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INVESTMENT POLICY  
ACCOUNT OF THE INITIATIVE FOR THE AMERICAS



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This document establishes the guidelines and basic policies for the constitution and redemption of investments of the Account of the Initiative for the Americas.

### GLOSSARY OF THE MAIN FINANCIAL TERMS

- a. **Banker's or Financial Acceptance:** Bills of exchange drawn by a buyer of merchandise or personal property in favor of the seller of the same. These bills become bank or financial acceptances when the bill drawer, buyer or importer, requests the bank, financial corporation, savings and housing corporation or commercial finance company, to accept the main responsibility for the timely payment thereof. The maximum term of these papers is 360 days.
- b. **Ordinary Bonds:** Are those that confer their holders the same rights, in accordance with the respective issuance contract and are guaranteed with all the assets of the issuing entity, whether present or future.
- c. **Time Deposit Certificate:** It is the certificate that is received for deposits of sums of money. The terms can be from 30 days onwards being the most common those of 30, 60, 90, 180 and 360 days. They can be issued by commercial banks, savings and housing corporations, financial corporations and commercial finance companies. The interest rate for your deposit is determined by the amount, term and conditions existing in the market at the time of its constitution. They are nominative and cannot be redeemed before they expire.
- d. **Saving Accounts:** Accounts that are held in a financial establishment and whose objective is the protection of savings. These accounts allow the saver to obtain a benefit for his deposit and to be facilitated to request a loan depending on the average amount of such deposits.
- e. **Currency:** Foreign Currency.
- f. **Mutual Funds:** Mutual fund is the set of resources obtained by a fiduciary company on the celebration and execution of investment trust business, over which the fiduciary exercises a collective administration. The administration of the fiduciary common funds is assigned by law exclusively to the fiduciary companies, supervised by the banking Superintendence. The mutual funds are integrated with monies contributed by investors (constituents or adherents), based on the conclusion of merchant trust agreements or investment fiduciary custom.

Mutual Funds can be:

- **Ordinary Mutual Funds:** when the allocation of resources and the parameters of operation of the portfolio are determined by law.
  - **Special Mutual Funds:** when the allocation of resources and the operating parameters of the portfolio are freely determined by the constituents or adherents with the help of the administrator.
- g. **Stock Funds:** A stock fund is a securities portfolio set up and managed by a broker-dealer company, the quintessential protagonist of the stock market, whose purpose is to stimulate and develop the stock market, offering the public investment alternatives. Stock funds can invest their resources in the same securities authorized to stock brokerage companies.
  - h. **Forward:** Private contract that represents the obligation to buy (or sell) a certain asset at a specific future date, at a pre-established price at the beginning of the term of the contract.



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- i. **Liquidity:** It is the availability of the investment without loss of capital and interests and in issuers that have permanence in the market.
- j. **Business Papers:** They are promissory notes publicly offered in the securities market and issued by public limited companies and public entities, not subject to inspection and surveillance by the Banking Superintendence. Its maturity cannot be less than 15 days or more than 9 months. The profitability is determined by the issuer according to market conditions.
- k. **Professionalism:** It refers to the efficient and effective way in which investments should be made.
- l. **Profitability:** It is the rate of return on investment.
- m. **Fixed Rate:** Investments that allow to know in advance what will be the conditions of term and profitability for the purchase or sale of securities.
- n. **Repo (Repurchase Agreement):** Agreement or purchase contract for securities through which the buyer acquires the obligation to transfer back to the initial seller the ownership of the negotiated securities, whether they are the same in others of the same kind, within a term and under the established conditions of beforehand in the initial business. It is a vehicle for a short-term credit in which ownership of the title is temporarily transferred to the person receiving the credit.
- o. **Security:** It is the level of risk tolerance. The resources investment of the Account of the Initiative for the Americas are adverse to the risk.
- p. **Spot:** Cash exchange rate whose transaction consists of a purchase or sale of a currency amount at the current rate of exchange.
- q. **Asset title:** Negotiable document that accredits the rights of its legitimate holder and the obligations of the issuer itself. Incorporates credit, participation, tradition, or merchandise rights.
- r. **Transparency:** It refers to the necessary, timely and clear information to make the best decision, analyzing the different alternatives and proposals for investment in the financial market.

## **1. GENERAL GUIDELINES OF THE PORTFOLIOS OF AMERICAS INIATITIVE ACCOUNT**

1.1. **PRINCIPLES:** The guiding principles under which the investments will be governed are:

- 1.1.1. Transparency.
- 1.1.2. Professionalism.
- 1.1.3. Security.
- 1.1.4. Liquidity.
- 1.1.5. Profitability.
- 1.1.6. Total abstention from conflicts of interest and the use of privileged information.

### **1.2. PERMITTED TRANSACTIONS:**

The following financial operations may be carried out, considering for this purpose the enforceability of the commitments of the Account of the Initiative for the Americas, maintaining a strict policy of liquidity, non-concentration and risk diversification, as well as the negotiation in market conditions at the respective moment of its realization:



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**1.2.1. The following operations in Colombia on securities or other fixed income instruments:**

1.2.1.1. Purchase and sale of securities issued by the Bank of the Republic.

1.2.1.2. Purchase and sale of securities issued by the National Government and other public entities.

1.2.1.3. Purchase and sale of securities issued by credit institutions subject to the inspection and surveillance of the Financial Superintendence of Colombia, such as term certificates of deposit, bank acceptances, ordinary bonds and commercial papers.

1.2.1.4. Establishment of savings deposits in credit establishments authorized for this purpose and subject to inspection and surveillance by the Financial Superintendence of Colombia, under the modalities of term deposit certificates (CDAT) and savings accounts.

1.2.1.5. Purchase and sale of fixed-income securities representing rights on securities funds oriented to investment in fixed income, managed by the Colombian stock exchange broker companies and of fixed income securities representing rights over mutual ordinary and special funds oriented to investment in fixed income, managed by Colombian trust companies. It can only be invested in funds of entities that have a Portfolio Management Rating. The investment in these funds will be understood as transitory and therefore the resources invested there should not remain in these funds for more than ten calendar days.

1.2.1.6. Purchase and sale of fixed income securities issued by the private sector, different from financial entities and financial services, including ordinary bonds and commercial paper.

1.2.1.7. Spot operations on USD, forward operations and other USD-based hedging operations, intended to cover the portfolio.

1.2.1.8. Repo or Simultaneous transactions on securities that are authorized in this investment policy document, with counterparts whose last counterparty rating is double A plus (AA +) or triple A (AAA), rating issued by a duly authorized rating agency and established in Colombia.

**1.2.2. The following operations abroad or in Colombia on securities or other fixed income instruments represented in dollars:**

1.2.2.1. Purchase and sale of public debt securities issued by the Republic of Colombia.

1.2.2.2. Purchase and sale of securities issued by the Government of the United States.

1.2.2.3. Purchase and sale of securities issued by banks or other foreign financial entities that have a rating on the issuer or the issuance of at least two of the following Securities Rating Agencies (FITCH, Standard & Poor's or Moody's).

1.2.2.4. Purchase and sale of fixed income securities representing rights over funds managed by banks or other foreign financial entities, oriented to investment in fixed income, which have a Portfolio Management rating of at least two of the following Securities Rating Agencies (FITCH, Standard & Poor's or Moody's). The investment in these funds will be understood as transitory and therefore the resources invested there should not remain in these funds for more than ten calendar days.

1.2.2.5. Spot operations on USD, forward operations and other USD-based hedging operations, intended to cover the portfolio.



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1.2.2.6. Repo operations on securities that are authorized in this document on investment policy and with Colombian counterparts whose last counterparty rating is double A plus (AA +) or triple A (AAA), rating issued by a rating agency duly authorized and established in Colombia or with foreign counterparts whose last counterparty rating by FITCH or Standard & Poor's is A minus (A-), A (A), A plus (A +), double A minus (AA-), double A (AA), double A plus (AA +) or triple A (AAA), or by Moody's is A3, A2, A1, Aa3, Aa2, Aa1 or Aaa.

### **1.3. THE BARGAINING:**

Every decision on investment must consider and prioritize in its order the criteria of security, liquidity and profitability.

### **1.4. ABOUT THE RISK OF SOLVENCY:**

1.4.1. Investments must be made only and exclusively in Colombian entities or issues whose last quarterly rating is double A (AA), double A plus (AA +) or triple A (AAA), rating issued by a rating agency duly authorized and established in Colombia. If the legislation requires that the issuances have two ratings, then the lower rating will prevail for purposes of making the investment decision. For the investment in Funds of Colombian entities, the minimum rating in the Entity's Portfolio Management and the specific Fund in which the resources will be placed must be double A plus (AA +). For the investment in securities issued by territorial entities or decentralized entities of the national or territorial order, the minimum qualification allowed will be triple A (AAA).

1.4.2. Investments must be made only and exclusively in foreign entities or issues whose updated rating is A minus (A-), A (A), A plus (A +), double A minus (AA-), double A (AA), double A plus (AA +) or triple A (AAA), or in Moody's scale A3, A2, A1, Aa3, Aa2, Aa1 or Aaa. Investments in securities or funds must have a rating issued by two of the following Securities Rating Agencies: (FITCH, Standard & Poor's or Moody's). Since there must be at least two qualifications, the minor will prevail for the purposes of the restrictions established here. For investment in Funds from foreign entities, the minimum rating in the Entity's Portfolio Management and the specific Fund in which the funds will be placed must be double A minus (AA-).

In the case of investments in securities issued by the Republic of Colombia abroad, the limits regarding qualification established herein will not be taken into consideration.

1.4.3. The maximum concentration by title, fund or entity is 20%, except for the Republic of Colombia whose concentration can be up to 60%. By maximum concentration it must be understood that the sum of the investments in the same entity and in instruments issued by the same on the volume of the investment portfolio managed by each managing agent, cannot exceed the maximum percentage established. This limit shall be maintained every day and the Executive Secretariat of the Fund for Environmental Action and Childhood may request a list of this concentration at any time from the administrators of the portfolios of the Account of the Initiative for the Americas.

### **1.5. LIQUIDITY RISK:**

1.5.1. Investments in securities issued by the Republic of Colombia may be constituted up to a maximum term of 15 years.

1.5.2. Investments in entities or Colombian Triple A (AAA) issues may be constituted up to a maximum term of 10 years.



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1.5.3. Investments in Colombian entities or issues Double A plus (AA +) may be constituted up to a maximum term of 5 years.

1.5.4. Investments in entities or Colombian Double A (AA) issues may be constituted up to a maximum term of 3 years.

1.5.5. Investments in foreign entities or issues may be constituted up to a maximum term of 3 years, except for securities issued by the Government of the United States, whose maximum term of constitution can be up to 10 years.

1.5.6. If a security or issuer that is part of a portfolio lowers the rating below the minimum required, the administrative entities must take measures to sell the investment if necessary or withdraw funds from the fund or entity.

1.5.7. Investments that are classified to maturity or negotiable may be constituted, provided that their term does not exceed the limits established herein.

1.5.8. The terms established herein may be exceeded, after argumentation on the convenience of the administrators of the portfolios of the Account of the Initiative for the Americas and express and formal authorization by the Executive Secretariat of the Fund for Environmental Action and Childhood.

#### **1.6. ABOUT RESOURCES ADMINISTRATION:**

The resources of the Account of the Initiative for the Americas may be administered by Trust Societies and / or Brokerage Commission Companies duly authorized by the Colombian Financial Superintendence to operate, and which shall comply with the following requirements:

1.6.1. Only entities that have a portfolio management risk rating may be administrators, which may be issued by any Securities Qualifying entity authorized to practice in Colombian territory. This qualification must be double A plus (AA +) or triple A (AAA). Entities with a lower rating may not be administrators of resources of the Account of the Initiative for the Americas. If a rating entity lowers the rating while a contract with the Fund for Environmental Action and Childhood is in force, it will have a period of six (6) months for the qualification to reach the minimum required. If this does not happen, then the Administration Contract will be terminated.

1.6.2. The Trust Companies and Brokerage Companies that intend to administer resources of the Account of the Initiative for the Americas must administer Common Funds, the former, and Securities Funds, the latter.

1.6.3. The Financial and Administrative Directorate of the Executive Secretariat of the Fund for Environmental Action and Childhood must be permanently monitored by the entities that administer the resources of the different accounts, especially in relation to the performance of the Management Qualification of Portfolios, in order to identify aspects that may violate the financial stability of these entities.

#### **1.7. ADDITIONAL OBLIGATIONS BY THE ADMINISTRATORS OF RESOURCES OF ACCOUNT OF THE INITIATIVE FOR THE AMERICAS:**

The Resource Managers of the Account of the Initiative for the Americas must attend the monthly and extraordinary committees that are scheduled; additionally, they must submit a monthly report among the first ten (10)



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calendar days of the following month, including both the information expressly requested by the Executive Secretariat of the Fund for Environmental Action and Childhood in Excel formats, and any information that the administrator considers relevant.

## **2. 2. PARTICULAR GUIDELINES OF THE ADMINISTRATORS OF THE EXTINGUISHABLE SUB-ACCOUNT:**

2.1. Its composition must be 100% in pesos. However, investments may be made in dollars, after argumentation about the convenience of the administrators and express and formal authorization by the Executive Secretariat of the Fund for Environmental Action and Childhood.

2.2. The investment in Ordinary Mutual Funds, Special Mutual Funds, Securities Funds or funds managed by banking entities or other foreign financial entities shall be understood as transitory and shall not be made for more than ten business days. However, this period may be exceeded after argumentation about the convenience of the administrators and express and formal authorization by the Executive Secretariat of the Fund for Environmental Action and Childhood.

2.3. The Executive Secretariat of the Fund for Environmental Action and Childhood must deliver to the Administrators of the Extinguishing Sub-Account, at the beginning of each year, a schedule for the future in which they indicate the expected term and the annual amount that is projected to be administered.

## **3. 3. PARTICULAR GUIDELINES OF THE ADMINISTRATORS OF THE EQUITY SUB-ACCOUNT:**

3.1. The composition of the portfolio of each of the administrators must be at least 90% in pesos and 10% in dollars. However, the composition in dollars may be increased, after argumentation on the convenience of the administrators and express and formal authorization by the Executive Secretariat of the Fund for Environmental Action and Childhood.

3.2. The investment in Ordinary Mutual Funds, Special Mutual Funds, Securities Funds or funds managed by banking entities or other foreign financial entities shall be understood as transitory and shall not be made for more than ten business days. However, this period may be exceeded after argumentation about the convenience of the administrators and express and formal authorization by the Executive Secretariat of the Fund for Environmental Action and Childhood.

## **4. PARTICULAR GUIDELINES OF THE RESOURCES MANAGED TO MAKE THE PAYMENTS IN A HORIZON LESS THAN A YEAR:**

The resources that make part of the available to meet the payment obligations of the year should be invested in Ordinary Mutual Funds, in Special Mutual Funds oriented to the investment in fixed income, in CDT's, in Savings Accounts or in fixed-income securities whose maturity is less than one year, seeking the highest profitability according to the need for availability of resources. The Administrative and Financial Management of the Executive Secretariat of the Fund for Environmental Action and Childhood must deliver to the administrator of the funds available for payment a schedule for the respective year, indicating the tentative dates in which the resources will be released, so that in turn, the management entity can make investment decisions. The payment administrator may place a percentage of the resources in its Ordinary Common Fund, but that percentage may not be greater than 40% of the funds available at any given time.

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