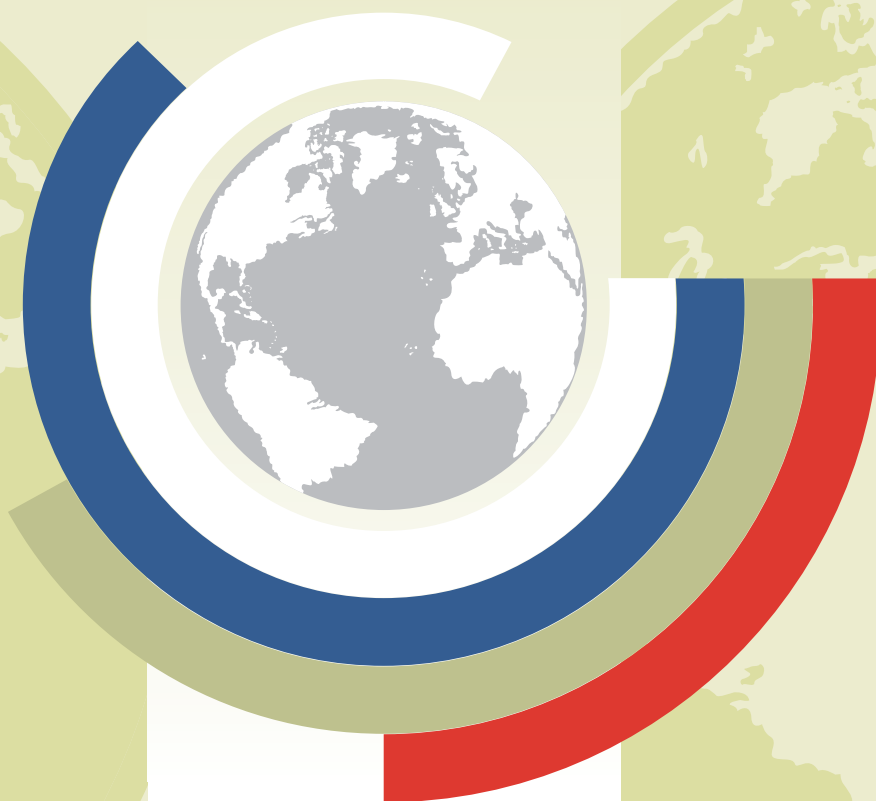


2013 Annual Report on Corporate Governance

Compañía Española de Financiación
del Desarrollo, COFIDES, S.A.



COFIDES 

Funding for your investment abroad

Index



2013

COFIDES 

Funding for your investment abroad



Annual Report on Corporate Governance

COFIDES 

Funding for your investment abroad

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1. COMPANY identification

Company name: Compañía Española de Financiación del Desarrollo, COFIDES, S.A. (hereafter COFIDES).

Tax ID No.: A-78990603.

Registered office: Calle del Príncipe de Vergara 132, 9th and 12th floors - 28002 Madrid.

Website: www.cofides.es

Report Contact: Ana Victoria Fernández Sainz de la Maza. General Counsel and Secretary to the Board of Directors (anavictoria.fernandez@cofides.es).

2. NATURE of the organisation

Legal status: State-controlled trading company of type laid down in Article 2 of the National Budget Act 47/2003 and Article 166 of Act 33/2003 on Government Assets.

Shareholders: COFIDES is a public-private corporate enterprise whose shareholders are as follows:

ICEX Spain Trade and Investment
Official Credit Institute (ICO, Instituto de Crédito Oficial)
Banco Bilbao Vizcaya Argentaria S.A.
Banco Santander S.A.
Banco Popular Español S.A.
Banco Sabadell S.A.
Empresa Nacional de Innovación S.A.

SHAREHOLDER	CAPITAL HOLDING (%)
ICEX Spain Trade and Investment	25.74
Official Credit Institute (ICO)	20.31
Banco Bilbao Vizcaya Argentaria, S.A. (BBVA)	17.82
Banco Santander, S.A.	11.83
Banco Popular Español, S.A.	8.34
Banco de Sabadell, S.A.	8.33
Empresa Nacional de Innovación, S.A. (ENISA)	7.63
TOTAL	100

Changes in the shareholder structure: In 2013 the company's private shareholding was redistributed. By virtue of the deed of sale concluded on 12th December 2013, formalised by Notary Public of Madrid Antonio Huerta Trolez and filed under his protocol at numbers 3,188 and 3,189, where Banco Popular Español, S.A. acquired 65,158 and 324 shares respectively from Bilbao Vizcaya Argentaria S.A. - BBVA, ICEX Spain Trade and Investment and the Official Credit Institute - ICO -. As a result of those operations, the stakes formerly held by Bilbao Vizcaya Argentaria, S.A. - BBVA (18.81%), ICEX Spain Trade and Investment (28.15%) and the Official Credit Institute - ICO - (25.25%) was reduced to the values shown on the above table:

Ministry involved: COFIDES is a company presently under the aegis of the Ministry of Economy and Competitiveness.

State-controlled trading company class: by virtue of a Ministerial Order of 30th March 2012, COFIDES is a Group 2 State-controlled trading company.

Corporate purpose: The Company's corporate purpose is to engage cost-effectively in the businesses listed below, in which it aims to contribute to the economic and social development of developing or emerging countries, as well as to contribute to the consolidation of the national economy, with the following activities:

- a) To provide financial support for private projects involving Spanish interests undertaken in eligible countries. These projects may be investments, operations, exports, technology transfer, subcontracting, franchises, acquisition of carbon dioxide emission rights, market penetration for Spanish brands and strengthening of the Spanish image, as well as any other relevant projects pertaining to: the internationalisation of Spanish companies, commercial policies and the Spanish economy of eligible countries.
- b) To give financial support to Spanish companies for their internationalisation.
- c) To participate, on a minority and transitional basis, in the capital holdings of companies founded overseas for the development of projects previously referred to in a) or in Spanish companies for their internationalisation. This participation can be carried out either directly or indirectly, or through special purpose vehicles either in Spain or other countries.
- d) To finance projects and companies relating to points a) and b) through the following instruments:
 - 1) Loans and credits.
 - 2) Acquisition of obligations and convertible and non-convertible bonds.
 - 3) Any other participatory financial instruments.
 - 4) Any other customary or recognised financial instruments used in international trade activity.
- e) To guarantee, endorse and issue letters of credit or any other customary or recognised guarantee for instruments used in international trade activity.
- f) To manage funds and mobilise resources related to Multilateral and Bilateral Development Finance Institutions which contribute to the internationalisation of Spanish companies or the Spanish economy.
- g) To take part in those public or private funds or vehicles to contribute to the internationalisation of a company or Spanish company.
- h) To advise clients regarding the design or structuring of projects referred to in a), the legal framework of recipient countries where this company already has a presence, and any other circumstance or related necessity to aforementioned projects.
- i) To advise clients on any applicable environmental legislation related to their projects referred to in point a) and regarding any necessary measures that would be required to be taken to adapt to them, offering them the possibility of providing funding for these adaptations.
- j) To buy into the capital of other companies.

k) To evaluate, for third-parties the risks of private investment operations, and to provide agreements for Investment Fund involvement.

l) Additional related activities or complementary to the above, or in any way necessary or convenient or conducive to the development of Spanish export promotion and economic development.

m) The company may not receive funds or deposits from the public, in any of its categories, irrespective of the purpose for which they are intended.

n) The social purpose excludes all those activities subject to specific regulatory standards that are not fulfilled by the Company.

3. DECISION-MAKING bodies

Further to company by-laws, COFIDES has three governing bodies:

- General Meeting of Shareholders
- Board of Directors
- Chairman

3.1. GENERAL MEETING OF SHAREHOLDERS





3.1.1. Denomination: General Meeting of Shareholders.

3.1.2. Duties: The legally constituted General Meeting of Shareholders is the company's sovereign body and its validly adopted decisions are binding on all shareholders, including those abstaining, casting a “nay” vote or absent, without prejudice to the rights to which they may be entitled pursuant to the legislation in effect.

3.1.3. Type of General Meetings: the provisions of Articles 159 of the Corporate Enterprise Act prevail in all matters relating to the classification of Meetings, the constitution of Regular and Special Shareholders' Meetings, quorums, time and place, minutes and adoption thereof.

3.1.4. Chairman and Secretary: The chairman and secretary of the Board shall be the same people that hold these offices on the Board of Directors or their replacements in the bylaws, failing this, the Chairman shall be the representative of the public shareholder holding the most shares and the secretary shall be identifies by the Board.

3.1.5. Universal General Meeting of Shareholders: The Meeting can be constituted without the need for prior notice in order to discuss whatever matters when, with all the disbursed capital being present or represented, the attendants unanimously agree to the holding thereof.

3.1.6. Meeting Calls: In 2013 COFIDES corporate website was registered in the Mercantile Registry of Madrid and in it, a private area has been enabled that allows Meeting calls and communication with shareholders in accordance with the provisions of Article 11.bis of the Law on Corporations.

3.1.7. Attendance: All shareholders who are the holders of at least one share may attend the meeting with five days' notice prior to the date for holding the Meeting, undertaking to maintain the ownership thereof for such a period.

Shareholders shall have the right to one vote for every share of which they are the shareholder.

Those shareholders who are not up-to-date in the payment of capital calls may not exercise their voting rights.

In order to exercise this right to attend the Meeting and vote, the grouping together of shares shall be deemed lawful.

Likewise, Technical Directors and other persons with an interest in the good order of the Company's affairs may also attend the General Meetings of Shareholders.

The Chairperson of the General Meeting may authorise the attendance of any person it deems necessary.

3.1.8. Majorities: For a resolution to be adopted it is necessary for one half plus one of the votes present or represented to vote in favour, except in those cases in which the Law imposes a larger majority, in case of an even vote, the President holds the casting vote.

3.1.9. Mechanisms for shareholders to convey recommendations or instructions to the main governance body: During 2013 a system for Meeting announcements and communication with shareholders on the COFIDES website has been implemented.

3.1.10. General Shareholders Meeting Regulation: It is important to highlight, that in 2013 the General Shareholders Meeting Regulation was approved, which regulates extensively all previous issues.

3.1.11. Key decisions:

- General Shareholders Meeting of 22nd April 2013 for approval of accounts year ending 2012.
- Extraordinary General Shareholders Meeting on 25th September 2013, amending Articles 2, 12, 15 and 19 of the bylaws, to update the company purpose and to address questions related to the general Shareholders and Board of Directors meeting.
- Extraordinary General Shareholders Meeting on 20th December 2013, to amend Article 2 of the bylaws and to adapt it to the 14/2013 Law of support for entrepreneurs and internationalisation and adoption of the Rules of the General Meeting of 27th September.

3.2. BOARD OF DIRECTORS



3.2.1. Denomination: Board of Directors.

3.2.2. Duties: The Board of Directors is responsible for company management, representation, administration and supervision.

3.2.3. Structure and composition: Further to the provisions contained in the Royal Decree 451/2012 of 5th March and the Order issued by the Minister of Finance and Public Administrations on 30th March 2012, the Board of Directors may not consist of fewer than three nor more than twelve members. Members may be natural persons or corporate bodies established in the company bylaws, that the Board of Directors shall be made up of a minimum of four Directors, up to a maximum of twelve.

The members of COFIDES's present Board of Directors are as follows:

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Salvador Marín Hernández

MEMBERS OF THE BOARD (on 31st December 2013)

Rosario Casero Echeverri (Appointed at the proposal of Official Credit Institute - ICO)
 Alberto Conde del Campo (Appointed at the proposal of Banco Bilbao Vizcaya Argentaria S.A.)
 José Corral Vallespín (Appointed at the proposal of Banco Santander S.A.)
 Javier Estévez Zurita (Appointed at the proposal of Banco Bilbao Vizcaya Argentaria S.A.)
 Alberto Gómez Nicolau (Appointed at the proposal of Banco Santander S.A.)
 Eulalia Ortiz Aguilar (Appointed at the proposal of ICEX Spain Trade and Investment)
 Rafael Garranzo García (AECID vocal, Appointed at the proposal of ICEX Spain, Exports and Investment)
 Mar Turrado Alonso (Appointed at the proposal of Official Credit Institute - ICO)
 José Ángel Amor Atienza (Appointed at the proposal of Banco Popular Español S.A.)
 Francisco Javier Puig Asensio (Appointed at the proposal of Banco Sabadell S.A.)
 María Simó Sevilla (Appointed at the proposal of Empresa Nacional de Innovación S.A.
 & ICEX Spain Trade and Investment)

GENERAL COUNSEL, NON-MEMBER

Ana Victoria Fernández Sáinz de la Maza

3.2.4. Process for determining composition, training, support and diversity indicators: Further to the 12th February 1988 decision of the Council of Ministers, the provisions of the Corporate Enterprise Act and COFIDES's by-laws, as a general rule Board members are elected for 5 year terms by the General Meeting of Shareholders from amongst the candidates nominated by shareholders and may be re-elected for one or more terms of that same maximum duration. That notwithstanding, the Board of Directors may also designate co-opted members when necessary.

All Board members submit professional and academic credentials to the General Meeting of Shareholders as proof of their ability to satisfactorily perform their duties.

Moreover, all members have explicitly stated that they are free from conflicts of interest described in Act 5/2006 of 10th April on the Regulation of Conflicts of Interest among Members of Government and Senior State Officials or in the Community of Madrid Act 14/1995 of 21st April on Conflicts of Interest among Senior Officials; and they have been neither indicted nor tried in penal or mercantile proceedings

The board members have likewise explicitly stated that they are free of the conflicts of interest with COFIDES defined in Articles 229 and 230 of the Corporate Enterprise Act.

At least nine members of the board and COFIDES's chairman, of a total of 12, are independent members, further to the definition set out in Article 140.3 of the Royal Decree 1373/2009 of 28th August, enacting the General Regulations for Act 33/2003 of 3rd November on Government Assets, i.e., they are: “directors who do not render services in or are not occupationally or professionally associated with the Directorate General for State Assets or the public body that owns a holding in the company, the body responsible for regulating the company's business, or the ministry under whose aegis the company conducts its activities”.

Four of the twelve board members or 33.3% are women and the remaining eight or 66.6% are men.

Number of members of the board			
TYPE	TOTAL	WOMEN	MEN
Chairman and independents	9	4	5
Managers			
Shareholders Representatives	3	0	3
TOTAL	12	4	8

3.2.5. Resignations, dismissals and appointments throughout the year

RESIGNATIONS

Gerardo Gimeno Griño
Risk and Financial Control Director
In Official Credit Institute -ICO- (resignation date 11/04/13)

Empresa Nacional de Innovación, S.A. (ENISA)
(Represented by Begoña Cristeto Blasco)
CEO (Board termination agreement on 22/04/13)

Valentín Laiseca Fernández de la Puente
Assistant Deputy Director General of Services International Trade and Investment
Directorate General of Trade and Investment
Ministry of Economy and Competitiveness (resignation date 6/09/2013)

Bruno Fernández Scrimieri
Advisor to Directorate General of Trade and Investment
ICEX Spain, Trade and Investment (resignation date 23/09/2013)

Luis Óscar Moreno García-Cano
Deputy Director General of Services International Trade and Investment
Directorate General of Trade and Investment Ministry of Economy and Competitiveness (Board termination agreement on 20/12/13)

APPOINTMENTS

Maria Simó Sevilla
Deputy Director General and Institutional Environment
Innovation programs for SMEs
Directorate-General of Industry and SMEs (Board agreement 22/04/13)

Mar Turrado Alonso
Deputy Director of Direct Financing
Official Credit Institute (Board agreement 22/04/13)

Luis Óscar Moreno García-Cano
Director General of International Trade in Services and Investment
Directorate-General of Trade and Investment Ministerio de Economía y Competitividad (Board agreement 25/09/13)

Eulalia Ortiz Aguilar
Director of Cabinet for the Secretary of State for Commerce
ICEX Spain, Trade and Investment (Board agreement 25/09/13)

José Ángel Amor Atienza
Sales Director
Banco Popular Español, S.A. (Board agreement 20/12/13)

3.2.6. Other positions held by Board members in other companies' management or governing bodies

The following board members hold positions in other governing or management bodies:

Eulalia Ortiz Aguilar
José Corral Vallespín
Alberto Gómez Nicolau
Francisco Javier Puig Asensio
Javier Estévez Zurita
José Ángel Amor Atienza

3.2.7. Remuneration/per diem for attendance at Board meetings and legal grounds for the remuneration:

In 2012, COFIDES directors received per diem allowances for attending Board of Directors meetings that on no occasion exceeded the ceiling laid down in the 14th January 2009 communication issued by the Ministry of Tourism and Trade's Under Secretariat.

Without prejudice to the preceding, the per diem allowances for attending COFIDES Board of Directors meetings payable to directors holding senior State office were deposited with the Public Treasury, pursuant to the provisions of Act 5/2006 of 10th April on the Regulation of Conflicts of Interest among Members of the Government and Senior State Officials.

Moreover, pursuant to the provisions of Royal Decree 451/2012 of 5th March, Regulating the System for Remunerating Senior Managers in Public Enterprises and other Institutions, no per diem allowance was paid to the directors holding senior management positions in the institutions where they render their services.

3.2.8. Meeting announcements. Procedure. Confidential matters and proxy voting: Subject to a notice of meeting, the Board of Directors shall meet at the initiative of its Chairperson or whoever is acting for the latter or at the request of one-third of the members of the Board, as many times as may be necessary for the Company's fair operation, and at least once every quarter.

At these meetings the Board conducts monitoring, identification, approval and management of economic, environmental and social performance of the Company, including relevant risks and opportunities, as well as compliance with internationally agreed standards and codes of ethics and conduct.

It is important to note that during 2013 the Regulations of the Board that regulates extensively all these issues has approved and implemented a new system of meeting announcements of the Council through the private area of the website.

A prior notice of meeting is not necessary for the Board to meet, if, with the presence of all the Directors, they unanimously decide to hold a meeting.

The notice of meeting of the Board, except in cases of urgency as so deemed by its Chairperson, shall be sent out at least forty-eight hours beforehand, establishing the order of the day of the items to be discussed.

Board directors may be represented at Board meetings by a board members attending the meeting, conferring representation in writing to the President prior to holding the meeting.

It shall be realised when attended the Board meeting, present or represented, half plus one of its components.

3.2.9. Agreement Adoption Policy: The resolutions shall be adopted by an absolute majority of votes, present or represented, with the Chairperson, in the case of a tie, having the casting vote.

Voting in writing and without a meeting shall be accepted when no Director opposes this procedure.

In particular, the adoption of resolutions through the private area of the COFIDES corporate website has been sanctioned by the Board of Directors, and when approved the Council Regulation.

Meeting Minutes shall be drawn up, reflecting the discussions and resolutions of the Board and which can be approved in the meeting to which the minutes refer, or in the subsequent meeting. The minutes shall be signed by the Secretary, with the Chairperson's approval, with a certificate of the Board Meeting's resolutions being issued in the same manner.

The provisions of COFIDES by-laws on its governing body's decision-making process have not been amended since the company was founded.

3.2.10. Number of meetings and major decisions: Number of Board of Directors' meetings in 2013: 11

Number of meetings at which some one of the members was neither present nor represented: none.

All Board members attended all the COFIDES Board of Director meetings held in 2013 either in person or by proxy.

3.2.11. Performance evaluation of the Board: The Board does not have procedures for assessing its management, without prejudice which is subject to the same adopted ethical code.

3.3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

3.3.1. Appointment: The COFIDES Chairman and Chief Executive Officer is appointed by its Board of Directors from among the members of the Board chosen by the General Meeting of Shareholders.

3.3.2. Remuneration: The remuneration paid to the COFIDES Chairman, further to the service contract concluded by the parties, which was approved by the Government's Corps of Legal Advisers, is lower than the maximum sums laid down in Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market, Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions and the respective legislation on their implementation.

3.3.3. Per diem for attending Board of Directors meetings: Further to Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market and Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions, the COFIDES Chairman is paid no per diem for attending Board of Directors meetings.

3.3.4. Remuneration upon resignation/dismissal: Further to the Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market, Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions and other applicable legislation, the Chairman's service contract contains no provision whatsoever on indemnity for resignation/dismissal.

3.3.5. Duties: The Chairman is vested with, among others the following powers:

1. To represent the company and its Board of Directors.
2. To preside over the General Meeting of Shareholders, to direct its discussions and deliberations, arranging the shareholder interventions and even establishing the duration of each intervention and to safeguard the good order of the debates.
3. To ensure compliance with the Articles of Association and the resolutions adopted by the Board of Directors.
4. To accept responsibility for the government and inspection of the Company's services.
5. To preside over the Board Meetings, to arrange the calling of its meetings and of its executive or advisory committees, to establish the order of the day of the meetings of the former and the latter, to preside over them, to direct the discussions, to conclude voting ties with its casting vote and to adjourn the meetings.
6. To propose to the Board of Directors the appointment and removal from office of the Secretary of the Board and of the Managing Director of the Company.
7. The powers delegated to him by the Board of Directors.

As the company's Chief Executive Officer, the present Chairman, Salvador Marín Hernández, has been vested with all the Board of Directors' competencies except the powers reserved exclusively to that body by law.

4. INTERNAL committees



4.1. STEERING COMMITTEE

4.1.1. General operating rules: The Steering Committee is convened by its Counsel by way of notice served upon all its members at least 2 days in advance, except where pressing matters need to be addressed.

The Steering Committee meets on the dates specified during each month's first meeting, and on any other established by the Chairman.

All the members of the Steering Committee may propose items for inclusion on the agenda. Such proposals must be submitted reasonably in advance of the meeting at which they are to be discussed.

The Counsel of the Steering Committee provides Committee members with the agenda and any information relating to the issues to be discussed, preferably by electronic media.

At the Steering Committee meeting immediately prior to the meeting of the Board of Directors, the Committee Counsel circulates the updated draft of the agenda for the Board meeting for review by the Committee, designating the person responsible for preparing the documentation for each item. Amendment of the draft agenda is subject to prior approval by the Steering Committee, unless otherwise decided by the Chairman or General Manager.

The quorum for Steering Committee meetings is one-half plus one of its members.

To discuss pressing matters, the Steering Committee may hold other non-face-to-face meetings (electronic mail messages).

4.1.2. Powers and duties: The Steering Committee is relied upon to analyse and as appropriate approve all issues that are to be submitted to the Board of Directors as well as any others of a strategic, routine or specific nature to ensure the smooth operation of company affairs. Its duties include but are not restricted to:

- a) Preparing documents and reports to be submitted to the Board of Directors or Shareholders Meeting.
- b) Handling investment, divestment, re-financing and similar operations in company-backed projects.
- c) Monitoring project portfolios, financial statements, budgets and other accounting and management documents.
- d) Managing cross-departmental affairs (Human resources, IT, Quality) and initiatives that may affect the company as a whole.

4.1.3. Composition: The Steering Committee is a technical body presided over by the Chairman whose other members include the General Manager and all of the company's area managers.

Further to the organisational chart approved in 2012, the Chairman is the highest ranking officer and the General Manager, an executive.

4.1.4. Remuneration: The Chairman's and the General Manager's remunerations are lower than the maximum sums laid down in Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market and Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions. Area heads are remunerated at a lower rate than the General Manager.

4.1.5. Indemnities for senior managers' resignation/dismissal: Further to Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market, Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions and the legislation on implementation thereof, the service contract concluded by COFIDES and its General Manager, which was approved by the Government's Corps of Legal Advisers, contains no provision whatsoever on indemnity for resignation/dismissal

5. CORPORATE governance

5.1. RISK AREAS

Risk, as a specific and independent area, is a newly created area under the 2012-2015 COFIDES Strategic Plan, with 2013 being the first full year of operation. According to the Plan, the COFIDES Risk area is entrusted with the following functions:

- Determination and control of medium and long-term risk parameters affecting the funds under management.
- Design of an optimal portfolio risk management system and guidelines for commercial tasks; definition and control of optimum portfolios.

- Qualitative assessment of investment reports and monitoring of projects issued by the Operations Department.
- Macro and micro-studies geared to attaining the defined objectives.

5.2. CONTROL, INTERNAL AUDITING AND QUALITY

COFIDES strengthens its duty of risk control and monitoring through the Control, Internal Audit and Quality department. Among its functions, this department is responsible for:

- Development and periodic supervision of internal control and corporate risk management systems.
- Improvement and control of information systems to ensure suitable in-house use of management, financial and operating information.
- Yearly internal audits, addressing any issues identified as pertinent.
- Submission of reports to the Steering Committee, the company's internal decision-making body, with information on the conclusions and recommendations stemming from internal audits or any other controls conducted, and suggestions for the adoption of any necessary measures.
- Reporting to shareholders on the company's control, internal audit and quality activities.
- Institution and development of mechanisms for informing employees of the company's anti-fraud policies.
- Development of quality as an essential company objective.

In addition, the head of this new area is the controller responsible for protecting personal data in the company's possession for the intents and purposes of compliance with the LOPD.

5.3. CODE OF ETHICS

In October 2013, the Code of Ethics in force since 2008 was reviewed in depth, in order to align it to the new formats in the corporate sector.

Specifically, the mission and vision of the company adapted itself to the new mandate reinforcing its support to the internationalisation of the Spanish private sector as well as creating a transparency in its corporate values. Also a specific section on the behaviour of the Company's professionals was included and the commitment to COFIDES stakeholders was reaffirmed.

The code of conduct is part of the continuous improvement program of the Company and will be reviewed by the Steering Committee periodically. It is published on the COFIDES website.

6. CONTROL systems

6.1. ACCCOUNTS AUDITING

Of the three candidates nominated to audit the company's 2013 accounts, the Regular General Meeting of Shareholders held on 26th April 2011 chose Ernst & Young, S.L. one of the world's most highly regarded accounting firms.

The Annual Report for 2013 contains information on the auditing fees paid, which were not in excess of 0.15% of the company's turnover. The only service commissioned from the auditors in 2013 was accounts auditing; the absence of any other dealings with them safeguarded their independence.

The audit of the accounts for 2013 is the third conducted by Ernst & Young not having presented any reservation or qualification in the two previous years, 2012 and 2011. The percentage number of years that the current audit firm has audited the financial statements of the company on total latter years is 12% (3 out of 25).

In light of the foregoing, the company can see no objective reason for questioning its auditors' independence.

6.2. GENERAL INTERVENTION BOARD OF THE STATE ADMINISTRATION

Further to the provisions of Article 116 of Act 66/1997 of 30th December on Tax, Administrative and Social Measures, the company is entrusted with the management of two funds that lack any legal personality of their own, specifically the Fund for Foreign Investment (FIEX) and the Fund for SME Foreign Investment Operations (FONPYME).

Those funds are audited as part of the reporting process required of State-controlled organisations, further to the provisions of the National Budget Act, Chapters III and IV, under the Title "State Public Accounting". Further to this legislation, the respective accounts must be audited by the National Office of the Comptroller General, to which the company submits the year-end financial statements for the aforementioned funds on an annual basis.

6.3. COURT OF AUDITORS

In accordance with the provisions of Article 4 of Constitutional Act 2/1982 of 12th May on the Court of Auditors and Article 27 of Act 7/1988 of 5th April of the Court of Auditors Procedures, the company's accounts and the accounts for the funds under its management are submitted yearly to the Court of auditors for external, permanent and advisory control as a business that forms an integral part of the public sector's economic and financial activity.

6.4. QUALITY AUDIT

The company in 2013, as in the previous year, satisfactorily passed the external audit that determined the compliance of its Quality Management System with the UNE-EN ISO 9001:2008 standard, as no non-conformity was detected. COFIDES has been certified in this standard since 2005.

On the other hand, in terms of Quality, the company has made improvements in the internal satisfaction monitoring of its employees.

6.5. DATA PROTECTION AUDIT (LOPD)

In 2013 the internal review and updating of the Security Document at the end of the year, the Company complied the legal completion requirement of the biennial audit on Data Protection (LOPD), conducted by independent external experts.

6.6. 2012 EXTERNAL AUDIT FOR MONEY LAUNDERING PREVENTION AND FINANCING OF TERRORISM

In 2013 an external audit on the prevention of money laundering and financing of terrorist took place for the 2012 year. The conclusion was that "COFIDES effectiveness of the AML/FT system is broadly appropriate, areas for improvement also exist".

6.7. OTHER CONTROL MEASUREMENTS, INTERNAL AUDITING AND QUALITY MEASURES

In 2013, the Control Department, Internal Audit and Quality Department engaged in the following activities, among others:

- Revision risk methodology Development by mapping enterprise risk and subsequent monitoring of the action established plan.
- Internal Control System of the Company updating and revision including maps of Corporate Compliance and Reporting.
- Design and monitoring of scorecard targets according to the 2012-2015 Strategic Plan and consistently work with the individual performance to be carried out by all employees.
- Contribution to the updating of the Code of Ethics. Guardianship and monitoring of ethical channel, not developed through 2013, confidential reporting of potential criminal activities in the Company through Control, Internal Audit and Quality.
- Contribution to the updating of the Code of Ethics.
- Designing a functional model of cost accounting.
- Company internal processes Updated and improved (COFIDES Operating Criteria, Cycle project).
- Environmental Management System Procedures Development at the COFIDES offices.

7. RISK management

Risk management is fostered by COFIDES's Board of Directors and the Board of Directors and the Executive Committees for the funds under management, FIEX and FONPYME. These are the bodies that ultimately approve the company's risk assumption and control policies.

By its nature, the COFIDES, FIEX and FONPYME main risk arising from investment activity is the credit risk, which are offset by management policies and risk control of the Company. COFIDES also has an environmental and social policy for the management of credit and reputational risks associated with these materials in funded operations, in line with international standards (World Bank Group standards and European counterparts). Other risks of moderate impact on the Company such as market risk and operational risk associated with internal processes, are also analysed and controlled by the Company.

7.1. DIRECT RISKS

7.1.1. Financial risks. Operation risk management policy

Over the years COFIDES has acquired a policy of risk management as well as criteria and procedures for market measurement, management and control of risk at the individual operations as at the aggregate level of the portfolios under their management (PR, FIEX and FONPYME).

The scope thereof, comprises at operation level, all phases of the project cycle: intake, approval, execution, monitoring, divestment and, where appropriate, recovery; a portfolio level, establishing concentration limits risk analysis risk / return and for the first time in 2013, tracking deviations from the parameters of the optimal portfolios

The definition allows for optimal portfolio investment objectives for each of the portfolios managed with medium-term strategic vision, with short-term intermediate objectives aimed at achieving the objectives first.

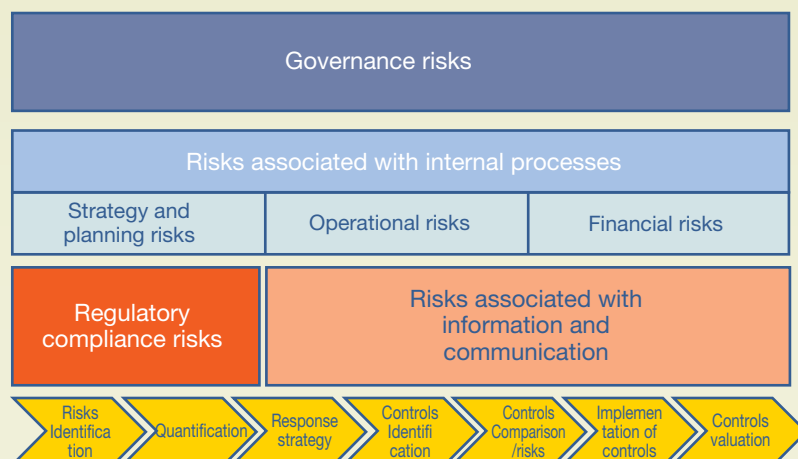
In this way, we have set a benchmark for expected growth in the 2012-2015 Strategic Plan, following the optimisation criteria regarding both credit quality of the investment as well as the portfolio diversification by country, sector, product and promoter.

Additionally, taking the Circular 4/2004 of Bank of Spain as a reference, the Company has defined a policy for the classification of assets in the portfolio and a hedging policy for impairment of individual value, operation by operation, based on the findings of financial-economic development of each of them and the statistical analysis of the historical evolution of funded COFIDES (PR, FIEX and FONPYME) operations.

All the above elements are collected and detailed in the Internal Control Procedures Manual Risk Portfolio. Regular meetings of the Risk area, and Commercial Operations and Business Development, for the guidance of the activity and the unification of criteria in the field of policy risks remain. Regular meetings of the Economic and Financial Operations and Risk areas for the implementation of the policy coverage impairment are also retained.

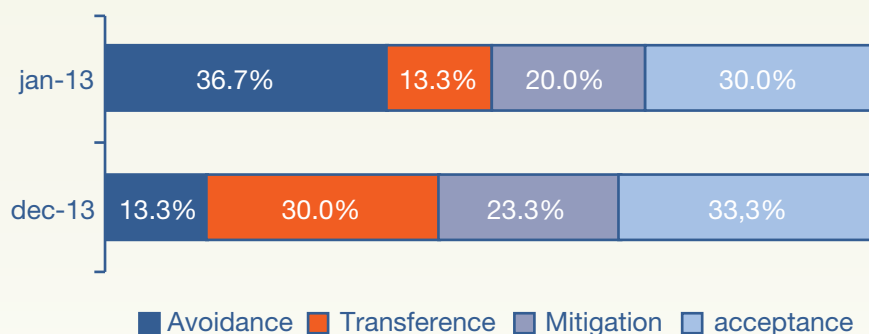
7.1.2. Risk Mapping

During 2013, COFIDES coordinated the Control, Internal Audit and Quality areas in developing various Action Plans to deal with, depending on their levels of response, high-level risks identified in the Risk Map designed previously supported by external expertise.



- **Avoid:** Includes Operating Strategy and Planning, Operational risks and those associated with Information and Communication and Compliance. During the financial year fully or partly agreed action plans have been implemented, which have achieved almost 60% risk mitigation at this level, thus improving the overall assurance of the company. For other risks in this category, steps in 2014 with the same level of supervision, will continue to be taken, given their strategic importance (global competition, management of achieving goals, importance of product differentiation, internal reporting and decision-making).
- **Transfer:** Incorporates operational risk, financial character and those associated with Information and Communication. In 2014, the enforcement of these risks will continue with new actions, with special emphasis given to those relating to information security.
- **Mitigation:** Bring together Government risks, Operational Strategy and Planning, Operational and Communication Information as well as the role of technology and internal communication in the company. The vast majority of the action plans provisioned for 2013 were undertaken.
- **Acceptance:** This includes low-impact risks, and almost half of these planned control actions were implemented.

Based on constant levels of impact and estimated internal assessment by Control, Internal Audit and Quality control improvements implemented during the year, the different levels of response to the identified risks have evolved as follows:



The Corporate risk assessment process involves the entire organisation and requires constant supervision by the COFIDES Steering Committee as well as other assessments in both internal and external audits. The map is updated regularly based on the results alongside the new corporate strategy.

8. OTHER INFORMATION of interest

8.1. CORPORATE COMMUNICATION UNIT

According to the 2012-2015 COFIDES Strategic Plan, this unit was created in 2012 to foster communications and to help the company strengthen its corporate image and institutional relations.

In 2013 COFIDES has maintained a strong strategy to provide quality information and thus achieve greater visibility and transparency of the Company, thereby strengthening its corporate image and business development. To this end, it has continued to develop many press releases to disseminate COFIDES activity and has encouraged participation in media interviews, panel discussions, presentations and debates.

A new more dynamic and accessible design of the corporate website has also been completed (www.cofides.es), collecting more and better information and incorporating a private area to easy access shareholders documentation, to the members of the Board of Directors and Executive Committees.

On the other hand, it has continued to strengthen its institutional relations in the public and private sectors, through company presentations, the signing of cooperation agreements and participation in trade fairs and conferences.

Moreover since 2013, COFIDES has taken part in the Export for Growth program, an initiative involving companies with high activity and presence in Corporate Governance area

In order to obtain greater transparency with customers and potential users, in 2013 COFIDES Corporate Communications started developing a social media presence on both Twitter and LinkedIn, providing information on the activities undertaken by the Company.

Within the activity and experience as a development finance institution, COFIDES has actively participated in the EDFIs Communication meetings held in 2013 and has increased its presence in the corporate communication of this association stressing development finance benefits.

2013 Annual Report on Corporate Governance

Compañía Española de Financiación
del Desarrollo, COFIDES, S.A.

Coordination:

General Council. COFIDES

Design and layout:

Pictorama S.L.

Edition date:

June 2014

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