

## **POLICY ON EQUITY, INVESTMENT OF CASH AND CASH EQUIVALENTS**

The Board adopted Civil Rights Defenders' policy on equity, investment of cash and cash equivalents on 24 September 2014. Revised ~~August 25, 2015.~~  
On 31 May 2017.

### **Equity**

Equity is the difference between an organisations assets and liabilities. The equity will increase if the organisations result is a surplus and decrease if the result is a deficit. The equity guarantees that the organisation can withstand economic setbacks.

Civil Rights Defenders equity is divided in a Stability reserve and reserves for other obligations. The division is stated in the annual report.

### **The lower limit for Civil Rights Defenders equity**

The lower limit for Civil Rights Defenders equity is calculated as:

- Reserve for salaries, 25 % of the yearly budgeted costs for salaries.
- Reserve for rent, 50 % of the yearly budgeted cost for rent.
- Reserve for termination of other contracts, 10 % of the yearly budgeted cost for salaries.

These reserves constitute the Stability reserve.

The equity should also include a reserve for other obligations.

### **The upper limit for Civil Rights Defenders equity**

The upper limit for Civil Rights Defenders equity is calculated as:

- Reserve for salaries, 100 % of the yearly budgeted costs for salaries.
- Reserve for rent, 100 % of the yearly budgeted cost for rent.
- Reserve for termination of other contracts, 10 % of the yearly budgeted cost for salaries.

These reserves constitute the Stability reserve.

The equity should also include a reserve for other obligations.

### **If the equity deviates from the upper or lower limits**

As part of the budget the calculated amount of the Stability reserve and other reserves should be presented to the board. If the budget for the equity deviates from the decided limits the board should establish a plan of action to restore the equity within the limits.

### **Action plan to establish the equity within the decided limits**

As it is not realistic to reach the lower limits of the equity in short terms Civil Rights Defenders should budget for a yearly surplus amounting to 1/12 of the budgeted costs for salary (one monthly salary including social benefits for each employee).

***Deviation from this policy during the Strategy period 2017-2019***

*During the strategy period 2017-2019 there is a focus on investments in fundraising and organizational development. The Board has therefore decided on a deviation from this policy during this time and instead set the target to 7 msek by the end of 2019.*

**Principles governing placement of cash and bank balances**

Civil Rights Defenders is in a growing phase and all cash and cash equivalents are needed to be held available to meet the daily needs of the organisation and its activities. However, in a situation of over-liquidity, the CFO together with the CEO can decide on short-term interest investments with low risk.

There are no exceptions to this general principle, which is in power until the Board decides differently.