

2018

Sustainability Report

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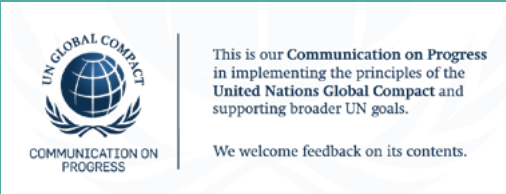
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1

30 years of financing and development

COFIDES is a public-private enterprise that has been contributing since 1988 to the internationalization of companies and the Spanish economy and to the economic development of investment host countries, based on profitability criteria and the notion of sustainability.

It is the sole manager of the FIEX and FONPYME funds on behalf of the Secretariat of State for Trade attached to the Ministry of Industry, Trade and Tourism and lends support to the Spanish Agency for International Development Cooperation (AECID) in the management of FONPRODE. It is accredited by the EU to manage the

Community budget which allows it to structure operations that have a major impact on development. COFIDES is also accredited by the United Nations Green Climate Fund and can therefore structure climate change mitigation and adaptation projects through this fund.

Contribution Agenda 2030



Contribution to the creation of work
126,893 jobs



COFIDES, accredited by the
United Nations Green Climate Fund



Integration of
gender aspects
in investment

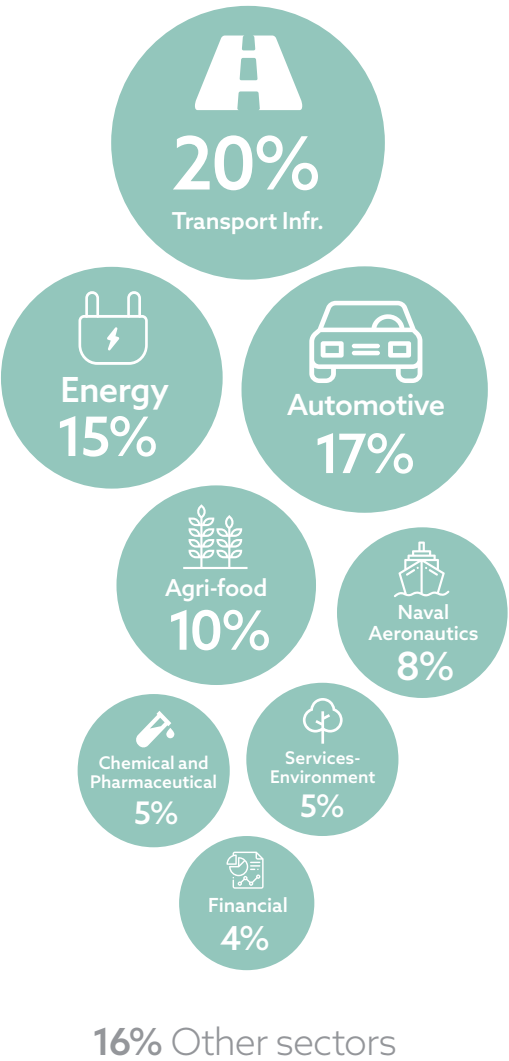
COFIDES' geographical and sectoral portfolio

Country	%
International	18
Mexico	10
US	10
Chile	9
China	8
Peru	4
India	4
Brazil	4
United Kingdom	4
Russia	4
Other Countries	25

2018 main financial data

 **€307.49M**
Committed

€9.19M Result



2 Highlights



COFIDES, the first Spanish institution to be accredited by the UN Green Climate Fund

COFIDES, accredited by the UN Green Climate Fund becoming the only Spanish company of the 75 accredited institutions. This opens a window of opportunity for Spanish companies to access funds for the implementation of climate projects.



Participation in the DFI Gender Finance Collaborative

COFIDES is a founding partner of the DFI Gender Finance Collaborative, a working group of the International Development Finance Institutions whose mission is to integrate the gender approach into financed operations.



Meeting with the High Commissioner for the 2030 Agenda

Bilateral meeting between the High Commissioner for the 2030 Agenda and the top management of COFIDES to explore future collaboration. Given its close relationship with the private sector, COFIDES aims to serve as a catalyst to boost progress towards complying with the SDGs.



Boosting corporate governance in financing

Design of a tool to evaluate the corporate governance of financed operations.



LEADERS IN INTERNATIONALISATION AND DEVELOPMENT

Employee-led initiative to celebrate the 30th anniversary of COFIDES.

30 solidarity initiatives

24 beneficiary associations

80% participation of employees

30 years. 30 solidarity initiatives



3

Letter from the chairman

I am pleased to write this introductory letter to the COFIDES Sustainability Report, a company for which I was the Investment Director for 10 years and which I am honoured to preside over as of the end of July 2018. I want to thank those who believed that I was the right person to lead the company for their trust, especially the Minister of Industry, Trade and Tourism, the Honourable Ms. Reyes Maroto and the Secretary of State for Trade, the Honourable Ms. Xiana Méndez. Personally, it was a joy to return to a company whose achievements gave me great satisfaction and which I would like to believe made a humble contribution, and where excellent professionals, with whom I had the opportunity to collaborate and learn, brilliantly discharge their duties.

With more than 30 years of experience, COFIDES has become the leading Spanish financial institution focused on supporting internationalization and development. The Company, whose social capital is both public and private, finances private investment projects abroad with products and conditions not offered by the private market.

Throughout its existence, COFIDES has been progressively growing not only in its role as an investor of its own funds, but also as an efficient and qualified manager of third-party funds. These include the FIEX

and FONPYME Funds that it manages on behalf of the State under the tutelage of the State Secretariat for Trade.

In quantitative terms, and based on its profit and loss account, it should be noted that in 2018 COFIDES achieved record highs in many of its management indicators: total investment portfolio, including the funds it manages, exceeded the EUR 1 billion threshold for the first time, formalizations and the origination capacity of operations also reached record levels, bad debt was kept under control and operating costs grew only moderately. Likewise, business profits reached maximum levels with all-time highs in operating profit and recurring income.

The Board of Directors recently approved a new Strategic Plan for the development of the Company over the next three years in which, together with other strategic pillars, the Company has unequivocally stated that, as a financial company seeking to boost private investment in third countries, especially in the relatively less developed countries, COFIDES assumes the imperative and the conviction that economic growth, social and institutional development and preservation of the environment and biodiversity must go hand in hand; in other words, the only path towards development is the one

that takes a precautionary approach to carbon emissions, is resilient to climate change caused by man, generates decent employment and is socially and environmentally sustainable and contributes to good governance.

In this letter, I would like to draw attention to some of the Company's recent milestones on the road to its goal, i.e. sustainability. The fact that this is nearly impossible to achieve —especially considering the current geopolitical context—, does not excuse any of us who are proud and have the fortune to work at this Company, from working day-in and day-out to pursue this goal.

One. Strengthen collaboration with the Spanish Agency for International Development Cooperation (AECID). The Agency's status as a bilateral development financial institution, which was one of the founding partners in 1992 and has since been a member of the association of European Development Finance Institutions, and its experience in financing operations in developing countries, has earned it the trust, and this is particularly noteworthy, of the Ministry of Foreign Affairs, Cooperation and European Union in providing technical support in the management of FONPRODE (Fund for the Promotion of Development). COFIDES aims to maximize this relationship, reinforcing

its role in engaging in operations that are of interest for the strategic objectives of Spanish cooperation.

Two. Impact and the Sustainable Development Goals (SDGs). The Company faces the immediate future with the aim of consolidating and expanding its activity, both in terms of internationalization and sustainable development. The focus on sustainability, which during the early stages was an intrinsic feature of the Company as shown by the inclusion of the Impact Operation Rating in 2006 in the evaluation of projects as an international best practice, is now at the very core of our corporate mindset. In fact, the 2019-2021 Strategic Plan incorporates sustainability into the very mission of COFIDES.

This means that the Company's contribution to the internationalization of the Spanish economy and to development, must ensure that the precepts of financial profitability of investments are always aligned with the assumed risks and compatible with their social and environmental impact and their effect on governance. COFIDES, together with 60 other financial institutions, has signed the Operating Principles for Impact Management promoted by the World Bank's International Finance Corporation. Impact management is based on the SDGs, particularly those of an economic (growth), social (decent work and gender) and environmental (climate change) nature. In this regard, I would like to take this opportunity to reiterate the Company's firm commitment to promote the 10 Principles of the Global Compact in its business strategy and activities.

This Report includes the contribution that COFIDES makes to the SDGs, particularly those where its activity has the greatest impact: 5 (Gender), 7 (Affordable and clean energy), 8 (Decent Employment and Economic Growth), 9 (Industry, Innovation and Infrastructure), 13 (Climate Action) and 17 (Partnerships).

The incorporation of sustainability into the mission of COFIDES entails reorienting a significant portion of the Company's resources and investment activity towards those initiatives and projects with the greatest impact and the most environmentally and socially sustainable economic sectors. The Company aspires to join Europe's leading development finance institutions in the transition from a commitment based on the principle of "do no harm", i.e. to ensure that investments do not negatively affect sustainability, to one based on "to do good". In other words, the intention is for public resources targeting the private sector to have a positive impact on the economies and populations receiving the investments.

Three. 2030 Agenda. Throughout this year, COFIDES has had contacts and meetings with the office of the High Commissioner for the 2030 Agenda, in charge of making the entire General State Administration aware of the aforementioned agenda. Within the framework of this collaboration, progress is being made on the following topics: measurement of the impact of the SDGs, channelling of funding towards compliance with the 2030 Agenda, and raising awareness and mobilizing the private sector (both large and small companies) for innovation in areas that have to do with said Agenda.

Four. Climate financing. Today there is a broad and growing consensus that climate change is one of the greatest challenges for the global economy and stability. Facing all of the associated challenges requires the mobilization of a large amount of public and private resources, as evidenced by the 2015 Paris Agreement and the United Nations Sustainable Development Agenda. Faced with this global challenge, COFIDES currently finances adaptation and mitigation projects and promises to finance more in the future, either with its own resources or through the different funds it manages and others that it may eventually manage. To that end it has devised an

active strategy for the origination of climate operations. Moreover, the Company is integrating climate factors into the risk assessment of its portfolios. At COFIDES, we are convinced of the positive differential value of a decarbonized investment portfolio as opposed to one with important climate risks.

A very relevant achievement for COFIDES in 2018, demonstrating its commitment to sustainability, was the accreditation by the United Nations Green Climate Fund following an arduous exercise of evaluation and approval of processes and practices that lasted for nearly three years. COFIDES is the first and only Spanish institution to be awarded this certification which enables it to submit climate projects to the Fund and to structure and mobilize its reimbursable and non-reimbursable funding for public and private projects.

Five. Blended Finance. 2018 was also an important year for the Company in terms of European Union combined funding resources (known as 'Blending Facilities'). First, because the first blending project led by COFIDES was approved for the Competitive Development of Sustainable Agricultural Enterprises in several developing countries; and second because AECID and COFIDES worked jointly and successfully to obtain the approval of three guarantee programmes in the fields of Renewable Energy, Financial Inclusion and Sustainable Cities.

Specifically, and in line with the previous reference to the importance of climate finance in its strategy, COFIDES will play an especially important role in structuring the Renewable Energy Programme which will allow greater participation of the private sector and Spanish companies in projects of this nature in Africa. With all this, COFIDES strengthens its position as an EU-accredited institution and therefore plays an increasingly important role in executing the EU's External Action resources. The Company is also conscientiously preparing



José Luis Curbelo
COFIDES Chairman and CEO

itself to be an efficient player in channelling large amounts of financial resources to promote the sort of development envisaged in the EU's future Multi-year Budgetary Framework for the six-year period 2021-2027.

Six. Gender. COFIDES has continued working to include the gender dimension (SDG 5) in its operations. In addition to reviewing the Gender Policy in force since 2015, in 2018 COFIDES was one of the founding DFIs of the Gender Finance Collaborative, a working group that aims to move forward in the integration of the gender approach in investments.

Seven. Talent and human resources. Throughout 2018 and to commemorate the Company's 30th anniversary, employees voluntarily carried out the "30 years # 30 solidarity actions" initiative which, with the participation of 80% of the workforce, was instrumental in, inter alia, promoting values, creativity and teamwork, and raising awareness of social and environmental issues. The initiative mobilized 19 times more resources than expected for the benefit of organisations working in areas such as disability, childhood and youth, health, recycling, the environment and many others.

I would be amiss in writing this letter if I did not draw attention to the contribution made by all COFIDES collaborators, especially its employees, to the Company's achievements. Despite the restrictions placed on the public sector, of which COFIDES is a part, our staff has maintained the commitment, motivation and sense of responsibility required to be able to comply, with rigour and efficiency, with the Company's mandate and the growing challenges that it has had to face. The Company has maintained its commitment to employ the best human resources and create a pleasant and creative working environment, broadening and improving the Training Plan while adopting negotiated measures to increase flexibility and conciliate work and family life.

I would also like to highlight that COFIDES management is satisfied that this year employees democratically elected a Works Council for the first time with a view to establishing cordial relations of collaboration and respect that translate into a good working environment and improved Company efficiency and achievement.

Lastly, allow me to highlight the role played by employees, public and private partners, suppliers, academics and analysts, civil society organizations, clients and, in general, all stakeholders. Their collaboration in helping achieve the Company's aims and define its Strategy for the future has been essential. My personal thanks to all of them.

José Luis Curbelo
Chairman and CEO



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Sustainable finance environment

Within the framework of sustainability, major changes are emerging on international agendas, in market dynamics and in the regulatory environment.

COFIDES knows how important it is to anticipate new opportunities and challenges that may arise, responding to market changes and its role as a state financial institution.

Finance and sustainable development

The financial sector plays a decisive role in achieving the global development agenda marked by the UN Sustainable Development Goals and the Paris Agreement on climate change. Achieving the international objectives set by these initiatives will require re-prioritising public and private financial flows towards more environmentally and socially sustainable economic sectors.

Through sustainable investments, COFIDES aims to increase commercial relations and reduce geographical inequalities, while concurrently promoting the consolidation of economic activity in Spain and generating employment, technology transfer, infrastructure development and social modernization in the countries of investment.

With its accreditation by the Green Climate Fund in 2018, COFIDES has become a relevant player in the mobilization of financial resources to combat climate change.

COFIDES provides support services to AECID in the management of FONPRODE whose objective is the social and economic development of Spanish Cooperation partner countries through investments or the transfer of reimbursable economic resources.

Growth of sustainable investment

Sustainable and responsible investment takes environmental, social and governance (ESG) factors into account in its decision-making processes in order to guarantee the sustainability of long-term financial returns and generate positive impact through investment.

Institutions are increasingly incorporating ESG criteria in risk management and in recent years this trend has been accelerating in tandem with the development of the

international sustainability agenda due to a greater appetite on the part of investors for sustainable investment and regulations to integrate these factors. The "do no harm" investment principle is giving way to the "do good" approach that aims to produce a positive socio-environmental impact.

In addition to initiatives to promote sustainable investment such as the UN Principles for Responsible Investment for asset management or the Equator Principles for private and investment banking, new products and services are emerging such as green bonds and loans as well as investment funds and pension plans managed under ESG criteria.

COFIDES long-term financing requires sustainable projects to invest in. Since 2001 it has had an Environmental and Social Policy in place which incorporates ESG criteria into its financing and investment operations for its own funds, for those it manages on behalf of the State (FIEX and FONPYME) and for those where it offers technical assistance (FONPRODE and FIEM).



Regulation of sustainable finance

In 2018 the European Commission approved its Action Plan on Financing Sustainable Growth and a package of legislative proposals on sustainable finance. This new European framework underscores not only the key role of finance in sustainable and inclusive growth by financing society's long-term needs, but also the need to strengthen financial stability by incorporating ESG factors into investment decisions. This Action Plan has implications for all agents that participate directly or indirectly in capital markets: issuing companies, banks, asset managers, insurance companies and rating agencies.

At national level, in December 2018 Law 11/2018 on non-financial information and diversity was published. This law significantly increases the number of entities required to report non-financial information and more clearly defines what must be included in those reports.

COFIDES permanently monitors regulatory developments regarding sustainability that could have implications for its activity or that of its clients.

5

Role played by COFIDES in the financial sector

COFIDES is a financial actor with various institutional and legal roles which allow to deploy a wide range of activities and services adapted to the requests of its main stakeholders.



COFIDES as a state-run trading company

It forms part of the state **public** sector. In addition to its own resources, it manages the FIEEX and FONPYME funds on behalf of the State (Secretariat of State for Trade) and lends its support to Spanish Cooperation in the management of FONPRODE.



COFIDES as a stock company

It adopts a business approach where management must be linked to financial **results** and risks are shared with the Spanish sponsor.



COFIDES as a DFI

It belongs to the group of **Development** Finance Institutions and is a founding partner of EDFI. It participates in co-financing facilities (ICCF and EFP) and in specialized working groups.



6

Participation of COFIDES in the Sustainability, Responsibility and Internationalization Seminar organized by ICEX



Non-financial aspects in the investment projects

COFIDES understands that an integrated analysis that considers all aspects of project management, both financial and non-financial, favours its long-term sustainability and its degree of acceptance to operate in the community in which it is developed

Corporate governance

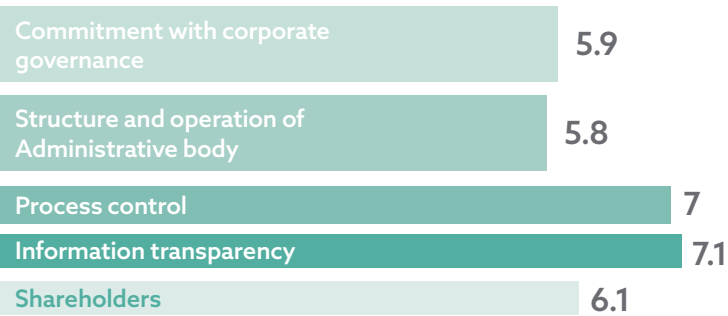
As a development finance institution, COFIDES is aware of the need to promote good corporate governance practices in the groups of companies it supports financially.

In 2018, COFIDES assessed the development of corporate governance of the parent companies of all the new

operations financed during the year. The following elements were evaluated:

- 01. Commitment to Corporate Governance;
- 02. Structure and functioning of the administrative body;
- 03. Process control;
- 04. Information transparency and
- 05. Body of shareholders.

The mean aggregate results of this first assessment are as follows¹



¹ Scale 0-10

The results indicate good management of process control and information transparency.

As of 2019, it has been proposed to include a corporate governance rating in the analysis of new operations.

Social and environmental aspects

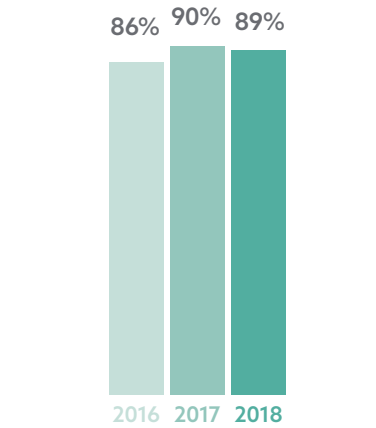
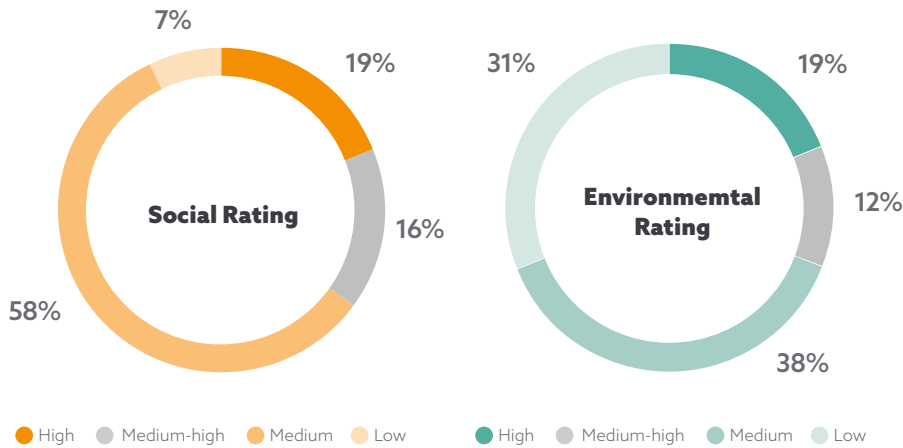
COFIDES Social and Environmental Policy, dating to 2001 and revised in 2015, includes the guiding principles and establishes the procedural guidelines for integrating social and environmental aspects in the analysis of operations. It is aligned with DFI international reference standards. It applies to all countries where operations are financed, and its scope includes all the Company's finance instruments.

The analysis process gives rise to the assignment of a rating whereby to classify direct investment operations based on risk and/or potential environmental and social impact. The subsequent monitoring of projects is mostly performed based on the assigned rating.

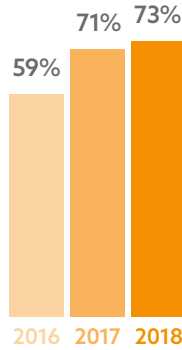
Socio-environmental analysts receive ongoing training which last year focused on specific issues related to gender and development, responsible forest management, food security and general CSR issues.

Companies and non-financial aspects

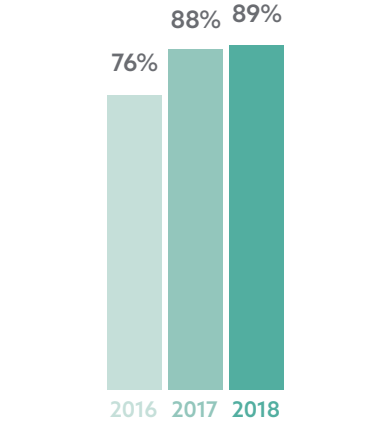
Obtaining a complete economic, environmental and social overview of the project and its effects on development is ultimately contingent upon the degree to which the project sponsor is willing to collaborate. COFIDES establishes an active dialogue with the beneficiaries of financing throughout the life cycle of the project and analyses companies' perception of these aspects. The results of the satisfaction questionnaire show that companies increasingly assume non-financial aspects as part of everyday business management.



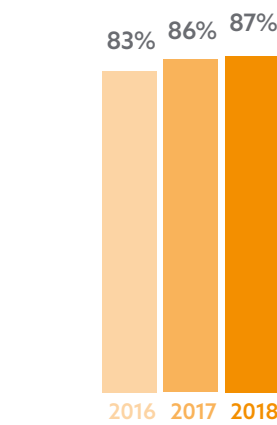
Companies that consider the request for socio-environmental information relevant



Companies that associate the request for socio-environmental information with risk management



Companies that consider that the request for information on the effects that the project has on development are appropriate



Companies that associate the generation of effects on development when assessing other non-financial aspects

7

External effects of financing

COFIDES financing influences two geographical areas: abroad and in Spain.

7.1 Effects on investment countries

Due to the multisectorial nature of the investments made by COFIDES, the scope of contribution to SDGs is wide. However, economic growth, gender,

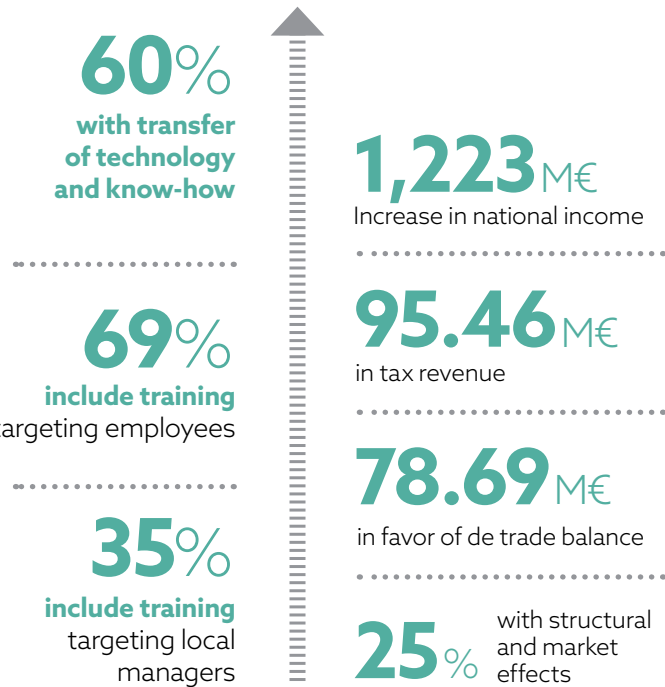
technological innovation, climate change and strategic partnerships to increase the investment are key aspects in the portfolio and activity of the Company.

The **economic growth** of investment host countries is part of the COFIDES mission.

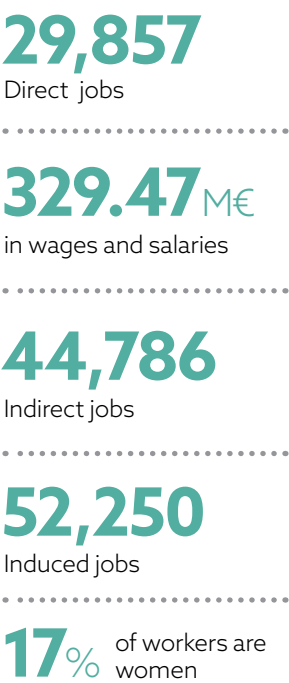
The internationalization of Spanish companies acts as a vector of economic growth through productive diversification and modernization in investment host countries.



Financed projects generate effects in the host countries. Meriting special mention in 2018:



Contributing to the creation of:



Decent work encompasses both being able to work and doing so under appropriate working conditions, and also considers the particularities of vulnerable groups such as women and migrants. This help provide a healthy workforce with the knowledge and skills needed to engage in productive and rewarding work enabling people to fully participate in society.

The private sector plays a vital role in the creation of quality jobs.

Within the framework of the National Action Plan for Business and Human Rights, COFIDES forms part of the working group of the institutions included in the Strategic Plan for the Internationalization of the Spanish Economy. This group held two meetings in 2018 and its aim is to advance in the incorporation of human rights issues in internationalization processes.

The social aspect is still generally less perceived as a non-financial risk factor. This is reflected, among other issues, in the lower number of voluntary certifications of financed companies. COFIDES wants companies with projects of greater social risk to realize the importance of having this type of certification that promotes improvements in the labour situation that are ultimately in the company's best interest.

Decent work assesment in COFIDES-financed projects


UN
Global Compact


DFI
Declaration Contribution to the Creation of More and Better Jobs


EDFI
Principles of Responsible Financing

Environmental and Social Policy

Gender Policy

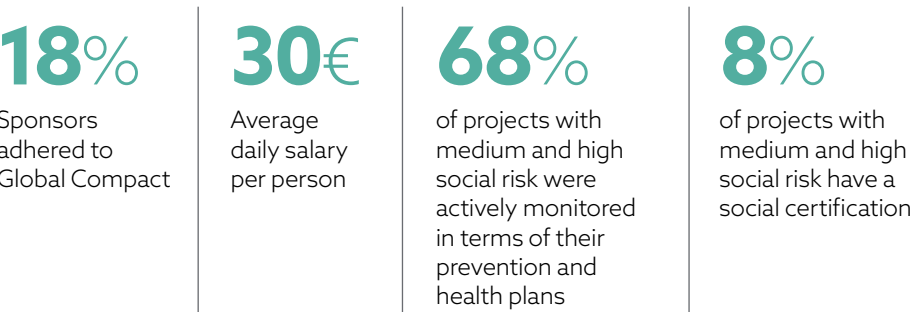
Project Analysis

Fundamental human rights Child labour, forced labour, non-discrimination and freedom of association	Health and safety Labour Risk Plan and internal management, audits and specialized areas	Suitable working conditions Descripción de workday, recruitment of immigrants, salary conditions, social benefits, management systems, certifications and security personnel
Supply chain Analysis of potential relevant impacts	Local communities Evaluation of potential impact	Risk rating and social impact

Contract

OECD Guidelines for Multinational Companies	Global Compact	ILO Conventions: Fundamentals+ Decent Work + Migrants + Indigenous peoples	UN Conventions: Child and Women	Request for mechanisms to communicate complaints and suggestions	Information about serious incidents
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Indicators





The 2018 review of Gender Policy in investments broadens the policy's scope to include all financial products and adds a rating to classify projects based on how they affect **gender equality**.

All finance contracts abide by international UN and ILO standards regarding non-discrimination in employment, equal remuneration and protection of maternity.

In April 2018 a working group was created among Development Finance Institutions called the DFI Gender Finance Collaborative of which COFIDES is a founding partner.



This group's objectives include establishing clear and shared leadership and purpose in relation to improving the lives of girls and women throughout the world, increasing gender diversity in government bodies and the management of companies that are recipients of investment, and demonstrating that investment with a gender perspective can lead to social benefits over and above economic considerations.

Highlights - In portfolio

Supracafé Colombia and the economic empowerment of women

Project: Expansion of coffee processing facilities.

Goal 5.5: Ensure the participation of women in economic activity



SUPRACAFÉ supplements its home-grown production by 10-15% with certified Fairtrade Organic coffee which it purchases from the Association of Women Coffee Growers of Cauca (AMUCC) which has been included in the company's strategy by providing them with financing to invest in their crops, technical training and skills acquisition to manage and guide the association. This is a collaboration that helps to empower women by giving them real power to carry out their decisions. AMUCC includes 200 women who farm approximately two hectares. SUPRACAFÉ,

together with TECNICAFAE, CODESPA and AMUCC, is developing a Public Private Partnership for Development with the AECID to increase the number of members to 400 and provide major technical and economic support to strengthen the group.

Cauca is an area that has suffered greatly from drug trafficking and the armed conflict that ravaged the country for decades and led many women to become heads of households and engage in productive initiatives such as farming to sustain their families.



The internationalization of Spain's private sector accompanied by COFIDES financing is characterized by productive investments mainly in industrial projects and civil works that have boosted economic growth.

49%
Industry
investment

36%
Infraestructure
investment

32%
Projects with medium to high
environmental risk that have an
environmental certification

Highlights - In portfolio

Deltacom Mexico y Nigeria and universal access to technology

Project: The DeltaComGroup is part of the telecommunications sector offering equipment repair services for operators, equipment manufacturers and other companies with telecommunications infrastructure. It also offers equipment sales services, asset recovery management and integral parts management.

Goa 9.C: Increase access to information and communications technology .

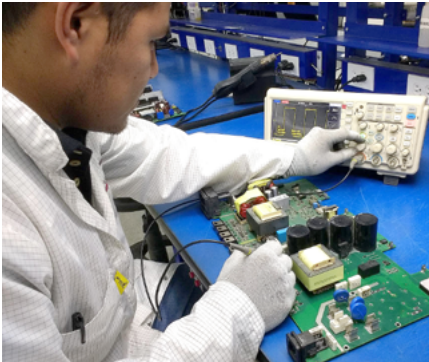
These projects contribute to universal access to information and communication technologies through the improvement and maintenance of telecommunications infrastructures in African and Latin American countries.

The DeltaComGroup contributes to extending the life cycle of telecommunications equipment, enhancing efficiency in asset investment and helping reduce the CAPEX and OPEX of its customers. The company acts as facilitator for the circulation and reuse of units and parts of different telecommunication networks from around the world. In this way, equipment that may have become obsolete in one network, contributes to technological development in the networks of other customers or countries.

In the host countries, this equipment provides a boost to the service sector and strengthens alliances with local partners and customers, creating an ecosystem among the different agents/suppliers of telecommunications services while adding value for end customers. This also

contributes to the creation of specialised employment in the field of technology through the hiring and technical training of local labour. To ensure a safe workspace, all operation centres are EPA (Electrostatic Discharge Protected Areas).

The project in Nigeria includes the development of an engineering and innovation centre dependent on its Global R&D Centre in Spain with experts in the most important radio (radio links, base radio, satellite radio), data (2G, 3G, 4G), transmission (optic fibre, CWDM, DWDM) and energy technologies.





5,588.7

M€ total investment

39

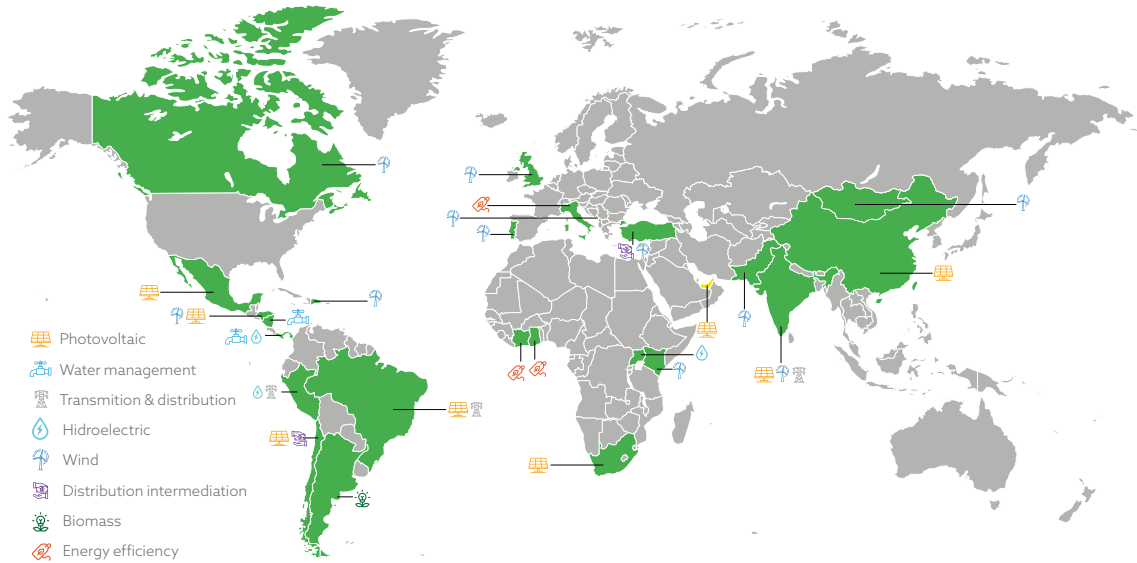
Climate change mitigation and adaptation projects from 2012 to 2018

189.3

M€ committed









COFIDES finances mitigation and adaptation projects with its own resources and with the FIEX and FONPYME funds. Moreover, it has participated since 2011 in the Interact Climate Change Facility (ICCF),

whose purpose is to finance feasible private projects that contribute to **mitigate climate change** and promote **energy efficiency** in countries receiving Official Development Assistance..



Portfolio investment

Financing the value chain of climate change mitigation

 Manufacturing of equipment and components	 Investment Vehicle	 Construction and O&M of renewable assets	 Auxiliary Industry
 Gri Powergear Towers Rivate Ltd – India Manufacture and assembly of wind towers in two plants with a capacity of 100 and 300 towers / year. <i>With the support of COFIDES it has manufactured 591 wind towers since 2012.</i>	 Interact Climate Change Facility Financing of energy efficiency projects and renewable electricity generation in Official Development Assistance countries. <i>Since 2011, ICCF has supported 27 projects worth €397.6 M, installing 1,571 MW of renewable capacity and contributing to a reduction of close to 2 million tonnes of CO₂.</i>	 Ventos do Sul (Enerfin/ Elecnor) – Brazil Osorio Wind Energy Complex: development and operation of three wind farms with an installed capacity of 150 MW, technology ENERCON E 70/2 MW and annual generation of 364.6 GWh/year. <i>Since its launch in 2006 with the support of COFIDES, it has kept a total of 1,542, 580 tonnes of CO₂ out of the atmosphere.</i>	 Ynfiniti Energy – United Kingdom Support services for the wind sector in the installation, start-up and maintenance of assets. <i>Since 2018, COFIDES has been supporting the establishment of Ynfiniti Energy in the United Kingdom where it will offer its technical solutions.</i>



Public-private alliances are vital if we are to make headway in complying with the international development agenda. COFIDES has completed 30 years of alliance between public and private shareholders providing public financing for investment in the private sector.

There are different players involved in financing development at international level. Collaboration between these players in areas where their paths cross could increase synergies and help them achieve their objectives. COFIDES signs collaboration agreements and conventions with international, national and regional organizations and institutions. In 2018 it was signed:



Memorandum of understanding with the **Andean Development Corporation (CAF)**

Objective: Join efforts for the creation of a fund to support SMEs, 'Impact Fund for SMEs' that combines financial return with measurable effects on economic, environmental and social development in investment host countries.

Geographic area: Latin America

Sectors: Agriculture, renewable energy, infrastructure, transport, the metalworking industry, water and sanitation.



Framework agreement for collaboration and co-financing with the **European Investment Bank (EIB)**

Objective: Join financial efforts to boost the co-financing of projects by especially mobilizing EU blending instrument resources and those from the UN Green Climate Fund.

Geographic area: Africa, Latin America, Asia and Europe

Sectors: Multisectoral



7.2 Effects on Spain

The internationalization of Spain’s private sector has important consequences for the national economy. The information available

on some of these variables shows the following data regarding Spanish companies that have received funding from COFIDES.

Employment in Spain of financed companies

	Portfolio ¹ (%)		
	31/12/16	31/12/17	31/12/18
Employment creation in Spain:			
Total	68	68	69
Of which, SMEs	70	71	70
Maintained employment in Spain:			
Total	20	18	4
Of which, SMEs	21	19	2

¹ Sample: 43% of the portfolio

Other aspects in Spanish companies

	Formalized (%)		
	2016	2017	2018
Transfer of technology and know-how to Spanish companies	8	16.33	12
Export of Spanish products	18	51	43
Guarantee of supplies	14	24.49	14

Additionality and flexibility of COFIDES financing

The following table shows the characteristics of financing formalized in 2018

		Result (% operaciones)		
		2016	2017	2018
Financial product	Capital	10	4	5
	Subordinated loan	8	0	2
	Co-investment loan	78	83.67	93
	Ordinary loan	4	12.24	0
Financing without recourse to the sponsor		16	0	7
Finance term Over five years		56	42.86	70
Grace period Grace period greater than two years		6	10.20	21
Financing of SMEs		62	67.35	56
First productive implementation		26	18.37	9
Investment country (OECD classification)	High risk	12	8.16	12
	Moderate Risk	32	12.24	16
	Low risk	28	34.69	21
	No risk	28	44.90	51

According to Company strategy, COFIDES’ offer of financial products is based on the principle of additionality which implies offering financial solutions that complement those available in the private sector.

In recent years an effort has been made to offer instruments that are quite different from those of ordinary financing structures, supplementing the financial offer with counter-guarantee formulas.

An increase in the number of operations with financing terms and grace periods exceeding those of the market has made it possible to accelerate the internationalization process of Spanish companies.

SMEs continue to account for a very significant part of the total portfolio managed by COFIDES. This financing has enabled projects abroad that have consolidated some of Spain’s smallest companies.

On numerous occasions, COFIDES has financed the first productive implementation of Spanish companies abroad. The recurrence rate of financed companies that met with success in their first initiatives in foreign markets is on the rise thus driving new international projects.

The objective of FIEX and FONPYME is to financially support the internationalization



strategies of Spanish companies. In order to facilitate access to new markets, COFIDES has financed projects in destinations with particular characteristics such as Cuba, Mauritania, Egypt, Nigeria, Nicaragua, Vietnam and Indonesia.

8

COFIDES
stakeholders

The national and international public and private sectors, as well as the academic and third sector, are progressively working together to address the global challenges listed on the 2030 Agenda.

COFIDES is aligned with this trend and maintains relationships with various organizations in these areas.

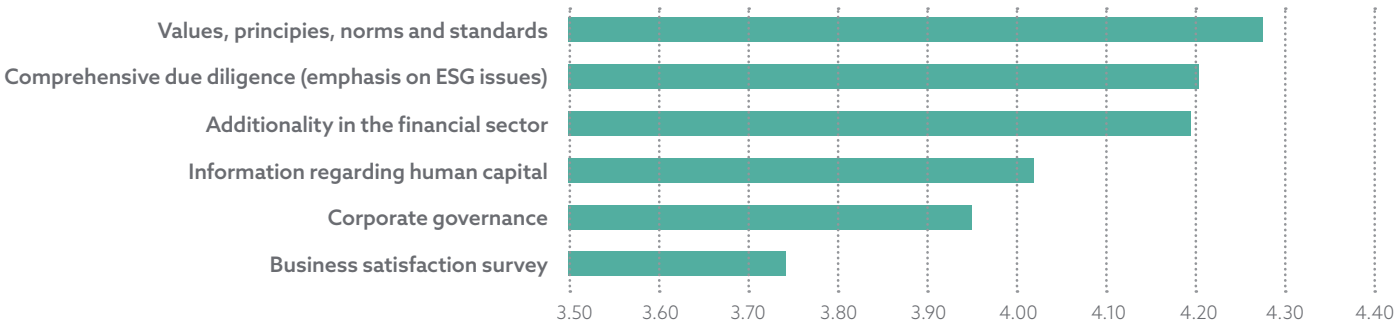
In 2018, as part of the materiality process initiated in 2015, the Company continued consulting with stakeholders in order to

know what subjects they would like to be informed of in the sphere of sustainability (COFIDES corporate governance, integral risk management and financing contribution). The stakeholders surveyed to date have been shareholders, members of the Board of Directors, members of

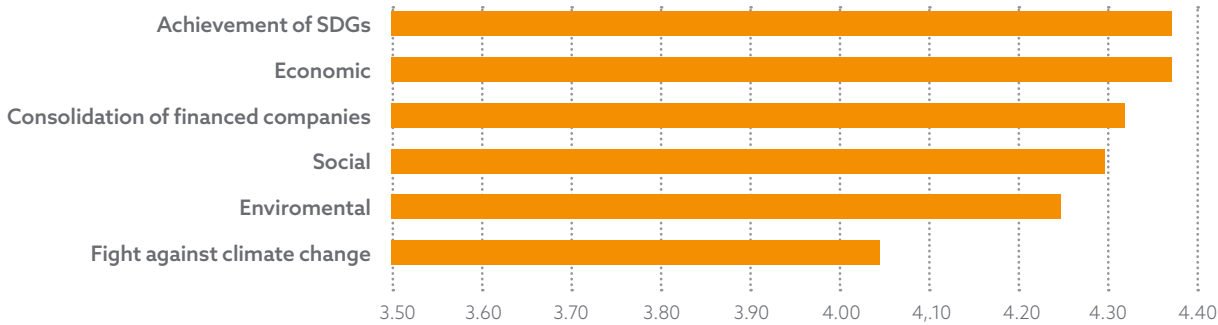
the Executive Committees of the Funds, employees, foundations, associations, academic institutions and NGOs.

Based on those results, this Report has tried to adapt to and focus on those aspects that scored 4 or above.

Interest in COFIDES management



Interest in COFIDES impact



Stakeholder Relations			
Category	Stakeholder	Type of relationship	Frecuency
Shareholders	Public and private shareholders	General Shareholder’s Meeting	Half-yearly
		Board of Directors	Monthly
		Collaborative work meetings	Ad hoc
General State Administration	Secretariat of state for Trade Directorate-General International Trade and investment	Executive Committee FIEX and FONPYME Institutional thematic meetings	Monthly Ad hoc
	Secretariat of State for International Cooperation and for ibero-America and the Caribbean AECID	Executive Committee FONPRODE	Quarterly
		Bilateral meetings	Ad hoc
	Ministry of Finance	IGAE audits	Annual
	Court of Auditors	Account Audit	Ad hoc
Business and internationalization process collaborators	Companies	Negotiation	Permanent
		Integrated analysis	
		Business meeting, investment forums and seminars	
	National Goberment public entities Other public bodies Private associations Regional agencies	Satisfaction surveys	Annual
		Meetings at different levels	Ad hoc
		Seminars and forums	
		Collaboration Agreements	
	EDFI	Board of Directors	Periodic
		Annual General Meeting	Annual
		Investment Comittees EFP / ICCF	Periodic
	European Commision (DG DEVCO) UN (Green Climate Fund)	Thematic working groups	Ad hoc
		Blending meetings	
Think tanks	Academicians Foundations and Associations	Meetings	Ad hoc
		Meetings	Ad hoc
Third sector	Other multilateral organizations	Seminars and forums	Ad hoc
		Reports	Ad hoc
		Seminars and conferences	
		Internal meetings	
		Steering Committee Notes	
Staff	Employees	Works Council	Periodic
		Orientation	weekly
		Proposal mailbox	Monthly
		Anonymous suggestion box	Ad hoc
			Permanent
The media	National, regional, newspapers. Specialised journals	Press clippings	Ad hoc
		Social networks	Permanent
		Advertising	Ad hoc

9

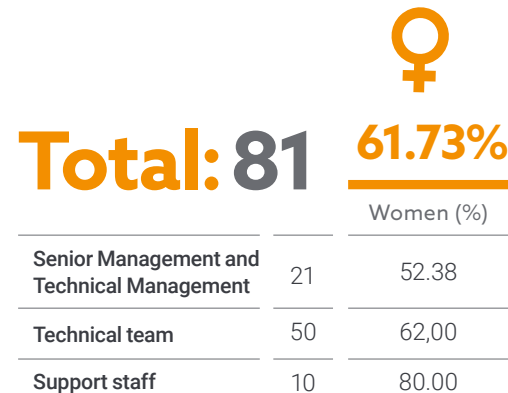
Who will you find at COFIDES offices?

COFIDES believes that its human resources are its main competitive advantage. Therefore, it focuses on continuous improvement in terms of experience, knowledge, skills and abilities,

with the aim of permanently having the optimal staff at all times from multiple perspectives: training, motivation, compensation, flexibility, adaptation, innovation and commitment, to name

just some. These are all decisive factors in achieving the goals established from within the Company or mandated from outside.

Staff



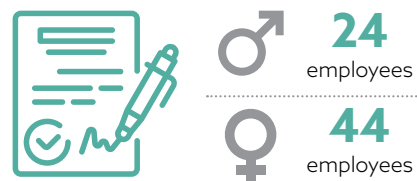
Steering Committee
10 members
(50% women)



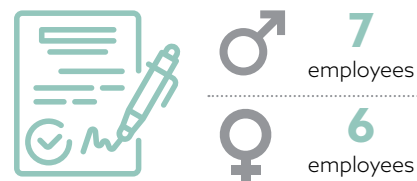
43.30 Average age of employees

Type of contract

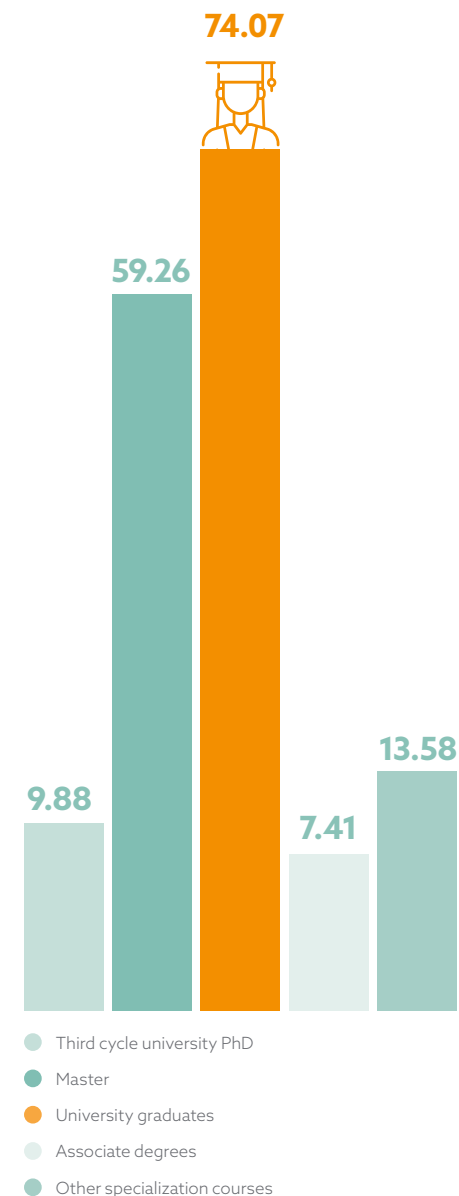
83.95% Permanent
(full time)



16.05% Temporary
(full time)



Educational level (%)

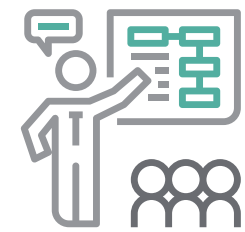


Information mechanisms and employee participation

Annual meetings of the entire Company: 1
Weekly meeting **notes** summarising the decisions taken at the **Steering Committee**: 136
Since 2018 COFIDES has also had an **Enterprise Committee** with which it holds regular meetings.

Training



1,666.70€



Investment (average per employee):

Employees who received formation **98.7%**

 **Average hours per employee**
8.5 Senior management
118.99 Technical management and technical team
27.60 Support personnel

Average hours per gender
 **80.46**
 **144.52**



Suggestion and proposal channels

Subject (%)

HR **82.5**
12.2 General services
4.8 IT
0.4 Other

132
Suggestions and proposals received

Proposals accepted (%): **25.85%**

10

Future actions

The new 2019-21 COFIDES' Strategic Plan, launched by the senior management to the stakeholders at the beginning of the present year, include the main areas of interest as well as the general and specific activities to be undertaken over the next three years.



TAILORED FINANCIAL OFFER

Foreign exchange risk coverage

Project & blended finance

Equity capital operations



ORIGINATION OF NEW OPERATIONS

Development in internationalization

Consolidation and geographical expansion

Strategic alliances



ADAPTATION AND PREPARATION OF THE COMPANY

Audit and Risk Executive Committee at the Board of Directors

Digitization



COMMITMENT TO SUSTAINABILITY

Impact management

Action against climate change

Corporate governance in finance

11

Supplementary information

Report Parameters

This Report is limited to the year 2018. Data from 2006 to 2009 can be found in the United Nations Global Compact Communication on Progress while data from 2010 to 2017 is available in the corresponding Sustainability Reports which, considered jointly, constitute an integrated body of information such that each Report may refer to specific issues reflected in previous reports. All these reports can be accessed on the COFIDES website. Likewise, a response to the 2018 Communication on Progress can be found in the section on the Principles of the Global Compact.

This report has been prepared in accordance with the GRI Standards: Core option. The report has been verified externally by AENOR.

Materiality analysis. Process and definition of Report content

As part of the materiality process initiated in 2015, the main stakeholders were consulted for this report in order to discover what subjects they would like to be informed about in the field of sustainability (corporate governance, integrated risk management and the impact of financing). The stakeholders surveyed were academic institutions, foundations, associations and NGOs. This consultation process will continue at later stages with the rest of the stakeholders.

The published reports attempt to reflect stakeholder information preferences. The report shows data and provides qualitative information in relation to the national and international socioeconomic context and, whenever relevant, includes data from the two previous years to track trends.

Key Area	Material topic	Boundary ¹	RESPONSE – GRI STANDARDS. Additional information
Corporate governance of COFIDES:	Corporate governance of COFIDES	ID	102-18
– Decision-making bodies			102-18
– Control systems			CGR –(corporate governance report) – Section 5.2: Control systems
– Risk management			CGR – Sections 5.1, 5.2.3, 5.2.6 and 5.2.7
– Compliance systems	Socioeconomic compliance	ID	419-1
	Customer privacy	ED	418-1
	Combating corruption	ID and ED	205-2; 205-3
Values, principles, norms and standards of COFIDES	Values, standards and norms of COFIDES	ID and ED	102-16
Comprehensive due diligence process (with special emphasis on socio-environmental issues)	Policies and procedures to evaluate socio-environmental risks	ED	Management approach: Portfolio of products FS6
Additionality of COFIDES financing in the Spanish financial sector	Indirect economic impact	ED	203-2
Impact in investment host countries	Indirect economic impact	ED	Management approach: Indirect economic impact 203-2
Fight against climate change	Risks and opportunities arising from climate change	ED	201-2
Achievement of SDGs	Indirect economic impacts	ED	203-2
Consolidation of financed Spanish companies	Indirect economic impacts	ED	203-2
Information regarding human capital	Training and learning	ID	Management approaches: Training and learning 404-1

1 ED: External dimension ID: Internal dimension

Coverage, scope and limitations of the Report

This Report includes information related to risk management and the impact of the operations financed, i.e. information on project finance (external dimension). Regarding the internal dimension, the Report provides data considered helpful in understanding the internal management of the Company. COFIDES' impact can be summed up as in table 1.

The Report includes information on the projects formalized in 2018 as well as on the project portfolio at 31 December 2018. The non-financial project indicators currently used by COFIDES are based fundamentally on the information provided by project sponsors at the different phases of due diligence. Although the project analysts of the different specialities are responsible for checking the information received, non-financial information cannot currently offer the same guarantees as the audited financial information of the projects.

With its systematic and permanent monitoring, not only of the financial aspects of the projects but also of those other aspects that guarantee their sustainability, COFIDES aims to systematise information so that these issues can be assessed both in internationalized companies and in COFIDES itself. The information regarding external effects does not include data from previous years since the portfolio is constantly changing when investing in new projects each year and divesting in others. The collection of data on external effects is necessarily confined to direct investment with underlying projects and thus excludes international financing and the funds.

As already mentioned, data regarding financed projects and companies are based on the information provided by the companies. No sampling techniques are used nor are data based on hypotheses. Efforts are focused on getting as many answers as possible and then on collecting data and aggregating them linearly. Indicators related to the internal dimension are compiled by the corresponding areas and are aggregated linearly.

Table 1

Boundary	Impact on Sustainability	Influence of COFIDES	Information thoroughness
INTERNAL DIMENSION	Low	High	Low
EXTERNAL DIMENSION: Investment Funds	High	Medium	High
EXTERNAL DIMENSION: Investment Loans	High	Medium	High
EXTERNAL DIMENSION: Capital Investment	High	High	High

Table 2

Risk / Impact	Description
A: High	Risks and/or potential severe, extensive, generally irreversible or unprecedented negative impacts of diverse nature.
B+: Medium - high	Risks and/or potential moderate, mostly localised and reversible, negative impacts but which present specific aspects that could generate risks or impacts of greater magnitude and scope.
B: Medium	Risks and/or potential, moderate, localised and reversible negative impacts which can be effectively mitigated through well-known and proven effective measures.
C: Low	Risks and/or potential low-significance or non-existent negative impacts.

Additional information

Table 2 describes the four rating categories included under the heading "Non-financial aspects in the investment projects".

Lastly, regarding the calculation of indirect and induced jobs on page 11, it is generally estimated that each direct job creates 1-2 indirect jobs, which refer to the suppliers of goods and services needed for production. Induced jobs are those generated by increased demand resulting from new income earned by employees. This calculation varies but typically 1 new induced job is estimated for each 2 direct or indirect jobs.

Erratum 2017 Sustainability Report: Data on 2016 and 2017 financing without recourse to the sponsor (table on p. 18): 16.22% and 22%, respectively. As reflected in this report, those figures are 16% and 0%.

As always, COFIDES is open to comments and suggestions on this Report from any stakeholder. If further information is required on any aspect of the Sustainability Report, please contact lola.vazquez@cofides.es

Global Compact Principles

Areas	Principles	COFIDES Sustainability Report
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	Due diligence in investment.
	2. Businesses should make sure that they are not complicit in human rights abuses.	Inclusion of international standards on decent work in finance contracts.
Labour rights	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Inclusion of ILO Fundamental Conventions numbers 87 and 98 concerning freedom of association and the right to collective bargaining in finance contracts.
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	Inclusion of ILO Fundamental Conventions numbers 29 and 105 on the elimination of forced labour in finance contracts.
	5. Businesses should uphold the effective abolition of child labour.	Inclusion of ILO Fundamental Conventions numbers 138 and 182 on the elimination of child labour in finance contracts.
Enviromental	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Inclusion of ILO Fundamental Conventions numbers 100 and 111 concerning the elimination of discrimination in respect of employment and occupation.
	7. Businesses should support a precautionary approach to environmental challenges.	Due diligence in investment.
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	Due diligence in investment. Action plan to fight climate change.
Anticorruption	9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	Action plan to fight climate change.
	10. Businesses should work against corruption in all its forms, including extortion and bribery.	Anti-corruption compliance system. Inclusion of the OECD Anti-Bribery Convention in the finance contract.

GRI content index

GRI standard	Contents	Page numbers	Comments
General Disclosures			
GRI 102: General Disclosures 2016	Profile of the organisation		
	102-1 Name of the organization	CGR 6	
	102-2 Activities, brands, products and services	AR 6-10; 57-58 22	
	102-3 Location of the headquarters	CGR 6	
	102-4 Location of operations	5 AR 28-29	
	102-5 Ownership and legal form	CGR 8-11	
	102-6 Markets served	5 AR 23	
	102-7 Scale of the organization	26-27 AR 20-23 FS 76-79 CGR 10-11	
	102-8 Information on employees and other workers	26-27 FS 115	
	102-9 Supply chain	FS 112	COFIDES contracts consulting services in relation to its financial activity. Additionally, it acquires products and services for the offices of the Company's headquarters.
	102-10 Significant changes in the organization and its supply chain	CGR 10-11	There have been no significant changes in the size and structure of the organization. Within Other Operating Expenses, the external services that include the expenses of operations Consultants have increased by 8% as a result of the company's high rate of activity.
	102-11 Precautionary principle or approach	11-12; 14-15	The precautionary principle corresponds to the integral management of financing risks.
	102-12 External initiatives		https://www.cofides.es/en/biblioteca-de-documentos/corporate-governance-approach-statement https://www.cofides.es/en/biblioteca-de-documentos/principles-responsible-financing-statement https://www.cofides.es/en/biblioteca-de-documentos/contributing-creating-more-and-better-jobs-statement
	102-13 Membership of associations		EDFI, Global Compact Spanish Network, ASCRI, ALIDE, Institute of Internal Auditors

Key:
ID: Internal dimension
ED: External dimension
FS: Financial Statements
CGR: Corporate Governance Report
AR: Activity Report
SR: Sustainability Report

GRI standard	Contents	Page numbers	Comments
General Disclosures			
GRI 102: General Disclosures 2016	Strategy		
	102-14 Statement from senior decision-maker	7-10 AR 12-15	
	Ethics and integrity		
	102-16 Values, principles, standards and norms of behavior	CGR 26 AR 8	
	Governance		
	1102-18 Governance structure	CGR 12-25 AR 24-27	
	Stakeholder engagement		
	102-40 List of stakeholder groups	25	
	102-41 Collective bargaining agreements		All COFIDES staff (100%) is under the Office Agreement of the Community of Madrid.
	102-42 Identification and selecting stakeholders		The COFIDES CSR team did the identification for previous Sustainability Reports. It was updated in 2018 and has been validated by the area's director and by COFIDES Chairman-CEO.
	102-43 Approach to stakeholder engagement	24-25	
	102-44 Key topics and concerns raised	24-25 AR 23	In 2019 the stakeholders surveyed and their main interests: Academic institutions: values, due diligence, economic, social and environmental impact, SDGs, climate change and consolidation of companies. Foundations and Associations: due diligence, additionality, economic, social and environmental impact, SDGs and consolidation of companies. NGO: values, due diligence, human team, additionality, economic, social and environmental impact, SDGs and climate change.

GRI standard	Contents	Page numbers	Comments
General Disclosures			
GRI 102: General Disclosures 2016	Reporting practice		
	102-45 Entities included in the consolidated financial statements		Not applicable
	102-46 Defining of report contents and topic boundaries	3; 11-12; 24-25; 29-31, 36	
	102-47 List of material topics	24-25; 29	
	102-48 Restatement of information		No significant changes
	102-49 Changes in reporting		No significant changes
	102-50 Reporting period		01/01/18 - 31/12/18
	102-51 Date of most recent report		2017 Sustainability Report
	102-52 Reporting cycle		Annual
	102-53 Contact point for questions regarding the report		lola.vazquez@cofides.es
	102-54 Claims of reporting in accordance with the GRI Standards	29	
	102-55 GRI Content Index	32-35	
	102-56 External assurance	36	Hiring is done according to the internal supplier hiring procedure pursuant to the Public Sector (Procurement) Act. AENOR certifies the Quality Management System. The top management has approved the request for external verification of the SR
Material issues			
CORPORATE GOVERNANCE			
Control systems			
GRI 103: 2016 management approach		CGR 26-31	
	Control systems	CGR 26-31	
Risk Management			
		CGR 26-31	
	Risk Management	CGR 26-31	
FINANCIAL SECTOR			
Portfolio of products			
GRI 103: 2016 management approach		11-12; 14-15 SR 2015 7	https://www.cofides.es/en/our-work/sustainable-investments
FS6	Percentage of the portfolio for business lines by region, size and sector	5	SMEs in the portfolio: 48%

Material issues			
ECONOMIC DIMENSION			
Economic performance			
GRI 103: 2016 management approach		ED: 16-23; ID: 26-27	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	ID: 26-27; AR 57-58; FS 76-79; ED: 16-23	
	201-2 Financial implications and other risks and opportunities due to climate change	ED: 7-10; 20	
Indirect economic impact			
GRI 103: 2016 management approach		ED 7-12; 16-23	
GRI 203: Indirect economic impact 2016	203-2: Significant indirect economic impacts	ED 7-12; 16-23	
Anti-corruption			
GRI 103: 2016 management approach		ID & ED: CGR 26-29 31	
GRI 205: Anti-corruption 2016	205-2 Communication and training on anti-corruption policies and procedures	ID & ED: CGR 26-29	https://www.cofides.es/en/about-us/governance
	205-3 Confirmed incidents of corruption and actions taken	ID & ED: CGR 29	
SOCIAL DIMENSION			
Training and learning			
GRI 103: 2016 management approach		ID: 26	
GRI 404: Training and learning 2016	404-1 Average training hours per year per employee	ID: 27	
Human rights assessment			
GRI 103: 2016 management approach		ED: 7; 15: 16-17; 31	
GRI 412: Human rights assessment 2016	412-2 Employee training on human rights policies and procedures		ED: In 2018 there was no specific training in this area.
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	ED: 15; 17	
Customer privacy			
GRI 103: 2016 management approach			ID: COFIDES has procedures in place to comply with legal requirements regarding the processing of personal data.
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		ID: No claims of this kind were filed in 2018.
Socioeconomic compliance			
GRI 103: 2016 management approach		ID: CGR 26-31	
GRI 419: Socioeconomic compliance	419-1Non-compliance with laws and regulations in the social and economic area		No infringements of this kind were detected in 2018.





COFIDES

We invest in development

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