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联合国粮食及农业组织

Food and Agriculture Organization of the United Nations

Organisation des Nations Unies pour l'alimentation et l'agriculture

Продовольственная и сельскохозяйственная организация Объединенных Наций

Organización de las Naciones Unidas para la Alimentación y la Agricultura

منظمة الأغذية والزراعة للأمم المتحدة

FINANCE COMMITTEE

Hundred and Ninety-ninth Session
Rome, 20-24 May 2024
Report on Investments 2023

Queries on the substantive content of this document may be addressed to:

Mr Aiman Hija
Director and Treasurer, Finance Division
Tel: +39 06570 54676
Email: Aiman.Hija@fao.org

EXECUTIVE SUMMARY

- This document is submitted to the Finance Committee for information, in accordance with Financial Regulation IX, which provides, in part, as follows: "The Director-General may invest monies not needed for immediate requirements seeking, wherever practicable, the advice of an Advisory Committee on Investments. At least once a year the Director-General shall include in the financial statements submitted to the Finance Committee a statement of the investments currently held."
- The Organization manages two general pools of investments: Short-term Investments, which represent mainly unspent Trust Fund balances held pending disbursements on project implementation but can include amounts of Regular Programme Assessed Contributions received, but not yet spent during the calendar year; and Long-term Investments, which represent the accumulated assets set aside over a period of decades to fund the Organization's share of staff-related liabilities.
- Short-term Investments: This USD 2 853 million portfolio represents mainly unspent Trust Fund balances held pending disbursements on project implementation. Funds are diversified as to type and holdings and are invested with specialized asset managers and in deposits with the Bank for International Settlements (BIS). In 2023, the interest rates in the United States of America continued to increase. FAO's prudent, low-risk investment style for this portfolio, generated returns of 5.21 percent, versus the benchmark of 4.94 percent, representing an excess return of 27 basis points.
- Long-term Investments: This USD 611 million portfolio represents the accumulated assets set aside over a period of decades to fund the Organization's share of staff-related liabilities. The liabilities are comprised of the Compensation Plan Reserve Fund (CPRF), Separation Payments Scheme (SPS), After Service Medical Coverage (ASMC), After Service Medical Insurance (ASMI) and the Termination Payments Fund (TPF). Total liabilities amounted to USD 982.3 million at 31 December 2023 versus USD 992.7 million at end 2022, which represents a decrease of USD 10.4 million. Invested assets are held 50 percent in equities and 50 percent in fixed income securities. In 2023, the long-term portfolio return was 14.08 percent, and outperformed its benchmark return of 13.82 percent by 26 basis points. The Euro gained 3.12 percent of its value versus the United States Dollar in 2023, which positively impacted the return of the Euro portfolio when converted into United States Dollar.
- Investment Governance: The strategic asset allocations for short-term and long-term investments are designed in close collaboration with the Organization's technical adviser, the World Bank. Asset and Liability Management (ALM) studies are conducted by specialized firms, reviewed by both the Advisory Committee on Investments (a committee composed of high-level experts from organizations such as the International Capital Markets Association (ICMA), the Bank for International Settlements (BIS), the Asian Development Bank (ADB), Cornell University and the International Centre for Pension Management (ICPM)), and the internal Investment Committee with the final approval of the Director-General.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of this information document.

Draft Advice

- **The Finance Committee took note of the Report on Investments 2023.**

1. This document is submitted to the Finance Committee for information, in accordance with Financial Regulation IX, which provides, in part, as follows: "The Director-General may invest monies not needed for immediate requirements seeking, wherever practicable, the advice of an Advisory Committee on Investments. At least once a year the Director-General shall include in the financial statements submitted to the Finance Committee a statement of the investments currently held."

2. The Organization manages two general pools of investments: Short-term Investments, which represent mainly unspent Trust Fund balances held pending disbursements on project implementation but can include amounts of Regular Programme Assessed Contributions received, but not yet spent during the calendar year; and Long-term Investments, which represent the accumulated assets set aside over a period of decades to fund the Organization's share of staff-related liabilities.

Short-term Investments

3. Short-term investments consist largely of Trust Fund deposits held pending disbursement on project implementation and any cash representing the reserves of Regular Programme and other assets. The investments are managed by asset managers specialized in short-term investments: Wellington Management, the Northern Trust Company, HSBC, the World Bank and Allspring Global Investors or invested in deposits with the Bank for International Settlements.

4. The market value (in United States Dollars) of the short-term portfolios at 31 December 2023 was USD 2 853 million versus USD 2 466 million at 31 December 2022.

5. The funds are invested with both external managers and deposits with the Bank for International Settlements in low-risk investments, in accordance with short-term investment policy, the primary objective of which is to ensure the preservation of the value of resources.

6. Specific details on the mandates include:

a) Northern Trust: the Organization makes use of the Northern Trust (NT) Government Select Fund as a "liquidity fund", investing end of day excess United States Dollars cash balances in a low-risk mutual fund. The Government Select Fund consists mainly of securities issued or guaranteed as to principal and interest by the Government of the United States or by its agencies, instrumentalities, or sponsored enterprises.

b) Bank for International Settlements (BIS): this is a portfolio consisting of a substantial level of staggered deposits. The BIS offers the highest level of credit quality due to its structural integration with 50 central banks and monetary authorities.

c) Wellington Management: Investments are allowed in United States Dollars denominated government securities, government agencies, multilateral organization securities and high ranked bank and other financial institution obligations. The portfolio duration is three months.

d) World Bank: Investments are allowed in United States Dollars denominated government securities, government agencies, multilateral organization securities and high ranked bank and other financial institution obligations. The duration of this portfolio is six months.

e) Allspring Global Investments: Investments are allowed in United States Dollars denominated government securities, government agencies, multilateral organization securities and high ranked bank and other financial institution obligations. The duration of this portfolio is twelve months.

f) HSBC Euro Liquidity Fund: the HSBC Euro Liquidity fund serves a similar purpose to that of the Northern Trust Government Select Fund, but for temporary, very short-term excess bank balances in Euro. The Organization has limited cash balances in Euro, consequently, balances invested in Euro remained proportionally low throughout 2023 and increased at year end with the receipt of both Regular Programme funds and voluntary contributions.

7. The breakdown of invested short-term portfolio assets is as per the below table with a comparison with the previous year.

	At 31 December 2022	At 31 December 2023
NT Government Select Fund	39,021,236.11	45,807,533.53
Bank for International Settlements	1,098,237,486.69	1,052,244,732.65
Wellington AM	497,834,380.20	601,026,106.20
World Bank	427,267,695.26	609,095,322.99
Allspring Global Inv.	343,217,865.20	463,710,316.26
HSBC EUR Liquidity Fund*	60,180,127.21	80,811,514.04
Total	**2,465,758,790.67**	**2,852,695,525.67**

*This fund is denominated in EUR. The value for 2023 is EUR 72,811,174.15 converted at the 31/12/2023 UN Rate

8. The overall return on the Short-term Investment portfolio was 5.21 percent in 2023 versus the benchmark return of 4.94 percent, representing an excess return of 27 basis points.

9. The level of interest rates in the United States continued to rise during the course of 2023, in an effort to slow down rising inflation. Interest rates increased from 4.50 to 5.50 percent in 2023. Individual manager returns are broken down by portfolio in the following table.

2023 Short Term Portfolio Return

Actively Managed

Manager	**Allspring Global Inv.**	**5.03%**
Benchmark	*ICE BofA U.S. Treasury Notes & Bonds, 0-2 Yr Index*	*4.69%*
Excess Return		*0.35%*
Manager	**World Bank**	**5.16%**
Benchmark	*ICE BofA U.S. Treasury Notes & Bonds, 0-1 Yr Index*	*5.05%*
Excess Return		*0.11%*
Manager	**Wellington Management**	**5.32%**
Benchmark	*ICE BofA 3 Month US T-Bills*	*5.01%*
Excess Return		*0.31%*

Deposits and Liquidity Funds

Manager	**Northern Trust Liquidity Fund**	**4.99%**
Benchmark	*ICE BofA 1 Month US T-Bills*	*4.95%*
Institution	**BIS**	**5.25%**
Benchmark	*ICE BofA 1 Month US T-Bills*	*4.95%*

TOTAL ST PORTFOLIO

Portfolio Return (weighted average of all short term asset returns)	**5.21%**
Benchmark Return (weighted average of individual accounts benchmarks)	*4.94%*
Excess Return (portfolio return over benchmark)	0.27%

Risk Management of the Short-term Portfolio

10. The primary objectives of the Organization’s short-term investment policy in order of importance are: security of principal, liquidity, rate of return. The Organization has further defined “low-risk” as the maximum risk allowed where the probability of any negative return over twelve months is statistically negligible. While there are many risk metrics the Organization follows when managing its short-term investments, the three key factors used to measure and manage investment risk are: duration, credit risk and diversification.

a) Duration is a measure of a bond’s sensitivity to changes in interest rate. The lower the duration, the lower the sensitivity and thus volatility in returns.

b) Credit risk is the measure of a bond’s likelihood to default on payment. The better the rating, the lower the likelihood of default. Using Standard and Poor’s ratings, AAA is the highest rating possible, BBB is defined as the lowest rating where security can still be considered “investment grade”. D is the lowest rating and stands for default.

c) Diversification: within the United States Dollar denominated high quality fixed income, the portfolio is diversified across issuers, duration, credit rating and sectors.

11. The investment guidelines each asset manager has been given is to direct investments towards high quality investments, mainly in government agencies, multilateral organization securities and high ranked bank obligations. As a consequence, the average portfolio credit rating is AA+ as shown below.

12. The average duration of the short-term portfolio is 0.36, or 4.31months. This is in line with the short-term investment policy and benchmark.

	Weight in Portfolio	Duration	Weighted Average Duration	Avergae Credit Rating (S&P Scale)
NT Government Select Fund	1.65%	-	0.000	Aaa-mf*
Bank for International Settlements	37.96%	0.13	0.050	N/A
Wellington AM	21.68%	0.27	0.059	AA+
World Bank	21.97%	0.47	0.103	AA+
Allspring Global Inv.	16.73%	0.89	0.148	AA+
Total			**0.36**	**AA+**

* Moody's Money Market fund classification

Long-term Investments

13. The long-term investment portfolio represents an accumulation in the value of securities and re-invested income over more than 30 years.

14. The principal objective of the portfolio is to fund the Organization’s share of staff-related liabilities:

1) Compensation Plan Reserve Fund (CPRF) – Provides benefits in the event of injury, illness or death attributable to the performance of official duties.

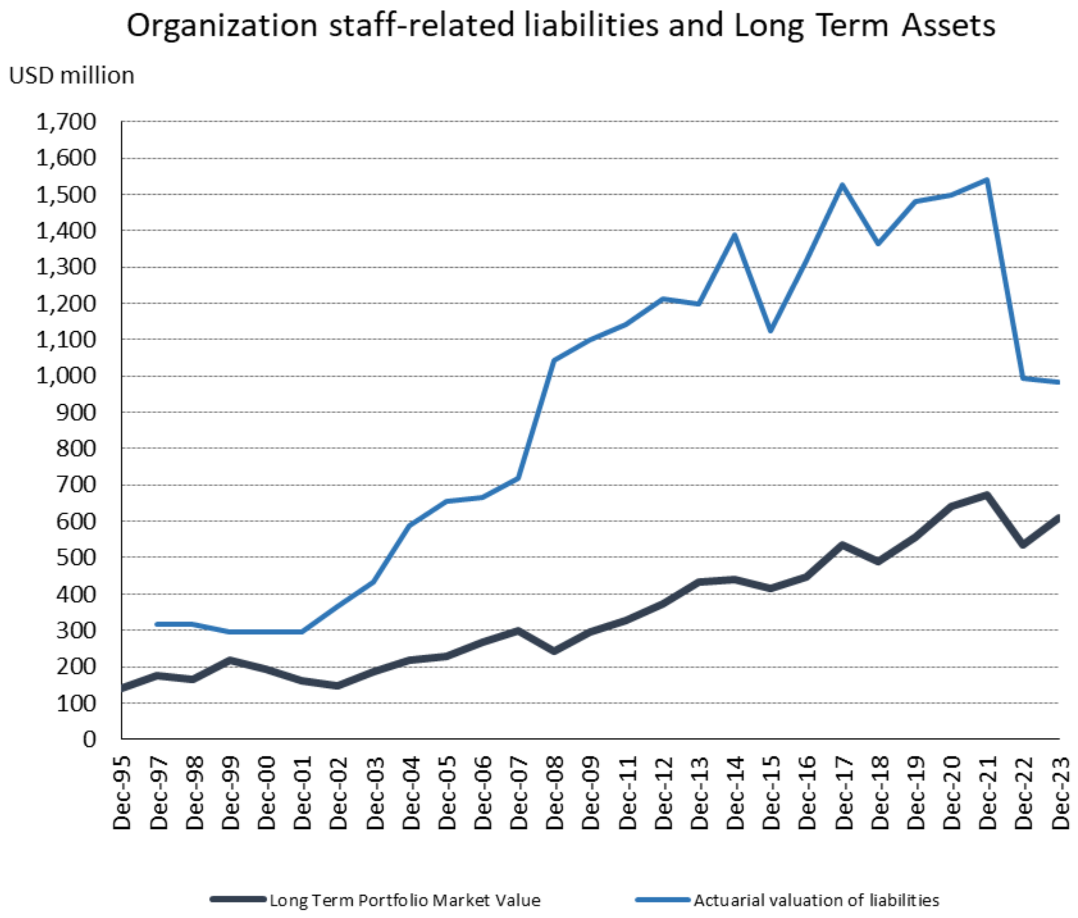
2) Separation Payments Scheme (SPS) – In conformity with the Flemming principle adopted in the UN system regarding local employment conditions, this scheme for General Service staff is similar to the separation scheme provided under Italian labour legislation.

3) After Service Medical Coverage (ASMC) – A medical insurance plan for eligible retired staff and their families where the cost of insurance is shared between the retiree and the Organization.

4) After Service Medical Insurance (ASMI) – An alternative medical plan offered to active national staff in duty stations categorized other than headquarters ‘H’. The plan details were ratified by the Organization in 2023, with retroactive application to 1 January 2022.

5) Termination Payments Fund (TPF) – Consists of benefits payable to staff upon separation from service: Repatriation Grant, Repatriation Travel and Removal, Commutation of Accrued Leave, Termination Indemnity.

15. The chart below shows the evolution of the market value of the long-term investment portfolio since 1995 compared with the actuarial valuation of the staff-related liabilities (since 1997).



16. An actuarial valuation of these liabilities has been performed each biennium since 1996-97. The last valuation as of 31 December 2023, carried out by a specialized firm, placed the Organization's share of total staff-related liabilities at USD 982.3 million, USD 10.4 million below the 2022 figure of USD 992.7 million.

17. The description of liabilities, the results of the actuarial valuation for 2023, the current funding status and options to address the funding gap are presented to the Finance Committee in document 199/4, *2023 Actuarial Valuation of Staff Related Liabilities*.

18. Of the total USD 982.3 million of all staff-related liabilities, USD 855.4 million represented the liability of After Service Medical Coverage (ASMC). The Conference authorized biennial funding towards the past-service ASMC liability of USD 14.1 million in 2016-2017. The same amounts were authorized in 2004-2005, 2006-2007, 2008-2009, 2010-2011, 2012-2013 and 2014-2015.

19. No ASMC Funding was included in the biennial budget for 2018-2019, 2020-2021, or 2022-2023.

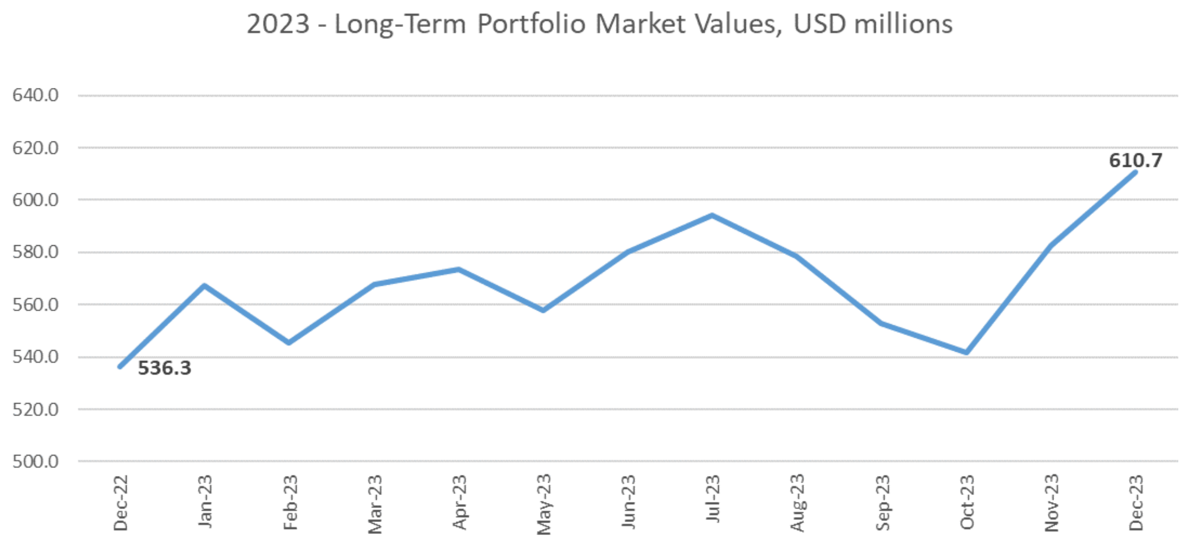
20. The market value and asset allocation of the long-term portfolio as at 31 December 2023 is shown below:

2023 Long Term Portfolio Asset Allocation

Manager	% Portfolio	Assets USD
Equity		
Developed Market Equity	39.47%	241,030,343.57
Emerging Market Equity	11.76%	71,808,299.60
Fixed Income		
LGT AM	19.44%	118,751,491.77
BNP AM	29.33%	179,121,724.27
TOTAL LT PORTFOLIO		**610,711,859.21**

values at 31/12/2023

21. During the year, the long-term investments increased from USD 536.3 million to USD 610.7 million, the chart below illustrates the evolution of the long-term investment portfolio in 2023.



22. The overall performance of the long-term investments for 2023, in United States Dollars was 14.08 percent versus the benchmark return of 13.82 percent, representing an over-performance of 26 basis points. The detailed performance of each individual portfolio against its appropriate benchmark is shown in the table below.

2023 Long-Term Portfolio Return

	Equity, USD Denominated	USD RETURNS	EUR RETURNS (Fixed Income)
Asset Class	**Global Equity Portfolios**	**20.95%**	
Benchmark	*75% MSCI World Developed Markets Index + 25% MSCI Emerging Markets Index*	*20.79%*	
	Excess Return	*0.17%*	
Manager	**Developed Markets, UBS (starting March 2023, previously in transition with Northern Trust)**	***24.49%***	
Benchmark	*MSCI World Developed Markets Index*	*24.42%*	
	Excess Return	*0.07%*	
Manager	**Blackrock Emerging Market Fund**	***10.54%***	
Benchmark	*MSCI Emerging Markets Index*	*10.27%*	
	Excess Return	*0.28%*	
	Fixed Income, EUR Denominated		
Asset Class	**Global Fixed Income Portfolios**	**7.34%**	**3.68%**
Benchmark	*64% Bloomberg World Gov't Inflation Link'd Index + 16% ICE BofA AAA EUR Gov't Bond Index + 10% Bloomberg EUR Corporates Index + 10% Bloomberg US Corporates Index, hedged to EUR*	*7.09%*	*3.46%*
	Excess Return	*0.25%*	*0.21%*
Manager	**LGT AM**	***6.99%***	***3.36%***
Benchmark	*80% Barclays World Gov't Inflation Link'd +20% ICE BofA AAA EUR Gov't Bond Index, hedged to EUR*	*6.26%*	*2.67%*
	Excess Return	*0.72%*	*0.70%*
Manager	**BNP AM**	***7.58%***	***3.94%***
Benchmark	*55 % Bloomberg World Gov't Inflation Link'd Index + 15% ICE BofA AAA EUR Gov't Bond Index + 15% Bloomberg EUR Corporates Index + 15% Bloomberg US Corporates Index, hedged to EUR*	*7.64%*	*4.00%*
	Excess Return	*-0.06%*	*-0.06%*
Portfolio Return (weighted average of equity and fixed income portfolios)		**14.08%**	
Benchmark Return (weighted average of equity and fixed income portfolio banchmarks)		*13.82%*	
Excess Return (portfolio return over benchmark)		*0.26%*	
EUR/USD Annual Performance		*3.12%*	

Bloomberg closing values at 31/12/2023

23. Long-term investments' performance is measured by comparison with the following benchmarks:

- for the equity portfolio: 75 percent The Morgan Stanley Capital International Inc. (MSCI) World Developed Markets Index + 25 percent The Morgan Stanley Capital International Inc. (MSCI) Emerging Markets Index;
- for the fixed income portfolio:
  - for the mandate awarded to LGT, a blend of 80 percent Bloomberg World Government Inflation Linked Bonds All Maturities Index + 20 percent ICE BofA AAA EUR Government Bonds Index;

- for the mandate awarded to BNP, a blend of 55 percent Bloomberg World Government Inflation Linked Bonds All Maturities Index + 15 percent ICE BofA AAA EUR Government Bonds Index + 15 percent Bloomberg EUR Corporates Index + 15 percent Bloomberg US Corporates Index.

24. These benchmarks fairly represent the geographical and sector allocation of the portfolio and have been reviewed by the Investment Committee and by the Organization's investment technical adviser, the World Bank.

25. After the disinvestment of the legacy equity manager, in 2020, equity investments were transitioned to passive equity holdings in accounts held with the global custodian, Northern Trust pending the reinvestment with target equity managers.

26. In 2021, the procurement of two new equity managers for these funds was finalized. The Investment Committee selected a collective investment vehicle for the active management of the emerging market equity investments, and an asset manager to passively manage FAO's developed markets allocation. The emerging market funds were invested with the selected manager, Blackrock, in May 2022. The developed equity mandate was assigned to UBS. The mandate was funded in March 2023. The transition of FAO's equity assets to the target managers is now complete.

27. In late 2020, following an asset and liability review by an external party, and confirmation of the results by the Investment Committee, the Director-General approved a modification of the long-term asset allocation, increasing return seeking assets to 60 percent of the portfolio with the introduction of a 10 percent allocation to real estate, with a parallel reduction in fixed income:

LONG TERM PORTFOLIO INVESTMENTS		
ASSET CLASS	**BENCHMARK**	**WEIGHT**
Developed Int'l Equity	MSCI World Developed Markets Index	37.50%
Emerging Mkt Equity	MSCI Emerging Markets Index	12.50%
TOTAL GLOBAL EQUITIES		**50%**
Real Estate	To be defined	10.00%
TOTAL RETURN SEEKING ASSETS		**60%**
Inflation Linked Bonds	Bloomberg World Govt. Inflation Linked All Maturities Index	25.60%
Government Bonds	ICE BofA AAA EUR Government Bond Index	6.40%
Investment Grade Credit	Bloomberg EUR Corporates Index & Bloomberg US Corporates Index	8.00%
	100% Hedged to Euro	
TOTAL GLOBAL FIXED INCOME		**40%**
TOTAL RISK REDUCING ASSETS		**40%**

28. The Investment Committee decided to identify an external consultant to assist FAO in the analysis of the real estate market and to evaluate appropriate investment opportunities in this asset class. The tender for this consultant, which was finalized in 2023, did not identify a suitable partner for FAO. The Investment Committee hence decided to review FAO's strategic asset allocation, with specific mention of additional assets classes within the wider asset and liability management (ALM) review which was tendered for in Q3 2023. The tender identified a consultant for this review which will start in Q2 2024.

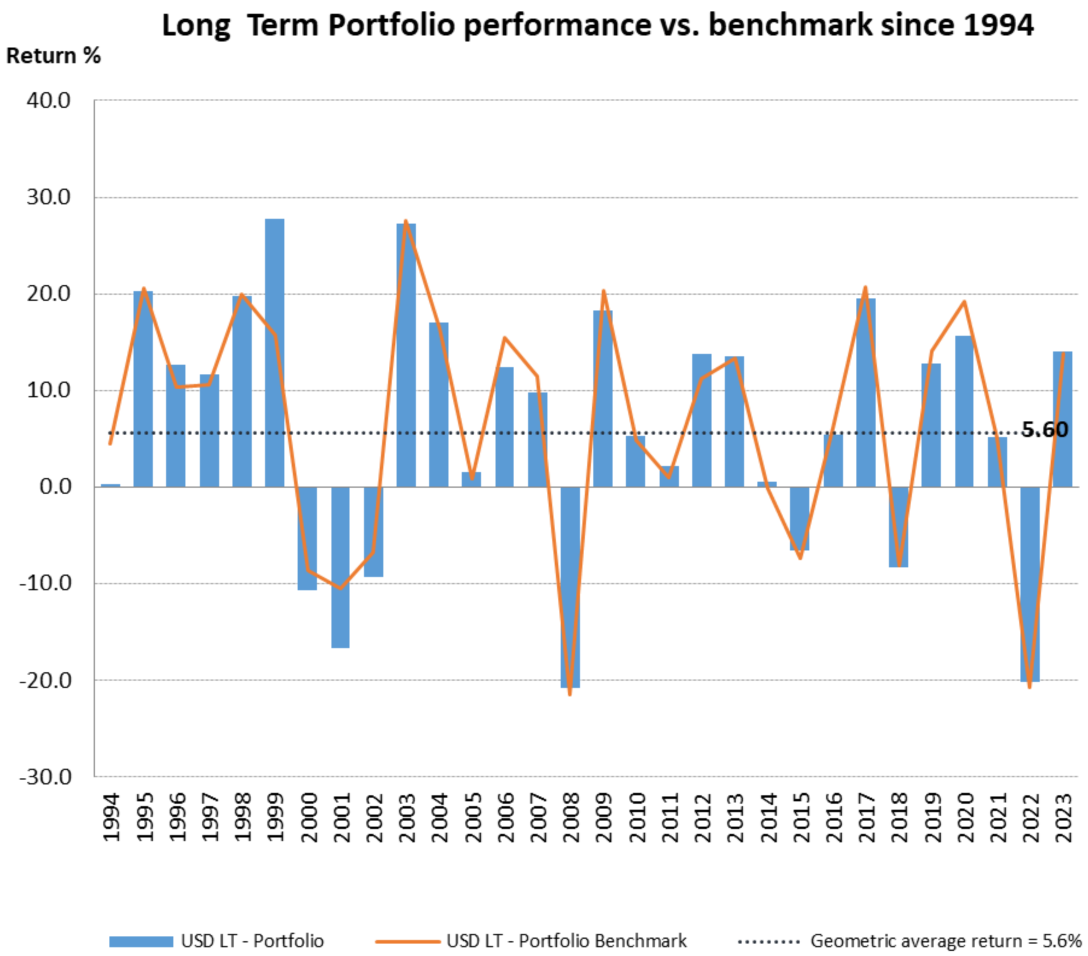
29. The fixed income portfolios are denominated in Euro. This is because the underlying ASMC liability has a substantial Euro component and it is important to match, to the extent possible, assets and liabilities in long-term portfolios. The value of the Euro increased in 2023, closing the year at 1.1039, i.e. 3.12 percent higher than its value at the start of the year. This impacts FAO's Euro denominated holdings in a positive way, increasing the portfolio performance when expressed in United States Dollars.

30. While annual performance versus the benchmark is an important measurement, such investments have a much longer time horizon to achieve their objectives. The Organization closely monitors investment performance over several years and several market cycles to filter out the short-term volatility and understand the longer-term trends of the chosen investment styles and objectives. In the market returns, shown below, it will be noted that the current mandates have returned 3.61 percent since inception (based in United States Dollars), slightly outperforming the consolidated long-term benchmark.

2023 Long-Term Portfolio Return

	Market Value USD, 000s	Weight in Portfolio	2023 USD RETURNS	2023 EUR RETURNS	3Y USD RETURNS	5Y USD RETURNS	Since Inception RETURNS
Global Equity Portfolios	**312,838.64**	**51.2%**	**20.95%**		**4.67%**	**10.01%**	**8.57%**
Benchmark			*20.79%*		*4.61%*	*11.82%*	*8.67%*
Developed Markets	**241,030.34**	**39.5%**	**24.49%**		**8.12%**		**19.30%**
Benchmark			*24.42%*		*7.79%*		*19.08%*
Emerging Market	**71,808.30**	**11.8%**	**10.54%**		**-5.33%**		**2.65%**
Benchmark			*10.27%*		*-4.71%*		*3.07%*
Global Fixed Income Portfolios	**297,873.22**	**48.8%**	**7.34%**	**3.68%**	**-7.45%**	**-0.78%**	**0.46%**
Benchmark			*7.09%*	*3.46%*	*-7.90%*	*-1.14%*	*0.25%*
LGT AM	**118,751.49**	**19.4%**	**6.99%**	**3.36%**	**-7.31%**	**-0.78%**	**-0.17%**
Benchmark			*6.26%*	*2.67%*	*-8.08%*	*-1.32%*	*-0.30%*
BNP AM	**179,121.72**	**29.3%**	**7.58%**	**3.94%**	**-7.55%**	**-0.78%**	**-0.01%**
Benchmark			*7.64%*	*4.00%*	*-7.78%*	*-1.02%*	*-0.19%*
TOTAL LT PORTFOLIO USD RETURN	**610,711.86**	**100.0%**	**14.08%**		**-1.49%**	**4.53%**	**3.61%**
Consolidated LT Benchmark			*13.82%*		*-1.77%*	*5.17%*	*3.55%*
Excess Return (portfolio return over benchmark)			*0.26%*		*0.28%*	*-0.65%*	*0.06%*

31. The table below shows the annual returns of all long-term invested assets (current and prior mandates) since 1994 compared with their benchmarks. As is evident, returns have closely mirrored their benchmarks during the past twenty-nine years. The average investment return, expressed as the geometrical mean, over this period is 5.60 percent.



Risk Management of the Long-term Portfolio

32. Like the short-term investments, the long-term investments have a rigorous risk management structure in place. To complement risk reporting provided by external managers, the Organization implemented a risk management service with its custodial bank, Northern Trust, that provides independent monthly reporting on the risk factors affecting the portfolio. This detailed report allows CSF to analyse:

a) Sources of risk: asset allocation, security selection, over/underweight sectors/regions, duration, currency, etc.

b) Magnitude of risk: expressed, on an absolute basis, through the value at risk (VaR) and expected shortfall (CVaR), at different confidence levels. And, on a relative basis, by the tracking error (TE).

c) Scenario testing: the portfolios are stress tested to see how they would react under various real past or hypothetic future scenarios (subprime crisis, systemic financial crisis, stagflation risk, etc.).

d) The Organization will continue to develop its risk management structure to ensure that funds are managed most closely aligned to its liabilities. Monthly reports to the Investment Committee will highlight changes in any risk factors. In addition, the Treasury Unit carries out quarterly calls to investment managers and annual compliance visits.

33. Furthermore, FAO treasury was strengthened in 2022 with the hire, in August 2022, of a P3 Investment Risk Finance Officer, to focus mainly on the risk monitoring and oversight of the external investment managers.

Investment Expenses

34. The costs associated with management of the short- and long-term investments are detailed below. The most significant fees are those associated with the external management of the portfolios. Most of these fees are calculated as a percentage of assets under management, changing as the value of the underlying assets change. A regular review of fees to ensure alignment with market standards is carried out by Treasury. The last review, performed in 2022, confirmed the fees for both short and long-term mandates are in line with market prices.

35. The overall expense ratio for the management and oversight of the investments in 2023 was 0.088 percent, just slightly below the already modest ratio in 2022 of 0.091 percent and the ones observed in the previous years.

Investment Service Provided	2023 Expenditures in USD
Management, custodial and advisory fees	2,159,596.38
Treasury staffing (four professional posts)	734,709.00
Advisory Committee on Investments Meetings, Investor compliance and Training Costs	28,286.72
Bloomberg Terminals	97,396.15
Travel costs	21,725.22
Total Expenses	**3,041,713.47**
Total Assets at 31/12/2023	**3,463,407,384.88**
Expense Ratio 2023	**0.088%**

Investment Governance at FAO

36. In 2020, the terms of reference of the Investment Committee were reviewed to better define the selection process of financial service providers and strengthen governance by suggesting the inclusion of two additional internal members to the committee. Following the February 2024 change in FAO Organizational Structure reporting lines, the Investment Committee is now chaired by FAO's Chief Economist and is composed of other six members: the Deputy Director-General (DDG) with primary oversight over the Finance Division, the DDG with secondary oversight over the Finance Division, FAO's Legal Counsel, Director of Finance, Director of the Office of Strategy, Planning and Budget and Director of the FAO Investment Centre. The treasurers of the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) and the Office of the Inspector General are also invited as observers.

37. The Organization also seeks investment advice from the Advisory Committee on Investments (ACI) in accordance with Financial Regulation 9.1. The ACI is an external committee composed of five high-level experts from organizations such as International Capital Markets Association (ICMA), the Bank for International Settlements (BIS), the Asian Development Bank (ADB), Cornell University and the International Centre for Pension Management (ICPM).

38. The management of assets in the equity and fixed-income markets is carried out by specialized external asset managers in accordance with FAO's detailed written guidelines. These managers are chosen through open, international calls for tender with a final selection process carried out with the assistance of the World Bank. As mentioned in paragraph 27, the transition of FAO's mandates to the target investment managers appointed through competitive bidding, is now complete.

39. Asset and Liability Management (ALM) studies are conducted by specialized firms, reviewed by both the Advisory Committee on Investments and the internal Investment Committee with the final approval of the Director-General. These studies are performed regularly, every five years to ensure that the strategic asset allocation of the long-term assets is suited to the funding of long-term liabilities. FAO will start the 2024 ALM study in Q2 2024.

40. FAO co-led a UN wide working group to identify clear responsible investment principles and external investment manager engagement practices which led to the definition of the Responsible Investment Statement approved by the Finance and Budget Network in November 2023. FAO is now working on the implementation of these principles and aims to align its investment guidelines to these responsible investment principles by 2024.

41. The global custodial, Northern Trust, is mandated to provide daily compliance monitoring of managed accounts. The Treasury Unit carries out annual compliance reviews with all external asset managers, quarterly performance calls, and provides fortnightly reports to the Investment Committee on the status of investments.

42. Finally, a detailed report on FAO's investments is provided annually to the Finance Committee. This report is available on the internet website of the Finance Committee.