

2014 Annual Corporate Governance Report

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



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1. Company identification

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

Tax ID No.: A-78990603

Registered office: At 31st December, Calle del Príncipe de Vergara 132, 9th and 12th floors - 28002 Madrid.

Website: www.cofides.es

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

2. Nature of the organisation

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

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

SHAREHOLDER	CAPITAL HOLDING (%)
ICEX Spain Trade and Investment -ICEX-	25.74
Official Credit Institute -ICO-	20.31
Banco Bilbao Vizcaya Argentaria, S.A. -BBVA-	16.68
Banco Santander, S.A.	11.83
Banco Popular Español, S.A.	8.34
Banco Sabadell, S.A.	8.33
Empresa Nacional de Innovación, S.A. -ENISA-	7.63
CAF Development Bank of Latin America -CAF-	1.14
TOTAL	100

Changes in the shareholder structure: In 2014 the company's private shareholding was redistributed. By virtue of the deed of sale concluded on 16th December 2014, formalised by Public Notary of Madrid Fernando Molina Stranz and filed under his protocol at number 1,338, in which Banco Bilbao Vizcaya Argentaria S.A. sold 75 shares to CAF Development Bank of Latin America, representing (1.14%) of the 6,555 shares in which COFIDES capital is divided, so BBVA no longer exercises 17.82% of the stake in the capital, moving to the holdings shown in the above table.

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

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

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

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

- j) To buy into the capital of other companies.
- k) To evaluate, for third-parties the risks of private investment operations, and to provide agreements for Investment Fund involvement.
- l) Additional related activities or complementary to the above, or in any way necessary or convenient or conducive to the development of Spanish export promotion and economic development.
- m) The company may not receive funds or deposits from the public, in any of its categories, irrespective of the purpose for which they are intended.
- n) The social purpose excludes all those activities subject to specific regulatory standards that are not fulfilled by the Company.

3. Decision-Making bodies

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

- General Meeting of Shareholders
- Board of Directors
- Chairman

3.1. GENERAL MEETING OF SHAREHOLDERS

3.1.1. Denomination: General Meeting of Shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

3.1.9. Key decisions:

- General Shareholders Meeting of 30th April 2014 in which accounts for year ended 31st December 2013 were approved, auditors were re-elected, the ICO stepped down and Mr. Antonio Bandrés was appointed in their place.
- Extraordinary General Shareholders Meeting on 25th June 2014, where agreements to accept the resignation of Mr. Alberto Conde del Campo and to appoint Mr. Alberto Pagan Díaz were adopted.
- Extraordinary General Shareholders Meeting on 24th September 2014, where agreement to remove Mr. Rafael Garranzo García was adopted, and named Ms. Monica Colomer de la Selva to replace him.

3.2. BOARD OF DIRECTORS

3.2.1. Denomination: Board of Directors.

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



3.2.3. Structure and composition:

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

The members of COFIDES's present Board of Directors on 31st December 2014 are as follows:

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Salvador Marín Hernández

MEMBERS OF THE BOARD

(on 31st December 2014)

José Ángel Amor Atienza (Appointed at the proposal of Banco Popular Español S.A.)

Antonio Bandrés Cajal (Appointed at the proposal of Official Credit Institute - ICO)

Rosario Casero Echeverri (Appointed at the proposal of Official Credit Institute - ICO)

Mónica Colomer de Selva (Appointed at the proposal of ICEX Spain Trade and Investment)

José Corral Vallespín (Appointed at the proposal of Banco Santander S.A.)

Javier Estévez Zurita (Appointed at the proposal of Banco Bilbao Vizcaya Argentaria S.A.)

Alberto Gómez Nicolau (Appointed at the proposal of Banco Santander S.A.)

Roberto Pagán Díaz (Appointed at the proposal of Banco Bilbao Vizcaya Argentaria S.A.)

Eulalia Ortiz Aguilar (Appointed at the proposal of ICEX Spain Trade and Investment)

Francisco Javier Puig Asensio (Appointed at the proposal of Banco Sabadell S.A.)

María Simó Sevilla (Appointed at the proposal of Empresa Nacional de Innovación S.A. & ICEX Spain Trade and Investment)

GENERAL COUNSEL, NON-MEMBER

Ana Victoria Fernández Sáinz de la Maza

3.2.4. Process for determining composition, training, support and diversity indicators:

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

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

Moreover, all members have explicitly stated that they are free from conflicts of interest described in Act 5/2006

of 10th April on the Regulation of Conflicts of Interest among Members of Government and Senior State Officials or in the Community of Madrid Act 14/1995 of 21st April on Conflicts of Interest among Senior Officials; and they have been neither indicted nor tried in penal or mercantile proceedings.

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

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

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

NUMBER OF MEMBERS OF THE BOARD

TYPE	TOTAL	WOMEN
Chairman	1	0
Directors		
Shareholders Representatives	3	2
Independents	8	2
TOTAL	12	4

3.2.5. Resignations, dismissals and appointments throughout the year:

RESIGNATIONS

Mar Turrado Alonso
Direct Finance Subdirector of Direct Finance
In Official Credit Institute -ICO- (Resignation accepted by the Board on 29/01/14)

Official Credit Institute -ICO-
(termination by General Meeting Shareholders agreement on 30/04/14)

Rafael Garranzo García
(Resignation accepted by General Meeting Shareholders agreement on 25/09/14)

APPOINTMENTS

Official Credit Institute -ICO-
(Board Agreement on 29/01/14)

Antonio Bandrés Cajal
Head of Corporate Loans, Syndication and International Business
In Official Credit Institute -ICO- (General Meeting Shareholders on 30/04/14)

Mónica Colomer de Selva
Cooperation Director for Latin America and the Caribbean
Agencia Española de Cooperación Internacional para el Desarrollo - AECID
(General Meeting Shareholders on 25/09/14)

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

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

José Ángel Amor Atienza
Antonio Bandrés Cajal
Mónica Colomer de Selva
José Corral Vallespín
Javier Estévez Zurita
Alberto Gómez Nicolau
Francisco Javier Puig Asensio
Eulalia Ortiz Aguilar
Roberto Pagán Díaz

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

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

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

3.2.8. Meeting announcements. Procedure. Confidential matters and proxy voting:

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

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

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

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

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

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

The Board of Directors shall be validly constituted when attended the Board meeting, present or represented, half plus one of its components.

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

The discussions and resolutions shall be kept in a Minute Book, which will be signed by the Chairman and secretary.

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

3.2.9. Agreement Adoption Policy:

The Board of Directors will be validly constituted when attended the Board meeting, present or represented, half plus one of its components.

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

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

The discussions and resolutions shall be kept in a Minute Book, which will be signed by the Chairman and secretary.

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

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

3.2.10. Number of meetings and major decisions:

Number of Board of Director meetings: 11 face to face meetings and 2 non-face-to-face meetings in 2014.

Number of face to face meetings at which some of the members were neither present nor represented: none. All Board members attended all COFIDES Board of Director meetings held in 2014.

Among the resolutions adopted by the Board of Directors, the 26th of February should be highlighted, as being when the change of head offices was agreed with the following opportunity criteria; (i) Implementation of the "Ventana Global" for internationalisation promoted by the Ministry of Economy and Competitiveness through the State Secretary of Commerce, (ii) Improve efficiency and customer service, (iii) Promote an increased customer flow, (iv) Meet the needs for space resulting from the present and expected growth of COFIDES activity, (v) To promote, by having an auditorium, the development of an integrated corporate communication strategy of the company, enhancing, for example, sectorial acts in its own head offices, bringing it closer to the users of the company's tools, specialised media and/or future strategic partners or creating a sponsored professorship by COFIDES and (v) To take advantage of the maturity of the current lease.

3.2.11. Performance evaluation of the Board of Directors:

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

3.3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

3.3.2. Remuneration: The remuneration paid to the COFIDES Chairman, further to the service contract concluded by the parties, which was approved by the Government's Corps of Legal Advisers, is lower than the maximum sums laid down in Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market, Royal Decree

451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions and the respective legislation on their implementation.

3.3.3. Per Diem for attending Board of Directors meetings: Further to Royal Decree 3/2012 of 10th February on Urgent Measures to Reform the Labour Market and Royal Decree 451/2012 of 5th March Regulating the System for Remunerating Senior Managers in Public Enterprise and other Institutions, the COFIDES Chairman is not paid per diem for attending Board of Directors meetings.

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

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

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

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

4. Internal management committees

4.1 Steering Committee



4.1.1. General operating rules

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

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

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

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

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

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

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

4.1.2. Powers and duties

It is the role of the Steering Committee to advise the CEO and to perform the analysis and make the Board of Directors or the Board aware of those matters within the jurisdiction of these decision makers. It is also the Committee's role to provide assessment and analysis of strategic issues, both general and specific that need to be raised to the Board of Directors or Board to ensure the smooth operation of company affairs, its duties include but are not restricted to:

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

4.1.3. Composition

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

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

4.1.4. Remuneration

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

4.1.5. Indemnities for senior management dismissal

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

5. Corporate governance

5.1. Risk Areas

Within the COFIDES structure, this area manages and controls the risk of individual operations at the aggregate level of the portfolios under their management (COFIDES own resources, FIEX and FONPYME). In particular they have the following responsibilities:

- Determination and control of medium and long-term risk parameters affecting the funds under management.
- Design of an optimal portfolio risk management system and guidelines for commercial tasks; definition and control of optimum portfolios.
- Macro and micro-studies geared to attaining the defined objectives.
- Qualitative assessment of investment reports and monitoring of projects issued by the Operations Department.

5.2. Control, Internal Auditing and Quality

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

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

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

5.3. Code of Ethics

During 2014 the Company's Code of Ethics, which is still valid, remains in its revised state of 2013. It is published on the website.

6. Control systems

6.1. Accounts auditing

Of the three candidates nominated to audit the company's accounts, the Regular General Meeting of Shareholders held on 26th April 2011 chose Ernst & Young SL for a period of three years, having extended their appointment by two years at the Annual General Meeting of Shareholders held on 30th April 2014. This firm is one of the world's most highly regarded accounting firms.

The Annual Report for 2014 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 2014 was accounts auditing; the absence of any other dealings with them safeguarded their independence.

The audit of the accounts for 2014 is the fourth conducted by Ernst & Young, not having presented, as well as audit of accounts for the years 2011, 2012 and 2013, any reservation or qualification. This is the fourth consecutive year that Ernst & Young SL have performed the audit of the company. The number of years that the current audit firm has audited the financial statements of the company over all previous years represents 15.4% (4 out of 26).

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

6.2. General Intervention board of the State Administration

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

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

2014 has been audited without any observations.

6.3. Court of auditors

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

In 2014, the Court of Auditors began its audit of 2012 and 2013.

6.4. Quality Audit

In 2014, the Company renewed its Certificate of Quality Management System for another 3 years, in accordance with the UNE-EN ISO 9001:2008 standard. COFIDES has been certified in this standard since 2005.

6.5. LOPD Actions

During the year, work was performed on updating the Security Document to introduce technical aspects linked to the technology renewal undertaken by the Company. The adaptation of this document updates the internal procedures established in the prevention of money laundering and the financing of terrorism.

6.6. Other control measurements, internal auditing and quality measures

In 2014, the Control Area, Internal Audit and Quality Department as well as its internal audit activities on key operational processes related to the business of the Company have also undertaken the following special projects:

- Revision and verification of certain data management techniques that have contributed to improving the quality of information available on computer systems.
- Construction of a functional cost accounting model.

7. Risk management

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

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

7.1 Direct risks

7.1.1. Financial risks. Operation risk management policy

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

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

The definition of optimal portfolio beholds the objectives of quantitative portfolio growth in the 2012-2015 Strategic Plan by establishing guidelines for such growth according to medium term optimisation criteria regarding both credit quality of the investment as well as the portfolio diversification by country, sector, product and promoter.

Additionally, taking the Circular 4/2004 of Bank of Spain as a reference, the Company has defined a policy for the classification of assets in the portfolio and a hedging policy for impairment of individual value, operation by operation, based on the findings of financial-economic development of each of them and the statistical analysis of the historical evolution of funded COFIDES. For this purpose regular meetings of the Economic and Financial Operations and Risk areas for the implementation of the policy coverage impairment are also retained.

All the above elements are collected and detailed in the Internal Control Procedures Manual Risk Portfolio.

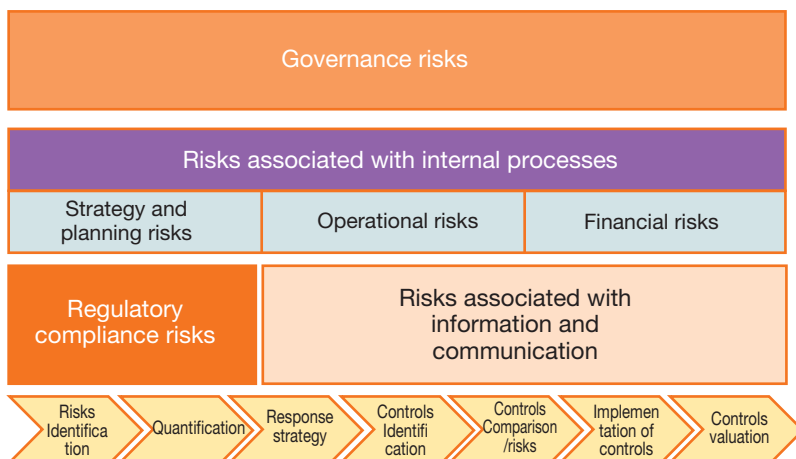
7.1.2. Risk Mapping

During 2014, COFIDES has continued to mitigate the identified risks in its Corporate Risk Map by developing various Action Plans, which are linked to objectives and internal performance commitments. The Corporate Risk Map was prepared by its management supported by external expertise.

At year-end 2014, according to the monitoring of the Risk Map carried out by the Control, Internal Audit and Quality departments, it was concluded that these Action Plans were executed successfully and almost entirely completed.

Also it shows that the control variation over the identified potential risks is positive and improves existing levels of the Company global control. In this sense, COFIDES has been able, in a focused way to mitigate risk levels by implementing new internal control measures and by introducing or adapting resources in the Company.

For the 2015 financial year, risks and market strategy, potential operational risks derived from the growth of the Company as well as those relating to technology and information or compliance shall remain subject to special monitoring.



8. Companies and participating companies

8.1 List of participating companies in FLEX operations

8.1.1. FLEX operations of Open-Capital

Participating Companies	Country of registration	Amount invested	% Stake	Investment EUR	Value Adjustment
The Currency Exchange Fund, N.V. (TCX)	Holland	5,000,000 USD	1.09%	3,536,008	0
SDS S.A. De C.V.	Mexico	29,517,054 MXN	35%	1,856,664	1,856,664
PYMAR FUND LP	USA	2,821,754,65 USD	28.28%	2,130,437	956,893
Áureos Latin America Fund I, LP	Canada	4,414,623,65 USD	4.72%	2,849,237	0
Schwartz Hautmont Metal Sanayo dış ticaret limited şirketi	Turkey	3,226,800 TRL	47.00%	1,410,000	264,520

8.1.2. Capital-Interest FLEX operations

Participating Companies	Country of registration	Amount invested	% Stake	Investment EUR	Value Adjustment
Gestamp Holding Rusia S.L.	Spain	25,000,000 EUR	23.60%	31,533,403	709,502
HS Fahrzeugbau GmbH (before HN Schorling GMBH)	Germany	4,500,000 EUR	24.30%	5,571,306	5,571,306
BBB9 Spolka Zograniczona Odpowiedzialnoscia	Poland	24,377,500 PLN	49.00%	5,738,125	1,147,625
Gestamp Holding China, AB	Sweden	108,406,336 SEK	31.00%	14,032,223	263,806
Befesa CTA Qingdao, S.L.*	Spain	6,469,202 EUR	17.22%	7,722,461	308,898
Solar Power Plant One Spa (SPP1)	Algeria	926,100,000 DZD	15.00%	12,968,752	518,750
Concesionaria de Autopistas del Sureste SA de C. V.	Mexico	140,827,100 MXN	35.37%	11,092,143	443,686
Concesionaria Autopista del Norte, S.A.C.	Peru	94,064,382 PEN	40.00%	28,170,825	1,126,833
Abengoa Bioenergy Meramec Holding, INC	USA	40,000,000 USD	49.00%	40,716,863	1,628,675
Autopista Urbana Norte, S.A. de C.V.	Mexico	425,444,971 MXN	8.2%	25,000,000	1,000,000
ATE IV – SÃO Mateus Transmissora de Energia, S.A.	Brazil	44,623,000 BLR	23.88%	19,140,976	765,639
Genera Avante Holding Canada, INC.	Canada	7,105,209 CAD	45.98%	7,442,888	297,715
Regio Mármol, S.A. de C.V.	Mexico	150,080,198 MXN	35.20%	9,957,996	398,320
Mursolar XXI	Spain	40,000,000 EUR	35.00%	41,639,357	936,886
Silicon Smerters Proprietary Limited	South Africa	44,004,800 ZAR	14.00%	12,414,014	496,561
Contralodara Hoyo1, SA de C.V.	Mexico	114,879,700 MXN	33.00%	6,846,616	237,902

* Divestment produced in January 2015

8.2 List of participating companies in FONPYME operations

Participating Companies	Country of registration	Amount invested	% Stake	Investment EUR	Value Adjustment
Hidroeléctrica San Lorenzo, S.A.	Panama	3,798,000 USD	37.76%	3,751,131	150,045

9. Other information of interest

9.1. External Corporate Communication unit

Throughout 2014, the Corporate External Communications unit maintained the continuous effort to reinforce the Company communication, consolidating its corporate image and institutional relations. Thus, they fulfilled a triple commitment: to ensure transparency, provide quality information and strengthen the corporate image and business development of the Company.

With these goals, it has continued to increase activity through press releases, participation in media interviews, panel discussions, presentations and debates.

2013 saw the launch of a new corporate website (www.cofides.es), combining dynamic design with more and better information, as well as incorporating a private area for easy access to shareholder documentation for the members of the Board of Directors and Executive Committees. COFIDES has gone a step further and has launched an external newsletter, a tool that will serve to strengthen the communication of the Company to a wider audience.

They have also established institutional relations in the public and private sectors, through the organisation of the COFIDES Inaugural “Internationalisation Advancement” Awards and company presentations, the signing of cooperation agreements and participation in trade fairs and conferences.

It has also continued its involvement in Exportar para Crecer program (Export for Growth), an initiative involving companies with high levels of activity and presence in the Corporate Governance area.

In order to obtain greater transparency with customers and potential users, COFIDES has intensified its social media presence, being active on both Twitter and LinkedIn, providing information on the activities undertaken by the Company.

Within the activity and experience as a development finance institution, COFIDES has actively participated in the EDFI communication by increasing its presence in the corporate communication of this association, stressing the benefits that development financing can offer.

Edited by:

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