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# BIOFUND Investment Policy Statement

## September 2025

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## Introduction

Fundação para Conservação da Biodiversidade or BIOFUND – Foundation for the Conservation of Biodiversity is a non-profit Environmental Fund which raises, applies and manages financial resources to support conservation of biodiversity in Mozambique. BIOFUND was created in 2011 and is the only CTF in Mozambique and currently provides operation cost support to approximately half the country's National Parks and reserves.

The BIOFUND is a non-profit institution incorporated in Mozambique. As such, BIOFUND is endowed with a legal status and autonomy over its administrative and financial affairs, as well as over the ownership, management and use of its assets.

## BIOFUND Purpose

BIOFUND has as its statutory goal, “to promote and create conditions for preserving aquatic and terrestrial biodiversity and the sustainable use of natural resources, including the consolidation of the protected areas of Mozambique.”

BIOFUND's mission is to: “sustainable financing of the conservation of biodiversity, with a particular focus on the national protected areas network, as a contribution to the balanced development of the country.”

BIOFUND achieves this through:

- Fundraising and developing innovative financial mechanisms to support biodiversity conservation;
- Finance operational costs of the protected areas network;
- Support harmonisation of management models for parks and reserves;
- Develop effective monitoring and evaluation systems;
- Promote and support capacity building in the protected areas network;
- Support and promote research and knowledge sharing;
- Support the establishment of a database about conservation of biodiversity;
- Promote environmental awareness and the importance of conserving biodiversity.

This Investment Policy Statement, to be approved by the Board, serves to guide decisions about the investment of BIOFUND's assets in the capital markets for the purpose of supporting BIOFUND's mission.

## BIOFUND Investment Policy, Objectives and Guidelines

BIOFUND may hold different forms of investment funds, depending on the contract and terms agreed with the donors. This can include<sup>1</sup>:

- Endowment funds (permanent or expendable)
- Restricted funds
- Unrestricted funds
- Sinking funds
- Revolving funds

This Investment Policy Statement (IPS) covers all forms of investment assets intended to be held and managed by 3<sup>rd</sup> party investment professionals and can include all the types of investment funds listed above. While this single investment policy statement covers all investible assets, each different type of fund should be identified, recorded, accounted for and reported separately to donors.

This investment policy has been developed to be fully compliant with the recommended updated 2020 Practice Standards for Asset Management (standards 1-10) as set out by the Conservation Finance Alliance<sup>2</sup> (see: [Practice Standards for CTFS — Conservation Finance Alliance](#)).

This policy outlines a philosophy and attitude, which will guide the management of the Fund's investment assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. The policy is designed to provide both flexibility and agility to enable BIOFUND and its investment professionals to respond to changing investment opportunities and circumstances.

### Scope of the investment policy

This statement of Investment Policy reflects the policy, objectives and restrictions for the investment of the assets of BIOFUND (referred to as "BIOFUND").

### Purpose of the investment policy statement

This revised Investment Policy Statement is to be approved and adopted by the Board of BIOFUND to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding of the investment goals and objectives of BIOFUND's assets.
- Offer guidance and limitations to the investment professionals regarding the investment of BIOFUND's assets.
- Establish a basis for evaluating investment results.
- Manage BIOFUND's assets according to recognized fiduciary standards and principles of prudent investing.
- Establish the relevant investment horizon over which BIOFUND's assets will be managed.
- Define BIOFUND's Ethical, Responsible Investment and Environmental, Social and Governance (ESG) strategy. This is defined in further detail in the Investment Policy and Guidelines in para 50.

<sup>1</sup> See Glossary in Annex 1 for definitions of the types of fund listed above.

<sup>2</sup> Bath, P., Luján-Gallegos, V. and Guzmán-Valladares A. (2020), Practice Standards for Conservation Trust Funds - 2020 edition, Conservation Finance Alliance.

## Role of the Board of Directors

The Board of BIOFUND is responsible for directing and monitoring the management of BIOFUND's assets. Under BIOFUND's Articles of Incorporation, the Board alone can approve BIOFUND's investment policy and the appointment of any investment professionals.

## Delegation of Authority

The Board may delegate certain responsibilities to committees, to its executive director and staff and to qualified investment professionals. The specific roles, tasks and responsibilities of the Board, Investment Committee and Investment professionals are set out in Annex 2. In accordance with BIOFUND's Articles of Incorporation<sup>3</sup>, the Board may delegate the management of investments to investment professionals provided that:

- the investment policy is set down in writing for the investment professionals by the Directors;
- timely reports of all transactions are provided to the Directors;
- the performance of the investments is reviewed regularly with the Directors;
- the Directors are entitled to cancel the delegation arrangement at any time;
- the investment policy and the delegation arrangements are reviewed regularly; and at least annually;
- all payments due to the investment professionals are on a scale or at a level which is agreed in advance and are notified promptly to the Directors on receipt; and
- the investment professionals must not do anything outside the powers of the Directors.

## Role of the Investment Committee

The Board shall appoint an Investment Committee which will be responsible for providing it with advice and support in the oversight and management of the investments of the Fund within the investment policy determined by the Board. The main responsibility of the Investment Committee is the monitoring of the management of the financial assets of BIOFUND in accordance with its terms of reference and the investment policy.

The Board is authorized to delegate certain responsibilities to professional experts<sup>4</sup> in various fields. These include, but are not limited to:

### 1. Investment Consultant

The Board may hire an investment consultant who shall assist in establishing and reviewing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time and measuring and evaluating investment performance.

### 2. Investment Managers

The Board may select and hire or may authorize an investment consultant to select on its behalf, investment managers. Under a delegated mandate, each investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet BIOFUND's investment objectives. Investment managers may be contracted for the investment of portions of BIOFUND's assets in their specialized area of expertise.

<sup>3</sup> Version amended and filed with the Notary Office of Maputo, signed and dated March 28, 2016.

<sup>4</sup> Investment managers and investment consultants are referred to collectively as investment professionals in this IPS. This does not indicate a preferred type of investment service, of either investment manager or investment consultant or adviser.

3. Custodian

The Board may direct BIOFUND’s secretariat to hire or authorize the investment consultant or investment managers to hire, a custodian who will physically (or through agreement with a sub-custodian) maintain possession of securities owned by BIOFUND, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the BIOFUND’s investment accounts.

4. Advisors

The Board may direct BIOFUND’s secretariat to hire additional specialists such as tax attorneys, auditors and others to assist the Board in meeting its responsibilities and obligations to administer the BIOFUND’s assets prudently.

All expenses for such experts must be customary and reasonable and will be borne by BIOFUND as deemed appropriate and necessary.

The Investment professional(s) will be held responsible and accountable to make every effort to achieve the objectives herein stated.

## Investment Policy for BIOFUND's Endowment Fund

### General Investment Principles

For the endowment fund, the following general investment principles shall be followed:

1. Investments shall be made with the financial goals of long-term capital preservation, while achieving sufficient total return and liquidity to meet BIOFUND's non-profit mission.
2. BIOFUND's assets shall be invested with the care, skill and diligence and in accordance with the principles of informed and prudent investing. This means that investment strategies and decisions of the Board and its Investment Committee will consider the following:
  - General economic conditions.
  - The effects of inflation and deflation.
  - Exchange rate factors.
  - Any expected tax consequences.
  - The role of investment assets within the overall portfolio of BIOFUND's investments.
  - The expected total return from income and appreciation of investments.
  - And an investment's ability to contribute to BIOFUND's objectives of supporting sustainable natural resource and development activities.

In considering the above and other investment factors, the Board or its Investment Committee may rely on information provided by its investment professionals.

3. Investment of BIOFUND assets shall be diversified to minimize the risk of significant losses, unless under the circumstances it is clearly prudent not to diversify.
4. The Board, through its Investment professionals, will employ this diversified strategy to attain BIOFUND's objectives.
5. Cash is to be employed productively at all times, earning interest and providing safety and liquidity.

### Investment Objective

6. The primary objective for the management of BIOFUND's endowment fund is to balance the desire for long-term preservation of purchasing power with BIOFUND's near-term spending needs required to meet its programme objectives. Specifically:
  - 6.1. To preserve the value of its capital in real terms over the long-term and generate sufficient returns to meet the operational and grant-making needs of the Fund for current and future generations.
  - 6.2. To produce a consistent and sustainable amount to be transferred to BIOFUND's unrestricted reserve<sup>5</sup> for operational expenditure and the governance and management of the Fund.

### Maintaining the real value of the Endowment

7. BIOFUND seeks to maintain the real value of the Endowment after investment fees in line with the BIOFUND's benchmark of the level of the US dollar denominated inflation as measured by the

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<sup>5</sup> The Unrestricted Fund is the accounting term used to describe the operating funds of the Fund that can be spent on any non-profit purpose, as described in paragraph 12.3 below

Consumer Prices Index<sup>6</sup> in the USA over the long term, measured in rolling 3-year and 5-year periods, after actual transfers of value from the Endowment Fund to the Unrestricted Fund.

- 7.1. Over the investment horizon, using a rolling 5-year average, it is BIOFUND's goal to result in a minimum net return of 4% p.a. of the portfolio value once investment expenses and inflation (based on US CPI) have been taken into account;
- 7.2. The target return will be measured by US CPI + 4% p.a. net of all investment fees for investment performance appraisal, as measured in USD;
8. BIOFUND's Endowment is intended to exist in perpetuity, and therefore, should provide for a substantial, stable flow of resources to carry out its grant-making spending in perpetuity. To attain this goal, the long-term financial planning of BIOFUND is to maintain and, if possible, increase the purchasing power by growing the endowment in excess of inflation, investment fees and spending.
9. Therefore, the long-term financial goal may be expressed by the following equation:

Total Return  $\geq$  Total Withdrawals, where:

- Total Return is the aggregate return from capital appreciation and dividend and interest income; and
- Total Withdrawals = Grant Spending + Investment Fees + BIOFUND Expenses + Inflation

New capital contributions in any given year will not be calculated in measuring performance.

10. To ensure that measures to preserve capital are not so restrictive that they prevent achievement of the long-term target return, BIOFUND will:
  - Carefully consider the risk and return trade off with a long-term view to ensure that conservative asset allocations that might decrease the risk of market loss and depreciation of the endowment capital do not decrease the likelihood of achieving the return needed to meet programme objectives.
  - While the individual investment selections are delegated, to request when appropriate that its investment professionals ensure diversification in line with the investment guidelines and select investments in different asset classes that are not highly correlated, resulting in a portfolio of collectively lower risk.

### Time Horizon

11. The endowment is to exist in perpetuity. Investments should be managed to meet the investment objectives and to ensure this sustainability, with an investment horizon of a long-term investor of 10 years or more.

### Typology of Funds held by BIOFUND

12. BIOFUND may maintain three funds: Endowment, Restricted and Unrestricted<sup>7</sup>.

<sup>6</sup> Rates of inflation in the US are calculated using the Consumer Price Index which is published monthly by the US Labor Department's Bureau of Labor Statistics (BLS). US inflation has averaged 3.1% since 1930 to 2023 (source: Barclays Equity Gilt Study). CPI-U in the US was 2.9% for the year ending Dec 2024 and over the last 12 months to June 2025 US CPI-U was 2.7% before seasonal adjustment.

<sup>7</sup> The definition of these funds is shown in Annex 1: Definitions and Glossary. These definitions are established under General Accepted Accounting Principles (GAAP) and are used for non-profit accounting and reporting.

- 12.1. The Endowment Fund holds BIOFUND's longer-term investment assets and the returns from these assets provide resources that BIOFUND can deploy in furtherance of its non-profit aims. BIOFUND endowment will be managed on a total return basis<sup>8</sup>. Under total return, the income from investments is left to accumulate in the fund and an agreed transfer is made each year to the Unrestricted Fund to fund non-profit activities. This transfer is governed by the Distribution Rule set out below. 'Earmarked' Funds may be permanently restricted by the donor for a particular project or activity and as such are invested as part of the Endowment Fund. Distributions from the Earmarked Funds may either follow the distribution rule below or be set by agreement with the donor and therefore separate accounts and reports for these funds should be kept.
- 12.2. The Restricted Fund holds donations and operational grants that have been given for specific purposes and, where agreed with the donors, may be expected to be disbursed in the next 1 to 5 years. In these cases, Restricted Fund assets may be held in liquid assets, such as cash and short-term money market deposits and government bonds, as agreed with the specific donors involved.
- 12.3. The Unrestricted Fund is, in effect, BIOFUND's operating fund. Under total return, it receives the annual transfer from the Endowment, bears much of the staff and other costs of running BIOFUND and provides the majority of the project funding via grants. It also receives income in the form of international grant programmes and donations. These unrestricted funds will normally be held in country and managed by BIOFUND rather than the investment professional and should never be more than the payout expectation for the next 12 months<sup>9</sup>. As explained in paragraphs 54-55 below, surpluses or deficits can arise on the Unrestricted Fund due to timing differences between grant commitments and incoming resources. In the event of any surpluses, the funds can be invested according to the policy set out in paragraphs 54-55 and the related income accrue to the Unrestricted Fund.
- 12.4. Expendable endowment (such as a 'Hybrid' Fund) and Sinking Funds may be co-invested with the Endowment Fund or with the Restricted Fund, in whole or part, as appropriate for the time horizon of these Fund, to ensure necessary liquidity and asset preservation over its lifespan.
- 12.5. Invested alongside the permanent endowment, BIOFUND has several endowment envelopes or thematic windows (such as the ASA, Private Sector and Basket Fund) where the donors have made capital contributions for specific programme activities. As for the 'Earmarked' Funds above, these funds are invested as part of the permanent endowment but their market value is recorded and reported separately by the asset manager every quarter in a components of change analysis.
- 12.6. BIOFUND maintains a Rangers Fund<sup>10</sup> which is locally invested restricted fund. While it is intended that the capital value should be maintained, this is not part of the permanent endowment but is a restricted fund as part of the locally held financial assets.

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<sup>8</sup> Total return allows the Fund to utilise income and dividends and capital appreciation so usually allows for a wider selection of investment assets in the portfolio.

<sup>9</sup> The distribution or payout from the endowment is approved by the Board in each year's budget.

<sup>10</sup> The Rangers Fund has the aim of recognizing, motivating and rewarding the bravery and dedication of rangers and their families in public and private Conservation Areas in Mozambique, through annual awards.

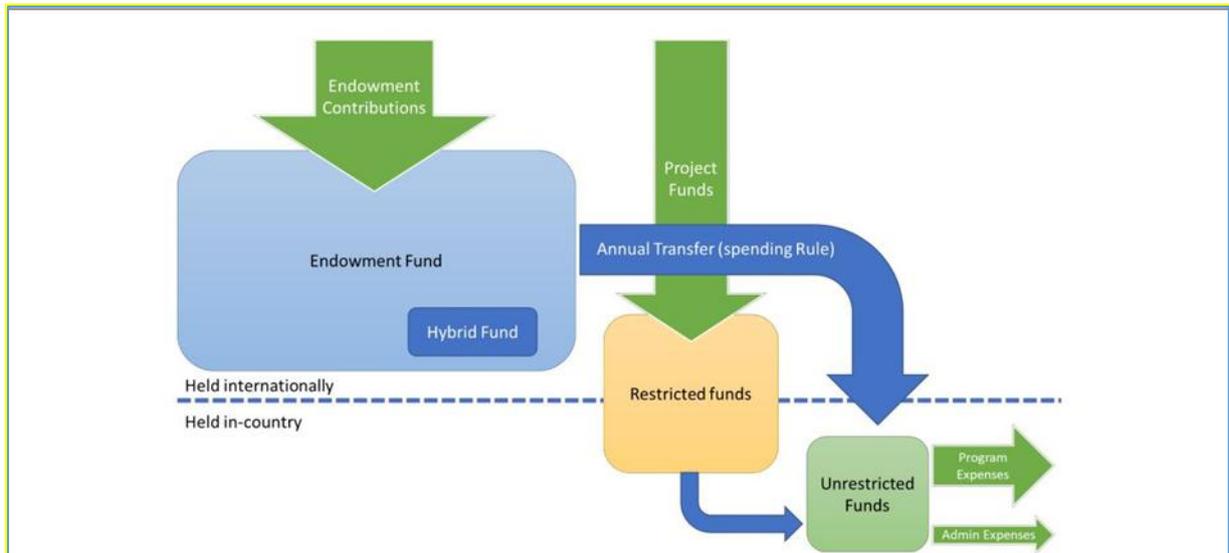


Figure 1: Typology of Funds managed by BIOFUND

### The Spend Rate

13. BIOFUND intends to transfer up to 4% of the value of the Endowment (the “Spending Rate”) on a smoothed basis, annually or as required, from the Endowment to the Unrestricted Fund<sup>11</sup>.
14. The Board shall be able to vary the amount of the transfer or spending rate in any year from that derived from the formula set out in the Distribution Rule below. If the Board does exercise this power, they should consider how spending should revert to the Distribution Rule in future years.

### The Distribution Rule

15. The distribution rule is the mechanism by which this percentage is calculated each year. The actual transfer in any year will be calculated from the product of the spending rate (up to 4%) times the average value of the Endowment at 31 December of the previous five years<sup>12</sup> (adjusted for any one-off transfers from the Unrestricted Fund to the Endowment Fund).
16. From 2020, the Board intends that the Endowment Fund provide a target distribution of up to \$1,000,000 per year for the next 3 years for qualifying expenses of eligible Conservation areas. This value is subject to revision as need and at least annually.
17. Recognizing that its general spending policy is not aimed at achieving an annual goal, US\$1,854,400<sup>13</sup> of the Endowment Fund was allocated to a ‘Hybrid’ sub-account of the endowment on inception, holding assets that can, if needed, be sold to cover any shortfall in the Endowment Fund so that the annual distribution target can be met.

<sup>11</sup> This is a fairly typical spending rate: the range is usually between 3 - 5%. The spend rate can vary and indeed start low and rise over time, as the Fund’s endowment becomes established.

<sup>12</sup> This is a fairly typical distribution rule. The use of a rolling average of three or five years when calculating a distribution rule will smooth out investment return volatility and result in a more stable distribution amount.

<sup>13</sup> EUR 1.6 million converted at the rate of EUR1=USD1.159. Allowing for the initial and any subsequent currency loss on conversion to USD, expenses, income returns and capital gains/(losses) and a total of USD\$200,000 withdrawals in 2016, the Hybrid Fund was valued at USD\$3,010,338 on December 31<sup>st</sup>, 2024.

## Risk

18. The Board understand that risk is present in all types of securities and investment styles and recognize that investment risk is necessary to produce long-term investment results that are sufficient to meet BIOFUND's objectives.
19. Inflation is the main risk to the long-term sustainability of the endowment. Investments should be made to mitigate this risk over time. BIOFUND acknowledges that this is likely to mean that investments will be concentrated in non-cash assets and that capital value will fluctuate.
20. The endowment is to be invested to produce the optimum financial return within an appropriate level of risk. BIOFUND understand that the higher the risk appetite, the greater volatility in the value of the endowment.
21. The Board defines risk as:
  - 21.1. Primarily not achieving the target nominal rate of return that is intended to provide sufficient return from capital appreciation and a steady stream of income and maintain purchasing power;
  - 21.2. Secondly as excessive fluctuations in the value of BIOFUND's assets during a one-year period, to ensure that with a 99% confidence level that the maximum percentage fall in value of the Endowment does not exceed 25% in any one-year period. Performance against this risk parameter will be reported by the manager and reviewed by the IC<sup>14</sup>.

When either measure is triggered, it will require at a minimum a review of the investment strategy with the relevant investment professionals.
22. Investment professionals employed by BIOFUND are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
23. BIOFUND relies on the endowment to fund its non-profit activities. The stability and dependability of investment return (both income and capital net of fees) is therefore important.
24. BIOFUND can tolerate volatility of the capital value of the endowment as long as returns are sufficient to meet current expenditure or other sources of income are identified.
25. BIOFUND has adopted a total return approach, generating investment returns from income and capital. It is expected that if inadequate returns are generated in any one year, that in the long term the real value of the endowment will be maintained.
26. BIOFUND will invest in a diversified portfolio of assets and agree the asset allocation and risk parameter with the investment manager(s). Risk tolerance will be measured by both a maximum volatility measure (as measured by standard deviation) and a Conditional Value at Risk<sup>15</sup> measure. These risk measures quantify BIOFUND's risk appetite and tolerance.

<sup>14</sup> This risk parameter will be confirmed with the investment professional based on their investment strategy and style and can be used to determine the risk tolerance and return objectives of the endowment funds. It will be reviewed regularly with the Investment Committee to agree acceptable risk and returns parameters.

<sup>15</sup> The Conditional Value at Risk will show with both a 95% and 99% confidence level the maximum annual and cumulative fall in value of the endowment in any 1, 5 and 10-year period.

## Benchmark

27. BIOFUND intends to take sufficient investment risk to generate a minimum average annual return on the endowment of US CPI + 4% measured in USD net of all investment fees, measured in rolling 3 and 5-year periods.
28. The Board with recommendations from the Investment Committee is responsible for identifying, appointing and monitoring suitable investment professionals for the endowment.
29. BIOFUND can use a mix of internal expertise, external advisers and investment professionals to manage the assets within the endowment fund. BIOFUND will appoint investment professionals to manage the equity, bond, alternatives and real estate elements of the endowment portfolio<sup>16</sup>.
30. Asset allocation will vary from time to time (subject to the investment guidelines) but will be rebalanced at least quarterly or as agreed with the investment manager to remain consistent with the long-term investment objectives.

## Asset allocation ranges

31. The endowment assets can be invested widely according to the Board's general powers of investment and should be diversified by asset class and security<sup>17</sup>. Assets can include cash, bonds, equities, property, commodities, alternatives and any other class that is deemed suitable from time to time by the Investment Committee, within the guidelines approved by the Board.
32. The strategic asset allocation for BIOFUND's endowment investment assets will be agreed with the investment professional(s) within the following asset allocation ranges<sup>18</sup>:

Asset class	Asset Allocation Ranges (%) <sup>19</sup>
<b>Global Equity</b>	<b>50-80%</b>
Public Equities [Global, US, Europe and EM]	50-80%
Private Equity [Developed and Emerging Markets]	0-20%
<b>Fixed Interest</b> [Corporate Bonds, T-bills, Cash]	<b>20-50%</b>
Developed Market Government Treasuries and bonds	0-30%
Corporate Bonds & Credit [Investment Grade]	20-40%
Private Debt funds	0-10%
<b>Alternatives</b>	<b>0-20%</b>
Real Estate Funds	0-10%
Infrastructure/Commodities	0-10%
<b>Cash</b> [included in Fixed Income above]	<b>0-20%</b>

Table 1: The indicative asset allocation ranges for BIOFUND's endowment funds.

33. The Investment Committee is responsible for ensuring that the whole of BIOFUND's overall portfolio is evaluated regularly for risk, diversification and probable return and has set an

<sup>16</sup> The Investment Committee will agree appropriate benchmark indices that reflect the mandate the investment manager(s) have been tasked with managing.

<sup>17</sup> A glossary of the asset classes is in Annex 2 and rating guidance in the Investment Guidelines in Annex 3.

<sup>18</sup> The investment professional(s) will maintain the portfolio within the asset allocation ranges set out above and communicate all changes to the Investment Committee in a timely manner.

<sup>19</sup> The strategic asset allocation will be based on optimisation modelling of future expected returns and is to be agreed by the IC with the investment professionals.

indicative overall asset allocation ranges of up to 80% global public and private equity: up to 40% fixed interest and cash and up to 20% alternatives.

34. BIOFUND's Investment Committee must approve any deviation from these asset allocation ranges prior to any implementation by the investment professionals, as part of the Investment Policy Statement approved by the Board. The investment professionals should ensure adequate liquidity to cover planned expenses over the next 12 months and not invest in assets prohibited by this policy.
35. BIOFUND's Investment Committee may recommend that some of its endowment capital be invested onshore for specific earmarked funds or co-financed projects in a specific local endowment (such as for example the Ranger Fund currently held in Mozambique, as well as future biodiversity offsets earmarked endowments or other locally raised funds that cannot be held or cannot be moved easily offshore). The specific application for domestic investment must be considered and approved by both BIOFUND's Board and the donors on a case by case basis, in furtherance of BIOFUND's charitable objects and limited to no more than 5% of endowment capital at all times. These local endowments will not be managed by the international investment manager but will be held in high-interest cash and term deposits, as well as government bonds, unless otherwise agreed with the specific donors involved.
36. To avoid concentration risk and achieve a prudent level of portfolio diversification, [once fully capitalised] the investment managers(s) should adhere to maximum individual security, sector and industry allocations set out in the investment guidelines or seek Investment Committee approval beforehand.

#### Prohibited Asset Classes

37. Prohibited direct investments include, but are not limited to the following:
  - Derivative or synthetic securities that are used for primarily speculative purposes.
  - Hedge Funds
  - Options
  - Investments considered speculative by an experienced investor
  - Private, non-registered Limited Partnerships
  - Venture-Capital Investments
38. These prohibitions apply to direct investments except as approved on a case by case basis by the Investment Committee. This does not exclude investments as part of a diversification investment strategy or a tactical holding, including the use of alternative investments, derivatives or hedging to reduce investment risk and achieve the investment strategy. If any of these excluded assets are proposed by the investment professional, they should first seek Investment Committee approval setting out the investment strategy and risk, asset type and holding period before investing.

#### Currency

39. BIOFUND is a global investor and its investments will be held in a variety of currencies.
40. The investment returns will be measured in USD \$ for external investment reporting and performance appraisal.

41. The Investment Committee will agree what parameters and limits, if any, to set on the total allocation of investments to a currency of any one emerging country economy and to the currencies of Qualifying OECD<sup>20</sup> countries.
42. Hedging or trading to reduce currency risk is permitted if considered appropriate to limit the effect of adverse currency fluctuations and to protect the value of BIOFUND’s assets, with the objective of maintaining global purchasing power.
43. BIOFUND will not speculate on currency markets but may choose to hedge foreign currency exposures.
44. The investment professional(s) will prepare an annual report of significant currency exposure<sup>21</sup> and any currency risk measures used and explain the impact of currency strategies on the overall annual return.

### Liquidity Requirements

45. BIOFUND aims to balance the needs of current and future beneficiaries. The aim is to generate sufficient net investment returns to meet BIOFUND’s objectives and to maintain the real value of the endowment.
46. BIOFUND will maintain appropriate liquidity within the Endowment consistent with its commitments and the need to avoid significant sales of assets in distressed markets. To achieve this, the BIOFUND will maintain sufficient liquidity equivalent to 12 months operational spending in cash or cash equivalents, including money market funds.

### Credit

47. Cash balances will be deposited with institutions with a minimum rating of A - (A minus) or the highest national rating or equivalent and invested in diversified money market funds, as measured by the recognised ratings agencies<sup>22</sup>. Deviations from this rule are to be reported and approved by the Investment Committee and the Board.
48. Direct bond exposure for strategic investment is limited to investment grade<sup>23</sup>. The investment manager(s) must inform the Investment Committee if proposing to make direct investments in non-investment grade bonds. Investment on an indirect basis and tactical allocation to short dated non-investment grade bonds is permitted with permission of the Investment Committee.
49. BIOFUND’s cash (encompassing cash held within the Endowment, Unrestricted and Restricted Funds) will be invested in line with the following;

<b>Products allowed</b>	Money market funds/deposits/certificates of deposit/T-Bonds
<b>Bank/product credit rating</b>	Upper Medium Grade or better (e.g.: P-1, A-1, or F1)

<sup>20</sup> See Annex 1: for list of Qualifying OECD territories.

<sup>21</sup> Investments may be held in Dollars, Euros, other qualifying OECD or developing economies currencies. As a guide, significant currency exposure is defined as where 25% or more of the assets are in non USD currencies.

<sup>22</sup> It is important that investment decisions are not overly reliant on Credit Rating Agencies (CRA) and that the investment professionals provide the Investment Committee with clear information on their internal processes and controls for assessing creditworthiness of counterparties alongside external credit ratings.

<sup>23</sup> As for money market funds, investment professionals should use a broad assessment of counterparty and collateral quality for significant bond holdings and avoid over reliance on Credit Rating Agencies.

<b>Maximum maturity</b>	12 months or such maturity that matches specific grant-related cash flows. If over 12 months' maturity look for capital market options.
<b>Maximum exposure to single bank group rated High grade (e.g.: P-1, A-1+ or F1+)</b>	US\$2 million
<b>Maximum exposure to single bank group rated upper medium grade (e.g.: P2, A1 or F1)</b>	US\$1 million

**Table 2: Credit and counterparty risk controls for cash holdings**

## Ethical, Responsible Investment and ESG Policy

50. BIOFUND acknowledges its role as both a sustainable development, environmental and socially responsible entity and as a return seeking investor. BIOFUND<sup>24</sup> approaches the related ethical issues in line with the guidance below:

50.1. BIOFUND will manage its investments within the Endowment in a commercial manner with a view to maximising the return available from any particular investment or category of investments. This is particularly important as BIOFUND will derive much of its resources from investment return. BIOFUND expects its managers to demonstrate an in-depth process for asset screening and selection based on approved ESG (Environmental, Social and Governance) and Responsible Investment (RI) methodology and style.

50.2. BIOFUND may use pooled investment vehicles (where BIOFUND invests alongside other institutions in a fund run by an independent manager who controls the decision over which assets to hold). It recognises that the assets are subject to these managers' own policies in relation to environmental, social, ethical and governance standards and behaviour. No more than 20% of the invested portfolio<sup>25</sup> may be held in externally managed pooled funds or assets that are not subject to agreed sectoral SRI screening and filtering.

50.3. BIOFUND will promote the adherence to internationally recognised ethical, environmental, social and governance standards, such as certified external standards and the Principles of Responsible Investment, in its interactions with the managers it works with and require all of the direct investments to be subject to SRI sectoral screening and filtering.

50.4. BIOFUND will not make any investments in an entity or company that derives its primary revenues<sup>26</sup> from:

- manufacture of weapons and military equipment
- production and packaging of tobacco
- gambling
- pornography
- coal fired energy generation, without verified ability to mitigate all emissions
- companies that contribute to unsustainable deforestation or environmental destruction
- that contributes to or is responsible for serious or systematic human rights violations, deprivation of liberty, forced labour or child-labour

<sup>24</sup> The Investment Committee will review the SRI and ESG principles annually to ensure that they reflect the Fund's requirement for relevant sectoral, negative and positive screening.

<sup>25</sup> Excluding Treasury, cash and money market holdings.

<sup>26</sup> The Investment Committee will review the impact of the ESG policy on the proposed asset and fund selection with the investment manager(s) on a regular (that is at least annual) basis.

- or convicted of corruption or particularly serious violations of fundamental ethical norms or subject to international sanctions.
- 50.5. Other individual investments may be excluded if seen to be in conflict with BIOFUND's objectives and measured on a case-by-case basis.
- 50.6. While seeking to maintain returns and an alignment with BIOFUND's mission, BIOFUND will also consider quoted social, ethical and responsible investment opportunities.
51. The investment professional is required to report to the Board each year on the sustainability and performance of its investments, including an analysis of the portfolio's SRI capabilities, an ESG impact and performance report, the inclusion of investments in companies active in the protection of the environment and its shareholder engagement and the exercise of voting rights in line with public disclosure.

### Investment Guidelines

52. Investment management of BIOFUND's assets shall be in accordance with the asset allocation guidelines set out above and in Annex 3. The guidelines in Annex 3 will be reviewed by the Investment Committee at least annually and revised as required by new contributions to BIOFUND's Endowment Fund or by financial market events. Changes to the investment guidelines shall be approved by the Board as recommended by the Investment Committee.
53. These investment guidelines form part of the investment mandate with the hired investment professional(s) and the investment professional is required to report their compliance and adherence to them on a regular basis (not less than semi-annual) to the Investment Committee.

### Investment Policy for BIOFUND's non-permanent reserves

54. BIOFUND may hold a significant amount of expendable endowment, designated, restricted or unrestricted funds, generated from unspent income or from funds donated or designated for a specific purpose. These funds provide the financial underpinning to BIOFUND. The Board will agree the level of free reserves that need to be held within its Unrestricted Funds to secure and meet the on-going commitments, obligations and operation of BIOFUND.
55. These Unrestricted Funds will normally be held by BIOFUND in country in international or domestic currency accounts. The timing differences between the accumulation of Unrestricted Funds through the operation of the Distribution Rule and the payment of grant commitments can be managed through annual and multi-year financial budget and cash-flow forecasts, with the balance held in country treasury or deposit facilities, which will hold funds identified for spending within the next 6 months to one year.

### Managing, Reporting, and Monitoring

56. The Board will appoint investment professional(s) to manage the endowment's assets. The external investment professionals are required to produce quarterly reports including portfolio valuation, performance and attribution analysis as set out in Annex 3. The investment professional(s) will meet with the Board's Investment Committee, the frequency as agreed and notified from time to time.
57. The Investment Committee has responsibility for agreeing the investment strategy, for recommending the appointment of investment manager(s) and monitoring investments and performance. The Investment Committee should meet four times per year and additionally as required by major financial events either in person or virtually to receive reports and review the

portfolio including: asset mix, performance and volatility. A record of all Investment Committee meetings shall be kept in the form of minutes.

58. The Investment Committee reports to the BIOFUND Board each quarter. The IC report will include a commentary on strategy, asset allocation, performance, risk, volatility and consistency of the strategy with the long-term investment objective in line with the committee's terms of reference agreed by the Board.

#### Performance monitoring, return objectives and benchmarks

59. The overall performance of the Endowment will be measured against BIOFUND's principal investment objective and absolute benchmark of producing a minimum annual average return of US CPI + 4% (as measured in USD) measured over rolling 3 and 5-year, net of all investment fees and expenses.
60. To assist in assessing the investment professional's relative performance, the performance of the portfolio and asset class components will also be reported against the manager's relative asset and a composite portfolio benchmark and reviewed annually by the IC and Board. The relative composite benchmark will be agreed with the investment professional(s) based on the agreed strategic asset allocation and investment strategy. For illustrative purposes only, composite benchmark indices for a US investor are shown in Annex 3.

#### Investment Professional Performance Review and Evaluation

61. Performance reports generated by the investment professionals shall be compiled quarterly and communicated to the Investment Committee for review. The investment performance of the total portfolios, as well as asset class components, will be measured against the absolute target return and commonly accepted relative and/or comparative performance benchmarks, such as those listed in the Investment Guidelines in Annex 3.
62. The investment professional must provide at least annually a report giving full cost disclosure of the on-going charges figure (OCF) for the cost of investment management and, if relevant, any in-house fund fees, custodian fees, research costs, trading, administration and marketing costs as well as any underlying third party pooled fund fees paid for unit trust, mutual, exchange-traded or other types of funds.
63. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines in this statement. The Board intends to evaluate the portfolio(s) over a three and five year period, but reserves the right to terminate an Investment professional for any reason including the following:
- 63.1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
  - 63.2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
  - 63.3. Significant qualitative changes to the investment management organization.
64. Investment professionals shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, fees and other qualitative factors that may impact their ability to achieve the desired investment results.

65. A substantive investment professional performance review will be considered at least every five years. The substantive review will include (i) an organization review, (ii) a documentation review and (iii) a performance review.

**Communications**

66. Regular portfolio accounting reports and monthly statements will be sent to the Finance Director, showing statements of asset values, transactions, fees and such other information as required.

**Custodian**

67. If a custodian is appointed to hold the underlying securities, the custodian will send monthly custodian bank statements to the Finance Director.

**Effective date, Approval and Review**

68. The investment policy statement (including Annex 1-3) is to be agreed by the Board of BIOFUND to provide a framework for the management of the endowment. It will be reviewed by the Board each year to ensure that it remains appropriate. This policy will be formally reviewed every three years.

69. This policy is effective from December 4<sup>th</sup>, 2025 and was last updated on June 5<sup>th</sup>, 2020.

Version	IPS Version 3.2 2025
Approval Date	4.12.2025
Next Review Date	2028

## Annex 1: Definitions and Glossary

**Board of Directors or Board of Trustees** – shall refer to the governing Board of Directors of BIOFUND incorporated company.

**Donors** – shall mean the World Bank, Conservation International and KfW amongst others.

### Types of Funds:

**Restricted Funds:** Restricted funds are monies set aside for a particular purpose as a result of designated giving. They are permanently restricted to that purpose and cannot be used for other expenses of the non-profit.

**Unrestricted Funds:** By contrast, unrestricted funds may be used for any legal purpose appropriate to the organization. Unrestricted funds may go toward the operating expenses of the organization or to a particular project that the non-profit picks.

**Hybrid Fund** – refers to a “hybrid sub account” of the endowment that holds capital contribution agreed by the donors. In concept, should the return on invested capital net of the inflation and fees not result in sufficient earnings, part of the hybrid fund capital could be drawn down to ensure the annual distribution can be made. There will be no difference in the way the two sub-accounts are invested. Rather, the two sub-accounts work together for planning purposes.

**Endowment** – A sum of money that is intended to exist in perpetuity or to preserve its capital over a long-term timeframe; an endowment’s capital is invested with a long-term horizon, and normally only the resulting investment income is spent, in order to finance particular grants and activities.

**Sinking fund** – A pool of capital that is spent down within a designated period of time (e.g. 5, 10, or 20 years). The entire principal and investment income is disbursed over a fairly long period until it is completely spent and the fund sinks to zero.

**Revolving funds** – Funds such as merchandise or service fees which are collected and disbursed on an on-going basis.

**Fiduciary** – shall mean any individual or group of individuals that exercise discretionary authority or control over the BIOFUND’s management or any authority or control over management, disposition or administration of the BIOFUND’s assets.

### Types of Investment Assets<sup>27</sup>:

**Absolute return and Hedge Funds:** Absolute return funds and Hedge funds are not a specific asset class but an alternative way to apply an investment strategy to the various assets classes described below, including the use of leverage, shorting or derivatives in order to generate a positive return regardless of market conditions.

**Bonds:** Bond or loan stock is simply a loan to the issuer, whether a government or a corporation. In return for the loan, the issuer undertakes to pay the principal (amount lent) back at a specified date (maturity) and to pay a fixed rate of interest (coupon rate) on the loan till then. The interest rate is fixed over the life of the loan.

**Commodities:** A commodity is a marketable item produced to meet a demand. The term describes a class of goods that are supplied with qualitative differentiation across a market. Commodities

<sup>27</sup> Note that within each asset class there are many different types of individual asset which will be agreed with your investment professional(s).

include basic agricultural produce (e.g. wheat, soya beans) and industrial materials (e.g. copper, oil).

**Equity:** Equities represent part ownership of a business, as equity investors provide the core finance to a company. As a shareholder owning equities, you own part of the company. Equity holders may receive a portion of the company's profits in the form of dividends, share buybacks or other forms of capital repayment.

The US has the largest equity market in the world, accounting for 63% of world equity markets at the end of 2023. Without currency hedging, US dollar equity investors have achieved superior returns over the last 40 years from their domestic equity market.

**Private Equity:** This term refers to equity investments that are not quoted on a public exchange. It can describe investments in unquoted companies or funds that invest in a range of unquoted businesses.

**Infrastructure:** A physical structures that society requires in the operation of the economy and includes both economic (e.g.: transport, utilities, communication, energy) and social (e.g.: schools, hospitals, government buildings) infrastructure.

**Real Estate:** Real estate investment refers to the purchase of land and property and can generate an income cash-flow (through the lease or rental payments) and can generate a return through appreciation of the value of the land

**Investment horizon** - The total length of time that an investor expects to hold a security or the portfolio that achieves the specified investment goal. The investment horizon is used to determine the investor's income needs and desired risk exposure, which are then used to identify the composition of the investment portfolio.

**Investment Professionals** – For the purposes of the Practice Standards, refers to an investment consultant, financial advisor or investment manager, either separately or jointly according to the CTF's arrangement.

**Investment Manager** – Specialists in managing a portfolio or investments in a specific type of asset, such as medium quality corporate bonds; large-cap value equities, or emerging market governments' debt. Mutual fund managers, portfolio managers and hedge fund managers are examples of this. Investment managers act with their own discretion to buy and sell investments or hire other asset managers within the parameters specified by the investment guidelines.

**Investment Consultant** – A fee-based advisor operating under a non-discretionary arrangement who can provide guidance on portfolio theory, asset allocation, manager search and selection, investment policy and performance measurement. The role of the Investment Consultant is to provide independent advice, and the consultant's primary responsibility is to his/her client. Investment Consultants can help to review the performance of Investment managers relative to the investment goals of the client and may give the client advice on which investment managers to hire and fire.

#### **Returns:**

**Expected return (p.a.):** Annualized geometric mean of all return simulations, i.e. all simulated future scenarios.

**Volatility (p.a.):** Range of fluctuations expressed by the standard deviation of annual returns.

**Average of 1% worst returns (CVaR 99%):** Average loss, occurring in 1% of simulated scenarios over a predefined horizon (e.g. one or five or ten years). This symbolizes the potential worst case. (CVaR =Conditional Value at Risk).

**Risk** - In the general context of investing, there are three broadly used definitions of risk: 1) the possibility that the return on an investment will vary from the expected return. 2) The possibility that an investor might lose part or all of his/her investment. 3) The "standard deviation" or variance of returns from a reference investment or a historic average return for an investment category. "Standard deviation" is the most commonly used measure of risk by investment professionals.

For CTFs, one type of risk is not achieving the target return that provides a sustainable revenue and, in many instances, maintains the purchasing power of the endowment assets.

**Securities** – refer to the investment securities that are defined as acceptable in this statement.

**Tolerance for Risk** – In the general context of investing, tolerance for risk refers to an investor's ability to accept price volatility and the possibility of declines in value or loss of principal. For CTFs, risk tolerance also refers to the CTF's willingness to accept, along with positive returns on its investments, that the stream of revenue expected from those of investments could also potentially be reduced or even be zero for a given number of years during the period of the investment horizon.

**Qualifying OECD countries** – shall mean any of the following countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom or United States of America.

## Annex 2: Assignment of Responsibility

### Responsibility of the Board

The Board is charged with the responsibility for the management of the assets of BIOFUND and shall discharge its duties solely in the interest of BIOFUND, with due care, skill, prudence and diligence. As set out in BIOFUND's articles of association, the specific responsibilities of the Board relating to the investment of BIOFUND's assets include:

1. Set and agree BIOFUND's investment strategy and objectives based on the financial needs of the Fund.
2. Establish reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the assets of BIOFUND's endowment.
3. Adopt and periodically review and if needed amend the Investment Policy Statement and Terms of Reference of the Investment Committee.
4. Appoint the members of the Investment Committee.
5. Evaluate BIOFUND's financial needs and communicate those needs to the investment professionals on a timely basis.
6. Adhere to all applicable laws and regulations.
7. Prudently and diligently select qualified investment professionals, including investment consultants, managers and custodians.
8. Regularly evaluate the performance of the investments to ensure adherence to policy guidelines and monitor progress in achieving investment objectives.
9. Develop and enact proper control procedures with the investment professionals; i.e. replacing investment managers due to fundamental change in the investment management process, loss or change of key personnel at the investment management firms or failure to comply with established guidelines.
10. Approve the Fund's ethical and responsible investment policy and framework.

### Investment Committee

The Investment Committee is composed of Board members and such external members as may be requested and approved by the Board. The responsibility of the Investment Committee is to:

1. Monitor the management of the financial assets of the BIOFUND in accordance with its investment policy.
2. Facilitate the recruitment and selection of investment professional(s) and recommend the investment professional(s) to the Board.
3. Ensure the monitoring and the evaluation of the performance of the investment professionals.
4. Formulate an investment policy and guidelines for the approval of the Board, ensure a regular review of the policy and guidelines and propose any necessary amendments to the Board.
5. Ensure the execution with all due care of the investment policy and guidelines in order to achieve BIOFUND's investment objectives.
6. Perform regular reviews of the performance of investments and take appropriate decisions in respect of the allocation of assets.
7. Generally advise the Board on all matters related to the investment of BIOFUND's assets.
8. The Investment Committee may receive support from other persons or specialist advisors.

### Responsibility of the Investment Professional(s)

The Investment professional(s) is recruited through an international request for proposals and formal tender. The Board's selection must be based on prudent due diligence procedures and on transparent criteria and following recommendations from the Investment Committee. The appointed investment professional will be a suitably authorized person and be regulated by the appropriate body to provide Investment Management services.

The investment manager will have full discretion to make all investment decisions for the assets placed under its direct management<sup>28</sup>, while observing and operating within all policies, guidelines, constraints, and philosophies outlined in the Investment Policy Statement. The specific responsibilities of the investment manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Propose a prudent investment strategy that meets the Foundation's investment objectives.
3. Propose investment options and an asset allocation strategy in accordance with guidance in the investment policy statement regarding any specified income and capital appreciation objectives.
4. Report, on a timely basis, the quarterly investment performance results.
5. Communicate any major changes to economic outlook, investment strategy, or any other factors that affect the implementation of BIOFUND's investment management.
6. Provide advice to the Board and/or the Investment Committee regarding changes in asset allocation mix in a timely manner to address changing market conditions; and
7. Inform the Board (either directly or through the Investment Committee) regarding any qualitative change to the investment management organisation. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
8. Confirmation of voting intentions on behalf of BIOFUND and communicating voting records on a timely basis in line with public disclosure.

In addition to complying with the specific requirements detailed in this investment policy statement, the appointed investment manager must pay heed to the general power of investment, suitability and diversification.

### Responsibility of the Investment Consultant

Investment advice concerning the investment management of BIOFUND's assets may be offered by an investment consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of an investment consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager reviews at least annually and new manager searches when requested.
3. Providing due diligence or research on investment manager(s) including a peer manager review performed on an ongoing basis, no less than annually.
4. Monitoring the performance of the investment manager(s) to provide the Board with the ability to determine the progress toward the investment objectives.

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<sup>28</sup> Under a discretionary mandate the investment manager has discretion over the purchase, hold or sale of individual holdings, within the parameters of the approved investment policy and asset allocation guidelines.

5. Conducting overall portfolio analysis on BIOFUND's investment holdings, using macroeconomic and microeconomic data, reputable economic analysis and predictions, statistical analysis and simulation techniques and advanced portfolio theory.
6. Communicating matters of policy, manager research, and manager performance to the Board.
7. Training on BIOFUND's investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board.
8. Attending an annual meeting of the Board to review past year progress and discuss issues relevant to the investment management and spending of BIOFUND.

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## Annex 3: Investment Guidelines

### Introduction

These guidelines are to be read in conjunction with the investment policy and define the rules set by BIOFUND Board for the investment professionals. The funds must be managed prudently in order not to compromise the financial objective and targets of the Fund. General principles drawn in the investment guidelines are for orientation.

### General Principles

#### 1. Real Capital Preservation

Consistent with its investment styles and philosophy, the investment professional(s) should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities and that markets and investments in more volatile asset classes might fluctuate in value. Preservation of capital for this purpose means preserving principal plus achieving growth in excess of the rates of inflation.

#### 2. Risk Aversion

Understanding that risk is present in all types of securities and investment styles, BIOFUND accepts that some risk is necessary to produce long-term investment results that are sufficient to meet BIOFUND's objectives. The investment professional is responsible to make all reasonable efforts to control risk and will report regularly (not less than semi-annually) to the Board to ensure that the risk assumed is commensurate with the given investment style and objectives.

#### 3. Adherence to Investment Discipline

Investment professionals are expected to adhere to the investment management styles for which they were hired. They will also report regularly (not less than semi-annually) to the Board as to adherence to investment discipline.

#### 4. Productive Employment of Cash

Cash is to be employed productively at all times, earning interest whilst providing safety and liquidity.

### Investment Goals

For the purposes of these guidelines, "investment horizon" shall be the time period over which the investment objectives, as set forth in these guidelines, are expected to be met. The immediate investment horizon for the assets under management is 10 years. Over the investment period, it is BIOFUND's goal to exceed a total return of US CPI + 4% p.a. net of all investment expenses.

BIOFUND will monitor the manager's performance by benchmarking, as set out in the Investment Policy above. In measuring success in achieving the overall goal, monitoring will assess whether the investment professional, over the investment horizon:

1. Meets or exceeds the benchmark index agreed upon by the Board that most closely corresponds to the style of investment management.
2. Displays an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark.

## Strategic Asset allocation

### General Principles

Opportunistic investments as referred to in (1) below may not exceed 80% of assets under management. Taken together with other investment categories as outlined below that are also to be counted as opportunistic investments, the portion of opportunistic investments may not exceed 80% of assets under management.

1. Opportunistic investments in particular are equity investments (equities, mutual equity funds and all securities which reflect the performance of equity oriented strategies), convertible or index linked notes<sup>29</sup>. Other investments such as bonds below investment grade which imply an equity oriented risk profile will be considered as opportunistic investments. The minimum allocation to equity investments is 50%.
2. Subject to the Fund's ESG and exclusion policies, direct investments in raw materials, precious metals (excluding gold) and soft commodities are not allowed. Investments in real assets via future contracts are not allowed. Should the manager propose the use of commodity ETF's or ETC's, prior approval is required from the IC.
3. The portion of bond investments (bonds, mutual bond funds and securities, which reflect bond linked strategies) may not exceed 50% of assets under management.
4. Excluding the period for new contributions into the fund to be invested, the portion of cash and liquidity funds (account balance, fixed term deposits, money market funds and others) may not exceed 20% of assets under management, without IC prior approval.
5. To avoid liquidity or redemption restrictions real estate investments via open-ended real estate funds are not allowed and should be through close-ended investment trusts.
6. Hedge funds and investment certificates which reflect hedge fund strategies are not allowed.
7. Synthetic and structured investments from in-direct financial issuers (linked to equities, bonds, investment certificates and SWAP based exchange traded funds), forward or future contracts and direct investment in negotiable instruments such as derivatives and credit-backed products should not be used due to counterparty risk. Speculative investments are not allowed, unless approved by the Investment Committee on a case by case basis<sup>30</sup>.
8. To ensure adequate diversification and avoid concentration risk, it is recommended that not more than 20% of the equity assets should be invested in any one industry and no more than 30% to any individual sector<sup>31</sup>.
9. No single direct holding should exceed 8% of the total value of the endowment.
10. Base currency for the mandate is USD. Foreign currency risks can be hedged.

<sup>29</sup> Index linked notes in this context refers to structured products or equity linked notes and does not include index linked bonds.

<sup>30</sup> If investments are proposed that fall within this definition of synthetic or structured products, the investment professional must clearly describe the underlying assets, provide an explanation on risk and seek approval from the investment Committee before investment.

<sup>31</sup> Investment professional(s) should include industry and sector analysis in their regular reporting to the Investment Committee, including the top holdings by value across industry and sector across all asset classes.

11. For public assets, liquid investments are to be selected, whose market price is fixed regularly at least once per week and that either (a) are traded on a recognized exchange or (b) whose redemption by the issuer is possible daily on trading days.

### Bond Investments

1. The investment managers(s) must seek Investment Committee approval if purchasing bonds that are rated below investment grade as reported by all 3 principle Credit Rating Agencies<sup>32</sup>, which is “BBB” (Standard & Poor’s) “Baa3” (Moody’s) and “BBB” (Fitch).
2. Single bonds with a lower rating can be purchased with IC approval but not below “BB” (Standard & Poor’s), “Ba2” (Moody’s) and “BB” (Fitch) as reported by all 3 principle Credit Rating Agencies. The overall portion of these bonds, mutual funds or ETF’s may not exceed 10% of assets under management<sup>33</sup>.
3. Bonds without any rating may not be purchased.
4. A single government or corporation bond issue may not represent more than 5% of the assets under management.
5. The total allocation to Treasury bonds and notes of any single OECD country’s Government Issue should be considered in light of concentration risk; Emerging Markets bonds may not exceed 6% and High Yield bonds may not exceed 5% of assets under management.
6. The maximum average portfolio maturity may not exceed 7 years.

### Equity Investments

1. An investment in a single public equity position or single securities that reflects a single equity position may not exceed 8% of assets under management.
2. The strategies and types of public equity investments proposed and used by the investment professionals will be fully disclosed and agreed by the Investment Committee.

### Reporting Requirements

The external investment professionals are required to produce quarterly and annual reports, which will be agreed with the Investment committee to include at least the following:

1. On a quarterly basis: portfolio valuation, investment performance against the BIOFUND target return and any composite indices benchmark, attribution analysis, compliance with the asset allocation ranges, investment guidelines and principles, industry and sector analysis, liquidity, currency, volatility and risk mitigation. Valuations and performance information will be provided quarterly for any sub-accounts that are co-invested with the endowment funds, such as Hybrid or Earmarked funds.
2. In addition to the above, on an annual basis the investment professional will report on currency exposure and strategies, the sustainability and performance of its investments, including an ESG impact and performance report and analysis of the portfolio’s SRI sectoral screening and filtering and full disclosure of all ongoing charges and fees, including third party fund management fees.

<sup>32</sup> The investment professional(s) should demonstrate a range of credit assessment measures and not have sole reliance on credit rating agencies.

<sup>33</sup> Please ensure compliance with the Bond rating restrictions on a look-through basis, where this is possible.

## Illustrative Composite Benchmark

An illustrative relative composite benchmark for a US \$ investor could include the following indices:

Asset class	Total return benchmarks
Global Equity US	S & P 500 Index
Global Equity Europe	MSCI Europe Index
Japan Equity	MSCI Japan Index
Emerging Markets Equity	MSCI Emerging Markets Index
Private equity	State Street Private Equity Index
Government Bonds	Barclays Capital Intermediate Gov Credit Index
Corporate Credit	Barclays Capital 1-3 years Credit Index
High Yield Bonds	Merril Lynch High Yield Master II Index
Emerging Markets Bonds	JPM GBI Global (ex US) Index (hedged) Index
Commodities	S &P GSCI TR Index in US Dollars
Cash	3 month Treasury Bills

Table 3: Illustrative Relative Asset class benchmarks for a US\$ investor

## Environmental Social and Governance Principles

As BIOFUND is a non-profit entity dedicated to environmental conservation, the investments made by the investment manager must not be inconsistent with the objectives of the charity. The investment of the funds, inclusive of all investment instruments, will be subject to SRI (Socially Responsible Investing) sectoral filtering and compliance with the ESG and responsible investing policies and detailed exclusions listed in the Investment Policy Statement. Further guidance on the ESG and positive impact and sustainable investment strategy of BIOFUND will be developed with the investment professional.

Companies and industry categories may be excluded from investment due to social, governance and/or environmental screening preferences, including exclusion criteria agreed with BIOFUND. Positive screening shall be carried out to identify companies that are “best-in-class” in view of their ESG initiatives within their respective industries or sub-industries. This screening shall result in the exclusion of companies that do not meet BIOFUND’s ESG and SRI criteria. The manager will report to BIOFUND on their ESG and SRI performance and compliance.