

Public Interest Oversight Board
FOUNDATION

FINANCIAL
STATEMENTS

for the year ended 31 December 2021,
together with Independent Auditor's Report

PIOB

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Fundación Public Interest Oversight Board

Opinion

We have audited the financial statements of Fundación Public Interest Oversight Board (the Foundation or PIOB), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year 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 Foundation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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.

Emphasis of Matter

We draw attention to Note 2 in the financial statements in relation to the Foundation's future funding commitment. Funding from the International Federation of Accountants (hereinafter "IFAC") for the year 2021 represented approximately 57,26% of the Foundation total income. On March 3, 2020 IFAC confirmed the extension up to March 2022 of its guarantee for yearly funding in relation to the Foundation's operating expenses, except for any costs associated with PIOB own dissolution or extension of its mandate as may be contemplated under the ongoing Monitoring Group reform process. On May 12, 2021, IFAC has confirmed future funding commitments after March 31, 2022 with a progressive reduction in guaranteed funding until 2025 when IFAC will not provide any funding or any guarantee, following Monitoring Group's recommendations to reduce the profession's funding over the long term. Our opinion is not modified in respect of this matter.

Other Matter

This independent auditor's report and the accompanying financial statements prepared and presented in accordance with IFRS should not be understood as a statutory auditor's report and statutory financial statements as defined by Spanish Accounts' Auditing Law.

Responsibilities of Secretary General and Audit Committee for the Financial Statements

Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), and for such internal control as Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Secretary General is responsible for assessing the Foundation'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 Secretary General either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Audit Committee is, according to the Terms of reference of the Foundation Audit Committee, responsible for overseeing the Foundation'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 the 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Secretary General.

- Conclude on the appropriateness of Secretary General'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 Foundation'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 Foundation 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 the Audit Committee 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.

DELOITTE, S.L.



José Luis Daroca Vázquez

Madrid, May 6, 2022

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2021 (in Euros)

	2021	2020
INCOME		
International Federation of Accountants Funding (note 2)	1,109,587	1,064,438
European Commission Funding (note 2)	345,000	345,000
International Organization of Securities Commissions Funding	100,000	100,000
International Forum of Independent Regulators	46,667	50,707
Bank for International Settlements Funding (*)	20,000	25,000
Financial Reporting Council Funding	20,000	20,000
Federal Audit Oversight Authority of Switzerland	10,000	10,000
Financial Supervisory Commission	10,000	-
Total monetary Income	1,661,254	1,615,145
Carried-over surplus (note 2)	87,264	-
In-kind contribution from Spanish authorities (note 2)	189,318	189,318
Total Income	1,937,836	1,804,463
EXPENSES		
Employee costs (note 7)	817,635	793,738
Travel and meeting costs	19,052	13,052
Technical and Nominations Committee stipends (note 8)	311,442	302,397
Annual report	8,349	5,070
Occupancy (note 5)	31,000	42,034
Telephone	7,094	9,416
Legal and other professional fees (note 9)	213,640	142,707
Auditor remuneration (note 16)	8,500	8,500
Depreciation and amortization (notes 2, 11 and 12)	218,374	217,404
IT Support	74,138	42,822
Ordinary exchange losses/(gains)	1,418	54
Other expenses	36,319	38,097
Total Expenses	1,746,961	1,615,291
Surplus for the year	190,875	189,172
Taxation (note 2)	-	-
Surplus for the year after tax	190,875	189,172
Total comprehensive income for the year net of tax	190,875	189,172

(*) In 2021 and 2020 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements



STATEMENT OF FINANCIAL POSITION
at 31 December 2021 and 31 December 2020 (in Euros)

	<u>At</u> <u>31 December</u> <u>2021</u>	<u>At</u> <u>31 December</u> <u>2020</u>
ASSETS		
Current Assets		
Cash and bank balances (note 10)	1,346,256	1,154,675
Accounts Receivable	394,039	386,569
Prepaid expenses	13,419	12,420
Total Current Assets	<u>1,753,714</u>	<u>1,553,664</u>
Non - Current Assets		
Tangible assets (note 11)	30,427	46,491
Intangible assets (note 12)	330,095	520,040
Total Non - Current Assets	<u>360,522</u>	<u>566,531</u>
Total Assets	<u><u>2,114,236</u></u>	<u><u>2,120,195</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable (note 4)	104,327	113,607
Accrued Liabilities (note 5)	434,901	404,051
Deferred income - Current (note 13)	58,178	87,264
	<u>597,406</u>	<u>604,922</u>
Non - current Liabilities		
Deferred income - Non current (note 2)	328,843	518,161
Total Liabilities	<u>926,249</u>	<u>1,123,083</u>
NET ASSETS		
Comprehensive income for the year net of tax	190,875	189,172
Endowment funds (note 14)	30,000	30,000
Other Reserves	967,112	777,940
Total net assets	<u>1,187,987</u>	<u>997,112</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,114,236</u></u>	<u><u>2,120,195</u></u>

The accompanying notes are an integral part of the financial statements



STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2021 (in Euros)

	Comprehensive Income	Other Reserves	Endowment funds	Total
Balance, beginning of year 2020	110,911	667,029	30,000	807,940
Transfers	(110,911)	110,911	-	-
Additions	189,172	-	-	189,172
Balance, end of year 2020	189,172	777,940	30,000	997,112
Transfers	(189,172)	189,172	-	-
Additions	190,875	-	-	190,875
Balance, end of year 2021	190,875	967,112	30,000	1,187,987

The accompanying notes are an integral part of the financial statements



CASH FLOW STATEMENT, for the year ended 31 December 2021 (in Euros)

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess of income over expenses	190,875	189,172
Non-cash items:		
Non-cash income	(276,582)	(189,318)
Depreciation of tangible and intangible assets	218,374	217,404
Increase (Decrease) Deferred Income - current (note 13)	58,178	87,264
Increase/(Decrease) in working capital items (note 6)	13,101	40,812
Net cash generated/(used in) operating activities	<u>203,946</u>	<u>345,334</u>
INVESTING ACTIVITIES		
Capital expenditures	(12,365)	(14,740)
Net cash used in investing activities	<u>(12,365)</u>	<u>(14,740)</u>
Net increase in cash and cash equivalents	<u>191,581</u>	<u>330,594</u>
Cash and bank balances, beginning of year	1,154,675	824,081
Cash and bank balances, end of year	<u><u>1,346,256</u></u>	<u><u>1,154,675</u></u>

The accompanying notes are an integral part of the financial statements

1 Fundación Public Interest Oversight Board

The Fundación Public Interest Oversight Board (“the Foundation”) was constituted on 15 December 2005 under the Foundations Law 50/2002, the Spanish law for not-for-profit foundations. Its founders were the International Organisation of Securities Commissions, the Bank for International Settlements and the International Association of Insurance Supervisors, three international regulatory groups committed to maintaining the stability of the international financial system and operating in the international public interest.

The objective of the Foundation is to strengthen the international financial reporting system through overseeing the standard-setting activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) also denominated as standard-setting boards (SSBs); and their respective Consultative Advisory Groups (CAGs), and reviews and approves that due process has been followed effectively and with proper regard for the public interest in the standard setting activities.

On 14 July 2020, the Monitoring Group (hereinafter “MG”) published its set of recommendations to strengthen the international audit and ethics standard setting-system. The recommendations set out a model that retains the current three - tier governance structure, makes the standard - setting boards legally independent from IFAC under a new legal entity, places the responsibility for managing nominations to the SSBs under a new Nominations Committee appointed by the PIOB, and sets a new Public Interest Framework (PIF) to frame the activities of both the SSBs and PIOB oversight. The PIF is central to ensuring that the SSBs standard - setting activities are focused on preserving the public interest and aligned with public interest oversight criteria. The objective of the reforms led by the MG is to enhance the independence of the standard – setting - system so that no undue influence is wielded by any one stakeholder and standard setting responds to the public interest.

Under the recommendations, the Foundation will continue to have the critical role of providing independent oversight of the public interest responsiveness of audit and ethics standard-setting. Following these recommendations, in November 2021 the PIOB formally established an SSBs Nominations Committee, which will be in charge of the selection process of candidates to the SSBs. The SSBs NomCo will make recommendations for appointment of SSB members to the PIOB. Finally, the SSBs will be housed in a new legal entity independent from IFAC.

The Foundation’s Board of Trustees is responsible for ensuring that the Foundation operates within its mandate and meets its legal and administrative obligations to the Spanish government. A Technical Committee of the Board is responsible for planning and executing the Foundation’s oversight program and related activities, and the Nominations Committee will manage the selection process to the SSBs. Support for the Board of Trustees, the Technical Committee and Nominations Committee is provided by the Foundation’s Secretariat based in Madrid, Spain.

In addition to its local regulatory responsibilities, the Foundation is operationally and financially accountable to the MG. The MG consists of a forum of international regulators and other public interest bodies, including two of the Foundation’s founding organizations. Such Group monitors the progress of a 2003 program of IFAC reforms in which the Foundation’s Technical Committee performs a key public oversight role. The MG also approves the Foundation’s annual budget.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and do not correspond to the statutory financial statements of the Foundation as required by the Spanish Law in accordance with the Accounting Plan for Small and medium not-for-profit entities issued by the Resolution of 26 March 2013 of the Spanish Accounting and Auditing Institute (ICAC).

The financial statements are prepared in Euros which is the Foundation's functional currency.

These financial statements were prepared by the Secretary General of the Foundation on 05 May, 2022.

Financial statements

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Accounting estimates

Preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and in the notes to financial statements. These estimates and assumptions are based on management's best knowledge of existing facts and circumstances as well as any current period impact of actions that the Foundation may undertake in the future. Actual results may differ from those estimates.

New Standards and Interpretations issued

The financial statements have been drawn up on the basis of accounting Standards, Interpretations and amendments effective at the beginning of the accounting period on 1 January 2021.

The Foundation has concluded that there are no relevant Standards or Interpretations that are not yet adopted that would have a material impact on the Foundation's financial statements.

Measurement Base

The statements of other comprehensive income, financial position, changes in equity and cash flows have been prepared on the historical cost and an accrual basis with all assets and liabilities valued at amortized cost, unless otherwise stated in the accounting policies.

Foreign currency translation



Foreign currency transactions are accounted for in Euros and translated at the rates of exchange prevailing at the transaction date. Exchange gains or losses on subsequent settlement of related balances are recognised in the income statement when they arise.

Financial instruments denominated in foreign currencies at the balance sheet date are translated to their Euro equivalent at the prevailing foreign exchange rate. Foreign exchange differences arising on translation are recognised in the income statement.

Income and cost recognition

In 2007, the International Federation of Accountants (hereinafter "IFAC") committed to fund the operating expenses of the Foundation up to a limit of the Euro equivalent of US\$ 1.5 million after adjustment for inflation and exchange rates. This replaced a previous commitment to provide up to US \$ 1.5 million per year, also for a period of five years, adjusted for both inflation and foreign currency exchange movements.

Since March 6, 2014 IFAC extended the guaranteed funding on a yearly basis. On March 3, 2020 IFAC agreed to extend the guarantee of the US\$ 1.5 million annual after adjustment for inflation and exchange rate changes since January 2004, equivalent to the full budgeted monetary income, until March 2022, less the cash contributions received by the Foundation from third parties.

On 12 May 2021, IFAC issued a new guarantee letter including the current guarantee to 31 March 2022, and a proposal to contribute to fund the PIOB budget with a progressive reduction in guaranteed funding until 2025, which is detailed as follows:

- For the period from April 1, 2022 to PIOB's December 31, 2022 fiscal year-end, the guarantee will be the lower of two-thirds of PIOB's budgeted expenses for these 9 months in Euros or Euro 950,000.
- For PIOB's December 31, 2023 fiscal year, the guarantee will be the lower of 50% of PIOB's budgeted expenses for the year in Euros or Euro 950,000.
- For PIOB's December 31, 2024 fiscal year, the guarantee will be the lower of one-third of PIOB's budgeted expenses for the year in Euros or Euro 650,000.
- For PIOB's December 31, 2025 fiscal year, the guarantee will be the lower of 25% of PIOB's budgeted expenses for the year in Euros or Euro 500,000.
- For PIOB's fiscal years commencing after December 31, 2025 IFAC will not provide any funding or any guarantee.

The IFAC guarantee will not apply to funding of any costs associated with the dissolution of the PIOB. In the event that a decision to dissolve the PIOB is taken by the governing entity of the PIOB, any remaining guarantees would cease to be effective with immediate effect, and IFAC would therefore be discharged of any funding obligations of the PIOB.

MG's recommendations of 14 July 2020, on the reform of the international audit and ethics standard-setting system state that the MG, giving consideration to the views of IFAC and PIOB,

will continue working for the development of an appropriate, long-term, sustainable funding policy. This will include outreach with stakeholder groups to seek commitment on funding for the PIOB and anticipates such outreach will include the regulatory and investor community, including MG member organizations.

Additionally, in December 2021, the MG recognized the need for additional expenditures at the PIOB to fulfill the MG Recommendations, and the intention to provide such support and assistance to prudently and effectively discharge the new responsibilities conferred on the PIOB by the MG Recommendation.

PIOB's management considers that the existing guarantee from IFAC, the funding framework currently being discussed by the MG, PIOB and IFAC will secure sufficient funding to continue operating on a going concern basis.

Income from IFAC in 2021 represents 57.26% of total income (58.99% in 2020) and is recognized yearly on an accrual basis according to the yearly related approved income budget.

In September 2009 the European Commission (EC) decided to award a grant to the Foundation for each of the years of the period 2010-2013 to support the Foundation's work program.

In 2014, the EC awarded a new grant to the Foundation for each of the years of the period 2014-2020, through Regulation (EU) No. 258/2014 of the European Parliament and of the Council of 3 April 2014.

In 2021, the EC awarded a new grant to the Foundation for each of the years for the period 2021-2027, through Regulation (EU) 2021/690 of the European Parliament and of the Council of 28 April 2021, establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (Single Market Programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014.

The contribution for the year 2021 and 2020 is for a maximum of EUR 345,000 or 30% of the eligible costs of the action. The 2021 Grant agreement with the EC establishes that, if funding by IFAC reaches more than two-thirds of total funding in 2021, the EC shall limit its contribution for 2021 to a maximum amount of EUR 300,000.

This income is recognized on an accrual basis, based on the total eligible costs of the program. In addition, the MG decided in October 2010 that the funds received from the European Commission as well as any other funding received by the Foundation should replace IFAC's funding. In 2021 and 2020, IFAC contributed to the PIOB budget to the extent necessary to fund the total budget, after taking into account the contributions from all non-IFAC sources to the budget.

On the other hand, the MG Charter establishes, in its Appendix B that:

"In the event that, at the end of any fiscal year, the PIOB has remaining funds that are not needed for expenditures relating to that fiscal year, the PIOB may carry as reserve an amount up to an equivalent of 10% of the budget. Additional funds over the portion allotted to the reserve may be

A handwritten signature in blue ink, consisting of a stylized 'G' followed by a flourish, underlined.

applied to diminish the amount of the guaranteed IFAC funding for the following period. Any reserves and excess funding should be included in discussions between the MG and the PIOB.”

On 31 December 2021, following MG Charter criteria, remaining funds not needed for expenditures related to this fiscal year and over an amount up to an equivalent of 10% of the budget have been recorded as Deferred Income – Current (Note 13).

On the other hand, Deferred Income - Current at 31 December 2020 for 87,264 euros has been recorded as non-monetary Income in the Statement of Other Comprehensive Income for the year ended at 31 December 2021.

Interest income from financial instruments, if any, is recorded as part of income on an accrual basis since it is considered as a replacement of IFAC’s yearly funding for the same amount.

In addition, as part of the localisation agreement in Madrid, the Foundation receives the right from the Spanish authorities to use a portion of the premises located at Oquendo 12 for a maximum period of 75 years that shall be renewed every four years. This use is free of charge, except for non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The Foundation renewed the agreement with the Spanish Authorities for a four-year period on 26 September 2011, 26 September 2015 and on 19 December 2019, for an additional four-year period until 26 September 2023. The Foundation recorded the grant as Deferred Income – Non Current and intangible asset that is recognised in the Statement of Comprehensive Income on a systematic basis during the term of the agreement.

Income is mainly denominated in Euros.

Operating costs are recognised as an expense when incurred.

Cash and bank balances

The Foundation’s policy is to present cash and bank balances together with temporary investments, if any, having a term of three months or less from the acquisition date as cash and cash equivalents.

Cash Flow Statement

The following are definitions of the terms used in the cash flow statement:

Cash and bank balances comprise cash on hand, current bank balances and short-term deposits, if any, that can be converted to cash within three months or less.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments.

Financial instruments



Financial instruments are recognized on the trade date at amortized cost and are derecognized at sales date when the rights to receive cash flows from the instrument expire. At 31 December 2021 and 2020 there were no balances invested in bank deposits.

Liquidity risk:

The Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities.

There are no borrowings or outstanding debt at 31 December 2021.

Credit risk:

As mentioned in note 2, section "Income and cost recognition" the European Commission decided to award a grant to the Foundation for the periods 2010-2013, 2014 – 2020 and 2021-2027. The amount that remains in the Balance Sheet is mainly related to the 2021 grant that will be paid in 2022.

The Foundation considers that credit risks related to collection of grants from the European Commission are not significant. Also, the Bank where the Foundation holds 99.95% of its cash and bank balances has been graded at the short – term as an A-2 financial entity.

Currency risk:

The Foundation maintains a bank account in Euros. There is no currency risk associated with the balances in this bank account; therefore the Foundation did not hedge its foreign currency exposure.

Foreign currency transactions are translated to Euros at the date of the transactions.

Fair values:

At 31 December 2021, the carrying amounts for all financial instruments held by the Foundation approximate to their fair values.

Restrictions on the use of cash and cash equivalents:

There are no restrictions on the use of cash or cash equivalents.

Taxation

On 29 March 2006, the Spanish Parliament passed legislation included within law 4/2006 of 29 March 2006, to specifically exempt the Foundation from Spanish income tax.

Financial interest income is recorded for the gross amount and is also exempt of the applicable taxes.

Tangible assets

Tangible assets represent the value of computer equipment used for data processing, the related furniture and communications equipment.

These assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Depreciation rate
Tangible assets		
Computer equipment	Straight-line	25%
Furniture and fixtures	Straight-line	10% to 20%
Audio and Video Equipment	Straight-line	25%

Repair and maintenance costs for tangible assets are recognized on the income statement in the year incurred. Costs of improvements that increase assets' capacity or efficiency or extend their useful life are recognized as an increase in the value of the assets.

Intangible assets

Intangible assets comprise the value of computer software used in the administrative and accounting management of the Foundation and the fair value assigned to the right to use the building.

Computer software has been valued at cost of acquisition, while the right of use was recognized at fair value at on initial recognition, less accumulated amortization, and any impairment allowances. Amortization of computer software is calculated on a straight-line basis over a four-year period. Amortization of the right of use is also calculated over a period of four years, in line with the assignment period.

	Methods	Rates
Intangible asset		
Software	Straight-line	25%
Right to use the building at Oquendo street	Straight-line	25%

3 Expenses by Activity

(in Euros)	2021	2020
Oversight Program (1)	603,751	618,855
Communications and External Relations Program (2)	138,955	155,024
MG and MG members (3)	98,053	198,241
Foundation Board Meetings (4)	137,250	106,850
Other ongoing operating costs (5)	584,797	536,321
Nominations (6)	184,155	-
Total expenses	1,746,961	1,615,291

In 2021, due to the new responsibilities from the MG recommendations on the reform of the standard – setting system the Foundation implemented a new activity, nominations. The description of all the Foundation’s activities is as follows:

- (1) Through this activity, the PIOB provides independent oversight of the Standard Setting Boards (SSBs) and Consultative Advisory Groups (CAGs) under its mandate. This activity includes the related costs to comply with this mandate.
- (2) Includes the cost of attending meetings with stakeholders other than MG members.
- (3) Includes the cost of meetings with the MG and MG members.
- (4) This activity includes all the necessary operating costs to run the Foundation
- (5) Most significant cost in this activity at 31 December 2021 and 2020 is the annual amortization (EUR 189,318) of the 33% right of use of the premises located at Oquendo 12 (Note 2). It also Includes in 2021 legal and personnel costs related to the implementation of the reform of the standard-setting-system for 106,587 euros.
- (6) This activity includes all costs related to the selection process of candidates to the SSBs and hiring and relocation costs of new PIOB staff running nominations.

4 Accounts Payable

(in Euros)	2021	2020
Employee Taxes and Social Security	75,053	72,497
Other	29,274	41,110
Total Accounts Payable	104,327	113,607

5 Accrued Liabilities

(in Euros)	2021	2020
Occupancy expenses	31,000	39,521
Other accrued benefit (1)	395,696	361,843
Other accrued liabilities	8,205	2,687
Total Accrued Liabilities	434,901	404,051

(1) Other accrued benefit relates to the provision for the termination of the General Secretary’s contract.

6 Information Included in the Cash Flow Statement

The increases (decreases) in working capital items are detailed as follows:

(in Euros)	2021	2020
Accounts receivable	7,470	7,126
Prepaid expenses	999	8,316
Accounts payable	9,280	(26,632)
Accrued liabilities	(30,850)	(29,622)
(decreases) increases in working capital	(13,101)	(40,812)

The variation at 31st December 2021 on the Accounts Payable item is similar to the variation shown in 2020.

The variation in 2021 on the Accrued liabilities item is mainly due to accrual of provision for termination benefit.

7 Employee Costs

(in Euros)	2021	2020
Gross Salaries	642,852	624,450
Spanish social security fees	91,782	90,334
Other benefits (1)	49,147	51,763
Other long-term employee benefits (2)	33,854	27,191
Total Employee Costs	817,635	793,738

(1) Mainly includes pension plans and medical insurance expenses.

(2) Includes provision for termination benefits and in 2020, the reversal of relocation costs of former PIOB staff.

8 Technical Committee Stipends

Members of the Technical Committee are entitled to receive fixed annual stipends of EUR 20,625 except for the Chair of the Committee who receives EUR 123,750 in recognition of her additional leadership responsibilities. All members other than the Chairman are further entitled to variable remuneration of EUR 825 per day of attendance at assigned public interest meetings. In 2020, due to the impact of COVID 19, observations of meetings were held by videoconference, some of these taking place at night. The Foundation defined criteria for payment of variable stipends that take into account the time differences in an online environment.

In 2021, the Foundation continued to apply these criteria as most of the meetings were held by videoconference, as the COVID 19 pandemic continued.

At 31 December 2021, the Technical Committee was made up of ten members (eight members in 2020), six of which are also members of the Trustees' Board (Note 15).

One member waived its right to receive stipends in 2020 and in 2021 until 1st November of such year. The amount of the stipend waived from 1st January 2021 to 31st October 2021 represents EUR 27K.

9 Legal and Other Professional Fees

(in Euros)	2021	2020
Legal fees (1)	98,174	84,990
Recruitment fees (2)	73,702	-
External support communications (3)	-	43,705
Development and integration costs of Nomination's webpage	20,916	-
Other	20,848	14,012
Total Legal and Other Professional Fees	213,640	142,707

- (1) Includes recurrent legal fees and other legal fees not included in the lawyer's annual proposal, such as services related to the MG reform of the standard – setting system and its new structure.
- (2) Includes hiring costs of new PIOB staff running nominations.
- (3) Includes digital communication services such as: web statistics and Search Engine Optimization; concept, new logo and other materials such as videos, for the PIOB's anniversary in 2020; design and launch of the PIOB's web page and intranet and launch and design of posts in PIOB's LinkedIn.

10 Cash and bank balances

(in Euros)	2021	2020
Cash and bank balances in Euros	1,346,256	1,154,675
Total cash and bank balances	1,346,256	1,154,675

11 Tangible assets

Details of tangible assets and the related accumulated depreciation at 31 December 2021, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2020	Additions	Balance at December 31, 2021
Cost:			
IT equipment	51,412	5,400	56,812
Furniture and fixtures	30,811	1,932	32,743
Communications equipment	82,224	5,033	87,257
Total cost	164,447	12,365	176,812
Accumulated depreciation:			
IT equipment	(36,881)	(7,173)	(44,054)
Communications equipment	(56,198)	(20,556)	(76,754)
Furniture and fixtures	(24,877)	(700)	(25,577)
Total depreciation	(117,956)	(28,429)	(146,385)
Net, end of year	46,491		30,427

12 Intangible assets

Details of intangible assets and the related accumulated amortization at 31 December 2021, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2020	Additions	Balance at December 31, 2021
Cost:			
Software	33,051	-	33,051
In-kind contribution Oquendo	757,271	-	757,271
Total cost	790,322	-	790,322
Accumulated amortization:			
Software	(31,170)	(627)	(31,797)
In-kind contribution Oquendo	(239,112)	(189,318)	(428,430)
Total amortization	(270,282)	(189,945)	(460,227)
Net, end of year	520,040		330,095

Intangible assets reflect the value of computer software and, primarily, the fair value of the right to use the premises located at street Oquendo 12, granted by the CNMV for a four-year period, until 26 September 2023.

Although the Secretary General has not identified signs of impairment in the above-mentioned right of use it is common practice, in order to corroborate that the fair value exceeds its carrying value, to request the appraisal of an expert engaged for this purpose biannually. In this regard, on March 1, 2021, experts engaged for this purpose determined that the fair value of that assignment as of December 2020 was not lower than the amount recognized in the accounting books. At 31 December 2021, the Foundation has not identified indications of an impairment in the value of the right of use.

13 Deferred income - Current

Deferred income - Current represents remaining funds not needed for expenditures related to this fiscal year and over an amount up to an equivalent of 10% of the budget (See Note 2).

14 Endowment funds and Other reserves

To meet the minimum legal capital requirements established by Spanish law, the founders (see note 1) collectively provided an initial endowment for 30,000 Euros. Such endowment cannot be used by the Foundation.

Other reserves correspond to contributions in excess of expenses for prior periods. The Board of Trustees can decide on the allocation of these reserves for future years. Also, in the case that the Foundation is dissolved, after the realization of assets and liquidation of liabilities, any remaining balance shall be distributed in accordance with Foundations Law 50/2002.

The objective of the PIOB's reserves is to strengthen the economic resilience and independence of the Foundation and make it less vulnerable to unexpected budget shocks. Current internal PIOB reserve policy sets a reserve threshold of six months' worth of current outlays, that is, approximately 1€ million at the end of 2021.

For 2022, the Foundation has committed with the MG to devote the amount recorded as deferred income – current of **EUR 58K** (Note 2 and 13) and the surplus of **EUR 191K** (which will be recorded as reserves in 2022) to help fund the Foundation's activities in 2022. This use of reserves to fund current expenditure in 2022 is an exceptional one-off measure which does not set a precedent for the use of reserves.

15 Board of Trustees

Positions on the Board of Trustees are voluntary and there is no honorarium paid for any position held. The following persons were members of the Board of Trustees during the year:

Mme. Linda de Beer	Chair of the Board of Trustees
Mme. Aileen Pierce Gleeson	Trustee until 23 rd April 2021
Mr. Karel Van Hulle	Trustee until 23 rd April 2021
Mr. Shigeo Kashiwagi	Trustee
Mr. Robert Buchanan	Trustee
Mr. Michael J. Hafeman	Trustee
Mme. Begoña Giner	Trustee from 23 rd April 2021
Mr. Yugui Chen	Trustee from 23 rd April 2021

16 Auditors' remuneration

This note shows the total remuneration payable by the PIOB to its auditors.

(in Euros)	2021	2020
Fees payable for the voluntary audit of PIOB's IFRS and statutory financial statements	6,000	6,000
Fees payable for ISAE 3000 – Assurance engagements on eligibility of costs and funding report provided to the EC	2,500	2,500
Total Auditors' remuneration	8,500	8,500

17 Subsequent Events

The Terms of Reference and other legal aspects of the new entity housing the SSBs are still under discussion by the MG, PIOB and IFAC and are expected to be finalized in the second semester of 2022.

As a result of the current reform process, the mandate of the Foundation will be adapted to new responsibilities coming from the reform of the standard-setting-system.

Despite the mobility restrictions that currently exist in Spain and in several countries around the world due to the COVID 19 pandemic, the Foundation continues to manage the operations and activities related to its mandate, either by video or teleconference, without significant difficulties.

On 24 February 2022, Russian troops started invading Ukraine. In response, multiple jurisdictions, including the EU, Switzerland, the UK, the US, Canada, Japan and Australia imposed initial tranches of economic sanctions on Russia (and in certain cases Belarus).

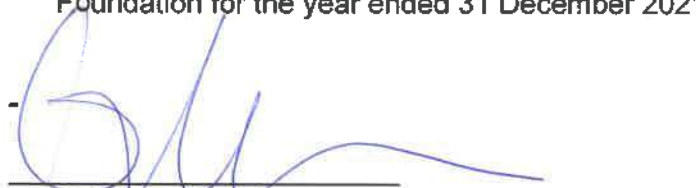
In addition to the imposition of sanctions, a growing number of large public and private companies announced voluntary actions to curtail business activities with Russia and Belarus.

The war in Ukraine has not had significant impact in the activities of the Foundation.

At the date of issuance of these Financial Statements, the Foundation does not foresee risks on its liquidity, operations, variation on its financial measures, valuation of assets and liabilities of the balance sheet or going concern.

The Foundation's Secretary General closely monitors the evolution of these situations, in order to successfully identify any impacts that may occur.

On behalf of the Foundation, I declare that the statements set out in pages 1 to 4 and the accompanying notes set out in pages 5 to 17 constitute the Financial Statements of the Foundation for the year ended 31 December 2021.



Gonzalo Ramos Puig
Secretary General

05 May, 2022