CGIAR

ILRI

INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE

ILRI investment policy

December 2025

ILRI investment policy

Revision history

Version No.	Effective date	Revisions
1.0	April 2017	Revised November 2023 Reviewed December 2025

CONTENTS

1. Objective of this policy

The Investment Policy of the International Livestock Research Institute (ILRI) reflects the objectives, principles and guidelines which the Institute Leadership Team (or its equivalent) and the Board of Trustees consider appropriate for the day-to-day management of the institute's investments given the nature, origin and purpose of ILRI's funding.

The policy is set and approved by the Board of Trustees in order to:

1. Define and assign responsibilities of all parties involved in the investment decision- making process.
2. Establish a clear understanding by all parties of the investment objectives.
3. Establish appropriate performance benchmarks for evaluating investment results.
4. Ensure that the institute's funds are managed in accordance with prudent standards and best practices.

2. Common objectives of investment

The overall philosophy is that investment decisions shall always prioritize preservation of capital ahead of optimizing investment returns. Generation of income to fund expenditure, whilst attractive, is of secondary importance to the preservation of capital and maintenance of appropriate liquidity. Or expressed in five main objectives below:

1. **Preservation of capital**: This should be a priority to investment returns for any investment or to any other objective of any investment.
2. **Preservation of purchasing power**: The investment should be prudently managed to maintain its real value and avoid risk of substantive nominal losses as a result of inflation.
3. **Maintaining adequate liquidity**: Investments should remain sufficiently liquid to enable the funding of all cash needs reasonably anticipated given its profile.
4. **Delivering competitive returns**: Each investment class should be managed with the objective of obtaining the highest possible level of income consistent with the prevailing market rate of return and the low risk scenario set out by the institute.
5. **Ensuring diversification of assets**: Investments should be diversified as much as possible to eliminate risk of loss from an over concentration in a specific institution, issuer, maturity, security or class of securities. Investments shall be spread across at least two acceptable institutions.

2.1. Common investment principles

2.1.1. Investment portfolio strategy

The investment strategy shall define the nature of financial instruments, tenure of investment and issuers or financial institutions.

a) Financial instruments – types of investments

This policy describes which investment types are acceptable *(see 2.1.3)* and which are prohibited *(see 2.1.4)*.

b) Tenure of investment

Investment periods shall range from instruments with overnight maturity to those whose maturity is not more than four years.

c) Issuers and financial institutions

The Board recognizes that the security of ILRI's investments depends on the stability of the financial institutions in which funds are placed. Funds shall therefore be placed only with financial institutions of ratings and nature approved by the Board of Trustees. See Section 2.4.

2.1.2. Concentration risk

Concentration risk is the risk suffered due to lack of diversification, investing too heavily in one geographical location, financial institution, currency and investment type. To mitigate the concentration risk, the Investment Committee (IC) sets several ratios and ranges for the finance team to operate within. The IC can change these ratios and ranges when needed in accordance with the market conditions but will have to report all deviations and changes of these ratios to the Board of Trustees. The following ratios will be set (see Annex 1 for the values).

a) The **average** ratio of total cash held in the **Kenyan vs overseas financial markets** on annual basis.
b) Percentage **range** of **local investments** (of total cash) can fluctuate within.
c) **Maximum percentage** of the total investments that is deposited in a **single financial institute** in a given period.
d) Percentage **range** of cash that will be held **in each investment type.**
e) Percentage **rate** per **currency**.

2.1.3. Acceptable types of investments

All investment assets should be registered in the official name of ILRI and should not form part of the assets of the custodian, investment manager, broker or held in accounts that hold assets for other entities.

The acceptable types of investment are:

a) Current accounts.
b) Certificates of deposits and savings accounts.
c) Bonds (both government and corporate) and treasury bills—ensure an internal review process is carried out and formally documented by the institute.
d) Common investment vehicles or 'funds' will be done only in well-regulated jurisdictions; these include for example Australia, Canada, the EU, Hong Kong, Japan, Singapore, Switzerland or USA and specifically exclude hedge funds.

2.1.4. Prohibited types of investments

1. All financial investments in illiquid assets such as buildings, property for speculative purposes, gems and art or structured investments (unless capital protected by institutions with excellent credit ratings).

2. Purchase of non-negotiable securities in the equity and fixed income asset classes or mutual funds containing any such securities.
3. Use of derivative securities that are not for hedging transactions.
4. Private placements.
5. Direct holdings of individual equities unless in certain circumstances such as donation and bequests or capital assets held for the use of the institute where the donor has explicitly allowed this type of investment in order to maximize potential returns.
6. Commodity or futures trading, except through mutual funds where the trading objective is to preserve principal.
7. Short selling, stock lending, borrowing and leveraging whether in cash or through derivatives.
8. Any investment or action with respect to an investment not expressly allowed is prohibited unless presented to and approved by the Board of Trustees.

2.2. Parties to investment decision-making process and their responsibilities

a) The Board of Trustees *(see 2.2.1)*
b) The Investment Committee *(see 2.2.2)*
c) Chief Financial Officer (CFO) supervised by the Deputy Director General- Corporate Services (DDG-CS) (or their equivalent) *(see 2.2.3)*

2.2.1. Responsibilities of the Board of Trustees

The Investment Policy is ultimately the responsibility of the Board of Trustees which functions as the governing fiduciary body, on behalf of key stakeholders. The Board is responsible for:

a) Recognizing their fiduciary position of trust in relation to the management of financial assets on behalf of key stakeholders.
b) Ensuring that appropriate board and management skills are available to make informed investment decisions.
c) Establishing the process by which investment decisions are made and the staff accountable for decision-making.
d) Approving the institute’s Investment Policy and its broad investment strategies.
e) Approving the use of new financial institutes and investment vehicles and types.
f) Overseeing the institute’s investing activities to ensure that they are managed
g) prudently, in accordance with the overarching CGIAR investment policy guidelines.
h) Delegating certain responsibilities to professional experts and corporate bodies in various fields. Ensure that management, staff and Board members disclose any conflicts of interest to the Director General (DG) and/or Board chair respectively, and
i) that no official receives financial or non-financial benefit in connection with any aspect of investment decisions.

2.2.2. Responsibilities of the Investment Committee

The Investment Committee (IC) is comprised of the Institute Leadership Team and the Chief Financial Officer (or their equivalent.) The IC shall be responsible to the Board of Trustees for:

a) Supervising the implementation of decisions of the Board of Trustees.
b) Reviewing investment activities to ensure compliance with ILRI and CGIAR policy.
c) Recommending selection of professional experts and corporate bodies in various fields and monitoring and evaluating their performance.
d) Approving the selection of professional advisors to provide general and specific advice to the institute from time to time as may be required.
e) Determining the ratios and ranges of 2.1.2 and adapting these according to market circumstances.
f) Reporting any changes and deviations from ratios and ranges of 2.1.2 to the Board of Trustees in a bi-annual report to the Board.
g) Discussing the investment portfolio, and proposed changes thereof, regularly in IC (minimum two times per year).
h) Supervising the operations of the service providers.
i) Considering proposed revisions to the Investment Policy and recommending any changes to the Board.
j) Providing the Board and Internal Audit Unit (IAU) with an annual attestation of compliance with the Investment Policy. This could be included in the bi-annual Board report.
k) Carrying out any other duties as directed by the Board of Trustees.

2.2.3. Responsibilities delegated to the CFO supervised by the DDG-Corporate Services (or their equivalent) by the IC

a) Ensuring that ILRI cash resources are centralized to the extent possible.
b) Day-to-day management of the institute's investment portfolio within the guidelines set by the Investment Policy and the ranges set out in 2.1.2. (All actual transfers must be authorized by the relevant signatories as per the Authorization Policy, one signatory being either the DDG-CS (or their equivalent) or the DG).
c) Coordinating and monitoring continuously the performance of the various external
d) entities involved in ILRI's investment activities.
e) Coordinating investment meetings including those with the IC and the Board.
f) Providing the IC with an investment status report on a semi-annual basis (or more frequently when requested by IC).
g) Providing the Board of Trustees with semi-annual investment status report (or more frequently when requested by the Board).
h) Providing the IC and Board of Trustees with advice on changes in the portfolio, financial institutions, or this policy.
i) Reviewing annually the credit ratings and general health of financial institutions that the institute invests with and providing a report to the IC.
j) Exchanging information and best practice with other CGIAR centers worldwide and similar organizations based in Kenya.

2.3. Risk profile of investment strategy

ILRI recognizes that any financial investment is prone to various risks ranging from market risk, credit risk, liquidity risk, horizon risk, concentration risk, reinvestment risk and inflation risk among others. ILRI guards itself from the following major risks through the outlined avenues.

2.3.1. Market risk (specifically currency risk)

As ILRI's official reporting currency is the US dollar (USD), investments shall be largely in USD. Investments in British Pounds, Euros and Kenya Shillings shall be made by the Chief Financial Officer, within the ratios mentioned in 2.1.2e after consideration of ILRI's assets and liabilities in those currencies, and forecasts of interest and exchange rates over the term of the proposed investments.

ILRI shall also revalue the bank balances quarterly for assets classes held in other currencies other than USD to recognize exchange losses and gains.

Another market risk taken into consideration is political uncertainty or civil unrest.

2.3.2. Liquidity and credit risk

ILRI shall, at least, carry out annual bank evaluation exercises with its financial institutions to determine if the banks where investments are held are financially sound and stable. The criteria for measuring these two risks is detailed in Section 2.4.

2.3.3. Concentration risk

ILRI shall hold diversified portfolio of a mix of various classes of assets for various tenures and in various regions and financial institutions in the proportions defined in Section 2.1.2.c.

2.3.4. Inflation risk

ILRI shall hold predetermined ranges of the total cash in current accounts in a given period to mitigate the risk of loss of purchasing power in operational cash. See Section 2.1.2d.

ILRI shall endeavor to hold investments in classes that offer protection against inflation for instance fixed deposit accounts.

2.4. Criteria for evaluating an investment instrument and results

New investment instruments and financial institutes will be approved by the Board of Trustees. IC can make recommendations based upon the following criteria and guidelines:

2.4.1. National rating agencies

For financial institutions in countries where ILRI has substantial operations and which provide a favorable and safe investment and banking environment, credit ratings of not less than B- using independent credible rating agencies such as Moody's, Standard & Poor's, and Fitch, shall be acceptable. Where credit ratings are not available; preference shall be given to the top 5 banks in the country as rated using performance ratings; capital adequacy, asset quality, management quality, earnings, and liquidity. Other information such as non- performing assets as a percentage of total deposits, profitability, size, clientele, reputation and rankings as published by respectable dailies, magazines or journals shall also be considered.

Annual bank evaluations shall be carried out using parameters that measure the soundness of the institute's financial institutions. The ratings for the parameters to be used in evaluating local banks shall be performance ratings popularly known are CAMELs ratings which are capital adequacy, asset quality, management quality, earnings and liquidity.

The benchmark ratings indicated as below as provided by the Central Bank of Kenya (CBK).

Criteria	**Min/max rating as per CBK**
Capital adequacy	>=14.50%
Asset quality	<=15.00%
Management quality	<=3.4
Earnings	>=1%
Liquidity	>=20%

2.4.2. International rating agencies

In addition, credit ratings for the following internationally recognized agencies will be applied to annual evaluation process for European and American banks and African banks with such rating.

2.4.2.1. Standard & Poor's

The lowest applicable long-term issuer's credit risk rating should be A.

The lowest applicable short-term issuer's credit risk rating should be B.

2.4.2.2. Moody's

The lowest applicable long-term issuer's credit risk rating should be A3.

The lowest applicable short-term issuer's global short term rating should be P-3.

2.4.2.3. Fitch

The lowest applicable long-term issuer's credit risk rating should be BBB.

The lowest applicable short-term issuer's credit risk rating should be F3.

Government bonds and treasury bills: Stability of the issuer rated as high investment grade by credible credit rating agencies and credible journals like the *Economist* shall be acceptable. Government bills and bonds belonging to ILRI's host countries will also be acceptable for investment purposes.

2.5. Performance benchmark

The following benchmarks indices shall be used to assess and evaluate the overall performance of the following asset classes.

Asset class	Index benchmark
Kenyan Shilling denominated cash, demand or time deposits	Average call or fixed deposit rates over the evaluation period for the top five (5) banks in the country in terms of size
US dollar deposit, Euro deposit British Pound deposit	$ Libor 3 – month € Libor 3 – month £ Libor 3 - month
Local fixed income securities	Average 91-day or 182-day treasury bill rate over the evaluation period and the Central Bank's Rate
International fixed income securities	Citigroup world government bond index

ILRI shall also benchmark investments against those of other CGIAR centers where possible.

3. Annexes

3.1. Annex 1: Values of the ranges of 2.1.2. as determined by the IC

a) The **average** ratio of total cash held in the **Kenyan* vs overseas financial markets** on annual basis =85:15 .
b) Percentage **range** of **local investments** (of total cash) can fluctuate within = **50:85**.
c) **Maximum percentage** of the total investments that is deposited in a **single financial institute** at any given moment is **35%**. The annual **average** of a single institute not to exceed **30%**.
d) Percentage range of cash that will be held in each investment type = 5-20% for current accounts and 80-95% for investments.
e) Percentage **range** per **currency = 70–95% for USD.** No limits set for other currencies.

Note: These values can change at any time by decision of the IC. Any changes will be documented in ILT (or its equivalent) minutes and reported to the Board of Trustees.