

2015 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: Paseo de la Castellana 278, 28046 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
Development Bank of Latin America -CAF-	1.14
TOTAL	100

Changes in the shareholder structure: During 2015 there have been no changes in the shareholder structure of the Company.

Ministry Alignment: Although COFIDES, as a state-controlled trading company owned mostly by the public sector entities but not entirely owned by the General Administration of the State or of its public organisms and lacks a Ministry of guardianship, it may be understood as being a company dependent on the practice of the Ministry of Economy and Competitiveness through the State Secretariat for Trade.

State-controlled trading company class: By virtue of a Ministerial Order of 30th March 2012, where the state-controlled trading company classification was approved in compliance with Royal Decree 451/2012 of 5 March, 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, 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 Spanish companies or the Spanish economy.

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 complementary to the above, or in any way necessary, 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 General Meeting of Shareholders 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 General Meeting of Shareholders.

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: Since 2013, a system for Meeting announcements and communication with shareholders on the COFIDES website has been implemented.

3.1.9. Key decisions:

- In the General Shareholders Meeting of 4th May 2015, the accounts for year ending 31st December 2014 were approved, and the COFIDES bylaws were modified to incorporate the new business address and to adapt them to Law 31/2014 of 3rd December, amending the Capital companies Act for the improvement of corporate governance
- In the Extraordinary General Shareholders Meeting of 29th September 2015, an agreement was reached to replace Ms. Eulalia Ortiz Aguilar with Ms. Mar Casanova Llorens.
- In the Extraordinary General Shareholders Meeting on 28th October 2015, an agreement was reached to accept the resignation of Ms. María Simó Sevilla and replace her with Mr. José Antonio Zamora Rodríguez.

3.2. BOARD OF DIRECTORS

3.2.1. Denomination: Board of Directors.

3.2.2. Duties: The Board of Directors is responsible for the 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, for the companies in the Group 2, 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 2015 are as follows:

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Salvador Marín Hernández.

MEMBERS OF THE BOARD

(on 31st December 2015)

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

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

Ms. Mar Casanova Llorens
(Appointed at the proposal of ICEX Spain Trade and Investment)

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

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

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

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

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

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

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

Mr. José Antonio Zamora Rodríguez
(Appointed at the proposal of Empresa Nacional de Innovación S.A. & ICEX Spain Trade and Investment)

GENERAL COUNSEL, NON-MEMBER

Ms. 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 five 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 on Decision-Making bodies of 10th April on the Regulation of Conflicts of Interest among Members of Government until 20th April 2015, or, where applicable, by Law 3/2015 of 30th March, which regulates the exercising of senior officials of the Government, as of the date of their respective appointment, and by Act 14/1995 of 21st April on the Conflicts of Interest among Senior Officials; and that 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, out of a total of twelve, 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".

Three of the twelve board members, or 25% are women and the remaining nine, or 75% are men.

NUMBER OF MEMBERS OF THE BOARD

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

3.2.5. Changes throughout the year:

STEPPING DOWN

Ms. Eulalia Ortiz Aguilar
 Chief of Staff - State Secretariat for Trade
 (termination by General Meeting Shareholders agreement on 29/09/15)

Ms. María Simó Sevilla
 Sub-Director General of Institutional Environment and Innovation
 Programmes for SME, General Directorate of Industry and SMEs
 (Resignation accepted by the Board on 28/10/15)



APPOINTMENTS

Ms. Mar Casanova Llorens
Executive advisor to the State Secretariat for Trade Office
(Board Agreement on 29/09/15)

Mr. José Antonio Zamora Rodríguez
Deputy Director General for International Trade in Services and Investment
Directorate General of International Trade and Investment
Ministry of Economy and Competitiveness
(Board Agreement on 28/10/15)

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:

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

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

According to the Order issued by the Minister of Finance and Public Administration dated 8th January 2013, members of the COFIDES board received per diem allowances for attending Board of Director meetings that on no occasion exceeded the ceiling laid down in the aforementioned Order.

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 member of the board 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.

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

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

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.

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

It is important to note that during 2013 the Regulations of the Board, which regulates extensively all these issues, was approved and a new system of meeting announcements of the Council was implemented, through a private area of the website, with its amendment approved by the Steering Committee in 2015 (although it was raised to the Board of Directors in 2016).

3.2.9. Agreement Adoption Policy:

Once the Board is validly constituted, 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.

Meeting Minutes shall be drawn up, 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.

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

The Meeting Minutes are included in a Minutes book that will be legalised electronically on a yearly basis.

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: In 2015, eleven face-to-face meetings were held and two non-face-to-face meetings.

Number of face-to-face meetings at which some of the members were neither present nor represented: none. In 2015, all Board members attended all COFIDES Board of Director meetings.

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 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 assume the Company's management and inspection of the services provided.
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 Chief Executive Officer of the Company.
7. The powers delegated to him by the Board of Directors.

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. Advisory committees and internal management



4.1. STEERING COMMITTEE

4.1.1. General operating rules

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

The Steering Committee is held on the dates determined at the first meeting of each month, 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 prior to 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 to be reviewed 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.

For the Steering Committee to be able to discuss the various items integrated into the agenda. 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 responsibility 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 responsibility 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 AREA

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, FIEEX 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 an optimal portfolio risk management system and guidelines for commercial tasks; definition and control of optimum portfolio.
- Macro and micro-studies geared to attaining the defined objectives.
- Qualitative assessment of investment reports and monitoring of projects issued by the Operations Area.

5.2. CONTROL, INTERNAL AUDITING AND QUALITY

COFIDES strengthens its risk control duties 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.
- Report 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 deputy director of this area should also ensure the safety for protecting personal data in the company's possession for the intents and purposes of compliance with the Data Protection Law (LOPD).

5.3. CODE OF ETHICS

Throughout 2015, the Company's Code of Ethics remained in effect, which remains in its revised 2013 version. It is published on the website, and its revision and update is foreseen in 2016.

Steering Committee is responsible for the Company's Code of Ethics.

In the initiation sessions for new employees of the Company, they are informed of its content.



▶ 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, Ernst & Young S.L. was chosen for a period of three years, having extended their appointment by three 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.

In the Annual Report for 2015, information on the auditing fees is included, which were not in excess of 0.15% of the Company's turnover. The only service commissioned from the auditors in 2015 was accounts auditing; the absence of any other dealings with them safeguarded their independence.

The audit of the accounts for 2015 is the fifth conducted by Ernst & Young, not having presented, as well as audit of accounts for the years 2011, 2012 2013 and 2014 any reservation or qualification. This is the fifth 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 18.5% (5 out of 27).

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.

The year 2015 is currently being audited now.

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 began the audit of the years 2012 and 2013, having issued the report of said audit in 2015.

6.4. QUALITY AUDIT

In 2015 the first follow-up audit of the Certificate of Quality Management Systems of the Company's

fourth cycle was successful, in accordance with the UNE-EN ISO 9001:2008 standard. COFIDES has been certified in this standard since 2005.

The report reflects that there is adequate control of the operations cycle and that the system is suitably supported by both the internal audit as well as the system revision. In addition, in relation to the aforementioned audits, it was observed that there was a greater degree of specialisation.

From the next fiscal year COFIDES will progress the adaptation of the requirements related to the 2015 version of the standard.

6.5 DATA PROTECTION LAW (LOPD) ACTIONS

For the financial year 2015, the obligation to carry out an external biennial audit in the field of data protection was met, the conclusion of which was favourable. Furthermore, during the year, attention was also paid to various actions regarding revision of the clauses in the field of data protection in contracts and communications, some of them caused by the change of location. Likewise, the Privacy Policy was revised to better adapt to the different purposes of processing data of a personal nature.

6.6. EXTERNAL AUDIT FOR 2014 REGARDING PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

In 2015, an external audit on the prevention of money laundering and terrorist financing for 2014 took place. The conclusion was as follows: *"The Institution has an Internal Procedures PBC / FT Handbook, updated during the fiscal-examined year to adapt to the regulatory changes that were put in place. The entity has a Risk Analysis report (Risk Self-Assessment). The Entity has External Expert Report of 2013.*

Overall, the Entity carried out the implementation of procedures for PBC / FT at an operational level, having implemented the requirements regarding due diligence measures and basic training to all employees in accordance with the amendments to the legislation".

6.7. IMPLEMENTATION OF REGULATORY COMPLIANCE MODEL

In 2015, a regulatory compliance map of the Company was carried out by an external expert. This will be periodically updated during 2016 together with an annual compliance monitoring report.

6.8. IMPLEMENTATION OF CRIMINAL PREVENTION RESPONSIBILITY MODEL

In 2015, an external consultant undertook a diagnostic report on the criminal risks of the organisation and management model of COFIDES, in order to assess the Company's ability to meet the demands of the Spanish Criminal Code, required under the reform mandated by the Organic Law 1/2015 of 30th March.

The aforementioned report included a criminal risk map, as well as a series of recommendations for the implementation during 2016 of the criminal responsibility prevention model. By the end of 2016, protocols and compliance verification will be carried out by an external expert.



6.9. OTHER CONTROL MEASUREMENTS, INTERNAL AUDITING AND QUALITY MEASURES

In 2015, 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, carried out with the support and cooperation of the rest of the management, the following special projects:

- Revision and update performances of the internal regulations related to supplier recruitment, with the explicit development of an internal regulation on the prevention of conflict of interests. Also in compliance with the transparency standards, COFIDES reports on its awarded contracts through the Public Sector Procurement Platform.
- 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 risk policy 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; at a portfolio level, establishing concentration limits, return/risk analysis and the tracking of deviations from the parameters of the optimal portfolios.

The definition of an 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 investment credit quality, as well as portfolio diversification by country, sector, product and promoter.

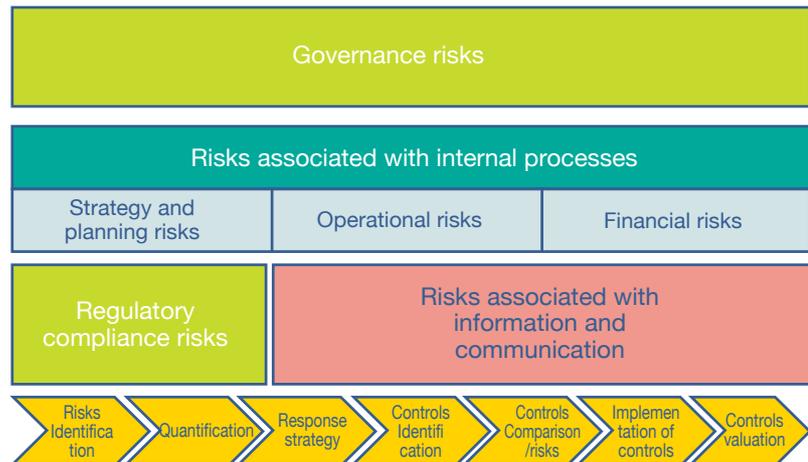
Additionally, taking the Circular 4/2004 of Bank of Spain as a reference, the Company has defined a policy for the classification of assets in the portfolio and a hedging policy for impairment of individual value, operation by operation, based on the findings of financial-economic development of each of them and the statistical analysis of the historical funded evolution of 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 2015, 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.

On completion of the 2012-2015 Strategic Plan development, according to the monitoring of the Risk Map carried out by the Control, Internal Audit and Quality departments, it was concluded that the Action Plans provided for main risk mitigation were successfully executed through the implementation of reinforced internal control measures and by introducing or adapting resources in the Company.



For the 2016 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 FIEX OPERATIONS

8.1.1. FIEX Open-Capital Operations

Participating Companies	Country of registration	Amount invested	% Stake	Investment €	Value adjustment
The Currency Exchange Fund, N.V. (TCX)	Netherlands	5,000,000 USD	1.12%	3,536,078	0
SDS S.A. de C.V.	Mexico	29,517,054 MXN	35.00%	1,856,664	1,856,664
PYMAR FUND LP	USA	2,821,755 USD	28.28%	2,298,877	956,893
Áureos Latin America Fund I, LP	Canada	4,414,624 USD	4.72%	2,944,086	0
Schwartz Hautmont Metal Sanayo diř ticaret limited řirketi	Turkey	3,226,800 TRL	47.00%	1,410,000	264,520
COPIHUE CAPITAL I FONDO DE INVERSIÓN PRIVADO	Chile	500,000 USD	24.51%	459,348	0
Alteralia, S.R.L.	Luxembourg	5,843,750 EUR	21.25%	5,843,750	0

8.1.2. FIEX Capital-Interest Operations

Participating Companies	Country of registration	Amount invested	% Stake	Investment €	Value adjustment
Gestamp Holding Rusia, S.L.	Spain	25,000,000 EUR	23.60%	32,752,697	736,936
HS Fahrzeugbau GmbH (before HN Schorling GmbH)*	Germany	4,500,000 EUR	24.30%	5,829,820	5,829,820
BBB9 Spolka Zograniczona Odpowiedzialnoscia	Poland	24,377,500 PLN	49.00%	4,898,484	489,848
Gestamp Holding China, AB	Sweden	108,406,336 SEK	31.00%	14,573,750	273,987
Solar Power Plant One Spa (SPP1)	Algeria	926,100,000 DZD	15.00%	12,137,868	2,427,574
Concesionaria de Autopistas del Sureste, S. A. de C. V.	Mexico	140,827,100 MXN	35.37%	11,561,522	462,461
Concesionaria Autopista del Norte, S.A.C.	Peru	94,064,382 PEN	40.00%	29,500,477	1,180,019
Abengoa Bioenergy Meramec Holding, INC	USA	40,000,000 USD	49.00%	42,372,579	14,830,403
Autopista Urbana Norte, S.A. de C.V.	MEXICO	425,444,971 MXN	8.20%	25,000,000	1,000,000
ATE IV-SÃO Mateus Transmissora de Energia, S.A.	Brazil	44,623,000 BLR	23.45%	20,071,037	4,014,207
Genera Avante Holding Canada, INC.	Canada	7,105,209 CAD	45.98%	6,972,990	278,920
Regio Mármol, S.A. de C.V.	Mexico	150,080,198 MXN	35.20%	10,473,521	1,047,352
Mursolar XXI	Spain	40,000,000 EUR	35.00%	43,189,087	971,754
Silicon Smerters Proprietary Limited	South Africa	44,004,800 ZAR	14.00%	12,949,382	517,975
Contralodara Hoyo1, SA de C.V.	Mexico	114,879,700 MXN	33.30%	7,007,304	280,292
South East U.P. Power Transmission Company	India	1,326,825,061 INR	14.67%	18,481,406	739,256
Reig Jofre UK Ltd.	Unit. Kingdom	1,987,000 GBP	49.00%	2,895,474	65,148
Electron Invesmetns, S.A.	Panama	17,850,014 USD	14.45%	16,262,011	365,895

* Divestment produced in February 2016

8.2. LIST OF PARTICIPATING COMPANIES IN FONPYME OPERATIONS

Participating Companies	Country of registration	Amount Invested	% Stake	Investment €	Value adjustment
Hidroeléctrica San Lorenzo, S.A.	Panama	3,798,000 USD	37.76%	4,469,591	178,784

8.3. LIST OF PARTICIPATING COMPANIES IN COFIDES OPERATIONS

Participating Companies	Country of registration	Amount Invested	% Stake	Investment €	Value adjustment
South East U.P. Power Transmission Company	India	265,365,019 INR	3.17%	3,696,281	147,851
Electron Investments, S.A.	Panama	3,150,002 USD	2.55%	2,869,767	64,570

▶ 9. Compliance system on anti-corruption

Since 2013, COFIDES has had an anti-corruption compliance system designed to prevent, detect and sanction any breach of rule or principle on anti-corruption.

Since 2001, COFIDES has collaborated with the OECD National point of contact in Spain, assigned to the General Directorate for Trade and Investment in the broadcasting of the Convention on Combating Bribery of Foreign Public Officials by including a copy of it in all its funding project contracts, all of which have a compliance clause incorporated. Furthermore, in 2005, COFIDES was included in the “United Nations Global Compact”.

The system is driven by the management of the Company and reaches all employees, officers and directors of the Company.

With the cooperation of the Ministry of Justice and the Ministry of Economy and Competitiveness, COFIDES in 2015 organised a training day for the Company on anti-corruption.

So far, no cases of corruption have been detected, therefore activation of the measures provided in the operating procedure has not been required.



Anti-corruption training day



▶ 10. System of money laundering compliance

With the vital aim of preventing the risk of money laundering operations, COFIDES has made a comprehensive operational process available since 2012, the basic document of which is the procedure on the Prevention of Money Laundering and Financing Terrorism Manual. This was last updated in 2015 with the aim of adapting the document to Royal Decree 304/2014, of 5th May, which approved the Regulation of Law 10/2010 of 28th April on the prevention of money laundering and terrorist financing.

The Company has a representative in SEPBLAC, who is an authorised SEPBLAC individual. SEPBLAC is an Internal Control Body (ICB), and since 2015 has been a specialised Technical Unit. The Steering Committee at its meeting of 23rd September 2014, approved the submission of a Risk Analysis report to the Board, that was approved on 24th September 2014. Its validity has remained unchanged and once this was assessed by the ICB at its meeting on 26th October 2015, it was agreed, after a previous assessment that it was not necessary to make any amendments. This has helped to maintain the low level of risk in the operations of the Company.

All of these measures are backed up with an annual training plan for staff and directors, which has been in place since 2012. An annual review by external experts that also dates back to that period.

▶ 11. Other information of interest

11.1. EXTERNAL CORPORATE COMMUNICATION UNIT

In 2015, the Corporate Communications unit has continued the strategy of previous years in order to strengthen the Company communication and consolidating its corporate image and institutional relations.

Thus, it has fulfilled a triple commitment: to ensure transparency, provide quality information and strengthen the corporate image and business development of the Company.

To this end, it has increased the volume of press releases and has maintained its involvement in talk shows, panel discussions and interviews in the media, which has resulted in the dissemination and increased awareness of the Company.

In order to strengthen its communication with customers, shareholders and institutions with which it cooperates, COFIDES has developed an external newsletter which provides updates of the most important activities of the Company in a timely manner.

In this field, COFIDES has also continued to strengthen its institutional relations by holding the Second Edition of its "Internationalisation Advancement" Awards, as well as through, signing cooperation agreements, Company presentations and participation in trade fairs, seminars and events related to internationalisation and development.

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

In recent years, COFIDES has intensified its social media presence, such as on Twitter and LinkedIn, which has increased public awareness by providing continuous and immediate information on the activities undertaken by the Company. Following the objective of increasing the visibility of the organisation and improving its communication with the public, it has also created its own YouTube channel, on which the corporate and commercial videos of the Company, amongst others can be viewed.

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

11.2. COFIDES AS A SUPPORTING ENTITY IN THE MANAGEMENT OF FONPRODE

With the approval of decree 597/2015 of 3rd July, the process of regulatory development of Law 8/2014 of 22nd April concluded that, on the coverage on behalf of the State of the risks of internationalisation of the Spanish economy, which establishes that the FONPRODE management, including analysis, planning, negotiation and follow up of the aid of the Fund, is the responsibility of the Ministry of Foreign Affairs and Cooperation through the Secretariat of State responsible for international development cooperation and the Spanish Agency for International Development Cooperation abbreviated as AECID, with COFIDES support.

COFIDES support is confined to refundable cooperation operations, one of the priorities which are included in the IV Master Plan of the Spanish Cooperation Plan, the aim of which is the social and economic development of partner countries, through investments or transfers of refundable financial resources.

As part of the framework of its management support, COFIDES has the following roles: the identification of fundable operations both independently and also by supporting the AECID, to conduct due diligence analysis in financial, legal, environmental, social and development matters, the support in the formalisation of operations, the annual economic and financial monitoring of the portfolio and conducting biannual performance reports of reimbursable operations charged to FONPRODE.

In 2015, COFIDES established the Financing for Development and Sustainability department. Also, five financial analysts were incorporated, who contribute to the identification, analysis, formalisation support and monitoring of the FONPRODE operations and that also work together with the environmental, social and development analysts, who have seen their role expand in the Company.

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