Interim Panel of Eminent Experts for the Establishment of the Global Crop Diversity Trust

Report of the Sixth Meeting

IPGRI, Maccarese, Italy, 10-11 March 2005

The Interim Panel of Eminent Experts for the Establishment of the Global Crop Diversity Trust, held its sixth meeting at IPGRI's headquarters at Maccarese, near Rome, Italy from 10 - 11 March 2005

The following Members of the Panel were present:

- Ambassador Fernando Gerbasi (Chair)
- Lukas Brader, (Vice-Chair) Director-General, International Institute of Tropical Agriculture (retired);
- Andrew Bennett, Executive Director, Syngenta Foundation;
- Lewis Coleman, President, Gordon and Betty Moore Foundation (retired);
- Tewolde Berhan Gebre Egziagher, Director General, Environmental Protection Authority, Ethiopia;
- Geoffrey Hawtin, Interim Executive Secretary, (*ex officio)*;
- Chebet Maikut, Member of the Executive and Agricultural Research Committees the International Federation of Agricultural Producers and President of the Uganda National Farmers' Federation;
- Mohammad Roozitalab, Chairman, Global Forum for Agricultural Research and Deputy Director General, Agricultural Research and Education Organization, Islamic Republic of Iran;
- Setijati D. Sastrapradja, Senior Scientist, Indonesian Institute of Sciences.

Members of the Interim Panel of Eminent Experts, who were unable to attend, sent their regrets:

- Walter Fust, Ambassador, Director General, Swiss Agency for Development and Cooperation
- Ismail Serageldin, Director, Library of Alexandria, Egypt.

The following attended as observers:

- H.E. Ambassador Helmy Bedair, Ambassador of the Arab Republic of Egypt
- Emile Frison, Director-General, IPGRI;
- Katharina Jenny, Senior Advisor, Natural Resources and Environment Division, Swiss Agency for Development and Cooperation;

Mahmoud Solh, Director, Crop Production and Protection Division, FAO;
Yasser Sorour, Embassy of Egypt;
Donelle Wheeler, Counsellor, Development Cooperation, Australian Delegation to the OECD.

The following attended as resource persons:
Anne Clyne, Financial Officer, Global Crop Diversity Trust;
Kakoli Ghosh, Agricultural Officer, AGPS, FAO
Julian Laird, Director for Development, Global Crop Diversity Trust;
Arturo Martinez, Chief, Seed and Plant Genetic Resources Service, FAO;
Gerald Moore, Legal advisor, Global Crop Diversity Trust;
Ruth Raymond, Global Crop Diversity Trust and IPGRI;
Martin Smith, Secretariat of the Commission on Genetic Resources for Food and Agriculture, FAO;
Clive Stannard, Secretariat of the Commission on Genetic Resources for Food and Agriculture, FAO;
Jane Toll, Director, Global Partnerships Programme, IPGRI.

Welcome and introduction

The Chair, Ambassador Fernando Gerbasi, welcomed the members of the Interim Panel of Eminent Experts and observers and informed the meeting that Ambassador Walter Fust was unable to attend. He thanked IPGRI for hosting the meeting and the Secretariat for preparing the documents.

He informed the meeting of the outcome of the discussions on the Trust that had taken place at the 2nd meeting of the Interim Committee of the International Treaty which had requested the IPEE to continue and to act as the interim Executive Board of the Trust until the Executive Board, as constituted according to the Trust's constitution, has been established and holds its first meeting. This request had been conveyed to the members of the IPEE, who had agreed to the request.

His Excellency Helmy Bedair, Ambassador of the Arab Republic of Egypt, addressed the meeting and expressed, on behalf of the Minister of Agriculture and Land Reclamation, the interest of the Government of Egypt in supporting the Trust. He reconfirmed the Government's pledge of 1 million Egyptian Pounds to the Trust and expressed the interest of his Government in hosting the Secretariat. The Chair welcomed the statement and expressed his thanks, on behalf of the IPEE, for the strong support of the Egyptian Government for the Trust.

Appointment of Executive Secretary (closed session)

Lukas Brader, Chair of the Search Committee, briefed the meeting on the process that had been followed in identifying suitable candidates for the position of Executive Secretary. The position had been advertised widely and more than 400 institutions and individuals had been contacted, an advert had been run in the Economist and a vacancy announcement and position description had been posted on the Trust's and several other websites. The

IPEE expressed its gratitude to the Personnel Division of the Swiss Agency for Development and Cooperation which had handled the application process on behalf of the Trust. In all, approximately 60 applications were received.

In October 2004, the Search Committee, comprising Lukas Brader (Chair), Andrew Bennett, Ambassador Fernando Gerbasi, Mohammad Roozitalab and Mahmoud Solh (FAO, *ex-officio*), had met to review all applications and to recommend a short-list for further consideration. This list had been endorsed by the Interim Panel of Eminent Experts at IPEE5. In order to fulfill the constitutional requirement to consult with respect to the appointment, the shortlist was shared, in confidence, with the Bureau of the Commission on Genetic Resources, acting as the Interim Committee of the International Treaty. It was also made available to the Donor Council. Members of both bodies were invited to submit their comments on the candidates. No objections to any of the candidates had been expressed. Referees were contacted for all candidates and requested to provide a confidential assessment.

Each of the short-listed candidates was invited to Rome on 8 or 9 March, 2005 to make a presentation to the Search Committee and staff associated with the Trust, followed by a 1½ hour interview with the Committee alone.

The Search Committee had been very impressed with the quality of all five candidates interviewed. However, based on his experience, references, presentation and interview, the Committee strongly recommended to the IPEE that the position be offered to Dr. Cary Fowler. Following further discussions, the IPEE accepted the recommendation and unanimously **agreed** to offer the position of Executive Secretary to Dr. Cary Fowler for a period of five years. The Chair and Interim Executive Secretary were requested to make the necessary arrangements with FAO for Dr Fowler to be issued a contract. It is expected that Dr. Fowler will take up the post in late July/early August 2005.

Establishment Agreement

On 21 October 2004, the Trust acquired its legal personality under international law when Sweden and Colombia signed the Agreement to Establish the Global Crop Diversity Trust. With the signature of Sweden, the requirements specified in the Agreement were met, i.e. that the Agreement should be signed by at least seven countries of which at least four must be developing countries and least five of the seven FAO regions should be represented among the signatory countries.

It was reported that since IPEE5 the following countries had signed the Establishment Agreement:

Colombia	21 October 2004
Sweden	21 October 2004
Mauritius	24 November 2004
Serbia and Montenegro	24 November 2004
Cameroon	14 February 2005

The IPEE noted that to date no country from North America or from South, Southeast or East Asia has signed yet.

The Trust is keen to secure additional signatures and the IPEE thus **requested** the Trust Secretariat to continue to seek signatures in its interactions with government representatives. In this respect, India and China were mentioned as important countries that should be pursued to sign the agreement. The possibility should also be considered of requesting the DGs of FAO and IPGRI to renew their invitation to governments to sign.

<u>Donor Council and Executive Board</u>

At IPEE5 it was agreed that, subject to the approval of the donors, for a period of one year all donors to the Trust would form the Donor Council and that the situation would be reviewed at the end of 2005. This was subsequently accepted by the donors, who were each requested to nominate an individual to represent them on the Council.

A process was agreed at IPEE5 for the Donor Council to appoint four members of the Executive Board. However, subsequent events (see below) caused these arrangements to be put on hold. The Interim Panel of Eminent Experts **agreed** that the first meeting of the Donor Council should be convened in October 2005 and that the Donor Council appointments to the Executive Board should be discussed at this meeting and a process agreed for their appointment.

It was also agreed at IPEE5 that the Interim Committee of the International Treaty would be requested, at its meeting in Rome in November 2004, to consider setting up a mechanism for identifying the four Governing Body appointees to the Executive Board. In the event, however, the Interim Committee declined to consider these appointments, preferring to leave this to the first meeting of the Governing Body.

Based on the above, the IPEE revised the process foreseen for the appointment of the Executive Board and **agreed** that the following steps would now be taken:

1) Discussions will take place over the coming few months with the Secretariat of the International Treaty and countries that have ratified the Treaty, concerning the process for securing the Governing Body's appointments at its first meeting - or a process by which they can be made within a few weeks of the meeting. The paper adopted at IPEE4 on the Profile of the Executive Board and Staggering of Terms will be made available to them.

2) The IPEE will call for the first meeting of the Donor Council in October 2005, immediately prior to IPEE7. Discussions will take place at the meeting on the process for making the Donor Council appointments. The process adopted must ensure that there is provision for consultation with the Governing Body to ensure an overall balance among Board membership with respect to countries and regions represented, expertise, gender etc.

3) The Governing Body, at its first meeting (probably in February 2006) will decide on its appointees – or put in place a process for such appointments to

be made in a timely manner – following consultation with the Donor Council and IPEE.
4) In mid 2005, prior to the meeting of the CGIAR Executive Council, the Director General of FAO and the Chair of the CGIAR will be requested to nominate their appointments to the Executive Board.

The IPEE expressed the hope that the appointment process will be completed in time for the Executive Board to hold its first meeting in the second half of 2006.

<u>Relationship with the International Treaty</u>
At IPEE2 in October 2003, the Interim Panel of Eminent Experts approved the text of a draft Relationship Agreement between the Governing Body of the Treaty and the Trust. Because almost 1½ years have elapsed since then, the Panel decided to review the draft prior to it being forwarded to the Treaty Secretariat for consideration at the Governing Body's first meeting.

The IPEE noted that the wording of the proposed final clause of Article 3(1) was inconsistent with the Trust's constitution (*"and the Executive Board of the Trust shall act in accordance with that guidance."*) and **approved** its deletion such that the draft Article would now read: "*Article 3: (1) The Governing Body of the International Treaty shall provide overall policy guidance to the Trust on all matters within the purview of the International Treaty.* "

The IPEE also **approved** the change of "Global *Conservation Trust*" to "*Global Crop Diversity Trust*" in Article 1 and **agreed** to delete Article 8.

The IPEE furthermore agreed to substitute the following wording for Article 5(5): "*Unless the Parties decide otherwise, the tribunal shall determine its own procedure. If the tribunal once constituted fails to reach agreement on its own procedure within six months, either Party may invite the President of the International Court of Justice, or in his absence the vice-president or senior judge, to determine the procedure to be followed by the Tribunal."*

The IPEE **requested** the Trust Secretariat to follow up with the Secretariat of the International Treaty with a view to putting in place a strategy to make sure the revised text of the proposed relationship agreement is considered, and hopefully adopted, at the first meeting of the Governing Body.

A presentation was made by Clive Stannard outlining the main events that are planned over the coming year for the International Treaty and that are of interest to the Trust. He mentioned in particular the importance of the Trust participating in the discussions of the Treaty's funding strategy due to take place in October, 2005. He indicated that based on their individual expertise, IPEE members could make a substantial contribution to the development of funding strategy.

<u>Substitutes and observers (closed session)</u>
The IPEE addressed the issue of whether members who are unable to attend an IPEE meeting could request someone to substitute for them. It was **agreed**

that as members have been appointed to serve in their personal capacity, no such substitutions would be allowed.

The IPEE also addressed the related issue of whether observers are to be allowed to attend open sessions of meetings of the Panel. It was **agreed** that the Donor Council would be asked to advise the IPEE on how best to handle the issue of observers from donor organizations attending future IPEE meetings, bearing in mind that the IPEE wishes to limit the number of observers in order to conduct its business as efficiently and effectively as possible.

Fundraising and communications update

Julian Laird reported that since IPEE5 the Trust has received a pledge from Norway of NOK19 million, equivalent to just over US$3 million. This brought the total pledged to date to more than US$56 million. At the time of IPEE6, approximately US$19.6 million had been received for the endowment fund, with the expectation that this will have risen to almost US$25 million by the end of March.

It was reported that in November the Trust attended the CGIAR AGM in Mexico, and held a side event to celebrate its coming into force as a legal entity. The Secretariat has continued to meet with Permanent Representatives to FAO and over the past year has met with representatives of 37 countries. Discussions, now at the proposal stage, are ongoing with two foundations about strengthening the Trust's North American fundraising capacity.

Although the Trust has three European donors (Switzerland, Sweden and Norway), only Sweden is an EU member. European Union nations remain the most notable absentees from the donor list, and it is hoped that Sweden's donation will represent an important breakthrough for the Trust with EU countries.

Ruth Raymond presented some of the recent activities that have been carried out in the area of communications. Since IPEE5 the website has been redesigned and is now easier to navigate. It allows Secretariat staff to update the site directly and continuously. A collection of articles on the importance of crop diversity, *Start with a Seed*, was published as an insert to the IPGRI magazine *Geneflow.* Several articles about the Trust have appeared in the media.

A Congressional briefing on the Trust had taken place in late February on Capitol Hill in Washington, DC. At the briefing, a report commissioned by the Trust was launched describing the benefits of crop diversity to US Agriculture: *Safeguarding the Future of US Agriculture: the need to conserve threatened collections of crop diversity worldwide*. The briefing was well attended and was followed by a number of appointments with key congressional staff. The following day, a panel discussion and dinner were held at the Smithsonian Museum of Natural History, in collaboration with the Smithsonian and the American Institute of Wine and Food. More than 200 people attended the dinner and it proved a valuable venue for raising awareness of the Trust.

The Trust had an exhibit at the meeting of the Interim Committee of the International Treaty in November. Progress on the Trust was presented to the plenary by the Chair of the Interim Panel of Eminent Experts.

The IPEE **commended** the efforts of the Secretariat in creating awareness and in raising funds, though it was recognized that there is still a long way to go. Concerns were expressed about the small number of Secretariat staff involved in fundraising and communications and the IPEE **requested** that a discussion take place at IPEE7 concerning the Trust's strategy for strengthening its fundraising and communications capacity. The IPEE further **recommended** that greater efforts be made to increase the amount of information available on the Trust's website in languages other than English.

Finance and investment

The Chair of the Interim Finance and Investment Committee (IFIC), Lew Coleman, briefed the IPEE on the outcome of the IFIC meeting that had taken place on 9th March at FAO. In addition to Lew Coleman, the meeting had been attended by Committee members Andrew Bennett and Geoffrey Hawtin. John Lovett was absent from the meeting but sent his comments and suggestion on the various items under consideration. Jenine Langrish (Director, Institutional Investment, HSBC Asset Management - Europe), Josephine Luzon (IPGRI Finance Manager), and Secretariat staff had attended as resource people.

The Committee recommended that the statement of investment objectives and policies be revised with respect to the annual gross spending rate, to include programme and operating expenditures, to 4.5% of the average portfolio value over the previous 6 quarters.

The Committee also discussed the issue of ethical investments and considered the trade-off between maximizing returns and applying a strict ethical screen on all investments. The Committee proposed a statement on ethical investments for inclusion in the revised statement of investment objectives and policies.

The revised statement of investment objectives and policies was approved by the IPEE as in Attachment 1.

It was recommended that the Investment guidelines established for investing the initial US$25 million with HSBC be extended to cover up to the first US$50 million. New investment managers should then be sought through tender for the next $50 million. The IFIC envisages investing the endowment funds in blocks of $50 million such that by the time the Trust reaches US$250 million there would be a total of five managers.

The Interim Panel thus authorized the Interim Executive Secretary of the Trust, through IPGRI, to enter into a contract with HSBC on behalf of the Trust for the management of the assets of the Endowment Fund up to a maximum of US$ 50,000,000. The Interim Executive Secretary is also mandated to enter into an agreement with IPGRI for financial services to be provided to the Trust regarding the operation of the endowment fund. This should include the requirement that joint signatures, one from the Trust and one from IPGRI, will be required for each transaction, to be drawn from the following table of authorized signatories:

Trust	IPGRI
Interim Executive Secretary	Director-General
Assistant Executive Secretary	Assistant Director General
Director of Development	Deputy Director General
Finance Officer	Director, Human Resources
	Director, Corporate Services
	Finance Manager

The contract template for accepting donations was reviewed. Concern was expressed regarding the article which would allow donors to withdraw their funds should the constitution of the Trust be amended in a way that was unacceptable to them. This could turn a grant to the fund into a liability for accounting purposes. The Secretariat was **requested** not to include such a clause in future donor agreements and was further **requested** to contact the donors who had provided endowment funds with such restrictions and to discuss with them the possibility of amending the contracts to remove the restrictions. Any revised text agreed with the donors should be made available to the IPEE.

On the recommendation of the IFIC, the Interim Panel of Eminent Experts **approved** that the Trust appoint Deloitte & Touche as its auditors for the period 2004-2007, to be reviewed annually. There should be a full audit of the Trust for 2004. This decision was based on the fact that for this period Deloitte and Touche have been appointed by IPGRI as their auditors and since the largest share of the Trust's finances are handled through IPGRI this should result in savings in audit costs for the Trust.

It was **agreed** that the Trust should not recruit a Chief Finance Officer immediately but this issue should remain under review. It was suggested that a volunteer investment sub-committee could be established to assist the IFIC.

The IPEE **approved** the working budget for 2005 and asked that an update on the financial situation be provided at IPEE7. The 2005 financial statement should show variance from the approved budget together with appropriate explanations.

Update on regional and crop strategies

All of the regional conservation strategies are currently underway and 17 of the 36 crop strategies will be underway before the end of the year. The IPEE expressed its appreciation for all the work that had been undertaken, stressing that the strategies are extremely important to the Trust as its basis for allocating resources. It was noted that the Trust has a very ambitious vision that needs to be pursued pragmatically. It is very important that there be a high level of agreement with, and ownership of the strategies by all key stakeholders.

Proposal system
The proposed system and instruments for the preparation and approval of proposals was discussed and IPEE members were requested to provide their individual comments and suggestions after the meeting. While it was accepted that the Trust will not encourage unsolicited proposals, it was suggested that the conditions under which the Trust would be prepared to respond to such unsolicited proposals should be made clearer. In all cases they must conform to the Trusts principles and criteria and be in line with an agreed regional or crop strategy. However, it should be recognized that emergency cases are likely to arise that may not have been foreseen in any individual strategy.

The IPEE underlined the importance of carrying out due diligence and risk assessment, particularly with respect to a recipient institution's financial and other management capacity, technical capacity to perform the activities proposed and institutional stability. It was noted that in the proposed project preparation and approval procedures, the Secretariat is charged with ensuring such assessments are undertaken.

The IPEE **requested** that the proposed procedures for project preparation and approval be revised in accordance with the discussion and incorporated in the next version of the Business Plan.

Long-term conservation grants
While the IPEE considered it important for the Trust, even at this early stage of its development, to continue to respond to urgent needs through the award of short-term grants for upgrading and capacity-building, it recognized that there are both advantages and disadvantages with moving ahead early with the award of grants for the long-term maintenance of eligible collections. Such grants should be considered once appropriate strategies have been developed. The IPEE agreed to review the situation at IPEE7.

Trust-FAO-IPGRI agreement to host the secretariat
The IPEE noted with pleasure the progress made on the FAO-IPGRI-Trust Memorandum of Understanding for the joint hosting of the Trust's Secretariat by FAO and IPGRI. Several suggestions were made for its improvement. The Secretariat will take these into account in preparing the final version for signature by the three parties. The IPEE **authorized** the Executive Secretary to sign the agreement on behalf of the Trust.

Interim Executive Secretary
The IPEE expressed its thanks to Geoff Hawtin, the interim Executive Secretary, for whom this will be his last meeting. He has made a very significant and widely acknowledged contribution to the establishment of the Trust.

Recognizing his experience and expertise, the IPEE expressed its interest in being able to make use of his services in the future as an advisor. To this end the IPEE **requested** that the new Executive Secretary discuss with him possible Terms of Reference and report to IPEE7.

Date and Place of IPEE-7

The IPEE **decided** that IPEE-7 should be convened in Rome on 27 and 28 October 2005. This will be preceded by a meeting of the Donor Council on 25 and 26 October 2005

Close of meeting

There being no other business, the Chair again thanked Geoff Hawtin for his contribution and enthusiasm. He also thanked IPGRI for hosting the meeting, the Secretariat for all their assistance and support, and all the members and observers for their inputs to a very successful meeting. He then declared the meeting closed.

Attachment 1

Global Crop Diversity Trust

INVESTMENT OBJECTIVES AND POLICIES

INTRODUCTION

This Statement of Investment Objectives and Policies governs the investment management of the Global Crop Diversity Trust's (the "Trust") endowment fund (the "Endowment Fund"). These policies have been approved by and are subject to review and modification by the Finance and Investment Committee (the "Committee"), in consultation with the Donors' Council, in accordance with the responsibilities conferred upon the Finance and Investment Committee by the Interim Panel of Eminent Experts of the Trust (the "Board"). Further, the Finance and Investment Committee has delegated to the Executive Secretary of the Trust, subject to certain limitations, full power and authority to act with respect to all investment management duties conferred upon the Committee. The Committee has further decided that certain authority will be delegated to directors of specific asset classes, as and when such managers are appointed by the Trust, to effect the daily management of their respective asset classes.

FINANCIAL AND INVESTMENT OBJECTIVES

The financial objective of the Endowment Fund is to fund program commitments and operating expenses and at least maintain (preferably grow) the real purchasing power of the Endowment Fund, in US dollar terms, over the long-term. To achieve this objective, the Trust's annual gross spending (including program and operating expenditures) will be in the 4.0% - 4.5% range of the average portfolio value over the previous 6 quarters. In order to insure that the spending policy can be maintained through up and down investment market cycles, careful consideration will be given to the level of multi-year programmatic and operating spending commitments.

The investment objective of the Endowment Fund is to earn at least a 4% real (inflation-adjusted) return in US dollars, net of all investment expenses, over the long-term (e.g., 20-year periods). It is recognized that short/medium-term returns (over periods of five years or less) may vary considerably from this long-term objective. Over shorter-term periods, the investment objective will be to outperform, net of all fees and expenses, an appropriate blend of passive market benchmarks.

PORTFOLIO COMPOSITION AND ASSET ALLOCATION

The total portfolio will be diversified both by asset class (e.g., common stocks, bonds, cash equivalents, real estate, and other alternative investments) and within each asset class (e.g., within equities by economic sector, industry, quality, size, etc.). The purpose of diversification is to enhance prospective returns, lower the volatility of the overall pool of assets, and provide reasonable assurances (within the constraints of the existing stock holdings) that no single security or class of securities will have a disproportionate impact on the total Endowment Fund. Annex 1 sets forth the asset allocation bands for the endowment fund.

To achieve its investment objectives, the Endowment Fund shall be divided into two parts: an "Equity Fund" and a "Fixed Income Fund." The purpose of dividing the

Endowment Fund in this manner is to ensure that the overall asset allocation between these two major asset classes remains under the regular scrutiny of the Committee and is not allowed to be determined by separate manager decisions. Over the long run, it is expected that the allocation between the Equity and Fixed Income Funds will be the single most important determinant of the total Endowment Fund's investment performance.

The primary purpose of the Equity Fund (domestic and international common stocks, real estate, other alternative equity investments) is to provide a total return that will (1) provide for growth in principal and current income (along with that from the Fixed Income Endowment Fund) sufficient to support spending requirements and (2) preserve the purchasing power of the total Endowment Fund's assets. It is recognized that pursuit of this objective could entail the assumption of greater market variability and risk in comparison to fixed income investments.

The Equity Fund should normally represent approximately 80% of total Endowment Fund assets at market value. (NOTE: It is recognized that it will take time to appropriately fund certain equity asset and, thus, that the Equity Fund allocation may fall below this target in early years). Although the actual percentage of equities will vary with market conditions, levels in excess of 85% or below 50% should be closely monitored by the Committee. Should the allocations move outside these ranges, additional funds will be transferred as needed (the amount and timing to be determined by the Committee) to bring the overall asset mix back within the desired range.

The primary purpose of the Fixed Income Fund (bonds and cash equivalents) is to provide a hedge against deflation and, secondarily, to reduce the overall volatility of the total Endowment Fund. A discrete portion of the Fixed Income Fund may be allocated to inflation-protected and/or high yield bonds. In contrast to that of the broad Fixed Income Fund, the primary purpose of such an allocation would be to provide a hedge against unexpected inflation and to lower total Endowment Fund volatility.

The Fixed Income Fund should normally represent approximately 20% of total Endowment Fund assets at market value. Although the actual percentages will fluctuate with market conditions, levels in excess of 50% or below 15% should be closely monitored by the Committee. Additional funds will be transferred as needed when the ratios fall outside this range.

The Committee may change any of the Equity and Fixed Income Fund ratios at their discretion, as well as the proportions of the Equity and Fixed Income Endowment Fund components, but it is anticipated that such changes will be infrequent.
Derivatives may be used to hedge existing portfolio investments (e.g., to hedge the currency risk of a foreign stock or bond position, etc.) or as an alternative to investments that would otherwise be made in the cash market. Investment managers may be permitted to use derivatives in other contexts if appropriate due diligence has been conducted.

It may be appropriate/necessary to have modest leverage on occasion (e.g. via a line of credit) to help manage cash flows. In addition, it is recognized, that certain asset classes (i.e. hedge funds, absolute return, leveraged buyouts, real estate, etc.) often use leverage in their portfolios as part of their strategies. In aggregate, the portfolio will not be leveraged to any significant degree and the Committee should be advised if leverage exceeds 15%.

GUIDELINES FOR THE EQUITY FUND

The goals of the Equity Fund are to provide a total return that will provide for growth in principal and protect against inflation. The performance objective for the Equity Fund is to outperform (net of fees) an appropriate blend of passive market benchmarks. Passive or index fund managers are expected to closely track the performance of their respective index while remaining competitive on fees. Active managers are expected to outperform their respective index (e.g., S&P 500, EAFE, etc.) by an agreed upon margin, net of fees, over rolling three- to five-year periods.

The Equity Fund will normally be diversified across international stocks and alternative equity investments, which may include asset classes such as venture capital, buyout Endowment Funds, real estate, distressed securities, arbitrage, oil, gas, or commodities. The primary purpose of investing in alternative equities is to enhance diversification, decrease overall portfolio volatility, and increase long-term returns.

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other tools employed by investment managers are left to manager discretion, subject to specific investment manager guidelines and standards of fiduciary prudence. The written approval of one member of the Committee must be obtained prior to the execution of any single transaction with respect to Endowment Fund assets in which the dollar value of such transaction exceeds $10,000,000. Internal investment managers must obtain approval of the Chief Investment Officer or one member of the Committee prior to entering into any transaction, agreement or contract with respect to Endowment Fund assets.

Unless otherwise instructed, active equity managers may at their discretion hold investment reserves of either cash equivalents or bonds without limitation in terms of asset size or period of time, but with the understanding that their performance will be measured against appropriate all-equity stock indices as described above in Paragraph C1.

GUIDELINES FOR THE FIXED INCOME ENDOWMENT FUND

The goals of the Fixed Income Fund are to hedge against deflation and severe equity market under performance as well as reduce overall Endowment Fund volatility. Additionally, up to 10% of the Fixed Income Fund may be opportunistically allocated to high yield investments. The performance objective of the Fixed Income Fund is to match or outperform (net of fees) a relevant market index (e.g., the Lehman Brothers Aggregate Bond Index) or blend of indices, as appropriate. Passive bond managers will be expected to closely track the performance of the relevant index net of fees. Active managers will be expected to outperform their index by an agreed upon margin, net of fees. Performance will be monitored on a regular basis and evaluated over rolling three- to five-year periods.

Money market instruments as well as bonds may be used in the Fixed Income Fund, but equities are typically excluded.

Since its primary purpose is to hedge against deflation, the Fixed Income Fund should ordinarily target an intermediate- to long-term duration (4 to 5 years) and high credit quality, however high yield managers may be of lesser credit quality.

In general, the Fixed Income Endowment Fund shall be well diversified with respect to type, industry, and issuer in order to minimize risk exposure. The prospect of credit risk or risk of permanent loss shall be avoided. A maximum of 3% of the Fixed Income Endowment Fund may be invested in the securities of any single issuer.

However, obligations issued or guaranteed by the U.S., European or other major developed country governments may be held without limitation.

GUIDELINES FOR TRANSACTIONS

Except under unusual circumstances, all transactions should be entered into on the basis of best execution, which is interpreted normally to mean best realized price. Notwithstanding the above, commissions may be designated for payment of services rendered to the Trust in connection with investment management; provided, the value of the services documented are equivalent to commissions paid.

MONITORING OF OBJECTIVES AND RESULTS

All objectives and policies are in effect until modified by the Committee, who will review these at least annually for their continued pertinence.

Each external manager of an individually managed account will be provided a set of mutually agreed-upon guidelines. It is acknowledged that external managers of commingled funds are unable to respond to customized guidelines, and that policies established for the commingled funds will govern.

The individual portfolios and the total Endowment Fund assets will be monitored for consistency of investment philosophy, return relative to objectives, and investment risk as measured by concentration, exposure to extreme economic conditions, and performance volatility. Individual portfolios will be reviewed on a quarterly basis, but results will be evaluated over rolling three- to five-year periods. Each manager will be regularly reviewed in order to confirm that the factors underlying the performance expectations remain in place. Total Endowment Fund results will be evaluated over rolling five- to ten-year periods.

Each investment manager will report the following information quarterly: total return (on a time-weighted basis) net of all commissions and fees, additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. Regular communication concerning investment strategy and outlook is expected. Additionally, managers are required to inform the Trust of any change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size and account minimum), fundamental investment philosophy, investment process, or SEC registration.
The information compiled and reported quarterly in accordance with paragraphs F(3) and (4) above shall be delivered to the Committee and the Board on a quarterly basis.

ETHICAL INVESTING

The investment portfolio is subject to the following ethical considerations:

The Executive Board have considered how social, environmental and ethical factors should be taken into account in the selection, retention and realization of investments. The members of the Executive Board believe that their primary responsibility is to act in the best financial interests of current and future beneficiaries of the Trust, and therefore to seek to maximize investment returns without taking undue risks. However, the Executive Board have instructed their investment managers to take into account internationally recognized principles for ethical and responsible investments, as articulated for instance in the Global Compact of the UN, where this can be achieved without compromising the return objectives as outlined above.

As a result of the requirement to avoid compromising the return objectives, shares may be held in the Global Crop Diversity Trust's portfolio in companies whose activities do not fully and adequately comply with the requirements of the UN Global Compact. Where this is the case, the Executive Board have asked their fund managers to use any meetings they may hold with such companies to raise these issues, and to encourage those companies to improve their standards of behaviour.

Annex 1

Asset Allocation Bands

Asset Class	Maximum %
US Equities	50
Global Equities (excluding US)	35
Emerging Markets	20
US Government Bonds	40
US Corporate Bonds	20
US Real Estate	10
Hedge Funds	20
Emerging Market Debt	5
Other Asset Class (subject to approval of IFIC)	10