

Investment Policy

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Related Documents:	<i>Strategic Plan</i> <i>Gender Equity Policy</i> <i>Ethical Code</i> <i>Code of Good Governance</i> <i>Child Safeguarding Policy and Code of Conduct</i> <i>Privacy Policy</i>
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1. Introduction

Due to Educo's commitment to its donors and beneficiaries, it must optimise the use of its resources. It should therefore invest and obtain profits from short-term cash surpluses and from long-term reserve funds it holds to ensure the continuity of multiannual projects.

However the investment of these resources must be subject to and be coherent with the institutional ethical commitment and transparency in management and accountability.

This Investment Policy aims to establish the operational principles, selection criteria and management rules on which the analysis, decisions and management of investment using resources belonging to Educo must be based.

2. Scope

For the purposes of this Policy, investment is understood as the temporary placement of economic resources in any type of asset other than a current account, i.e.:

- Deposits and fixed-term deposits, loans, repurchase agreements and, in general, any operation which carries with it a repayment obligation,
- Equity shares and participations in companies,
- Government or private fixed-income securities (bonds and similar),
- Shares in collective investment institutions (investment funds),
- Structured products,
- Options or futures and any other derivative financial instruments,
- Basic materials,
- Land and property of an urban or rustic nature.

This policy will be applied to the whole of Educo, including its branches abroad.

3. Investment Objective

For Educo, the objectives of making an investment are, in this order:

- **To maintain the purchasing power** of the available resources, and
- **To generate revenues** in order to finance the organisation's ordinary activities.

4. Financial Investments

4.1 Investment selection criteria

The fundamental principle which must guide Educo's financial investments is **prudence**. In practice, when choosing between different investment alternatives, the following investment selection criteria will be considered and an appropriate balance will be sought:

- **Security:** understood as the possibility of recovering the amount invested when it reaches maturity or within the planned investment period. Therefore priority will be given to investment in guaranteed financial products.
- **Liquidity:** understood as the ability to convert the investment into cash when desired, without incurring significant costs or suffering a loss of capital. To minimise liquidity risk, priority will be given to investing in products traded on official secondary markets.
- **Profitability:** the ability of the investment to generate a surplus or economic benefit. Profitability will always be subject to security and liquidity.
- **Diversification:** the investment risks will be diversified by distributing the investments between different types of financial products and between different issuers.

On the other hand, Educo:

- will not carry out investments which are contrary to its Mission, Vision, Values and Principles.
- will prioritise investment in financial products certified as socially-responsible or promoted by financial brokers who promote ethical and charitable banking.
- will not carry out financial investments in companies or organisations which:
 - have been proved to have carried out illegal activities;
 - have violated human rights, in particular children's rights, or carry out exploitative employment practices;
 - Illicitly appropriate natural resources or carry out practices which overly exploit natural resources;
 - engage in or promote the use or consumption of products which are detrimental to health or involve gambling, pornography or arms.
- will not make financial investments which represent a purely speculative use of resources. In particular:
 - the sale of securities borrowed for this purpose ("short-selling"),
 - intraday trading,
 - transactions in the futures and options markets, except those for hedging purposes,
 - any other operations of a similar nature.
- will not make financial investments deposited or brokered through financial organisations or intermediaries living in territories or countries classified as tax havens under Spanish law.

4.2 Financial investment amounts and time periods

The proposal and decision regarding the amount to be invested, the type and category of assets and the investment time periods must take into account the estimate of the free cash flow generated by the activity, in relation to the annual operational budget and an analysis of the current investment portfolio.

The investments made or planned must not affect the liquidity necessary to meet current commitments. In all cases, Educo establishes the policy of keeping in cash or other equivalent liquid assets or short-term financial investments, an amount equivalent to a minimum of 3 months of activity, including any payments associated to the cooperation projects.

4.3 Currency of the financial investments

The financial investments should preferably be in euros, in order to avoid exchange rate risks.

In the case of investments in assets denominated in other currencies, these must correspond to assets denominated in currencies officially listed with the European Central Bank (ECB), which will require, if deemed necessary, foreign exchange rate risk hedges.

4.4 Types of investment

Once the issues described in the previous points have been considered, the allocation of financial investments will meet the following criteria:

- **Short-term financial investments:** liquidity and security must be the criteria for these investments. The investment portfolio will therefore include a maximum of 10% of high risk, highly volatile assets.
- **Long-term financial investments:** these investments can be assets with higher volatility, adequately diversified between different products and different issuers, so as to reduce the exposure to risk. It is understood that this diversification exists when no asset class represents more than 50% of long-term financial investments.

4.5 Management of financial investments

a) Investment proposals

- The Educo Finance Department is responsible for proposing and managing the organisation's investments. For the selection and assessment of investments, it can also rely on professional advice from third parties who offer adequate guarantees of professional competence and independence.

b) Approval and formalization of investment operations

- The General Management is responsible for approving investment operations (be they purchases, subscriptions, sales, reimbursements or divestments) which comply with the requirements and limitations established in this policy.
- The contracting and management of financial investments will be carried out via financial institutions or intermediaries with accredited solvency and security, and mainly with the financial institutions Educo normally works with.
- All financial investments will be formalized in writing at the time they are contracted.

c) Monitoring of investments

- Throughout the life of the investment, sufficient information must be available to provide adequate and up-to-date knowledge of the parameters associated with the risks of the investment.
- Educo's Financial Management team will issue a monthly report for General Management which will include:
 - The status of all of the active financial investments, including a global assessment of each operation and specifying, where necessary, the operations which have deviated from this Investment Policy.
 - A reference to market conditions and interest rates.
 - Any purchase or sale transactions carried out in the period.

5. Property Investments

Property investments are understood as those carried out in relation to land and constructions of any nature and which are not going to be used for Educo activity.

Educo will not invest in property, except in the cases listed below, and provided that the resources come from unrestricted funds and that the necessary liquidity is not compromised:

- those from inheritances and legacies.
- those from the fusion or absorption of other organizations.
- purchases from associated organizations when considered necessary for financial or strategic reasons.

Additionally, Educo:

- will not rent any property it owns to companies or organizations who:
 - have been proved to be taking part in illegal activities;
 - have violated human rights, especially children's rights, or carry out exploitative employment practices
 - illicitly appropriate natural resources in a region or carry out practices which overly exploit natural resources;
 - engage in or promote the use or consumption of products which are detrimental to health or involve gambling, pornography or arms.

- will ensure an adequate maintenance of the properties it owns in order to preserve their market value.

6. Assets received from inheritance and legacies

In the event that the organization receives inheritance or legacies that include financial or real estate assets, the Finance Department will issue and present to General Management a report about the level of compliance of the element using the criteria established in this Investment Policy and whether or not to maintain the investment.

If applicable, they will be classified as available-for-sale assets and the legislation in force will be taken into account for their monetary realization.

7. Reference standards and compliance report

This Educo Investment Policy has contemplated the principles and recommendations established by Fundación Lealtad and the Code of Conduct for Non-Profit Organisations for the Realisation of Temporary Investments, established by Agreement of the Board of the National Securities Market Commission (CNMV) on 20 November 2003, as well as the resolution of the Governing Council of the Bank of Spain of 19 December 2003, both in compliance with Additional Provision Three - Restrictions relating to Temporary Financial Investments by Non-Profit Organisations, of Law 44/2002, of 22 November, on Measures to Reform the Financial System.

As established by foundations legislation and the Educo Statutes, the Board will fulfil and present to the Protectorat de Fundacions de la Generalitat de Catalunya, along with the annual accounts, the annual report on compliance with the CNMV's Code of Conduct, specifying and justifying, where appropriate, any investment transactions that deviate from the recommendations of the Code.