

Code of Conduct of the Princess of Asturias Foundation
with regard to Investments

1. Regulatory Framework

Article 14.2 of Law 50/2002 of 26 December on Foundations stipulates that it is the board of trustees' duty to meet the foundational goals and diligently manage the goods and rights that make up the foundation's assets, maintaining the performance and utility thereof.

The statutes of the Princess of Asturias Foundation likewise regulate, via Article 15, the make-up and responsibilities of the Assets Committee.

It is the responsibility of the Assets Committee:

- a. To analyse any and all possibilities of improving the financial performance of the Foundation and to propose to the Board of Trustees the criteria it considers most appropriate for making decisions with regard to the investment of its assets.
- b. To inform the Board of Trustees on an annual basis regarding the financial perspectives of the Foundation and possible actions to increase its assets.

In the carrying out of its functions, the Committee is to adhere to the principles and recommendations established in the Code of Conduct for non-profit organisations as regards temporary investments. When it considers convenient to do so, it may seek external advice in order to adopt its decisions.

This Committee is to be made up of the founding bodies who contributed the initial funding, the Chair and Secretary of the Board of Trustees and the Foundation's Director. The Board of Trustees may also designate two other members, elected from among the trustees, who, because of their knowledge or professional background, may contribute to the better realization of its mission and may wish to form part of it.

In addition to the aforementioned Law 50/2012 on Foundations, the regulatory framework within which the Princess of Asturias Foundation Assets Committee is to carry out its undertakings is also made up of the following sets of regulations or those that may supplant them:

Substantive regime

1. 1978 Spanish Constitution (Art. 34).
2. Spanish Civil Code (Arts. 35 through to 39).
3. Royal Decree 1337/2005 of 11 November approving the Regulations regarding foundations falling under State jurisdiction.
4. Royal Decree 1611/2007 of 7 November concerning the Registry of Foundations falling under State jurisdiction.

Tax regime

1. Law 49/2002 of 23 December regarding the Tax Regime of Non-Profit Organizations and Tax Incentives for Patronage.
2. Royal Decree 1270/2003 of 10 December on the Tax Regime of Non-Profit Organizations and Tax Incentives for Patronage.

Accounting regime

1. Royal Decree 1491/2011 of 24 October approving the regulations for adapting the General Accounting Plan to non-profit organizations and the model action plan for non-profit organizations (PGC ESFL 2011).
2. Royal Decree 1515/2007 of 16 November approving the General Accounting Plan for Small and Medium-sized Enterprises and the specific accounting criteria for microenterprises.
3. Royal Decree 1514/2007 of 16 November approving the General Accounting Plan.
4. Royal Legislative Decree 1/2011 of 1 November approving the revised text of the Law on Accounts Auditing.
5. Royal Decree 1517/2011 of 31 October approving the Regulations implementing the revised text of the Law on Accounts Auditing, approved by Royal Legislative Decree 1/2011 of 1 July.
6. Resolution of 26 March 2013 by the Spanish Institute of Accounting and Accounts Auditing (ICAC).

Finally, the code of conduct for non-profit organizations as regards temporary financial investments on the securities market, approved by Bank of Spain Resolution of 19 December 2003, published in the Official State Gazette on 8 January 2004, states the following:

1. Scope of application. This Code of Conduct is to be applied to non-profit organizations that make temporary investments in securities and financial instruments within the scope of supervision of the Spanish Securities and Exchange Commission (CNMV).

(1) Non-profit organizations. For the purposes of this Code of Conduct, the following are considered non-profit organizations: a) Foundations, b) Associations.

(2) Temporary investments. For the purposes of the provisions of this Code, temporary investments are considered those having said status under the General Accounting Plan, approved by Royal Decree 1643/1990 of 20 November, providing they are investments in securities with a maturity not exceeding one year, as well as those longer-term securities that are acquired or held in order to profit from short-term fluctuations in prices.

(3) Securities and financial instruments. For the purposes of this Code, securities and financial instruments are considered those covered by Article 2 of the Securities Market Law, as well as shares in mutual funds.

2. Principles and recommendations.

I. Non-profit organizations must establish systems for selecting and managing investments. The organizations that are to apply this code of conduct are to have systems of selection and

management established in consonance with the volume and nature of the temporary financial investments they make. In all cases, those who decide on which investments to make are to possess the necessary technical knowledge. Accordingly, the management and administration bodies of the organizations may decide to obtain professional advice from third parties which, in their opinion, offer sufficient guarantees of professional competence and independence for this purpose.

II. Selection of investments.

1. In the selection of temporary financial investments, the security, liquidity and returns that the different investment possibilities offer are to be taken into account in all cases, endeavouring at all times to achieve the necessary balance among these three principles, taking into consideration market conditions when making such investments.
2. Non-profit organizations are to diversify the risks associated with their investments. Furthermore, in order to preserve the liquidity of their investments, non-profit organizations should make their temporary investments in securities or financial instruments traded on regulated secondary markets.
3. Non-profit organizations should avoid carrying out operations that respond to a merely speculative use of financial resources; consequently, such operations must be explicitly specified:
 - a) Securities borrowed to effect short sales (“short selling”).
 - b) Day trading.
 - c) Operations on the futures and options markets, except for the purpose of coverage.
 - d) And any others of a similar nature.

Compliance with the Code. - The information provided by the governing, administrative or management bodies of non-profit organizations regarding compliance with the recommendations contained in the code of conduct is to be transparent.

In particular, they are to specify the operations in which they have deviated from the recommendations contained in this Code and explain the reasons that led to them to do so.

Governing, administrative or management bodies must submit an annual report informing the overseeing body or its participants, associates or members of the degree of compliance with this code.

The first annual report to be drawn up is to include the literal transcription of the agreements the governing bodies of the organization have reached to acknowledge the publication and validity of this Code and adopt, if appropriate, measures leading to the organization’s compliance with its principles and recommendations.

Application of the code. Non-profit organizations should begin to apply the principles of this code of conduct from 2004 onwards.

2. Objectives and working principles of the Assets Committee

2.1 The Foundation's Assets Committee is to make decisions regarding investments made by the Foundation and monitor their implementation via the Finance and Administration Department.

2.2 In its decisions, the Commission should respect the following principles regarding investment:

- a) Principle of security; according to which it must assess the return on investment within the projected expiration period.
- b) Principle of liquidity; according to which the possibility should exist of transforming the financial instruments into cash, at a reasonable cost, taking into account the circumstances of the market at every moment. In order to preserve liquidity, investments in securities or financial instruments are to be traded on regulated secondary markets.
- c) Principle of profitability; according to which the cost of the investment must be related to the profits generated by that investment.
- d) Principle of diversification; according to which the organization should invest in different financial instruments among those offered by financial institutions of recognized national or international standing. Insofar as it is advisable due to the volume of investment and market circumstances, investments are to be made in several institutions and among financial instruments of a different nature.
- e) Principle of non-speculation; according to which operations that respond to a merely speculative use of financial resources are to be avoided. In particular, short selling of securities borrowed to that effect, day trading, operations on futures and options markets, as well as any other operations of a similar nature, are to be avoided.

2.3 The Foundation's investments should ensure proper compliance with this last goal. The Foundation's assets may not be impaired at any time, or its solvency or liquidity to meet its obligations.

2.4 Without prejudice to compliance with the preceding paragraphs, the investments made by the Foundation should aim to maximize the returns on said investments, within the level of risk established by the Board of Trustees of the Foundation as appropriate.

3. Committee Members. Meetings

3.1. The members of the Committee should have sufficient knowledge of the matters to be decided on and operate in a way consistent with the following rules:

- a) Be prudent and independent in their decisions and avoid conflicts of interest between their professional duties and their responsibilities as trustees.
- b) Ensure that the Foundation is and will continue to be solvent.
- c) Properly use the funds of the Foundation solely for the purpose and aims of the Foundation itself.
- d) Avoid actions that could jeopardize the Foundation's assets and reputation.
- e) Use their knowledge and personal experience to ensure that the Foundation is properly managed from the point of view of financial investment.

3.2. The Committee is to meet at least three times a year, coinciding with the periodic meetings of the Board of Trustees, and whenever the majority of its members request that it does so.

4. Special rules for the implementation of investments

4.1. The Foundation is to focus its investments in accordance with the principles of security, liquidity, profitability, diversification and non-speculation, as defined in Section 2.

4.2. The types of securities in which the Foundation may invest are to be restricted to equity funds, bond funds, balanced fixed-income/equity funds, government debt, corporate debt, mortgage bonds, time deposits, commercial paper issued by financial institutions and guaranteed products. The Foundation is not to invest directly in shares in any company, with no geographical limitation to this proviso.

4.3. Investments are to be made in euros, effected in official markets and at market prices.

4.4. The following criteria are to be applied to the distribution of securities:

- a) Equity investment through investment funds may not exceed 25 per cent of the total investment.
- b) Investment in bonds may not exceed 60 per cent of the total investment.
- c) Investment in bank deposits and commercial paper may not exceed 60 per cent of the total investment.

This distribution is to be reviewed periodically and, in any event, once a year, to assess whether it conforms to new market circumstances.

4.5. The Foundation is not to invest in bonds issued by obligors that have obtained a credit-rating agency score of less than “one step below investment grade”.

4.6. The Foundation is not to invest more than 500,000 euros in any one corporate bond obligor.

4.7. The Foundation is not to invest more than 500,000 euros in any single investment fund.

4.8. With a maximum limit of 5% of its overall investments, which in no case whatsoever may exceed a purchasing price of €250,000 in each concept or product, the Foundation may also invest in absolute return funds, venture capital funds, hedge funds and bond issues with an issuer credit rating of “two steps below investment grade”.

4.9. The Foundation needs the financial returns to balance its annual budget. For that reason, the type of investment to make will (mostly) be that which produces recognized returns that are liquidated annually, as these funds are necessary for the carrying out of its activities. It is necessary for investments to generate positive cash flow.

4.10. As far as possible, the Foundation is to minimize the volatility of the returns on investment so as to provide stability to its income statement and be able to draw up budgets based on reliable estimations of future income.

4.11. Investments in bonds and/or investment funds are to be governed by the criterion of “invest and maintain” with the aim of avoiding speculative attitudes and short-term volatility. The investment time horizon in bonds is to be that of holding the investment to maturity unless a cause of force majeure should exist that recommends otherwise.

5. Functions of the Foundation’s Finance and Administration Department

The Foundation’s Finance and Administration Department shall be responsible for carrying out the following functions:

- a) Implementing the decisions taken by the Assets Committee.
- b) The daily management and monitoring of investments.
- c) Making proposals to the Assets Committee regarding the distribution of securities and the type of securities to invest in.