	▲ 38%
Cashflow from financing activities	408,964	0	408,964	▲ 100%
Beginning cash and cash equivalents	5,618,557	4,955,322	663,235	▲ 13%
Closing cash and cash equivalents	7,109,279	5,618,557	1,490,722	▲ 27%

## Independent Auditors' Report

To the Board of the Green Climate Fund

### ***Opinion***

We have audited the accompanying financial statements of the Green Climate Fund (the "Fund"), which comprise the statements of financial position as of 31st December 2022 and 2021, the statements of comprehensive income, the statements of changes in funds, and the statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31st December 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards("IFRS").

### ***Basis for Opinion***

We conducted our audits in accordance with the International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined "Expected Credit Loss Provision ("ECL provision)" as a key audit matter because the calculation of the ECL provision is significant to the financial statements of the Fund and involves subjective estimations and computational complexity in its determination.

As of the end of the reporting period, the key audit procedures we have performed in connection with the ECL provision are as follows.

- Understanding of the design of the company's internal control system for the measurement of the ECL provision.
- Review of the rationality and mathematical accuracy of the calculation model for the ECL provision
- Review of key assumptions applied in a staged approach, determination of effective discount rate, probability of default ("PD"), loss given default ("LGD"), and the lifetime of the loan receivable.

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

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

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 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 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 it is not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements 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 Fund'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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the 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.

Seoul, Korea

xx, 2023

This report is effective as of xx, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

## Statements of financial position

As of 31st December 2022, and 2021

(In '000 USD)	Note	2022	2021
<b>Assets</b>			
Cash and due from banks	5, 6	7,109,279	5,618,557
Contribution receivables	6, 7	1,386,409	900,236
Prepayments	-	3,671	1,545
Other receivables	-	24	40
<b>Total current assets</b>		<b>8,499,383</b>	<b>6,520,378</b>
Contribution receivables	6, 7	2,199,132	2,782,161
Investment in equity	6, 8	226,826	119,979
Loan receivables	6, 8	783,677	628,736
Property, plant and equipment, net	9	4,081	792
Intangible assets, net	10	217	340
<b>Total non-current assets</b>		<b>3,213,933</b>	<b>3,532,008</b>
<b>Total assets</b>		<b>11,713,316</b>	<b>10,052,386</b>
Account payables	6	806	3,239
Accrued expenses	6	12,553	11,616
Current portion of long-term borrowings	6, 11	15,671	8,065
<b>Total current liabilities</b>		<b>29,030</b>	<b>22,920</b>

Long-term borrowings	6,11	655,996	361,008
Deferred income	11	124,042	35,998
<b>Total non-current liabilities</b>		<b>780,038</b>	<b>397,006</b>
<b>Total liabilities</b>		<b>809,068</b>	<b>419,926</b>
Temporarily restricted funds	12	4,328,061	4,403,721
Unrestricted funds		6,576,187	5,228,739
<b>Total funds</b>		<b>10,904,248</b>	<b>9,632,460</b>
<b>Total liabilities and funds</b>		<b>11,713,316</b>	<b>10,052,386</b>

See accompanying notes to the financial statements.

## Statements of comprehensive income

For the years ended 31st December 2022 and 2021

(In '000 USD)	Note	2022	2021
<b>Income</b>			
Income from contributors	13	1,802,036	1,993,403
Investment & other income	14	104,685	20,956
<b>Total income</b>		<b>1,906,721</b>	<b>2,014,359</b>
Administrative expenses	15	(84,038)	(77,567)
Programme expenses	16	(550,528)	(719,047)
Expected credit loss provision	8B	(3,784)	(2,537)
Gain/(loss) on equity investments at fair value through profit and loss (FVPL)	8A	3,479	-
<b>Total expense</b>		<b>(634,871)</b>	<b>(799,151)</b>
<b>Increase in fund for the year</b>		<b>1,271,850</b>	<b>1,215,208</b>
Gain(loss) on equity investments at fair value through Other Comprehensive Income (FVOCI)	8A	(62)	(5,081)
<b>Total comprehensive income for the year</b>		<b>1,271,788</b>	<b>1,210,127</b>

See accompanying notes to the financial statements

## Statements of changes in funds

For the years ended 31st December 2022 and 2021

(In '000 USD)

	Temporarily restricted funds	Unrestricted funds	Total
<b>As at 1 January 2021</b>	<b>4,059,828</b>	<b>4,362,505</b>	<b>8,422,333</b>
Fund released from restriction	(788,212)	788,212	-
Comprehensive income	1,132,105	78,022	1,210,127
<b>As at 31st December 2021</b>	<b>4,403,721</b>	<b>5,228,739</b>	<b>9,632,460</b>
<b>As at 1 January 2022</b>	<b>4,403,721</b>	<b>5,228,739</b>	<b>9,632,460</b>
Fund released from restriction	(900,236)	900,236	-
Comprehensive income	824,576	447,212	1,271,788
<b>As at 31st December 2022</b>	<b>4,328,061</b>	<b>6,576,187</b>	<b>10,904,248</b>

See accompanying notes to the financial statements.

## Statements of cash flows

For the years ended 31st December 2022 and 2021

(In '000 USD)	2022	2021
<b>Cash flows from operating activities</b>		
Cash receipts from contributors	1,859,624	1,616,032
Interest and Investment Income	94,550	17,827
Other income	10,135	3,129
Cash paid to suppliers & personnel	(86,624)	(73,905)
Program Payments	(536,696)	(697,582)
Realised foreign currency gain/(loss)	20,974	789
<b>Net cash provided by (used in) operating activities</b>	<b>1,361,963</b>	<b>866,290</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant, and equipment	(4,219)	(622)
Disbursements to GCF funded equity projects	(117,262)	(96,081)
Disbursements to GCF funded loan Projects	(158,724)	(106,352)
<b>Net cash provided by (used in) investing activities</b>	<b>(280,205)</b>	<b>(203,055)</b>
<b>Cash flows from financing activities</b>		
Borrowings from contributors	408,964	-
<b>Net cash from financing activities</b>	<b>408,964</b>	<b>-</b>
<b>Net increase in cash and due from banks</b>	<b>1,490,722</b>	<b>663,235</b>
<b>Cash and due from banks at the beginning of the year</b>	<b>5,618,557</b>	<b>4,955,322</b>
<b>Cash and due from banks at the end of the year</b>	<b>7,109,279</b>	<b>5,618,557</b>

See accompanying notes to the financial statements.

## Notes to financial statements

### 1. Reporting entity

The Green Climate Fund (GCF/the Fund) has been established by 196 Parties to the United Nations Framework Convention on Climate Change (UNFCCC). The Fund was established by a decision of the Conference of the Parties (COP) to the UNFCCC on 11 December 2011. Its headquarter is based in Songdo, the Republic of Korea, and the principal place of business is G-Tower 175, Art Center-daero Yeonsu-gu, Incheon 22004. The Fund seeks to contribute to the achievement of the ultimate objective of the Convention. In the context of sustainable development, the Fund promotes the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change, taking into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change. The Fund is guided by the principles and provisions of the Convention.

The Fund plays a key role in channeling new and predictable financial resources to developing countries. GCF seeks to catalyze climate finance – both public and private, and at the national, regional, and international levels. The Fund is intended to operate at a larger scale than other comparable funds to promote the paradigm shift towards low-emission and climate-resilient development pathways.

The Fund is governed and supervised by a Board that has full responsibility for funding decisions and receives the guidance of the COP. The Board oversees the operation of all relevant components of the Fund, approving specific operational policies and guidelines, and approving funding for projects and programmes. The Board comprises 24 members and 24 alternate members, with equal representation from developing and developed country Parties. In accordance with the Fund's Governing Instrument, the World Bank provides Trustee services to the Fund.

The financial statements for the year ended 31st December 2022 were authorized for issue by the Fund's Board on XXXXX.



## 2. Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been applied by the Fund consistently to all periods presented.

### Statement of Compliance

The financial statements have been prepared following the International Financial Reporting Standards (IFRSs). Where the IFRS are silent or do not give guidance on how to treat transactions specific to the non-profit sector, accounting policies have been based on the general IFRS principles and other relevant accounting standards, as detailed in the IASB Framework for the Preparation and Presentation of Financial Statements.

### Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for investments (other than associates or joint ventures) and certain financial assets and liabilities, which are presented at fair value

### Functional and Presentation Currency

The accompanying financial statements are presented in United States Dollars ("USD"), the Fund's functional currency. All financial information has been rounded off to the nearest thousand unless otherwise indicated.

### Use of Estimates and Judgements

The preparation of the financial statements under IFRSs requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, incomes, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### 3. Application of new and revised IFRS

A number of new or amended standards became effective for annual periods beginning after 1 January 2022. The Fund has assessed that these new/amended standards had no significant impact on the preparation of financial statements for the period to 31<sup>st</sup> December 2022.

#### **Amendments to IFRS 3 Business Combination – Reference to the Conceptual Framework**

The amendments update a reference of definition of assets and liabilities qualify for recognition in revised Conceptual Framework for Financial Reporting. The amendments also add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRS 2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

#### **Amendments to IAS 16 Property, Plant and Equipment - Proceeds before intended use**

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss.

#### **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts: Cost of Fulfilling a Contract**

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous.

#### **Standards issued but not yet effective**

The following new standards, interpretations, and amendments to existing standards have been published and are applicable for annual periods beginning after January 1, 2023. The Fund is in the process of assessing how the standards, interpretations or amendments to significantly impact its reporting.

#### **Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**

Classification is unaffected by the likelihood that an entity will exercise right to defer settlement of the liability or the expectations of management. If a liability meets the criteria for being classified as a non-current liability, it is classified as a non-current liability even if management intends or expects to settle the liability within 12 months after the reporting period, or even if the liability is settled between the end of the reporting period and the date of authorization for issue. Also, the settlement of liability includes the transfer of the entity's own equity instruments, however, it would be excluded if an option to settle them by the entity's own equity instruments if compound financial instruments is met the definition of equity instruments and recognized separately from the liability.

#### **Amendments to IAS 1 - Presentation of Financial Statements – Disclosure of Accounting Policies**

The amendments clarify the accounting policy information, and an entity is required to disclose its material accounting policy information instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

#### **Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**

The amendments clarify that accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

## 4. Summary of significant accounting policies

### A. Cash and due from banks

Cash and due from banks include cash on hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

### B. Receivables

All receivable balances are valued at their net realizable value, that is, the gross amount of receivable minus, if applicable, allowances provided for doubtful debts. Any receivable or portion of receivable judged to be uncollectable is written off. Write-offs of receivables are done via allowances for doubtful accounts after all efforts to collect have been exhausted.

### C.1. Property, plant, and equipment

Property, plant, and equipment are initially measured at cost. After initial recognition, property, plant, and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property, plant, and equipment comprises its purchase price and all other incidental expenses incurred to bring the asset to its working condition for its intended use.

Subsequent costs are recognized in the carrying amount of property, plant, and equipment at cost or, if appropriate, as separate items if it is probable that future benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably. The costs of the day-to-day operation are recognized as expenses.

Property, plant, and equipment are depreciated on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment. The estimated useful lives for the current period are as follows:

Item of property, plant, and equipment	Useful life
Computer equipment, Software* and IT infrastructure	3 years
Leasehold Improvements	10 Years
Office Equipment and Furniture	3 Years
Motor Vehicles	5 Years

\* The software included under this category is judged to be an integral part of the computer equipment.

Depreciation methods, useful lives, and residual values are reviewed at the end of each reporting date and adjusted, if appropriate.

Depreciation is charged in the year the asset is placed in operation and continued until the asset is fully depreciated or its use is discontinued.

## C.2. Intangible assets - software

Intangible assets are identifiable non-monetary assets without physical substance. In line with the relevant financial reporting standard, intangible assets are identifiable when they are separable (i.e. they can be sold, transferred, or licensed) or when they arise from contractual or other legal rights. For GCF, other than financial assets, the major intangible asset is software for the various functions, which may be bought externally or developed internally..

**Capitalization limit:** Intangible assets are capitalized if their acquisition cost or the estimated cost of their internal development exceeds USD 20,000.

**Recognition, measurement, and derecognition:** Only costs related to the application development and implementation can be considered for capitalization. Costs incurred during the preliminary assessment and post-implementation stages are expensed. Training, data conversion, and general administrative costs are expensed.

If it is determined at any time that software whose costs had been capitalized can not be used for its intended purpose, any unamortized portion is immediately expensed.

**Amortization:** Both internally developed and externally acquired intangible assets are amortized monthly on a straight-line basis over 36 months unless a longer useful life can be justified.

## D. Foreign currency transactions and translations

Foreign currency-denominated transactions are translated to US dollars for reporting purposes at rates that approximate the exchange rates prevailing at the dates of the transactions.

Exchange differences arising from the: (a) settlement of foreign currency-denominated monetary items at rates which are different from which they were initially booked, and (b) translation of balances of foreign currency-denominated monetary items as at the reporting date, are credited or charged to operations during the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

## E. Accounting for Contributions

### E1.1 Revenue recognition

Contributions, including unconditional promises for the use of the contributions, are recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or when such contributions are received.

Contributions, including conditional promises to support specified projects or activities mutually agreed upon by the Fund and the contributor, are fully recognized as revenue at the earlier of when there is reasonable assurance that the contributions will be received or when such contributions are received, unless there is a doubt that the Fund will be able to use the contributions for their intended purposes, in which case the revenue is recognized only to the extent of the expenses incurred during the year.

### E1.2 Contribution receivables

The Fund recognizes contribution receivables where there is reasonable assurance that the contributions will be received, but the cash has not been received. Contribution receivables are stated at their cost net of an allowance for uncollectible contributions.

Promissory notes receivable are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, reflecting the duration and credit risk of the issuer and presented at amortized cost using the effective rate method at each reporting date. At the end of each reporting period, the Fund assesses whether there is any objective evidence that the promissory notes are impaired. If any such evidence exists, the Fund determines the amount of any impairment loss.

### E1.3 Deferred contribution revenue

The Fund recognizes deferred contribution revenue where there is a doubt that the Fund will be able to use the contributions for their intended purposes, in which case, any unused portion of the contribution received will need to be refunded to the contributor. The revenue recognition for such contributions is deferred to future periods to match the underlying related expenses. The revenue is realized in the statement of comprehensive income on a systematic basis in the period during which the associated underlying expenditures are incurred.

## F. Accounting for investments in equity

The Fund is “capital agnostic”. The Fund does not seek controlling interests or to influence the returns earned from equity investments. Rather its involvement seeks to de-risk investment and crowd in public and private investment to achieve transformative results. It also seeks to build novel alliances with different entities to achieve ambitious programmatic objectives. As such, equity investments on the Fund’s statement of financial position are either measured at Fair value through profit and loss or Fair value through other comprehensive income.

Where the Fund's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings. Dividend income from such investments continues to be recognized in profit or loss as 'other non-operating income' when the right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'other non-operating income and expenses' in the statement of profit or loss as applicable.

## G. Accounting for Grants

The accounting for grants uses the principles of IAS 37: Provisions, liabilities, and contingent liabilities, together with the "general framework" document to determine when the grants should be recognized as contingent liabilities, grant payables, and subsequently recorded in the statement of comprehensive income.

### G1.1 Contingent Liability

The first point of recognition for grants is at the point of Board approval, where the maximum liability of the grant becomes clear and is agreed with the Accredited Entity. The accounting treatment at this point is to recognize the grant as a contingent liability due to the uncertainty over the amount of the grant and the substantive ability of the Fund to de-commit funds if conditions are not met, or funding is not available. Accordingly, the point of Board approval is not considered a constructive obligation as defined under IAS 37.

Following the Board's approval, the grants are governed by a written grant agreement that includes substantive conditions based on performance. There is no constructive obligation for the total value of the grant at the signing date of the grant agreement. Accordingly, an obligation only arises once all criteria have been addressed or otherwise resolved.

### G1.2 Recognition of grants payable and expenditure

The recognition of grants payable is determined when the conditions are met and the accredited entity makes the disbursement request. At this point, the Fund has a constructive obligation to the accredited entity. Therefore, the amount requested for disbursement is recognized as a grant payable and recorded as expenditure within the statement of comprehensive income.

### G1.3 Recoverable from grants

During the implementation period, a part of the funds disbursed for grants may be determined as recoverable from the accredited entity based on the audits and investigations conducted. Grants recoverable are recognized at fair value upon notification to the accredited entity. They are subject to the same valuation policy, risk assessment, and asset impairment as contributions recoverable from a contributor.

## H. Fair Value Measurement

In applying Fair Value measurement, the Fund classifies fair value measurements in accordance with the fair value hierarchy that reflects the significance of the inputs used in fair value measurement, and the level of the fair value hierarchy is as follows:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

*Level 3 :* Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair value of financial instruments traded in active markets is based on quoted market prices at the dates of the separate statements of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arms-length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Reliance may also be placed on the fund managers to provide a valuation of the funds managed by them as long as these are audited as per IFRS. If the fund believes the value provided by the fund managers is misleading, it may apply discounted cashflows to undertake independent valuations.

## I. Financial instruments

Financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual provisions of the underlying instruments.

### I1.1 Financial assets

#### I1.1.1 Classification

From 1 January 2018, the Fund classifies its financial assets in the following measurement categories:



- a) Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss)
- b) Those to be measured at amortized cost

The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. The Fund reclassifies debt investments only when its business model for managing those assets changes.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Changes in fair value of the investments in equity instruments that are not accounted for as other comprehensive income are recognized in profit or loss.

### 11.1.2 Measurement

At initial recognition, the Fund measures a financial asset, in the case of a financial asset not at fair value through profit or loss, at its fair value plus transaction costs directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Comprehensive Income.

#### a) Financial assets measured at amortized cost.

Assets that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in 'financial income' using the effective interest rate method.

#### b) Financial assets measured at fair value through other comprehensive income (FVTOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows solely represent payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (reversal of impairment loss), interest income, and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in 'Financial income' using the effective interest rate method. Foreign exchange gains and losses are presented in 'financial income and expenses and impairment losses are presented in 'other non-operating expenses'.

#### c) Financial assets measured at fair value through profit or loss (FVTPL)

Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the statement of profit or loss within 'other non-operating income and expenses' in the year in which it arises.

### 11.1.1.3 Expected Credit Loss (ECL) Provision

As per the IFRS 9 guidance, GCF makes an allowance for expected credit losses (ECL) on its loan portfolio using a 3-Stage approach.

**Stage 1:** All loans are initially classified in stage 1. If at the end of the year, it is assessed that there are no changes in the credit quality of the loan since inception, the loans are retained in this stage. A loss allowance equal to 12-month expected credit losses is measured for loans classified in this stage.

**Stage 2:** If the credit risk on a loan instrument is assessed to have increased significantly since initial recognition, but the financial instrument is not assessed to be credit-impaired, the loan is classified in stage 2. Changes in the credit risk of the loan recipient or the country where the GCF loan-funded

project/programme is being implemented are the first indicators for credit risk deterioration. Other indicators are issues such as significant delays in the implementation of the GCF loan-funded project/programme. That notwithstanding, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless there is reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due. A loss allowance equal to lifetime expected credit losses is measured for loans classified in stage 2.

**Stage 3:** Loans deemed to be credit-impaired are classified in stage 3. For such instruments, cumulative changes in lifetime expected credit losses are recognized. Sovereign-backed loans are considered credit-impaired if they are in arrears for more than 180 days. For non-sovereign backed loans, the following events provide evidence that a loan is impaired:

- Breach of loan covenants or conditions.
- Initiation of bankruptcy proceedings or other financial reorganization by the borrower.
- Significant financial difficulty of the borrower
- Principal or interest payments are in arrears for 90 days

Expected credit losses are measured in a manner that reflects:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes.**
- The time value of money.** The measured credit losses are discounted to the reporting date using the effective interest rate determined or approximated at initial recognition to account for the time value of money.
- Reasonable and supportable information** available without undue cost or effort at the reporting date about past events, current conditions, and forecasts of future economic conditions.

#### **11.1.4 Recognition and Derecognition**

Regular way purchases and sales of financial assets are recognized or derecognized on trade-date, the date on which the Fund commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Fund has transferred all the risks and rewards of ownership substantially. If a transfer does not result in derecognition because the Fund has retained substantially all the risks and rewards of ownership of the transferred asset, the Fund continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The Fund classifies the financial liability as "borrowings" in the statement of financial position.

#### **11.1.5 Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events. It must also be enforceable in the ordinary course of business and in the event of default, insolvency, or bankruptcy of the Fund or the counterparty.

#### **11.2 Financial liabilities**

Financial liabilities at fair value through profit or loss are financial instruments held for trading. Financial liabilities are classified in this category if incurred principally to repurchase them in the near term. Derivatives that are not designated as hedges or bifurcated from financial instruments containing embedded derivatives are also categorized as held-for-trading.

The Fund classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts, and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortized cost and presented as 'account payables,' 'borrowings,' and 'other financial liabilities' in the statement of financial position.

#### **J. Finance income and finance costs**

Interest income is accrued on a time basis by reference to the principal outstanding and applicable interest rate.

#### **K. Taxation**

Under the agreement between the Republic of Korea and the Green Climate Fund (GCF) concerning the Headquarters of the Green Climate Fund, signed on 10 June 2013, the GCF is exempt from all direct taxes, except those which are no more than charges for public utility services. It is also exempt from all indirect taxes, including any value-added or similar taxes and excise duties levied on imported goods and services for official purposes.

## L. Risk management

### GCF's risk appetite

As per the GCF Governing Instrument, 'the Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change'<sup>6</sup>. To achieve a paradigm shift, the Fund needs to finance new and unconventional projects and programmes and the scaling-up of conventional technologies that are new to a location. The projects, programmes, and technologies would typically not be financed on the market because of perceived or real risk or a lack of economic and financial viability due to their cost or insufficient revenue. By their nature, these activities and technologies would at times assume a higher level of risk than conventional investments undertaken on the market. As such, the Fund must strike a balance between taking excessive risk and insufficient risk. Excessive risk would result in excessive non-viable projects that would endanger the long-term viability and sustainability of the Fund. On the other hand, insufficient risk mean that the Fund would not achieve its purpose as outlined in the Governing Instrument.

### GCF's risk exposure and mitigation measures

As detailed in the Fund's risk register, the nature of GCF's operations exposes it to risks that include but are not limited to compliance risk, legal risk, reputational risk, operational risk and IT risk, project/programme failure risk, market risk, foreign exchange risk, credit risk, liquidity risk, asset-liability mismatch risk, counterparty risk. To support GCF's risk management efforts, the GCF Board has adopted the Risk Management Framework (RMF), which is meant to provide:

- a) Greater clarity on the risks inherent in individual decisions and the day-to-day functioning of the GCF, enabling the Board to make appropriate trade-offs;
- b) Greater consistency in decisions across the organization, tied together by Board expressed consistent views on what are the key risks, how much risk is acceptable, and how the risks should be managed;
- c) A more assured path towards achieving the mandate of the GCF (with well-understood likelihood and impact of risks); and
- d) Faster decision-making enabled by clarity and consistency (e.g., the RMF provides clarity to accredited entities and the Secretariat on what funding proposals should include)

### Financial Risk Management

In addition to the risk management framework, the Board also adopted the Financial Risk Management Framework, whose purpose is to:

- a) Establish over time the overall level of financial risk the Board is willing to assume for the Fund in pursuit of its objectives (the Fund's risk appetite or risk limit), to be reflected in the Fund's investment framework that sets out the criteria for the process of approving funded project and programs, as well as in the Fund's financial policies relating to resource mobilization;
- b) Ensure that the risks assumed by the Fund lie within the Board-approved ceiling for the risk appetite at any given time, by monitoring, assessing, and reporting the actual level of financial risk;
- c) Provide an analytical framework in which the Fund's portfolio will be reviewed and managed, and a feedback mechanism for the Board to adjust its approval criteria for funding proposals from time to time, based on the Board-determined risk appetite and the level of actual risk assumed by the Fund; and

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<sup>6</sup> <https://www.greenclimate.fund/document/governing-instrument> paragraph 2

- d) Define the roles and responsibilities of the different actors involved in, as well as the procedures for, the Fund's financial risk management.

### **Financial risk monitoring and reporting**

The Fund's Chief Financial Officer (CFO) and Head of Risk Management and Compliance are responsible for the quantification and measurement of financial risk exposure, while the Risk Management Committee is responsible for overseeing the monitoring of the risk. To support financial risk monitoring and reporting, the Fund utilizes the following tools:

- a) Risk management dashboard – The risk management dashboard brings together into one concise report the quantification of the most critical risks highlighting Board-imposed ceilings where appropriate.
- b) Financial risk register – The financial risk register provides more granular details on the financial risks and highlights the measures to manage the risks
- c) Financial statements – The preparation of financial statements and comparing critical ratios over time help paint a picture of the institution's overall financial health, enabling instituting corrective measures if ratios point to a deteriorating condition.
- d) Annual portfolio review – The portfolio review based on the periodic submission of information from accredited entities as outlined in the Funded Activity Agreements (FAA) helps identify indicators of financial risk within the portfolio, enabling the Fund to respond proactively.
- e) Annual external audit – Annual external audits conducted by independent auditors help verify the financial information presented in the financial statements and highlight the risks that the Fund may have overlooked.
- f) The Committee of Sponsoring Organization of the Treadway Commission (COSO) risk monitoring self-evaluation. The Fund adopted COSO as a self-assessment framework to determine the effectiveness of financial risk monitoring and reporting.

## Financial Risk Governance

To effectively identify, assess, manage and communicate financial risks, responsibility is shared among different parties as below:

- a) The **Board's Risk Management Committee** provides overall oversight of the risk management of the Fund. It recommends risk ceilings to the Board, reviews compliance to the risk ceilings, oversees the risk monitoring system, and reports to the Board.
- b) The **Secretariat's Risk Working Group** reviews the Fund's level of financial risk compared to the ceilings set by the Board's Risk Management Committee.
- c) The **CFO** maintains the financial and risk reporting systems, asset-liability management processes and liaises with the Trustee to ensure accurate and timely monitoring of financial risks.

## Review of select risks

### Credit Risk

Credit risk is the risk that a GCF loan financing recipient will become unwilling or unable to satisfy the terms of a loan obligation to the GCF or that the value of a loan asset declines due to a deterioration in the issuer's creditworthiness. GCF actively assumes credit risk to meet its strategic mandate of promoting a paradigm shift towards low-emission and climate-resilient development pathways. The GCF is willing to take on risks that other investors will not take. It aims to utilize its investments to crowd-in other debt and enhance the creditworthiness of a project. The GCF also enters relatively high-risk transactions to meet its strategic mandate, such as junior positions in credit structures or being the sole investor.

To mitigate credit risk, concept notes and funding proposals are screened for this risk, and such evaluations influence the decisions taken on them. Accreditation decisions are also dependent on credit risk assessment. GCF continuously evaluates projects/programmes / AEs for credit risk through the ongoing project/programme and AE monitoring and review process and takes corrective action as required.

For the purpose of credit risk management, GCF loans are mainly classified into sovereign-guaranteed loans, and non-sovereign guaranteed backed loans. To assess its credit risk exposure for sovereign-guaranteed loans, GCF uses the publicly available credit ratings for the different countries as a guide for its exposure. For non-sovereign-guaranteed loans, GCF calculates the default spread of the country where the project/programme is being implemented.

GCF is also exposed to credit risk if the contributors default on their obligations on promissory notes deposited with the Fund or if the banks and Trustee are unable to avail the funds held by them for use by GCF when required. The maximum exposure to credit risk as of 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021 is as follows:

	2022	2021
<i>(In '000 USD)</i>		
Cash and due from banks	7,109,279	5,618,557
Contributions receivables	3,585,541	3,682,397
Loans receivable	783,677	628,736
<b>Total exposure</b>	<b>11,478,497</b>	<b>9,929,690</b>



## Concentration Risk

To ensure that the GCF maintains a diverse portfolio to optimize the deployment of its financial resources, the Fund maintains prudential risk appetite levels on the funding allocated to result areas, countries, and projects. To mitigate the concentration risk, GCF monitors its exposure levels (in the nominal amount of cumulative GCF cash transfers and funding approvals for ongoing projects at a Fund level) for the following:

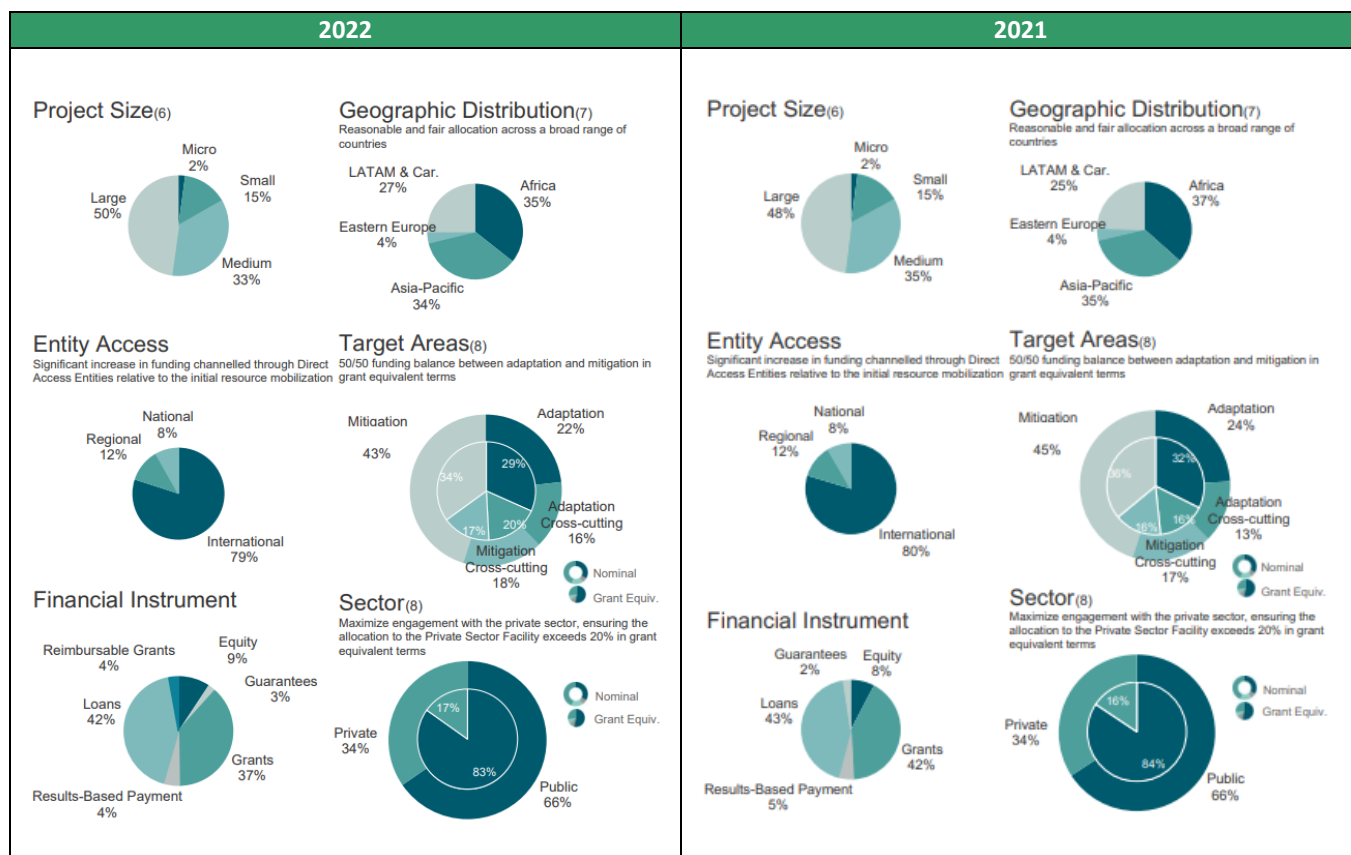
- (a) The GCF targets no more than [50%] of the total investible amount into a single results area.
- (b) The GCF targets no more than [10%] of the total investible amount into a single country.
- (c) The GCF targets no more than [10%] of the total investible amount into a single proposal

The total investible amount is defined as the sum of the GCF's liquid asset portfolio size, the nominal amount of GCF's uncashed promissory notes with fixed encashment dates deposited with the Trustee, and the total nominal amount disbursed to live projects/programmes. The liquid asset portfolio is defined as cash or cash equivalents held in Trust or GCF's bank accounts.

In addition, the GCF monitors its exposure to a single Accredited Entity (AE) and the impact of this exposure on other risk dimensions (e.g., credit risk, equity risk, impact risk). The Fund also balances its deployment of funding instruments (i.e., grant, equity, loan, and guarantees) following its investment policies and guidelines.

The concentration of approved funding proposals by project size, geographic distribution, entity access, target areas, financial instrument, and the sector is as below:

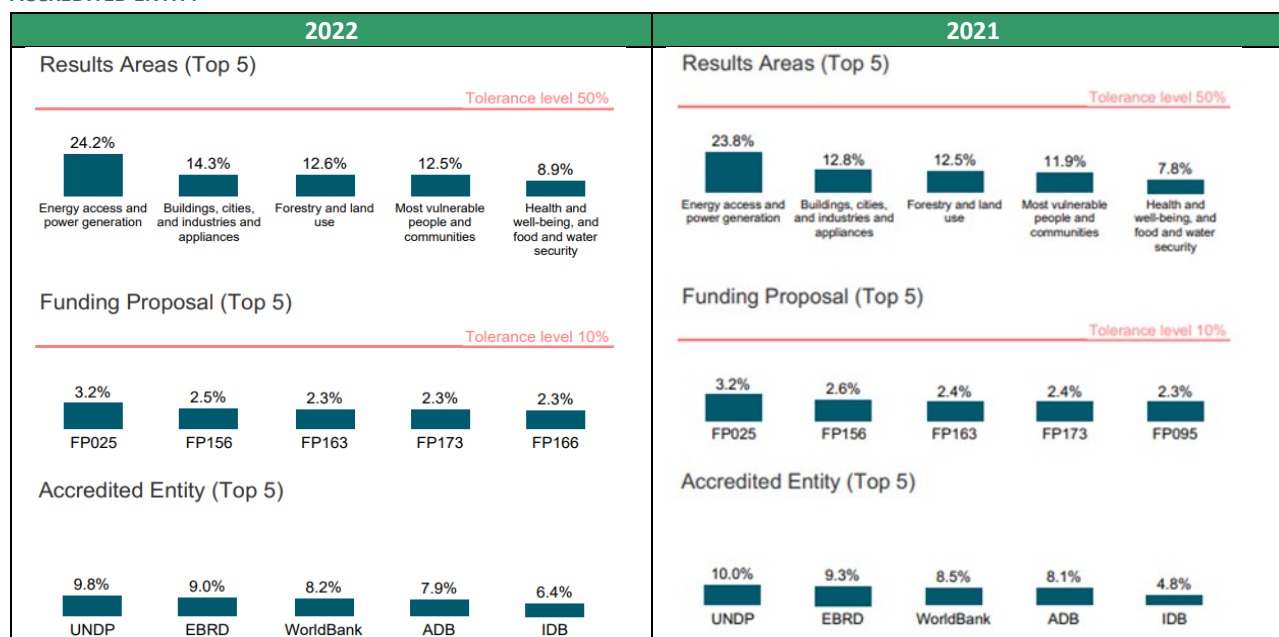
**FIGURE 7: CONCENTRATION OF APPROVED FUNDING PROPOSALS AS OF 31ST DECEMBER 2022 AND 2021**



Source: GCF 2022 and 2021 Q4 Risk Dashboard (..... and [gcf-risk-dashboard-q4-2021.pdf](#) ([greencclimate.fund](#)))

The concentration by result areas, funding proposal, and the accredited entity is as below:

**FIGURE 8: CONCENTRATION OF FUNDING FOR GCF APPROVED PROPOSALS BY RESULT AREAS, FUNDING PROPOSAL AND ACCREDITED ENTITY**

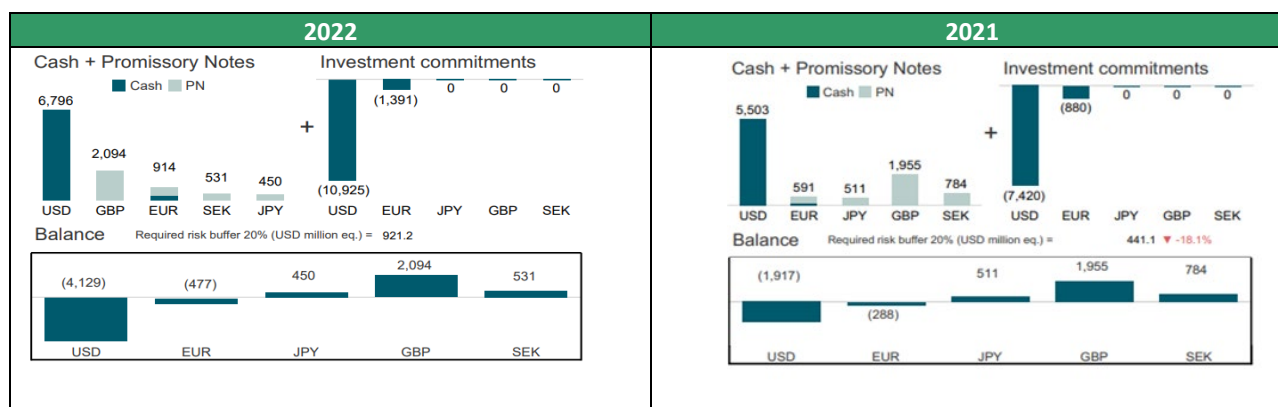


Source: GCF 2022 and 2021 Q4 Risk Dashboard ( and [gcf-risk-dashboard-q4-2021.pdf](#) ([greenclimate.fund](#)))

### Foreign exchange (FX) risk

The GCF is exposed to FX risk by receiving contributions in currencies that do not match the currency in which programme and administrative commitments are denominated. The Fund receives contributions in US dollars (USD), Euro (EUR), Japanese Yen, British pounds, and Swedish Krona while its investment commitments are denominated in USD and EUR. As such, the Fund maintains both EUR and USD deposits, to mitigate FX risk. Disbursements for EUR commitments are made from the EUR deposits, while disbursements for USD commitments are made from USD deposits. It also monitors the currency mismatch between received funding and investment commitments and sets aside a risk buffer to cover the currency mismatch. The figure below shows the currency mismatch between contributions and investments as at 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021.

**FIGURE 9: ANALYSIS OF THE FX RISK EXPOSURE AS AT 31ST DECEMBER 2022 AND 31ST DECEMBER 2021**

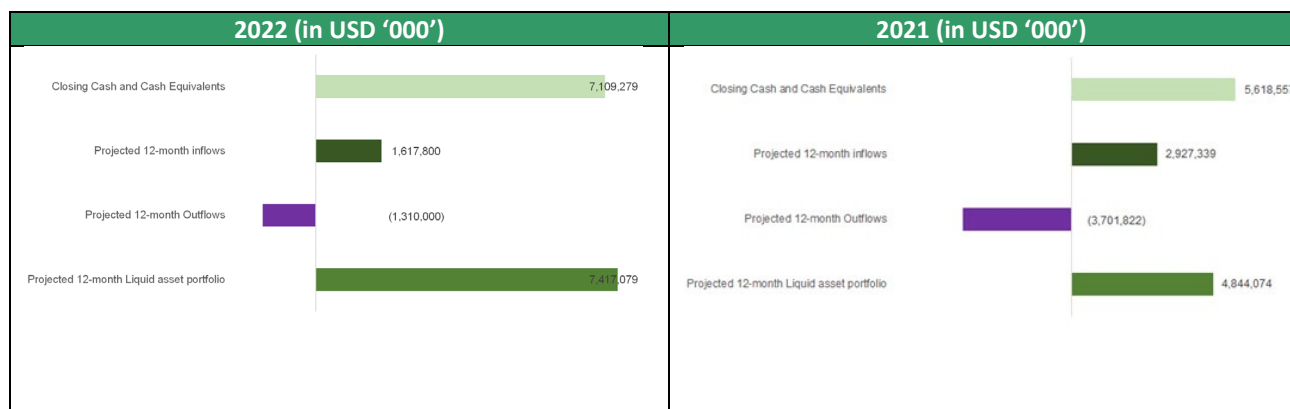


Source: GCF 2022 and 2021 Q4 Risk Dashboard (and [gcf-risk-dashboard-q4-2021.pdf](#) ([greenclimate.fund](#)))

### Liquidity risk

Liquidity risk arises if GCF experiences a shortage of cash to meet its payment obligations, such as disbursements for the projects and programmes and paying back loans to loan contributors. The Fund also maintains a liquidity reserve sufficient to meet its net funding requirements for at least one year. Net funding requirements refer to planned contribution encashment over a certain period less planned programme and administrative disbursements over the same period. To mitigate this risk, the Fund commits to only making funding commitment against available cash and promissory note deposits, and monitors the contributions pledged which are not received on schedule, and the concentration of the funding of contributors. The projected liquid asset portfolio 12 months forward as at 31<sup>st</sup> December 2022 and 31<sup>st</sup> December 2021 are as below:

**FIGURE 10: ANALYSIS OF THE FUND'S ASSET PORTFOLIO AS AT 31ST DECEMBER 2022 AND 31ST DECEMBER 2021**



### Reputational risk

Given that the GCF operates in new, transformational areas that may be untested, continued support from global stakeholders is essential to the GCF's success. Reputation risk refers to adverse perception, which has a material effect on the credibility of GCF. To manage the reputational risks, the Fund:

- a) Actively engages stakeholders and plans and responds to reputational issues which may arise in its daily operations.
- b) Applies stringent monitoring and oversight policies across its operations.
- c) Monitors and manages adverse publicity and grievances from projects and daily operations.

### Legal risk

Legal risk for the GCF is the risk of loss caused by defective transactions, penalties, or sanctions originating from lawsuits filed against the Fund, sanctions pronounced by a regulatory or government body, and changes to legal frameworks. The GCF manages its legal risk by closely monitoring the number of legal disputes that arise across the operations of the GCF and taking the appropriate action.

### Compliance Risk

GCF categorizes compliance risks into two major categories

#### *i. Regulation and sanctions/embargo breach and engagement in prohibited practices*

The risk that GCF, Accredited Entities (AE)/Executing Entities (EE), or other related parties fail to adhere to the laws and regulations, including sanctions and embargoes, in jurisdictions relevant to the operations of the GCF as well as to GCF's Anti-Money Laundering and Countering the Financing of Terrorism Policy and Policy on Prohibited Practices.

#### *ii. Internal compliance breach*

The risk would occur if GCF covered persons (including Board members, Board-appointed officials, or other personnel) failed to comply with the standards and codes of conduct set by GCF through its policies and procedures

GCF has zero-tolerance for compliance risk. It screens potential AEs/EEs, concept notes and funding proposals, human resources decisions, procurement decisions, changes in laws and regulations, and other internal processes. It takes necessary action to drive compliance/ethics culture across GCF. GCF will also secure necessary privileges and immunities that are not yet in place and conduct periodic exchanges with home country authorities.

### Operation and IT Risk

GCF is exposed to operation and IT risk due to losses or disruptions arising from but not limited to operational process errors, cyber attacks, IT systems failure, natural or manmade catastrophic attacks. To mitigate this risk, GCF closely monitors the following and takes proactive and corrective action where necessary:

- a) Timelines for funding proposal approval and target timelines for AE approval
- b) The vacancy rate, employee turnover rate, and internal or external complaints on employee behavior

- c) Number of information security breach attempts and number of system failures
- d) Natural catastrophe occurrences, geopolitical events, wars, pandemics, and terrorism.

## M. Critical Accounting Estimates and Assumptions

The preparation of financial statements requires the Fund to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Fund's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing material adjustment.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information on significant judgment and assumptions of certain items are included in relevant notes.

### M1. The fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Fund uses its judgment to select various methods and make assumptions based on market conditions existing at the end of each reporting period.

### M2. Impairment of financial assets

The allowance for impairment for financial assets is based on assumptions about the risk of default and expected loss rates. The Fund uses judgment in making these assumptions and selecting the inputs to the impairment calculation based on the Fund's past history, existing market conditions, and forward-looking estimates at the end of each reporting period.

## N. Events after the Reporting Date

Post-year-end events that provide additional information about the Fund's financial position at the reporting date (adjusting events) are reflected in the financial statements when material. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

## 5. Cash and due from banks

(a) Cash and due from banks as of 31st December 2022 and 2021 are summarized as follows:

<i>(In '000 USD)</i>	2022	2021
Balance held in the GCF Trust Fund (at the World Bank)	7,072,208	5,584,913
Balances held in local Commercial Banks	37,071	33,644
<b>Total</b>	<b>7,109,279</b>	<b>5,618,557</b>

The World Bank is serving as the Trustee of the Fund. The Trustee administers contributions received in the Trust Fund following the Amended and Restated Agreement on the Terms and Conditions for the Administration of the Green Climate Fund Trust Fund (including all Annexes and Attachments attached thereto, which constitute an integral part thereof), dated 22 April 2015 between the Fund and the Trustee (the "GCF Trust Fund Agreement"). The Fund signed a revised agreement with the World Bank on 07 February 2023.

The Local Commercial Banks used by the GCF in the Republic of Korea are Shinhan Bank and Nonghyup Bank.

(b) Cash and due from banks denominated in foreign currencies as of 31st December 2022 and 2021 are as follows:

	2022			2021		
Foreign currency	Foreign currency amount (in '000)	Ending exchange rate*	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate*	Translation into '000 USD
EUR	259,166	0.9367	276,686	80,816	0.8835	91,473
GBP	52	0.8306	63	51	0.7421	69
KRW	551,842	1,326.5433	416	1,099,329	1,188.1282	927

\* The exchange rate is stated in terms of USD/foreign currency and rounded off to 4 decimals for presentation purposes.



## 6. Financial Instruments by Categories

(a) Categories of financial assets as of 31st December 2022 and 2021 are summarized as follows:

(i) 31st December 2022				
<i>(In '000 USD)</i>	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at FVTPL	Total Amount
<b>Financial Assets</b>				
Cash and due from banks	7,109,279	-	-	7,109,279
Contribution receivables	3,585,541	-	-	3,585,541
Loan Receivables	783,677	-	-	783,677
Investments in equity		181,149	45,677	226,826
<b>Total</b>	<b>11,478,497</b>	<b>181,149</b>	<b>45,677</b>	<b>11,705,323</b>
(ii) 31 <sup>st</sup> December 2021				
<i>(In '000 USD)</i>	Financial assets measured at amortized cost	Financial assets measured at FVTOCI	Financial assets measured at FVTPL	Total Amount
Cash and due from banks	5,618,557	-	-	5,618,557
Contribution receivables	3,682,397	-	-	3,682,397
Loan receivables	628,736	-	-	628,736
Investments in equity		119,979	-	119,979
<b>Total</b>	<b>9,929,690</b>	<b>119,979</b>	<b>-</b>	<b>10,049,669</b>

The details of disclosure by level according to the fair value hierarchy of the Fund's

financial instruments measured at fair value as of the end of the reporting period are as follows:

(i) 31st December 2022				
<i>(In '000 USD)</i>	Level 1	Level 2	Level 3	Total Amount
<b>Financial assets</b>				
Investments in equity	-	-	226,826	226,826
(ii) 31 <sup>st</sup> December 31 2021				
<i>(In '000 USD)</i>	Level 1	Level 2	Level 3	Total Amount
Investments in equity	-	-	119,979	119,979



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(b) Categories of financial liabilities as of 31st December 2022 and 2021 are summarized as follows:

(i) 31st December 2022			
<i>(In '000 USD)</i>	Financial liabilities measured at amortized cost	Financial liabilities measured at FVTPL	Total Amount
<b>Financial Liabilities</b>			
Account payables	806	-	806
Accruals	12,553	-	12,553
Long-term borrowings	671,667	-	671,667
<b>Total</b>	<b>685,026</b>	<b>-</b>	<b>685,026</b>
(ii) December 31 2021			
<i>(In '000 USD)</i>	Financial liabilities measured at amortized cost	Financial liabilities measured at FVTPL	Total Amount
Account payables	3,239	-	3,239
Accrued expenses	11,616	-	11,616
Long-term Borrowings	369,073	-	369,073
<b>Total</b>	<b>372,312</b>	<b>-</b>	<b>372,312</b>

- (c) Detail of net gains (or losses) on each category of financial instruments by category for the years ended 31st December 2022 and 2021 are summarized as follows:

(In '000 USD)	2022			2021		
	Equity, Loans, and receivables	Other assets	Financial liabilities	Loans and receivables	Other Assets	Financial liabilities
Bank and trust fund income	-	87,306	-	-	11,371	-
Foreign exchange gain (loss)	(377,548)	-	(9,769)	(177,287)	-	(27,246)
Impairment (loss)/gain	(3,784)	-	-	(2,536)	-	-
Fair value (loss)/gain on equity investments	3,417	-	-	(5,081)	-	-
Present value amortization on promissory notes	17,397	-	-	5,888	-	-
<b>Total</b>	<b>(360,518)</b>	<b>87,306</b>	<b>(9,769)</b>	<b>(179,016)</b>	<b>11,371</b>	<b>(27,246)</b>

## 7. Contribution Receivables

In accordance with signed arrangements/ agreements, several contributors have deposited promissory notes. As the Trustee of the Fund, the World Bank is holding these promissory notes on behalf of the Fund. These are non-interest-bearing and payable at par value. Promissory notes encashable within one year from the end of the reporting period are classified as current assets- receivables. Promissory notes encashable after more than one year from the end of the reporting period are classified as non-current assets- receivables.

The promissory notes receivables are measured initially at fair value by discounting the future cash flows with the appropriate discount rates, reflecting the duration and the credit risk of the issuer, and presented at amortized cost using the effective rate method at each reporting date. At the end of each reporting period, the Fund assesses whether there is any objective evidence that the promissory notes will not be received. If any such evidence exists, the Fund determines the amount of any bad debts to be written off. Promissory notes denominated in Euro, Japanese Yen, Swedish Krona, Korean Won, and Pound Sterling were revalued to United States Dollars (USD) at the end of the reporting period at the prevailing exchange rates.

As of 31st December 2022, the encashment schedule and details of present value on promissory notes are as follows:

Encashment	Amount (In '000 USD)
In 2023	1,386,409
In 2024	441,494
In 2025	397,410
In 2026	78,310
In 2027	72,073
In 2028	1,337,333
Nominal value of promissory notes	3,713,029
Unamortized present value discount	(127,488)
<b>Present value of promissory notes</b>	<b>3,585,541</b>

Contribution receivables denominated in foreign currencies as of 31st December 2022 and 2021 are as follows:

Foreign currency	2022			2021		
	Foreign currency amount (in '000)	Ending exchange rate*	Translation into '000 USD	Foreign currency amount (in '000)	Ending exchange rate*	Translation into '000 USD
EUR	597,210	0.9367	637,581	442,210	0.8835	500,538
GBP	1,739,048	0.8306	2,093,640	1,450,933	0.7421	1,955,277
JPY	59,343,532	131.7450	450,442	58,875,507	115.1300	511,383
KRW	-	-	0	10,160,100	1,188.1282	8,551
SEK	6,134,000	11.5439	531,365	7,104,000	9.0604	784,071
			<b>3,713,029</b>			<b>3,759,820</b>

\* The exchange rates have been rounded off to a maximum of 4 decimal places for presentation purposes.

## 8. Financial assets at fair value

(In '000 USD)	31-Dec-22					
	Committed GCF financing (%)	Amounts disbursed	Carrying Amount (FVOCI)	Carrying Amount (FVPL)	Total	Cumulative FV Changes
KawiSafi Ventures	20	17,514	17,724	-	17,724	1,746
Acumen Resilient Agriculture Fund	46	11,094	8,988	-	8,988	418
Espejo de Tarapaca	13.43	6,195	4,177	-	4,177	(2,018)
Arbaro Fund	20.0	17,626	12,520	-	12,520	(2,338)
Energy Access Relief Facility		29,672	29,672	-	29,672	-
Global Subnational Climate Fund	20	50,000	36,451	-	36,451	(4,099)
Green Growth Equity Fund	14.5	71,000	71,617	-	71,617	970
Global Coral Reefs Investment Window	25	25,000	-	25,677	25,677	3,479

Catalytic Capital for First Private Investment Fund for Adaptation Technologies in Developing Countries	25	20,000	-	20,000	20,000	-
<b>Total</b>		<b>248,101</b>	<b>181,149</b>	<b>45,677</b>	<b>226,826</b>	<b>(1,842)</b>
		<b>31-Dec-21</b>				
<i>(In '000 USD)</i>	<b>Committed GCF financing (%)</b>	<b>Amounts disbursed</b>	<b>Carrying Amount (FVOCI)</b>	<b>Carrying Amount (FVPL)</b>	<b>Total</b>	<b>Total</b>
KawiSafi Ventures	20	16,374	15,467		15,467	226
Acumen Resilient Agriculture Fund	46	7,126	5,584		5,584	-
Espejo de Tarapaca	13.43	6,195	6,061		6,061	(134)
Arbaro Fund	20	17,626	9,867		9,867	(5,130)
Global Subnational Climate Fund	20	50,000	50,000		50,000	-
Green Growth Equity Fund	14.5	33,000	33,000		33,000	-
<b>Total</b>		<b>130,321</b>	<b>119,979</b>		<b>119,979</b>	<b>(5,042)</b>

#### A. Equity investments

i) Details of equity investments as of 31st December 2022 and 2021 are as follows:

ii) Changes in the value of financial assets at FVTOCI for the years ended 31st December 2022 and 2021 are as follows:

	<b>2022</b>		
<b>Amounts (In '000 USD)</b>	<b>Equity measured at FVOCI</b>	<b>Equity measured at FVPL</b>	<b>Total</b>
Balance as at January 1, 2022	119,979	-	<b>119,979</b>
Disbursements for equity projects	72,262	45,000	<b>117,262</b>
Net management and admin fees	(11,030)	(2,802)	<b>(13,832)</b>
Close-out/return of capital	-	-	-
Changes in fair value	(62)	3,479	<b>3,417</b>
Repayments in 2022	-	-	-
<b>Amount as at December 31, 2022</b>	<b>181,149</b>	<b>45,677</b>	<b>226,826</b>

	2021		
	Equity measured at FVOCI	Equity measured at FVPL	Total
Balance as at January 1, 2021	33,039	-	33,039
Disbursements for equity projects	96,081	-	96,081
Net management and admin fees	(4,060)	-	(4,060)
Close-out/return of capital	-	-	-
Changes in fair value	(5,081)	-	(5,081)
Repayments in 2021	-	-	-
<b>Amount as at December 31, 2021</b>	<b>119,979</b>	<b>-</b>	<b>119,979</b>

#### B. Loan receivables

Loan receivables relate to loans that have been disbursed to accredited entities for implementing activities as per the different funding proposals presented to and approved by the GCF board. The loans are valued at amortized cost as required by "IFRS 9 Financial Instruments" since they are held solely to collect principal and interest. Details of the loans disbursed as of 31st December 2022 and 2021 are as below:

	2022		2021	
(In '000 USD)	Current	Non-current	Current	Non-current
Gross Carrying Amount	-	809,497	-	650,372
Unrealized Forex gain(loss)	-	(1,904)	-	(1,504)
Expected Credit Loss (ECL) Allowance (See note below)	-	(23,916)	-	(20,132)
<b>Net Carrying Amount</b>	<b>-</b>	<b>783,677</b>	<b>-</b>	<b>628,736</b>



The concentration of loans by region as of 31st December 2022 and 2021 is as below:

	2022			2021		
Draw-down Amounts (In '000 USD)	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Africa	59,144	10,117	69,261	34,075	59,316	93,391
Asia Pacific	169,778	105,500	275,278	129,010	124,241	253,251
Latin America and Caribbean	118,815	32,964	151,779	58,166	34,667	92,833
Multiple Regions**	162,423	148,852	311,275	131,707	77,686	209,393
<b>Total</b>	<b>510,160</b>	<b>297,433</b>	<b>807,593</b>	<b>352,958</b>	<b>295,910</b>	<b>648,868</b>

	2022			2021		
ECL Allowance (In '000 USD)	Stage 1	Stage 2	Total	Stage-1	Stage -2	Total
Africa	42	91	133	89	5,208	5,297
Asia Pacific	4,136	3	4,139	167	3,858	4,025
Latin America and Caribbean	3,092	73	3,165	5	556	561
Multiple Regions**	16,470	9	16,479	9	10,240	10,249
<b>Total</b>	<b>23,740</b>	<b>176</b>	<b>23,916</b>	<b>270</b>	<b>19,862</b>	<b>20,132</b>

The coverage ratio, calculated as ECL allowance / Draw-down amounts, for the different regions as at 31<sup>st</sup> December 2022 and 2021 is as below:

	2022			2021		
Coverage rate (%)	Stage 1	Stage 2	Total	Stage-1	Stage -2	Total
Africa	0.1%	0.9%	0.2%	0.3%	8.8%	9.0%
Asia Pacific	2.4%	0.0%	1.5%	0.1%	3.1%	3.2%
Latin America and Caribbean	2.6%	0.2%	2.1%	0.0%	1.6%	1.6%
Multiple Regions**	10.1%	0.0%	5.3%	0.0%	13.2%	13.2%
<b>Total</b>	<b>4.7%</b>	<b>0.1%</b>	<b>3.0%</b>	<b>0.4%</b>	<b>26.7%</b>	<b>27.1%</b>

\*\*Loans in this category will be used for implementing projects spanning across more than one region.

#### Movements in loan Draw-downs

	2022		
Draw-down Amounts (In '000 USD)	Stage 1	Stage 2	Total
Gross carrying amounts as at January 1, 2022	352,958	295,910	648,868
Drawdowns in 2022	126,666	100,246	226,912
Repayments in 2022	-	(68,187)	(68,187)

<b>Amount as at December 31, 2022</b>	<b>479,623</b>	<b>327,969</b>	<b>807,593</b>
	<b>2022</b>		
<b>ECL allowance on draw-downs (In '000 USD)</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
ECL as at January 1, 2022	270	19,862	<b>20,132</b>
2022 changes	-	(19,686)	<b>(19,686)</b>
ECL reversals/Transfers between stages	23,470	-	<b>23,470</b>
<b>ECL allowance as at December 31, 2022</b>	<b>23,740</b>	<b>176</b>	<b>23,916</b>

## 9. Property, Plant, and Equipment

(a) Details of property, plant, and equipment as of 31st December 2022 and 2021 are as follows:

(i) 31st December 2022			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	3,760	3,698	62
Leasehold Improvements	4,515	561	3,954
Office Furniture & Equipment	1,400	1,337	63
Motor Vehicles	80	78	2
<b>Total</b>	<b>9,755</b>	<b>5,674</b>	<b>4,081</b>

(ii) 31 <sup>st</sup> December 31 2021			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated depreciation	Carrying amount
Computer/IT equipment	3,474	(3,407)	67
Leasehold Improvements	711	(326)	385
Office Furniture & Equipment	1,272	(946)	326
Motor Vehicles	81	(67)	14
<b>Total</b>	<b>5,538</b>	<b>(4,746)</b>	<b>792</b>

(b) Changes in property, plant, and equipment for the years ended 31st December 2022 and 2021 are summarized as follows:

<i>(In '000 USD)</i>	January 1, 2022	Acquisitions	Disposals	Depreciation	31st December, 2022
Computer/IT equipment	3,753	286		291	62
Leasehold Improvements	57	3,805		235	3,954
Office Furniture & Equipment	253	128		391	63
Motor Vehicles	16	-		1	2
<b>Total</b>	<b>4,079</b>	<b>4,219</b>		<b>928</b>	<b>4,081</b>

	January 1, 2021	Acquisitions	Disposals	Depreciation	31st December, 2021
Computer/IT equipment	221	125	-	(279)	67

Leasehold Improvements	442	-	-	(58)	384
Office Furniture & Equipment	579	130	-	(383)	326
Motor Vehicles	30	-	-	(16)	14
<b>Total</b>	<b>1,272</b>	<b>255</b>	<b>-</b>	<b>(736)</b>	<b>792</b>

## 10. Intangible assets

(a) Details of intangible assets as of 31st December 2022 and 2021 are as follows:

(i) 31st December 2022			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated amortization	Carrying amount
Software	367	(150)	217
<b>Total</b>			
(ii) 31 <sup>st</sup> December 31 2021			
<i>(In '000 USD)</i>	Acquisition cost	Accumulated amortization	Carrying amount
Software	367	(27)	340
<b>Total</b>	<b>367</b>	<b>(27)</b>	<b>340</b>

(b) Changes in intangible assets for the years ended 31st December 2022 and 2021 are summarized as follows:

<i>(In '000 USD)</i>	January 1, 2022	Acquisitions	Disposals	Amortization	31st December, 2022
Software	340	-	-	(123)	217
<b>Total</b>	<b>340</b>	<b>-</b>	<b>-</b>	<b>(123)</b>	<b>217</b>
	January 1, 2021	Acquisitions	Disposals	Depreciation	31st December, 2021
Software	-	367	-	(27)	340
<b>Total</b>	<b>-</b>	<b>367</b>	<b>-</b>	<b>(27)</b>	<b>340</b>

## 11. Long-term borrowings

i) The classification of long-term borrowings as of 31st December 2022 and 2021 is as follows:

	2022		2021	
	Current	Non-Current	Current	Non-Current
<i>(In '000 USD)</i>				
Long-term borrowings	15,671	655,996	8,065	361,008
<b>Total</b>	<b>15,671</b>	<b>655,996</b>	<b>8,065</b>	<b>361,008</b>

ii) Details of long-term borrowings as of 31st December 2022 are as follows

Lender	Loan Currency	Amount in Loan Currency '000'	Amount in USD '000'	Maturity Date	Interest rate p.a	Interest Payment Start Date	Principal Repayment Start Date	No. of Installments
France	EUR	587,875	627,615	June 15, 2042 (for IRM loan) and December 15, 2046 (for GCF-1 loan)	0%	N/A	December 15, 2022	40
Canada	CAD	220,000	168,094	December 15, 2044 (for IRM loan) and 2046 (for GCF-1 loan)	1%	June 15, 2024	June 15, 2024	40
*Deferred Income			(124,042)					
<b>Total Longterm Borrowings</b>			<b>671,667</b>					

\* Deferred income of USD 124 m refers to the interest implicit in the long-term borrowings and will be realized across the maturity period

\*\* Although the loan was issued in CAD, the repayment will be in USD.

iii) Changes in the value of the loans in 2022 and 2021 are as below

<i>(In '000 USD)</i>	2022	2021
Balance at January 1	369,073	393,318
Acquisition/draw down	408,015	-
Repayments	(7,607)	-
Forex loss (gain)	(9,769)	(27,246)



Decrease/(Increase) in present value discount	(88,045)	3,001
<b>Balance as at December 31</b>	<b>671,667</b>	<b>369,073</b>

## 12. Funds

All contributions received where the use is limited by contributor-imposed purpose or time restrictions have been classified as temporarily restricted funds. All other funds are recognized as unrestricted funds.

Changes in nominal value of temporarily restricted funds by type of restriction for the year ended 31st December 2022 are as follows:

<i>(In '000 USD)</i>	1st January 2022	Released	Received with restriction	Unrealized Exchange gain/loss	31st December 2022
Time restriction only	2,965,908	(900,236)	1,125,997	(306,916)	2,884,753
Time & contributor- imposed restriction	767,456		-	-	767,456
Contributor imposed restriction only-Loan Cushions	80,522		82,257	-	162,779
Contributor imposed restriction only	589,835		5,075	(81,837)	513,073
<b>Total</b>	<b>4,403,721</b>	<b>(900,236)</b>	<b>1,213,329</b>	<b>(388,753)</b>	<b>4,328,061</b>

Time restriction represents the funds to be collected in future years (i.e., promissory notes) that were recorded at the present value of future collections as at the end of the reporting period. This type of fund will be reclassified into unrestricted funds in the year of receipt.

Contributor-imposed restriction represents the funds whose use is limited by the contributor. Contributor-imposed restrictions relate to contributions for which the contributor has outlined specific use to which the contributions may be applied and capital contributions which can only be disbursed as financial instruments which generate reflows. They may, therefore, not be used to finance grants and administrative expenditure unless the terms of the contribution state so.

Time and contributor-imposed restrictions represent the funds whose use is restricted as outlined above and that will be collected in future periods.

Loan cushions represent funds that loan contributors have designated to be used to cushion the fund against any loan defaults.

### 13. Income from Contributors

As stated in Note 5, contributions are received through GCF's Trust Fund account at the World Bank administered by the Trustee. The change in the carrying value of the resources in the GCF Trust Fund is due to contribution revenues, investment returns on GCF Trust Fund balances, foreign currency transactions or translations, and present value amortization on promissory notes. Those changes comprise the comprehensive income of the Fund.

Details of income from GCF Trust Fund for the year ended 31st December, 2022 and 31st December, 2021 are as follows:

(i) 31st December, 2022			
<i>(In '000 USD)</i>	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	2,229,648	(67,461)	2,162,187
Foreign exchange gain(loss)	(377,548)		(377,548)
Present Value amortization on promissory note	-	17,397	17,397
<b>Total</b>	<b>1,852,100</b>	<b>(50,064)</b>	<b>1,802,036</b>
(ii) December 31, 2021			
<i>(In '000 USD)</i>	Nominal value	Unamortized present value discount on promissory note	Total
Contribution revenues	2,200,560	(37,262)	2,163,298
Foreign exchange gain(loss)	(175,783)	-	(175,783)
Present Value amortization on promissory note	-	5,888	5,888
<b>Total</b>	<b>2,024,777</b>	<b>(31,374)</b>	<b>1,993,403</b>

The foreign exchange gain (loss) is primarily due to exchange gain/loss at the time of encashment of promissory notes and on year-end revaluation of promissory notes received in a currency other than USD. On the reporting date, promissory notes held by the Trustee were revalued at the year-end exchange rate.

As at 31<sup>st</sup> December 2022, the cumulative contributions received through the Trust Fund account since inception were USD 14.3 billion. USD 7.1 billion relate to the Initial Resource Mobilization period while 7.2 billion relate to the 1<sup>st</sup> replenishment period. The details of changes in the total cumulative contribution that the Fund has received through the Trust Fund account for the year ended 31st December 2022 are presented as follows:



(a) By contributor:

<i>(In '000 USD)</i>	1st January 2022	Increase (Decrease)	31st December 2022
Australia	152,318	-	152,318
Austria	122,655	24,730	147,385
Belgium	105,791	42,945	148,736
Belgium - Brussels Capital Region	5,090	-	5,090
Belgium – Flanders	16,076	-	16,076
Belgium - Walloon Region	10,428	400	10,828
Bulgaria	195	-	195
Canada	264,214	196,699	460,913
Chile	300	-	300
Columbia	787	-	787
Cyprus	415	-	415
Czech Republic	4,857	-	4,857
Denmark	187,290	-	187,290
Estonia	1,123	-	1,123
Finland	121,690	19,402	141,092
France	1,555,630	965,266	2,520,896
France - City of Paris	1,181	-	1,181
Germany	1,517,032	460,731	1,977,763
Hungary	4,176	-	4,176
Iceland	1,800	800	2,600
Indonesia	494	-	494
Ireland	18,393	3,980	22,373
Italy	304,325	34,914	339,239
Japan	2,114,651	242,834	2,357,485
Korea	125,753	22,992	148,745
Latvia	417	-	417
Liechtenstein	157	54	211
Lithuania	113	-	113
Luxembourg	56,876	10,150	67,026
Malta	735	213	948
Mexico	10,000	-	10,000
Monaco	4,458	817	5,275
Mongolia	50	-	50
Netherlands	184,126	29,133	213,259
New Zealand	12,269	-	12,269
Norway	421,221	80,325	501,546
Panama	1,000	-	1,000
Poland	3,103	-	3,103
Portugal	3,379	-	3,379
Romania	97	-	97
Russian Federation	10,000	3,000	13,000
Slovakia	2,588	994	3,582
Slovenia	1,106	-	1,106
Spain	250,938	26,314	277,252
Sweden	1,345,518	(97,852)	1,247,666
Switzerland	175,562	37,500	213,062
United Kingdom	1,960,179	138,363	2,098,542

*(In '000 USD)*

	1st January 2022	Increase (Decrease)	31st December 2022
United States	1,000,000	-	1,000,000
Vietnam	1,000	-	1,000
<b>Total</b>	<b>12,081,556</b>	<b>2,244,704</b>	<b>14,326,260</b>

The negative changes represent the effect of foreign currency translation on promissory notes deposited by contributors.

(b) By contribution type:

<i>(In '000 USD)</i>	January 1, 2022	Increase (Decrease)	December 31, 2022
Cash	8,321,736	2,291,495	10,613,231
Promissory note	3,759,820	(46,791)	3,713,029
<b>Total</b>	<b>12,081,556</b>	<b>2,244,704</b>	<b>14,326,260</b>

(c) By instrument type:

<i>(In '000 USD)</i>	January 1, 2022	Increase (Decrease)	December 31, 2022
Capital	1,357,314	(76,762)	1,280,552
Grant	10,319,171	1,923,221	12,242,392
Loan	405,071	398,245	803,316
<b>Total</b>	<b>12,081,556</b>	<b>2,244,704</b>	<b>14,326,260</b>

## 14. Investment & Other Income

Investment and other income comprise the following.

<i>(In '000 USD)</i>	2022	2021
Investment income	87,306	11,371
Loan interest	7,244	6,456
Other income	10,135	3,129
<b>Total</b>	<b>104,685</b>	<b>20,956</b>

Investment income represents the investment return on GCF Trust Fund balances that were invested in accordance with the investment strategy established for all trust funds administered by the World Bank.

Loan interest represents interest received on loans advanced to an accredited entity.

Other income represents the non-interest reflows from accredited entities, accreditation fees, and interest on local bank deposits.

## 15. Administrative Expenses

Details of administrative expenses for the Fund for the year ended 31<sup>st</sup> December 2022 and 31<sup>st</sup> December, 2021 are as follows:

<i>(In '000 USD)</i>	2022	2021
Staff Costs <sup>(a)</sup>	50,114	46,490
Consultants Fees	6,467	6,543
Contractual Services	12,215	12,702
Supplies and Services	11,761	10,718
Travel	2,428	351
Depreciation and amortization	1,052	763
<b>Total</b>	<b>84,038</b>	<b>77,567</b>

(a) As of 31st December 2022, the Fund had 267 full-time staff<sup>7</sup> (221 as of December 31, 2021).  
The details of the staff costs are as below:

<i>(In '000 USD)</i>	2022	2021
Short-term employee benefits	42,886	40,535
Defined contribution plans	5,241	4,885
Other Costs	1,987	1,070
<b>Total</b>	<b>50,114</b>	<b>46,490</b>

<sup>7</sup> Includes both Secretariat and Independent units staff

## 16. Programme

Programme expenditures for the years ended 31<sup>st</sup> December 2022 and 2021 are related to 'Funding Proposal Grants,' 'Accredited Entity Fees,' the 'Readiness & Preparatory Support Programme,' National Adaptation Plans, and the Project Preparation Facility.

<i>(In '000 USD)</i>	2022	2021
Funding Proposal Grants	399,696	601,976
Accredited Entity Fees	36,884	40,027
Readiness & Preparatory Support Programme (inc. NAPs) (a)	95,929	66,497
Project Preparation Facility	4,187	6,487
Equity management and administrative fees	13,664	4,060
<b>Total</b>	<b>550,528</b>	<b>719,047</b>

### a) Readiness & Preparatory Support Programme

Details of 'Readiness & Preparatory Support Programme' expenditures for the years ended 31<sup>st</sup> December 2022 and 2021 are as follows:

<i>(In '000 USD)</i>	2022	2021
Consultants Fees	1,452	493
Regional workshops & NDA visits	1,323	5
Grants – Readiness	90,976	64,289
Professional Services	688	951
Travel	353	-
Other Operating Costs	1,137	759
<b>Total</b>	<b>95,929</b>	<b>66,497</b>

## 17. Commitments and Contingent Liabilities

Contingent liabilities for Readiness & Preparatory Support Programme, and Project Preparation Facility (PPF), approved funding proposals, and accredited entity fees as of 31<sup>st</sup> December 2022 and 2021 are analyzed below

### b) Readiness & Preparatory Support Programme

<i>(In '000 USD)</i>	2022	2021
Cumulative funds approved as at the end of December	508,870	308,678
Disbursed as at the end of December	(327,840)	(205,561)
<b>Total Commitment</b>	<b>181,030</b>	<b>103,117</b>

### c) Project Preparation Facility

<i>(In '000 USD)</i>	2022	2021
Cumulative funds approved as at the end of December	38,443	41,500
Disbursed as at the end of December	(29,792)	(25,605)
<b>Total Commitment</b>	<b>8,651</b>	<b>4,356</b>

### d) Project Funding Decisions

The total cumulative value of projects approved by the GCF Board but pending disbursements is as below:

<i>(In '000 USD)</i>	2022	2021
Approved Funding Proposals (cumulative)	11,335,451	9,996,705
Disbursed as at the end of December	(3,043,881)	(2,306,904)



Total Commitment	8,291,570	7,689,801
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e) Project Fees

The total cumulative value of Accredited Entity (AE) fees approved, but pending disbursements are as below:

<i>(In '000 USD)</i>	2022	2021
Approved AE fees as of the end of December	451,584	368,098
Disbursed as at the end of December	(150,964)	(114,659)
<b>Total Commitment</b>	<b>300,620</b>	<b>253,439</b>

## 18. Lease

Under the agreement between the Ministry of Strategy and Finance of the Republic of Korea, the Incheon Metropolitan City of the Republic of Korea, and the Green Climate Fund signed on 8<sup>th</sup> October 2013, Incheon City provides to the Fund the use of premises free of payment of rental for the entire duration of the Fund's operation in Songdo. The fair value of free rental provided to GCF since inception is estimated as below:

*(In '000 USD)*

	2022	2021	2013 – 2020 (Cumulative)
Fair Value of lease rental	1,117	1,064	4,297

## 19. Related Parties

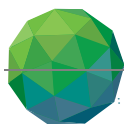
Related parties include the board members, board committees, senior management, and close family members of the board, board committees, and senior management. There was no loan to or from related parties outstanding as of 31st December 2022 and 2021. The Fund does not remunerate its Board members. All transactions with the board are made at terms equivalent to an arm's length transaction within the operational framework of the Secretariat.

The remuneration of key management for 2022 and 2021 is as below:

<i>(In '000 USD)</i>	2022	2021
Salaries	3,444	3,071



Retirement plan	620	553
Other Benefits	419	374
Termination benefits	-	-
<b>Total</b>	<b>4,483</b>	<b>3,998</b>



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