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| International Union for the Protection of New Varieties of Plants |  |

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| CouncilFifty-Eighth Ordinary SessionGeneva, October 25, 2024 | C/58/9Original: EnglishDate: August 22, 2024 |

Financial statements for 2023

Document prepared by the Office of the Union

Disclaimer: this document does not represent UPOV policies or guidance

 The Financial Statements of UPOV for the year ended December 31, 2023, 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 2023 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/58/10 contains the audit report of the External Auditor.

 The Financial Statements for 2023 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)).

 The Council is invited to examine and approve the Financial Statements for 2023.

[Annex follows]

**INTERNATIONAL UNION FOR THE PROTECTION OF NEW VARIETIES OF PLANTS**

Financial Statements for the year ended December 31, 2023

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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, 2023 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 2023 financial statements, together with his 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 2023 financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS).

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# Financial results for the year ENDED DECEMBER 31, 2023

## Preparation of the Financial Statements under IPSAS

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.

## Financial Performance

1. UPOV’s results showed a deficit for the year of 22,883 Swiss francs, with total revenue of 4,190,602 Swiss francs and total expenses of 4,213,485 Swiss francs, compared to a surplus of 97,352 Swiss francs in 2022. This difference in result is mainly due to a decrease in voluntary contributions and an increase in travel costs and contractual services, partially offset by a decrease in personnel expenditure. The financial performance of UPOV by source of funding is summarized as follows:

***Table 1. Summary Financial Performance by source of funding***

1. 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 85.2 per cent of UPOV’s total revenue for 2023. In 2023 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 477,309 Swiss francs for the year, representing 11.4 per cent of total revenue. UPOV also has balances of 520,614 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.
2. 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. The number of submissions via UPOV PRISMA remained consistent in 2023. The revenue recognized from UPOV PRISMA fees amounted to 125,100 Swiss francs for 2023 (131,130 Swiss francs as at December 31, 2022), representing 3 per cent of UPOV’s total revenue for the year. The number of applications made via UPOV PRISMA in 2023 was 1,873, compared to the 2022 figure of 1,907.
3. Personnel expenditure of 2,309,820 Swiss francs represents 54.8 per cent of the total expenses of 4,213,485 Swiss francs for the year 2023. Personnel expenditure decreased by 122,040 Swiss francs from the 2022 figure of 2,431,860 Swiss francs. This decrease mainly resulted from the impact of movements in long-term employee benefit liabilities recognized directly through personnel expenditure.

1. Travel, training and grants increased from 176,352 Swiss francs in 2022, to 237,233 Swiss francs in 2023. 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. In parallel with numerous virtual events, UPOV undertook 26 missions outside of Geneva. UPOV participated in a seminar on the benefits of the UPOV System of Plant Variety Protection for farmers and growers held in Lao People’s Democratic Republic, attended the Asian Seed Congress in New Zealand, the IP Key SEA Workshop on Plant Variety Rights and UPOV 1991 in Indonesia and the ISF World Seed Congress in South Africa, visited the Ministry of Agriculture and Rural Affairs in China and took part in a video filming project in Viet Nam on the role of Plant Variety Protection in supporting national agriculture policy.

1. Contractual services of 1,035,386 Swiss francs represent 24.6 per cent of UPOV’s total expenses
for 2023 (999,361 Swiss francs in 2022). This increase is mainly attributed to work relating to
UPOV ePVP modules.

## Financial Position

1. UPOV had a negative net asset position of 55,011 Swiss francs as at December 31, 2023, compared to a positive net asset position of 331,896 Swiss francs at the end of 2022. This movement comprises the deficit for the year of 22,883 Swiss francs, and the impact of actuarial losses related to UPOV’s liability for ASHI. These losses totaled 364,024 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***

1. The net working capital (current assets less current liabilities) of UPOV was 4,022,003 Swiss francs as at December 31, 2023 (3,963,109 Swiss francs as at December 31, 2022). Cash and cash equivalent balances decreased from 5,478,422 Swiss francs as at December 31, 2022 to 5,437,576 Swiss francs as at December 31, 2023.
2. Total accounts receivable at December 31, 2023 were 193,890 Swiss francs, compared to 119,600 Swiss francs as at December 31, 2022. The accounts receivable balance at the end of 2023 includes contributions of 157,093 Swiss francs, a working capital fund of 1,667 Swiss francs, uncollected fee balances for UPOV PRISMA and PLUTO database applications of 34,860 Swiss francs and miscellaneous debtors of 270 Swiss francs.
3. UPOV had total employee benefit liabilities of 4,231,165 Swiss francs as at December 31, 2023, compared to 3,804,512 Swiss francs as at December 31, 2022. 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 3,986,843 Swiss francs as at December 31, 2023. This shows an increase of 506,284 Swiss francs from the balance of 3,480,559 Swiss francs as at December 31, 2022. 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.

1. 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 increase in the liability in 2023 was due to a decrease in the discount rate, which moved from 2.50 per cent to 1.80 per cent. The discount rate was determined using AA corporate bond yield curves. The increase resulting from the discount rate change was partly offset by the impact of a decrease in the ultimate medical cost trend rate from 2.80 per cent to 2.60 per cent. The following graph shows how the ASHI liability has developed since 2021 and includes actuarial forecasts for 2024-2027 (applying the same assumptions as for the 2023 calculation). The graph also shows how discount rates and medical cost trend rates have changed since 2021:

***Movement in ASHI Liability 2021-2027***



1. The projections of the ASHI liability for 2024-2027 are calculated based on actuarial assumptions and census data applied for the 2023 valuation, and do not consider gains or losses from possible future changes in actuarial assumptions or plan demographics, which could significantly impact calculations in subsequent years.
2. 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, 2023, the total balance of these funds was 1,187,257 Swiss francs (1,108,403 Swiss francs as at December 31, 2022). 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 2023

**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:

1. the regularity of the receipt, custody and disposal of all funds and other financial resources of UPOV;
2. 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
3. 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 Management Representation Letters (MRL) from the Vice Secretaries-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]](#footnote-2) 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 COSO[[2]](#footnote-3) Internal Control framework and Three Lines Model[[3]](#footnote-4).

My current statement on UPOV’s internal control processes, as described above, applies for the year ended December 31, 2023, and as at the date of the approval of UPOV’s 2023 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.

1. **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.

UPOV continued to monitor its key risks throughout 2023, 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 2023 and beyond:

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| **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** | Insufficient income due to uncertain economic conditions may negatively impact program delivery, costs and the development and expansion of UPOV services, including UPOV e-PVP and PLUTO. | Close monitoring of usage and adjusting of plans in line with forecast income. Focus on providing services and prioritizing assistance to members and potential members of the Union. |
| **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. |

1. **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[[4]](#footnote-5):

**First Line**

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 Letters, confirms his/her 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.

**Second Line**

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.

**Third Line**

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.

My assertion is also supported and informed by:

**External Auditor**

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.

**Consultative Committee** and the Council of UPOV

The observations of the Consultative Committee and the Council of UPOV.

**GOVERNANCE**

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

1. **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.

UPOV benefits from continuous improvement of WIPO assurance processes, in particular in 2023:

1. WIPO concluded a significant consolidation of its control records, with a focus on key controls, that have assessments undertaken annually and reported in the UPOV Assurance Summary.
2. WIPO continues to seek to reduce redundant “in line” controls and favor streamlined processes with key controls that utilize data analytics and ex-post facto positive assurance validation in line with materiality and risk.
3. WIPO administrative business process re-engineering also commenced in 2023 using evidenced based methodology and existing data analytics. This process will continue in 2024 and will streamline administrative processes and to ensure that WIPO is ready for the implementation of new Enterprise Resource Planning system in the future.
4. **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.

1. **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:

1. promote transparency and accountability;
2. enhance internal and external public trust in the integrity of the Organization; and
3. 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.

1. **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

 […]

“(iv) 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 201 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 UPOV’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: July 8, 2024

# Statement I: statement of financial pOSITION

**as at December 31, 2023**

*(in Swiss francs)*


# STATEMENT II: STATEMENT OF FINANCIAL PERFORMANCE

**for the year ended December 31, 2023**

*(in Swiss francs)*



# STATEMENT III: STATEMENT OF CHANGES IN NET ASSETS

**for the year ended December 31, 2023**

*(in Swiss francs)*


# Statement IV: statement of cash flow

**for the year ended December 31, 2023**

*(in Swiss francs)*


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# STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

**for the year ended December 31, 2023**

*(in thousands of Swiss francs)*

1. Original Budget represents the budget of the second 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, 2023.
3. The IPSAS adjustments to the deficit are detailed in Note 11 of these financial statements.

# STATEMENT V: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

**for the biennium ended December 31, 2023**

*(in thousands of Swiss francs)*

1. Original Budget represents the budget 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 biennium ended December 31, 2023.
3. The IPSAS adjustments to the surplus are detailed in Note 11 of these financial statements.

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# 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. The statement of financial position shows a negative net asset balance as at December 31, 2023, which is due to an increase in long-term employee benefit liabilities. This does not affect UPOV’s ability to continue as a going concern. UPOV’s Council has approved the Program and Budget of the Union for the 2024-2025 Biennium and there is no intention to change UPOV’s activities.

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. This standard does not have an impact on UPOV’s financial statements.

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.

IPSAS 45 *Property, Plant, and Equipment*, was published in May 2023 with an implementation date of January 1, 2025. It is not expected that this standard will impact UPOV’s financial statements.

IPSAS 46 *Measurement*, was published in May 2023 with an implementation date of January 1, 2025. UPOV is currently analyzing the impacts of this standard.

IPSAS 47 *Revenue*, was published in May 2023 with an implementation date of January 1, 2026. UPOV is currently analyzing the impacts of this standard.

IPSAS 48 *Transfer Expenses*, was published in May 2023 with an implementation date of January 1, 2026. UPOV is currently analyzing the impacts of this standard.

IPSAS 49 *Retirement Benefit Plans*, was published in November 2023 with an implementation date of January 1, 2026. 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 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, 2023, 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, 2023, 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. PLUTO fees are recognized as revenue at the point of invoicing following subscription.

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

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, 2023, the total balance of these funds was 1,187,257 Swiss francs (1,108,403 Swiss francs as at December 31, 2022). 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

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

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, 2024, monthly medical premiums amount to 696.00 Swiss francs for adults and 307.80 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:

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:

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

As can be seen in the table above, the most significant movement in the 2023 ASHI liability was the result of actuarial losses due to a decrease in the discount rate, which moved from 2.50 per cent to 1.80 per cent. This was partially offset by actuarial gains due to a decrease in the ultimate medical cost trend rate, which moved from 2.80 per cent to 2.60 per cent. For 2023, the medical claims cost at each age was increased by 2.80%, the trend rate from the prior valuation. Medical claims costs are updated by a full medical claims experience study typically every 3 to 5 years, and this was last performed in 2021.

Contributions, representing the premium share paid by UPOV for ASHI, totaled 40,939 Swiss francs for 2023 (39,048 Swiss francs in 2022). Expected contributions to ASHI in 2024, representing medical claims costs, are 104,663 Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2023, was 17 years. The following table details the present value of the defined benefit obligation and experience adjustments arising on the ASHI liability for 2023 and the previous four years:

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:

**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. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the 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 December 31, 2021, and the valuation as of December 31, 2023 is currently being performed. A roll forward of the participation data as of December 31, 2021 to December 31, 2022 was used by the Fund for its 2022 financial statements.

The actuarial valuation as at December 31, 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117 per cent. The funded ratio was 158.2 per cent 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 (2020, 2021 and 2022) amounted to 8,937.68 million US dollars, of which 0.017 per cent was contributed by UPOV (including participants and UPOV contributions).

During 2023, contributions (including UPOV contributions only) paid to the Fund amounted to 314,377 Swiss francs (319,558 Swiss francs in 2022). Expected contributions due in 2024 are approximately 295,688 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](http://www.unjspf.org).

Note 6: Advance receipts

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

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, 2023.

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 2023, 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):

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

Note 10: Net assets

In accordance with Regulation 4.2 of the UPOV Financial Regulations and Rules, UPOV has a Working Capital Fund. As at December 31, 2023, 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:

1. to meet budgeted expenditure pending the receipt of the contributions of members of the Union;
2. to meet unavoidable unforeseen expenses arising from the execution of the approved program;
3. 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, 2023 equals 1,500,800 Swiss francs due to actuarial losses of 364,024 Swiss francs recognized in 2023.

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.

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.

**Reconciliation for the year 2023**

**Reconciliation for the biennium 2022/23**

Note 12: Revenue



Contributions under the Regular Program and Budget represent amounts payable in January 2023. 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

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 payments under the WIPO/UPOV agreement such as premises maintenance, personnel administration, financial administration, procurement services and other administrative support.

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.

The Union manages its investments in accordance with its Policy on Investments. The Secretary-General may make short-term investments of money not needed for immediate requirements in accordance with UPOV’s investment policy. 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.

**Financial Instruments Overview**

Financial instruments are categorized as follows:

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

**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, 2023 are as follows:

**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, 2023 and its financial statements were authorized for issue on the same date as the External Auditor’s opinion.

There have been no 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]

1. Section 7 of this document provides more details [↑](#footnote-ref-2)
2. Committee of Sponsoring Organizations of the Treadway Commission [↑](#footnote-ref-3)
3. <https://www.theiia.org/globalassets/site/about-us/advocacy/three-lines-model-updated.pdf> [↑](#footnote-ref-4)
4. Letter from Peter Button from January 1 to October 22, 2023 and Letter from Yolanda Huerta from October 23 to December 31, 2023. [↑](#footnote-ref-5)