International Renewable Energy Agency

2014 Annual Report of the Provident Fund Management Board on the Operation of the Staff Provident Fund of IRENA

Background

1. At first session of the Assembly of the International Renewable Energy Agency (IRENA) in April 2011, Members of the Agency established the IRENA Staff Provident Fund (Provident Fund) and approved the principles for the Staff Provident Fund (Principles) which are set out in document A/1/DC/4.

2. In accordance with Article 1 of the Principles, the operations of the Provident Fund are to be managed by the Provident Fund Management Board (PFMB), elected in accordance with article 4 of the Principles.

Purpose of the Report

3. This Annual Report on Operations of the Provident Fund (Annual Report) has been prepared by the PFMB pursuant to Article 4 of the Principles and is being made available to the 6th Assembly and Provident Fund Members. The purpose of this Annual Report is to inform the IRENA membership as well as Provident Fund Members about the operations of the Provident Fund and the activities of the PFMB in 2014.

Activities of the Provident Fund Management Board

4. The PFMB formally met four times in 2014 and continued to discuss and review various issues virtually. The paragraphs below inform the Assembly, as well as Provident Fund Members, about PFMB activities.

I – Arrangements for funds investment of the Staff Provident Fund

5. At the beginning of 2014, a few members of the PFMB together with the Chair of the PFMB met several potential investment services providers. A thorough review of the different proposals and a very extensive consultative process, in excess of 20 meetings and follow up phone calls, were conducted.

6. As a result, Zurich was selected and actions were taken to negotiate terms and conditions of contractual arrangements with Zurich including the fee structure for administration of the overall investments. The terms also allow the fee structure to be further reviewed if other international organisations join similar arrangements with Zurich when the overall assets of the fund are increasing. In addition, the contractual terms and conditions were thoroughly reviewed by an independent specialised legal firm and by IRENA's Legal Advisor.

7. Zurich has been appointed by the Provident Fund Management Board to provide the administration of investing the assets of the IRENA Staff Provident Fund. The PFMB also notified the Assembly at its 5th session of the conclusion of the contract between IRENA (on behalf of the Provident Fund) and Zurich.

8. Zurich is based on the Isle of Man, with an investment portfolio managed through an internet-based platform. The participants in the Provident Fund have access to their Provident Fund individual accounts at all times via this secure platform, thus keeping them informed of the performance of the investments made and the net value of their respective account, including interest, dividends and capital gains earned less any charges and possible losses resulting from the Provident Fund operations. The underlying product supplied is a unit-linked, defined contribution insurance contract for long-term savings and financial planning. Services are offered on a bundled basis, meaning administration, investment and communication functions are provided through one product. This ensures operational efficiencies and an insured arrangement.

9. At its 11th meeting on 11 September 2014, the PFMB discussed different investment options and following further consultations and deliberations unanimously agreed on one option. In an effort to ensure adequate diversification and at the same

time maintain compliance with the approved investment policy of the Provident Fund, the option agreed to by the PFMB is a blended option to invest in a mix of three portfolios (see note 6. of the audited financial statements).

10. On 9 and 10 October 2014 in Munich, one member of the PFMB participated in the 10th workshop on Pension Schemes of International Organizations where the on-going activities of the Provident Fund were presented.

II - Amendments to the SPF Charter and Administrative Rules

11. In addition to the contractual arrangements with Zurich, the PFMB also reviewed and amended the SPF Charter and Administrative Rules.

12. The amendments to the SPF Charter, as presented at the Assembly in A/5/7, are limited and mostly editorial or for the purpose of updating the cross-references made to the Administrative Rules, many of which have been renumbered in the revised version. In addition, Article 3.2 of the Charter clarifies the new rules on additional voluntary contributions.

13. The overall purpose of the amendments to the Administrative Rules is to clarify for SPF participants how the system will be administered, and to consolidate into one document all relevant rules, including the new rules on voluntary contributions and the conditions for staff members to opt out of the SPF and select another pension scheme.

14. A large number of the changes made to the previous Administrative Rules are purely editorial. Others update the cross-references to other rules, many of which having to be renumbered to allow for the consolidation of all relevant provisions into one document. Still others clarify the technical relationship between the SPF account and the participant’s accounts.

15. Some rules have been restructured to clarify the contents. For instance, Rules 3 and 4 now deal separately with eligibility to participate in the SPF and with mandatory contributions to the SPF by the participants and the Agency. Similarly, the provisions contained in Rule 10 have been restructured and are presented under four separate sub-headings: general provisions; entitlement to benefits; amounts of benefits; and modalities of payment.

16. A new Administrative Rule 5 on Additional voluntary contributions contains detailed provisions defining the conditions under which SPF participants may make additional voluntary contributions, and the manner in which these contributions are to be administered. It also clearly specifies that the Agency will not make any

contributions to match the additional voluntary contributions that participants may decide to make.

17. Administrative Rule 6 on Conditions for opting out from participation in the SPF, defines the conditions under which staff members may opt out from the SPF and select another pension scheme in accordance with staff regulation 7.1. The conditions for opt-out from the SPF were previously defined in an operating procedure established by the PFMB in accordance with Article 1 of the Principles. A new subparagraph 2(f) has been added in Rule 6 to make it clear to staff seeking to opt out from the SPF that, as is the case for SPF participants, they will be solely responsible to pay for any taxes that may be imposed on Agency contributions to the alternative pension scheme they have selected and on all payments or benefits they will receive from that scheme.

18. The PFMB presented the revised Charter and Administrative Rules to the Council at its 8th meeting and to the Assembly at its 5th session (Assembly document A/5/7). The Assembly took note of the amended text in the SPF Charter and Administrative Rules and approved the text of Rule 5 on the Administrative Rules on additional voluntary contributions (Decision A/5/DC/3).

III- Revised Investment Policy

19. The Provident Fund Management Board (PFMB) having made suitable arrangements for investments with an appropriate service provider noted that the original limit set in the Investment Policy for the Staff Provident Fund (A/3/20) for equity or equity-linked products for both short term and for long term funds set at 10% and 20% respectively, limited the choice of investment portfolios.

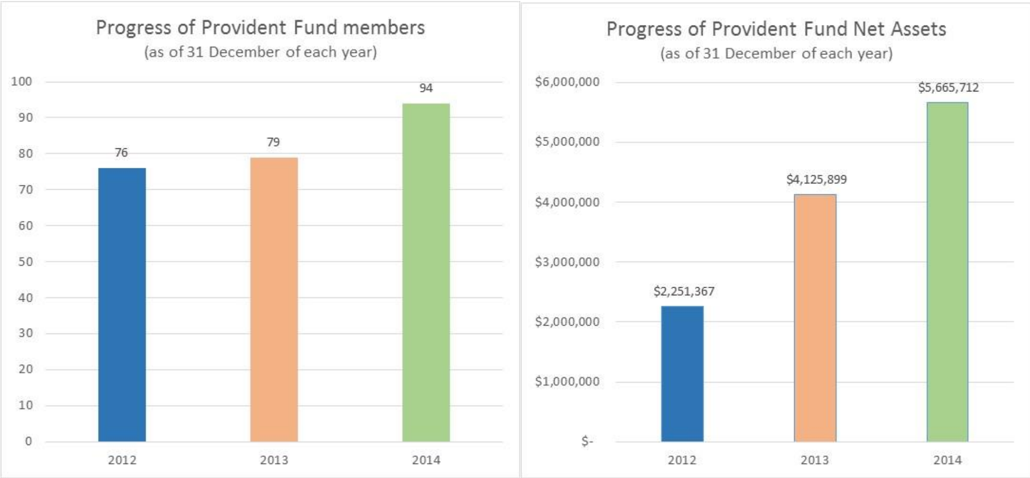
20. In order to increase the options in the selection of investments portfolio, the PFMB proposed a revision to the Investment Policy by increasing the limit in equity or equity-linked products for short term funds from 10% to 20% and for long term funds from 20% to 30% (Assembly document A/5/8). The 5th Assembly approved the revised Investment Policy of the Staff Provident Fund (Assembly Decision A/5/DC/L.4)

Operations of the Staff Provident Fund in 2014

21. As of 31 December 2014, there were 94 participants contributing to the fund and eligible to receive benefits from SPF, compared to 79 participants on 31 December 2013. During 2014, 28 new participants joined while 13 participants separated from service in the Agency discontinuing their membership with SPF.

22. At the end of the financial period, 31 December 2014, the Provident Fund's total Net Assets amounted to USD 5,665,712.

SPF membership and Net Assets since 2012



23. In accordance with Article 4 of the Principles, this Annual Report includes the Financial Statements of the Staff Provident Fund for 2014, which have been audited by the External Auditor of the Agency who has rendered an unqualified audit opinion. The Financial Statements, including the audit opinion, are attached in the Annex.

24. The Chair of the PFMB expresses his appreciation to the PFMB members, to the Secretary and alternate member/Secretary for their valuable service on the PFMB and to the IRENA Finance Office and the members of the Finance team who assisted in the day to day transactions of the SPF as well as preparation of the annual financial statements.

IRENA
International Renewable Energy Agency

INTERNATIONAL RENEWABLE ENERGY AGENCY STAFF PROVIDENT FUND

Report and financial statements for the year ended 31 December 2014

Principal business address:

PO Box 236
Abu Dhabi
United Arab Emirates

INTERNATIONAL RENEWABLE ENERGY AGENCY
STAFF PROVIDENT FUND
Report and financial statements
for the year ended 31 December 2014

Deloitte.

Deloitte & Touche (M.E.)
Al Sila Tower
Abu Dhabi Global Market Square
P.O. Box 990
Abu Dhabi
United Arab Emirates

Tel: +971 (0) 2 408 2424
Fax: +971 (0) 2 408 2525
www.deloitte.com/middleeast

INDEPENDENT AUDITOR'S REPORT

International Renewable Energy Agency Staff Provident Fund
Abu Dhabi,
UAE

Report on the financial statements

We have audited the financial statements of International Renewable Energy Agency Staff Provident Fund ("the Fund") which comprise the statement of net assets available for benefits as at 31 December 2014, the statements of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2014, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards.

Deloitte & Touche (M.E.)

Deloitte & Touche

ديلويت أند توش
ص.ب ٩٩٠
أبوظبي - إ.ع.م.
Abu Dhabi - U.A.E.
P.O.Box 990
Deloitte & Touche

15 April 2015

INTERNATIONAL RENEWABLE ENERGY AGENCY
STAFF PROVIDENT FUND
Statement of net assets available for benefits
at 31 December 2014

	Notes	2014 USD	2013 USD
Assets			
Cash and cash equivalents	4.1	**5,857,012**	4,216,106
Accounts receivable		**1,729**	73
Accrued interest receivable		**208**	4,147
Total assets		**5,858,949**	4,220,326
Liabilities			
Separation settlement payable		**193,237**	89,153
Payable to agency		**-**	5,274
Total liabilities		**193,237**	94,427
Net assets		**5,665,712**	4,125,899
Net assets available for benefits			
Benefits payable		**5,647,574**	4,106,449
Accumulated revenue	4.2	**19,450**	6,248
Net result for the period	4.3	**(1,312)**	13,202
Total net assets available for benefits		**5,665,712**	4,125,899

The accompanying notes form an integral part of these financial statements.

These financial statements for the year ended 31 December 2014 were approved by the Chair of the Staff Provident Fund Management Board on 15 April 2015 after the completion of the audit.

Jayantilal M. Karia
Chair of the Staff Provident Fund
Management Board of IRENA
Abu Dhabi, United Arab Emirates

INTERNATIONAL RENEWABLE ENERGY AGENCY
STAFF PROVIDENT FUND
Statement of changes in net assets available for benefits
for the year ended 31 December 2014

	Notes	2014 USD	2013 USD
Employer contributions	2	**1,777,390**	1,637,941
Employee contributions	2	**888,695**	818,970
Interest revenue	4.1, 4.3	**6,887**	13,202
Settlement of benefits		**(1,124,960)**	(595,580)
Other expenses	4.3	**(8,199)**	-
Net assets generated during the year		**1,539,813**	1,874,533
Net assets available for benefits - start of the year		**4,125,899**	2,251,366
Net assets available for benefits - end of the year		**5,665,712**	4,125,899

The accompanying notes form an integral part of these financial statements.

INTERNATIONAL RENEWABLE ENERGY AGENCY
STAFF PROVIDENT FUND
Notes to the financial statements
for the year ended 31 December 2014

1 Description of the plan

1.1 Name of the employer and the employee groups covered

The staff provident fund ("SPF", "the Fund" or "the Provident Fund") was set up during the first session of the Assembly of the International Renewable Energy Agency (IRENA) ("the Agency") that was conducted on 5 April 2011. The Assembly at its first session, acting pursuant to Article IX, paragraph A of the Statute, agreed in its decision A/1/DC/4 to establish SPF for the exclusive purpose of providing participating staff members of the Agency participating in SPF, upon separation from their service, with a benefit in the form of a lump sum. The Assembly took this decision as a continuation of SPF for the staff of the Preparatory Commission of the IRENA which was already established as per the Commission's decision PC.3/DC.5 dated 17 January 2010. Accordingly, all assets and liabilities related to the Provident Fund held by the Preparatory Commission have been transferred to the Agency upon the liquidation of the Commission's accounts effective 5 April 2011. The Assembly also approved and annexed the Principles for SPF to its decision A/1/DC/4.

SPF is established as a segregated fund within the Agency with a distinct governance structure. SPF does not have separate legal personality from the Agency but it constitutes a segregated category of assets held by the Agency. As per Assembly decision A/1/DC/4, SPF assets shall be received, invested and disbursed wholly and exclusively for the purpose of SPF.

Staff members of the IRENA holding an appointment of six months or longer, or having served in the Agency as a staff member for a continuous period of six months are required to participate in the SPF, unless the opt-out clause is applied for them.

1.2 Governance of the Provident Fund

As per Article 1 of the Principles of SPF, a Management Board has been established which has fiduciary responsibility to manage SPF in the best interests of all participating members.

The Management Board has developed and adopted its own Charter and Provident Fund Benefit Rules. The 'Charter of the Staff Provident Fund of IRENA' includes term limits and an election process for representatives of the Management Board as requested in Article 4 of the Principles. The 'Provident Fund Benefit Rules' are included in the 'Administrative Rules of the Staff Provident Fund of IRENA.' These documents are included in Annex 2 of the 2011 Annual Report of the Provident Fund Management Board. The 'Charter' and the 'Administrative Rules' replace those adopted at the time of the Preparatory Commission (PC/MB/DC1 and PC/MB/DC2, respectively).

At the fifth session held in January 2015, the Assembly in its decision A/5/DC/3, approved the amendments to the Charter and Administrative Rules of the Staff Provident Fund. The amendments which were contained in document A/5/7 mainly include the new rule of additional voluntary contributions from staff members, additional provisions and conditions for opting out from participation in the SPF and number of editorial as well as updates to cross-references to rules which have been renumbered.

The Management Board developed the Investment Policy of SPF and submitted it for approval to the Assembly of IRENA at its third session. In its decision A/3/DC/8, proposal of the Management Board was adopted. Subsequently, in order to increase the options in the selection of investment portfolio, revision was made and adopted during the fifth session of the Assembly in its decision A/5/DC/4 increasing the limit in equity or equity-linked products for short-term funds from the current 10% to 20% and for long term funds from the current 20% to 30%.

1 Description of the plan (continued)

1.3 Number of participants receiving benefits

As of 31 December 2014, there were 94 members contributing to the fund and eligible to receive benefits from SPF, compared to 79 members on 31 December 2013. During 2014, 28 new members joined while 13 members separated from service in the Agency discontinuing their membership with SPF.

1.4 Type of plan and participation to the provident plan

SPF is a defined contribution plan. A defined contribution plan is a retirement benefit plan under which amounts to be paid as retirement benefits are determined by contributions to a fund. Both the Agency and the participating staff members make contributions to SPF.

SPF shall provide lump sum benefits for participating staff members of the Agency. The entire balance of a participating staff member's account is to be paid upon separation from service with the Agency including any investment gains or losses and associated administrative costs.

1.5 Termination of the Plan

Although there are no plans to do so, as per Article 8 of the Principles for the Staff Provident Fund of the IRENA, approved by the Assembly in its decision A/1/DC/4, in the event that the Management Board determines that SPF is unable to meet its obligations as they fall due, SPF may be dissolved at the proposal of the Management Board, approved by the Assembly.

2 Description of the funding policy

For each participating staff member, the contribution basis and rates are determined in accordance with the United Nations (UN) common system standards. Accordingly, based on the UN common system approach, 7.9% of the applicable pensionable remuneration is deducted from the staff salary and 15.8% of the applicable pensionable remuneration is contributed by the Agency.

3 Accounting policies

3.1 Basis of presentation

In accordance with Article 4.9 of the Principles of the Provident Fund as approved by Assembly decision A/1/DC/4, SPF accounts have been prepared in accordance with the same standards adopted by Agency - International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants (IFAC).

As IPSAS is silent on how to account for the benefit payments, contributions received, and how to present financial statements of pension funds, the Management Board notes that as indicated in IPSAS 3.12, in the absence of an IPSAS that specifically applies to a transaction, other event, or condition, management should use its judgement in developing and applying accounting policies that provide information that is relevant to the decision-making needs of users and is reliable.

3 Accounting policies (continued)

3.1 Basis of presentation (continued)

Accordingly, based on IPSAS 3.12, the Management Board of SPF developed its own accounting policy with regards to the presentation of financial statements, benefits payments and the accounting for contribution revenue. More specifically, the Management Board has concluded that presenting the accounts of SPF by applying the guidance provided in International Accounting Standard (IAS) 26: "Accounting and Reporting by Retirement Benefit Plans", does not contradict IPSAS as it is being applied due to absence of relevant IPSAS standard applicable to SPF.

Consequently the presentation of financial statements of SPF contains the following:

a) Statement of net assets available for benefits;
b) Statement of changes in net assets available for benefits; and
c) Notes, comprising accounting policies and other explanatory notes.

3.2 Comparability

Except when a standard permits or requires otherwise, comparative information will be disclosed in respect of the previous financial period for all amounts reported in the financial statements, including narrative and descriptive information. When the presentation or classification of items in the financial statements is amended, comparative amounts will be updated accordingly unless the amendment is impracticable.

3.3 Unit of account

The unit of account is United Stated Dollars (USD). Transactions in currencies other than USD were converted into USD at the prevailing United Nations Operational Rates of Exchange (UNORE) at the time of transaction. Assets and liabilities held at the end of period in currencies other than USD were converted into USD at the prevailing UNORE end of period closing rate.

3.4 Investment policies

The Assembly, at its third session in its decision A/3/DC/8 on January 14, 2013, adopted an investment policy to set forth the investment objectives, process of making investment related decisions, guideline and reference for measuring and evaluating future investment performance among others. The investment policy has been adopted with due regard to the principle of the preservation of capital including the forming criteria for investment, namely: safety, profitability, credibility and convertibility.

3.5 Investments

While the Management Board was in the process of identifying and contracting with an Investment Advisor, during the year, investments in SPF are in the form of money markets or term deposits in reputable banks which are held for less than a year (note 4.1).

Generally, SPF will carry provident fund investments at fair value.

3 Accounting policies (continued)

3.6 Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash subject to insignificant risk of changes in value. All cash and cash equivalents are held at nominal value.

3.7 Contributions

Contributions are recorded on an accrual basis. Participants and IRENA are required to contribute 7.9% and 15.8% respectively, of the participants' pensionable remuneration to the Provident Fund. Each month SPF accrues a receivable amount for contributions expected. When contributions are actually received, the receivable is offset.

3.8 Subsequent events

Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the balance sheet date, is incorporated in the financial statements.

In addition, any event that occurs after the balance sheet date but before the financial statements are published that is material to SPF will be disclosed in the notes to the financial statements.

3.9 Related party transactions

Provident fund contributions for certain employees of IRENA (who may also be participants in SPF), who perform administrative, legal and management services related to the operation, record keeping, financial reporting of SPF, as well as serving on the Provident Fund Management Board (PFMB), are disclosed in the notes to the financial statements (note 5).

4 Net assets

4.1 Cash and cash equivalents

	31 December 2014 USD	31 December 2013 USD
Cash at bank	**178,878**	89,206
Term deposits	**5,678,134**	4,126,900
Total cash and cash equivalents	**5,857,012**	4,216,106

The Provident Fund holdings as at 31 December 2014 were maintained in USD denominated current bank account and term deposits.

During reporting period the term deposits had annual interest rate of between 0.03 and 0.26 per cent and held between 1 to 3 months.

4 Net assets (continued)

4.2 Accumulated revenue

Accumulated revenue pertains to foreign exchange revaluation gain and interest revenue from previous years.

4.3 Net result for the period

During the year, the SPF earned revenue from term deposits amounting to USD 6,887 and incurred professional legal fees in setting up contractual arrangements with Zurich International Life Limited ("Zurich") and other expenses totalling to USD 8,199. Thus, resulting in excess of expenses over revenue for the period amounting to USD 1,312.

5 Related party disclosure

Employees of IRENA serving on the PFMB have the following transactions and outstanding balances in SPF:

	2014	2013
Number of individuals	**5**	5
	USD	USD
IRENA's contribution in provident fund	**124,840**	113,981
Outstanding benefits payable	**505,107**	317,847

6 Subsequent events

With the objective of maximising the returns on the SPF on behalf of its participants, the PFMB followed a rigorous selection process and appointed Zurich as the funds administrator to assist in investing and managing the assets of the SPF. Negotiations with Zurich started in January 2014 in search for the most suitable vehicle for the Fund investment and the agreement with Zurich was finalised in November 2014. Zurich is based on the Isle of Man, with an investment portfolio managed through an internet-based platform.

The participants in the SPF will have access to their individual accounts at all times via this secure platform, thus keeping them informed of the performance of the investments made and the net value of their respective account, including interest, dividends and capital gains earned less any charges and possible losses resulting from the SPF operations.

6 Subsequent events (continued)

The underlying product supplied is a unit linked, defined contribution insurance contract for long-term savings and financial planning. Services are offered on a bundled basis, meaning administration, investment and communication functions are provided through one product.

In line with the SPF Investment Policy, the PFMB has determined that provident fund contributions will initially be invested in a blended option of funds and comprises of 50% of HSBC World Selection Portfolio 1, 33% of USD Defensive Fund and 17% of Franklin US Government Bond Fund. This represents an optimal diversification between risk and return.

Briefing sessions with representatives from Zurich were held for all SPF participants allowing every participant the opportunity to learn how to access on-line the status of their Provident Fund at any time. A guide book explaining the Provident Fund arrangements with Zurich was also issued.

While all the contractual and other set up arrangements were completed in 2014, the actual implementation of investments using Zurich started in January 2015.