MANAGEMENT OF SOCIAL INVESTMENTS

GENERAL POLICY

CODE: INV – PG Management of Social Investments

DRAFTED BY: Administration and Finance Division and Social Innovation Division

REVIEWED BY: Executive Team

Our Mission

"Rooted in the global South, Fundación Avina works to drive collaborative processes that bring about systemic changes in favor of human dignity and care for the planet."

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1. DOCUMENT TYPE

GENERAL POLICY

2. CONTEXT:

Fundación Avina's action framework is based on collaborative processes with our allies that seek to effect systemic changes, which are measured in results and have a high degree of incidence.[1]

To fulfill this purpose, Fundación Avina provides funds and nonfinancial resources to its allies to be used on a wide range of projects, events, and activities within the scope of Avina's approved programs. It behooves us, therefore, to lay out the parameters for these investments in order to be able to objectively measure, evaluate, track, and keep proper records at every stage of the process.

3. GOAL:

This policy outlines guidelines for managing social investments with the following goals in mind:

- To facilitate operations, coordination, and good management practices.
- To foster internal and external transparency regarding Fundación Avina's investments.
- To define the procedures, requirements, and responsibilities for managing investments.
- To point staff to relevant protocols and guidelines pertaining to the management of investments.

4. SCOPE:

This policy applies to all staff, allies, consultants, and project implementation partners that receive financing or that have been hired by any of the legal entities in the Avina ecosystem, including Avina Americas.

[1] Avina defines incidence as the capacity to produce relevant, significant, and systemic changes by way of influence on policies and practices resulting from advocacy efforts and/or technical input by stakeholders, including those that have been historically excluded from decision making processes.

5. DEFINITIONS AND ABBREVIATIONS:

Social Investment: resources or funds that Avina provides to its allies to carry out a project, initiative, event, or activity, within the framework of its institutionally approved programs. This type of investment is designed to generate a *social return*.

CRM: Fundación Avina uses the cloud-based Microsoft Dynamics 365 CRM platform, our internal management system to efficiently control and automate approval workflows during the entire life cycle of a project, from beginning to end. All social investments, without exception, shall be managed on this platform.

AOP: annual operating plan

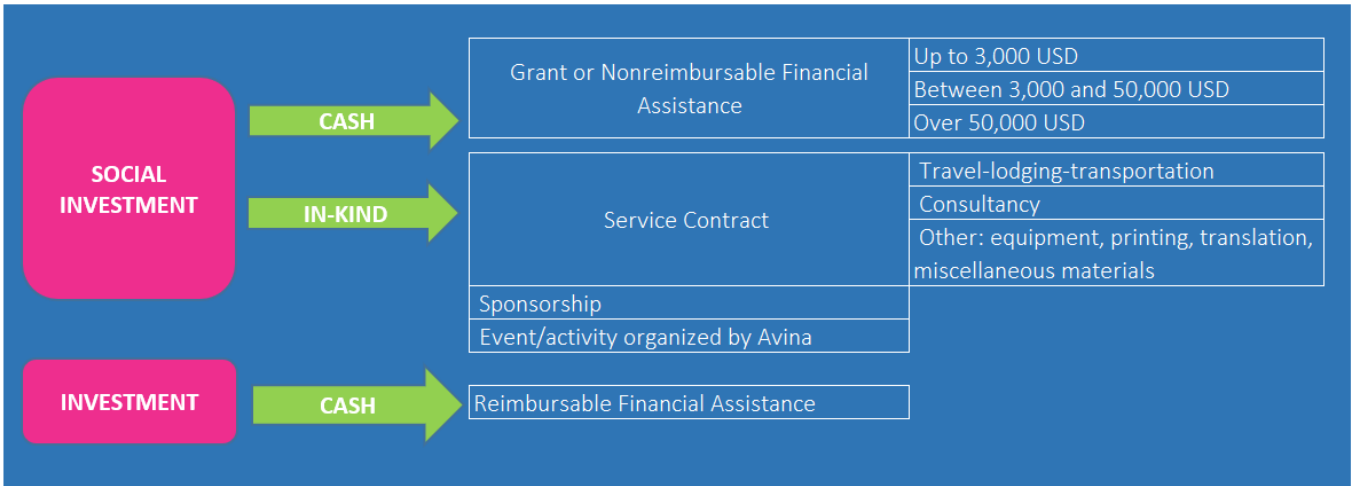
6-POLICY DETAIL:

6.1 - SOCIAL INVESTMENT CATEGORIES

A Social Investment is defined as funds and nonfinancial resources that Fundación Avina provides to its allies to be used on a wide range of projects, events, and activities within the scope of Avina's approved programs. This type of investment is designed to generate a *social return*, as opposed to a grant given without the expectation of a return. Avina's social investments may also be co-financed by the beneficiary organization itself or other entities that wish to support the project.

Fundación Avina also uses reimbursable investment instruments with the goal of infusing capital into enterprises that are developing solutions to social and environmental problems. These types of projects are highly innovative and often developed by companies or entrepreneurs with a business model. In light of this, Avina also utilizes financial instruments that provide a return (investments or loans) in order to bolster the sustainability of the businesses we support as well as recover capital to be reinvested in more projects.

All our investments are categorized according to the type of approved project. The categories are described below:



6.1.1. Cash Investment:

Grant or (Nonreimbursable) Financial Assistance: A contribution provided for a specific activity within the framework of a programmatic strategy, disbursed via bank wire transfer, check, or cash, in accordance with the general administration and finance policy.

Cash investments are further divided into subcategories according to the amount of the investment:

- Up to 3,000 USD
- Between 3,000 and 50,000 USD
- Over 50,000 USD

Reimbursable Financial Assistance: A reimbursable financial instrument is used to efficiently and effectively infuse capital into initiatives that strengthen impact businesses. Given its reimbursable nature, this type of investment is categorized as an asset on Fundación Avina's financial statements.

6.1.2 In-Kind Investment: Provision of a nonmonetary good. Fundación Avina purchases a good and delivers it to the ally. In-kind investments are further divided into the following subcategories:

- Service Contracts:

○ **Travel**, including transportation and lodging directly purchased by Fundación Avina, in accordance with our travel policy.

- **Consultancies** to carry out specialized studies or to pay for services provided by third-party suppliers. Consultancies are considered an investment when the recipient of the service is an ally or their cause (if the recipient is Fundación Avina, it is considered a Program Implementation expense)**.**
- **Other**: Purchase of materials for meetings, events, communications, technology, equipment, machinery, translations, etc.

- Sponsorship: Contribution to help pay for an event organized by an ally. The funds are provided for general event-related expenses, not for specific line items.
- Events and activities "Organized by Avina": Events organized by Fundación Avina, which requests proposals, hires suppliers, and pays for expenses associated with the event.

An investment may be monetary, nonmonetary, or both. **For example**, a contribution may consist of airline tickets (in-kind investment) as well as cash provided to the ally for travel-related expenses (cash investment).

6.2 - SOCIAL INVESTMENTS AS REFLECTED IN THE BUDGET

In this section, we aim to specify the location of social investments in Fundación Avina's budget. They fall under the following expense and asset categories, depending on the beneficiary or recipient of the distributed funds:

1. Social Investment Expenses
2. Program Implementation Expenses
3. Administrative Expenses
4. Asset - Reimbursable Financial Assistance

1. Social Investment Expenses: As defined above, these are goods or funds that Fundación Avina provides to allies to carry out a project, initiative, or activity.

The common denominator in these cases is that the beneficiary that receives the good is an ally or their cause.

2. Program Implementation Expenses: Expenses incurred directly by Avina to fulfill its mission and that are not considered social investments. This includes staff time and associated costs (salaries, travel, transportation, meetings). It also includes independent contractors that Fundación

Avina hires for tasks whose main goal is assisting the organization in staying on track to fulfill its mission.

The common denominator in these cases is that the primary beneficiary is Fundación Avina, in order to meet its own needs.

3. **Administrative Expenses:** The expenses necessary for maintaining the internal operations structure and services which, while essential to the organization, are only indirectly linked to activities that fulfill our mission.

4. **Reimbursable Financial Assistance:** Financial instruments that provide a return (investments or loans) in order to bolster the sustainability of the businesses we support as well as recover capital to be reinvested in more projects. Due to the nature of these instruments, they are categorized as assets.

6.2.1 Expense Categories

Avina's expenses are categorized according to their connection to the fulfillment of its Mission:

- **Programmatic Expenses:** These include all of Fundación Avina's expenditures directly connected to the fulfillment of its mission, whether related to social investments or program implementation.
- **Operating Expenses:** These include all program implementation and administrative expenses; in other words, costs related to our team and the work we do.

The following graphic shows how expenses are categorized according to their relationship to Avina's internal processes, financial statements, and program areas:

6.3 - BUDGET FOR INVESTMENTS FROM AN OPERATIONAL PERSPECTIVE

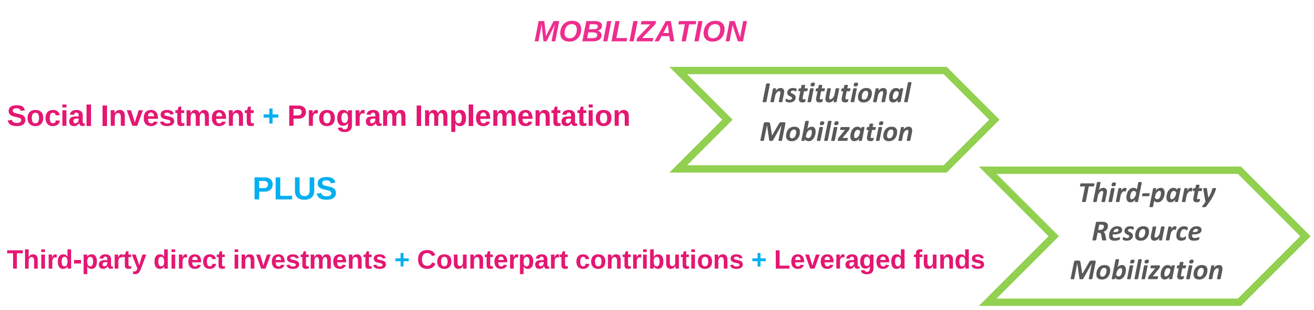
The budget for investments is determined by fundraising goals set by the Administration and Finance Division, which are reviewed by the Executive Team and approved by the Board of Directors.

Each organizational division includes a budget for investments in its **AOP (Annual Operating Plan)**. Furthermore, the AOP outlines:

- the different sources of funds that contribute to the division's strategy;
- the programs to which these will be allocated;
- certain program implementation expenses: external consult fees and expenses; and
- monetary resources allocated to reimbursable financial assistance.

6.4 - FINANCIAL MOBILIZATION

Fundación Avina considers mobilization to be an umbrella term encompassing a variety of concepts that include financial, institutional, and third-party mobilization.



Institutional mobilization refers to Fundación Avina's programmatic contribution, which includes financial resources allocated to social investments, reimbursable financial assistance, and expenses associated with the strategic brokering, advising, and networking services provided by the Avina team. These resources require accounting entries and internal approval, as they are funds derived from co-investment alliances and managed by Fundación Avina.

Third-party resource mobilization includes contributions made by other organizations, either as co-investments managed by Fundación Avina or as direct investments in the same causes. In either case, the outside resources were leveraged in part thanks to Avina's role in establishing the relationship between the donor and beneficiary organizations. These resources do not require account entries, but they **are** recorded and approved in CRM.

6.4.1. - Definitions Related to the Concept of Third-party Resource Mobilization

- **Alliance with Third-party Direct Investment**: These are alliances where Fundación Avina plays a pivotal role in the conceptual development, resource mobilization, and programmatic oversight but does not manage the funds. There are two subsets of this type of alliance:

Alliances with a set contract period: Alliances between one or more organizations with a clearly defined term, i.e. a start and end date.

Spin-offs: In these cases, financial resources are managed by a legal entity created by Fundación Avina or where Fundación Avina has a formal stake or position within its operations, governance structure, or the projected future of the organization.

These alliances are entered into CRM as soon as the funds are deposited in the bank account of the ally organization responsible for the financial management of the alliance. A report or email from the ally affirming receipt of the funds must be attached as supporting documentation.

- **Counterpart contributions:** Funds raised by allies to be used for projects in which both Avina and an ally organization invest together. Counterpart contributions may be:

Cash, or monetary contributions to the project.

In-kind, or direct project expenses that do not translate into monetary expenditures.

Counterpart contributions must be included in the financial reports for social investments and recorded in CRM by selecting the appropriate option (cash or in-kind).

- **Leveraged funds**: Money that allies were able to raise from other sources for their initiatives or organizations in an annual period, leveraged in part thanks to Fundación Avina's role in brokering the relationship between the donor and beneficiary organizations. We also consider funds that an ally co-invests in an opportunity or cause to be leveraged funds if the ally's resources are not transferred through Fundación Avina's financial channels.

Leveraged funds are recorded in CRM one time only, including the total amount of resources stipulated by a signed agreement between the ally and the source of financing. Given that the agreement could contain a confidentiality clause, it is not required to ask for a copy of it as supporting documentation, only a written confirmation of its existence.

6.5 - MILESTONES AND COMMITMENTS

It is important to differentiate between what constitutes a milestone and what constitutes a commitment. Milestones are significant because disbursements are dependent on whether specific milestones are met at different stages of a project. Therefore they must be clear and precise.

Commitments have a corresponding deliverable, such as reports, products, and services, that can be used to monitor and evaluate the project's progress and the fulfillment of the agreement.

Milestone

- A milestone is a significant event that serves as a clear symbol of progress toward a process result or stage of a project.
- Milestones serve as tools for communication and learning.

- A milestone is:
- The culmination of a phase.
- The achievement of an objective.
- An expected result coming to fruition.

Commitment

- That which the Ally/Consultant/Supplier commits to delivering to Avina to monitor and evaluate the progress of the initiative/project/contract or the delivery of goods and provision of services.

- A commitment is the delivery of:
- Supporting documentation for services/products.
- Progress reports or specific activity reports...
- Narrative or financial reports.
- Expense reports.
- Invoices.
- Attendance sheets.
- Final reports.

6.5.1 - Milestones and Commitments in the Collaborative Process:

Detailed Description of Milestones

All milestones have a fulfillment date. In certain circumstances, if the project's objectives could be put at risk if disbursements are not made, or if some milestones may be postponed without affecting the investment's progress, disbursements will be permitted without fulfilling all the milestones as long as the project is overall not at risk.

The number of milestones and disbursements is related to the length of the project period, as follows:

- An investment with a period of 12 months or more requires at least one milestone every six months.
- An investment with a period of 18 months or more should be divided into at least one disbursement per year.

The milestones laid out in the legal agreement should correspond to those entered into the CRM system, including both the description and the projected fulfillment date.

The projected fulfillment date may not be prior to the date of the approval of the investment or the date that the legal agreement is signed.

No payment will be authorized if less than 50% of milestones to be fulfilled before a disbursement have been reached.

The point person for the investment must enter an explanation for any unfulfilled milestones in CRM.

If a milestone requires supporting documentation to verify its fulfillment, it should be uploaded to CRM. Its location should be clearly indicated within the description of the milestone to facilitate future access and verification. When a document supports more than one milestone, the pertinent section of the document should be clearly indicated in the description of the milestone.

Disbursements are authorized according to the ***Authorization Matrix***. This matrix allows managers to define, for each member of their team, the percentage of milestones that must be fulfilled before the team member can request a disbursement. This flexibility allows managers to afford differentiated amounts of discretion to the members of their team according to their knowledge or experience.

The senior staff of each organizational division presents their proposed authorization matrix to the Administration and Finance Division, which reviews it, makes adjustments to ensure appropriate distribution of roles and responsibilities, and enables the corresponding permissions in CRM to automate the approved controls.

Detailed Description of Commitments

The commitments section should contain the projected delivery dates for narrative and financial reports, specific activity reports, and/or consulting products and services. Commitments should be included in contracts/legal agreements.

The projected delivery dates may not be prior to the date of the approval of the investment or the date that the legal agreement is signed.

The point person for the investment must upload supporting documentation for the receipt of the deliverable in CRM. Its location should be clearly indicated within the description of the commitment. An explanation for any unfulfilled commitments must also be entered in CRM.

6.6. - STAGES IN THE MANAGEMENT OF SOCIAL INVESTMENTS

6.6.1 - Investment Requirements:

- All investments must contain information about the expected process and outcome results;
- Include a section on dynamic risk management, in accordance with the general risk policy, which emphasizes the key support that program teams provide to prevent, identify, and manage risks. It is recommended that all risks be recorded in CRM, identifying whether they are program-level or organizational-level risks.
- The budget must be included in CRM, separated by line items or phases, and in the currency in which payments will be made. The paying office should be specified, along with the source of funds to be used to cover the payment. The budget must match the detailed budget submitted by the ally, which should be uploaded as an attachment.
- Cash investments, events organized by Avina, and service contracts (except consultant fees) in the amount of 3,000 USD or more require the proposal and detailed budget to be attached, in accordance with this policy and the corresponding purchase policy. This requirement may apply to other investments if deemed necessary by the Legal Entity Administrator. (*see section 6.7 on supporting documentation*)
- Every investment entails some amount of administrative expenses and should cover those of the ally organization; as a rule of thumb, up to 20% of the project budget should go toward operating costs.

General guidelines for project proposals

All project proposals should include:

- A clear *statement of the problem/opportunity* to be addressed.
- Logical relationships between the *objectives, impact indicators,* and proposed activities.
- A clear *sustainability strategy* to generate impact beyond the project period.
- A *risk analysis*, including socio-environmental risks arising from the project's proposed activities.
- *Progress milestones*, a budget, commitments, and detailed description of counterpart contributions.
- Response to the parameters laid out in the organization's *gender and diversity policy.*

6.6.2 - Approval of investments:

The investment must be approved prior to the start date of the investment, project, contract, or event and prior to the first disbursement.

The approval of an investment entails:

- Ensuring that the investment is in line with the approved strategy for each Institutional Program.
- Verifying that no conflict of interest exists between the ally and the staff member serving as point person for the investment, in accordance with the Code of Ethics and the Prevention and Management of Conflicts of Interest policy.
- Confirming that all required supporting documentation is complete and uploaded to the system.
- Checking that all requested information has been adequately filled out.
- In the event that the beneficiary of an investment is an organization whose governing body includes a member of the Avina team, the investment will be subject to the additional approval of the Innovation Division (this may be done via email).
- No new investments will be approved for an ally with expired investments, according to the criteria in section 6.13 of this document.
- An investment whose beneficiary is a government agency requires the Social Innovation Director's authorization (this may be done via email).
- Investments to be made with co-investment funds must comply with any specific protocols agreed upon with the co-investor, in accordance with general alliance management policies.

An investment may never be approved by the same person presenting the investment for review. The CRM system has a control function to ensure that at least two people are involved in the approval process.

Currency of investments

All investments that entail payments to be made from a paying office outside of Panama will be made in the local currency of the country where the transaction takes place. Payments will be made only in dollars when the paying office is located in Panama, Ecuador, or the United States.

6.6.3 - Legal Processing of Investments

The person responsible for the legal processing of an investment is the corresponding Legal Entity Administrator or the organization's legal team when the investment is made in Panama.

The role of the Legal Entity Administrator serves as a check and balance between those who propose that the organization enter into a legal commitment and those who oversee any actions that may affect the legal entity and who ensure adherence to applicable local and national laws.

There is a “Revisión del Administrador” ("Administrator Review") stage that includes a checklist containing all the aspects of an investment subject to the administrator's review. These must be accompanied by all required documentation, according to the type of investment, along with the details of the bank account from which Avina will make the disbursement (when applicable). This stage checks some of the boxes of the “Documentación Legal en Gestión” ("Legal Documentation in Process") stage, as well, since a number of documents apply to both stages of the investment evaluation process.

The Avina legal entity that will be making the disbursement(s) shall assume responsibility for the investment through agreements, contracts, or other documents, depending on the type of investment and in accordance with the applicable laws and regulations to which the Avina legal entity is subject.

6.7 SUPPORTING DOCUMENTATION IN THE MANAGEMENT OF SOCIAL INVESTMENTS

The Legal Entity Administrator must verify that all required documentation has been provided. Depending on if the investment is cash or in-kind, the following documentation is required:

For Cash Investments:

<table>
<tr><th colspan="2">CASH INVESTMENT</th><th colspan="3">REQUIRED DOCUMENTATION</th></tr>
<tr><th>INVESTMENT AMOUNT</th><th>TO BE REQUESTED FROM THE ALLY</th><th>TO BE UPLOADED TO THE SYSTEM - BEGIN LEGAL PROCESSING</th><th>FINANCIAL DOCUMENTATION</th><th>CLOSURE OF AN INVESTMENT</th></tr>
<tr><td>Under 3,000 USD</td><td rowspan="3">If the ally is an individual person:
* Copy of their identification
*Bank account information and address
*Authorization of Deposit, in the event that the ally requested that the funds be deposited into an account that is not their own
*Due Diligence form signed

If the ally is a legally registered entity:
*Copy of Articles of Formation/Incorporation
*Copy of document conferring signatory power to the representative
*Copy of the signatory's identification
*Bank account information and address
*Authorization of Deposit, in the event that the ally requested that the funds be deposited into an account that is not their own
*Due Diligence form signed by authorized representative

If over 3,000 USD:
*Document verifying that the legal entity is active, such as: certificate of registration/incorporation, most recent audited financial statements, recent media coverage, or website.
*Copy of document conferring signatory power to the representative</td><td>*US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search</td><td>*Letter of Agreement</td><td>*Brief Narrative Report
*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
<tr><td>Between 3,000 and 50,000 USD</td><td>*Detailed budget
*Proposal from the ally
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search</td><td>*Financial Assistance or Grant Agreement</td><td rowspan="2">*Narrative Report
*Financial Report
*Explanation of differences greater than 20% (major line items)in budgeted versus actual spending, whether over or under the budgeted amount.
The report must be signed by the ally or the organization's authorized representative or accountant. An uploaded copy of the email message (to which the financial report attached) from the point person or authorized representative of the ally organization is also valid.
*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
<tr><td>Over 50,000 USD</td><td>*Detailed budget
*Proposal from the ally
*Analysis of Environmental and Social Risks (complete form in CRM)
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search</td><td>*Financial Assistance or Grant Agreement</td></tr>
</table>

For Reimbursable Investments:

REIMBURSABLE INVESTMENT		*REQUIRED DOCUMENTATION*		
INVESTMENT AMOUNT	TO BE REQUESTED FROM THE ALLY	TO BE UPLOADED TO THE SYSTEM - BEGIN LEGAL PROCESSING	FINANCIAL DOCUMENTATION	CLOSURE OF AN INVESTMENT
under 50,000 USD	*Copy of Articles of Formation/Incorporation *Document verifying that the legal entity is active, such as: certificate of registration/incorporation, most recent audited financial statements, recent media coverage, or website *Copy of document conferring signatory power to the representative *Copy of the signatory's identification *Bank account information and address *Due Diligence form signed *Authorization of Deposit, in the event that the ally requested that the funds be deposited into an account that is not their own	Business Profile and Loan Application Form *Investment Committee's Analysis and Recommendation * US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search	*Reimbursable Financial Assistance Agreement *Signed promissory agreement which is a private document that can be used as a public instrument, also called a loan note because the lender can demand repayment according to the terms of the agreement. However, any instrument to convert the financial assistance into shares will not be included in the promissory agreement.	*Narrative Report *Confirmation of repayment of the agreed amount The report must be signed by the organization's authorized representative or accountant. An uploaded copy of the email message (to which the financial report attached) from the authorized representative of the organization is also valid. *Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.
50,000 USD or more		*Business Profile and Loan Application Form *Business Due Diligence Report *Investment Committee's Analysis and Recommendation * US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search		

For In-Kind Investments:

<table>
<tr><th colspan="3">IN-KIND INVESTMENT</th><th colspan="3">REQUIRED DOCUMENTATION</th></tr>
<tr><th colspan="2">INVESTMENT CATEGORY</th><th>TO BE REQUESTED FROM THE ALLY</th><th>TO BE UPLOADED TO THE SYSTEM - BEGIN LEGAL PROCESSING</th><th>FINANCIAL DOCUMENTATION</th><th>CLOSURE OF AN INVESTMENT</th></tr>
<tr><td rowspan="3">S E R V I C E S</td><td>Travel, Lodging, Transportation</td><td rowspan="5">If the ally is an individual person:
* Copy of their identification and resume/CV
*Bank account information and address
*Authorization of Deposit, in the event that the ally requested that the funds be deposited into an account that is not their own
*Due Diligence form signed
If the ally is a legally registered entity:
*Copy of Articles of Formation/Incorporation
*Copy of document conferring signatory power to the representative
*Copy of the signatory's identification
*Bank account information and address
*Due Diligence form signed by authorized representative
*Authorization of Deposit, in the event that the ally requested that the funds be deposited into an account that is not their own - Not applicable to Avina Americas, where funds can only be transferred to the entity that signs the contract.

If over 3,000 USD:
*Document verifying that the legal entity is active, such as: certificate of registration/incorporation, most recent audited financial statements, recent media coverage, or website.
*Copy of document conferring signatory power to the representative</td><td>*Estimate.
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search
If over 3,000 USD:
Request three different quotes or estimates and a detailed budget as the Legal Entity Administrator sees fit.
AVINA AMERICAS: Form W-9 (for US residents or US-based entities)
Form W-8 BEN or W-8 BEN-E (for foreign persons or entities)</td><td>*Letter of Agreement with the beneficiary

*Invoice (following payment)</td><td>*Brief Narrative Report

*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
<tr><td>Consultancies</td><td>*Terms of Reference/Proposals
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search

AVINA AMERICAS: Form W-9 (for US residents or US-based entities)
Form W-8 BEN or W-8 BEN-E (for foreign persons or entities)</td><td>*Consulting Agreement (that includes confidentiality clause)

*Invoice for fees paid (invoice or billing statement)

*Any other document as required by rules and regulations</td><td>*A narrative report at least every 6 months, if the project period is 12 months.
*Financial reports (when the contract includes contributions earmarked exclusively for expenses or purchases)
*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.

Consultants hired from the talent pool
*For volunteers and interns: letter ending service
*For consultants: evaluation of consultant's qualifications</td></tr>
<tr><td>Other: printing, translation, etc.</td><td>*Estimates/Quotes

If over 3,000 USD:
Request three different quotes or estimates and a detailed budget as the Legal Entity Administrator sees fit.
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search</td><td>* Service contract or Purchase Order (if applicable)
*Invoice (or billing statement) for materials purchased</td><td>*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
<tr><td colspan="2">Sponsorship</td><td>*Proposal
* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search

AVINA AMERICAS to be legally vetted on a case-by-case basis</td><td>*Note from Avina or Letter of Agreement formalizing the sponsorship</td><td>*Brief Narrative Report by the investment beneficiary.

*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
<tr><td colspan="2">Event or Activity organized by Avina</td><td>*Estimates/Quotes

If over 3,000 USD:
Request three different quotes or estimates and a detailed budget

* US Dept. of Treasury - Office of Foreign Assets Control (OFAC) - Sanctions List Search
AVINA AMERICAS to be legally vetted on a case-by-case basis.</td><td>* Service contract or Purchase Order (if applicable)

* Invoice (or billing statement) for materials purchased</td><td>*Signed list of participants or signed internal memo.

*Complete the "Investment Evaluation" field in CRM: include a brief final evaluation report written by a staff member from the organizational division, stating whether or not the proposed objectives were met and if there were any lessons learned. The administrator completes their review and verifies that the investment is ready for closure by checking the corresponding box.</td></tr>
</table>

The Legal Document Processing stage entails:

- Legal agreements and contracts will be signed by a person duly authorized to act in the name of the Avina legal entity, whether due to the corresponding authority of their position within the legal entity or a special authority they have been granted.
- In addition to the documentation required by Avina, any additional documents required by local law must be included, as well.
- Furthermore, the Legal Entity Administrator must obtain all documentation required to ensure that the grants comply with the local tax code.
- A copy of the original contract signed by all parties will be kept on file in the corresponding Avina legal entity's records, in the event that it is legally required or if the alliance that is financing the investment requires such records to be kept. In any case, a digital version of the signed contract must be uploaded to CRM. Digital signatures via electronic signature or e-sign platforms are permitted in those countries where they are recognized by local laws.
- Legal agreement templates for different types of investments are automatically generated by the system.
- Any investments that require a legal agreement that differs from the templates designed by Fundación Avina will be considered exceptions and assessed on a case-by-case basis. In these cases, a comment should be added in the notes field of the legal section and the contract or legal agreement should be attached.
- For investments made with co-investment funds, it must be verified that the legal agreement meets all of the requirements agreed upon by Avina and the co-investor.
- When applicable, the legal agreement for an investment will be accompanied by an attachment with specific communications guidelines, per the agreement between Avina and the donor, which should be adhered to according to the instructions provided.
- Any investment made with co-investment funds should have thorough documentation, paying special attention to the stipulations for managing those specific co-investment funds.

6.8 AMENDMENTS

An amendment is required when there are significant changes to the terms of an investment that have been previously endorsed via legal agreement, whether a Nonreimbursable Financial Assistance Agreement, Reimbursable Financial Assistance Agreement, Consulting Agreement, or Letter of

Agreement. An amendment is not required when an investment is upheld by other supporting documents, such as invoices, proposals, estimates, etc. and there is no existing contract or legal agreement. In these cases, a description of the changes and supporting documentation, if necessary, must be recorded in the notes field in CRM, either by the senior staff of the organizational division requesting the changes or the Legal Entity Administrator.

An amendment must be signed in the following circumstances:

- Changes to the project end date (usually if the difference is greater than three months and/or if the point person for the investment deems it appropriate).
- Increase or decrease in the total amount of Avina's contribution.
- Changes to the milestones, as deemed necessary by the Legal Entity Administrator and the point person for the investment. In the event of differing opinions on the need for an amendment, the Legal Entity Administrator will have the final say.
- Changes to the parties signing the contract or agreement, whether the Avina legal entity or that of the ally organization.
- Any other changes that the parties wish to set forth in writing.

6.9 EARLY TERMINATION

The need to terminate a project before its stipulated end date may arise, in the event that the project objectives will not be able to be met. The reasons for this may vary. In this case, a Termination Agreement must be signed to end the contractual relationship. This document, as its name indicates, is an agreement between the parties to terminate their prior agreement and define any remaining obligations.

The Termination Agreement includes:

- The conclusion of the project.
- The parties' acknowledgment that any contractual obligations between them are hereby terminated.
- A release of liability and waiver of the right to sue.
- The return of funds and/or goods on the part of the ally, if requested by Avina.
- The confidentiality of information provided by Avina to the ally.

The Termination Agreement may also be used when there are surplus funds at the conclusion of a project, in which case the instructions in the guidelines in the "*Surplus Funds"* section must be followed.

6.10 - INVESTMENTS WITH MORE THAN ONE ALLY OR IN MORE THAN ONE COUNTRY OR INVOLVING MORE THAN ONE ORGANIZATIONAL DIVISION

While it is preferable to enter into an agreement with one single ally, from an operational, legal, and accounting perspective as well as to make it easier to resolve any conflicts that may arise, there may be circumstances in which social investments should be made with more than one ally. There may even be instances in which the allies are legally registered in different countries. In these particular cases, there will be two Legal Entity Administrators involved in managing the investment, necessitating the following protocols:

- One programmatic staff member in each country will be designated to oversee the investment.
- One organizational division will be responsible for overall coordination of the investment (in the event that it involves more than one organizational division).
- Each budget line item will be assigned to a paying legal entity.
- The milestones and commitments stipulated in the agreement will be associated with the legal entity named in the legal agreement for the investment (when a legal agreement is applicable).
- In each country where a disbursement will be made, the appropriate form of legal documentation must be provided, in accordance with the guidelines laid out in this policy.
- In the event of an investment that requires multiple legal documents with different suppliers, consultants, or ally organizations, staff should consider the feasibility of creating multiple distinct investments in the system, in order to adequately track each contract (milestones, fulfillment dates, disbursements dependent on fulfilled milestones, reports, etc.).
- The designated program staff member in each country should ensure that the milestones, commitments, and budget linked to each contract in their country are appropriate.
- The Legal Entity Administrator in each country will review all items on their checklist before generating or requesting the corresponding legal agreement.
- The Legal Entity Administrator may generate the legal agreement in the system as long as it meets their country-specific requirements, even if it does not meet the requirements of the other

countries. The investment status will be marked as “**en ejecución parcial**” (**"partially in progress")** to allow the disbursements in that country to be released.

- When the final legal documentation has been created, the investment status will be marked as “**en ejecución**” ("**in progress**").
- The system will calculate the percentage of fulfilled milestones associated with a particular legal entity before each disbursement.
- Each investment in each country must fulfill the corresponding closure requirements.
- The designated program staff in each country shall send their comments regarding the final evaluation of the investment to the point person responsible for overall coordination.
- The investment coordinator will complete the “**Informe de Evaluación Final**” ("**Final Evaluation Report**") in order to be able to request the closure of the investment.
- The administrator of the organizational division coordinating the investment should verify that the investment is ready for closure with all supporting documentation in place and complete their review by checking the corresponding box in the “**Informe de Evaluación Final**” ("**Final Evaluation Report**").
- Each Legal Entity Administrator will review the investment management process in their country and complete the closure checklist.
- The one who officially closes an investment is the Legal Entity Administrator in the country where the point person responsible for overall coordination of the investment is located.
- If an investment is expired, it will only be factored into the number of expired investments for the organizational division coordinating the investment.

6.11 - DISBURSEMENTS

Payments may only be made on investments whose status is ***“En ejecución” ("In progress")***. This status means that a corresponding legal agreement has been made or that all requirements have been met in cases where a legal agreement is not needed.

Under no circumstances shall any payments be made for an investment that is not in the system or that is not in progress. Only the administrator of the organizational division overseeing the investment can modify the bank account information of the ally organization implementing the investments, and the Legal Entity Administrator must be notified.

The Legal Entity Administrator or their team will make a payment after receiving the payment request in the system that has been approved by the authorized staff member (in accordance with the authorization matrix). The payment will be recorded in the investment in the completed disbursement field.

The management and approval of disbursements are subject to the "Request for Approval of Disbursements" procedure.

6.12 - TRACKING, FINAL REPORTS, AND CLOSURES

The following guidelines apply:

- All relevant information that complements the standard investment form must be uploaded to the system. Any narrative and financial reports received from the ally must be uploaded. At the same time, the system has specific fields to keep track of an investment, including the ability to modify the dates of receipt for reports and payments.
- Financial reports submitted by allies must include the same line items as the project budget, with a budgeted versus actual comparison displaying any variations (in percentages).
- Any line item differences greater than 20% in budgeted versus actual spending must be justified, whether the actual spending was over or under the budgeted amount.
- For cash investments, financial reports must be signed by the point person at the ally organization that received the funds or by an authorized accountant or other representative of the ally organization. An uploaded copy of the email message (to which the financial report is attached) from the point person or authorized representative of the ally organization is also valid.
- Every investment requires a brief final evaluation report written by a staff member from the organizational division, stating at the very least whether or not the proposed objectives were met and if there were any lessons learned. Once the evaluation report, all information regarding fulfillment of milestones and commitments, explanations for any changes, and supporting documentation (as required) have been completed, the *closure of the investment* may be requested, as stated in the "Resumen de Status" ("Status Summary") section of CRM.
- The investment status will then be marked as "*Bajo Revisión del Administrador antes EGP"* ("*Under Administrator Review Prior to Pending Management Evaluation")* and the system will notify the division administrator, who shall verify that the investment has been sufficiently tracked and

prepared for closure. Once this has been verified, they should complete their review by checking the corresponding box in the final evaluation form; the system will then change the status to "Evaluación de la Gestión Pendiente" ("Pending Management Evaluation").

- The Legal Entity Administrators are the ones who bring the life cycle of an investment to a close in CRM, following a specific checklist for final evaluation and review. Once the Legal Entity Administrator has received a request for closure, they have fifteen working days to review it and finalize the closure, as long as the required documentation is complete.

6.12 - EXPIRED INVESTMENTS

Investments will automatically be deemed expired in CRM if they remain open (closure process never completed) six months after their projected end date. Proper management practices include keeping our investment portfolio up to date, therefore the system will set a maximum number of expired investments that an organizational division may have open in order to approve new investments. This maximum depends on the total number of open investments. If an investment's end date has been postponed via amendment, the investment will be deemed expired six months after the new end date.

The following table shows the maximum number of expired investments allowed per number of open investments, in order to approve new investments.

Open Investments	Maximum Number of Expired Investments
0 to 10	2
11 to 20	4
21 to 30	6
31 to 40	8
41 to 50	10
51 to 60	12
61 to 70	14
71 to 80	16
81to 90	18
90 to 100	20

6.14 - SURPLUS FUNDS

In the event that surplus funds remain in the ally organization's possession after the investment has ended, one of the following courses of action may be taken:

• The funds may be returned to the legal entity named in the contract.

• The funds may be allocated for a different use, pending the approval of the senior staff of the organizational division.

In the event that the surplus funds exceed 1% of the total amount of the investment, or 300 USD for investments under 30,000 USD, a termination agreement must be drafted, stipulating the amount of the surplus and what should be done with the funds, and signed by the parties.

Any funds that are returned to Avina will be credited back to the corresponding organizational division's budget for investments, except if Avina is the source of the funds and the investment has been closed for over a year, or if the amount of surplus funds exceeds 20,000 USD; in these cases, the Administration and Finance Division will determine what to do with the funds.

6.15. EXCEPTIONS

Any exception to the guidelines laid out in this policy shall be subject to the review and approval of the Administration and Finance Division.

7-ROLES AND RESPONSIBILITIES:

Senior Staff of Organizational Divisions: Program or other division managers with a budget for investments have the following roles and responsibilities:

- Oversee the overall management of the investment, with the ability to delegate investment and disbursement approval tasks to their team members;
- Ensure that the investment's approval date is prior to the investment, project, contract, or event start date and prior to the first disbursement;
- Ensure that resources from any source are managed transparently and efficiently;

- Track the management of investments throughout the different stages of their life cycle;
- Verify the proper input of investments into the system to ensure accountability;
- Explain in CRM any time a milestone and/or commitment is not fulfilled.

Legal Entity Administrator:

- Oversee the legal processing of investments;
- Make disbursements and accounting entries for investments;
- Bring the life cycle of an investment to a close in CRM, after final evaluation and review.

Administration and Finance Division:

- Establish budget targets for all organizational divisions;
- Review and approve the authorization matrix, ensuring adequate checks and balances; authorize and enable permissions in the CRM system for automatic controls;
- Authorize any exceptions to the policy laid out herein.

SOCIAL INNOVATION DIVISION:

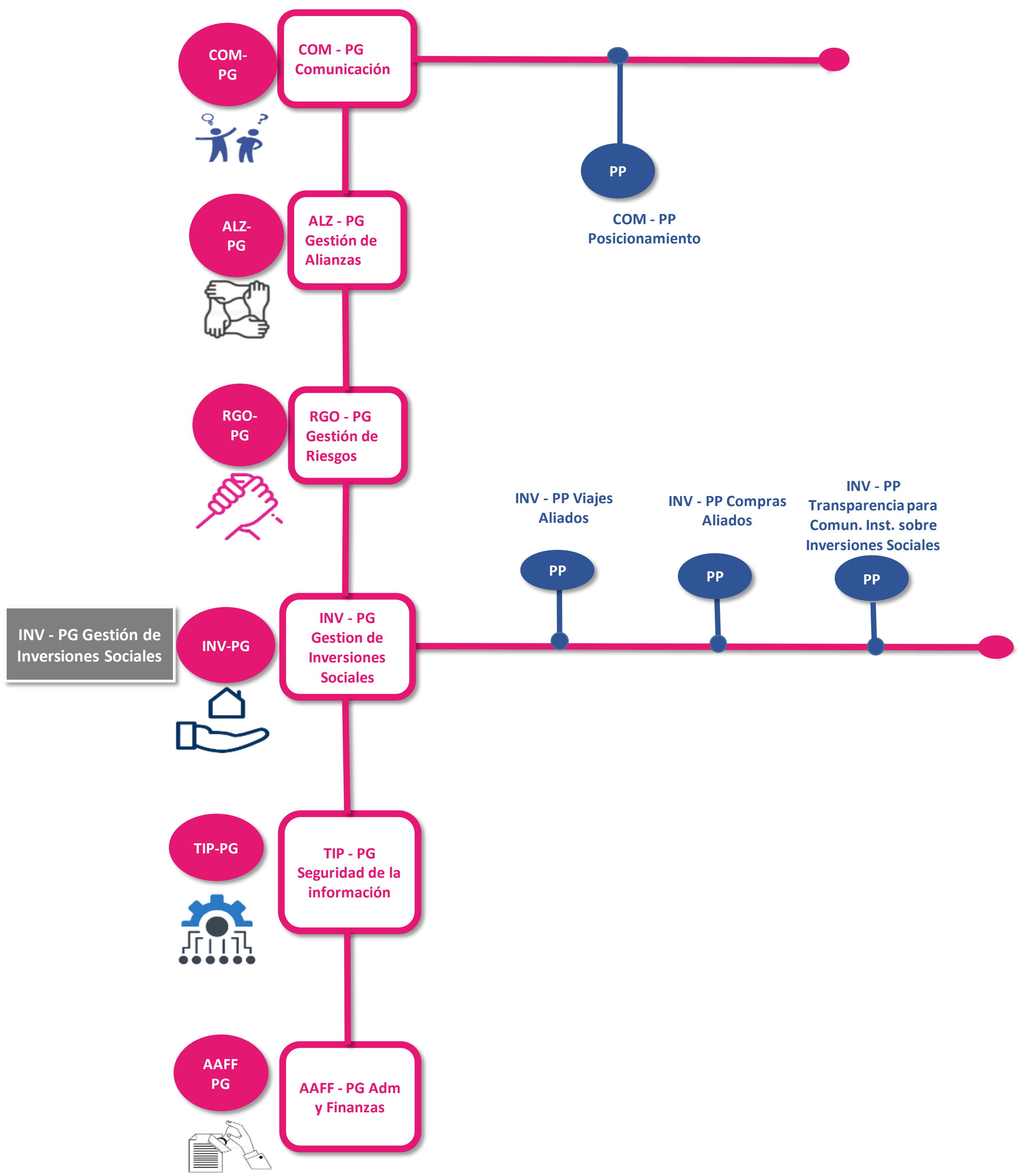
- Review budget targets for organizational divisions;
- Approve investments when the beneficiary is a government agency;
- Approve investments when the beneficiary is an organization whose governing body includes a member of the Avina team.

BOARD OF DIRECTORS

- Approve budget targets for organizational divisions.

8-RELATED DOCUMENTS:

This policy is related to the following documents:



This policy is carried out using the following internal forms:

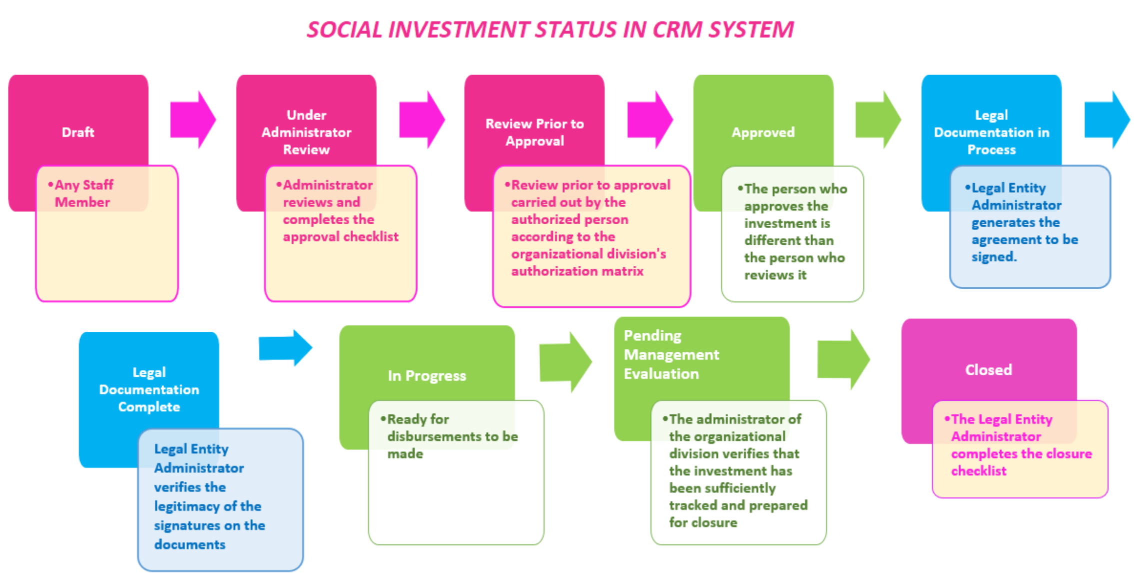
CRM: an operational platform for handling every stage of the management of social investments. (see procedures and instructions for entering information into CRM).

AOP - Annual Operating Plan: a document that shows the budget for investments in CRM.

Authorization Matrix: a table that sets/limits the permissions granted to each user for the different approval processes in CRM.

9-VISUAL SUMMARY:

The following workflow shows the sequence of different investment statuses in CRM, according to the different stages of progress and the staff member responsible for entering information and/or completing an approval.

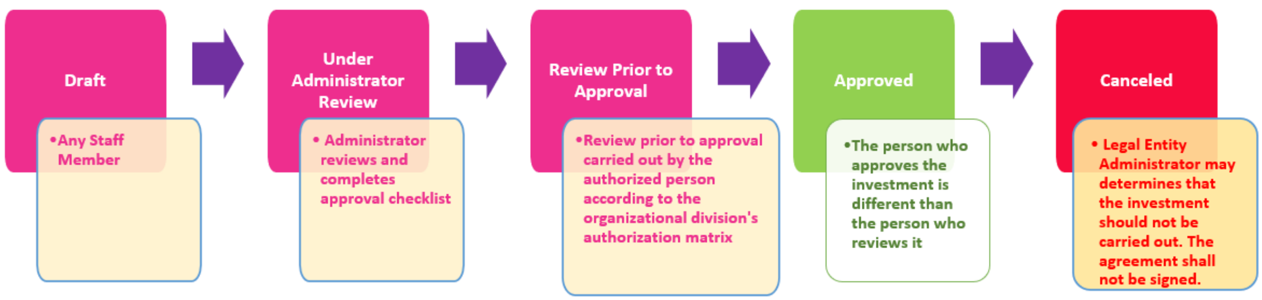


PROCESS FOR CANCELING AN INVESTMENT

Once an investment has been approved, the Legal Entity Administrator may determine, after review and analysis, that the investment should not be carried out.

If this decision is made, the investment must be canceled at the request of the organizational division. The agreement shall not be signed, as cancellation takes place before the investment is implemented.

The following workflow shows the process for canceling an investment:



PROCESS FOR AMENDING AN INVESTMENT

Amendments may be made to an investment that is already in progress. Each amendment must pass through its own review and approval stages.

- The Organizational Division Manager→ approves the changes and/or determines who is authorized to approve them, according to the division's authorization matrix.
- The Legal Entity Administrator→ generates the amendment document and makes any adjustments to the original investment.
- Avina Americas→: The organizational division administrator enters the information about the amendment into CRM, uploading supporting documentation and the request letter from the ally, and the Legal Entity Administrator for Avina Americas receives and processes the amendment. The Legal Entity Administrator for Avina Americas approves the amendment.

The following workflow shows the process for amending an investment: