



# Investment Management Set-up

September 2018

## 1. The Governing Documents

Blue Action Fund's investment management set-up is governed by an [Investment Policy](#) which outlines the basic principles governing foundation's investments and the investment management set-up. The Investment Policy includes as annexes: Investment Guidelines that govern among other things strategic and tactical asset allocation and permitted investments; and a Policy on Socially Responsible Investing. The Investment Policy and its annexes can be found on the Blue Action Fund website.

## 2. The Players and their Roles

The Investment Policy contemplates the following actors whose roles are outlined below: the Investment Committee (ICom); an Investment Consultant (ICons); Discretionary Managers (DMs); Investment Funds (IFs); and a Custodian.

### 2.1 Investment Committee (ICom)

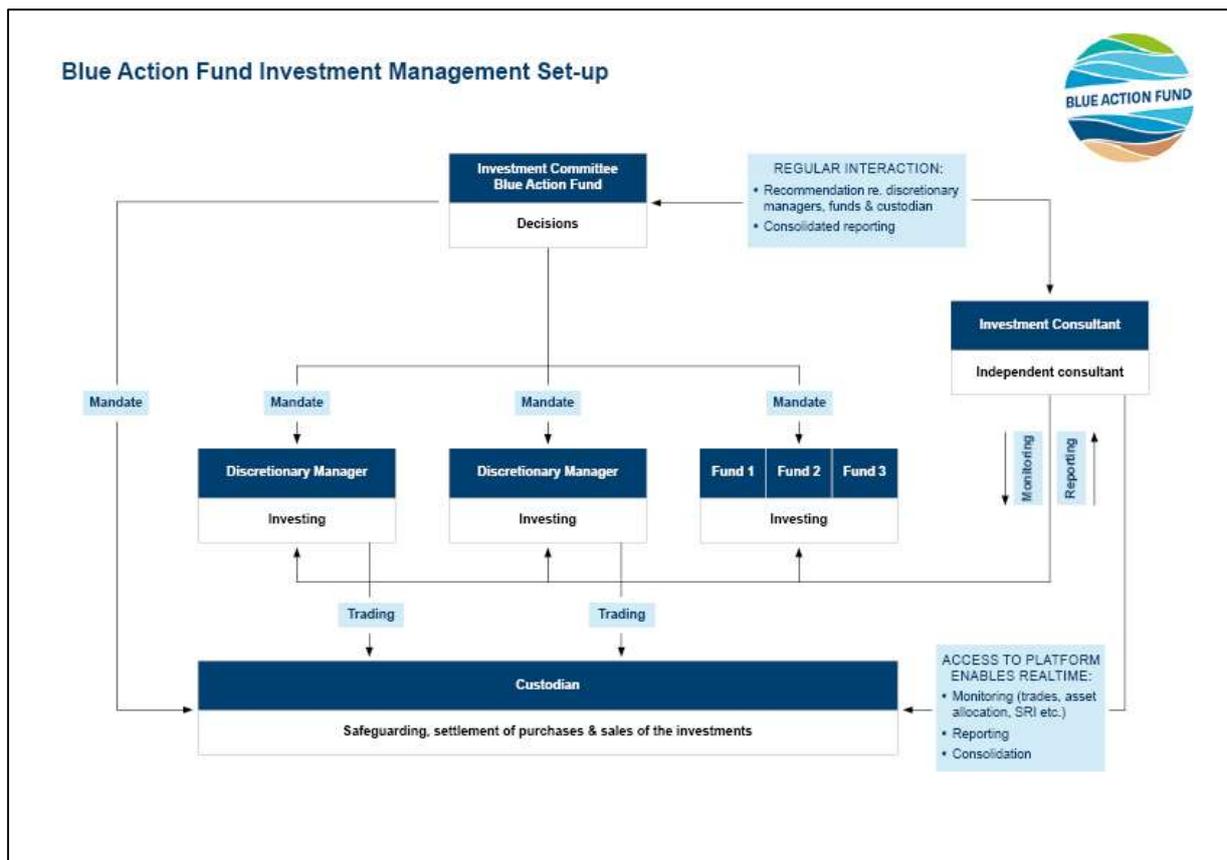
The ICom consists of at least one management board (MB) member with relevant investment/financial experience and one advisor. The members serve on a voluntary basis. The ICom:

- Develops the Investment Policy for approval by the supervisory board (SB); reviews the Investment Policy periodically for needed updates and recommends to MB/SB. The Investment Guidelines, which form part of the Investment Policy, define the strategic and tactical asset allocations of the investment portfolio. These are set to assure portfolio diversification but also reflect the risk appetite and investment horizon of the Blue Action Fund. The Investment Guidelines are reviewed regularly.
- Recommends Investment Consultant (ICons) to SB; re-tenders ICons every five years; negotiates the ICons fees and approves the ICons contract for signature by MB.
- Typically in cooperation with the ICons or upon ICons's recommendation:



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- takes various decisions under the Investment Policy, including notably appointment DMs and approval of investments in IFs as well as the appointment of a Custodian; and in relation to all of the above, recommendation of appropriate fee levels and contracts for approval and signature by the MB.
- makes tactical adjustments in the Strategic Asset Allocation within its competence or recommends to the MB or SB changes within their competence as set forth in the Investment Guidelines.
- defines the investment universe for DMs in a so-called Whitelist of companies which are compliant with the Policy on Socially Responsible Investing (SRI Policy) as a result of systematic negative screening process.
- Reviews regular reports of the ICons on investment performance and compliance with investment guidelines, including sustainability guidelines.
- In principle, does not pick individual securities, but may invest in individual cases in single stocks and projects, especially where the emphasis is laid on SRI aspects. Furthermore, the ICom may directly place time deposits and other money market instruments.
- May employ additional specialists such as tax attorneys and auditors.
- Reports at least semi-annually to the MB



## 2.2 Investment Consultant (ICons)

The ICons acts as an independent service provider to ICom and MB.

- Overall view of market developments and advice to the ICom on the subsequent tactical adjustments of the asset allocation.
- Makes recommendations on appointment or change of DMs and Custodian and investments in Investment Funds. Negotiates fees and contracts with these other players for review by the IC and approval and signature by the MB.
- Monthly reporting to the IC on investment performance, asset allocation and risk measures.
- Quarterly reporting to IC on compliance with Investment Guidelines and Whitelist.
- Regular monitoring of DMs and IFs.
- Controlling of the accuracy of the trades made by the DMs through the access of the Custodian's information system.
- In cooperation with a specialized service provider, regular updating of the Whitelist to ensure compliance with the SRI Policy. Make sure that the DMs implement all periodical or ad-hoc adaptations of the Whitelist.
- Annual reporting on investment performance, asset allocation and risk measures to MB/SB.
- Annual review and extended reporting to IC on each IF and DM.
- Management of a so-called "Virtual Special Fund" that tracks pro forma portfolio performance by donor.
- Assisting in the development and periodic review of the Investment Policy, Investment Guidelines and SRI Policy.

## 2.3 Discretionary Managers (DMs)

The DMs make buy and sell decisions within the guidelines and bandwidths as defined in the discretionary mandate.

- Invest allocated funds in accordance with a specific agreement allowing discretion to invest principally in stocks and bonds of companies and governments which are contained on the sustainability Whitelist and within pre-defined bandwidths.
- Report to ICons regularly about performance, asset allocation and risk measures; discuss performance annually with ICom.

## 2.4 Investment Funds (IFs)

- Invest allocated funds in accordance with the specific fund strategy approved by the ICom.
- IF must be compliant with the SRI-Policy and will be mainly used to implement the positive screening and/or impact investing approach.



## 2.5 Custodian

- Holds the bankable assets, such as DM investments and in some cases IFs on Foundation's behalf; executes buy and sell orders on behalf of DMs and the IC.
- Provides access to ICons enabling real time monitoring and reporting.

## 3. Socially Responsible Investing

- IC works with the Investment Consultant and a separate pro bono service provider Econnoa, Frankfurt, to establish the "Whitelist" of companies and governments whose securities meet the Foundation's sustainability criteria and accordingly are available for investment by the Foundation.
- The White list includes about 1400 globally diversified and listed companies.
- Separately, Investment Consultant supports IC by identifying and proposing either: through a so-called positive screening, investments in *companies* that contribute to the Sustainable Development Goals/Agenda 2030 (rather than not having a negative effect); or impact investments in *projects* that contribute to such goals. At least 20% of the Foundation's portfolio is to be allocated to such investments.

