

Council**C/57/9****Fifty-Seventh Ordinary Session
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FINANCIAL STATEMENTS FOR 2022*Document prepared by the Office of the Union**Disclaimer: this document does not represent UPOV policies or guidance*

1. The Financial Statements of UPOV for the year ended December 31, 2022 are transmitted to the Council in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/6), which requires that the Council examines and approves the financial statements. The Financial Statements for 2022 are presented in the Annex to this document. The Annex also includes UPOV's Statement on Internal Control signed by the Secretary-General. Document C/57/10 contains the audit report of the External Auditor.

2. The Financial Statements for 2022 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). At its forty-fifth ordinary session, held in Geneva on October 20, 2011, the Council agreed to the adoption of IPSAS by UPOV, beginning with the financial period starting in 2012 (see document C/45/18 "Report", paragraph 9(b)).

3. *The Council is invited to examine and approve the Financial Statements for 2022.*

[Annex follows]

INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS

Financial Statements for the year ended December 31, 2022

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INTRODUCTION

1. The financial statements of the International Union for the Protection of New Varieties of Plants (UPOV) for the year ended December 31, 2022 are submitted to the Council of UPOV in accordance with Regulation 6.5 of the Financial Regulations and Rules of UPOV (document UPOV/INF/4/6):

Regulation 6.5

- (1) The annual financial statements for each calendar year of the financial period shall be submitted by the Secretary-General to the External Auditor no later than March 31 following the end of the calendar year to which they relate.
 - (2) Within eight months after the end of each calendar year the Secretary-General shall submit the annual financial statements and the audit report of the External Auditor to the Council.
 - (3) The Council shall examine the annual financial statements. It may identify adjustments to the share of UPOV in common expenditures, if it finds that this share has not been correctly estimated and assessed by the Secretary-General. In such a case, after having consulted the Coordination Committee of WIPO, the Council shall establish the final allocation.
 - (4) The Council shall approve the annual financial statements, after they have been audited in accordance with Article 24 of the 1961 Convention, Article 25 of the 1978 Act and Article 29(6) of the 1991 Act.
2. The report of the External Auditor on the audit of the 2022 financial statements, together with their opinion on the financial statements, is also submitted to the Council of UPOV as prescribed under Regulation 6.5 and Annex II of the Financial Regulations and Rules of UPOV.
 3. The 2022 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

Preparation of the Financial Statements under IPSAS

4. IPSAS requires the application of the full accrual basis of accounting. Accrual basis accounting means the recognition of transactions and events when they occur. As such, they are recorded in the accounting records and reported in the financial statements of the financial periods to which they relate, and not only when cash or its equivalent is received or paid.
5. Under IPSAS, revenue for both contributions and extrabudgetary funds (funds in trust) is recognized when UPOV has a right to receive the contribution. Where contributions due to UPOV from any member are dated prior to the last biennium, an allowance for contributions receivable is made in full. Extrabudgetary fund arrangements are analyzed to see if UPOV needs to meet performance conditions, and if these are present, revenue is only recognized when the conditions are fulfilled.
6. The value of future employee benefits (for example, accumulated annual leave, repatriation grants and After-Service Health Insurance (ASHI)) that UPOV staff have earned but not yet received is recorded to capture the full cost of employing staff.
7. The application of IPSAS does not currently impact the preparation of the Program and Budget, which is still presented on a modified accrual basis. As this basis differs from the full accrual basis applied to the financial statements, a reconciliation between the budget and the principal financial statements is provided in accordance with the requirements of IPSAS.
8. IPSAS requires more detailed disclosures to be included in the notes to the financial statements in the interests of transparency. As such, UPOV provides information on the remuneration of key management personnel.

COVID-19 Pandemic

9. The World Health Organization first declared the outbreak of the COVID-19 coronavirus a public health emergency of international concern (PHEIC) on January 30, 2020. It subsequently declared the outbreak a pandemic on March 11, 2020. In its 2019 financial statements, UPOV disclosed the outbreak as a non-adjusting event after the reporting date, in accordance with IPSAS 14. In its 2020 and 2021 financial statements, UPOV provided an overview of the effects of the pandemic on its operations and financial results as part of the financial statement discussion and analysis.
10. At the start of 2022, the COVID-19 pandemic was still affecting UPOV's operations. The Swiss Government had re-introduced the requirement to work from home on December 17, 2021, and UPOV, aligning itself with the World Intellectual Property Organization (WIPO), had reinstated mandatory teleworking. However, as the epidemiological situation continued to improve and high levels of immunity were achieved, the Swiss Government decided to lift most COVID-19 containment measures, including the recommendation to work from home, from February 17, 2022. Following this, UPOV ended pandemic-related teleworking from March 7, 2022. On May 7, 2022, UPOV lifted many of its mandatory COVID-19 containment measures, including distancing, mask wearing, and contact tracing.

Financial Performance

11. UPOV's results showed a surplus for the year of 97,352 Swiss francs, with total revenue of 4,343,916 Swiss francs and total expenses of 4,246,564 Swiss francs, compared to a deficit of 265,676 Swiss francs in 2021. This difference in result is mainly due to an increase in extrabudgetary funds and a decrease in personnel expenditure and contractual services, partially offset by higher travel, training and grants costs. The financial performance of UPOV by source of funding is summarized as follows:

Table 1. Summary Financial Performance by source of funding

	Regular Program and Budget 2022	Funds in Trust 2022	Inter-Segment Transactions 2022	TOTAL UPOV 2022	TOTAL UPOV 2021
<i>(in Swiss francs)</i>					
TOTAL REVENUE	3,804,092	603,946	-64,122	4,343,916	4,145,503
TOTAL EXPENSES	3,706,740	603,946	-64,122	4,246,564	4,411,179
SURPLUS/(DEFICIT) FOR THE YEAR	97,352	-	-	97,352	-265,676

12. UPOV's activities are financed mainly from three sources - contributions; extrabudgetary funds (funds in trust) and UPOV PRISMA fee income. Contributions of 3,569,798 Swiss francs represent 82.2 per cent of UPOV's total revenue for 2022. In 2022 UPOV received extrabudgetary funds from the Government of Japan to the project for the "Establishment and Extension of Plant Variety Protection Systems for Countries in the Asian region", as well as from the U.S. Patent and Trademark Office (USPTO) to cooperate in the organization of seminars and training programs in the field of plant variety protection. Revenue recognized from extrabudgetary funds (funds in trust) totaled 603,946 Swiss francs for the year, representing 13.9 per cent of total revenue. UPOV also has balances of 580,256 Swiss francs relating to contributions received in advance. These balances are currently shown as liabilities, and will be recorded as revenue in the year that the corresponding obligations have been satisfied.
13. During 2017, UPOV launched the UPOV PRISMA PBR application tool. This online application tool enables applicants to submit application data to participating Plant Variety Protection Offices of members of the Union. The application tool was free of charge for an introductory period until December 31, 2019. At its fifty-third ordinary session, the Council decided to introduce a UPOV PRISMA fee per application of 90 Swiss Francs, starting in January 2020. There was a strong underlying growth of UPOV PRISMA applications in 2022. The revenue recognized from UPOV PRISMA fees amounted to 131,130 Swiss

francs for 2022, representing 3 per cent of UPOV's total revenue for the year. The number of applications made via UPOV PRISMA in 2022 was 1,907, compared to the 2021 figure of 2,508. This indicates underlying growth, once the 2021 figure is reduced by the one off peak of around 800 applications in June 2021, which was a result of a transition period in accordance with the withdrawal agreement of the United Kingdom from the European Union. Under this transition period, for a Community Plant Variety Rights application made by 31 December 2020, but not yet decided by the Community Plant Variety Office of the European Union (CPVO), applications for plant breeders' rights made in the United Kingdom within six months of 31 December, 2020, were given the same priority date as the Community Plant Variety Rights application.

14. Personnel expenditure of 2,431,860 Swiss francs represents 57.3 per cent of the total expenses of 4,246,564 Swiss francs for the year 2022. Personnel expenditure decreased by 201,874 Swiss francs from the 2021 figure of 2,633,734 Swiss francs. This decrease resulted from a vacant position in the Professional category for part of the year and included the impact of movements in salaries and long-term employee benefit liabilities, in particular ASHI, recognized through personnel expenditure.
15. Travel, training and grants increased from 13,240 Swiss francs in 2021, to 176,352 Swiss francs in 2022. This number, however, is still below the 2019 figure of 337,813 Swiss francs prior to the impact of the COVID-19 pandemic. Restrictions on travel and developments in technology have opened new opportunities to connect with others, hence UPOV, as part of its commitment to continuous improvement, reviewed its activities and only held in person meetings where they represented the best use of time and resources to achieve the greatest impact. UPOV held its October session of the Council by hybrid means. In August 2022, the Train-The-Trainer course on Plant Variety Protection Under the UPOV Convention was run for the first time in five years.
16. Contractual services of 999,361 Swiss francs represent 23.5 per cent of UPOV's total expenses for 2022. These decreased compared to 1,112,654 Swiss francs in 2021. The main area of decrease concerned IT commercial service providers, for which expenses were 220,353 Swiss francs lower than in 2021. However, other commercial service provider costs increased by 87,010 Swiss francs in 2022. This reflects the fact that development and maintenance expenditure on the PLUTO database and UPOV PRISMA decreased, while costs were incurred for filming and post production of videos on diversity in tomato.

Financial Position

17. UPOV had a positive net asset position of 331,896 Swiss francs as at December 31, 2022, compared to a negative net asset position of 641,239 Swiss francs at the end of 2021. This movement comprises the surplus for the year of 97,352 Swiss francs, and the impact of actuarial gains related to UPOV's liability for ASHI, which totaled 872,449 Swiss francs and were recognized through net assets. The financial position of UPOV by source of funding can be summarized as follows:

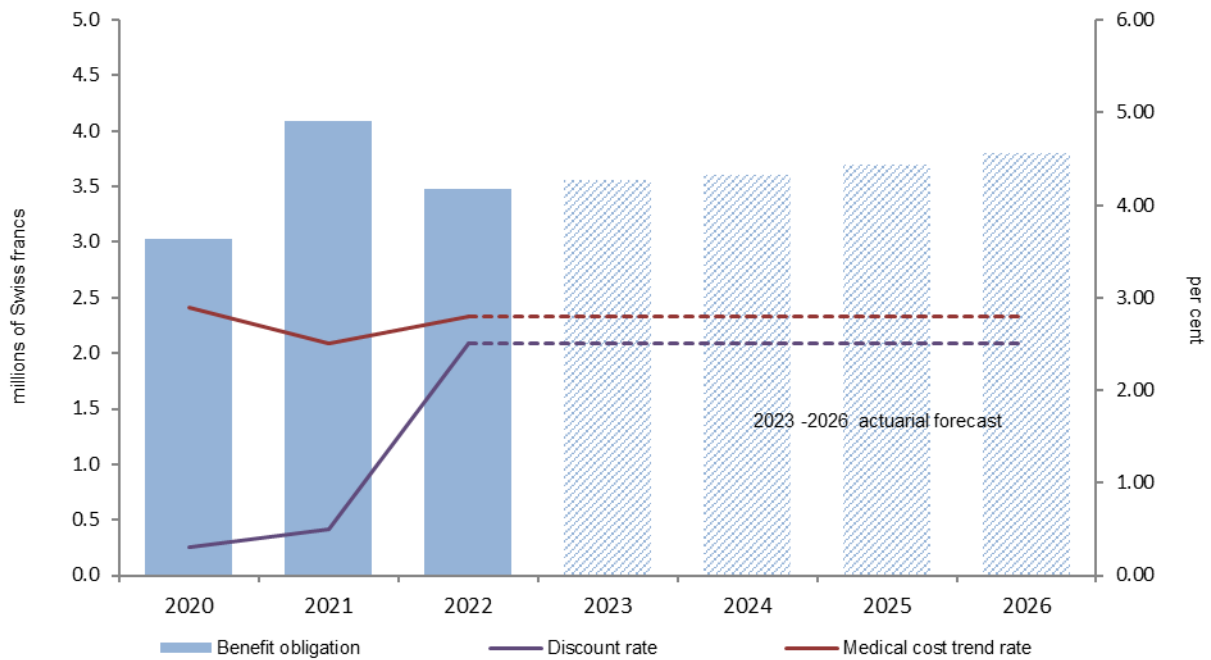
Table 2. Summary Financial Position by source of funding

	Regular Program and Budget 2022	Funds in Trust 2022	Inter- Segment Balances 2022	TOTAL UPOV 2022	TOTAL UPOV 2021
<i>(in Swiss francs)</i>					
TOTAL ASSETS	5,183,294	483,061	-68,333	5,598,022	5,178,100
TOTAL LIABILITIES	4,851,398	483,061	-68,333	5,266,126	5,819,339
NET ASSETS	331,896	-	-	331,896	-641,239

18. The net working capital (current assets less current liabilities) of UPOV was 3,963,109 Swiss francs as at December 31, 2022 (3,632,810 Swiss francs as at December 31, 2021). Cash and cash equivalent balances increased from 5,074,972 Swiss francs as at December 31, 2021 to 5,478,422 Swiss francs as at December 31, 2022.

19. Total accounts receivable at December 31, 2022 were 119,600 Swiss francs, compared to 103,128 Swiss francs as at December 31, 2021. The accounts receivable balance at the end of 2022 includes contributions of 102,443 Swiss francs, working capital fund of 1,667 Swiss francs, uncollected fee balances for UPOV PRISMA and PLUTO database applications of 14,220 Swiss francs and miscellaneous debtors of 1,270 Swiss francs.
20. UPOV had total employee benefit liabilities of 3,804,512 Swiss francs as at December 31, 2022, compared to 4,466,862 Swiss francs as at December 31, 2021. For the liabilities relating to ASHI, repatriation benefits and long-term accumulated annual leave, actuarial valuations have been used. The main liability, relating to ASHI, amounts to 3,480,559 Swiss francs as at December 31, 2022. This shows a decrease of 604,461 Swiss francs from the balance of 4,085,020 Swiss francs as at December 31, 2021. The calculation of the ASHI liability is performed by an independent actuary. In accordance with IPSAS requirements, the ASHI liability recognized in the financial statements represents the present value of all expected future benefits to existing retirees and their dependents, and all accrued post-employment benefits of active staff. On average, medical costs increase with age, so the most significant expected medical costs remain to be paid in the future. UPOV staff and retirees participate in WIPO's collective medical insurance plan. To manage the cost and risk of the collective medical insurance plan, WIPO has secured an insurance contract that allows a level per person premium to be paid for all existing retirees and active staff, thus reducing the cash paid on behalf of older retirees relative to their incurred medical cost.
21. The ASHI liability calculation incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, annual medical claims cost, retirement rates and mortality rates. Changes to these assumptions year on year lead to actuarial gains and losses, which are recognized as part of the liability in the Statement of Financial Position. A breakdown of the movement in the liability due to actuarial gains and losses is provided in Note 5 of these financial statements. The decrease in the liability in 2022 was due to an increase in the discount rate, which moved from 0.50 per cent to 2.50 per cent. The discount rate was determined using AA corporate bond yield curves. The decrease resulting from the discount rate change was partly offset by the impacts of an increase in the medical cost trend rate from 2.50 per cent to 2.80 per cent, along with a 9.20 per cent higher medical claims cost assumption at each age. The following graph shows how the ASHI liability has developed since 2020, and includes actuarial forecasts for 2023-2026 (applying the same assumptions as for the 2022 calculation). The graph also shows how discount rates and medical cost trend rates have changed since 2020:

Movement in ASHI Liability 2020-2026



22. The projections of the ASHI liability for 2023-2026 do not consider gains or losses from possible future changes in actuarial assumptions, which could significantly impact calculations in subsequent years. The projected increase in the liability for 2023-2026 reflects the demographic make-up of participants in the collective medical insurance plan. Projected additional ASHI benefits accrued by active staff (which increase the ASHI liability) outweigh projected medical costs paid to retirees (which reduce the ASHI liability).
23. At its thirty-third extraordinary session on March 17, 2016, the Council decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. As at December 31, 2022, the total balance of these funds was 1,108,403 Swiss francs (1,030,496 Swiss francs as at December 31, 2021). The funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. UPOV manages the ASHI funds in accordance with WIPO's Policy on Investments, under which they are classified as strategic cash.

STATEMENT ON INTERNAL CONTROL 2022

Scope of responsibility

As Secretary-General of the International Union for the Protection of New Varieties of Plants (UPOV), I am accountable, in accordance with the responsibility assigned to me, in particular, by Regulation 5.8 (d) of the Financial Regulations and Rules (FRRs) of UPOV, for maintaining a system of internal financial control that ensures:

- (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of UPOV;
- (ii) the conformity of obligations and expenditures with appropriations or other financial provisions approved by the Council or with the purposes and rules relating to specific trust funds; and
- (iii) the effective, efficient and economic use of the resources of UPOV.

In signing this statement, I rely in particular on assurance provided to me in the form of a Management Representation Letter (MRL) from the Vice Secretary-General, WIPO's assurance functions, electronic systems and information provided to me in the UPOV Assurance Summary, and in the form of the Agreement between the World Intellectual Property Organization (WIPO) and UPOV ("WIPO/UPOV Agreement")¹ with WIPO providing administrative services for UPOV.

Purpose of the system of internal control

Our system of internal control is a process, effected by the Council, the Consultative Committee, the Secretary-General, Vice Secretary-General and other key officials, designed to provide reasonable assurance of UPOV's ability to reach its aims, objectives and related policies. The aim of this system of internal control is to manage risk to a tolerable level rather than to eliminate it entirely. As such, it sets out to provide reasonable assurance over the following three areas:

- Reliability of financial reporting – transactions authorized and properly recorded and material errors or irregularities either prevented or detected in a timely manner;
- Effectiveness and efficiency of business processes, the safeguarding of assets, and the exercise of economy; and
- Compliance with UPOV's regulatory framework.

Thus, on an operational level, UPOV's internal control system is not solely a policy or procedure that is performed at certain points in time, but rather continually operated at all levels within UPOV through internal control processes to ensure the above objectives.

This statement is presented in line with the seven components of UPOV's Accountability Framework (document CC/98/13), which itself is aligned to the COSO² Internal Control framework and Three Lines Model³.

My current statement on UPOV's internal control processes, as described above, applies for the year ended December 31, 2022, and as at the date of the approval of UPOV's 2022 financial statements.

1. Results based planning

UPOV has in place results based management processes, guided by the Strategic Business Plan and embodied in a biennial program and budget approved by its members. Consideration and approval of UPOV's program and budget is undertaken alongside the presentation of an integrated financial overview, including budget estimates, resource availability and reserve movements to help assess the financial sustainability of UPOV over the medium term.

2. Performance and risk management

Comprehensive and detailed reporting to members is provided in accordance with UPOV's FRRs, providing clarity and transparency in the financial as well as programmatic performance of UPOV.

¹ Section 7 of this document provides more details

² Committee of Sponsoring Organizations of the Treadway Commission

³ <https://www.theiia.org/globalassets/site/about-us/advocacy/three-lines-model-updated.pdf>

UPOV continued to monitor its key risks throughout 2022, which are recorded in the WIPO Enterprise Risk Management system and will continue to be managed and re-assessed over time. Critical risks and appropriate responses were reviewed regularly. These include the following key risks that we faced in 2022 and beyond:

Key Risk	Risk Description	Control and Mitigation
Strategic Direction Risk	The Strategic Business Plan (SBP) lays out the priorities and income forecasts for UPOV for the period (2023 – 2027) and is used to guide direction of work for that period. However, if underlying assumptions change, or if the plan does not respond optimally to the challenges it identifies, expected results are at risk and the budget may not be balanced.	Monitor progress and remain open to refining the plan to provide information on the implementation of the SBP and to present proposals on resourcing for consideration by the Consultative Committee. The Consultative Committee requested that the Strategic Business Plan be updated on a biennial basis and serve as the base for the preparation of the forthcoming Program and Budgets.
Income Risk	Income from UPOV PRISMA and PLUTO represent in the region of 7.5% and as such, is an important element, however, in the current economic climate, continued growth may be challenging.	Close monitoring of usage and adjusting of plans in line with forecast income.
Extrabudgetary Funding Risk	Extrabudgetary funds from members of the Union form a key element of the financing for UPOV operations (especially for travel), in particular provision for training and assistance activities. Any reduction in these Extrabudgetary funds could have significant detrimental impact on UPOV's capabilities to deliver its sub-programs.	Continue to demonstrate to donors the benefit of their extrabudgetary funds. Explore how to best use funds for non-travel costs.

3. Monitoring, Oversight, Complaints and Response Mechanisms

As Secretary-General of UPOV, I am ultimately accountable for the effectiveness of the system of internal controls. My assertion, structured by the “Three Lines” below, is supported and informed by:

First Line	Second Line	Third Line
<p>UPOV’s Vice Secretary-General is accountable for achieving expected results, implementing UPOV’s mandated activities, and managing the entrusted resources. The Vice Secretary-General’s Management Representation Letter, confirms their responsibility for having and maintaining well-functioning systems and a mechanism for internal control aimed at presenting and/or detecting instances of fraud and major errors. Taking these elements into account, I conclude the ‘first line’ is sound</p>	<p>Management’s role to address enterprise risks, including compliance with our regulatory framework, ethical behavior, internal control, information and technology security, sustainability, and quality assurance. The assurance provided is underpinned by a systematic process of self-assessment and internal validation of entity level controls as well as key process level controls in place in WIPO. I am confident our ‘second line’ approach is robust</p>	<p>The WIPO Internal Oversight Division (IOD), on whose assurance and advisory services I rely through the WIPO annual report by the Director of IOD, reports of internal audit and evaluation as well as management implication reports resulting from investigations, as well as through IOD reports, if any, on UPOV. A synergy exists with IOD performing the audits of both UPOV and WIPO. I take assurance from IOD’s assessment of WIPO that there were no significant risks or breakdown of governance and internal controls, while they did identify some areas for continuous improvement</p>

My assertion is also supported and informed by:

GOVERNANCE	
<p>External Auditor</p> <p>The External Auditor, whose Report, containing their opinion, observations and comments, is submitted to the Consultative Committee and the Council of UPOV; I take into account the External Auditor’s recommendations and am assured by their work</p>	<p>Consultative Committee and the Council of UPOV</p> <p>The observations of the Consultative Committee and the Council of UPOV</p>

I further ensure that feedback mechanisms are in place for members, customer complaint resolution services are provided through the Office of the Union, and that for UPOV staff, a number of Formal and Informal Conflict Resolution Mechanisms are relevant, through WIPO’s provision.

4. Control Activities

A comprehensive framework of WIPO management controls is recorded to ensure the effective and efficient functioning of end-to-end business processes in compliance with the Organization’s regulatory framework. Controls assessments are undertaken annually and reported in the UPOV Assurance Summary.

During 2022, UPOV operated in a hybrid working environment as part of the future of work and to manage the restrictions owing to the pandemic. Control activities continued to be undertaken in the hybrid environment as previously, ensuring the robust control environment was maintained.

5. Information and Communication

UPOV maintains a record of key risks, and WIPO records controls in the WIPO Enterprise Risk Management system.

WIPO's Information and Data Governance Framework is in place and a Master Data Management Policy provides a directive control for managing critical data and provides an authoritative point of reference for integration into the enterprise architecture. An information security classification and handling policy provides a preventive control raising understanding and application of levels of information confidentiality. The portfolio of Enterprise Resource Planning (ERP) solutions provide a high level of control, including transactional level system controls and data analytics.

6. Ethical Standards and Integrity

WIPO's Ethics Office is an independent office established in 2010 which conducts second-line activities to cultivate and nurture a culture of ethics, integrity and accountability, and thereby enhance the trust in and credibility of WIPO. The Chief Ethics Officer who reports directly to the Director General is accountable for ensuring the design, development and implementation of an effective Ethics program to enhance integrity, compliance with ethics rules, and the ethical conduct of the Organization's operations. The conduct and actions of UPOV personnel must always adhere to the highest ethical standards, as set out in the WIPO Code of Ethics.

The mandate and responsibilities of the Ethics Office include the provision of confidential advice and guidance on ethical issues and standards of conduct; ethics policy advocacy and development and education and outreach on ethics matters. The fully independent whistleblower protection role of the Ethics Office further contributes to an environment of trust and enhances the capacity for UPOV to respond to wrongdoing.

The Ethics Office also administers WIPO's Policy on Financial Disclosure and Declaration of Interests which aims to:

- (i) promote transparency and accountability;
- (ii) enhance internal and external public trust in the integrity of the Organization; and
- (iii) assist the Organization to manage the risk of actual, potential and perceived conflicts of interest through disclosure, mitigation and prevention.

WIPO has in place anti-fraud controls, in accordance with good practices and applicable international standards, based on risk assessments. Appropriate fraud prevention, detection, response and data collection procedures and processes exist in the Organization, reflecting WIPO's comprehensive anti-fraud governance framework.

7. Control Environment

A set of Entity Level Controls represents the overarching controls that help define the Organization's culture, and its commitment to ethical values, competence and accountability.

With regard to the financial administration of UPOV, the WIPO/UPOV Agreement, signed on November 26, 1982, states the following:

"Article 1:
"Requirements of UPOV

- "(1) WIPO shall satisfy the requirements of UPOV as regards
" [...] financial administration of UPOV (receiving and disbursing funds, bookkeeping, internal financial control, etc.),
" [...]"
- "(2) The requirements of UPOV shall be met on a basis of strict equality with the requirements of the various Unions administered by WIPO."

“Article 8:
“Administrative and Financial Regulations of UPOV

“(1) Subject to the other Articles of this Agreement and to paragraphs (2) and (3) of this Article, the provisions of the Staff Regulations and Staff Rules of WIPO and the provisions of the Financial Regulations and Rules of WIPO, including future modifications thereof, shall, mutatis mutandis, apply also in respect of the staff of the Office of UPOV and the finances of UPOV, provided that the Council of UPOV may agree with the Director General of WIPO to any exceptions and additions to the same in which case such agreed exceptions and additions shall prevail . The said texts shall be considered to constitute the administrative and financial regulations of UPOV referred to in Article 20 of the UPOV Convention.

“[...]

“(3) In all financial matters concerning UPOV, the Controller of WIPO shall be responsible to the Council of UPOV.”

Conclusion

Based on the contents of this statement and the evidence that underpins it, I conclude that, to the best of my knowledge and belief, and based upon the information I have, there have been no material weaknesses that would affect the reliability of the Organization’s financial statements, nor are there significant matters arising that would need to be raised in the present document for the reporting period.

Daren Tang
Secretary-General

Date: June 28, 2023

STATEMENT I: STATEMENT OF FINANCIAL POSITION
as at December 31, 2022
(in Swiss francs)

		December 31, 2022	December 31, 2021
ASSETS	Note		
Current assets			
Cash and cash equivalents	3	5,478,422	5,074,972
Accounts receivable (non-exchange transactions)	4	104,110	89,957
Accounts receivable (exchange transactions)	4	15,490	13,171
		<u>5,598,022</u>	<u>5,178,100</u>
Non-current assets		-	-
TOTAL ASSETS		<u>5,598,022</u>	<u>5,178,100</u>
LIABILITIES			
Current liabilities			
Employee benefits	5	173,299	192,812
Advance receipts	6	879,518	734,493
Other current liabilities	7	582,096	617,984
		<u>1,634,913</u>	<u>1,545,289</u>
Non-current liabilities			
Employee benefits	5	3,631,213	4,274,050
		<u>3,631,213</u>	<u>4,274,050</u>
TOTAL LIABILITIES		<u>5,266,126</u>	<u>5,819,339</u>
Reserve Fund	10	890,327	792,975
Actuarial gains/(losses) through Net Assets	10	-1,136,776	-2,009,225
Working Capital Fund	10	578,345	575,011
NET ASSETS		<u>331,896</u>	<u>-641,239</u>

STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2022
(in Swiss francs)

	Note	2022	2021
REVENUE	12		
Contributions		3,569,798	3,548,342
Extrabudgetary funds (funds in trust)		604,011	383,578
PRISMA and PLUTO Fees		143,130	191,730
Investment revenue		-2,762	-
Other/miscellaneous revenue		29,739	21,853
TOTAL REVENUE		4,343,916	4,145,503
EXPENSES	13		
Personnel expenditure		2,431,860	2,633,734
Travel, Training and Grants		176,352	13,240
Contractual services		999,361	1,112,654
Operating expenses		638,724	651,551
Supplies and materials		267	-
TOTAL EXPENSES		4,246,564	4,411,179
SURPLUS/(DEFICIT) FOR THE YEAR		97,352	-265,676

STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS
for the year ended December 31, 2022
(in Swiss francs)

	Note	Reserve Fund	Actuarial gains/(losses) through Net Assets	Working Capital Fund	Net Assets Total
Net Assets at January 1, 2021	10	1,058,651	-1,266,015	575,011	367,647
Actuarial gains/(losses)		-	-743,210	-	-743,210
Working Capital fund contributions		-	-	-	-
Transfer to Accumulated Surpluses		-	-	-	-
Total of items recognized directly in Net Assets in 2021		-	-743,210	-	-743,210
Surplus/(deficit) for the current year 2021		-265,676	-	-	-265,676
Net Assets at December 31, 2021	10	792,975	-2,009,225	575,011	-641,239
Actuarial gains/(losses)		-	872,449	-	872,449
Working Capital fund contributions		-	-	3,334	3,334
Transfer to Accumulated Surpluses		-	-	-	-
Total of items recognized directly in Net Assets in 2022		-	872,449	3,334	875,783
Surplus/(deficit) for the current year 2022		97,352	-	-	97,352
Net Assets at December 31, 2022	10	890,327	-1,136,776	578,345	331,896

STATEMENT IV: STATEMENT OF CASH FLOW
for the year ended December 31, 2022
(in Swiss francs)

	Note	2022	2021
Cash flows from operating activities			
Surplus/(deficit) for the year	Statement II	97,352	-265,676
Increase (decrease) in employee benefits	5	-662,350	1,098,447
(Increase) decrease in receivables	4	-16,472	84,171
Increase (decrease) in advance receipts	6	145,025	-129,206
Increase (decrease) in other liabilities	7	-35,888	-68,908
Net cash flows from operating activities		-472,333	718,828
Cash flows from financing activities			
Contributions to Working Capital Fund	10	3,334	-
Net cash flows from financing activities		3,334	-
Effect of recognition of Actuarial gains/(losses) through Net Assets	5	872,449	-743,210
Net increase (decrease) in cash and cash equivalents		403,450	-24,382
Cash and cash equivalents at beginning of year	3	5,074,972	5,099,354
Cash and cash equivalents at end of year	3	5,478,422	5,074,972

STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2022
(in thousands of Swiss francs)

	Original Budget 2022	Final Budget 2022	Actual Amounts on comparable basis 2022	Difference 2022
	(1)	(1)		(2)
Income				
Contributions	3,564	3,564	3,570	6
UPOV IT Tools and Services Fees	166	166	143	-23
Miscellaneous Income	87	87	91	4
Total income	3,817	3,817	3,804	-13
Expenditure				
Personnel resources	2,659	2,659	2,300	-359
Internships and Fellowships	35	35	-	-35
Travel, Training and Grants	180	180	38	-142
Contractual services	295	295	598	303
Operating expenses	642	642	638	-4
Supplies and materials	3	3	-	-3
Furniture and equipment	3	3	-	-3
Total expenditure	3,817	3,817	3,574	-243
Result	-	-	230	230
Funds in Trust (before IPSAS adjustments)			215	
Expenditures financed from Special Project Fund			-	
IPSAS adjustments to Regular Program and Budget (3)			-133	
IPSAS adjustments to Funds in Trust (3)			-215	
Adjusted net deficit per IPSAS (Statement II)			97	

- (1) Original Budget represents the budget of the first year of the approved Program and Budget for the 2022/23 biennium.
- (2) Represents the difference between the final budget and actual income and expense on a comparable basis (before IPSAS adjustments) for the year ended December 31, 2022.
- (3) The IPSAS adjustments to the surplus are detailed in Note 11 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: OBJECTIVES, GOVERNANCE AND BUDGET OF UPOV

The International Union for the Protection of New Varieties of Plants (UPOV) is an intergovernmental organization with headquarters in Geneva. UPOV's mission is to provide and promote an effective system of plant variety protection, with the aim of encouraging the development of new varieties of plants, for the benefit of society.

UPOV was established by the International Convention for the Protection of New Varieties of Plants (the UPOV Convention), which was signed in Paris in 1961. The Convention entered into force in 1968. It was revised in Geneva in 1972, 1978 and 1991. The 1991 Act entered into force on April 24, 1998. The main objectives of UPOV are, in accordance with the UPOV Convention, to:

- provide and develop the legal, administrative and technical basis for international cooperation in plant variety protection;
- assist States and organizations in the development of legislation and the implementation of an effective plant variety protection system; and
- enhance public awareness and understanding of the UPOV system of plant variety protection.

In accordance with Article 25 of the 1991 Act and Article 15 of the 1978 Act, the Council and the Office of the Union are the permanent organs of UPOV.

The Council governs UPOV, and consists of the representatives of the members of the Union. The Council is responsible for safeguarding the interests and encouraging the development of UPOV, for adopting its program and budget and for taking all necessary decisions to ensure the efficient functioning of UPOV. The Council meets once a year in ordinary session. If necessary, it is convened to meet in extraordinary session. The Council has established a number of bodies, which meet once a year.

The Office of the Union is the Secretariat of UPOV, and is under the direction of the Secretary-General. The staff of the Office of UPOV, other than the Vice Secretary-General, is under the direction of the Vice Secretary-General of UPOV. In 1982 a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and the World Intellectual Property Organization (WIPO), a Specialized Agency of the United Nations. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. The Vice Secretary-General is responsible for the delivery of the results indicated in the approved program and budget. Under the Agreement, WIPO satisfies the requirements of UPOV with regard to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for any service rendered to, and any expenditure incurred on behalf of, UPOV.

UPOV is predominantly funded by contributions and extrabudgetary funds (funds in trust) from members of the Union. UPOV operates within the framework of a biennial program and budget. The proposed program and budget covers estimates for income and expenditure for the financial period to which it relates. It is submitted by the Secretary-General to the Consultative Committee for discussion, comments and recommendations, including possible amendments. The Council adopts the program and budget after consideration of the proposed program and budget and the recommendations of the Consultative Committee.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Swiss francs, which is the reporting and functional currency of UPOV. The accounting policies have been applied consistently to all years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flow is prepared using the indirect method. The financial statements are prepared on an accrual and going-concern basis.

IPSAS 42 *Social Benefits*, was published in January 2019 with an original implementation date of January 1, 2022, subsequently deferred to January 1, 2023 due to the COVID-19 pandemic. This standard does not impact UPOV's financial statements.

IPSAS 43, *Leases* was published in January 2022 with an effective date of January 1, 2025. UPOV is currently analysing the impacts of this standard.

IPSAS 44 *Non-Current Assets Held for Sale and Discontinued Operations*, was published in May 2022 with an implementation date of January 1, 2025. It is not expected that this standard will impact UPOV's financial statements.

Foreign Currency

The functional currency of UPOV is the Swiss franc and these financial statements are presented in that currency. All transactions occurring in other currencies are translated into Swiss francs using the United Nations Operational Rates of Exchange (UNORE) which represent those prevailing at the date of the transactions. Both realized and unrealized gains and losses resulting from the settlement of such transactions and from the translation at the reporting date of assets and liabilities denominated in currencies other than UPOV's functional currency are recognized in the Statement of Financial Performance.

Segment Reporting

A segment is a distinguishable activity or group of activities for which it is appropriate to separately report financial information. At UPOV, segment information is based on the principal activities and sources of financing of UPOV. As such, UPOV reports separate financial information for two segments: (1) the Regular Program and Budget and (2) Funds in Trust. The UPOV performance by segment is presented in the Notes 12 and 13. As the UPOV assets and liabilities are not managed by segment this information is not presented in the notes to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, deposits held up to 90 days and other short-term highly liquid investments that are readily convertible to cash and subject to insignificant risk of changes in value.

Receivables

Contributions are recognized as revenue at the beginning of the financial year. An allowance for receivables is made in full for any member who has contributions receivable where an element of the arrears is dated prior to the last biennium.

Equipment

Equipment is valued at cost less accumulated depreciation and impairment. Equipment is recognized as an asset if it has a cost of 10,000 Swiss francs or more per unit. As at December 31, 2022, no items are capitalized as equipment.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for use by UPOV are capitalized as an intangible asset if the recognition criteria under IPSAS 31 are met. Direct costs include the software development employee costs. As at December 31, 2022, no costs have been capitalized as intangible assets.

Employee Benefits

Liabilities are established for After-Service Health Insurance (ASHI), repatriation grants and travel, and long-term accumulated annual leave as determined by an independent actuary on an annual basis utilizing the projected unit credit methodology of valuation. For the ASHI liability actuarial gains and losses are recognized in net assets. In addition, liabilities are established for the value of short-term accumulated annual leave, home leave not taken, overtime earned but unpaid, separation benefits and for education grants payable at the reporting date that have not been included in current expenditure.

In accordance with the WIPO/UPOV Agreement signed on November 26, 1982, UPOV is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UPOV and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UPOV's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UPOV has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. UPOV's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Provisions

Provisions are recognized when UPOV has a legal or constructive obligation as a result of a past event, whereby it is probable that an outflow of resources will be required to settle the obligation and where a reliable estimate of the amount of the obligation can be made.

Revenue Recognition

Revenue from non-exchange transactions such as extrabudgetary funds (funds in trust) supported by enforceable agreements is recognized as revenue at the time the agreement becomes binding unless the agreement includes conditions related to specific performance or the return of unexpended balances. Such agreements require initial recognition of a liability to defer revenue recognition and then revenue is recognized as the liability is discharged through performance of the specific conditions included in the agreement.

Contributions are recognized as revenue at the beginning of each year of the budget period to which the contribution relates. UPOV PRISMA fees are recognized as revenue at the point of submission of the plant variety protection application.

In-kind contributions of services are not recognized in the financial statements.

Expense Recognition

Expenses are recognized as goods are received and services delivered.

Financial Instruments

Financial Assets

Financial assets are recognized initially at fair value, normally being the transaction price. After initial recognition, UPOV classifies its financial assets as measured at amortized cost.

The classification depends on UPOV's management model for the financial assets and the contractual cash flow characteristics of the financial assets.

UPOV assesses on a forward looking basis the expected credit losses associated with its financial assets classified as measured at amortized cost.

Financial Liabilities

UPOV initially recognizes its financial liabilities at fair value. After initial recognition, financial liabilities are subsequently measured at amortized cost.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI and repatriation grant and travel (the value of which is calculated by an independent actuary), other employee benefit liabilities, financial risk on accounts receivable and accrued charges. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

NOTE 3: CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
<i>(in Swiss francs)</i>		
Deposits with banks	3,376,946	3,280,084
Total unrestricted cash	3,376,946	3,280,084
Deposits with banks - working capital funds	578,345	575,011
Deposits with banks - funds in trust	414,728	189,381
Total restricted cash	993,073	764,392
Deposits with banks - funds held for ASHI liability	1,108,403	1,030,496
Total strategic cash	1,108,403	1,030,496
TOTAL CASH AND CASH EQUIVALENTS	5,478,422	5,074,972

Cash deposits are generally held in instant access bank accounts.

Working Capital Fund balances are considered as restricted, although interest received on Working Capital Fund balances is credited to the general fund of UPOV. Funds in trust held on behalf of donors of extrabudgetary funds are deposited in the currency in which expenditures will be reported, based upon agreements with donors.

At its thirty-third extraordinary session on March 17, 2016, the Council decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. As at December 31, 2022, the total balance of these funds was 1,108,403 Swiss francs (1,030,496 Swiss francs as at December 31, 2021). In accordance with the Council decision at the fifty-third ordinary session on November 1, 2019, the funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. UPOV manages the ASHI funds in accordance with WIPO's Policy on Investments, under which they are classified as strategic cash.

NOTE 4: ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
	<i>(in Swiss francs)</i>	
Receivable non-exchange transactions		
Contributions	102,443	89,957
Working Capital Fund	1,667	-
	<u>104,110</u>	<u>89,957</u>
Receivable exchange transactions		
Other debtors	15,490	13,171
	<u>15,490</u>	<u>13,171</u>
TOTAL ACCOUNTS RECEIVABLE	<u>119,600</u>	<u>103,128</u>

Contributions represent uncollected revenue related to the UPOV contribution system. The amount of the annual contribution of each member of the Union is calculated on the basis of the number of contribution units applied to the member (Article 26 of the 1978 Act and Article 29 of the 1991 Act of the Convention). When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts due from periods prior to the last biennium.

NOTE 5: EMPLOYEE BENEFITS

	December 31, 2022	December 31, 2021
	<i>(in Swiss francs)</i>	
Accumulated leave - posts	3,699	30,242
Accumulated leave - temporary positions	7,265	8,544
Repatriation grant and travel	46,101	40,858
Home leave	8,708	19,325
Overtime	8,365	7,060
After-Service Health Insurance	99,161	86,783
Total current employee benefit liabilities	<u>173,299</u>	<u>192,812</u>
Accumulated leave	136,912	129,404
Repatriation grant and travel	112,903	146,409
After-Service Health Insurance	3,381,398	3,998,237
Total non-current employee benefit liabilities	<u>3,631,213</u>	<u>4,274,050</u>
TOTAL EMPLOYEE BENEFIT LIABILITIES	<u>3,804,512</u>	<u>4,466,862</u>

Long-term employee benefits include After-Service Health Insurance (ASHI), repatriation grant and travel, and accumulated leave (posts):

ASHI: Staff members (and their spouses, dependent children and survivors) retiring from service are eligible for After-Service Health Insurance (ASHI) coverage if they continue to participate in the collective medical insurance plan after separation from service. In accordance with the Staff Regulations and Rules, a share of 65 per cent of the monthly medical insurance premium is paid by UPOV. From January 1, 2023, monthly medical premiums amount to 656.10 Swiss francs for adults and 291.25 Swiss francs for children.

Repatriation grant and travel: UPOV has a contractual obligation to provide benefits such as repatriation grants, travel and removal for certain internationally recruited staff members at the time of their separation from service.

Accumulated leave (posts): Accumulated annual leave is classified as a long-term employee benefit for staff members holding permanent, continuing or fixed term contracts. Staff in posts may accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. On separation from service, staff in posts who have accumulated annual leave can receive a payment in lieu of an amount equivalent to their salary for the period of accumulated annual leave, up to a maximum of 60 days.

Employee benefit liabilities for ASHI, repatriation grant and travel, and accumulated leave (posts) are calculated by an independent actuary. Actuarial assumptions have a significant effect on the amounts calculated for employee benefit liabilities. A description of the factors which impact the size of the ASHI liability is included in the financial statement discussion and analysis which precedes these financial statements. The principal actuarial assumptions applied in determining long-term employee benefits liabilities are detailed below. Discount rates were determined using AA Corporate Bond Yield Curves:

	December 31, 2022	December 31, 2021
After-Service Health Insurance		
Discount rate	2.50%	0.50%
Discount rate currency	CHF, EUR, USD (weighted)	CHF, EUR, USD (weighted)
Medical cost trend rate	2.80%	2.50%
Annual medical claims cost (by age):	Claims cost CHF	Claims cost CHF
50	5,556	5,088
55	6,195	5,673
60	7,250	6,639
65	9,610	8,800
70	11,343	10,387
75	12,397	11,353
80	16,728	15,319
85+	17,233	15,781
Repatriation Grant and Travel		
Discount rate	5.10%	2.60%
Discount rate currency	USD	USD
Rate of salary increase	2.77%	2.63%
Accumulated leave (posts)		
Discount rate	2.10%	0.20%
Discount rate currency	CHF	CHF
Rate of Salary increase	UNJSPF rates	UNJSPF rates

The present value of the defined benefit obligations for ASHI is determined using the projected unit credit method including discounting the estimated future cash outflows. In accordance with IPSAS, UPOV's ASHI liability is considered as unfunded as no plan assets are held in a legally separate entity or fund, and therefore no plan assets are deducted from the liability as recognized in the statement of financial position. However, it should be noted that UPOV holds funds established for the future financing of the ASHI liability (see Note 3). The table below details the expense for ASHI recognized in the Statement of Financial Performance:

	December 31, 2022	December 31, 2021
<i>(in Swiss francs)</i>		
Interest cost	20,208	9,010
Current service cost	286,829	336,295
Expense recognized in the statement of financial performance	307,037	345,305

The following table details the changes in the ASHI defined benefit obligation, including the impact of actuarial gains/(losses):

	December 31, 2022	December 31, 2021
<i>(in Swiss francs)</i>		
Defined benefit obligation at beginning of year	4,085,020	3,033,695
Interest cost	20,208	9,010
Current service cost	286,829	336,295
Contribution paid	-39,048	-37,190
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	-3,468	10,890
<i>Medical cost trend rate</i>	272,900	-346,842
<i>Discount rate</i>	-1,549,686	-165,098
<i>Other</i>	12,284	-
(Gain)/loss on change in financial assumptions	-1,264,502	-511,940
<i>Medical claims cost</i>	390,475	1,302,972
<i>Other demographic assumptions</i>	5,045	-58,712
(Gain)/loss on change in demographic assumptions	395,520	1,244,260
Defined benefit obligation recognized at end of year	3,480,559	4,085,020

As can be seen in the table above, the most significant movement in the 2022 ASHI liability was the result of actuarial gains due to an increase in the discount rate, which moved from 0.50 per cent to 2.50 per cent. Actuarial losses were incurred due to an increase in the medical cost trend rate, along with a higher medical claims cost assumption. For the 2021 liability calculation, the independent actuary performed a detailed analysis of claims cost data to establish medical claims cost at each age. Following a review of 2021 and 2022 claims cost data, an increase of 9.20 per cent was applied to this cost assumption for each age.

Contributions, representing the premium share paid by UPOV for ASHI, totaled 39,048 Swiss francs for 2022 (37,190 Swiss francs in 2021). Expected contributions to ASHI in 2023, representing medical claims costs, are 99,161 Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2022, was 17 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2022 and the previous four years:

	2022	2021	2020	2019	2018
	<i>(in Swiss francs)</i>				
Defined benefit obligation	3,480,559	4,085,020	3,033,695	2,026,390	2,235,639
Experience (gain)/loss adjustments on plan liability	-3,468	10,890	18,635	-511,380	2,503

Actuarial assumptions have a significant effect on the amounts calculated for the ASHI liability. The following sensitivity analysis shows how the defined benefit obligation would have been affected by changes in significant actuarial assumptions, the discount rate and the medical cost trend rate. The per cent changes used in the analysis are considered reasonable based on historical movements:

	1 per cent decrease in medical cost trend rate <i>(1.80%)</i>	Medical cost trend rate as applied <i>(2.80%)</i>	1 per cent increase in medical cost trend rate <i>(3.80%)</i>
	<i>(in Swiss francs)</i>		
Defined benefit obligation recognized at December 31, 2022	2,974,228	3,480,559	4,116,601
Per cent variation	-14.5%		18.3%

	1 per cent decrease in discount rate <i>(1.50%)</i>	Discount rate as applied <i>(2.50%)</i>	1 per cent increase in discount rate <i>(3.50%)</i>
	<i>(in Swiss francs)</i>		
Defined benefit obligation recognized at December 31, 2022	4,153,670	3,480,559	2,956,809
Per cent variation	19.3%		-15.0%

United Nations Joint Staff Pension Fund

The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

UPOV's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The latest actuarial valuation for the Fund was completed as of 31 December 2021, and a roll forward of the participation data as of 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at December 31, 2021, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to 8,505.27 million US dollars, of which 0.018 per cent was contributed by UPOV (including participants and UPOV contributions).

During 2022, contributions (including UPOV contributions only) paid to the Fund amounted to 319,558 Swiss francs (322,456 Swiss francs in 2021). Expected contributions due in 2023 are approximately 313,529 Swiss francs.

Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

NOTE 6: ADVANCE RECEIPTS

	December 31, 2022	December 31, 2021
	<i>(in Swiss francs)</i>	
Advance payment of contributions	580,256	650,596
Non-exchange revenue deferred	299,262	83,897
TOTAL ADVANCE RECEIPTS	879,518	734,493

Contributions received in advance are recorded as advance receipt liabilities and are recognized as revenue in the year to which they relate. Extrabudgetary funds from donors to Funds in Trust containing conditions requiring UPOV to provide services to recipient governments or other third parties are treated as deferred revenue until the services covered by the extrabudgetary funds (funds in trust) are performed, whereupon revenue is recognized.

NOTE 7: OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
	<i>(in Swiss francs)</i>	
Amounts payable to WIPO	582,096	617,984
TOTAL OTHER CURRENT LIABILITIES	582,096	617,984

Other current liabilities are amounts payable to WIPO, which relate to services provided under the WIPO/UPOV Agreement.

NOTE 8: CONTINGENT LIABILITIES

UPOV has no contingent liabilities as at December 31, 2022.

NOTE 9: RELATED PARTY TRANSACTIONS

The Council consists of the representatives of the members of the Union. They do not receive remuneration from UPOV.

UPOV has no ownership interest in associates or joint ventures and no controlled entities. In 1982, a cooperation agreement (the WIPO/UPOV Agreement) was signed between UPOV and WIPO. Under this Agreement, the Council of UPOV appoints as Secretary-General of UPOV the Director General of WIPO. Under the Agreement, WIPO satisfies the requirements of UPOV as regards to provision of space, personnel administration, financial administration, procurement services and other administrative support. UPOV indemnifies WIPO for the cost of such services in accordance with the terms of said agreement. In 2022, UPOV paid 618,000 Swiss francs to WIPO to cover the cost of these services, which UPOV recognized in operating expenses for the year. In addition, UPOV reimbursed WIPO for funds disbursed on its behalf. In accordance with the Agreement, the Office of the Union exercises its functions in complete independence of WIPO.

The key management personnel are the Secretary-General, the Vice Secretary-General and officers in posts. The current Director General of WIPO has declined any salary or allowance from his function as Secretary-General of UPOV. The other key management personnel are remunerated by UPOV. The aggregate remuneration paid to key management personnel includes salaries, allowances, statutory travel and other entitlements paid in accordance with the Staff Regulations and Rules. Key management personnel are members of the UN Joint Staff Pension Fund (UNJSPF) to which the personnel and UPOV contribute and are also eligible for participation in the collective medical insurance plan.

Key management personnel and their aggregate remuneration were as follows (note that the table does not include the Secretary-General as he does not receive remuneration from UPOV):

	2022		2021	
	Number of Individuals	Aggregate remuneration	Number of Individuals	Aggregate remuneration
	<i>(on a full-time equivalent basis)</i>	<i>(in Swiss francs)</i>	<i>(on a full-time equivalent basis)</i>	<i>(in Swiss francs)</i>
Key management personnel	5.21	1,315,777	6.00	1,404,418

There was no other remuneration or compensation to key management personnel or to their close family members.

NOTE 10: NET ASSETS

	December 31, 2021	Working Capital Fund contribu- tions	Program and Budget Surplus for the Year (before IPSAS adjustments)	Funds In Trust Surplus for the Year (before IPSAS adjustments)	IPSAS adjustments for the year	Transfer to Reserve Fund	December 31, 2022
<i>(in Swiss francs)</i>							
Program and Budget Surplus/(Deficit)	-	-	229,544	-	-132,192	-97,352	-
Funds in Trust Surplus/(Deficit)	-	-	-	215,365	-215,365	-	-
Reserve Fund	792,975	-	-	-	-	97,352	890,327
Special Project Fund	-	-	-	-	-	-	-
Actuarial gains/losses through Net Assets	-2,009,225	-	-	-	872,449	-	-1,136,776
Working Capital Fund	575,011	3,334	-	-	-	-	578,345
NET ASSETS	-641,239	3,334	229,544	215,365	524,892	-	331,896

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2022, the Working Capital Fund stands at 578,345 Swiss francs. As per Regulation 4.2, the purposes for which the Working Capital Fund is utilized are:

- (a) to meet budgeted expenditure pending the receipt of the contributions of members of the Union;
- (b) to meet unavoidable unforeseen expenses arising from the execution of the approved program;
- (c) to meet such other expenses as may be determined by the Council.

Advances made from the Working Capital Fund to meet the expenditure requirements listed above are to be reimbursed in accordance with Regulation 4.2.

The Reserve Fund represents the accumulated surpluses and deficits of UPOV. In accordance with Regulation 4.6 of the UPOV Financial Regulations and Rules, revised by the Council in October 2020: the use, other than for the covering of any deficits, of the reserve fund is a matter for the decision of the Council. If after the closure of the financial period, the amount of the reserve fund exceeds 15 percent of the total income for the financial period, the Council shall decide on the use of the income in excess of the expenditure for the financial period.

Following the implementation of IPSAS 39 in 2017, actuarial gains and losses for ASHI have to be recognized directly through net assets. The amount of actuarial losses in net assets at December 31, 2022 equals 1,136,776 Swiss francs due to actuarial gains of 872,449 Swiss francs recognized in 2022.

NOTE 11: RECONCILIATION OF STATEMENT OF BUDGETARY COMPARISON (STATEMENT V) AND STATEMENT OF FINANCIAL PERFORMANCE (STATEMENT II)

The UPOV Program and Budget is established on a modified accrual basis in accordance with the UPOV Financial Regulations and Rules, and is approved by the Council. The Regular Program and Budget for the 2022-2023 Biennium established a budget estimate of income and expenditure for the biennium of 7,635,000 Swiss francs.

For 2022, the first year of the biennium, the original and final budget estimate for income and expenditure was 3,817,000 Swiss francs. Actual income on a modified accrual basis for the first year of the biennium was 3,804,091 Swiss francs. Actual expense on a modified accrual basis for the first year of the biennium was 3,574,547 Swiss francs. The UPOV Performance Report for 2022 provides an explanation of the material differences between the budget and the actual amounts.

UPOV's budget and financial accounts are prepared using two different bases. The Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets and Statement of Cash Flow are prepared on a full accrual basis, whereas the Statement of Comparison of Budget and Actual Amounts (Statement V) is prepared on a modified accrual basis.

As required by IPSAS 24, a reconciliation is provided between the actual amounts on a comparable basis with the budget as presented in Statement V and the actual amounts in the financial accounts identifying separately any basis, timing and entity differences. UPOV's budget is adopted by the Council on a biennial basis, however, separate estimates are prepared for each of the two annual periods. Therefore, there are no timing differences to report. Basis differences occur when the approved budget is prepared on a basis other than the full accrual accounting basis. Basis differences include the full recognition of employee benefit costs, allowances and provisions. Entity differences represent the inclusion in UPOV's financial accounts of Funds in Trust which are not included in UPOV's Regular Program and Budget. Presentation differences, where applicable, may represent the treatment of acquisitions of equipment as investing activities in Statement IV rather than as operating activities in Statement V.

	2022			Total
	Operating	Investing	Financing	
	<i>(in Swiss francs)</i>			
Actual amount on comparable basis (Statement V)	229,544	-	-	229,544
Changes in employee benefit liabilities	-132,192	-	-	-132,192
Deferral of revenue Funds in Trust	-215,365	-	-	-215,365
Total Basis differences	-347,557	-	-	-347,557
Funds in Trust	215,365	-	-	215,365
Total Entity differences	215,365	-	-	215,365
Actual amount in the Statement of Financial Performance (Statement II)	97,352	-	-	97,352

NOTE 12: REVENUE

	Regular Program and Budget	Funds in Trust	Inter-Segment Transactions	TOTAL	TOTAL
	2022	2022	2022	2022	2021
	<i>(in Swiss francs)</i>				
REVENUE					
Contributions	3,569,798	-	-	3,569,798	3,548,342
Extrabudgetary funds (funds in trust)	-	604,011	-	604,011	383,578
PRISMA and PLUTO Fees	143,130	-	-	143,130	191,730
Investment revenue	-2,731	-31	-	-2,762	-
Other/miscellaneous revenue	29,773	-34	-	29,739	21,853
Program support charges	64,122	-	-64,122	-	-
TOTAL REVENUE	3,804,092	603,946	-64,122	4,343,916	4,145,503

Contributions under the Regular Program and Budget represent amounts payable in January 2022. Extrabudgetary funds under Funds in Trust represent revenue received in connection with contributions made by donors to individual projects not included in the Regular Program and Budget. Revenue from extrabudgetary funds (funds in trust) is deferred until earned through the delivery of the specific services provided in the plan of work agreed with the donor.

NOTE 13: EXPENSES

	Regular Program and Budget 2022	Funds in Trust 2022	Inter-Segment Transactions 2022	TOTAL 2022	TOTAL 2021
<i>(in Swiss francs)</i>					
EXPENSES					
Personnel expenditure	2,431,860	-	-	2,431,860	2,633,734
Travel, Training and Grants	37,746	138,606	-	176,352	13,240
Contractual services	598,599	400,762	-	999,361	1,112,654
Operating expenses	638,268	456	-	638,724	651,551
Supplies and materials	267	-	-	267	-
Program support costs	-	64,122	-64,122	-	-
TOTAL EXPENSES	3,706,740	603,946	-64,122	4,246,564	4,411,179

Personnel expenditure includes short-term employee benefits such as base salary, post adjustment, dependents' allowance, pension contribution, health and other insurance contributions, home leave and other entitlements for posts and temporary positions. As a result of the implementation of IPSAS, personnel expenditure also includes amounts for the movements in employee benefit liabilities.

Travel, training and grants include the costs of airfare, daily subsistence allowances, terminal allowances and other travel costs for staff on official business and travel for participants and lecturers in connection with training activities. Contractual services include translators, interpreters and other non-staff service agreements. Operating expenses include items such as premises rent, maintenance and bank charges.

NOTE 14: FINANCIAL INSTRUMENTS

UPOV is exposed to certain liquidity, interest rate, foreign currency exchange and credit risks which arise in the normal course of its operations. This note presents information about UPOV's exposure to each of the above risks and the policies and processes for measuring and managing risk.

Unless otherwise agreed by the Council, UPOV's investment policy shall be the same as WIPO's investment policy for operating cash. The Secretary-General may seek the advice of the Advisory Committee on Investments of WIPO for matters relating exclusively to UPOV. The Secretary-General shall inform the Consultative Committee regularly of any investments. The authority to make and prudently manage investments in accordance with the investment policy is delegated to the Controller of WIPO. In 2015, the policy was comprehensively revised and adopted by the Fifty-Fifth Series of Meetings of the Assemblies of the Member States of WIPO. Some further amendments to the Policy on Investments were adopted at the Fifty-Seventh Series of Meetings in 2017. The revised policy contains two specific investment policies, one covering operating and core cash and a second one covering strategic cash. Operating cash is the cash required by UPOV to meet daily payment requirements. Core cash is the balance of cash remaining once operating and strategic cash have been deducted. Strategic cash is the cash which has been set aside to finance after-service employee benefit liabilities, including ASHI.

Financial Instruments Overview

Financial instruments are categorized as follows:

Financial Assets and Liabilities	Category
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Payables and accruals	Amortized cost
Transfers payable	Amortized cost

The carrying amounts of the categories of financial assets and liabilities are as follows:

	December 31, 2022	December 31, 2021
<i>(in Swiss francs)</i>		
Financial assets		
Amortized cost	5,598,022	5,178,100
Total carrying value	5,598,022	5,178,100
Financial liabilities		
Amortized cost	582,096	617,984
Total carrying value	582,096	617,984

Fair values

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Cash and short-term deposits, receivables from exchange transactions, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Receivables from non-exchange transactions are evaluated by UPOV based on parameters such as interest rates and risk characteristics. When applicable, an allowance is established to offset the value of receivables due from contributions. The allowance covers amounts of contributions with arrears dated prior to the last biennium. For UPOV's financial assets and liabilities at the reporting date, the carrying amount is equivalent to the fair value.

Credit risk

Credit risk is the risk of financial loss to UPOV if counterparties to financial instruments fail to meet their contractual obligations and it arises principally from receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. For the purposes of financial reporting, UPOV calculates expected credit losses allowances associated with its financial assets.

UPOV's accounts receivable are almost exclusively from members of the Union representing sovereign States and relevant Intergovernmental Organizations, and therefore risks related to credit are considered minor.

Cash and cash equivalents may only be held with institutions with a minimum short-term credit rating of A-2/P-2 or a minimum long-term credit rating of A/A2. Accordingly, the credit ratings attached to cash and cash equivalents as at December 31, 2022 are as follows:

Credit Rating	A-1 S&P short-term	Total
<i>(in Swiss francs)</i>		
Cash and Cash Equivalents	5,478,422	5,478,422
Per cent	100.0%	100.0%

Liquidity risk

Liquidity risk is the risk of UPOV not being able to meet its obligations as they fall due. UPOV does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources. The investment policy requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet UPOV's cash flow requirements. Operating cash balances are invested over the short term (periods not exceeding twelve months to maturity) in low-risk asset classes which are easily liquidated at little or no cost. Core cash will be invested over the medium term (periods exceeding twelve months), in such a way that occasional access to a portion of the cash is possible thus facilitating scheduled large payments. Strategic cash is to be invested over the long term, and currently has no short or medium term liquidity requirements.

Currency risk

UPOV may receive revenue from extrabudgetary funds (funds in trust) in currencies and incur expenses in currencies other than its functional currency, the Swiss franc, and as a result is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. UPOV does not use derivative financial instruments to hedge exchange risk.

Market risk

Market risk is the risk of changes in market prices, such as interest rates, affecting income or the value of financial instrument holdings. UPOV is not subject to market risk.

NOTE 15: EVENTS AFTER THE REPORTING DATE

UPOV's reporting date is December 31, 2022 and its financial statements were authorized for issue on the same date as the External Auditor's opinion.

On March 19, 2023, it was announced that UBS bank would acquire Credit Suisse bank. The Swiss Federal Department of Finance, the Swiss National Bank and FINMA (the Swiss Financial Market Supervisory Authority) endorsed the acquisition and subject to customary closing conditions, the transaction is expected to be completed by the end of 2023.

Both UBS and Credit Suisse are banking partners for UPOV. UPOV does not anticipate any disruption to its banking operations, nor any financial impairment, related to this acquisition. With the acquisition of Credit Suisse, UPOV will pursue a strategy to develop a stronger relationship with an alternative bank in order to bolster diversification in its portfolio of banking service providers.

There have been no other material events, favorable or unfavorable, that occurred between the reporting date and the date when the financial statements were authorized for issue that would have had a material impact on these financial statements.

[End of Annex and of document]