



WORLD TRADE
ORGANIZATION

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**General Council
27-28 July 2021**

WTO PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2020

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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 2020 Annual Report prepared in accordance with Article 5 of the Regulations of the Plan.

2020 was an unprecedented and challenging year with the spread of the Covid-19 pandemic affecting many aspects of our lives. Nonetheless, the pandemic has not materially affected the regular operations of the Pension Plan nor the Board's ability to govern. Since the restrictions caused by the pandemic have been put in place, the Pension Plan Secretariat and the Management Board successfully continued to maintain regular operations remotely and to hold Board and Working Group meetings virtually.

The spread of Covid-19 has created sharp movements in financial markets in the first quarter of 2020. Fortunately, the WTOPP portfolio is designed to withstand a certain amount of volatility. As a long-term investor the Plan can tolerate, and even benefit from, volatility, through a rebalancing discipline of buying new assets at better relative prices. This year the Board made an important decision to review the Plan's strategic asset allocation and increase exposure to equity markets from 40% to 50%. The relatively favourable cash-flow profile combined with lower asset prices due to the Covid crisis supported this decision. However, potentially adverse longer-term consequences of the economic impacts of the global pandemic cannot be ignored.

In 2020, the WTO Pension Plan investment portfolio had a nominal return of 4.2%. This is above the long-term target rate of return used in the actuarial assumptions. The 2020 performance results partly from the Management Board's opportune decisions, at a time when equity prices were particularly favourable, to rebalance the portfolio while increasing the strategic allocation to equities. The positive return in 2020 was also due to increasing market valuations. In this regard, it is important to understand that price volatility as measured by the value of the portfolio on 31 December of each year is usually 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.

Apart from changing the strategic asset allocation, the work of the Management Board in 2020 included a successful completion of a comprehensive review of all actuarial assumptions of the Plan based on the Plan's actual experience, which will be used in the forthcoming actuarial valuations. Following the sudden and unexpected decision by Mercer to make the Plan's lead actuary redundant in the second half of 2020, the Board promptly commenced a procurement process for new actuarial advisory services, which has been completed in early 2021. Furthermore, in July 2020, the full renewal of Board membership for a new three-year term ending in July 2023 was completed.

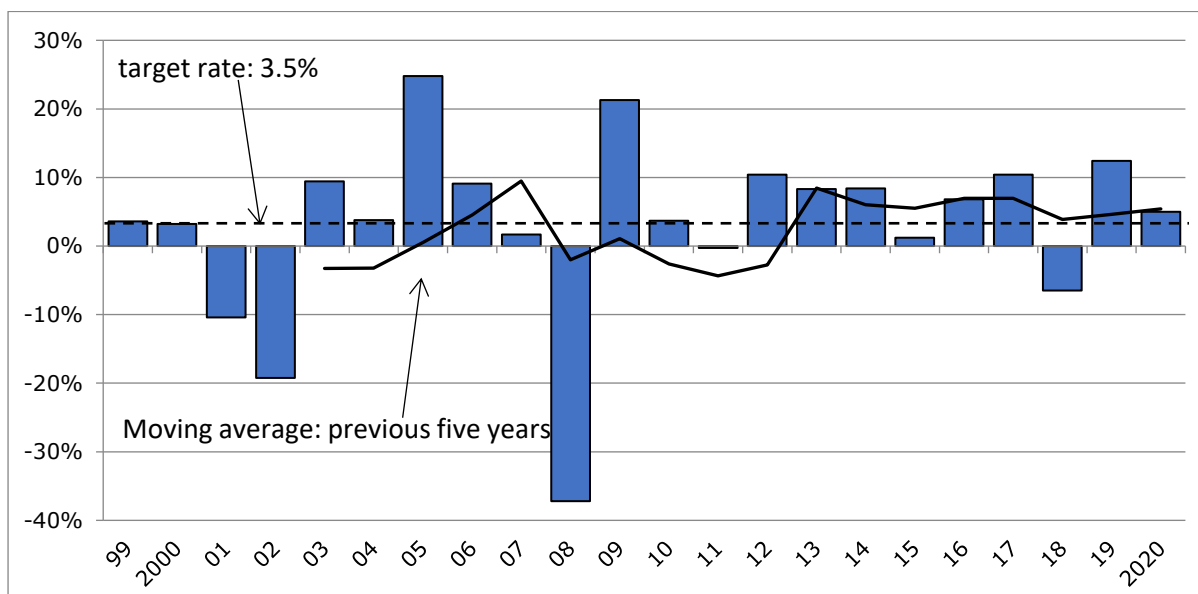
In closing, I would like to thank the members of the Management Board for their engagement and valuable contributions to matters concerning the Plan. On behalf of the Management Board, I would like to thank WTOPP Secretariat staff for their support and service. The Management Board and the Plan's Secretariat 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 2020 investment return caused an increase in the five-year average annual investment return to 5.4%. This was partly due to opportune investment decisions by the Management Board to review the strategy and increase equity holdings at a time where their prices were favourable (see paragraphs 3 and 14 below). The 2020 investment performance was also due to increasing market valuations. 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.

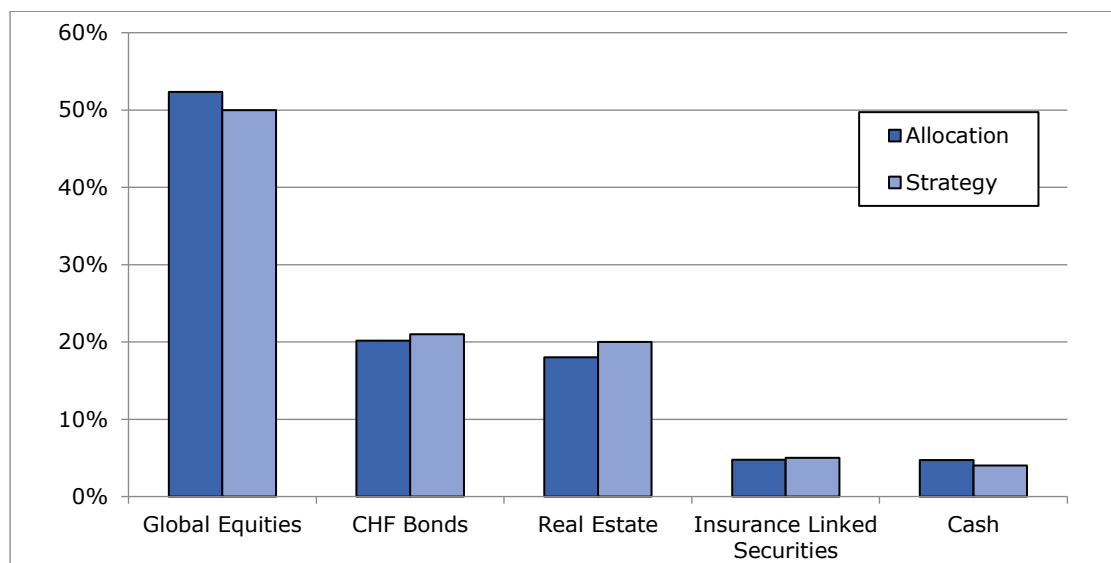
2. In 2020 the Pension Plan's portfolio delivered a nominal rate of return of 4.2%. As Swiss inflation for 2020 was -0.8%, the portfolio's real return was 5% for the year.

Table 1 Net investment return

	Nominal	Real
2018	-5.8%	-6.5%
2019	12.6%	12.4%
2020	4.2%	5.0%

1.2 Asset allocation

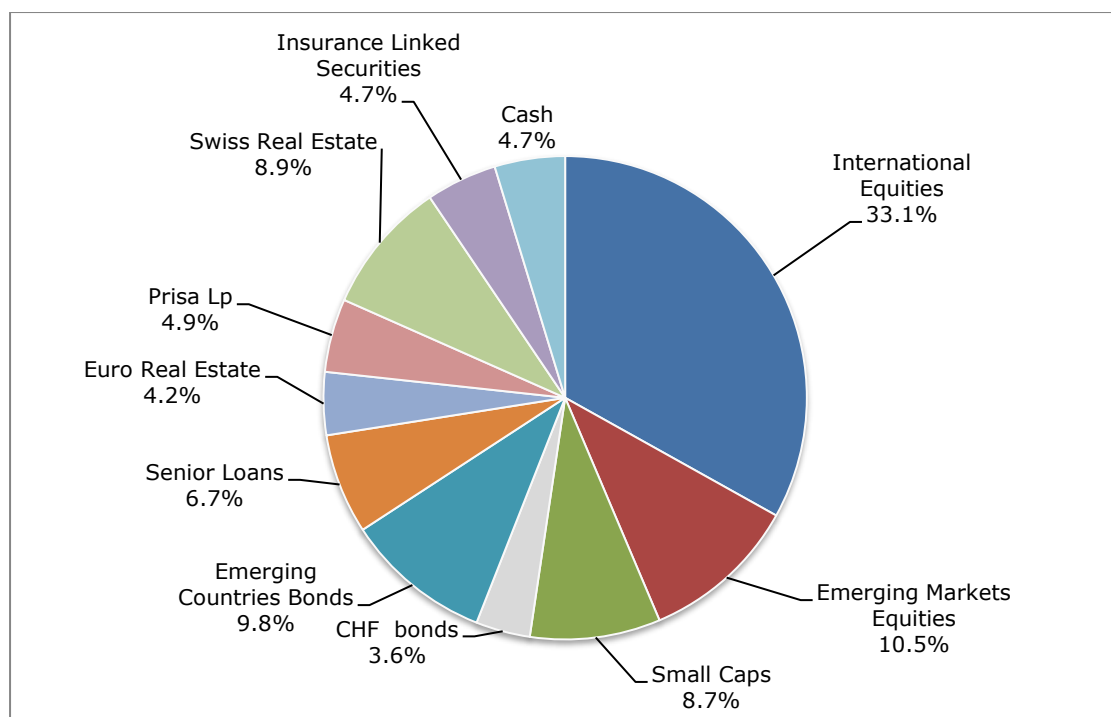
Figure 2 Asset allocation as of 31 December 2020, actual vs. strategy



3. Figure 2 represents a new strategic asset allocation as of 2020, due to the Management Board's decision to increase exposure to equity markets from 40% to 50% by reducing the fixed income exposure from 40% to 30%. Asset allocation is the main source of the Plan's portfolio returns.

4. 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. Since a Board decision in 2020, a rebalancing will also be triggered by changes in financial markets causing the weight of equities in the portfolio to deviate from the strategic allocation by more than 10%.

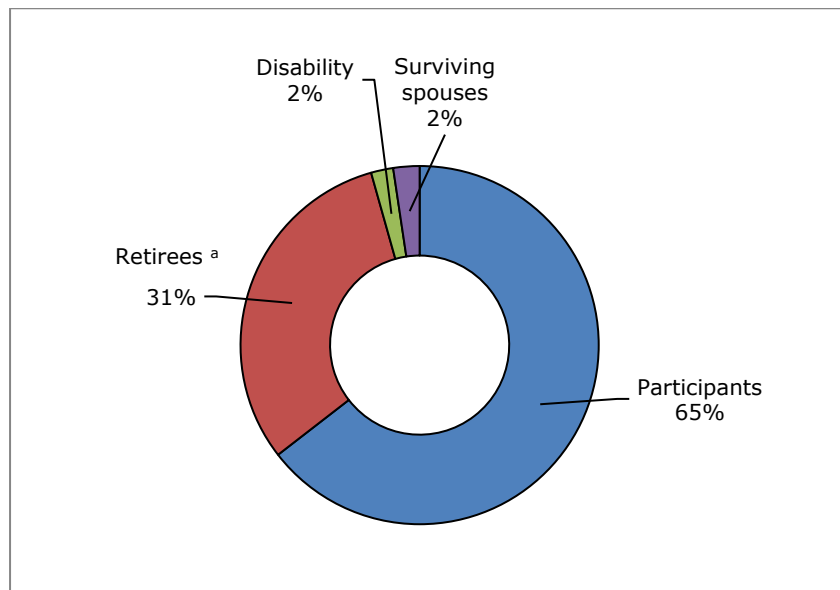
Figure 3 Detailed asset allocation 2020



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

1.3 Participants and beneficiaries 2020

Figure 4 Plan membership by type



a including deferred retirement benefits.

5. The number of participants has remained largely stable. On 31 December 2020, there were 709 participants, down from 718 on 31 December 2019. On the other hand, the number of beneficiaries increased from 393 to 408 over the same period.

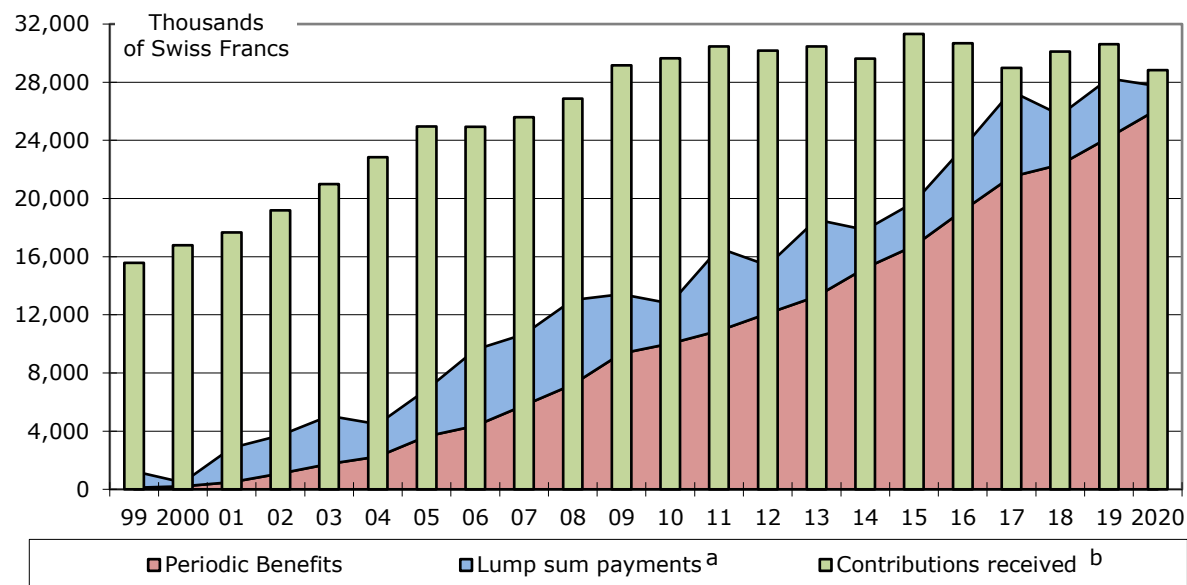
Table 2 Plan membership

Membership	2019	2020
Number of Participants	718	709
Number of Beneficiaries	393	408

Table 3 Types of benefits

Types of benefits	Total number		Average monthly benefit	
	Year 2019	Year 2020	Year 2019	Year 2020
Retirement benefits	175	182	CHF 7,000	CHF 7,000
Early retirement benefits	126	136	CHF 5,000	CHF 5,100
Disability benefits	22	22	CHF 5,600	CHF 5,600
Surviving spouse's benefits	24	26	CHF 4,000	CHF 4,100
Child's benefits	19	18	CHF 400	CHF 400
Deferred retirement benefits	27	24	-	-

6. 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 28.2 million in 2020, which is a similar amount compared to the year before. The periodic benefits have not yet exceeded the received contributions (CHF 28.8 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

7. In 2020 the WTO Pension Plan Management Board met five times in regular Board meetings and twice in special sessions. The meetings occurred in virtual or hybrid format due to Covid-19 restrictions, they took place on February 28th, April 30th, June 24th, September 25th and December 3rd. As ongoing items, the agendas for all 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 included 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. During the summer, a full renewal of Board membership for a new three-year term ending in July 2023 was completed.

8. Outside the formal Board meetings, the Management Board Working Groups met six times. For comparison, the working groups met 12 times in 2019, nine times in 2018, and six in 2017. The meetings included four on the topic of investment (to prepare a revision to the investment strategy and asset allocation, and as an orientation of new members), and two on actuarial issues (focused on the finalization of the assumptions for the pending valuation and as orientation of new members).

9. In 2020 the Board made important investment decisions, such as revising the Plan's strategic asset allocation to include 50% equities, 30% fixed-income and 20% real estate, changing three investment vehicles and introducing an additional rule for rebalancing. The decisions were followed by revising the Plan's Investment Guidelines accordingly.

10. Another significant accomplishment by the Board was adopting a revision of Plan's assumptions used for the actuarial valuation, based on a comprehensive review of experience and expectations for future medium-term economic developments. Further to this comprehensive review, the Secretariat produced a report enabling the Board to monitor the assumptions in comparison with the Plan's actual experience on an annual basis.

11. Through an exchange of official letters, the Board extended the scope of the transfer agreement with OECD and related organizations to permit its application to participants on special leave without pay.

12. In September the Board was informed that Mercer, its actuarial service provider, had made the Plan's lead actuary redundant. As this was disruptive for the Plan, the Board decided to end the contract with Mercer and launch a procurement exercise, which has been completed in early 2021.

3 REVIEW OF THE WTOPP INVESTMENT PERFORMANCE

13. The investment portfolio had a nominal return of 4.2% in 2020, compared to 6.1% for the Pension Plan's benchmark. The shortfall against the benchmark is mainly explained by the underperformance of the CS fund in Swiss Real Estate (point 19 below). Swiss inflation for 2020 was close to -0.8%. Hence, the portfolio's real return was 5.0% for the year, well above the plan's target. With the exception of global real estate investments, all investment categories generated positive returns for the year.

14. The Covid-19 crisis created significant volatility in the first quarter. The systematic rebalancing (see paragraph 3 above) enabled the portfolio to benefit from price fluctuations and acquire assets at lower prices. In order to meet the Plan's return needs, the Board decided to increase the exposure to equity markets from 40% to 50%. The relatively favourable cash-flow profile combined with lower asset prices due to the Covid crisis supported this decision.

15. The Plan's portfolio generated annual returns of +3.4% and +5.6% 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 1.9%.

16. In 2020, the Plan's portfolio continued to benefit from lower rates and rising valuations across all asset classes. Equity investments, which now represent 50% of the Pension Plan's target asset allocation, had a return of 5.5% close to the benchmarks (5.7%). Fixed income investments (21% of the Pension Plan's target asset allocation) returned 3.8% vs. 4.9% for the Plan's benchmark. CHF denominated bonds returned 0.9% during the year. Furthermore, investments in Insurance Linked Securities (5% of the Pension Plan's Strategic Allocation) had a return of 2.7% for the year compared to 4.6% for the benchmark.

17. While financial returns were generally positive in 2020, economic fundamentals deteriorated due to Covid 19. Global corporate earnings fell more than 20% and dividends declined around 15%. Default rates and bankruptcies increased and real estate investments saw vacancies increase and rents weaken.

18. Lower interest rates and accommodative government and central bank policies supported asset valuations, which increased significantly. Higher valuations reduce long-term return prospects.

19. Real Estate investments represent 20% of the target asset allocation. The return on this portion of the portfolio was -2.1% for the year. The Swiss real estate fund, managed by Credit Suisse, had a return of 0.5% in 2020 while the SXI index, which tracks the return of Swiss publicly traded real estate funds, had a return of 10.8%. Due to this large discrepancy, the Management Board has been monitoring this vehicle closely. Following investigations, the Board was reassured that the fund's underperformance did not reflect a fundamental deterioration compared to the average, but was mainly due to changes in valuations. 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 -4.9% (entirely due to currency fluctuations).

4 ACTUARIAL POSITION OF THE PLAN

20. The process of completing the full actuarial valuation based on data at 31 December 2019 has been interrupted in late 2020 as a result of the decision by Mercer to make the Plan's leading Consulting Actuary redundant. Nonetheless, an in-depth review of the Plan's actuarial assumptions had been completed and resulted in updating the assumptions related to external financial factors (such as inflation, rate of return), as well as internal demographic changes, in order to better reflect the actual situation of the Plan. As a direct result, the draft versions of the full actuarial valuation have shown an increase in the long-term cost for the Plan.

21. The recruitment process of the new Consulting Actuary has been completed in the first half of 2021 and the process of finalizing the full actuarial valuation and addressing the increased long-term cost will be treated with the utmost priority in the course of 2021.

5 IPSAS ACCRUED LIABILITIES OF THE PLAN

22. 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.

23. 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 2020. Unlike the Plan's actuarial valuation discussed in Section 4 above, the IPSAS estimate does not consider future pension contributions receivable from current and future staff and uses a different methodology for setting the discount rate.

24. 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 2020

25. 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.

26. 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.

27. Key components of the governance and administrative structure of the Pension Plan included the following on 31 December 2020.

Mr. Jean-Marc van Dril, Chairperson			
Mr. Robert Cook	Members elected by the General Council	Ms. Antonia Carzaniga	Members appointed by the Director-General
Ms. Alicia Goujon		Mr. Christian Dahoui	
Mr. Conor Harrington		Mr. Rainer Lanz	
Ms. Darija Sinjeri		Mr. Thomas Verbeet	
Ms. Wei-Ting Chiu	Alternates elected by the General Council	Ms. Kerry Allbeury	Alternates appointed by the Director-General
Mr. Loudon Mattiya		Ms. Laura Monnet	
Mr. Rodolfo Rivas		Ms. Nthisana Phillips	
Ms. Chiara Santangelo		Ms. Zheng Wang	
Mr. Robert Luther	Observer on behalf of the beneficiaries		
Mr. Paul Rolian	Alternate observer on behalf of the beneficiaries		

Secretariat	John Breckenridge, Secretary Yann Marcus, Pensions Officer Dário Muhamudo, Pension Specialist Martyna Ozimek, Pension Specialist
Accounting and Outsourced Administrative Support services	Trianon S.A.
Consulting Actuary	Vacant
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 (Small cap equity portfolio, Swiss bond portfolio, 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) Warburg Henderson (European real estate portfolio) CBRE (European real estate portfolio) Scor (Insurance Linked Securities) Gam (Insurance Linked Securities)
External Auditor	French Court of Audit

7 ACCOUNTS

28. 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.

29. The income and expenditure statement for the period 1 January – 31 December 2020 is reproduced in Statement 1.

30. The balance sheet as at 31 December 2020 is reproduced in Statement 2.

31. The source and application of funds for the period 1 January – 31 December 2020 are reproduced in Schedule A.

32. Details of the exchange rates used for closing the accounts on 31 December 2020 and the currency breakdown as of 31 December 2020, after hedging, are provided in Schedule G.

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

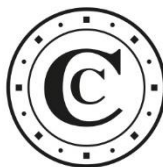
34. Explanations of significant events in the 2020 accounts can be found in the notes in **Error! Reference source not found.**

8 EXTERNAL AUDITOR

35. The report of the External Auditor on the Accounts of the WTO Pension Plan for the Year ended 31 December 2020 is produced separately from the Annual Report.

OPINION OF THE EXTERNAL AUDITOR

Cour des comptes
FRANCE



Le Premier président

Paris, June 16th 2021

To

Mr Jean-Marc VAN DRIL

Chairman of the Management Board of the
Pension Plan of the World Trade
Organization

AUDIT OPINION

We have audited the Financial Statements of the Pension Plan of the World Trade Organization (WTOPP) for the 12 months period ended 31 December 2020. These Financial Statements include a Statement of income and expenditure, the Balance Sheet and additional tables. They have been prepared in conformity to the Status and Rules of procedure of the Plan under the responsibility of the Secretariat of the Management Board of the Pension Plan of the World Trade Organisation, and in accordance to the principles and accounting methods in use since the creation of the Plan. Our responsibility is to express an opinion on these statements based on our audit.

We have conducted our audit in accordance with the International Standards on Auditing (ISA). These standards require us to plan and perform our audit in order to obtain reasonable assurance that the Financial Statements are free from material misstatements. An audit namely consists in collecting, by sampling, audit evidence regarding the amounts and the information presented in the financial statements. It also consists in evaluating the appropriateness of the accounting principles and estimates made by the Secretariat of the Plan, and the overall presentation of the Financial statements. We believe that the evidence collected is sufficient and appropriate to constitute a reasonable basis for our opinion.

In our opinion, the Financial Statements give a fair view of the financial position of the Pension Plan of the World Trade Organization as at 31 December 2020 in conformity with the special accounting framework of the Pension Plan of the World Trade Organization.

Emphasis of matter

We alert users that the Financial Statements are prepared in accordance with a special purpose framework and that, as a result, they may not be suitable for another purpose.

(signed)
Pierre MOSCOVICI

9 FINANCIAL STATEMENTS

9.1 Management letter of representation

36. Pursuant to Article 5(d) of the WTO Pension Plan Regulations, the Management Board of the WTO Pension Plan is responsible for these financial statements. The financial disclosures in this report are intended to fairly present the Plan's financial results in a manner that is complete and understandable.

37. 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.

38. 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 2020.

Jean-Marc van Dril

Chair

WTOPP Management Board

John Breckenridge

Secretary

WTO Pension Plan

9.2 Statement 1: Income and expenditure statement

INCOME AND EXPENDITURE STATEMENT (expressed in Swiss Francs)		
	2020	2019
Income		
Investment income		
Profit on securities	28,322,317	71,915,993
Currency revaluation	45,307	-
	28,367,624	71,915,993
Contributions		
Organization, regular contributions	19,216,651	19,360,684
Organization, additional contributions	-	1,543,138
Participants, regular contributions	9,608,334	9,680,348
Interests on validations	408	345
Restorations	-	11,887
Transfers from other organizations	-	13,094
	28,825,393	30,609,496
Reimbursements claims under the death and disability insurance	1,346,247	322,259
Total income	58,539,264	102,847,748
Expenditure		
Periodic benefits		
Retirement benefits (Art. 23)	15,209,952	14,179,112
Early retirement benefits (Art. 24)	8,169,088	7,481,849
Disability benefits – (Art. 28)	1,483,685	1,512,441
Surviving Spouse benefits (Art. 29)	1,180,840	939,585
Child benefits (Art. 30)	98,006	100,430
	26,141,571	24,213,417
Lump sum benefits		
Withdrawal settlements (Art. 26)	582,051	291,684
Commutations (Articles 23c), 24d), and 25c))	1,588,468	3,751,593
	2,170,519	4,043,277
Participants' death and disability coverage	697,185	992,115
Loss on investment		
Currency revaluation	-	133,446
Negative credit interest	166,885	104,237
	166,885	237,683
Investment and other administrative expenses		
Management fees	509,415	492,175
Tranion and other administrative costs	227,155	208,134
Consultancy fees	120,000	120,000
Actuarial expenses	46,000	53,000
Bank charges	24,946	24,499
	927,516	897,808
Total expenditure	30,103,676	30,384,300
Profit / Loss (-) for the period	28,435,588	72,463,448

9.3 Statement 2: Balance sheet

Balance sheet (expressed in Swiss Francs)					
Assets	At 31.12.2020	At 31.12.2019	Liabilities	At 31.12.2020	At 31.12.2019
Investments			Current liabilities		
Securities	632,128,748	606,736,638	Accrued expenses	161,828	175,837
Cash and cash equivalents ^a	31,171,342	27,509,141		161,828	175,837
	663,300,090	634,245,779	Capital		
Current Assets			Capital as at 1 January	637,150,059	564,686,611
Withholding taxes to be recovered	1,533,772	2,498,785	Profit / Loss (-)	28,435,588	72,463,448
Accrued income	913,612	322,337		665,585,646	637,150,059
Receivable additional contributions	-	258,995			
	2,447,384	3,080,117			
Total assets	665,747,474	637,325,896	Total liabilities	665,747,474	637,325,896

a Cash and cash equivalents include cash on bank accounts and cash held on investment accounts with custodian banks, which amount to CHF 27,529,836 and CHF 3,641,506 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.

39. 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 1,379 million according to IPSAS accounting rules. If the Pension Plan's asset value of CHF 664 million is deducted from this amount, the result is an estimated net accrued liability for employee benefits of CHF 715 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 2020. 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.

40. 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 explained in Section 4 of the Annual Report, the Management Board has completed an in-depth revision of the model's assumptions for the purpose of the next full actuarial valuation, which would include the estimated present value of future benefits. The cycle of actuarial valuations was however interrupted due to Mercer's decision to terminate employment of the Pension Plan's lead actuary, which caused the Management Board to end Mercer's contract in late 2020. The draft actuarial valuation report at end-2019 has consequently not yet been adopted. The process will resume as soon as the procurement for the new Consulting Actuary is finalized, which is planned for the first half of 2021.

9.4 Schedule A: Source and application of funds

Source and application of funds (expressed in Swiss Francs)		
	2020	2019
Funds as at 1 January	637,325,896	564,847,436
Plus:		
Source		
Receipt of contributions	28,825,393	30,609,496
Investment income	28,200,739	71,678,310
Reimbursements of death and disability insurance claims	1,346,247	322,259
Increase in current liabilities	-	15,012
Total	58,372,379	102,625,077
Less:		
Application		
Settlement of benefits	28,312,090	28,256,694
Participants' death and disability coverage	697,185	992,115
Investment and other administrative expenses	927,516	897,808
Reduction in current liabilities	14,009	-
Total	29,950,800	30,146,617
Funds as at 31 December	665,747,474	637,325,896

9.5 Schedule B: Breakdown of expenditures

Expenditures (expressed in Swiss Francs)		
	2020	2019
<u>Investment Management fees</u>		
MFS	147,667	172,372
Northern Trust	37,168	44,964
Pictet – Emerging Markets bonds	54,233	56,355
Pictet – Emerging Markets equities	39,027	30,975
Pictet – International equities	211,388	166,669
Pictet – Senior loans	7,707	9,754
Pictet – Real estate ^a	-3,215	10,364
Pictet – Insurance linked securities	7,898	722
Pictet – Swiss bonds	2,651	-
Pictet – Small Caps equities	4,891	-
Total	509,415	492,175
<u>Consultancy fees</u>		
MBS Capital Advice	120,000	120,000
<u>Actuarial expenses</u>		
Mercer	46,000	53,000
<u>Administrative costs</u>		
Trianon and other administrative costs	227,155	208,134
<u>Other expenses</u>		
(bank charges and external audit)	24,946	24,499
Total	927,516	897,808

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 1,440,954 for 2020.

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).

a Real estate management fees are embedded in the fund value (see above note): this row reflects mainly Pictet's custody fees. The value is negative in 2020 as it includes a EUR 12,919 cash payment received directly on the account as a rebate on CBRE fees.

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
Global Small Caps Equities	Credit Suisse	MSCI World ex Switzerland Small Caps	Indexed	August 2020	Zürich, Switzerland	credit-suisse.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
CHF Bonds	Credit Suisse	SBI AAA-BBB 1-5 Y	-	August 2020	Zürich, Switzerland	credit-suisse.com

9.7 Schedule D: Asset allocation

Asset Allocation as of 31 December 2020				
Assets	MCHF	Current weightings	Strategy	Deviation from the strategy
Global equities	347.2	52.3%	50.0%	2.3%
Developed markets	219.6	33.1%	32.0%	1.1%
Emerging Markets	69.8	10.5%	10.0%	0.5%
Small Caps	57.9	8.7%	8.0%	0.7%
CHF bonds^a	133.8	20.2%	21.0%	-0.8%
CHF Bonds	24.1	3.6%	4.0%	-0.4%
Emerging countries bonds	65.2	9.8%	10.0%	-0.2%
Senior loans ^b	44.5	6.7%	7.0%	-0.3%
Real Estate	119.6	18.0%	20.0%	-2.0%
European Real Estate	27.9	4.2%	5.0%	-0.8%
U.S. Real Estate	32.6	4.9%	5.0%	-0.1%
Swiss Real Estate	59.1	8.9%	10.0%	-1.1%
Other Investments	31.5	4.7%	5.0%	-0.3%
Insurance Linked Securities ^a	31.5	4.7%	5.0%	-0.3%
Cash	31.3	4.7%	4.0%	0.7%
Total	663.3			

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.

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 2020 (expressed in nominal terms)					
	Over 1 year p.a.	Over 3 years p.a.	Since inception p.a.	TE ^a	IR ^a
TOTAL					
Consolidated securities	4.2%	3.4%	5.3%	2.11%	-0.68
<i>Added value^b</i>	-1.9%	-1.2%	-0.2%		
EQUITY					
Consolidated equities	5.5%	5.0%	7.9%	0.42%	-0.73
<i>Added value</i>	-0.2%	-0.2%	0.3%		
Developed markets	3.0%	5.0%	8.0%		
<i>Added value</i>	-0.2%	-0.2%	-0.2%		
Emerging markets	7.9%	2.5%	4.8%		
<i>Added value</i>	-0.1%	-0.3%	1.5%		
Small Caps	24.7%				
<i>Added value</i>	0.1%				
FIXED INCOME^c					
Consolidated fixed income^d	3.8%	2.3%	3.4%	1.50%	-0.03
<i>Added value</i>	-1.1%	-0.3%	0.1%		
Emerging countries bonds	2.4%	4.4%	4.7%		
<i>Added value</i>	-0.9%	0.1%	0.3%		
Senior loans	-0.1%	1.7%	1.8%		
<i>Added value</i>	-1.3%	-1.1%	-0.8%		
CHF Bonds	0.5%				
<i>Added value</i>	-0.1%				
REAL ESTATE					
Consolidated real estate	-2.1%	3.2%	3.7%	---	---
<i>Added value^b</i>					
Europe	-1.2%	7.4%	4.5%	---	---
<i>Added value^b</i>					
USA	-7.4%	1.3%	3.8%	---	---
<i>Added value</i>	0.2%	-0.3%	-2.8%		
Switzerland	0.5%	1.3%	3.9%	---	---
<i>Added value</i>	-10.3%	-6.9%	-2.7%		
OTHER INVESTMENTS					
Insurance linked Securities^c	2.7%				
<i>Added value</i>	-1.9%				

Note: Performances are presented net of fees and costs. Consolidated performances (over 1 year, 3 years and since inception in August 1999) are calculated taking into account previous investment vehicles, which were liquidated prior to this reporting exercise and do not appear separately in the table.

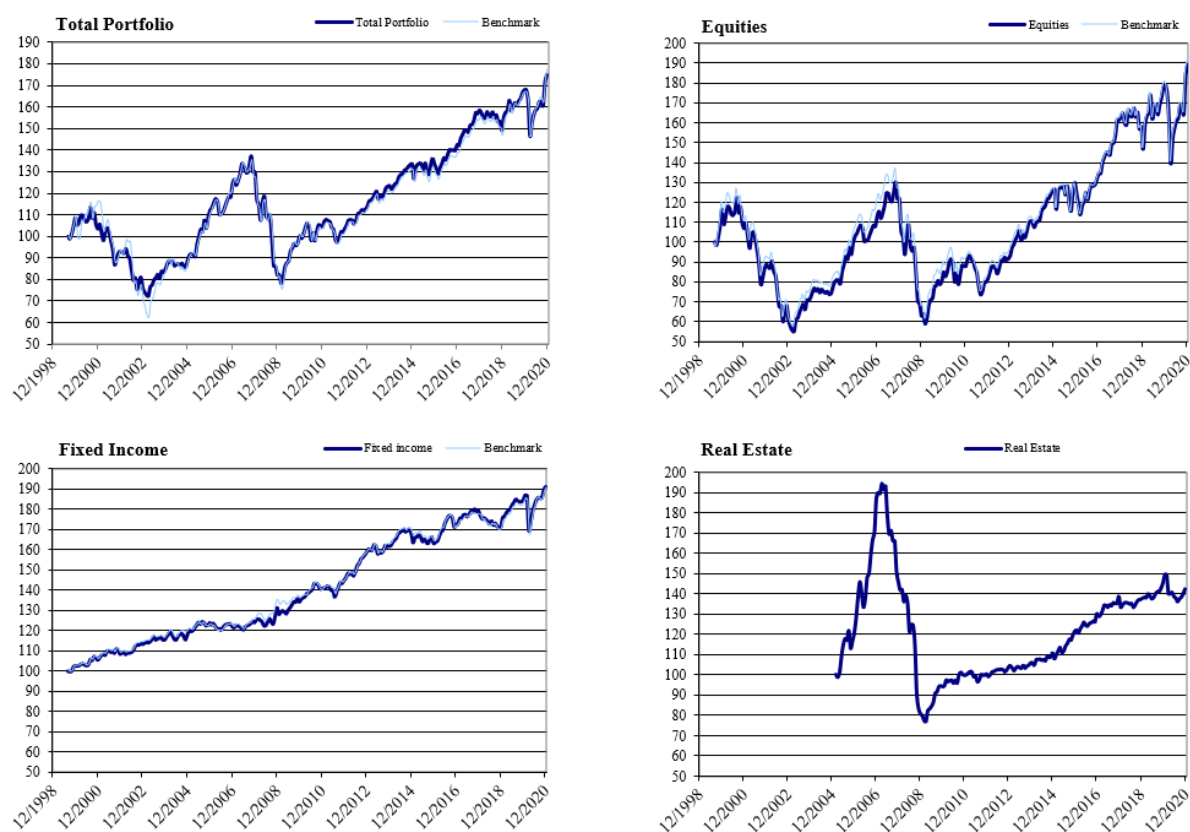
a TE = tracking error over 3 years, IR = information ratio over 3 years

b Added value compares the performance to benchmarks, except when there is no formal benchmark (Warburg Henderson and CBRE), as specified in Schedule C.

c 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.

d In addition to the bonds' performance, the consolidated fixed income performance also includes the interest paid on the Plan's cash.

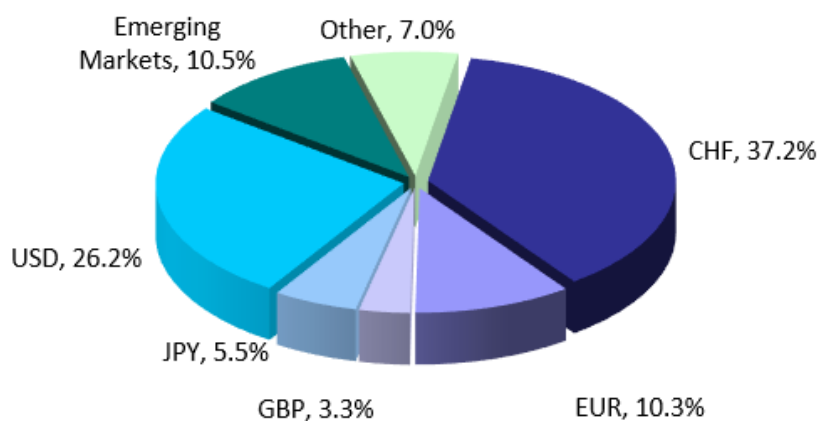
9.9 Schedule F: Investment performance history from inception to 31 December 2020



9.10 Schedule G: Exchange rates used for closing on 31 December 2020

Currency pair	Exchange rates
CHF per 1 EUR	1.0816
CHF per 1 USD	0.8840
JPY per 1 CHF	116.80
CHF per 1 GBP	1.2083

Figure 6 : Currency breakdown as of 31 December 2020 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 2020.

Number of participants and beneficiaries on 31 December 2020

	2019	2020
Active members	718	709
Beneficiaries	393	408

Participants in the Pension Plan in 2020

Total number on 31 December 2019	718
Movements in 2019	
- Entries	91
- of which re-entries under the terms of Art. 15(b) of the Regulations	32
- Separations	100
Total number on 31 December 2020	709
Breakdown of separations in 2020	
- retirement	8
- early retirement	9
- deferred retirement	0
- withdrawal settlement	30
- transfer out	0
- deferment of decision	52
- death	1
- disability	0
Total separations	100

Benefits paid by the Pension Plan

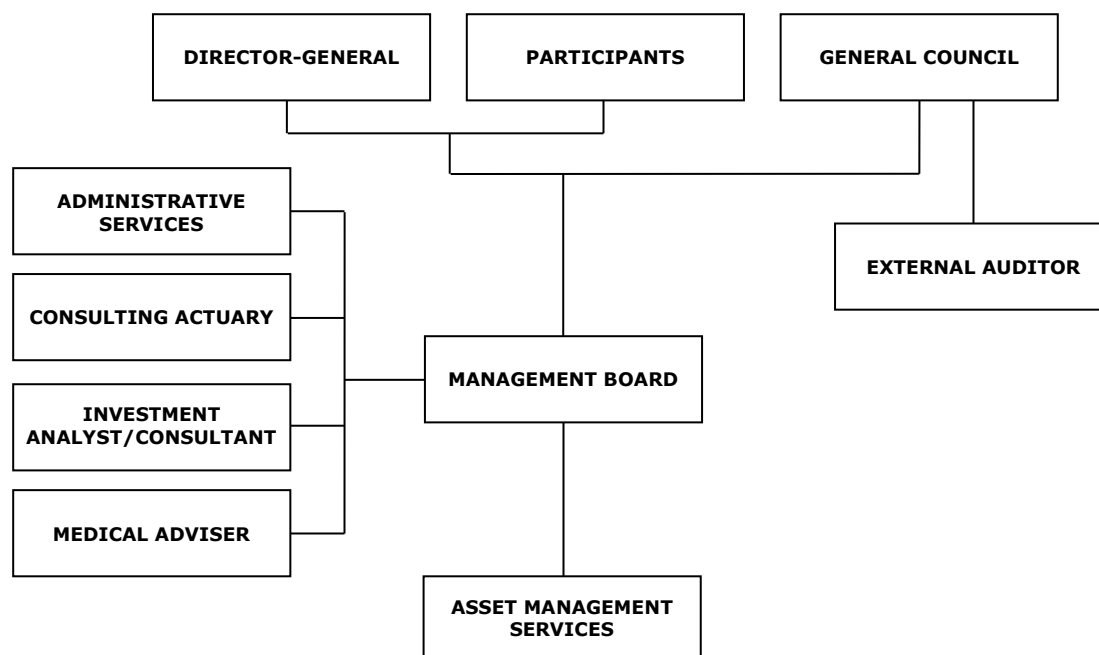
Type of benefit	At 31 December 2019	New benefits in 2020	Benefits ended in 2020	At 31 December 2020
Retirement ^a	175	9	-2	182
Early retirement ^b	126	11	-1	136
Deferred retirement ^c	27	0	-3	24
Surviving spouse's benefit	24	2	0	26
Partial /total disability benefit	22	0	0	22
Child's benefit	19	4	-5	18
Total benefits	393	26	-11	408

a Includes one deferred benefit that commenced being paid in 2020.

b Includes two deferred benefits that commenced being paid in 2020.

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 2020 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. The nominal rate of return 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). The real rate of return 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. The target real rate of return 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 2020. 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 28.4 million. This represented a 4.2% nominal investment return and, taking Swiss inflation into account, 5% in real terms. With the exception of global real estate investments, all investment categories generated positive returns for the year. The investment return exceeded the Plan's long-term target of 3.5%. 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 28.8 million, similar as the year before. Furthermore, in 2020 there were no additional contributions received from the Organization, nor transfers of assets brought by participants transferring their pension rights from other organizations.
7. Total contributions into the Plan still exceeded the sum of periodic benefit and lump sum benefit payments in 2020. Periodic benefits increased by almost CHF 2 million and the lump sum benefits decreased by a similar amount. The total sum of periodic benefits (CHF 26.1 million) and lump sum benefits (CHF 2.2 million) in 2020 was comparable to the amount paid last year.
8. The Plan received CHF 1.3 million as reimbursements of claims under its death and disability insurance coverage. The premium paid for the insurance remained decreased to CHF 0.7 million in 2020, which was a result of a decision not to renew the insurance coverage for deaths of participants by natural causes or non-service incurred illness.
9. Investment and other administrative expenses have slightly increased and exceeded CHF 0.9 million. They 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 2020, staff costs amounted to CHF 528,270 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 20,916 based on the WTO cost accounting methodology.

Balance sheet

10. The value of assets increased mainly due to investment gains registered in 2020. Cash and cash equivalents increased to close to CHF 32 million in 2020, up from CHF 27.5 million in 2019.
11. Withholding taxes to be recovered amounted to CHF 1.5 million in 2020, a decrease compared to CHF 2.5 million in 2019. This decrease was mainly due to a late reimbursement of Swiss taxes

from previous years but also from recovering taxes paid outside Switzerland. A decrease was also a result of writing off claims for years 2014-2015, as recommended by the External Auditors. Nonetheless, the Pension Plan Secretariat continues to pursue the recovery of the withholding taxes and regularly checks in with the custodian banks on the process.

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. In 2020 the investment guidelines were revised in order to include the Board's decision on the new strategic asset allocation (50% equities, 30% fixed income and 20% real estate) and the new additional rule for rebalancing, however the principles behind the below summary remain unchanged.

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. Rebalancing exercises are undertaken at least annually, normally in February. Since a Board decision in 2020, a rebalancing will also be triggered by changes on financial markets causing the weight of equities in the portfolio to deviate by more than 10% from 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.

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

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 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