



The Global Crop Diversity Trust

Investment Policy Statement

Approved by Executive Board

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1. INTRODUCTION

- 1.1 This Investment Policy Statement (“IPS”) is issued by the Executive Board (“the Board”) of the Global Crop Diversity Trust (“the Crop Trust”) to affirm the investment principles that govern decisions about the investment of the Crop Trust’s Endowment Fund (“the Fund”).
- 1.2 Based on the IPS, the Board has delegated all matters relating to investment management responsibilities to the Finance & Investment Committee of the Board of the Crop Trust (“the Committee”) as set out in section VII.
- 1.3 All objectives and policies are in effect until modified by the Board, based upon recommendations from the Committee, and they will be reviewed at least annually at a meeting of the Committee for their continued appropriateness.

2. INVESTMENT OBJECTIVE

- 2.1 The investment objective of the Fund is to earn returns sufficient to outpace spending, maintaining the Fund’s real purchasing power over time and, if possible, growing it. With this goal in mind, and given the 4% cap on spending adopted by the Crop Trust, the Fund aims to attain an annualized real total return¹ of at least 4%, net of fees, over rolling ten-year periods.
- 2.2 A further objective is to align investments to the Crop Trust’s core mission to ensure the conservation and availability of crop diversity for food security worldwide. Our Responsible Investment Policy is set out under section 10.

3. RISK TOLERANCE

- 3.1 The Fund should attempt to achieve its investment objective above within risk levels deemed appropriate by the Committee and consistent with this IPS as follows:
 - (a) Conditional Value at Risk – the forward looking one-year conditional value at risk, at a 95% probability level, should be less than 30% of the value of the Fund
 - (b) On a forward looking basis, the aim should be to maintain the annualized 10 year volatility of the portfolio at no more than 15% per annum

¹ Real total return is the sum of realized and unrealized capital appreciation (or loss) and income in the form of dividends and interest, adjusted for inflation as measured by the U.S. Consumer Price Index.

4. LIQUIDITY REQUIREMENTS

- 4.1 The Committee recognizes that there is liquidity risk in holding assets that are not readily marketable and realizable. Given the Crop Trust's very long-term investment horizon, the Committee also recognizes that a degree of liquidity risk is acceptable in order to capture a liquidity premium on investments. Thus up to 20% of the Fund may be invested in illiquid assets. New commitments to such investments may be restricted if necessary to ensure future compliance.
- 4.2 "Illiquid" describes an asset or security, including an investment vehicle, that cannot be sold quickly due to a shortage of interested buyers or a lack of an established trading market or due to terms associated with the investment vehicle that only allow redemption infrequently. Illiquid assets cannot be easily converted into cash without potential for losing a significant percentage of their value.
- 4.3 To ensure a level of liquidity within the Fund, at least 5% of the Fund must be invested to provide liquidity within 7 days.
- 4.4 The above liquidity and illiquidity requirements apply to the entire Fund as a whole.
- 4.5 Liquidity risk will be monitored regularly to ensure that illiquidity does not present a significant risk to the meeting of future planned spending requirements of the Portfolio.

5. MONITORING OF INVESTMENT PERFORMANCE

- 5.1 The investment performance of the Fund will be monitored against the investment return objective, risk tolerances and liquidity requirements set out in sections II-IV. Performance reports generated by the Investment Managers will be consolidated quarterly and will be reviewed by the Committee, but for evaluation of overall investment performance, results will be assessed over significantly longer periods of time meant to capture a full economic cycle, such as rolling five-year periods.
- 5.2 In addition to the above, risk reporting will assess the additional financial risks incurred by the Crop Trust in pursuing its investment objective, as well as analysis of whether the expected returns justify the risks taken. These financial risks include, but are not limited to:
 - Concentration Risk – The Committee recognizes the risks that may arise from the lack of diversification of investments. The Investment Managers therefore aim to ensure their asset allocation results in an adequately diversified portfolio. Some investment exposure is obtained via pooled vehicles.
 - Inflation and Interest Rate Risk – The risk that investments do not keep pace with inflation. Investing in bonds introduces interest rate risk and inflation risk.
 - Equity Risk – The uncertainty of the return from equities is captured in the form of equity risk.
 - Exchange Rate Risk – the risk from unhedged investments in currencies that deviate from the currencies of expenditures from the Fund.

- Currency Risk – To the extent that assets are denominated in a different currency (or in currencies indifferent proportions) compared to expected spending, there is a risk that adverse currency moves could impact the Fund’s ability to support the Crop Trust’s spending. The Crop Trust values its assets and considers its risk in USD terms. Whilst the Crop Trust has a global remit and spending can be made in a variety of currencies, for the foreseeable future, spending from the Fund will be predominantly in USD. Therefore, the Crop Trust aims to maintain a portfolio which is well diversified by currency and does not consider it cost effective to hedge currency exposure (for example, into USD).
- Likelihood of reporting a negative average real return of the Fund over certain time periods.
- Derivative risk - The risk associated with investments in derivative contracts which are associated with market risk, control and monitoring risk, legal risk, liquidity risk, leverage and collateral management.
- Counterparty risk - The possibility that a counterparty will not fulfil its contractual obligations.

6. SPENDING

- 6.1 Each calendar year, the Crop Trust makes available to be spent up to 4% of the Fund’s average market value over the preceding twelve quarters ending December 31.
- 6.2 For new funds coming into the Fund, the default policy is that they are incorporated into the spending calculation by allowing them to roll into the moving average as part of the market value of the Fund. In other words, no change is made to the previous market values to account for the new inflows. However, the Committee recognizes that substantial new inflows may be received and may carry with them associated spending obligations. As such, the Committee will have the discretion to adjust previous market values for the express purpose of reflecting new inflows.

7. DELEGATION OF RESPONSIBILITIES

- 7.1 Finance & Investment Committee:
- High-level evaluation and monitoring of Fund performance and risk levels relative to the established objective, risk tolerances and other investment policies and the periodic reporting of these to the Board along with any other substantive matters.
 - Oversight of the Crop Trust’s investment risks and ensuring that an appropriate control environment is in place to govern the management of investment risks.
 - Retention or dismissal of outside professionals (Investment Managers and Consultants).
 - Granting any necessary waivers from this IPS and the stated objectives therein and reporting of these to the Board.
 - Recommendation of the investment objectives, risk tolerances and other investment policies, for approval to the Board.
- 7.2 Crop Trust Staff:
- Oversight of day-to-day activities of the Fund and the implementation of any changes approved by the Committee.

- Periodic reporting to the Committee and/or the Board.

7.3 Investment Managers:

- Selection of specific Fund holdings in accordance with the Fund's investment policy and manager-specific guidelines.
- Measurement and evaluation of performance of the Fund and its underlying Asset Managers and reporting to Crop Trust staff and the Committee as agreed.
- Ongoing monitoring of the underlying Asset Managers currently employed.
- Reporting on developments that have had, or may have, a material impact on Fund performance.
- Periodic review of the investment policy and objectives.
- Environmental, Social and Governance monitoring of the Fund
- United Nations Principles of Responsible Investment ("UNPRI") reporting for the entire Fund
- Performance reporting for the Fund

The Committee is authorized to delegate certain responsibilities to assist it in properly meeting the overall Committee responsibilities as outlined above.

8. INVESTMENT MANAGEMENT PROCEDURES

8.1 The Crop Trust retains Investment Managers to manage the Fund on a discretionary basis while fully respecting the investment objective, risk tolerances, liquidity requirements and other provisions of this Investment Policy Statement.

8.2 The Committee has delegated the manager selection and strategic asset allocation decisions to the Investment Managers and these will be implemented in line with the more detailed Investment Management Guidelines that are agreed with the Investment Managers.

8.3 Strategic Asset Allocation

The investment policy of the Crop Trust will follow a prudent approach, aligned to the long-term strategic objectives of the Fund. To ensure this, the Fund shall be diversified among a broad range of asset classes in accordance with the detailed Investment Management Guidelines agreed on with each Investment Manager who will define a Strategic Asset Allocation for its portion of the Endowment, respecting the provisions of this Investment Policy Statement. The Strategic Asset Allocations will be reviewed on a periodical basis by Crop Trust staff, at least annually.

8.4 Tactical Asset Allocation

The Investment Manager is allowed to make tactical adjustments to its Strategic Asset Allocation subject to the target investment return, risk tolerances and liquidity parameters and other provisions of this Investment Policy Statement. This will be permitted within the asset allocation bandwidths agreed upon with the Crop Trust staff and formalized in the Investment Management Guidelines agreed with the Investment Manager.

8.5 Investment Managers latitude to gain exposure to securities or markets on the Crop Trust's behalf through the use of derivatives, leverage, or short sales should be decided on a case by case basis, based on a thorough review of their experience and resources.

9. REBALANCING

9.1 The Fund's investment objective, risk tolerances and liquidity requirements as set out in sections II and IV effectively define the risk profile to be adopted by the Crop Trust. The Fund's actual risk will be monitored regularly relative to the targets, but will be allowed to vary within predetermined ranges formalized in the Investment Management Guidelines agreed with the Investment Manager. The default should be to rebalance at least annually to the risk tolerances, subject to deviations due to extreme valuations and/or liquidity concerns.

10. RESPONSIBLE INVESTMENT POLICY

- 10.1 The Crop Trust, as a responsible asset owner, considers that responsible and sustainable investment and good stewardship may enhance long-term Fund performance, and is therefore aligned with its fiduciary duty. Further, mitigating risk and capturing investment opportunities driven by the integration of environmental, social and governance (ESG) issues may have a material impact on investment returns across all asset classes. Therefore, the Crop Trust considers ESG integration into its investment process to be an important component of its investment strategy and could support the broader mission and objectives of the Crop Trust.
- 10.2 The Crop Trust is a signatory to the United Nations Principles of Responsible Investment (PRI), an initiative that includes an international network of investors working together to put Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices. As part of its commitment to the PRI, the Crop Trust is committed to undertake annual PRI reporting.
- 10.3 This policy is focused on high-level principles as this fits with our position as an asset owner with delegated asset management. We require our external asset managers to follow these principles.
- 10.4 The Crop Trust has reviewed its approach to environmental, social and corporate governance (ESG) and has established the ESG beliefs set out below. We will use these beliefs to guide our thinking on how to develop and implement our approach to responsible investment.

The Crop Trust believes that:

- It is important to manage its investment fund in a way that could support its broader mission and objectives;
 - Sustainable investment and good stewardship can enhance the long-term performance of our fund;
 - Exclusions (screening companies out of a portfolio) are an important means of limiting reputational risk; and
 - Being a responsible investor is important for maintaining stakeholder support and ensuring the sustainability of the Trust and its ability to attract and retain high-calibre human resources.
- 10.5 We acknowledge that ESG factors may have a material impact on investment returns and risks across all asset classes, although these impacts may be clearer in some asset classes than for others.
- 10.6 The Crop Trust recognizes that some ESG issues are particularly sensitive and require investors to consider this in their handling of them. Some activities and products may be in conflict with our mission to ensure the conservation and availability of crop diversity for food security worldwide. Within this context, the Crop Trust will continue to work with its investment managers to monitor these.
- 10.7 The Crop Trust actively considers RI capabilities when selecting and monitoring its investment advisors and investment managers, encouraging its

investment advisors and investment managers to proactively consider and integrate ESG issues. The Crop Trust monitors the decisions of its investment managers' regarding ESG issues that may have a material impact on the value of the Crop Trust's assets and monitors the active ownership activities of its investment managers. The Crop Trust encourages its external investment advisors and investment managers to be signatories, and demonstrate commitment, to the PRI.

11. SALES OF GIFTED SECURITIES

- 11.1 All securities received from donors will be sold as soon as practical and the cash allocated as part of regular rebalancing of the Portfolio.

12. CONFLICT OF INTEREST POLICY

- 12.1 Members of the Committee and Crop Trust Staff are charged with the responsibility for decisions which, in their judgment, best serve the long-range interests and objectives of the Crop Trust. At times, the Committee and Staff may consider matters in which they or immediate family members have a direct or indirect financial interest. In order to resolve any questions of conflict of interest, whether real or apparent, the Committee adopts the following practices:

- Investment management firms for which any member of the Committee or Staff, or immediate family members, is either a director, owner or general partner, or is otherwise employed by the investment firm, are ineligible to manage funds for the Crop Trust. A fund of funds with an investment in an underlying fund managed by a member of the Committee shall not be considered a conflict of interest but shall be disclosed.
- Members of the Committee or Staff who have invested personal or family assets with a firm that is also managing assets of the Crop Trust shall not automatically be viewed as having a conflict of interest, but shall recuse themselves from decisions where conflicts of interest may arise.
- Members of the Committee and Staff shall disclose to the Committee on a case-by-case basis any relevant facts or circumstances that might give rise to a conflict of interest, or perception of a conflict of interest, with respect to matters that come before the Committee. This shall include knowledge of prospective donors who are being considered as potential investment managers for the Crop Trust.