INVESTMENT POLICY STATEMENT

November 2009

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1. **Presentation and mission of the Foundation**

The Sangha Tri-National Trust Fund Limited (hereafter referred to as the “FTNS”) is a Conservation Trust Fund which was established under UK Companies Act as a mechanism to provide long-term financial support to a trans-boundary forest complex called Sangha Tri-National (Tri-national de la Sangha - TNS). The TNS is located in the northwestern Congolian Lowland Forest ecoregion and covers a total surface area of some 28,000 km², including the three contiguous National Parks of Lobeke (2,100 km²) in Cameroon, Dzanga-Ndoki (1,220 km²) Central Africa republic and Nouabale-Ndoki (4,000 km²) in Congo, and their buffer zones.

The FTNS was officially registered as Company N° 6193079 on March 29, 2007 and as Charity N° 1123276 on March 20, 2008 by the Charity Commission for England and Wales. It has a mixed Board of Directors with a majority of representatives from the private sector. The first seven Members were appointed by each of the following founder organizations: Government of the Republic of Cameroon, Government of the Central African Republic, Government of the Republic of Congo, WCS, WWF, Regenwald Stiftung (“Rainforest Foundation”), Kreditanstalt für Wiederaufbau (German Bank for Reconstruction “KfW”), Agence Française de Développement (French Development Agency “AFD”) is also represented in the Board since June 2008. Three non-governmental Board Members from the TNS countries, who have widely recognized expertise in either biodiversity conservation, law, business, non-profit grant management or fundraising were also selected to join the Board. The Executive Director is responsible for the implementation of the Board’s decisions, and daily management and the Executive Office is currently established in Yaoundé, Cameroon, following a Board’s decision.

The FTNS has currently received endowment commitments for a total amount of 11.5 Million Euros with the objective to raise about another 22 Million Euros. It will invest those funds as a way to generate income to support programmatic activities in the region to achieve conservation results. The proposed financial structure is to have four “windows”: one for each of the three National Parks and one for trans-border activities. It is envisaged that, after a certain number of years, the revenues generated from contributions to one window would become available to other windows, based on a performance-based evaluation system of the projects presented for financing.

2. **Objectives of present document**

This investment policy statement has the following objectives:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the goals and objectives of the investment of the FTNS’ assets.
- Offer guidance and limitations regarding the investment of the FTNS’ assets.
- Establish a basis for evaluating investment results.
- Manage the FTNS’ assets according to prudent standards.
- Establish the relevant investment horizon for which the FTNS’ assets will be managed.

This document outlines a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.
3. **Roles and responsibilities in investment management**

The investment of the FTNS’ assets is managed according to the following roles and responsibilities:

### 3.1 Board of Directors

The Board of Directors (the “Board”) has overall responsibility for directing and monitoring the investment management of the FTNS’s assets, including to:

a. adopt the FTNS investment objectives based on financial short, medium and long-term needs of FTNS;
b. adopt and periodically review (and if needed amend) the present document;
c. appoint the members of the Investment Committee;
d. recruit the Investment Manager (and, as needed, recruit an additional independent advisor and/or delegate certain responsibilities to professional experts);
e. approve or reject proposals from the Investment Committee (e.g. on investment strategy and targets and geographical and asset class allocation) based on the recommendations of the Investment Manager.

### 3.2 Investment Committee

The Investment Committee is composed of four Board members and the Executive Director. The composition of the Investment Committee is reviewed during each meeting of the Board.

The responsibility of the Investment Committee is to:

a. review periodically the present document and propose any necessary amendment to the Board;
b. facilitate the recruitment process of the Investment Manager and other professional experts, and provide recommendations to the Board;
c. review the reports and monitor the performance of the Investment Manager and other professional experts to provide the Board with the ability to determine the progress toward the investment objectives, and compliance with this investment policy and provide recommendations to the Board;
d. generally advise the Board on all matters related to the investment of the FTNS’ assets.

The Executive Director is acting as the Secretary of the Investment Committee. He/she has to convene without delay a phone meeting of the Investment Committee should any urgent request or information be received from the Investment Manager.

The Investment Committee may receive support from other resource persons.

### 3.3 Investment Manager

#### 3.3.1 Recruitment

The Investment Manager is recruited through a restricted international tender. The Board’s selection of the Investment Manager must be based on prudent due diligence procedures and on transparent criteria.

The appointed Investment Manager will be a suitably authorized person within the meaning of the UK Financial Services and Markets Act 2000.
3.3.2 Responsibility

The responsibility of the Investment Manager is to:

a. propose a prudent investment strategy that places a priority on capital preservation;
b. propose investment options and an asset allocation strategy in accordance with guidance in the document regarding annual income needs and a goal of long term capital appreciation;
c. manage the investment on the basis of the Board’s decisions (maintain possession of equities, collect dividend and interest payments, effect receipt and delivery following purchases and sales, perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the FTNS’ accounts);
d. Provide advice to the Board regarding changes in asset allocation mix in a timely manner to address changing market conditions; and
e. Provide the Board with quarterly financial reports and be available by phone, email or in person, to respond to Board inquiries.

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 embodied in Section 3 of The UK Charity Act 2000. All investment should be suitable and, overall, constitute a degree of diversification as required by Section 4 of The UK Charity Act 2000.

3.3.3 Performance review and evaluation

Performance reports generated by the Investment Manager shall be compiled quarterly and communicated to the Investment Committee for review. The investment performance of total portfolios, as well as asset class components, will be measured against appropriate performance benchmarks pre agreed with the Investment Manager.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate the Investment Manager for any reason including the following:

a. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
b. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
c. Significant qualitative changes to the investment management organization.

The Investment Manager shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact its ability to achieve the desired investment results.

3.4 Others

Additional specialists such as financial advisors, tax attorneys, auditors, etc. may be recruited by the Board to assist in meeting its responsibilities and obligations to prudently administer the FTNS’ assets.

All expenses for such experts must be customary and reasonable, and will be borne by the FTNS as deemed appropriate and necessary. Offers by experts to provide pro-bono advice shall be considered at all times, but should be evaluated with respect to their quality, their compliance with best practice and their potential conflicts of interest. In any event, even pro-bono advice should be handled in a transparent manner and should be subject
to a contractual relationship that clarifies roles and responsibilities in the form of a memorandum of understanding.

4. **Investment Policy**

4.1 **General framework investment principles**

a. Investments shall be made solely in the interest of the beneficiaries of the FTNS.

b. The assets of the FTNS shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man/woman acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

c. Investment of the assets of the FTNS shall be so diversified as to minimize the risk of large losses or wide fluctuations, unless under the circumstances it is clearly prudent not to diversify.

d. Investment of assets will be accomplished to ensure the preservation of capital, along with sufficient returns to allow the FTNS to meet its annual income needs. Preservation of capital for this purpose means preserving principal plus achieving growth in line with euro-denominated inflation.

e. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

4.2 **Goal of the trust**

The Board believes the FTNS’ assets are intended to exist in perpetuity, and therefore, should be managed in such a way as to generate revenues for grant-making in perpetuity. To attain this goal, the long-term objective of the FTNS is to maintain purchasing power in Euros over a 10 year investment time horizon, and achieve annual income of 4% using a five-year rolling average.

The Board also seeks to minimize the fluctuation in the value of FTNS’ assets during any one-year period. This is defined as an 8% down or 20% up change in value over a one-year time horizon.

4.3 **Investment guidelines**

4.3.1 **Allowable Asset Classes**

a. Cash Equivalents allowed include the following:
   - German, U.S., U.K., or Swiss Government Treasury Bills or bonds
   - Banker's Acceptances
   - Repurchase Agreements
   - Certificates of Deposit

b. Fixed Income Securities allowed include the following:
   - Fixed Income Securities of Governments and Corporations
   - Pre-2004 EU member state and U.S. Corporate Notes and Bonds
   - Pre-2004 EU member state and US Government and Agency Securities

c. Equity Securities allowed include the following:
   - Ordinary Shares (common stock)
   - Preference Shares (preferred stock)
• American Depository Receipts (ADRs) of Non-U.S. Companies
• Convertible Notes and Bonds
• Convertible Preferred Stocks
d. Collective investment schemes allowed include the following:
  • Open-end collective investment schemes that invest in securities as allowed in this investment policy statement
  • Closed-end collective investment schemes which invest in securities as allowed in this investment policy statement.

4.3.2 Alternative and Derivative Investments

Alternative Investments include hedge funds, real estate investment trusts, private equity, high yield bonds / convertible bonds. Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. The Board wishes to take a conservative posture on alternative investments and derivative securities in order to maintain its risk adverse nature. Such investments are therefore not authorized until further assessment is carried out with the Investment Manager.

4.3.3 Asset Allocation Guidelines

a. Investment management of the assets of the FTNS shall be in accordance with the following aggregate asset allocation guidelines (at market value):

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>10%</td>
<td>50%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>40%</td>
<td>80%</td>
</tr>
<tr>
<td>Cash and Equivalents</td>
<td>0.5%</td>
<td>30%</td>
</tr>
</tbody>
</table>

A central strategic asset allocation of 30% Equities, 60% Fixed Income and 10% Cash and Equivalent has been agreed with the Investment Manager. During the period in which the FTNS does not have a need for liquidity, the allocation of 10% in Cash and Equivalents will be made at the discretion of the Investment Manager.

b. The Board may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate FTNS’ assets, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Board regarding specific objectives and guidelines.

c. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board will instruct the Investment Manager to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible. In the event that any individual investment fund is in violation with its specific guidelines, for reasons including but not limited to market price fluctuations, the Board expects that the Investment Manager will advise to bring the portfolio into compliance with these guidelines as promptly and prudently as possible. In addition, the Investment Manager may request special permission to exceed the guidelines. At the outset the Investment Manager will have three (3) months grace implementation period.
4.3.4 Guidelines for Fixed Income Investments and Cash Equivalents

a. FTNS’ Fixed Income assets may be invested only in bonds rated BBB (or equivalent) or better. High-Yield Bond and Convertible Bond Investments are specifically exempt from this requirement (and are categorized as Alternative Investments and managed by specialist managers).
b. Bank Deposits and Certificates of Deposits only with banks with a long-term rating from Standard & Poors of at least AA-.
c. Exceptionally, on emerging markets debt, the global rating may be less than BBB. The Investment Manager is then required to inform the Investment Committee.

4.3.5 Diversification for Investment

The Board recognizes the need for a prudent level of portfolio diversification. The equity securities of any one company should not exceed 5% of the total fund, and no more than 20% of the total fund should be invested in any one Industry and no more than 50% of the equity portfolio invested in equities of a single country or region.

Individual government-issued securities may represent 5% of the total fund, while the total allocation to treasury bonds and notes of any single country’s issue may represent up to 50% of the FTNS’ aggregate bond position.

4.3.6 Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board will periodically provide investment counsel with an estimate of expected net cash flow. The Board will notify the Investment Manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Board requires that a minimum of 0.5% of FTNS’ assets shall be maintained in cash or cash equivalents.

All income accrued before 30 June 2011 will be reinvested by the Investment Manager. After 30 June 2011, income accrued in each quarter is to be transferred to the FTNS’ bank account within 30 days of the respective quarter end. The Board may, at its discretion, re-credit all or part of these payments to the portfolio’s cash account and will inform the Investment Manager on the amount to be transferred to the FTNS’ bank account 30 days before the quarter end.

4.3.7 Marketability of assets

The Board requires that 70% or more of FTNS’ assets be invested in liquid securities, defined as securities that can be transacted within three working days, and with minimal impact on market price.

4.3.8 Social and Environmental Screening

The portfolio should not include any direct investment in countries which are involved in diamond exploration projects not respecting the Kimberley process. On the basis of the ERIS screening system, the portfolio should not include any direct investments in companies:

- which make >10% of their turnover in armaments;
- which operate in tropical regions in activities likely to involve forest clearance subject to approval from the Board of Directors if these companies adhere to sustainable timber sourcing standards.
These restrictions apply to all direct investments made by the Investment Manager. Where there is indirect investment in any company that fall within the exclusions above, the Investment Manager will produce a list of those companies for review by the Board on a quarterly basis. On the basis of these quarterly reports and its knowledge, the Board will have the right to instruct the exclusion of some companies.

No further ethical restrictions apply, although the Board reserves the right to exclude from the portfolio any investments in companies whose representation might prove damaging, directly or indirectly, to the purposes or reputation of the FTNS.

4.4  **Framework Investment Policy Review**

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this framework statement of investment policy, the Board plans to review the investment policy at least annually and as the need arises.