The Global Crop Diversity Trust

Statement of Investment Beliefs
and
Investment Policy Statement

[Approved by Executive Board]

October 2019

CONTENTS

1. INTRODUCTION: STATEMENT OF INVESTMENT BELIEFS

1.1. This document has been prepared by the Finance and Investment Committee (the "Committee") of the Crop Trust.

1.2. The purpose of the document is to set out the investment beliefs held by the Committee, in order to help guide and support effective decision-making in relation to the investment of the Crop Trust endowment's assets.

1.3. In March 2017 the Committee stated that alignment between the endowment's investment strategy and the Crop Trust's mission is important.

1.4. This document is the first of a set of two which provide a governance foundation in relation to the investment of the endowment's assets. These documents are:
- Statement of Investment Beliefs
- Investment Policy Statement

1.5. These documents will be reviewed annually by the Finance & Investment Committee.

2. HIGH LEVEL STRATEGIC INVESTMENT BELIEFS

2.1. Risk and return:
- The Committee believes that risk and return are related, and it is appropriate to take risk to seek to generate additional return.
- The Committee is willing to tolerate the risk that the assets do not deliver the level of return expected of them and can fall in value, in the short term in particular and also the longer term.

2.2. Diversification of assets reduces risk and volatility
- Genuine diversification of assets across asset classes, sources of returns and managers' strategies, reduces risk and volatility.
- Equities are an attractive asset class for generating long term returns and exposure within equities should be diversified within and across international markets including emerging markets.
- There is benefit in diversifying exposure across alternative sources of return and across markets, this includes assets or strategies which take responsible or sustainable themes (for example by reducing carbon risk).

3. SECOND ORDER STRATEGIC BELIEFS

3.1. A premium can be earned from investment in illiquid assets
- The Crop Trust can tolerate a degree of illiquidity and the Committee believes that an illiquidity premium can be earned from holding illiquid assets for the medium to longer-term.
- The illiquidity premium can often more than compensate for the potential disadvantages associated with such asset classes; such as complexity, higher fees, lower transparency and the reliance on manager skill.

3.2. Active management decisions from the long-term strategy are expected to add value
- The Committee believes that it is possible to add value through active management across and within asset classes in certain circumstances.

- The Committee is willing to implement such an approach within the Crop Trust's investment strategy where this could improve the efficiency of the Crop Trust's investment arrangements and it is important to consider these returns net of all fees.

4. RESPONSIBLE INVESTMENT

4.1. 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.

4.2. 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.

4.3. 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.

4.4. The Crop Trust has reviewed its approach to environmental, social and corporate governance (ESG) and has established the ESG beliefs set out below. These beliefs guide our thinking on how to develop and implement our approach to responsible investment.

4.5. The Crop Trust believes that:

4.5.1. It is important to manage its investment fund in a way that supports its broader mission and objectives;

4.5.2. Sustainable investment and good stewardship can enhance the long-term performance of our fund;

4.5.3. Exclusions (screening companies out of a portfolio) are an important means of limiting reputational risk and they may also be used to create a tilt away from themes which are viewed as detrimental in relation to financial risk or return; and

4.5.4. Being a responsible investor is important for maintaining stakeholder support and ensuring the sustainability of the Crop Trust and its ability to attract and retain high-caliber human resources. ESG practices can affect the performance of companies and assets in which the Crop Trust invests and should therefore be considered where relevant to the assessment of value and mitigation of investment risk.

4.5.5. That factors beyond financial considerations may impact the assets within the endowment portfolio. Investments should be consistent with the Crop Trust's values and protect the Crop Trust's reputation.

4.5.6. Climate Change specifically poses a financial risk and therefore it is appropriate to take this into consideration in setting asset allocation and selecting investment managers.

4.5.7. It is appropriate to proactively allocate to assets or strategies which take responsible or sustainable themes. This could be to: (a) align to the Crop Trust's values; (b) enhance the Crop Trust's reputation; (c) take advantage of perceived opportunities; or (d) manage risk.

5. SELECTION OF INVESTMENT MANAGERS

5.1. Consideration of RI capabilities when selecting managers

- 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.

5.2. Active management is appropriate for some asset classes

- The Committee believes that active investors may deliver superior performance net of fees and costs compared with a passive approach. The use of active management, when employed, should deliver superior risk adjusted performance net of fees.
- A measurement period of 3-5 years is typically appropriate to measure an active manager's relative performance. The Crop Trust is willing to tolerate short term deviations from benchmark (i.e. periods of relative underperformance) in the pursuit of superior returns.
- As stated, the Committee believes that Climate Change specifically poses a financial risk and therefore it is appropriate to take it into consideration in selecting investment managers.

5.3. Past performance should not be solely relied on when appointing investment managers

- It is possible with expert advice to select investment managers in certain asset classes / markets who are likely to deliver outperformance / manage risk better relative to the market based on comprehensive due diligence considering such factors as the investment managers' investment approach, team and processes.
- Past performance may be an indicator of manager skill, but it is not a suitably reliable indicator to be considered in isolation.

6. INTRODUCTION: INVESTMENT POLICY STATEMENT

6.1. 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").

6.2. This document is the first of a set of two which provide a governance foundation in relation to investment of assets. These documents are:

- Investment Policy Statement
- Statement of Investment Beliefs

6.3. 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 9.

6.4. 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.

7. PURPOSE OF THE ENDOWMENT FUND

7.1. The Crop Trust was established to provide sustainable, long-term funding to support the operation of a rational, effective and efficient global system to secure crop diversity forever, through ex situ conservation. The ex situ conservation of crop diversity is by its very nature a long-term task and only consistent and reliable support from an endowment fund can secure a global system that is too important to leave to chance. This is why such an endowment was deliberately placed at the heart of the Crop Trust's mission to provide long-term, predictable financial support towards the core operating expenses of the world's most important crop collections, including the Svalbard Global Seed Vault.

8. INVESTMENT OBJECTIVE

8.1. 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. It has been agreed that spending will be capped at 2% of the value of the endowment below USD 500 million, and 4% of the value of the endowment above USD 500 million, subject to the discretion of the Executive Board. With this goal in mind and given the spending policy adopted by the Crop Trust, the Fund aims to attain an annualized real total return[1] of 4%, net of fees, over rolling ten-year periods.

8.2. 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 in section 10 and in the Statement of Investment Beliefs.

[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.

9. RISK TOLERANCE

9.1. 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) Taking a longer-term approach to risk management, the probability of delivering a negative real return over a 10-year period should be maintained below 20%.

(b) Conditional Value at Risk – the forward looking one-year conditional value at risk, at a 95% probability level, should be less than 25% of the value of the Fund.

(c) On a forward looking basis, the aim should be to maintain the annualized 10-year volatility of the portfolio within a target range of 10-13% per annum.

9.2. In looking to control risk and pursue its investment objective, the Crop Trust will assess the financial risks and consider whether expected returns justify the risks taken. These financial risks include, but are not limited to:

- Concentration Risk - The Crop Trust recognizes the risks that may arise from the lack of diversification of investments and, therefore, aims to ensure their asset allocation results in an adequately diversified portfolio
- 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 and will be monitored and managed by the delegated Investment Managers
- Equity Risk - The uncertainty of the return from equities is captured in the form of equity risk and will be monitored and managed by the delegated Investment Managers
- Currency Risk - To the extent that assets are denominated in a different currency (or in currencies in different 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 all currency exposure (for example, into USD)
- Reputational or fund-raising risk as a result of reporting a negative average real return of the Fund over certain time periods. This is managed by communicating with donors and stakeholders the long-term horizon of the Fund and the long-term average investment returns of the Crop Trust
- 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. This risk will be monitored and managed by the delegated Investment Managers
- Counterparty risk - The possibility that a counterparty will not fulfil its contractual obligations. This risk will be monitored and managed by the delegated Investment Managers
- Active management risk - this is the risk that active managers underperform their targets. This will be managed by setting targets within each asset class in terms of a benchmark, outperformance relative to benchmark and tracking error.

10. LIQUIDITY REQUIREMENTS

10.1. The Crop Trust 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 Crop Trust also recognizes that a degree of liquidity risk is acceptable to capture an illiquidity premium on investments. Noting that the illiquid allocation takes time to build and rebalance, a target of 20% of the Fund will be invested in illiquid assets. New commitments to such investments may be restricted if necessary to ensure future compliance.

10.2. "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.

10.3. To ensure a level of liquidity within the Fund, at least 5% of the Fund must be invested to provide liquidity within 7 days.

10.4. The above liquidity and illiquidity requirements apply to the entire Fund as a whole.

10.5. Liquidity risk will be monitored regularly to ensure that illiquidity does not present a significant risk to meeting the future planned spending requirements of the Portfolio.

11. MONITORING OF INVESTMENT PERFORMANCE

11.1. The investment performance of the Fund will be monitored against the investment return objective, risk tolerances and liquidity requirements set out in sections 2 to 4. 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 longer periods of time meant to capture a full economic cycle, such as rolling five-year periods.

12. SPENDING

12.1. The amount the Crop Trust makes available to be spent in a given calendar year will be subject to a limit calculated with reference to the Fund's average market value over the preceding twelve quarters ending December 31. This limit is 2% of assets up to USD 500 million and 4% of any assets above USD 500 million, subject to the discretion of the Executive Board.

12.2. 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.

13. STRATEGIC ASSET ALLOCATION

13.1. The investment policy of the Crop Trust will follow a prudent approach, aligned to the long-term strategic objectives of the Fund.

13.2. It is the responsibility of the Finance & Investment Committee to set the overarching strategic asset allocation for the Fund.

13.3. The Fund shall be diversified among a broad range of asset classes in accordance with the strategic asset allocation and each manager will be asked to manage its portion of the Fund in line with the provisions of this Investment Policy Statement.

13.4. Ultimately this Investment Policy Statement and the strategic asset allocation contained therein are meant to serve as guiding frameworks and common reference points and will be kept under active review by the Finance & Investment Committee.

13.5. The Strategic Asset Allocation is set out below:

Total assets

Asset Class	Target Allocation
Developed Equity	40.0%
Emerging Market Equity	5%
Fixed Income*	25%
Liquid Alternatives**	10.0%
Private Markets	20.0%
Total	**100%**

13.6. For rebalancing purposes after taking into account the private markets allocation, the following allocation will be used:

Liquid assets – target allocation 80%

Asset Class	Target Allocation	Range***
Developed Equity	50%	
Emerging Market Equity	6.25%	
Fixed Income*	31.25%	
Liquid Alternatives**	12.5%	
Total	**100%**	

* Including high yield bonds, multi asset credit and emerging market debt including investment grade government and corporate bonds
** Assets which can be readily sold, say within 3-6 months, and exhibit low equity correlation (includes cash)
*** Ranges to be determined following implementation of one strategic asset allocation

13.7. Performance returns in asset classes will be measured with reference to the following indices:

Asset Class	Reference Index
Equity	
Developed Equity	MSCI World
Emerging Market Equity	MSCI Emerging Markets
Small Cap. Equity	MSCI World Small Cap (NDR) Index

Fixed Income	
High Yield Bonds	ICE BofAML BB-B Rated Developed Markets High Yield Constrained Index
Multi Asset Credit	50% ICE BofAML Global High Yield Constrained Index 50% S&P US Leveraged Loans Index
Emerging Market Debt (Local Currency)	J.P. Morgan GBI EM Global Diversified Composite Index
Emerging Market Debt (Hard Currency)	
Global Corporate Debt	Barclays Customised Buy & Maintain Index
Global Sovereign Debt	ICE BofAML World Sovereign Bond
Liquid Alternatives	HFRI FoF: Market Defensive Index
Cash and other	ML LIBOR 3 Month

13.8. Illiquid Assets – Target allocation 20%

- This investment could include private debt, private equity, infrastructure, property and land. The illiquid nature of these assets mean it may take time for allocations to be built up and then rebalanced.
- The illiquid assets will be divided between the Investment Managers according to their ability to identify good opportunities in this area consistent with the Crop Trust's objectives and policies.
- As the cash is drawn down to meet commitments to illiquid investment funds this will be sourced from liquid assets so as to bring the allocation of liquid assets between the managers towards an even split.

13.9. Tactical Asset Allocation

- The Investment Managers are allowed to make tactical adjustments to their 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 defined in section 8.6.

13.10. Rebalancing and Cash Flow

- The Fund's investment objective, risk tolerances and liquidity requirements as set out in the Investment Policy Statement 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 the predetermined ranges set out above and 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.
- When a disinvestment is required to meet cash flow requirements or an investment is available to be made (for example as a result of a donation) the Crop Trust Staff will make this investment with the Investment Managers who in turn will invest it in line with the Strategic asset allocation set out in the investment management guidelines.
- In relation to illiquid assets there will be drawdowns requested and cash released from time to time. These should be taken from or paid to the liquid portfolio of the manager running that particular illiquid allocation. This process should be monitored to remain on target relative to the asset allocation between managers set out above.

14. DELEGATION OF RESPONSIBILITIES

14.1. 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.

14.2. 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.

14.3. 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.

15. RESPONSIBLE INVESTMENT POLICY

15.1. The Crop Trust has reviewed its approach to environmental, social and corporate governance (ESG) practices and has established ESG beliefs which are set out in the Statement of Investment Beliefs.

15.2. 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 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.

15.3. The Crop Trust is a signatory to the UN Principles for 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 undertaking annual PRI reporting.

16. SALES OF GIFTED SECURITIES

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

17. CONFLICT OF INTEREST POLICY

17.1. 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.