

Registered Company No. 08204716
Registered Charity No. 1149889

CARIBBEAN BIODIVERSITY FUND

FINANCIAL STATEMENTS

30 SEPTEMBER 2016

CARIBBEAN BIODIVERSITY FUND

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Legal and administrative information

Company Number: 08204716

Charity Number: 1149889

Trustees

Dr. Jens Mackensen – appointed 28 October 2013 / renewed 28 October 2015

Mr. Sheldon Cohen – appointed 1 June 2014 / resigned 31 January 2016

Mrs. Eleanor Phillips.– appointed 1 February 2016

Company Secretary

Oakwood Corporate Secretary Limited

Registered Office

3rd Floor

1 Ashley Road

Altrincham

Cheshire

WA14 2DT

Auditor

Moore-Stephens

Chartered Accountants & Statutory Auditor

35 Calthorpe Road

Edgbaston

Birmingham

B15 1TS

Solicitors

Ropes & Gray LLP

5 New Street Square

London

EC4A 3BF

Investment Manager

UBS Financial Services Inc.

925 4th Avenue

20th Floor

Seattle WA

98104-1157

Accountants

Baker Tilly Gomez

The Deanery

28 Cumberland Street

P.O. Box N-1991

Nassau, The Bahamas

BDO Bahamas

P.O Box N-10144

Gresham House

Charlotte Street, South

Nassau, The Bahamas

CARIBBEAN BIODIVERSITY FUND

REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

The Trustees have pleasure in presenting their report of the charitable company for the period ended 30 September 2016.

Structure, Governance and Management

Established on September 6th, 2012, the Caribbean Biodiversity Fund (CBF) is the realization of a bold vision to create reliable, long-term funding for conservation and sustainable development in the Caribbean region. The CBF was incorporated as a UK Registered Company (No. 08204716) on 6th September 2012 and registered as a UK Registered Charity (No. 1149889) on 23rd November 2012. Its governing documents are its Memorandum and Articles of Association.

The CBF is an umbrella fund with permanent and non-permanent funding.

Permanent Finding – The CBF Endowment

With US\$42.0 million in pledges, the CBF endowment was created by the CBF Founding Donors - the German Government through the German Development Bank (KfW), The Nature Conservancy (TNC), and the Global Environment Facility (GEF) – through the World Bank and the United Nations Development Program (UNDP). The endowment proceeds will benefit the partner National Conservation Trust Funds (NCTFs) that enter into a Partnership Agreement with the CBF and in accordance with donors' requirements. Partner national funds in turn lead the grant-making programs at the national level.

One of the CBF's key principles is that national partner funds must create new, sustainable revenue to trigger a 1:1 match from the CBF. The revenue sources could be private and/or public.

Non-Permanent Funding

In addition to its endowment, the CBF was created with a flexible structure to manage sinking funds, revolving funds and project grant funding. In partnership with the German government through KfW, the CBF has established a 25 million EUR fund (in December 2016) for ecosystem-based adaptation to climate change.

The CBF continues to raise non-permanent and permanent funding to bring on additional countries and for regional conservation and sustainable development actions.

Governance Structure:

The CBF is governed by the CBF Board of Directors, which is currently composed of two permanent members: KfW (German Development Bank), currently represented by Dr. Jens Mackensen; and The Nature Conservancy (TNC), currently represented by Mrs. Eleanor Phillips.

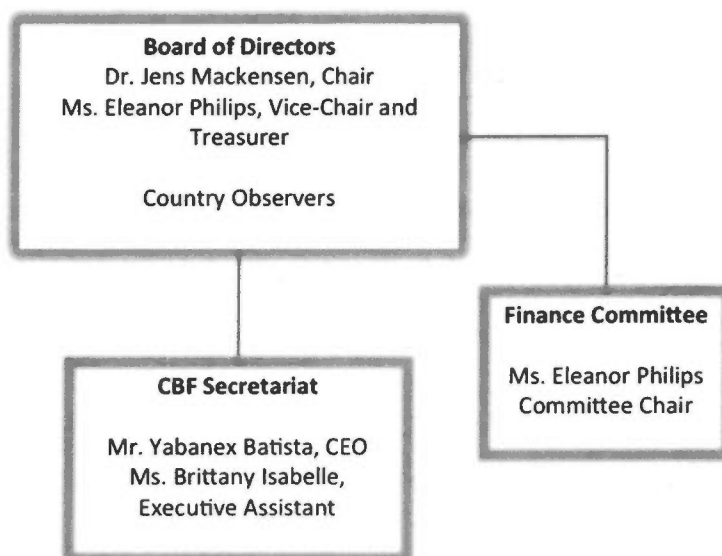
The current 8 CBF Participating Countries (Antigua and Barbuda, The Bahamas, Dominican Republic, Grenada, Jamaica, St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines) have designated CBF Country Observers to attend the Board Meetings and serve as national focal points on CBF matters. In addition, the British Virgin Islands (BVI), Haiti, and Puerto Rico also have Observer status with the CBF. Once a National Conservation Trust Funds (NCTFs) signs a Partnership Agreement with the CBF each one of them will appoint a Director to the CBF Board. As per the Articles of Association and Operations Manual, once an NCTF signs the Partnership Agreement with the CBF, the NCTF will be able to make a Payment Request from the CBF endowment. The NCTFs in turn make grants to governmental and non-governmental institutions to advance the objects of the CBF. In addition to the Country Observers, a number of partners also have Observer status including; the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), and The World Bank (WB), and the Caribbean Biodiversity Corridor (CBC).

A CBF Secretariat, tasked with carrying out all day-to-day operations of the CBF and headed by a Chief Executive Officer, is located in Nassau, The Bahamas. The organizational charts below show the structure of the CBF as well as how the CBF interacts with its major stakeholders.

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REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

CBF Governance Chart



Objectives and activities

The objectives of the CBF are to promote for the benefit of the public the conservation, protection, management and expansion of the National Protected Areas Systems of the Participating Countries by providing a sustainable flow of funds to support, without limitation, enforcement, infrastructure, monitoring needs and other activities that contribute substantially to the conservation, protection and maintenance of biodiversity within the National Protected Areas Systems or any other area of environmental significance of the Participating Countries.

Public benefit

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives. As indicated in the CBF Articles of Association, the CBF was established for the benefit of the public as it promotes the conservation, protection, management and expansion of the National Protected Areas Systems of the Participating Countries.

STRATEGIC REPORT

Achievements and Performance

During Fiscal Year 2016 the CBF activities and key achievements included the following:

1. Operations

A. Policies and Procedures enacted:

- CBF Transaction Tracking System Policy and Procedures (20 October 2015)
- CBF Risk Registry (20 October 2015)
- CBF Operational Manual Environmental Safeguards Policy (26 August 2016)
- FY17 Annual Work Plan and Budget (20 September 2016)

B. CBF Bahamas Registration

- CBF continues to work on finalizing its registration process in The Bahamas. There have been several procedural delays that have prevented completion of this process.

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REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Strategic Plan and Fundraising Strategy

- The CBF Strategic Plan was adopted during the 4th CBF Annual Meeting,
- Fundraising strategy was completed in November 2015 and was key for development of the Strategic Plan.
- The CBF received two grants in FY16:
 - EUR 588,000.00 from the German Government through KfW to support with technical assistance the NCTFs, the Caribbean Challenge Initiative Secretariat and a series of workshops and meetings. Activities of these grants began in FY16 and are expected to be implemented through FY18.
 - US\$20,0000 from FUNBIO as part of a project supporting the Latin American and Caribbean Network of Environment funds – the grant focused on supporting the development of financial mechanisms for NCTFs. This grant was fully implemented in FY16.

3. National Conservation Trust Funds Status and CBF Eligibility Requests

- NCTFs that are expected to become CBF eligible made important progress in FY16 towards becoming established and operational. Table I below shows progress through a set of key millstones.
- Two NCTFs signed Pre-financing Agreements with the CBF to support their establishment ad operations.




4. Partnerships

- An MOU with the Caribbean Challenge Initiative Secretariat was in final stages of approval at the close of FY16.

Table I: NCTFs Establishment Progress (as of September 2016)

CBF Countries	Legally Established	Functional Board	By-laws	OM	Staff Hiring	CBF Eligibility Request Submitted	Partnership Agreement Negotiations
A&B	Completed	Completed	Completed	Completed	Completed	Completed	Completed
BVIs	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Bahamas	Completed	Completed	Completed	Completed	Completed	Completed	Completed
DR	Completed	Completed	Completed	Completed	Completed	Completed	In Progress
Grenada	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Jamaica	Completed	Completed	Completed	Completed	Completed	Completed	Completed
Puerto Rico	In Progress	In Progress	In Progress	In Progress	In Progress	In Progress	In Progress
SKN	Completed	Completed	Completed	Completed	Completed	Completed	Completed
SLU	Completed	Completed	Completed	In Progress	Completed	Completed	Completed
SVG	Completed	Completed	Completed	Completed	Completed	Completed	Completed

Legend

-  Not Initiated Yet
-  In Progress
-  Completed

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REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

2. Governance

A. CBF Board

- **KfW Director** - KfW (German Development Bank) Director Mr. Peter Hilliges resigned on 23 October, 2015. KfW appointed Mr. Jens Mackensen as the new KfW Director on 23rd October 2015. Mr. Mackensen is also the Chair of the CBF Board. His appointment was renewed on 28 October 2015.
- **TNC Director** - The Nature Conservancy (TNC) Director Mr. Sheldon Cohen was appointed as CBF Director on 1 June 2014 and resigned on 31 January 2016. Mrs. Eleanor Phillips was appointed as the new TNC Director effective on 1 February 2016. Mrs. Phillips was also elected on 15th March 2016 as the CBF Vice-Chair and Treasurer of the CBF Board, as well as Chair of the CBF Finance Committee.
- **Board Meetings** - A total of four (4) CBF Board Meetings were held in FY 2016:
 - 15th CBF Board Meeting (December 15th, 2015)
 - 16th CBF Board Meeting (March 15th, 2016)
 - 17th CBF Board Meeting (June 23rd, 2016)
 - 4th CBF Annual Meeting (also 18th CBF Board Meeting) (September 20th, 2016)

B. CBF Finance Committee

- **Finance Committee Meetings** - A total of four (4) CBF Finance Committee Meetings took place in FY16:
 - 6th Finance Committee Meeting (December 17th, 2015)
 - 7th Finance Committee Meeting (February 18th, 2016)
 - 8th Finance Committee Meeting (May 17th, 2016)
 - 9th CBF Finance Committee Meeting (September 19th, 2016)
- In addition to the CBF Finance Committee meetings, quarterly meetings were held with the CBF Investments Manager (UBS) either during the above-mentioned Committee meetings or separately.

C. CBF Annual Meeting

The 4th CBF Annual Meeting took place in Castries, Saint Lucia on September 20th, 2017. 2015. This meeting also served as the 18th Board Meeting of the CBF. All CBF Participating Countries attended the meeting as well as the British Virgin Islands, Haiti and Puerto Rico, which are currently CBF Observer Countries. Donors and partners also attended the meeting.

Key topics discussed included:

- CBF FY16 Status Report
- Update on establishment of National Conservation Trust Funds (NCTFs)
- CBF Finances and Investments updates
- Approval of Haiti and Caribbean Biodiversity Corridor as CBF Observers
- CBF 2020 Strategic Plan approval
- Approval of CBF FY17 Annual Work Plan
- Approval of CBF Secretariat FY17 Budget
- Renewal of CEO Appointment

4. Year Ahead - CBF FY17 Annual Work Plan

The CBF's FY2017 Annual Work Plan (October 1st, 2016 – September 30th, 2017), as approved during the 4th CBF Annual Meeting, will focus on the following key strategic areas of action:

- 1) Strengthening CBF Institutional Framework
- 2) Strengthening CBF finances and accounting
- 3) Supporting establishment of National Conservation Trust Funds and sustainable finance mechanisms to achieve the CBF 1:1 match requirement
- 4) Executing Partnership Agreements
- 5) Establishing key partnerships
- 6) Developing the CBF's Marketing and Communications Strategy
- 7) Assess potential for new thematic funding windows and working in new geographies

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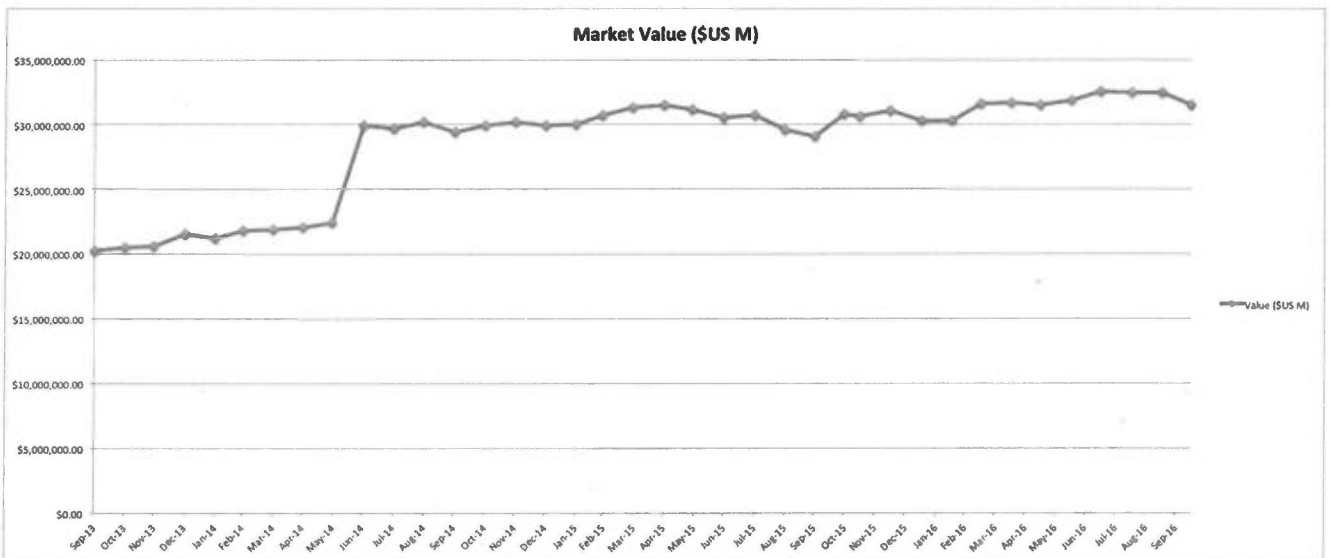
REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Financial Review

1. CBF Endowment Performance

As of September 30th, 2016 the CBF Endowment accounts had investment earnings of US\$1,577,609 YTD. Total assets as of September 30, 2016 were \$32,422,688.00. By the end of the fiscal year the CBF has made US\$207,784 in withdrawals. Graph 1 below shows the historical CBF endowment market Value since inception of investments.

Graph I: Historical CBF Endowment Market Value Performance



CBF Endowment Deposits Record

As of September 30th, 2016 a total of 6 deposits had been made to the CBF endowment for a total of US\$ 30,486,126.00. Table II below reflects all CBF deposits since inception. The CBF made one withdrawal of US\$207,784.00 from its Endowment in May 2016.

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Table II: CBF Endowment Deposits Record

Deposits Record				
Deposit Date	Donor	Amount	Amount received in USD	Notes
FY13				
25-Jan-13	KfW	€ 15,075,000	20,286,126	Assigned to 7 countries (not including The Bahamas) and CBF Secretariat.
FY14				
17-Dec-13	TNC	USD 750,000	750,000	Assigned in equal parts to 5 Eastern Caribbean countries - Antigua and Barbuda, Grenada, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines.
5-Jun-14	World Bank	USD 7,200,000	7,200,000	Assigned in equal parts to 5 Eastern Caribbean countries - Antigua and Barbuda, Grenada, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines.
FY15				
26-Mar-15	TNC	USD 750,000	750,000	TNC Early Transfer - Not assigned to any CBF participating Country yet.
FY16				
29-Oct-2015	TNC	USD 750,000		Assigned to Bahamas
29-Dec-2015	UNDP	USD 750,000		Assigned to Jamaica
Total Deposits (through FY16)			30,486,126.00	

2. Investment Policies

Currently the CBF only counts with one investment policy, which is specifically designed for the CBF endowment. The CBF amended its CBF endowment Investment Policy on 15 March 2016. The Policy includes the guidelines for an investment strategy that aims at achieving a 7% return on investments on the CBF endowment funds. Investment management of the assets of the Caribbean Biodiversity Fund shall be in accordance with the following asset allocation guidelines:

Table III: CBF Investment Policy Assets Allocations¹

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	10%	50%	40%
Fixed Income	40%	80%	55%
Alternative Investments	0%	10%	5%
Cash and Equivalents	0%	5%	0%

¹ As of 15 March 2016.

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REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

Investments results and compliance with the CBF Investment Policy is monitored by the CBF Board and its Finance Committee and periodically discussed with the investment managers in order to evaluate results and decide upon any necessary changes to the investment strategy.

3. Secretariat Operational Budget

The CBF Secretariat had an operational budget of US\$236,400,00 for FY16 with the Endowment being the source of these funds, as approved by the CBF Board. As of the end of FY16 a total of US\$ 207,661.15 was spent.

In addition to the budget sourced from the CBF Endowment; the US\$19,134.22 expenses from the US\$20,000 grant obtained from FUNBIO are reflected as CBF Secretariat operational expenses for accounting purposes. Moreover, a total of US\$43,832.99 were expenses for activities under the grant of the German Government through KfW to support NCTFs and the Caribbean Challenge Initiative. These expenses are also reflected as CBF Secretariat operational expenses for accounting purposes.

4. Reserves Policy

The CBF endowment, is currently funded by KfW (the German Development Bank), The Nature Conservancy (TNC), and the Global Environment Facility (GEF). To date, a total of US\$42.0 million have been pledged to the CBF endowment. As part of its management strategy, the CBF has established an investment strategy aimed at achieving a total of 7% returns on investments. The CBF will pay to the National Conservation Trust Funds (NCTFs) a total of up to 4.5% return on investments based on a 36-month average value of each Participating Country Sub-Account.

While subject to market behaviour, the CBF investment strategy is designed to keep in place the CBF capital and allow for payments to the NCTFs and also support its Secretariat operations. In addition, a fundraising strategy for the CBF has been designed and will be implemented in the following fiscal years, as part of the CBF 2020 Strategic Plan, in order to generate a larger volume of returns or open new funding windows and instruments that would assist in securing the financial sustainability of the institution and fulfil its objectives.

5. Principal Risks and Uncertainties

The CBF Board has recognized the importance of having a Risk Register and strategies to manage all risks associated to the CBF including financial, reputational, and others. A Risk registry was approved on 20 October 2015. The Risk Registry will serve as a key management tool for the CBF Board and its CEO.

Statement of Trustees' Responsibilities

The law applicable to Charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. In preparing these financial statements the trustees should follow best practice and;

- Select suitable accountancy policies and then apply them consistently.
- Make judgements and estimates that are both prudent and responsible.
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the Charity and ensure that the financial statements comply with the Charities Act 2011, the Companies Act 2006 and the Constitution of the Charity. The trustees are also responsible for safeguarding the assets of the Charity and hence take all reasonable steps for the prevention and detection of fraud and any other irregularities.

The maintenance and integrity of the charity's website is the responsibility of the trustees. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

In so far as the trustees are aware;

- There is no relevant audit information of which the Charity's Auditors are unaware
- The trustees have taken all steps that they ought to have taken to make them aware of any relevant audit information and to establish that the Auditors are aware of such information.

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REPORT OF THE TRUSTEES FOR THE PERIOD ENDED 30 SEPTEMBER 2016

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

Auditor

A resolution to re-appoint Moore-Stephens as auditors for the ensuing year will be proposed at a meeting of the trustees.

Signed on behalf of the Trustees

A large, stylized handwritten signature in black ink, appearing to be 'Jens Mackensen', is written over a horizontal dotted line. The signature is fluid and extends to the right.

Dr Jens Mackensen
Chair, CBF Board

Date: 26 June 2017