

Annual financial report and financial statements

2020

Year to December 31, 2020

World Intellectual Property Organization

Annual Financial Report and Financial Statements

Year to December 31, 2020

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ANNUAL FINANCIAL REPORT

INTRODUCTION

The financial statements of the World Intellectual Property Organization (WIPO) for the year ended December 31, 2020, are submitted to the Assemblies of the Member States of WIPO (“WIPO Assemblies”) as required by Regulation 6.7 of the WIPO Financial Regulations and Rules (FRR). The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), as developed and approved by the International Public Sector Accounting Standards Board (IPSASB).

The report of the External Auditor on the audit of the 2020 financial statements, together with his opinion on the financial statements, are also submitted to the WIPO Assemblies as prescribed under Regulation 8.11 and Annex II of the FRR.

The annual financial report, including financial statement discussion and analysis, is presented in this document alongside the financial statements and the annual statement on internal control.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The following financial statement discussion and analysis includes an overview of the Organization’s operations and environment, financial objectives and strategies, risk management strategy, financial performance and financial position during the year ended December 31, 2020. This year, due to the unprecedented global impact of the COVID-19 pandemic, a separate overview of its effects on the Organization’s operations and financial results has also been included. The discussion and analysis has been prepared in accordance with IPSASB Recommended Practice Guideline 2, and is intended to provide an explanation of the significant items, transactions, and events presented in the financial statements and the factors that influenced them. This discussion and analysis is not part of WIPO’s financial statements; however it should be read together with WIPO’s financial statements.

Operations and Environment

WIPO is the global forum for intellectual property services, policy, information and cooperation. It is a specialized agency of the United Nations, with 193 Member States. The Organization’s mission is to lead the development of a balanced and effective global intellectual property ecosystem to promote innovation and creativity for a better and more sustainable future. The Organization’s mandate, governing bodies and procedures are set out in the WIPO Convention of 1967, which established WIPO.

WIPO’s Member States determine the direction, budget and activities of the Organization through the decision-making bodies. The main policy and decision-making bodies of WIPO are the General Assembly, the Conference and the Coordination Committee. The General Assembly consists of States party to the WIPO Convention which are members of any of the Unions administered by WIPO. The General Assembly constituted the Program and Budget Committee to consider matters relating to program, budget, premises and finance. The Conference is composed of the States party to the WIPO Convention whether or not they are members of any of the Unions, and is, *inter alia*, the competent body for adopting amendments to the Convention. The Coordination Committee consists of elected members of the Executive Committees of the Paris or the Berne Unions, or both, one-fourth of the States party to the WIPO Convention which are not members of any of the Unions, and Switzerland, as the State on whose territory the Organization has its headquarters.

The General Assembly appoints the WIPO Director General upon nomination by the Coordination Committee. The current Director General, Mr Daren Tang, was appointed on May 8, 2020, and began his six-year term on October 1, 2020. Mr Tang succeeds Mr Francis Gurry, who served as WIPO Director General from October 1, 2008. The Director General is the chief executive of the Organization. The Director General is assisted by the Sector Leads (consisting of the Deputy Directors General and the Assistant Directors General) in providing the strategic direction of WIPO’s programs and in managing their respective Sectors to ensure the delivery of results in line with the Organization’s strategic goals and the Program and Budget.

WIPO generates most of its revenue from fees that are paid by users of its intellectual property services for patents, trademarks and industrial designs. These services are provided through the Patent Cooperation Treaty (PCT), Madrid and Hague systems. In 2020, fees from these activities represented 94.3 per cent of the Organization’s total revenue, with PCT system fees alone representing 76.6 per cent. The driver for revenue from these fee-based services is the international demand for intellectual property titles. Other external factors that may influence the Organization’s revenue from its fee-based services include research and development investment levels, technological confidence levels, and exchange rate fluctuations.

Financial Objectives and Strategies

The financial activities of WIPO are governed by its Financial Regulations, which are approved by the General Assembly. Financial Rules are established by the Director General in accordance with the provisions of the Financial Regulations. WIPO's Member States are informed of any modification of the Financial Rules. The Financial Rules govern all the financial management activities of the Organization. Authority and responsibility for the implementation of the Financial Regulations and Rules is delegated by the Director General to the Controller.

Every two years, the Director General presents a Program and Budget to Member States for approval. It details expected results, performance measures and budgetary planning for all proposed activities. The Program and Budget for the 2020/21 biennium was approved by the Assemblies of the Member States of WIPO in October 2019. The Program and Budget provides the planning for the biennium within the overall strategic context of the Medium-Term Strategic Plan.

The Organization uses a Results-Based Management system to ensure that resources are budgeted and utilized in line with organizational results and priorities. Organizational performance is measured and analyzed on a regular basis through performance indicators, targets and baselines. Under this system, both the Program and Budget and the Medium-Term Strategic Plan form part of WIPO's planning framework, along with annual work plans and individual staff objectives.

The Organization manages the levels of its reserves in accordance with its Policy on Reserves. WIPO's reserves are accounted for as the net assets of the Organization, and serve to minimize the impact of income shortfalls and maximize the probability that the Organization can meet its obligations in the short term and maintain financial stability. One core element of the policy is the mechanism for establishing the required level of reserves as a percentage of the estimated biennial expenditure of the Unions administered by the Organization. The policy also establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances.

The Organization manages its investments in accordance with its Policy on Investments. The policy states that the primary objectives of the Organization's investment management, in order of importance, shall be: (i) preservation of capital; (ii) liquidity and (iii) within the constraints of (i) and (ii), the rate of return. The Organization aims to achieve a market rate of return whenever appropriate and possible for both operating and core cash. Strategic cash is to be invested over the long-term in order to achieve capital growth and thus an overall positive return over time.

Risk Management

WIPO's Risk Management Policy sets out the Organization's approach to managing risks and internal controls in a consistent and business-oriented manner, in order to support the achievement of its strategic goals and expected results. It is complemented by WIPO's Risk and Internal Control Management Manual, which covers the day-to-day operational details of risk and internal control management. The policy and the manual, together with the organizational arrangements, the establishment of roles and responsibilities, processes and activities for the management of risks and internal controls represent WIPO's Risk Management Framework.

Under the guiding principles of WIPO's Risk Management Policy, risk management is considered an organization-wide responsibility. Organizational level risks are identified and reviewed by WIPO's Risk Management Group, which is chaired by the Director General. Risk management is performed as an integral part of the Organization's Results-Based Management cycle. WIPO's Risk Management Framework is guided by the risk appetite noted by its Member States in WIPO's Risk Appetite Statement.

COVID-19 Pandemic

The World Health Organization 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. The pandemic became a global challenge and impacted the global economy in an unprecedented manner. In its 2019 financial statements, WIPO disclosed the outbreak as a non-adjusting event after the reporting date, in accordance with IPSAS 14. This disclosure stated that, given the global effects of the pandemic, there would be significant impacts on the Organization's operations in 2020, the extent of which could not reliably be estimated at that time. While the eventual impact on the way WIPO conducted its business in 2020 was profound, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was more limited. Although there can be no objective or exact method of determining the complete impact of the COVID-19 pandemic on these financial statements, certain broad trends can be identified and are reflected in the following summary of the effects of the pandemic on WIPO's operations and financial results.

On March 17, 2020, WIPO premises at its headquarters in Geneva were closed in the face of the evolving health crisis and lockdown decisions made by the Host Government. Physical access to WIPO was limited to a small critical presence needed to perform essential services on premises; all other staff continued to work remotely. The

Organization already had in place a Business Continuity Plan that addressed the threat of significant disruption to critical functions, and was quickly able to adjust to these unprecedented circumstances. During the initial phase of the crisis, staff were provided laptops and other equipment to permit them to connect to WIPO systems safely from remote locations. WIPO services, including fee-based and support services, rapidly attained near-optimal capacity. With the gradual decline of infection rates in the Geneva region, and the scaling back of lockdown measures by the Host Government, WIPO initiated a carefully planned and phased return-to-premises program in June 2020. However, in October 2020 the epidemiological situation in Geneva rapidly deteriorated as the second wave of the COVID-19 pandemic gripped most of the world. This culminated in the Host Government issuing a new series of recommendations, including for employers to implement remote working as much as possible. As of November 2, 2020, all WIPO personnel, except those required to be on-site, resumed remote working.

The Organization monitored its directly related COVID-19 expenditure during 2020, which totaled approximately 3.6 million Swiss francs. This concerned principally expenditure on IT equipment and IT services to meet remote working and virtual or hybrid meeting requirements. Other expenditure considered directly related to the impacts of COVID-19 on the Organization's operations included cleaning and disinfection products, furniture and equipment for new layout requirements, purchase of medical supplies, additional medical staff, and lunch allowances. Travel bans and restrictions during 2020 had a significant impact on WIPO's activities involving traditional, in-person implementation modalities, especially in the areas of capacity building and support services. This required the Organization to adapt its delivery methods in order to respond to the constraints caused by the pandemic. In financial terms, the cost of missions for staff and consultants fell from 5.7 million Swiss francs in 2019, to 0.5 million Swiss francs in 2020. Official meetings and conferences moved to hybrid and virtual modes during the year. The Organization's third party travel costs, including participants and lecturers, fell from 10.5 million Swiss francs in 2019 to 0.5 million Swiss francs in 2020.

WIPO's revenue from fees charged for applications under the PCT, Madrid and Hague systems is recognized at the date of publication of the application, in accordance with the requirements of IPSAS. As publication takes place some time after the filing of an application, revenue levels from these systems do not necessarily provide an immediate indication of the impact of the COVID-19 pandemic for the Organization. Looking more specifically at filings of applications in 2020, overall demand for WIPO's fee-based services under its intellectual property systems remained strong considering the unprecedented circumstances. Revenue from the PCT system, based on publications of PCT applications in the year, was 6.1 per cent higher than in 2019, totaling 358.6 million Swiss francs. PCT application filings also grew in 2020, reaching an estimated 275,900 applications, a record figure and a 4.0 per cent increase on the 2019 number of 265,381. Revenue from the Madrid system, again recognized at the date of publication of the application, fell by 0.8 per cent compared to 2019, totaling 76.2 million Swiss francs. Use of the Madrid system also slightly decreased in 2020. International trademark applications totaled an estimated 63,800, down by 0.6 per cent on the 2019 number of 64,168, representing the first decline since the global financial crisis of 2008-2009. This was expected, given that trademarks tend to represent the introduction of new goods and services, both of which slowed as a result of the global pandemic. The economic fallout from the pandemic also hit demand for the protection of industrial designs via the Hague system. Applications fell by 1.7 per cent, and designs in those applications dropped by 15.0 per cent. Revenue from the Hague system in 2020 actually increased from 5.3 million Swiss francs in 2019 to 6.7 million Swiss francs as registration publication volumes increased over the year. The reduced demand for the Hague system seen in 2020 may be expected to impact revenue in 2021.

Concerning the Organization's assets, as at each year end and in accordance with the requirements of IPSAS, WIPO performed its annual impairment reviews to ensure that assets were recorded at an appropriate value in the financial statements. This exercise did not indicate any impairment attributable to the impacts of the COVID-19 pandemic. The review of financial instruments including accounts receivable, revealed no impact on payment patterns that would require recognition of credit loss. Although the Organization's buildings were utilized to a much lower extent in 2020 than in 2019, no impairment was considered necessary for these long-term assets. For the Organization's liabilities, the most noticeable consequence of the pandemic was an increase of 5.8 million Swiss francs in the accumulated annual leave liability, largely due to the impact of staff not taking their planned leave entitlements in 2020 as a result of travel limitations. Due to these limitations, as an exceptional measure for 2020, the Organization increased the maximum annual accrual and carry-forward balance for annual leave.

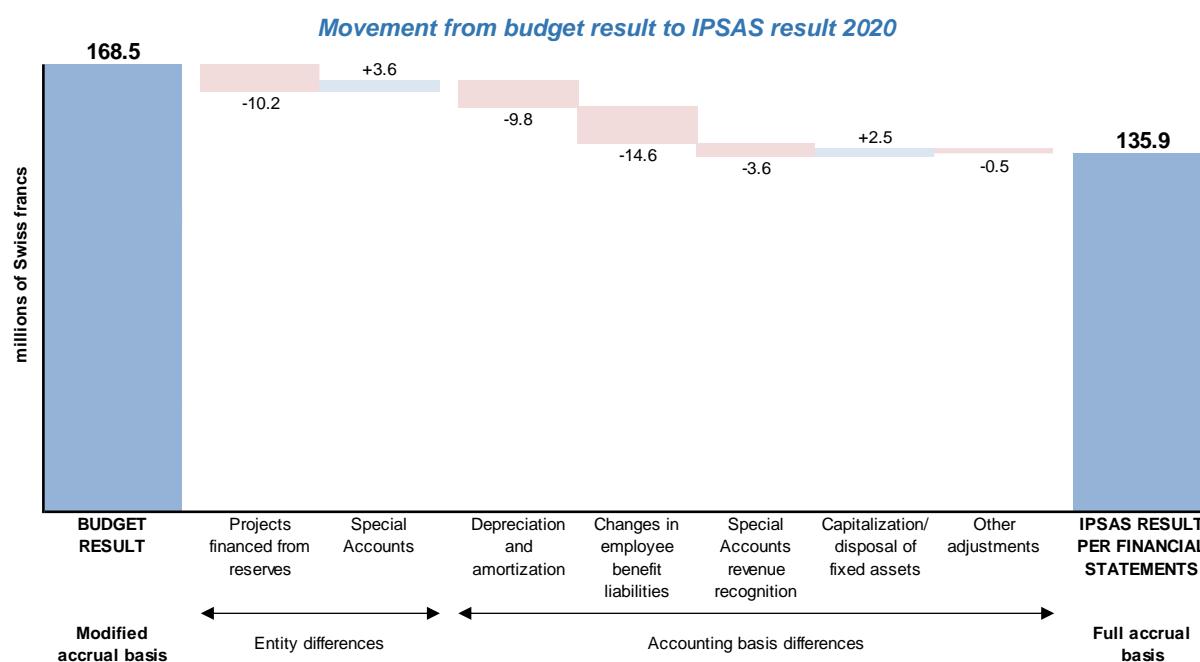
At the end of 2020, the Organization achieved investment gains of 33.4 million Swiss francs. Global financial markets reacted strongly to the onset of the COVID-19 pandemic in February and March 2020. Volatility increased while asset prices witnessed one of the worst and most rapid drawdowns in history. The recovery was equally quick, following the swift and substantial response to the crisis from governments and monetary authorities. Markets had mostly normalized when the potential rollout of a vaccine in 2021 was announced in November 2020, which ignited a strong rally in asset prices. Most investment categories ended the year with positive returns and WIPO portfolio returns significantly exceeded their long term targets. It is important to note that WIPO's investment strategy for its core cash and strategic cash portfolios is based on long-term fundamentals and is designed to resist periods of financial turbulence.

Financial Performance 2020

The Organization's results for 2020 showed a surplus for the year of 135.9 million Swiss francs, with total revenue of 468.3 million Swiss francs, total expenses of 365.8 million Swiss francs, and investment gains of 33.4 million Swiss francs. This can be compared to a surplus of 97.7 million Swiss francs in 2019, with total revenue of 457.0 million Swiss francs, total expenses of 401.4 million Swiss francs, and investment gains of 42.1 million Swiss francs. The Program and Budget result for 2020 prepared on a modified accrual basis (i.e. not including all IPSAS adjustments) was a surplus of 168.5 million Swiss francs. The 2020 result for the Organization under IPSAS includes Special Accounts, Projects financed from reserves, and the impact of adjustments related to full accrual accounting in accordance with IPSAS:

	Program and Budget	Special Accounts	Projects Financed from Reserves	IPSAS Adjustments	Total	Total
	2020	2020	2020	2020	2020	2019
<i>(in millions of Swiss francs)</i>						
Total revenue	463.0	9.5	-	-4.2	468.3	457.0
Total expenses	-327.9	-5.9	-10.2	-21.8	-365.8	-401.4
Investment gains/(losses)	33.4	-	-	-	33.4	42.1
Net surplus/(deficit)	168.5	3.6	-10.2	-26.0	135.9	97.7

The chart below summarizes the principal differences between the Program and Budget surplus of 168.5 million Swiss francs, and the surplus for the whole Organization prepared on an IPSAS basis of 135.9 million Swiss francs:

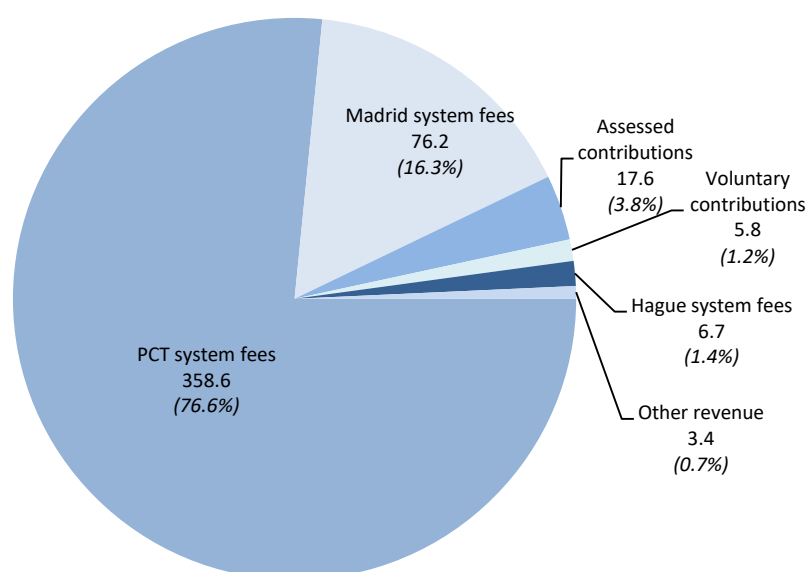


The WIPO financial statements as prepared in accordance with IPSAS include all areas and activities of the whole Organization. The inclusion of the results before IPSAS adjustments of Projects financed from reserves (deficit of 10.2 million Swiss francs) and Special Accounts (surplus of 3.6 million Swiss francs) represent 'entity differences' between the budget result and the surplus per the IPSAS financial statements. The application of full accrual basis accounting in accordance with IPSAS leads to a number of 'accounting basis differences' which impact the result for the year. The net impact of these adjustments is a 26.0 million Swiss francs reduction in the surplus. The principal accounting differences include:

- the depreciation expense of buildings and equipment and the amortization expense of intangible assets as the cost of these assets is spread over their useful lives;
- adjustments to reflect movements in employee benefit liabilities based on IPSAS compliant calculations, including those prepared by external actuaries;
- the capitalization of costs relating to the improvement of buildings and the acquisition of equipment, along with losses from the disposal or demolition of fixed assets.

Revenue

Composition of 2020 revenue on an IPSAS basis
(in millions of Swiss francs)



Total revenue of the Organization for 2020 was 468.3 million Swiss francs, representing an increase of 2.5 per cent compared to the 2019 total revenue of 457.0 million Swiss francs. The largest source of revenue during 2020 was PCT system fees, accounting for 76.6 per cent of total revenue. Revenue from PCT system fees rose by 6.1 per cent compared to 2019.

Madrid system fees were the second largest source of revenue during the year 2020, representing 16.3 per cent of total revenue. Revenue from Madrid system fees fell by 0.8 per cent compared to 2019. Hague system fees, Lisbon system fees, assessed contributions, voluntary contributions (contributions by donors to Special Accounts) and other revenue (publications, arbitration and mediation and other/miscellaneous revenue) comprise the remaining 7.1 per cent of the Organization's total revenue. The following table provides a summary of the changes by revenue type compared to the prior year:

Revenue variance 2019-2020

	2020	2019	Net Change	Net Change
	(in millions of Swiss francs)			%
Revenue				
Assessed contributions	17.6	17.3	0.3	1.7
Voluntary contributions	5.8	10.9	-5.1	-46.8
Publications revenue	0.5	0.3	0.2	66.7
Fees				
PCT system	358.6	338.1	20.5	6.1
Madrid system	76.2	76.8	-0.6	-0.8
Hague system	6.7	5.3	1.4	26.4
Sub-total fees	441.5	420.2	21.3	5.1
Arbitration and Mediation	2.1	2.0	0.1	5.0
Other/miscellaneous revenue	0.8	6.3	-5.5	-87.3
Total revenue	468.3	457.0	11.3	2.5

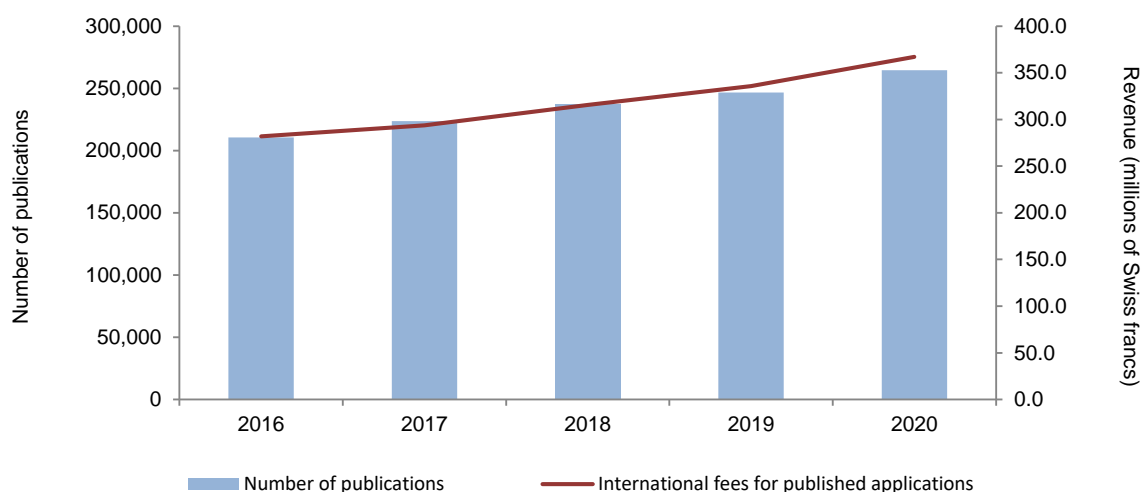
PCT revenue is principally comprised of international filing fees (the basic fee, plus supplementary page fees, less reductions for e-filings and least developed countries). The total PCT system fees revenue figure also comprises other fees (including handling and transfer fees) and foreign exchange gains and losses:

Detail of PCT system fees – 2016-2020

	2020	2019	2018	2017	2016
<i>(in millions of Swiss francs)</i>					
International filing fees	366.9	335.6	315.4	293.6	281.8
Other fees	3.2	3.4	3.6	3.6	3.8
Exchange gain/(loss) on fees received	-8.6	-2.6	1.7	0.4	5.2
Other exchange gain/(loss)	-2.9	1.7	0.7	-1.2	-0.1
Total PCT system fees	358.6	338.1	321.4	296.4	290.7

Revenue from PCT system fees on an IPSAS basis increased by 6.1 per cent compared to 2019. In the financial statements prepared under IPSAS, revenue for international filing fees from PCT applications is recognized only on publication of the application. In 2020 there were 264,584 publications compared to 246,636 in 2019. When looking at revenue from PCT international filing fees as recognized in accordance with IPSAS, the following graph shows how annual revenue has moved in line with the number of published applications in the year:

PCT - International filing fees and publications 2016-2020



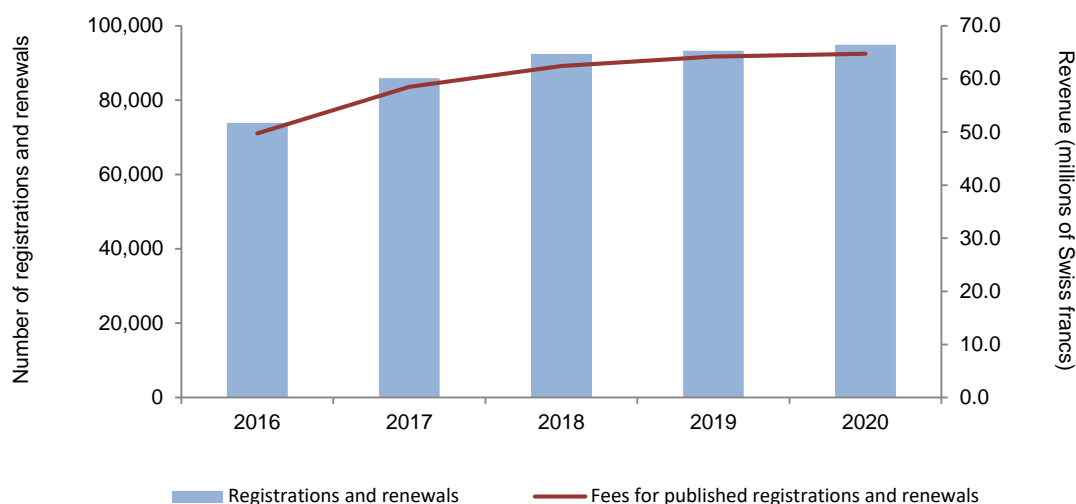
Madrid system fees principally comprise basic fees received from applications for registrations or renewals and fees for subsequent designations:

Detail of Madrid system fees – 2016-2020

	2020	2019	2018	2017	2016
<i>(in millions of Swiss francs)</i>					
Basic fees (registrations and renewals)	64.7	64.2	62.4	58.5	49.7
Subsequent designations	6.0	6.4	5.8	5.5	4.8
Other fees	5.5	6.2	6.1	5.9	5.1
Total Madrid system fees	76.2	76.8	74.3	69.9	59.6

In accordance with IPSAS, revenue from Madrid fees for registrations, renewals and subsequent designations is recognized in the financial statements upon publication. Revenue from registrations and renewals as recognized in accordance with IPSAS has moved in line with the number of registrations and renewals in the year. Between 2019 and 2020, the number of registrations fell from 64,118 to 62,062. However, in the same period the number of renewals rose from 29,136 to 32,731:

Madrid - Basic fees and registrations/renewals 2016-2020

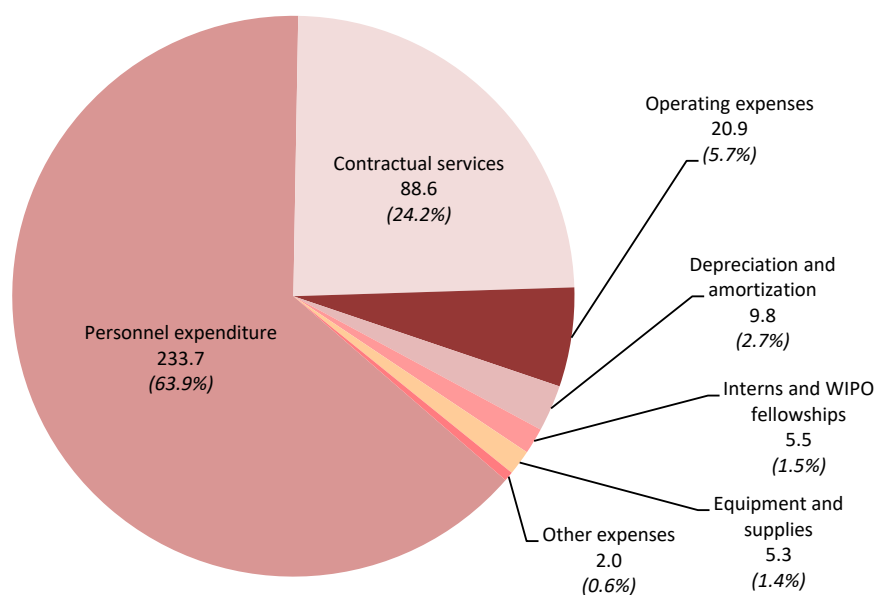


Revenue from Hague system fees totaled 6.7 million Swiss francs for 2020, representing an increase of 26.4 per cent compared to the 2019 figure of 5.3 million Swiss francs. Registrations under the Hague system rose from 5,042 in 2019 to 6,795 in 2020. Lisbon system fees totaled 7,000 Swiss francs in 2020, compared to 14,000 Swiss francs in 2019.

Revenue from assessed contributions of 17.6 million Swiss francs in 2020 represents 3.8 per cent of total revenue, while revenue from voluntary contributions of 5.8 million Swiss francs in 2020 represents 1.2 per cent of total revenue. Revenue from voluntary contributions fell by 46.8 per cent compared to the prior year. Voluntary contributions in 2020 were received under Special Accounts, for which revenue is recognized as work is performed and expense incurred in line with the relevant agreement. Due to the impacts of the COVID-19 pandemic, lower than anticipated expenses have been incurred which in turn has reduced the recognition of revenue in 2020. The actual receipt of voluntary contributions in 2020 was more in line with the prior year, totaling 9.4 million Swiss francs compared to 10.1 million Swiss francs in 2019.

Arbitration and mediation revenue of 2.1 million Swiss francs was up by 0.1 million Swiss francs on the prior year, while publications revenue of 0.5 million Swiss francs was 0.2 million Swiss francs higher than in 2019. Other/miscellaneous revenue totaled 0.8 million Swiss francs in 2020, compared to 6.3 million Swiss francs in 2019. The higher amount in 2019 was mainly the result of the reversal of unused provisions for legal costs.

Expenses

 Composition of 2020 expenses on an IPSAS basis
 (in millions of Swiss francs)


Detailed breakdown of 2020 expenses
(in millions of Swiss francs)

Personnel expenditure 233.7	Posts	223.5	Depreciation and amortization 9.8	Buildings depreciation	8.6
	Temporary staff	8.5		Equipment depreciation	0.5
	Other staff costs	1.7		Intangible assets amortization	0.7
Contractual services 88.6	Conferences	1.3	Interns and WIPO fellowships 5.5	Internships	0.5
	Individual contractual services	12.3		WIPO fellowships	5.0
	Other contractual services	75.0	Equipment and supplies 5.3	Supplies and materials	4.8
Operating expenses 20.9	Premises and maintenance	18.5		Furniture and equipment	0.5
	Communication	1.3	Other expenses 2.0	Travel, training and grants	1.8
	Representation & other operating expenses	0.6		Finance costs	0.2
	United Nations joint services	0.5			

Total expenses of the Organization for 2020 were 365.8 million Swiss francs, representing a decrease of 8.9 per cent compared to 2019 total expenses of 401.4 million Swiss francs. The largest expense for the Organization was personnel expenditure of 233.7 million Swiss francs, representing 63.9 per cent of total expenses. Contractual services of 88.6 million Swiss francs were the second largest expense for the Organization, followed by operating expenses of 20.9 million Swiss francs. The following table provides a summary of the changes by expense type compared to the prior year:

Expenses variance 2019-2020

	2020	2019	Net Change	Net Change
	(in millions of Swiss francs)			%
Expenses				
Personnel expenditure	233.7	242.5	-8.8	-3.6
Internships and WIPO fellowships	5.5	5.2	0.3	5.8
Travel, training and grants	1.8	17.5	-15.7	-89.7
Contractual services	88.6	96.1	-7.5	-7.8
Operating expenses	20.9	22.5	-1.6	-7.1
Equipment and supplies	5.3	6.4	-1.1	-17.2
Depreciation and amortization	9.8	10.2	-0.4	-3.9
Finance costs	0.2	1.0	-0.8	-80.0
Total expenses	365.8	401.4	-35.6	-8.9

The Organization's expenses decreased in nearly all areas compared to 2019. The most significant reduction was for travel, training and grants, which fell from 17.5 million Swiss francs in 2019 to 1.8 million Swiss francs in 2020. This 89.7 per cent decrease was a direct consequence of the effects of the COVID-19 pandemic on the Organization's activities, with restrictions over movement and mass gatherings significantly impacting travel for missions and physical participation in conferences and meetings.

The Organization's personnel expenditure comprises principally net base salary and post adjustments for staff in posts or temporary positions. Combined these represent 144.8 million Swiss francs, 62.0 per cent of total personnel expenditure for 2020. Total personnel expenditure in 2020 of 233.7 million Swiss francs has decreased by 8.8 per cent compared to total personnel expenditure of 242.5 million Swiss francs in 2019. Several factors have contributed to this decrease. The total of net base salary and post adjustments of 144.8 million Swiss francs was 3.1 million Swiss francs lower than the 2019 figure. The impact of movements in long-term employee benefit liabilities recognized through personnel expenditure was also 2.5 million Swiss francs lower in 2020 than in 2019. In addition, the cost of staff termination agreements fell by 2.7 million Swiss francs compared to the prior year. The cost of internships and WIPO fellowships, which is not included as part of personnel expenditure, increased slightly compared to 2019, rising by 5.8 per cent to 5.5 million Swiss francs.

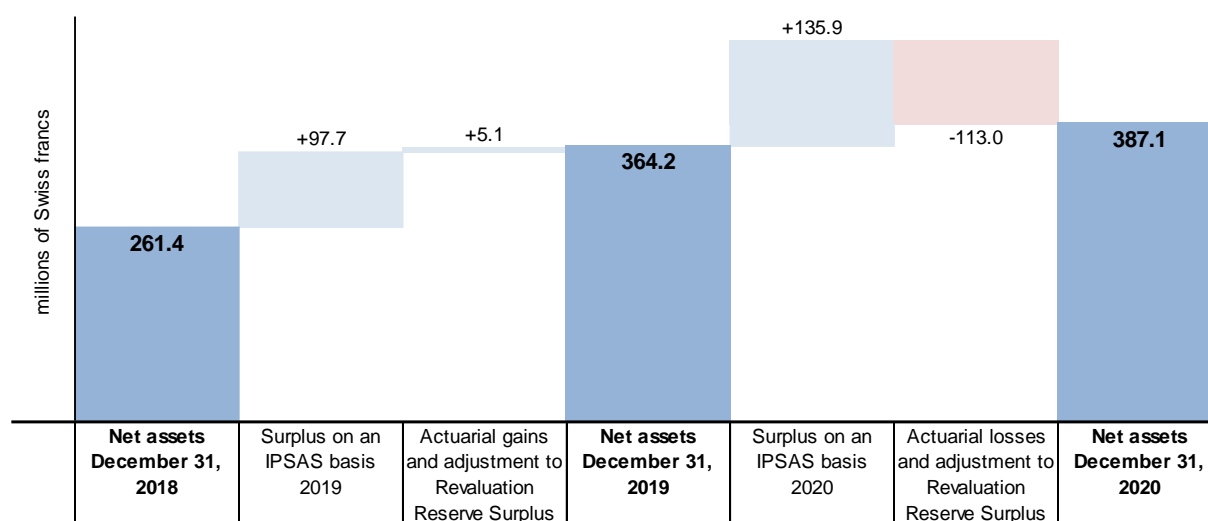
Contractual services in 2020 totaled 88.6 million Swiss francs. These expenses have decreased by 7.5 million Swiss francs compared to the 2019 figure. Within this, conference expenses, including interpreter remuneration, premises rental and material costs, were 3.1 million Swiss francs lower than the prior year. Individual contractual services were 2.2 million Swiss francs down on the 2019 figure, and training expenses fell by 0.5 million Swiss francs. Operating expenses in 2020 totaled 20.9 million Swiss francs, a decrease of 7.1 per cent compared to the 2019

total of 22.5 million Swiss francs. Notably communication expenses, including postage costs, fell by 0.8 million Swiss francs against the 2019 figure. Expenses for equipment and supplies fell from 6.4 million Swiss francs in 2019 to 5.3 million Swiss francs in 2020, and depreciation and amortization of capitalized fixed assets were also lower than in the prior year, totaling 9.8 million Swiss francs, compared to a charge of 10.2 million Swiss francs in 2019.

Financial Position 2020

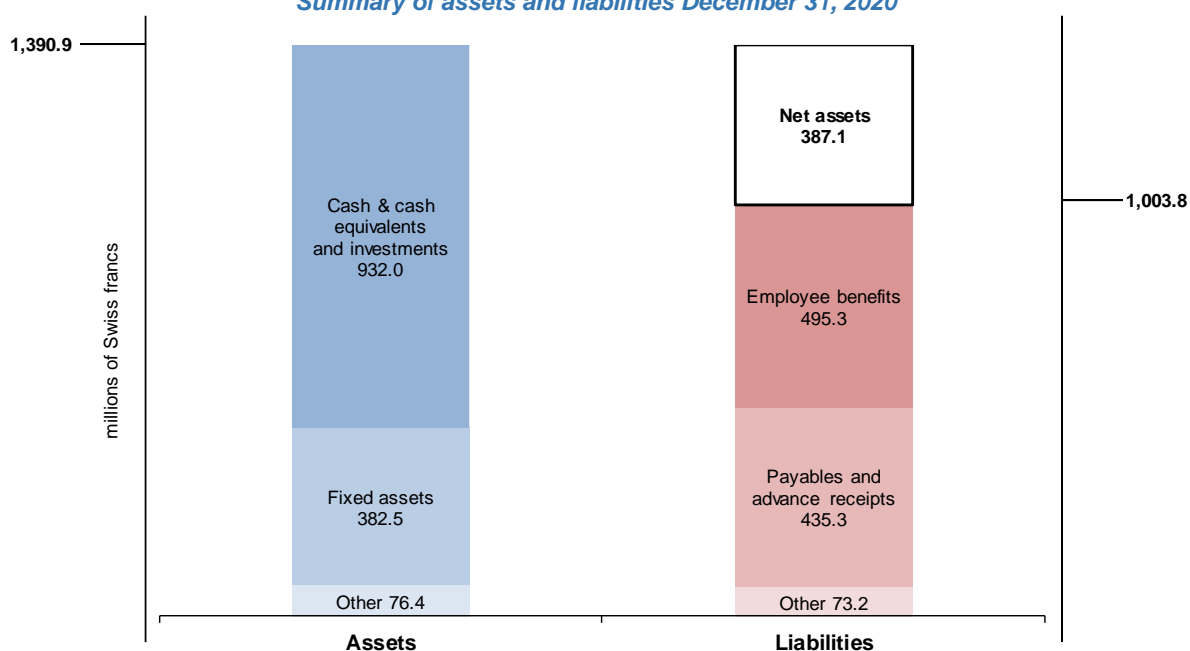
As at December 31, 2020, the Organization had net assets of 387.1 million Swiss francs, with total assets of 1,390.9 million Swiss francs and total liabilities of 1,003.8 million Swiss francs. During 2020, the Organization's net assets increased by 22.9 million Swiss francs. The surplus for the year of 135.9 million Swiss francs was largely offset by actuarial losses related to WIPO's liability for ASHI, which totaled 114.9 million Swiss francs and were recognized through net assets. A revaluation gain of 1.9 million Swiss francs on land owned by the Organization was also recognized through net assets:

Movement in net assets 2018-2020



The following chart provides a summary of the Statement of Financial Position of WIPO as at December 31, 2020. Total assets of 1,390.9 million Swiss francs are composed primarily of cash, cash equivalents, investments and fixed assets. Total liabilities of 1,003.8 million Swiss francs are principally employee benefits, and payables and advance receipts:

Summary of assets and liabilities December 31, 2020



Assets

At the end of 2020 the Organization held cash, cash equivalents and investment balances of 932.0 million Swiss francs, representing 67.0 per cent of total assets. This included amounts totaling 186.0 million Swiss francs classified as restricted, and amounts totaling 211.2 million Swiss francs representing strategic cash and investments. The total balance of 932.0 million Swiss francs was 177.9 million Swiss francs higher than the balance of 754.1 million Swiss francs at the end of 2019.

The Organization holds significant fixed assets (land, buildings, intangible assets and equipment) with a total net book value of 382.5 million Swiss francs. During 2020, costs totaling 1.8 million Swiss francs for additions and improvements to existing buildings were capitalized, and equipment acquisitions of 0.9 million Swiss francs were capitalized. The total depreciation and amortization charge against all fixed assets was 9.8 million Swiss francs for 2020.

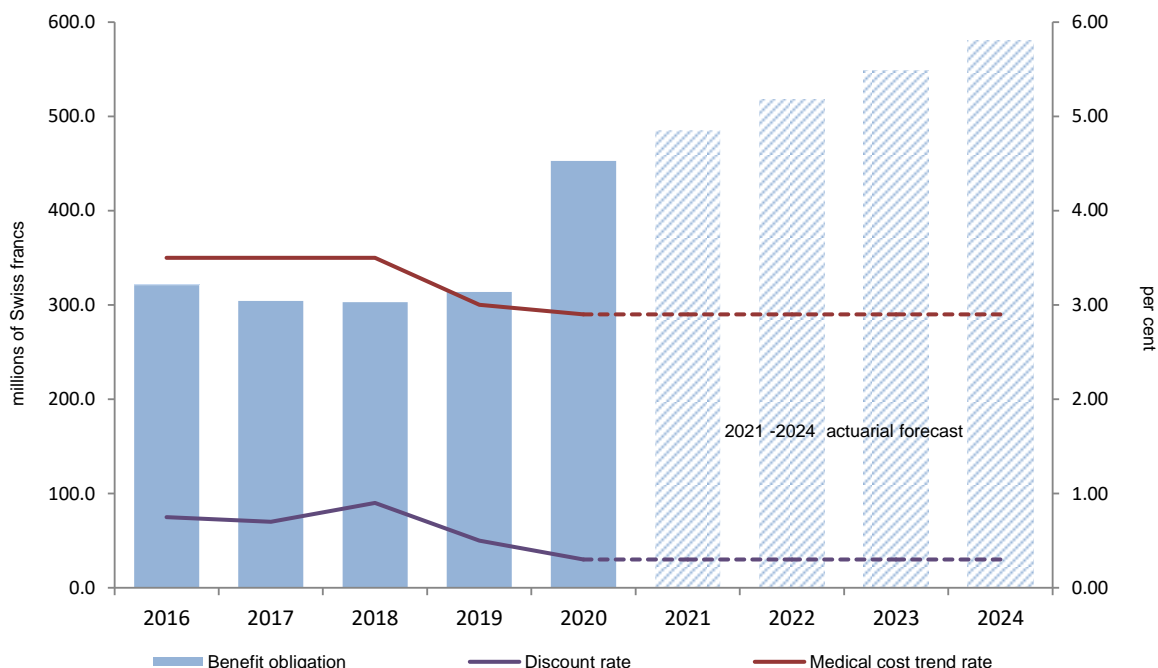
Other assets of the Organization totaling 76.4 million Swiss francs included accounts receivable and advance payments. Within this, the most significant balance was PCT debtors totaling 53.1 million Swiss francs. At any given time, a significant number of PCT applications have been filed with receiving Offices and possibly received by WIPO, for which no corresponding fee payment has yet been received by the Organization. The balance of PCT debtors decreased compared to the prior year, when it totaled 59.1 million Swiss francs. Although PCT applications increased in 2020, the percentage of unpaid applications at year end fell compared to the prior year, from 16.5 per cent to 13.9 per cent of filings in the year.

Liabilities

Employee benefit liabilities of 495.3 million Swiss francs were mainly comprised of the ASHI liability of 452.8 million Swiss francs, representing 91.4 per cent of the total employee benefits liability as at December 31, 2020. The ASHI liability increased by 139.1 million Swiss francs compared to the 2019 balance. 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. To manage the cost and risk of its collective medical insurance plan, WIPO has secured an insurance contract that allows a level per person premium to be paid for existing retirees and active staff, thus reducing the cash paid on behalf of older retirees relative to their incurred medical cost.

The ASHI liability calculation incorporates a number of actuarial assumptions. These include the discount rate, medical cost trend rates, age-grading for medical claims, 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 10 of these financial statements. The increase in the liability in 2020 was mainly due to a modification of the expected future age-related medical costs. The ASHI liability is the ultimate cost of providing future post-employment medical costs, derived from the medical insurance premiums by applying an age-specific grading factor based on an analysis of recent claims data which has led to changes and increases at certain age groups. This is different from considering only the medical insurance premiums, which are mitigated by lower expected costs for the younger staff and new joiners.

Other changes to actuarial assumptions included a further lowering of the discount rate from 0.50 per cent to 0.30 per cent, which also led to an increase in the liability. This was partly offset by a decrease in the medical cost trend rate from 3.00 per cent to 2.90 per cent. The following graph shows how the ASHI liability has developed since 2016, and includes actuarial forecasts for 2021-2024 (applying the same assumptions as for the 2020 calculation). The graph also shows how discount rates and medical cost trend rates have changed since 2016:

Movement in ASHI liability 2016-2024

The projections of the ASHI liability for 2021-2024 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 2021-2024 reflects the demographic make-up of participants in WIPO's 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).

As at December 31, 2020, payables and advance receipts totaled 435.3 million Swiss francs, and mainly included deferred revenue for the processing of international applications (under the PCT, Madrid and Hague systems) for 289.1 million Swiss francs. This deferred revenue balance principally concerns PCT system fees of 286.1 million Swiss francs. Revenue from fees relating to the processing of international applications is deferred until the related application is published. At any given time, a number of PCT applications will have been filed with either receiving Offices or WIPO which have yet to be published. As at December 31, 2020, for applications with a 2019 or 2020 filing date, it is estimated that approximately 206,528 applications were unpublished. At the end of the prior year 2019, approximately 202,932 applications filed in 2018 or 2019 were unpublished and the deferred revenue balance for PCT system fees was 281.8 million Swiss francs.

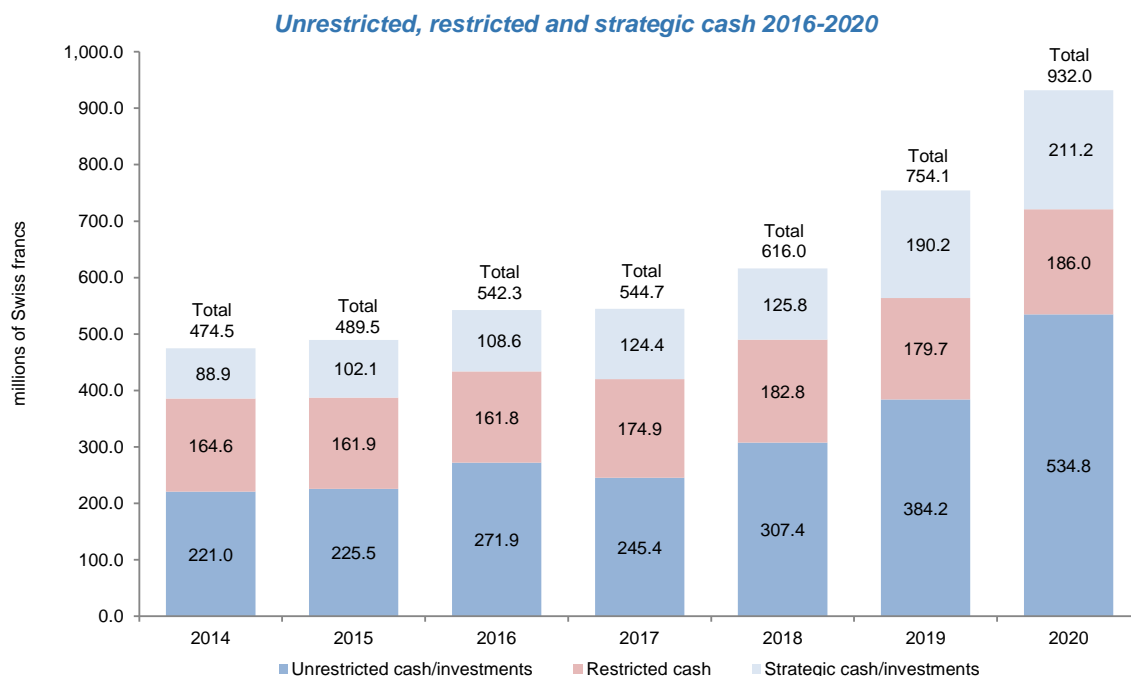
Cash Flow 2020

The Organization's cash, cash equivalents and investments balance has continually increased over the last ten years. A further significant increase of 177.9 million Swiss francs was achieved in 2020. This included fair value increases of 21.5 million Swiss francs on the Organization's medium-term investment portfolio, and 11.7 million Swiss francs on the Organization's long-term investment portfolio. The principal cash inflows to the Organization are payments of PCT system fees. Monthly cash inflows from PCT system fees averaged 30.7 million Swiss francs during the year 2020 compared to 29.3 million Swiss francs during the year 2019. The Organization generally holds its cash deposits in instant access bank accounts. During 2020 the Organization continued to hold balances in term deposit accounts (for periods up to 12 months). This has allowed the Organization to reduce the level of charges on certain instant access bank accounts following the introduction of negative interest rates during 2015.

As at December 31, 2020, WIPO's medium-term investment portfolio (core cash investments) had a fair value of 471.7 million Swiss francs, and the long-term investment portfolio (strategic cash investments) had a fair value of 200.6 million Swiss francs. WIPO's non-current investments are held at fair value in the Statement of Financial Position. Fair value increases in these investment portfolio assets during 2020, as noted above, reflect short term market volatility. Core cash balances are invested with the objective of generating a positive return over rolling five year periods, and strategic cash balances are invested over the long term. WIPO's investments generated dividends of 4.9 million Swiss francs during 2020.

Cash, cash equivalents and investments can be presented separately between unrestricted, restricted and strategic cash balances. There are several elements of cash and cash equivalents which are classified as restricted. Restricted cash includes current accounts held for third parties (applicants under the PCT, Madrid and Hague systems, and also certain contracting parties), fees collected on behalf of contracting parties, deposits received in

connection with pending procedures related to trademarks, and Special Accounts held on behalf of donors of voluntary contributions. Strategic cash represents the funds held by the Organization which have been allocated for the future financing of after-service employee benefit liabilities, including ASHI. The balance of strategic cash was 211.2 million Swiss francs as at December 31, 2020. This comprised the long-term investment portfolio (including unrealized gains) of 200.6 million Swiss francs, and cash balances yet to be invested of 10.6 million Swiss francs. These balances included the additional amounts generated in 2020 from the Program and Budget charge applied to the cost of posts for the funding of after-service employee benefit liabilities.



ANNUAL STATEMENT ON INTERNAL CONTROL

December 31, 2020

Scope of responsibility

As Director General of the World Intellectual Property Organization (WIPO), 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), 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 the Organization;
- (ii) the conformity of obligations and expenditures with appropriations or other financial provisions approved by the General Assembly or with the purposes and rules relating to specific trust funds;
- (iii) the effective, efficient and economic use of the resources of the Organization.

In signing this statement, I rely also on assurance, as detailed below, provided by the former Director General for the period January 1 to September 30, 2020, Deputy Directors General and Assistant Directors General in office in 2020, the Organization's assurance functions and information provided to me in the WIPO Assurance Summary.

Purpose of the system of internal control

Our system of internal control is a process, effected by the Governing Bodies, the Director General, senior management and other personnel, designed to provide reasonable assurance of the Organization'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:

Reliability of financial reporting – transactions authorized and properly recorded and material errors or irregularities are either prevented or detected in a timely manner;
Effectiveness and efficiency of processes, the safeguarding of assets and the exercise of economy; and
Compliance with WIPO's regulatory framework and any other applicable rules and regulations.

This Statement is presented in line with the seven components of WIPO's Accountability Framework (WO/PBC/29/4), which itself is aligned to the COSO framework and Three Lines Model.

My current statement on WIPO's internal control processes, as described above, applies for the year ended December 31, 2020, and up to the date of the approval of the Organization's 2020 financial statements.

1. Results based planning

Resource needs are driven by the substantive work program planned for implementation during a biennium, in accordance with the Medium Term Strategic Plan (MTSP). Member States' approval of the 2020/21 Program and Budget sets the implementation parameters for the biennium, and control processes centered on the WIPO FRRs ensure that WIPO Programs are implemented in accordance with those approvals.

Annual workplanning, implementation and monitoring are controlled via a suite of enterprise resource management tools and appropriate work processes throughout the biennium.

2. Performance and risk management

The year represented a period of significant uncertainty and disruption globally. In order to provide assurance publicly, WIPO published monthly crisis management dashboards on its website. Despite the disruptions, income was higher than forecasted, and this demonstrates to some extent, the resilience of the global IP ecosystem. At the organizational level, I chaired the Crisis Management Team and the Risk Management Group. These structures work together to manage the Organization's overall risk portfolio as outlined in the WIPO Risk Appetite Statement, in the context of the global health and economic crisis. Critical risks and appropriate responses were reviewed regularly. These include the following key risks that we faced in 2020 and beyond:

- *Program Delivery Risk*

The Covid-19 pandemic and the restrictions related to on-site presence, travel and meetings placed severe pressure on some Programs to deliver planned activities.

Control and mitigation: Our Global IP Systems continued to operate almost seamlessly with productivity indicators for PCT, Madrid and the Hague all at 98% or above by December 2020. However, those of WIPO's Programs that are largely dependent on traditional, in-person implementation modalities for the holding of meetings and capacity building events continued to be significantly impacted by the pandemic. These Programs have adapted their content and delivery methods in order to respond to the temporary constraints caused by the pandemic.

- *Financial Risk*

Particularly in light of the Covid-19 situation, the risk that revenue would be lower than initially forecast, or that the value of some investments made under the investment strategies for operating, core and strategic cash pools could decrease, was exacerbated.

Control and mitigation: Filing numbers continued to remain resilient throughout 2020 with the Organizational income correspondingly strong. There was a significant planned 'buffer' between forecast revenue and planned expenditure. Investments continued to be under close review and oversight by the Advisory Committee on Investments with the assistance of independent investment advisors throughout the year and through monthly reporting to the IAOC.

- *Cyber Risk*

WIPO is exposed to the risk of cyber-attacks, potentially more so during remote working modalities, and the risk of malicious or accidental breach of data leading to unauthorized disclosure or misuse of WIPO's confidential information, or disruption of business operations remained.

Control and mitigation: WIPO continues to implement a number of phased fit-for-purpose information assurance strategies across governance, people, processes and technologies, to strengthen its information security posture and its resilience against evolving cyber security threats.

- *Strategic Risk*

Risk that WIPO's Global IP services fail to keep pace and remain the best value option for IP protection, or the perceived value of IP protection declines, in the context of a rapidly changed global economic, political and technological landscape, including from the Covid-19 pandemic.

Control and mitigation: WIPO will engage and communicate more effectively around the world on IP and connect it more clearly to the improvement of lives and livelihoods, and more broadly, to its power as a tool to catalyze economic and societal benefits. To ensure that our services continue to bring value to users, we will continue to scan, understand and use emerging technologies such as artificial intelligence, block chain, digital time stamping and digital media in improving our services.

3. *Monitoring, Oversight, Complaints and Response Mechanisms*

As Director General of WIPO, I am ultimately accountable for the effectiveness of the system of internal controls. My assertion is supported and informed by:

- A statement on internal control from the former Director General, referring to the period January 1 to September 30, 2020 which has been reviewed by me and the Risk Management Group and is supported by Management Representation Letters (MRL);
- The Deputy Directors General and Assistant Directors General in office in 2020, who have signed MRLs from which I derive assurance. These letters recognize their responsibility for having and maintaining, in the Sectors for which they were responsible, well-functioning systems and a mechanism for internal control aimed at preventing and/or detecting instances of fraud and major errors;
- The Risk Management Group (RMG) whose purpose is to promote a culture of responsible risk management in WIPO and reviews and monitors WIPO's financial situation, the key risks to the achievement of Expected Results and this present Statement together with the evidence that supports it;
- The Chief Ethics Officer, who 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 business. WIPO's Code of Ethics, and policies on Financial Disclosure and Declaration of Interests, Protect Against Retaliation for Reporting Misconduct and for Cooperating with Duly Authorized Audits or Investigations further contribute to setting the right tone in this area;
- The Internal Oversight Division (IOD), on whose assurance and advisory services I rely, through reports of internal audit and evaluation as well as management implication reports resulting from investigations. These reports include recommendations, independent and objective observations on the efficiency and effectiveness

of the Organization's system of internal controls and risk management processes, as well as program performance, and other related activities of oversight;

- The Independent Advisory Oversight Committee (IAOC), which is an external expert advisory body that assists member states with oversight of WIPO's operations. Its mandate includes the promotion of internal controls, reviewing the effectiveness and operational independence of the internal oversight function, and reviewing and advising on the ethics function;
- The Joint Inspection Unit of the United Nations System, which is mandated to conduct evaluations, inspections and investigations system-wide;
- The External Auditor, whose audit aims to provide independent assurance to Member States, to add value to WIPO's financial management and governance, and to support its objectives through the external audit process; and
- The Governing Bodies' observations.

I further ensure that Feedback Mechanisms are in place for Member States, Customer Complaint Resolution Services are in place for clients and that Informal and Formal Conflict Resolution Mechanisms are in place for staff.

4. Control Activities

Over 380 Process Level Controls are management controls that ensure the effective and efficient functioning of end-to-end business processes and the compliance with the Organization's regulatory framework. These controls are assessed annually for strength, in particular their maturity, automation and level of documented evidence. The results are reported to the RMG and the IAOC in the WIPO Assurance Summary.

During 2020, the Organization largely moved to a virtual working environment as a result of the Covid pandemic. Control activities continued to be undertaken in the virtual environment as previously, ensuring the robust control environment was maintained. However, over the course of the year, some controls were digitalized or otherwise modified, for example, electronic signatures in place of hand written authorization. We continued to make improvements the system of assurance including the development of a strategy that defines the increased use of data analytics for internal controls as well as an increased identification of internal controls in the areas of Information Security, Information Technology, Enterprise Solutions, and Staff Development. Looking forward, we anticipate initiating implementation of the above strategy and a focus on control assessments for External Offices.

5. Information and Communication

The RMG is kept informed of risks and controls through access to our business intelligence system. Quarterly risk reports and annual risk management reports take stock of the evolving situation periodically. External specialist risk intelligence provides independent advice to ensure a comprehensive view, and internally, an annual survey to senior staff tests their level of confidence in accountability systems at WIPO.

A robust Information and Data Governance Framework is in place reflecting its importance to WIPO. 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 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. The Enterprise Risk Management solution ensures controls are systematically owned, assessed and as appropriate linked to risks. The annual WIPO Performance Report presented to Member States includes a review of the evolution and impact of risks on the delivery of Expected Results for each Program.

6. Ethical Standards and Integrity

The conduct and actions of WIPO staff must always adhere to the highest ethical standards, as set out in the WIPO Code of Ethics. Ethics training is provided to all staff through the Ethics Office and fraud awareness training has been completed by over 96 per cent of staff.

WIPO has in place Organization-wide 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.

WIPO's Policy on Financial Disclosure and Declaration of Interests 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 and perceived conflicts of interest through disclosure, mitigation and prevention.

7. Control Environment

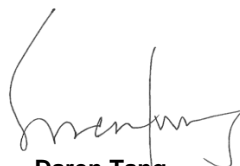
Forty Entity Level Controls represent the overarching controls that help define the Organization's culture, and its commitment to ethical values, competence and accountability.

The Organization's regulatory framework is kept under review, as external and internal factors change, it is revised with the endorsement of Member States. WIPO's procurement policy and procedures include a robust delegation model for procurement authority as well as additional controls and reporting. A Vendor Sanctions policy and a Code of Conduct for Staff Involved in Procurement actions represent important control processes.

WIPO's Core Values are expressed as "Shaping the Future", "Acting Responsibly", "Delivering Excellence" and "Working as One", and all contribute to fostering a culture of accountability and strong ethical values.

Conclusion

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



Daren Tang
Director General

June 18, 2021

INDEPENDENT AUDITOR'S REPORT

to the General Assembly of the World Intellectual Property Organization

Opinion on financial statements

I have audited the financial statements of the World Intellectual Property Organization for the year ended 31 December 2020, which comprise the statement of financial position, the statement of financial performance, statement of changes in net assets, statement of cash flow, the statements of comparison of budget and actual amounts for the year then ended, and the related notes, including the significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the World Intellectual Property Organization as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Opinion on regularity

In my opinion, in all material respects, the revenue and expenses have been applied to the purposes intended by the General Assembly and the financial transactions conform to the Organization's Financial Regulations.

Basis for opinion(s)

I conducted my audit in accordance with International Standards on Auditing (ISAs) and the Organization's Financial Regulations. My responsibilities under these are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report.

The ISAs require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the World Intellectual Property Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. The other information comprises information included in the Annual Financial Report and the Statement on Internal Control. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the World Intellectual Property Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the World Intellectual Property Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the World Intellectual Property Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the World Intellectual Property Organization's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the World Intellectual Property Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the World Intellectual Property Organization to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that revenue and expenses reported in the financial statements have been applied to the purposes intended by the General Assembly and the financial transactions confirm to the Financial Regulations which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have also issued a long-form audit report on the results of my audit.

(signed) **Gareth Davies**
Comptroller and Auditor General
National Audit Office,
157-197 Buckingham Palace Road,
Victoria,
London. SW1W 9SP
United Kingdom **21 June 2021**

FINANCIAL STATEMENTS

STATEMENT I: Statement of Financial Position

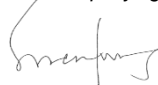
as at December 31, 2020

(in thousands of Swiss francs)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	143,540	206,031
Investments	4	116,116	18,304
Contributions receivable	5	1,547	2,369
Exchange transactions receivable	5	66,792	73,258
		327,995	299,962
Non-current assets			
Investments	4	672,344	529,725
Intangible assets	6	24,028	24,461
Property, plant, and equipment	7	358,491	363,539
Other non-current assets	8	7,995	8,185
		1,062,858	925,910
		1,390,853	1,225,872
LIABILITIES			
Current liabilities			
Payables and accruals	9	15,531	24,036
Employee benefits	10	14,405	11,282
Transfers payable	11	98,228	94,492
Advance receipts	12	317,841	313,787
Finance lease	15	104	-
Provisions	13	986	1,811
Current accounts		71,707	67,623
		518,802	513,031
Non-current liabilities			
Employee benefits	10	480,936	344,942
Finance lease	15	415	-
Advance receipts	12	3,637	3,672
		484,988	348,614
		1,003,790	861,645
Accumulated Surpluses		565,601	418,413
Special Projects Reserve		28,173	39,490
Revaluation Reserve Surplus		20,368	18,532
Actuarial gains/(losses) through Net Assets		-233,421	-118,550
Working Capital Funds		6,342	6,342
		387,063	364,227
NET ASSETS		387,063	364,227

The accompanying notes form an integral part of these financial statements

Director General



STATEMENT II: Statement of Financial Performance

for the year ended December 31, 2020
(in thousands of Swiss francs)

	Note	2020	2019
REVENUE			
Assessed contributions		17,551	17,313
Voluntary contributions		5,769	10,863
Publications revenue		498	353
Fees			
PCT system		358,557	338,108
Madrid system		76,209	76,840
Hague system		6,667	5,288
Lisbon system		7	14
Sub-total fees		441,440	420,250
Arbitration and Mediation		2,091	1,963
Other/miscellaneous revenue		923	6,291
TOTAL REVENUE		468,272	457,033
EXPENSES			
	18		
Personnel expenditure		233,735	242,511
Internships and WIPO fellowships		5,478	5,183
Travel, training and grants		1,772	17,509
Contractual services		88,619	96,123
Operating expenses		20,873	22,518
Equipment and supplies		5,340	6,392
Depreciation and amortization		9,773	10,205
Finance costs		240	1,020
TOTAL EXPENSES		365,830	401,461
Investment gains/(losses)	19	33,429	42,102
SURPLUS/(DEFICIT) FOR THE PERIOD		135,871	97,674

STATEMENT III: Statement of Changes in Net Assets

 for the year ended December 31, 2020
 (in thousands of Swiss francs)

	Accumulated Surpluses	Special Projects Reserve	Revaluation Reserve Surplus	Actuarial gains/(losses) through Net Assets	Working Capital Funds	Net Assets Total
Net Assets at December 31, 2018	328,732	31,497	17,266	-122,425	6,342	261,412
Surplus/(deficit) for the year 2019	103,001	-5,327	-	-	-	97,674
Transfer to/from Special Projects Reserve	-18,973	18,973	-	-	-	-
Adjustment to Accumulated Surpluses	5,653	-5,653	-	-	-	-
Adjustment to Revaluation Reserve Surplus	-	-	1,266	-	-	1,266
Actuarial gains/(losses)	-	-	-	3,875	-	3,875
Net Assets at December 31, 2019	418,413	39,490	18,532	-118,550	6,342	364,227
Surplus/(deficit) for the year 2020	144,421	-8,550	-	-	-	135,871
Transfer to/from Special Projects Reserve	1,057	-1,057	-	-	-	-
Adjustment to Accumulated Surpluses	1,710	-1,710	-	-	-	-
Adjustment to Revaluation Reserve Surplus	-	-	1,836	-	-	1,836
Actuarial gains/(losses)	-	-	-	-114,871	-	-114,871
Net Assets at December 31, 2020	565,601	28,173	20,368	-233,421	6,342	387,063

STATEMENT IV: Statement of Cash Flow

for the year ended December 31, 2020
(in thousands of Swiss francs)

	Note	2020	2019
Cash flows from operating activities			
Surplus (deficit) for the period	Statement II	135,871	97,674
Depreciation and amortization	6 & 7	9,773	10,205
(Increase) decrease in inventories		-	1,298
(Increase) decrease in receivables	5	7,288	-3,771
(Increase) decrease in other assets	8	190	182
Increase (decrease) in advance receipts	12	4,019	17,417
Increase (decrease) in payables and accruals	9	-8,505	7,500
Increase (decrease) in transfers payable	11	3,736	-2,154
Increase (decrease) in provisions	13	-825	-3,777
Increase (decrease) in current accounts		4,084	-2,955
Movement in employee benefits (1)		24,246	25,975
Interest, dividends, investment and exchange gains/losses (2)		-37,170	-47,543
Net cash flows from operating activities		142,707	100,051
Cash flows from investing activities			
Additions to property, plant, and equipment	7	-2,722	-9,297
Disposals of property, plant, and equipment	7	536	-
(Increase) decrease in intangible assets	6	-270	-261
(Increase) decrease in investments	4	-240,431	-154,925
Increase (decrease) in fair value of investments	4	33,280	42,191
Dividends and interest on investments	19	4,948	5,222
Net cash flows from investing activities		-204,659	-117,070
Cash flows from financing activities			
Increase (decrease) in finance lease obligations	15	519	-
Net cash flows from financing activities		519	-
Effect of exchange rate changes on cash and cash equivalents		-1,058	130
Net increase (decrease) in cash and cash equivalents		-62,491	-16,889
Cash and cash equivalents at beginning of year	3	206,031	222,920
Cash and cash equivalents at end of year	3	143,540	206,031

(1) Includes the effect of recognition of actuarial gains/losses through net assets;

(2) Interest earned, dividends received, the effect of exchange rate changes on cash and cash equivalents, and gains/losses on investments.

STATEMENT V: Statement of Comparison of Budget and Actual Amounts - Revenue

for the year ended December 31, 2020
(in thousands of Swiss francs)

	Original Budget 2020	Updated Budget 2020	Actual Revenue on comparable basis 2020	Difference 2020
	(1)	(2)		(3)
Assessed contributions	17,377	17,377	17,492	115
Fees				
PCT system	327,230	349,200	358,557	9,357
Madrid system	79,375	72,610	76,209	3,599
Hague system	6,067	5,270	6,667	1,397
Lisbon system	25	25	7	-18
Sub-total fees	412,697	427,105	441,440	14,335
Arbitration and Mediation	1,650	1,650	2,091	441
Publications	384	384	498	114
Other/miscellaneous	1,822	1,822	1,416	-406
TOTAL REVENUE	433,930	448,338	462,937	14,599

(1) Original Budget represents the first year of the approved Program and Budget for the 2020/21 biennium.

(2) Updated Budget includes updated revenue estimates for the PCT, Madrid and Hague systems as per the October 2020 Forecast from the Department for Economics and Data Analytics.

(3) Represents the difference between the Updated Budget 2020 and actual revenue on a comparable basis for the year ended December 31, 2020.

STATEMENT V: Statement of Comparison of Budget and Actual Amounts - Expenses

for the year ended December 31, 2020
(in thousands of Swiss francs)

Program	Program Title	Original Budget 2020 (1)	Budget after Transfers 2020 (2)	Actual Expense on a comparable basis 2020	Difference 2020 (3)
1	Patent Law	3,046	2,895	1,927	968
2	Trademarks, Industrial Designs & Geographical Indications	2,676	2,715	1,967	748
3	Copyright and Related Rights	8,579	9,261	7,959	1,302
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	3,616	3,412	2,558	854
5	The PCT System	110,231	109,097	98,755	10,342
6	Madrid System	31,030	28,031	26,781	1,250
7	WIPO Arbitration and Mediation Center	6,390	6,467	5,476	991
8	Development Agenda Coordination	1,874	1,678	1,279	399
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	14,590	13,378	11,599	1,779
10	Transition and Developed Countries	4,446	4,290	3,651	639
11	The WIPO Academy	6,652	6,154	5,981	173
12	International Classifications and Standards	3,637	3,703	3,088	615
13	Global Databases	5,428	5,573	5,110	463
14	Services for Access to Information and Knowledge	3,894	3,531	3,510	21
15	Business Solutions for IP Offices	7,245	5,898	5,272	626
16	Economics and Statistics	3,760	3,884	3,682	202
17	Building Respect for IP	2,371	2,346	1,857	489
18	IP and Global Challenges	2,483	2,515	2,425	90
19	Communications	8,336	8,316	7,184	1,132
20	External Relations, Partnerships and External Offices	7,560	7,246	5,838	1,408
21	Executive Management	13,290	12,803	11,695	1,108
22	Program and Resource Management	20,144	19,029	16,306	2,723
23	Human Resources Management and Development	13,339	13,553	12,311	1,242
24	General Support Services	20,007	17,697	16,529	1,168
25	Information and Communication Technology	25,160	27,696	26,826	870
26	Internal Oversight	2,548	2,547	2,356	191
27	Conference and Language Services	18,586	16,657	14,668	1,989
28	Information Assurance, Safety and Security	12,359	12,169	11,022	1,147
30	SMEs and Entrepreneurship Support	3,248	2,771	2,400	371
31	The Hague System	6,540	7,699	7,219	480
32	Lisbon System	703	698	650	48
UN	Unallocated	7,354	6,068	-	6,068
TOTAL EXPENSES		381,122	369,777	327,881	41,896
INVESTMENT GAINS/(LOSSES) (4)		-844	-844	33,429	34,273
NET SURPLUS/(DEFICIT)		51,964	77,717	168,485	90,768
IPSAS adjustments to surplus (5)				-26,015	
Special Accounts and Projects financed from reserves				-6,599	
ADJUSTED NET SURPLUS PER IPSAS				135,871	

(1) Original Budget represents the budget of the first year of the approved Program and Budget for the 2020/21 biennium. The biennial budget amounts to 768.4 million Swiss francs, and was approved by the Assemblies of the Member States of WIPO in October 2019.

(2) Budget after Transfers includes budgetary transfers as at December 31, 2020.

(3) Represents the difference between the Budget after Transfers 2020 and Actual Expense on a comparable basis for the year ended December 31, 2020.

(4) Investment losses in the Program and Budget for the 2020/21 biennium were related to short-term cash balances (operating cash) only.

(5) The IPSAS adjustments to the surplus are detailed in Note 17 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Objectives and Budget of the Organization

WIPO functions in accordance with the WIPO Convention signed in Stockholm on July 14, 1967 and as amended on September 28, 1979. WIPO was recognized as a specialized agency of the United Nations in 1974. WIPO is based in Geneva, Switzerland, and enjoys privileges and immunities as granted under the 1947 Convention on the Privileges and Immunities of the Specialized Agencies of the United Nations and the 1970 Headquarters Agreement with the Swiss Federal Council, notably being exempt from paying most forms of direct and indirect taxation. WIPO also has external offices in Abuja, Algiers, Beijing, Moscow, Rio de Janeiro, Singapore and Tokyo, along with a coordination office in New York.

WIPO promotes innovation and creativity for the economic, social and cultural development of all countries, through a balanced and effective international intellectual property system. WIPO's broad-ranging activities include the following main areas of work: providing intellectual property services through the Organization's Global IP systems; developing and maintaining the technical infrastructure that not only supports the international IP system, but also provides access to its outputs, enhances data flows, and enables global cooperation; serving as a multilateral forum for discussions on the normative development of intellectual property policy; and facilitating the use of IP for social, cultural and economic development, by mainstreaming development considerations and delivering development cooperation activities horizontally across all of the Organization's programs.

WIPO is funded from fees derived from services provided by the Organization, assessed contributions paid by its Member States, and voluntary contributions from Member States and other donors. The Organization operates within the framework of a biennial program and budget which provides the appropriations that constitute the budgetary expenditure authorizations approved by the Assemblies for the financial period. The approval of the appropriations provides the authority for the Director General to commit and authorize expenses and to make payments for the purposes assigned within the limits of the appropriations.

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 WIPO, and all values are rounded to the nearest thousand. 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. This implementation date has now been deferred to January 1, 2023 due to the COVID-19 pandemic and the challenges it has created. It is not expected that this standard will impact the Organization's 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.

Investments

Investments are classified as current or non-current assets according to the time horizon of the investment objectives. If the time horizon is less than or equal to one year, they are classified as current assets, and if it is more than one year, they are classified as non-current assets.

Foreign Currency Transactions

The functional currency of WIPO is the Swiss franc. 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 WIPO's functional currency are recognized in the Statement of Financial Performance.

Revenue Recognition

Revenue from exchange transactions comprising the fees charged for applications under the Patent Cooperation Treaty (PCT) system, the Madrid system and the Hague system is recognized at the date of publication. Revenue from fees received for applications not published at the reporting date is deferred until publication has been completed. The portion of the PCT application fee covering the costs of translation of non-English language patentability reports received after publication is also deferred until the translation is completed. All other fees under the PCT, Madrid and Hague systems are recognized when the services covered by the fee have been provided. Revenue from publications is recognized upon full delivery of the goods. Revenue from Arbitration and Mediation services is recognized upon delivery of the services related to the submission of a request covered by the fee received.

Revenue from non-exchange transactions such as voluntary contributions to Special Accounts 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.

Assessed contributions are recognized as revenue at the beginning of each year of the budget period to which the assessment relates.

Expense Recognition

Expenses are recognized as goods are received and as services are delivered.

Receivables

Receivables from exchange transactions include fees which are charged to users of WIPO's intellectual property services through the PCT, Madrid and Hague systems. These are measured at the fair value of the consideration receivable for PCT, Madrid and Hague system fees once the international application has been filed.

Receivables from non-exchange transactions include uncollected assessed contributions. These are measured at the fair value of the consideration receivable. An allowance for non-recoverable receivables is recorded equal to the assessed contributions frozen by action of the General Assembly in 1989 and 1991, plus contributions receivable from Member States that have lost the right to vote in accordance with Article 11, paragraph 5 of the WIPO Convention.

Property, Plant, and 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. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset and are included in the Statement of Financial Performance. Heritage assets including donated works of art are not valued in the financial statements.

Land is carried at fair value as determined by an independent valuation in accordance with International Valuation Standards. Changes in fair value are recognized directly in net assets through the Revaluation Reserve Surplus. Buildings and constructions in use are valued at the cost of construction when new plus the cost of subsequent improvements, less accumulated depreciation. For the initial recognition of buildings in use as at January 1, 2010, the date of transition to IPSAS, the value when new was determined by reference to a deemed cost calculated by an external consultant and representing the value of each component at construction plus improvements existing at the initial recognition, less accumulated depreciation based upon the remaining useful life of each component. Subsequent costs of major renovations and improvements to buildings and constructions that increase or extend the future economic benefits or service potential are valued at cost.

Depreciation is charged so as to write off the full cost of property, plant, and equipment over its estimated useful life using the straight-line method. Where property, plant, and equipment is only in use for part of the year (due to acquisition, disposal or retirement during the year), depreciation is charged only for the months during which the asset was in use. The following ranges of useful lives are applied to the different classes and components of property, plant, and equipment:

Class/Component	Estimated useful life
Equipment	
Communications and IT equipment	5-10 years
Vehicles	15 years
Furniture and furnishings	10 years
Buildings	
Structure	50-100 years
Façade	50 years
Perimeter bollards/walls	20-80 years
Land Improvements	40-50 years
Roof	50-60 years
Floors, walls, stairways	50 years
Flooring, wall coverings	20-40 years
Specialist fittings	15-40 years
Heating and ventilation	25-30 years
Sanitary facilities	40 years
Electrical installations	25-50 years
Elevators	40 years

The carrying values of property, plant, and equipment are reviewed for impairment if events or changes in circumstances indicate that the book value of the asset may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Any impairment loss is recognized in the Statement of Financial Performance.

Intangible Assets

Intangible assets are carried at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets over their useful lives. The useful lives of major classes of intangible assets have been estimated as follows:

Class	Estimated useful life
Software externally acquired	5 years
Software internally developed	5 years
Licenses and rights	Period of licence/right

Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Software or software licenses purchased externally are recognized as an asset if they have a cost of 20,000 Swiss francs or more per unit. Costs that are directly associated with the internal development of software for use by WIPO are capitalized as intangible assets only if the recognition criteria under IPSAS 31 are met. Direct costs include the software development employee costs.

The rights to use property in the Canton of Geneva acquired by the Organization through purchase have been recognized at historic cost and are amortized over the remaining period of the grant. The rights to use property granted by the Canton of Geneva acquired without cost, that revert back to the Canton at the end of the grant, are not valued in the financial statements.

Financial Assets

Financial assets are recognized initially at fair value, normally being the transaction price. The subsequent measurement of financial assets depends on their classification. WIPO classifies its financial assets as either measured at amortized cost or measured at fair value through surplus or deficit. The classification depends on WIPO's management model for the financial assets and the contractual cash flow characteristics of the financial assets. WIPO assesses on a forward looking basis the expected credit losses associated with its financial assets classified as measured at amortized cost.

Financial Liabilities

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

Derivative Financial Instruments

WIPO uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. These financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value.

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, performance rewards, and for education grants payable at the reporting date that have not been included in current expenditure.

WIPO 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 by 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. WIPO and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify WIPO'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 WIPO has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39 Employee Benefits. WIPO's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

Leases

Finance leases are recognized as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments at the commencement of the lease term. The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognized as an asset is depreciated over its useful life.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Organization 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.

Net Assets

The Organization's net assets represent the balance of its reserves, which include its Reserves (Accumulated Surpluses, Special Projects Reserve and Revaluation Reserve Surplus) and Working Capital Funds. The Organization also recognizes actuarial gains and losses directly through net assets. The Organization manages the level of its reserves in accordance with its Policy on Reserves.

The Accumulated Surpluses of the Organization represent the accumulated net result of operations in the reporting year and prior periods after the impact of IPSAS. WIPO's Policy on Reserves establishes the principles and approval mechanism for the use of reserves for one-time projects for capital improvements and exceptional circumstances. The Special Projects Reserve contains the appropriations to these projects financed from reserves, less accumulated expenditure. The Revaluation Reserve Surplus includes the cumulative results of revaluations of the land owned by the Organization on which the New Building has been constructed. The Working Capital Funds are

established for providing advance financing of appropriations should there be a temporary liquidity shortfall, and for such other purposes as the Assemblies of Member States and of the Unions shall decide. The Working Capital Funds are financed by contributions and are held in trust by WIPO for the Member States of the respective Unions.

Segment Reporting

Segment reporting is based upon the Unions that form WIPO. Revenue and expenses incurred by the Organization are allocated among the Unions in accordance with an allocation methodology approved by the WIPO Assembly (Program and Budget 2020/21, Annex III). The methodology allocates revenue and expenses to each program and then to each Union based on a combination of direct revenue and expense, staff head count and each Union's "capacity to pay". Direct Union expenses are allocated to Unions either fully or on the basis of estimates by Program Managers. Direct administrative expenses are allocated to the Unions based on relative headcount shares. Indirect Union expenses and indirect administrative expenses are allocated to the Unions based on the "capacity-to-pay" principle. If the Union has a reserve level above its reserve target, it is deemed to be able to support indirect activities. The "capacity to pay" is calculated as the difference between a Union's projected biennial income and its direct Union and direct administrative expenses. The extent to which this support can be provided by each Union is calculated by considering the relative extent to which the Union's income exceeds its direct expenditure. The only inter-segment charge represents the costs of program support incurred by the Unions in support of Special Accounts. Program support costs are charged to the Special Accounts based on a percentage of total direct expenditure specified in the agreement with the donor making the voluntary contribution. WIPO's assets and liabilities are not allocated to individual segments, since ownership rests with the Organization as a whole, however, each Union's share of the Organization's net assets including Reserves and Working Capital Funds is recognized by segment.

Changes in Presentation

In the Statement of Financial Position the basis for allocating long-term employee benefit liabilities between current and non-current liabilities has been modified. Previously the current allocation was based on the expected expense in the following twelve months, and this has been changed to reflect the amounts expected to be settled in the following twelve months. This modification results in a presentation of the current portion of benefits included in the benefit obligation as it stands at the reporting date. As a result of this change, 24.2 million Swiss francs has been reallocated from current to non-current employee benefits in the 2019 comparative numbers in the Statement of Financial Position.

Use of Estimates

The financial statements necessarily include amounts based on estimates and assumptions by management. Estimates include, but are not limited to: ASHI, repatriation grants and travel, and long-term accumulated annual leave liabilities (the value of which are calculated by an independent actuary), other employee benefit liabilities, provisions for litigation, financial risk on accounts receivable, accrued charges and the degree of impairment of fixed assets. Actual results could differ from these estimates. Changes in estimates are reflected in the period in which they become known.

All balances are presented in thousands of Swiss francs, as a result small rounding differences may occur.

Note 3: Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Cash on hand	31	25
Deposits with banks	68,932	170,407
Term deposits less than 3 months	37,920	3,000
Notice accounts	26,022	17,602
Total operating and core cash	132,905	191,034
Deposits with banks	10,635	14,997
Total strategic cash	10,635	14,997
Total cash and cash equivalents	143,540	206,031

Note 4: Investments

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Term deposits more than 3 months (operating cash)	116,000	17,000
Derivative financial instruments	116	1,304
Current investments	116,116	18,304
Medium term Investment portfolio (core cash)	471,738	354,493
Long term Investment portfolio (strategic cash)	200,606	175,232
Non-current investments	672,344	529,725
Total investments	788,460	548,029

Derivative financial instruments are forward foreign exchange contracts. The movement in the value of operating cash, core cash, and strategic cash investments during the year ended December 31, 2020 is as follows:

	Operating cash investments	Core cash investments	Strategic cash investments
<i>(in thousands of Swiss francs)</i>			
Investments fair value at January 1, 2020	17,000	354,493	175,232
Additional investments made	99,000	263,171	87,003
Dividends on non-current investments invested	-	2,054	1,159
Rebates on non-current investments invested	-	10	6
Disposal of non-current investments	-	-163,302	-70,708
Forex gains/(losses) on investments	-	-6,231	-3,823
Fair value increase/(decrease)	-	21,543	11,737
Investments fair value at December 31, 2020	116,000	471,738	200,606

Note 5: Receivables

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Assessed contributions	1,507	2,266
Voluntary contributions	-	63
WCF arrears	40	40
Contributions receivable	1,547	2,369
PCT debtors	53,102	59,121
Madrid debtors	201	654
Other receivables	7,735	7,241
Advances and prepayments	5,754	6,242
Exchange transactions receivable	66,792	73,258
Total accounts receivable	68,339	75,627

Other receivables include USA taxes reimbursable, Swiss taxes reimbursable, UPOV expenditure reimbursable, credit card debtors and other debtors. Advances and prepayments include staff advances for education grants, funds advanced to the United Nations Development Program and other prepaid expenditure.

Note 6: Intangible Assets

Movement 2020	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
<i>(in thousands of Swiss francs)</i>					
January 1, 2020					
Gross carrying amount	34,290	760	4,419	261	39,730
Accumulated amortization	-10,477	-703	-4,089	-	-15,269
Net carrying amount	23,813	57	330	261	24,461
Movements in 2020:					
Additions	-	-	270	-	270
Transfers	-	-	261	-261	-
Disposals	-	-27	-	-	-27
Disposals amortization	-	27	-	-	27
Amortization	-440	-57	-206	-	-703
Total movements in 2020	-440	-57	325	-261	-433
December 31, 2020					
Gross carrying amount	34,290	733	4,950	-	39,973
Accumulated amortization	-10,917	-733	-4,295	-	-15,945
Net carrying amount	23,373	-	655	-	24,028

Movement 2019	Land surface rights	Software externally acquired	Software internally developed	Intangible assets under development	Total
<i>(in thousands of Swiss francs)</i>					
January 1, 2019					
Gross carrying amount	34,290	1,115	4,419	-	39,824
Accumulated amortization	-10,038	-990	-3,802	-	-14,830
Net carrying amount	24,252	125	617	-	24,994
Movements in 2019:					
Additions	-	-	-	261	261
Transfers	-	-	-	-	-
Disposals	-	-355	-	-	-355
Disposals amortization	-	355	-	-	355
Amortization	-439	-68	-287	-	-794
Total movements in 2019	-439	-68	-287	261	-533
December 31, 2019					
Gross carrying amount	34,290	760	4,419	261	39,730
Accumulated amortization	-10,477	-703	-4,089	-	-15,269
Net carrying amount	23,813	57	330	261	24,461

Land surface rights to parcel 4008 in Petit-Saconnex in the City of Geneva were acquired from the World Meteorological Organization (WMO) in 1996. These had been granted to WMO by the Republic and Canton of Geneva. At the date of purchase the original rights had a remaining period of 78 years expiring in 2073, unless renewed by the Canton. WIPO has been granted surface rights by the Republic and Canton of Geneva to the land on which the Árpád Bogsch and Georg Bodenhausen buildings are located. These surface rights were acquired by the Organization at no cost and no value has been recognized in the financial statements as the Organization does not have the right to dispose of the rights.

Note 7: Property, Plant and Equipment

Movement 2020	Buildings	Land	Equipment	Total
<i>(in thousands of Swiss francs)</i>				
January 1, 2020				
Gross carrying amount	401,281	32,086	7,776	441,143
Accumulated depreciation	-71,715	-	-5,889	-77,604
Net carrying amount	329,566	32,086	1,887	363,539
Movements in 2020:				
Additions	1,817	-	905	2,722
Revaluation	-	1,836	-	1,836
Disposals	-353	-	-1,993	-2,346
Disposals depreciation	164	-	1,646	1,810
Depreciation	-8,603	-	-467	-9,070
Total movements in 2020	-6,975	1,836	91	-5,048
December 31, 2020				
Gross carrying amount	402,745	33,922	6,688	443,355
Accumulated depreciation	-80,154	-	-4,710	-84,864
Net carrying amount	322,591	33,922	1,978	358,491
Movement 2019				
<i>(in thousands of Swiss francs)</i>				
January 1, 2019				
Gross carrying amount	393,192	30,820	7,412	431,424
Accumulated depreciation	-62,678	-	-6,358	-69,036
Net carrying amount	330,514	30,820	1,054	362,388
Movements in 2019:				
Additions	8,158	-	1,139	9,297
Revaluation	-	1,266	-	1,266
Disposals	-69	-	-775	-844
Disposals depreciation	69	-	775	844
Depreciation	-9,106	-	-306	-9,412
Total movements in 2019	-948	1,266	833	1,151
December 31, 2019				
Gross carrying amount	401,281	32,086	7,776	441,143
Accumulated depreciation	-71,715	-	-5,889	-77,604
Net carrying amount	329,566	32,086	1,887	363,539

WIPO holds fully depreciated equipment which is still in use for a gross carrying amount of 3.1 million Swiss francs. In 2020 the Organization increased the capitalization threshold for equipment from 5,000 Swiss francs to 10,000 Swiss francs. As a result, equipment with a gross carrying value of 1.9 million Swiss francs was derecognized in the financial statements. The land upon which the New Building was constructed was initially acquired by the Organization at a cost of 13.6 million Swiss francs in 1998, but is held at fair value based on International Valuation Standards as determined by an independent appraiser. An updated valuation of the land was performed by an independent appraiser at December 31, 2020. This valuation indicated a further increase in the fair value of the land of 1.8 million Swiss francs, compared to the previous valuation performed in 2019. The net result of all periodic

revaluations totalling 20.4 million Swiss francs is included in the Revaluation Reserve Surplus which forms part of WIPO's net assets. Market value was estimated by capitalizing at an appropriate investment yield the future potential income stream from the property. The potential income is based on comparable rentals in the market and takes into account the quality of the spaces as well as the location. The yield has been selected by reference to the perceived quality and duration of the income and the potential for further rental growth and is cross-referenced by the evidence provided by comparable sales.

WIPO holds heritage assets, referred to as works of art, representing items donated or loaned to the Organization by representatives or officials of Member States or other public or private entities or individuals. The works of art held by WIPO include paintings, sculptures, decorative objects, historical documents and other items. As at December 31, 2020, the Organization held a total of 592 items classified as works of art. WIPO has elected not to recognize works of art as assets in the Statement of Financial Position, in accordance with IPSAS 17. The 592 items are classified as follows:

Number of Works of Art	2020	2019
Framed artwork	171	164
Sculptures	78	75
Decorative objects	80	71
Furniture	38	38
Tapestries/carpets	33	33
Other commemorative objects	28	26
Primitive arts	21	21
Ceramic/porcelain	20	20
Silverware	18	18
Other works of art	105	101
Total	592	567

Under the WIPO Policy on Property Management and the related Property Management Manual, the Organization has established processes and procedures for the management of works of art, including the final determination as to whether an item is deemed to be a work of art. Works of art are held in controlled access storage until such time as a decision is taken in relation to the placement of an item. Most of the small and fragile works of art are stored in closed cabinets. The dedicated storage is currently being improved to enhance protection from dust and possible water damage. In addition, works of art placed in lobbies, offices and on office floors in WIPO's buildings benefit from existing security measures. All works of art are recorded in the Asset Management Module of WIPO's ERP system, and are included in the Organization's annual physical inventory process. Formal confirmations that works of art are held by WIPO are provided to donors upon request.

Note 8: Other Non-Current Assets

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Loan to FIPOI	7,995	7,878
Advance for FIPOI concessionary loan	-	118
FIPOI loan amortization	-	189
Total other non-current assets	7,995	8,185

In 1991 the Organization entered into an agreement with the International Centre of Geneva Foundation (FCIG) related to the construction of a building on rue des Morillons in Geneva, Switzerland. The agreement provided for the Organization to advance the initial sum of 10.0 million Swiss francs, plus a further sum of 1.0 million Swiss francs representing interest on the initial advance, equaling a total advance of 11.0 million Swiss francs. In 2016 the FCIG was absorbed by law into the Foundation for Buildings for International Organizations (FIPOI).

WIPO also entered into an agreement to lease the building from FCIG (subsequently amended to FIPOI). The current lease agreement, which was updated and signed by WIPO in 2019, includes an annual amortization charge of 188,679 Swiss francs against WIPO's advance to FIPOI. On termination of the lease, upon vacating the premises WIPO is to be repaid the balance of the 11.0 million Swiss francs advance after amortization. FIPOI will also retain 1.0 million Swiss francs from the advance for restoration of the building to its original condition.

Note 9: Payables and Accruals

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Trade creditors - accounts payable	15,060	22,805
Miscellaneous transitory liabilities	42	837
Other trade creditors	429	394
Total payables and accruals	15,531	24,036

Payables and accruals include invoices received from suppliers not yet settled including the revaluation of invoices payable in currencies other than the Swiss franc.

Note 10: Employee Benefits

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Accumulated leave (posts)	2,034	679
Accumulated leave (temporary staff)	498	398
Separation benefits	306	564
Closed Pension Fund	312	292
Repatriation grant and travel	2,496	2,413
Home leave	1,470	373
Overtime and credit hours	66	199
Education grant	1,869	1,901
Performance rewards	443	667
After-Service Health Insurance	4,911	3,796
Total current employee benefit liabilities	14,405	11,282
Closed Pension Fund	2,849	2,099
Accumulated leave (posts)	18,711	14,387
Repatriation grant and travel	11,532	18,558
After-Service Health Insurance	447,844	309,898
Total non-current employee benefit liabilities	480,936	344,942
Total employee benefit liabilities	495,341	356,224

Long-term employee benefits include After-Service Health Insurance (ASHI), repatriation grant and travel, and accumulated leave (posts). Note that the basis for allocating long-term employee benefit liabilities between current and non-current liabilities has been modified in the 2020 financial statements. Previously the current allocation was based on the expected expense in the following twelve months, and this has been changed to reflect the amounts expected to be settled in the following twelve months:

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 WIPO's SRR, a share of 65 per cent of the monthly medical insurance premium is paid by the Organization. From January 1, 2021, monthly medical premiums amount to 596 Swiss francs for adults and 265 Swiss francs for children.

Repatriation grant and travel: The Organization 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 normally accrue up to 15 days of annual leave in a given year, and a total accumulated balance of 60 days. Notwithstanding the foregoing, due to the COVID-19 pandemic exceptional measures were introduced to allow the accrual of up to 20 days annual leave in 2020, and a total accumulated balance of 80 days to be carried forward to 2021. 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 these liabilities are detailed below. Discount rates were determined using AA Corporate Bond Yield Curves:

	December 31, 2020	December 31, 2019
After-Service Health Insurance		
Discount rate	0.30%	0.50%
Discount rate currency	CHF, EUR, USD (weighted)	CHF, EUR, USD (weighted)
Medical cost trend rate	2.90%	3.00%
Age-grading rates:		
50-59	10.00%	3.00-3.50%
60-64	8.00%	2.50%
65-69	4.00%	2.00%
70-74	2.00%	1.50%
75-79	1.00%	1.00%
80+	0.00%	0.00-0.50%
Repatriation Grant and Travel		
Discount rate	2.10%	3.00%
Discount rate currency	USD	USD
Rate of salary increase	2.78%	2.54%
Accumulated leave (posts)		
Discount rate	0.00%	0.10%
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 the Organization'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 the Organization has established separate funds (strategic cash) for the future financing of after-service employee benefit liabilities. The table below details the expense for ASHI recognized in the Statement of Financial Performance:

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Interest cost	1,559	2,711
Current service cost	26,559	15,461
Expense recognized in the Statement of Financial Performance	28,118	18,172

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

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Defined benefit obligation at beginning of year	313,694	303,128
Interest cost	1,559	2,711
Current service cost	26,559	15,461
Contribution paid	-3,928	-3,731
Actuarial (gain)/loss on obligation:		
Experience (gain)/loss	2,400	-37,983
Medical cost trend rate	-9,234	-44,923
Discount rate and currency weighting	19,668	42,491
(Gain)/loss on change in financial assumptions	10,434	-2,432
Medical claims age-grading	106,499	38,257
Other demographic assumptions	-4,462	-1,717
(Gain)/loss on change in demographic assumptions	102,037	36,540
Defined benefit obligation recognized at end of year	452,755	313,694

As can be seen in the table above, the most significant movement in the 2020 ASHI liability is the result of actuarial losses from changes to the medical claims age-grading factors. Consistent with the approach taken in 2019, in the 2020 actuarial calculation age-grading factors have been applied to premiums to derive the expected future underlying medical claims costs for active staff, retirees and dependents. The 2020 age-grading factors were based on an analysis of claims data over a four-year period which led to changes in the factors compared to those applied in the prior year. No specific modifications were made to any of the 2020 actuarial assumptions, including those related to medical claims or mortality rates, as a result of the COVID-19 pandemic. Currently there is insufficient available information to understand the long-term effects of COVID-19 on these future trends. Contributions paid by the Organization for ASHI totaled 3.9 million Swiss francs for 2020 (3.7 million Swiss francs in 2019). Expected contributions to ASHI in 2021 are 4.9 million Swiss francs. The weighted average duration of the defined benefit obligation as at December 31, 2020, was 23 years. The following table details the present value of the defined benefit obligation and experience adjustments on the ASHI liability for 2020 and the previous four years:

	2020	2019	2018	2017	2016
<i>(in thousands of Swiss francs)</i>					
Defined benefit obligation	452,755	313,694	303,128	304,376	320,888
Experience (gain)/loss adjustments on plan liability	2,400	-37,983	-3,092	-17,122	3,377

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 rate of sickness premium increase. The per cent changes used in the analysis are considered reasonable based on historical movements:

	0.25 per cent decrease in discount rate 0.05%	Discount rate as applied 0.30%	0.25 per cent increase in discount rate 0.55%
<i>(in thousands of Swiss francs)</i>			
Defined benefit obligation as at December 31, 2020	479,052	452,755	428,350
Per cent variation	5.8%		-5.4%
	1 per cent decrease in medical cost trend rate 1.90%	Medical cost trend rate as applied 2.90%	1 per cent increase in medical cost trend rate 3.90%
<i>(in thousands of Swiss francs)</i>			
Defined benefit obligation as at December 31, 2020	367,956	452,755	563,671
Per cent variation	-18.7%		24.5%

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.

WIPO'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 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 at December 31, 2019, and a roll forward of the participation data as at December 31, 2019 to December 31, 2020 will be used by the Fund for its 2020 financial statements.

The actuarial valuation as at December 31, 2019, resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at December 31, 2019, 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 (2017, 2018 and 2019) amounted to 7,546.9 million US dollars, of which 1.77 per cent was contributed by WIPO (including participants and Organization contributions).

During 2020, WIPO contributions (including Organization contributions only) paid to the Fund amounted to 29.0 million Swiss francs (29.2 million Swiss francs in 2019). Expected contributions due in 2021 are approximately 28.1 million 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 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 11: Transfers Payable

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Madrid Union fees	60,759	59,498
Madrid Union deposits	26,443	26,156
Hague Union distribution	792	967
Madrid and Hague Union repartition fees	6,254	5,099
AMC deposits	1,083	1,467
PCT International Searching Authorities	1,880	1,163
RO search fees due to International Searching Authorities	1,017	142
Total transfers payable	98,228	94,492

The Organization collects fees on behalf of the contracting parties of the Madrid Agreement and Protocol and the Common Regulations of the Hague Agreement. The Organization's PCT International Bureau collects funds from applicants to cover the cost of payments of International Searching Authorities. In addition, the Organization collects fees to be paid directly to mediators, arbitrators or panelists for cases treated through the Arbitration and Mediation Centre. The Organization holds these funds on a temporary basis until they are transferred to the final beneficiary in accordance with the various treaties and agreements administered by the Organization.

Note 12: Advance Receipts

	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Madrid Union deposits	7,604	8,145
Industrial design deposits	1,970	4,757
Lisbon Union deposits	76	-
PCT/IBRO deposits	413	755
Advance payment of contributions	4,061	4,207
PCT system deferred revenue	286,078	281,820
Madrid system deferred revenue	2,597	2,752
Hague system deferred revenue	423	215
Non-exchange deferred revenue	14,556	11,004
FIPOI deferred revenue	59	132
Other deferred revenue	4	-
Total current advance receipts	317,841	313,787
FIPOI deferred revenue	3,637	3,672
Total non-current advance receipts	3,637	3,672
Total advance receipts	321,478	317,459

Note 13: Provisions

<i>(in thousands of Swiss francs)</i>	
Balance as at December 31, 2018	5,588
Movements in 2019:	
Additional provisions made	1,621
Amounts used	-115
Unused amounts reversed	-5,283
Balance as at December 31, 2019	1,811
Movements in 2020:	
Additional provisions made	15
Amounts used	-833
Unused amounts reversed	-7
Balance as at December 31, 2020	986

Provisions at December 31, 2020, include cases where WIPO personnel are in dispute with the Organization, before the WIPO Appeal Board (WAB) and the ILO Administrative Tribunal (ILOAT).

Note 14: Contingent Assets and Liabilities

The estimated value of contingent liabilities for possible payments by the Organization for claims arising from cases before the WIPO Appeal Board (WAB) and the ILO Administrative Tribunal (ILOAT) is 425,000 Swiss francs at the reporting date.

The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides Information Technology and Communications services to Partners and Users in the United Nations System. As a Partner bound by the Mandate of the ICC, WIPO would be proportionately responsible for any third party claim or liability arising from or related to service activities of the ICC as specified in the ICC Mandate. At 31 December 2020, there are no known claims that impact WIPO. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities amongst Partner Organizations shall be agreed by the Management Committee by a formula defined at that time.

Note 15: Leases

WIPO as Lessee

The Organization leases depots and storage facilities, office space, and printing and photocopying equipment under operating lease arrangements. The total amount of lease payments under these arrangements recognized as an expense was 1.6 million Swiss francs in 2020 (1.6 million Swiss francs in 2019). The value of future minimum lease payments under non-cancellable operating leases is shown in the table below:

Operating Leases	December 31, 2020	December 31, 2019
<i>(in thousands of Swiss francs)</i>		
Not later than one year	854	531
Later than one year and not later than five years	647	150
Later than five years	-	-
Total minimum lease payments	1,501	681

The Organization leases equipment under a finance lease arrangement. At the reporting date the net carrying amount of equipment held under finance leases is 0.5 million Swiss francs. The total value of future minimum lease payments under finance leases, and their present value, is shown in the table below:

Finance Leases	December 31, 2020	December 31, 2019
	<i>(in thousands of Swiss francs)</i>	
Not later than one year	163	-
Later than one year and not later than five years	504	-
Later than five years	-	-
Total minimum lease payments	667	-
Future finance charges	-148	-
Present value of minimum lease payments	519	-

WIPO as Lessor

The Organization has entered into a number of agreements whereby it leases space in or on its headquarters buildings to third parties. These leases are all cancellable subject to notification periods specified in the agreements. The total amount of rental income from these arrangements was 0.6 million Swiss francs in 2020 (0.6 million Swiss francs in 2019).

Note 16: Related Party Transactions

	2020		2019	
	Number of Individuals	Aggregate remuneration	Number of Individuals	Aggregate remuneration
	<i>(full-time equivalent basis)</i>	<i>(in thousands of Swiss francs)</i>	<i>(full-time equivalent basis)</i>	<i>(in thousands of Swiss francs)</i>
Director General, Deputies and Assistants	8.75	3,268	9.00	3,329
Senior Officers	14.50	4,167	13.58	4,285

WIPO is governed by the WIPO General Assembly composed of representatives of Member States party to the WIPO Convention which are members of any of the Unions. These representatives do not receive remuneration from WIPO. WIPO is managed by a Director General and by Deputy and Assistant Directors General and officers (key management personnel) who are remunerated by the Organization. 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, and applicable to all staff. In addition, the Director General, Deputy Directors General and Assistant Directors General receive representation allowances. Key management personnel are members of the UNJSPF to which the personnel and WIPO contribute and are also eligible for participation in the collective medical insurance plan. Key management personnel and their aggregate remuneration are detailed in the table above. There were no loans to key management personnel or to their close family members which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel or to their close family members.

WIPO has no controlled entities and no interests in other entities which would require disclosure under IPSAS 34-38. WIPO is a member of the UNJSPF and certain of its former staff are members of WIPO's CROMPI. WIPO has a relationship with the International Union for the Protection of New Varieties of Plants (UPOV) whereby the Director General of WIPO serves as Secretary General of UPOV. The office of UPOV exercises its functions in complete independence of WIPO. WIPO is responsible for providing space, personnel administration, financial administration, procurement services and other administrative support to UPOV in accordance with the terms of an agreement between WIPO and UPOV dated November 26, 1982. UPOV reimburses WIPO for the cost of such services in accordance with the terms of said agreement. In 2020 WIPO received 618 thousand Swiss francs from UPOV to cover the cost of these services. In addition, WIPO receives reimbursement of funds disbursed on behalf of UPOV.

Note 17: Reconciliation of Statement V and Statement II

The WIPO Program and Budget is established on a modified accrual basis in accordance with the Financial Regulations and Rules, and is approved by the Assemblies of the Member States. WIPO's budget is adopted by the Assemblies on a biennial basis, however, separate estimates are prepared for each of the two annual periods. The Program and Budget for the 2020/21 Biennium established a budget for the biennium of expenditure of 768.4 million Swiss francs. The WIPO Performance Report for 2020 provides an explanation of both the changes between the original and final budget after transfers, and the material differences between the budget and the actual amounts. WIPO'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, reconciliation is provided between the actual amounts on a comparable basis 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 2020				
	Operating	Investing	Financing	Total
	<i>(in thousands of Swiss francs)</i>			
Actual amount on comparable basis (Statement V)	168,485	-	-	168,485
Depreciation and amortization	-9,773	-	-	-9,773
Capitalization/disposal PPE and intangible assets	-	2,456	-	2,456
Finance lease adjustments	-	-	-518	-518
Changes in employee benefit liabilities	-14,619	-	-	-14,619
Change in allowance for receivables	59	-	-	59
Special Accounts revenue recognition	-3,620	-	-	-3,620
Total Basis differences	-27,953	2,456	-518	-26,015
Projects financed from reserves	-10,219	-	-	-10,219
Special Accounts	3,620	-	-	3,620
Total Entity differences	-6,599	-	-	-6,599
Actual amount in the Statement of Financial Performance (Statement II)	133,933	2,456	-518	135,871

Note 18: Expenses

	2020	2019
	<i>(in thousands of Swiss francs)</i>	
Posts	223,544	231,258
Temporary staff	8,493	9,969
Other staff costs	1,698	1,284
Total Personnel expenditure	233,735	242,511
Internships	519	564
WIPO fellowships	4,959	4,619
Total Interns and WIPO fellowships	5,478	5,183
Staff missions	536	5,652
Third-party travel	549	10,485
Training and related travel grant	687	1,372
Total Travel, training and grants	1,772	17,509
Conferences	1,348	4,414
Publishing	32	20
Individual contractual services	12,285	14,532
Other contractual services	74,954	77,157
Total Contractual services	88,619	96,123
Premises and maintenance	18,499	18,996
Communication	1,274	2,123
Representation and other operating expenses	587	688
United Nations joint services	513	711
Total Operating expenses	20,873	22,518
Supplies and materials	4,866	5,017
Furniture and equipment	474	1,375
Equipment and supplies	5,340	6,392
Depreciation and amortization	9,773	10,205
Finance costs	240	1,020
Total expenses	365,830	401,461

Note 19: Investment Gains/(Losses)

	2020	2019
	<i>(in thousands of Swiss francs)</i>	
Fair value increase/(decrease) on investments	33,280	42,192
Dividends	4,944	5,220
Interest on current accounts and deposits	-4	2
Interest on investments	4	2
Investment management and administration cost	-446	-396
Exchange gain (loss) on investments	-10,168	-2,509
Exchange gain (loss) on derivative financial instruments	5,819	-2,409
Total investment gains/(losses)	33,429	42,102

The fair value increase on investments of 33.3 million Swiss francs represents movements in the valuation of the Organization's core cash and strategic cash portfolio assets at the reporting dates.

Note 20: Financial Instruments

Financial Instruments Overview

Financial instruments are categorized as follows:

Financial Assets and Liabilities	Category
Cash and cash equivalents	Amortized cost
Receivables	Amortized cost
Loans	Amortized cost
Payables and accruals	Amortized cost
Transfers payable	Amortized cost
Current accounts	Amortized cost
Derivative assets and liabilities	Fair value through surplus and deficit
Short-term investments arising from operating cash	Fair value through surplus and deficit
Held to maturity investments arising from operating cash	Amortized cost
Investments arising from core and strategic cash	Fair value through surplus and deficit

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

	December 31, 2020	December 31, 2019
	<i>(in thousands of Swiss francs)</i>	
Financial assets		
Amortized cost	330,120	300,294
Fair value through surplus and deficit	672,460	531,029
Total carrying value	1,002,580	831,323
Financial liabilities		
Amortized cost	185,881	186,151
Total carrying value	185,881	186,151

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

The Organization manages its investments in accordance with its Policy on Investments. The 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 the Organization to meet daily payment requirements and to ensure that an amount equivalent to the target reserves is available in liquid assets. 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.

Fair Values

The fair value of the financial assets and liabilities are 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. The following methods and assumptions were used to estimate the fair values:

- 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;
- Quoted investments (in investment funds which are publicly traded) are based on price quotations at the reporting date;
- Derivative financial instruments are based on quoted prices, adjusted for the UNORE at reporting date;
- Loans and receivables are evaluated by the Organization based on parameters such as interest rates and risk characteristics.

For WIPO's financial assets and liabilities at the reporting date, the carrying amount is equivalent to the fair value.

Fair Value Hierarchy

For those instruments categorized as fair value through surplus or deficit, fair values are classified according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2);
- Inputs for the asset or liability that are not based on observable market data (Level 3).

Financial Assets and Liabilities	Fair Value Hierarchy
Cash and cash equivalents	Level 1
Derivative assets and liabilities	Level 2
Investments arising from core and strategic cash	Level 1

Credit Risk

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

The Organization's receivables from non-exchange transactions are almost exclusively from its Member States representing sovereign governments, and therefore risks related to credit are considered minor. An allowance has been established against the asset value of accounts receivable to reflect receivables for which payment is not anticipated in the short-term. The allowance covers amounts due from Member States that have lost the right to vote under Article 11, paragraph 5 of the WIPO Convention and contributions from least developed countries which have been frozen by action of the Assemblies in 1989 and 1991.

In accordance with the Organization's Policy on Investments, deposits 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. Money market investments, bonds, notes or other obligations and other fixed income products purchased directly by WIPO may only be held with institutions with a minimum short-term credit rating of A-3/P-3 or a minimum long-term credit rating of BBB-/Baa3. Where these are acquired as shares in pooled market traded funds, at least 65 per cent of the portfolio holdings must be in Investment Grade (AAA/Aaa to BBB-/Baa3), while the balance of up to 35 per cent may be held in high yield bonds (BB+/Ba1 to C/Ca). The credit ratings attached to cash and cash equivalents and investments as at December 31, 2020, is as follows:

Short-Term Credit Rating	A-1+	A-1	A-2/P-2	Unrated (1)	Total
December 31, 2020					
<i>(in thousands of Swiss francs)</i>					
Cash and cash equivalents	1,183	141,991	335	31	143,540
Investments	-	116,000	-	672,344	788,344
	1,183	257,991	335	672,375	931,884
<i>Per cent</i>	<i>0.1%</i>	<i>27.7%</i>	<i>0.0%</i>	<i>72.2%</i>	<i>100.0%</i>

(1) Unrated balances include cash on hand and non-current investments. Non-current investments held by WIPO are in investment funds which are not rated by credit rating agencies, but in which the underlying investments are made in accordance with WIPO's Policy on Investments.

Liquidity Risk

Liquidity risk is the risk of the Organization not being able to meet its obligations as they fall due.

The Organization does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations. The Organization's Policy on Investments requires that operating and core cash are invested in such a way to ensure the liquidity necessary to meet the Organization'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 balances are invested with the objective of generating a positive return over rolling five year periods. Core cash balances are invested ideally in such a way that occasional access to a portion of the cash is possible. Strategic cash balances are invested over the long term, and currently have no short or medium term liquidity requirements.

Currency Risk

The Organization receives revenue from fees in currencies and incurs expenses in currencies other than its functional currency, the Swiss franc, and is exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates. For PCT international filing fees, WIPO establishes equivalent amounts in currencies other than the Swiss franc, which can be reset during the year if the exchange rate between the other currency and Swiss franc is 5.0 per cent or more for more than four consecutive Fridays. The Organization is also exposed to exchange risk arising from the currency differences between amounts payable to International Searching Authorities (ISAs) pursuant to the Regulations under the Patent Cooperation Treaty and amounts received by national patent offices for international search fees from applicants for international patents. The Organization also operates the WIPO Fee Transfer Service, a netting structure that reduces the exposure of PCT fee income to movements in currency exchange rates with regard to search fees.

Where investments are held in currencies other than the Swiss franc, the Organization may use derivative financial instruments to minimize the risk arising from the fluctuation of the currency of the investment against the Swiss franc. Investment in derivatives for speculative purposes is not permitted. As at December 31, 2020, the Organization held US dollar investments totalling 105.9 million Swiss francs. The sensitivity of these investments to exchange rate fluctuations is monitored, and derivative financial instruments are used to minimize this risk.

The Organization's contributions to the UNJSPF and its payments to ICC are made in US dollars. The Organization has a further exposure to exchange risk in connection with the cost of pensions for staff previously enrolled in the Closed Pension Fund who are now members of the UNJSPF. In addition, the Organization has external offices in Algeria, Brazil, China, Japan, Nigeria, Russia and Singapore, and a coordination office in the USA, with limited assets in local currency.

Market Risk

Market risk is the risk of changes in market prices, including interest rates, affecting the Organization's income or the value of its financial instrument holdings. Investment revenue in the Organization's budget for the 2020/21 Program and Budget is limited to interest on operating cash balances. The Organization does not currently use financial instruments to hedge interest rate risk. WIPO's medium-term investment portfolio (core cash) and long-term investment portfolio (strategic cash) are subject to the risk of movements in market prices of the underlying investment funds. Based on historical experience for the investment strategies applied to these portfolios, the expected volatility for core cash and strategic cash is 3.40 per cent and 5.30 per cent respectively.

Note 21: Events After the Reporting Date

WIPO's reporting date is December 31, 2020 and its financial statements were authorized for issue on the same date as the External Auditor's opinion.

There have been no material events, favourable or unfavourable, 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.

Note 22: Segment Reporting

Segment reporting is presented in a format which represents the various Unions as the segments that make up WIPO. The Unions were created by the various treaties administered by WIPO.

The segment reporting table is shown on the next page and should be read in conjunction with the following explanatory notes:

- Note 1: The Madrid Union has assumed the financing of the Hague Union's contribution of 3 million Swiss francs to the IT Modernization Program of the Madrid and Hague international registration systems. The amount will be reimbursed by the Hague Union to the Madrid Union as soon as the level of reserves of the Hague Union Reserve Fund so allows.
- Note 2: In accordance with the decision of the Assemblies of the Member States of WIPO at their 55th Series of Meetings in 2015, the Contribution-financed Unions assumed the financing of the deficit of the Lisbon Union in the biennium 2016/17 amounting to 56,157 Swiss francs. The amount will be reimbursed by the Lisbon Union to the Contribution-financed Unions as soon as the level of reserves of the Lisbon Union so allows.
- Note 3: In accordance with the decision of the Assemblies of the Member States of WIPO at their 57th Series of Meetings in 2017: a) the Contribution-financed Unions assumed the financing of the deficit of the Lisbon Union in the biennium 2018/19 amounting to 1,662,315 Swiss francs; and b) the PCT Union assumed the financing of the deficit of the Hague Union amounting to 18,135,044 Swiss francs. The amounts will be reimbursed by the Lisbon Union and the Hague Union, respectively, as soon as the level of reserves of the Unions so allow.
- Note 4: In accordance with the decision of the Assemblies of the Member States of WIPO at their 59th Series of Meetings in 2019: a) as the Contribution-financed Unions do not have sufficient reserves above the target to cover the deficit of the Lisbon Union amounting to 1,279,092 Swiss francs in 2020, the PCT Union has assumed the financing of the deficit of the Lisbon Union in 2020; b) the PCT Union has assumed the financing of the deficit of the Hague Union amounting to 11,024,535 Swiss francs. The amounts will be reimbursed by the Lisbon Union and the Hague Union to the PCT Union, as soon as the level of reserves of the Unions so allow.
- Note 5: Actuarial gains/(losses) as at December 31, 2020 have been allocated based on the relative share of headcounts for 2020.

		UNIONS						
Program	Program Title	Contribution Financed	PCT	Madrid	Hague	Lisbon	Special Accounts	Total
		<i>(in thousands of Swiss francs)</i>						
REVENUE								
	Contributions	17,492	-	-	-	-	9,384	26,876
	Fees	-	358,557	76,209	6,667	7	-	441,440
	Publications	6	432	60	-	-	-	498
	Other/miscellaneous	199	295	525	210	187	71	1,487
	Arbitration and Mediation	376	356	962	397	-	-	2,091
	Sub- total revenue on budgetary basis	18,073	359,640	77,756	7,274	194	9,455	472,392
	Miscellaneous revenue projects financed from reserves	9	9	8	8	8	-	42
	IPSAS adjustments to revenue	59	0	0	0	-	-4,221	-4,162
	TOTAL REVENUE	18,141	359,649	77,764	7,282	202	5,234	468,272
EXPENSES								
1	Patent Law	124	1,726	77	-	-	-	1,927
2	Trademarks, Industrial Designs & Geographical Indications	376	-	1,221	282	88	-	1,967
3	Copyright and Related Rights	6,863	987	109	-	-	-	7,959
4	Traditional Knowledge, Traditional Cultural Expressions & Genetic Resources	2,558	-	-	-	-	-	2,558
5	The PCT System	-	98,693	-	62	-	-	98,755
6	Madrid System	-	-	26,572	170	39	-	26,781
7	WIPO Arbitration and Mediation Center	985	931	2,519	1,041	-	-	5,476
8	Development Agenda Coordination	16	1,138	125	-	-	-	1,279
9	Africa, Arab, Asia and the Pacific, Latin America and the Caribbean Countries, Least Developed Countries	127	9,671	1,445	267	89	-	11,599
10	Transition and Developed Countries	29	2,729	585	274	34	-	3,651
11	The WIPO Academy	70	5,176	569	166	-	-	5,981
12	International Classifications and Standards	278	2,161	618	31	-	-	3,088
13	Global Databases	14	3,466	1,287	343	-	-	5,110
14	Services for Access to Information and Knowledge	29	2,820	565	96	-	-	3,510
15	Business Solutions for IP Offices	63	4,693	516	-	-	-	5,272
16	Economics and Statistics	44	3,278	360	-	-	-	3,682
17	Building Respect for IP	22	1,653	182	-	-	-	1,857
18	IP and Global Challenges	29	2,159	237	-	-	-	2,425
19	Communications	86	6,343	697	58	-	-	7,184
20	External Relations, Partnerships and External Offices	59	4,653	748	278	100	-	5,838
21	Executive Management	643	7,740	2,623	648	41	-	11,695
22	Program and Resource Management	801	10,008	4,456	990	51	-	16,306
23	Human Resources Management and Development	679	8,170	2,768	650	44	-	12,311
24	General Support Services	912	10,969	3,717	872	59	-	16,529
25	Information and Communication Technology	1,346	18,141	5,913	1,339	87	-	26,826
26	Internal Oversight	130	1,564	530	124	8	-	2,356
27	Conference and Language Services	809	9,735	3,298	774	52	-	14,668
28	Information Assurance, Safety and Security	608	7,315	2,478	582	39	-	11,022
30	SMEs and Entrepreneurship Support	29	2,136	235	-	-	-	2,400
31	The Hague System	-	-	-	7,219	-	-	7,219
32	Lisbon System	-	-	-	-	650	-	650
	Sub- total expenses on budgetary basis	17,729	228,055	64,450	16,266	1,381	-	327,881
	Expenses on projects financed from reserves	106	8,343	957	855	-	-	10,261
	Sub- total expenses on budgetary basis including reserve expenses	17,835	236,398	65,407	17,121	1,381	-	338,142
	Special Accounts	-	-	-	-	-	5,835	5,835
	IPSAS adjustments to budgetary expenses and special accounts	1,297	16,820	4,719	1,186	101	-601	23,522
	IPSAS adjustments to projects financed from reserves	-38	-1,471	-160	-	-	-	-1,669
	TOTAL EXPENSES	19,094	251,747	69,966	18,307	1,482	5,234	365,830
	Investment gains/(losses)	1,745	27,499	4,185	-	-	-	33,429
	SURPLUS/(DEFICIT) FOR THE YEAR	792	135,401	11,983	-11,025	-1,280	-	135,871
	Net Assets as at December 31, 2019 - actuarial gains/(losses) excluded	26,370	427,233	75,531	-43,659	-2,698	-	482,777
	Actuarial gains/(losses) as at December 31, 2019	-4,726	-86,189	-23,634	-3,646	-355	-	-118,550
	Net Assets as at December 31, 2019	21,644	341,044	51,897	-47,305	-3,053	-	364,227
	2020 surplus/(deficit)	792	135,401	11,983	-11,025	-1,280	-	135,871
	Adjustment to Revaluation Reserve Surplus	99	1,277	361	91	8	-	1,836
	Net Assets as at December 31, 2020 - actuarial gains/(losses) excluded	27,261	563,911	87,875	-54,593	-3,970	-	620,484
	Actuarial gains/(losses) as at December 31, 2020	-11,471	-166,281	-44,634	-10,066	-969	-	-233,421
	Net Assets as at December 31, 2020	15,790	397,630	43,241	-64,659	-4,939	-	387,063

ANNEX – EX GRATIA PAYMENTS (AUDITED INFORMATION)

Financial Regulation 5.10 states that a summary statement of ex gratia payments for the calendar year shall be included in the annual financial statements of the Organization. There were no such payments made during 2020 and therefore no summary statement is required.

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