Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2025/032

Audit of the use of derivatives in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund

There is need to strengthen and formalize the derivatives use policy, formulate a hedging strategy for the cash portfolio, and periodically review the effectiveness of all hedging activities

17 July 2025
Assignment No. AS2024-801-03

Audit of the use of derivatives in the Office of Investment Management of the United Nations Joint Staff Pension Fund

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the use of derivatives in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the use of derivatives in OIM. The audit covered the period from January 2023 to April 2025 and included a review of: (i) governance and policy framework; (ii) derivatives trading; and (iii) risk management and operations.

The audit indicated the need for OIM to strengthen and formalize the derivatives use policy, formulate a hedging strategy for the cash portfolio, and periodically review the effectiveness of all hedging activities.

OIOS made two important recommendations. To address the issues identified in the audit, OIM needed to:

- Strengthen and formalize the Derivatives Use Policy to serve as a principal policy document governing the use of derivatives; and

- Formulate a hedging strategy using derivatives for the cash portfolio and periodically review the effectiveness of all hedging activities using pre-defined indicators and adjust the strategy when necessary.

OIM accepted the recommendations and has agreed to implement them. Actions required to close the recommendations are indicated in Annex I.

CONTENTS

Audit of the use of derivatives in the Office of Investment Management of the United Nations Joint Staff Pension Fund

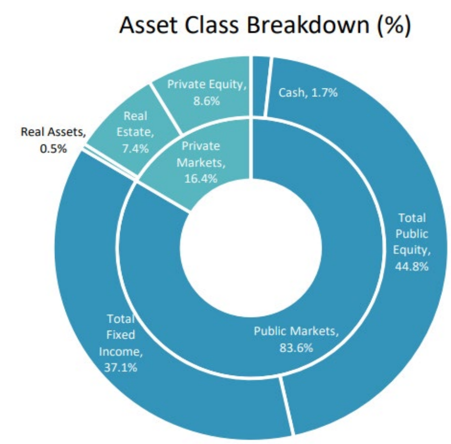
I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the use of derivatives in the Office of Investment Management (OIM) of the United Nations Joint Staff Pension Fund (UNJSPF).

2. UNJSPF was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other international intergovernmental organizations admitted to the membership of the Fund. Under the authority of the Secretary-General, the Representative of the Secretary-General (RSG) for the investment of the assets of the Fund has a fiduciary responsibility to manage the investments in the best interests of the Fund's participants and beneficiaries.

3. The investments of the Fund managed by OIM amounted to $95.4 billion as of 31 December 2024, allocated across various asset classes as shown in Figure 1, which also provides a snapshot of the performance of the investment portfolio for various time periods relative to the policy benchmark. The Fund's 15-year real return was 4.1 per cent as of 31 December 2024, exceeding the long-term investment objective of 3.5 per cent in real terms.

Figure 1: UNJSPF asset allocation and investment performance as of 31 December 2024



	1 year	3 years	5 years	10 years	15 years
Total Fund Return	8.5	1.7	6.0	6.5	6.8
Benchmark Return	9.4	2.0	6.1	6.7	7.0
Excess return	-0.9	-0.3	0.0	-0.2	-0.2

4. In 2020, OIM proposed through the report of the Secretary-General on the investments of UNJSPF[1] for the office to "use expanded investment strategies, including exchange-traded futures[2], swaps[3] and foreign exchange forwards[4] for the purpose of increasing the efficiency and lowering the transaction cost

[1] A/C.5/75/2*
[2] Bond futures are financial contracts that obligate the holder to buy or sell a bond at a specific price on a future date. They are usually standardized and traded on futures exchanges and used by investors to manage risk, hedge against potential losses, or speculate on interest rate movements. Investors usually choose not to receive or deliver the underlying bonds but exit the contract through cash settlement, i.e., paying or receiving cash determined by the difference between the contract price and the market price.
[3] A currency swap is an agreement between two parties to exchange currencies at a preset rate and then reverse the exchange at another rate in the future.
[4] Foreign exchange forwards are contracts which establish an agreement to exchange a specified amount of currency at a pre-determined future date (value day) and at the exchange rate agreed at the time the contract is entered.

of implementing various investment strategies, as well as for risk management and hedging purposes. In addition, the office may establish securities lending programmes[5] and enter into repurchase transactions[6]."

5. The General Assembly, in its resolution 75/246, approved a two-year trial period for the use of these strategies, allowing OIM to employ these instruments to manage risk and improve efficiency. As preparation took longer than expected mainly due to negotiation of agreements with counterparties as well as establishing cross-functional processes, OIM obtained in 2022 an authorization from the General Assembly to extend the trial period for another year. In 2024, OIM reported[7] to the General Assembly that it executed its first in-house trade of "to-be-announced" (TBA) mortgage-backed securities[8] in December 2023. Based on the successful execution of TBA trading and progress in rolling out other expanded strategies, the General Assembly approved OIM's request to conclude the pilot phase and make trading of derivative instruments fully operational.

6. Bond futures, foreign exchange swaps and forwards and TBA are a type of financial instruments that are often referred to as "derivative", which derives its value from an underlying asset. Derivatives trading typically involves leverage, i.e., a large nominal contract amount referred to as "notional value", and only requires a small initial capital outlay referred to as "margin". As a result, potential gain or loss can be much higher than the principal, which is one reason why derivatives are usually viewed as risky instruments. However, as the derivatives markets are usually highly liquid and do not require physical delivery, their trading costs can be lower than those of the underlying assets. While they can be used for speculative purposes, they are also efficient tools for hedging (i.e., to mitigate risks) and for portfolio management (say, to increase or reduce the weight of a certain investment). While securities lending and repurchase agreements are technically not derivatives, they were often lumped into the "derivative instruments" or "derivatives" in UNJSPF communications. For easy reference, "derivatives" and "expanded strategies" are used interchangeably in this report to include these two types of investment transactions.

7. OIM used several systems for derivatives: the trade order management system for trading derivatives and pre-trade compliance check (same as public equities and fixed income), the accounting, performance reporting and post-trade compliance systems of the custodian bank, and the risk management system from another vendor.

8. Since 2021, the General Assembly has approved OIM's requests to establish six posts in support of the expanded strategies: 1 P-4 for risk, 2 P-3 and 1 P-2 for operations, 1 P-3 and 1 G-7 for accounting.

9. Comments provided by OIM are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

10. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the use of derivatives in OIM.

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[5] Securities lending is commonly defined as the practice of loaning shares of stock, corporate bonds, or other securities to other investors for a fee. The borrower intends to sell the security at a higher price and buy back at a lower price (a speculative transaction known as short selling). OIM limited securities lending to United States treasury bonds only.

[6] Repurchase agreement, also known as repo, is a short-term loan where both parties agree to the sale and future repurchase of assets within a specified contract period and interest rate.

[7] Through the Secretary-General's report on investments, A/C.5/79/3.

[8] A TBA is a contract to trade a specific volume of Mortgage-Based-Securities (MBS) guaranteed and issued by three United States government sponsored agencies where the issuer, par value, coupon rate, trade price, maturity and settlement date are known but the exact pool of mortgages is "to be announced" later.

11. This audit was included in the 2024 risk-based work plan of OIOS due to risks relating to the use of derivatives for the first time by OIM.

12. OIOS conducted this audit from December 2024 to May 2025. The audit covered the period from January 2023 to April 2025. Based on an activity-level risk assessment, the audit covered risk areas in the use of derivatives which included: (i) governance and policy framework; (ii) derivatives trading; and (iii) risk management and operations.

13. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of derivatives trading, valuation and collateral data; and (d) sample testing of TBA trading and collateral management and legal agreements using a judgemental sample. To assess the reliability of data pertaining to the use of derivatives, OIOS compared various reports, verified the calculations, and performed reasonableness tests.

14. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

A. Governance and policy framework

<u>The governance arrangement was effective</u>

15. In January 2023, OIM established a cross-functional Derivatives Pilot Programme Board (hereafter referred to as "the Board") consisting of the heads of various functions to provide formal oversight of the derivatives pilot project. The Board met regularly and reviewed the progress of negotiating various legal agreements, establishing business processes and acquring new system functionalities to enable derivatives trading, monitoring, risk management and collateral management. The minutes of the Board together with the progress reports from the teams involved indicated that the Board provided adequate oversight. In addition, the Risk Committee reviewed and approved various types of risk limits proposed by the Risk Team for TBA, foreign exchange swaps and forwards as well as securities lending. The Best Execution Committee also reviewed TBA trading, which was launched first and has seen the most trading volume and notional value.

<u>Need to strengthen and formalize the Derivatives Use Policy</u>

16. The General Assembly, when authorizing the use of derivatives on a trial basis in 2020, requested "submission of more detailed proposals including compliance measures with a view to ensuring strict adherence to existing policies and accountability framework and a cost-effective investment strategy." OIM formed a working group to develop business cases for using the derivatives. The business cases completed in 2021 laid out, inter alia, general benefits from using the various types of derivatives, responsibilities of the various teams involved in preparing OIM for using them.

17. During the trial run period, the teams also developed various operational and accounting procedures to ensure that trades are properly executed, settled, reconciled, recorded and classified, and that collateral is timely posted by the counterparty or OIM depending on the valuation of the open derivative positions. In addition, the Risk Team developed risk limits for TBA, currency forward and swap, and securities lending which, together with the methodologies and rationales for setting them, were documented and communicated in three separate documents titled "Risk Acceptance".

18. The Board noted in the minutes of its meeting in October 2023 the need to develop a Derivatives Use Policy. Per the minutes, it was initially recommended by a consultant to formalize risk and operations in one document. The pilot project manager, a staff from the Data Analytics and Business Applications Team, was tasked to create a template. The first draft was completed at the end of November 2023, but it was only for TBA and partially approved by the Board members through email. The document stated that the purpose of the document was to lay out a governance policy for the trading of TBA mortgage-backed securities. It provided guidance regarding intent of use, risk measures, measurement mechanisms, periodicity of policy review and protocols.

19. OIOS is of the view that the policy can be strengthened in several ways, including providing comprehensive coverage on all derivatives OIM planned to use and citing the General Assembly resolutions on the use of derivatives. Among the aspects it intended to provide guidance on, the policy can provide more clarity on the intent of use and measurement mechanisms. For instance, bond futures can be used as a portfolio and risk management tool not only for the treasury bond portfolio, but potentially for the fixed income portfolio as a whole and even the whole fund because both fixed income and equities are subject to significant interest rate risk. Sudden and rapid interest changes could have a considerable impact on the value and performance of the assets the Fund owns – as the Fund had experienced many times in the past. Clarification on its intended use can also contribute to the refinement of the investment strategy and risk management at different levels as well as ownership of the tools. Likewise, the policy should define the measurement mechanisms, including indicators that can be used to measure the effectiveness of the use of derivatives tools (discussed in more detail later in the present report on currency hedging).

20. Typically, public pension funds that trade derivatives have an overarching policy on derivatives, besides additional risk and operational procedures as well. The derivatives policy lays out the roles and responsibilities of various parties within the fund, including definition and classification of various types of derivatives, committee(s) that should oversee the use of derivatives, the risks of trading derivatives, and the corresponding mitigation measures. OIM needs to strengthen and formalize the Derivatives Use Policy, not just for TBA, but for all derivatives that the General Assembly has authorized.

(1) OIM should strengthen and formalize the Derivatives Use Policy to serve as a principal policy document governing the use of derivatives.

OIM accepted recommendation 1 and the related operational framework, wherein the Derivatives Use Policy is the principal policy document. OIM stated that the Fixed Income team will collaborate with all relevant stakeholders in the production of this policy.

B. Derivatives trading

TBA trading was for portfolio management efficiency and in line with authorized use

21. Since OIM started using TBA, the notional amount of TBA positions grew from an average of \$0.57 billion in the first half of 2024 to \$1.1 billion in the second half of 2024 and \$1.3 billion in the first four months of 2025, accounting for approximately 6.5, 12, 14.3 per cent of the securitized[9] fixed income portfolio for the same periods, respectively. Based on discussion with the MBS Team and review of the TBA trades from January to April 2025, OIOS was of the view that OIM used TBA mainly to manage the portfolio more efficiently considering the liquidity of the TBA market. In addition, the risk profile of the

[9] Asset-backed securities, most of which is mortgage-backed. Also includes car loans and credit cards.

MBS portfolio with TBA positions (in terms of duration[10] and tracking error[11]) did not see significant change. Therefore, the use of TBA was in line with the authorization by the General Assembly.

Need to formulate a hedging strategy for the cash portfolio and periodically assess hedging effectiveness

22. In January 2025, OIM started trading currency swaps and forwards to fund pension benefit payments and investments. On a monthly basis, the Pension Administration of UNJSPF communicated to OIM a list of currencies and corresponding amounts required for paying pension benefits during the month. Table 1 shows the currency forward and swap trades conducted by OIM from January to April 2025. All the currencies traded were developed markets currencies. According to the team that manages the cash portfolio (also known as the "Treasury Account"), the purposes of carrying out the trades were to: (i) test the readiness of the operational processes and systems for using the tools; and (ii) partially hedge the currency risks related to the cash flows in various currencies.

Table 1: OIM currency forward and swap trades carried out from January to April 2025

Month	Currency bought	Amount (millions)	Type of derivative	Funding for	% of total payroll	Total benefit ($)	Hedge effective?
January	NZD	0.46	Forward	Payroll	100	1,346	Y
	CHF	2.0	Swap	Payroll	8	15,076	Y
February	NZD	0.46	Forward	Payroll	100	962	Y
	DKK	8.6	Forward	Payroll	92	4,379	Y
March	EUR	3.0	Swap	Private markets	N.A.	655	Y
		4.0	Forward	Private markets	N.A.	26,504	Y
		10	Forward	Payroll	24	(54,834)	N
	AUD	1.8	Forward	Payroll	86	(3,383)	N
	NZD	0.46	Forward	Payroll	100	(1,446)	N
	SEK	7.0	Forward	Payroll	100	1,578	Y
April	JPK	15	Swap	Equity	N.A.	(1,147)	N
Total						**(10,311)**	

23. The cash management team also analyzed the effectiveness of the hedging from a financial perspective. The assessment took into consideration the cost of the forward or swap transaction, the potential interest income from the United States dollar proceeds invested in United States Treasury bills, and the gain or loss due to the difference between the forward exchange rate and the spot exchange rate on the value day[12]. As shown in Table 1, the trading activities resulted in a net loss of $10,311. The team used cash balances, projections and discretion to determine the currencies and proportion of the cash flows in those currencies to be hedged. The decision to choose forward contract or swap was dependent on whether there was inflow and outflow of the same currency on different dates.

24. Despite the vision of using derivatives to hedge foreign exchange risks for the Emerging Market Debt (EMD) portfolio which primarily consists of sovereign bonds in local currencies, OIM was yet to use these tools. According to the team managing the EMD portfolio, they were waiting for the custodian bank (and master recorder keeper) to develop a solution to provide daily performance attribution report. OIM indicated that the custodian found a potential solution, but it would take three to six months and approximately $50,000 to develop.

[10] A measurement of a bond's interest rate risk that considers a bond's maturity, yield, coupon and call features.
[11] A measure of the difference between the return fluctuations of an investment portfolio and the return fluctuations of a chosen benchmark.
[12] The date agreed upon by both parties for the delivery of funds.

25. OIOS acknowledges that it is valuable to have foreign exchange derivatives available as tools for the investment officers to manage currency risks. However, there is a need to define a hedging strategy for the cash portfolio, i.e., where, when and how these tools should be used, to ensure that hedging is effective, efficient and aligned with the Fund's investment strategy. The hedging strategy needs to be based on an assessment of the foreign exchange risks related to the cash flows which, together with the Fund's risk appetite, should determine the need and scope for hedging. In this connection, OIOS notes that OIM had already decided not to hedge the currency risk exposure in public equity and private markets portfolios. Also, given that the foreign exchange market is among the most volatile and unpredictable, it is unlikely that hedging will consistently generate positive returns, if at all, after accounting for the cost of hedging. OIM needs to also define certain indicator(s) to measure the effectiveness of hedging the cash flows.

26. For the EMD portfolio, OIM decided in the early stages of the derivatives pilot project to only hedge the active weights (portfolio weight deviation from the benchmark) in different currencies depending on the circumstances, especially the cost of hedging for different currencies. The Risk Committee of OIM had approved the risk limits for controlling the market risk of the hedges, including a maximum limit of 50 per cent of active weight in any currency and a maximum permissible hedge of 25 per cent of the whole of the EMD portfolio. Apart from these limits, OIOS is of the view that OIM should also adopt relevant indicators to measure hedging effectiveness, i.e., to determine how the use of derivatives contributes to risk mitigation. Examples of such indicators used in the industry include reduced portfolio volatility, prevention of large portfolio drawdowns (due to significant devaluation of a currency), and/or improved risk-adjusted return (for instance, Information Ratio[13]).

27. Finally, periodical review of the hedging strategy's implementation and effectiveness need to be conducted, and possible adjustment made.

(2) OIM should: (i) formulate a hedging strategy using derivatives for the cash portfolio; and (ii) periodically review the effectiveness of all hedging activities using pre-defined indicators and adjust the strategy when necessary.

OIM accepted recommendation 2 and stated that: (i) the Derivatives Use Policy contains the strategy for all derivatives used across all portfolios including cash; and (ii) the success of portfolio hedging activities will be assessed using quantitative risk and return metrics, alongside a review of investment management strategies and the related oversight functions by risk. The regular review ensures derivative usage aligns with the portfolio objectives as well as the strategic priorities highlighted in the Derivatives Use Policy.

C. Risk management and operations

Legal agreements, risk and operational controls put in place were adequate

28. To trade the various types of derivatives, OIM had to negotiate with the counterparties on the terms of different types of agreements. Table 2 provides a list of the agreements with their purposes and status as of April 2025. The Legal Team was leading the negotiation with more counterparties, which should help OIM obtain better trade prices or generate more income in the case of securities lending.

29. OIOS reviewed a sample of the agreements and confirmed that they: (i) are aligned with the standard agreements used in the industry; (ii) have adequate coverage on collateral requirement (when

[13] A measure of risk-adjusted return calculated as (portfolio return – benchmark return)/tracking error of portfolio return, where tracking error measures how closely the portfolio return tracks the benchmark return.

applicable); and (iii) protect the United Nations privileges and immunities, particularly settlement of disputes through arbitration.

Table 2: Legal agreements negotiated by OIM for trading derivatives

Type of agreements	Derivative/ activity	No. of parties with agreements signed	No. of parties in negotiation	Sampled by OIOS
Master Securities Forward Transaction Agreements and Account Control Agreements	TBA	6	10	2
Securities Lending Authorization Agreement (with the custodian bank, which serves as the agent)	Securities lending	1	Not applicable	1
Borrower Letter Agreement	Securities Lending	2	Multiple	1
International Swaps and Derivatives Association Master Agreement	Currency forwards and swaps	1	1	1

30. Counterparty risk is a primary investment risk to mitigate for derivatives. It is a risk that the entity (the counterparty to the contract) with whom one has entered into a financial contract may fail to fulfil their side of the contractual obligation (for example, if they default) when the contract has a positive value to the party; i.e., the party has an exposure to the counterparty. Counterparty risk has two components: market risk, i.e., exposure[14] resulting from changes in market factors such as interest rate, and credit risk which reflects the credit quality.

31. OIM had taken multiple measures to mitigate counterparty risks for TBA, foreign exchange swaps and forwards, and securities lending, including: (i) limits on notional values of all trades and with each counterparty; (ii) collateral requirements to cover the exposures, with different haircuts[15] depending on the type and quality of the collateral posted by the counterparty; (iii) a requirement for the counterparty to have an investment-grade credit rating; and (iv) daily monitoring by the Risk Team and Operations Team of the notional amounts, collateral and credit ratings. OIOS' review showed that these measures were adequate to mitigate the relatively moderate counterparty risks OIM is exposed to (for instance, an exposure of a few million United States dollars to a large investment-grade bank for TBA positions on any given day, which is usually much smaller than a position of equity in the same bank or of corporate bonds issued by the bank).

32. An operational risk for TBA trading is physical delivery: if a TBA position is not closed in time before the settlement date, then the investor will have to take the physical delivery of the MBS pool (a group of mortgage loans held in trust as collateral for the issuance of an MBS)[16]. Since OIM did not acquire the Electronic Pool Notification module from the provider of the trade order management systems, receiving the MBS pool would require manual input of data of potentially thousands of loans in the system which was burdensome and prone to error. The team managing the securitized portfolio had to ensure timely sale or rollover of the TBA positions. The latter involves both selling of one TBA position with an approaching settlement date, and purchase of another similar one with a later settlement date. OIOS' data analysis and sample testing showed that monitoring and timely rollover of TBA positions was adequate.

[14] Calculated daily based on market valuation, i.e., "marked-to-market".
[15] A discount taken from the market value of a collateral to ensure that the collateral will be sufficient to cover the exposure. In the agreements, it's expressed as extra margin percentage points required for the market value of collateral.
[16] The details of the pool will be announced by the seller two days before the settlement day.

33. Likewise, for collateral management by the Operations Team, OIOS' interviews, document review and sample testing showed that monitoring of the exposures to various counterparties was adequate, using daily reports from the custodian and timely posting of additional collateral by counterparties if necessary.

IV. ACKNOWLEDGEMENT

34. OIOS wishes to express its appreciation to the Management and staff of OIM for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the use of derivatives in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[17]/ Important[18]	C/ O[19]	Actions needed to close recommendation	Implementation date[20]
1	OIM should strengthen and formalize the Derivatives Use Policy to serve as a principal policy document governing the use of derivatives.	Important	O	Receipt of a strengthened and formalized Derivatives Use Policy.	31 August 2026
2	OIM should: (i) formulate a hedging strategy using derivatives for the cash portfolio; and (ii) periodically review the effectiveness of all hedging activities using pre-defined indicators and adjust the strategy when necessary.	Important	O	Receipt of a hedging strategy for the cash portfolio and evidence of periodical review of hedging effectiveness using pre-defined indicators.	31 August 2026

[17] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[18] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.
[19] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[20] Date provided by OIM in response to recommendations.

APPENDIX I

Management Response

UNJSPF CCPPNU

United Nations Joint Staff Pension Fund

Caisse commune des pensions du personnel des Nations Unies

MEMORANDUM

Ref: New York, 8 July 2025

To / A:	Mr. Byung-Kun Min, Director Internal Audit Division, OIOS	From / De :	Pedro Guazo, Representative of the Secretary-General of the investment of the assets of UNJSPF

Toru Shindo, OIC (Jul 14, 2025 07:48 EDT)

Subject / Objet: **UNJSPF response to draft report of audit of use of derivatives in the Office of Investment Management of the United Nations Joint Staff Pension Fund (Assignment No. AS2024-801-03)**

1. Reference is made to your memorandum dated 27 June 2025, in which you submitted for the Fund's review and comments, the draft report of the above-mentioned audit.

2. As requested, management's comments to the audit recommendations are included in Annex I.

3. The Office of Investment Management would like to thank OIOS auditors for the constructive exchanges with management during the audit.

cc.: Mr. T. Shindo, UNJSPF
Mr. P. Thupayagale, UNJSPF
Mr. J. Nunez, Chief Risk and Compliance Officer

ANNEX I

Audit of use of derivatives in the Office of Investment Management of the United Nations Joint Staff Pension Fund

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OIM should strengthen and formalize the Derivatives Use Policy to serve as a principal policy document governing the use of derivatives.	Important	Yes	Fixed Income, Director	August 2026	OIM accepts the recommendation and the related operational framework, wherein the Derivatives Use Policy is the principal policy document. Fixed Income team will collaborate with all relevant stakeholders in the production of this policy.
2	OIM should: (i) formulate a hedging strategy using derivatives for the cash portfolio; and (ii) periodically review the effectiveness of all hedging activities using pre-defined indicators and adjust the strategy when necessary.	Important	Yes	Fixed Income, Director	August 2026	(i) The Derivatives Use Policy contains the strategy for all derivatives used across all portfolios including cash. (ii) The success of portfolio hedging activities will be assessed using quantitative risk and return metrics, alongside a review of investment management strategies and the related oversight functions by risk. The regular review ensures derivative usage aligns with the portfolio objectives as well as the strategic priorities highlighted in the Derivatives Use Policy.

[1] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

[2] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.