

TEMPORARY FINANCIAL INVESTMENTS POLICY

1. INTRODUCTION

The **Agreement of 20 February 2019** of the Council of the Spanish National Securities Market Commission and the **Agreement of 19 December 2003** of the Governing Council of the Bank of Spain set out the Code of Conduct that foundations must observe in regard to temporary financial investments, thus implementing the **Third additional provision of Law 44/2002, of 22 November 2002, on Financial System Reform Measures**.

The Code of Conduct presented here is established in accordance with that regulation, to which the **RAFA NADAL FOUNDATION** is subject.

The Foundation's financial resources comprise income obtained from foundational activities, as well as donations and sponsorships received that are not incorporated into the foundational capital.

The Foundation may invest its resources. Thus, to ensure transparency, this Code of Conduct stipulates the action principles, selection criteria and management standards for temporary financial investments made by the Foundation.

This Code of Conduct is without prejudice to the financial management control obligations of the Spanish Foundations Protectorate pursuant to the provisions of Law 50/2002, of 26 December 2002, on Foundations.

2. CONCEPT OF TEMPORARY FINANCIAL INVESTMENTS

For the purposes of this Code of Conduct, temporary financial investments are understood to be any investment in financial instruments.

Financial instruments shall be deemed to be those contained in the Financial Instruments Appendix of the Securities Market Law.

The following shall not be deemed temporary financial investments:

- Investments that are subject to restrictions on free disposal by virtue of the foundational title, the Founding Regulations or the applicable laws and regulations.
- That part of the Foundation's capital that comes from contributions made by the founder, donors or associates subject to non-disposal or long-term requirements.

This Code of Conduct shall apply, under the same terms, to temporary financial investments in the form of deposits, loans, temporary assignments of financial assets or other analogous transactions that are accompanied by a repayment obligation and are not subject to the rules of order and discipline of the securities market.

3. INVESTMENT SELECTION PRINCIPLES AND CRITERIA

- **Principles:**

The principles underlying financial investments in financial instruments are the following:

- Ethical principle: As a general rule, the Foundation shall not invest in shares in companies in the gambling, alcohol, tobacco and arms sectors.
- Consistency principle: Investment must be consistent with the profile and duration of liabilities and with cash flow forecasts. In this respect, before an investment is made, the value of debts must be assessed, as must that of free cash in order to meet them.
- Liquidity principle: As a general rule, investments must be made in financial instruments that are sufficiently liquid, enabling the investment to be recovered whenever so desired.
- Diversification principle: Investment risks shall be diversified by selecting a diverse portfolio of uncorrelated assets from different issuers and with different risk profiles.

- Capital preservation principle: The preservation of invested capital must be taken into account at all times.
 - Non-speculation principle: Transactions that respond to a merely speculative use of financial resources shall be avoided at all times.
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- **Selection criteria:**
 - For the selection of temporary financial investments, the criteria of security, liquidity, performance and risk diversification shall be observed.
 - The balance of the aforementioned criteria shall be monitored at all times by taking into account the market conditions at the moment when temporary financial investments are made.
 - Selection and management systems proportionate to the volume and nature of temporary financial investments shall be set up.
 - Under no circumstances shall leveraged transactions or transactions aimed exclusively at obtaining short-term gains be made. Nor shall transactions whose purpose is a merely speculative use of financial resources, in particular intraday transactions, derivatives market transactions and short sales that will not meet a purpose of hedging risks and financial contracts for differences.

4. FINANCIAL INVESTMENTS MANAGEMENT

To ensure the unity of criteria, investment decision-making efficiency and professionalism, the Foundation shall rely on an external consultancy service.

The Foundation shall ensure that this external consultancy offers sufficient guarantees of professional competence and independence, and that it is not affected by conflicts of interest.

5. CODE OF CONDUCT MONITORING

An annual report on the degree of fulfilment of the Code of Conduct for the investments made during the financial year shall be submitted to the Board of Trustees for its approval.

6. TRANSPARENCY

The annual report on the fulfilment of the Code of Conduct for financial investments shall be posted on the Foundation's website.

**Approved by the Rafa Nadal Foundation's Board of
Trustees on 27 June 2019**