

Cordaid Policy on Investment of Assets

May 7, 2018

Introduction

Although Cordaid has the intention to spend all incoming funds on its statutory objectives, throughout the years Cordaid built a significant amount of funds and reserves for several reasons.

The most important part of the funds and reserves is made up of the Fund Loans & Guarantees. This fund is built from grants and donations and mainly invested in microfinance institutions. Repayments on these investments are reinvested and the financial results from these investments are added to/deducted from this fund. The fund is directly linked to Cordaid's statutory objectives. The management of this fund is done by the Cordaid Investment Management BV (CIM BV), a 100% daughter of Stichting Cordaid. Strategy, conditions and procedures for managing this fund are not within the scope of this policy, but separately described by CIM BV and approved by Cordaid as shareholder.

Most of the remaining funds and reserves have a temporary nature because of timing differences between income and expenditure. These reserves and funds usually have a time horizon of 1 – 3 years and are therefore not invested but kept in cash. The cash is kept as much as possible in interest carrying deposits in Euro's or US dollars to avoid exchange rate losses. Optimal and efficient use of these cash balances is part of the treasury management policy and not within the scope of this document.

Besides the mentioned funds and reserves, Cordaid also holds a continuity reserve, an earmarked reserve and a minimum level of other reserves from a perspective of good employment, good partnership, stewardship and prudence. These reserves serve as a buffer in case of unforeseen damages and to responsibly downscale the level of activities in case of sudden drops in income. The level of these reserves is evaluated by the Board of Directors and the Controller on an annual basis. To avoid erosion of the spendable capital, Cordaid invests these assets. This document presents the policy that has been determined by the Board of Directors of Cordaid regarding the management of the invested assets.

Primary objective

In accordance with the Board decision made in the Board meeting of May 7, 2018, the management of the assets must focus on maintaining, over several years, the spendable capital, considering inflation over the reference period. This minimum objective should be realized following strict sustainability criteria for the investments involved.

Invested amount

The maximum amount invested is based on the annual evaluation of the required level of risk reserves, the required cash buffers and the portion of the risk reserves that are expected to remain constant during the upcoming 5-10 years. This period is in line with the chosen investment horizon. In case of unforeseen events, the Board of Directors can decide to directly withdraw part of the investments and lower the invested amount. Increasing the invested amount needs approval from the Supervisory Board.

Management of the portfolio

The operational and strategic management of the invested assets will be outsourced to professional asset managers. The selection of asset managers will be done by a separate selection committee

composed of at least three persons of Cordaid, including the CFO. The selection criteria and the final decision on appointment of the asset manager(s) require approval of the Supervisory Board.

Evaluation of the selected asset managers is an ongoing process. A formal evaluation by the Board of Directors and the Controller will be done at least every three years.

The Chief Financial Officer (CFO) and the Controller form the Asset Investment Committee (AIC). The AIC reviews the performance of the portfolio on a quarterly basis based on reports from the asset managers. In case of underperformance, the AIC can decide to a new selection process for (one of) the asset manager(s).

Risk profile

The Board is opting for a so-called **moderate conservative** investment module.

Investment horizon

An investment horizon of 5-10 years is applicable.

Asset classes

Cordaid distinguishes four asset classes: shares, bonds, alternative investments, and liquid assets. Bonds are divided into two classes, government bonds and corporate bonds.

Sustainability conditions

Above all else, Cordaid works according to the principle of Corporate Social Responsibility. The portfolio should be sustainable, i.e. the investments cannot be related in any way to activities or organizations that harm people or the environment.

The policy aims at participating in sustainable types of investments. To realize this objective, Cordaid follows the recommendations in the 'Richtlijn Financieel Beheer of Goede Doelen Nederland', the principles of the UN Global Impact and internationally developed Environment Sustainable Governance (ESG) standards. Investments in funds or companies that violated these principles in the recent past are excluded from the portfolio.

Investments in funds or companies that have a stake above 5% in the following industries are excluded from the investment portfolio under all circumstances:

- Weapons
- Alcohol
- Tobacco
- Gambling
- Adult entertainment
- Fur trade

Sustainability of the proposed portfolio and investments strategy is an important selection criterion. The sustainability conditions described in this policy serve as minimum requirements. Investment managers that can deliver an investment portfolio following stricter EGS criteria that doesn't harm the other objectives of this policy significantly are more likely to be selected.

At least once a year, the selected Asset Managers must perform a sustainability screening of the portfolio based on the criteria above and present proposals to increase the sustainability of the portfolio without harming the other conditions in this investment policy.

Strategic distribution

The strategic distribution of assets (also called 'Asset Allocation') contains the weights of the various asset classes in the portfolio under normal expectations of risk and return. The bandwidths of these asset allocations are part of the investment policy. These determine the discretionary autonomy of the selected managers. The table below shows how the invested assets are divided into the various asset

classes. The portfolios of both Asset Managers will be combined into a total percentage per asset class, to ascertain the compliance thereof.

Moderate conservative:

Asset Allocation	Minimum	Strategic	Maximum
Government Bonds	20%	35%	50%
Corporate Bonds	20%	35%	50%
Shares	10%	25%	40%
Alternatives	0%	5%	25%
Liquid assets	0%	0%	50%

The portfolio of both the asset managers combined must adhere to the aforementioned bandwidths at all times. In case of exceptional (market) circumstances, the AIC can give their approval to the asset manager(s) to temporary make deviations from the bandwidths.

Spread of investments

The investments will be well-spread across regions and sectors. The specific investments are within the discretion of the asset manager(s) provided they are in compliance with the principles as stated in this document.

Currency

The asset class bonds will largely be invested in investments in euros. For strategic reasons the Asset Manager may choose to invest a small portion of the portfolio in a different currency.

Bonds

Within the asset class bonds, as far as the individual bonds are concerned, these will only be invested in government bonds, semi-government bonds, supranational organizations and/or corporate bonds with a Standard & Poor's rating of BBB- or higher. The sustainability criteria apply for the corporate bonds.

Within the asset class bonds, the assets invested in this class with regard to the government bonds and corporate bonds may also consist of collective investments, including passive investment instruments (ETFs = Exchange Traded Funds and index funds) and/or investment funds.

Shares

Within the asset class shares, the assets invested in this class may also consist of collective investments, including passive investment instruments (ETFs = Exchange Traded Funds and index funds) and/or investment funds.

Alternatives

Within the asset class alternatives, the assets invested in this class with regard to real estate, emerging market bonds and high yield bonds may also consist of collective investments, including passive investment instruments (ETFs = Exchange Traded Funds and index funds) and/or investment funds.