Investment Policy

Caucasus Nature Fund ("CNF") & Prespa Ohrid Nature Trust ("PONT")

As Adopted in January 2017 by the Boards of both Organizations

I SCOPE OF THIS INVESTMENT POLICY; RELEVANT PROVISIONS OF GOVERNING DOCUMENTS

This statement of Investment Policy sets forth the policy, objectives, and restrictions that apply to investment of the assets of the CNF and PONT (individually a "Foundation" and together, the "Foundations").

Key provisions of the articles (*Satzungen*) and by-laws of the Foundations regarding investments are set forth in Annex 1.

Pursuant to its articles, while the CNF Board of Directors has overall responsibility for directing and monitoring the investment management of the CNF's assets, it may delegate responsibility for various matters to a board committee and the CNF Executive Director.

Pursuant to its articles, while the PONT Executive Director has overall responsibility directing and monitoring the investment management of the PONT's assets pursuant to an Investment Policy approved by the PONT Supervisory Board, the Supervisory Board may also instruct its Executive Director on various matters and may delegate responsibility for various matters to Supervisory Board committees.

II PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of Investment Policy is adopted by the Board of Directors of CNF and the Supervisory Board of PONT (together, the "Foundation Boards") in order to:

1. Define and assign the responsibilities of all involved parties.

2. Establish a clear understanding for all involved parties of the goals and objectives of investing the Foundations' assets.

3. Offer guidance and limitations to the Investment Consultant and Investment Manager(s) regarding the investment of the Foundations' assets.

4. Establish a basis for evaluating investment results.

5. Manage the Foundations' assets according to prudent standards.

6. Establish the relevant investment horizon for which the Foundations' assets will be managed.

III DELEGATION OF AUTHORITY

A. Internal Delegation

In order to coordinate their work effectively, take advantage of additional expertise and reduce investment management costs, the Foundation Boards have decided to establish mirror investment committees (the "Investment Committees") that will, in the manner contemplated by this Investment Policy, work in a coordinated way to make investment decisions and report to the respective Foundation

Boards. The Investment Committees may in turn instruct the respective Executive Directors in their roles as implementers of the decisions of the Investment Committees.

The composition of the Investment Committees will be as determined from time to time by the Foundation Boards. The initial composition of the Investment Committees will be as set forth in Annex 2. Annex 2 will be updated from time to time to reflect changes agreed between the Foundation Boards. The meetings of the mirror Investment Committees are open to the participation of other Foundation Board Members.

In the event of a failure to achieve Consensus in the Investment Committees as to an investment action to be taken, the action shall either not be taken or shall be referred to the Foundation Boards for guidance. The Foundation Boards can finally decide the matter, and take action, independently of one another. Annex 2 sets forth the initial definition of Consensus.[1]

B. External Delegation

Neither CNF nor PONT has a professional internal staff dedicated to investment management. Accordingly, the Foundation Boards plans to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. An "Investment Consultant" with the duties described in IV(A) below.

2. One or more "Discretionary Manager(s)", with the duties described in IV(B) below.

3. One or more "Investment Fund(s)", who operate in accordance with their own procedures as described in IV(C) below.

3. One or more "Custodian(s)", with the duties described in IV(D) below.

4. Additional specialists such as tax attorneys, auditors, actuaries, and others may be employed by the Foundation Boards to assist in meeting its responsibilities and obligations to administer the Foundations' assets prudently.

All expenses for such experts must be customary and reasonable, will be borne by the Foundations as deemed appropriate and necessary, and contracted separately or shared as agreed between them.

IV ASSIGNMENT OF RESPONSIBILITY

A. Responsibility of the Investment Consultant

The Investment Consultant's role is that of an advisor to the Foundation Boards and the Investment Committees. Investment advice concerning the investment management of the Foundations' assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, Investment Guidelines and constraints as established in this Investment Policy. Final responsibility for appointment and dismissal of the Investment Consultant shall rest with the Foundation Boards. Specific responsibilities of the Investment Consultant include:

[1] Under their respective agreements with KfW, both Foundations are obligated to seek KfW approval of this Investment Policy and amendments to it. For as long as the respective agreements with KfW are in force, changes to Annex 2 shall not require prior approval of KfW but shall be regularly notified to KfW by the respective Foundations.

1. Assisting in the development and periodic review of this Investment Policy and Investment Guidelines.

2. Assisting with the efficient structuring of custodial and reporting arrangements.

3. Conducting new Discretionary Manager and Investment Fund searches when requested by the Foundation Boards or the Investment Committee, including:

- Assistance and advice with the engagement of Discretionary Managers and investments in Investment Funds, organizing the respective "pitching process", due diligence and documenting decisions to engage the Discretionary Managers or invest in the Investment Funds, including consistency with the sustainability criteria of this Investment Policy. Drafting appointment letters and setting risk tolerance limits for Discretionary Managers (see IX below).
- Assistance and advice with the investments in Exchange Traded Funds (ETFs) and other self-managed investments.

4. Advising the Foundations on allocations to Discretionary Managers, Investment Funds, and ETFs and other self-managed investments.

5. Ensuring that the overall risk tolerance of each Foundation's portfolio is in line with this Investment Policy and the Investment Guidelines.

6. In accordance with the Foundation Boards' or Investment Committees' asset allocation and discretionary manager/investment fund/self-managed investment decisions, instructing the Custodian on behalf of the Investment Committees or Executive Directors to make investments and dis-investments and implementing (through instructions to the custodian, Discretionary Managers or otherwise) any regular re-balancing of the Foundations' assets.

7. Conducting Discretionary Manager and Investment Fund reviews at least annually and providing regular (at least annual) "due diligence", or research, on Discretionary Manager(s) and Investment Funds including a peer manager review and review of personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

8. Monitoring and evaluating compliance by the Discretionary Manager(s) with their Investment Guidelines. Monitoring and evaluating compliance by Investment Funds with their agreed policy and strategy.

9. Monitoring the performance of the Discretionary Manager(s), Investment Funds and any self-managed investments to provide the Foundations with the ability to determine the progress toward the investment objectives; monitoring overall adherence to the Sustainability Policy (Section XII).

10. Communicating matters of policy, manager research, and manager performance to the Investment Committee and the Foundation Boards.

11. Meet telephonically at least quarterly with the Investment Committee to discuss investment performance, re-balancings to be effected and any proposed changes to allocation targets (see Annex 3). Attend in person (unless otherwise agreed by the Foundations) a meeting of the Investment Committees and/or the Foundations Boards at least once per year to review past year progress and discuss issues relevant to the investments of the Foundations. Minute the results of each Investment Committee meeting.

The Investment Consultant will not act as an Investment Manager of any of the Foundations' assets. The Investment Consultant will be held responsible and accountable to make every effort to achieve the objectives herein stated, but the liability of the Investment Consultant is limited to deliberate action and gross negligence.

B. Responsibility of the Discretionary Managers ("Discretionary Managers"). Discretionary Managers as used herein means a financial or investment institution that has been granted a diversified, multi-asset class strategic mandate on behalf of the Foundations. Each Discretionary Manager will have full discretion to make all investment decisions for the assets placed under its direct management, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and in its appointment letter which shall specify permissible categories and limits of investments. Specific responsibilities of the Discretionary Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the permissible categories and limits established by its appointment letter.

2. Reporting, on a timely basis, quarterly investment performance results to the Investment Consultant and annual results to the Investment Committees.

3. Communicating to the Investment Committees and the Investment Consultant any major changes to economic outlook, investment strategy, or any other factors that affect achievement of such Manager's investment objectives for the Foundations. Unless otherwise specified in the appointment letter for any particular manager, any change of more than 15 percentage points in the portion of a Manager's portfolio allocated to a particular asset class (i.e., for a balanced manager, a shift from 30% to more than 45% equity) will be considered a change in investment strategy.

4. Informing the Investment Committees and the Investment Consultant of any significant qualitative changes to the investment management organization: Examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

5. Voting at shareholders' meetings shall be as agreed in the relevant appointment letter/investment management agreement.

Final responsibility for appointment and dismissal of Discretionary Managers shall rest with the Foundation Boards. Upon appointment of a Discretionary Manager, neither the Foundation Boards, the Investment Committees nor the Investment Consultant will reserve any control over investment decisions, but instead will monitor and oversee performance as described in this policy. The Discretionary Manager(s) will be held responsible and accountable to make every effort to achieve the objectives herein stated.[2]

C. Responsibility of Investments Funds (open or closed-end investment funds and similar vehicles).

Investment Funds typically will pool the funds invested by the Foundations with other funds, and will have full discretion to make all investment decisions for the assets invested. Their responsibility is to

[2] For as long as the respective agreements with KfW are in force (footnote 1), the Foundations will advise KfW of its intention to engage or dismiss an Investment Manager and invite KfW to participate in the deliberations relating to such engagement or dismissal.

observe and operate within all policies, guidelines, constraints, and philosophies as outlined in their governing documents. An appropriately restricted, limited class non-pooled mandate to an investment or financial institution can also be considered an Investment Fund for these purposes.

In addition to the duties of the Investment Consultant described above for investments in Investment Funds, the Investment Consultant will regularly monitor and report to the Investment Committees on the following:

1. Maintenance of investment discipline and deviations from the Fund's published strategy.

2. Any major changes to economic outlook, investment strategy, or any other factors that affect achievement of the Foundations' investment objectives through such Fund.

3. Any significant qualitative changes to the Fund's management organization: Examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

Upon investment in an Investment Fund, neither the Foundation Boards, the Investment Committees nor the Investment Consultant will reserve any control over investment decisions, but instead will monitor and oversee performance as described in this policy.

D. Responsibility of the Custodian(s)

The Custodian(s) will (separately for each Foundation) physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Foundations, 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 Foundations accounts. Final responsibility for appointment and dismissal of the Custodian shall rest with the Foundation Boards.

E. Responsibility of the Investment Committees.

The Investment Committees shall have authority (after reaching Consensus and subject to any instructions received from either of the Boards) to invest in or sell non-managed investments and investments in Investment Funds provided that such products are in line with the approved investment categories in the Investment Guidelines set forth in Annex 3. The Investment Committees shall provide a copy of the minutes of its meetings to each board member for information and shall report to the Foundation Boards at least semi-annually as to the actions it has taken on adding or removing Investment Funds from the portfolio.

Investment/dis-investment actions and decisions taken by the Investment Committees or the Foundation Boards pursuant to the above shall be implemented by the secretary of the Investment Committees or the respective Executive Directors. For good order's sake, it is noted that the Investment Committees shall not have authority to purchase individual equity securities (such as shares) of individual companies nor to appoint or dismiss a Discretionary Manager.

V. LONG-TERM GOAL OF THE ENDOWMENT; INVESTMENT STRATEGY/OBJECTIVES

The Foundations' endowments are intended to exist and support the Foundations' grant-making spending in perpetuity. To attain this goal, the long-term financial planning of the Foundations will seek to maintain and if possible increase the value of the endowments on an inflation adjusted basis.[3]

In order to meet its needs, the investment strategy of the Foundations is to emphasize total return. The primary objectives in investment management for the Foundations assets shall be to balance, in a manner consistent with the Foundations' risk profile as described below, the desire for long-term capital growth (increase in Purchasing Power as defined below) with the Foundations' medium-term spending needs; longer term, the Foundations' endowments are intended to provide for a substantial, stable flow of resources to carry out its grant-making and cover administrative costs in perpetuity. Given the existence at both Foundations of significant sinking funds, the Foundations' investment strategies over at least the years 2017-2025 can be particularly focused on long-term capital growth.

VI. INVESTMENT MANAGEMENT POLICY

The Foundations may employ one or more Discretionary Managers and/or invest in different Investment Funds of varying styles and philosophies as well as make non-managed investments to attain their objectives. See Sections III & IV.

1. Preservation of Purchasing Power. As noted above, a primary goal of the Foundations' investment activity is to preserve capital. Consistent with their respective investment styles and philosophies, the Discretionary Managers and Investment Funds should make reasonable efforts to preserve capital, and self-managed investments will also be made with this goal in mind, understanding that losses may occur in individual securities and that accounts in more volatile asset classes will fluctuate in value. Preservation of capital for this purpose means preserving Purchasing Power, defined for the purposes of this Policy as follows: for the Foundation, the value of principal adjusted for the rate of Euro- denominated inflation; for each Discretionary Manager or Investment Fund, the value of principal adjusted for the rate of Euro-denominated or US-dollar denominated inflation, as specified for each depending on the currency to which it principally manages it investments.

2. Risk Aversion. - Understanding that risk is present in all types of securities and investment styles, the Foundations recognize that some risk is necessary to produce long-term investment results that are sufficient to meet their objectives. The Foundations' Investment Guidelines shall specify that investments shall be well diversified so as to reduce the risk of large losses to a level deemed acceptable, unless the Foundation Boards determine that under the circumstances it is clearly prudent not to diversify. Discretionary Managers and Investment Funds are to make reasonable efforts to control risk. Discretionary Managers will report regularly to the Investment Consultant and at least annually to the Investment Committees to ensure that the risk assumed is commensurate with the given investment style and objectives.

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[3] While the Foundations intend to increase their endowments each year by an amount at least equal to inflation, the Foundation Boards may change this intention if investment returns and budget requirements suggest that inflation adjusted capital maintenance does not serve the best interests of the Foundations. New gifts to the endowment in any given year will not be calculated in measuring the inflation adjustment during the year in which the gift is made.

3. Adherence to Investment Discipline. Discretionary Managers and Investment Funds are expected to adhere to the investment management styles for which they were hired. Discretionary Managers will also report regularly to the Investment Consultant as to adherence to investment discipline.

4. Productive Employment of Cash. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return, provided that market conditions allow a reasonable return.

VII. SPECIFIC INVESTMENT GOALS

For the purposes of this statement, "investment horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The immediate investment horizon for the Foundations' assets is 10 years, with a long-term horizon of perpetuity.

Over the investment horizon, using a three-year rolling average, the Foundations' goal is as follows:

> Exceed a total nominal return of at least 375 basis points (3.75%) p.a. in excess of the total nominal return of the current yield of the one year Deutsche Bund. The total nominal return shall be calculated net of investment expenses.

The investment goal above is the objective as an aggregate for the respective Foundations, and is not meant to be imposed on each asset class. The goal of each Discretionary Manager or Investment Fund, over the investment horizon, shall be to:

1. Meet or exceed the market index or blended market index agreed upon by the Investment Committees that most closely corresponds to the style of investment management.

2. Display an overall level of risk in the portfolio that is consistent with: for a Discretionary Manager, the risk associated with the specific guidelines agreed with the Investment Committees and the Board; and for an Investment Fund, the policies, guidelines, constraints, and philosophies as outlined in their governing documents.

VIII. DEFINITION OF RISK

The Foundations recognize that there are many ways to define risk. They believe that any person or organization involved in the process of managing their assets understands how to handle risk so that the assets are managed in a manner consistent with the Foundations' investment objectives and investment strategy.

The Foundations define risk primarily as: not maintaining Purchasing Power of any given asset class over the Foundations' 10-year investment time horizon.

The Foundations define risk secondarily as: excessive fluctuation in the value of the Foundations' assets during a one-year period. This will be defined separately for each Investment Manager, Investment Fund and asset class. It is defined for the Foundations' assets overall as a 7.5% down or 20% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio may be subject to excessive volatility risk. When the measure is triggered it will require at a minimum a review of investment strategy with the Investment Consultant or the relevant Discretionary Managers or both.

IX. LIQUIDITY

Based on their board approved budgets and internal forecasts, the Executive Directors of each of the Foundations will develop and update annually in consultation with the Investment Consultant a rolling two-year spending plan showing forecasted sources and uses of cash ("Spending Plan"). The Spending Plan sources will show inter alia expenditure plans for the Sinking Funds and the needs planned to be covered from investment income. The Spending Plan will minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment. The Executive Director will notify the investment consultant of changes to the current year plan 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, a minimum of ½ of 1% of each Foundation's assets shall be maintained in permitted cash or cash equivalents.

X. INVESTMENT GUIDELINES

Investment management of the of the Foundations' assets shall be in accordance with the asset allocation guidelines set forth in Annex 3, as amended from time to time. Changes in the table to the overall Board Competence must be approved by the Foundation Boards.[4] Changes to the Investment Committees' competence (within the overall Board competence) and the current target may be made on the authority of the Foundations' Boards (or, as to the current target, by the authority of the Investment Committees provided it is within the competence granted by the Boards).[5]

XI. PERFORMANCE REVIEW AND EVALUATION

The Investment Committees will report at least semi-annually to the Foundation Boards on its actions and on the performance of the portfolio. The Foundations Boards will receive an in person review of investment performance and recommendations with the investment advisor at least once per year.

Reporting shall consider the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.

In evaluating the performance of the Investment Consultant or any Discretionary Manager or Investment Fund, the Foundation Boards intends to consider performance over at least a three-year period, but reserves the right to terminate the Investment Consultant or any Discretionary Manager or Investment Fund for any reason including the following:

1. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

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[4] For as long as the respective agreements with KfW are in force, the Foundations will be required to seek KfW's no objection to changes in the competence of the Foundation Boards.

[5] For as long as the respective agreements with KfW are in force, the Executive Directors of the Foundations will notify any changes to the competence of the Investment Committees as part of their regular reporting to KfW, but KfW's no objection is not required.

2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

3. Significant qualitative changes to the investment management organization.

XII. SUSTAINABILITY

The Sustainability Policy of the Foundations is set forth in Annex 4.

XIII. 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 Foundation Boards plan to review the Investment Policy (including the Investment Guidelines) at least tri-annually and as the need may be. For the Investment Guidelines, the targets for the different asset categories and Investment Committees competence (within the overall Board competence) will be reviewed regularly as contemplated by the Investment Guidelines.

Annex 1

Key provisions of the Articles and by-laws of CNF and the Charter and Management Board by-laws of PONT regarding investments

For CNF:

- Under its articles by-laws, CNF's Board of Directors is responsible for the overall investment of the foundations assets, but may delegate certain of its responsibilities to committees, its executive director, and professional service providers and other support.
- The adoption of or revision to this investment policy and is a non-delegable decision of the Board subject to a qualified majority vote.
- The hiring or firing of an investment consultant is a non-delegable decision of the Board subject to a simple majority vote.
- The Board may establish committees, including an Investment Committee, which includes board members, the Executive Director, as well as outside experts. Each Committee of the Board shall be presided over by a member of the Board who reports to the Chairman of the Board. Persons not being Board members have no voting right in decision-making committees.
- The hiring or termination of an investment manager must either be made by the board by simple majority vote or, if the board appoints an investment committee, by the investment committee in a matter approved by the board and set forth in the Investment Policy.
- The Treasurer is responsible for reporting to the Board about the management of the foundation's endowment, and will do so with the assistance of the Executive Director and the Investment Consultant.

For PONT:

- The duties of PONT's Supervisory Board include certain matters specified in its charter which include the establishment of the by-laws for itself and for the Management Board. The Supervisory Board may also assume competency for any matters it determines and its duties include implementation of those matters that it assumes. The duties of the Supervisory Board with respect to establishing the by-laws of the Management Board and their implementation include their establishment in respect of, without limitation, investment guidelines on the administration and redeployment of the endowment and other assets.
- PONT's Management Board By-laws specify that through a competitive bidding process (beauty contest) and with the approval of the Supervisory Board, PONT shall engage an experienced investment advisor to advise and assist the Foundation in connection with its investments and the further engagement of investment managers. It is also specified that the Supervisory Board, with the assistance of the Management Board and other advisors as requested, shall develop and adopt an investment policy governing the investment of the Foundation's assets (the "Investment Policy") PONT's Management Board By-laws specify that all investments will be made in accordance with the Investment Policy. The Investment Policy will be implemented in accordance with the Foundation's two main investment objectives (preserving capital and earning a net total annual return, including both income and capital appreciation, to be specified in the Investment Policy). It will provide for reasonable measures to control risk. The Investment Policy will use an investment strategy based on diversification of investments and include limitations on the percentage of the Foundation's assets

that can be invested in particular asset classes (such as stocks, bonds, real estate, etc.), countries or geographical regions, currencies or industries or companies. The investment strategy will be evaluated regularly by the investment advisor under the supervision of the Management Board to ensure that the risks assumed are prudent and are designed to maximize consistent long-term returns on investment. The Investment Policy shall be attached to these by-laws as an Annex.

- PONT's charter provides that the Supervisory Board may form committees to advise the Supervisory Board and to prepare Supervisory Board resolutions. The Supervisory Board may also designate specific tasks to committees to be finally decided by committees. The committees may consist of Supervisory Board members only. The Supervisory Board and its committees are, however, entitled to invite experts and information persons to their meetings with respect to specific points of the agenda. The general capacity of the Foundation to commission the advice from experts and other professional advisers shall not be affected.

<u>Annex 2</u>Mirror Investment Committees

CNF Investment Committee	PONT Investment Committee
Board Members	*Board Members*
Ronald Kent	David Morrison (Secretary)
David Morrison (Secretary)	*Advisors*
Advisors	Ronald Kent
Al Breach	Al Breach
Johan Holgersson	Johan Holgersson
Non-voting observer	*Non-voting observer*
George (Geof) Giacomini (CNF Executive Director)	Mirjam de Koning (PONT Executive Director)
Alba Carreras (Director, NTA)	Alba Carreras (Director, NTA)

For purposes of taking action under Section III(A) of the Policy, "Consensus" shall be achieved if:
(i) at least three persons (committee members or advisors), are in favor of the action of which at least one is a board member of CNF and one a board member of PONT, and such action has been recommended or suggested by the Investment Consultant (this allows an action to be taken in the absence of one of the Committee members/advisors or in the event of one adverse vote out of four);
(ii) in the event of an action not recommended by the Investment Consultant, all four Committee members/advisors agree the action.

Annex 3
Investment Guidelines

January, 2017

Asset Allocation Guidelines

This revised strategic asset allocation is proposed in light of the current assets of CNF and PONT, their long-term investment horizon and the low interest rate environment at the time of its adoption. It will be reviewed from time to time as market conditions change. The maximum and minimum percentages set forth below permissible ranges within which the Foundation Boards or the Investment Committee may from time set current or "target" allocations for asset classes.

Strategic Asset Allocation (at market value)

Competence	Board		IC	
	Min	Max	Min	Max
Cash	%	%	%	%
EM Bank Deposits	%	%	%	%
Bonds and Similar (2)	%	%	%	%
Total FI Related	%	%	%	%
1. Total Cash & FI-Related	%	%	%	%
2. Real Assets (3)	%	%	%	%
3. Alternatives (4)	%	%	%	%
Equities	%	%	%	%
Equity linked (4)	%	%	%	%
4. Total Equity Related	%	%	%	%

(1) Target allocations are set by the IC within their bandwidth competence and changes to targets are regularly communicated to the Board. A target allocation falling outside the bandwidth for which the IC has competence must be approved by the Board. Until such an exceptional target is re-adjusted by the Board, the bandwidth within which the IC has competence to act will (unless the Board otherwise decides) be deemed extended to include the entire range to the approved target. For example, the Board competence for bonds is 25%-90%; the ordinary IC competence is 30%-60%. Given the

extraordinary conditions prevailing in the bond markets, the Board has set the minimum target at 25%. Absent other instructions from the Board, this is deemed to increase the IC competence to 25%-60% until the target is changed by the Board.

(2) Of this portfolio, a maximum of 30% may be high yield, perpetuals and CoCos (current target30% of bond portfolio + cash)

(3) Includes equity-linked bonds with principal protection deemed sufficient by Investment Committee.

(4) See definition below.

Tactical Adjustments & Re-balancing

Given the long-term investment orientation of the Foundations, there will be a bias toward maintaining the target allocation ranges rather than making frequent adjustments of those ranges. However, the Foundations expect to continue to mandate one or more Discretionary Managers who will be adjusting their portfolios within their specific asset class mandates from time to time as they see fit. The Investment Consultant and the Investment Committee will monitor such adjustments regularly to assure that the minimum/maximum allocations are respected. Accordingly, there will be shifts from time to time in the individual asset classes because of the actions of the Discretionary Managers.

The Foundations' policy will be to re-balance at least annually to within its overall target allocation (absent circumstances which lead it to change its target allocation), if the weighting of any specific asset class (except Cash) exceeds or undershoots the target allocation by more than two percentage points. Re-balancing will occur at least semi-annually if the weighting of any specific asset class (except Cash) exceeds or undershoots the maximum or minimum competence of the Board by more than two percentage points.

Liquidity Requirements

Of its overall portfolio, at least 85% of each Foundation's assets must be invested in liquid securities, defined as securities that can be sold quickly and efficiently for each Foundation, with minimal impact on market price. Securities with defined exits windows occurring at least twice a year will count as liquid securities as long as not more than 25% of the Foundation's assets are invested in such securities.

Up to 15% of the overall portfolio may be invested in assets that do not meet the above liquidity requirements if justified by the risk/return profile.

Diversification of and by Investment Managers

In order to achieve a prudent level of overall portfolio, Discretionary Manager and Investment Fund diversification, the following limits shall apply:

- Investments with any Discretionary Manager may not exceed 30% of the total portfolio of either Foundation.
- Investments in any Investment Fund (whether focused on bonds, equity, real estate or any other asset class) or ETF shall not exceed 15% of the total portfolio of either Foundation and

shall not, without the approval of the relevant Foundation Board, exceed 10% of such portfolio.

- The equity securities of any one company should not exceed 3.5% of the total portfolio of either Foundation.
- With the exception of cash equivalents:
  - Equity and debt securities combined shall of any one company shall not exceed 5% of the total portfolio of either Foundation.
  - No more than 15% of the total assets of either Foundation should be invested in any one industry.
- Individual government-issued securities may represent no more than 5% of the total portfolio of either Foundation.
- The total allocation to treasury bonds and notes of any single country's issue may represent no more than the following percentages of the aggregate bond position of either Foundation:
  - 30% for countries with a credit rating of AA- or better,
  - 20% for countries with a credit rating of BBB- or better,
  - 3.5% for countries with a credit rating of below BBB-.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Except as permitted under 6 below, each Foundation's assets may be invested only in investment grade bonds rated BBB- (or equivalent) or better (investment grade). If there is no rating of a particular bond issue available, the issuer- or group rating can be used as a reference.

2. Fixed income maturity restrictions are as follows:

 Maximum maturity for any single security is 15 years (excluding perpetual subordinated bonds).

duration may not exceed 7 years (excluding perpetual subordinated bonds).
 Weighted average portfolio

3. Money Market Funds selected shall contain securities whose credit rating at the absolute minimum would be rated investment grade by Standard & Poor's, and/or Moody's.

4. The base currency for fixed income investments is EUR. Up to 25% of each Foundation's total assets can be invested in non- EUR denominated fixed income investments, of which a maximum of 25% can be denominated in currencies other than USD.

5. Foreign currencies for fixed income investments are required to be highly liquid. Currencies

allowed are: USD, GBP, AUD, NOK, SEK and CHF. The Investment Committee, with the advice of the Investment Consultant, is authorized to add or delete currencies to or from this list.

6. Any passive violation (e.g., as a result of a downgrading of a security) of the Investment Guidelines does not constitute a breach of the Guidelines. The Investment Consultant will inform the Investment Committee promptly of any such violation. The Investment Committee may decide

whether to sell or hold the respective security.

7. Investments in fixed income securities that do not meet the above requirements (e.g. high- yield bond, contingent convertibles and convertible bond investments) are permitted only when managed by a well-established firm with a high degree of capability in credit analysis as part of an actively managed discretionary mandate approved by the board or investment fund approved by the Investment Committee and subject to the limitations set forth in footnote 1 to the strategic asset allocation table.

8. Cash deposited within the EU must be deposited with banks whose short-term ratings by at least one of the rating agencies is P-2 (Moodys), A2 (S&P) or F-2 (Fitch) or better. Cash deposited in emerging market banks may be made in the countries in which the relevant Foundation is active with its grant making program. Such banks must have a short-term rating by at least one of the rating agencies of C (S&P) or C (Fitch). No such cash equivalent may have a maturity exceeding one year (two years in the case of a CD or term deposit, but in the case of an emerging market CD or deposit exceeding one year the short-term rating must be NP (Moodys), B (S&P) or B (Fitch) or better).

Allowable Asset Classes

The allowable asset classes are as follows, subject to the sustainability policies in the Investment Policy.

1. Cash Equivalents allowed include the following:
   - AAA or AA+ rated treasury bills or bonds
   - Money Market funds in a permissible currency
   - Commercial Paper
   - Banker's Acceptances
   - Repurchase Agreements
   - Term Deposits and Certificates of Deposit (all subject to the currency limits)

2. Fixed Income Securities allowed include the following:
   - Fixed Income Securities of Governments and Corporations
   - Preferred Stock

3. Equity Securities allowed include the following:
   - Ordinary Shares of German and non-German Companies (common stock)
   - American Depository Receipts (ADRs) of Non-U.S. Companies and European Depositary Receipts
   - Convertible Notes and Bonds
   - Convertible Preferred Stocks

4. Investment Funds allowed include the following:

- Open-end Mutual Funds that invest in securities as allowed in this investment policy statement.
- Closed- end Mutual Funds which invest in securities as allowed in this investment policy statement.
- Limited Partnerships and similar fund vehicles which invest in securities as allowed in this investment policy statement.

5. Alternative Investments allowed include the following:
   - Guaranteed Investment Contracts (GIC's)
   - Low-Volatility Hedge Funds and absolute return strategies
   - Private Equity/Debt
   - Insurance linked securities and
   - Similar strategies chosen for their relative lack of correlation to the broader markets

6. Real assets allowed include funds (including REITs, ETFs, partnerships and similar vehicles) investing in the following:
   - Real estate
   - Infrastructure
   - Energy
   - Timber, agriculture
   - Minerals and gold

Direct investments are permissible with the approval of the Foundations' Boards.

Derivative Investments

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. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. Many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Board will take a conservative posture on derivative securities in order to maintain its risk adverse nature.

Prohibited Asset Classes

Prohibited investments include, but are not limited to the following:

1. Individual (non-managed) Commodities and Futures Contracts

2. Private Placements except within the liquidity limits set forth above.

3. Derivatives which increase portfolio risk above the level that could be achieved in the portfolio using only traditional investment securities, or derivatives used to acquire exposure to changes in the value of assets or indices that by themselves would not be purchased for the portfolio.

4. Private, Non-registered Limited Partnerships (other than hedge funds or other vehicles that invest primarily in assets or indices that by themselves could be purchased for the portfolio)

5. Venture-Capital Investments

Annex 4

Policy on Sustainable Investing—CNF/PONT
(as adopted by the board of CNF and
the supervisory board of PONT (the "boards") in July and September of 2017)

1. General Principles.

CNF/PONT aim to give preference to investments that contribute real added value in terms of environmental terms and social issues and taking into account governance standards. This applies both in their direct investing activity and to investments in funds and similar pooled investment vehicles.

CNF/PONT are, however, aware that socially responsible investment (SRI) criteria are themselves difficult to define and involve substantial areas of sometimes controversial judgments. They are also aware of the difficulty in ensuring that every security in their portfolios has been issued by companies or organizations complying with all the SRI criteria. In practical terms, the CNF/PONT SRI policy consists of the following:

When making investment decisions CNF/PONT will consider both (i) a positive expected return to maximize the impact of the foundations' missions and activities and (ii) investments in companies or other issuer organizations which have little or no negative impact on nature or make a positive contribution to its conservation. Furthermore, CNF/PONT will be attentive to social and employment responsibility and other governance considerations when choosing investments.

2. Negative Filter Criteria

Direct investments.
Direct investments in companies which have as a significant business focus[1] the following industries are prohibited:

− Coal and related industries (e.g. coal-fired power plants) − Fossil fuels and related industries − Nuclear energy − Extraction of mineral resources and related infrastructure − Tobacco − GMO or stem cell research − Gambling	− Hard liquor − Adult entertainment or violent video games − Defense/firearms/weapons − Agriculture, fishing, timber and soft commodities (unless they qualify as positive screen, sustainably themed or impact investments − Fur − Biocides

Direct investments in companies which are known or suspected to engage in objectionable

[1] The foundations generally interpret "significant business focus" to mean that 10% or more of the revenues of the company enterprise are derived from this source

business practices are to be excluded. Objectionable business practices especially include the violation of international norms, contained for example in the UN Global Compact principles:

− Human Rights Violations − Labor Rights Violations (including forced and child labour) − Systematic use of animal testing	− Pollution − Corruption, tax evasion, illicit financial flows, accounting practices

At a minimum, best in class screening will be applied to investments in such sectors.

Discretionary Mandates.

In mandate arrangements with any discretionary investment managers, CNF/PONT will either (i) impose the above restrictions on discretionary managers,[2] or (ii) accept an alternative sustainability policy of a discretionary manager (the decision to accept such an alternative policy will be that of the CNF board and the PONT supervisory board).

3. Positive Filter Criteria

Investment funds and similar pooled investments.

CNF/PONT will not strictly apply the above-mentioned restrictions when making investments in investment funds and similar pooled investments. However:

Certified Funds. CNF/PONT at least partially select collective investment schemes which consider SRI aspects. In doing so, CNF/PONT intends generally to use and rely on sustainability rating services such as MSCI, Morningstar and Oekom. These providers typically employ a combination of negative filters and/or best in class screening, and consider the UN Global Compact. In addition, CNF/PONT may employ customized ETFs designed to satisfy its criteria.

Impact Investments. CNF/PONT specifically undertake to invest a part of their portfolios in direct investments or investment funds which positively contribute to environmental or social issues. Examples include:

- so-called Green Bonds, e.g. of KfW, following international standards applicable at the time of the investment and as long such bonds provide a positive return
- sustainable bond funds
- impact investments
- SRI themed investment funds

Selection criteria for such positive contribution investments shall be developed by the Investment Consultant and presented to the Investment Committee and the boards.

Other Criteria. In addition, CNF/PONT may consider whether the fund manager demonstrates commitment to environmental and social responsibility outside of its investment activity. Funds

[2] It is recognized that for existing discretionary investment managers, there will be a transition period not to extend beyond year-end of 2018.

selected on this basis will not be classified under the investments meeting the certified funds or impact investment criteria.

Banks.

Recognizing their contribution to the development of local economies, CNF/PONT will furthermore make reasonable efforts to work with local banks located in the geographical area of the foundation's place of action and seek to work with such banks to assure that they adhere to appropriate ESG standards. For PONT, it is recognized that local banking relationships will take time to develop.

In Germany, the main banking relationship shall be established with a financial institute with a prime rating (C+ oekom or similar).

4. SRI Targets

The Investment Consultant will monitor the sustainability profile of its investment portfolio such that it conforms to this Policy and that any material deviations are promptly bought to the attention of the Investment Committee and corrected. From 2019 on the portfolio will be fully compliant with the overall Policy.

In addition, a minimum threshold for investments that meet the negative and positive filter criteria described above will be reached as follows. Of the total investments:

	Confirmed Negative[3] Filter Compliance; Compliant Banks; Certified Funds	Impact Investments	Total
2019	>50%	>7.5%	>57.5%%
2022	>60%	>15%	>75%

In addition, the following is noted with respect to any non-certified or non-impact investment funds in which the foundation invests in accordance with the Policy: while verification at any point in time is not possible because of the lack of full transparency of most such funds, most of the underlying investments of such funds (conservatively >50%) will almost certainly be in investments that meet the negative filter criteria. Accordingly, the total of investments that fall into the two categories above will be substantially higher than the minimum stated above.

[3] Including any investments by discretionary managers complying with such manager's SRI policy accepted by CNF PONT as provided above.