A. **Objectives**

A.1. Assumptions for objectives based on the articles of association and sources of capital

The objects of the KNCV are to promote the fight against tuberculosis, nationally and internationally, by, inter alia:

a. creating and maintaining ties between the different institutions and persons in the Netherlands and elsewhere in the world, that are working towards the prevention and control of tuberculosis.

b. raising awareness for the prevention and control of tuberculosis and keeping the awareness alive through the dissemination of written and oral information, by causing courses to be held and by promoting scientific research concerning tuberculosis and its control.

c. conducting research concerning the fight against tuberculosis.

d. giving advice about ways to prevent and control tuberculosis, as well as

e. by undertaking all other activities which may be conducive to these objects.

The KNCV may, as a side activity, develop and support similar work in other areas of public health.

The capital of the Association is formed by:

1. Earmarked and unearmarked reserves formed within the boundaries of the financial policy. Reserves can be earmarked by third parties or by the Executive Director and Board of Trustees.

2. Results of the sale of material fixed assets not yet used for the objectives.

In developing the investment policy, the Association is guided by the guidelines of Goede Doelen Nederland (GDN) and the recognition criteria of Centraal Bureau Fondsenwerving (CBF). Any partial deviations from these guidelines are mentioned and explained in the policy.

A.2. Objectives of the investment policy

1. Realizing a return on investment, considering the following interlinked characteristics:
   - an optimal return based on a given risk level.
   - a stable return based on a good spread of short/midterm and long-term investments.
   - consistency in the size and distribution, meaning no large swings.
   - leading to an annual cash flow that provides a contribution to the current budget of the Association.

2. Maintaining a long-term fixed value of the capital invested, meaning the value of the return on the invested capital is at least equal to inflation, after deduction of the annual cashflow.

3. Composing and spreading the investment portfolio in such a manner that the risk of a fall in value of the portfolio or a fall in value of individual positions or segments of the portfolio is limited.
Guidelines for the investment policy/Asset Allocation

4. The investments are limited to the available funds from the reserves of the Association.

5. In selecting the investments care will be taken that the investments are not contrary to the objectives of the Association and are aligned with the Environmental Social and Governance principles (ESG) as well as with the Sustainable Development Goals (SDG’s) aspirations. This for example excludes investments in tobacco and weapon industry.

6. The determination of the amount of the reserves available for investments in the KNCV Investment Portfolio, hereinafter referred to as the "Invested Reserves", is done by deducting the estimated required liquidity from the overall reserves on an annual basis.

7. In principle, liquidity is understood as: balances on current accounts, savings accounts and deposits with a duration of one day to one year, as well as matured or maturing bonds with the same (remaining) duration. Receivables and payables are excluded in this context.

8. The Asset Allocation of the Investment Portfolio, is classified in the following investment segments, taking into account the following bandwidths:

<table>
<thead>
<tr>
<th>Asset-allocation</th>
<th>Bandwidth</th>
<th>Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>max. 70 – min.40%</td>
<td>60%</td>
</tr>
<tr>
<td>Stocks/investment funds/real estate</td>
<td>max. 40 – min.10%</td>
<td>30%</td>
</tr>
<tr>
<td>Alternative investments funds</td>
<td>max. 10 – min. 0%</td>
<td>5%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>max. 50 – min. 0%</td>
<td>5%</td>
</tr>
</tbody>
</table>

The valuation of the Investment Portfolio will be based on market value.

In guarding the bandwidths, the timing of necessary adjustments is taken into account. In case of unfavourable timing temporary deviations from the bandwidth are allowed, if explained.

In a normal market, investments in stock and real estate carry a higher risk than investment in bonds.

KNCV has determined the above bandwidths because the investment policy aims to maintain a long-term investment horizon and that neither the Investment Portfolio nor any specific investment segment are not expected to be entirely divested simultaneously.

Real estate is understood to mean: shares of a well-tradable and listed investment property in real estate.

The focus in the stocks will be in quality shares, meaning shares in well-led organizations with a stable profit development, with a strong financial position and a prominent position in their markets. The investment in any individual stock can never be more than 5% of the overall equity asset class.

Depending on the size of the portfolio and following the bank’s advice, investment can
Investment policy Koninklijke Nederlandse Centrale Vereniging tot bestrijding der Tuberculose (KNCV)

also be in Investment Funds. If investment is made in an investment fund, the same criteria as included under B.5 mentioned above will apply.

In the Bonds segment, in principle, will be opted for euro denominated easily tradable loans from high-quality debtors, such as:

- the Dutch State.
- (semi-) government institutions guaranteed by the Dutch State.
- institutions located in countries of to the European Union with a Standard & Poor's rating of at least investment grade (BBB- or higher).
- Corporate bonds with an investment grade rating (BBB- or higher).

The occurrence of a downgrade in the rating of a Bond after purchase is temporarily allowed up to a maximum of two steps in the Standard & Poor system, in which case the adviser / manager of the bank consults with the Director Finance and Operations to decide which course of action is chosen. The maturities within the bonds segment will be spread evenly over time - through investment expansion or through reinvestment – allowing response to changes in interest rates. If better risk spreading with a constant or higher return can be achieved for the entire portfolio, interim sales and reinvestment are permitted. Investments in bonds are only allowed in euro.

9. Inclusion of Alternative Investments (absolute return funds, hedge funds, warranty products, Collateralized debt obligation (CDO's) and CLN's) is allowed provided these investments offer an acceptable risk in relation to the other investments in the portfolio. Moreover, these investments need to contribute to an improvement in the risk-return ration of the portfolio. The total amount invested in alternatives cannot exceed 10% of the total portfolio.

10. Use of options and other derivatives is not allowed. Should events occur that would warrant use of options as a defensive measure or to mitigate arising risks, as per the advice of the bank, approval will be sought in an administrative consultation with KNCV ED or deputy ED who will see to an expedited decision in consultation with the Chair (solely) or Audit Committee member plus one BoT member.

11. The Asset Management and execution of investment transactions will be entrusted to an investment banking relationship, whereby:
   - the bank will be provided with a copy of the current investment policy.
   - agreements are made with the bank about comparing the portfolio and performance with a predetermined benchmark.
   - the bank provides at least a three-monthly overview of the performance of the investments and provides a digital consultation tool to allow regular consultation of the state of affairs.
   - the Director Finance & Operations holds a quarterly meeting with the bank (s) concerned. The Executive Director joins at least once a year.

12. The execution of the investment policy is done in line with the responsibilities, mandates and guidelines in the Articles of Association and the Governance and Management Framework. The procedures laid down in the system of administrative organization / internal control of the association are also followed.

13. Monitoring the implementation of the investment policy and the timely, complete and correct processing of the transactions is part of the annual external audit commissioned by the association.

C. Investment committee

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The Audit Committee, which is a committee of the Board of Trustees, acts as Investment Committee for the management of the investments.

The Investment Committee in principle entrusts the Asset Management to a reputable investment banking relationship, subject to prior approval of the Board of Trustees. The Investment Committee is responsible for investing or having invested the available Invested Reserves in accordance with this Investment Policy. The working method is determined by the Investment Committee.

If the Asset Management is not outsourced to a reputable investment banking relationship, decisions for simultaneous investment transactions up to a value of € 50,000 are taken by majority and above € 50,000 by unanimity.

Once a year, the Investment Committee invites the contact persons of the bank(s) to obtain further information about the performance of the portfolio and a preview of the projections for the coming investment period.

The Investment Committee reports as a minimum annually to the Board of Trustees. Generally, this is in the meeting where the annual plans and budget for the coming year are discussed.

D. Special circumstances

In the event of special circumstances that require an investment decision regarding any discrepancies between the investment policy and the actual portfolio to be taken within 5 working days, the investment committee delegates this decision to a combination of ED in co-decision of 2 members of BoT, at least one of which is a member of the audit committee. The Executive Director informs the Investment Committee promptly about this afterwards.