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Council of Delegates of the International Red Cross
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Geneva, 26 November 2011 – **For humanity**



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CD/11/11.5

Original: English

For information

**COUNCIL OF DELEGATES
OF THE INTERNATIONAL RED CROSS
AND RED CRESCENT MOVEMENT**

Geneva, Switzerland
26 November 2011

**REPORT OF THE JOINT COMMISSION
OF THE EMPRESS SHÔKEN FUND**

Document prepared by the Joint Commission of the Empress Shôken Fund

Geneva, October 2011

Executive Summary

Since January 1, 2009, the value of the Empress Shôken Fund's assets has increased from 9.3 million Swiss francs to 10.0 million Swiss francs as at December 31, 2010.

The Fund received additional capital contributions from the Japanese Red Cross in the amount of 236,561 Swiss francs and 56,648 Swiss francs in 2009 and 2010 respectively.

In 2010, following an independent review of the investment portfolio performance versus benchmark, and a decision to enhance the socially responsible nature of the portfolio, the Joint Commission of the Fund administered a competitive selection process for a new investment manager. The portfolio was liquidated and funds transferred from Lombard Odier to Pictet Asset Management in November 2010.

In 2009 the Fund made distributions to four National Societies totalling 148,252 Swiss Francs. Consistent with the Fund's regulations, the Joint Commission decided in 2010 and 2011 to draw down the reserve for loss on investments in order to make further distributions to six National Societies. These distributions totalled 91,319 and 111,665 Swiss francs for 2010 and 2011 respectively.

2012 will mark the 100th anniversary of the Empress Shôken Fund. For the last 100 years the fund has been both a very practical as well as a highly symbolic representation of Japan's steadfast solidarity with the vulnerable around the world. During this period, some 600 projects covering a vast range of needs have been supported. The Joint Commission of the Empress Shôken Fund, in coordination with the Japanese Red Cross, is preparing some events to commemorate the centenary in April 2012, by rekindling its spirit as a continuing source of inspiration and practical support to National Societies.

REPORT 2009-2010

Joint Commission of the EMPRESS SHÔKEN FUND

1. INTRODUCTION

The Empress Shôken Fund was established in 1912 when HM The Empress Shôken donated 100,000 Japanese yen to the Red Cross in support of National Societies.

In 1934, a second gift from HM The Empress Kojun and HM The Dowager Empress Teimei of Japan increased the Fund to 200,000 Japanese yen.

Over the years, due to the generous contributions of the Japanese Imperial Household and the Japanese Red Cross Society, the value of the Fund's capital at the end of 2010 stood at CHF 10.0 million Swiss francs. In 2009 and 2010, the Japanese Red Cross made additional contributions to the capital of the Fund totaling 293,209 Swiss francs.

The Fund operates as an endowment fund making annual contributions to the development of National Societies worldwide.

The purpose of the Fund is to support National Society projects related to disaster preparedness, health, youth, blood, first aid and rescue, social welfare and the dissemination of the humanitarian ideals of the Red Cross and Red Crescent.

On 11 April each year - the anniversary of the Empress's passing - the Joint Commission announces the allocation of grants to the National Societies. Although the Fund receives approximately 50 requests per year, the Joint Commission continues to emphasize the importance of good quality, well presented submissions consistent with the criteria and regulations of the Fund. The Joint Commission encourages National Societies to contact the country and regional delegations of the International Federation and ICRC for support when preparing submissions.

2. THE JOINT COMMISSION

The Fund is administered by the Joint Commission of the Empress Shôken Fund, which decides on the annual allocation of grants and oversees the financial management of the Fund.

The Joint Commission has continued to meet annually under the chairmanship of the ICRC. Since the last report, the chairman remained the same, Mr. Olivier Vodoz (Vice-President, ICRC). The other members of the Commission were Dr. Mukesh Kapila (Under-Secretary General, International Federation), Mr. Andrew Rizk (International Federation), Mr. Eduard Abegg (ICRC), Ms. Jacqueline Hugentobler (ICRC) and Mr. Jean-Etienne Brodier (International Federation), Secretary for the Joint Commission.

3. FINANCIAL SITUATION OF THE FUND

The value of the Fund at January 1, 2009 was 9.3 million Swiss Francs. Interest income and unrealized gains on investments in 2009 totaled 599,962 Swiss Francs, representing a return of approximately 6.45 per cent. Interest income and unrealized gains on investments in 2010 totaled 169,566 Swiss Francs, representing a return of approximately 1.7 per cent. The value of the Fund at December 31, 2010 was 10.0 million Swiss francs.

Investment returns for the first six months of 2011 have been marginal at 0.02%, and broadly consistent with, but slightly below benchmark of 0.28%. The underperformance can in part be explained by the investment management fees.

After a thorough review of the Fund's historical investment performance by an external consultant in conjunction with the Joint Commission, a decision was made to change portfolio manager. The portfolio was put out to tender and a number of portfolio managers were invited to submit their investment strategies to the Joint Commission and following the board's recommendations, Pictet Asset Management was chosen. The portfolio was liquidated and reinvested with Pictet Asset Management in November 2011.

As the portfolio was transferred November 2010 it was difficult to extrapolate year-end performance against an established benchmark.

The reserve for loss of investments has declined from a 2009 balance of 494,000 Swiss francs to 448,000 Swiss francs as at December 31, 2010. It is anticipated the reserve for loss on investments will be replenished in future years as the underlying investment portfolio appreciate in value.

Despite the need to restore the reserve for loss of investments and the reserve for future distributions, the Joint Commission decided to distribute reduced amounts to National Society projects in the last two years, including 111,665 Swiss francs in 2010 and 91,319 Swiss francs in 2011.

4. GRANT ALLOCATIONS – 2010-2011

Grant allocations for 2009 were presented in the 2009 report to the Council of Delegates. During the period of 2010-2011, there have been two annual distributions of the Empress Shôken Fund (the 89th and 90th distributions) totaling 202,984 Swiss francs to six National Societies as detailed at the end of this report.

A special emphasis was placed on initiatives related to youth protection, which received half of 2010-2011 grants. These focused on a wide range of themes, including road safety for children on their way to school in Georgia, a youth brass band project in Sierra Leone, health education for schools' children in Iraq and youth empowering in vulnerable communities of Vanuatu. Other awarded projects were about community based health and first aid in Tuvalu and environmental protection in Burundi.

The Commission ensures an appropriate regional distribution in the selection of projects and a balanced allocation between the different kinds of activities. It further puts emphasis on the humanitarian priority, feasibility and sustainability of the activities planned.

89th distribution - 2010

A total of 52 project applications by 42 National Societies were submitted. The following distributions were made to 3 National Societies.

Country/region	Programme/project	Grant allocation (CHF)
Africa		
Sierra Leone Red Cross Society	Sierra Leone Red Cross Society's youth brass band	49,008
Asia and Pacific		
Tuvalu Red Cross Society	Community based health and first aid	45,001
Europe		
Red Cross Society of Georgia	Road safety project "Safe way to school"	17,056
Total for 2010		111,665

90th Distribution - 2011

A total of 40 project applications were submitted by 40 National Societies. The following distributions were made to 3 National Societies.

Country/region	Programme/project	Grant allocation (CHF)
Africa		
Burundi Red Cross	Food and environmental protection in the provinces of Kayanza and Ruyigi	26,320
Middle East and Northern Africa		
Iraqi Red Crescent Society	Health education for the schools' children	25,739
Asia and Pacific		
Vanuatu Red Cross Society	Youth empowering in the vulnerable communities	39,260
Total for 2011		91,319

Appendices: Regulations (in force since 2003)
Rules of Procedure
Statement of Accounts for 2009 and 2010

REGULATIONS FOR THE EMPRESS SHŌKEN FUND

(Approved by the Sixteenth International Conference of the Red Cross, London 1938, and revised by the Nineteenth International Conference, New Delhi 1957, the Twenty-fifth International Conference, Geneva 1986, the Council of Delegates, Budapest 1991, the Twenty-seventh International Conference, Geneva, 1999, and the Twenty-eighth International Conference, Geneva 2003)

Article 1 - The sum of 100,000 yen in Japanese gold presented by H.M. The Empress of Japan to the International Red Cross on the occasion of the Ninth International Conference (Washington, 1912) to promote "relief work in time of peace", was increased to 200,000 yen by a further gift of 100,000 yen from their Majesties The Empress and The Dowager Empress of Japan, on the occasion of the Fifteenth International Conference, (Tokyo, 1934). The Fund was further increased by a gift of 3,600,000 yen from H.M. The Empress of Japan, on the occasion of the Red Cross Centenary in 1963, and by successive contributions from the Government of Japan since 1966, and from the Japanese Red Cross Society. This fund shall be entitled: "The Empress Shōken Fund".

Article 2 - The Fund shall be administered and its revenues distributed by a Joint Commission of six members chosen in their personal capacity. The Joint Commission shall be composed equally of three members appointed by the International Committee of the Red Cross and three by the International Federation of Red Cross and Red Crescent Societies; the quorum shall be four. The Chairman of the Joint Commission shall be on a permanent basis one of the representatives of the International Committee of the Red Cross whereas the International Federation of Red Cross and Red Crescent Societies shall provide the Joint Commission's Secretariat. The Joint Commission shall meet at Geneva, in principle at the headquarters of the International Federation of Red Cross and Red Crescent Societies.

Article 3 - The capital of the Fund as well as subsequent donations and contributions shall remain intact. Only revenues provided by interest and capital gains may be used for allocations awarded by the Joint Commission to meet all or part of the cost of the activities enumerated below:

- (a) Disaster preparedness
- (b) Activities in the field of health
- (c) Blood transfusion services
- (d) Youth activities
- (e) First aid and rescue programmes
- (f) Activities in the field of social welfare
- (g) Dissemination of the humanitarian ideals of the Red Cross and Red Crescent
- (h) Such other programmes of general interest for the development of the activities of the National Red Cross and Red Crescent Societies.

Article 4 - National Red Cross and Red Crescent Societies wishing to receive an allocation shall make the necessary application through their Central Committees to the Secretariat of the Joint Commission before 31 December of the year preceding that in which the allocations are to be made. Applications shall be supported by full details concerning the particular activity selected from among those specified in Article 3 above.

Article 5 - The Joint Commission shall examine the applications mentioned in the previous Article and shall make such allocations as it considers just and suitable. It shall each year communicate the decisions it has taken to National Red Cross and Red Crescent Societies.

Article 6 - National Red Cross and Red Crescent Societies which feel obliged by circumstances to put the allocations received to uses other than those specified in their applications for grants under Article 4 must ask for the Joint Commission's approval before doing so.

Article 7 - National Red Cross and Red Crescent Societies shall send to the Joint Commission, not later than twelve months after receipt of the allocations, a report on the use of the allocations received.

Article 8 - The announcement of distribution shall take place each year on 11 April, the anniversary of the death of H.M. The Empress Shôken.

Article 9 - A sum which shall not exceed CHF 50,000 shall be set aside to cover the cost of administering the Fund and of assisting the National Societies concerned in the realization of their projects.

Article 10 - The Joint Commission shall present to each Council of Delegates of the Red Cross and Red Crescent a report on the current financial situation of the Fund, the allocations which have been made since the preceding Council and the use made of those allocations by National Societies. The Council of Delegates shall transmit this report to the Japanese Imperial Family through the intermediary of the Japanese Red Cross Society.

Original French**RULES OF PROCEDURE OF THE JOINT COMMISSION
OF THE EMPRESS SHÔKEN FUND**

Adopted by the Commission at its 8 September 1980 meeting and
Revised at its meetings of 29 March 1985 and 18 May 1990

Article 1 - The present Rules of Procedure reflect the Joint Commission's practice for more than 20 years, and amplify and complete the "Regulations for the Fund" approved by the XVIth International Red Cross Conference, London 1938, and revised by the XIXth International Conference, New Delhi 1957, the XXVth International Conference, Geneva 1986, and the Council of Delegates, Budapest 1991.

Article 2 - Composition of the Joint Commission As provided in Article 2 of the Regulations for the Fund, the Joint Commission shall be composed of three members appointed by the International Committee of the Red Cross (ICRC) and three members appointed by the International Federation of Red Cross & Red Crescent Societies (Federation). The two institutions shall inform the Chairman of the Joint Commission of the names of their regular representatives. Should a member be absent or unable to attend, he may be replaced by a substitute.

Article 3 - Secretariat of the Joint Commission The Secretariat of the Joint Commission shall be assumed permanently by the Federation in order to ensure continuity and stability in the work. The Federation shall appoint one of its members to serve as Secretary of the Joint Commission.

Article 4 - Management of the Funds The Secretariat shall manage the Funds under the guidance and supervision of the Joint Commission. The Chairman of the Commission may set up a working group to help with the work of the Secretariat.

Article 5 - Japanese Representation To ensure regular contact with the Japanese Red Cross and government, the Joint Commission shall invite to its annual meeting, in the capacity of observer, the head of the Permanent Mission of Japan to the United Nations in Geneva or his deputy.

Article 6 - Application for Allocations To be eligible for consideration applications must give full and exact details of the activity for which the allocation applied for will be used. If the cost of the project exceeds the usual amount of allocations from the Fund, the application must include a plan for financing.

Article 7 - Criteria for Allocations When examining the requests submitted, the Joint Commission of the Empress Shôken Fund shall take the following guidelines into account:

- (a) to restrict the number of allocations so that the amounts allocated for each are sufficient to enable the approved projects to be successfully implemented;
- (b) to give priority to developing Societies and, among them, to those that have previously least benefited from the Fund or according to objective criteria, are in greatest need. Some reasonable degree of regional balance should be maintained.
- (c) to exclude request from Societies that have not provided satisfactory written reports on the use of previous allocations from the fund;

- (d) to allocate no more than one half of the total annual allocation for human resource development projects – including training, staff-on-loan support, volunteer and staff scholarship assistance. It will be expected that women will benefit on a equal basis with men;
- (e) to allocate no more than one half of the total annual allocation for equipment and materials that are clearly linked to the objectives of the Fund (excluding transportation items, which are already identified under (f) below);
- (f) to allocate no more than half of the total annual allocation for transportation (cars, ambulances and other vehicles – including spare parts);
- (g) to allocate annually no more than a total of CHF 100,000 for one or several regional programmes. Commitments, within an overall annual expenditure level of CHF 100,000, can be made for regional programmes for a period of up to five years. Actual allocations for each (when longer-term commitments have been made) shall be subject to satisfactory performance progress reports to the Commission. Programme proposals must be signed by all parties to be responsible (e.g. by the Federation and/or the ICRC and two or several National Societies).

Article 8 - Financial Provisions

- (a) allocations will be transferred to beneficiaries only on presentation of an invoice or other document justifying the expenditure made;
- (b) in view of the facilities enjoyed by the Secretariat of the Commission, it may in some cases make purchases itself on behalf of the beneficiary Societies;
- (c) allocations which are not claimed or are unused in the year following their award may be withdrawn and added to the amount available for the following distributions or to the capital of the Fund;
- (d) the same rule shall apply in the case of excess allocations. The difference between the amount allocated and actual expenditure shall be added to the amount available for future distributions or to the capital of the Fund;
- (e) after the distribution of the revenue of the Funds has been announced, if for unforeseen reasons the amounts allocated are insufficient to carry out the project(s), and if no other resource is available to cover the deficit(s) the Secretariat may use the balance, if any, of the sums set aside to cover the cost of administering the Fund as provided for Article 9 of the Regulations, or the sums made available as provided for in (c) and (d) of this Article.
- (f) The accounts of the Fund shall be reviewed every year by the firm of auditors appointed by the Joint Commission.

Article 9 - Revision of the Rules of Procedure The Commission may by consensus revise or modify the present Rules of Procedure in order to adapt them to circumstances within the framework of the Regulations in force.

The Empress Shôken Fund, Geneva

**Auditor's report to
the Members of the
Joint Commission
Financial Statements 2010**

**KPMG SA
Geneva, 9 March 2011
Ref. PHP/MK**



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Auditor's Report to the Members of the Joint Commission of

The Empress Shôken Fund, Geneva

As independent auditor, we have audited the accompanying financial statements of The Empress Shôken Fund, which comprise the balance sheet, statement of income and expenditure and notes for the year ended 31 December 2010.

Secretary of the Joint Commission's Responsibility

The Secretary of the Joint Commission is responsible for the preparation of the financial statements. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Secretary of the Joint Commission is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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 Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

Opinion

In our opinion, the financial statements comply with the Regulations of the Fund and the accounting principles as set out in Note 2.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Pierre Henri Pingeon
*Licensed Audit Expert
Auditor in Charge*

Mehdi Keddari
Licensed Audit Expert

Geneva, 9 March 2011

Enclosure:

- Financial statements (balance sheet, statement of income and expenditure and notes)

EMPRESS SHOKEN FUND
Balance Sheet as at 31 December

<u>ASSETS</u>	<u>2010</u> CHF	<u>2009</u> CHF
Current Assets		
Cash at banks	277,033	38,814
Two-day call bank deposits	311,418	1,700,000
Bonds & Equities (Note 5)	9,427,931	8,253,774
	<u>10,016,382</u>	<u>9,992,588</u>
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts payable (Note 7)	62,149	35,149
Capital & Reserves		
Capital (Note 3)	9,506,644	9,449,996
Reserve for loss on investments (Note 6)	447,589	493,662
Reserve for future distributions (Note 4)	0	13,781
	<u>10,016,382</u>	<u>9,992,588</u>

EMPRESS SHÖKEN FUND

Statement of Income and Expenditure for the year ended 31 December

	<u>2010</u> CHF	<u>2009</u> CHF
<u>OPERATING INCOME</u>		
Interest income from investments	54,504	106,300
Japan Red Cross contributions	56,648	295,813
Unrealised gain on investments	115,062	493,662
	<u>226,214</u>	<u>895,775</u>
<u>OPERATING EXPENDITURE</u>		
Investment manager fee	35,859	38,516
Fund administration fee	50,000	50,000
Audit fee	4,896	4,842
Portfolio Analysis fee	27,000	0
	<u>117,755</u>	<u>93,358</u>
<u>OPERATING RESULT</u>		
Excess of income over expenditure	<u>108,459</u>	<u>802,417</u>
<u>ALLOCATIONS</u>		
Allocation to Capital (Note 3)	56,648	236,561
Allocation to Reserve for future distributions (Note 4)	0	59,252
Allocation to Reserve for loss on Investments (Note 6)	51,811	493,662
Allocation to Reserve for future distributions (Note 4)	0	12,942
	<u>108,459</u>	<u>802,417</u>

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2010

Note 1 - Activity

The Fund is administrated by a Joint Commission of six members chosen in their personal capacity. The Joint Commission is composed equally of three members appointed by the International Committee of the Red Cross and three by the International Federation of Red Cross and Red Crescent Societies.

Only interest and capital gains may be used for allocations awarded by the Joint Commission to meet all or part of the cost of the activities detailed in Article 3 of the Regulations for The Empress Shoken Fund.

Note - 2 - Significant accounting policies

Investments in securities are valued at market value. In order to cover current as well as potential future losses, unrealised gains are allocated to the "Reserve for loss on investments" until such reserve reaches 20% of the market value.

The reserve for loss on investments held a balance of CHF 447,589 at 31 December 2010 (2009: CHF 493,662). The Reserve will be replenished in future years when the investments appreciate in value.

Interest and other income from securities are recorded in the year in which they are received.

According to Article 9 of the Regulations, a sum which shall not exceed CHF 50,000 shall be set aside to cover the cost of International Red Cross and Red Crescent Societies in administering the Fund and in assisting the National Societies concerned in the realization of their projects.

Note 3 - Capital as at 31 December 2010

	CHF
Capital as at 01 January 2010	9,449,996
Contributions from Japanese Red Cross Society	56,648
Capital as at 31 December 2010	<u>9,506,644</u>

Note 4 - Reserve for future distribution

Opening Balance 2010	13,781
Transfer from Reserve for loss on investments	97,884
89th Allocations approved in 2010	(111,665)
	<u>0</u>

The Reserve for future distribution will continue to be replenished in future years when the investments appreciate in value.

EMPRESS SHÔKEN FUND

Notes to the Financial Statements for the year ended 31 December 2010

Note 5 - Investments

	Alternative Investments	Shares	Bonds/Notes	Total
LODH closing Balance 2009	608,906	2,508,029	5,136,840	8,253,775
PAM closing Balance 2010	258,860	4,425,929	4,743,142	9,427,931
Capital appreciation/(depreciation)	<u>(350,046)</u>	<u>1,917,900</u>	<u>(393,698)</u>	<u>1,174,156</u>

The portfolio at LODH was liquidated and the proceeds were transferred to Pictet Asset Management (PAM), Geneva as per the decision of the Joint Commission of the Empress Shôken Fund (letter 06 October 2010).

Note 6 - Reserve for loss on investments

Opening balance 2010	493,662
Allocation of unrealised gain on investments	115,062
Transfer to Reserve for future distribution	(97,884)
Excess of expenditure over income	(63,251)
	<u>447,589</u>

Note 7 - Accounts payable

ESF 87th Grant allocation - South Africa Red Cross	35,149
PPC Metrics portfolio evaluation	27,000
	<u>62,149</u>