

2019 COR PORATE GOBER NANCE

Report

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Photo file of COFIDES
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Company identifying details

Corporate Name:

Compañía Española
de Financiación del Desarrollo,
COFIDES, S.A., S.M.E.
(hereinafter COFIDES)

Tax Code Number: A-78990603

Registered office:

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28046 Madrid

Website:

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This Report has been
prepared in compliance with
the requirement set out in
Article 35 of the Sustainable
Economy Law 2/2011 of
4 March 2011.



Nature of the organization, mandate and structure of the ownership

Legal Nature

Public Limited State Company of the type described under Article 111 of Law 40/2015 of 1 October 2015 on the Legal Regime of the Public Sector; Article 2 of the General Budget Law 47/2003 of 26 November 2003 and Article 166 of Law 33/2003 of 3 November 2003, governing Assets Belonging to Public Administrations.

Mandate

COFIDES is a state-owned trading company founded in 1988 that is committed to the Sustainable Development Goals (SDGs). Its aim is to provide medium and long-term financing for viable private investment projects abroad in which there is Spanish interest, in order to contribute to host country **development** and **internationalisation** of the Spanish economy and enterprises.

To fulfil this dual purpose, COFIDES uses its own resources to finance investment projects in emerging and developing countries and also manages, on behalf of the State (Secretariat of State for Trade, attached to the Ministry of Industry, Trade and Tourism), the FIEX (Fund for Foreign Investment) and FONPYME (Fund for SME for Foreign Investment Operations) funds which were created in accordance with the Fiscal, Administrative and Social Order Law 66/1997 of 30 December, to finance investment projects abroad regardless of the degree of development of the project host country.

The activities and operation of these two funds are regulated by Royal Decree 1226/2006 of 27 October.

FIEX and FONPYME fulfil their mandate through direct temporary and minority participation in the share capital of Spanish companies (with a view to the latter's internationalization) or of companies located abroad and, in general, through participation in the equity of the aforementioned companies and any other participatory instrument.

FIEX and FONPYME may also be used to take direct temporary and minority participations in already existing or future, capital increase vehicles or funds with official support, or private investment funds that promote the internationalization of the Spanish companies or economy.

COFIDES also lends support to the Agencia Española de Cooperación Internacional para el Desarrollo-AECID (Spanish Agency for International Development Cooperation) in

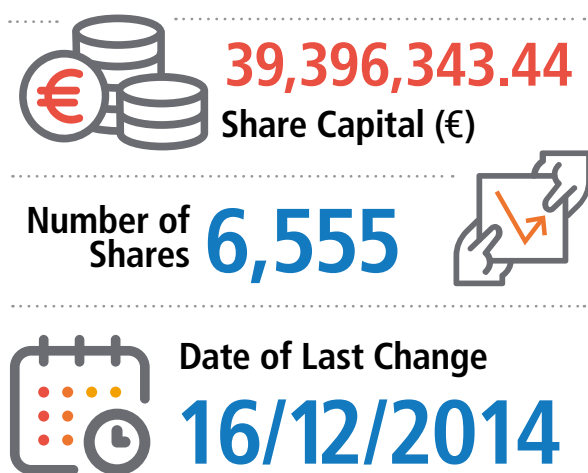
managing FONPRODE (Development Promotion Fund), one of the main channels through which Official Development Assistance is executed. COFIDES began lending its support to AECID in October 2015. This support is limited to reimbursable cooperation operations whose objective is the social and economic development of partner countries through investments or the transfer of reimbursable economic resources. Pursuant to Article 7.3 (e) of the FONPRODE regulation approved by Royal Decree 597/2015 of 3 July 2015, COFIDES has a member on the Executive Committee of FONPRODE with voice but without voting rights.

Moreover, COFIDES is one of the accredited entities for the delegated management of the European Union budget. It can present, inter alia, combined financing operations, known as blended finance facilities, a financing instrument that combines a non-reimbursable contribution, or one with high levels of concessionality, from the EU, with reimbursable financing.

COFIDES is also accredited by the Green Climate Fund (GCF), a United Nations initiative to finance climate change mitigation and adaptation projects in developing countries.

Company Share Capital

The Company's share capital amounts to EUR 39,396,343.44, and is represented by 6,555 shares, all of the same class and with the same rights.



Shareholding

COFIDES is a mixed capital public-private company with the following shareholders.
COFIDES does not have treasury stock.

Changes in shareholding structure

There were no changes in the shareholding structure in fiscal year 2019.

Restrictions on the transfer of shares

In the case of transfer of shares by a shareholder, the other shareholders and, alternatively, the Company itself, are granted the right of first refusal of the shares that are intended to be sold. This right of first refusal may be exercised in accordance with the terms set out in the Articles of Association.

Ministry to which it is attached

Although COFIDES is not officially attached to any ministry because it is a trading company owned mostly by public sector entities and not wholly owned by the General State Administration or by its public agencies, it is a company which, in practice, answers to the Ministry of Industry, Trade and Tourism through the Secretariat of State for Trade.

Classification group of state trading companies

Under the Ministerial Order of 30 March 2012 approving the classification of state trading companies in accordance with Royal Decree 451/2012 of 5 March, COFIDES falls within Group 2. ●

COFIDES shareholders. Participation in Share Capital (%)



Decision-making bodies



Image of the General Meeting of Shareholders held in April 2019

General Shareholders' Meeting

COFIDES has the following corporate bodies in accordance with the provisions of its Articles of Association:



Name

General Shareholders' Meeting (GSM)

Applicable regulations

The General Shareholders' Meeting of COFIDES is bound by: The Capital Companies Act (CCA), its Articles of Association and its Board Regulations.

Functions

The legally constituted General Shareholders' Meeting is the Company's sovereign body and its validly adopted

agreements are binding on all shareholders, including those who abstain in a vote, dissenters and absentees, without prejudice to the rights to which they may be entitled to, subject to applicable laws.

Types of Meetings

Articles 159 et seq. of the Capital Companies Act govern types of meetings, call requirements, constitution of the ordinary or extraordinary General Shareholders' Meetings, quorum, representation, time and place of meetings, minutes and their approval.

The General Meeting may be constituted without the need for a prior call to deal with any matter when the attendees, accounting for all the paid-up share capital, unanimously agree to hold said meeting.

Chairperson and secretary

The Chairperson and Secretary of the Meeting shall be the same people who hold those posts on the Board of Directors or their legal replacements or, failing that, the Chairperson shall be the representative of the public shareholder holding the greatest number of shares and the Secretary shall be designated by the GSM itself.

Right to attend

All shareholders who hold at least one share five days prior to the date of the General Meeting may attend and must retain their ownership of said shares during this period.

Share consolidation is permitted for attendance at meetings and to exercise voting rights.

Technical directors and other persons who have a stake in the smooth running of business affairs may also attend the General Shareholders' Meetings.

The Chairperson of the General Meeting may authorize the attendance of any other person s/he deems appropriate.

Right to vote and majorities for the adoption of Company resolutions

Shareholders are entitled to one vote for each share they hold. Shareholders who are not up to date on their payment of capital calls may not exercise voting rights.

Agreements require votes in favour of one half plus one of the shareholders present or represented, except in cases where the law provides for a greater majority. In the event of a tie, the Chairperson shall cast the deciding vote.

Although shareholders may group together to exercise their voting rights, the Company has no knowledge of the existence of shareholder agreements.

Mechanisms available to shareholders to communicate recommendations or observations to the highest governance body

Since 2013, a system for convening meetings and communicating with shareholders through the private area of the COFIDES corporate website has been implemented.

In 2019, several changes were made to the private area of the COFIDES corporate website to improve notification and classification of posts. These two actions were aimed at facilitating user access to information, as well as simplifying notification of new contents.

Main agreements

a) Ordinary Annual General Shareholders' Meeting held on 24 April 2019 to approve Annual Accounts and Management Report for fiscal year 2019, as well as maximum annual overall remuneration for the directors for 2019 and subsequent years.

b) Extraordinary General Shareholders' Meeting held on 26 June 2019 to approve (i) modification of Articles of Association to include a new Article 25bis that contemplates the existence of an Audit and Risk Committee and (ii) an increase for 2019 and subsequent years of the maximum annual overall remuneration for the directors for per diems to attend the Audit and Risk Committee meetings, provided applicable regulation allows it.

c) Extraordinary General Shareholders' Meeting held on 25 September 2019 to approve the amended text of the Articles of Association of COFIDES.

Board of Directors

Name

Board of Directors

Applicable regulations

The following apply to the COFIDES Board of Directors: The Capital Companies Act, Royal Decree 451/2012 of 5 March, regulating the remuneration regime of the top management in the public business sector and other entities (RD 451/2012), the Order issued by the Minister of Finance and Public Administrations dated 30 March 2012 approving the classification of state-owned companies (OM 03/30/12), its Articles of Association and the Board Regulation and operating procedure dated 30 December 2015.

Functions

The Board of Directors is responsible for the management, representation, administration and oversight of the Company.

Structure and Composition

In accordance with the provisions of Royal Decree 451/2012 and the Ministerial Order of 30/03/12, the Board of Directors may not be composed of fewer than three or more than 12 members, and these may be natural or legal persons. The Articles of Association of COFIDES provide that its Board of Directors will be composed of a minimum of four and a maximum of twelve members.

(Table 1)

Current structure of the Board of Directors of COFIDES on 31 December 2019

Name of Director	Proposed by	Category	First appointment	Last appointment	Election procedure
Mr. José Luis Curbelo Ranero	ICEX	Chairperson and CEO	31/07/2018		By the Board
Mr. Antonio Bandrés Cajal	ICO	Director	25/09/2018		By the Board
Mr. Alfonso Noriega Gómez	ICO	Director	25/09/2019		By the Board
Mr. José Corral Vallespín	Banco Santander	Director	29/05/2007	27/09/2017	By the Board
Mr. Pablo de la Torre Rodríguez	Banco Popular*	Director	30/11/2016		By the Board
Mr. Javier Estévez Zurita	BBVA	Director	30/04/2012	26/05/2017	By the Board
Mr. Fernando Jiménez Ontiveros-Diego	ICEX	Director	28/11/2018		By the Board
Mr. Pablo López Tallada	BBVA	Director	25/09/2018		By the Board
Mr. David Noguera Ballús	Banco de Sabadell	Director	23/02/2017		By the Board
Mr. Juan Ignacio Moratinos Alonso	ENISA/ICEX/ICO	Director	29/11/2017		By the Board
Ms. María Aparici González	ICEX	Director	25/09/2019		By the Board
Mr. Jaime Uscola Lapiedra	Banco Santander/ ICEX/ICO/CAF	Director	25/09/2018		By the Board
Ms. Ana Victoria Fernández Sáinz de la Maza		Secretary (not Director)			

*When Mr de la Torre was appointed, Banco Popular was a shareholder of COFIDES.

Accordingly, the current structure of the Board of Directors of COFIDES on 31 December 2019 is as shown in Table 1.

Procedure whereby composition, training, compatibility and diversity indicators are determined

In accordance with the provisions of the 12 February 1988 Agreement of the Council of Ministers, the Capital Companies Act, COFIDES's Articles of Association and the Board of Directors' Regulation, as a general rule, board members are appointed by agreement of the Annual General Shareholders' Meeting (AGM), at the proposal of the shareholders, for a period of five years and may be re-elected one or more times for periods of the same maximum duration. Notwithstanding the foregoing, the system of appointment by co-optation by the Board of Directors is also applicable when necessary.

All Board Members have accredited before the AGM that they have the capacity and academic training to properly perform the duties required by their posts.

Additionally, all Board Members have expressly stated, on an individual basis, that they have no legal conflict of interest in accordance with the provisions of Law 5/2006 of 10 April, on Regulation of Conflicts of Interest of Government Members and High Ranking Officials of the General State Administration in force up to 20 April 2015, or as the case may be, of Law 3/2015 of 30 March 2015, regulating high ranking officials of the General State Administration, depending on the date of

their respective appointment, and with the provisions of Law 14/1995 of 21 April, On Conflicts of Interest of High Ranking Officials of the Autonomous Community of Madrid, and that have not been indicted or against whom oral proceedings have not been initiated in a criminal or commercial procedure.

Likewise, Board Members have been instructed of their obligation to avoid situations of conflict of interest. In 2019, a Board Member informed the Board of an isolated situation of conflict of interest in relation to a specific matter under discussion by the Board and therefore abstained from participating in the debate and from making the corresponding decision.

Seven Board Members and the Chairperson of COFIDES, out of the total of 12, are considered independent Board Members within the meaning of Article 140.3 of Royal Decree 1373/2009 of 28 August, approving the General Regulation of Law 33/2003 of 3 November 2003 governing Assets belonging to Public Administrations, "administrators who do not render services for or who do not have a labour or professional relationship with the Directorate General for State Property or with the public agency that is a company shareholder; with the body regulating the company's stated activity; or with the Ministry charged with overseeing the company". (Table 2).

(Table 2) Number of Directors on the Board

Types	Total	Women
Executive Chairperson	1	0
Executive		
Proprietary	4	1
Independent	7	0
TOTAL	12	1

(Table 3) Number of Directors on the Board

(according to the definition of independent director of the CCA)

Types	Total	Women
Executive Chairperson	1	0
Executive		
Proprietary	11	1
Independent	0	0
TOTAL	12	1

(Table 4) Percentage of women counselors

	Number of women on the Board					% of total Directors				
	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Executive	0	0	0	0	0					
Proprietary	1	1	2	3	3	8.3%	8.3%	16.6%	25%	25%
Independent	0	0	0	0	0					
Other External	0	0	0	0	0					
TOTAL	1	1	2	3	3	8.3%	8.3%	16.6%	25%	25%

(Table 5) Resignations and appointments during fiscal year 2019

Resignations				Appointments		
Name of Director	Category	Last appointment	Date of resignation	Name of Director	Category	First appointment
Ms. Cristina Teijelo Casanova	Director	25/09/2018	22/08/2019	Ms. María Aparici González	Director	25/09/2019
Mr. Mario Buisán García	Director	25/09/2018	28/08/2019	Mr. Alfonso Noriega Gómez	Director	25/09/2019



12 Directors

In accordance with the definition of independent director under Article 529 (duodecies) of the Capital Companies Act, "Independent board members shall be those who, appointed in accordance with their personal and professional conditions, are able to perform their duties free of all influence from relations with the company or its group, its significant shareholders or its executives", the distribution of the advice would be shown in Table 3.

Of the 12 Directors, 1 is a woman, which represents 8.3%, and the remaining 11 are men, that is, 91.7% (Table 4).

Posts held by Directors in other Boards or Executive Bodies of other companies

The following directors hold posts in other boards or executive bodies:

Mr. Antonio Bandrés Cajal is a Member of the Board of Directors of Axis Participaciones Empresariales SGEIC, S.A, S.M.E (Private Equity Manager); Member of the Investment Committee of FondICO Infraestructuras (Private Capital Fund); Chairman of the Management Board of the Marguerite Fund I (Private Capital Fund); Member of the Advisory Board of the Marguerite Fund II (Private Capital Fund); and Member of the Executive Committees of the Fund for Foreign Investment (FIEX) and the Fund for SME for Foreign Investment Operations (FONPYME).

Mr. Alfonso Noriega Gómez is Vice President and Trustee of the ICO Foundation.

Mr. David Noguera Ballús is Chairman of Sabadell Corporate Finance, S.L.

Mr. José Corral Vallespín is a Member of the Board of Directors of Santander Operaciones España, S.L. and a Director of Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.

Mr. Fernando Jiménez-Ontiveros is a Member of the Executive Committee of the Fund for Company Internationalisation (FIEM).

Remuneration/per diem for attendance at board meetings legally considered remuneration

COFIDES Directors are remunerated in the form of attendance allowances provided for under Article 217.2.d of the Capital Companies Act and under Article 24 of the Company's Articles of Association, with the exception of its Chairperson, in accordance with the provisions of Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market and RD 451/2012.

In accordance with the provisions of Section 3 of Article 217 of the Capital Companies Act, the annual remuneration of directors was approved at the Annual General Shareholders' Meeting held on 24 April 2019. Said remuneration does not exceed the maximum legally stipulated amounts laid down in the 8 January 2013 Order issued by the Minister of Finance and Public Administrations.

None of the Directors, except for the Chairperson-CEO, are considered high ranking officials or senior executives, in the terms contemplated in Royal Decree 451/2012 of 5 March, regulating the remuneration system for the top management in the public business sector and other entities and Law 3/2015 of 30 March, regulating the functions of high ranking officials of the General State Administration, so that, except for the abovementioned Chairperson-CEO, all members of the Board of Directors are entitled to receive allowances to attend the Board Meetings.

Types of Board Meetings

Board meetings may be face-to-face or remote in accordance with the provisions of the Board's operating procedure dated 30 December 2015.

Call of meetings. Procedure. Reserved matters and proxy vote

The Board of Directors meets when convened by the Chairperson or whomever acts as such, or at the request of one third of the members of the Board, as many times as necessary for the proper functioning of the Company and at least once every quarter.

At these meetings the Board supervises, identifies, approves and manages the financial, environmental and social performance of the Company, including related risks and opportunities, as well as compliance with internationally agreed standards and ethical and conduct codes.



Image of the Board of Directors meeting held in April 2019

Calls for Board meetings and their corresponding agenda must be made at least forty-eight hours in advance, except in urgent cases as determined by the Chairperson.

The Board shall be validly constituted when half plus one of its members or their respective representatives attend the meeting.

A Board meeting may be held with no prior notice if all directors are present and unanimously decide to hold the meeting.

Directors may be represented at the meetings of the Board by other attending Directors. Said representation must be formalised by means of a written document submitted prior to the meeting.

Moreover, since 2013, a system for convening Board meetings was implemented through the private area of the COFIDES corporate website.

Agreement adoption scheme

Once the Board meeting has been validly constituted, resolutions are adopted by absolute majority of votes cast by members and their representatives. In the event of a tie, the Chairperson casts the deciding vote.

Minutes are taken of Board meetings and may be approved at that same session or at the following one. Minutes are signed by the Secretary, with the approval of the Chairperson; certification of the agreements taken at the meeting are issued in the same way when such certification is required.

Out-of-meeting voting in writing is allowed provided that no Director opposes this procedure.

The minutes of the sessions are recorded in a Book of Minutes that must be electronically legalized on an annual basis.

Since COFIDES was established, there have been no changes to the Articles of Association as concerns the way this administrative body adopts decisions.

The Board
supervises, identifies,
approves and manages the
financial, environmental
and social performance
of the Company



11

**Face-to-face
meetings**

2

Remote meetings

Number of meetings and main agreements

In 2019, 11 face-to-face and 2 remote meetings were held.

Number of face-to-face meetings held without the personal attendance or proxy vote of any of its members: none.

All members of the Board were present or properly represented at the 11 face-to-face sessions of the COFIDES Board of Directors in 2019.

Following are the main agreements adopted by the Board in 2019:

- Board of Directors Meeting of 27 March 2019: Formulation of the Company's Annual Accounts for fiscal year 2019.
- Board of Directors Meeting of 24 April 2019: Approval of Strategic Plan for the three-year period 2019-2021 and distribution of maximum annual remuneration for Directors.
- Board of Directors Meeting of 29 May 2019: Approval of mandatory report to create the Audit and Risk Committee and its presentation at the following General Shareholders' Meeting.
- Board of Directors Meeting of 26 June 2019: Approval of the creation of the Audit and Risk Committee and its composition.
- Board of Directors Meeting of 25 September 2019: Approval of regularisation of the composition of the Audit and Risk Committee (appointment of a new member of the Committee to replace the resigning member).

Advisory Committees

At present there is one Advisory Committee, the Audit and Risk Committee.

Chairperson and CEO

Appointment

It is the duty of the Board of Directors to appoint the Chairperson and CEO of COFIDES, subject to the latter's appointment as a Company Director by the General Shareholders' Meeting at the proposal of ICEX.

The Chairperson of COFIDES has the status of senior official of the State Administration.

Engagement

The engagement of the current Chairperson as the Company's chief executive and his contract were approved unanimously by the Board of Directors on 31 July 2018 in accordance with the provisions of Article 249 (3) of the Capital Companies Act and subject to Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market and RD 451/2012 of 5 March, regulating the remuneration regime of the top management in the public business sector and other entities.

The commercial contract signed with the Chairperson conforms to the model approved by the Order of 30 March 2012 issued by the Minister of Finance and Public Administrations approving the forms used for commercial and senior management contracts and authorised by the Counsel for the State.

Functions

The Chairperson performs the following duties, inter alia:

1. Represent the Company and its Board of Directors.
2. Preside over the General Shareholders' Meeting, guide its discussions and deliberations, organise shareholder interventions and set the duration of each intervention and ensure that discussions are held in an orderly manner.
3. Ensure compliance with the Articles of Association and the agreements taken by the Board.
4. Assume responsibility for the governance and oversight of the services provided by the Company.
5. Preside over the Board of Directors, convene its meetings and its executive or advisory committees, set the agenda for and preside over the aforementioned meetings, steer deliberations, break ties by casting the deciding vote and adjourn sessions.

6. Propose to the Board the appointment and removal of the Secretary of the Board and the CEO of the Company.

7. The powers delegated to the Chair by the Board of Directors.

The Board of Directors has delegated all the powers, except those that cannot legally be delegated, to the current Chairperson of COFIDES, Mr. Jose Luis Curbelo Ranero, in his capacity as CEO of the Company

Remuneration

The Chairperson's remuneration is included in the global figure authorised by the General Shareholders' Meeting and the individual amount approved by the Board of Directors and is below the total maximum amounts foreseen in the regulations governing the remuneration regime of top level managers in the public business sector. The annual base salary plus the annual job-specific bonus of the Chairperson of COFIDES amounts to EUR 118,865.34 and the variable complement amounts to a maximum of EUR 35,659.60 provided the annual objectives established for this purpose are met. Having achieved the above annual objectives corresponding to fiscal year 2019, the Chairperson has received the above amounts in full.

Allowance for attending Board of Director Meetings

Pursuant to Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market and to RD 451/2012, the Chairperson of COFIDES does not receive an allowance for attending the Board of Directors meetings of this Company.

Compensation scheme for dismissal

In accordance with Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market and Royal Decree 451/2012 and other applicable laws, the Chairperson is not entitled to any compensation for dismissal under his service contract. ●



**The Chairperson of
COFIDES has the status of
senior official of the State
Administration**

Advisory and internal management committees



Audit and Risk Committee

Name

Audit and Risk Committee

Applicable regulations

The Audit and Risk Committee of COFIDES is ruled by the Board of Directors' Agreement for the creation of the Committee and Article 25bis in the Articles of Association.

Functions

The Audit and Risk Committee is responsible, essentially, for continuous monitoring of financial and non-financial information, of internal audit; control and management of

financial and non-financial risks and the relationship with the accounts auditor, as well as control and assessment of their independence.

Composition

The Committee is made up of a number of Directors that may be no fewer than 3 and no more than 5, appointed by the Board of Directors. The Chair of the Committee shall be the Chairperson of the Board of Directors and their appointment shall be in force as long as he remains in his position as Chairperson of the Board. Whoever is the Secretary of the Board, shall be the Secretary of the Committee, attending with voice but no vote.

Accordingly, the structure of the Audit and Risk Committee of COFIDES in place on 31 December 2019, is as indicated in Table 6.

(Table 6)

Current structure of the Audit and Risk Committee of COFIDES on 31 December 2019

Name of Director	Category	First appointment	Last appointment	Election procedure
Mr. José Luis Curbelo Ranero	Chairperson	26/06/2019		By the Board
Mr. Pablo de la Torre Rodríguez	Director	26/06/2019		By the Board
Mr. Pablo López Tallada	Director	26/06/2019		By the Board
Ms. María Aparici González	Director	25/09/2019		By the Board
Ms. Ana Victoria Fernández Sainz de la Maza	Secretary (not Director)	26/06/2019		By the Board

(Table 7) Resignations during fiscal year 2019

Resignations			
Name of Director	Category	Date of appointment	Date of resignation
Ms. Cristina Teijelo Casanova	Director	26/06/2019	22/08/2019



The Audit and Risk Committee is currently made up of 4 Directors

Remuneration

Even though Article 24 of the Articles of Association sets out that the position of member of the Audit and Risk Committee shall be remunerated, provided the applicable regulations allow this, on 31 December 2019, said remuneration was not expressly authorised.

Types of meetings

The Committee meetings held may be face-to-face or remote.

Call of meetings. Procedure and proxy vote

The Committee shall meet, at least, twice a year or more frequently if the Company circumstances should so require.

Call for meetings shall be through the private area of the COFIDES corporate website.

The face-to-face or remote Committee meeting shall be validly constituted when the majority of its members are in attendance, either physically or remotely (themselves or by proxy).

Notwithstanding the above, the Committee shall be considered validly constituted without the need for prior notice when all its members are present and they unanimously agree to hold a Committee meeting.

Agreement adoption scheme

All Committee agreements shall be adopted when there is a vote in favour from the majority of the attending or participating members (themselves or by proxy).

Agreements shall be recorded in the Minutes for each session, which shall be drafted by the Secretary of the Committee.

The Board of Directors shall be informed of the contents of these meetings at their following session.



Number of meetings during fiscal year 2019

**In 2019, 2 Committee
meetings were held on
18/07/19 and on 14/10/19.**

Steering Committee

Nature and Composition¹

The Steering Committee is a technical-strategic advisory committee, presided over by the Chairperson/CEO as of 31 December 2019 and comprised of, in addition, the General Manager and the Managers of all the Company Divisions.

Functions

The Steering Committee is responsible for advising the Chairperson/CEO, as well as assessing and analysing strategic issues that must be addressed by the Board of Directors or the AGM, and the routine and specific ones that are relevant or necessary for the proper functioning of the Company.

General Operating Standards

COFIDES's Steering Committee is governed by the Steering Committee Regulation.

The secretary convenes the Steering Committee by means of a communication sent to all members at least two days in advance, except in the case of urgency.

Steering Committee meetings are held on the dates determined, generally every two weeks, and on any others at the discretion of the Chairperson.

All members of the Steering Committee may propose items for inclusion on the Agenda. To this end, they must submit their proposals reasonably in advance of the session at which they intend to address the matter in question.

The Secretary of the Steering Committee provides members with the agenda and supporting documentation for each of the items up for discussion, preferably by electronic means.

At the Steering Committee meeting immediately prior to convening the Board of Directors meeting, the Secretary of the Committee distributes the updated draft of the agenda of that Board meeting for review.

At least half plus one of the Steering Committee members must be present at the meeting in order to address the agenda items.

In emergency situations, remote Steering Committee meetings may be held (through email communications).

1. Following the decision of the CEO made at the Steering Committee meeting held on 14 January 2020, the composition of the Steering Committee at the date of issue of this report, is the following: Chairperson/CEO, who is also the Chair of the Committee, General Manager and Division Managers of Investment, Risks, Business Development, Alliances for Development, General Secretary (with voice but no vote) and the Deputy Director of the Impact Division. Also attending is the Head of Chairman's Cabinet and External Relations.

Remuneration

Pursuant to Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market and RD 451/2012, remuneration of the General Manager does not exceed the maximum limits established in applicable laws.

Remuneration of the deputy directors, who do not have senior manager status, is below that of the General Manager.

Compensation scheme for dismissal of Executive Managers

In accordance with Royal Decree Law 3/2012 of 10 February, on urgent measures for the reform of the labour market, RD 451/2012, implementing regulations and the senior management contract signed between COFIDES and its General Manager, with the approval of the State Counsel, said contract does not provide for any compensation in the case of dismissal.

Operations Committee²

Nature and Composition

The Operations Committee is a technical advisory committee, presided over by the Chairperson of COFIDES and comprised of, in addition, the General Manager, the Managers of the Divisions of Investment, Risks, Development Alliances and the Deputy Director of the Impact Division.

The General Secretary shall be the Operations Committee's Secretary.

Functions

The Operations Committee is responsible for advising the Chairperson/CEO and the General Manager, as well as assessing and analysing matters related to investment operations and portfolios managed by COFIDES.

General Operating Standards

The Operations Committee was established in 2019 when the Steering Committee was split into two Committees.

The Secretary convenes the Operations Committee by means of a communication sent to all its members.

The Operations Committee meetings are held on the dates established, in general, on a weekly basis.

All members of the Operations Committee may propose items for inclusion on the Agenda. To this end, they must submit their proposals reasonably in advance of the session at which they intend to address the matter in question.

The Secretary of the Operations Committee provides members with the Agenda and supporting documentation for each of the items up for discussion, preferably by electronic means.

In emergency situations, remote Operations Committee meetings may be held (through email communications).

Remuneration

Participation in the Operations Committee is not remunerated. ●

2. The Operations Committee was created as decided by the CEO at the Steering Committee meeting held on 14 January 2020, and it is one of the resulting Committees when the Steering Committee was divided into 2.

Risk map and control systems



Risk map

The Company's Corporate Risk Map was updated in 2017 with the help of specialized external consultants. This same map was used in 2019. The most relevant risks monitored have to do with strategy and the Company's financial activities. Strategic risks include those resulting from a highly competitive and complex environment, but there were also significant opportunities related to business diversification and new possibilities for public action in the international field for the development of other economies by the Private Sector. Lastly, there are Talent Management risks and general technology risks. Within this latter category, we identified a pilot test for teleworking as an opportunity for development. During the year, the Company has undertaken numerous control and mitigation actions to deal with the aforementioned risks.

Control systems

Ethical Code

The COFIDES Board of Directors approved the Company's first Ethical Code in September 2005 and it has been reviewed and updated several times since then.

The Ethical Code contains the Company's values and principles that serve to guide its professional activity, describing both the conduct that COFIDES expects from its professionals and the way the Company should treat its stakeholders. It is integrated into COFIDES's policies of good governance, compliance, crime prevention and corporate responsibility, and applies to directors, senior managers, Company employees and interns during their stay at COFIDES.

The Board of Directors is entrusted with overseeing compliance with this Code, as part of the risk management process, with the support of the Compliance Unit.

The complete text is published on the COFIDES website forming part of the Company's ongoing improvement programme. It is regularly reviewed by the Steering Committee. The last revision was on 10/9/2019.

In 2019, the Ethical Code was presented to the Company's new employees during their orientation session.

Compliance Control System

The Company has a Compliance Committee that meets periodically in order to review the most significant regulatory changes that are applicable to the Company or its activities.

From 2016 to 31/5/2019, the Company outsourced an external regulatory information service in charge of keeping the regulatory map of COFIDES updated and providing the entire Company immediate access to it. Since June 2019, this task is carried out internally.

Criminal Risk Control System

Since 2015, COFIDES has been designing and implementing a model to oversee and manage criminal risks in accordance with the requirements set out in the Criminal Code following the reforms introduced under Organic Law 1/2015 of 30 March, amending Organic Law 10/1995 of 23 November, of the Criminal Code.

In 2015, the Company designed its first criminal risk map and in 2016 the Company's Board approved the COFIDES Criminal Risk Organisation and Management model which remained in force in 2019.

As a result of the implementation of the aforementioned model, the Board of Directors approved the creation of a Compliance Unit, a collegiate body that answers to the Board of Directors and which has autonomous powers to take the initiative and exercise control in this area.

The Compliance Unit met twice in 2019, on 25 January and 8 July.

The criminal risk organisation and management Model also includes among its annexes a procedure regulating the confidential whistle-blowing channel, a corporate tool at the service of all the Company's professionals and employees to facilitate the safe formulation of any query regarding the scope and applicability of the Model, and also to inform or report situations of infringement or risk of criminal offence.

No complaints were received in 2019.

As an integral part of the training plan designed for this purpose, on 18/1/2019 and on 30/7/2019, internal cross-cutting training courses were given to the entire staff, serving as refresher courses for those already trained previously, and as a first-time training course for new recruits.



Course on criminal risk management



**No complaints
were received
in 2019**

Corruption Prevention System

COFIDES forcefully rejects all forms of corruption and therefore has implemented a zero tolerance policy in this regard. Since 2001, COFIDES has been collaborating with the OECD National Point in Spain, under the General Directorate for International Trade and Investment, in the dissemination of the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, hereafter the Anti-bribery Convention, by attaching a copy of the convention to all project financing contracts and incorporating a compliance clause.

In 2005 COFIDES joined the United Nations Global Compact initiative and is committed to complying with the 10 principles established therein, among which special mention should be made of the tenth, which provides that *"businesses should work against corruption in all its forms, including extortion and bribery"*.

Since 2013, COFIDES has had an anti-corruption compliance system in place designed to prevent, detect and punish any breach of anti-corruption rules or principles.

The system is driven by the Company's top management and reaches all employees, managers and directors.

A full revision of the procedure was approved in January 2019.

To date, no cases of corruption have been detected and therefore it has not been necessary to adopt the measures envisaged in the operating procedure.

Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)

Since 2012, COFIDES has been implementing a wide-ranging programme with the overarching objective of preventing the risk of money laundering operations. The main document used to accomplish this is the Procedures Manual for Anti-Money Laundering and Combating the Financing of Terrorism.

The Company has an authorised representative at SEPBLAC (Spain's Financial Intelligence Unit); an authorised person at SEPBLAC and an Internal Control Body (ICB). Since 2015, it also outsources a specialized Technical Unit.

The Board of Directors first approved the Risk Analysis report at its 24/9/2014 meeting. Since then, the report has been updated every year, with the Company's risk level being assessed as "low".

At the meetings held on 26/6/2019 and on 14/11/2019, the ICB approved the corresponding revisions of the Procedures Manual, to include the recommendations in the reports by external experts and in the internal audit.

In 2019, the whistle-blowing channel was notified of a suspicious operation. Following the proper special investigation by the ICB, it was closed as it was not deemed necessary to notify SEPBLAC.

All of this is complemented by an annual training plan for the Company's staff and managers that has been carried out since 2012. In 2019, training was provided for all staff on 17/01/19 and on 30/07/19 for new recruits. In addition, training was delivered to all Board members on 28 January 2020.

Environmental and Social Risk Control System

COFIDES has an environmental and social policy for the management of credit and reputational risks associated with these matters in the operations it finances. Its policy is in line with the international parameters on this subject (standards of the World Bank group and its European counterparts).

For COFIDES, integrated project analysis, including issues related to social and environmental aspects, plays a fundamental role in mitigating risks that could have a negative impact on the viability and sustainability of projects. Moreover, it is a guarantee of its commitment to contribute to sustainable development, a commitment that was initially adopted in 2001 with the implementation of the first Environmental and Social Policy, reaffirmed in 2005 with its accession to the United Nations Global Compact and in 2009 with the signing of the Principles for Responsible Financing proposed by the association of European Development Finance Institutions (EDFI). These Principles were updated in 2019.

Financial Risk Control System

Over the years, COFIDES has adopted a risk-taking policy and criteria and procedures to measure, manage and control such risks affecting individual operations and aggregate ones in the case of the portfolios under its management (COFIDES own resources, FIEX and FONPYME).

At operational level, the scope of these risks includes all phases of the project cycle: admission, approval, formalization, monitoring, divestment and, where appropriate, recovery; at portfolio level, the establishment of concentration limits, profitability / risk analysis and the monitoring of deviations

from the activity parameters established in the Company's subsequent strategic plans.

Additionally, and taking banking regulations as a reference, the Company has defined a policy for classifying assets in the portfolio and a hedging policy to address value impairment. The value impairment hedging policy is based on an individual analysis of the risk of each one of the operations, the conclusions of which are expressed in terms of an internal rating. In general, impairment is estimated globally for each internal rating category based on a statistical analysis of how financed operations historically evolve.

All the aforementioned elements are explained in detail in the Internal Manual of Risk Control Procedures for the Portfolios.

The Risks Division is responsible for controlling risk at the aggregate managed portfolio level (COFIDES, FIEX and FONPYME) and also at the individual operations level. It is specifically responsible for the following functions:

- Determine and control the risk parameters of managed portfolios over the medium and long-term.
- Determine Price Policy.
- Conduct macro and microstudies aimed at achieving the objectives set.
- Qualitatively assess investment reports and monitor projects coming from the Operations Division. ●

Internal audits



COFIDES further complies with its duty to monitor compliance and risk control through the Internal Control Division, reporting to the Chairperson, as the third line of defence. Included among its functions, this Division is responsible for periodically supervising the effectiveness and efficiency of the internal control system and for proposing improvements in its operation and risk control.

In addition to executing the annual Internal Audit Plan, it is constantly taking preventive action to control those processes where the greatest deviations occur or those that could have the greatest impact on the Company. The results and recommendations of its internal audits are communicated to the Steering Committee so that Senior Management or, where appropriate, the Board of Directors, may adopt the appropriate measures to improve the internal control system. A new element this year is that with the creation of an Audit and Risk Committee within the COFIDES Board of Directors, the Internal Control

Division now reports its actions and observations to said Committee.

In addition to the foregoing, the Internal Control Division is responsible for the technical coordination of Quality and Protection of Company data.

In 2019, the Company undertook numerous control and mitigation actions to deal with the most significant risks. For its part, the Internal Control Division periodically monitors compliance with the objectives and progress made with regard to the measures adopted to control management risks.

Furthermore, this Division executed the audit plan envisaged for the year, highlighting the review of operational risks in the field of information technology and data quality. Mandatory annual audits were also conducted on internal regulatory compliance for the prevention of money laundering and the environmental management system of the offices. ●



External audits / Inspections



Audit of Financial Statements

The Company's auditor Ernst & Young, S.L. was selected from a shortlist of candidates. The agreement to hire this firm for a new three-year period was adopted by the Annual General Shareholders' Meeting held on 29 May 2017.

2019 marks the ninth year that the Company will be audited by this firm. They issued a report with an unqualified opinion on 7 April 2020.

Thus, including this year (2019), the current audit firm will have audited the Company's annual accounts in nine of its thirty years (30%).

The audit fees paid to the audit firm for the audit of fiscal year 2019 will not exceed 0.15% of the Company's turnover. Moreover, so as not to risk the independence of the audit firm, in 2019 no services were contracted other than the audit of accounts.

In view of the foregoing, the Company does not believe that there are any objective reasons to question the independence of its auditors.

Audit by the General Audit Office of the State Administration

According to the provisions of Article 116 of the Fiscal, Administrative and Social Order Law 66/1997 of 30 December 1997, the Company is entrusted with the management of two funds with no legal personality, specifically the Fund for Foreign Investment (FIEX) and the Fund for SME for Foreign Investment Operations (FONPYME).

Audits of the accounts of the aforementioned funds are part of the accountability process of the entities belonging to the state public sector included in the General Budget Act, Chapters III and IV under the heading "State Public Sector Accounting" which includes the obligation of having the General Audit Office of the State Administration audit said accounts. Therefore, the annual accounts of the two funds are sent to this Office at the close of the financial year.

Fiscal year 2019 is currently being audited.

Inspections by the Court of Auditors

In accordance with the provisions of Article 4 of Organic Law 2/1982 of 12 May, on the Court of Auditors and Article 27 of Law 7/1988 of 5 April, on the Functioning of the Court of Auditors,

the accounts of the Company and of the funds it manages are sent annually to the Court of Auditors for external, permanent and consumptive oversight as an integral part of the economic and financial activity of the public sector.

Additionally, in 2019 the Court of Auditors inspected fiscal years 2017 and 2018 of FIEX. The final report of that inspection is currently pending.

Audit under the organic law on data protection (LOPD)

During the year, with the legal and technical advice of the entity hired as its Data Controller, COFIDES conducted a review of the legal bases for processing in its activities, as well as the operating and technical measures adopted by the Company, identifying and assessing the risks and control measures for personal data processed by the Company in accordance with the control objectives of ISO 27002, as well as a review of all its security policies. The conclusion was that no specific impact assessments were necessary given the type of data processed by the organisation.

External audit on anti-money laundering and combating the financing of terrorism (AML/CFT)

In 2019, a full external audit was performed on anti-money laundering and combating terrorism financing in 2018, complying with the guidelines set by Law 10/2010, Royal Decree 304/2014 and Order EHA/2444/2007. The conclusions of the report dated 28/2/2019 were the following:

"Of the procedures applied, in the terms set out in the model for anti-money laundering and combating terrorism financing established by the Entity, no noteworthy aspect that could significantly affect the effectiveness of said model was found. We believe that the model and the anti-money laundering and combating terrorism financing circuit established and carried out by the Entity works satisfactorily".

External audit of the quality management system

In 2019, the second audit was performed to monitor the AENOR quality management system certificate, also complying with ISO 9001:2015. This certificate was issued for the first time on 26 October 2005, was renewed on 26 October 2017, and is valid until 26 October 2020. ●

Other information of interest



External Corporate Communications Unit

In 2019, the External Corporate Communications Unit implemented a Communications Strategy aligned with the 2019-2021 COFIDES Strategic Plan with the aim of disseminating its objectives and establishing the Company's corporate image.

COFIDES remained in constant communication with its main stakeholders: shareholders, customers, the media, suppliers and society in general, to strengthen relationships and give them a deeper understanding of the Company. To that end, it has remained active in the media through interviews, opinion articles and press releases which have helped people to gain a better understanding of the Company. It has also continued to increase its visibility through participation in events, talk shows, debates and panel discussions.

COFIDES thus fulfilled its three-pronged commitment of offering quality information, guaranteeing transparency and strengthening corporate identity and business development.

In 2019, it revised the corporate presentation and brochures, with a more modern design, aligned with the new logo, while providing clear and simple information about the Company's activities. Throughout the year, improvements were also made to the corporate website which helped improve communications with shareholders and customers.

In order to reinforce transparency and broaden communication channels with customers and shareholders, COFIDES has enhanced its presence in social media such as YouTube, Twitter and LinkedIn, where it has been raising awareness by providing ongoing and immediate information about the Company's activities.

Subsidiaries and invested companies

SOCIEDAD MERCANTIL ESTATAL COFIDES CAPITAL RIESGO, S.A., S.G.E.C.R., owned 100% by COFIDES, was fully wound up following the proper procedures in accordance with the Council of Ministers dated 26 April 2019 which authorised its liquidation.

Likewise, as a result of its activity with its own resources and with the funds it manages, it holds temporary and minority shares in the entities listed in Annex I on its own behalf or as the manager of FIEX and FONPYME. ●



COFIDES fulfilled its commitment of offering quality information, guaranteeing transparency and strengthening corporate identity and business development

Annex I. Invested companies



Operation	Direct Affiliate	Indirect Affiliate	% Shares Direct Affiliate	% Shares Company Project	Type of Capital	Funds
ABENER-ARGELIA-K1	Solar Power Plant One Spa (SPP1)		15.00%		Open	FIEX
ABENGOA BRASIL-ATE (IV)-K1	ATE IV – SÃO Mateus Transmissora de Energia, S.A.		23.57%		Open	FIEX
GRUPO EMPRESARIAL CUERVA-PANAMA-KIA1	Hidroeléctrica San Lorenzo, S.A.		37.76%		Capital Interest	FONPYME
AUREOS CAPITAL-AMÉRICA LATINA-K1	AUREOS LATIN AMERICA FUND I (ALAF I)		4.72%		Open	FIEX
BEFESA - MEXICO - K1	Sistemas de Desarrollo Sustentable, S.A. de C.V.		35.00%		Open	FIEX
FELIÚ DE LA PENYA-POLONIA-KIA1	BBB9, Sp.Z.o.o.	Aga Light, SA	44.10%	44.10%	Capital Interest	FIEX
FMO - HOLANDA-K1	The Currency Exchange Fund N.V.,		1.12%		Open	FIEX
FUNDACIÓN EMPRESA Y CRECIMIENTO-ARGENTINA-K1	PYMAR FUND, L.P.		28.28%		Open	FIEX
GESTAMP-RUSIA-KALUGA SP-KIA1	Gestamp Holding Rusia, S.L	Todlem, S.L (Holding)	22.47%		Capital Interest	FIEX
		Gestamp Severstal Vsevolozhsk LLC (Productive Society)		16.87%		
		Gestamp Severstal Kaluga LLC (Productive Society)		16.87%		
GESTAMP-CHINA-KIA1	Gestamp Holding China, A.B.	Gestamp Auto Components (Kunsham) Co, Ltd	31.00%	31.00%	Capital Interest	FIEX
GESTAMP-CHINA-DONGGUAN-KIA1	Mursolar XXI, S.L.	Gestamp Auto Components (Dongguan Co, Ltd)	35.00%	35.00%	Capital Interest	FIEX
GESTAMP-CHINA-SHENYANG-KIA1	Mursolat XXI, S.L.	Gestamp Auto Components (Dongguan Co, Ltd)	35.00%	35.00%	Capital Interest	FIEX

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Annex I. Invested companies

Operation	Direct Affiliate	Indirect Affiliate	% Shares Direct Affiliate	% Shares Company Project	Type of Capital	Funds
ALEATICA-PERÚ AUTOPISTA DEL NORTE-KIA1	Concesionaria Autopista del Norte, S.A.C.		33.00%		Capital Interest	FIEX
REVERTE-MÉXICO -KIA1	Regio Mármol, S.A. de C.V.		29.69%		Capital Interest	FIEX
REIG JOFRÉ-REINO UNIDO-KIA1	Reig Jofre U.K. Limited		49.00%		Capital Interest	FIEX
GENERA AVANTE-PANAMÁ-KIA1/KIA2	Electrón Investment, S.A.		15.31% total (13.0135% FIEX) (2.2965% COFIDES)		Capital Interest	COFIDES/ FIEX
N+1-INTERNACIONAL -K1	ALTERALIA, S.C.A. SICAR I COMPARTMENT		21.25%		Open	FIEX
AURICA-INTERNACIONAL-K1	AURICA III FCR		8.995% total (7.12% FIEX) 1.875% COFIDES)		Open	COFIDES/ FIEX
GLOBALVIA-EEUU-KIA1	Magnolia Operations Holdings II LLC	Magnolia Operations Holdings LLC Pocahontas Parkway Operations, LLC	48.48%	7.36%	Capital Interest	FIEX
ORTIZ-COLOMBIA-CONEXIÓN NORTE-KIA1	Autopistas del Noreste, SAS		0.5% total (0.425% FIEX) 0.075% COFIDES)		Open	COFIDES/ FIEX
FONDO NORAX-INTERNACIONAL-K1	NORAX GREEN CAPITAL SCA SICAR		8.245%	14%	Open	FIEX
GLOBALVIA-CHILE-KIA1	Globalvia Chile SpA	Sociedad Concesionaria Autopista Costa Arauco S.A.	49.00% (40.83% FIEX) (8.17% COFIDES)	46.06% (38.38% FIEX) (7.68% COFIDES)	Capital Interest	COFIDES/ FIEX

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Annex I. Invested companies

Operation	Direct Affiliate	Indirect Affiliate	% Shares Direct Affiliate	% Shares Company Project	Type of Capital	Funds
FONDO COFIDES OMAN FUND-INTERNACIONAL-K1	Spain Oman Private Equity Fund, FCR		49.02% total (48.53% FIEX) (0.49% COFIDES)		Open	COFIDES/ FIEX
ORTIZ-COLOMBIA-SISGA-K1/ PSEP2/CGK3	Concesión Transversal del Sisga, S.A.S.		24.99% total 21.24% FIEX 3.75% COFIDES		Open	COFIDES/ FIEX
FONDO ALANTRA-INTERNACIONAL-K1	Alteralia II S.C.A. (SICAR-RAIF)		15.00%		Open	COFIDES/ FIEX
FONDO ADARA-INTERNACIONAL-K1	ADARA VENTURES III SCA, SICAR		8%		Open Capital	FIEX
FONDO NEXXUS-INTERNACIONAL-K1	NEXXUS IBERIA PRIVATE EQUITY FUND I, FCR		10.40%		Open Capital	FIEX



COFIDES 
Inversión y desarrollo



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