

2012 corporate governance report

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



COFIDES

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summary



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introduction

The existing legislation on “public enterprise management sustainability” provides that State-controlled trading companies and enterprises under the aegis of the Central Government must adapt their strategic plans. Such adaptation entails presenting both yearly corporate governance and sustainability reports in keeping with generally accepted standards, in which, among others, the effective equality between women and men and the full integration of people with disabilities are addressed.

The present report constitutes timely compliance with that legal provision. In it, a listing of the company's basic particulars is followed by a description of the nature of the organisation, the structure of its decision-making bodies, its modus operandi, and the main characteristics of the consideration paid to board members and senior management. It also deals with the company's control and risk management systems and lists its investee companies and corporations.

1. COMPANY identification

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

Tax ID No.: A-78990603.

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

Website: www.cofides.es

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2. NATURE of the organisation

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

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

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

| SHAREHOLDER | CAPITAL HOLDING (%) |
|--|---------------------|
| ICEX Spain Trade and Investment | 28.15 |
| Official Credit Institute (ICO) | 25.25 |
| Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) | 18.81 |
| Banco Santander, S.A. | 11.83 |
| Banco de Sabadell, S.A. | 8.33 |
| Empresa Nacional de Innovación, S.A.-ENISA- | 7.63 |
| TOTAL | 100 |

Changes in the shareholder structure: in 2012 the company's private shareholders redistributed their stakes. By virtue of deeds of sale concluded on 30 July 2012, formalised by Notary Public of Madrid Ana López Monís and filed in her protocol at numbers 2227 and 2228, Banco de Sabadell, S.A., acquired 197 and 124 shares respectively from Banco Bilbao Vizcaya Argentaria, S.A., (BBVA) and Banco Santander, S.A. As a result of those operations, the stakes formerly held by BBVA (21.80%) and Banco Santander (13.73%) declined to the values shown on the above table, while Banco de Sabadell's holding rose from the former 3.43% to the present 8.33%.

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

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

Corporate purpose: the company's corporate purpose is to engage cost-effectively in the businesses listed below, in which it aims to contribute to the economic and social development of developing or emerging countries.

a) To provide financial support for private projects involving Spanish interests: such projects may entail investment, operation, export, technology transfer, outsourcing, franchise, purchase of carbon dioxide emission rights, driving the market penetration of Spanish brands or the Spain trademark or other projects seeking to enhance the internationalisation of Spanish enterprise, trade policy or Spain's or host countries' economies.

b) To acquire a minority and temporary holding in the share capital of companies founded abroad to implement

the projects listed in paragraph a): this holding may be acquired directly or indirectly through investment companies inside or outside Spain.

c) To finance the projects listed in paragraph a), using the following instruments:

- 1) Loans and credits.
- 2) Debentures and convertible and non-convertible bonds.
- 3) Any other standard financial instrument or any in use in international business dealings.

d) To endorse or guarantee transactions or issue letters of credit or any other standard surety instruments normally used in international business dealings.

e) To manage funds and mobilise bilateral or multilateral development finance institution resources that contribute to the internationalisation of Spanish enterprise or the Spanish economy.

f) To inform clients of the design and structure of the projects listed in paragraph a), the legal framework in place in the host countries where the company has offices and any other circumstance or requirement in connection with such projects.

g) To inform clients of the environmental legislation applicable to the projects listed in paragraph a) and the adaptation measures involved, and offer financing for such adaptations.

h) The company may not raise funds or receive deposits of any nature from the general public, regardless of the intended application.

i) Activities subject to special legislative requirements not met by the company are excluded from its corporate purpose.

3. DECISION-MAKING bodies

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

- General Meeting of Shareholders
- Board of Directors
- Chairman

3.1. GENERAL MEETING OF SHAREHOLDERS

3.1.1. Denomination: General Meeting of Shareholders

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

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

3.1.4. Chairman and Secretary: the Chairman and the Secretary of the Board of Directors or their statutory proxies hold the respective positions in the General Meeting; in their absence, they are filled by anyone so designated by the General Meeting of Shareholders.

3.1.5. Universal shareholders' meeting: the General Meeting may be held with no need for a prior notice to discuss any matter whatsoever when all the paid up capital is present and the participants unanimously agree to hold the meeting.

3.1.6. Participation: all shareholders who own at least one share five days in advance of the date of the meeting may attend the General Meeting, providing the share or shares remain in their possession on that date.

Shareholders are entitled to one vote per share owned.

Shareholders in arrears of any capital call payments may not vote.

Shares may be pooled for entitlement to attend and vote at General Meetings.

Company managers and other persons involved in the business conducted by the company may also attend General Meetings.

The Chairman may authorise any other person to attend, where deemed pertinent.

3.1.7. Majority votes: decisions are adopted by a majority of one half plus one of the shareholders present or represented, except where the law requires a qualified majority.

3.1.8. Mechanisms for shareholders to convey recommendations or instructions to the highest governing body: in light of the small number of COFIDES shareholders, General Meetings are always

held under “universal” arrangements. Consequently, all shareholders must be present or duly represented at these meetings, where they may inform the maximum governing body of their opinions or recommendations.

That notwithstanding, a system for convening General Meetings and communicating with shareholders and board members is planned to be up and running in 2013 on the COFIDES website, which is being redesigned for this and other purposes.

3.1.9. Key decisions

- The Regular General Meeting of Shareholders held on 30 April 2012 approved the financial statements for the year ending on 31 December 2011.
- The Special General Meeting of Shareholders held on 25 July 2012 amended Article 16 of the company by-laws to limit the number of members of the Board of Directors to 12, pursuant to Royal Decree 451/2012 of 5 March and the Order issued by the Minister of Finance and Public Administrations on 30 March 2012 in implementation thereof, which provide that the Boards of Directors of State-controlled trading companies classified in Group 2 may not have more than 12 members.

3.2. BOARD OF DIRECTORS

3.2.1. Denomination: Board of Directors

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

3.2.3. Structure and composition: further to the provisions on Group 2 companies contained in Royal Decree 451/2012 of 5 March and the Order issued by the Minister of Finance and Public Administrations on 30 March 2012, and pursuant to COFIDES's by-laws, the Board of Directors may not consist of fewer than three nor more than twelve members. Members may be natural persons or bodies corporate.

In light of the foregoing, the members of COFIDES's present Board of Directors are as follows:

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Salvador Marín Hernández

MEMBERS (on 31 December 2012)

Rosario Casero Echeverri (Official Credit Institute - ICO)

Alberto Conde del Campo (Banco Bilbao Vizcaya Argentaria, S.A) (Juan Piera Miquel resigned as board member on 20 December 2012 and Alberto Conde del Campo was designated in his place; as the latter was not present at that meeting, however, his designation was not effective until formally accepted on 25 January 2013)

José Corral Vallespín (Banco Santander, S.A.)

Javier Estévez Zurita (Banco Bilbao Vizcaya Argentaria, S.A.)

Alberto Gómez Nicolau (Banco Santander, S.A.)

Valentín Laiseca Fernández de la Puente (ICEX Spain Trade and Investment)

Rafael Garranzo García (seat assigned to the Spanish Agency for International Development Cooperation, AECID, by the ICEX Spain Trade and Investment)

Gerardo Gimeno Griño (Official Credit Institute)

Bruno Fernández Scrimieri (ICEX Spain Trade and Investment)

Francisco Javier Puig Asensio (Banco Sabadell, S.A.)

Empresa Nacional de Innovación, S.A. (standing representative: Begoña Cristeto Blasco)

GENERAL COUNSEL, NON-MEMBER

Ana Victoria Fernández Sáinz de la Maza

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

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

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

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

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

Two of the twelve board members, or 16.6%, are women and the remaining ten, or 83.3%, are men.

| Number of members of the board | | |
|--------------------------------|-----------|----------|
| TYPE | TOTAL | MUJERES |
| Chairman | 1 | 0 |
| Managers | | |
| Shareholder representatives | 2 | 0 |
| Independent | 9 | 2 |
| TOTAL | 12 | 2 |

3.2.4. Resignations and appointments during the year

RESIGNATIONS

Board of Directors Chairwoman Remedios Romeo García (Special General Meeting of Shareholders, 6/02/12)

Empresa Nacional de Innovación, S.A. (ENISA): standing representative Enrique Gómez Espinar (change of standing representative further to a decision adopted by the ENISA Board of Directors on 2/03/12)

Spanish Agency for International Development Cooperation (AECID): María del Carmen Moreno Raymundo (Special General Meeting of Shareholders, 26/01/12) Official Credit Institute (ICO): body corporate (Regular General Meeting of Shareholders, 30/04/12)

Banco Bilbao Vizcaya Argentaria (BBVA) (Regular General Meeting of Shareholders, 30/04/12); Marcos Saldaña

Ruiz de Velasco (Special General Meeting of Shareholders, 25/07/12) and Juan Piera Miquel (Special General Meeting of Shareholders, 20/12/12)

Official Credit Institute (ICO): Mariano Ferrer Pascual (on 27/02/12, submitted to the BD on 29/02/12) and Guillermo Jiménez Gallego (Regular General Meeting of Shareholders, 30/04/12)

ICEX Spain Trade and Investment: Rafael Aguilar Tremoya (Special General Meeting of Shareholders, 20/12/12)

DESIGNATIONS

Chairman of the Board of Directors: Salvador Marín Hernández (Special General Meeting of Shareholders, 6/02/12)

Empresa Nacional de Innovación, S.A.: new standing representative Begoña Cristeto Blasco (accepted by Board of Directors, 28/03/12)

Spanish Agency for International Development Cooperation (AECID): Rafael Garranzo García (Special General Meeting of Shareholders, 26/01/12)

Banco Bilbao Vizcaya Argentaria (BBVA): Javier Estévez Zurita (Regular General Meeting of Shareholders, 30/04/12) and Alberto Conde del Campo (Special General Meeting of Shareholders, 20/12/12)

Official Credit Institute (ICO): Rosario Casero Echeverri and Gerardo Gimeno Griñó (both at the Regular General Meeting of Shareholders, 30/04/12)

ICEX Spain Trade and Investment: Bruno Fernández Scrimieri (Special General Meeting of Shareholders, 20/12/12)

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

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

Begoña Cristeto Blasco (ENISA representative)
José Corral Vallespín
Alberto Gómez Nicolau
Francisco Javier Puig Asensio
Alberto Conde del Campo
Javier Estévez Zurita

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

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

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

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

3.2.7. Meeting notices. Procedure. Confidential matters and proxy voting

The Board of Directors is convened by written notice at least once every quarter, as well as whenever required

to ensure that the company is run smoothly, on the initiative of its Chairman or his substitute or at the request of one-third of its members.

Board meetings need not be convened in advance when all its members are present and unanimously decide to hold a meeting.

Except where the Chairman perceives a pressing need, meeting notices are served at least 48 hours in advance, specifying the agenda to be discussed.

Minutes are taken of the meetings and adopted either during the target session or at the following meeting. Minutes are signed and Board decisions are certified by the Council and countersigned by the Chairman.

The quorum for Board meetings is one half plus one of its membership, present or represented.

Mail votes are allowed providing none of the Board members objects to this procedure.

Board deliberations and decisions are recorded in a minutes book and signed by the Chairman and the Council.

Directors may be represented at Board meetings by other members in attendance, provided the Chairman is notified thereof in writing prior to the meeting date.

3.2.8. Decision-making

The quorum for Board meetings is one half plus one of its members, present or represented.

Decisions are adopted by absolute majority of the votes present and represented; the Chairman holds the casting vote in the event of a tie.

Mail votes are allowed when none of the Board members objects to this procedure.

Board debates and decisions are recorded in a minutes book and signed by the Chairman and the Council.

Directors may be represented at Board meetings by other members in attendance, subject to notifying the Chairman thereof in writing prior to the meeting date.

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

3.2.9. Number of meetings and major decisions

Number of Board of Directors' meetings in 2012:12

Number of meetings at which some one of the members was neither present nor represented: none. All Board members attended all the COFIDES Board of Directors meetings held in 2012 either personally or by proxy.

3.3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

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

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

1. To represent the company and its Board of Directors.
2. To preside the General Meeting, lead debates and discussion, establish the order in and amount of time for which shareholders may speak, and secure orderly deliberation.
3. To enforce the by-laws and Board decisions.
4. To assume governance and supervision of company services.
5. To preside the Board of Directors, convene its meetings and the meetings of its executive or advisory commissions, establish the respective agendas, preside commission meetings, lead debates, use the casting vote to break ties and adjourn sessions.
6. To raise proposals to the Board on the appointment and dismissal of its Secretary and the company's Chief Executive Officer.
7. To exercise any other powers vested in him by the Board of Directors.

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

4 ■ IN-HOUSE MANAGEMENT COMMITTEE and new risk area

4.1 Steering Committee

4.1.1. General operating rules

The Steering Committee is convened by its Council in a notice served upon all its members at least 2 days in advance, except where the matters to be addressed are in pressing need of discussion.

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

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

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

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

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

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

4.1.2. Powers and duties

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

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

4.1.3. Composition

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

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

4.1.4. Remuneration

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

4.1.5. Indemnities for senior managers' resignation/dismissal

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

4.2. Risk Area

Risk is a specific and independent area created in accordance with COFIDES's 2012-2015 Strategic Plan by the company's Board of Directors in the first half of 2012. The development and growth of COFIDES's business in recent years has generated a need for the creation of a specific Risk Area independent of the Operations Area, similar to the departments in place in other financial institutions. The new area's primary responsibility is to manage the risk affecting the company's funds under management. More specifically, it must ensure compliance with the growth targets laid down in the Strategic Plan while balancing the company's portfolios in terms of instruments and terms, as well as operation, business sector, market and product risk. In other words, in keeping with the company's Strategic Plan, this area's activities serve as a basic reference for drafting the Commercial Plan.

Moreover, with all investment activity and portfolio project monitoring concentrated in the Operations Area, a need was identified to establish an internal counterweight responsible for in-house control of the risks assumed. Such control would address both microeconomic considerations and medium- and long-term variations in the macroeconomic scenario that might affect credit risk.

The Risk Area's duties cover several realms of action:

- Determination and control of medium- and long-term risk parameters affecting the funds under management.
- Design of an optimal portfolio risk management system and guidelines for commercial tasks; definition and control of optimal or target portfolios.
- Qualitative appraisal of Operations Area reports.
- Macro- and micro-studies geared to attaining the objectives defined.

5. NEW INTERNAL CONTROL AREA and control systems

5.1. Control, Internal Auditing and Quality

COFIDES has strengthened its risk control by creating a Control, Internal Auditing and Quality Area, whose responsibility it is to ensure that company practice in these areas is in line with good corporate governance.

The area's functions include:

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

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

5.2. Accounts auditing

Of the three candidates nominated to audit the company's 2012 accounts, the Regular General Meeting of Shareholders held on 26 April 2011 chose Ernst & Young, S.L., one of the world's most highly reputed accounting firms.

The Annual Report for 2012 contains information on the auditing fees paid, which were not in excess of 0.15% of the company's turnover. The only service commissioned from the auditors in 2012 was accounts auditing; the absence of any other dealings with them safeguarded their independence.

Ernst & Young, S.L., audited the company's accounts for the second consecutive year in 2012. Their report of the 2011 accounts contained no reservations whatsoever. They have been the company's auditor for 8.7% (2 of 23) of the years in which its accounts have been externally audited.

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

5.3. National Office of the Comptroller General

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

Those funds are audited as part of the reporting process required of State-controlled organisations, further to

the provisions of the National Budget Act, Chapters III and IV, under the Title “State public accounting”. Further to this legislation, the respective accounts must be audited by the National Office of the Comptroller General, to which the company submits the year-end financial statements for the aforementioned funds on an annual basis.

5.4. Court of the Exchequer

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

5.5. Quality audit

As in the preceding fiscal year, in 2012 the results of the audit conducted on company procedures were highly satisfactory. In the absence of any non-conformities, its Quality Management System was found to be UNE-EN ISO 9001:2008-compliant. COFIDES has been certified under the aforementioned standard since 2005.

In 2013, the company will institute an environmental management system in its offices to comply with the legislation in effect.

Also in connection with quality, the company will continue to identify and implement new opportunities to improve customer satisfaction.

5.6. Audit on money laundering and terrorist financing

COFIDES's activity is subject to the legislation on the prevention of money laundering and the prevention and obstruction of terrorist financing. The company has consequently implemented a policy and procedures in this respect that are supplemented by its ongoing commitment to cooperate closely with the competent authorities.

Since 2012 it has a Procedures Manual on the Prevention of Money Laundering and the Prevention and Obstruction of Terrorist Financing, and all its employees receive specific training delivered by outside consultants specialising in the matter.

The first external audit in this connection is planned for 2013.

5.7. Other control, internal auditing and quality measures

In 2012, in fulfilment of its duties, the Control, Internal Audit and Quality Department engaged in the following activities:

- Monitoring of company objectives and indicators, as well as actions undertaken by its departmental areas in the implementation of the 2012-2015 Strategic Plan.



- Efficiency improvements in the preparation and quality of the management information furnished to COFIDES's decision-making bodies and the FIEX and FONPYME Executive Committees.
- Review of the company's operating procedures and adaptation to its new corporate structure.
- Review of the control of internal user access to the company's electronic files and adaptation to the new corporate structure.
- Review of procurement procedures by streamlining internal supplier control and circulating internal communications on the importance of these matters.
- Review of methodology and launch in December 2012 of a new survey to evaluate COFIDES's customer satisfaction.

COFIDES has also implemented a considerable number of specific measures to meet its objectives, related, among others, to improving operating efficiency, furthering commercial activity by reviewing operation eligibility, creating products specifically geared to SMEs, and implementing management innovations consisting of the in-house development of new risk control tools for the funds under COFIDES management.

6. RISK management

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

Given the nature of the business conducted, the main risk facing COFIDES, FIEX and FONPYME is credit risk. Others, such as risks associated with the company's internal (strategy and planning, operational and other financial risk), information and communication processes are also analysed and controlled.

6.1 Direct risks

6.1.1. Financial risks. Operation risk management policy

Throughout their life cycle, projects are subjected to active operational risk control by all company areas within their respective competencies. That notwithstanding, the Operations and Risk Areas, which focus respectively on the risk embedded in individual operations and the measurement and control of overall portfolio risk, are the departments most directly involved in operation risk.

The main portfolio risks identified include (i) market risk, (ii) credit risk, (iii) operational risk and (iv) social and environmental risk.

Over the years, COFIDES has developed a series of risk assessment, management and control criteria and procedures for both individual operations and for the portfolios under its management as a whole.

On the individual operation scale, the scope of these criteria and procedures covers all the stages of a project's life cycle: admission, approval, formalisation, monitoring, divestment and, as appropriate, recovery; in the aggregate, it includes the definition of risk concentration limits, portfolio yield-to-risk analysis and, as a company first in 2012, the definition and monitoring of compliance with the objectives set by benchmark portfolios.

The definition of optimal or benchmark portfolios is the basis for establishing medium-term strategic investment objectives for each of the funds managed, while shorter-term targets are designed as intermediate stages in the attainment of such ultimate objectives.

Hence, guidelines have been laid down to ensure that the growth envisaged in the 2012-2015 Strategic Plan is attained in keeping with criteria for optimising portfolio diversification by country, industry, product, credit rating and sponsor.

6.1.2. Risk mapping

COFIDES, coordinated by the Control, Internal Audit and Quality Department, purports to strengthen corporate risk control by implementing more systematic risk management. To that end, in late 2012 it undertook to map the company's risks as the initial stage in identifying and evaluating factors that may have an adverse effect on compliance with company objectives. In the present fiscal year, it will develop and monitor tighter controls during its internal audits, which will redound to improvements in company risk management overall.

7. INVESTEE companies

7.1 List of investee companies in FIEX operations

7.1.1. FIEX equity operations

| Company | Country | Business | Holding - amount | Holding - % | Investment in EUR | Value adjustment in EUR |
|--|---------------|-----------------------------|--------------------|-------------|-------------------|-------------------------|
| GESTAMP CARTERA MÉXICO, S.A. DE C.V. | Mexico | Automobile components | 550,351,799.00 MXN | 35.00% | 40,193,370.00 | 1,843,101.96 |
| SISTEMAS DE DESARROLLO SUSTENTABLE S.A. DE C.V. SDS | Mexico | Hazardous waste treatment | 29,517,054 MXN | 35.00% | 1,856,663.67 | 1,856,663.67 |
| THE CURRENCY EXCHANGE FUND, N.V.. | Netherlands | Currency market | 5,000,000 USD | 1.09% | 3,536,077.89 | 0 |
| PYMAR FUND LP | Argentina | Venture capital fund | 2,093,656.95 USD | 28.28% | 1,580,662.49 | 612,094.39 |
| AUREOS LATIN AMERICA FUND I.L.P. | Latin America | Private equity fund | 4,007,491 USD | 4.72% | 2,944,359.11 | 0 |
| SCHWARTZ HAUTMONT METAL SANAYI DIS TICARET LIMITED SIRKETI | Turkey | Steel structure manufacture | 3,226,800 TRY | 47.00% | 1,410,000.00 | 15,653.81 |
| TOTAL | | | | | 51,521,133.16 | 4,327,513.83 |

7.1.2. FIEX equity operations with embedded put option

| Company | Country | Business | Holding - Principal | Holding % | Investment in EUR | Value adjustment on principal in EUR |
|---|---------|---|---------------------|------------------|--------------------------------|--------------------------------------|
| BBB9 SPOLKA ZGRANICZONA ODPOWIEDZIALNOSCIA | Poland | Lighting fixture manufacture and commercialisation | 24,377,500.00 PLN | 49.00% 15.00% | 6,313,335.68 | 947,000.35 |
| SOLAR POWER PLANT ONE SPA (SPP1) | Algeria | Solar thermal power plant | 926,100,000 DZD | | 11,422,990.84 | 571,149.29 |
| CONCESIONARIA DE AUTOPISTAS DEL SURESTE, S.A. DE C.V. | Mexico | Infrastructure: transport | 140,827,100 MXN | 35.37% | 10,193,493.48 | 1,019,349.15 |
| TRADEBE ENVIRONMENTAL SERVICES, S.L. | USA | Urban and industrial waste management | 10,146,233.86 EUR | 39.64% 25.60% | 11,945,258.48 | 1,194,526.54 |
| GESTAMP HOLDING RUSIA S.L. | Russia | Automobile component plant construction | 25,000,000.00 EUR | 17.00% | 28,893,546.71 | 1,444,677.54 |
| BEFESA CTA QUINGDAO S.L. | China | Seawater desalination plant | 6,469,202.00 EUR | 26.56% | 7,052,050.44 | 705,205.44 |
| AUTOPISTA DEL NORTE S.A.C | Peru | Motorway construction and franchise | 55,587,980 PEN | 31.00% | 16,042,734.08 | 1,604,273.20 |
| GESTAMP HOLDING CHINA, A.B. | China | Automobile parts and components | 108,406,336 SEK | 24.30% | 12,832,987.68 | 641,649.73 |
| HN SCHORLING GMBH | Germany | Machinery, equip. and mechanical material manufacture | 4,500,000.00 EUR | | 5,066,782.21 | 760,017.13 |
| ABENGOA BIOENERGY MERAMEC RENEWABLE, INC. | USA | Bioethanol energy plant | 40,000,000.00 USD | 9.92% 11.00% | 37,330,154.77 | 3,733,015.47 |
| AUTOPISTA URBANA NORTE, S.A. DE C.V. | Mexico | Infrastructure: transport | 384,000,000 MXN | 12.00% | 22,545,724.87 | 2,254,572.48 |
| REGIO MÁRMOL, S.A. DE C.V. | Mexico | Calcium carbonate-based product manufacture | 53,296,955 MXN | 45.98% | 3,165,044.57 | 474,756.68 |
| GENERA AVANTE HOLDING CANADA, Inc. | Canada | Wind farm construction and operation | 12,554,000 CAD | | 10,219,107.17 | 1,021,910.72 |
| ATE IV - SÃO Mateus Transmissora de Energia, S.A. | Brazil | Power transmission line construction, operation and maintenance | 44,623,000 BLR | 24.09% | | |
| Abengoa Transmisión Sur, S.A. (ATS) | Peru | Power transmission line construction, operation and maintenance | 84,513,975 PEN | 38.90% | 17,315,095.44 25,042,597.31 | 1,731,509.55 2,504,259.73 |
| TOTALES | | | | | 225,380,903.73 | 20,607,873.00 |

7.2 List of investee companies in FONPYME operations

| Company | Country | Business | Holding - amount | Investment in euros | Value adjustment (Euros) |
|-------------------------------|---------|---|------------------|---------------------|--------------------------|
| CSC TRANSMETAL S.R.L. | Romania | Precision sheet metal working, press-forming and tooling, design and assembly of metal and electronic items | 4.23% | 75,000.00 | 75,000 |
| GRUPO EMPRESARIAL CUERVA S.L. | Panama | Hydro power plant construction | 19.80% | 1,968,172.12 | 196,817.21 |
| TOTALES | | | | 2,043,172.12 | 271,817.21 |

7.3 List of investee companies in COFIDES operations

| Company | Country | Business | Holding - amount | Holding - % | Investment in euros | Value adjustment (Euros) |
|--|------------|---|------------------|-------------|---------------------|--------------------------|
| CSC TRANSMETAL S.R.L. | Romania | Precision sheet metal working, press-forming and tooling, design and assembly of metal and electronic items | 105,554 RON | 1.41% | 25,000.00 | 25,000.00 |
| INDELOR LENS (THAILAND) CO.,LTD | Thailand | Lens production | 32,184,000 THB | 21.6% | 626,335.12 | 626,335.12 |
| EUROPEAN FINANCING PARTNERS | Luxembourg | | 6,000 EUR | - | 6,000.00 | 0 |
| INTERACT CLIMATE CHANGE FACILITY, S.A. | Luxembourg | | 6,000 EUR | - | 6,000.00 | 0 |
| TOTALES | | | | | 663,335.12 | 651,335.12 |

8. CODE OF ethics

Since 2005 COFIDES has had a code of ethics that addresses and explains the ethical commitments and principles that govern the company's business and the relationships that it attempts to maintain with its various stakeholders. The company's entire staff is aware of the existence of the code and is kept abreast of updates via so-called "Welcoming Seminars" available on the COFIDES intranet and published on its website. The review of the code initiated in 2012 is expected to be completed in 2013.

9. OTHER INFORMATION of interest

9.1 The corporate communication unit

The creation of this unit is envisaged in the 2012-2015 Strategic Plan to enhance COFIDES's internal and external communication and to consolidate its institutional relations.

The company's relations with its potential clients and human resources calls for a communication strategy that supplements its internal and commercial strategies. A line of action has therefore been designed that envisions a higher frequency of press releases, more active updating of the corporate website (www.cofides.es), enhanced participation in panel discussions and media interviews and a new design for in-house information.

In addition, company presentations, the conclusion of partnering agreements and participation in fairs and congresses have intensified relations with public and private institutions.

Corporate Communication is in charge of drafting press releases on company activities and the operations financed with the funds and resources managed, while designing a uniform corporate message and image.

The unit is also planning a transition toward a new model of communication characterised by on-line activity, favouring informational transparency and improving the company's communications with its clients, shareholders and staff. As part of this process, COFIDES has begun to design a new and more dynamic corporate website on which the information furnished can be updated more quickly and simply.

In 2012 COFIDES also initiated its presence in social networks to enhance interaction and favour the speedy and ongoing flow of information.

9.2 Public-private partnering

Public-private partnering is a form of cooperation between public authorities and economic actors. The specific aim is to finance, construct, renovate or exploit infrastructure or provide a service. Public-private partnering is present in transport, public health, education, security, waste management and water and energy supply. Europe-wide, such partnerships contribute to the implementation of the European growth initiative and the Trans-European Transport Network (TEN-T).

Public-private partnering is characterised by:

- The duration of the relationship between the partners.
- The project financing arrangements.
- The partners' role in definition, conceptual design, construction, application and financing.
- The distribution of risks.

9.3 COFIDES's contribution to the internationalisation of the Spanish economy

In the present critical economic context, the first element of COFIDES's mission has acquired particular significance. A need to determine the impact of the company's business on the strengthening of parent companies engaging in internationalisation or the drawing power exerted by large Spanish companies on SMEs pondering ventures abroad has led to the proposal of in-house mechanisms and methodologies to measure such parameters.

Internationalisation entails indirect benefits for the national productive fabric, driving modernisation, competitiveness, growth and employment, in addition to burnishing Spain's image in host countries.

The data gathered on these variables for operations already in the portfolio in 2012, formalised with Spanish companies receiving COFIDES financing of whatever nature for investment abroad, are summarised below.

Employment in Spain in companies financed (portfolio on 31/12/12)

- 100% maintained productive activity in Spain.
- 59% (77% of the SMEs) created or maintained jobs in Spain.
- 34% (43% of the SMEs) created jobs in Spain.

Other characteristics (operations formalised in 2012)

- 2.22% of the Spanish parent companies benefited from know-how transfer thanks to their subsidiaries' association with a local company.
- 22.22% exported Spanish capital goods when embarking on their investment abroad.
- 28.88% have guaranteed their security of supply thanks to their foreign investment.

2012

corporate governance report

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