



30 August, 2021

**The German Israeli Foundation for Scientific Research and Development (GIF)
RULES OF PROCEDURE**

Preamble

This document is entered into force according to Article 5 f of the 1986 Agreement establishing GIF. The date of entry in force of this document is 30 August 2021.

The German Israeli Foundation for Scientific Research and Development (GIF), established in 1986 by the Federal Ministry of Research and Technology of the Federal Republic of Germany and the Ministry of Science and Technology of the State of Israel, is an important instrument in strengthening the ongoing fruitful ties in scientific, humanistic, technological and innovation cooperation between the two countries.

Both Ministries are jointly participating, and are equally responsible, in the finance, management and decision-making.

GIF's objective is to promote and fund basic and applied scientific research projects for peaceful purposes in both countries. The research projects GIF supports must involve active collaboration between Israeli and German scientists. To further this cooperation, the Foundation also arranges scientific meetings and workshops for young scientists on topics of particular interest to both countries.

The Foundation's income is derived from the interest on a EURO 204 million endowment fund contributed in equal parts by the two countries. This income is used to fund the cooperative research projects described above, the scientific meetings / workshops arranged and organized by GIF (at present, two-three per year), and to cover the administrative expenses of the GIF offices.

GIF has been established as a legal entity by the Israeli Knesset and the German Bundestag.

A) General authority and offices

1. The main office of the Foundation is in Israel, with preference to Jerusalem, if practical. GIF maintains a Liaison office in Germany to facilitate communication with both scientific communities. The staff person in Germany is an integral part of the GIF team.

B) Board of Governors - General

2. The Foundation is governed by a Board of Governors consisting of eight members, four from each country.
3. The rights and obligations of the Board of Governors are detailed in Article 5 of the original agreement between the two countries on the establishment of the Foundation dated July 4th, 1986.
4. The Federal Minister of Education and Research and the Israeli Minister of Science and Technology are the Co-Chairpersons of the Board. Each Minister may appoint an alternate to act in his/her place.
5. The remaining (six) members of the Board of Governors are appointed by the Ministers of their respective countries, after consultation with national scientific bodies. The scientific members shall be experienced research scientists or senior scientific managers.
 - a. New members will be introduced to the Board at the first regular meeting following the appointment.
 - b. The Ministries may mutually agree to increase the number of members of the Board of Governors by adding one member from each country, increasing the number of scientific members to four from each country.
6. Members of the Board of Governors are appointed for a period of three years and may be re-appointed for one additional three-year term. When appointing a new member, the possibility of a conflict of interest with the Foundation must be ruled out. Board members may not derive any personal or material benefit from the Foundation and its activities.
7. Members of the Board of Governors may resign at any time by giving written notice to the Board 60 days in advance. A member of the Board shall cease to hold office if s/he has been declared legally incompetent or bankrupt.
8. Should the place of a Board member become vacant, the remaining members may continue functioning as the Board of Governors. However, a new Board member must be appointed within a reasonable time (e.g., three months).
9. The quorum at all meetings of the Board shall consist of at least 2/3 of the Board members, including one of the Co-Chairpersons, which must be present at a regular meeting. In exceptional cases, participation can be permitted via online conference tools.

10. GIF Board of Governors subsidiary bodies. While the Board of Governors may be assisted by Committees, it remains collectively responsible for the decisions and actions taken by any GIF Committee. A GIF Committee may only perform the tasks delegated to it by the Board of Governors and may not exceed the authority or powers of the Board of Governors as a whole. As a rule, the GIF Committees will meet at least once a year and will report their activities and recommendations at the succeeding regular Board meeting. The permanent GIF committees will include the:
- a. GIF Executive Committee (in Hebrew, a ועד or a מנהל) comprises the two Co-Chairpersons (or their delegates) as well as the GIF Director, and will advise the full Board on all major / strategic long-term financial and management decisions (including implementation of investment strategy, the approval of annual audited reports, and the approval of the yearly GIF operating budget).
 - b. GIF Scientific Council consists of the remaining Board members without the Co-chairpersons and will advise the board on long-term strategic thinking on funding programs, annual and ad-hoc RFP publishing, grant proposal review, and funding decisions based on available budget. The detailed Rules of Procedure of the GIF Scientific Council are set forth in **chapter E** (see below).
 - c. GIF Controllers' Committee consists of two members who are not Board of Governor members, one from each country, nominated by the respective Co-Chairpersons of the Board of Governors. The detailed Rules of Procedure of the GIF Controllers' Committee are set forth in **chapter F** (see below).
 - d. GIF Investment Advisory Council is nominated by the GIF Board of Governors and advises the Board on asset management and taking decisions regarding the investment of the foundation's capital. The detailed Rules of Procedure on the investment of endowment capital as well as the Rules of Procedure of the GIF Investment Advisory Council are set forth in **chapter G** (see below). The Investment Advisory Council members are not members of the Board of Governors.
11. Signatories. The Board of Governors may empower one of its members, together with the Director, to sign on behalf of the Foundation binding documents and to perform on its behalf acts which are in the competence of the Board and oversee all administrative and financial matters, again together with the Director. The Board shall later be informed of the action taken.

C) Board of Governors - Mode of Operation

12. The Board of Governors decides on the Foundation's policies, in particular scientific and financial policies, establishes the criteria and procedure for evaluation and approval of the research proposals submitted; determines the amount allocated to each grant; decides on its administrative budget and the amendments to its Guidelines and Rules of Procedure.
13. As a rule, Board meetings will be held at least once a year, alternately in Israel and in Germany; meetings in Germany will be chaired by the Israeli Chairperson and meetings in Israel by the German Chairperson.
14. Before each regular Board meeting, the Scientific Council will meet to formulate their recommendations on the projects to be approved for funding. See E) 24. - 26.
15. The Co-Chairpersons may convene special meetings, at the request of a Board member or the GIF Director.
16. The Board itself establishes the times of meetings, the list of observers to be invited, and the rules and procedures for conducting them.
The scientific attaché(e), or another Embassy official, of both countries may attend as an observer.
17. Between meetings, the Co-Chairpersons and/or the Director may request the Board to decide on an urgent matter by the procedure of approval in writing. The Co-Chairpersons are required to give their approval before the remaining Board members are approached. Decisions reached by approval in writing must be unanimous.
18. During a Board meeting, decisions of the Board shall be passed by a 2/3 majority of all members, however decisions cannot be taken against the veto of one of the Co-Chairpersons; a veto may be used concerning matters of finance or investment, not scientific in nature.
19. The agenda of each meeting will be proposed by the Director and approved by the Co-Chairpersons prior to each meeting. Board members may propose topics to the agenda. As a rule, it will contain its approval and the approval of the Minutes and Decisions of the previous meeting, the report of the director, the reports of the Executive Committee, the external auditor and the controllers' committee, the investment advisory council, and the investment controller, as well as an overview discussion and approval of the scientific projects to be funded, as recommended by the Scientific Council. To this will be added any relevant agenda item approved by the Co-Chairpersons.
20. GIF must keep minutes of the proceedings of each Board meeting and its decisions. For this purpose, a special rapporteur will attend the meeting, unless it is mechanically recorded. A full transcript shall be kept on file available on request for all members of the

Board; an abridged version with decisions and action items will be the officially approved document.

D) Director and Staff

21. The implementation of the Board's decisions is entrusted to the GIF Director, who shall serve as the chief executive of the Foundation and shall run the ongoing operations of the organization, subject to the control of the Board of Governors and the Executive Committee.
22. The appointment and dismissal of the Director and the conditions of his/her employment are decided on by the Board of Governors, according to the recommendations of both Co-Chairpersons.
23. The Director is responsible for the:
 - a. implementation of the decisions of the Board of Governors;
 - b. preparation of the draft budget and the annual account.
 - c. proposal for the annual administrative budget will be based on the previous year and anticipated needs, for approval of the Executive Committee before presenting it for approval by all GIF Board Members at the annual Board meeting. At each Board meeting, the Director will also present an updated budget of the current year. The administrative budget presented for approval at the GIF Board Meeting each year will thus include the updated budget for the current year as well as the proposed budget for the next year.
 - d. employment of the GIF staff, in accordance with the staffing schedule and the conditions of employment approved by the Board; the general staff requirements of the GIF are outlined on the attached "Administrative Organization Chart".
 - e. submission of research proposals (together with recommendations and expert opinions) to the GIF Scientific Council and to the Board of Governors.
 - f. representation of the Foundation within the framework approved by the Board.
 - g. handling of purchases and / or transactions necessary for the GIF offices and staff functions within the limits of the administrative budget. Purchases, such as the car for the Director, equipment etc., shall follow the standard procedure applicable in Israel.
 - h. any other tasks as assigned by the Board.

E) GIF Scientific Council and general guidelines for scientific review

24. GIF will publish each year, budget allowing, one or more calls for proposals. The research proposals for the GIF programs will be developed and submitted online via the GIF website.
25. The role of the GIF Scientific Council is to approve proposals for funding based on the recommendations of the Scientific Advisory Panels as described below. The recommendations of the GIF Scientific Council are presented to the full quorum of GIF Board of Governors for approval.
26. The GIF Scientific Council will convene, minimally, before each regular Board meeting, and will formulate its recommendations for the Board of Governors regarding the following matters:
 - a. Formulation and updates to the GIF Guidelines, including the procedure for submission, evaluation and approval of the research proposals;
 - b. Grant proposal review, and funding decisions based on available budget including recommendation on projects to be approved for funding as well as the amount allocated to each grant;
 - c. Long-term strategic thinking on funding programs;
 - d. Annual and ad-hoc RFP publishing.

26.1 Scientific Advisory Panels:

The role of the Scientific Advisory Panels is to recommend proposals for funding to the GIF Scientific Council following an international peer-review process. The Scientific Advisory Panels consist of Scientific Advisors who are prominent scientists in their field of expertise from both countries. The GIF office maintains a database of Scientific Advisors, previously recommended by the Deutsche Forschungsgemeinschaft (DFG) and by the Israeli Academy of Sciences and Humanities. The Scientific Advisors are appointed by the GIF Director according to the submission cycle.

The Scientific Advisors are appointed for a three-year period, which may be extended for an additional three-year term. The Scientific Advisory Panels recommend reviewers for the proposals (see §26.2), discuss the scientific merit of the proposals, provide their recommendations for funding to the GIF Scientific Council (see §26.3) based on the peer-review and their professional opinion.

26.2 Reviewers:

The GIF Scientific Advisory Panels assign international reviewers to proposals. Each proposal submitted in the Regular Program must receive at least 3 reviews; each proposal submitted in the Young Scientists' Program must receive at least 2 reviews. Based on the reviews received and the professional opinion of the Scientific Advisors, the Scientific Advisory Panels prepare their recommendations for funding to the GIF Scientific Council.

F) Controllers' Committee

27. The Controllers' Committee shall have two members, one from each country, nominated by the respective Co-Chairpersons of the Board of Governors. Their term of office shall be three years, each member may be reappointed for an additional three years.
28. The members of the Controllers' Committee may resign at any time by written notice (60 days in advance) to his/her counterpart and to the Board of Governors. A Committee member shall cease to hold office if he/she has been declared legally incompetent or bankrupt.
29. If the spot of a Controllers' Committee member has become vacant, the remaining member may continue his/her own, but the vacancy should be filled within three months.
30. The role of the Controllers' Committee (CC) is to ensure the Grants progress according to the approved proposal, and if not, to understand why, and report to the GIF director. The mandate includes the efficiency and effectiveness of administrative procedures, and tools of the GIF organization.
31. Committee members should have knowledge of good practice regarding grant monetary issues.
32. The recommendations of the Controllers' Committee should be taken unanimously.
33. As a rule, the Controllers' Committee will meet in alternate years in Israel or Germany for an assessment of funded projects and GIF objectives and submit the report of their activities and recommendations at the succeeding regular Board meeting.

G. Revision of the Rules of Investment Procedure of the German Israeli Foundation

34. The Investment process of endowment capital will be made in accordance with the standard principles of risk return optimization.
35. The decision-making process for the investment of the endowment capital or any modifications in the investment must be lawful and transparent, which means that:

- a. it must comply with relevant legal and other fundamental requirements (Statutes, Agreement on the Establishment of the Foundation, Principles for Managing the Assets, Rules of Procedure);
 - b. Decision-making and decisions themselves must be verifiable and adequately documented.

36. The Board of Governors will decide Principles of Managing the Assets ("**PoMA**"). These Principles govern the investment and management of the Foundation assets and specify the Foundation's applicable investment strategy. They reflect the Foundation's objectives and requirements and provide the general framework for the investment and management of the Foundation assets. The PoMA define the minimum requirements for the investment. The following shall be defined:
 - a. Investment instruments;
 - b. Investment structure (asset allocation: involvement of different forms of investment, sectors, countries);
 - c. Duration of investment;
 - d. Portfolio risks;
 - e. Ethical aspects if appropriate (i.e., conflict of interest, principles of public procurement).

37. Any proposed changes of the PoMA must be submitted to the GIF Executive Committee for its approval four weeks prior to a Board-meeting, at which they will be approved. Board approval is required for changes, the Executive Committee has veto power over investment strategy decisions.

38. Investments within the guidelines of the PoMA, shall be made by the Director, only after consulting with GIF Executive Committee and receiving its approval. These decisions will be taken after consideration of alternative options and will not contradict recommendations given by the Investment Advisory Council.

39. The Director, through the Investment Controller, shall submit reports to the Board of Governors describing the development of the investment and any modifications made. Reports will be submitted regularly, one of which is at the annual meeting of the Board. The Director will report to the Board of Governors should any unusual developments occur. In so doing, the Director will rely on the reporting by the Investment Controller and the Investment Advisory Council.

The Director will forward the monthly reports by the Investment Controller to the other members of the Executive Committee (i.e., the Co-Chairpersons).

40. **The Investment Controller** is mandated by the Director, approved by the Board of Governors. The Investment Controller will be in direct contact with the Director and is responsible for daily investment operations and will continuously monitor the market. In addition, the Investment Controller shall report ad-hoc to the Director and to the Investment Advisory Council should any negative development of the investments lead to unexpected risk jeopardizing the continued pursuit of the Foundation's objectives.

41. **The Investment Advisory Council** is mandated by the Board of Governors. The Council includes two experts each from Israel and Germany. The quorum for recommendations by the Investment Advisory Council will be 3 members.

The Investment Advisory Council shall review the investment's compliance with the PoMA at least two times a year. Minutes of the meetings will be prepared by the Investment Controller and will be approved by the Investment Advisory Council and be forwarded to the Director.

42. **Investment Controller Reports.** The Investment Controller will submit monthly scheduled written reports to the Director. These reports will describe:
- a) Compliance control.
 - b) Continuous direct contact with the investment banks.
 - c) Monitoring of ongoing compliance with the PoMA.
 - d) Monitoring of the development of the investments
 - e) Monitoring the market continuously.
 - f) Ad hoc reporting to the Director and the Investment Advisory Council on any negative development of the investments leading to an unexpected risk.

The detailed reporting parameters will be decided by the Investment Advisory Council and the Investment Controller and may be adjusted according to request by the Investment Advisory Council.

The Investment Advisory Council shall choose a chairperson from amongst the members; the Investment Controller can be considered for this position.

43. The Council chairperson or Investment Controller, with the GIF Director, will prepare material for the meetings of the Investment Advisory Council which shall be held at least two times a year (online or in-person), and for the annual meeting of the Board of Governors (which shall be held in Jerusalem or Berlin; participation of members at this meeting shall be online, usually.). The material is to be sent to all participants 2 weeks before each meeting.
44. A member of the Board of Directors may participate in discussions of the Investment Advisory Council as an observer.

1. The investment of the Capital of the German Israeli Foundation will be implemented through one or more investment instruments which will be managed according to value-at-risk criteria and agreed minimum values.
2. The capital of the German Israeli Foundation is to be managed in two baskets (a and b):
 - a) The capital preservation (safe capital) basket of 180.000.000 EURO. This amount is invested in low-risk assets to assure capital preservation with fixed income and low volatility, including a restriction on bonds rating and duration. The investment has to stick to an appropriate risk budget.
 - i. The amount of 180.000.000 EURO is to be preserved to maturity at a level of 100%
 - ii. The capital preservation account does not contain any equities.
 - iii. An investment in fixed income securities will be only of dominated EURO or investment in fixed income but fully hedged to the EURO Currency, and will, as a matter of principle, have a remaining maturing of max. 10 years.
 - iv. It must be ensured that the creditor has a first-class credit rating. Recognized rating agencies may act as guidance. Credit rating should be no lower than BBB- (or equivalent), i.e., within the investment-grade range. In case of a credit downgrade to sub-investment grade (BB+ or lower), the portfolio manager can hold the bond for a time up to one year. In case of a split rating (different official ratings between S&P, Moody's and Fitch), the worst rating will be applied (minimum convention)
 - v. Up to 15 % of the investments in fixed-income securities may have a duration of more than ten years.
 - b) The capital-buffer basket (risk capital) of 31.000.000 EURO (dated XXX).

This amount is invested as a riskier portfolio for income, which includes equities, equity vehicles (with no double management charges) and up to 10% in commodities and higher volatility assets to increase the return.

 - i. Risk/return should be optimized.
 - ii. No issuer should emit more than 4 % of the total amount of capital assets (stocks and unsecured fixed-interest securities, including profit participation certificates).
 - c) The dividends of a and b will pay into the free-to-spend account.
3. The following items may be included in the securities portfolio to increase risk diversification:
 - a) The upper limits for the investment vehicles may be cumulated.
 - b) Equity and bond futures may be used as a quicker and low-cost hedging tool for stocks and bond positions within the limits provided.
4. The endowment capital may temporarily be invested in short-term or time deposits.

5. These principles do not apply to cash reserves. Investments will be made in money market funds, short-term or time deposits.
6. The investment of assets beyond these principles is possible but requires the explicit approval of the Board of Governors.
7. Moving funds between the existing fund management accounts shall be permitted if they are in accordance with the Principles of Managing the Assets. Suggestions for moving funds between fund management accounts must be reported to the GIF Chairpersons and are subject to their approval.
8. Securities lending is not permitted under the mandate contract.