
INTERIM FINANCIAL REPORT

30 JUNE 2020

LE GRAND-SACONNEX, SWITZERLAND

Table of Contents

1. 2020 Key operational activities	3
2. FINANCIAL COMMENTARY	6
1. Financial management framework	
2. Donor contributions	
3. Grant commitments and disbursements	
4. Operating expenses	
5. Global Fund Provident Fund	
3. CONDENSED INTERIM FINANCIAL STATEMENTS	9
Interim statement of income (unaudited)	
Interim statement of financial position	
Interim statement of cash flows (unaudited)	
Interim statement of changes in funds (unaudited)	
Notes to the condensed interim financial statements	
4. Glossary	31

1. 2020 Key operational activities

1. Grant Funding

The COVID-19 pandemic is having a catastrophic impact on the most vulnerable communities around the world and threatens progress against HIV, TB and malaria. The Global Fund, the largest multilateral funder of health systems worldwide, is providing immediate funding of up to USD 1 billion to help countries fight COVID-19, mitigate the impacts on lifesaving HIV, TB and malaria programs, and prevent fragile health systems from being overwhelmed.

The Global Fund's immediate response to the pandemic makes available up to USD 1 billion through:

- COVID-19 Response Mechanism

Through the COVID-19 Response Mechanism, countries can access funding to reinforce the response to COVID-19, mitigate the impact of the pandemic on HIV, TB and malaria programs, and make urgent improvements in health and community systems. The Global Fund Board has approved an initial allocation of USD 500 million to the mechanism. Following additional donor pledges, an additional USD 165 million was made available to this mechanism in August 2020. The key objectives of this mechanism are outlined below:

- i. Interventions to mitigate the impact of COVID-19 on HIV, TB and malaria disease programs
- ii. Actions to reinforce the response to COVID-19
- iii. Initiatives to make urgent improvements in health and community systems, including laboratory networks, supply chains and engagement with vulnerable communities

For the purposes of the 2020 Interim Financial Statements, as at reporting date 30 June 2020, the Secretariat has approved country applications for USD 198 million in immediate funding for 45 countries and 3 multicountry programs.

At the date of AFC approval's of this 2020 Interim Financial Report, the Secretariat has approved the amount of USD 526 million towards funding requests from 79 countries and 4 multicountry programs.

- Grant flexibilities

Through grant flexibilities, countries can use up to 5 percent of existing Global Fund grants to fight COVID-19 and mitigate the impact the pandemic has on HIV, TB and malaria programs. Up to USD 500 million is available through these grant savings and reprogramming.

As at 30 June 2020, the Secretariat has approved country applications for USD 178 million in immediate funding for 92 countries and 8 multicountry programs.

At the date of AFC approval's of this 2020 Interim Financial Report, the Secretariat has approved USD 211 million towards 5% grant flexibilities in 93 countries and 11 multicountry programs.

2. Replenishment update

Under its replenishment mechanism, the Global Fund convenes donors, implementers and other key partners for a Replenishment Conference once every three years to discuss funding for the succeeding three-year “Replenishment Period”. This mechanism allows for predictability and enables both the Global Fund and implementing countries to establish long-term plans for fighting the three diseases. The Pledging Conference for the Global Fund’s Sixth Replenishment of 2020-2022, hosted by President Emmanuel Macron, took place on 9-10 October 2019 in Lyon, France.

Outcome of the Sixth Replenishment Pledging Conference

The Global Fund achieved its goal of securing at least USD 14 billion in donor pledges for the Sixth Replenishment (2020-22) period during the Pledging Conference. This amount is the largest amount ever pledged to a multilateral health organization and represents an increase of 15 percent compared to the amount pledged during the 2017-19 period¹. The outcome of the Sixth Replenishment Pledging Conference demonstrates the international community’s willingness to accelerate progress towards ending the epidemics by 2030 in line with **SUSTAINABLE DEVELOPMENT GOAL 3: Ensure healthy lives and promote well-being for all at all ages**. Along with firm assurances from countries implementing programs to significantly increase domestic co-financing in the health sector as well as strong commitment from all partners to innovate more, collaborate better and implement programs more effectively, these funds will help save 16 million lives, avert 234 million infections and strengthen health systems. The full list of pledges for the Sixth Replenishment announced in Lyon can be found [here](#).

Ongoing resource mobilization efforts

The Global Fund continues to mobilize funds throughout the Sixth Replenishment period, including to support countries’ response to COVID-19 as well as their efforts to mitigate the pandemic’s impact on HIV, TB and malaria.

In April 2020, the Global Fund launched a report “Mitigating the Impact of COVID-19 on Countries Affected by HIV, Tuberculosis and Malaria” (the Mitigation Plan). The Mitigation Plan highlights the impact of COVID-19 in Global Fund-supported countries and the resources needed to protect progress against HIV, TB and malaria – diseases that still kill more than 2.4 million people a year. Aside from the direct toll of COVID-19, which could be catastrophic in the most vulnerable countries, estimates suggest deaths from HIV, TB and malaria could as much as double if systems for health are overwhelmed, treatment and prevention programs are disrupted, and resources are diverted. Taking account of the contributions of other partners, and the USD1 billion the Global Fund has already committed, the Global Fund estimates that it would need an additional USD 5 billion for the next 12 months to:

¹ The Global Fund measures overall funding in U.S. dollars, but pledges and contributions are made in multiple currencies. The total amount raised for the Fifth Replenishment period from 2017-2019 is USD 12.2 billion, using exchange rates as of 31 December 2018.

1. adapt HIV, TB and malaria programs to mitigate the impact of COVID-19 and safeguard progress;
2. protect front-line health workers through training and provision of PPE;
3. reinforce critical aspects of health systems for health to avoid collapse and to sustain the response; and
4. fight COVID-19, particularly through testing, tracing and supported isolation, and through treatment services (as therapeutics become available).

The Global Fund is a founding partner of Access to COVID-19 Tools Accelerator initiative (ACT-A) – a global collaboration of organizations and governments working to accelerate development, production and equitable access to new COVID-19 technologies across three main pillars and a connector: diagnostics, therapeutics, vaccines, and the health system strengthening connector. The Global Fund is co-convenor of both the Diagnostics Partnership (with the Foundation for Innovative New Diagnostics – FIND) and of the Health Systems Connector (with the World Bank and WHO). We are also leading the workstream on procurement and deployment in the Therapeutics Partnership. The Global Fund Mitigation Plan takes into account the Global Fund’s role in and potential share of the needs expressed in the ACT-A Investment Case, specifically as these relate to the deployment of Diagnostics and Therapeutics as well as some of the Health Systems tools that are needed to effectively respond to COVID-19.

New pledges, as of 30 June 2020, announced following the Sixth Replenishment Conference total USD 167.2 million, including pledges from both public and private donors.

Converting Fifth and Sixth Replenishment pledges into contributions

Conversion of pledges into contributions, including pledges for the Sixth Replenishment and any outstanding Fifth Replenishment pledges, is a key ongoing priority for the Global Fund. For the Fifth Replenishment a total of USD 11.4 billion has been converted.

As of 30 June 2020, over USD 4.5 billion of contributions, including private sector donors, have been signed against the pledges announced for the Sixth Replenishment. The preferred mode of contributions continues to be cash through signed contribution agreements including multi-year payment schedules which significantly enhance the Secretariat’s ability to perform effective cash and foreign-exchange management. 25 out of 58 public donors have signed contribution agreements. For the Sixth Replenishment period, donors have converted 9 percent of their pledges into contributions paid, for a total of USD 1.2 billion (public and private donors),

3. COVID-19 response: Business contingency planning

In light of disruptions related to the global COVID-19 pandemic, the Secretariat approved the Global Fund COVID-19 Business Contingency Plan (“BCP”) to focus resources on delivery of the following key priorities for the continuation of the Global Fund’s core business and navigation of the adverse impact of the pandemic:

- i. continue delivery of impact from the 2017-2019 grant cycle;
- ii. develop funding requests and grants to deliver maximum impact in the 2020-2022 allocation period; and

- iii. continue delivery of the organization's COVID-19 response (including keeping staff safe and ensuring the Secretariat's ability to continue delivering the organization's core mission).

In the order to differentiate the needs, BCPs have been organized around two prominent buckets: core operations and Secretariat enabling functions.

A regular monitoring and reporting framework has been established to provide early alerts for any material business disruptions being faced, either at the Secretariat level or at in-country operational level.

2. FINANCIAL COMMENTARY

When compared with the financial position at 31 December 2019, the condensed interim statement of financial position shows a 60 percent increase in funds during the first six months of FY 2020. The asset base has increased by 26 percent and the total liabilities decreased by 21 percent. As at the reporting date, the Global Fund holds USD 5.2 billion in current assets including USD 4.1 billion in operational cash at commercial banks and in the Trust Fund managed by the World Bank as Trustee and USD 1.1 billion in contributions receivable from donors within 12 months. When compared with the current liability for USD 1.8 billion towards grants and operating expenses, the net current position stands at USD 3.4 billion.

The interim financial results reflect a typical last year of operational cycle of grant implementation under the 2017-2019 allocation period. The new commitments for funding during the first six months of 2020 have increased by 11 percent with a 19 percent decrease in the outstanding grant liability at 30 June 2020.

When compared with the financial results during the first half of 2019, the operational income from donor contributions has more than doubled. This is driven by the donors fulfilling their outstanding pledges for the Fifth Replenishment cycle and signing of new contribution agreements under the Sixth Replenishment. The contribution encashments are largely in line with the underlying donor agreements.

Key progress on the following core financial components achieved during the first half year of 2020 has been analysed below:

1. Financial management framework
2. Donor pledges and contributions
3. Grant commitments and disbursements
4. Operating expenses
5. The Global Fund Provident Fund

1. Financial management framework

The Global Fund's financial position is managed on an ALM basis, i.e. balancing forecasted Sources of Funds (adjusted pledges from Donors) and Uses of Funds (grants and other expenses) up to and including the current replenishment cycle. The current cash balance is included in this ALM and covers, together with outstanding adjusted pledges, forecasted disbursements until the

end of the Sixth replenishment cycle. Additional resources made available by donors in the course of the replenishment cycle are integrated into the ALM, with the potential to increase available funding, including C19RM funding.

The Global Foreign-Exchange (FX) Management Framework was designed for the effective management of FX exposures arising from all components of the Global Fund's asset-liability management framework, as envisaged in the Comprehensive Funding Policy. This includes on-balance sheet items, as well as future assets and liabilities pending the signature and recognition of contribution agreements and grant funding decisions (off-balance sheet items) and other expenses, respectively. The hedging of both on and off-balance sheet items is made on a portfolio level and controlled with a specific risk metrics utilizing value-at-risk (VaR).

FX losses and gains on FX hedging instruments are set against FX losses and gains on on-balance sheet items, i.e. on assets and liabilities, as well as FX effects on off-balance sheet items, which are not reported in the profit and loss accounts. As a result, effects on FX hedging instruments may more than compensate for FX effects on other balance sheet items.

In the period under consideration, the currencies in which the Global Fund's assets and liabilities are denominated generally depreciated in value against the Global Fund's functional currency, the U.S. dollar. As 2020 is the first year of the replenishment period, there remains significant off-balance sheet pledge positions, and therefore the scope of the financial statements only partially integrates FX effects. For the half-year ended 30 June 2020, USD 32 million was reported as net accounting loss on the foreign currency financial positions, before hedges. Together with a net USD 253 million gain on foreign exchange hedges, this resulted in USD 221 million of net accounting foreign exchange gain on on-balance sheet items.

2. Donor contributions

The net revenue recognized during the first six months of 2020 was thrice as much over 2019 at USD 3,485 million (2019: USD 1,126 million). The encashment of all outstanding contributions receivable is largely on track.

The contribution income of USD 3,485 million included:

- USD 3,473 million from sovereign donor governments (2019: USD 1,096 million);
- USD 17 million from Product (RED) (2019: USD 24 million);
- USD 13 million from other non-governmental donors (2019: USD 6 million); and
- (USD 18 million) resulting from derecognition of net assets of the Fund for the Global Fund (formerly the U.S. Fund for the Global Fund to Fight AIDS, Tuberculosis and Malaria), an IFRS reporting entity which was deconsolidated following changes to its governing bylaws.

The discounting adjustment on long-term contributions receivable of USD 79 million has been separately presented in the statement of income (2019: USD 64 million).

3. Grant commitments and disbursements

The main elements of the Global Fund grant expenditure of USD 1,495 million (2019: USD 1,344 million) during the first half of 2020 included:

- USD 1,457 million as grant commitments to Principal Recipients for in-country and pooled procurement mechanism (PPM) activities (2019: USD 1,313 million); and

- USD 34 million as Strategic Initiatives project expenses (2019: USD 31 million).

During the first half of 2020, the Secretariat made new grant commitments of USD 1,495 million, 11 percent higher than the grant commitments made during the comparative first half of 2019. This increase was expected given that 2020 is the last year of implementation for a majority of grants under the 2017-2019 allocation, resulting in peak commitment.

During the first semester of 2020, USD 1,913 million was disbursed in cash to Principal Recipients, their third-party suppliers and PPM Procurement Supplier Agents (2019: USD 1,656 million). This increase in grant disbursements is in line with the grant cycle as implementation is generally intensifying in the third year of implementation. Of the total cash disbursements, USD 1,889 million has been applied as disbursements under the respective grants.

The establishment of mitigation responses to the Covid-19 pandemic (C19 Response Mechanism and grant flexibilities) has enabled reinvestment opportunities in areas like diagnostics or protective personal equipment which are expected to compensate for potential disruption in program implementation.

4. Operating expenses

During the first half year of 2020 the Global Fund spent USD 134 million (2019: USD 127 million) for its operating expenses, a 6 percent increase over the 2019 half-year. Impact of the COVID-19 outbreak translated into lower level of spend on travel, meetings and staff costs offset by deliberate and proactive reinvestment of savings on mitigation responses and enablers to ensure business continuity in a Covid-19 context.

The foreign exchange impact on operating costs is managed centrally as part of treasury management. At budget rate, actual expenditure incurred during the first six months of the year also amounted to USD 133 million in 2020. This represents an 89 percent spend rate against the period-to-date operating expenses budget of USD 145 million. Looking forward, the Secretariat projects that the annual operating expenses for FY 2020 will remain within the Board-approved budget of USD 305 million.

5. Global Fund Provident Fund

When measured in the administration currency, Swiss Francs (CHF), the Provident Fund assets fully cover the underlying employee benefit liability.

In the condensed interim financial statements presented in the functional currency USD, the Provident Fund asset base was USD 194 million as at 30 June 2020 (2019: USD 184 million). This included USD 180 million of Provident Fund investments measured at fair value and USD 13 million in cash and cash equivalents. These assets are held and invested solely for funding future employee benefits under the Provident Fund constitution. As a result of the negative evolution of equity and fixed income markets in the first half of 2020, due to Covid-19-related market volatility, the year-to-date rate of return on Provident Fund investments is minus 0.8 percent.

The liability for employee benefit obligation was USD 199 million as at 30 June 2020 (2019: USD 188 million). This includes USD 194 million in employee benefit reserves and USD 5 million as accumulated actuarial valuation loss. The last annual actuarial valuation was undertaken in 2019.

3. CONDENSED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

Responsibility for the condensed interim financial statements

The Secretariat is responsible for the preparation of the condensed interim financial statements and related information that is presented in this report. The condensed interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The condensed interim financial statements include amounts based on estimates and judgments made by the Secretariat. KPMG SA was appointed as the independent auditors by the Global Fund Board upon the recommendation of its Audit and Finance Committee (“AFC”) to review the condensed interim financial statements of the Global Fund.

The Secretariat designs and maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, and that the financial records are reliable for preparing financial statements and maintaining accountability for assets. These systems are augmented by written policies, an organizational structure providing division of responsibilities, careful selection and training of qualified personnel, and a program of external reviews.

The Board, through its Audit and Finance Committee, meets periodically with the Secretariat and KPMG SA to ensure that each is meeting its responsibilities, and to discuss matters concerning internal controls and financial reporting.

These condensed interim financial statements were approved by the AFC on 25 September 2020.

Independent Auditor's Report on the Review of Condensed Interim Financial Information

To the Board of The Global Fund to Fight AIDS, Tuberculosis and Malaria, Le Grand-Saconnex

Introduction

We have been engaged to review the accompanying condensed interim statement of financial position of The Global Fund to Fight AIDS, Tuberculosis and Malaria ("the Global Fund") as at 30 June 2020 and the related condensed interim statement of comprehensive income, cash flows and changes in funds for the six-month period then ended, and selected explanatory notes ("the interim financial information"). The Global Fund Board and Secretariat are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG SA

Pierre-Henri Pigeon
Licensed Audit Expert

Elodie Elloy
Licensed Audit Expert

Geneva, 30 September 2020

Enclosure:

- Condensed interim financial information (condensed interim statement of income, condensed interim statement of financial position, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in funds and selected explanatory notes)

Interim statement of income (unaudited)

For the six months ended 30 June	Notes	2020	2019
In millions of USD			
Operating activities			
Income			
Contributions	4.1	3,485	1,126
Expenditure			
Grants	3.2	(1,495)	(1,344)
Operating expenses	6.1	(134)	(127)
Total		(1,629)	(1,471)
Net operating activities		1,856	(345)
Financing and Investing Activities			
Foreign exchange results, net	5.5	221	10
Financial income, net	5.6	45	96
Discounting on long-term financial positions		79	63
Total		345	169
Increase/ (decrease) in funds		2,201	(176)
For the six months ended 30 June		2020	2019
In millions of USD			
Increase/ (decrease) in funds		2,201	(176)
Total comprehensive gain/ (loss)		2,201	(176)

Interim statement of financial position

As at	Notes	30.06.2020	31.12.2019
In millions of USD		(Unaudited)	
Assets			
Current assets			
Cash and cash equivalents	5.1	58	65
Trust Fund	5.2	3,998	3,167
Contributions receivable	4.2	1,084	1,073
Derivative financial instruments at fair value	5.4	67	13
Other receivables	4.2	40	46
		<u>5,247</u>	<u>4,364</u>
Non-current assets			
Contributions receivable	4.2	2,475	1,717
Provident Fund investments	5.7	180	171
Tangible and intangible assets		69	75
		<u>2,724</u>	<u>1,963</u>
Total Assets		<u>7,971</u>	<u>6,327</u>
Liabilities and Funds			
Liabilities			
Current liabilities			
Grants payable	3.3	1,736	2,156
Derivative financial instruments at fair value	5.4	46	150
Lease liability		7	7
Other current liabilities		40	74
		<u>1,829</u>	<u>2,387</u>
Non-current liabilities			
Grants payable	3.3	-	7
Employee benefit liabilities		199	188
Lease liability		47	50
		<u>246</u>	<u>245</u>
Total Liabilities		<u>2,075</u>	<u>2,632</u>
Funds			
Temporarily restricted funds		10	11
Unrestricted funds		5,886	3,684
Total Funds		<u>5,896</u>	<u>3,695</u>
Total liabilities and funds		<u>7,971</u>	<u>6,327</u>

Interim statement of cash flows (unaudited)

For the six months ended 30 June	Notes	2020	2019
In millions of USD			
Operating activities			
Cash received from donors		2,750	1,368
Grant disbursements		(1,913)	(1,656)
Payments for operating expenses		(141)	(133)
Cash realized on forward contracts settlements		96	19
Net cash flow from/ (used) in operating activities		792	(402)
Investing activities			
Financial income received, net		36	40
Purchase of Provident Fund investment		(23)	(6)
Proceeds from sale of Provident Fund investment		15	-
Purchase of tangible and intangible assets		-	(1)
Net cash flow from investing activities before Trust Fund movements		28	33
Net cash rebalancing between commercial banks and Trust Fund		(822)	369
Net cash flow (used in)/ from investing activities		(794)	402
Financing activities			
Payment of lease liabilities		(5)	(5)
Net cash flow used in financing activities		(5)	(5)
Net (decrease) / increase in cash and cash equivalents		(7)	(5)
Cash and cash equivalents			
- at beginning of the period	5.1	65	40
Effect of exchange rate changes on cash held in commercial bank and Trust Fund		-	(1)
- at end of the period	5.1	58	34

In addition to the cash and cash equivalents reported in the statement of cash flows presented above, the Global Fund considers the Trust Fund as an integral part of the cash management for its core operations. The following table provides an overall operational cash management position:

	Notes	30.06.2020	30.06.2019
Amounts held in commercial banks	5.1	58	34
Amounts held in Trust Fund	5.2	3,998	2,889
Total Operational cash balance		4,056	2,923

Interim statement of changes in funds (unaudited)

For the six months ended 30 June

In millions of USD

	Foundation ² capital	Temporarily restricted funds	Unrestricted funds	Total
As at 1 January 2020	-	11	3,684	3,695
(Decrease)/Increase in funds	-	(1)	2,202	2,201
At 30 June 2020	-	10	5,886	5,896
As at 1 January 2019	-	5	3,073	3,078
Increase/(Decrease) in funds	-	1	(177)	(176)
At 30 June 2019	-	6	2,896	2,902

² The Global Fund maintains CHF 50,000 as statutory foundation capital.

Explanatory notes to the condensed interim financial statements

The Global Fund presents its financial statements which include the following:

- 1- interim statement of income;
- 2- interim statement of financial position;
- 3- interim statement of comprehensive income;
- 4- interim statement of cash flows; and
- 5- interim statement of changes in funds.

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

Index: Explanatory notes to condensed interim financial statements

Section 1: Activities and organisation

Section 2: Basis of reporting

Section 3: Grant activities

Section 3.1: Contingent liability

Section 3.2: Grant expenditure

Section 3.3: Grants payable

Section 4: Donor activities

Section 4.1: Contribution income /revenue recognition

Section 4.2: Contributions receivable

Section 4.3: Conditional contribution

Section 5: Management of funds

Section 5.1: Cash and cash equivalents

Section 5.2: Trust Fund

Section 5.3: Foreign exchange exposures

Section 5.4: Foreign exchange risk management

Section 5.5: Foreign exchange results

Section 5.6: Financial income, net

Section 5.7: Provident Fund investments

Section 6: Operating activities

Section 6.1: Operating expenses

Notes to the condensed interim financial statements

Section 1: Activities and organisation

The Global Fund to Fight AIDS, Tuberculosis and Malaria (“the Global Fund”) is a partnership designed to accelerate the end of HIV/AIDS, tuberculosis and malaria as epidemics. It applies four core principles: country ownership, partnership, transparency and performance-based funding.

The Global Fund is recognized as an international organization, initially formed as a Swiss foundation. It commenced operations on 22 January 2002 and Geneva authorities accepted its registration on 24 January 2002. Its status has been elaborated through an ongoing process of legal recognition by various national governments and international organizations: The Swiss Federal Council accorded the Global Fund international organization status, which is comparable to that of UN organizations, through the 2004 Headquarters Agreement. The United States of America, through an executive order in 2006, designated the Global Fund as a public international organization in accordance with the United States International Organizations Immunities Act. The European Commission, through a 2014 Commission Decision, assimilated the Global Fund to the status of an international organization for the purposes of managing European Union funds.

Its headquarters is in Geneva, Switzerland. The registered address is Chemin du Pommier 40, Grand-Saconnex 1218, Geneva, Switzerland. Foundations are subject to monitoring by the Swiss Federal Supervisory Board for Foundations.

Section 2: Basis of reporting

Statement of compliance

These unaudited condensed interim financial statements as at and for the six months ended on 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

They do not include all the information and disclosures presented in the annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements as at and for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Global Fund’s financial position and performance since the last annual financial statements. All amounts in the notes are presented in millions of USD, unless otherwise stated.

These condensed interim financial statements were authorised for issue by the Audit and Finance Committee of the Global Fund Board (the AFC) on 25 September 2020.

Significant accounting policies

All accounting policies adopted in the preparation of the condensed interim financial statements and all significant accounting estimates and other management judgments are consistent with those followed in the preparation of the consolidated financial statements as at and for the year ended 31 December 2019.

A number of new standards and amendments to standards became effective 1 January 2020, but they did not have a material impact on the Global Fund's condensed interim financial statements.

Financial instruments – Accounting classification

The following table shows the net carrying amounts of financial assets and financial liabilities. For financial assets and liabilities not measured at fair value, the carrying value is a reasonable approximation of fair value.

As at 30 June 2020

<i>All amounts in USD million</i>		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	58	-
Trust Fund asset	5.2	3,998	-	-
Contributions receivable	4.2	-	3,559	-
Derivative financial instruments measured at fair value, net asset	5.4	21	-	-
Provident Fund Investments	5.7	180	-	-
Other receivables*1	4.2	-	33	-
Grants payable	3.3	-	-	1,736
Lease liability		-	-	54
Other liabilities*2		-	-	10

As at 31 December 2019

<i>All amounts in USD million</i>		Carrying amount		
Global Fund financial position	Note	Mandatorily at FVTPL	At amortized cost	Other financial liabilities
Cash and cash equivalents	5.1	-	65	-
Trust Fund asset	5.2	3,167	-	-
Contributions receivable	4.2	-	2,790	-
Derivative financial instruments measured at fair value, net liability	5.4	137	-	-
Provident Fund Investments	5.7	171	-	-
Other receivables*1	4.2	-	38	-
Grants payable	3.3	-	-	2,163
Lease liability		-	-	57
Other liabilities*2		-	-	10

*1 Other receivables that are not financial assets are not included (prepaid expenses)

*2 Other liabilities that are not financial liabilities are not included (provisions and deferred contributions)

Section 3: Grant activities

3.1 Contingent liability

From a financial statement perspective, the first point of measurement for grants is the contingent liability which is known at the point of Board approval. Board approval represents a potential obligation that can be reliably measured but is still highly conditional upon future events. Following Board approval, all grants are covered by a grant agreement that includes substantive conditions based on performance and availability of funding.

During grant implementation the contingent liability is reduced by cumulative grant expenditure and any funding identified for portfolio optimization for new grants.

The following table summarizes the position of contingent liability for grants that will become future grants payable through the annual funding decision process.

	<u>30.06.2020</u>	<u>31.12.2019</u>
By category		
Grants approved but not signed	26	110
Grants signed but not committed	<u>1,748</u>	<u>2,950</u>
Total: Grant contingent liability for Principal Recipients	1,774	3,060
COVID-19 Response Mechanism	198	-
Strategic Initiatives	<u>9</u>	<u>17</u>
Total	<u>1,981</u>	<u>3,077</u>

The approved additional award for COVID-19 Response Mechanism of USD 198 million includes USD 42 million in award for diagnostics procurement.

3.2 Grant expenditure

The following table summarizes the grant expenditures:

For the six months ended 30 June	<u>2020</u>	<u>2019</u>
By category		
Grants on behalf of Principal Recipients	720	1,056
Grants for PPM orders	<u>737</u>	<u>257</u>
Total grants for Principal Recipients	1,457	1,313
Grants under recovery	4	-
Strategic Initiatives	<u>34</u>	<u>31</u>
Total	<u>1,495</u>	<u>1,344</u>

3.3 Grants payable

The following table summarizes grants payable at:

	<u>30.06.2020</u>	<u>31.12.2019</u>
By grant category		
Grants on behalf of Principal Recipients within one year	1,730	2,151
Strategic Initiatives	<u>6</u>	<u>5</u>
Total grants payable within one year	1,736	2,156
Grants on behalf of Principal Recipients after one year	<u>-</u>	<u>7</u>
Total grants payable	<u>1,736</u>	<u>2,163</u>

Section 4: Donor activities

The Global Fund follows a three-year replenishment cycle to secure funding for its grants and administrative operations. At the time of a replenishment conference, donors make public announcements called pledges of their intended future contributions. The following notes provide the summary of accounting results of revenue recognition policy during the reporting period.

4.1 Contribution income / revenue recognition

The revenue recognition policy of the Global Fund follows the general principles as detailed in the conceptual Framework for Financial Reporting.

The first point of revenue recognition is the signing of a formal contribution agreement with a donor. All contributions governed by a written contribution agreement that do not have any substantive conditionality bearing on future receipts are recorded as income at the date of signature of the agreement. For the purposes of cash flows, contributions are considered as received when remitted in cash or cash equivalent.

The following table summarizes the sources of revenue recognized:

For the six months ended 30 June	<u>2020</u>	<u>2019</u>
By donor category		
Governments	3,473	1,096
Product (RED)	17	24
Derecognition of US Fund net assets	(18)	-
Others	<u>13</u>	<u>6</u>
Total	<u>3,485</u>	<u>1,126</u>

Others represent revenue from international foundations, not-for-profit organizations and corporations.

4.2 Contributions receivable

Contributions receivable are agreements signed where income has been recognized but the cash has not been received. Contributions receivables are stated at amortized cost net of a provision for expected credit loss to cover the risk of future non-payment.

Promissory notes and contributions receivable maturing later than one year after the reporting date are discounted at fair value using a rate of return reflecting the credit risk of the donor and subsequently measured at amortized cost using the effective interest method.

The impact towards discounting of long-term contributions receivable is disclosed separately in the statement of income for the reporting period.

The following table summarizes contributions receivable at:

As at	<u>30.06.2020</u>	<u>31.12.2019</u>
Promissory notes maturing within one year	-	485
Contributions receivable within one year	<u>1,084</u>	<u>588</u>
Total contributions receivable within one year	1,084	1,073
Contributions receivable after one year	<u>2,475</u>	<u>1,717</u>
Total contributions receivable	<u>3,559</u>	<u>2,790</u>
Receivable within one year	1,084	1,073
Receivable within two years	1,173	566
Receivable after two years	<u>1,332</u>	<u>1,259</u>
Gross contributions receivable	3,589	2,898
Discounted	<u>(30)</u>	<u>(108)</u>
Net present value of contributions receivable	<u>3,559</u>	<u>2,790</u>

Receivable after two years include USD 750 million which will be encashed in equal instalments over 2026-2030.

The Global Fund reviews all contributions receivable as at the reporting date to assess for any expected credit losses. This assessment is based on a review of the donor credit profile, the in-country economic and political situation and other known factors that may potentially result in reduced future cash receipts. Where the Global Fund determines there to be a collection risk, an appropriate risk premium is deducted from receivable balances to reflect this risk. The risk premiums held are maintained as a provision for expected credit losses. This includes USD 4 million of expected credit losses (2019: USD 1 million).

The accounting policy on recognition and measurement for contributions receivables is also applicable to assets classified as Other Receivables. Other receivables of USD 40 million include:

As at	<u>30.06.2020</u>	<u>31.12.2019</u>
Grants under recovery	15	20
Working capital advance for pooled procurement mechanisms	9	10
Security deposit	9	8
Prepaid expenses for Opex and Strategic Initiatives	<u>7</u>	<u>8</u>
Total	<u>40</u>	<u>46</u>

Grants under recovery are recognized based on the demand letters formally issued to Principal Recipients. It includes expected credit losses of USD 11 million (2019: USD 12 million) given the

uncertainty of future cash inflows compared with the recovery schedule agreed by the Principal Recipients under the recovery protocol.

4.3 Conditional contribution

Under the Sixth Replenishment, the Global Fund had entered into certain contribution agreements that were subject to conditions to be realized over the period of the agreement. Given the uncertainty associated with the future encashments in respect of such donor agreements, USD 387 million (2019: nil) will be recognized as revenue in the financial year in which such conditions are satisfactorily fulfilled.

Type of conditionality	30.06.2020	31.12.2019
	_____	_____
Performance obligation	221	-
Availability of funding subject to parliament approval	166	-
Total	387	-
	_____	_____

Section 5: Management of funds

The Global Fund is a financing institution and hence the management of its financial assets and liabilities is integral to the successful mission of the organization. The Global Fund engages with commercial banks and the World Bank to manage its financial assets and provide appropriate liquidity and risk management.

5.1 Cash and cash equivalents

The following table summarizes cash and cash equivalents at:

	30.06.2020	31.12.2019
	_____	_____
Amounts held in commercial banks	58	65

Amounts are held in commercial banks that have a long-term credit rating of A or higher.

5.2 Trust Fund

The World Bank acts as the Trustee for the Global Fund Trust Fund. Assets held in trust by the World Bank are held in a pooled cash and investments portfolio, hereinafter called “the Pool”, established by the Trustee for all trust funds administered by the World Bank Group. The funds held in the Trust Fund qualify as a single asset and as such are presented separately in the statement of financial position but form an integral part of the operational cash management. Transfer of cash (rebalancing) between the Trust Fund and commercial banks are performed on

demand. The following table summarizes the Global Fund Trust Fund allocation across World Bank investment tranches:

- **Tranche 0:** cash portfolios in USD and EUR with an investment horizon of less than three months.
- **Tranche 5:** longer horizon portfolio in USD that has an investment horizon of up to three years.

The following table summarizes the Global Fund Trust Fund allocation across World Bank investment tranches:

Tranche	<u>30.06.2020</u>	<u>31.12.2019</u>
Tranche 0 USD	2,228	1,432
Tranche 5 USD	<u>1,770</u>	<u>1,735</u>
Total	<u>3,998</u>	<u>3,167</u>

There were no changes in the first six months of the year in the valuation techniques used for the Trust Fund's assets and the methodology and techniques as disclosed in Note 5.2 of the 2019 annual financial statements were applied consistently. There were no significant transfers from one level to the other and the allocation to Level 1 and 2 as at the interim reporting date is similar to the allocation as at 31 December 2019. There are also no Level 3 financial instruments included in the Trust Fund's assets as at 30 June 2020 (2019: NIL).

The following table shows the fair valuation hierarchy of Trust Fund's share of financial instrument held in the Pool:

At 30 June 2020	Level 1	Level 2	Level 3	Total
<i>Government and agency obligations</i>	1,146	1,359	-	2,505
<i>Asset and mortgage-backed securities</i>	-	492	-	492
<i>Equity</i>	204	-	-	204
<i>Time deposits</i>	128	817	-	945
<i>Repurchase/ resale agreements</i>	-	(21)	-	(21)
<i>Derivatives, net</i>	-	14	-	14
Sub-total:	1,478	2,661	-	4,139
<i>Cash, receivables & payables</i>				(141)
Total	1,478	2,661	-	3,998

At 31 December 2019	Level 1	Level 2	Level 3	Total
<i>Government and agency obligations</i>	762	571	-	1,333
<i>Asset and mortgage-backed securities</i>	-	508	-	508
<i>Equity</i>	215	-	-	215
<i>Time deposits</i>	180	838	-	1,018
<i>Repurchase/ resale agreements</i>	-	(3)	-	(3)
<i>Derivatives, net</i>	-	(11)	-	(11)
Sub-total:	1,157	1,903	-	3,060
<i>Cash, receivables & payables</i>				107
Total	1,157	1,903	-	3,167

The following table shows the Trust Fund's share of financial instruments held in the Pool measured at fair value:

As at	30.06.2020	31.12.2019
Financial instruments		
<i>(asset holding in percent)</i>		
Government and agency obligations	61	44
Time deposits and money-backed securities	23	33
Asset and mortgage-backed securities	12	17
Equity	5	7
Repurchase/ resale agreements	(1)	-
Total	100	100

5.3 Foreign exchange exposures

In preparing the financial statements, transactions in currencies other than the functional currency are recognized at the rates of exchange prevailing at the dates of the transactions, which creates an exposure to foreign exchange risk for these particular assets or liabilities. At the end of each reporting period, monetary items such as contributions receivable and grants payable in currencies other than USD are retranslated at the rates prevailing at that date. The following table summarizes exchange rates for significant foreign currency positions at the reporting dates indicated:

	30.06.2020	31.12.2019	% FX fluctuation
<i>AUD</i>	0.6858	0.7010	(2)
<i>CAD</i>	0.7310	0.7662	(5)
<i>CHF</i>	1.0498	1.0331	2
<i>EUR</i>	1.1216	1.1204	0
<i>GBP</i>	1.2280	1.3109	(6)
<i>NOK</i>	0.1030	0.1069	(4)
<i>SEK</i>	0.1069	0.1134	(6)

[Source: Thompson Reuters FX rates subscription]

5.4 Foreign exchange risk management

The Global Fund uses derivative financial instruments including forwards and swaps to manage its exposure to foreign exchange fluctuations for net positions held in non-USD currencies. The forward and swap contracts used by the Global Fund to mitigate foreign exchange risk are recognized at fair value, with subsequent movements in value reported through the statement of income. As at 30 June 2020, the forward contracts were fair valued as Level 2 financial instruments.

The methodology and techniques applied for the fair valuation of the derivative financial instruments remain consistent with Note 5.6 of the 2019 annual consolidated financial statements.

During the first six months of 2020, fair valuation of the derivative financial instruments resulted in a net gain, thereby resulting in an asset on the statement of financial position. The following table presents the notional value and the fair value of derivative financial instruments by currency.

BY SETTLEMENT DATE	30.06.2020	31.12.2019
Assets to be settled within 12 months	67	13
Liabilities to be settled within 12 months	(46)	(150)
Net asset/ (liability) for derivative financial instruments at fair value	21	(137)

At 30 June 2020

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	207	(4)
CAD	888	4
CHF	(385)	5
EUR	1,436	(13)
GBP	996	32
NOK	1,718	(2)
SEK	1,758	(1)
Net asset for derivative financial instruments at fair value		21

At 31 December 2019

Currency (Level 2)	Notional value in millions	Forward contracts at fair value in USD millions
AUD	203	(5)
CAD	888	(12)
CHF	(426)	8
DKK	332	(1)
EUR	1,561	(19)
GBP	1,627	(89)
NOK	1,938	(8)
SEK	2,078	(11)
Net liability for derivative financial instruments at fair value		(137)

5.5 Foreign exchange results

The following table summarizes foreign exchange results:

For the six months ended 30 June	<u>2020</u>	<u>2019</u>
By net position		
Foreign exchange losses before derivative instruments	(32)	(4)
Fair valuation gains on derivative financial instruments	<u>253</u>	<u>14</u>
Net foreign exchange gain	<u>221</u>	<u>10</u>

5.6 Financial income, net

The financial income on the Trust Fund, net of financial costs, are summarized in the table below:

For the six months ended 30 June	<u>2020</u>	<u>2019</u>
Trust Fund gains, net	46	97
Trustee fees	<u>(1)</u>	<u>(1)</u>
Total	<u>45</u>	<u>96</u>

As of 30 June 2020, the Trust Fund gains included an unrealized gain of USD 8 million (2019: USD 55 million).

5.7 Provident Fund investments

The following table provides the composition of Provident Fund investments:

	<u>30.06.2020</u>	<u>31.12.2019</u>
<i>Equity</i>	32	30
<i>Bonds</i>	100	94
<i>Real estate</i>	48	47
<i>Total</i>	180	171

Section 6: Operating activities

6.1 Operating expenses

Operating expenses are costs incurred by the Global Fund Secretariat for maintaining a sustainable administrative structure in order to deliver the Global Fund's mission. The following table summarizes the operating costs under the main categories of expenditure:

For the six months ended 30 June	<u>2020</u>	<u>2019</u>
Staff	76	71
External assurance	17	17
Professional fees	17	13
Others	<u>24</u>	<u>26</u>
Total	<u>134</u>	<u>127</u>

4. Glossary

AFC	Audit and Finance Committee
AUD	Australian dollar
BCP	Business Contingency Plan
CAD	Canadian dollar
CHF	Swiss Franc
EUR	Euro
FVTPL	fair value through profit and loss
GBP	Pound Sterling
NOK	Norwegian Krone
IFRS	International Financial Reporting Standards
PPM	Pooled Procurement Mechanism
SEK	Swedish Krona
USD	United States dollar