MADAGASCAR
PROTECTED AREAS
AND BIODIVERSITY
FUND

FAPBM

Investment Policy

CONTENTS

1. Presentation and mission of the Foundation

Within the framework of the implementation of the National Charter of the Environment adopted by the Law n° 90.033 of December 21st, 1990, modified and completed successively by the Law n° 97-012 of June 06th, 1997 and the Law n° 2004-015 of August 19th, 2004, and the contribution of the environmental actions to the economic development and to the reduction of poverty in Madagascar, it was decided to set up a strategy of sustainable financing of these actions.

One of the objectives of the National Environmental Action Plan, which is the foundation of all environmental action, is to establish, conserve and sustainably manage a network of protected areas representative of Madagascar's biological diversity and natural heritage, which is unique in the world.
To this end, the Foundation for Protected Areas and Biodiversity of Madagascar («the Foundation» or «FAPBM»), was created on January 6th, 2005 at the initiative of the Malagasy government, the World Wildlife Fund and Conservation International. It is governed by the Law n°2004-014 of August 19th, 2004, which reforms the regime of the Foundations in Madagascar. The Foundation is recognized as being of public utility, according to the Decree 2005-024 dated on January 20th, 2005.

The Foundation has statutes completed by internal regulations.
The Foundation's mission is to contribute to sustainable human development through biodiversity conservation and enhancement, with sustainable funding mobilization for the System of Madagascar's Protected Areas.

FAPBM can manage 4 types of funds:

- The endowment fund: its management is the subject of this document. It has theoretically an unlimited life span.
- The sinking funds: these are funds which core and income that can be generated are disbursed for a specified period of time. They therefore have a limited life span.
- Funds with a management mandate: Resources used to finance specific activities within the scope of the Foundation's mission and whose management is entrusted to it by a third party without the funds being legally transferred to the Foundation.
- Revolving funds: These could be revenue-driven funds, possibly on a regular basis, notably from fees, fines or earmarked taxes.

2. Purpose of this document

The purpose of this Investment Policy («IP» or «the Policy») is to clearly state the objectives of the financial management of the Foundation's capital i.e. the endowment fund, to specify the strategic asset allocation and related investment guidelines, to specify performance and risk indicators, and to provide any other relevant information.

This policy applies to investments in international markets. FAPBM reserves the right to invest part of its capital in financial vehicles in Madagascar. The amount of local investments is determined by the Board of Directors.

The Policy does not address the financial management of funds other than the Endowment Fund, mentioned in Section 1.

3. Investment Policy Objective

FAPBM must operate in the very long term. Therefore, its financial assets through its capital endowment must be managed to provide for its needs in perpetuity.

The Foundation's financial management objective is to generate sufficient investment performance to enable it to fulfil its environmental mission, while preserving in real terms (i.e., after inflation) and over the long term the value of the capital contributed to it, converted at each contribution into the reference currency (see section 6.1). The same investment policy applies to all contributions to the Foundation's capital.

In terms of relative priorities, the order of importance of the Policy is set as follows:

I. **Make the annual distributions necessary to fulfill the Foundation's mission and which are compatible with the possibilities offered by its investment portfolio (see section 5 on the «Rules of expenditure»),**
II. **Preserve the capital in the reference currency over a rolling 10-year horizon,**
III. **Grow capital, by the amount of inflation or even a little more, thanks to the generation of a performance above the payout ratio.**

FAPBM also has an extra-financial objective, namely to use its capital with a goal of double impact: a return on investment and a tangible and positive action on the social and environmental level (see section **6.6** on " **sustainable and responsible investments**").

4. Governance and responsibilities

4.1 Board of Trustees

Under the Foundation's statutes, the Board of Trustees (or «CA») adopts the Investment Policy. It approves revisions and amendments to the Policy and recruits and dismisses fund managers and custodians (see section 4.4).

The Board of Trustees may delegate some tasks to the Investment Committee (see section 4.2) in accordance with the Foundation's statutes and rules of procedure (see Annex). Although it may use the services of an independent financial advisor (see section 4.5), **the Board of Trustees, under the Article 6 of the Foundation's Statutes, remains at all times the first decision-maker and retains full responsibility for the financial management of the capital.**

In accordance with the statutes, the Treasurer is particularly responsible within the Executive Committee of the Foundation for the supervision of its financial activities.

4.2 Investment Committee

An Investment Committee ("IC" or "the Committee") may be set up in accordance with the statutes and the internal regulation of the Foundation. **The Committee, mandated by the Board of Trustees, oversees the implementation and performs any function relating to the Investment Policy**. The Committee shall draw up and propose to the Board of Trustees the Investment Policy and any necessary revisions or amendments.

The IC makes recommendations for the Board's decision in the long-term interest of FAPBM and the beneficiaries of its action, in a prudent and impartial manner.

The IC may be required to take a decision for which it has received an express delegation from the Board of Trustees : in this case, the President of the Committee may proceed through a rotating opinion process among the members of the Committee and take a decision on behalf of the Committee. Such a decision must be validated at the next meeting of the Committee.

The Board of Trustees may include non-members of the Board of Trustees in the IC on the basis of their skills and motivations. The selection criteria for these individuals relate to their proven knowledge of the different asset classes in which the Foundation's portfolio is invested, their recognized experience in the management of financial asset portfolios and their sensitivity to the Foundation's values and objectives. They may be chosen by co-optation or following a public call for expressions of interest.

In the operation of the Committee, all members of the IC have equal rights.

In carrying out its mission, the IC may also have recourse, on an ad hoc basis, to independent external experts. These experts do not participate in the IC's internal decision-making processes.

In the general event that the Foundation calls asset managers and external custodians, the Committee initiates the recruitment procedures for these service providers, submits to the Board of Trustees the final decision on their recruitment, monitors their performance and, if necessary, proposes their dismissal. In special cases where the

Foundation invests directly without using the services of an asset manager, investment decisions are taken by the Board of Trustees upon the proposal of the Investment Committee.

The President of the Investment Committee shall be the privileged interlocutor of the external service providers, in particular of the asset managers for investment or divestment decisions as well as for any reason which might cause the Foundation to fear significant risks from a financial or reputational point of view. **The President of the Investment Committee is also the privileged interlocutor of the independent financial advisor**

As generally applies to the members of the Board of Trustees, IC members refrain from participating in the decision-making that the BOARD must make when they involve a risk of conflict of interest. In particular, where the situation arises, the following two rules must be respected:

- Each member of the Committee is required to declare any potential conflict of interest;
- The member of the concerned Committee shall abstain from taking part in the discussions.

The IC receives on a periodic basis reports prepared by the Executive Director (see section 4.3) and reports on these bases to the Board of Trustees.
The IC determines its mode of operation in accordance with the statutes and the internal rules of the Foundation.

4.3 Executive Management

The Executive management ("the Management) is responsible for the implementation of the decisions of the Board of Trustees concerning investment policy.

The IC, especially its President, continuously collaborates with the Executive management, in particular with the Executive Director ("the ED") in determining the information necessary for the investment decision-making, for the validation of the capital outflows/inflows and for various compliance and plausibility checks.

To this end, the Executive management could possibly recruit additional staff and acquire or subscribe to information sources necessary for decision making or for the monitoring of the investment portfolio.

In accordance with the IC that determines its scope of action, the ED can be a regular interlocutor of the asset managers, of the external service providers in general but also of the independent financial advisor.

The ED participates in the processes of revision of the Investment Policy and the dismissal of an external manager or service provider.

The ED assists the IC in the preparation of the various periodic reports for the Board of Trustees as well as in the drafting and presentation of an annual investments report.

4.4 External service providers: Asset managers and custodians

4.4.1 Selection

External asset managers and custodians will be chosen prudently and diligently through competitive tenders based on transparent criteria.

4.4.2 Responsibilities of the asset managers

Asset managers operate either in discretionary mode (in general case, with full discretion for the management of the assets entrusted to them, subject to compliance with contractual guidelines) or in advisory mode (in this case, they propose each act of management to the IC, which confirms its agreement).

Therefore, the discretionary asset manager manages the funds entrusted to him in accordance with the Investment Policy and the relevant specifications (allocation ranges, authorized and prohibited transactions, expected performance, benchmarks, periodic reports and information). He decides on the tactical allocation and the selection of securities or vehicles (purchases and sales) in order to best achieve the objectives that have been given to it. He is required to apply the utmost diligence in the management of the Foundation's funds.

From the Foundation's point of view, the discretionary asset manager has an obligation of result. Its performance is measured against one or more specific benchmarks.

It must also be available for the IC, the ED and/or the independent financial advisor, in order to set out its management strategy, present its analysis of market conditions, report on the composition of the portfolio and justify its absolute and relative performance. It must provide full transparency on its management. He must provide a monthly statement of his management, a summary annual statement and be able to produce a statement of the situation on request.

The discretionary asset manager is required to inform the IC, the ED and/or the independent financial advisor of any significant change in its shareholding structure, in its management teams, and more generally in anything that could affect its ability to fulfill the specifications given to it.

The asset manager in advisory mode makes proposals on the use of the funds entrusted to him in accordance with the Investment Policy and the specifications that concern him. It has the same obligations of diligence, availability, transparency, communication and information as the discretionary manager. As the Foundation is the final **decision-maker, the asset manager in advisory mode has an obligation of means**, rather than an obligation of results.

4.4.3 Responsibilities of the custodian bank.

The custodian retains the part of the assets entrusted to it. On behalf of the Foundation, it holds the assets (equities, bonds, etc.) and cash accounts (all currencies). It ensures the settlement of all purchases / sales and all deliveries / receipts of securities. It collects information on asset income (dividends in the case of stocks, coupons in the case of bonds) and manages any withholding taxes. It administers securities transactions (equities dividends, splits, consolidations, mergers, recalls, etc.). It carries out foreign exchange transactions. It may also exercise the voting rights attached to the securities, upon instruction.

4.4.4 Management and transaction fees

Discretionary asset managers must adhere to the management fee schedule they have committed to, without compromising on quality and avoiding any conflict of interest. They must also communicate periodically, and at least twice a year, an estimate of the transaction fees that have determined the net performance of the mandates entrusted to them.

4.4.5 Performance review and evaluation

The extent to which the managers' results are consistent with their performance and risk objectives, as well as with the rules set forth in this Investment Policy, shall be determined.

The Board of Trustees of FAPBM will evaluate the management results of each asset manager over

a period of at least 3 (three) years, but reserves the right to revoke the mandate of an asset manager for any reason, including for:

- Portfolio performance significantly below expectations (against benchmark);
- A substantially higher level of risk (against a predefined threshold);
- Violation of the rules of this Investment Policy, as transcribed in the manager's specifications, including in terms of communication;
- Significant changes in the manager's organization and qualified personnel, altering the foundations on which the mandate was granted (e.g. skills).

More generally, asset managers will be subject to regular monitoring by the Investment Committee and the Executive Board with the support of the independent financial advisor if this task has been delegated to it, both quantitatively (results) and qualitatively (capabilities).

The decision to allocate a mandate or to terminate the mandate of a manager cannot be the result of a formula. It is the confidence of the Board of Trustees and the Investment Committee in the asset manager's ability to achieve its objectives in the future that ultimately determines a manager's retention.

The Board of Trustees may also assess the quality of the custodian bank's services on the recommendation of the Investment Committee.

4.5 Independent financial advisor

A financial advisor may be recruited by the Board of Trustees, on the proposal of the Investment Committee.

In general, it assists the IC and the ED for:

- The establishment and the revisions of the Investment Policy (and related decisions);
- The selection of the investments and the financial service providers (asset managers, custodians, technical advisorson specific topics determined by both parties if necessary);
- The evaluation of investment performance and risk;
- The monitoring and control of executions;
- The production of a monthly or quarterly report about the state of the Foundation's portfolio, as well as the annual report; and
- Any other appropriate task.

The Investment Committee is the preferred interlocutor of the financial advisor.

5. Expense rule

The spending rule sets a percentage of the value of the Foundation's assets that can be allocated each year to
to its protected area funding activities and its own operations each year.

Based on projections of its resources and needs, the Foundation targets an expense ratio of approximately 3.5% of **the average portfolio value in the reference currency** (see section 6.1), taken as of June 30th, of the three years preceding the year in which the distribution is made[1] . **This rate may be adjusted by the Board of Trustees based on an arbitration, depending on the circumstances, between the protection of the financial capital of the portfolio and the financing needs for protected areas and the preservation of the biodiversity.**

6. Investment Strategy

6.1 Reference currency

1 Example: the amount of the distribution for 2021 will be decided in July 2020, with a ceiling based on the value of the financial assets on June 30th, 2018, June 30th, 2019 and June 30th, 2020.

The Foundation's reference currency for investment policy is the US dollar (USD).

Funds received in currencies other than the US dollar «USD» must be immediately converted into US dollars «USD», with the exception of those received in Ariary, which are primarily used for local expenditure forecasts for the coming year.

6.2 Performance objective

The long-term objective for the Foundation's financial assets is to generate an annual return of 4% net of all expenses over rolling periods of seven to ten years[1].

In technical terms, the performance of the Foundation's capital portfolio is evaluated in Total Return, i.e. the sum of capital gains and income received.

The quality of the strategic asset allocation (see section 6.5.1) will be judged by the performance of the said allocation, calculated using the related duly weighted benchmarks (see section 6.5.4) in comparison with the above-mentioned performance target.

The level of analysis then focuses on the quality of **the management of the financial service providers**, i.e. asset managers with discretionary mandate or advisory: it will focus on the aggregate performance of the portfolio, compared to the performance of the strategic allocation.

In addition, following the annual investment report, the Investment Committee will prepare comments and recommendations for the Board of Trustees on the quality of the advice provided by the financial advisor.

6.3 Risk approach

The Foundation has clearly a medium and long-term investment horizon. The Foundation defines investment risk as:

- An inability to fulfill its mission (i.e. to reach its annual distribution budget);
- A lasting decrease in its financial assets to below the value of the contributed capital.

The Foundation is aware that, in order to achieve its performance objective, which is a medium- and long-term objective (see section 6.2), it will be subject to a risk resulting in a fluctuation in the instantaneous value of its portfolio, thus implying volatility in its short-term performance. The magnitude of this volatility will depend on the more or less significant movements in the values of some or all of the components of its asset allocation (see section 6.5.1).

Performance objective and acceptable level of risk-taking are two closely related factors: the net return target of 4% over seven to ten years corresponds, according to statistical and optimization methods commonly used by the universe of asset managers, to a **level of risk tolerance (or loss of value[2]) of -10% over a year.**

This level of risk, in combination with the performance objective, determines a strategic asset allocation (see section 6.5.1). If the Foundation decides in the future to revise its performance target upwards, it will also have to adjust this level of tolerance upwards. This will result in a change in the strategic asset allocation.

In addition, the Foundation may occasionally be required to use other risk indicators[3] for which the Investment Committee would explain their usefulness to the Board of Trustees in due course

1 See section 4.4.4 and section 7.4
2 This level of tolerance over a year is technically called «Expected Shortfall with a confidence interval of 95% and a horizon of one year, or CVaR 95% 1 year»: in simple terms, it is the estimate of the average % of loss of value of the portfolio in the 5% of the most unfavorable cases observed by statistical and optimization methods
3 Such as those technically known as ex-ante volatility, Value at Risk i.e. VaR, stress-testing

6.4 Investment guidelines

6.4.1 Authorized asset classes

The Foundation can invest in all traditional (including equities, bonds) or alternatives (including private equity vehicles and vehicles investing in real estate) asset classes.

Investments can be made directly or via collective vehicles (funds), subject to the compliance with the restrictions in force (see section 6.4.2).

6.4.2 Restrictions

The following constraints must be respected by each financial service provider:

- No investments in offshore hedge funds (regulated and liquid formats such as UCITS or equivalent are allowed);
- No direct investment in unlisted equities;
- No leveraged buying or short selling;
- No securities lending/borrowing (repo) operations;
- In the case of direct investment, the value of an issuer's securities may not exceed 5% of the allocated capital, except for government bonds with AA+ or AAA ratings (at both S&P and Moody's);
- The use of options, futures and other derivatives is permitted only in connection with a strategy for hedging the portfolio's foreign exchange risk. These products must be traded on a leading regulated market.

In case of non-compliance with a ratio constraint, the portfolio must be readjusted within a maximum of one month.

It is important to note that other restrictions exist, related to the Foundation's responsible investor approach (see section 6.6).

6.4.3 Foreign exchange risk (currencies)

Foreign exchange risk will generally be fully hedged for cash (current accounts and money market funds) and bonds, and as far as possible for other asset classes. In any case, the currency hedging rate will be at least 80% at the portfolio level.

An analysis of the relevance, strategy and methodology of currency hedging will generally be made annually by the Investment Committee in conjunction with the Financial Advisor for each asset class.

6.4.4 Liquidity

Given the very long-term nature of its capital investments, FAPBM has a strong tolerance for illiquidity. This allows for greater diversity in the asset classes used, thus a better portfolio robustness as part of its long-term objectives. This long-term anchoring also allows a better connection with the growth of the real economy.

6.5 Strategic asset allocation and management system

6.5.1 Strategic asset allocation

In order to combine its performance objective (see section 6.2) with its risk constraints (see section 6.3), the Foundation has determined the strategic asset allocation as follows:

Type of asset	Target weight
US Government Bonds	5%
Corporate Bonds USD (Investment Grade - IG)	30%
Global High Yield (HY) Bonds	15%
Emerging Market Bonds (MS)	5%
Listed Equities	25%
Impact Investing - Private Debt	8%
Impact Investing - Private Equity	12%

Thus, the weighting of «debt» type instruments (bonds and private debt) amounts to 63% against 37% for «equity» type instruments (listed equity and private equity).

The effective investment in Impact Investing - Private Equity will not reach the set strategic weight (12%) for several years. In the meantime, FAPBM Investment Committee may decide to allocate the sums pending for this sub-pocket to the share invested in listed equity so that the cumulative weight of the two categories approaches the 37% targeted (see section 6.5.2).

The portfolio will be rebalanced on a quarterly basis. This allocation focuses on assets invested in financial markets and impact investing, and does not include the cash portion (including the cash flow required for one year of operation).

6.5.2 The impact Investing pocket

The nature of the private equity and private debt investments (see also section 6.6.4) means that **it takes several years (typically 5-6 years) to build up a sustainable exposure to these types of underlyings.**

In order to ensure that the cash allocated to these investments does not hinder the performance of the portfolio, this cash is invested on a transitory basis in money market funds and/or US Treasury bonds. **However, the management of these transitional investments is the responsibility of the Investment Committee, which may propose to the Board of Trustees to invest this cash in other asset classes.**

6.5.3 Management system

For each asset class, or even for each sub-category, the Foundation allocates part of its capital to the asset manager it deems most qualified (skills, cost, services, reputation) for this role.

It is possible that a service provider has more than one mandate, but given the specialization of financial actors, the necessary competition, and counterparty risks, the Foundation generally works with several managers.

The Foundation will pay the greatest care to the choice of the organization(s) depositary(ies) of its financial assets (custodian), using reputable and leading service providers. The function of depositary is distinct (but not incompatible) from the function of asset manager.

6.5.4 Benchmarks.

Benchmarks (benchmark indexes that «represent» the asset classes chosen by the Foundation) are systematically indicated to managers in their management mandates. For its strategic asset allocation, the Foundation uses the following benchmarks. They may be modified in the future as part of a review of the Investment Policy or if other benchmarks better represent the Foundation's objectives.

- **Equity** allocation: MSCI World NR (expressed in USD)
- **US Government Bond** Allocation: ICE BAML US Treasury Index (USD) [G0Q0]
- **USD Corporate Bond** Allocation (IG): ICE BAML US Corporate Index (USD) [C0A0].
- HY **Global Bond** Allocation: ICE BAML Dev. Markets High Yield Constrained TR (USD hedged) [HYDC]
- **Emerging Markets** Bond Allocation : Bloomberg Barclays EM USD Aggregate Index[1]
- Impact / **Private Debt & Private Equity** Allocation: 6.8% net (weighted[2]).

Benchmarks may vary slightly, on a case-by-case basis, depending on the particular constraints of the Foundation and/or the asset managers. They are given here as an indication (the Board of Trustees, or the Investment Committee if such a task is delegated to it, may adapt them according to the investment strategies chosen).

6.6 Sustainable and Responsible Investment (ISR).

6.6.1 The ISR process

The ISR process is an investment process that takes into account in particular the social and environmental consequences of both positive and negative investments, in the context of rigorous financial analysis. It encompasses seven different strategies:

- Sectoral or value-based exclusions;
- Regulatory exclusions;
- Best-in-Class ;
- ESG integration (environmental, social, governance);
- Thematic investment focused on sustainable development;
- Impact Investing ;
- Engagement and voting on ESG topics.

In terms of ISR and consistent with its purpose, the Foundation has two objectives: (i) to ensure that its investments are compatible with its values and mission, and (ii) to strengthen its social and environmental impact.

6.6.2 Sectoral exclusions and compatibility with the values and mission of FAPBM

Compatibility with the Foundation's values and mission results first and foremost in sectoral exclusions. These sectors pertain:

- weapons;
- tobacco;
- Games of chance;
- Pornography;
- Strong alcohol intended for human consumption;
- Fossil fuels including all companies whose main activities are extraction and/or production and/or distribution of energy produced by the combustion of coal, oil or natural gas ;

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1 Or a combination of JP Morgan EMBI (USD) Global Diversified (governments) and JP Morgan CEMBI (USD) Global Diversi- fied (companies).
2 Taking into account a respectively 40%/60% allocation and targets of respectively net 5.75% and 7.5%.

- Extractive industries other than fossil fuels, including all Companies whose main activities are the extraction and/or Extractive industries other than those relating to fossil fuels, including all companies whose main activities are the extraction and/or processing and/or distribution of non-renewable minerals, raw or processed.

This compatibility is also reflected in normative exclusions, i.e. by the checking,company by company, of compliance with the ten main principles of the United Nations[1] Global Compact.

These sectoral and normative exclusions apply to all directly held company securities. They will apply, in the case of indirectly held companies securities (i.e. via funds), realistically and progressively if they are already part of the holdings.

The Foundation recognizes that, regardless of the extent of the effort involved, it is impossible to ensure that each security of the Foundation's portfolio makes a whole positive contribution to the preservation of nature

6.6.3 «Watch list»

The Foundation believes that some industries are more likely than others to cause negative impacts on nature and environment in general. Particular attention should therefore be paid to decisions to invest directly in Companies operating in the following sectors:

- Nuclear power generation;
- Extraction of renewable resources, including fisheries;
- Agriculture, particularly industrial agriculture;
- Industries using wood and paper;
- Non-fossil energy production, in particular hydroelectric energy;
- Chemical industries;
- Civil engineering and construction.

However, the Foundation points out, that not all companies in these industries conduct their business in an environmentally harmful manner and some have strong policies and processes in place in terms of social and environmental responsibility.

6.6.4 Social and Environmental Impact (Impact Investing)

Impact Investing is defined as» Investing with the intent to generate both financial returns and purposeful, measurable, positive social or environmental impact». It is therefore quite natural and compatible with the Foundation's mission to devote part of its investments to financial instruments working in this direction.

This strengthening of FAPBM's social and environmental impact is reflected in the strategic allocation of 20% of its capital investments to vehicles that combine financial return and impact. This percentage may be revised, starting two years after the adoption of this Investment Policy, upwards or downwards by the decision of the Board of Trustees upon the proposal of the Investment Committee.

In order to ensure the financial robustness of the portfolio, the geographical exposure is international and the sectoral exposure is plural. However, because of its geographical membership and its environmental mission, the Foundation allows respectively a «focus» for investments in Africa (at least 30%) and for investments turning to environmental protection (at least 30%).

The service provider(s) in charge of this Impact Investing allocation will be required to publish an annual impact report (environmental and social) in addition to their financial report. In addition, in view of the very specific and often ad hoc process of the actual commitments and returns (in the form of revenues or sales) of the underlying investments, these providers will periodically provide, as far as possible and at least on request, a table of individual and consolidated cash flow forecasts.

1 https://www.unglobalcompact.org/what-is-gc/mission/principles

6.6.5 Impact of the ISR approach on the selection of managers and vehicles

When looking for new investment managers, regardless of asset class, **due diligence should include an analysis of how ESG risks and opportunities are integrated into the investment process.**

Managers will be asked to specify the available resources to analyze ESG factors, including the staff and their expertise, and the external research services used. Once selected, managers will be encouraged to discuss about the ESG aspects in their reports to FAPBM.

In any new contract with managers, and if it appears necessary at the time of their recruitment and to the extent that the management method allows, the latter should undertake:

- • To provide in their periodic reports information on the committed % to the sectors mentioned in the exclusions and the «Watch list»;
- • To immediately communicate any information on a title of these sectors or in the entire sector that is likely to damage the reputation of the investors.

7. Performance monitoring and periodic reporting

7.1 Financial performance and risk indicators

Performance is evaluated on a Total Return basis, net of fees, and in Time Weighted mode. They are tracked in both absolute and relative terms (deviation from the benchmark), the latter being the most important calculation for managers.

In agreement with the financial advisor who will analyze the feasibility of communicating in a simple way the estimate of the risks involved that have made it possible to achieve the level of performance of the portfolio, financial risk indicators could be gradually integrated into the reports.

7.2 Extra-financial performance indicators

As the ISR approach of FAPBM develops, the provision of extra-financial indicators (e.g. ESG scores or environmental footprint including CO_2 emissions) will be imposed on the various providers. As for the general part of the patrimony, this should be the case within two years of the adoption of this Investment Policy. As for the Impact Investing part of the assets, this is already the case since the first impact report was published in June 2017, for the year 2016.

7.3 Periodic reporting

Each asset manager is required to produce a monthly report. The independent financial advisor will monitor and consolidate assets in order to produce a detailed report on a quarterly basis (or more frequently if necessary) for the Investment Committee and the Board of Trustees. The Board of Trustees may share these quarterly reports with contributors to the capital.

7.4 Fee reporting

The ED, assisted by the independent financial advisor, shall periodically communicate to the IC, as % of the amount managed and in the amount expressed in the reference currency, the costs that determined the net performance of the investment portfolio of the capital of the Foundation over the corresponding period. These costs must detail:

- Management fees due to discretionary asset managers;
- fees estimated by these discretionary managers for the execution of their transactions;
- Management fees due to advisory managers;
- Custody fees;
- Fees due to the financial advisor(s).

8. Review of the Investment Policy

The Board of Trustees (or the Investment Committee, if delegated) will review the Investment Policy at least every three years to ensure that it remains consistent with the Foundation's objectives and realistic in relation to the financial environment. This Investment Policy should not be changed often. In particular, short-term fluctuations and financial market volatility should not require a fundamental adjustment of this Policy, which is a long-term policy.

This Investment Policy was formally adopted by the Board of Trustees at its session on July 27th,

2020. On behalf of the Board of Trustees:

Anitry ny Aina RATSIFANDRIHAMANANA	**Bruno RAJASPERA**	**Fredy RAJAONARERA-ANDRIAMBELO**
President of the Board of Trustees	**Vice-President of the Board of Trustees**	**Treasurer Officer**
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Annex 1

Extracted from the statutes

Article 6 – Authority

6.1 In accordance with the provisions of the law, the Board of Trustees is the policy-making and the administrative body of the Foundation.

6.2 It is responsible for guiding the Foundation's interventions towards the achievement of its objectives. To this end, it issues directives and monitors their implementation.

6.3 As a steering body, the Board of Trustees, on the proposal of the Executive Director:

a. Decides on the Foundation's priority intervention programmes;
b. Approves the criteria for the selection of funding that may be granted by the Foundation;
c. Approves, in accordance with these criteria, the action and funding programmes proposed by the Executive Director;
d. Defines the general investment policy of the Foundation's assets, approves the investment criteria and recruits the fund manager(s) of its choice;
e. Receives and hears the moral and financial report presented annually and prepared by the Executive Director;
f. Receives, discusses and approves the accounts for the financial year ended;
g. Lays down procurement rules for projects financed by the Foundation. These powers may not be delegated.

6.4 As a guiding body, the Board of Trustees is vested with all the powers necessary for the proper functioning of the Foundation.

6.5 The Board of trustees may delegate part of its administrative powers to the Executive Committee, the President of the Board or the Executive Director under the conditions and within the limits set out in the Internal Regulations. In accordance with the law, however, the Board is however only entitled to :

a. Amend the Statutory Provisions;
b. Adopt the Rules of Procedure and operation manuals, as well as their subsequent amendments;
c. Recruit the Executive Director and establish his employment contract according to the conditions established in the Rules of Procedure;
d. Approve the organizational chart and general staff rules proposed by the Executive Director;
e. Grant any guarantee or endorsement as well as any mortgage on the property of the Foundation;
f. Approve the Foundation's budget;
g. Accept the donations made to the Foundation and the conditions relating thereto;
h. Decide on the creation of representations of the Foundation;
i. Decide on the dissolution of the Foundation or its merger with another foundation;
j. Appoint or replace the External Auditor and his alternate;
k. Discuss issues affecting the Trustees;
l. Follow up on audit recommendations.

Annex 2

Extracts from the Rules of Procedure

C – COMMITTEES

ARTICLE 14 – MEMBERSHIP – TERM OF OFFICE

14.1 In accordance with the provisions of the Article 9.1 of the Statutes, the Board of Trustees may appoint Committees duly mandated to carry out or perform any specific function and responsibility.

14.2 The composition of each Committee shall be decided by the Board of Trustees. Committees may include members who are not members of the Board of Trustees. They may enlist the assistance of external experts for the purposes of their work.

14.3 Each Committee shall be chaired by a member of the Board of Trustees who reports to the President of the Board of Trustees. A Trustee may not be a member of more than two Committees.

14.4 The term of office of the members of these Committees shall be fixed by the Board of Trustees, depending on the scope of their mission and the nature of their work.
14.5 Any member of a Committee may resign or be removed from office by the Board of Trustees.

ARTICLE 15 – MODALITIES OF MEETING

15.1 Once mandated, these Committees may meet as many times as necessary and in any place whatsoever until the fulfillment of their mandate, which must be ascertained by a report addressed to the Board of Trustees or in an annual activity report.

15.2 The results of the work are submitted for consideration and possible approval to the Board of Trustees at its meetings, as part of the reports on the activities of the Foundation. The proposals put forward by the Committees, in relation to the purpose of their mission, are not binding on either the Executive Committee or the Board of Trustees.

15.3 Each Committee shall determine its own mode of operation.

15.4 The Secretariat for the meetings of the Committees shall be provided by the Executive Director or his representative.

ARTICLE 16 – REIMBURSEMENT OF THE EXPENSES

16.1 In accordance with the provisions of the Article 7.1 of the Statutes, the functions within Committees are voluntary.

16.2 Committee members shall, however, receive allowances to cover reasonable expenses incurred at committee meetings and shall be reimbursed only on evidence. The Board of Trustees shall establish clear policies regarding mode and costs of transportation, per diem and other reasonable expenses incurred in the exercise of their office on a committee.