Fund for responding to Loss and Damage Trust Fund

Financial Report

Prepared by the Trustee

As of December 31, 2025

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Introduction

The Fund for responding to Loss and Damage (FRLD) Trust Fund will provide assistance to vulnerable developing countries in responding to economic and non-economic loss and damage associated with the adverse effects of climate change, including extreme weather events and slow onset events. As a new channel for multilateral finance, the FRLD seeks to provide new, additional, predictable, and adequate financial resources to developing countries that are particularly vulnerable to the adverse effects of climate change and assist in mobilizing external finance to address loss and damage, while supporting achievement of sustainable development and the eradication of poverty.

The FRLD Trust Fund was established in October 2024. This report covers the financial status of the FRLD Trust Fund, and is produced by the Trustee in accordance with the Trustee's role in the Terms and Conditions for the Administration of the Trust Fund for the Fund for responding to Loss and Damage dated October 25, 2024 (section VII):

"The Trustee shall furnish to the Fund Board annual (or at any other frequency agreed between the Fund Board and the Trustee) financial reports of the Trust Fund."

This report covers the financial status of the FRLD Trust Fund as of December 31, 2025.

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FRLD Trust Fund Financial Summary as of December 31, 2025

Pledges and Contributions:

A pledge represents a contributor's expression of intent to make a contribution. Pledges are formalized into Contributions by way of a Contribution Agreement/Arrangement between the Contributor and the Trustee.

As of December 31, 2025, contributions and pledges to the FRLD Trust Fund totaled USDeq. 822.19 million[1]. Of this amount, USD 413.57 million has been received in cash by the Trustee and applied to the FRLD Trust Fund.

Investment Income:

From inception through December 31, 2025, the FRLD Trust Fund earned investment income of approximately USD 16.28 million on the liquid balances of the Trust Fund.

Funding Approvals:

As of December 31, 2025, the FRLD Board had approved funding totaling USD 31.93 million for administrative budgets to support the activities of the FRLD Secretariat and Trustee.

Cash Transfers:

The Trustee has transferred the administrative budget totaling USD 8.15 million up to December 31, 2025.

Funds Held in Trust:

Funds Held in Trust[2] reflect contributions paid-in from contributors and investment income earned, less cash transfers by the Trustee. Funds Held in Trust with no restrictions amounted to USD 448.60 million as of December 31, 2025.

Funds Available for FRLD Board Funding Decisions:

Funds available to support FRLD Board funding decisions amounted to USD 420.79 million as of December 31, 2025. Of this, the FRLD Board, at its 5th meeting, decided to set aside USD 250 million for the Barbados Implementation Modalities call for funding requests, pending subsequent funding decisions.

[1] Includes USD 10 million that Japan had paid to finance the FRLD interim secretariat through UNFCCC before FRLD Trust Fund was established.

[2] Funds Held in Trust represent balance of cash, investments and unencashed promissory notes (if any) as of the reporting date.

1. FRLD Trust Fund Summary – Inception through December 31, 2025

In USD millions

		Total
Donor Pledges and Contributions		
Contributions		585.27
Pledges		226.92
Total Pledges and Contributions a/		**822.19**
Cumulative Resources		
Resources received		
Cash Receipts		413.57
Unencashed Promissory Notes		26.91
Investment Income earned		16.28
Total Resources Received		**456.75**
Resources not yet received		
Contributions not yet received		144.79
Pledges		226.92
Total resources not yet received		**371.71**
Total Potential Resources (A) *(in USD millions)*		**828.47**
Cumulative Funding Decisions		
Projects and Fees		-
Administrative Budget		31.93
Total Funding Decisions Net of Cancellations (B)		**31.93**
Total Potential Resources Net of Funding Decisions (A) - (B)		**796.54**
Funds Available		
Funds Held in Trust with no restrictions		448.60
Consisting of:		
a. Cash and Investments	*421.69*	
b. Promissory Notes	*26.91*	
Approved Amounts Pending Cash Transfers		23.77
Currency Risk Reserve for Unencashed Promissory Notes		4.04
Total Funds Available to Support FRLD Board Decisions b/		**420.79**

a/ Includes USD 10 million that Japan had paid to finance the FRLD Interim Secretariat through UNFCCC before FRLD Trust Fund was established.

b/ Of this, the FRLD Board, at its 5th meeting, decided to set aside USD 250 million for the Barbados Implementation Modalities call for funding requests, pending subsequent funding decisions.

Note: sub-totals may not add up due to rounding

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2. Pledges and Contributions as of December 31, 2025

In millions

Contributor	Curr	Pledges in Currency of Contribution	USDeq. c/	Effective (or signed) Contribution in Currency of Contribution	Receipts in Currency of Contribution	Cash Receipts in USD d/ e/	Unencashed Promissory Notes in USDeq. f/	Cash Receipts in USD + Unencashed Promissory Notes in USDeq.	Total Outstanding Pledges in USDeq. f/	Total Outstanding Contributions in USDeq. f/
Australia	AUD	50.00	33.14	50.00	17.00	11.08	-	11.08	-	22.06
Austria	EUR	25.00	27.64	25.00	15.00	15.90	-	15.90	-	11.75
Belgium (Walloon Region)	EUR	3.00	3.40	2.00	2.00	2.23	-	2.23	1.17	-
Canada	CAD	16.00	11.63	16.00	16.00	11.63	-	11.63	-	-
Denmark	DKK	175.00	24.66	175.00	175.00	24.66	-	24.66	-	-
Estonia	EUR	0.05	0.05	0.05	0.05	0.05	-	0.05	-	-
European Commission	EUR	25.00	29.37	-	-	-	-	-	29.37	-
Finland	EUR	3.00	3.52	3.00	3.00	3.52	-	3.52	-	-
France	EUR	100.00	111.81	50.00	50.00	53.07	-	53.07	58.74	-
Germany	EUR	92.00	98.24	92.00	92.00	98.24	-	98.24	-	-
Iceland	USD	0.60	0.60	0.60	0.60	0.60	-	0.60	-	-
Iceland	ISK	320.00	2.55	-	-	-	-	-	2.55	-
Ireland	EUR	25.00	28.10	25.00	25.00	28.10	-	28.10	-	-
Italy	EUR	100.00	117.47	-	-	-	-	-	117.47	-
Japan a/	USD	15.00	15.00	15.00	15.00	15.00	-	15.00	-	-
Korea	USD	7.00	7.00	7.00	2.15	2.15	-	2.15	-	4.85
Latvia	EUR	0.05	0.05	0.05	0.05	0.05	-	0.05	-	-
Luxembourg	EUR	15.00	17.62	-	-	-	-	-	17.62	-
Netherlands	EUR	15.00	15.78	15.00	15.00	15.78	-	15.78	-	-
New Zealand	NZD	10.00	5.66	10.00	10.00	5.66	-	5.66	-	-
Norway	USD	25.00	25.00	25.00	25.00	25.00	-	25.00	-	-
Portugal	EUR	5.00	5.69	5.00	2.00	2.16	-	2.16	-	3.52
Slovenia	EUR	1.50	1.73	1.50	0.40	0.44	-	0.44	-	1.29
Spain	EUR	40.00	44.01	40.00	40.00	44.01	-	44.01	-	-
Sweden	SEK	200.00	21.64	200.00	50.00	5.33	-	5.33	-	16.32
United Arab Emirates	USD	100.00	100.00	100.00	15.00	15.00	-	15.00	-	85.00
United Kingdom b/	GBP	40.00	53.26	40.00	40.00	26.35	26.91	53.26	-	-
United States	USD	17.56	17.56	17.56	17.56	17.56	-	17.56	-	-
Total			**822.19**			**413.57**	**26.91**	**440.48**	**226.92**	**144.79**

a/ Includes USD 10 million that Japan had paid to finance the FRLD Interim Secretariat through UNFCCC before FRLD Trust Fund was established. In addition, Japan paid USD 5 million to the FRLD Trust Fund. This USD 5 million is counted in the total amount received.
b/ Represents Promissory Note contribution
c/ Represents (1) actual US dollar value of paid-in cash contributions and/or (2) December 31, 2025 value of pledges outstanding and/or unpaid contribution amounts
d/ Represents actual USD receipts
e/ Includes cash receipts and encashed promissory notes
f/ Valued on the basis of exchange rates as of December 31, 2025

Note: totals may not add up due to rounding

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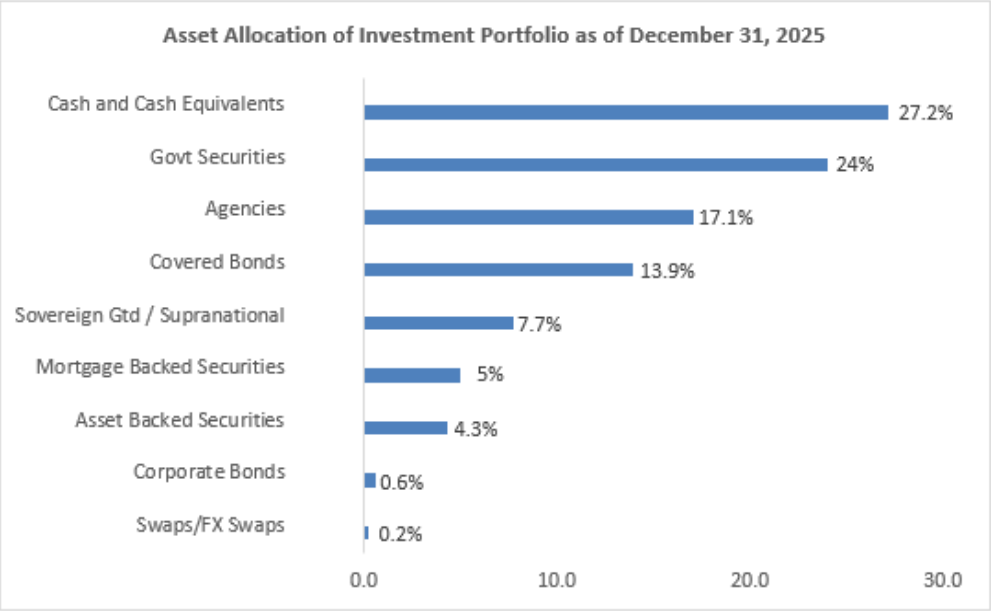
3. Asset Mix and Investment Income

ASSET MIX

The undisbursed cash balance of the FRLD Trust Fund is maintained in a commingled investment portfolio ("Pool") for all trust funds managed by IBRD. Funds are managed such that the expected maximum loss, as measured by the CVaR, in the worst 1% of cases will not exceed 0.25% at the portfolio's investment horizon.

The portfolio allocation by asset class has the largest allocations to government securities and money market instruments.



INVESTMENT RETURNS

The final quarter of 2025 was marked by the Federal Reserve's final policy decision of the year and the resolution of the federal government shutdown. The resolution reduced uncertainty, allowing macroeconomic data to flow freely again and improving overall risk sentiment. The Treasury yield curve steepened as short-term yields fell amid stronger expectations for interest rate cuts, while long-term yields rose due to a higher term premium and increased supply of longer-duration debt. Equity markets showed mixed performance in December but ended the year with significant gains. Meanwhile, commodities were volatile, with rising prices in precious metals and declining oil prices. Economic data indicated that the US economy is cooling but remains resilient. The delayed Q3 GDP report showed the strongest quarterly growth in two years, driven by strong consumer spending. However, labor market momentum has softened, and unemployment has risen to its highest level since 2021. November inflation data came in below consensus expectations, though readings should be interpreted cautiously due to shutdown-related data distortions. At its December meeting, the Fed delivered a widely expected 25bp rate cut while maintaining a largely unchanged medium-

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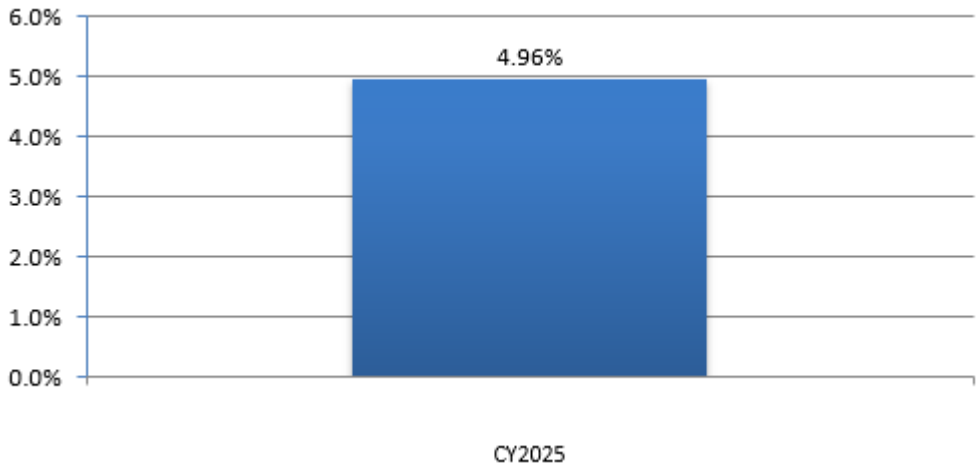
term policy outlook. Updated projections reflected lower expected inflation, stable unemployment forecasts, and modestly higher growth expectations, reinforcing a patient and gradual approach to further policy easing in the years ahead.

The portfolio returns for the FRLD Trust Fund liquid portfolio (managed by the World Bank) or undisbursed cash balance from inception through the end of calendar year 2025 was 4.96%.



ESG SUMMARY REPORT – FUND FOR RESPONDING TO LOSS AND DAMAGE INVESTMENT PORTFOLIO

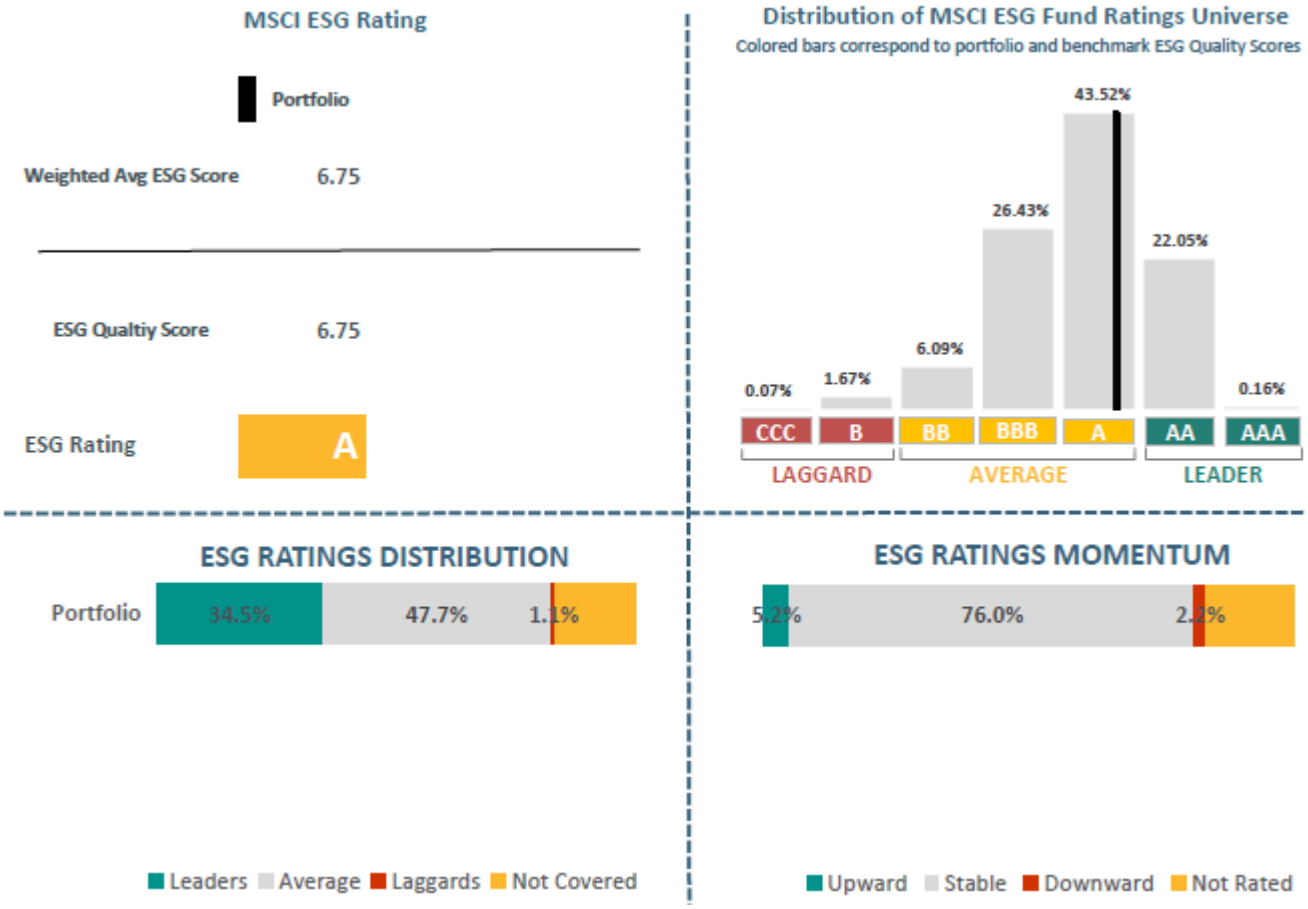
As per the investment management strategy implemented by the World Bank, the funds held in trust benefit from the approach to Sustainable and Responsible Investment (SRI), which considers and incorporates Environmental, Social and Governance (ESG) factors into Trustee's investment processes. The implementation of ESG Integration falls within the purview of existing authorizations by the World Bank Board. Based on the endorsement by the World Bank management, starting from July 2019, the Trustee has applied ESG Integration as the default SRI approach for all portfolios managed by the World Bank, including for the Fund for responding to Loss and Damage assets.

Considering and incorporating ESG factors into investment processes should, all things being equal, lead to portfolios that have stronger ESG profiles compared to portfolios that do not explicitly consider these ESG issues. ESG Integration has become part of the existing investment processes and is intended to help fulfil the existing investment objectives. The application of ESG Integration as part of the investment process would not involve any changes in the current investment objectives or risk limits for the Fund for responding to Loss and Damage portfolio.

The Fund for responding to Loss and Damage investment portfolio is primarily comprised of short-term high-grade fixed-income securities (sovereign, supranational and agency securities and bank deposits), and as of December 31, 2025, the portfolio has an ESG Quality Score*of 6.75 and an ESG Rating* of A. Based on its ESG positioning in the MSCI ESG Fund Ratings Universe (upper right of Figure 1), which is deemed to be the more consistent reference indicator, Fund for responding to Loss and Damage's investment portfolio falls in the average decile of the ratings universe. This

reflects high capability of the Fund for Responding to Loss and Damage portfolio's holdings in terms of managing key medium to long term risks and opportunities arising from Environmental, Social and Governance factors.

Figure 1: MSCI ESG Portfolio Summary – Fund for responding to Loss and Damage



** Note: ESG Quality Score is based on MSCI ESG Ratings and measured on a scale of 0 to 10 (worst to best) following a rule-based methodology. ESG Ratings Momentum represents the percentage of a portfolio's market value coming from holdings that have had an ESG Ratings upgrade, and those with a downgrade, since their previous ESG Rating assessment. The ESG Quality Score is calculated as a weighted average of ESG scores of individual holdings adjusted by ESG Ratings Momentum and ESG laggards (if any). The weight applied to the individual ESG scores is determined by the portfolio weight of individual holdings as of the reporting date. Based on the above, the ESG Quality Score, which is subject to potential skewing effect from any factor in the calculation, could slightly vary between different reporting dates along with changes in individual holdings and their portfolio weights as well as changes in ESG Ratings Momentum. Please see details on MSCI ESG Ratings Methodology here.*

4. Cumulative Funding Decisions

In USD millions

Administrative Budget	as of December 31, 2025
Secretariat	29.38
Trustee	2.55
	31.93
Total Funding Decisions	**31.93**

Note: sub-totals may not add up due to rounding

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5. Funds Available

In USD millions

		As of December 31, 2025 (a)
1. Cumulative Receipts		**456.75**
a. Cash receipts from Contributors	413.57	
b. Unencashed Promissory Notes	26.91	
c. Investment Income earned	16.28	
2. Cumulative Cash Transfers		**8.15**
a. Administrative budget Secretariat	6.62	
b. Administrative budget Trustee	1.54	
C. Projects and Fees	-	
3. Funds Held in Trust with no Restrictions (3 = 1 - 2)		**448.60**
Consisting of:		
a. Cash and Investments	*421.69*	
b. Promissory Notes	*26.91*	
4. Funding Decisions Pending Cash Transfer		**23.77**
5. Currency risk reserve for unencashed Promissory Notes		**4.04**
6. Funds available to support FRLD Board decisions (6 = 3 - 4 - 5) a/		**420.79**

a/ Of this, the FRLD Board, at its 5th meeting, decided to set aside USD 250 million for the Barbados Implementation Modalities call for funding requests, pending subsequent funding decisions.

Note: sub-totals may not add up due to rounding

HIGHLIGHTS FOR THE PERIOD INCEPTION (OCTOBER 2024) THROUGH DECEMBER 31, 2025:

- ***Funds Held in Trust,*** representing cumulative receipts less cumulative cash transfers, amount to USD 448.60 million as of December 31, 2025 due to:
  - Cash receipts and unencashed promissory notes from contributors totaling USD 440.48 million
  - investment income of approximately USD 16.28 million from inception through the fourth quarter of calendar year 2025;
  - offset by cash transfers of USD 8.15 million to the Trustee and the Secretariat for the Administrative Budget

- ***Funding Availability*** of USD 420.79 million was due to:
  - Total receipts of USD 456.75 million as mentioned above;
  - Offset by the currency risk reserve for unencashed promissory notes of USD 4.04 million and funding allocations totaling USD 31.93 million.
  - Of this amount, the FRLD Board, at its 5th meeting, decided to set aside USD 250 million for the Barbados Implementation Modalities call for funding requests, pending subsequent funding decisions.

Annex 1: Administrative Budget Funding Decisions

In USD millions

Recipient	Funding Title	Amount
Trustee	FRLD FY25 Trustee budget	0.48
Trustee	FRLD FY25 Trustee budget	0.55
Trustee	FRLD CY25 1 July - 31 Dec 2025 Trustee budget	0.51
Trustee	FRLD CY26 1 Jan - 31 Dec 2026 Trustee budget	1.01
FRLD Secretariat	FRLD FY25 Secretariat Budget	3.05
FRLD Secretariat	FRLD CY25 1 July - 31 Dec Secretariat budget	3.56
FRLD Secretariat	FRLD CY26 Secretariat Budget	12.50
FRLD Secretariat	FRLD CY27 Secretariat Budget	6.08
FRLD Secretariat	FRLD CY28 Secretariat Budget	4.19
		31.93

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Annex 2: Exchange Rates as of December 31, 2025

Currency	Currency Description	Exchange Rate Date	USD Rate
AUD	Australian Dollars	12/31/2025	1.49577
CAD	Canadian Dollars	12/31/2025	1.37055
DKK	Danish Kroner	12/31/2025	6.35785
EUR	Euro	12/31/2025	0.85128
GBP	Pounds Sterling	12/31/2025	0.74316
ISK	Iceland Kronur	12/31/2025	125.30496
NZD	New Zealand Dollars	12/31/2025	1.73355
SEK	Swedish Kronor	12/31/2025	9.19325
USD	United States Dollars	12/31/2025	1.00000

*Used for reporting purposes only to translate non-USD amounts based on Reuters spot rates.

Glossary

Term	Definition
Cash and Investments	The Trust Fund's share in the co-mingled cash and investment pool.
Cash Contribution	Contribution or Installment provided in the form of cash, including promissory note encashments
Cash Transfer	Cash payment made to an Implementing Partner under a Financial Procedures Agreement
Contribution	The funds provided and to be provided by a Contributor to a Trust Fund, as specified in the Contribution Agreement/Arrangement, or in the Instrument of Commitment
Contribution Agreement/ Arrangement	An agreement or arrangement between a World Bank entity, as Trustee, and a Contributor, setting forth specific terms for the receipt and use of a specific Contribution for a specific Trust Fund
Contribution Paid-In	Contribution or Installment provided in the form of cash, Promissory Note or other instruments acceptable to the Trustee
Contribution Receivable	Any portion of a Contribution that is not a Qualified Contribution to be received in the form of Cash or Promissory Note.
Financial Intermediary Fund (FIF)	Financial arrangements that leverage a variety of public and private resources in support of global development initiatives and partnership. These Funds involve financial engineering or complex finance schemes, or where the Bank provides a specified set of administrative, financial or operational services
Financial Procedures Agreement	An agreement or arrangement between a World Bank entity, as Trustee, and Partner Entity for the commitment and transfer of funds by the Trustee to the Partner Entity under terms that do not involve Bank responsibility post-transfer
Funding Availability	Assets available to support funding decisions, as calculated under a specific basis of commitment.
Funds Held in Trust	Cash and Investments plus unencashed Promissory Note balance
IBRD	International Bank for Reconstruction and Development
Implementing Entity (IE)	Any agency receiving funds from a FIF, which is responsible for managing those funds for project activities as approved by the governing body
Investment Income	Returns (realized and unrealized) on cash and investments, allocated to individual Trust Funds
Pledge	A Contributor's expression of its intention to make a Contribution
Promissory Note (if applicable)	A document consisting of a promise to pay that is non-interest bearing and payable on demand

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