Members Present: Dr. C. F. Buxtorf (Chair), Prof. J. Corish, Prof. W. Koch, Dr. I. P. Thonus
Members Absent: Dr. D. L. Schutt (participated by teleconference from USA)
Guest: Prof. D. StC. Black
Secretary: Dr. T. A. Renner

1. INTRODUCTORY REMARKS & FINALIZATION OF AGENDA

Dr. Buxtorf welcomed the members to the meeting and thanked Reber Rechtsanwälte for the excellent arrangements and facilities. He reported that Dr. Alfred Hartmann, external advisor to the Finance Committee, had passed away several months prior to the meeting. Dr. Hartmann’s knowledge of the markets and investment wisdom will be missed. Due to the declining performance of the investment portfolio over the last two years, Dr. Buxtorf advised the Committee that current investment strategies would be critically evaluated during the meeting and that recommendations for change would be developed. There were no changes to the Agenda.

2. MINUTES OF 2010 MEETING

There were no comments on the minutes of the 2010 meeting. They were accepted as written and distributed.

3. FINANCE COMMITTEE MEMBERSHIP

Dr. Renner reported that the terms of service of the current members were as follows:

Dr. Buxtorf 2008-2011 (First Term)
Prof. Koch 2008-2011 (First Term)
Dr. Schutt 2010-2013 (Second Term)
Dr. Thonus 2008-2011 (Second Term)

Dr. Buxtorf announced that he would step down as Chair of the Finance Committee at the end of 2011. This action would necessitate the identification of a suitable replacement. The Committee entertained the possibility of having the roles of Chair and Treasurer combined and assumed by a single person. However, after discussion it was decided that these roles should be held separate from each other.

Prof. Black asked Dr. Buxtorf to reconsider his earlier decision to step down as Chair and to remain in this key position for an additional four years. Dr. Buxtorf agreed to this proposal and will remain as Chair.

Dr. Thonus’ second term on the Committee will be completed at the end of 2011. It will be necessary to find a replacement for his position.

Prof. Koch is completing his first term this year and is eligible to continue for a second four-year term on the Committee. Dr. Schutt will continue to serve his second term of four years on the Committee.
4. **Items from Meetings of Executive Committee and Bureau**

Dr. Buxtorf noted that the minutes of the most recent Executive Committee and Bureau meetings were in the Agenda Book. There were no outstanding items of interest for the Finance Committee from either of these meetings.

5. **Financial Review**

5.1. **Audited Accounts – 2009**

There were no comments on the Financial Statement for 2009 and the Auditors report thereon.

5.2. **Accountants Report – First Half 2010**

There were no comments on the accountant’s report for the first half of 2010. Due to illness of the accountant, the report through the third quarter of 2010 was not available prior to this meeting.

5.3. **Review of Expense vs. Budget – 2010-11**

There were no items of concern in a review of expense versus budget; however, the need to generate additional cash from investments was discussed in detail. The rate of spending during 2010 increased due to preparations for the International Year of Chemistry (IYC). Much of this increased spending is expected to be covered by outside IYC sponsorship pledges, several of which pledges have yet to be deposited to IUPAC accounts at the time of the writing of these minutes.

Prof. Corish provided a detailed Interim Report on IYC 2011 expenditures under Item 8.2 of the Agenda. Closing ceremony costs have already been covered by the local organizers in Belgium. Our true financial situation is difficult to define clearly, particularly due to the fact that expenses for the Global Water Experiment (a major activity of IYC 2011) have not yet been guaranteed by formal contract at this time. It is expected that this situation will be clarified by the end of March.

Generally, our cash flow position is adequate for immediate needs. We have the ability to raise cash rapidly, if needed, through the sale of three mutual funds that are currently underperforming relative to the overall market.

5.4. **Review of National Subscriptions in National Currencies**

As a result of recent currency exchange rate fluctuations, Dr. Renner pointed out that several NAOs have complained about the magnitude of their National Subscriptions when converted to USD for payment. National Subscriptions for 2010 were billed in September of 2009. Depending on the timing of payment (earlier or later in 2010), some NAOs may have experienced an increased burden relative to the original billing when making their annual payments, based on the exchange rate at the time of payment. Others may have benefited. In general, many currencies declined in value against the
USD during the first half of 2010.

5.5. **CHANGE IN CALCULATION OF NATIONAL SUBSCRIPTIONS IN NATIONAL CURRENCIES**
Dr. Renner reported that he has begun the task of calculating National Subscriptions for the 2012-2013 Biennium. These proposed National Subscriptions must be presented to the Council at the upcoming General Assembly in San Juan, Puerto Rico, for approval. At the 2010 meeting of the Finance Committee it was proposed and approved that an average of four quarters of currency exchange rate data be used for the calculation of National Subscriptions in national currencies. The effect of this longer-term average will be to even out anomalously low exchange rates subject to rapid market fluctuations. An example of the effect of this new averaging process on the 2010 National Subscription calculation was included in the Agenda Book.

5.6. **RESERVES AND SPECIAL FUNDS**
Dr. Renner indicated that a table summarizing the Reserve Funds and Special Funds was included in the Agenda Book. The Committee was asked to set the interest rate to be used for Special Funds for 2011. Since the average income from the US bonds for 2010 was 5.4%, it was suggested that the interest rate for Special Funds be set at 5%. A motion to fix the interest rate for Special Funds at 5% was made by Prof. Corish and seconded by Prof. Koch. The motion was passed without dissent. It was also noted by the Committee that this 5% rate could be influenced by inflation with attendant rising interest rates as the markets continue to trend upwards after the serious recession of the last two years.

5.7. **FINANCIAL RESULTS FOR SELF-PUBLISHING PAC IN 2010**
Dr. Renner noted that the Agenda Book contained an updated financial summary for *PAC*. *PAC* continues to be a significant source of income for IUPAC despite the continued decrease of institutional subscribers. While the number of E-only subscribers continues to increase, (they comprise about 28% of the total subscribers), in the near term, *PAC* is expected to continue its contribution to the Union’s finances. The long-term outlook is still unknown. Dr. Renner pointed out that costs for producing the printed version of *PAC* have increased for 2011, especially in the areas of editing, printing, and distribution. He suggested that the Committee should consider the financial impact on Union income if *PAC* were to be published only in electronic format. Some important questions were raised. Can net income from *PAC* be maintained by publishing an E-only journal? What subscription rate would be required? Would subscribers be receptive to this change? Would some subscribers who currently receive printed versions of the journal cancel their subscriptions? Can the number of free copies of *PAC* be reduced? The Finance Committee recommends that the Committee on Printed and Electronic Publications (CPEP) review this option for *PAC* and develop recommendations for implementation within two years. Dr. Renner agreed to
make some preliminary projections, based on current production/subscriber data, which may be used by CPEP to begin consideration of this issue at the upcoming General Assembly in San Juan, Puerto Rico.

6. NATIONAL SUBSCRIPTIONS

6.1. 2010 NATIONAL SUBSCRIPTION PAYMENT STATUS
Dr. Renner reported that (as of the date of the Finance Committee meeting) eight NAOs had not yet paid their National Subscriptions for 2010: Cuba, Egypt, India, Jordan, Korea, Pakistan, Portugal and Ukraine. Total unpaid National Subscriptions for 2010 amount to more than USD 83,000. The Secretariat is pursuing final payment from these NAOs.

6.2. 2011 NATIONAL SUBSCRIPTION PAYMENT STATUS
Dr. Renner also reported that eleven NAOs had already paid their 2011 National Subscriptions as of 7 February 2011: Australia, Czech Republic, Jamaica, Kuwait, Luxembourg, Malaysia, Norway, Slovenia, Tunisia, Uruguay and the USA.

7. REVIEW OF BUDGET – 2012-13

7.1. BUDGET: 2012-13
Dr. Renner stated that he has begun the calculation of the new biennial budget for 2012-2013. This new budget will be presented for discussion and approval at the Council Meeting during the General Assembly to be held in San Juan, Puerto Rico, on 3-4 August 2011. A working hypothesis that the budget for each year of the biennium will increase by 3% has been adopted as a starting point. Other increases up to 4% will be examined.

7.2. NATIONAL SUBSCRIPTION CALCULATIONS FOR 2012-13
Dr. Renner has also begun the calculation of the National Subscriptions for 2012-2013. The most recent data on chemical turnover for IUPAC NAOs have been requested from Cefic. The method of four-quarter averaging of currency exchange rates will be applied to calculation of the National Subscriptions, as was described in Item 5.5. National Subscriptions for 2012-2013 will also be ready for presentation to and approval by the IUPAC Council at the next General Assembly.

8. INTERNATIONAL YEAR OF CHEMISTRY 2011

8.1. IYC 2011 ACTIVITIES IMPACTING IUPAC BUDGET
As discussed at the Finance Committee meeting in 2010, the Executive Committee agreed to provide up to USD 500,000 to support the International Year of Chemistry, but with the objective that as much as possible, preferably
all, of this funding be recovered from outside sponsorship. These monies were to be used only to cover the costs of cornerstone events, as well as expenditures incurred centrally in the organization in support of the IUPAC IYC program. The national programs to be organized by the NAOs would be fully funded by these local organizations. The IUPAC cornerstone events are the Launch Ceremony (Paris), the Congress/General Assembly/World Chemistry Leadership Meeting (San Juan, Puerto Rico), and the Closing Ceremony (Brussels). The global Water Experiment was envisaged as a unifying event for IYC.

8.2. **INTERIM REPORT ON IYC 2011 EXPENDITURES**

An interim report on IYC expenditures incurred to date was presented by Prof. Corish. These expenditures are summarized in the table below:

**Interim Report on IYC 2011 Expenditures**

<table>
<thead>
<tr>
<th>Cornerstone Events</th>
<th>Estimated Budget (USD)</th>
<th>Sponsorship Obtained (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch Ceremony (Paris)</td>
<td>350,000</td>
<td>350,000</td>
</tr>
<tr>
<td>Congress (San Juan)</td>
<td></td>
<td>Local Committee Responsible for Finances</td>
</tr>
<tr>
<td>General Assembly (San Juan)</td>
<td>250,000</td>
<td>250,000 (2011 Budget)</td>
</tr>
<tr>
<td>WCLM (San Juan)</td>
<td>100,000</td>
<td>Nil</td>
</tr>
<tr>
<td>Closing Ceremony (Brussels)</td>
<td>280,000</td>
<td>280,000</td>
</tr>
<tr>
<td>Global Water Experiment</td>
<td>Awaiting Budget</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Central Costs Incurred</th>
<th>Costs (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IYC Website</td>
<td>230,570</td>
</tr>
<tr>
<td>IYC Management Committee</td>
<td>85,336</td>
</tr>
<tr>
<td>Materials, Printing, etc.</td>
<td>26,464</td>
</tr>
<tr>
<td>Pacifichem (exhibition)</td>
<td>13,849</td>
</tr>
<tr>
<td>Brochure</td>
<td>6,786</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>359,005</strong></td>
</tr>
</tbody>
</table>

*Central Sponsorship Obtained*

<table>
<thead>
<tr>
<th>Source:</th>
<th>Sponsorship (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow</td>
<td>200,000</td>
</tr>
<tr>
<td>Evonik</td>
<td>65,000</td>
</tr>
<tr>
<td>PhosAgro</td>
<td>32,500</td>
</tr>
<tr>
<td>LOTTE-Honam Petrochemicals</td>
<td>15,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>312,500</strong></td>
</tr>
</tbody>
</table>
Notes:
1. Sponsorship "in kind" has also been obtained and there are other potential sponsors, the values of whose contributions are not yet clearly determined.
2. IUPAC central resources may also be required to provide some relatively small funding for the Launch and Closing if, for any reason, the sponsorship secured by the organizers falls short of the actual final costs.

<table>
<thead>
<tr>
<th>Current Liabilities of IUPAC for IYC 2011</th>
<th>Estimated (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WCLM</td>
<td>100,000</td>
</tr>
<tr>
<td>Launch and Closing contingencies</td>
<td>50,000</td>
</tr>
<tr>
<td>Current Excess on Central Expenditures</td>
<td>46,505</td>
</tr>
<tr>
<td>Support for Global Water Experiment</td>
<td>Unsponsored Excess</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Minimum 196,505</strong></td>
</tr>
</tbody>
</table>

9. INVESTMENT PORTFOLIO

9.1. INVESTMENT TRANSACTION HIGHLIGHTS

Dr. Renner stated that the calendar year 2010 closing statements for our two investment accounts were included in the Agenda Book. As is our standard practice, dividends received from mutual funds were reinvested, while interest received on bonds was used for operations. Major investment transactions for 2010 are summarized in the table below:

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
<th>Description</th>
<th>Net Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-Jan-10</td>
<td>Purchase</td>
<td>DEPFA ACS Bank</td>
<td>USD 147,943.57</td>
</tr>
<tr>
<td>25-Jan-10</td>
<td>Redemption</td>
<td>General Electric Cap Corp</td>
<td>USD 141,300.00</td>
</tr>
<tr>
<td>11-Jun-10</td>
<td>Redemption</td>
<td>General Electric Cap Corp</td>
<td>USD 200,000.00</td>
</tr>
<tr>
<td>21-Jun-10</td>
<td>Redemption</td>
<td>Ford Motor Credit Co</td>
<td>USD 200,000.00</td>
</tr>
</tbody>
</table>

9.2. PORTFOLIO PERFORMANCE 2010

Dr. Renner noted that the Agenda Book contained a table summarizing the changes in the portfolio as well as the distribution of the portfolio by asset class. The average yield for the portfolio in 2010 was 8.2%. A chart showing the value of the combined portfolio since 1996 was also included in the Agenda Book.

9.3. REVIEW OF INVESTMENT PERFORMANCE AND STRATEGY

Dr. Buxtorf noted that the Agenda Book contained the Investment Policy Statement and the Fund Policy Statement adopted by the Committee in previous meetings. The Investment Policy Statement should guide the discussion of investment strategy.
At the 2010 Finance Committee meeting an extensive discussion occurred concerning the world economic situation and its impact on IUPAC’s investments. In particular, three key issues were considered:

- Should IUPAC shift its investment strategy away from bonds and more into funds?
- Within funds, should IUPAC shift away from managed funds and more into index funds?
- What should the balance be between US-based and non-US-based investments?

Currently, the ratio (based on USD value) of equities to bonds in the portfolio is about 36 to 64, compared with the 30 to 70 ratio of the previous year. The ratio of US to non-US equities is 40 to 60 and ratio of US to non-US fixed-rate investments is 60 to 40.

Finally, three proposals were presented for more study:

- Reduce ratio of mutual funds to bond investments from 30/70 to 25/75.
- Increase ratio of US to non-US investments from 40/60 to 50/50; non-US investments mean largely European Union.
- Eliminate managed mutual funds from the portfolio completely, while focusing on the incorporation of index funds that are exchange-traded; try to avoid issues of foreign exchange fluctuations, if possible.

On 21 September 2010, Prof. Corish and Dr. Renner met at the Secretariat with our lead portfolio investment advisor, Mr. Guy Guidry, Managing Director of Wells Fargo Advisors, LLC. He presented a very well organized summary of our portfolio performance at that time. Several related documents that were employed by Mr. Guidry during our discussion have been added to the Agenda Book. He pointed out two aspects of our portfolio where he felt that we could improve our yield:

The first aspect, and perhaps most interesting, was the identification of several mutual funds that have been underperforming the market. These are:

- Fidelity Europe Cap Apprec (FECAX)
- Fidelity Overseas Europe Fund (FIEUX)
- Growth Fund America (AGTHX)
- T Rowe Price Emerging Eur & Med (TREMX)
- Vanguard Mid Cap Index-Sign (VMISX)

All of these funds are rated 3-stars, except for TREMX, which is rated only 1-star by the Morningstar mutual fund rating service. Since September 2010, all of these funds have improved performance, moving upward as the stock market continued to rebound from the worldwide recession of the previous two years. VMISX currently has an unrealized gain, while the other four still have unrealized losses. Average unrealized loss for these five funds is about 10% as of 31 December 2010.
Mr. Guidry suggested that we may wish to consider divesting ourselves of some or all of these five mutual funds. Independently, Dr. Buxtorf recommended in an e-mail communication to the Finance Committee in August 2010 that we should consider selling FECAX, AGTHX and TREMX, an exact subset of the funds recommended for sale by Mr. Guidry a month later.

At the end of the discussion, it was decided by the Committee that we should try to sell TREMX, FECAX and FIEUX, but that the timing for such divestment should be such that proceeds may be reinvested in better yielding high-quality corporate bonds. We do not want to have an oversupply of uncommitted cash yielding minimal or no return. Prof. Koch indicated that he has contacts who could provide recommendations for new portfolio investments. Dr. Renner stated that current cash flow was adequate to meet needs for 2011.

The second aspect of our discussion with Mr. Guidry concerned the strong performance of some of our bonds in the Euro Bond portfolio. Five of these bonds have accumulated significant unrealized gains that he believes we should consider locking in by selling them. Proceeds could be used to pay excess costs for the IYC. However, if these costs are eventually covered through outside sponsorships, we will be challenged to find suitable reinvestments of these monies earning at least the same rate of return as the original bonds.

Year-end summaries for the USD and Euro Bond portfolios in 2010 were included in the Agenda Book to aid the discussion about investment strategy and performance.

Mr. Guidry strongly recommended that we continue our current strategy of investing in high-quality corporate bonds with good yields. He stated that investing in index funds would lead to higher buying/selling fees and management fees.

Before any final decision is taken, Dr. Renner recommended that a follow-up visit with Mr. Guidry be scheduled to determine the current status of all of the investments in question and to reconfirm his earlier strategies for portfolio improvement. The consensus of the full Finance Committee will be sought before final action is taken.

9.4. UPDATE OF INVESTMENT AND FUND STRATEGIES

The discussion of investment strategy was guided by the statement from the Policy Statement that the proportion of equities in the portfolio should be between 25 and 40% with a preference for 25%. The other major issue is the balance between investments in US equities and non-US equities. Due to the effects of the worldwide economic recession, the current policies and guidelines in place for directing investment strategies may no longer be adequate and possibly obsolete. Prof. Corish suggested that the Committee may wish to consider updating the Investment Policy Statement and the Fund Policy Statement for possible consideration by the Council.
10. **OTHER BUSINESS**

There was no other business.

11. **DATE AND LOCATION OF NEXT MEETING**

The date of the next meeting was set at 6 February 2012 at the offices of Reber Rechtsanwälte.