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## **Summary of amendments to the 2023 IFAD Investment Policy Statement and the Control Framework for IFAD Investments**

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the amendments to the 2023 IFAD Investment Policy Statement and the Control Framework for IFAD Investments contained in this document.

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**Technical questions:**

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# Summary of amendments to the 2023 IFAD Investment Policy Statement and the Control Framework for IFAD Investments

## I. Introduction

1. IFAD's Investment Policy Statement (IPS) and the Control Framework for IFAD Investments (CFI) are reviewed annually by Management.

## II. Changes to the IPS

2. The proposed changes to the IPS include the following:

<i>Item</i>	<i>Current IPS</i>	<i>Proposed IPS</i>	<i>Rationale</i>
Delegation of authority	The current IPS makes no reference to the Delegation of Authority Framework.	The proposed IPS references IFAD's Delegation of Authority Framework in respect of the authorizations related to managing Treasury investments as part of the responsibilities assigned to the President for the implementation and monitoring of all aspects of the IPS.	The proposed amendment is consistent with the roles and responsibilities related to the governance and risk management of IFAD's investment portfolio outlined in the IPS and approved by the Executive Board.
Average of available credit ratings	The IPS currently adopts the second-best credit rating rule.	The second-best credit rating rule will be replaced by a rating floor requirement based on the average credit rating from the three rating agencies (Standard & Poor's, Moody's and Fitch). The methodology and the sources used for the computation of such rating floor requirement will fall under the President's authority.	The proposed amendment is aimed at assigning to the President the technical implementation of the credit rating requirements approved by the Board.
Credit rating requirement for money market instruments	The minimum credit rating required for all money market instruments is A-/A3.	The credit rating requirement for money market funds (constant net asset value, short-term funds only) is AAA/Aaa.	The proposed amendment is consistent with the preservation of capital and the maintenance of liquidity for this asset class investing in a diversified portfolio of high-quality money market securities.
Global Investment Performance Standards (GIPS) <sup>1</sup>	External investment managers should endeavour to comply with GIPS.	It is a requirement for external investment managers to comply with GIPS in order to be considered for the selection process.	The aim of the proposed amendment is to make it a more stringent requirement for external investment managers to comply with GIPS.
Environmental, social and governance (ESG) investment target level	There is no reference to a minimum percentage of investments to be allocated to ESG fixed income securities.	The President is responsible for setting a minimum percentage of Treasury investments to be allocated to ESG fixed income securities.	Specification of a target level for investment of IFAD's liquidity portfolio in green bonds and other thematic ESG investments strengthens the Fund's commitment to responsible investment.

## III. Changes to the CFI

3. The proposed changes to the CFI include:
  - (i) Alignment of the limit setting responsibilities within the stipulations of the IPS and the Delegation of Authority Framework; and
  - (ii) Inclusion of ESG targets in the limits set for Treasury investments.

<sup>1</sup> The GIPS are a set of voluntary standards used by investment managers throughout the world to ensure the full disclosure and fair representation of their investment performance. The GIPS were created by the Chartered Financial Analyst Institute, a global association for investment management professionals.