

Investment Guideline of the Baltic Sea Conservation Foundation

The present investment guideline is based on the regulations of the Statute of the International Baltic Sea Foundation for Nature Conservation (in here later referred to as "foundation"). It regulates the future investment policy. For the investment of the foundation assets ecological, social and ethical criteria result from the statute whose consequent realisation is to be ensured by this investment guide line. Within this scope the foundation assets, whose administration lies in the responsibility of the board of directors, are to be safely and profitably invested according to the statute. For the practical realisation the foundation board of directors has passed this investment guideline.

1. Goals of the investment policy of the foundation are:

The foundation has the goal to make a contribution to the restoration, strengthening respectively, of the ecological stability of the Baltic Sea. With the entire foundations assets (basic assets and disposable capital, including non-disbursed profits) reasonable and stable profits are to be gained under consideration of the individually designated purposes according to the foundation statute. For this the following principles are foregrounded:

- the real preservation of the basic assets under acceptance of interim value fluctuations is to be achieved in the long term;
- at the same time the gain of long-term positive income is aimed at under consideration of the statutory use of the foundation assets.

On investment of the foundation assets attention is to be paid that

- a broad diversification of individual debtors and investment class takes place and
- that ecological, social and ethical criteria are especially respected on all investment forms.

In principal, it is to be assured that investment decisions do not undermine the goals of the foundation.

2. Investment criteria

For the realisation of the afore mentioned goals investment products are chosen which hold a reasonable relation of risk, diversification and profit and by this especially respect social, ethical and ecological criteria of the investment, regardless of own investment by the foundation or investment via an investment management company. For this reason investments shall be made in companies or in countries that respect

ecological, social and ethical aspects in their strategy and policy in a special way and who practice a transparent policy.

The foundation will lean on the 4-pillar-policy of sustainability (ecological, economical, social sustainability as well as compliance with the requirements of Good Governance). For the selection and assessment of investment products, common and accredited rankings or ratings, such as oekom, IMUG or comparable ratings, will be taken into consideration. Further, sustainability assessments of banks and other institutions can be applied as far as those are in accordance with the goals and investment criteria of this investment guideline and approved and considered as concordant by the board of directors.

For investments in investment products of states and/or governmental institutions, international or supranational organisations or its institutions (later in here referred to as “governmental investment products”) the following especially applies:

Investments in governmental investment products will be made when the emitting states or organisations, their institutions respectively, distinguish themselves by high standards concerning social justice, respect and active realisation of human rights as well as lived responsibility towards the environment. For the selection and assessment of suitable governmental investment products, the sustainability ratings by oekom or the Zürcher Kantonalbank or comparable assessment criteria of other banks shall be taken as basis if possible. Here states or investments emitted by them, for which “prime” or “positive / very positive”-assessed ratings or comparable ratings by other banks are available, are to be considered as suitable as far as the board of directors considers them as concordant.

For investments in enterprises or other enterprise-related investment products (later in here referred to as “enterprise”) the following especially applies:

Investments in enterprises are carried out if the business policy of such does not recognisably violate social, ethical and ecological standards as well as social working conditions. Exemplary conduct of enterprises in the fields of environmental management, namely regenerative and decentralised energy production, energy saving measures, recycling, resource efficiency, pollutant degradation and disposal as well as over-all long-lasting economic strategy, shall be taken into consideration for investments of the foundation.

To be excluded from investment are enterprises that:

- produce armaments or trade with such,
- produce nuclear energy or produce components for the use of nuclear energy with a turn-over share of more than 5 % or trade with nuclear energy with a turn-over share of more than 10 %,
- produce biocidal products or organic chlorine mass products,
- use genetically engineered animals or plants or their parts for production,
- produce or use agrochemicals for intensive agriculture.

Also to be excluded are enterprises whose business practice cause risks for the protection of oceans, coastal living environments and their species.

These enterprises are those who do not comply with international, regional and national treaties and laws concerning the protection or the marine environment and who are listed on the so-called official black list of UN organisations or states.

The assessment of the investment products of enterprises is to be carried out according to common rankings, such as oekom corporate rating or the rating by the Institute for Market- Environment-society e.V. (IMUG, registered association) or comparable rating approaches. Here enterprises that are rated “prime”, “positive/very positive” (or comparable) according to such ratings are hold for suitable. The assessment may also take place according to other criteria as far as the board of directors considers them as concordant.

Selection criteria and exclusion criteria are to be transparent and plausible and are to be in accordance to the goal and investment criteria of this investment guideline.

For the purpose of risk distribution and to avoid a high concentration of individual branches investment products for which none of the above mentioned sustainability criteria or assessments exist, may be invested in. In these cases the exclusion criteria are to be applied. If this is not possible, it is to be assessed whether activities running contrary to the foundation goal are supported by the respective investment products.

3. Investment types, restrictions and risk limits

3.1. Investment period

For the liquidity planning the following terms are defined to name the investment period:

short-term	up to 24 months
middle-term	more than 24 months up to 5 years
long-term	more than 5 years

3.2. Investment types

Below investment products to be possibly chosen by the foundation are listed:

Title of product group	Product
bank deposits	daily allowances, fixed-term deposits, savings
interest-bearing securities	public bonds, bank debt securities and mortgage bonds, corporate bonds, secured mortgage bond, bonded loans
fonds	open funds (pension-/share-/mixed-/ real estate funds), closed funds of real estate, energy and forest/agriculture branches
structured financial products	investment product with share protection (i.e. structured bonds, share protection

	certificates) and without share protection (i.e. liquidity and reverse-convertible bonds)
shares	direct share investments or certificates, i.e. reverse-convertible bonds
share holdings	active share holdings acc. to No. 6 of the foundation statute
mezzanine capital	silent share holdings, loans, participation rights and participation coupons
real estate	direct investments (or via funds)

Bank funds in EUR will exclusively be invested in German banks which are affiliated to the individual deposit protection fund of the cooperative bank institutes, public banks (Savings Banks and Federal State Banks) or affiliated to the deposit protection fund of the Federal Association of German Banks. Bank funds in foreign currencies are possible, but shall be restricted to non-EU countries of the Baltic coast line states and shall be bound to the European deposit protection scheme.

The foundation can invest in leverage products or hedge funds to secure value fluctuations as well as in raw materials and currencies within limitations, provided the investments are in accordance to the goals of this investment guideline.

3.3. Investment risk sharing

The distribution of the total foundation assets shall not exceed the following percentage maximums in the individual product groups at the moment of acquisition:

product group / distribution	percentage on the total portfolio
bank bonds, interest-bearing securities, bonded loans and pension. mixed funds (share quota < 30 %) = product group A	60-100 % thereof min. 50 % in products with at least "A"-rating. Minimum rating for the remaining products is "BBB"-rating acc. to Standard & Poor or comparable rating of another rating agency
structured financial products, shares, share holdings, mezzanine capital, real estate, unrated bonds and mixed fund (share quota > 30 %) = product group B	up to 40 %
leverage bonds and hedge funds (both exclusively for security in the product groups A or B) and raw materials = product group C	all products of this group joint together max. 10 % of the entire investment assets

All three product groups may also be determined in foreign currency. Therefore the currencies have a cross-divisional function beyond all product groups. All non-EUR investments are limited to 25 % of the total assets.

The debtor rating for the bonds to be purchased has to be at least BBB- (investment grade) according to Standard & Poor or, comparably, Moody's, Fitch or other renowned rating agencies. In case of downgrading under "investment grade" during the investment period, a by-case decision has to be reached concerning keeping the investment or selling it.

Transgressions of the afore mentioned percentages in the product groups B and C as well as upon currencies, are possible on the ground of value changes. However, new investments in currencies and these product groups are excluded in this phase.

3.4. Concentration risk

The entire engagement of a single debtor must not exceed 10 % of the foundation asset at the time of acquisition of the investment products. This value must not exceed an amount of 15 % of the foundation assets through value changes (i.e. by reduction of the consumption capital). A respective risk distribution of the issuer must be assured. Insured bank bonds as well as external investment management companies are excluded from this, while in these cases a value limit of 50 % of the foundation assets at a bank or external investment management company must not be exceeded.

4. Responsibilities and delegation of the investment management

The board of directors is responsible for the administration of the foundation assets under consideration of this investment guideline. For the realisation of this investment guideline, especially the choice and assessment of investment managers or investment products the board may consult advisors; when choosing attention is to be paid that those are under supervision of the German Federal Financial Supervisory Agency (BaFin).

The board of directors can partially or entirely transfer the administration of the foundation assets to one or more investment management companies. When choosing an investment manager attention is to be paid that those are under supervision of the German Federal Financial Supervisory Agency (BaFin) or a comparable supervising authority of another EU member state and/or the European Financial Supervising Authority.

In the event of a transfer to an investment manager, the investment guidelines are to be agreed upon as contractual basis. If required the board of directors may set complementary terms, such as the determination/selection of binding exclusion criteria for countries and enterprises. These are negotiated with the investment managers and are to be considered for investment decisions.

The costs of investment management are to be made transparent and must be in a reasonable proportion to the profits.

The managing director prepares the investment decisions of the board under consideration of the investment guideline and realises them in own responsibility.

5. Controlling

The board of directors will be informed regularly, at least quarterly as well as immediately in the event of special market incidents or on order of one member of the board, by the managing director about the development of the foundation assets.

The board of directors checks the investment guidelines and, in particular, the sustainability criteria on a regular basis, at least every 5 years.

6. Final regulation

This investment guideline was approved by the board of trustees through circulation procedure and passed by the board of the foundation to be effective immediately.

7. Contact

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