Investment Policy of the ARPA Transition Fund

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As amended on February 10, 2015 and on June 1st,2017
Subject to Change by Action of the Transition Fund Committee

I SCOPE OF THIS INVESTMENT POLICY

This statement of Investment Policy sets forth the policy, objectives, and restrictions that apply to the investment of the fund assets of the ARPA Transition Fund (“Transition Fund”).

II PURPOSE OF THIS INVESTMENT POLICY STATEMENT

This statement of Investment Policy is adopted by the Transition Fund Committee in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the goals and objectives of investing the Transition Fund's assets.
3. Establish limitations to the Investment Manager(s) regarding the investment of the Transition Fund's assets.
4. Establish a basis for evaluating investment results.
5. Manage the Transition Fund's assets according to prudent standards.
6. Establish the relevant investment horizon for which the Transition Fund's assets will be managed.

This Investment Policy is intended to be specific enough to be meaningful, yet flexible enough to be practical.

III DELEGATION OF AUTHORITY

The Transition Fund Committee is responsible for directing and monitoring the investment management of the Transition Fund’s assets. Under the ARPA Operating Manual, the Transition Fund Committee is responsible for the overall investment of the Transition Fund’s assets, but it may delegate certain of its responsibilities to committees, the Fund Manager, professional service providers and other support. The adoption of or revision to this investment policy are non-delegable decisions of the Board subject to a qualified majority vote.

Finance Subcommittee: The Transition Fund Committee will establish a finance subcommittee (the “Finance Subcommittee“). This subcommittee will be responsible for reviewing monthly investment results, discussing these as needed with the investment manager(s) and the Fund Manager, and making any recommendations to the Transition Fund Committee regarding the evaluation, selection and replacement of investment manager(s), as well as potential changes to this Investment Policy.

The Transition Fund Committee delegates to the Fund Manager the responsibility of engaging one or more investment managers (“Investment Managers”). Additionally, the Transition Fund Committee may employ additional specialists such as tax attorneys, auditors, actuaries, and others to assist in meeting its responsibilities and obligations to administer the Transition Fund’s assets prudently. All expenses for such experts must be customary and reasonable, and will be borne by the Transition Fund as deemed appropriate and necessary.

The Investment Manager(s) 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.

IV ASSIGNMENT OF RESPONSIBILITY

A. Responsibility of Transition Fund Committee

1. Development and periodic review of this investment policy.
2. Assigning the Fund Manager to conduct Investment Manager review meetings at least monthly to discuss investment performance, and to make recommendations regarding any changes to the Investment Managers.
3. Assigning the Finance Subcommittee to review all reports of the Investment Manager(s), participate with the Fund Manager in Investment Manager review meetings, and to make recommendations regarding any changes to the investment policy.

B Responsibility of the Fund Manager

The Fund Manager has fiduciary responsibility for the Transition Fund, and has the additional responsibilities listed in Module 2, Sections 2.2, 2.3 and 2.4 of the ARPA Operating Manual. The Fund Manager is responsible for the following:

1. Engagement of Investment Managers, including organizing competitive tenders where appropriate, and documenting decisions to engage Investment Managers.
2. Monitoring and reporting the performance of the Investment Manager(s) and any unmanaged investments in order to determine the progress toward the investment objectives (see VI).
3. Sharing with the Finance Subcommittee the Investment Managers' monthly performance reports, any other reports of the Investment Manager(s), and any written instructions to the Investment Manager(s) regarding investments.
4. Inviting the Finance Subcommittee to join the Fund Manager in Investment Manager review meetings.
5. Including this investment policy statement as an annex to any written agreement between the Fund Manager and the Investment Manager(s).
6. Development, with the Investment Manager(s), of a responsible investment approach (see VIII below).

C 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, limitations, and philosophies as outlined in this investment policy and any limitations specifying permissible categories of investments. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter tactical asset allocation within the limitations established in this statement.
2. Reporting to the Fund Manager, on a timely basis, monthly investment performance results.
3. Communicating to the Fund Manager any major changes to economic outlook, investment strategy, or any other factors that may affect achievement of such Investment Manager's investment objectives for the Transition Fund.

4. Development, with the Fund Manager, of a responsible investment approach (see VIII below).
5. Informing the Fund Manager of any significant qualitative changes to the investment management organization: examples include changes in portfolio management personnel, ownership structure, or investment philosophy.

V INVESTMENT MANAGEMENT POLICY

1. Real Capital Preservation - The Fund Manager may employ one or more Investment Managers of varying styles and philosophies to attain the Transition Fund's objectives. Consistent with their respective investment styles and philosophies, Investment Managers should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities and that accounts in more volatile asset classes will fluctuate in value.
2. Risk Tolerance - Understanding that risk is present in all types of securities and investment styles, the Transition Fund Committee recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Transition Fund's objectives. In particular, given the Investment Objective (section VI) of achieving 3% real net returns over rolling five-year cycles, it is expected that the level of risk assumed may result in loss of capital over periods of one or more years. However, the investment managers are to make reasonable efforts to control risk, and will report regularly to the Fund Manager to ensure that the risk assumed is commensurate with the given investment style and objectives. Investment of the Transition Fund shall be so diversified as to reduce the risk of large losses to a level deemed acceptable by the Transition Fund Committee, unless under the circumstances it is clearly prudent not to diversify.
3. Time Horizon – The Transition Fund was launched in 2014 with the expectation that it would be fully depleted over approximately 25 years. It is expected that disbursements from the fund will be greater in the earlier years and will decline to zero over the 25-year period.
4. Adherence to Investment Discipline - Investment managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will also report regularly to the Fund Manager as to adherence to investment discipline.
5. Productive Employment of Cash - Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.
6. Professional Standards – The Investment Manager(s) will comply with all legal and ethical standards of their profession.

VI INVESTMENT OBJECTIVE

The Transition Fund's investment objective is to achieve 3% annual returns, after inflation, costs and taxes, averaged over rolling five-year periods.

VII CURRENCY RISK AND LIQUIDITY

In order to (1) minimize currency risk and (2) ensure sufficient liquidity for near-term cash needs, the Investment Manager(s) will set aside a portion of the portfolio, representing the next four years' estimated outflows, for investment only in securities denominated in

Brazilian currency, and will further ensure that of this amount at least 6 months' expected outflows will be held in cash or cash equivalents. See IX – Asset Allocation for details.

VIII RESPONSIBLE INVESTMENT

As the ARPA Transition Fund has the objective of promoting the conservation of biodiversity, it fits its mission to take responsible investment strategies into account. Sustainable investment can be implemented in a portfolio strategy in many different ways depending on the asset class, risk and return expectations, time horizon and many other aspects. Therefore, from ARPA's view, it does not make sense to pre-select a specific responsible investment approach for the fund but to develop a sustainable investment strategy for ARPA's fund assets in cooperation between the Investment Manager(s) and the Fund Manager.

Notwithstanding the above, to the extent that the Transition Fund holds individual securities (as opposed to pooled investments such as mutual funds), those individual securities may not be issued by companies engaged in any of the following sectors: production of tobacco products, weapons, pornography, oil, gas, coal, trade in CITES-prohibited flora and fauna, production of nuclear power, animal testing for non-medical purposes, and animal testing on endangered species.

IX ASSET ALLOCATION

The following asset allocation policy reflects the fund's need to (1) ensure liquidity and minimize currency and investment risk for funds it will need in the near term, and (2) ensure adequate investment returns and diversification for funds it will need in the longer term. The "near term," for this purpose, is the next four years at any given time. Therefore this policy contains different requirements for funds that are expected to be spent in the next four years than for those that are expected to be spent later, i.e. more than four years from the present. The amount of funds expected to be spent in the next four years must be determined every two years by the Transition Fund Committee, at the time it makes its biennial spending decision, and this amount will determine the asset allocation for the following two years. If, between these biennial decision points, the Transition Fund experiences inflows from donors, the Transition Fund Committee will allocate these inflows to the "more than four years from the present" allocation (item b. below).

a. Funds expected to be spent in the next four years:
    - At least 95% of funds expected to be spent in the next four years must be invested in Brazilian currency-denominated investments
    - Up to 5% of funds expected to be spent in the next four years can be spent in other than Brazilian currency-denominated investments
    - Equities: 0-20%
    - Fixed income or cash and cash equivalents: 80-100%, but at least 6 months of future spending must be invested in cash or cash equivalents

b. Funds expected to be spent more than four years from the present:
    - 80-100% in non-Brazilian investments. Of this, 50-80% may be in equities and 20-50% may be in fixed income.
    - 0-20% in Brazilian investments (no restrictions on equities vs. fixed income)

c. Other restrictions:
    - The Transition Fund may own individual securities and/or pooled investments such as mutual funds. In both cases, however, the underlying securities must be publicly traded (no private investments, e.g. private equity or direct investments in real assets)
    - Direct investments in commodities may not exceed 5% of the Transition Fund portfolio in aggregate
    - No derivatives except to cover a position or as part of long-short funds. All mutual funds must be net long, and long-short funds may not exceed 10% of the portfolio
    - Non-Brazilian fixed-income securities: at least two-thirds must be rated investment-grade
    - "Any direct investment in non-governmental issuers may not exceed 5% of the portfolio. Cash equivalent investments in high quality financial institutions (rated AAA or equivalent in local currency by the major risk agencies) may exceed 5% of the portfolio due to a maturity of less than 180 days. At any time a highest possibly diversification is to be ensured".)
    - Brazilian "Multimercado" funds may not exceed 10% of the Brazilian portion of the portfolio

d. Definitions:
    - Equities: Common stock and convertible bonds. Brazilian stocks include both "ordinary" (voting) and "preferred" (non-voting).
    - Fixed income: government, corporate and asset-backed fixed-income instruments of more than 180 days maturity
    - "Cash and cash equivalents: Mainly bank deposits and fixed-income instruments of no more than 180 days maturity. Exceptionally floating-rate government bonds and floating-rate certificates from high quality banks with daily liquidity are considered cash or cash equivalents, even if they have more than 180 days maturity, but no more than 360 days maturity.At any time a highest possibly diversification for cash equivalents is to be ensured.

X SELECTION OF INVESTMENT MANAGERS

The Fund Manager may choose to engage one Investment Manager or more than one. If more than one, it may choose separate manager(s) for Brazilian and non-Brazilian investments.

Qualifications:

- Active in relevant markets (Brazilian and/or international), both equity and fixed-income
- The investment team must have substantial experience and proven competence in investment management in the relevant markets (Brazilian and/or international)
- Capable of implementing responsible investment criteria in investment strategy (see VIII above)

XI INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

The Investment Manager(s) shall provide the Fund Manager with monthly performance reports. The Fund Manager will evaluate the investment performance of the fund, as well as asset class components, over one-, three-, and five-year periods against the performance benchmarks specified below:

- Non-Brazilian equities: MSCI WORLD Index Unhedged
- Brazilian equities: IBrX 100
- Non-Brazilian fixed income: Barclays Multiverse Index
- Brazilian fixed income: Indice de Mercado Anbima

In order to facilitate the Fund Manger's evaluation, the Investment Managers' monthly reports will compare the portfolio's performance over the trailing one-, three-, and five-year periods with the relevant benchmarks. The Fund Manager will share this analysis with the Finance Subcommittee.

In addition, the Fund Manager will evaluate Investment Managers against the 3% rolling five-year Investment Objective, as follows. Brazilian investments will be evaluated against a rolling five-year objective of 3%, net of costs, taxes and inflation measured in Brazilian currency (IPCA, calculated by IBGE). Non-Brazilian investments will be evaluated against a rolling five-year objective of 3%, net of costs, taxes and inflation measured in U.S. dollars (US CPI, calculated by Bureau of Labor Statistics). In order to facilitate the Fund Manager's evaluation, the Investment Managers' monthly reports will report the annualized net returns of the Brazilian and non-Brazilian portions of the portfolio over the trailing five-year period. (During the first five years of the fund, this report will show the annualized net returns of the fund to date.) The Fund Manager will share this analysis with the Finance Subcommittee.

The Fund Manager will give consideration to the extent to which the investment results are consistent with the investment objectives, goals, and limitations as set forth in this statement. Although the Fund Manager will evaluate the portfolio over one-year, three-year and five-year periods as described above, it reserves the right to terminate any Investment Manager at any time, 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.
4. Changes in fees.

The Fund Manager shall review Investment Managers 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.

The process for selecting and replacing Investment Manager(s) is to be determined by the Fund Manager. The process must take donors' requirements into account. In addition, the Transition Fund Committee, with the advice of the Finance Subcommittee, reserves the right to give the Fund Manager the names of Investment Managers to include or exclude from the selection process, and, once Investment Managers have been selected, to recommend that the Fund Manager replace an Investment Manager. The Fund Manager must take such recommendations into consideration.

XII INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this investment policy, the Transition Fund Committee would review this investment policy at least annually and more frequently if the need arises.

To assure ample disclosure of Transition Funds development and policy, the Fund Manager must publish on
its site (or otherwise) at least once a year a report of the performance of any of those funds.

This investment policy was adopted by the Transition Fund Committee at its meeting on October 29, 2014 was reviewed on February 10, 2015 and and on June 1st,2017