



VEI ANNUAL REPORT 2023





Bonaire — Evides colleague Gerard Speelman (right) and production manager Edson Martinus from Water and Energy Company Bonaire (WEB) at the seawater intake installation. In the period 2017-2024, Gerard was seconded to WEB as a strategic advisor and worked, among other things, on the design and construction of WEB's desalination plant and reduction of the energy use of seawater intake.

VEI ANNUAL REPORT 2023



- ◀ Photo cover: Ethiopia – Measuring, monitoring and analyzing water levels in extraction wells in Mojo, in order to accurately analyze how the extraction wells function, whether maintenance is required and whether adjustments/improvements are needed. In the photo, the data is downloaded from the logger to analyze the measurement data. On the picture Short Term Expert Tim Aalten. Photo taken by Short Term Expert Johannes Dunnewolt.
- ◀ Photo left: Colombia – Measuring the pressure at the outlet of a well during a test for the Energy Efficiency visit to Yopal by Short Term Expert Willem-Jan Lock and local employee Fabio Amador.

All photos in this annual report have been taken by VEI Short Term Experts.

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GEARING UP NECESSARY INVESTMENTS IN PUBLIC WATER UTILITIES



2023 has been a remarkable year for VEI. 929.356 mainly vulnerable people were provided with access to improved water and sanitation services. With this all-time high number we have made a serious step towards the SDG target of providing 11.5 million people with access to improved water & sanitation services in the period 2015-2030.

Water Operator Partnerships (WOPs) play a pivotal role in improving access to water & sanitation. Working in WOPs provides a synergetic interplay between 1. Support by the water utilities and utility employees from the Netherlands, making available resources, knowledge and know-how, 2. Water utilities and utility employees in the global South who steer the WOPs and implement improvements in working processes, and 3. Long-term

partners who play an important role in financial support to WOPs; the Ministry of Foreign Affairs (department Inclusive Green Growth), Water for Life Foundation, Dutch embassies, RVO and international financiers such as the Inter-American Development Bank.

In addition to the regular SDG 6 definitions, VEI has developed an additional set of subcategories. These definitions do not only include access to water & sanitation but also quantify the impact of improved operational processes and performance, achieved through working in WOPs.

The new SDG 6 sub-categories also include the impact of mobilized investments by third parties. Investment mobilization for public water utilities is necessary to



929,356_{people}

were supported by VEI in 2023 with access to sustainable water services



achieve the SDG 6-agenda. Public water utilities are in need of large investment volumes. Approximately 1.37 trillion USD from 2023-2030 is needed to battle with population growth, replacement investments and the impacts of climate change. To mobilize these investments, water utilities need to work on their preparedness to take on loan and grant financing such as improved financial performance and reporting, development of high-quality investment plans and business case driven operational investment options.

To support WOP partners in their drive for attracting finance, investment mobilization activities are now integrated into the offering of the WOP partnerships. A project pipeline for financiers is being created through development of investment plans and engagement with

potential financiers. The to be established Urban Water Catalyst Initiative (UWCI) will be a major milestone towards mobilizing more finance for public water utilities. The UWCI will be further described in this annual report.

Please enjoy reading the positive results that were established by the 55 public water utilities that partnered with VEI in 2023.

Utrecht, 27 May 2024

T. Ramaker
CEO VEI B.V.



ABOUT VEI

Established in 2005 by Dutch water utilities, VEI has developed into an effective organization operating worldwide. VEI implements Water Operator Partnerships (WOPs) with dozens of water operators, aiming at sharing knowledge and skills to make the partner water operators stronger, financially sustainable and more (climate) resilient. VEI creates improved access to water and sanitation services, for hundreds of thousands of people every year, mostly in low-income areas in Africa, Asia and Latin-America.

Standing side by side as water operators, we strive to continuously increase our impact for people living in poverty, by systemically improving the maturity of working processes of our WOP partners, supported by peer-to-peer collaboration, training, technical assistance and smart investments.

VEI B.V. has two shareholders, Vitens N.V. and Evides Waterbedrijf N.V. both having a 50% participation, and implements a large part of the international Corporate Social Responsibility policy on behalf of seven Dutch drinking water utilities.

- Vitens N.V.
- Evides Waterbedrijf N.V.
- WML
- Waterbedrijf Groningen
- Brabant Water
- WLN | Water Laboratorium Noord
- PWN



Mozambique – In Quissico, a defective submersible pump that needs to be replaced is lifted from a pump well. Photo taken by Short Term Expert Paul Bruggeman.



Mozambique — Short Term Experts Guido Vernes en Coriene de Kwant-Weststrate of Evides Waterbedrijf and local project coordinator Carlos Capitaio in consultation with employees of AIAS.



INVESTMENT MOBILIZATION

Investments in drinking water supply and sanitation have a high impact on public well-being and economic development. OECD (2018) estimates that the cost benefit ratio for WASH (Water, Sanitation And Hygiene) investments is 1:7; 1 euro in WASH investments generates 7 euro in (economic) benefits. Although the business case and public benefits are clear, public water utilities are in need of large investment volumes. A Worldbank (2023) study estimates that necessary cumulative investments between 2023-2030 are 1.37 trillion USD, meaning that current investments need to increase sixfold.

These investments are necessary to address global demographic challenges such as population growth, urbanization and migration. Replacement investments also increasingly weigh on the investment budgets. And last but not least, water quality and water quantity challenges, often related to the impact of climate change, cause additional adaptation costs, pushing up the costs per beneficiary to provide water & sanitation services.

Challenges in investment mobilization for public water utilities

Most of our WOP partners have a limited mandate and responsibility in the development, financing and implementation of investment projects. Also, in many low- and middle-income countries, commercial finance is a limited option for most utilities for the years to come because of underdeveloped financial markets and unfavourable lending conditions.

At the same time, utility preparedness to take on loan and grant financing is often inadequate. Important decision factors for financiers need attention, such as transparent and trusted management information about utility performance, low financial performance, availability of quality investment plans and/or business case driven operational investment options.

Investment mobilization integrated in WOPs

To support WOP partners in their drive for attracting investment finance, VEI (amongst other through the WaterWorX programme) integrated investment mobilization activities into the offering of the WOP partnerships. These efforts are supported by three specific activities to overcome some of the mentioned barriers for investment mobilization:

- Investment working group at WaterWorX programme level: to coordinate and support the development of investment proposals at the WOP level and to engage with potential financiers. A pipeline containing approximately 80 projects was created, that need to be pushed towards 'financial close'.
- Establishment of a dedicated Operational Efficiency Fund to improve financial performance and facilitate utility access to finance.
- Establishment of a PRI-fund (PRe-Investment fund) at WaterWorX programme level. The PRI fund was established to support utilities with (pre) feasibility studies to create a project pipeline for investors. This PRI-fund now contains approximately 10 projects which will be offered to financiers.

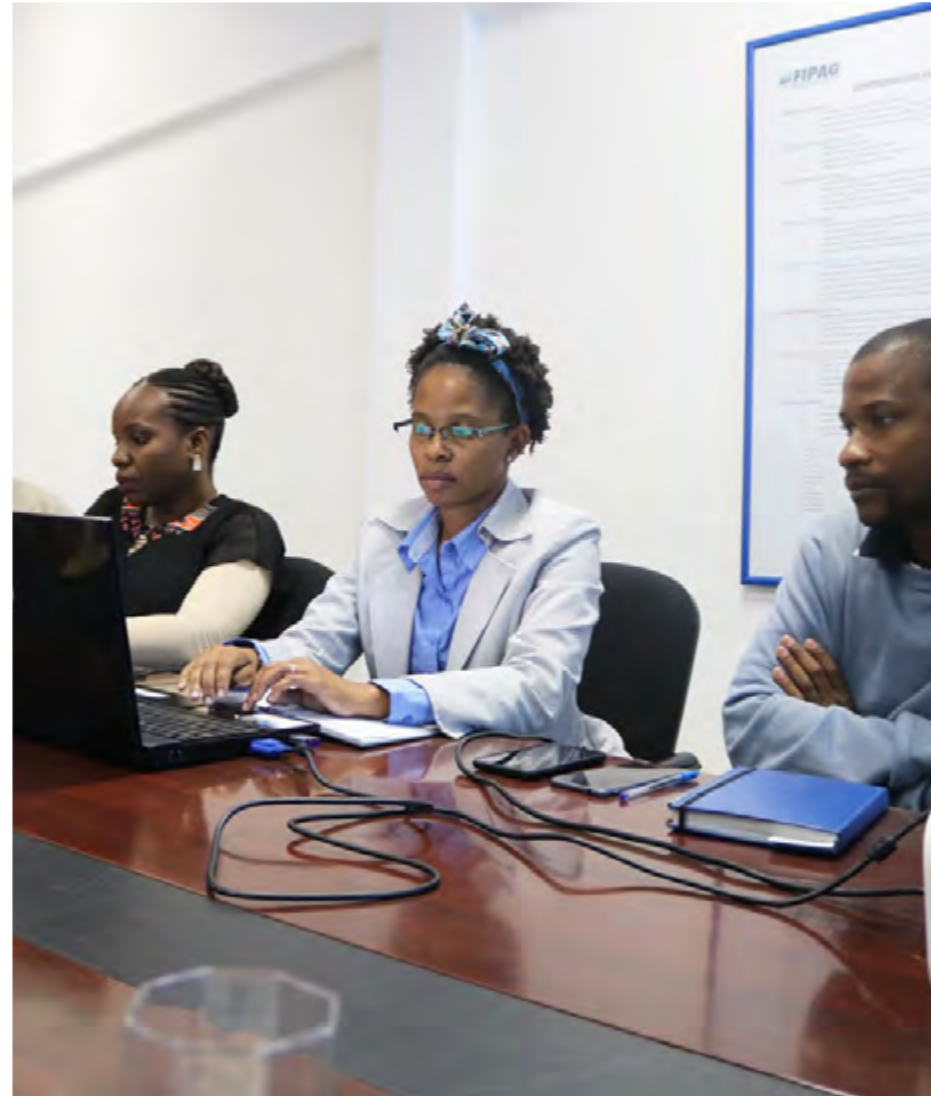


The potential investment volume of the investment pipeline in WaterWorX is now 542 million euro, with 1.6 million people to be connected to water & sanitation services. In the coming years we need to work hard to bring these projects to implementation.

Examples and case studies

Although investment mobilization efforts often need years of perseverance, some WOPs demonstrate tangible results, for example in Mozambique and Indonesia. The to be established Urban Water Catalyst Initiative could be a game-changer for the investment mobilization. The UWCI offers an excellent opportunity to accelerate the financial performance of some of our WOP partners, bringing them to creditworthiness. More about UWCI on the following pages.

Photo: Mozambique – meeting at FIPAG.



**INVESTMENT MOBILIZATION
IN MOZAMBIQUE**

VEI has been active in Mozambique for 20 years, through partnerships with FIPAG (responsible for drinking water supply in the >20 largest towns nationally) and AIAS (responsible for drinking water and sanitation services for >130 secondary towns nationally).

The partnership with FIPAG (since 2005) has generated > €100 million investments over the years through active engagement with financiers and development of sound investment plans. The investments serve approximately 1.5 million vulnerable Mozambicans. The investments range from new water intake and production facilities in Chimoio (ORET/AfDB), new water transport networks and pumping stations in the North of Maputo (ORIO/ World Bank) to renewal and extension of water infra-structures in Nacala (DRIVE/World Bank). Also, a significant capacity building and NRW-reduction project was implemented in the city of Beira (FDW, RVO). And last but not least, the Water for Life foundation supported FIPAG and AIAS through close to 50 projects.

Since 2013, VEI has been actively engaged in a Water Operator Partnership (WOP) with the Mozambican Administration for Water and Sanitation Infrastructure (AIAS), providing support to AIAS and dozens of water and sanitation operators in 75 peri-urban towns across the country. The project team at AIAS' headquarters offers strategic advice to AIAS management, participating in meetings with various entities such as EKN (NL embassy), World Bank, UNICEF, EU, JICA, IFAD, KOICA, EIB, USAID, CRIDF, Invest International, Operation Water, and AfDB.

The activities extend to preparing investment proposals and essential documentation to secure financing for projects aimed at improving access to safe water and sanitation. Notable successes include EKN grants totaling €40 million for AIAS and operator capacity building and Invest International grants of €800,000 for detailed design studies benefiting 11 towns in the provinces of Nampula and Cabo Delgado. Institutional strengthening activities carried out through the WOP have strengthened human and system capacity within AIAS and facilitated easier access to funding from development partners. For instance, VEI's assistance in raising finance for detailed design studies was of great importance for the World Bank's Agua Segura project, which involves a significant €150 million investment in 17 towns. Furthermore, the WOP contributed to the celebration of a PPP concession agreement with Operation Water, enabling a USD 25 million investment in the water supply systems of 9 towns.

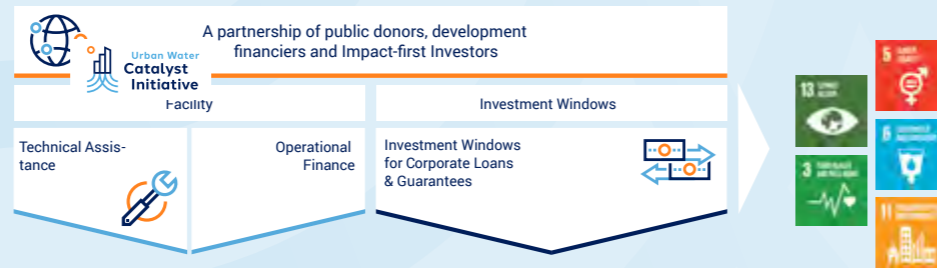


INVESTMENT MOBILIZATION THROUGH THE URBAN WATER CATALYST INITIATIVE

The UWCI was launched during the UN Water Conference 2023. The UWCI is geared towards improving the creditworthiness of utilities in the Global South through performance improvement and climate-resilient infrastructure investments.

VEI/WaterWorX with GIZ and KfW are working with several financiers to establish the UWCI. Once the financial support is secured, the Urban Water Catalyst Initiative will offer reform-minded utilities a unique, performance-based support package. A technical assistance and grant facility enables the transfer of operator know-how between peers. To boost performance and creditworthiness, the initiative also offers results-based, flexible operational finance to support efficiency improvement and bankability. This creates the base for increased access to additional public transfers and private or commercial loans for water investments, including through local currency loans from commercial banks.

In 2024, the first 10 utilities will enrol into the UWCI programme as part of a pilot phase. There will be 5 utilities from the VEI/WaterWorX consortium participating in this pilot phase. The 10 utilities will start with an 'early engagement phase' of 6-12 months and subsequently – based on an assessment of the reformed mindedness during the early engagement phase – move into the TA phases 1 and 2. The key objective of TA phases 1 and 2 is to improve the creditworthiness of the participating utilities and help to develop a climate-resilient investment package for improving and enhancing their water and sanitation infrastructure. UWCI will help funding the investment package with loan funding and guarantees from KfW and from other financiers and domestic banks.



Bangladesh – Short Term Expert Bayram Sener provides hands-on training to DWASA technicians at the newly built training location (ASAD gate).





INVESTMENT MOBILIZATION IN INDONESIA

PDAM Semarang and VEI started their Water Operator Partnership in 2019 as part of the WaterWorX programme. Semarang is a city with around 1.8 million inhabitants of which still many lack access to the PDAM water supply network. VEI has been supporting PDAM Semarang in investment mobilization since the start of the WOP in order to further extend the water supply network. Firstly through the National Urban Water Supply Project (NUWSP) which is implemented by the national government and financed by World Bank. Financing for two investment projects has been successfully obtained namely NUWSP 1 'Switching programme' and NUWSP 2 'Pudak Payung water supply system'.



The grant financing totals to around 5.5 million euro, which is further complemented with local government funding and PDAM Semarang's own investment budget for implementing the projects. In total these two projects aim to benefit around 125.000 people with improved access to water supply. WOP efforts consist of preparing investment proposals and essential documentation, such as designs and demand studies, to secure the financing for these projects.

Continuing on these earlier successes PDAM Semarang and VEI are currently cooperating on a new investment mobilization through the national INPRESS programme which is aimed at expanding the water supply service of PDAM. The objective is to obtain 3 million euro of investments and reach 40.000 people. The VEI support for this is financed through the WaterWorX PRIFund.



◀ Photo top: Indonesia – pumps intake point PDAM.
 ◀ Photo bottom: Indonesia – a group photo at the PDAM production location.

Indonesia – OCC (Operations Control Center) presentation to PDAM management and department heads.



VEI Annual Report in Numbers RESULTS 2023

This picture shows per region: costs of operations, the number of active projects, number of peers/expert (STE-days) and SDG results.

WORLDWIDE ALMOST 1 BILLION PEOPLE STILL LACK ACCESS TO WATER AND/OR SANITATION

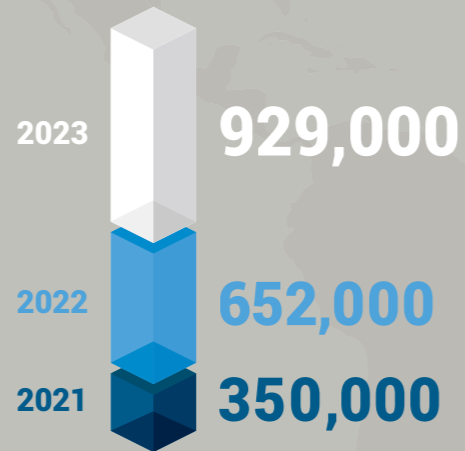
4 REGIONS: EUROPE NORTH-EAST AFRICA SOUTH-WEST AFRICA LATIN-AMERICA / ASIA



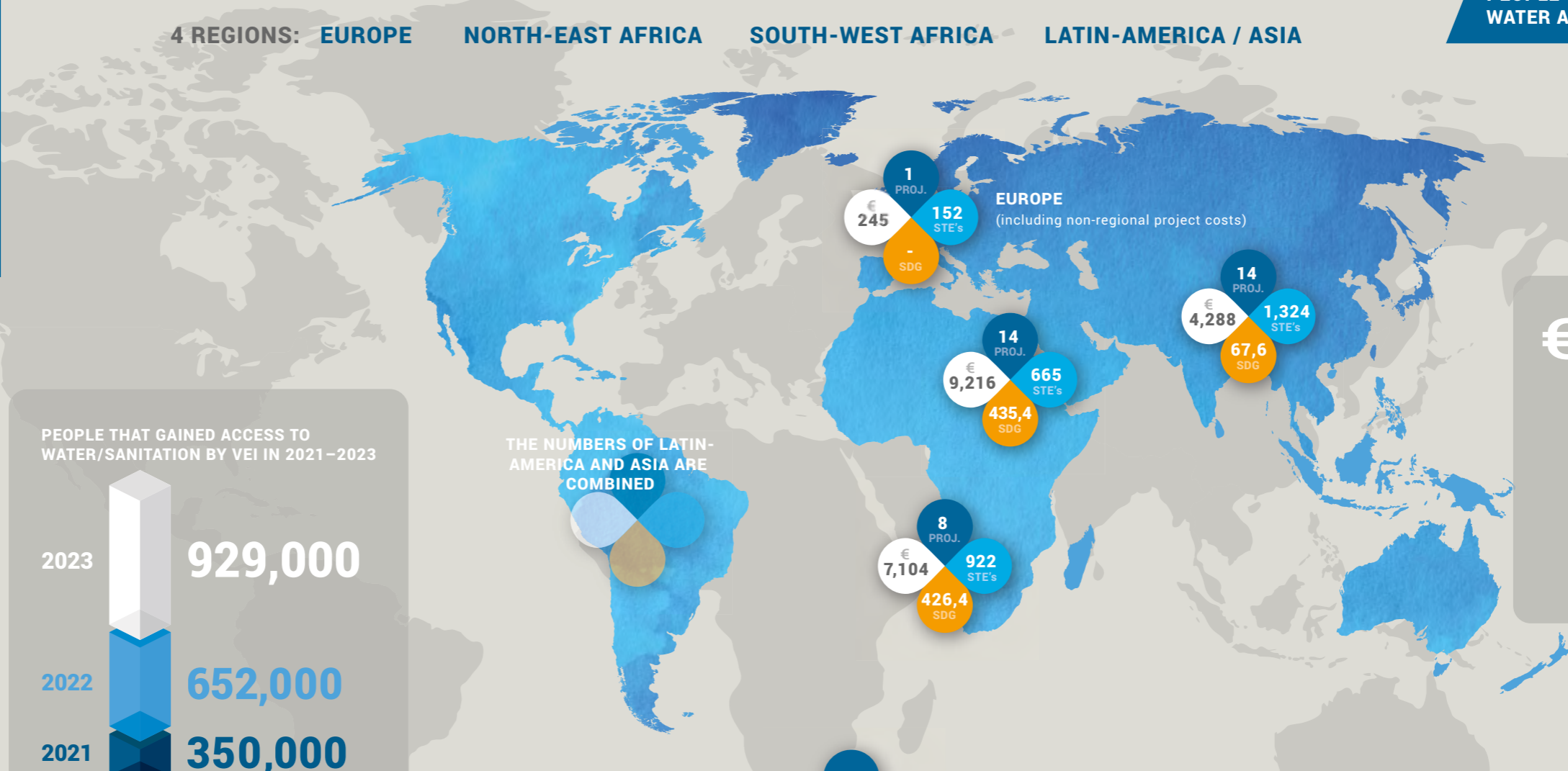
INFOGRAPHIC VEI IN NUMBERS 2023

Since the foundation of VEI in 2005, millions of people gained access to water or sanitation services.

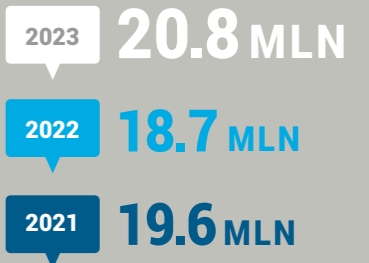
PEOPLE THAT GAINED ACCESS TO WATER/SANITATION BY VEI IN 2021-2023



THE NUMBERS OF LATIN-AMERICA AND ASIA ARE COMBINED



€ COSTS OF OPERATIONS 2021-2023



4 SUBJECTS PER REGION:

NUMBER OF PROJECTS

COSTS OF OPERATIONS in € x 1.000

IMPACT ON PEOPLE (SDG6) x 1.000

NUMBER OF STE'S



DIRECTOR'S REPORT

MORE INVESTMENTS FOR MORE IMPACT



The implementation of VEI's Strategy 2030, centered around the improvement of water and sanitation services through long-term Water Operator Partnerships (WOPs), further accelerated in 2023. In 2023, VEI directly financed access to water and sanitation services to 929,356 people. This means that we are currently at approximately 40% progress towards the accumulated goal of providing access to improved water & sanitation services for 11.5 million people in 2015-2030.

Despite these impressive results obtained in the different VEI projects, the global outlook for achieving the SDG 6 goals is worrisome due to a lack of financing, impacts of climate change and population growth. Investment mobilization is thus an important topic. Our efforts and approaches to mobilize investment finance are further described in this annual report.

Working in WOPs, based on peer-to-peer collaboration and supported by strong local teams, has resulted in tangible performance improvement in several utilities. Many utilities have shown improvements in maturity levels of selected working processes. These improvements have been supported by water experts of Dutch water utilities with in total 3.063 working days, both through field visits and through online sessions. The ongoing capacity building programmes have created some impressive results in utility performance, notably in Colombia. Performance of some WOP partners in Colombia, expressed in AquaRating, has drawn international attention, as can be read in this annual report.

The solid WOP portfolio translated in a steady turnover of € 22.9 million (2022: € 20.8 million) and a positive result (after tax) of € 67,000 (2022: € 79,000). The positive result over 2023 will be added to the reserves.

◀ Photo: Ghana – Two-week training in Accra with Short Term Expert Floor Loeffink on project management, proposal writing and reporting with the highly motivated staff from the LIC department of Ghana Water Company Ltd.

VEI's solvency, expressed as shareholders' equity in relation to the balance sheet total, was 14% (compared to 12% in the previous year). The company's liquidity, expressed as current assets relative to current liabilities, was 1.17 (compared to 1.16 in the previous year). Finally, no unforeseen items of extraordinary expenditure had to be accounted for in 2023 or influenced future expectations. The portfolio for the upcoming years is stable. In 2023 new projects have been secured, such as a significant climate adaptation top-up for WaterWorX, a large support programme for 5 public water utilities in Ukraine (both programmes financed by the Ministry of Foreign Affairs) and an innovative Partners for Water financed project in Vietnam, addressing salination water resources induced by climate change.

CONTINUED SUPPORT FROM DUTCH WATER UTILITIES AND WATER FOR LIFE FOUNDATION

The SDG-impact and improvement of water and sanitation services in many water utilities in the global South is only possible with support from the 7 Dutch water utilities; Vitens, Evides Waterbedrijf, WML, Waterbedrijf Groningen, PWN, Brabant Water and WLN | WaterLaboratorium Noord. These core partners enable VEI to leverage their contributions with resources from others, such as the Ministry of Foreign Affairs.

A thriving Water for Life Foundation is a second back-bone for VEI. The Water for Life Foundation raises funds from Dutch water customers, businesses and institutional partners. Water for Life Foundation assigned VEI to prepare, implement and monitor water and sanitation projects for vulnerable residents in low-income areas. The WOP utility supports the preparation and

Our Dutch partners



implementation of the investment and assumes responsibility to operate and maintain the newly built infrastructures, ensuring that the infrastructures remain functional over time and thus ensuring the sustainability of the interventions and infrastructures. The synergies between Water for Life investments in combination with long-term WOPs receives more attention worldwide and pushed up the fundraising for the Water for Life Foundation to more than €1.6 million.

Developments and results in 2023 are further discussed in three thematic areas: environment, social domain and governance.

IMPACT OF WOPS ON THE SDGs

Although VEI reports on the SDG 6 achievements quantitatively, according to the international standards (source: WHO, Unicef / JMP methodology), the impact of WOPs and improved water & sanitation services touches many more SDG goals. The impacts are described below and will be, where possible, quantified in the coming years.

Universal access to Water and Sanitation (SDG 6) is specifically focused on ensuring availability and sustainable management of water and sanitation for all. While its primary focus is on water-related issues, SDG 6 is intricately linked to many other SDGs, and progress in achieving water and sanitation goals is essential for advancing sustainable development across multiple dimensions.

The impact that VEI's interventions create in communities where water is accessible for the first time has a direct impact on the ability of children to join school and frees up the time of, mostly women, that can be invested in the development of economic activities. These interventions have a positive impact on SDG 1, and has demonstrably reduced the occurrence of water-borne diseases contributing to SDG 3 (good health and well-being). Bringing water and accessible sanitation facilities in schools increases school attendance and the quality of education (SDG 4, quality education). Increased access to safe water and sanitation services either at home, at school or at community level has a demonstrated positive effect on providing equal opportunities to women and girls who are disproportionately affected by inadequate access to WASH services (SDG 5, gender equality).

Moreover, VEI's efforts to enhance the efficiency of water production and distribution contribute to a more sustainable provision of services and of higher quality. VEI supports this directly in projects where renewable energy in production and pumping stations is installed. Interventions in the reduction of Non-Revenue Water (NRW) and improvements through O&M programmes have a positive effect on energy use and CO₂ emission reductions (SDG 7, Clean Energy). At VEI we are increasingly consolidating our ambition to foster the overall resilience of water systems. In our programmes we integrate climate resilience into asset management and operational investments. By doing so, we contribute to the realisation of SDG 13 (climate action) and SDG 11 (sustainable cities and communities). We ensure infrastructure is designed to endure (climate) shocks, contributing to a reduction of the carbon footprints of water production and distribution systems, while ensuring the wellbeing and resilience of people.

Lastly, we contribute to the further development of WOPs. In this way, we enhance the international Partnerships (SDG 17) to support capacity building programmes in developing knowledge and skills.

WATER AND SANITATION
play a pivotal role in achieving other SDGs



Uganda – An online measurement is being carried out in Kampala with the support of Short Term Expert Roy van der Knaap from Evides Waterbedrijf. With a clamp-on water meter, the flow rate of a transport pipeline is measured to validate the accuracy of the existing service meter.



ENVIRONMENT AND CLIMATE CHANGE

VEI developed a strategy to become carbon neutral in 2026, by reducing its carbon footprint (-10%) and off-setting the remaining carbon footprint through self-generated carbon credits.

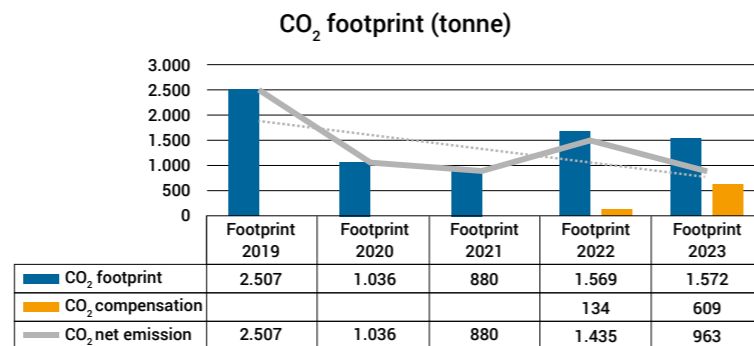
In 2019 a first carbon footprint baseline was set: 2,507 tCO₂. The footprint reduced from 2,507 tCO₂ in 2019 to 1,572 tCO₂ in 2023 (1,569 tCO₂ in 2022). This reduction (-37%) over the course of 4 years was initially related to air travel restrictions during covid. But in 2023 we have been able to achieve 24% more STE days (our most important factor of influence in CO₂ emissions) compared to 2022 without increasing the carbon emission volume (tCO₂). This, among others, through a growing number of hybrid (online - field) missions, a deliberate effort to minimize air travel / choose 'low-carbon' routes, and factors that cannot be influenced such as technological advancements (fuel efficiency of aircraft).

In 2022, VEI harvested for the first time self-generated carbon credits in projects where residents are connected to the water supply network and stopped boiling their

water (with wood, charcoal) which they previously fetched from unsafe water sources. A part of the generated carbon credits is used to off-set a part of VEI's carbon footprint. This compensation scheme continued in 2023 with 609 tCO₂, making the net emission 963 tCO₂, working towards a net emission of zero in 2026. The surplus of generated carbon credits will be sold and revenues will be ploughed back into new WASH projects.

In 2023 VEI made a start to document the impact of project interventions on the carbon footprint of WOP utility partners. It is expected that interventions in the operations of WOP partners will have a significant impact on the carbon footprint globally, and will surpass VEI's relatively small carbon footprint. In 2023 a start was made by developing guidelines to quantify carbon reduction measures within WOPs. These guidelines aim to assist project managers in quantifying the impact of carbon footprint reduction measures by partner utilities under the WOP – beyond the carbon reduction/offsetting ambition of VEI as an organization.

This table shows the carbon footprint of VEI operations. ➔



Ghana – Kpong Water treatment plant.



Bonaire – Water Operator Partnership with WEB Bonaire.



Uganda – Short Term Expert Gijs van Nes (Evides Waterbedrijf) provides training for the use of the non-revenue water dashboard developed by Gijs and the NRW team of National Water in Kampala.



Possible interventions in our WOPs include energy efficiency improvement interventions in production facilities/pumping stations e.g. by replacing inefficient pumps and motors and/or changes in pipe network/hydraulics. Installation of renewable energy could also be beneficial, particularly in countries where the energy-mix from the electricity grid is carbon intensive such as coal fired electricity plants. A third high-potential intervention is the reduction of physical losses (NRW). To this end a case for Semarang, Indonesia was developed to learn and initiate comparable quantification efforts in our WOP portfolio, see text box below.

Activities and interventions are increasingly climate change related. This is highlighted by a significant budget addition to the WaterWorX programme, provided by the Ministry of Foreign Affairs. The programme will work on Climate Adaptive people (making them less vulnerable to climate events), Climate Adaptive Utilities, through climate risk assessment and future planning, as well as Climate Resilient Infrastructures through concrete investments to protect infrastructures and water resources using Nature Based Solutions. As an example of increased climate adaptive projects, the inspiring project IWRM4WASH in Addis Ababa (Ethiopia), now has rehabilitated more than 500 hectares of formerly infertile agricultural areas, in close collaboration with the communities in the Legedadi area. These measures will reduce sediment load into the downstream reservoir (Legedadi) which is a major source for drinking water for Addis Ababa.

PDAM SEMARANG – VEI WOP

Under the VEI-PDAM Semarang WOP: a) flow/pressure monitoring sensors/loggers (on incoming lines to 13 DMAs), b) Active Leak Detection (increasing the number of invisible leaks found per day from 2 to 4), and c) pressure management (installation of PRVs), reduced NRW levels in the 'Gunungpati' Supply Zone (7,500 connections) from 42% to 36% per year. This resulted in a 308,000 m³ annual water saving which, with an energy consumption of 0.45 kWh/m³ and an emission factor of 967 gCO₂/kWh (source: International Energy Agency, 2018), amounts to a reduction of the carbon footprint by 134 tCO₂ per year. **This is approximately 9% of VEI's annual carbon footprint.**

SOCIAL WELL-BEING AND INCLUSION

The impact on the 929,356 residents that received access to water and sanitation through the WOPs goes a long way. SDG 6 is known for its cross-cutting impact on other SDGs as explained above such as poverty reduction, school attendance, public health and gender equality. It is worthwhile mentioning that among the residents who have received safe and affordable water & sanitation services a number of refugees and Internally Displaced Persons is included.

VEI continues its efforts to remain and grow more diverse and inclusive, concerning youth, gender and refugees. Students are hosted to implement their re-



search theses, interactions with the Wetskills programme exist, more than 25 Young Experts enrolled in the YEP programme and 6 trainees from the Dutch water utilities were deployed. In 2023 VEI has worked with 2 interns who have an immigration background, to support their integration in society and develop relevant working experience. With regard to gender we strive to have balanced teams and departments. At the general level this gender balance is satisfactory, except from the team of project managers.

Efforts are made to build and capacitate stronger local teams, to ensure longer term sustainability of the WOPs. Where possible, experts from WOP partners implement assignments in neighboring water utilities, in addition to the deployment of Dutch water experts.

Twice per year employee meetings are organized to discuss the progress towards strategic objectives and employees can give feedback about what they find important for VEI to remain a relevant organization. A first workshop was organized to discuss the update of Strategy 2030. This process will continue in 2024 and all departments and regional teams will get the opportunity to reflect on Strategy 2030. Also, almost all departments and regional teams have implemented workshops to review, assess and discuss team balance, using the Graves methodology. This contributed to understanding differences in work styles and personal drivers as well as contributed to better collaboration.

◀ *Malawi – Cleaning of the sedimentation tanks of Treatment Plant 2 at Lilongwe Water Board. Photo taken by Short Term Expert Kees Hagen.*

Rwanda – WOP with Water and Sanitation Corporation (WASAC). ▶



Given the complex work environment, the well-being of our employees and the VEI organization at large gets due attention. A confidante was appointed to provide the opportunity for employees to discuss sensitive issues. The confidante was consulted twice in 2023.

In addition to the already existing firm support on health & safety issues, health and safety plans were updated on country level. In one regional team meeting the calamity organization was practiced, the other regions will follow in 2024.

GOVERNANCE

VEI continuously works on accountability and transparency towards its donors, supporting partners and WOP partnerships. In addition to the regular financial audits, several content-focused and risk-based reviews are implemented, internally and externally.

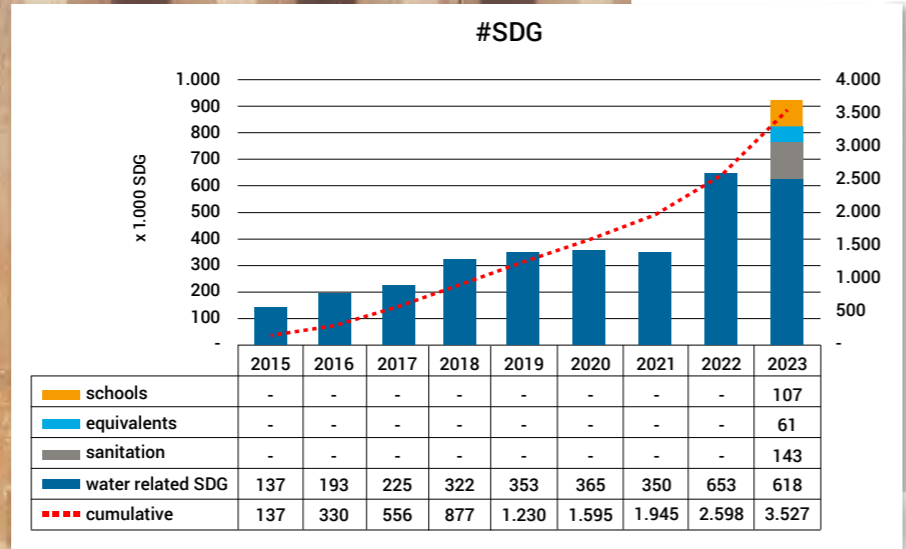
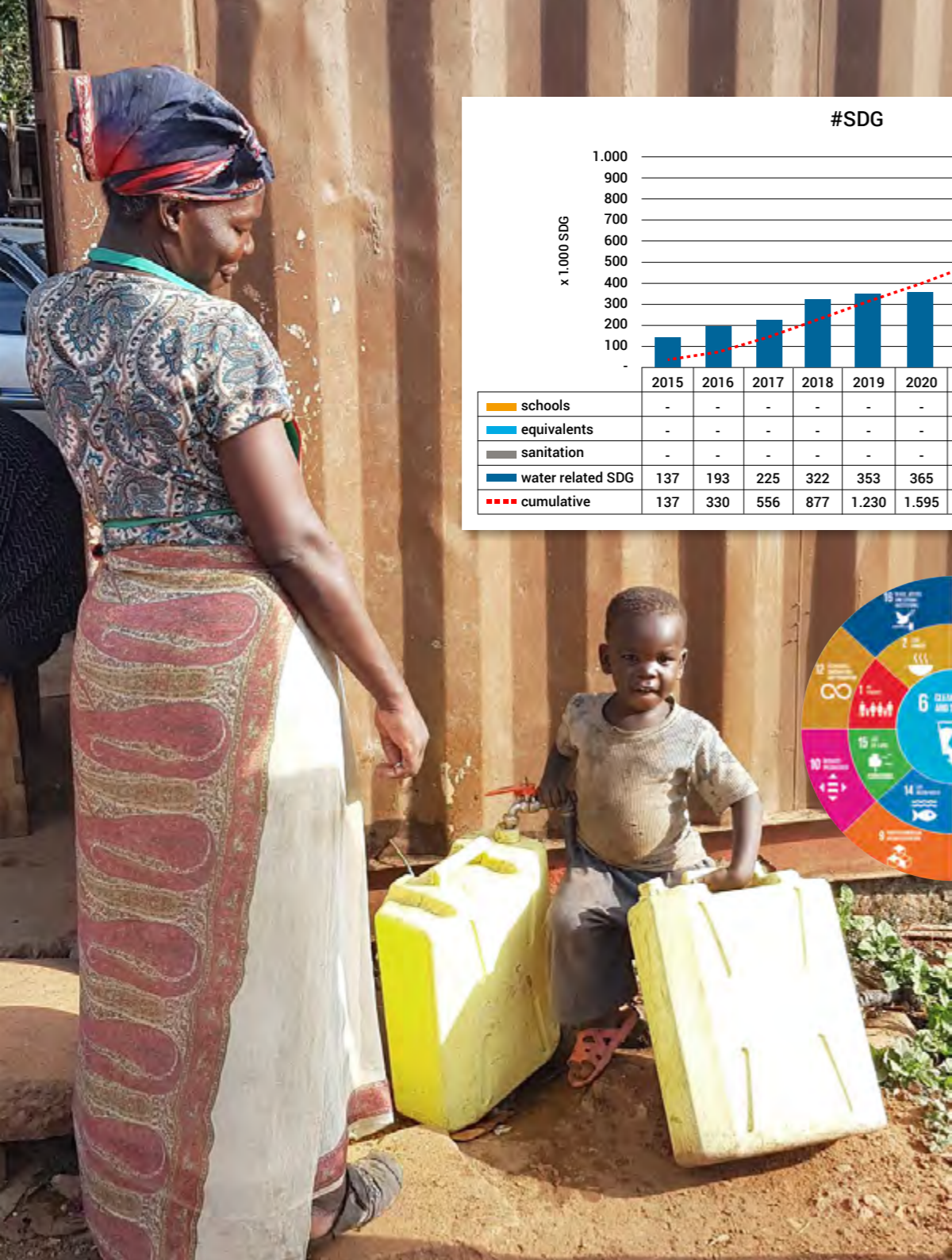
Internal project controls include quarterly business reviews, to assess financial progress, progress in results, risks and Requests for Change. This monitoring process is supported by improved management information dashboards and a sophisticated SDG 6 counting framework with clear definitions. Annually, a risk assessment is performed and counter-measures implemented, as well as country-specific health & safety plans updated.

Externally, several reviews are conducted, e.g. for projects in the Fund Sustainable Water programme and on programme level for WaterWorX. This so called Mid-Term Review fundamentally reviews the Theory of Change to further improve the programme. Results of the Mid-Term Review are available in 2024.

VEI and its projects continuously balance the interests of its shareholders in the Netherlands, the WOP partners in 21 project countries and the donor community. To this end VEI communicates regularly with its 2 shareholders (with two formal shareholders' meetings per year) and the Dutch water utility partners. WOP partners are intensively consulted in the process of writing 5 year programmes and annual plans, with a fair degree of flexibility to adjust to developments and the dynamic environment WOP partners operate in. In 2023 an advisory council was established for the WaterWorX flagship programme to consult and discuss the developing needs of WOP partners. The donor community is updated regularly through consortium meetings, formal and informal project and programme updates.

In 2023 collaboration within the three regional portfolios was continued to support knowledge exchange, create teams and incentivize the achievement of optimal results for the indicators at VEI-level. This translates into meaningful discussions in these regional meetings and collaborative prioritization on how the limited budgets for e.g. creating access to basic water & sanitation services, operational investments and climate-adaptive interventions can be optimized within a region.

ESG-information in this annual report is not audited.



THE COUNTING METHODOLOGY OF SDG'S

Since 2015, VEI includes her achievements in Sustainable Development Goals (SDGs) as part of her impact. These SDG's are achieved through our VEI projects, in collaboration with partner utilities, Water for Life, other donors and based on the expertise of the Dutch drinking water sector. Traditionally, SDG's results have been recorded in terms of providing additional access to water or sanitation services and in that way contributing to the global ambition of achieving SDG 6 (clean water and sanitation for all) by 2030.

These efforts have been instrumental in delivering over already 3.5 million additional people with first-time access to water and sanitation in the period 2015 till 2023. However, as our projects have evolved and matured, we recognize the value of a more comprehensive reporting structure to include the contributions of VEI projects to increasing access, as well as realizing improved access to water and sanitation services for those who enjoy access to basic services. VEI maintains that partnering in WOPs and investing in hardware and knowledge exchange forms the most suitable approach to achieving results that foster sustainable access to water and sanitation services. In our projects, we work on each single step of the water chain, from abstraction, improving production capacity, reducing physical (leakages) and commercial losses in the distribution system, improving data management for effective decision-making, as well as improving the processes that guarantee the quality of water reaching the taps of those connected.

development. With this new methodology we have further operationalized how SDG objectives are also realized within the utility installation and as part of improved operations. As a result, since 2023 we are able to disaggregate the direct contributions of VEI projects in the traditional standards of (first-time) access and other categories have been added that help us value the investments made in operational improvements and geared towards upgrading the service level to existing and future water users. We refer to the last category as, SDG 'people equivalents'. This level of detail not only enhances our understanding of project impacts but also facilitates informed decisionmaking and resource allocation moving forward. >>

Since 2022, VEI has undertaken a comprehensive review of our SDG realization chart, with a focus on highlighting the achievements of projects throughout the entire water chain. The revised counting methodology has been duly implemented in 2023 across the organization and in coordination with the requirements of donors and international standards. This expanded perspective enables us to capture the multifaceted contributions of VEI initiatives and their implications for sustainable



PDAM TIRTA MOEDAL KOTA SEMARANG



The water supply company PDAM Tirta Moedal Kota Semarang is owned by Kota Semarang, a municipality of 1.8 million people in Central Java Province, Indonesia. It serves around 40% of households in the area with piped water. The rest, such as those near coastal areas and low-income peri-urban areas use their own dug/drilled wells or rely on a small, locally managed system. The overall objective of the partnership is to support PDAM and its stakeholders in breaking the negative cause-and-effect chain of inefficient operations, low supply coverage, forcing the inhabitants of Semarang to stop using groundwater-based sources that increase the land subsidence problem (and ultimately urban flooding).

A strategy contributing to this objective is the investment in Non-Revenue Water (NRW) reduction interventions to increase the water efficiency. This to enable PDAM to sustainably serve more customers and disincentivize the overuse of the groundwater aquifer laying under the city of Semarang. In 2022, the project focused on reducing physical water losses in SPAM Gunung Pati, one of 11 water supply zones in Semarang. The project supported the establishment of a dedicated leak detection team and co-invested in online flow and pressure monitoring, leak detection equipment and training, and pressure management. This reduced NRW levels from 41% to 26% and resulted in an annual water saving of 308,000 m³.

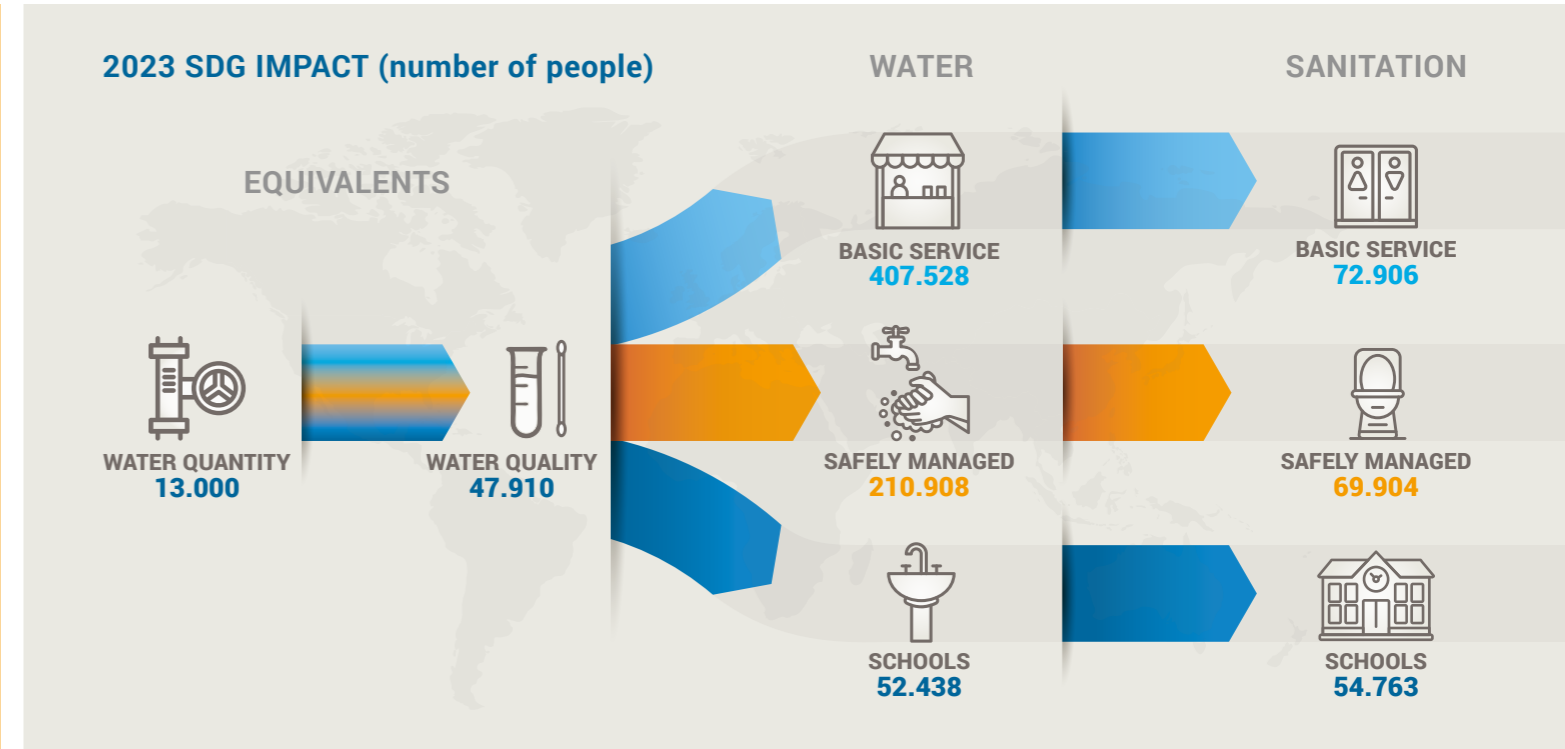
As a result the project has been able to save 308,000 m³ of water annually. Because the 7,500 (household) connections in this supply zone already enjoyed continuous water supply, the water savings have been made available to other supply areas with intermittent supply (rationing programmes) or where customers have not yet been connected. The water utility has initiated a campaign to attract new customers and is actively searching for funding to expand the network. Using a proxy of 150L/person/day (standard individual consumption for users in large cities in Indonesia) the volume made available has benefitted an estimate of 13,000 people (equivalents).



Indonesia – Meeting with PDAM Transmission and Distribution department for development of Operations Control Center. >

>> Furthermore, VEI, in partnership with Water for Life and utility partners, has extensively invested in WASH programmes for schools and public facilities. To date,

a significant number of students, teachers, and patients have gained access to enhanced water and sanitation facilities in countries where VEI is active, and in the



service area of VEI's partner utilities. UNICEF's WASH in schools asserts that interventions in the early life of children such as at primary school can have long-lasting effects. The provision of appropriate, gender-friendly, inclusive, and safe WASH facilities in schools leads to improved health, improved quality of education environment, reduced absenteeism of students, and more time available for learning (not dedicated to fetch water). These interventions empower girls and pupils with

disabilities and potentially lead to better economic opportunities for all children, this together has a positive impact on the health and economic situation in the surrounding communities. This aligns with VEI's commitment to achieving SDG 6 while contributing to SDG 3 (Health and Well-Being) and SDG 4 (Quality Education) and contributing to VEI's ambition of having a long-lasting positive impact in the communities where it is active.

CENTRAL REGION WATER BOARD (CRWB) IN MALAWI

Central Region Water Board (CRWB) in Malawi is mandated to provide quality and safe drinking water services to urban and peri-urban areas of the central region in Malawi, with the exception of the city of Lilongwe. With the expected growth in population in the region, and the impacts of changing climate on the current available water resources, the WOP with CRWB focuses on optimizing the existing network and sustainable use of groundwater boreholes and surface water sources.

Since 2022, the project has assisted CRWB in implementing borehole inspections including the use of a borehole camera and water quality testing. In the service zone of Dwangwa (1.556 connections), three boreholes were inspected in order to assess the cause of diminishing yield. During this inspection the project team observed that the installed chlorination dosing pump was not functional and that the operators were manually dosing hypochlorite granules in the distribution tank. This prompted a further analysis of chlorine concentrations in the tank, and residual chlorine in the distribution network. The analysis revealed that concentrations were too high in the tank (at 3.21 mg/L

this is higher than the desired concentration of 2.0 mg/L) and too low in the network (0.04 - 0.07 mg/L, instead of the minimum required of 0.2 mg/L). CRWB staff together with VEI short termers revised the dosing protocol and proposed an adjusted dosing amount, locations and frequency. As a result of this advice the measurements of free residual chlorine is now between 0.6 mg/L along the network and 0.2 mg/L at the furthest point, which is now within recommended limits for safe drinking water in Malawi. As a result, 9.336 people (equivalents) receiving water from the well field in Dwangwa have now access to safe drinking water.



Malawi – The shareholders Vitens and Evides Waterbedrijf on their visit to Malawi in 2023.



SCHOOL WASH ARUSHA

The school WASH programme in Arusha, Tanzania, provided first-time access water to 30 schools reaching over 50.000 students. The project in Arusha focused on providing water, and accompanying this intervention with the construction of gender and disability inclusive sanitation facilities (toilets and handwashing stations, and the provision of soap and menstrual hygiene materials) on premise. This allowed all children, and specifically girls, to remain at school during their menses, and school absenteeism has been reported to have meaningfully reduced in the school where the intervention took place. This project, implemented in partnership with the local Rotary club of Arusha, forged strategic partnerships including local government

bodies, the Water Authority (water utility) of Arusha and school leadership, and invested in establishing a governance structure to secure operation and maintenance activities. The project also accompanied the construction of WASH facilities with hygiene practice (including menstrual hygiene), and awareness campaigns including the communities surrounding the schools. This project has been recognized by the Arusha City Mayor and some of the Ministry of Health leaders supervising Tanzania's national sanitation campaign (including the sanitation ambassador) as the best school WASH facilities in Tanzania, to be promoted as an example for the country.



Tanzania – Visiting Arusha school project, a project in partnership with Rotary and the Water for Life foundation. >

Kenia – School WASH programme.



RISK MANAGEMENT



IN 2023

VEI is exposed to a variety of risks

◀ *Uganda – Project Manager Martin Nijse in conversation with employees of National Water & Sewerage Corporation (NWSC).*

Given the international context of our work, VEI is exposed to a variety of risks. Many of these risks are known and were included in the risk management assessments in the past years. For example, risks related to our daily activities, and the risks associated with 'external' influencing factors. Every year a screening for new risks is performed that might require a different response.

The dynamic nature of our work and environment require VEI to execute risk inventories and develop risk management interventions. VEI prevents and mitigates the identified risks to minimize risk occurrence and its impacts. VEI realizes that, being part of, and representing the Dutch water sector, it needs to take into account the interests of the shareholders and the Dutch drinking water utilities affiliated with VEI.

The following risk categories are identified: health and safety, operational risks including fraud and corruption, financial risks and reputational risks. The risk screening in these categories is based on a selection process with

predefined criteria. A prime criterium is to weigh our involvement in WOP (Water Operating Partnerships) against the expectation that efforts will have a sustainable and lasting impact.

In general, choices related to contract types and project sites are key elements in managing the risk profile and exposure. The engagement and support of our utility WOP partner is an important indicator here. Other considerations relate to the safety situation of the project site, such as indicated by the Netherlands Ministry of Foreign Affairs and their embassies, presence of other international organizations, travel infrastructure and accommodation and health facilities. In managing the risks, VEI is supported by Control Risks. Control Risks is an independent, global risk consultancy specializing in helping organizations to manage political, integrity and security risks in complex and hostile environments.

At a general level risk reduction is related to refrain from any form of fraud and corruption, noting that the presence of VEI in a country does not indicate support

Colombia – drinking water plant in Cartago.



of a government's policy or an endorsement of its governance quality. With respect to contract types, VEI's policy is not to take financial interests in local entities, but merely to act in a supporting role focusing on technical assistance and support with the implementation of projects co-financed by the Water for Life foundation, aiming at providing access to clean drinking water and a safe toilet to all.

HEALTH AND SAFETY RISK

Impact on the results and / or financial position: limited

Health and safety of international project staff, and staff assigned for short-term assignments, are the main risks to which VEI is exposed. Even though VEI staff mainly fulfil an advisory role, many are involved in the operations of WOP partners. The health and safety risks apply to international travel, local transportation (accidents, material damage), illness (nutrition, malaria, infectious diseases, pandemics), safety on the streets (theft), health'. Personal injury resulting from accidents or incidents causes personal hardship and inconvenience. But it also has a negative impact on the image of VEI and its partners, particularly if such situations are not managed professionally. The recent pandemic situations show that VEI is taking its responsibility and pro-actively implements interventions to avoid staff getting sick and the risk of spreading the virus.. Among other measures, VEI implements the following controls to minimize the risk associated with health and safety:

- VEI staff (project based staff and short-term experts) receive information about the political, security and health situation in the countries where we are present.
- A Travel Handbook, which is frequently updated ('Veilig op Reis'), with instructions about behavior and assistance related to health and safety.
- E-learning modules to create awareness and internalize health & safety issues.
- Compulsory drivers for short-term experts.
- A crisis management organization has been set up and annual crisis management trainings are organized.
- A checklist clarifying the obligations of the employer and employee, which the short-term expert must sign to indicate that he/she is aware of all the available information and has read the relevant instructions before being issued an air ticket.
- VEI cooperates with Control Risks (crisis management), TravelClinic (medical advice) and International SOS (health) in order to optimally inform and prepare employees and, if necessary, provide guidance in the area of health and safety.
- A crisis management organization has been set up and annual crisis management trainings are organized.
- VEI cooperates with Control Risks (crisis management), TravelClinic (medical advice) and International SOS (health) in order to optimally inform and prepare employees and, if necessary, provide guidance in the area of health and safety.

Mongolia – Short Term Experts during the new WOP with USUG Ulaanbaatar.



◀ Photo left: Zambia – Regional meeting.



OPERATIONAL RISK, INCLUDING FRAUD AND CORRUPTION

Impact on the results and / or financial position: limited

Operational risks relate to the quality and effectiveness of the project, issue management (water quality, reliability), political risks (human rights, corruption), and employee conduct. This includes the risk of any form of fraud and corruption, not only caused by own personnel, but also by partners and hired staff. Operational risks can negatively influence targets and reputation of VEI and its partners. Furthermore, fraud and corruption can lead to financial losses, sanctions and fines. VEI mostly works in long-term partnerships with partners collaborating on a voluntary basis, or contracts that are awarded after a tender procedure. Neither poor performance nor bad publicity serves the interests of the parties involved and thus partners are motivated to implement a project successfully. VEI learned from previous experiences that in case of insufficient progress towards the objectives, partners try to improve. As a result, there has not been a case of premature termination of a collaborative partnership without mutual consent in the past years. Operational risks can be reduced through strong local teams. For example, the recent pandemic shows that even with large-scale restrictions on international travel, projects were able to largely deliver planned project results.

VEI implements the following controls in order to minimize operational risks:

- Contract selection criteria, including a restricted country list.
- Selection of partners/partnerships.
- Use of KPIs (Key Performance Indicator), transparent performance reporting.
- A standardized Financial Planning & Control cycle, using state-of-the-art accounting software with built-in controls and updated procedures.
- Communication protocols defining core messages for target audiences.
- A mandatory “code of conduct” for VEI staff, including procurement procedures.
- Frequent internal and independent external audits, often in combination with a market conformity check on hardware investments.
- Centralized payment procedures.



Sint Eustatius – Roundhill Tank of STUCO from where treated water is distributed to 1,100 customers in Oranjestad.

▶

STRATEGIC RISK***Impact on the results and / or financial position: limited***

The activities of VEI are supported by financial contributions and expertise of the Dutch drinking water utilities, the foundation Water for Life, funds from the Ministry of Foreign Affairs, RVO and other (inter)national donors. The strategic risks include reduced funding for international water projects, and donor support for the WOP model specifically. VEI believes that the WOP model is most effective in achieving sustainable improvements.

VEI implements the following control measures to minimize strategic risks:

- Internal and external monitoring of programmes and projects to ensure that project objectives are met, and sustainability is secured.
- Continuously search for new externally financed projects and project partners.
- Collaboration with UN-GWOPA to promote the WOP model internationally (e.g. sharing best practices), including mobilizing additional financial support for WOPs.

FINANCIAL RISK***Impact on the results and/or financial position: limited***

VEI is a project-based organization and the associated financial risk is therefore related to individual projects, and in some occasions part of a programme. Examples of financial risks are penalty clauses, repayment of subsidies, debt-risks, liability for (health) damage and defaulting donors. In the event of early project termination, there may be financial consequences to relocate resident staff and/or reintegrate staff or an outplacement procedure has to be initiated. Despite this, the VEI portfolio is characterized by diversity, resulting in risk spreading.

VEI implements the following control measures to minimize financial risks:

- Optimization and updating of the administrative / finance & Control systems and procedures.
- Registration / preparation of VEI contracts with realistic performance targets and a good balance between fixed and variable rewards and bonus/malus arrangements.
- Many projects include advance payments by donors.
- Limited long-term commitments and assets such as rent contracts.
- No equity or financial positions in local entities.
- Flexible workforce contracts aligned with the project duration.

Zimbabwe – Drone training at the headquarters of the city of Mutare.



REPUTATIONAL RISK

Impact on the results and / or financial position: limited

As mentioned earlier, VEI realizes that incidents in projects abroad could negatively affect the reputation of the drinking water utilities affiliated to VEI, possibly caused by irresponsible behavior of VEI employees or VEI representatives. Misconduct such as sexual abuse, child labor, discrimination based on gender, ethnicity or sexual orientation has a zero tolerance policy within the VEI organization. In addition, when recruiting both long- and short-term as well local employees, the importance of responsible, respectful behavior in other cultures is communicated. This is implemented through a code of conduct, behavioral guidelines, and training. Also, frequent and transparent communication in regional meetings contributes reduce the risk occurrence.

VEI implements the following control measures to minimize reputational risks:

- Code of Conduct.
- Preparatory talks with short-term experts before they start working abroad.
- Clauses in contracts with externally contracted personnel, focusing is on proper behaviour.
- Independent trusted person (confidant).

- Awareness training of VEI and project staff.
- Local communication is done by the local water utility.
- Direct lines of communication with the Dutch water sector, and checking communication messages before publication in case of doubt.
- Training spokesperson.
- Transparent working methods, including procurement and financial transactions.
- A restricted country list which has been assessed on reputational risks, and informed by policies of the Ministry of Foreign Affairs.

More about VEI's financial risks and risk management can be found in chapter 5, Financial Statements.

Utrecht, 27 May 2024
Toine Ramaker
 CEO VEI B.V.

Photo: Zimbabwe – Teambuilding session of the HR team in Mutare. >





VEI IN COLOMBIA

INTERVIEW

ROBBERT VAN DER BIJ PROJECT MANAGER VEI COMPASS PROJECT

What is the history of WOPs in Colombia?
Dutch water utilities have been active in Colombia since 2014. The first WOP was initiated by water utility Brabant Water with the Colombian partners Acuavalle and Aguas del Magdalena. Later Brabant Water integrated the WOP activities into VEI via the WaterWorX programme and Compass programme.

Can you explain the set-up of the Compass programme?
The Compass programme is a collaboration between the Inter American Development bank and the Swiss Economic development agency SECO. The programme is based on the Aquarating system, in which a water company evaluates itself through a large number of questions about all aspects of performance. Based on the score in Aquarating a plan can be developed to work on utility performance improvement.

VEI joined the programme as a co-sponsor and has been supporting 10 Colombian utilities through the Compass programme. The central focus is to work peer to peer programmes in which water experts from Dutch water utilities work hand in hand with water experts from the Colombian water utilities, supported by the local VEI team who obtained their degrees from Dutch universities.

◀ Photo left: Bolivia – an exploration visit by Short Term Expert Doeke Schippers and PM Robbert van der Bij to La Paz for a new joint programme.



Colombia – Riksta Zwart (CEO of Waterbedrijf Groningen) and Project Manager Robbert van der Bij with the management team of Acuavalle.

In the programme we have worked on the 5 themes: Leadership and organizational design, Non-revenue Water, Water Security, Asset management and Energy efficiency.

The water utilities in Colombia are very enthusiastic about the support received, and knowledge transfer specifically, as the evaluation of the project demonstrates.

So far, all Dutch water experts who had the pleasure to work in the WOPs in Colombia have indicated that they would love to come back since they value the collaboration with their Colombian counterparts.

Will the Inter American Development bank and VEI continue their collaboration?

The interaction with the Inter American Development bank has resulted in a very positive outlook towards new joint programmes. Currently we are working on a new project to start mid 2024 in Bolivia, where we are going to start with support to 4 water utilities. The project in Colombia is in the final months of the first phase and there is a strong intention to start phase two by the start of the fourth quarter this year. Also, positive prospects exist for two Colombian water utilities to enter into the new Urban Water Catalyst Initiative which is a joint effort by KfW, GIZ and WaterWorX.





INTERVIEW

SERGIO I. CAMPOS G.
CHIEF WATER AND SANITATION DIVISION
INTER-AMERICAN DEVELOPMENT BANK

What do you see as the main challenges for the water sector in Latin America and how can we ensure that the Sustainable Development Goals are met by the sector?

The greatest challenges that the water and sanitation in Latin America faces today are linked to: a) the effects of climate change through more frequent and intense draughts and floods. Draughts as well as hurricanes and tropical storms are putting stress on our aged infrastructure and highlight the lack of multipurpose infrastructure, b) the need to develop projects and obtain financing to bridge the access gap in order to provide adequate water and sanitation services, and c) the need to improve the levels of operational efficiency in our public utilities.

One way to ensure that the SDGs are met is strengthening of our public utilities' capacity to innovate, modernize its operational infrastructure, implement best practices of corporate governance, and enhancing their workforce capacity building.

The results of the cooperation with VEI in Colombia has led to the formulation of a similar programme for Bolivia where we hope to start in 2024 in a new cooperation. What makes the cooperation with VEI attractive for an International Financial Institution like the Inter American Development Bank?

VEI is formed by public utilities with a lot of experience and expert personnel available to share knowledge with LAC utilities, in a peer-to-peer manner. There are no commercial, financial, or political interests that could cloud the collaboration. A focus on a clear technically driven, performance improvement work makes it transparent for every actor.

How do you see the relation between an organisation like VEI and the IADB develop?

There are many areas in which the IDB and VEI can work together. I see a long-term relationship, that could evolve either in Colombia, Bolivia or other countries in the region based on their needs and VEI's priorities.

INTERVIEW

MANUEL JOSÉ NAVARRETE
JIMÉNEZ
WATER AND SANITATION SPECIALIST



The Compass programme has shown very significant improvements in performance of the big majority of companies that participated in the programme (supported by VEI or not). Can you explain how Aquarating as a performance measuring tool helps to focus management of water companies?

18 utilities applied AquaRating at the beginning and at the end of the Programme. The general rating improvement was 19%, which is considerable. These results are very useful as improvement/lack of improvement can be analysed by each area, practice, and indicator. This makes it an useful tool to inform the sector. Also, for each utility it's easy to identify gaps, strengths, and areas of improvement, to develop a short or long-term plan.

What is essential, in your opinion, to have success in TA (Technical Assistance)?

Successful TA should have sustainable results and impact. For this, it's essential that the beneficiary responds in a responsible manner with support from the head of the utility and each of the participating team members. >>

Colombia – Short Term Experts Willem-Jan Lock and Fabio Amador enjoying a local snack with colleagues of Yopal. >



INTERVIEW

MARIA DEL ROSARIO NAVIA
 FORMER SENIOR WATER AND SANITATION
 SPECIALIST INFRASTRUCTURE AND
 ENVIRONMENT SECTOR

When you were leading the compass programme for Colombia, what made you enter in an agreement with VEI to support 10 drinking water companies with Technical Assistance?

The Compass Programme was designed to work with 10 utilities, but demand grew fast and beyond that goal, making it difficult for the Programme to respond as quickly as demand growth. Water utilities in the Netherlands have a great reputation, and VEI offered support with hands-on assistance provided by their own personnel that have the same responsibility in their jobs as the one required by utilities in Colombia. This kind of collaboration is extremely valuable and unique, as knowledge is transferred by experts and with no other interest than sharing know-how.

Can you share a particular example where you feel that VEI made a significant impact with one of the partners of the Compass programme?

Most of VEI's positive impact is based on the methodology used, which is securing knowledge transfer and an integrated approach. The fact that technical issues are combined with leadership and organizational development aspects bring also a cultural change in water utilities. Some examples:

- In Jamundi (Valle del Cauca) the water security plan will support decision making for a municipality with high population growth and decreasing availability of water resources.
- In Manizales, an analysis performed on commercial data is being used for replacement of 72K micrometers.
- Preparation of Los patios' water system for entering into operation with a regional water system that required an analysis of pressure conditions and the development of pressure management plan.



◀ Photo left: Colombia – Team building event of the Compass team of the Inter American Development Bank and VEI Colombia.



Cash flow statement for the year ended 31 December 2023

(x EUR 1,000)

		2023	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit	Note	83	122
Adjustments for:			
Movement in provisions	5.	-122	73
		-39	195
Movements in working capital:			
Receivables	2.	611	384
Construction contracts	1. & 6.	977	-2.351
Current liabilities	7.	-334	-54
		1.254	-2.020
Cash used in operations		1.216	-1.825
Financial expenses	12.	0	-29
Corporate income tax paid	13.	-16	-15
		-16	-44
Net cash generated from operating activities		1.200	-1.869
The movement in cash at banks and in hand can be broken down as follows:			
Balance as at 1 January		8.706	10.575
Movements during the financial year		1.200	-1.869
Balance as at 31 December	3.	9.906	8.706

Notes to the balance sheet and income statement



1. GENERAL NOTES

1.1 Activities

VEI B.V. has two shareholders, Vitens N.V. and Evides Waterbedrijf N.V., both having a 50% participation. VEI B.V. receives contributions from its shareholders and other donors in the context of development aid. It uses these contributions to finance its activities in the area of management support for water companies in developing countries. An own contribution is incorporated within a majority of the project contracts of VEI. This own contribution is sourced through the participating Dutch water companies, legitimized by the 1% CSR contribution of the Dutch drinking water law.

1.2 Registered office and number at chamber of commerce

VEI B.V. registered office is located at the Reactorweg 47, 3542 AD, Utrecht, the Netherlands. Registered at the Chamber of Commerce under number 634832.

1.3 Group structure

VEI B.V. consists of one legal entity. VEI B.V. is not part of a larger group.

1.4 Changes in accounting policies

Compared to previous years a change in presentation policy is applicable for Construction Contracts. Until 2022 the costs and instalments for the WaterWorX programme has been accounted for as one amount. As from 2023 the WaterWorX amounts involved have been accounted for per programme partner split into debit and credit, resulting in a better representation of the financial position and is more aligned with Dutch GAAP. The comparable figures for the year 2022 have been changed as well. The impact of the change for 2022 and 2023 on the equity and result is nil.

1.5 Changes in accounting estimates

There are no changes in accounting estimates.

1.6 Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced, are considered to be a related party. Entities which can exercise control over the Company are also considered to be a related party. In addition, statutory directors, other key management of VEI B.V. or the ultimate parent companies and close relatives are regarded as related parties. Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information are disclosed if this is necessary in order to provide the required insight.

1.7 Estimates

Preparing annual financial statements involves the use of assumptions, judgment and estimates based on historical experience and factors that are acceptable in the management's opinion given specific circumstances. Such judgment and estimates (including relevant assumptions) affect the valuation and presentation of the assets and liabilities reported and also the result for the year. Actual results may differ from these estimates and assumptions applied. The nature of these estimates and this judgment, including relevant assumptions, are disclosed in the notes to the financial statement. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgements, including related assumptions, is disclosed in the notes to the relevant financial statement item.

1.8 Accounting policies for the cash flow statement

The cash flow statement has been prepared on the basis of indirect method. Items disclosed in the cash flow statement comprise the cash and cash equivalents. Cash flows in foreign currency are translated at an estimated average exchange rate. Inflow or outflow of cash related to interest is included in the cash flow from operating activities. Cash flows from investment and financing activities are not applicable.

2. GENERAL ACCOUNTING POLICIES**2.1 General**

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year. Comparative figures for the year 2022 have changed due to another presentation of the Construction Contracts, see also paragraph 1.4.

2.3 Operational Leasing

VEI B.V. has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of, nor incurred by the company. The lease

contracts are recognized as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the income statement for the duration of the contract.

2.4 Foreign currency**2.4.1 Functional currency**

The items in the financial statements are measured using the currency of the primary economic environment in which the company is based (the functional currency). The financial statements are presented in euro, which is the functional and presentation currency of VEI B.V.

2.4.2 Translation of foreign currency

Transactions entered by the company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency assets and liabilities are translated at the rates ruling at the reporting date. Exchange rate differences arising on the translation of unsettled assets and liabilities are recognized in the company income statement.

3. ACCOUNTING POLICIES FOR THE BALANCE SHEET**3.1 Construction contracts**

The item construction contracting by third parties consists of the balance of project costs and invoiced installments and, if applicable, allocated profit or recognized loss. Construction contracts by third parties are presented separately in the balance sheet under current assets. If a credit balance is shown, it is presented under the current liabilities. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

3.2 Receivables

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

3.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

Cash and cash equivalents are stated at nominal value.

3.4 Provisions

Provisions are recognized for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The other provisions are carried at the nominal value of the expenditure that is expected to be necessary in order to settle the obligation, unless stated otherwise. If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

3.5 Current liabilities

On initial recognition, current liabilities are recognized at fair value. After initial recognition, current liabilities are recognized at the amortized cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

4. ACCOUNTING POLICIES FOR THE INCOME STATEMENT**4.1 General**

The result is determined as the difference between the realizable value of goods/services delivered and costs and other expenses over the year. Income from transactions is recognized in the year in which it is realized. The project result is determined as the difference between project income and project costs. Project income is the contractually agreed income and income from supplemental and additional work, claims and fees, if and to the extent likely to be realized and able to be reliably determined. Project costs are costs relating directly to the project, which are generally allocated to project activities and can be apportioned to the project, and other costs that can be contractually allocated to the client. If it is likely that total project costs will exceed total project income, expected losses are immediately recognized in the income statement. This loss is included in cost of sales.

4.2 Net turnover

Net turnover consists of contributions by the Dutch water companies and subsidies received. Income is allocated to the relevant period. Subsidies are recognized as income in the income statement in the year in which the subsidized costs were incurred, or income was lost, or in which a subsidized operating deficit arose. Income is recognized if it is likely to be received. Turnover is accounted for after deduction of discounts and such like.

4.3 Contract revenue and costs

When the outcome of a contract can be reliably estimated, contract revenue and costs are recognized as revenue and costs in the income statement under the percentage-of-completion method. The stage of completion is

measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When the outcome of a construction contract cannot be reliably estimated, contract revenue is recognized as revenue in the income statement only to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognized as expenses in the period in which they were incurred. When the outcome of a contract can be estimated reliably, revenue is recognized using the percentage of completion method by reference to the services provided up to the balance sheet date. Revenues from work in progress are recognized in the income statement in the relevant period.

4.4 Cost of operations

Cost of (project) operations is defined as direct and indirect costs that can be allocated to the projects, which includes costs of raw materials and production supplies, costs of work contracted out and other external costs, personnel costs and other operating expenses that can be allocated to cost of sales.

4.5 General and administrative expenses

General and administrative expenses are defined as those costs chargeable to the year that are not directly attributable to cost of goods and services sold. In the case of VEI B.V., these costs are related to support departments and cannot be attributed to the cost of (project) operations. The general and administrative expenses also include the costs of own employees of VEI B.V.

4.6 Employee cost (employee benefits)

4.6.1 General

Employee costs (wages, salaries, social security contributions, etc.) are not presented as a separate item in the

income statement. These costs are included in other components of the income statement, i.e. general and administrative expenses. For a specification, reference is made to the relevant note.

4.6.2 Short-term employee cost

Salaries, wages and social security contributions are charged to the income statement based on the terms of employment, where they are due to employees and the tax authorities respectively.

4.6.3 Pensions

VEI B.V. applies the liability approach for all pension schemes. The pension fund ABP is unable to provide the information which is necessary for the defined benefit plans which are actually the pension plans that VEI B.V. has. Therefore, the defined benefit plan is treated as a defined contribution plan and the pension premiums owed for the financial year are entered as pension costs in the income statement. VEI has recognized the defined benefit pension plan of the pension fund in the financial statements using the liability method. Prepaid contributions are recognized as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

There are no other obligations in addition to the premiums paid, so no provision is included. The coverage ratio of ABP was 110.5% at 31 December 2023 (31 December 2022: 110.9%).

As per 1 January 2024, the pension increase will be 3%. For the rest of this year, pensions will remain the same. At the end of November this year, ABP will look at its financial position and assess whether pensions will change or remain the same in 2025.

4.7 Financial income and expenses

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, recognized transaction expenses for loans received are taken into consideration.

4.8 Currency translation differences

Currency translation differences arising upon the settlement or conversion of monetary items are recognized in the income statement in the period that they are realized, unless hedge accounting is applied.

4.9 Corporate income tax

Tax on the result is calculated based on the result before tax in the income statement, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs.

5. FINANCIAL RISKS AND RISK MANAGEMENT

VEI B.V. is exposed to the following financial risks, which are explained below:

5.1 Market risk

5.1.1 Price risk

The company deems the price risk related to items in the financial statements to be limited. This is mainly caused by the type of contract which enables VEI B.V. to pass such effects on to donor parties.

Eligibility of project cost

The company is involved in various projects for which audits are performed in order to check eligibility of project cost incurred. For some projects, audits are performed

on a yearly basis, for others an audit is performed in case a new installment is requested and for some projects audits are performed at the end of the project. For those projects where the subsidy funder performs an audit after closure of the project and for long-term projects, the company risks that, as a result of an audit, costs do not meet the conditions of the grant and can therefore not be claimed.

5.1.2 Currency risk

This is the risk that the value of a financial instrument will change due to fluctuations in the currency exchange rates. The company uses the euro as its functional currency. Exchange differences are calculated on a per-transaction basis and credited/charged to the income statement. For benefit of the projects, bank accounts abroad are held in foreign currencies to facilitate payments in foreign currencies. VEI B.V. is exposed to currency risks because its projects are implemented in financially unstable countries and transactions are executed in foreign currencies. Based on a risk assessment, the company does not use any forward currency contracts.

5.1.3 Interest rate and cash flow risk

No measures have been taken to mitigate interest rate risks. The company has no interest-bearing debts.

5.2 Credit risk

The company is exposed to risks in relation to valuation of receivables. The company manages this risk by assessing the recoverability of outstanding receivables periodically and takes adequate measures where necessary.

5.3 Liquidity risk

Cash and cash equivalents are at free disposal of the company. Many of the company's projects are financed based on pre-financing by financiers/donors.

Notes to the balance sheet

(x EUR 1,000)

1. CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise the balance of project costs and invoiced installments and if applicable allocated profit or recognized loss. Construction contracts are presented separately

in the balance sheet under current assets. If it shows a credit balance, this will be presented under current liabilities.

	31/12/2023			31/12/2022		
	Instalments	Project cost	Balance	Instalments	Project cost	Balance
Africa	7.435	8.353	918	16.278	17.904	1.626
Latin-America / Asia	3.788	4.286	498	4.223	5.070	847
Europa	0	0	0	0	0	0
WaterWorX (Consortium)	1.339	899	440	7.547	6.260	1.287
WaterWorX (VEI)	0	0	0	0	0	0
Water for Life	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	12.562	13.538	1.856	28.048	29.234	3.760

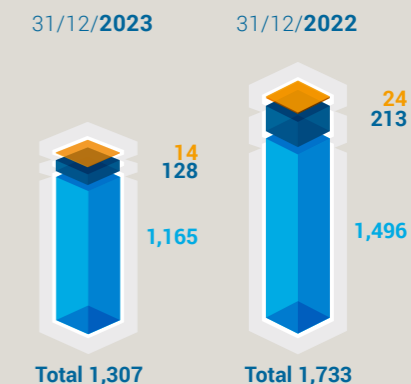
(x EUR 1,000)

2. RECEIVABLES

All receivables have a remaining term of less than one year. The net present value of the receivables approximates the book value, due to their short-term nature and the fact that provisions for bad debt have been created where necessary. For 2023 a provision for doubtful receivables was deducted amounting to € 164,000 on the receivables (2022: € 194,000). The debtors amount to € 303,000, after deduction of the provision for doubtful debts.

The receivable relating to Taxes and social security charges amounts to € 333,000 (2022: € 285,000) and relates to VAT. The other receivables, prepayments and accrued income consists of the categories on the right.

- Advances to personnel and projects
- Other receivables and prepaid costs
- Credit notes to receive



3. CASH AND CASH EQUIVALENTS

The cash and cash equivalents are at the free disposal of the company.

4. SHAREHOLDERS' EQUITY

	31/12/2023	31/12/2022
Paid-up and called share capital	36	36
Other reserves	1.759	1.680
Result for the period	67	79
Total	1.862	1.795

The authorized share capital amounts to € 90,000 consisting of 1,800 shares with a nominal value of € 50 per share. At the year ended 31 December 2023 720 shares were issued and paid up. In 2023 no shares were issued. The movement in shareholders' equity is presented in the table on the following page.

(x EUR 1,000)

(x EUR 1,000)

	Paid-up and called share capital	Other reserves	Result for the period	Total
2023:				
Balance as at 1 January	36	1.680	79	1.795
Movements				
Appropriation of the result of previous financial year	-	79	-79	0
Distribution of dividend	-	0	0	0
Result for financial year	-	0	67	67
Balance as at 31 December	36	1.759	67	1.862
2022:				
Balance as at 1 January	36	1.629	51	1.716
Movements				
Appropriation of the result of previous financial year	-	51	-51	-
Distribution of dividend	-	-	-	-
Result for financial year	-	-	79	79
Balance as at 31 December	36	1.680	79	1.795

Proposed appropriation of result

Based on article 18 of the articles of association, the board of directors proposes to appropriate the result of 2023 as follows: to add an amount of € 67,000 to the other reserves.

(x EUR 1,000)

(x EUR 1,000)

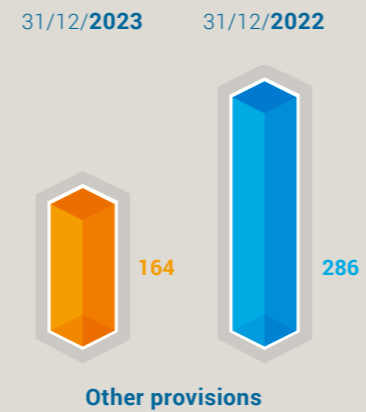
5. PROVISIONS

Other provisions are recognized for:

- Employees working abroad and relates to withholding taxes.
- Mid term review for WaterWorX phase II to be executed in 2024/2025. As per 31/12/2023 the provision has been reclassified to the other payables due to the short term character.

The movement in the provision is presented in the table below.

	2023	2022
Balance as at 1 January	286	212
Movements in provisions		
Additions	174	169
Release	-100	-15
Utilisation	-96	-80
Reclassification to other payables	-100	0
Balance as at 31 December	164	286



6. CONSTRUCTION CONTRACTS

Construction contracts commissioned by third parties comprise the balance of project costs and invoiced installments and if applicable allocated profit or recognized loss. Construction contracts are presented

separately in the balance sheet under current assets. The construction contracts with a credit balance are presented under current liabilities.

	31/12/2023			31/12/2022		
	Instalments	Project cost	Balance	Instalments	Project cost	Balance
Africa	8.034	6.459	1.575	304	192	112
Latin-America / Asia	2.407	2.253	154	1.970	1.674	296
Europe	3.868	55	3.813	0	0	0
WaterWorX (Consortium)	873	821	52	34.537	41.217	6.680
WaterWorX (VEI)	13.147	12.804	343	0	0	0
Water for Life	4.010	1.539	2.471	3.930	1.668	2.262
Other	81	47	34	68	49	19
Total	32.420	23.978	8.442	23.954	8.294	9.369

(x EUR 1,000)

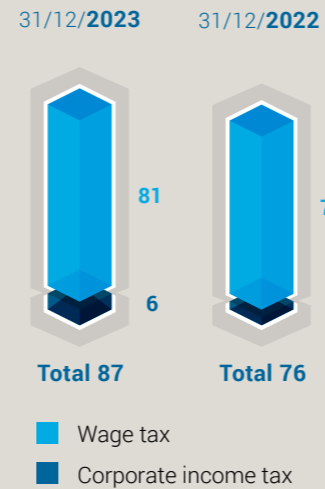
(x EUR 1,000)

7. TAXES, SOCIAL SECURITY CHARGES AND OTHER CURRENT LIABILITIES

The taxes and social security charges consist of the following categories:

Corporate income tax can be broken down as follows:

	2023	2022
Balance as at 1 January	3	3
Payable for the financial year	16	15
Total	19	18
Paid in financial year	13	15
Payable as at 31 December	6	3



There is no current account agreement with Water for Life and no interest is being charged. The other current liabilities consists of the following categories:



All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

The other payables consist of expenses to be paid € 1,967,000 (2022: € 1,832,000) and payroll related liabilities € 344,000 (2022: € 273,000).

Debt to shareholders

Under the debtors, trade creditors and other payables positions with shareholders are included and lead to the following debt:

	31/12/2023	31/12/2022
Vitens N.V.	143	91
Evides N.V.	177	163
Total	320	254

No interest is charged on the debt to shareholders. In respect of repayment the regular payment term for creditors is used. No other agreements have been made.

(x EUR 1,000)

8. CONTINGENCIES AND COMMITMENTS

The company has concluded lease and rental contracts with an total rental expenditure of approximately € 255,000 (2022: 338,000) for the whole period.

These contracts are related to lease of cars, office space and housing for employees abroad.

	Due within 1 year	Due 1- 5 years	> 5 year
Rental and lease contracts as per 31 december 2023	167	88	0
<i>Rent</i>	104	12	0
<i>Lease</i>	63	76	0
Rental and lease contracts as per 31 december 2022	€ 255	€ 83	0
<i>Rent</i>	193	18	0
<i>Lease</i>	62	65	0

VEI B.V. has a credit facility amounting to € 1,500,000.

(x EUR 1,000)

Notes to the income statement



9. NET TURNOVER

Net turnover from The Netherlands is recognized based on contracts and relates to contributions from Dutch partners with which the company cooperates for their projects.

Net turnover from other continents and other parties relate to contracts as well and comprises grants provided by funders like Dutch Embassies abroad, Ministry of Foreign affairs, Investment and Development Banks, EU in order to realize our goals.

	2023	2022	Net turnover - The Netherlands	2023	2022
The Netherlands	6.027	5.766	Contribution Vitens	2.200	2.200
Northern Africa	4.700	2.964	Contribution Evides	1.750	1.750
Central Africa	2.812	3.248	Contribution WML	504	504
Southern Africa	5.951	5.488	Contribution Brabant Water	400	400
Latin-America / Asia	3.412	3.289	Contribution WBG	248	210
Total	22.902	20.755	Contribution PWN	671	543
			Contribution WLN	14	4
			Other turnover	240	155
			Total	6.027	5.766

(x EUR 1,000)

(x EUR 1,000)

10. COST OF OPERATIONS

The costs of operations relate to the projects performed during the financial year. The costs of the Project Operations Department are also classified as cost of operations. Under the cost of operations an amount of € 961,000 (2022: € 806,000) relates to wages and salaries.

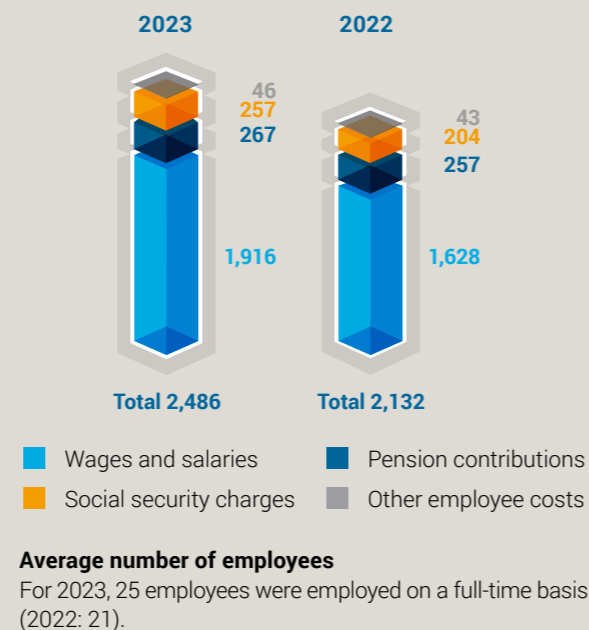
11. GENERAL AND ADMINISTRATIVE EXPENSES

The General and Administrative expenses relate to the support departments of VEI B.V. and are not project related.

Personnel costs

Under the general and administrative expenses an amount of € 1,525,000 (2022: € 1,326,000) relates to wages and salaries.

Wages and salaries own employees



Audit fees

The following audit fees were expensed in the income statement in the reporting period:

2023	PWC	HLB Blömer	PKF	Total
Audit of the financial statements	133	-	-	133
Other audit services	-	73	-	73
Tax services	-	-	-	0
Other non-audit services	-	-	-	0
	133	73	0	206

2022	PWC	HLB Blömer	PKF	Total
Audit of the financial statements	77	-	-	77
Other audit services	-	10	13	23
Tax services	-	-	-	0
Other non-audit services	-	-	-	0
	77	10	13	100

The fees listed on the left relate to procedures applied to VEI B.V. by accounting firms and independent external auditors as referred to in Section 1, subsection 1 of the Dutch Accounting Firms Oversight Act (Dutch acronym: Wta), as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. The fees for the year 2023 relate to (1) the audit of the financial statements 2023, regardless of whether the work was performed during the financial year, and (2) other services rendered during the year 2023.

(x EUR 1,000)

(x EUR 1,000)

The average number of employees can be broken down as follows:



12. FINANCIAL EXPENSES

The cost of operations and the general and administrative expenses contains also an amount of € -60,000 (2022: € -145,000) related to exchange rate differences. The exchange rate differences are booked in the relevant projects.

	2023	2022
Interest and similar income/expenses	0	-29
Total	0	-29

13. CORPORATE INCOME TAX

The corporate income tax is based on the applicable corporate income tax rate in the Netherlands: 25,8% (2022: 25,8%). The effective corporate income tax rate on the company result is 19% (2022: 16,0%), due to a different applicable tax rate over the first € 200,000.

14. RELATED PARTIES

The company receives an annual contribution from its shareholders, which can be specified as follows:

Contribution

	2023	2022
Vitens N.V.	2.200	2.200
Evides N.V.	1.750	1.750
Total	3.950	3.950

All costs from related parties are charged to the company based on actuals (e.g. hours and invoices), without profit margin. The company hires personnel from its shareholders, mainly as project-staff. Moreover VEI B.V. hires staff from Vitens and Evides Waterbedrijf for backoffice activities (e.g. accounting, controlling, ICT, HR and marketing). The specification is as follows:

Costs

	2023	2022
Vitens N.V.	1.007	1.407
Evides N.V.	553	486
Total	1.560	1.893

(x EUR 1,000)



15. DIRECTOR'S REMUNERATION

	2023	2022
Current director	169	150
Total	169	150

The management board is charged with managing the company. The authority to determine the remuneration and other employment conditions of the members of the management board accrues to the General Meeting of Shareholders. The remuneration consists of a basic salary, holiday allowance, pension, social security and other expense allowances, and is in accordance with the requirements of the Executives' Pay (Standards) Act.

No loans, advances or guarantees were provided to the management board member.

Utrecht, 27 May 2024
T. Ramaker
 CEO VEI B.V.

Other information

Provisions of the Articles of Association governing the appropriation of profits

The provisions of the Articles of Association relating to profit appropriation are as follows (article 18):

- 18.1 The profit achieved in a financial year is at the disposal of the general meeting.
- 18.2 Profits are paid out after adoption of the financial statements which indicate this is permissible.
- 18.3 The general meeting can adopt a resolution for payment of an interim dividend and/or distributions chargeable to a reserve maintained by the company.
- 18.4 Distributions on shares can only take place up to at most the amount of the distributable shareholders' equity.

- 18.5 A resolution aimed at distribution will not have any effect as long as the management board has not given its approval. The management board will only refuse to give its approval if it knows or should reasonably foresee that the company will be unable to continue to pay its eligible debts after the distribution.

Proposed appropriation of result

The board of directors proposes to appropriate the result of 2023 as follows: to add an amount of € 67,000 to the other reserves.

Independent auditor's report

To: the general meeting of VEI B.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2023

Our opinion

In our opinion, the financial statements of VEI B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2023, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2023 of VEI B.V., Utrecht.

The financial statements comprise:

- the balance sheet as at 31 December 2023;
- the income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of VEI B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of VEI B.V. and its environment and the components of the internal control system. This included the director's risk assessment process, the director's process for responding to the risks of fraud and monitoring the internal control



system. We refer to section risk management of the management report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct, internal policy documents and protocols. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We inquired with the director whether he is aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

IDENTIFIED FRAUD RISKS

The risk of management override of controls

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

That is why, in all our audits, we pay attention to the risk of management override of controls in:

- the appropriateness of journal entries and other adjustments made in the preparation of the financial statements;
- significant transactions, if any, outside the normal course of business for the entity.

OUR AUDIT WORK AND OBSERVATIONS

We evaluated the design and implementation of the internal controls in the processes for generating and processing the journal entries.

We also paid specific attention to access to the IT system and the possibility that segregation of duties can be overridden.

We have selected journal entries on the basis of risk criteria and performed specific audit procedures on them, also paying attention to possible significant transactions outside the normal course of business.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

Fraud in revenue recognition

As part of our risk assessment and assuming fraud risks in revenue recognition, we evaluated which types of revenue or assertions give rise to a risk of material misstatement due to fraud.

The presumption is that there is a risk of fraud in the recognition of income in each audit assignment. We identify the area of subsidy contributions regular, contributions Water for Life and contributions WaterWorX as area's that requires special attention, focusing on the judgments and accounting criteria for their recognition.

We evaluated the design and implementation of the internal controls in the processes of revenue reporting and test the effectiveness of the controls where relevant.

We conclude that, in the context of our audit, we were able to rely on the internal control measures relevant to this risk.

We have performed specific procedures that include:

- substantive procedures on the costs that relates to the projects. There is a direct link between the project costs and the revenue recognition.
- substantive procedures on the hours written by the employees in the VEI apps.
- substantive procedures on the construction contracts.
- performed work on the cut-off of the revenue among other means by validate by a sample that the invoices and payments which relates to projects in January and February are recognized in the correct period.
- determining the occurrence of debtors at the end of the year, whereby we tested the payments in 2024 by means of a sample;
- testing specific journal entries related to revenue processing.

Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the existence and occurrence and cut of the revenue reporting.

We incorporated an element of unpredictability in our audit. During the audit, we remained alert to indications of fraud. Furthermore, we considered the outcome of

our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance with laws and regulations.

Audit approach going concern

The director prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least twelve months from the date of preparation of the financial statements. Our procedures to evaluate director's going-concern assessment included, amongst others:

- considering whether the director's identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks);
- evaluating the director's current budget including cash flows for at least twelve months from the date of preparation of the financial statements taken into account current developments in the industry and all relevant information of which we were aware as a result of our audit;
- performing inquiries of the director as to its knowledge of going-concern risks beyond the period of the director's assessment.

Our procedures did not result in outcomes contrary to the director's assumptions and judgments used in the application of the going-concern assumption.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The director is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the director

The director is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the director determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the director should prepare the financial statements using the going-concern basis of accounting unless the director either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The director should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, and is not a guarantee

that an audit conducted in accordance with the Dutch Standards on Auditing will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the [appendix](#) to our report.

Zwolle, 27 May 2024
PricewaterhouseCoopers Accountants N.V.

F.S. van der Ploeg RA

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2023 OF VEI B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.

- Concluding on the appropriateness of the director's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director 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.



Photo taken by Short Term Expert Ton Blom (Vitens).



Photo taken by Short Term Expert Dick van Asselt (Evides Waterbedrijf).



WOP Mongolia.



Short Term Expert Nicole Kesselaer (WML).

Colombia – Field visit of Riksta Zwart to Vijes (Acuavalle) where there is a pilot developed with Brabant Water.





Dutch Water Operators

Sustainable Water and Sanitation Services for All

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