

OPERATIONAL MANUAL

for the

GALÁPAGOS LIFE FUND

May 19, 2023

Abbreviations

CQS	Consultants' Qualifications
LCS	Least-Cost Selection
QBS	Quality Based Selection
QCBS	Quality and Cost-Based Selection
RFP	Request for Proposals
the Fund	Galápagos Life Fund
SOFA	Statement of Financial Activity
SORP	Statement of Recommended Practice
TOR	Terms of Reference

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1. INTRODUCTION

This operational manual (this “**Operational Manual**”) is intended to support the administrative and financial operations of the Galápagos Life Fund (the “**Fund**”), which was legally created as Delaware Not for Profit Corporation on May 5, 2023. Capitalized terms used but not defined herein shall have the meanings given to them in the bylaws (the “**Fund Bylaws**”), attached hereto as Exhibit 4.

The purpose of the Fund is to support and promote the maintenance, growth and security of the natural capital of the Galápagos Islands and their marine ecosystems by making grants to, or funding projects of, organizations, government agencies and other entities for relevant environmental and social development projects as informed by biodiversity, social, economic, sustainability and climate change matters and by pledging assets to secure loans and other obligations in furtherance of the purpose. This Operational Manual is to be used by the Board of the Fund, its Executive Director and any persons or entities engaged by the Fund to ensure the Fund’s effective operation and achievement of its stated Objectives. This Operational Manual aims to provide guidance for carrying out the obligations of the Fund as these are set out in the Fund’s Bylaws (the “**Objectives**”).

2. STRUCTURES AND ORGANIZATION

This Operational Manual contains the structure of the Fund (Exhibit 1) and the flow of funds that will result from the debt swap and its operations as a grant making entity.

2.1 The Board of Directors

The Board shall have executive control and management of the affairs of the Fund, shall exercise and perform the functions, powers and duties of the Fund on its behalf and shall be responsible for the effective and efficient administration of the Fund. The Board may adopt such resolutions for the conduct of its business as it shall deem advisable.

The powers and duties of the Board include, but are not limited to, the following:

- (a) to approve annual workplans and budgets;
- (b) to approve the operations manual and internal policies;
- (c) to approve all grant-making procedures and internal policies;
- (d) to approve all grants or other funding to projects and to specify the use to which such grants or funds will be put;
- (e) to hire key personnel such as the Executive Director, subject to budgetary and other restrictions, to establish the conditions of the Executive Director’s employment in accordance with any applicable provisions of the Fund Bylaws, periodically to evaluate his or her performance as the Executive Director and to dismiss the Executive Director;

- (f) to approve, review periodically, and modify (as required) the organizational structure and personnel procedures of the Fund;
- (g) to establish Bank Accounts and Investment Accounts for the Fund;
- (h) to create representative offices and committees, including grant and investment Committees and their respective charters;
- (i) to appoint or replace the Accountant and the Auditor;
- (j) to decide on issues concerning the members of the Board, the Officers and other personnel, including their dismissal, reimbursement of expenses and Director conflicts of interest;
- (k) to seek and accept donations, including acceptance of donations with restrictions on the use of such donations;
- (l) to apply legal registration and for tax-exempt status in any jurisdiction;
- (m) to approve the Investment Policy;
- (n) to engage in strategic planning;
- (o) to enter into any agreements related to the formation, funding and operation of the Fund, including the FESA, Conservation Funding Agreement, and any document granting a security interest to GPS Blue over the assets of the Fund; provided that such agreements shall not cause the Fund to conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code or by an organization contributions to which are deductible under Sections 170(c)(2), 2055(a) and/or 2522(a) of the Code;
- (p) to comply with covenants made by the Fund set forth in Schedule Y (*Office of Development Policy Requirements*) to the FESA under the heading “Social, Worker Rights, Environmental, and Economic Effects Covenants,” each of which is incorporated herein by reference; and such power and duty of the Board shall survive termination of the FESA; and
- (q) to do all other things which the Board determines are necessary and proper for the administration and operation of the Fund to enable the Fund to achieve its General Purpose, comply with the law and cause the Fund to refrain from conducting or carrying on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Code or by an organization contributions to which are deductible under Sections 170(c)(2), 2055(a) and/or 2522(a) of the Code.

2.2 Duties of the Board Officers

Duties of the Co-Chairpersons. Two Directors of the Fund shall serve as Co-Chairpersons of the Fund. One Co-Chairperson shall be the Special Director (the “**The Affiliate Co-Chairperson**”). The other Co-Chairperson shall be a Non-Affiliate Director (the “**The Non-Affiliate Co-Chairperson**”) selected by the Board pursuant to Section 5.1. (a) of the Fund’s Bylaws. One or both of the Co-Chairpersons shall

preside over all meetings of the Board and Members. The Co-Chairpersons shall perform all duties incident to office of the Co-Chairperson, and such other duties as may be delegated to such office by the Board. Each Co-Chairperson possesses the authority to execute all instruments that require his or her signature. In the absence of an Executive Director, either Co-Chairperson or such other Director as the Board may appoint shall exercise all of the functions and duties of the Executive Director as described below; provided, however, that a Director appointed in accordance with this sentence shall not receive compensation for his or her service as an Executive Director.

Duties of the Treasurer. The Treasurer shall oversee the Fund's financial activities, which include but are not limited to, collecting, receiving and maintaining custody over the funds, securities and investments of the Fund, subject to the order of the Board. The Treasurer shall manage the hiring of an investment manager to implement the Investment Policy. The Treasurer shall keep all funds of the Fund on deposit with banks or trust companies approved by the Board. The Treasurer shall submit reports to the Board upon request. The books of account shall be open at all times to the inspection of the Directors. Upon approval of the Board, the Treasurer may delegate certain functions of his or her office to employees of the Fund, but he or she shall continue to be responsible for the proper performance of such functions. The Treasurer shall chair the Finance Committee and shall perform such other duties and functions as may be determined by the Board.

Duties of the Secretary. In the absence, vacancy or refusal to act of both of the Co-Chairpersons, the Secretary shall preside over meetings of the Board and shall replace the Co-Chairpersons, exercise all of the powers and duties of the Co-Chairpersons and serve as such replacement until the return of at least one of the Chairpersons or the election of at least one of the Co-Chairpersons in accordance with Section 5.8 of these Bylaws. The Secretary shall (a) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (b) have charge of the corporate records and of the seal of the Fund; (c) keep a register of the mailing address of each Director and any Committee member which shall from time to time be furnished to the Secretary by such Director or Committee member; and (d) in general, perform all duties incident to the office of secretary of a corporation and such other duties as the Board and the Co-Chairpersons may from time to time assign to the Secretary. The Secretary may delegate such details of the performance of duties of the Secretary's office as may be appropriate in the exercise of reasonable care to one or more persons in his or her stead, but shall not thereby be relieved of responsibility for the performance of such duties.

The Executive Director

The Executive Director of the Fund shall be an employee of the Fund responsible for carrying on the Fund's day-to-day affairs.

The Executive Director shall be accountable for executing the policies and decisions of the Board to achieve the most efficient financial and administrative management of the Fund's affairs. The Executive Director shall attend all meetings of the Board. The Executive Director shall have custody of the records and books of the Fund, other than books of account, and perform the usual duties pertaining to his or her office and such other duties as the Board may from time to time prescribe.

The Executive Director shall serve without any restriction on term. However, the Executive Director shall serve at the pleasure of the Board and may be removed, with or without cause, by a Special Majority Vote of the Board.

The Executive Director's responsibilities include:

- (a) Reporting to the Board on the activities of the Fund, and promptly, regularly and fully informing the Co-Chairpersons of the Board about the current affairs, activities and finances of the Fund, and for obtaining the Co-Chairpersons's advice and approval in all cases where this may be required by the Fund Bylaws or this Operational Manual;
- (b) Calling a meeting of the Directors at the request of the Co-Chairpersons elected by the Directors or if requested to do so in writing by three Directors;
- (c) Circulating notices of general meetings on behalf of the Directors;
- (d) Participating in Board meetings from time to time as requested by the Board and ensure that appropriate staff members are available to assist at Board meetings;
- (e) Verifying that any proxy appointment is consistent with _____;
- (f) Ensuring that minutes are taken at all Board meetings;
- (g) Overseeing preparation of the Annual and Directors' Reports;
- (h) Ensuring that all required documents are filed;
- (i) Preparing or causing to be prepared and signing contracts, leases, tax returns, grant agreements, applications for permits and registrations, and all other written documents on behalf of the Fund, subject to any approvals by the Board;
- (j) Liaising with governmental organizations, local communities, non-governmental organizations, businesses, donors, and the media.
- (k) Collaborating with members of the Board to plan and agree on a future fundraising strategy for the Fund.
- (l) Preparing plans, strategies, budgets and RFPs, including long-term strategic plans, annual operating plans, internal operations manuals and policies, and annual budgets, for the consideration of and approval by the Board;
- (m) Coordinating with other initiatives in order to achieve greater efficiencies and synergies, access additional potential sources of funding, and raise awareness of any potential negative impacts on biodiversity that could result from proposed or current donor-funded, government-funded and private-sector- funded initiatives;
- (n) Hiring and supervising the Fund staff based on Board-approved budgets and authorization;

- (o) Preparing and maintaining financial records and accounts, either directly or by supervising other officers and staff who may be charged with that responsibility;
- (p) Administering, monitoring, and evaluating Board-approved transfers of funds to grantees, including ensuring that grantees submit financial and technical reports as required, resolving any issues involving a grantee's failure to perform as agreed or failure to report in a proper and timely manner as required, and reporting to the Board on all of the preceding;
- (q) Maintaining relations with the Investment Manager and/or Investment Consultant; and
- (r) Reporting to the Fund donors and/or lenders per financing and/or grant agreements.
- (s) Ensuring that all other tasks assigned by the Board are performed and instructions of the Board are carried out for the Fund to achieve its Objectives.

In his or her relations with the Board, the Executive Director must

- (i) ensure that information which is relevant to the secretarial affairs of the Fund is provided promptly; and
- (ii) ensure that minutes are taken of all meetings of the Board, Board Committees, and general meetings in accordance with the Fund Bylaws and keep a record of such minutes in accordance with section 2.4 below.

The terms of reference for the Executive Director role are attached hereto as Exhibit 3.

2.3 Advisory Committees

The Board may, by resolution, establish one or more committees (each a "**Committee**"). Each Committee must be chaired by a Director appointed by the Board. The Board may designate any Directors as members of any Committee. The Board may establish procedures for Committees, and delegate to a Committee such authority as may be necessary or desirable for the efficient management of the property, affairs, business and activities of the Fund. However, the Board shall not delegate to any Committee any power or authority that requires a Special Majority Vote. The Board may allow persons with professional or expert competence to be an ex-officio member of any Committee (an "**Ex-Officio Committee Member**"). Ex-Officio Committee Members shall not be entitled to vote on any matter that is before the Board or Committee, shall not be taken into account for purposes of determining a quorum of Directors, and shall not be taken into account for purposes of determining the number of Directors serving at any given time. A Committee's authority shall continue until terminated by the Board. Committees shall, without limitation, include the following:

The Finance Committee. The Finance Committee shall include at least one Director with the following financial qualifications: (i) an understanding of generally accepted accounting principles and their application to the preparation of financial statements as well as accounting for estimates, accruals and reserves, (ii) experience preparing, auditing, analyzing or evaluating financial statements that are generally comparable in

breadth and complexity of issues to those of the Fund and (iii) an understanding of internal control over financial reporting and audit committee functions. Such financially qualified Director shall recommend to the Board strategies and procedures for the investment of funds held by the Fund, if any. The Finance Committee will (x) support the Board by providing recommendations to formulate or review and revise its policies and guidelines related to resource mobilization, investment and other financial frameworks and (y) support the recruitment of the investment manager and/or investment advisor and monitoring and evaluating their performance to keep the Board regularly informed and recommend to the Board any possible changes to consider. The Finance Committee may also support the recruitment of the Accountant and Auditor.

The Technical Advisory Committee. The Technical Advisory Committee shall be comprised of at least two Directors and at least one individual who has expertise in scientific, environmental, social and conservation matters (one of which such individuals shall be the chairperson of such Committee). The Technical Advisory Committee shall review and comment on grant proposals and provide advice to the Board on technical matters and inquiries related to their field of expertise. The Technical Advisory Committee shall meet (A) on a monthly basis and (B) at the direction of the Board or the Directors who are on the Technical Advisory Committee when requested to discuss grant-related and technical matters.

Conflicts of Interest

The Fund has established a conflicts of interest policy (the “**Conflicts Policy**”), a copy of which is attached hereto as Exhibit 2. In general, the Conflicts Policy provides guidance on the legal requirements and sets out the policy of the Fund in relation to conflicts of interest. The following is a general overview of the Conflicts Policy:

Each of the Directors and staff of the Fund (including the Fund’s Executive Director) must declare in a written statement addressed to the Co-Chairpersons of the Board the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement with the Fund or in any transaction or arrangement entered into by the Fund which has not previously been declared, unless the transaction or arrangement is permitted by the Fund Bylaws.

A Director should excuse himself or herself from any discussions of the Board in which it is possible that a conflict will arise between his or her duty to act solely in the interests of the Fund and any personal interest (including but not limited to any personal financial interest).

The unconflicted Directors may (subject to such terms and conditions, if any, as they may see fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise:

- (a) any matter which would otherwise result in a Director infringing his or her duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Fund and which may reasonably be regarded as likely to give rise to a conflict of interest; and

- (b) a Director to accept or continue in any office, employment or position in addition to his or her office as a Director and may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises.

The Director in question and any other interested Director cannot vote, act, or attempt to influence improperly the deliberations on any matter in which he or she has been determined by the Board to have an interest.

An interest includes both direct and indirect interests, but excludes interest which may arise due to the Director's involvement in the management of a not for profit beneficiary of the Fund.

2.4 Meetings of the Board of Directors

Written notice of meetings of the Board must be sent to Directors at least one week in advance of the meetings.

Meetings shall be presided over by the Co-Chairpersons or the Vice Co-Chairpersons, seconded by the Executive Director.

The Executive Director must keep and record (or cause to be recorded and kept) accurate and complete minutes of all meetings of the Board, which must include:

- (a) The appointments of Officers made by the Directors;
- (b) Proceedings;
- (c) Meetings:
 - (i) names of the Directors present at the meeting;
 - (ii) decisions taken at the meetings; and
 - (iii) where appropriate, the reasons for decisions;
- (d) Decisions taken by written resolution since the last meeting.

3. OPERATIONS

3.1 The Fund and its Functions

The Fund is expected to eventually have a staff of at least seven people, including the Executive Director, four Program Officers and two Administrative Assistants. The Board may identify other staff that may be needed including a Financial Director and/or Outreach Officer. Accounting support will be outsourced to a local accounting firm. The Fund will establish an office in the Galápagos.

The Fund's administration will be funded by withholding a portion (no more than 10%, though the precise amount remains to be determined, based on need) of the Conservation Funding Agreement cash flow designated to provide grant funding for activities on the ground (excluding cash flow to capitalize the endowment). The Fund

will always be limited to a maximum of 10% for its administration, on any future funding designated to finance grant making activities on the ground.

the Fund staff responsibilities will include:

- (a) General administrative support to the Fund;
- (b) Managing fiduciary services, including tracking funds with the investment manager, notifying the bank for transfer of grant funds to grantees, loan repayments to creditors, etc.;
- (c) Coordination and review of the annual call for proposals funding requests process for grantees and the annual reports of usage of previous year's funds from grantees for presentation to the Fund Board;
- (d) Quarterly reporting on investment management returns, fund transfers, etc. to the Donors and the Board;
- (e) Facilitating meetings of the Board;
- (f) Coordinating the annual audit of the Fund; and
- (g) Managing promotional activities (press releases, web presence, etc.)

3.2 Annual Call for Proposals

The Board shall consider requests for grants based on [a semi-annual call] for proposals process. The Board will create a Technical Advisory Committee to guide this process. The Technical Advisory Committee will draft a Terms of Reference in its first year to help guide the process. Each year the Board, guided by recommendations from the Technical Advisory Committee, will set its priorities based on funds available, historical distribution of grants both geographically and thematically, national priorities, opportunities to leverage funds against other bi-lateral, multi-lateral, and private grants, etc. The Fund staff will be responsible for running of the actual call for proposals, including posting of the call for proposals, collection of proposals, due diligence on potential grantees, scoring of proposals, and presentation of the proposals to the Technical Advisory Committee and Board for final approval, notification of outcomes to proposal submitters, etc. Final decisions on proposals to be funded will be made by the Board, based on recommendations of the Technical Advisory Committee.

The call for proposals announcement will be widely distributed by as many means as reasonably possible (website, NGO networks, community organizations, newspaper, etc.) in order to reach a broad representation of potential grantees. A section of the Fund's website will be dedicated to the grant award process.

The steps of the grant cycle, grantee eligibility criteria, guidance for submitting proposal documents and the criteria that will be used for evaluating proposals are made public to ensure that all potential grantees have access to the same information. The Fund staff will respond to questions from grant applicants which may arise during the grant award process.

Fund staff will publish grant applicants' questions and answers on the Fund website so that all concerned may benefit. The Fund will use a two-step process that will reduce time and costs of both the Fund and potential grantees by pre-screening for projects or activities with high potential as well as to determine grantee eligibility:

- (a) The first grant application step will require grant seekers to prepare a concept note that provides key information on the grant seeker, a brief description of the activities proposed for financing and the objectives they address and a summary of the execution approach and a rough cost estimate.
- (b) The second grant application step will require a full proposal prepared for those criteria judged acceptable by the Fund which may or may not request changes to the original criteria. The final proposal is evaluated according to the criteria specified in the call for proposals and an interview or site visit with the candidate grantee is carried out before the grant is awarded.

The Fund staff and the Technical Advisory Committee may choose to rely on external technical reviewers or consult with advisory bodies to provide objective or specialized guidance on grant selection. Individuals giving advice should be independent of the grants or activities they are reviewing, and shall not create a perceived conflict of interest.

When the pool of grant applicants is small and/or grant applicants' project design skills are limited, the Fund may choose to prepare the technical parameters of priority projects or activities that the Fund wishes to finance and allow grantees to compete solely on the basis of their approach to implementation.

The Fund will provide timely notification to all applicants that do not receive funding. Feedback will be made available on an equal-opportunity basis to all rejected applicants.

Transfer of funds from the Fund to the grantees will be guided by a fully-executed Grant Agreement, with a sample attached as Exhibit 5.

The first call for proposals will be run in the first half of 2023, with grant agreements expected to be signed in mid-2023, and initial pay-outs to grantees shortly thereafter. Pay-outs will be on a quarterly basis, based on demonstrated need (e.g. quarterly report (demonstrating spending of previous quarter's funds provided within 30 days of the end of the quarter).

The Fund may make a payment to a grantee only if certain conditions are met. Among them, the grantee must:

- (a) Have as its main purpose the conservation and/or management of marine and coastal biodiversity and/or ecosystem-based adaptation to climate change in the Galápagos; and
- (b) Have legally existed and operated in the Galápagos for a minimum of two years.

3.3 Procurement of Goods and Consultant Services for the Fund

Once the Fund is operational, it will be responsible for procurement of goods and consultant services in accordance with rules prescribed in this Operational Manual, which include, but are not limited to, services that may be provided by accountants, auditors, lawyers, investment consultants and investment managers. The following considerations guide the Fund's process for selecting consultants for services to be provided to the Fund:

- (a) the need for high-quality services;
- (b) the need to give qualified consultants an opportunity to compete;
- (c) the need for transparency in the selection process; and
- (d) the need for economy and efficiency in the services to be delivered.

The Fund recognizes that, in the majority of cases, these considerations can best be addressed through competition among qualified short-listed firms in which the selection is based on the quality of the proposal and, where appropriate, on the cost of the services to be provided. The Fund also recognizes that the services it requires are likely to involve international competitive selection.

Consultants are expected to provide professional, objective, and impartial advice and at all times and to hold the Fund's interests paramount. To this end, the Fund will apply its best effort to identify whether the following potential or real conflicts of interest are present in the selection process:

- (a) Consulting activity conflicts. There shall be no conflicts of interest between consulting activities and procurement of goods, works or services that will be supplied to the Fund or previous involvement in the selection process.
- (b) Conflict among consulting assignments. Neither consultants (including their personnel and sub-consultants) nor any of their affiliates shall be hired for any assignment that, by its nature, may be in conflict with another assignment the consultants have accepted for the Fund.
- (c) Relationship with the Fund staff. There shall be no conflicts of interest arising when the consultants (including their personnel and sub-consultants) have a business or family relationship with the Fund staff or Directors, or anyone else with a material interest in or control over the Fund.

The Board is the final authority for decisions related to potential or real conflicts of interest in the selection process.

Competitive Selection of Consultants

The Board is responsible for contracting with an investment manager, investment consultant, custodian, registered agent and any other professional service provider that is engaged in the interest of sound operation of the Fund. The Board will appoint an Executive Director to attend to the Board's operational and administrative needs.

The following are **key components of the competitive selection process** and are subject to review by the Board ex ante or ex post in the selection process, as the Board shall deem necessary:

Terms of Reference (“TOR”). TOR that defines clearly the objectives, goals, and scope of the assignment and provides background information (including a list of existing relevant studies and basic data) to facilitate the consultants’ preparation of their proposals.

Budget. A thorough cost estimate prepared to earmark realistic budgetary resources.

Advertising. A plan to disseminate information by appropriate means in order to obtain proposals from several qualified firms. Pre-identification of experienced firms may be sought through “expressions of interest”. The information requested should be the minimum required to make a judgment on the firm’s suitability and not be so complex as to discourage consultants from expressing interest. TORs should be advertised for a minimum of 30 days.

Short list. A sufficient number of qualified firms available to ensure a short list of firms with competitive costs. In general, a short list will comprise no less than three firms.

Request for Proposals. RFPs which shall include (a) a letter of invitation (i.e. the services sought, the details of the Fund, and the date, time, and address for submission of proposals); (b) information to consultants (i.e. necessary information that would help consultants prepare proposals); (c) the TOR, and (d) a proposed contract or special contractual obligations that would not be considered standard in an agreement to provide services or are specific to the assignment.

A Rating System for Evaluating Proposals: The quality of a technical proposal is rated taking into account: (a) the consultant’s relevant experience for the assignment, (b) the quality of the methodology proposed, (c) the qualifications of the key staff proposed, and (d) transfer of knowledge, if required in the TOR. Weighted numerical ratings, consistent with the type and complexity of the assignment and taking into account any pre-selection using the above criteria, will be used to score the proposals.

The following **methods of selecting consultants** are employed by the Fund. The Board shall approve the method prior to initiation of the selection process.

Quality and Cost-Based Selection (“QCBS”). QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost is used judiciously as a selection factor. The relative weight given to the quality and cost is determined for each case depending on the nature of the assignment.

Quality-Based Selection (“QBS”). QBS is used for complex or highly specialized assignments for which it is difficult to define precise TOR or assignments involving a high downstream impact and in which the overriding objective is to engage the most qualified experts. Because of the emphasis on the quality of the proposal, the RFP may request submission of a technical proposal only (without the financial proposal), or request submission of both

technical and financial proposals at the same time, but in separate envelopes (two-envelope system).

Fixed Budget: Fixed Budget is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP indicates the available budget and requests the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. TORs should be particularly well prepared to make sure that the budget is sufficient for the consultants to perform the expected tasks. Evaluation of all technical proposals is carried out first, then the price proposals are opened in public and prices read aloud. Proposals exceeding the indicated budget are rejected. The consultant submitting the highest ranked technical proposal shall be selected and invited to negotiate a contract.

Least-Cost Selection (“LCS”): LCS is only appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a “minimum” qualifying mark for the “quality” is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the financial proposals of the rest are opened in public.

Consultants’ Qualifications (“CQS”): CQS may be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the Borrower should prepare a TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment, establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm should be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract.

The Fund recognizes that non-competitive selection is an exceptional practice that may be justified in certain cases. In those cases, the following selection method may be used:

Single Source Selection (“SSS”): SSS does not involve a competitive selection process and may be appropriate only if it presents a clear advantage over competition such as (a) for tasks valued at less than US\$25,000 that represent a natural continuation of previous work carried out by the firm, provided they do not exceed 25% of the original contract value, (b) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency, (c) for very small assignments or (d) when only one firm is qualified or has experience of exceptional worth for the assignment. All such SSS cases are subject to the prior no-objection of the Fund Board.

The Board must ensure that all assignments are carried out, and all payments are made, in conformity with the approved conditions of signed contracts.

Operational Costs

Whenever feasible, the comparison of three quotations should be followed.

Contracting of Staff

For the contracting of staff, the same key components of the competitive selection process mentioned above apply. The Board will prepare in advance of each contracting process a comprehensive tender document that specifies details of timelines, application and evaluation procedures.

3.4 Environmental Safeguards

The Objectives of the Fund include administration of the Fund assets to provide a sustainable flow of funds to supplement existing and future funds from any source to enable the Fund to promote the maintenance and growth of the Galápagos Islands' natural capital by making grants or impact investments to non-profit organizations, community-based organizations, civil society organizations, government agencies for relevant environmental and sustainable development projects as informed by biodiversity, social, sustainability and climate change impact needs assessment and therefore, are expected to generate significant positive environmental benefits in conserving the natural integrity and biodiversity of the Galápagos. This may be achieved through a range of activities, including without limitation, direct investments in the sustainable use and conservation of coastal and marine resources; restoration of sensitive ecosystems such as sand dunes, mangroves, beach zones which have been degraded; and environmental guidelines for tourism operations related to diving, snorkelling, non-motorized sports, and small infrastructure works (such as a visitor center or boardwalk). Implementation of these activities may have adverse environmental consequences, including without limitation damage to coral and reef systems from mismanaged activities, disturbances to bird, mammal, and fish species from poor tourism practices, and noise, dust and air pollution from small infrastructure works (such as a visitor center and boardwalk). These adverse environmental impacts are expected to be minor, localized and preventable through responsive mitigation measures. An initial screening for potential environmental impacts associated with the design, construction, and use of any activities using environmental guidelines and the identification of measures to mitigate the impacts identified, must be undertaken by proponents at the national level consistent with this Operational Manual. Environmental assessments would be conducted as needed.

Additionally, the Fund will adhere to the Environmental and Social Action Plan (ESAP) once it has been finalized.

3.5 Social Safeguards

The proceeds of the Fund are expected to catalyse positive social outcomes, for example, related to the improvement of natural resource and environmental conditions and potential economic benefits to local populations from improved tourism and other economic opportunities. However, there may be some potential nonphysical (economic) displacement issues associated with possible restrictions on resource use in, and access to, core areas of protected/managed areas. Some livelihood activities may be adversely impacted in protected/managed areas, including, without limitation, the limiting of fishing areas through zoning, limiting fish catches, banning certain fishing techniques, or restricting certain types of fishing. In addition to those engaged in

fishing, tourism operators and vendors, and resource extractors and harvesters (e.g. corals, sand, etc.) may also be adversely affected. For terrestrial Protected Areas, livelihoods of tourism operators and vendors, farmers, hunters, and resource extractors (e.g. timber, firewood, plants), among others may be adversely impacted. It should also be noted that some restrictions on livelihoods may currently exist but are often not regularly enforced due to capacity constraints. Hence, due to the overall conservation strategy of the Fund, it may be necessary that persons or communities change some ongoing negative practices, such as limiting or restricting or prohibiting the use of certain areas or resources. the Fund would address this issue by: (a) ensuring stakeholder consultations are carried out; (b) providing guidelines to proponents to include sustainable development action plans which would harmonize social strategy with conservation practices to offer sustainable alternatives to substitute damaging practices; and (c) undertaking adequate monitoring and evaluation to verify adoption of these guidelines.

Additionally, the Fund will adhere to the Environmental and Social Action Plan (ESAP) once it has been finalized.

4. INVESTMENT OF FINANCIAL ASSETS

The Fund will receive semi-annual payments pursuant to the Conservation Funding Agreement, dated [_____], from a special purpose vehicle created to finance conservation activities on the ground and to capitalize an endowment (see attached payment schedule). The endowment will be invested to generate long-term sustainable financing for carrying out the Fund's objectives once the Conservation Finance Agreement payments end (after 18 years). The Fund may perform the same function with respect to other contributions as and when they are made available to it.

4.1 Investment Policy

Exhibit 6 to this Operational Manual defines the broad lines of the philosophy that will guide the Fund in investing its capital. The Fund relies on the financial expertise of its Finance Committee to develop the investment policy and guidelines, as well as spending policy, which shall be discussed and considered for approval by the Board.

4.2 Investment Management Performance Evaluations

The Board, in consultation with its Finance Committee, is responsible for evaluating the investment consultant's or investment manager's performance. The Board assumes this responsibility through annual meetings with the investment consultant or investment manager, and the Finance Committee carries out this responsibility through quarterly examinations and discussion of current year and cumulative results in comparison with a target portfolio and reference indices, by teleconference or physical meetings.

5. ACCOUNTS AND AUDITS

5.1 Fiscal Year

The fiscal year of the Fund shall begin on January 1 and end on December 31 of each year, with the exception of the year in which the effective date of the Fund Bylaws

occurs, such fiscal year to be the effective date until December 31 of the following year (e.g. the Fund's first fiscal year will run from the effective date the Fund Bylaws is passed until December 31, 2023).

5.2 Bank Accounts

The Board shall establish such Bank Accounts as it shall deem necessary for the operation of the Fund. At least one such Bank Account shall be established where moneys belonging to the Fund associated with day-to-day accounts shall be deposited. Proper accounts shall be kept of all sums of money received and expended or invested in any form by the Fund and of the matters in respect of which such receipts, expenditures or investments take place and the assets and liabilities of the Fund. The Bank Accounts of the Fund shall be subject to inspection by the Directors.

5.3 Investment Account (Endowment Fund)

The Board shall establish an investment management account to invest the assets of the endowment fund. As may be further specified in the Operational Manual and the Investment Policy. The Investment Accounts, including income and capital gains generated thereon, shall be invested by an internationally recognized investment manager selected by the Board through a transparent and competitive public tender process, subject to the approval of a Special Majority Vote. All investments of the Fund's assets shall be made in accordance with the Investment Policy.

The Board shall require the manager(s) of the Investment Accounts to submit to the Board, on a minimum quarterly basis, regular reports showing overall portfolio value, investment holdings, including asset ratings, portfolio diversification, earnings (or losses) for the period and the year, prior period comparisons, distributions to the Fund, and fees and other details as requested by the Board or the Executive Director. The Investment Accounts shall be subject to inspection by the Founding Member Directors and the Non-Government Directors, subject to reasonable restrictions provided by resolution of the Board.

5.4 Accounts

The Executive Director and his or her staff are responsible for keeping the accounts and for producing statements at the end of the financial year that present a true and fair value of the Fund's worth. The statements comprise: (1) a Statement of Financial Activity ("SOFA"); (2) a balance sheet and (3) explanatory notes that explain in more detail how income and expenditure is made up and gives extra information about particular assets and payments.

5.5 Audits

The Accounts are subject to an annual audit to provide independent scrutiny of accounts. In accordance with donor requirements, the auditor should be a registered auditor.

Audit terms of reference will specify that the Auditor will (i) be a "registered auditor" who is registered with a recognized supervisory body; and (ii) use accounting

recommendations and guidance of the Statement of Recommended Practice (“SORP 2005”).

The Auditor shall conduct annual audits for a period of three consecutive fiscal years at which time the Board will select a new Auditor.

Per the terms of the Grant Agreement, grantees must appoint an independent external auditor of internationally recognized standing and competence to audit the financial accounts of the grantee on an annual basis. Grantees must provide to the Fund such auditor’s completed annual report.¹

6. REPORTING

6.1 Donor Requirements

The Fund is responsible for making various documents accessible to the Donors. In line with its obligations under the Grant Agreements signed with each Donor, the following documents must be made readily available:

Documents to be provided to Donors²

Recipient	Document	Submission Date
TBD	Investment Manager’s Reports	Quarterly within 45 days of the close of the financial quarter.
TBD	Audited Financial Statements	Annually, within six months of the close of the financial year.
TBD	Annual Report	Within six months of the close of the financial year.
TBD	Narrative and financial reports on activities financed by grants	Narrative reports should be issued quarterly, within 45 days of the close of the financial quarter. Interim unaudited financial reports should be issued quarterly, within 45 days of the financial quarter.

¹ For informational purposes only. The financial statements of the grantees will not be consolidated with the financial statements of the Fund. There need not be any relationship between the Fund’s auditor and the auditors of the grantees.

² The method of public dissemination will be determined by the Fund Board of Directors.

6.2 Other Reporting Requirements

Reference	Item	Timeframe	Deadline
FESA - Schedule Y Part D(b)(vi) (<i>Office of Development Policy Requirements</i>)	OFC and GLF will explain, document and make available in writing all terms of employment and information regarding working conditions for each Worker	30 days following the Effective Date	9 June 2023
FESA - Schedule Y Part D(i) (<i>Office of Development Policy Requirements</i>)	OFC shall provide an updated version of the Environmental and Social Impact Assessment	90 days following the Effective Date	8 August 2023
FESA - Schedule Part D(l) Y (<i>Office of Development Policy Requirements</i>)	GLF shall execute the Social Safeguards Contracts	100 days following the Effective Date	18 August 2023
FESA - Section 4.03(c)(i) (<i>Project Manager Covenants</i>) CFA - Clause 13 (<i>GLF Founding Member Covenants</i>)	OFC will use reasonable efforts (to DFC's satisfaction) to procure that the GLF Accession Conditions (as set out in clauses 2.1 - 2.8 of the CFA) are met	Within 6 months of the date of the FESA	27 October 2023
FESA - Section 4.01(d)(ii) (<i>GLF Covenants</i>)	GLF will engage an internationally established and recognized accountant	Within 6 months of the establishment of GLF	5 November 2023
FESA - Section 4.01(k)(i) (<i>GLF Covenants</i>)	GLF will open the Endowment Account	Within 6 months of the establishment of GLF	5 November 2023
FESA - Section 4.01(k)(ii) (<i>GLF Covenants</i>)	GLF will appoint an internationally established and recognised independent investment manager	Within 6 months of the establishment of GLF	5 November 2023
FESA - Section 4.01(l) (<i>GLF Covenants</i>)	GLF will set up a website	Within 6 months of the establishment of GLF	5 November 2023
SCA - Schedule 1 (<i>Sustainability Commitments</i>) Para 7	The Ministry of Environment, Water and Ecological Transition will appoint its representative to the board of GLF	Six months from the Settlement Date	9 November 2023
FESA - Schedule Y Part D(x) (<i>Office of Development Policy Requirements</i>)	GLF shall deliver the Results Table to DFC	Six months from the Effective Date	10 November 2023
FESA - Section 4.01(f)(vi)(H)(a) (<i>GLF Covenants</i>)	GLF will provide copies of the Impact Report, Project		30 June 2024

7. EVALUATIONS

The Board may, at its discretion, request that the Fund be the subject of an independent evaluation covering any or all of the following: the effectiveness of its governance structures, grant-making operations and impact on conservation.

The Fund may itself be designated to be the subject of an independent evaluation that could cover the Fund alone, and/or the Fund and one or more grantee. In such a case, the Fund and the relevant grantee(s) must make all requested information readily available to, and cooperate fully with, the evaluators.

EXHIBIT 1
ORGANIZATIONAL STRUCTURE
of the Galápagos Life Fund

GALÁPAGOS LIFE FUND ORGANIZATIONAL STRUCTURE

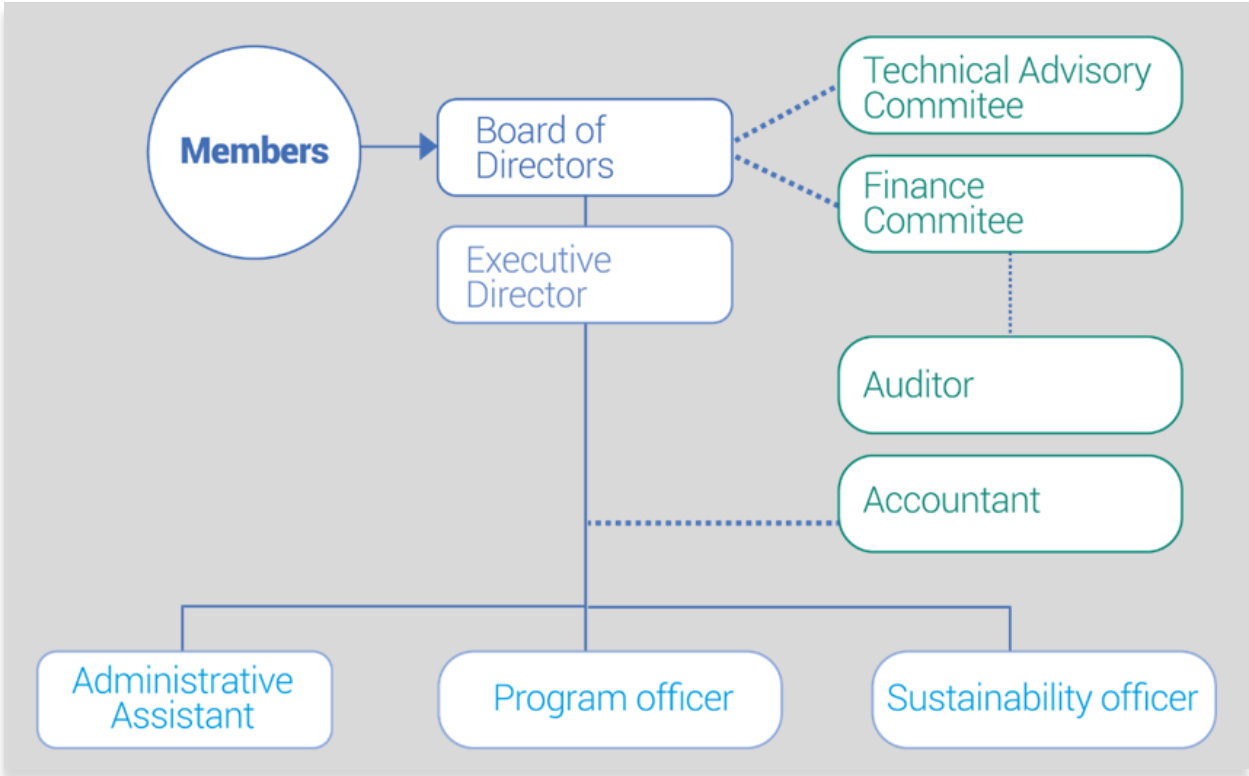


EXHIBIT 2
CONFLICTS OF INTEREST POLICY
for the Galápagos Life Fund

GALÁPAGOS LIFE FUND

a Delaware nonprofit, nonstock corporation

Conflict of Interest Policy

Article I **Purpose**

The purpose of this policy (this “**Policy**”) is to protect the interests of Galapagos Life Fund (the “**Fund**”), which is a Delaware nonstock not for profit corporation and a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “**Code**”), when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a Director, Officer, or Key Person of the Fund, might benefit the private interest of a Disqualified Person, or might result in a possible Disqualified Person Transaction, or with which a Director, Officer, or Key Person of the Fund or any other Disqualified Person might have Conflict of Interest or Financial Interest. The Fund shall not enter into any such transaction or arrangement unless it is determined by the Board in the manner described below to be fair, reasonable, and in the best interests of the Fund at the time of such determination. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to not-for-profit and tax exempt organizations.

Article II **Disqualified Person Transactions and Duty to Disclose**

A Disqualified Person Transaction is not necessarily prohibited. Under this Policy, if the Fund contemplates entering into a Disqualified Person Transaction, the Board must determine if the transaction is fair, reasonable, and in the best interests of the Fund at the time of such determination prior to engaging in the transaction or arrangement.

If at any time while a Disqualified Person is serving as a Director, Officer, or Key Person of the Fund, he or she, or another person who is a Disqualified Person as a result of such person’s relationship to said Director, Officer, or Key Person of the Fund, acquires any Financial Interest or may have a Conflict of Interest or when any matter for decision or approval comes before the Board in which any such Disqualified Person has a Financial Interest or a potential Conflict of Interest or which may be a Disqualified Person Transaction, such Financial Interest, potential Conflict of Interest, or potential Disqualified Person Transaction must be promptly disclosed in writing by any such Disqualified Person who is serving as a Director, Officer, or Key Person of the Fund to each member of the Board, the Executive Director and to the Chair of the appropriate Board Committee, together with all material facts. The Board shall then follow the procedures in Article III of this Policy. Failure of such Disqualified Person to disclose to the Board, Executive Director, and to the Chair of the appropriate Board Committee a known Financial Interest, known potential or actual Conflict of Interest, or a known potential or actual Disqualified Person Transaction may be grounds for removal of said Disqualified Person from the Board and/or other position with the Fund or termination of said Disqualified Person from the Fund.

Article III
Disclosure and Voting

1. Disclosure.

Any Disqualified Person shall disclose to the Board, Executive Director, and to the Chair of the appropriate Board Committee in good faith all material facts of his or her potential or actual Financial Interest, and/or his or her potential or actual Conflict of Interest, and/or a Disqualified Person Transaction with which he or she may be involved.

2. Non-Participation and Review.

All transactions, agreements, or any other arrangements between the Fund and a Disqualified Person, and any other transactions which may involve a potential Financial Interest or Conflict of Interest or which may be a Disqualified Person Transaction, shall be reviewed by the Board. All Disqualified Persons with a potential Financial Interest or Conflict of Interest or who may be involved in a Disqualified Person Transaction, shall leave the room in which such Board deliberations are conducted after disclosure of the Financial Interest or Conflict of Interest or potential Disqualified Person Transaction, and all material facts, and after any Board discussion with the Disqualified Persons. The Board shall then determine whether the contemplated Disqualified Person Transaction is fair, reasonable, and in the best interests of the Fund at the time of such determination. The Fund shall not enter into any Disqualified Person Transaction unless the Board determines said Disqualified Person Transaction to be fair, reasonable, and in the best interests of the Fund at the time of such determination.

3. Consideration of Alternate Transactions and Comparability Data.

After exercising due diligence, the Board shall determine whether the Fund can obtain with reasonable efforts an equally or more advantageous alternate transaction or arrangement from a person or entity that would not give rise to a Disqualified Person Transaction.

If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a Disqualified Person Transaction and the contemplated Disqualified Person Transaction pertains to compensation for services or the transfer of property or other economic benefit to a Disqualified Person, the Board shall also determine that the value of the economic benefit provided by the Fund to the Disqualified Person does not exceed the value of the consideration received in exchange by obtaining and reviewing appropriate comparable data prior to entering the transaction. For purposes of said determination, the value of property, including the right to use property, is the fair market value of said property, which is the price at which property or the right to use property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy, sell, or transfer property or the right to use property, and both having reasonable knowledge of the relevant facts.

4. Comparability Data.

When considering the comparability of compensation, for example, the types of relevant comparability data which the Board may consider include, but are not limited to: (1) compensation levels paid by similarly situated organizations, both exempt and non-exempt; (2) the availability of similar services within the same geographic area; (3) current compensation surveys compiled by independent firms; and (4) written offers from similar institutions competing for the same person's services. When the transaction involves the transfer of property as consideration, the relevant factors

include, but are not limited to: (i) current independent appraisals of the value of all property to be transferred; and (ii) offers received as part of an open and competitive bidding process.

5. Voting.

The Board shall, after considering alternate transactions and/or comparability data, determine in good faith by vote of the Board whether the transaction or arrangement is fair, reasonable, and in the best interests of the Fund at the time of such decision. The transaction shall be approved by not less than a majority vote of the Directors present at the Board's deliberations regarding the transaction. In conformity with the above criteria, the Board shall make its decision as to whether to enter into the transaction or arrangement and shall document the meeting contemporaneously as provided under Article V of this Policy. All Disqualified Persons with a potential or actual Financial Interest or Conflict of Interest or who may be a party to the Disqualified Person Transaction under consideration must not be present for the Board deliberations and voting on the transaction or arrangement in which he or she has a Financial Interest or Conflict of Interest. However, such Disqualified Persons are not prohibited from providing information regarding the transaction to the Board prior to the Board's deliberations. No Director or Officer shall vote, act, or attempt to influence improperly the deliberations on any matter in which he or she has been determined by the Board to have a Financial Interest, Conflict of Interest, or is a Disqualified Person. Any attempt to vote, act, or improperly influence deliberations by a Disqualified Person on any matter with which such person has a Financial Interest or Conflict of Interest may be grounds for removal from the Board and/or other position with the Fund or termination from the Fund.

6. Compensation.

A voting member of the Board of Directors, an Officer who receives compensation directly or indirectly from the Fund for services, or a Director or other person serving as a voting member of any Committee whose jurisdiction includes compensation matters is precluded from voting or acting on matters pertaining to that Director's, Officer's, or person's compensation.

No voting member of the Board or any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Fund, either individually or collectively, is prohibited from providing information to the Board or any Committee regarding compensation.

Article IV **Audit or Other Committee Review**

1. The Board shall adopt this Policy. While providing oversight, the Board may delegate to an Audit or other Committee the implementation of, and compliance with this Policy. The Board may delegate to an Audit or other Committee review and approval of any Financial Interest, Conflict of Interest, or Disqualified Person Transaction involving a Disqualified Person and the Fund, as contained in this Policy; provided that, if the Disqualified Person Transaction is of a magnitude that would otherwise require full Board approval, the Committee shall submit the Disqualified Person Transaction to the Board for consideration, providing its recommendation as to whether or not to approve it.
2. Notwithstanding anything contained in this Policy to the contrary, if all members of the Board have either or both a Financial Interest or Conflict of Interest with a particular proposed transaction, agreement, or any other arrangement with the Fund, and/or are participants in a potential or participation in a Disqualified Person Transaction:

- a. The Board shall delegate to an Audit or other Committee the implementation of, and compliance with this Policy with respect to said transaction, including, but not limited to all of the Board's duties and obligations under this Policy with respect to said transaction;
 - b. Said Audit or other Committee shall be appointed by the Board and shall have a minimum of three (3) members who may or may not be affiliated with the Fund;
 - c. None of the members of said Audit or other Committee shall have a Financial Interest or Conflict of Interest with said particular proposed transaction, agreement, or any other arrangement with the Fund, and each member shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee;
 - d. The Board shall be required to follow and comply with the decision of said Audit or other Committee with respect to said particular proposed transaction, agreement, or any other arrangement with the Fund, which decision shall have the same binding effect that a decision of the Board would otherwise have.
3. In the event the Board delegates the review and approval of a Disqualified Person Transaction to an Audit or other Committee, all references to Board in this Policy shall be deemed to refer to such Committee and all references to a majority of the Board present during deliberations regarding the transaction shall be deemed to refer to a majority of such Committee.

Article V
Records of Proceedings

The minutes of all meetings of the Board and all Committee meetings at which a Disqualified Person Transaction is considered shall contain:

1. The names of the persons who disclosed or otherwise were determined to have a potential or actual Financial Interest and/or Conflict of Interest or to be involved in a potential Disqualified Person Transaction, the nature of the potential or actual Financial Interest, Conflict of Interest and/or Disqualified Person Transaction, any action taken to determine whether a Financial Interest, Conflict of Interest, and/or Disqualified Person Transaction exists, and the Board's decision as to whether a Financial Interest, Conflict of Interest, and/or Disqualified Person Transaction exists.
2. The names of the persons who were present for discussions and votes relating to any determinations under Paragraph 1 of this Article V above, including whether the Disqualified Person left the room during any such discussions, the content of such discussions, including discussion of alternative transactions to the proposed transaction or arrangement, a record of any votes taken in connection with the proceedings, noting who voted in favor and who voted against each decision, a record of whether or not the transaction with the Disqualified Person was approved by the Board, and the basis for the Board's approval, if approved.
3. The comparability data obtained and relied upon by the Board and how the data was obtained.
4. Any actions taken with respect to the consideration of the transaction by anyone who is otherwise a Board member but who had a Conflict of Interest with respect to the transaction.

5. The basis for any determination by the Board that reasonable compensation for a specific arrangement or fair market value in a specific property transfer is higher or lower than the range of comparability data obtained.

The minutes shall be documented concurrently with the decision and discussion regarding the Financial Interest, Conflict of Interest, and/or Disqualified Person Transaction. For a decision to be considered documented concurrently, records must be prepared before the later of the next meeting of the Board or 60 days after the final action or actions of the Board are taken. Records must be reviewed and approved by the Board as reasonable, accurate, and complete within a reasonable time period thereafter.

Article VI **Initial and Annual Written Disclosures**

Prior to a Director's initial election to the Board, or an Officer or Key Person's employment at the Fund, and thereafter upon any change to the prior disclosure, all Directors, Officers, and Key Persons shall disclose in writing to the Secretary of the Fund, to the best of their knowledge:

1. Any entity of which such person or a Relative of such person is an officer, director, trustee, member, owner, or employee and with which the Fund has a relationship;
2. Any Financial Interest such person may have in any corporation, organization, partnership, or other entity which provides professional or other goods or services to Fund for a fee or other compensation;
3. Any transaction in which the Fund is a participant and in which the Director, Officer, or Key Person might have a Conflict of Interest; and
4. Any position or other material relationship such Director, Officer, Key Person, or Relative of such person, may have with any for profit, not-for-profit, or non-stock organization with which the Fund has a business relationship.

A copy of each disclosure statement shall be kept in the Fund's files and made available to any Director, Officer, or Key Person upon request, and the Secretary of the Fund shall provide a copy of each disclosure statement to the Co-Chairs of the Board.

Article VII **Annual Statements**

Each Director, Officer, and Key Person shall annually sign and submit to the Secretary of the Fund a statement which affirms such person:

1. Has received a copy of this Policy;
2. Has read and understands this Policy;
3. Has agreed to comply with this Policy; and
4. Understands that the Fund is a Code Section 501(c)(3) tax-exempt organization and that, in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

If this Policy is amended or restated, said individuals shall sign such a statement with respect to the amended or restated Policy.

Article VIII
Violations of this Policy

If the Board has reasonable cause to believe a Disqualified Person has failed to disclose a potential or actual: (i) Conflict of Interest of said Disqualified Person; (ii) Disqualified Person Transaction with which said Disqualified Person, or with which a person who is a Disqualified Person as a result of his, her, or its relationship to said Disqualified Person, may be involved; and/or (iii) Financial Interest of said Disqualified Person, the Board shall inform the Disqualified Person of the basis for such belief and afford the Disqualified Person an opportunity to explain the alleged failure to disclose. If, after hearing the Disqualified Person's response and after making further investigation as warranted by the circumstances, the Board determines the Disqualified Person has failed to make any of the foregoing disclosures, the Board shall take appropriate disciplinary and corrective action, which may include, but is not limited to, removal of said Disqualified Person from the Board and/or other position with the Fund or termination of said Disqualified Person from the Corporation.

Article IX
Periodic Reviews

To ensure the Fund operates in a manner consistent with tax-exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's-length bargaining.
2. Whether partnerships, joint ventures, and arrangements with management organizations conform to the Fund's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further tax-exempt purposes, and do not result in inurement, impermissible private benefit, or an excess benefit transaction.

Article X
Use of Outside Advisors

When conducting the periodic reviews as provided for in Article IX, the Fund may, but need not, use outside advisors. If outside advisors are used, their use shall not relieve the Board of its responsibility for ensuring that periodic reviews are conducted.

Article XI
Self-Dealing

Section 4941 of the Code imposes excise taxes on certain transactions constituting self-dealing between the Fund and its Disqualified Persons. The following transactions are generally considered acts of self-dealing between the Fund and a Disqualified Person (unless an exception applies):

- Sale, exchange, or leasing of property;
- Lending money or other extensions of credit;
- Providing goods, services, or facilities;
- Paying compensation or reimbursing expenses to a Disqualified Person (except for personal services that are reasonable and necessary to carry out the Fund's exempt purposes);
- Transferring Fund's income or assets to, or for the use or benefit of, a Disqualified Person; and

- Certain agreements to make payments of money or property to government officials.

The Fund and its Disqualified Persons will not engage in the acts of self-dealing within the meaning of Section 4941 of the Code in any year in which the Fund is a private foundation as defined in Section 509 of the Code, regardless of whether a proposed transaction is fair, reasonable, and in the best interests of the Fund. Although this Article XI will not apply to the Fund in a year when it is not a private foundation, an act which would otherwise be self-dealing would likely be considered a Disqualified Person Transaction under this Policy and in such case would nevertheless be subject to the provisions of this Policy.

Article XII Definitions

1. **Affiliate.** A person or entity that is directly or indirectly through one or more intermediaries, controlled by, in control of, or under common control with a corporation.

2. **Board and Board of Directors.** The body responsible for the management of the
Fund.

3. **Conflict of Interest.** A Director, Officer, or Key Person of the Fund and a member of the authorized body or Committee of the Fund under this Policy, shall not have a Conflict of Interest with respect to a compensation arrangement, property transfer, or other transaction only if said person and all parties who are Disqualified Persons due to their relationship to said person:
 - a. Are not participating in or economically benefitting from the compensation arrangement, property transfer, or other transaction;
 - b. Are not in an employment relationship subject to the direction or control of any person or for profit, not-for-profit, or non-stock organization participating in or economically benefitting from the compensation arrangement, property transfer, or other transaction;
 - c. Are not a Director, Officer, or Key Person of any for profit, not-for-profit, or non-stock organization participating in or economically benefitting from the compensation arrangement, property transfer, or other transaction;
 - d. Do not receive compensation or other payments subject to approval by any party participating in or economically benefitting from the compensation arrangement, property transfer, or other transaction;
 - e. Have no material Financial Interest affected by the compensation arrangement, property transfer, or other transaction; and
 - f. Do not have the authority to approve a transaction providing economic benefits to any party participating in the compensation arrangement, property transfer, or other transaction who in turn has approved or will approve a transaction providing economic benefits to said person.

4. **Director.** Any voting or non-voting member of the governing board of a corporation, whether designated as a director, trustee, manager, governor, or by any other title.

5. **Disqualified Person.** Persons who may be considered a Disqualified Person under this Policy include:
 - a. Directors, Officers, or Key Persons of the Fund or an Affiliate of the Fund;
 - b. Relatives of Directors, Officers, or Key Persons of the Fund or an Affiliate of the Fund;
 - c. Any of the following entities: (i) a corporation (including a limited liability company that is treated as a corporation for tax purposes under the Code) in which persons described in subparagraphs a or b of this Paragraph 5 own more than 35% of the total combined voting power;

(ii) a partnership (including a limited liability company that is treated as a partnership for tax purposes under the Code) in which such persons described in subparagraphs a or b of this Paragraph 5 own more than 35% of the profits interest; and (iii) a trust or estate in which such persons described in subparagraphs a or b of this Paragraph 5 own more than 35% of the beneficial interest, provided, however, that ownership under (i), (ii), or (iii) of this subparagraph c shall include actual ownership and constructive ownership as determined under Code Section 4958(f)(3)(B);

- d. Persons who have a controlling interest (through votes) in the Fund;
- e. Any for profit, not-for-profit, or non-stock organization in which a person described in subparagraphs a or b of this Paragraph 5 is a Director, Officer, or Key Person, or in which a Relative of any such person is a Director, Officer, or Key Person;
- f. With respect to a particular transaction, any other person who would be a “disqualified person,” as said term is defined in Code Section 4958(f)(1) and Treasury Regulation Section § 53.4958-3; and
- g. In any year in which the Fund is a private foundation as defined in Section 509 of the Code, any other person who would be a “disqualified person,” within the meaning of Section 4946(a) of the Code.

6. **Disqualified Person Transaction.** Any transaction, agreement, or any other arrangement with the Fund or an Affiliate of the Fund in which, or with which, a Disqualified Person has a potential or actual Financial Interest or Conflict of Interest and in which the Fund or any Affiliate of the Fund is a participant, as well as any transaction that constitutes an “excess benefit transaction,” as said term is defined under Code Section 4958(c)(1), except that a transaction shall not be a Disqualified Person Transaction if:

- a. The transaction or the Disqualified Person’s Financial Interest in the transaction is de minimis;
- b. The transaction would not customarily be reviewed by the Board or boards of similar organizations in the ordinary course of business and is available to others on the same or similar terms; or
- c. The transaction constitutes a benefit provided to a Disqualified Person solely as a member of a class of the beneficiaries that the Fund intends to benefit as part of the accomplishment of its mission which benefit is available to all similarly situated members of the same class on the same terms.

For the avoidance of doubt, any Disqualified Person Transaction in which a Disqualified Person who is serving as a Director, Officer, or Key Person of the Fund has an interest, or in which another person has an interest who is a Disqualified Person as a result of such person’s relationship to said Director, Officer, or Key Person of the Fund, will be considered a Disqualified Person Transaction and a Conflict of Interest for purposes of this Policy as to said Disqualified Person who is serving as a Director, Officer, or Key Person of the Fund.

7. **Financial Interest.** A person has a Financial Interest if the person has, through business, investment, or Relative:

- a. An economic benefit from any transaction, agreement, compensation agreement, including direct or indirect remuneration as well as gifts or favors that are not insubstantial or other arrangement involving the Fund;
- b. An ownership or investment interest in any entity or beneficial interest in any trust with which the Fund has a transaction or arrangement;
- c. A compensation arrangement with the Fund or with any entity, trust, or individual with which the Fund has a transaction or arrangement; or

- d. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual, or a beneficial interest in any trust, with which the Fund is negotiating a transaction or arrangement.

For purposes of the definition of Financial Interest, compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

- 8. **Key Person.** A Key Person is a person, other than a Director or Officer, whether or not an employee of the Fund, who:
 - a. Has responsibilities, or exercises powers or influence over the Fund as a whole similar to the responsibilities, powers, or influence of Directors and Officers;
 - b. Manages the Fund, or a segment of the Fund that represents a substantial portion of the activities, assets, income, or expenses of the Fund;
 - c. Alone or with others controls or determines a substantial portion of the Fund's capital expenditures or operating budget; or
 - d. Was, at any time during the five (5) year period prior to the date that a proposed Disqualified Person Transaction is to take place, in a position to exercise substantial influence over the affairs of the Fund, as determined under Code Section 4958(f)(1)(A) and the Treasury Regulations thereunder.
- 9. **Officer.** A person who has the authority to bind the Fund as designated in the bylaws of the Fund.
- 10. **Relative.** A Relative is a spouse, ancestor, child (whether natural or adopted), grandchild, great grandchild, sibling (whether by whole or half blood), or spouse of a child (whether natural or adopted), grandchild, great grandchild, or sibling (whether whole or half-blood), or a domestic partner recognized under the laws of this State.

Adopted by the Fund's Board of Directors by unanimous consent as of _____, 2023.

EXHIBIT 3
TERMS OF REFERENCE - THE FUND EXECUTIVE DIRECTOR

TERMS OF REFERENCE

GALÁPAGOS LIFE FUND EXECUTIVE DIRECTOR

May 3, 2023

The Galápagos Life Fund (the “**Fund**”) is legally established as a United States not-for-profit charity to provide grant funding for biodiversity conservation, ecosystem-based adaptation to climate change, and related activities, in the Galápagos, Ecuador.

The Fund seeks the services of an Executive Director to manage the Fund’s operations from its headquarters in the Galápagos, Ecuador.

1. General. The Executive Director shall be responsible for the general and active management of the affairs of the Fund, subject to the supervision and control by the Fund’s Board of Directors (the “**Board**”). The Executive Director shall be based in Galápagos, Ecuador and shall have the specific duties set forth herein and in the Fund Bylaws, and such other duties as the Board may from time to time prescribe.
2. Reporting to the Board and participation in Board meetings. The Executive Director is responsible for reporting to the Board on the activities of the Fund and participating in its meetings from time to time as requested by the Board. To the extent requested by the Board, the Executive Director shall ensure that appropriate staff members are available to assist at Board meetings.
3. Reporting to the Chairperson of the Board. The Executive Director is responsible for promptly, regularly, and fully informing the Co-Chairpersons of the Board about the current affairs, activities, and finances of the Fund, and for obtaining the Chairperson’s advice and approval in all cases where this may be required by the Fund Bylaws or Operational Manual.
4. Authority to sign contracts. The Executive Director generally prepares or causes to be prepared and signs contracts, leases, tax returns, grant agreements, applications for permits and registrations, and all other written documents on behalf of the Fund, subject to any approvals by the Board.
5. Liaise with governmental organizations, local communities, non-governmental organizations (“**NGOs**”), businesses, donors, and media. The Executive Director generally represents and promotes the Fund’s interests in day-to-day dealings and on-going liaison with representatives of (i) the government of the Ecuador; (ii) local and international NGOs; (iii) local and international businesses that impact biodiversity or are potential donors to the Fund; (iv) multilateral and bilateral international donor agencies; (v) foundations and wealthy individuals who are potential donors to the Fund; (vi) local and international scientific and educational institutions, associations and individuals; (vii) regional institutions; and (viii) local and international media.
6. Fundraising. The Executive Director collaborates with members of the Board to plan and agree on a future fundraising strategy for the Fund. The Executive Director, along with other Fund staff, will be responsible for the development and implementation of the Fund’s fundraising strategy. As needed, the Executive Director shall research and identify potential donors, meet with, and make presentations to potential donors, prepare grant applications to potential donors and negotiate the terms of grant

agreements with donors, prepare reports to donors and resolve any issues raised by donors, and travel in connection with the foregoing efforts.

7. Preparation of plans, strategies, budgets, and RFPs. The Executive Director is responsible for the development and implementation of long-term strategic plans, annual operating plans, internal operations manuals and policies, and annual budgets, prepared by the Executive Director and the Fund staff for consideration and approval by the Board.
8. Coordination with other initiatives. The Executive Director interacts with other donor-funded initiatives and government initiatives to coordinate efforts, achieve greater efficiencies and synergies, access additional potential sources of funding, and raise awareness of any potential negative impacts on biodiversity that could result from proposed or current donor-funded, government-funded and private-sector-funded initiatives.
9. Hiring and supervision of staff. The Executive Director generally hires the other staff of the Fund based on Board-approved budgets and authorization (except for positions that may require Board approval), prepares work-plans for such other staff, supervises the proper performance of their duties, evaluates and (if necessary) terminates other staff.
10. Maintaining financial records and accounts. The Executive Director ensures the proper preparation and maintenance of financial records and accounts of the Fund, either directly or by supervising other officers and staff who may be charged with such responsibility.
11. Administration, monitoring and evaluation of grants. The Executive Director administers Board-approved transfers of funds to grantees; ensures that grantees submit financial and technical reports as required by the grant agreements; resolves any issues involving a grantee's failure to perform as agreed or failure to report in a proper and timely manner as required; and reports to the Board on all the preceding.
12. Relations with the investment manager and/or investment consultant. The Executive Director assists the Board in reviewing and monitoring all reports from the investment manager and/or investment consultant and shall be in regular and frequent contact with the investment manager and/or investment consultant in order to ensure that any significant developments relating to the Fund's investments are promptly brought to the attention of the members of the Finance Committee of the Board.

Fundraising Objectives:

1. The Executive Director and the Board together set annual fundraising goals for the Fund. The Executive Director submits detailed annual plans for action to meet the annual goal and informs and works together with members of the Board on an ongoing basis to implement and achieve such plan.
2. The Executive Director monitors and evaluates progress toward goals, provides statistical reports, on an ongoing basis and as requested by the Board or its Co-Chairpersons. The Executive Director suggests and requests appropriate assistance and advice from Board members regarding fundraising from particular potential donors.

3. The Executive Director researches international development aid agencies, other public and private grant agencies, foundations, corporations, associations and individuals to identify potential sources of contributions to the Fund's capital.
4. The Executive Director develops written marketing materials, including brochures, pamphlets, letters, and information/promotional materials and submits these to potential donors, as appropriate.
5. The Executive Director contacts potential donors by telephone and through personal meetings and makes presentations about the Fund at conferences and other organized events where donors or their representatives are present. The Executive Director keeps detailed records of meetings and other solicitation activities.
6. In appropriate cases, the Board will advise and assist the Executive Director in deciding whether or how to approach a particular potential donor, and in the development of specific fundraising proposals.
7. The Executive Director shall approve all publicity releases associated with donor contributions and special events for cultivating or acknowledging donors who support the Fund, in consultation with the Board in advance.
8. The Executive Director monitors proposal deadlines, prepares and edits proposals and manages proposal submissions. The Executive Director ensures that contacts with existing donors to the Fund are maintained and that those donors' reporting requirements are met to sustain successful relationships with donors.
9. The Executive Director researches, discusses and cooperates with the government of the Ecuador, NGOs, businesses and communities to identify and to advise on designing and implementing new ways of raising revenues for biodiversity conservation and ecosystem based adaptation to climate change based on user fees, earmarked taxes, debt swaps and other types of financial mechanisms.

Qualifications:

All candidates for Executive Director must provide evidence of the following qualifications, skills and abilities:

1. An undergraduate degree from a recognized university is required. An MBA or other graduate degree is preferred.
2. At least 5 years of experience in a similar position.
3. Demonstrated skill, experience and success in marketing and fundraising with an emphasis on raising funds from multilateral and bilateral aid agencies, foundations, and corporations.
4. Excellent interpersonal and communication skills and the ability to work with groups and organizations. Experience in working with international aid and development agencies, foundations and corporations is strongly preferred.

5. Be a highly energetic, self-starting, entrepreneurial and creative individual who can express and recognize ideas and opportunities, and communicate goals and objectives clearly.
6. Exemplary verbal and written skills in both Spanish and English.
7. An ability and willingness to travel internationally.
8. Demonstrated organizational and management experience in administering staff, developing and implementing a detailed budget and other resources.
9. Experience working with and reporting to a Board of Directors, interacting with Board members and submitting memoranda and reports thereto.
10. Familiarity (or the ability to quickly achieve familiarity) with biodiversity conservation issues, protected area management, ecosystem-based adaptation to climate change, and related activities.

Appointment:

The Executive Director shall enter into an employment agreement with the Fund. The Executive Director's position will be contracted on an annual basis. The employment agreement will be renewed, provided that the Executive Director continues to meet and/or exceed the above described objectives and the fundraising targets set by the Board, as set forth in the employment agreement. An annual review and evaluation will be concluded each year and will be the basis for the Executive Director's continuing appointment, salary increases, promotions and etc.

EXHIBIT 4
GALÁPAGOS LIFE FUND BYLAWS

Separate document available on the GLF Website

**EXHIBIT 5
GRANT AGREEMENT**

between

THE GALÁPAGOS LIFE FUND

and

GRANTEE

In preparation.

This document will be available by the end of November 2024 as part of
the Technical Advisory Committee Grants Procedures Manual

EXHIBIT 5
THE FUND INVESTMENT POLICY

GALÁPAGOS LIFE FUND

**STATEMENT OF INVESTMENT POLICY,
OBJECTIVES AND GUIDELINES**

April 24, 2023

SCOPE OF THIS INVESTMENT POLICY

This Statement of Investment Policy, Objectives and Guidelines (this “**Investment Policy**”) reflects the policy, objectives, and limitations for the investment of the endowment of the Galápagos Life Fund (hereafter referred to as the “**Fund**” or “**GLF**”).

PURPOSE OF THIS INVESTMENT POLICY

This Investment Policy is approved and adopted by the Board of Directors of the Fund to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives of the Fund’s endowment.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund’s endowment.
4. Establish a basis for evaluating investment results.
5. Manage the Fund’s endowment according to prudent standards.
6. Establish the relevant Investment Horizon for which the Fund’s endowment will be managed.

The purpose of this Investment Policy is to outline a philosophy and attitude which will guide the investment management of the endowment toward the desired results. This Investment Policy is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Board of Directors of the Fund is the Fiduciary and is responsible for directing and monitoring the management of the Fund’s endowment. As such, the Board of Directors is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. Investment Management Consultant. The Board of Directors may direct GLF to hire an investment management consultant who shall assist the Board of Directors in: establishing and reviewing investment policy, objectives, and guidelines; selecting Investment Managers; reviewing such managers over time and measuring and evaluating investment performance.

2. **Investment Managers.** The Board of Directors may direct GLF to select and hire or may authorize an Investment Management Consultant to select on its behalf, investment managers. The Treasurer of GLF shall manage the hiring of an investment manager to implement the Investment Policy. Each Investment Manager has discretion to purchase, sell, or hold specific Securities that will be used to meet the Fund's investment objectives, subject to the direction and oversight of the Investment Committee and the Board of Directors. Investment Managers will be contracted for investment of portions of the Fund's endowment in their specialized area of expertise. Investment Managers in each asset category are expected to adhere to that category of investment, and each manager's performance will be compared to relevant benchmarks.
3. **Custodian.** The Board of Directors may direct GLF to hire or authorize the Investment Management Consultant or Investment Managers to hire, a custodian who will physically (or through agreement with a sub-custodian) maintain possession of Securities owned by the Fund, collect dividend and interest payments, redeem maturing Securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all endowment owned, purchased, or sold, as well as movement of assets into and out of the Fund's accounts.
4. The Board of Directors may direct GLF to hire additional specialists such as tax attorneys, auditors, and others to assist the Board of Directors in meeting its responsibilities and obligations to administer the Fund's endowment prudently.

All expenses for such experts must be customary and reasonable and will be borne by the Fund as deemed appropriate and necessary (to be paid from investment proceeds based on the contract agreed by the GLF with the Investment Manager).

The Board of Directors will reserve any control over investment decisions, except for specific limitations described in this Investment Policy, or otherwise communicated by the Board of Directors in writing to the Investment Management Consultant or Investment Managers. The Investment Management Consultant and each of the Investment Managers 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.

DEFINITIONS

1. "Board of Directors" shall refer to the governing Board of Directors of the Fund.
2. "Fiduciary" shall refer to the heightened level of responsibility and obligation to act with due care to be exercised by any individual or group of individuals that exercise discretionary authority or control over Fund management or any authority or control over management, disposition, or administration of the Fund's endowment.

3. “Fund” shall mean the Galápagos Life Fund.
4. “Investment Horizon” shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The immediate investment horizon for the Fund is [•] years (the “Expected Term”), with a long-term horizon of perpetuity.
5. “Investment Management Consultant” shall mean any individual or organization employed to provide advisory services to the Fund, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.
6. “Investment Manager” shall mean any individual, or group of individuals, employed to manage the investment of all, or a portion of the Fund’s endowment.
7. “Qualifying OECD Countries” shall mean the countries forming part of the Organisation for Economic Co-operation and Development which include, but not limited to, any of the following countries: Australia, Austria, Belgium, Canada, Chile, Denmark, Finland, France, Germany, Ireland, Italy, Japan, South Korea, Luxembourg, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom, or United States of America.
8. “Securities” shall refer to the investment Securities that are defined as acceptable in this statement.

ASSIGNMENT OF DUTIES AND RESPONSIBILITIES

Board of Directors’ Duties

The Board of Directors is charged with the duty of the management of the endowment of the Fund. The Board of Directors shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims. The specific responsibilities of the Board of Directors relating to the investment of the Fund’s endowment include:

1. Establishing reasonable and consistent investment objectives, policies, and guidelines, which will direct the investment of the endowment of the Fund’s endowment and are identified in this Investment Policy.
2. Evaluating the Fund’s financial needs as a result of the reports presented by the Investment Manager or the Investment Management Consultant (if any) and communicating those needs to the Investment Management Consultant on a timely basis, on a minimum of a quarterly basis and in times of high volatility or as may be requested by the Fund, on a monthly basis.

3. Adhering to all applicable laws and regulations.
4. Prudently and diligently selecting qualified investment professionals, including investment consultants, managers, and custodians.
5. Regularly request for reports from the Investment Manager or from the Investment Management Consultant (if any), on a minimum of quarterly basis, and evaluate the performance of the investments to assure adherence to policy guidelines and monitor progress in achieving investment objectives.
6. Developing and enacting proper control procedures with the Investment Management Consultant; i.e. replacing Investment Managers due to fundamental change in the investment management process, deleterious change in personnel at the investment management firms or failure to comply with established guidelines.

Duties and Responsibilities of the Investment Management Consultant

Investment advice concerning the investment management of the Fund's endowment may be offered by an Investment Management Consultant, and will be consistent with the investment objectives, policies, guidelines, and constraints as established in this statement. Specific responsibilities of an Investment Management Consultant include:

1. Assisting in the development and periodic review of the Investment Policy.
 2. Conducting Investment Manager reviews at least annually and new manager searches when requested by the Board of Directors.
3. Providing due diligence or research, on Investment Manager(s) including a peer manager review performed on an ongoing basis, no less than annually.
4. Monitoring the performance of the Investment Manager(s) to provide the Board of Directors with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, manager research, and manager performance to the Board of Directors.
6. Reviewing Fund investment history, historical capital markets performance and the contents of this Investment Policy statement to any newly appointed members of the Board of Directors.
7. Attending an annual meeting of the Board of Directors to review past year progress and discuss issues relevant to the investment management and spending of the Fund.

8. Perform all the actions and fulfil the required procedures in order to carry on with the investments in coordination with the GLF.

Responsibility of the Investment Manager(s)

Each Investment Manager will have full discretion to make all investment decisions for the endowment placed under its direct management subject to this Investment Policy, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement and based on guidance from the Investment Committee and the Board. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual Securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting, on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors that affect implementation of investment process of the Fund's investment management.
4. Informing the Board of Directors (either directly or through the Investment Management Consultant) regarding any qualitative change to investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, and etc.
5. Instruction on voting of stock proxies, as indicated by the Board of Directors, through the Investment Management Consultant or by direct communication with the individual asset managers, on behalf of the Fund. Also, communicating such voting records to the Board of Directors on a timely basis.

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the Fund.
2. The Fund's endowment shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man/woman acting in like capacity and familiar with such matters would use in the investment of a Fund of like character and with like aims.
3. Investments of the Fund shall be so diversified as to minimize the risk of large losses and follow a low risk strategy, unless under the circumstances it is clearly prudent not to diversify but again following a low risk strategy.

4. The Board of Directors, through its Investment Managers or Investment Management Consultant, will employ this strategy to attain the Fund's objectives.
5. Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

INVESTMENT MANAGEMENT POLICY

1. Preservation of Purchasing Power - Consistent with their respective investment styles and philosophies, Investment Managers and Investment Management Consultants should make reasonable efforts to preserve the Fund's capital, understanding that losses may occur in individual Securities and that accounts in more volatile asset classes will fluctuate in value. Preservation of capital for this purpose means preserving principal plus achieving growth more than the rate of inflation.
2. Risk Aversion - Understanding that risk is present in all types of Securities and investment styles, the Board of Directors recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, Investment Managers and Investment Management Consultants employed by the Fund are to make reasonable efforts to control risk and will be evaluated regularly by the Board of Directors to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. Adherence to Investment Discipline - Investment Managers are expected to adhere to the investment management styles for which they were hired. Investment Managers will be evaluated for adherence to those investment styles.

GOAL OF THE FUND

The Board of Directors believes that the Fund's endowment is intended to exist in perpetuity, and therefore, should provide for grant making and/or impact investing in perpetuity. To attain this goal, the long-term objective of the Fund is to maintain the endowment's purchasing power, and when possible, to increase the endowment's capital in excess of inflation. That is, net of spending, the objective is to grow the aggregate portfolio value at the rate of inflation over the endowment's Investment Horizon. Therefore, expectations may be expressed by the following equation:

$$\text{Increase in Purchasing Power} = (\text{Total Investment Return} + \text{Contributions Received}) - (\text{Spending} + \text{Trust Expenses} + \text{Inflation})$$

Performance will be benchmarked against relevant index measures to provide a comparative framework. The primary goal is positive absolute return in order to fulfill the purposes of the Fund, cover the Fund's expenses, and compensate for long-term inflation.

DISBURSEMENT POLICY

The Board of Directors will set disbursement of up to 5% of the previous five years average monthly endowment portfolio value determined at the end of each fiscal year. At this time, disbursement is not expected to occur until the end of the Expected Term. However, it is possible that this time frame may be accelerated.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income.

The objectives of the investment management of the Fund's endowment shall be:

- 1) **Maximize Return:** Grow the Fund's endowment over the Expected Term to achieve returns more than the rate of inflation plus spending over the Investment Horizon. After the end of the Expected Term – a quarterly draw will be made from the portfolio to finance the regular spending needs of the Fund. However, it is possible that this time frame could be accelerated.
- 2) **Minimize Risk:** Risk control is an important element in the investment of the Fund's endowment and shall maintain an investment portfolio consisting of securities rated B or higher and/or with issuers rated B or higher
- 3) **Balanced Liquidity:** Fund's endowment shall not invest in non-liquid and/or non- public and/or [not market]

SPECIFIC INVESTMENT GOALS

Over the Investment Horizon established in this statement, the goal of investing the Fund's aggregate endowment is to meet or exceed the following return net of investment fees and expenses:

An absolute rate of return of (a) 7% and (b) Bloomberg sovereign world or fixed income index, using a five-year rolling average.

The investment goal above is the objective of the aggregate Fund and is not meant to be imposed on each investment account (if more than one account is used). The goal of each Investment Manager, over the Investment Horizon, shall be to:

1. **Meet or exceed the market index or blended market index agreed upon by the Board of Directors that most closely corresponds to the Investment Manager's style of investment management.**

2. **Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.**

DEFINITION OF RISK

The Board of Directors realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Fund's endowment understands how it defines risk so that the endowment is managed in a manner consistent with the Fund's objectives and investment strategy.

The Board of Directors defines risk primarily as:

Unacceptable fluctuation in the value of Fund's endowment during a one-year period. This is defined as an 8% down or 20% up change in value over a one-year time horizon. Either limit, if exceeded, will indicate that the portfolio is subject to excessive volatility risk. When the measure is triggered, it will require a complete review of investment strategy with the Investment Management Consultant and/or Investment Managers. Some level of corrective action is required to prevent further out-of-limits volatility.

The Board of Directors defines risk secondarily as:

Not maintaining purchasing power over the Fund's investment time horizon. Purchasing power is defined as value of principal adjusted for US dollar- or Euro-denominated inflation.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Directors will at least on a quarterly basis after the Expected Term provide the Investment Management Consultant (if any) or the Investment Manager with an estimate of expected net cash flow required. The Board of Directors will notify the Investment Management Consultant (if any) or Investment Manager in a timely manner, to allow sufficient time to build up necessary liquid reserves.

To maintain the ability to deal with unplanned cash requirements that might arise, the Board of Directors requires that a minimum of 0.5% of Fund's endowment shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury Bills, for the period following the Expected Term and provided that the Board of Directors reserves the right to change the minimum proportion. For avoidance of doubt, prior to completion of the Expected Term, there is no requirement of any minimum holding cash and cash equivalents unless the Board of Directors informs the Investment Manager or Investment Management Consultant (if any) otherwise.

MARKETABILITY OF ENDOWMENT

The Board of Directors requires that 90% or more of Fund's endowment be invested in liquid Securities, defined as Securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

INVESTMENT GUIDELINES

Allowable Asset Classes include the following financial instruments issued by Governments or private sector financial institutions of Qualifying OECD Countries:

1. Cash Equivalents allowed (rated B or higher, or its equivalent, by Moody's, Standard & Poor's or Fitch):
 - Government Treasury Bills
 - Money Market Funds
 - Commercial Paper
 - Banker's Acceptances
 - Repurchase Agreements
 - Certificates of Deposit
2. Fixed Income Securities allowed include the following:
 - Fixed Income Securities rated B or higher (or its equivalent) by Moody's, Standard & Poor's or Fitch
 - Corporate Notes and Bonds and Preferred Stock of companies rated B or higher (or its equivalent) by Moody's, Standard & Poor's or Fitch
3. Equity Securities allowed include the following:
 - Stocks of Companies (Ordinary Shares) who have a credit rating of B or higher (or its equivalent) by Moody's, Standard & Poor's or Fitch
 - Convertible Notes and Bonds and Convertible Preferred Stock of companies rated B or higher (or its equivalent) by Moody's or Standard & Poor's
4. Mutual Funds allowed include the following:
 - Open-end Mutual Funds that invest in Securities that meet the above requirements.
 - Closed-end Mutual Funds that invest in Securities as allowed in this statement that meet the above requirements.
5. Alternative Investments allowed include the following:
 -
 - Real Estate Investment Fund (REITs)
 - Managed Commodities and Futures Mutual Funds, excluding agricultural and carbon based commodities
 - Highly diversified Real Estate Investment Mutual Funds

Prohibited Asset Classes

Prohibited investments include, but are not limited to the following:

1. Derivative Securities (defined as synthetic Securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying Securities)
2. Hedge Funds
3. Commodities and Futures Contracts
4. Private Placements
5. Options
6. Private, Non-registered Limited Partnerships
7. Venture-Capital Investments
8. Oil and Gas

Social and Environmental Screening

Companies and industry categories will be excluded from investment due to social or environmental screening preferences. The Board of Directors will instruct the Investment Management Consultant or Investment Managers to impose screening on the management of endowment including the exclusion of investment due to social and environmental preferences. Any such requirements will be agreed upon by the Board of Directors and conveyed in writing to the Investment Management Consultant or Investment Managers, who will be responsible for assuring compliance for all investments made by investment managers on behalf of the Fund.

Asset Allocation Guidelines

Investment management of the endowment of the Fund shall be in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	10%	50%	50%
Fixed Income	40%	80%	40%
Alternative Investments	0%	10%	10%
Cash and Equivalents	0.5%	20%	0.5%

2. The Board of Directors may employ Investment Managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Fund, such disciplines must fit within the overall asset allocation guidelines established in this statement. Such Investment Managers will receive written direction from the Board of Directors regarding specific objectives and guidelines.

3. If the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board of Directors will instruct the Investment Management Consultant or Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

Diversification for Investment Managers

It is not necessary that Securities held in the Fund represent a cross section of the world economy. However, to achieve a prudent level of portfolio diversification, the equity Securities of any one company should not exceed 3% of the Fund's total endowment, and no more than 20% of the Fund's total endowment should be invested in any one industry. Individual government-issued Securities may represent up to 5% of the Fund's total endowment.

Currency Exposure Management

The Board of Directors or the Finance Committee of the Board of Directors will carefully monitor the exposure of the Fund to different currencies. The value of the Fund's endowment will be reported to the Board of Directors in U.S. dollars. The Fund's Directors may decide to diversify exposure to different currencies to protect the value of the Fund's endowment, with the objective of maintaining global purchasing power. No more than 25% of the aggregate value of the Fund should be invested in investments denominated in a currency other than the USA. In general, exposure should be over 80% in the currencies of Qualifying OECD Countries.

Guidelines for Fixed Income Investments and Cash Equivalents

1. Fund's endowment may be invested only in investment grade bonds rated B (or equivalent) or better. High-Yield Bond and Convertible Bond Investments up to 5% of portfolio value are exempt from this requirement and allowable but must be managed by a well-established firm with a high degree of capability in credit analysis and invested in a portfolio with a record of competent credit management.
2. Fixed income maturity restrictions are as follows:
 - Maximum maturity for any single security is 30 years.
 - Weighted average portfolio maturity may not exceed 15 years.
3. Money Market Funds selected shall contain Securities whose credit rating at the absolute minimum would be rated investment grade by Standard and Poor's, and/or Moody's.

SELECTION OF INVESTMENT MANAGERS

The Board of Directors' selection of Investment Management Consultants and Investment Managers must be based on prudent due diligence procedures. A qualifying investment manager must be a bank or insurance company, or in the United States, a registered investment advisor under the Investment Advisors Act of 1940.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant or Investment Managers shall be compiled quarterly and communicated to the Board of Directors for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.

Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Board of Directors intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate an Investment Management Consultant or Investment Managers 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 Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment Managers shall be reviewed 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.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status, and capital markets expectations as established in this Investment Policy, the Board of Directors plans to review this Investment Policy at least annually.

This Investment Policy is adopted on _____ by the Board of Directors of the Galápagos Life Fund.