

*Code of conduct  
of temporary financial  
investments*

*Som - Fundació*

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## ***Introduction***

In order to strengthen the rigor in the use of their financial availability, in the field of foundations and other non-profit entities, the National Securities Market Commission (CNMV) has approved the relative code of conduct to the temporary financial investments of non-profit entities, according to the agreement of February 20, 2019, of the *Consejo de la Comisión Nacional del Mercado de valores* by which the code of conduct relating to the Investments of non-profit entities is approved of profit, which replaces the current one of November 20, 2003. This code was published on March 3, 2019 in the BOE, and in its fourth provision, it indicates that 4.1. The non-profit entities must apply the principles of this code of conduct from its publication in the B.O.E.

Under the protection of this new regulation, Som-Fundació for supporting people with disabilities drafts and approves the following code of conduct:

### ***1. Principles and recommendations***

- a) Non-profit entities (including foundations) must establish investment selection and management systems.
- b) These entities must establish a Code of Conduct that establishes selection and management systems proportional to the volume and nature of the temporary financial investments they make.
- c) Those who decide on investments within the entity will have sufficient technical knowledge, so they can decide to hire professional advice from third parties who, in their judgment, offer sufficient guarantees of professional competence and independence.

### ***1. Scope of application***

This Code of Conduct will apply to temporary investments incurred by Som - Fundació for support of people with disabilities (from now on Som - Fundació), either in securities or in financial instruments that fall under the scope of supervision of the *Comisión Nacional del Mercado de Valores*, as in financial products under the scope of supervision of the Bank of Spain. ons Financeres

### ***2. Definitions***

- a) **Temporary investments:** they are cash surpluses that exceed the operating requirements of an entity and are applied to the acquisition of negotiable securities, or to bank deposits convertible into cash in the short term, with the purpose of obtaining a

performance until the moment when these resources are demanded to cover the normal needs of the entity.

b) **Securities and financial instruments:** those included in article 2 of Royal Legislative Decree 4/2015, of October 23, which approves the Revised Text of the Securities Market Law, including participations in Institutions of collective investment, as well as financial products under the supervision of the Bank of Spain.

c) **Volatility:** volatility is a first approximation to the risk of a portfolio, measured as profitability that deviates from its historical average. A high volatility or standard deviation means that the portfolio's returns, (generally annualized monthly data are used), have experienced strong variations, while a low volatility indicates that those returns have been much more stable over time. The higher the volatility, the higher the portfolio risk in terms of potential gain or loss.

d) **SRRI:** the SRRI is the Synthetic Risk and Reward Indicator approved and defined by the Committee of European Securities Regulators in 2010 (CESR/10-673). It is an indicator of risk and profitability of each financial product, which applies exclusively to investment funds distributed in the European Union. It is calculated from the volatility data of a portfolio. The SRRI is mandatory data to be included in the KID (Key Information Document) of all UCITS investment funds.

- Level 1 - Volatility 0% - 0.5%
- Level 2 - Volatility 0.5% - 2%
- Level 3 - Volatility 2% - 5%
- Level 4 - Volatility 5.0% - 10.0%
- Level 5 - Volatility 10.0% - 15.0%
- Level 6 - Volatility 15.0% - 25.0%
- Level 7 - Volatility +25%

e) **Investment grade:** the investment grade is a classification given to a country based on an assessment granted by credit risk rating agencies such as Fitch Ratings, Standard & Poor's and Moody's, which give different ratings to government debt, to press freedom and income distribution and get an average.

Credit agencies, also known as "rating" agencies, divide the world's countries into two large groups: those with speculative grade and those with investment grade.

f) **Categorization of financial products:** it is up to the financial institutions, under the umbrella of the Bank of Spain and the CNMV, to categorize and review all financial products registered in Spain for their distribution, adjusting it to the client's profile; not only SRRI is assessed, but also other criteria such as volatility, volume, degree of liquidity, etc.

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### ***3. Selection of investments***

First of all, Som - Fundació, like the rest of the foundations and other non-profit entities, undertakes to respect, by virtue of the aforementioned regulations, the following principles in its decisions, in the matter of investments of the surpluses of treasury:

a) **Principle of security and consistency:** in accordance with how, the recovery of the investment in the expected maturity period will have to be assessed as a priority. Before making investments, the debts and monetary availability to deal with them must be assessed.

b) **Liquidity principle:** according to which, the existing possibility of transforming financial instruments into cash must be taken into account, at a reasonable cost, taking into account the circumstances of the market at any given time. In order to have the highest level of liquidity, investments will be made in financial products traded in official secondary markets.

c) **Principle of profitability:** according to which, the cost of the investment must be related to the benefits generated.

d) **Diversification principle:** according to which, you must invest in different financial instruments among those offered by financial institutions of recognized national or international prestige. To the extent that the volume of the investment and the circumstances of the market so advise, the investments will be made between financial products of different nature.

e) **Principle of non-speculation:** in accordance with how, operations that respond to a purely speculative use of financial resources must be avoided. Specifically, the sale of securities borrowed for the purpose, intraday operations, operations in futures and options markets, as well as any other operation of a similar nature, will be avoided.

For this reason, and in compliance with the aforementioned principles, the investments of Som - Fundació must ensure the adequate fulfillment of their purposes. They will not be able to undermine their assets or their solvency or liquidity, all this in order to meet their obligations and the already mentioned fulfillment of their founding purposes.

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In any case, the investments made by Som - Fundació must aim to obtain the maximum return, within the level of risk that the Board of Som - Fundació has determined as appropriate, taking into account, in any case, the aforementioned principles.

#### *4. Particular rules for the execution of investments*

5.1 Som - Fundació will guide its investments in accordance with the principles of security, liquidity, profitability, diversification and non-speculation, as defined in point 4.

5.2 Som - Fundació is helped by financial returns to balance its annual budget. For this reason, the type of investment to be made (for the most part) will be one that produces known and liquid returns annually, to the extent that the funds are necessary for the performance of its activities; they can be generated by the periodic collection of a return or by sales, at the end of each financial year of the accumulated profitability; as is logical, depending on its own operating conditions of each asset.

In the search for an adequate return, and to maintain the real capital, it will be necessary to try to "win against inflation".

Som - Fundació will minimize, whenever possible, the volatility of returns, to give stability to the income statement and to be able to make budgets, in the financial income line, based on reliable estimates.

5.3 The classes of assets in which Som - Fundació will be able to invest will be exclusively investment funds, public debt, corporate debt, mortgage bonds, fixed-term taxes, promissory notes from financial institutions, company promissory notes and guaranteed products, without geographic limitation.

Som - Fundació will not invest directly in the shares of any company, except in an exceptional way, and with the prior express authorization of the Board of Trustees.

5.4 In the distribution and types of assets, the following criteria will be applied:

- a) Som - Fundació will try to keep in current bank accounts the necessary money in accordance with its treasury plan and a balance for possible unforeseen events.
- b) Som - Fundació will invest the surpluses of the treasury in accordance with the type of asset most suitable to maintain the capitals and seek the minimum return that allows stability in the fund.

This distribution will be reviewed periodically, to assess whether it is in line with the new market circumstances, having to assess the entity's risk, in all those cases where the coverage of the Deposit Guarantee Fund is exceeded.

5.5 Investments in fixed income securities and/or investment funds will be governed by the criterion of investing and maintaining, in order to avoid speculative attitudes and short-term volatility.

In fixed income, the investment time horizon will be that of maintaining the investment until maturity, if there were no force majeure that advised otherwise.

5.6 In the case of non-compliance with any of the set percentages, a period of 3 months will be available to proceed with a readjustment of the portfolio, in the search to achieve the objectives required in this Code of Conduct.

## ***5. Transitional adaptation***

Som - Fundació will have a transitional period of 6 months from the approval of this Code of Conduct, to adapt to its requirements, both in the selection of investments and in compliance with the particular rules of execution regulated in point 5.5, and may exceptionally be extended to one year with prior authorization from the Board of Trustees.

Barcelona, January 2024