STATEMENT OF INVESTMENT POLICY, OBJECTIVES AND GUIDELINES

September 2018
SCOPE OF THIS INVESTMENT POLICY

This statement of Investment Policy reflects the policy, objectives, and limitations for the investment of the assets of the Seychelles Conservation and Climate Adaptation Trust (hereafter referred to as the “Trust” or “SeyCCAT”).

PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of Investment Policy is approved and adopted by the Board of Directors of the Seychelles Conservation and Climate Adaptation Trust in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Trust’s assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Trust’s assets.
4. Establish a basis for evaluating investment results.
5. Manage the Trust’s assets according to prudent standards.
6. Establish the relevant investment horizon for which the Trust’s assets will be managed.

The purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Board of Directors of the Seychelles Conservation and Climate Adaptation Trust is a fiduciary, and is responsible for directing and monitoring the management of the Trust’s assets. As such, the Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:
1. Investment Management Consultant. The Board of Directors may direct SeyCCAT to hire an investment management consultant who shall assist the Board of Directors in: establishing and reviewing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time and measuring and evaluating investment performance.

2. Investment Managers. The Board of Directors may direct SeyCCAT to select and hire, or may authorize an investment management consultant to select on its behalf, investment managers. Each investment manager has discretion to purchase, sell, or hold specific securities that will be used to meet the Trust's investment objectives. Investment managers will be contracted for investment of portions of the Trust’s assets in their specialized area of expertise. Investment managers in each asset category are expected to adhere to that category of investment, and each manager’s performance will be compared to relevant benchmarks.

3. Custodian. The Board of Directors may direct SeyCCAT to hire, or authorize the investment consultant or investment managers to hire, a custodian who will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Trust, 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 Trust’s accounts.

4. The Board of Directors may direct SeyCCAT to hire additional specialists such as tax attorneys, auditors and others to assist the Board of Directors in meeting its responsibilities and obligations to administer the Trust’s assets prudently.

All expenses for such experts must be customary and reasonable, and will be borne by the Trust as deemed appropriate and necessary.

The Board of Directors will reserve any control over investment decisions, with the exception of specific limitations described in this Statement of Investment Policy, Objectives and Guidelines, or otherwise communicated by the Board of Directors in writing to the Investment Management Consultant or Investment Managers. The Investment Management Consultant and Individual Investment Managers will be held responsible and accountable to make every effort to achieve the objectives herein stated. While it is not believed that the limitations will hamper investment managers, each manager should request modifications that they deem appropriate.
DEFINITIONS

1. "Trust" shall mean the Seychelles Conservation and Climate Adaptation Trust.

2. “Donors” The Nature Conservancy and any other entities that donate funds to the Trust.

3. "Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over Trust management or any authority or control over management, disposition or administration of the Trust’s assets.

4. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

5. "Investment Manager" shall mean any individual, or group of individuals, employed to manage the investment of all, or a portion of the Trust’s assets.

6. “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 Trust is 10 years, with a long-term horizon of perpetuity.

7. “Qualifying OECD countries” shall mean any of the following countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom or United States of America.

8. "Securities" shall refer to the investment securities that are defined as acceptable in this statement.

9. "Board of Directors" shall refer to the governing Board of Directors of the Seychelles Conservation and Climate Adaptation Trust.

ASSIGNMENT OF RESPONSIBILITY

Responsibility of the Board of Directors

The Board of Directors is charged with the responsibility for the management of the assets of the Seychelles Conservation and Climate Adaptation Trust. The Board of Directors shall discharge its duties solely in the interest of the Trust, with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. The specific responsibilities of the Board of Directors relating to the investment of the Trust’s assets include:
1. Establishing reasonable and consistent investment objectives, policies and guidelines, which will direct the investment of the assets of the Trust's endowment. These are identified in this document.

2. Evaluating the Trust's financial needs and communicating those needs to the Investment Consultant on a timely basis.

3. Adhering to all applicable laws and regulations.

4. Prudently and diligently selecting qualified investment professionals, including investment consultants, managers and custodians.

5. Regularly evaluating the performance of the investments to assure adherence to policy guidelines and monitor progress in achieving investment objectives.

6. Developing and enacting proper control procedures with the investment consultant; i.e. replacing investment managers due to fundamental change in the investment management process, deleterious change in personnel at investment management firms or failure to comply with established guidelines.

Responsibility of the Investment Consultant

Investment advice concerning the investment management of Trust’s assets may be offered by an Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of an Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.

2. Conducting investment manager reviews at least annually and new manager searches when requested by the Board of Directors.

3. Providing "Due Diligence", or research, on Investment Manager(s) including a peer manager review performed on an ongoing basis, no less than annually.

4. Monitoring the performance of the Investment Manager(s) to provide the Board of Directors with the ability to determine the progress toward the investment objectives.

5. Communicating matters of policy, manager research, and manager performance to the Board of Directors.
6. Reviewing Trust investment history, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Board of Directors.

7. Attending an annual meeting of the Board of Directors to review past year progress and discuss issues relevant to the investment management and spending of the Trust.

**Responsibility of the Investment Manager(s)**

Each Investment 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. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.

2. Reporting, on a timely basis, quarterly investment performance results.

3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process of the Trust's investment management.

4. Informing the Board of Directors (either directly or through the Investment Consultant) regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

5. Instruction on voting of stock proxies, as indicated by the Board of Directors, through the Investment Consultant or by direct communication with the individual asset managers, on behalf of the Trust. Also, communicating such voting records to the Board of Directors on a timely basis.
GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Trust.

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

3. Investment of the Trust shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to diversify.

4. The Board of Directors, through its Investment Managers or Investment Consultant, will employ this strategy to attain the Trust's objectives.

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

INVESTMENT MANAGEMENT POLICY

1. Preservation of Purchasing Power - Consistent with their respective investment styles and philosophies, investment managers and investment consultants should make reasonable efforts to preserve the Trust’s capital, 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 principal plus achieving growth in excess of the rate of inflation.

2. Risk Aversion - Understanding that risk is present in all types of securities and investment styles, the Board of Directors recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Trust's objectives. However, investment managers and investment consultants employed by the Trust are to make reasonable efforts to control risk, and will be evaluated regularly by the Board of Directors to ensure that the risk assumed is commensurate with the given investment style and objectives.

3. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated for adherence to those investment styles.
GOAL OF THE TRUST

The Board of Directors believes that the Trust’s Endowment is intended to exist in perpetuity, and therefore, should provide for grant making in perpetuity. To attain this goal, the long-term objective of the Trust is to maintain the Endowment’s purchasing power, and when possible to increase the Endowment’s capital in excess of inflation. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the Endowment's investment horizon. Therefore, expectations may be expressed by the following equation:

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\text{Increase in Purchasing Power} = (\text{Total Investment Return} + \text{Contributions Received}) - (\text{Spending} + \text{Trust Expenses} + \text{Inflation})
\]

Performance will be benchmarked against relevant index measures to provide a comparative framework. The primary goal is positive absolute return in order to fulfill the purposes of the Trust, cover the Trust’s expenses, and compensate for long-term inflation.

DISBURSEMENT POLICY

The Board of Directors will set disbursement of up to 5% of the previous five years average monthly portfolio value determined at the end of each fiscal year minus gifts received. At this time, disbursement is not expected to occur for 20 years. However, it is possible that this time frame may be accelerated. The Spending equation can be expressed as:

\[
\begin{align*}
\text{Annual Disbursement (i.e., Withdrawals from the SeyCCAT’s Assets):} & \\
& \text{Expenses minus Donations Received} \\
& \quad \text{and} \\
& \quad \text{Increase in Purchasing Power of the Trust} = \\
& \quad \text{Total Investment Return minus Withdrawals minus Inflation}
\end{align*}
\]
INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Seychelles Conservation and Climate Adaptation Trust is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

The primary objective in the investment management of the Trust’s assets shall be:

Grow the Trust’s assets over the next twenty years. After which point – a quarterly draw will be made from the portfolio to finance the regular spending needs of the Seychelles Conservation and Climate Adaptation Trust. However, it is possible that this time frame could be accelerated.

The secondary objective in the investment management of Trust’s assets shall be:

Preservation of Purchasing Power After Spending - to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of the Trust’s assets. Risk control is an important element in the investment of the Trust’s assets.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement, the goal of investing the Trust’s aggregate assets is to meet or exceed the following return net of investment fees and expenses:

An absolute rate of return of 7%, using a three-year rolling average.

The investment goal above is the objective of the aggregate Trust, and is not meant to be imposed on each investment account (if more than one account is used). The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index or blended market index agreed upon by the Board of Directors that most closely corresponds to the investment manager’s style of investment management.

2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.
DEFINITION OF RISK

The Board of Directors realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Seychelles Conservation and Climate Adaptation Trust’s assets understands how it defines risk so that the assets are managed in a manner consistent with the Trust's objectives and investment strategy.

The Board of Directors defines risk primarily as:

Not maintaining purchasing power over the Trust's investment time horizon. Purchasing power is defined as value of principal adjusted for US dollar or Euro-denominated inflation.

The Board of Directors defines risk secondarily as:

Unacceptable fluctuation in the value of Trust’s assets during a one-year period. This is defined as an 8% down or 20% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio is subject to excessive volatility risk. When the measure is triggered it will require a complete review of investment strategy with the investment consultant and/or investment managers. Some level of corrective action is required to prevent further out-of-limits volatility.

LIQUIDITY

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

To maintain the ability to deal with unplanned cash requirements that might arise, the Board of Directors requires that a minimum of 0.5% of Trust’s assets shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury Bills.

MARKETABILITY OF ASSETS

The Board of Directors requires that 90% or more of Trust’s assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Trust, with minimal impact on market price.
INVESTMENT GUIDELINES

Allowable Asset Classes include the following financial instruments issued by Governments or private sector financial institutions of Qualifying OECD countries:

1. Cash Equivalents allowed:
   • Government Treasury Bills
   • Money Market Funds
   • Commercial Paper
   • Banker's Acceptances
   • Repurchase Agreements
   • Certificates of Deposit

2. Fixed Income Securities allowed include the following:
   • Fixed Income Securities rated B or higher by Moody’s or Standard & Poors
   • Corporate Notes and Bonds and Preferred Stock of companies rated B+++ or higher by Moody’s or Standard & Poors

3. Equity Securities allowed include the following:
   • Stocks of Companies rated B or higher by Moody’s or Standard & Poors (Ordinary Shares)
   • Convertible Notes and Bonds and Convertible Preferred Stock of companies rated B or higher by Moody’s or Standard & Poors

4. Mutual Funds allowed include the following:
   • Open-end Mutual Funds that invest in securities as allowed in this statement.
   • Closed-end Mutual Funds that invest in securities as allowed in this statement.

5. Alternative Investments allowed include the following:
   • Guaranteed Investment Contracts (GICs)
   • Real Estate Investment Trust (REITs)
   • Managed Commodities and Futures Mutual Funds, excluding agricultural commodities
   • Highly diversified Real Estate Investment Mutual Funds

Prohibited Asset Classes

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

1. Derivative Securities (defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities)
2. Hedge Funds
Social and Environmental Screening

Companies and industry categories may be excluded from investment due to social or environmental screening preferences. The Board of Directors may instruct the Investment Consultant or Investment Managers to impose screening on the management of assets including the exclusion of investment due to social and environmental preferences. This is to be done on a “best efforts” basis. Any such requirements will be agreed upon by the Board of Directors and conveyed in writing to the Investment Consultant or Investment Managers, who will be responsible for assuring compliance for all investments made by investment managers on behalf of the Seychelles Conservation and Climate Adaptation Trust.

Environmental, Social and Governance (ESG) screening is applied to all funds except those that are invested in local currency (as there is no such facility for local invested funds, e.g. in t-bonds or t-bills). Constant Capital, SeyCCAT’s investment advisor, has identified ESG screened-index funds funds that align with the following assets classes.

Asset Allocation Guidelines

Investment management of the assets of the Seychelles Conservation and Climate Adaptation Trust shall be in accordance with the following asset allocation guidelines:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Preferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>10%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>40%</td>
<td>80%</td>
<td>40%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Cash and Equivalents</td>
<td>0.5%</td>
<td>20%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

2. The Board of Directors may employ investment managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Trust, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such investment managers will receive written direction from the Board of Directors regarding specific objectives and guidelines.
3. In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board of Directors will instruct the Investment Consultant or Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.
Diversification for Investment Managers

It is not necessary that securities held in the Trust represent a cross section of the world economy. However, in order to achieve a prudent level of portfolio diversification, the equity securities of any one company should not exceed 3% of the Trust’s total assets, and no more than 20% of the Trust’s total assets should be invested in any one industry. Individual government-issued securities may represent up to 5% of the Trust’s total assets.

Currency Exposure Management

The Trust’s Board of Directors or the Finance Committee of the Board of Directors will carefully monitor the exposure of the Trust to different currencies. The value of the Trust’s assets will be reported to the Board of Directors in U.S. dollars. The Trust’s Directors may decide to diversify exposure to different currencies in order to protect the value of the Trust’s assets, with the objective of maintaining global purchasing power. No more than 5% of the value of the Total Trust should be invested in investments denominated in a currency of any one developing country economy, with the exception of the Seychelles Rupee, in which up to 10% of the value of the Total Trust may be invested in investments denominated by the Seychelles Rupee, and no more than 20% in the aggregate. In general, exposure should be over 80% in the currencies of Qualifying OECD countries.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Trust’s assets may be invested only in investment grade bonds rated B (or equivalent) or better. High-Yield Bond and Convertible Bond Investments up to 5% of portfolio value are exempt from this requirement and allowable but must be managed by a well-established firm with a high degree of capability in credit analysis and invested in a portfolio with a record of competent credit management.

2. Fixed income maturity restrictions are as follows:
   • Maximum maturity for any single security is 30 years.
   • Weighted average portfolio maturity may not exceed 15 years.

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

SELECTION OF INVESTMENT MANAGERS

The Board of Directors’ selection of Investment Consultants and Investment Managers must be based on prudent due diligence procedures. A qualifying investment manager must be a bank or insurance company, or in the United States, a registered investment advisor under the Investment Advisors Act of 1940.
INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant or Investment Managers shall be compiled quarterly and communicated to the Board of Directors for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Directors intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate an Investment Consultant or Investment Managers 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.

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.

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

INVESTMENT POLICY REVIEW

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

This statement of investment policy is adopted on November 19, 2015 by the Board of Directors of the Seychelles Conservation and Climate Adaptation Trust.

An update to the original policy was concluded on 12 October, 2018 by the Board of Directors of the Seychelles Conservation and Climate Adaptation Trust.