



# Operating Policy

as of [April 15<sup>th</sup> 2021]

---

## Table of Contents

|  |    |
|--|----|
| DEFINITIONS & ABBREVIATIONS.....                       | 3  |
| PURPOSE OF THIS POLICY.....                            | 4  |
| OPERATING PRINCIPLES.....                              | 4  |
| - Approvals.....                                       | 6  |
| ELIGIBILITY CRITERIA.....                              | 7  |
| - Financial Viability.....                             | 7  |
| - Development of Sustainable Infrastructure.....       | 7  |
| - Countries.....                                       | 8  |
| - Sectors.....   | 8  |
| - Environmental and Social Impact.....                 | 8  |
| - Integrity.....                                       | 9  |
| FINANCIAL AND NON-FINANCIAL PRODUCTS AND SERVICES..... | 9  |
| - Lending Products.....                                | 9  |
| PRICING.....   | 9  |
| - Fees and Charges.....                                | 10 |
| - Interest and Guarantee Rates.....                    | 11 |
| PORTFOLIO MANAGEMENT.....                              | 11 |
| - Exposure Limits.....                                 | 11 |
| - Credit Risk Rating System.....                       | 13 |
| - Supervision.....                                     | 13 |
| - Sale of portfolio risk.....                          | 13 |
| - Arrears and Non-Accrual.....                         | 14 |
| - Write-Off of a Loan.....                             | 14 |
| - Protection of Interests.....                         | 14 |
| FINANCIAL MANAGEMENT.....                              | 15 |
| - Borrowing Capacity and other Funding.....            | 15 |
| - Liquidity.....                                       | 15 |
| - Investment of Liquid Assets.....                     | 16 |

## DEFINITIONS & ABBREVIATIONS

The following definitions and abbreviations are used in this Operating Policy:

|                                |   |
|--------------------------------|---|
| <b>CKD Technical Committee</b> | <i>Comité Técnico del CKD</i> as defined in the CKD Filing. |
| <b>CRR</b>                     | Credit Risk Rating.   |
| <b>Holders Meeting</b>         | <i>Asamblea de Tenedores</i> as defined in the CKD Filing.  |

## PURPOSE OF THIS POLICY

1. The purpose of this Operating Policy is to set out the provisions under which Beel Infrastructure Partners (“BEEL”) shall fulfill its mandate to invest in the Mexican infrastructure sector through project finance, supporting the development of infrastructure in Mexico [and Latin America in general], while minimizing the risk and maximizing the financial returns of the investments made by its investors. BEEL will promote, target and strategically select transactions with private enterprises, following international environmental, social, governance and integrity standards.

## OPERATING PRINCIPLES

2. In BEEL to define Responsible Investment we decided to use the PRI approach, which establishes the following on its official website:

*“The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.”*

Available at: <https://www.unpri.org/an-introduction-to-responsible-investment/what-is-responsible-investment/4780.article>

To integrate this principle with BEEL's strategy, we have in our operating policies and manuals integrated the ESG factors for decision-making. In general, the structure of our responsible investment strategy is based on the IFC Performance Standards.

As a responsible investor, we comply with our fiduciary duty by making informed business decisions after reviewing available information with a critical eye and by disclosing any conflict of interest as our policies establish. We are totally convinced that working in the best interest of our clients and investors is an essential characteristic for the correct functioning of our processes and strategy, as well as it is necessary to comply with what is established in our investment policies.

Regarding the relationship of responsible investment with our investment objectives, we refer to the following paragraph contained in our “Environmental and Social Sustainability Policy”:

*“BEEL recognizes the importance of environmental, social and governance (ESG) principles and understands their impact on the long-term performance of their investments, including them in all stages of the Project Cycle.”*

3. BEEL will align its activities to the strategic and financial goals [stated in the CKD filing] through its business plan and strategic programming.
4. BEEL will invest in a broad range of activities in the infrastructure sector. These may include greenfield projects, expansions or modernizations, restructurings, privatizations, refinancing, working capital or other activities contributing to financial sustainability and development of infrastructure, provided BEEL's participation in such activities is consistent with its purpose to optimize the risk-return relationship for its investors.
5. Management shall establish appropriate guidelines and procedures in order to facilitate efficient transaction processing and administration of institutional affairs.
6. BEEL will seek to enhance the operation, if warranted, by improving its structure and risk/reward ratio with a view to maximizing BEEL's financial return. BEEL will verify that the operation concept, technology, sponsorship and management are sound and that its environmental, social and labor practices are acceptable and in accordance with the applicable laws in the host country and BEEL's Environmental and Social Sustainability Policy; that a market exists for the client's products or services; and that the investment cost is reasonable and the financing plan adequate.
7. Within a portfolio approach, each operation will be assessed on its merits concerning its economic and financial return. Based on this assessment BEEL shall select financial instruments and rates for each operation.
8. BEEL will assess risks of an operation to decide whether they are acceptable. BEEL will help structure each operation to distribute risks appropriately among participants in the transactions, including the equity investors, developers, the technology providers, the contractors, the raw-material suppliers, the customers, and the various financing agencies.
9. BEEL will assess risk levels based on the industry, the company and the operation, as well as the host country's policies on investment, exchange rates, price controls, taxation and other relevant factors which may affect the viability of the operation, and structure appropriate security at a reasonable cost. As a further condition, the operation appraisal must include satisfactory evaluation of critical factors such as sponsor and shareholder quality and integrity, management capability, cash flow capacity, market, security, and structure of BEEL's investment.

10. Once BEEL has determined that the risk levels for each operation are acceptable, it will determine what return is appropriate.
11. BEEL will take into account the risk profile of its current portfolio when considering each new operation.
12. In structuring its transactions, BEEL will submit to the host country's legislation, to another country's legislation, and/or to both, and will design the legal documentation in such a way that it adequately protects BEEL's interests.

### Approvals

13. Management will promote, identify, select and appraise possible transactions by applying financial, technical, economic, legal, environmental, labor and institutional feasibility criteria, as well as all other operating principles and other applicable regulations.
14. Per the procedures and distribution periods set forth in the relevant regulations, Management will prepare and distribute to the CKD Technical Committee and/or Holders Meeting a CKD Technical Committee Report ("CKD Report"), containing all material facts, including fee structures, necessary to reach a decision in those transactions subject to the CKD Technical Committee and/or Holders Meeting approval, if it is necessary according to the CKD regulation. Such approval shall be valid while there is no material change in the conditions presented to the CKD Technical Committee.
15. Management shall implement transactions in accordance with approved resolutions, in a manner consistent with the corresponding CKD Report. Management's discretion in implementing an operation shall include the following actions which shall not require CKD Technical Committee and/or Holders Meeting approval: [(a) any increase in tenor of BEEL's credit exposure of up to two years; (b) any debt restructuring and settlement where BEEL would contractually agree to a debt forgiveness not greater than [US\$10] million or its equivalent in local currency, when deemed appropriate.]<sup>1</sup>

---

<sup>1</sup> To be adjusted

16. According to the filing documentation, the CKD Technical Committee and/or Holders Meeting delegates to BEEL’s Management the authority to approve and directly execute all transactions that fulfill the following conditions (the “Delegated Authority”):
- (a) Amount of Individual Transactions: Less than 5% of the Maximum Issue Amount, either in one or several simultaneous or successive transactions in a 24 month period
  - (b) Policy compliance: all transactions approved under the Delegated Authority must comply with all provisions of this Policy.

Management shall present to the CKD Technical Committee and/or Holders Meeting timely quarterly reports on the performance of the transactions approved pursuant to the Delegated Authority.

## **ELIGIBILITY CRITERIA**

### **Financial Viability**

17. Financial viability will be determined by evaluating the historical and projected operating and financial performance of the businesses/projects. Financial viability will be measured by appropriate industry parameters and financial performance indicators such as cash flow, leverage, debt service coverage, and profitability.

### **Development of Sustainable Infrastructure**

18. All transactions in which BEEL participates must contribute to the development of sustainable infrastructure in the host country, to social and economic development, and to the borrower’s financial performance and sustainability, according to BEEL’s Environmental and Social Sustainability Policy.

## Countries

19. Beel will operate in Mexico [and Latin America in general], as stated in the [CKD Filing] documentation.

## Sectors

20. Beel may operate in activity related to the infrastructure sector, as long as the operation provides social and economic benefit for the host country and is consistent with BEEL's policies and guidelines.
21. The following sectors are eligible for BEEL's operations:
  - Power Generation, transmission and distribution
  - Midstream and downstream oil and gas
  - Roads, ports, airports and railways
  - Water treatment and distribution
  - Telecommunications
  - Educations: schools and universities
  - Hospitals and other health related infrastructure
  - Data centers

To operate in sectors not included in this Operating Policy, an authorization from the CKD Technical Committee and/or Holders Meeting will be required.

22. BEEL will maintain a reasonable sector balance by limiting the maximum portfolio share in any given sector, consistent with the exposure limits set forth in Paragraphs 35 through 37.

## Environmental and Social Impact

23. Transactions shall meet adequate environmental and social sustainability criteria, consistent with BEEL's Environmental and Social Sustainability Policy. BEEL's transactions shall include adequate provisions for actions necessary to prevent, control and mitigate negative impacts on the environment, improve environmental quality, and for compliance with local labor laws and regulations and with BEEL's standards.

## **Integrity**

24. BEEL's transactions shall be subject to integrity due diligence in order to ensure appropriate determination, review, mitigation and disclosure of integrity-related risks via the institution's governance.
25. These due diligence activities shall be conducted and related measures implemented, as applicable, according to BEEL's Integrity Review Checklist.

## **FINANCIAL AND NON-FINANCIAL PRODUCTS AND SERVICES**

26. BEEL may offer financial products, such as senior and subordinated loans, or other transaction structures. BEEL will tailor these products to meet both BEEL's and the client's objectives.
27. BEEL may carry out its transactions in any currency or combination of currencies. In making its transactions, BEEL will follow the diversification strategies consistent with the exposure limits set forth in Paragraphs 35 through 37.

## **Lending Products**

28. Financing will be structured in accordance with the nature and requirements of each specific transaction. The structure of the financing, such as amount, term, grace period, interest rates and fees, and security will take into account the requirements of the enterprise, the risks and costs to BEEL, and the terms and conditions normally obtained by private investors for similar operations.
29. The maturities and the amortization schedule will be established based on the projected cash flow of the borrower on a case-by-case basis.
30. BEEL may grant secured and/or unsecured financing, with or without subordination and/or collateral as it deems appropriate in order to fulfill its mission and protect its interests.

## **PRICING**

31. BEEL's financial priority is to preserve its capital base, while maximizing the returns to its Investors.
32. In pricing its loans and guarantees Beel shall take into account the risk associated with each investment as well as prevailing market rates for investments with similar terms and conditions. Interest rate spreads and guarantee rates shall correlate to the risk rating of the investment.

### **Fees and Charges**

33. BEEL may charge its clients fees in an effort to cover the cost of processing the Transaction. These fees are in addition to the interest rate associated with each Transaction, and are specifically associated with a particular aspect of the Transaction.
  - a) Mandate Fee: BEEL may charge a fee once a Transaction is Mandated. This fee is charged to cover BEEL's deployment of resources to work on such Transaction.
  - b) Evaluation Fee: This fee is charged by BEEL in order to cover for the process of evaluating a Transaction plus any consultant/adviser costs.
  - c) Upfront Fee: BEEL charges this fee to the borrower in addition to the interest payment for mobilizing resources and making loan arrangements and structuring. This fee may be retainer or a success fee. An Upfront Fee must be charged for every Transaction and it is payable at the signing of the credit agreement or at the first disbursement date.
  - d) Co-financing fee: BEEL may charge a fee to cover the costs of identifying interested participants to take a participation in the financing consortium, negotiating terms and conditions of the loan, and preparing loan documentation and loan administration.
  - e) Commitment Fee: As market circumstances and practices permit, BEEL may charge a fee on the undisbursed balance of operation commencing as of the date the loan funds are committed and therefore made available by BEEL to the borrower. This fee is charged to cover BEEL's average estimated cost of committing liquid funds prior to actual disbursement.
  - f) Prepayment fee: As market circumstances and practices permit, a charge may be levied for prepayment of loans in order to cover expenses in reallocating or investing those funds prepaid by the borrower. This fee will be especially relevant in subordinated loans, in order to cover for anticipated prepayments and potential loss of yield.

- g) Agency Fee: In case of acting as the Agent Bank in a syndicated loan or a loan in which BEEL is the only lender, BEEL may charge a fee to cover for the resources made available for the supervision of the loan. This fee is charged annually until maturity.
  - h) Supervision Fee: BEEL may charge a fee related to the supervision of the project, including travel expenses, etc. (exclusive with the Agency Fee)
  - i) Waivers & Amendments: BEEL may charge a fee in order to offset the administrative cost of the Waivers & Amendments requested by the client
  - j) Other Fees: BEEL may charge other fees such as appraisal, legal, supervision and restructuring fees. For special activities, BEEL will normally charge fees which will cover its cost, plus profit margin and which should reflect market rates.
34. From time to time, BEEL may quote all its fees within the interest rate, depending on market conditions and local practices, or alter its fee structure to conform to evolving market practices.

### **Interest and Guarantee Rates**

35. BEEL will make variable and fixed rate loans. Consistent with Paragraphs 30 and 31 above, loans will be priced at a margin with respect to the relevant reference rate for the currency specified in the loan agreement. The margin will reflect both risk and competitive market conditions.

## **PORTFOLIO MANAGEMENT**

### **Exposure Limits**

36. To reduce its portfolio risk, BEEL will diversify its portfolio among type of financing, currencies, sectors, status, and concentration.
37. Management shall develop and administer BEEL's Portfolio so as to ensure compliance with the exposure limits set forth in this section at the end of each calendar year. Management shall verify that the limits set forth herein are observed in every operation presented to the CKD Technical Committee and/or Holders Meeting for approval. In case one or more limits would be exceeded by

implementing a given operation, Management shall disclose this situation in the CKD Report to the CKD Technical Committee and/or Holders Meeting.

38. BEEL will adhere to the following limits, described in the CKD Filing:

(a) Per type of financing:

- (i) Senior Debt Investments shall not exceed 66% of the Maximum Issue Amount on the corresponding determination date.
- (ii) Mezzanine Debt Investments shall not exceed 66% of the Maximum Issue Amount on the corresponding determination date.

(b) Per type of currency:

- (i) USD denominated investments shall not exceed 60% of the Maximum Issue Amount on the corresponding determination date.
- (ii) MXN denominated investments shall not exceed 60% of the Maximum Issue Amount on the corresponding determination date.
- (iii) UDI denominated investments shall not exceed 60% of the Maximum Issue Amount on the corresponding determination date.

(c) Per sector:

- (i) Investments carried out within a specific sector within the Infrastructure Projects, shall not exceed 40% of the Maximum Issue Amount on the corresponding determination date.

(d) Per status of the Infrastructure Project:

- (i) Investments carried out in Infrastructure Projects that have to be developed from the first phase of the respective Infrastructure Project (greenfield), shall not exceed 60% of the Maximum Issue Amount on the corresponding determination date.
- (ii) Investments carried out in Infrastructure Projects that have to be developed from a subsequent phase to the initial phase of the

respective Infrastructure Project (brownfield), shall not exceed 60% of the Maximum Issue Amount on the corresponding determination date.

(e) Per concentration by the Infrastructure Project:

- (i) A single Investment whose source of payment comes from a single Infrastructure Project, shall not exceed 20% of the Maximum Issue Amount on the corresponding determination date.

### **Credit Risk Rating System**

- 39. BEEL will utilize a credit risk rating system to provide a uniform measure of credit exposure. The Credit Risk Rating (CRR) is taken into consideration in the project selection process and in the determination of pricing. The CRR for all transactions is to be updated at least annually since it is used as a key element in monitoring the status of individual operations and the determination of appropriate loss provisions, as well as in determining the overall risk of BEEL's portfolio of committed investments.

### **Supervision**

- 40. BEEL will carry out permanent and diligent supervision of its operations. The objective of supervision activities is to detect material facts and circumstances which may affect any transaction, from the time it has been approved by the CKD Technical Committee and/or Investment Committee and/or Holders Meeting] so as to take timely corrective actions and to keep its investors informed. When appropriate, BEEL will require interim statements from the borrower and/or the investee company, as well as annual audited financial statements. It will also monitor covenant compliance, collections of interest, principal, dividend and other income. When appropriate to supervise closely, BEEL may carry out field visits and may be represented in the board of those companies in which it has made equity investments.

### **Sale of portfolio risk**

- 41. BEEL may use a variety of instruments to sell participations, cover, insure or to sell the risk of its outstanding portfolio, such as by insuring or selling funded or unfunded participations.

### **Arrears and Non-Accrual**

42. BEEL shall generally place a loan in non-accrual status when payment of principal, interest and/or fees under the loan is past due under the relevant contract and any amendments for 90 consecutive days. Notwithstanding, when Management determines that the collectability of future payments has been jeopardized, BEEL may place a loan in non-accrual status even if there are no amounts overdue.

### **Write-Off of a Loan**

43. A write-off is defined as a direct reduction in the amortized cost of a loan resulting from uncollectability. A loan is considered uncollectable if BEEL has no reasonable expectation of recovery. Therefore, partial or full loan write-offs are recorded when a loss has been realized through either a legal agreement or final bankruptcy settlement or when Management has determined with a reasonable degree of certainty that the relevant amount will not be collected. Payments received after a loan is written off shall be accounted for as a recovery.

### **Protection of Interests**

44. BEEL will take all necessary actions to protect its interests in the event of potential or actual default, insolvency, or any such circumstances in which its operation is in jeopardy. BEEL may participate in rescheduling of its loans provided the same are essential to the future of the specific operation. Such rescheduling must be part of a plan in which the other creditors and investors share equitably with BEEL the financial burden of the rescheduling. BEEL may also participate in other debt relief measures, provided such participation is essential to avoid the forced liquidation of the operation.
45. Whenever there is a threat of loss or BEEL's investment is jeopardized:
- (a) The terms of the proposed settlement must be submitted for consideration by the CKD Technical Committee and/or Holders Meeting, if applicable, if applicable, either by formally convening a meeting or by adding the item to the agenda of a meeting already convened, except for those settlements and restructurings approved by Management pursuant to Paragraph 14 above.

- (b) For exceptional cases in which the CKD Technical Committee and/or Holders Meeting is asked to authorize a settlement before the terms thereof are negotiated and time is also of the essence, the CKD Technical Committee and/or Holders Meeting would be informed of the broad parameters of the proposed settlement as well as the reasons why, in Management’s view, the procedure set out in the foregoing paragraph cannot be followed. In such cases the CKD Technical Committee would be asked to authorize Management to take such action in respect of the investment as it deemed fitting to protect the interests of BEEL. The terms of the settlement when reached would then be reported to the Board at the earliest opportunity.
- (c) Without prejudice to the above and in the case of an emergency posing an immediate threat to BEEL’s interests, Management shall be authorized to take the necessary actions to protect the interests of BEEL, and subsequently report on their justification and outcome to the CKD Technical Committee no later than sixty (60) days after said actions are taken. The report shall also include complete information on recommended future additional measures and proposed authorization for such measures, if applicable.

## **FINANCIAL MANAGEMENT**

### **Borrowing Capacity and other Funding**

- 46. BEEL may borrow funds and seek other sources of funding to meet its financial and operational needs. The sources of funding would include financial intermediaries, private and public placements of securities, securitizations, commercial paper and other credit securities. The total amount outstanding on borrowing incurred or guarantees given by BEEL, regardless of source, shall not exceed an amount equal to one time the sum of its subscribed capital. Management will seek authorization from the CKD Technical Committee and/or Holders Meeting, if applicable, as to the amount and sources of funding to be used by BEEL. The report accompanying such authorization request will contain information concerning BEEL’s leverage position.

### **Liquidity**

- 47. BEEL will always hold liquid assets which cover 100% of BEEL’s undisbursed commitments. For the purpose of meeting liquidity requirements, liquid assets will

also include the unused portion of committed credit lines from institutions rated AA- or better, or plan for CKD Capital Calls which would cover for those liquidity requirements.

### **Investment of Liquid Assets**

48. BEEL's liquid assets will be invested in instruments combining three criteria in the following order of priority: safety, liquidity and yield. These criteria will be observed by investing in securities of top credit rating, issued or guaranteed by member governments, institutions, or commercial banks of excellent credit rating and which have a very active secondary market and in liquidity funds, according to the CKD Filing. The yield of these instruments will be maximized through the adequate combination of sources of income and maturities.