FINANCIAL INVESTMENT RULES AND POLICY

INTRODUCTION (Motivation and context)

CODESPA’s financial investment policy seeks to maintain the purchasing power of our Foundation’s Assets and to achieve additional profitability of our investments in the short, medium or long-term.

These Rules are the framework for the analysis, approval and control of the financial investments or disinvestments.

REFERENCE REGULATIONS

This policy complies with the provisions of the Code of Conduct for Not-for-profit Organisations for temporary financial investments established by the National Stock Market Commission (CNMV) in its Agreement of 20 November 2003, of the Board of the National Stock Exchange Commission, approving the Code of Conduct for Not-for-profit Organisations for temporary financial investments.

The board of trustees of the foundation annually approves in the financial report and annual accounts audited, the annual information regarding compliance with said code which is presented to the Protectorate in the financial investment note.

SCOPE (subject matter and geography):

This policy is applied to the financial investments of CODESPA Foundation in order to place its resources in assets and rights to obtain income. These assets and rights are called financial investments and, in terms of accounts, are represented by asset accounts, within financial investments (if their maturity or duration is greater than one year) or in current assets (if the investment is a maximum of 1 year).

There are several classifications of financial investments. The following investments made in CODESPA can be indicated:

- According to the nature of the investment:
  - Debentures and other fixed income securities issued by other entities.
  - Fixed-term deposits in deposit entities.
- According to the degree of linkage provided by the investment:
- Income portfolio, composed of investments intended to generate income, always composed of fixed income.

**BASIC PRINCIPLES**

This policy meets the values and basic principles that CODESPA preserves, which are:

**Integrity.** Effort for a coherent behaviour, which is responsible and loyal to the institution.

**Transparency and austerity.** Commitment to responsibly handle and use the resources we have available for compliance with our mission, with an attitude of maximum prudence in terms of the investments policy.

**REQUIREMENTS FOR APPLICATION OF THE POLICY**

The general financial investment policy of the foundation is to establish general limits in terms of solvency, profitability and risk.

The foundation’s financial investments must comply with the annual investment policy approved by the Directorate General of CODESPA together with its Executive Committee, and they must be prudent and avoid endangering the optimum financial structure of CODESPA. At all times, the Foundation Director will have the favourable opinion of the Audit and Control Committee.

In harmony with the agreement of 20 November 2003 of the Board of the National Stock Exchange Commission, approving the Code of Conduct for Not-for-profit Organisations for temporary financial investments to comply with the Third Additional Provision of Act 44/2002, of 22 November, on Measures to Reform the Financial System, under “restrictions regarding temporary financial investments of not-for-profit organisations”, we mention the following fundamental principles that will determine the selection and management systems of CODESPA’s financial investments:

1. For the selection of financial investments it shall assess in all cases the security, maximum solvency, liquidity and profitability offered by the different investment possibilities.

Care will always be taken that there is the necessary balance between these principles, attending to the market conditions at the time of contracting and the financial requirements.

2. The main objectives of the investments shall ensure that the foundation’s funding is preserved, as well as the funding intended for the projects, which in no case must be reduced.
3. There will be a clear separation between the investments derived from funds allocated to the execution of the projects and other funds not directly linked to specific actions.

4. The revenue obtained from generating interests shall be allocated to increasing the funding for projects, in compliance with the legislation which the co-funding organisations contemplate for said purpose.

5. The revenue for capital interests not linked to a specific project or purpose shall be allocated to funding CODESPA’s ordinary activity.

6. CODESPA shall diversify the risks corresponding to its investments. In particular, and insofar as possible, the investments made, as well as those current account balances available for project execution, must be distributed between various banks of certified solvency.

7. The performance of operations which respond to a merely speculative use of financial resources shall be avoided. In particular, variable income investments are excluded.

The Management shall present an annual report to the Board of Trustees concerning the composition of the investments and the changes (investments or disinvestments) which may have occurred.

Madrid, 9 December 2010