WORLD TRADE ORGANIZATION

WT/L/1093

28 September 2020

(20-5974)

General Council
13-14 October 2020

WTO PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

CONTENTS

MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

The Management Board of the World Trade Organization Pension Plan (WTOPP) is pleased to present to the General Council and to Plan participants and beneficiaries its 2019 Annual Report prepared in accordance with Article 5 of the Regulations of the Plan.

This year's Annual Report and External Audit Opinion are issued unusually late, in autumn, mainly due to travel restrictions associated with the COVID-19 pandemic, which have led to a delay in the ability of the external auditors to play their role. There were hopes they would be able to complete their audit with physical visits over the summer, but ultimately this was not possible, and the audit had to be completed remotely. This proceeded without major issues except for the provision of information which only exists on paper files and required extra effort to be made available. The COVID-19 pandemic has otherwise not materially affected operations of the Pension Plan nor the Board's ability to govern, through the successful organization of meetings using videoconference tools. While most operations have taken place on schedule, the triennial full actuarial valuation of the Pension Plan based on the 2019 year-end data was however slightly slowed down and its results will be shared later this year.

The spread of the COVID-19 pandemic has created sharp movements in financial markets since February 2020. Fortunately, the WTOPP portfolio is designed to withstand a certain amount of volatility. As a long-term investor the WTOPP can tolerate, and even benefit from, volatility, through a rebalancing discipline of buying new assets at better relative prices. However, potentially adverse longer-term consequences of the economic impacts of the global pandemic cannot be ignored. The Board and Secretariat continue to monitor the situation as it evolves.

In 2019, which is the period covered by this report, financial markets were unexpectedly strong and the return of the WTOPP investments portfolio at end-2019 reflects this. The Management Board's investment strategy delivered a nominal return of 12.6% (versus 14.2% for the benchmark). As Swiss inflation for 2019 was 0.2%, the portfolio's real return was 12.4% for the year. This is significantly above the target rate of return used in the actuarial assumptions, but not unexpected due to price volatility experienced on markets in 2019. As was illustrated subsequently in 2020, price volatility as measured by the value of the portfolio on 31 December of each year is often not a good indicator of the underlying economic potential of the investments. Current economic circumstances remain challenging for investors and are likely to remain so for some time. More information on the investment philosophy of the Management Board and details on the allocation of assets can be found in the report and its annexes.

The work of the Management Board in 2019 included adopting a Risk Management Policy for the Plan, as well as a revised set of Investment Guidelines which integrates Environmental, Social and Governance (ESG) criteria in investment decision-making. The Board has also maintained working groups focused on investment opportunities in a low yield environment, disability matters and the actuarial assumptions used in the long-term actuarial valuation. Recommendations from these working groups have been implemented or are expected to be implemented in 2020.

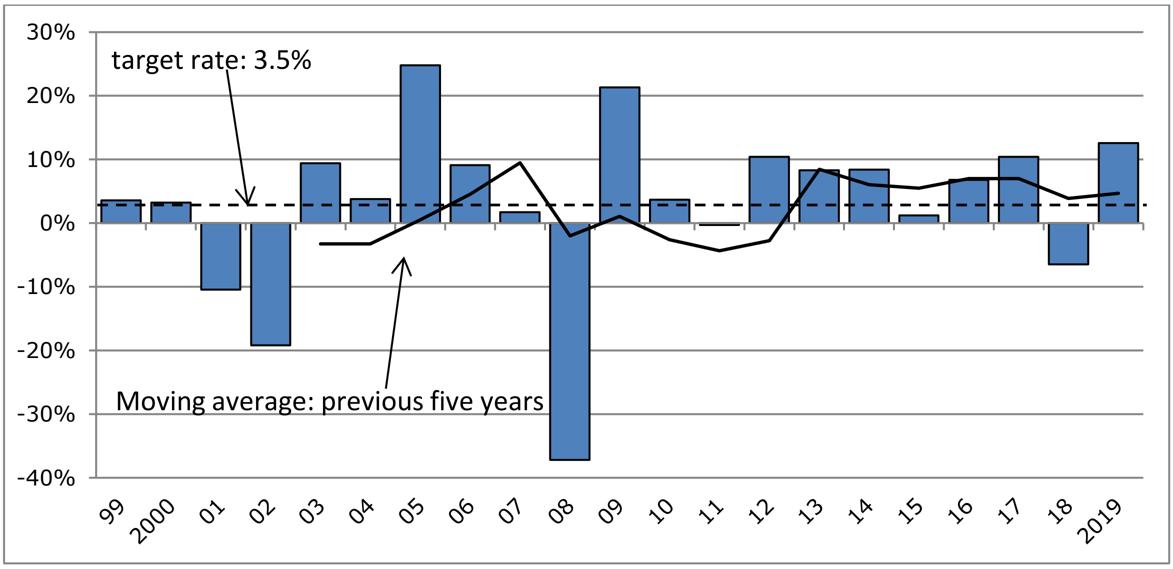
In closing, I would like to thank the members of the Management Board for the engagement and valuable contributions to matters concerning the Plan. On behalf of the Management Board, I would like to thank WTOPP Secretariat staff for their support and service. The Management Board and the Plan's Secretariat are fully engaged in ensuring the continued good governance of the WTO Pension Plan and are pleased to share this annual report with you.

Jean-Marc van Dril, Chair of the Management Board

1 HIGHLIGHTS

1.1 Investment return

Figure 1 Historical returns net of inflation and fees



1. The Plan's investment gains are ultimately driven by the portfolio's underlying economic potential in the long run. In this respect, the Management Board focuses on monitoring the portfolio's long-term return against its 3.5% target rate set for actuarial purposes rather than fluctuations in annual investment performance. From this point of view, the 2019 investment return caused an increase in the five-year average annual investment return of 4.7%. While above-average expected returns are generally welcome, over the past several years investment performances have been consistently inflated by market valuations that exceeded actual economic performance of the underlying assets. This increases the likelihood of below target returns in the coming years.

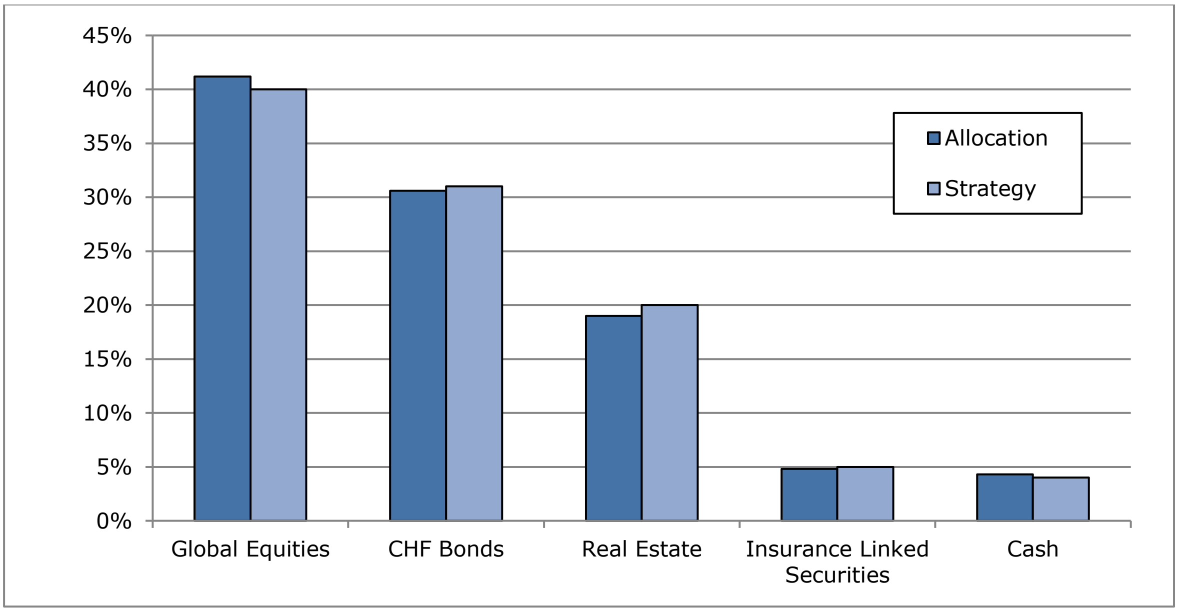
2. In 2019 the Pension Plan's portfolio delivered a nominal rate of return of 12.6%. As Swiss inflation for 2019 was 0.2%, the portfolio's real return was 12.4% for the year.

Table 1 Net investment return

	Nominal	Real
2017	**11.2%**	**10.4%**
2018	**-5.8%**	**-6.5%**
2019	**12.6%**	**12.4%**

1.2 Asset allocation

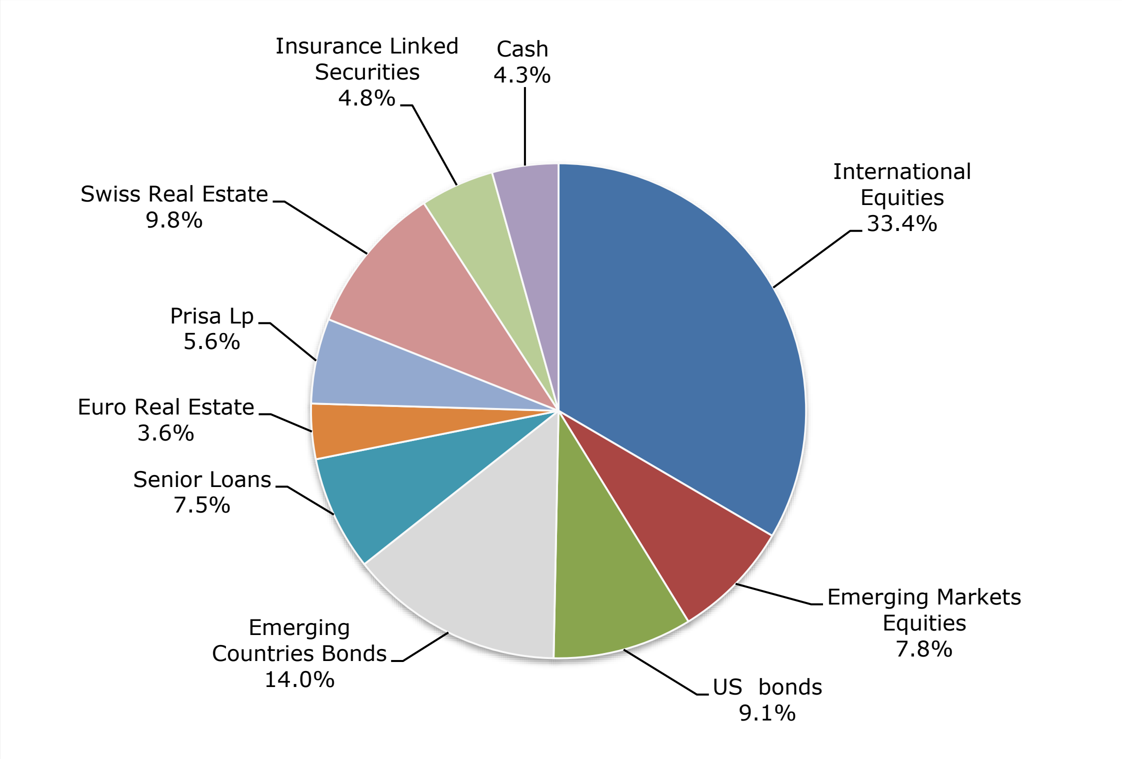
Figure 2 Asset allocation as of 31 December 2019, actual vs. strategy



3. The Plan's portfolio includes a new asset class since this year as the Management Board decided to reallocate some of its bonds portfolio to Insurance Linked Securities for more diversification and an improved risk/return profile (see section 2 below). The WTOPP rebalances its portfolio in the first quarter of each year, by re-aligning the allocation to each asset class with the strategy.[1] This mechanism takes advantage of volatility in financial markets as it consists of selling securities that have become relatively more expensive and buying assets that have become relatively cheaper.

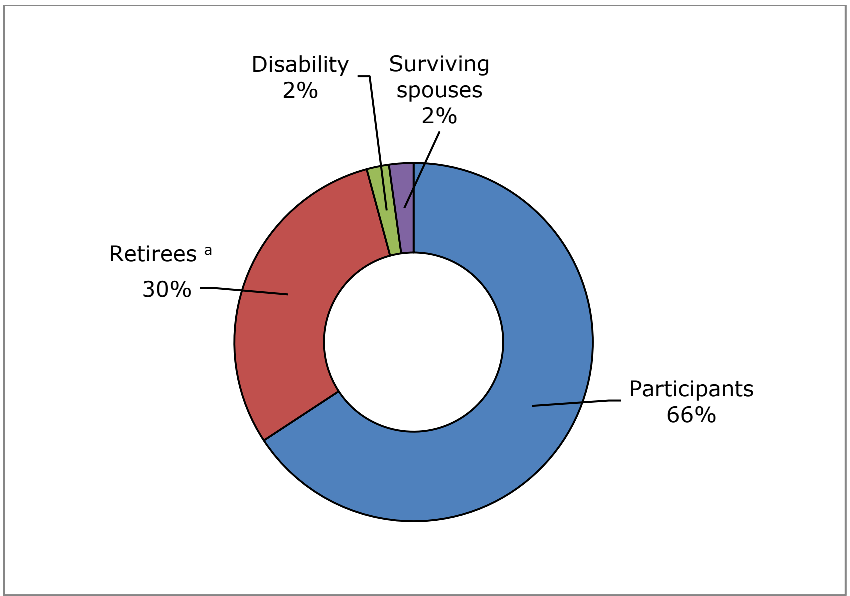
[1] See reference to rebalancing in the Glossary and Annex 2 for more information on this approach.

Figure 3 Detailed asset allocation 2019



1.3 Participants and beneficiaries 2019

Figure 4 Plan membership by type



a including deferred retirement benefits.

4. The number of participants has remained largely stable. On 31 December 2019, there were 718 participants, up from 702 on 31 December 2018. On the other hand, the number of beneficiaries increased from 369 to 393 over the same period.

Table 2 Plan membership

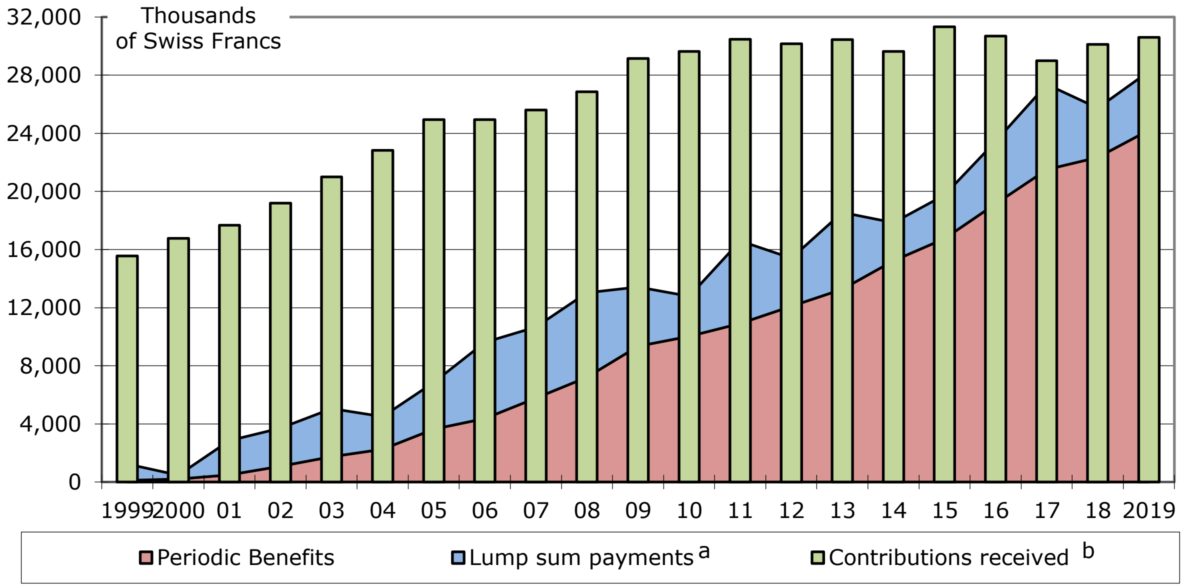
Membership	2018	2019
Number of Participants	702	718
Number of Beneficiaries	369	393

Table 3 Types of benefits

Types of benefits	Total number		Average monthly benefit	
	Year 2018	Year 2019	Year 2018	Year 2019
Retirement benefits	164	175	CHF 6,800	CHF 7,000
Early retirement benefits	119	126	CHF 4,900	CHF 5,000
Disability benefits	23	22	CHF 5,500	CHF 5,600
Surviving spouse's benefits	18	24	CHF 3,700	CHF 4,000
Child's benefits	20	19	CHF 400	CHF 400
Deferred retirement benefits	25	27	-	-

5. As the number of beneficiaries continues to increase, so does the amount of benefits paid annually by the Plan. Periodic benefits and lump sum benefits amounted to CHF 28.3 million in 2019, which increased by CHF 2.5 million compared to the year before, however these have not yet exceeded the received contributions (CHF 30.6 million), as predicted in the previous actuarial valuation. Pension benefits will exceed the amount of pension contributions in the near future, but the balance will continue to be positive thanks to investment returns.

Figure 5 Contribution income and benefit expenditure



a Including transfer values paid to other Organizations.
b Including transfer values received from other Organizations.

2 SUMMARY OF MANAGEMENT BOARD ACTIVITIES

6. The Management Board held five meetings in 2019: these took place on February 8th, April 29th, June 19st, September 18th and November 22th. As ongoing items, the agendas for all these meetings included the presentation of the investment situation and a report by the Secretariat on matters arising since the previous meeting of the Management Board. Additionally, the Board's

agenda includes recurring items such as the approval of the Plan's Annual Report and Financial Statements for submission to the General Council and review of the Plan's actuarial position.

7. Outside the formal Board meetings, the Management Board Working Groups met twelve times in 2019. The working groups were very active in 2019 compared to 9 meetings in 2018, and 6 in 2017. The meetings included four on the topic of investment (specifically ESG-Environment and Social Governance as well as the re-allocation within the fixed income portfolio), three on disabilities and five on actuarial issues (focused on the review of the actuarial assumptions in view of the full valuation on 31/12/2019).

8. The Board has approved the Risk Management Policy and a Risk Register for the WTOPP prepared by the Governance Working Group as a part of the internal control system. The policy itself will be reviewed every three to five years.

9. In consultation with the legal counsel and the medical advisor, the Board adopted an administrative guideline on the sharing of provisional medical findings gathered in the context of disability reviews.

10. Following five Investment Working Group Sessions on the Environment, Social and Governance (ESG), which started in 2018 and included meetings with experts on this topic, the Management Board has adopted a revised set of the Investment Guidelines proposed by the Working Group, which integrates new ESG guidelines, considered in the Board's investment strategy and decision-making.

11. The Board decided to reallocate 5% of the portfolio from CHF-hedged investment grade bonds to CAT Bonds, a type of Insurance-Linked Securities. These investment vehicles are in line with the Plan's investment principles and a beneficial addition to the portfolio, given their comparatively good risk/return profile. The investments in Insurance Linked Securities were initiated in December 2019.

3 REVIEW OF THE WTOPP INVESTMENT PERFORMANCE

12. The investment portfolio had a nominal return of 12.6% in 2019, compared to 14.2% for the Pension Plan's benchmark. Swiss inflation for 2019 was close to 0.2%. Hence, the portfolio's real return was 12.4% for the year, nearly 9% above the plan's target. All investment categories generated positive returns for the year.

13. The Plan's portfolio generated annual returns of +5.7% and +4.7% in nominal terms, respectively, over the last three and five years. The 5-year return exceeds the Plan's target return (Swiss inflation + 3.5%) by 1.1%.

14. In 2019, the Plan's portfolio benefitted from lower rates and rising valuations across all asset classes. Equity investments, which represent 40% of the Pension Plan's target asset allocation, had a return of 22.1%, i.e. close to the benchmark (22.5%). Fixed income investments (31% of the Pension Plan's target asset allocation) returned 7.9% in 2019 vs. 7.5% for the Plan's benchmark. CHF denominated bonds returned 3.0% during the year.

15. Following the positive returns of 2019, the yield offered to investors by Swiss Government bonds is well below zero and guarantees mediocre returns in the medium term. The portfolio has no exposure to this asset class. In general, safe-haven fixed income investments are likely to see modest returns in the future. Their yields remain low, or even negative in the case of Swiss government bonds. The only exception is US government bonds.

16. Real Estate investments represent 20% of the target asset allocation. The return on this portion of the portfolio was 5.9% for the year. The Swiss real estate fund had a return of 9.8% in 2019 while the SXI index, which tracks the return of Swiss publicly traded real estate funds, had a return of 20.7%. This apparent underperformance is merely due to the fact that WTOPP's Swiss real estate fund is less volatile than its index because it is only open to investment by pension funds. International real estate funds, which include the Plan's investments in Warburg Henderson fund, PRISA LP and since December 2018 CBRE Fund, had a consolidated return of +2.1%.

4 ACTUARIAL POSITION OF THE PLAN

17. A full actuarial valuation based on data at 31 December 2019 is currently still in progress. The exercise was delayed due to the Covid-19 pandemic, as well as being a technically more complex process than previous exercises. Following an in-depth review of the model's assumptions and actual experience in past years, the Management Board has indeed updated a number of key assumptions used in the model. The actuarial valuation results will be shared later this year. They are expected to show increasing costs for the plan due mainly to updated assumptions about future investment returns and demographic and behavioural changes in the Plan participants.

5 IPSAS ACCRUED LIABILITIES OF THE PLAN

18. The WTO's financial statements include an actuarial estimate of pension benefits that differs in scope and method from the WTOPP's actuarial valuation discussed in Section 4 above. In line with the International Public Sector Accounting Standards (IPSAS), this estimate is produced for reporting on the WTO's accrued liabilities for employee benefits as at 31 December of each year, which includes mainly pensions and After-Service Health Insurance.

19. The IPSAS estimate of the pension liability represents the hypothetical liability of the Organization to cover all its current employees' and retirees' acquired pension entitlements as at 31 December 2019. Unlike the Plan's actuarial valuation discussed in Section 4 above, it does not consider future pension contributions receivable from current and future staff and uses a different methodology for setting the discount rate.

20. The purpose of the valuation prepared for the WTOPP Management Board is to assess the long-term cost of the Plan. This valuation is fully reviewed and updated at least once every three years and takes into consideration past and future service accrual and assumes an open group, i.e. that new entrants will come into the Plan to replace those who depart due to retirement, death in service, permanent disability or termination. It also takes into consideration the investment strategy adopted by the Plan in setting the long-term assumed rate of return (for setting the discount rate).

21. It is principally the different discount rates, closed versus open group, and past versus future service assumptions that explain the different resulting valuations. Both valuations are reported together with the balance sheet, in Statement 2 of the financial statements.

6 ORGANIZATION AND STRUCTURE OF THE PENSION PLAN ON 31 DECEMBER 2019

22. The Management Board of the Plan was duly constituted by the General Council in accordance with Article 4 of the Regulations on 26 March 1999.

23. The Regulations and Administrative Rules of the WTO Pension Plan were adopted by the General Council on 16 October 1998 (WT/L/282). The General Council approved the Rules of Procedure of the Management Board on 8 May 2001 (WT/L/402). The Regulations of the WTO Pension Plan were amended by the General Council on 1 December 2005, on 28 July 2009, on 26 October 2011, on 30 November 2015 and on 26 July 2017. The Administrative Rules were amended on 23 September 2005 and on 7 December 2016, and the Rules of Procedure were amended on 7 December 2016.

24. Key components of the governance and administrative structure of the Pension Plan included the following on 31 December 2019.

<table>
<tr><td colspan="4">Mr. Robert Prochazka, Chairperson</td></tr>
<tr><td>Mr. Rob Cook</td><td rowspan="4">Members elected by the General Council</td><td>Ms. Antonia Carzaniga</td><td rowspan="4">Members appointed by the Director-General</td></tr>
<tr><td>Ms. Alicia Goujon</td><td>Mr. Christian Dahoui</td></tr>
<tr><td>Ms. Kelly K. Milton</td><td>Mr. Rainer Lanz</td></tr>
<tr><td>Ms. Darija Sinjeri</td><td>Mr. Thomas Verbeet</td></tr>
<tr><td>Mr. Faisal Al-Nabhani</td><td rowspan="4">Alternates elected by the General Council</td><td>Ms. Kerry Allbeury</td><td rowspan="4">Alternates appointed by the Director-General</td></tr>
<tr><td>Mr. Jean-Marc van Dril</td><td>Ms. Laura Monnet</td></tr>
<tr><td>Ms. Paula Chiung-Fang Hsu</td><td>Ms. Nthisana Phillips</td></tr>
<tr><td>Mr. Rodolfo Rivas</td><td>Ms. Zheng Wang</td></tr>
<tr><td>Mr. Robert Luther</td><td colspan="3">Observer on behalf of the beneficiaries</td></tr>
<tr><td>Mr. Paul Rolian</td><td colspan="3">Alternate observer on behalf of the beneficiaries</td></tr>
</table>

Secretariat	John Breckenridge, Secretary Yann Marcus, Pensions Officer Corine Becker, Pension Specialist Dário Muhamudo, Pension Specialist
Outsourced support services	Trianon S.A.
Consulting Actuary	Cameron Hannah (Mercer HR Consulting S.A.)
Medical Adviser	Centre d'expertise médicale Lancy (CEML)
Investment Analyst/Consultant	MBS Capital Advice S.A.
Global Custodians	The Northern Trust Company Pictet Asset Services
Fund Managers	Babson Capital (senior loans portfolio hedged in CHF) Blackrock (emerging market bonds portfolio hedged in CHF) Crédit Suisse (Swiss real estate portfolio and senior loans portfolio hedged in CHF) GMO (emerging market bonds portfolio hedged in CHF) MFS (emerging market bonds portfolio hedged in CHF) NN (senior loans portfolio hedged in CHF) Pictet (Equity portfolios (global equities and emerging markets) Prisa LP (US Real Estate portfolio) Vanguard (USD government bonds) Warburg Henderson (European real estate portfolio) CBRE (European real estate portfolio) Scor (Insurance Linked Securities) Gam (Insurance Linked Securities)
External Auditor	Bundesrechnungshof Supreme Audit Institution of Germany

7 ACCOUNTS

25. The financial statements and schedules are presented in Section 9 of this Report. The notes to the financial statements found in Annex 1 include important additional explanations about the accounts. These notes are integral to understanding the accounts and the financial position of the Plan.

26. The income and expenditure statement for the period 1 January – 31 December 2019 is reproduced in Statement 1.

27. The balance sheet as at 31 December 2019 is reproduced in Statement 2.

28. The source and application of funds for the period 1 January – 31 December 2019 are reproduced in Schedule A.

29. Details of the exchange rates used for closing the accounts on 31 December 2019 and the currency breakdown as of 31 December 2019, after hedging, are provided in Schedule G.

30. A glossary of terms to facilitate an understanding of the tables is reproduced in Schedule J.

31. Explanations of significant events in the 2019 accounts can be found in the notes in ANNEX 1.

8 EXTERNAL AUDITOR

32. The report of the External Auditor on the Accounts of the WTO Pension Plan for the Year ended 31 December 2019 is produced separately from the Annual Report.

OPINION OF THE EXTERNAL AUDITOR

Identification of the financial statements

I have audited the financial statements of the World Trade Organization Pension Plan (hereinafter ''WTOPP'') for the financial year ended 31 December 2019, comprising

- the income and expenditure statement,
- the surplus account,
- the balance sheet,
- and supporting notes and annexes to the Financial Statements.

I conducted the audit remotely due to the special circumstances of COVID-19.

Basis of Opinion

I conducted my audit in conformity with International Standards on Auditing (ISAs) as adopted and expanded by the International Organization of Supreme Audit Institutions (INTOSAI) and issued as International Standards for Supreme Audit Institutions (ISSAIs). These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

I am independent of the WTOPP in accordance with the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled all other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management

In accordance with WTOPP´s Rules and Regulations, the Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Management Board determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s Responsibilities

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect each and every material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit.

I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WTOPP's internal control;
- evaluate the appropriateness of underlying accounting policies and the reasonableness of accounting estimates and related disclosures made by management;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in conformity with the principles of fair presentation.

My team communicated with those charged with governance 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.

Audit Opinion

As a result of my audit, I am of the opinion that the financial statements present fairly, in all material respects, the financial position as at 31 December 2019, that they have been prepared according to WTOPP´s stated accounting policies, and that the transactions have been in accordance with the Regulations of the Pension Plan and its Rules of Procedure.

I have placed an unqualified audit opinion on the Financial Statements of WTO´s Pension Plan for the year ended 31 December 2019.

Report Reference

I have also prepared a long-form report on the WTOPP's financial statements.

Kay Scheller
President of the Bundesrechnungshof
Supreme Audit Institution of Germany
External Auditor

Bonn, 7 September 2020

9 FINANCIAL STATEMENTS

9.1 Management letter of representation

33. The Management Board of the WTO Pension Plan is responsible for these financial statements, which have been prepared in accordance with the Plan's Regulations and Rules. The financial disclosures in this report are intended to fairly present the Plan's financial results in a manner that is complete and understandable.

34. The Management Board is responsible for establishing and maintaining adequate internal control over financial reporting so as to provide reasonable assurance regarding the reliability of these financial statements for external purposes. This includes policies and procedures that 1) provide for the maintenance of records that accurately and fairly reflect the transactions of the Plan, 2) provide reasonable assurance that transactions are authorized and recorded in compliance with the Plan's Regulations and Rules and 3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Plan's assets. However, due to the inherent limitations of internal control over financial reporting, these controls may not prevent or detect all misstatements.

35. Based on the above, the Management Board has concluded that these financial statements present fairly the Plan's financial position and performance as of 31 December 2019.

Jean-Marc van Dril	John Breckenridge
Chair	Secretary
WTOPP Management Board	WTO Pension Plan

9.2 Statement 1: Income and expenditure statement

INCOME AND EXPENDITURE STATEMENT (expressed in Swiss Francs)		
	2019	**2018**
Income		
Investment income		
Profit on securities	71,915,993	-
	71,915,993	**-**
Contributions		
Organization, regular contributions	19,360,684	19,151,092
Organization, additional contributions	1,543,138	-
Participants, regular contributions	9,680,348	9,575,550
Interests on validations	345	199
Restorations	11,887	20,440
Transfers from other organizations	13,094	1,200,307
Interests on transfers	-	165,275
	30,609,496	**30,112,863**
Reimbursements claims under the death and disability insurance	**322,259**	**715,763**
Total income	**102,847,748**	**30,828,626**
Expenditure		
Periodic benefits		
Retirement benefits (Art. 23)	14,179,112	13,068,481
Early retirement benefits (Art. 24)	7,481,849	6,977,591
Disability benefits – (Art. 28)	1,512,441	1,457,736
Surviving Spouse benefits (Art. 29)	939,585	747,439
Child benefits (Art. 30)	100,430	93,335
	24,213,417	**22,344,582**
Lump sum benefits		
Withdrawal settlements (Art. 26)	291,684	781,336
Commutations (Articles 23c), 24d), and 25c))	3,751,593	2,374,496
Transfers to other organizations	-	224,143
Interests on transfers	-	17,219
	4,043,277	**3,397,194**
Participants' death and disability coverage	**992,115**	**983,800**
Loss on investment		
Loss on securities	-	34,194,746
Currency revaluation	133,446	268,024
Negative credit interest	104,237	96,631
	237,683	**34,559,401**
Investment and other administrative expenses		
Management fees	492,175	442,732
Trianon and other administrative costs	208,134	199,780
Consultancy fees	120,000	120,000
Actuarial expenses	53,000	30,000
Legal fees	-	19,276
Bank charges	24,499	24,492
	897,808	**836,280**
Total expenditure	**30,384,300**	**62,121,257**
Profit / Loss (-) for the period	**72,463,448**	**-31,292,631**

9.3 Statement 2: Balance sheet

Balance sheet (expressed in Swiss Francs)					
Assets	**At 31.12.2019**	**At 31.12.2018**	**Liabilities**	**At 31.12.2019**	**At 31.12.2018**
Investments			**Current liabilities**		
Securities	606,736,638	540,464,930	Accrued expenses	175,837	160,825
Cash and cash equivalents[a]	27,509,141	23,035,085		**175,837**	**160,825**
	634,245,779	**563,500,015**	**Capital**		
Current Assets			Capital as at 1 January	564,686,611	595,979,242
Withholding taxes to be recovered	2,498,785	1,084,854	Profit / Loss (-)	72,463,448	-31,292,631
Accrued income	322,337	262,567		**637,150,059**	**564,686,611**
Receivable additional contributions	258,995	-			
	3,080,117	**1,347,421**			
Total assets	**637,325,896**	**564,847,436**	**Total liabilities**	**637,325,896**	**564,847,436**

a Cash and cash equivalents include cash on bank accounts and cash held on investment accounts with custodian banks, which amount to CHF 22,297,813 and CHF 5,211,329 respectively. Cash held on investment accounts for extended periods of time is normally immaterial. However, since 2019 the Plan has started to use investment accounts to shelter operating cash from negative interests.

36. Please note that this balance sheet shows neither the present value of future benefits (the pension liability) on the liability side, nor the capitalized future contributions on the asset side. In the WTO's financial statements, the pension liabilities are estimated at CHF 1,287 million according to IPSAS accounting rules. If the Pension Plan's asset value of CHF 637 million is deducted from this amount, the result is an estimated net accrued liability for employee benefits of CHF 650 million. This net value represents the hypothetical liability of the Organization to cover all its current employees' and retirees' acquired pension entitlements as at 31 December 2019. It differs from the long-term valuation used in managing the Plan mainly in that it does not consider future pension contributions receivable from current and future staff and uses a different methodology for setting the discount rate.

37. On the other hand, the actuarial model used in managing the Plan per Article 9 of the Regulations takes into account future pension contributions and benefits for an open group of participants, and a projected real return rate based on expected return of the strategic portfolio allocation (see Schedule D). Its purpose is to produce best, yet conservative, estimates of future benefits, pension contributions and the investment returns. As mentioned in Section 4 of the Annual Report, the Management Board has conducted an in-depth revision of the model's assumptions to estimate the present value of future benefits for the purpose of the 2019 full actuarial valuation. The analysis is still in progress and is expected to show increasing costs for the plan due to updated assumptions about future investment returns and demographic and behavioural changes in the Plan participants. Final results are not available at this time and will be shared later this year.

9.4 Schedule A: Source and application of funds

Source and application of funds (expressed in Swiss Francs)		
	2019	**2018**
Funds as at 1 January	**564,847,436**	**596,165,379**
Plus:		
Source		
Receipt of contributions	30,609,496	30,112,863
Investment income	71,678,310	-
Reimbursements of death and disability insurance claims	322,259	715,763
Increase in current liabilities	15,012	-
Total	102,625,077	30,828,626
Less:		
Application		
Loss on Investments	-	34,559,401
Settlement of benefits	28,256,694	25,741,776
Participants' death and disability coverage	992,115	983,800
Investment and other administrative expenses	897,808	836,280
Reduction in current liabilities	-	25,312
Total	30,146,617	62,146,569
Funds as at 31 December	**637,325,896**	**564,847,436**

9.5 Schedule B: Breakdown of expenditures

Expenditures (expressed in Swiss Francs)		
	2019	**2018**
Investment Management fees		
Crédit Suisse - Swiss Real Estate	-	732
MFS	172,372	161,031
Northern Trust	44,964	47,423
Pictet – Emerging Markets bonds	56,355	58,232
Pictet – Emerging Markets equities	30,975	31,038
Pictet - International equities	166,669	126,830
Pictet – Senior loans	9,754	11,444
Pictet – Real estate	10,364	6,001
Pictet – Insurance linked securities	722	-
Total	**492,175**	**442,732**
Consultancy fees		
MBS Capital Advice	120,000	120,000
Actuarial expenses		
Mercer	53,000	30,000
Legal fees		
Akin Gump	-	19,276
Administrative costs		
Trianon and other administrative costs	208,134	199,780
Other expenses		
(bank charges and external audit)	24,499	24,492
Total	**897,808**	**836,280**

Note: Management fees for mutual fund investment vehicles are frequently embedded in the reported value of the holdings. These fees are not presented separately in the statement of expenditure and total to CHF 1,225,831 for 2019.
Costs related to the WTOPP Secretariat are borne by the WTO and are not reflected in the Plan's Financial Statements (see paragraph 9 of Annex 1).

9.6 Schedule C: Investment mandate overview

Investment mandate overview						
Asset class	**Fund Manager**	**Benchmark**	**Ex-ante tracking error**	**Inception**	**Location**	**Website**
Global Equities	Pictet & Cie	40% MSCI Europe, 40% MSCI North America, 20% MSCI Pacific	Indexed	January 2011	Geneva, Switzerland	pictet.com
Emerging Markets Equities	Pictet & Cie	MSCI Emerging Markets Free	Indexed	May 2016	Geneva, Switzerland	pictet.com
Inv. Grade Bonds USD	Vanguard	Barc.US 5-10 Y Gov/Cdt	Indexed	May 2015	Valley Forge, United States	Vanguard.com
Emerging Market Bonds	BlackRock	JP Morgan EMBI hedged in CHF	Indexed	January 2016	New York, United States	blackrock.com
Emerging Market Bonds	MFS	JP Morgan EMBI hedged in CHF	2%-3%	January 2011	Boston, United States	mfs.com
Emerging Market Bonds	GMO	JP Morgan EMBI hedged in CHF	3%-5%	January 2011	Boston, United States	gmo.com
Senior Loans	Barings	CS Loans index hedged in CHF	3%-5%	October 2012	New York, United States	babsoncapital.com
Senior Loans	Credit Suisse	CS Loans index hedged in CHF	2%-4%	October 2012	New York, United States	credit-suisse.com
Senior Loans	NN	CS Loans index hedged in CHF	2%-4%	October 2012	Phoenix, United States	Inginvestment.com
US Real Estate	PRISA LP	NCREIF Fund Index ODCE	-	February 2015	Madison, United States	pramericarei.com
European Real Estate	Warburg Henderson	6.5% p.a.	-	December 2006	Hamburg, Germany	warburg-henderson.com
European Real Estate	CBRE	-	-	December 2018	London, United Kingdom	cbre.com
Swiss Real Estate	Credit Suisse	SXI Real Estate Fund Index	-	November 2008	Zürich, Switzerland	credit-suisse.com
Insurance Linked Securities	Scor	Swiss Re Global CAT bond Hedged CHF	-	December 2019	Paris, France	scor.com
Insurance Linked Securities	Gam	Swiss Re Global CAT bond Hedged CHF	-	December 2019	Connecticut, USA	gam.com/fr/managers/fermat-capital-management

9.7 Schedule D: Asset allocation

Asset Allocation as of 31 December 2019				
Assets	**MCHF**	**Current weightings**	**Strategy**	**Deviation from the strategy**
Global equities	**261.4**	**41.2%**	**40.0%**	**1.2%**
Developed markets	212.0	33.4%	32.0%	1.4%
Emerging Markets	49.4	7.8%	8.0%	-0.2%
CHF bonds[a]	**194.4**	**30.6%**	**31.0%**	**-0.4%**
Investment grade bonds USD	57.8	9.1%	9.0%	0.1%
Emerging countries bonds	89.0	14.0%	14.0%	0.0%
Senior loans[b]	47.6	7.5%	8.0%	-0.5%
Real Estate	**120.4**	**19.0%**	**20.0%**	**-1.0%**
European Real Estate	22.9	3.6%	5.0%	-1.4%
U.S. Real Estate	35.2	5.6%	5.0%	0.6%
Swiss Real Estate	62.3	9.8%	10.0%	-0.2%
Other Investments	**30.6**	**4.8%**	**5.0%**	**-0.2%**
Insurance Linked Securities[a]	30.6	4.8%	5.0%	-0.2%
Cash	**27.5**	**4.3%**	**4.0%**	**0.3%**
Total	**634.2**			

Note: Numbers may not add precisely to totals provided due to rounding.

a Hedged in CHF. The Plan hedges 80% of foreign bonds and ILS investments renewed quarterly, which accounted for USD 143.1 million at end-2019.

b Senior loans are floating rate fixed income instruments, granted to sub-investment grade borrowers, have the highest level of seniority in the capital structure of corporate issuers and are secured by the assets of the borrowing company.

9.8 Schedule E: Investment performance

Investment Performance as of 31 December 2019 (expressed in nominal terms)					
	Over 1 year p.a.	Over 3 years p.a.	Since inception p.a.	TE[a]	IR[b]
TOTAL					
Consolidated securities	**12.6%**	**5.7%**	**5.4%[c]**	**0.87%**	**-0.88**
Added value	-1.6%	-0.7%	-0.1%		
EQUITY					
Consolidated equities	**22.1%**	**10.1%**	**8.2%[c]**	**0.17%**	**-1.42**
Added value	-0.4%	-0.2%	0.4%		
Developed markets	**23.7%**				
Added value	-0.3%				
Emerging markets	**15.6%**				
Added value	-0.7%				
FIXED INCOME[d]					
Consolidated fixed income[e]	**7.9%**	**2.3%**	**3.3%[c]**	**1.16%**	**0.10**
Added value	0.4%	0.1%	0.2%		
Emerging countries bonds	**10.9%**				
Added value	-0.3%				
Senior loans	**3.8%**				
Added value	-1.2%				
Investment grade bonds USD[f]	**6.8%**				
Added value	-0.3%				
REAL ESTATE					
Consolidated real estate	**5.9%**	**3.8%**	**4.4%[g]**	---	---
Added value[h]					
Warburg Henderson	**-0.9%**	**8.1%**	**5.0%[i]**	---	---
Added value[h]					
CBRE	**2.2%**				
Added value[h]					
Prisa[j]	**3.2%**	**4.6%**	**6.3%**	---	---
Added value[k]	-0.3%	-0.8%	-3.5%		
Credit Suisse	**9.8%**	**1.0%**	**4.3%[l]**	---	---
Added value[m]	-10.9%	-5.8%	-1.9%		
OTHER INVESTMENTS[d]					
Insurance linked Securities[n]	**-0.5%**				
Added value	-0.7%				

Note: Performances are presented net of fees and costs. Consolidated performances are calculated taking into account previous investment vehicles, which were liquidated prior to this reporting exercise and do not appear separately in the table.

a TE = tracking error over 3 years

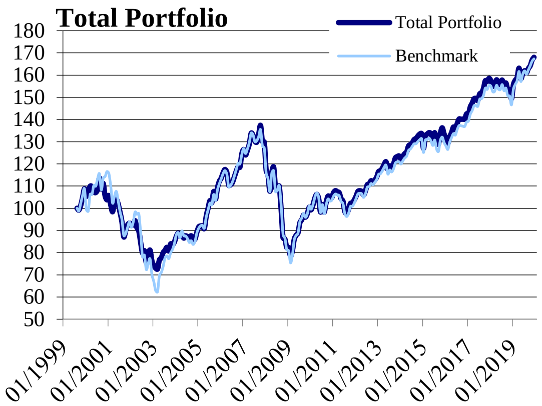
b IR = information ratio over 3 years

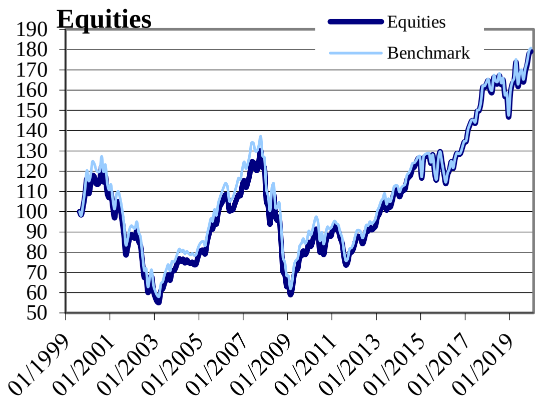
c Inception in August 1999.

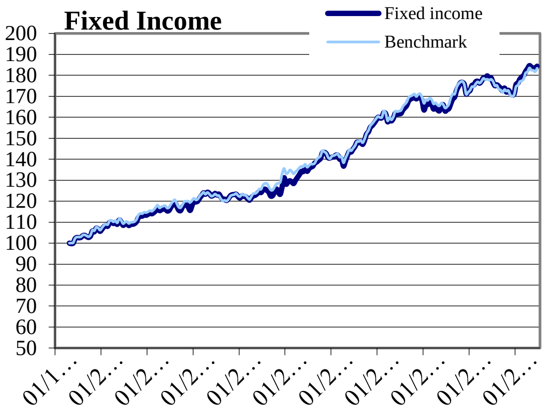
d In line with its investment principles, the Plan minimizes currency risk on its fixed income and ILS investments by investing in CHF-denominated instruments, or by hedging investments denominated in currencies other than CHF. In the latter case, the hedging instruments' gains, losses, and costs are embedded in the asset class' performance, which is consistent with the fact that the return target expected out of these instruments is being considered in CHF terms when making investment decisions. For example, in 2019, the Plan's consolidated fixed income portfolio returned 9.7% before hedging operations undertaken by the Secretariat as a protection against currency risk. The hedging instruments covering these investments against currency volatility reduced this performance to 7.9%, which is shown in this table as the asset class' net annual performance. This compares favourably to returns that would have been achieved had the Plan instead invested in Swiss bonds (SBI AAA-BBB), i.e. 3.0% in 2019.

e In addition to the bonds' performance, the consolidated fixed income performance also includes the interest paid on the Plan's cash.
f Inception in June 2015.
g Inception in February 2005.
h There is no formal benchmark for this investment.
i Inception in December 2006.
j The first investment was done on Q1 2015.
k Benchmark: NCREIF Fund Index.
l Inception in November 2008.
m Benchmark: SXI Real Estate Funds Index.
n Inception in December 2019.

9.9 Schedule F: Investment performance history from inception to 31 December 2019





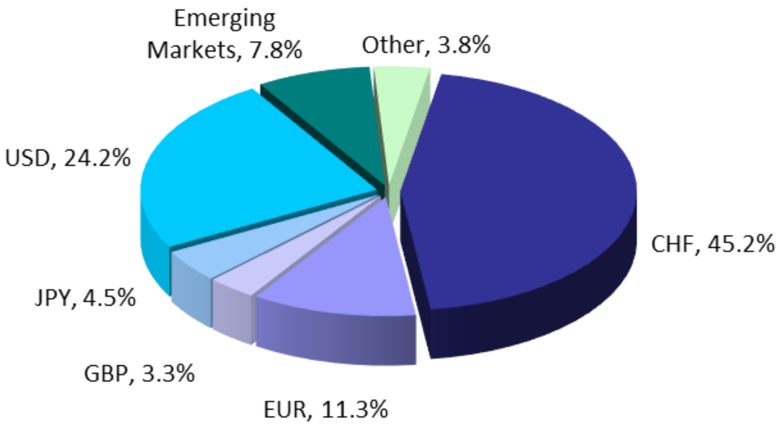


9.10 Schedule G: Exchange rates used for closing on 31 December 2019

Currency	Exchange rates
CHF per 1 EUR	1.0870
CHF per 1 USD	0.9684
CHF per 1 JPY[a]	0.0089
CHF per 1 GBP	1.2828

a JPY per 1 CHF: 112.2270

Figure 6 : Currency breakdown as of 31 December 2019 after hedging



9.11 Schedule H: Participation in the Pension Plan

The following tables show the trends in the numbers of participants and beneficiaries in the Pension Plan in the course of 2019.

Number of participants and beneficiaries on 31 December 2019

	2018	2019
Active members	702	718
Beneficiaries	369	393

Participants in the Pension Plan in 2019

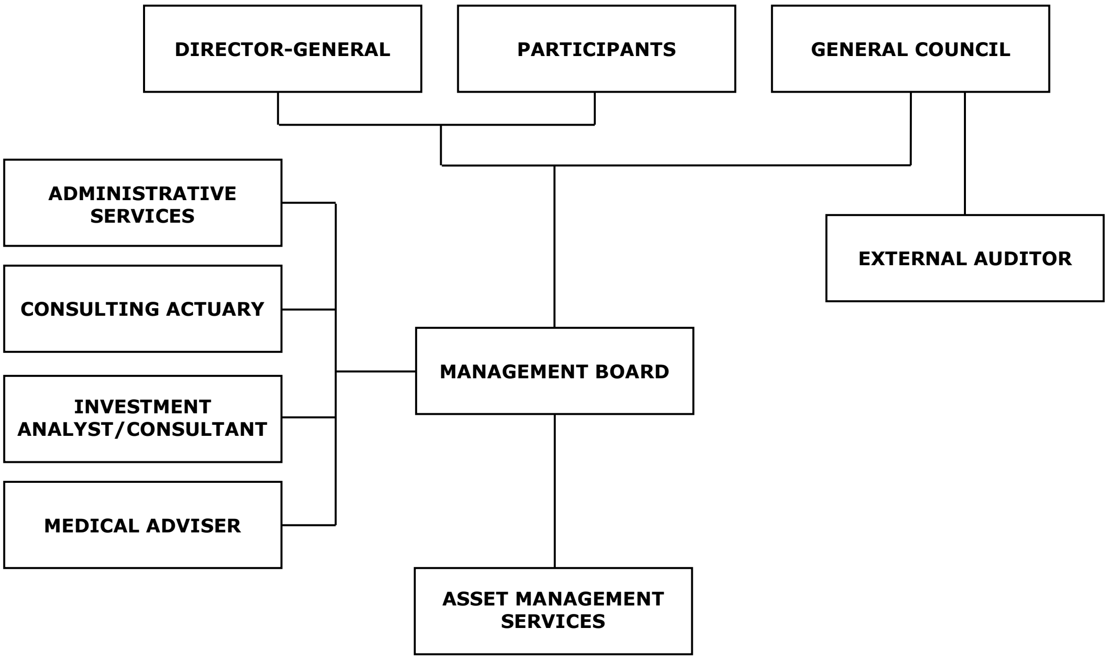
Total number on 31 December 2018	702
Movements in 2019	
- Entries	104
- of which re-entries under the terms of Art. 15(b) of the Regulations	25
- Separations	88
Total number on 31 December 2019	**718**
Breakdown of separations in 2019	
- retirement	13
- early retirement	7
- deferred retirement	4
- withdrawal settlement	21
- transfer out	0
- deferment of decision	42
- death	1
- disability	0
Total separations	**88**

Benefits paid by the Pension Plan

Type of benefit	At 31 December 2018	New benefits in 2019	Benefits ended in 2019	At 31 December 2019
Retirement[a]	164	13	-2	175
Early retirement[b]	119	9	-2	126
Deferred retirement[c]	25	4	-2	27
Surviving spouse's benefit	18	6	0	24
Partial /total disability benefit	23	0	-1	22
Child's benefit	20	2	-3	19
Total benefits	**369**	**34**	**-10**	**393**

a Includes deferred benefits that commenced being paid, as applicable.
b Includes two deferred benefits that commenced being paid in 2019.
c Includes only deferred pension benefits not yet in payments, for former staff members who made that choice on their separation and those who made the choice later, after initially deferring their decision. Deferred pensions in payments are classified as retirement or early retirement benefits.

9.12 Schedule I: Structure of the WTO Pension Plan



9.13 Schedule J: Glossary of terms

Accrued expenses include expenses incurred but not paid in the current accounting year.

Accrued income includes income which has been earned but not yet received in the current accounting year.

Active investment management is a form of portfolio management whereby the portfolio manager invests the assets in a manner different from the benchmark in an attempt to produce higher returns than the benchmark. The disadvantages of such a management style are characterized by higher management fees, higher trading costs as well as the risk of significantly underperforming.

Actuarial expenses include expenses charged by the consulting actuary for the provision of actuarial services.

Administrative costs include costs incurred in the general administration of the Pension Plan. They do not include the costs for the Plan's Secretariat, which are borne by the WTO (Article 5(f) of the Plan Regulations).

Commutation refers to retirement benefits, early retirement benefits and deferred retirement benefits commuted at the request of the participant, into a lump sum not exceeding 1/2 of the actuarial equivalent of the benefit or the amount of the participant's own contributions, whichever is the larger.

Consultancy fees include the fees charged by the investment analyst/consultant.

Contributions refer to sums payable for restoration, validation and benefit as detailed in Art. 20 of WTOPP Regulations.

Contributions receivable refers to contributions due in respect of contributory service in the accounting year but received after 31 December of the accounting year.

Currency hedging. In line with the Plan's investment principles, the Plan seeks to limit exposure to currency risk on debt instruments because they bear a currency risk that is theoretically not compensated in the long term, and because they play a stabilizing role to regulate the portfolio's short term volatility and allow rebalancing gains. When investing in debt assets denominated in currencies other than CHF, the Plan therefore hedges the currency risk. Technically, this involves the use of forward contracts, in which two parties agree to exchange a set amount of one currency for another at a predetermined exchange rate at some future date. If the currency of the investment depreciates causing losses on the portfolio, the hedging instruments will offset some of these losses. Hedging can have a cost, largely based on differences between lending and borrowing interest rates of the respective currencies.

Currency revaluation represents the adjustment of foreign currency-denominated bank account balances at 31 December 2019 to the exchange rate for that day. This adjustment reflects the variation in the exchange rate applicable to foreign currency-denominated bank account balances at the beginning of the year and in the exchange rates applicable to movements in the same accounts during the year, at the time each transaction took place.

Indexed management is a form of portfolio management that attempts to deliver the returns of the underlying benchmark by replicating exactly or by getting as close as possible to the composition of the benchmark at any point in time. It differs from active management in that it is significantly less costly and does not reflect the views, forecasts or opinions of the investment manager.

IR or Information Ratio is defined as the outperformance of the investment manager above the index divided by the portfolio's tracking error. The information ratio is used to represent a manager's skill. Generally, any ratio over 0.30 is thought of as demonstrating skill. IR refers to the information ratio over three years.

Insurance Link Securities (ILS) are financial instruments whose values are driven by insurance premiums and loss events. ILS enable re/insurance companies to enter into a risk transfer contract with investors in the capital markets, where the investor puts a collateral in exchange for a premium. Depending on whether the risk happens, the collateral will be drawn or returned to the investor, and the premium adjusted for the next term.

Interest on validations and **interest on restorations** refer to interest payments made under Articles 20(d) and 20(e) of the Plan Regulations.

Management fees include fees paid for the management of WTO portfolios.

Organization, additional contributions refers to the additional contributions paid by the Organization to compensate for the additional actuarial cost generated by the early separation of participants in the context of restructuring exercises.

Profit/loss on securities is the result of:

- capital gain/loss realized on securities;
- profit arising from the distribution of dividends and interest received on investments;
- revaluation of securities at their market price at 31 December (unrealized profit or loss).

Rate of return is the percentage of change in value of the portfolio over a specified period, taking into account both the investment income and the change in the market value of the portfolio. It is expressed as an equivalent annual rate. <u>The nominal rate of return</u> is the financial return of the assets and is before correction for inflation (measured on the basis of the annual movement of the consumer price index in Switzerland). <u>The real rate of return</u> is calculated by subtracting the change in the Swiss CPI from the nominal rate of return. The term gross means that the return is calculated before the deduction of investment related costs while the term net refers to the return including all investment related expenses. <u>The target real rate of return</u> is the long-term real rate of return that the Plan needs to achieve in order to meet its liabilities.

Rebalancing refers to the realignment of the allocation of the Plan's portfolio with its strategy. A predefined process identifies the triggers and other operational aspects (e.g. timing) of rebalancing actions. The rules are approved by the Board and applied automatically. This mechanism takes advantage of the inevitable excesses of financial markets.

Regulations and Administrative Rules refer to the Regulations and Administrative Rules adopted by the General Council on 16 October 1998, as amended by the General Council on 1 December 2005, on 28 July 2009, on 26 October 2011, on 30 November 2015, on 7 December 2016 and on 26 July 2017.

Restoration refers to the inclusion in contributory service of the prior contributory service of a former participant who again becomes a participant.

Senior loans are floating rate fixed income instruments, granted to sub investment grade borrowers, have the highest level of seniority in the capital structure of corporate issuers and are secured by the assets of the borrowing company.

Time-weighted return is a measure of compound return. It reduces the distorting effect of inflows and outflows and is used to compare the returns of investment managers and their respective benchmarks. The time-weighted return is very similar to the geometric mean return.

TE or Tracking error is defined as the standard deviation of the portfolio's outperformance versus the benchmark. It is used as a measure to determine the risk of the portfolio versus its benchmark. This measure should not be confused with absolute risk; even though a portfolio has a very low tracking error, it can still be very risky due to the underlying nature of the market in which it invests. For an indexed management mandate, the tracking error would usually be less than 0.8. Anything above this would be considered active. TE is over 3 years.

Validation is defined in Art. 2(v) of WTOPP Regulations, as the inclusion in contributory service of a period of non-contributory service which occurred prior to the commencement of participation.

Withholding taxes to be recovered includes amounts of withholding tax levied by national tax authorities and subject to recovery after 31 December 2019. Recoverable withholding tax reflects the Plan's recognition as a tax-exempt entity due to its connection to the WTO. As an International Organization, the WTO is exempted from most national taxes such as value-added tax (VAT), federal stamp duty and tax on the interest earned on investments. Annually the Plan files tax reimbursement claims to the Swiss and other authorities. Occasionally the Plan's tax-exempt status is not automatically recognized by some national jurisdictions, in which case significant administrative and political intervention is often required to have this status fully recognized.

ANNEXES

ANNEX 1 NOTES TO THE FINANCIAL STATEMENTS

1. Pursuant to Article 14(a) of the Regulations of the Pension Plan, the unit of account of the Pension Plan is the Swiss franc. For practical reasons, the current United Nations operational rates of exchange are used for the conversion of other currencies into the Swiss franc, except in the case of the investment portfolios where the rates shown in Schedule G were used for valuation purposes.

2. The accounting year is 1 January to 31 December.

3. Pursuant to Article 13 of the Regulations of the Plan and Rule A.8 of the Rules of Procedure, the Management Board shall be responsible for the financial security and probity of the Plan and, in particular, the maintenance of its actuarial balance and of financial controls and accounts.

4. Pursuant to Article 5(e) of the Regulations of the Plan and Rule C.1 of the Rules of Procedure, an audit of the accounts of the Plan shall be made annually by the External Auditor, namely the External Auditor of the WTO. The provisions of Chapter XI ("External Audit") and the Appendix ("Additional terms of reference governing external audit") of the WTO Financial Regulations shall apply mutatis mutandis to the audit.

Statement of income and expenditure

5. The Pension Plan registered a profit on securities of CHF 71.9 million, which was the main source of income in 2019. This represented a 12.6% nominal investment return and taking Swiss inflation into account 12.4% in real terms. The investment return exceeded the Plan's long-term target of 3.5% and has increased significantly compared to the year before. Notwithstanding this good performance, current economic circumstances remain challenging and there is a strong sentiment among investment professionals that earning high returns in the current low interest rate environment will be more difficult in the next few years.

6. Regular contributions received from the Organization and the participants amounted to CHF 29.1 million, which was slightly more than the previous year. Further, in 2019 the Organization has paid CHF 1.5 million of additional contributions, which represent the actuarial cost generated by early separation of participants in the context of a restructuring exercise. Transfers from other organizations have decreased, however these can fluctuate each year as they represent assets brought by new participants transferring their pension rights from another organization.

7. Total contributions into the Plan still exceeded the sum of periodic benefit and lump sum benefit payments in 2019. However, the benefits paid in 2019 were about CHF 2.5 million higher than the year before. Periodic benefits amounted to CHF 24.2 million and lump sum benefits amounted to CHF 4.0 million.

8. The Plan received CHF 0.3 million as reimbursements of claims under its death and disability insurance coverage. The premium paid for the same insurance remained at CHF 1.0 million in 2019. Investment and other administrative expenses have slightly increased to about CHF 0.9 million.

9. Investment and other administrative expenses are presented in further detail in Schedule B "Breakdown of Expenditures". The costs of providing a Secretariat for the Pension Plan are borne by the WTO and not reflected as a cost to the Plan. The Secretariat consists of a part-time Secretary and three full-time staff. In 2019, staff costs amounted to CHF 596,557 including salaries and benefits. Additionally, the Secretariat does not pay rent for office space and computers or phone services. These are estimated to be CHF 27,168 based on the WTO cost accounting methodology.

Balance sheet

10. The value of assets increased mainly due to investment gains registered in 2019. Cash and cash equivalents, which represent cash held for managing the operations of the Plan, increased to CHF 27.5 million in 2019, up from CHF 23.0 million in 2018. This increase in mainly due to the constitution of a reserve to fulfil pending capital commitments in the new European real estate fund vehicle held by the Plan.

11. Withholding taxes to be recovered amounted to CHF 2.5 million in 2019, a marked increase compared with CHF 1.1 million registered in 2018. This was mainly due to the identification and reclassification of withholding taxes paid on the international market that were previously considered foregone, following the Plan's 2018 external audit. The Pension Plan Secretariat will pursue the recovery of these withholding taxes, but it is unlikely that the full amount due will be recovered.

ANNEX 2 INVESTMENT PRINCIPLES OF THE PENSION PLAN

1. Pursuant to Article 13 of the Regulations of the Pension Plan and Rule A.9 of the Rules of Procedure, the Management Board shall be responsible for the secure investment of all Plan assets, the formulation of investment policies after taking appropriate professional advice, and the appointment of investment managers to implement that policy.

2. Derivatives may be used within the global hedged fixed income mandate for hedging purposes, where they provide the opportunities to achieve the objective of the Plan more efficiently than would be the case through the direct dealing in underlying securities. Derivative instruments for this mandate are restricted to forward foreign currency contracts, futures, covered bond options and interest rate options. Leverage and net short positions are not allowed.

3. In 2013 the Management Board approved a consolidated set of investment guidelines to articulate more precisely the Plan's approach to investment. A summary of these guidelines was shared with Plan participants and beneficiaries and can be found below.

Summary of the WTO Pension Plan's approach to investment

Long-term investing

4. The WTOPP is a long-term investor because its commitments are long-term and because behavior and decisions made with a long-term view are more likely to succeed. The long-term focus is rooted in the belief – supported by historical analysis – that in the long run, market returns will tend to reflect the assets' economic achievements.

5. This long-term orientation enables the Management Board to deploy its time efficiently by focusing on investment decisions with significant impact on portfolio returns while avoiding time spent on issues where the outcome is random or where the long-term impact is negligible.

6. Cognizant of the unreliable nature of short- or medium-term forecasts and the potential losses they may cause, the Management Board will not engage in "timing" short-term market fluctuations. Bets on the short- or medium-term evolution of financial markets may convert temporary losses into permanent impairment of capital.

Investment risk

7. The WTOPP should be concerned with permanent capital impairment. Non-recoverable loss permanently reduces future earning power. For example, money lent to a borrower that cannot fully honor its debt will not only permanently impair capital but also its capacity to generate future earnings.

8. Price volatility is commonly considered as a measure of investment risk. However, volatility fails to measure long-term investment risk and is only a threat to long-term investors if they misread its significance. For example, if a company's share price quickly falls by 50%, its volatility will skyrocket. However, if the long-term perspective of the company has not changed, the risk for investors has been greatly reduced, not increased. Thus, investors should focus on the long-term perspective not on market driven price volatility.

9. The valuation of an asset affects its future returns. Therefore, the valuation of assets is a risk that can produce damages similar to permanent capital loss. This is why it should be monitored on an on-going basis.

10. Monitoring the valuation does not constitute an attempt to predict the short-term evolution of market prices, but to appraise the long-term potential profitability of an investment given its current characteristics.

Allocation of assets

11. Asset allocation is the main source of portfolio returns. Particular attention will therefore be paid to the definition and implementation of WTOPP's "strategic asset allocation".

12. Each asset class in the portfolio must generate a measurable income and must contribute to increasing the value of the WTOPP's assets. This increase must be driven by reliable, identifiable economic factors. The prospective return potential of each asset class may be assessed on the basis of these appropriate factors.

13. The WTOPP will maintain adequate diversification because expected returns on asset classes may take a long time to materialize and because the non-correlation of different assets helps dampen volatility and hence help avoid ill-considered decisions.

14. Asset classes and financial structures that do not produce income, lack transparency or use significant leverage are not appropriate for WTOPP. Commodities, hedge funds, venture capital, as well as structured products are therefore excluded from WTOPP's investment universe.

15. The WTOPP seeks to avoid changes in asset allocation based on short-term views and forecasts: all too often such changes only result in increasing costs. Changes in asset allocation are only warranted when justified by significant changes in the measurable characteristics of the Plan's investments allocated to an asset category or by fundamental changes in the Plan's liabilities or structure.

Style of management

16. The objective of the implementation process is to execute the investment strategy as closely as possible while minimizing costs and avoiding unwanted implementation risks.

17. The Management Board implements the WTOPP's strategic allocation predominantly through indexed vehicles or portfolios.[1] Indices will be selected with utmost care, so that they truly represent the asset class in which the WTOPP's strategy intended to invest.

18. The choice of passive management is motivated by the observation that, over time, active management has performed less well, is less diversified, less predictable and more costly. Moreover, active management tends to be based, in most cases, on short-term views.

19. The WTOPP may use active management when passive management is not feasible or when tangible and clearly identifiable reasons lead to the belief that active management represents a better path.

20. Overall, the Plan will strive to minimize risks related to the implementation of the investment strategy. These risks include, but are not limited to, active management risk, unwanted credit risk and legal structure risk.

Rebalancing

21. The WTOPP adopts a counter-cyclical approach through a systematic annual rebalancing mechanism whose function is to maintain the weight of the assets aligned with the strategic allocation.

22. The systematic rebalancing is an effective way for the Plan to maintain a stable exposure to the market while taking advantage of market volatility.

Cost and conflicts of interest

23. Cost sensitivity is an integral part of the investment strategy. Costs should be maintained as low as possible without hindering the Plan's capacity to achieve its targets.

24. The supply of investment services or products is primarily driven by the financial interests of providers rather than by investors. The Management Board will therefore be particularly vigilant in

[1] Indexed vehicles aim to generate returns that are equal to those of a market index.

choosing investment solutions that fit in its strategy and targets. The WTOPP will avoid investment vehicles in which the investment manager is paid a performance-based fee.[2]

25. The investment guidelines adopted by the Management Board are intended to generate sustainable returns over time and promote sound decisions even in times of economic stress and uncertainty. The guidelines are periodically reviewed to ensure they remain appropriate to the structure and circumstances of the Plan.

[2] Such arrangements are unfair for investors because of the asymmetry of risk and reward