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SUSTAINABILITY REPORT

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

2010



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COFIDES



SUSTAINABILITY REPORT

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LETTER FROM THE CHAIRWOMAN

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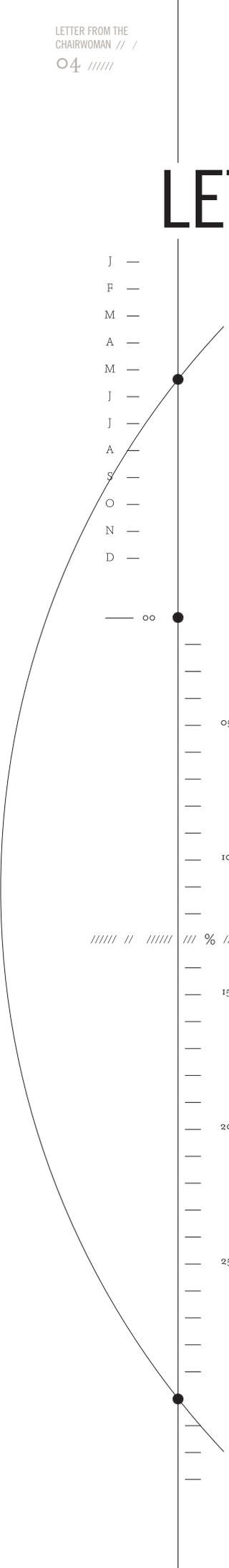
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LETTER FROM THE CHAIRWOMAN



For the last four years, COFIDES, as signatory of the United Nations' Global Compact initiative, has published a Communication on Progress. This year, for the first time, the company has drawn up a full Sustainability Report in accordance with Global Reporting Initiative guidelines.

One of the more prominent developments in 2010 is greater company involvement in the action undertaken by the Global Compact Network Spain, on whose Executive Committee it has had a seat since 2008. Moreover, COFIDES, has co-sponsored the publication of a field anti-corruption guide, drawn up by a group of Network companies.

In 2011 we will be participating in a similar initiative in connection with the Millennium Development Goals programme, in the persuasion that not only government intervention, but private sector involvement is imperative to attaining its goals.

Lastly, I wish to take this opportunity to reassert our commitment to the Global Compact and COFIDES' firm resolution to continue advancing toward the implementation of its principles, with particular emphasis on our investments, under the conviction that integrated analysis will contribute to the sustainability of the company's core activity.

Remedios Romeo
Chairwoman

A handwritten signature in blue ink, consisting of several vertical strokes followed by a horizontal line and a long, sweeping underline.

1. INTRODUCTION



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1. INTRODUCTION



Foreign direct investment, the object of COFIDES' financing, is a vehicle for carrying best management practices across national borders, necessarily generating a positive impact on host country development. Any properly managed operation entailing the internationalisation of Spanish enterprise in itself transfers good business practice, in addition to contributing to target country development.

True to this premise at all times, COFIDES invariably takes a comprehensive approach to the investments proposed by Spanish companies, considering not only the related economic, financial, environmental and social data, but also the impact of investment projects on host communities.

While it is in this external dimension where COFIDES believes that it contributes essentially to the global economy, that comprehensive approach to investment project analysis consolidates an internal dimension that protects the company's most direct stakeholders (shareholders, clients and employees), by making COFIDES' own business sustainable in the long term.

Throughout this report, this internal dimension is discussed first, identifying stakeholders and their relationship with the company, followed by a description of the external dimension, set necessarily in the context of the everyday task of managing the risk involved in financial operations.

Finally, the data obtained by internal methods are furnished to corroborate the initial premise that inflowing foreign direct investment, generated by the internationalisation of Spanish enterprise in this case, furthers economic growth in the host countries, particularly in developing countries.



Commitment to the United Nations Global Compact

COFIDES joined the Global Compact in 2005 and is a founding member of the Global Compact Network Spain created that same year. Since 2008, COFIDES has formed part of its Executive Committee and participates actively in some of the initiatives proposed by both the Global Compact and the Network.

2. COFIDES AND CORPORATE RESPONSIBILITY

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2. COFIDES AND CORPORATE RESPONSIBILITY

2.1. CORPORATE GOVERNANCE

2.1.1. Code of Ethics

“Rectitude, integrity and respect for human beings are the cornerstones on which COFIDES bases its business reputation.

This Code is designed for application in everyday business transactions. All the members of the COFIDES organization must adhere to both its letter and its spirit. Efforts shall be made to ensure its comprehension by and enforcement among all staff. [...]”

The Code of Ethics addresses and explains the ethical principles that govern the company’s business and the relationships that it attempts to develop with its various stakeholders. Approved in 2005, it constitutes the reference for employee decision-making and behaviour.

All of COFIDES’ new hires are informed of the existence and scope of the code during the welcoming process. The code is, moreover, accessible on the company’s intranet and its website and hence available to all its clients, suppliers and anyone else concerned.

The code covers issues such as transparent management, culture of quality, ongoing improvement, anti-corruption, respect for human rights, fair work practices, environmental conservation and confidentiality.

2.1.2. Governance and organisational structure

The COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO, COFIDES, S.A., hereafter COFIDES, whose founding was authorised by a Council of Ministers’ decision on 12 February 1988, was founded under articles of association authorised by Manuel Clavero Blanc, notary public of Madrid, on 29 December 1988. Registered at No. 4 506 of his protocol, the articles establish its status as a State-controlled trading company of the type described in Article 166 of Act 33/2003 of 3 November on Government Assets, and in Articles 2.1e) and 3.2b) of Act 47/2003 of 26 November on the State Budget. As a State-controlled trading company, COFIDES is governed by

the body of private law, in particular Royal Legislative Decree 1/2010 of 2 July, approving the Consolidated Text of the Corporate Enterprises Act, except in areas where it is subject to budgetary, accounting, financial control or contracting legislation.

Board of Directors

Commitment to shareholders:

- *COFIDES will aim to conduct a profitable business to ensure its economic and financial sustainability.*
- *COFIDES will aspire to excellence in all its endeavours and in particular will make certain that its financial backing contributes to optimizing the financial structure of the operations in which it takes part, regardless of the origin of the resources employed.*
- *COFIDES will provide its shareholders with prompt and accurate information on its activities and performance. [...]*

COFIDES' highest governing body is its Board of Directors, consisting of 13 professionals reputed for their acumen, integrity and independence of criterion, drawn from Spanish public and private institutions and companies (see Annual Report 2010, pages 4 and 10). The Board manages, governs and represents COFIDES.

Its mission includes ensuring the optimal use of COFIDES' resources, while securing client satisfaction and contributing to company sustainability.

The Board of Directors elects a chairperson whose duties, among others, include company and Board representation, enforcement of the by-laws and implementation of Board decisions, and governance and inspection of company services. The Board's present membership was decided by the General Meeting.

At this time, Board members are elected by the General Meeting, as specified in the Corporate Enterprises Act to ensure that all shareholders are represented.

The importance attached to this stakeholder, in conjunction with company size, affords Board members direct and immediate contact with the Steering Committee with no need for any formal liaising.

Information on Board member holdings, positions or duties in other companies, as well as their remuneration, is published in the Financial Statements for 2010 (pages 33-37).

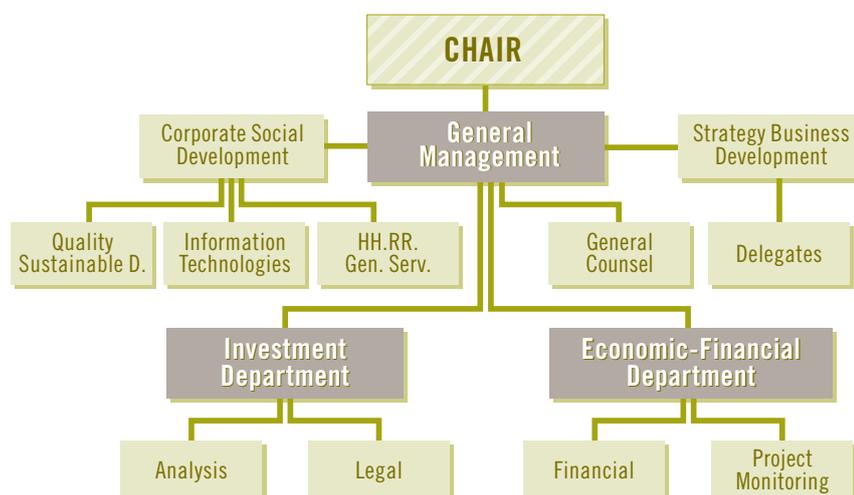
Steering Committee

The COFIDES Steering Committee assumes responsibility for circulating this Code among all COFIDES staff members and ensuring that its principles are understood and accepted by all.

The Steering Committee will enforce this Code as part of the risk management process, drawing for this purpose on the persons or bodies it deems appropriate. [...]

The nine-member Steering Committee includes representatives from all company areas and divisions (see Annual Report 2010, page 11). The committee is responsible for the analysis and approval, as appropriate, of all strategic, routine or specific questions of relevance for efficient

operation, including the approval of the documents and reports to be referred to the Board of Directors or the Funds' Executive Committees and any inter-departmental issues or initiatives affecting the company as a whole.



FIEX and FONPYME Executive Committees

COFIDES manages the State's two investment Funds designed to further internationalisation and support projects involving Spanish interest: the Fund for Foreign Investment (FIEX) and the Fund for Small and Medium-sized Enterprise Foreign Investment Operations (FONPYME).

Fund decision-making is incumbent upon their respective Executive Committees, which are governed by Act 66/1997 of 30 December and Royal Decree 1226/2006 of 27 October on Fund activities and operation. The Funds are likewise regulated by their own Rules of Procedure and operating guides and subsidiarily by COFIDES' operating criteria.

Their committees are chaired by the Secretary of State for Trade, and vice chaired by the Director General for Trade and Investment.

EDFI Board of Directors

The European Development Finance Institutions Association operates through a central executive body, the EDFI Board of Directors, whose membership represents all the participants in the association and which adopts its main lines of action. This constitutes a guarantee for more effective policy harmonisation within the association and consequently across the development finance community world-wide.

2.1.3. Transparency and public disclosure of information

“ COFIDES will implement a transparent and efficient internal management model in the framework of a culture of quality. [...] All COFIDES' transactions must be accurately and clearly entered in the company's accounts in accordance with established principles and procedures, and such accounts must be subject to audit. COFIDES' accounts records will reflect and describe the nature of the respective transactions. [...] ”

COFIDES continually enhances both the quantity and quality of its information to provide its clients, shareholders and other stakeholders with greater insight into the work performed to attain company goals.

The Annual Report, which contains the Financial Statements, and the present Sustainability Report, aim to convey a true and fair view of the company's general affairs. They constitute complementary reviews of its financial, environmental, social and corporate governance performance.

COFIDES' website (www.cofides.es), open to society at large, likewise serves as an important communication channel for its stakeholders. In 2010 the site, with its 32 press notices during the year, received an average of 350 visits daily. It is updated on a regular basis with new content and features a suggestion box open to anyone wishing to submit their remarks. Since 2010 an effort is being made to include and expand on the information relating to more than just financial and commercial affairs, such as supplier contracting mechanisms, privacy policy and personal data protection protocols. The information on measurement of the impact of operations financed in host countries will be extended in 2011 and an investor's manual will be uploaded to provide companies with a clearer understanding of the policy in place on the environmental and social management of operations financed.

An in-house survey was conducted in 2010 on company communication. The outcome was the creation of a Corporate Communication Committee with members from all company areas, which is scheduled to be operational in 2011. Its objectives include improvements in internal and external communication, the identification of new forms of communication, the coverage of COFIDES' present needs and the generation of ideas and initiatives.

Third party access to information

	Remarks	Mandatory	Voluntary	Public
Central Government Audit Office (IGAE)	- Annual FIEX and FONPYME fund audits. - Information submitted quarterly and yearly.			
Court of the Exchequer	- Spot audits. - Information on third party contracting and agreements submitted yearly.			
Standard & Poor's	- Credit rating yearly.			
KPMG	- Audit of financial statements. - Published on Annual Report and website.			
AENOR	- Quality Management System since 2005. - One external and one internal audit yearly. - In 2010, a follow-up audit (UNE-EN-ISO 9001:2008). - In 2011, renewal audit.			
Sánchez Crespo law firm	- First personal data protection audit, 2009. - Next audit, 2012.			
General Government Archives	- Custody of historic documentation (over 15 years old).			

2.1.4. Compliance

“ *COFIDES explicitly refuses to participate, directly or indirectly, in any operation that may entail money laundering or any other illegal activity. [...]* ”

COFIDES devotes human and financial resources to ensure compliance with regulatory requirements. Every year, and 2010 was no exception, it hires the services of specialist organisations to inspect worksite health and safety and implements any measures recommended.

One of the more prominent measures in 2010 was the cross-company institution of the recommendations stemming from two audits conducted for the first time in 2009: personal data protection and information society and electronic trade. This task will be completed in 2011.

COFIDES complies with the Act on Social Integration of People with Disabilities (LISMI) by directly hiring human resources with functional diversity and outsourcing to services that hire people with disabilities. The percentage of compliance in the preceding financial period was 129%.

Lastly, COFIDES has continuously monitored the applicability to its business of the Act on the Prevention of Money Laundering. Through 2010, it was not obliged to report. The recommendations contained in a paper on internal policy drafted by outside specialists in 2010 will be implemented in 2011.

2.1.5. Anti-corruption

“ *No employee will offer, pay, request or accept any payment, gratuity, promise or compensation intended to bribe an authority or public official, or to exert undue influence to obtain favourable treatment in trade-related activities or decision-making processes.*

Employees may only offer or accept presents or invitations to or from third parties where they are in keeping with normal business practice, of modest value and not banned by law. No employee may behave in a manner that compromises or tarnishes COFIDES' reputation. [...] ”

COFIDES firmly believes that anti-corruption policies and procedures should be routinely implemented like any other action associated with corporate governance.



Appointments calendar and Christmas card mailing outsourced to the AFANIAS (Association for People with Intellectual Disability) Occupational Centre, Pozuelo, Madrid



Since 2001 COFIDES has cooperated with the OECD's National Contact Point to heighten awareness of the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Anti-Bribery Convention) among the business community by including a copy of the text in all its project financing agreements, in addition to the clause on compliance with the convention. In parallel, voluntary training seminars have been organised with area specialists. The last such session, held in 2009, was attended by 46% of the staff.

Beginning in 2009 and throughout 2010, COFIDES also participated in the Global Compact Network Spain's Anti-corruption Working Group. The result of these efforts was the publication, with COFIDES as one of the sponsors, of a practical guide on managing risk, combating corruption and furthering transparency. This guide aims to help companies, particularly SMEs, understand the scope of the definition of corruption and the risks it involves for their business. The guide will be distributed in 2011.



Printed by AFANIAS Occ. Centre, Pozuelo, Madrid

2.2. STAKEHOLDERS

2.2.1. Identification

The present Code of Ethics summarizes how these principles are to be applied in our relations with all our stakeholders, including shareholders, company staff, clients, suppliers and society at large. [...]

Stakeholders have been identified internally. Both the groups already related to the company and the groups impacted by or having some interest in its activity were taken into consideration in this process.

Identification table grouped by the intensity of their present relationship

	High	Medium	Low
Shareholders	X		
Spanish central Government	X		
Governments in host countries			X
Local communities hosting investments		X	
Companies	X		
Staff	X		
Development finance institutions	X		
International organisations		X	
Suppliers		X	
Civil society			X

By intensity of the relationship is meant the mechanisms in place in the company to detect stakeholder needs.

While no systematic procedure has been formulated for relationships with stakeholders, the needs and expectations of most of these groups can be determined thanks to the communication channels generated by both company departments and areas in their everyday tasks and the General Quality System. Information on these channels and the results obtained in the past year is enlarged upon throughout this report.

2.2.2. Clients

“ Commitment to clients:

- *COFIDES will consistently attempt to satisfy the needs identified by its clients, including the companies it supports, the multilateral organizations with which it co-finances projects and the State-owned investment funds it manages.*
- *COFIDES will attempt to continuously improve the accessibility and agility of its services and diligently respond to customer comments and complaints.*
- *COFIDES will seek to ensure the appropriate use and confidential treatment of any information furnished, or formulated on the grounds of information furnished by the client.*
- *COFIDES will manage third party funds and financial facilities as diligently and rigorously as it handles its own resources. [...]*

”

Customer support is a question of cardinal importance in COFIDES' quality policy, whose provisions are published on its website.

In 2010 COFIDES successfully passed the certificate renewal process that attests to its Quality Management System's conformity with Spanish, European and international standard UNE EN ISO 9001:2008, under which the company has been certified since 2005.

COFIDES works endlessly to identify needs, expectations and possible anomalies, to improve its working methods and the quality of the services rendered.

In keeping with its dual profile as financier and fund manager, COFIDES distinguishes between two types of clients: on the one hand, the Spanish companies that are awarded financing, and on the other the Secretariat of State for Foreign Trade, for which it manages the FIBEX and FONPYME funds.



Companies

Companies find both ongoing support on COFIDES' website and satisfaction surveys designed specifically for this stakeholder. Two types of surveys are presently used: semi-annual questionnaires designed to assess support and services throughout the due diligence process involved in financing, sent to a random sample of clients; and questionnaires designed to assess investment results and the overall experience with COFIDES, sent to all clients at the end of the contractual relationship. Any compliments or complaints from companies received through other channels are also compiled. The results are evaluated by the Steering Committee and distributed among all employees with a view to instituting any necessary improvements.

The primary improvement requested by companies is greater company flexibility in adapting to their needs for financing. More nimble and immediate problem solving and simpler documentary requirements are also mentioned, although most find these aspects to be acceptable. A further study will be conducted in 2011 on the timing involved in due diligence procedures for operations, in an attempt to identify areas for improvement and thereby expedite the financing process. COFIDES always informs companies, in any event, that State financing is subject to substantiation controls that cannot be altered. In another vein, COFIDES is finding that in today's economic environment, flexibility mechanisms are as necessary in the phases prior to financing outlays as during the post-investment stages. This is borne out by the fact that in 2010 more flexible measures were applied to 28 new projects, renegotiation was approved for 17 funding agreements and more lenient conditions were established for a further 15 portfolio projects.

As a whole, 95.45 % of the companies surveyed in 2010 stated that they would repeat their experience with COFIDES, while staff support and courtesy scored the highest in client surveys.

Secretariat of State for Foreign Trade

As manager of the FIEX and FONPYME State funds, COFIDES reports monthly to their respective Executive Committees on the business conducted, submitting new financing proposals and providing general information on the health of the portfolio. The Executive Committees lay down general foreign trade policy guidelines that COFIDES must subsequently translate into daily fund management, and document in its reports to the Committees.

COFIDES draws up the FIEX and FONPYME financial statements and management reports, which it submits to their respective Executive Committees.

In addition to strict fund management, COFIDES cooperates actively with the Secretariat in its various initiatives. It participates in investment fora and punctually informs the trade offices in Spanish embassies of the operations that are being financed or under consideration.

The importance addressed to this stakeholder is such that the company's chair and general management are directly involved in the relations between the two organisations.

COFIDES is expected to obtain a seat on the Committee for the Enterprise Internationalisation Fund (FIEM) in 2011.

2.2.3. Human Resources

“ *Commitment to employees:*

- *COFIDES, and in particular its management, will generate a non-discriminatory work environment in which all employees can do their jobs under optimal remuneration and professional and personal conditions that further their career development. The result will be a cordial atmosphere that encourages teamwork and a sound and long-lasting business culture.*
- *COFIDES will respect the human rights of all the persons with whom it has dealings, pursuant to the United Nations’ Universal Declaration of Human Rights and the principles laid down in the Global Compact signed by COFIDES.*
- *COFIDES will prevent bullying and sexual harassment in its employee relationships.*

[...] **”**

In its commitment to its employees, COFIDES pursues a satisfactory working environment by implementing good practice in areas such as training and equal opportunities, as well as measures for a better work life balance.

Since 2005 COFIDES has furthered its employees’ professional development through yearly training programmes that aim to complement their initial training. In 2010, the average investment in training per employee amounted to 1,428.57 euros.

At COFIDES, gender equality standards are abided by in all hiring, career development and promotion processes. Women occupy 56.60 % of the management positions, 60.91 % of the technical positions and 77.78 % of the support staff positions.

COFIDES earmarked an average of 3,499 euros per employee in the reporting year to defray the cost of its package of social benefits. In addition, a number of measures have been implemented to strike a better balance between professional and personal life in the form of more flexible working hours.

COFIDES at Christmastime

- *Christmas package for the Valdesangil children’s home.*
- *Be a Wise Man campaign:
36 gifts for foster children and the elderly,
18 donated by employees and 18
by COFIDES.*



Visiting Barcelona after the Seminar on Financing the Private Sector in Developing Countries.

The table below gives the most representative variables and magnitudes in 2010.

Total headcount	54.92 (yearly mean)
Age groups	Under 30: 7 %
	30-50: 80 %
	Over 50: 13 %
Educational level	PhDs: 5 %
	Master's degrees: 30 %
	BAs, BScs: 43 %
	Associate degrees: 7 %
	Other specialised courses: 15 %
Type of job and employment contract	Employees with a permanent contract subject to collective bargaining agreement: 100 %. (Office and administrative staff agreement)
	Interns: 1
	Temporary contracts: 1
Category (number of employees)	Management: 8.83 (yearly mean)
	Technicians: 37.09 (yearly mean)
	Support staff: 9 (yearly mean)
Employees promoted	Total: 18.21%
	Management: 11.32 % (100 % women)
	Technicians: 24.27 % (55.54 % men)
Total turnover	5.36 %
Absentee rate	2.63 %

Employee information and participation mechanisms	Annual meetings with entire staff:	2	
	Notes on weekly Steering Committee meeting, including decisions:	58	
	Suggestion box (since May 2009):	No. of suggestions received and answered:	109
		Accepted:	39%
	Subject matter:	Changes in working procedures:	13%
		HR:	63%
		General services:	15%
Information technology:		7%	
	Other:	2%	

GIFTS	Total:	22
For:	Hospitalisation:	7
	Seniority:	10
	Childbirth:	5



2.2.4. Suppliers



Commitment to suppliers:

- *COFIDES will apply criteria of transparency, public accessibility and competition in its relationships with the suppliers of the goods and services it acquires.*
- *COFIDES will confer special consideration on suppliers of goods and services who maintain principles of conduct and continuous improvement programmes analogous to the ones laid down in this Code and the company's Quality Policy. [...]*



COFIDES believes that good supplier management generates added value for its services and enables it to use its resources to better advantage. In its commitment to maintaining mutually beneficial relations based on criteria of transparency, equality and objectivity, in 2008 it implemented a corporate process to periodically identify, certify and assess its suppliers.

COFIDES attaches particular importance to its suppliers' quality systems and business ethics. It therefore requires them to comply with a series of legal and fiscal standards that guarantee certain technical and economic conditions, in addition to ensuring that the criteria in place to produce their goods or services do not conflict with the values set out in COFIDES' Code of Ethics.

Moreover, in its procurement processes the company fosters the principles of corporate responsibility by deploying a mechanism that favours suppliers having quality certificates and subscribing to business responsibility standards (adherence to the Global Compact, for instance). The evaluation of these factors is added to the scores for other selection criteria and may be determinants when choosing between suppliers offering similar technical and economic terms. Of the suppliers hired in 2010, 24.14 % had quality certificates and 6.90 % applied CSR standards and procedures.

In its commitment to transparency and in response to a recommendation made by the Central Government Audit Office, COFIDES will publish a contractor's profile on its website in 2011.

3. COFIDES' BUSINESS ACTIVITY: MANAGEMENT AND IMPACT

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3. COFIDES' BUSINESS ACTIVITY: MANAGEMENT AND IMPACT

COFIDES operates on the conviction that integrated management of the risks assumed in its financing business is a determining factor for the sustainable growth of both its portfolio and the company itself.

Inasmuch as COFIDES' financing is purpose-specific the whole due diligence model, from the time a project is identified until its divestment from the portfolio, revolves around that condition.

The success of the full due diligence procedure and consequently of integrated project analysis ultimately depends on project sponsor cooperation. Experience shows that over the last ten years Spanish sponsors have been furnishing increasingly transparent information, particularly as regards issues related to the possible environmental and social impacts of the projects proposed.

3.1. SUSTAINABLE BUSINESS MANAGEMENT

“ COFIDES acknowledges the risk culture in which it conducts its business and commits to suitable risk management using the most advanced techniques and tools available at any given time. [...] ”

A project financing agreement comprises two very distinct risk management phases.

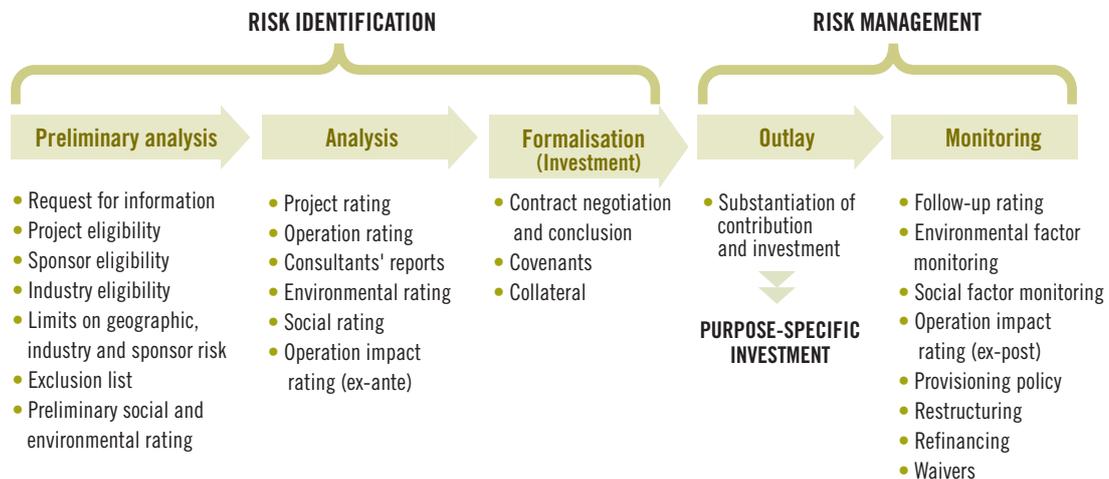
In the first COFIDES identifies and analyses the specific risks inherent in each project. That analysis determines whether such risks can be assumed pursuant to the company's internal operating criteria and the FIBX and FONPYME regulations.

If the project risks are assumable, the terms for financing the project are negotiated with the client. Upon conclusion of the agreement, the project enters the second phase, with inclusion in the company's investment portfolio.

In this second phase, project risk is continually monitored to detect possible deviations from the pattern initially predicted. The periodicity and scope of project monitoring depend on the nature of the risks detected during the analysis stage and the appearance of any event while financing is in place that may modify the appraisal of those risks.

Risk identification, analysis and management at COFIDES

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3.1.1. Economic-financial analysis

“COFIDES will aim to conduct a profitable business to ensure its economic and financial sustainability. [...]”

During the financial-economic risk identification phase, a preliminary analysis is conducted of the information on both the sponsor and the investment project for which financing is sought. The regulations governing COFIDES' own business and the operations of the funds it manages establish criteria for determining project, sponsor, industry and country eligibility for COFIDES' financing. With a view to limiting the industry-related and geographic risks in COFIDES' portfolio, these criteria include certain percentage ceilings to guarantee portfolio diversity.

The preliminary analysis phase is followed by investment analysis to rate each project and operation. Project rating is an opinion on the quality of the credit of an investment project based on the variations in its economic-financial status, its present and estimated situation, and the country and industry hosting the investment. In 2011 the rating will be reviewed and will place greater weight on the analysis of qualitative factors associated with both the sponsor and the project. This new system will enhance objectivity by assessing a larger number of qualitative indicators such as sponsor strategy, geographic diversity of its business, industry prospects or entry barriers, and reinforce the environmental component included in the former scheme.

Operation rating, in turn, also takes financial structure and collateral into consideration. It is a determining factor for establishing the price of the financing operation in accordance with a price schedule that is reviewed four-monthly against the backdrop of market trends.

On occasion, the analysis phase calls for independent third party assessment.

The risk identification phase is brought to a close with the conclusion of an agreement between COFIDES and the project sponsor that includes clauses to attenuate the risks identified. Once project materialisation is substantiated (as noted earlier, COFIDES' financing is purpose-specific and may not be used for more than one application), the outlay is made and the project is included in COFIDES' portfolio. The company's portfolio risks are periodically assessed to detect and prepare for possible contingencies that may impact either the project or its sponsor. Where such contingencies are foreseen or forthcoming, the company's provisioning policy is implemented to offset the loss of value. Portfolio project risk management also includes other actions such as operation restructuring and refinancing.

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Further information on project monitoring and operational risk-related value correction can be found in sections 2 and 7 of COFIDES' Management Report 2010. Section 8 of the company's Financial Statements 2010, in turn, describes exchange rate, credit and liquidity risk management.

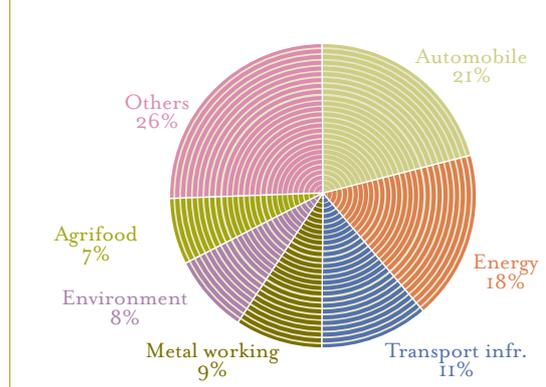
The company's yearly financial statements duly reflect economic-financial risk identification and management. The table below shows the trends over the last three years some of the key figures and ratios.

COFIDES' economic-financial ratios:

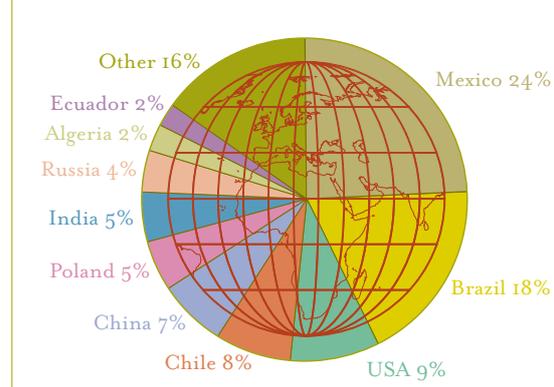
Economic-financial trend	2008	2009	2010
Net equity (in thousand €)	53,086	54,841	65,428
Operating income (in thousand €)	1,624	4,324	13,508
Provisions/project investment (%)	11%	18%	18%
Return on shareholder equity (%)	7.43%	6.27%	24%

Moreover, the limits established to mitigate risk concentration ensure the diversification of COFIDES' investment portfolio.

> PORTFOLIO RISK BY INDUSTRY



> PORTFOLIO RISK BY GEOGRAPHIC AREA



3.1.2. Analysis of environmental and social factors

“ COFIDES will do everything in its power to enforce respect for the environment and working conditions in both its own business and in the projects it finances. [...] ”

COFIDES' social and environmental policy was approved in June 2001. At this time social and environmental risk analysis for projects is fully integrated in COFIDES' due diligence model.

In May 2009, COFIDES signed EDFI's declaration of Principles on Responsible Financing. Under that text, development finance institutions commit to furthering the implementation of international environmental, social and good governance standards in the projects they finance. The declaration also stresses the importance of investing in projects with a positive environmental and social impact.

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Also since 2001, COFIDES has been a member of EDFI's working group on environmental and social standards. The objective is to harmonise assessment policies and criteria and exchange know-how and experience.

Projects possibly qualifying for financing are analysed for their environmental and social factors along with their economic and financial characteristics, further to the same linear due diligence model.

Like all other multilateral and bilateral development finance institutions, COFIDES has a List of Activities and Industries where financing is banned. This exclusion list was last reviewed in 2008 on the occasion of the standardisation of the lists in place in all EDFI members.

Proposed projects not on that list are accepted for preliminary assessment, which is based primarily on the host industry and project size and location. A preliminary social and environmental rating is then assigned.

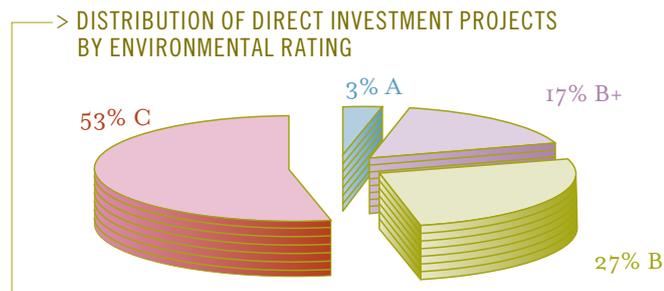
In the following stage environmental and social assessment is addressed per se. This entails assessing the environmental and social risks associated with each project and assigning two ratings to each, environmental and social. Depending on project characteristics, COFIDES may outsource the assessment of its social and environmental factors to specialised consultants.

Environmental rating

The four environmental categories are A, B+, B and C. Projects are assessed on a case-by-case basis, considering the following project characteristics: impact on the surroundings, flora and fauna, presence of sensitive areas and environmental management measures.

Category/Risk	Description
A Risk/impact high	• Severe, extensive, generally irreversible or unprecedented environmental risk or potentially negative impact.
B+ Risk/impact medium-high	• Moderate to severe and generally local and reversible environmental risk or potentially negative impact.
B Risk/impact medium	• Moderate local and reversible environmental risk or potentially negative impact.
C Risk/impact low	• Scantly significant or non-existent environmental risk or potentially negative impact.

A total of 30 direct investment projects were approved in 2010. The chart below shows their distribution by environmental rating.



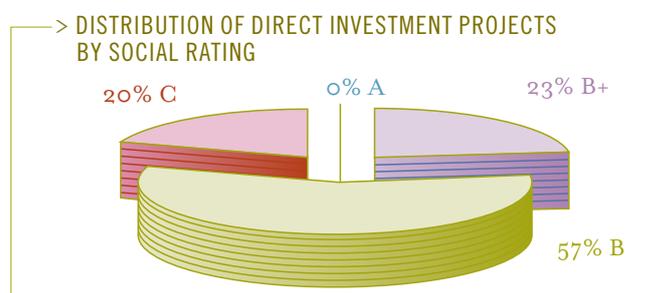
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Social rating

The denominations for the social rating categories are analogous to the environmental denominations. All projects are assessed case-by-case on the grounds of the following factors: number of employees, occupational risks, child labour, impact on local communities, presence of vulnerable communities within the project's area of influence and social management measures.

Category / Risk	Description
A Risk/impact high	<ul style="list-style-type: none"> Severe, extensive, generally irreversible or unprecedented social risk or potentially negative impact.
B+ Risk/impact medium-high	<ul style="list-style-type: none"> Moderate to severe and generally local and reversible social risk or potentially negative impact.
B Risk/impact medium	<ul style="list-style-type: none"> Moderate local and reversible social risk or potentially negative impact.
C Risk/impact low	<ul style="list-style-type: none"> Scantly significant or non-existent social risk or potentially negative impact.

The chart below shows approved project distribution by social rating.



Based on the nature and significance of the risks and impacts detected, COFIDES requires compliance with local and/or international standards, in line with the environmental, health and safety guidelines laid down by the International Finance Corporation (World Bank Group). Compliance with the International Labour Organisation's eight Core Conventions is required of all projects supported by COFIDES, FIEX or FONPYME in all respects that do not contravene the applicable legislation in the host country.

Once the project is included in the portfolio, it is monitored to ensure compliance with the requirements to which the operation is subject further to the agreement. In 2011 COFIDES plans to consolidate the project monitoring procedures in place since 2009, which concentrate especially on portfolio projects with the highest environmental or social risks. In 2010 a total of 23 monitoring actions were undertaken in connection with compliance with environmental or social requirements stipulated in the respective agreements. Consolidation of the social and environmental monitoring procedures for portfolio projects will enable the company to determine the overall environmental and social risk associated with its portfolio.

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Financial initiatives to support projects with beneficial environmental effects

- **FINER:** Designed to finance activities in the renewable energy industry.
- **FINCARBONO:** Designed to finance Clean Development Mechanism (CDM) projects or Joint Implementation (JI) mechanisms defined in the Kyoto Protocol.
- **FINAM:** Designed to finance environment industry activities (such as urban waste management or water treatment).



Interact Climate Change Facility (ICCF)

Five million euros to finance viable private investment projects that contribute to mitigating climate change and furthering energy efficiency in countries hosting official development assistance.

3.1.3. Corporate governance factors

“ *COFIDES asserts that all its business must be conducted loyally, honourably and fairly and expects its business partners to share that attitude. [...]* ”

As a development finance institution, COFIDES has a dual commitment: the implementation of good governance in the company itself (see the section 2.1.2 on Governance and organisational structure) and the furtherance of best practice in the companies and projects financed.

Since 2003 COFIDES has supported the OECD's National Contact Point in Spain, heightening awareness of the organisation's Guidelines for Multinational Enterprises by requiring compliance with the guidelines and attaching a copy to all its financing agreements.

In October 2007, COFIDES and 30 other multilateral and bilateral development finance institutions signed an Approach Statement on Corporate Governance. This statement is based on the OECD's Principles of Corporate Governance. One of its initial objectives is the gradual inclusion of this subject on development finance institutions' agendas, formulating internal guides, policies and procedures and cooperating among them to further the cause of corporate governance.

COFIDES is a member of the group created in EDFI in 2010 that is working on the adoption of a common methodology to evaluate companies' good governance practice. In anticipation of the measures undertaken Europe-wide, since 2010 the company's in-house tool RIO, has included an item on good governance under the section that quantifies the impacts on project development to assess the policies and procedures in place in this regard in the companies financed. The development and adaptation of this methodology will entail the gradual inclusion of this subject in the due diligence model applied to project financing.

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Project due diligence summary table

Risk selection	Tools	Description
PRELIMINARY ANALYSIS	<i>Request for information</i>	<ul style="list-style-type: none"> • Project and sponsor description: project memorandum, description of sponsor and local partners, staffing needs, contracts with customers and suppliers. • Economic and financial information: Application for financial support, sponsor's, local partners' (and, as appropriate, surety's) audited financial statements, statement of changes in financial position for the project, basic hypotheses and sponsor's (and, as appropriate, surety's) projected balance sheet and income statement. • Relevant project environmental and social factors: Description of productive processes, potential environmental impacts, effects on local communities, information on occupational risk prevention.
	<i>Project eligibility</i>	<p>Private, viable investment projects abroad involving a Spanish interest and qualifying for financing further to COFIDES' operating criteria and FIEX and FONPYME regulations, with the following main characteristics:</p> <ul style="list-style-type: none"> • New activity, expansion of production capacity or purchase of existing company. • Ownership of over fifty per cent of the project company share capital. • Uptake of assets requiring medium-/long-term financing. <p>Projects that entail relocation or replacement of facilities existing in Spain, among others, are ineligible.</p>
	<i>Sponsor eligibility</i>	<p>Companies implementing projects involving Spanish interests and having audited financial statements.</p> <p>Sponsor's proven experience in the industry concerned.</p> <p>Companies with a balanced and sound economic and financial status.</p>
	<i>Country eligibility</i>	<p>COFIDES may finance investment projects in emerging and developing countries from its own resources. As fund manager for FIEX and FONPYME, COFIDES may finance projects in any foreign country.</p>
	<i>Industry eligibility</i>	<p>All industries except defence and real estate or any appearing on the list of activities and industries excluded for environmental and social reasons.</p>
	<i>Geographic, industry and sponsor risk limits</i>	<p>Establishment of limits to mitigate risk concentration by country, industry or sponsor.</p>
	<i>Preliminary social and environmental rating</i>	<p>In accordance with the industry involved.</p>

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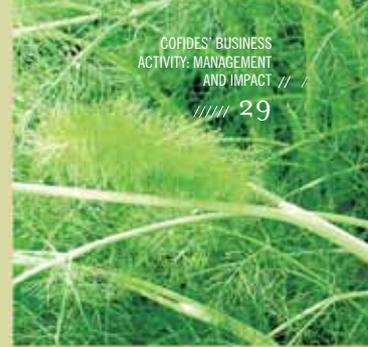
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Risk selection	Tools	Description
ANALYSIS	<i>Project rating</i>	Opinion on the credit quality of an investment project based on the variations in its economic-financial situation, its present and estimated situation, and the country and industry hosting the investment. In the new rating procedure, both sponsor and project are assessed in terms of: Quantitative elements: variations in and projections for (i) performance indicators (EBITDA or gross margin); (ii) structure and solvency indicators (acid test ratio or ROA). Qualitative elements: market position, management and strategy indicators (business volatility, entry barriers, dependence on sales or suppliers, industry prospects, host country political risk, company size, among others).
	<i>Operation rating</i>	Includes the risk associated with the type of financial product, length of the life of the financing and collateral.
	<i>Environmental and social ratings</i>	Classification of environmental and social risks affecting the project.
	<i>RIO (ex-ante)</i>	Measures project compliance with COFIDES' mandate by estimating its effects on development, among others.
	<i>Independent assessments</i>	Validation of the hypotheses underlying the project business plan.
FORMALISATION	<i>Negotiation and conclusion of agreement</i>	Establishment of financing conditions.
OUTLAY	<i>Substantiation of project materialisation</i>	Substantiation, in the form of invoices, of the (passive) contribution versus the (active) investment. Verification of the absence of adverse economic-financial change.
PORTFOLIO MONITORING	<i>Follow-up rating</i>	Ratings are revised yearly in accordance with the following parameters: <ul style="list-style-type: none"> • 90 % of portfolio value covered. • 75 % of total number of projects covered. • all equity operations covered. • all projects with under a given rating covered.
	<i>Provisioning policy for loss of value</i>	Implemented when the follow-up rating is receivership or presumed receivership to prevent future default or composition with creditors.
	<i>Monitoring of environmental and social factors</i>	Monitoring of project-induced environmental and social impact.
	<i>RIO (ex-post)</i>	Revises RIO ex-ante. In pilot testing phase.
	<i>Refinancing and restructuring</i>	Applied for by the company. Risk analysis, additional collateral, price re-evaluation.



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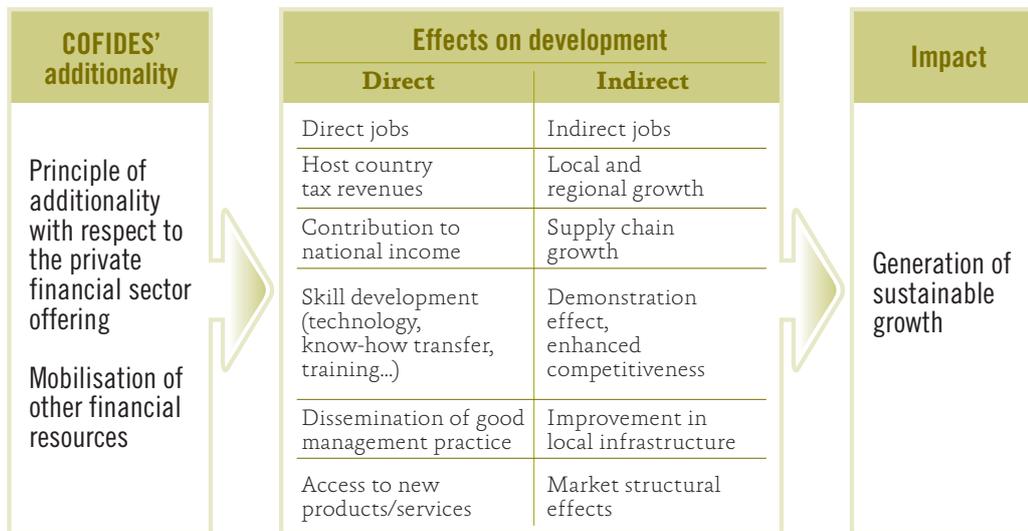


3.2. IMPACT OF COFIDES' BUSINESS

“ COFIDES will seek to ensure that its operations drive development in the respective host countries and that the effort deployed in this regard consolidates business. **”**

COFIDES' dual mission consists of furthering the internationalisation of Spanish enterprise and the country's economy while contributing to the development of the countries that host its investments.

COFIDES' contribution to sustainable development



Based on the design included in the Swedfund Sustainability Report for 2009

3.2.1. Impact on the internationalisation of Spanish enterprise

By financing investment projects abroad, COFIDES furthers the internationalisation of Spanish enterprise and the country's economy.

In 2010, COFIDES approved 34 investment projects abroad for a total sum of 164.83 million euros. Of the 34 approved, 17 were new establishments, 15 enlargement projects and 2 projects to purchase companies in other countries. The geographic and industry distribution by number of projects and volume of resources committed can be found in COFIDES' Annual Report for 2010 (pages 33 and 34).

The volume of resources approved in the reporting year was the second highest sum in COFIDES' history, exceeded only by the figure for 2009. To obtain a fuller overview of COFIDES' role as a foreign investment financing institution, however, its activity must be set in the context of the foreign direct investment (FDI) generated by the Spanish economy as a whole.

Firstly, the geographic distribution of the projects approved by COFIDES concurs with the list of countries identified by the Central Government as being of interest for Spain's economic and trade relations (see the map of COFIDES' activity in the Annual Report for 2010, pages 12 and 13).

Nonetheless, the main targets for Spanish FDI differ from the countries hosting COFIDES-financed investments. These differences stem primarily from COFIDES' specific nature. Although the company may finance projects in any country in the world, it was clearly founded to finance investment projects in developing and emerging countries and thereby contribute to their economic and social development.

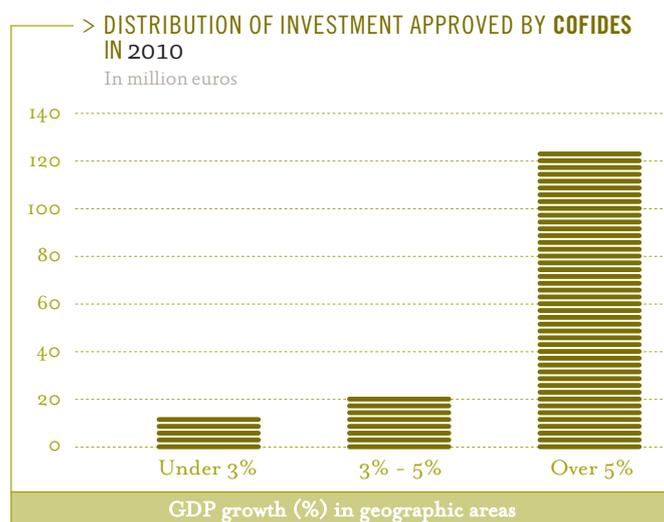
The table below gives the geographic concentration indicators (GCI) for COFIDES' investments in 2010 compared to the Spanish economy's FDI flows. As the table shows, COFIDES' investments were concentrated in areas with lower levels of development than Spanish FDI outflows as a whole. And in more highly developed areas (Western Europe and North America – USA and Canada), COFIDES' investment was not as intense as Spanish FDI in general.

Consequently, compared to Spanish FDI flows, the investments approved by COFIDES were more highly concentrated in regions with lower development levels.

GEOGRAPHIC AREA	GCI	
Africa	12.687	GCI>1
Latin America	5.095	GCI>1
Eastern and Central Europe	2.587	GCI>1
Asia and the Middle East	1.506	GCI>1
North America	0.480	GCI<1
Western Europe	0.046	GCI<1

*Source: Elaborated by COFIDES from data on its project approvals in 2010 and Spanish gross foreign investment outflows in 2010 reported by the Ministry of Industry, Tourism and Trade.
Calculation methodology used: see section 4.1*

In addition to being concentrated in developing and emerging regions, the investments approved by COFIDES are particularly intense in regions with high growth rates.



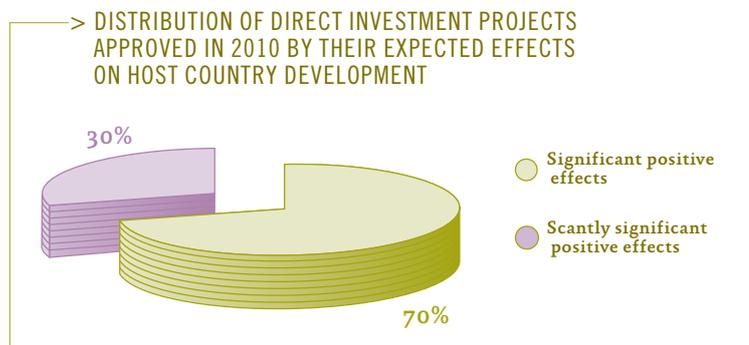
Source: Formulated by COFIDES from GDP growth data estimated by the World Bank and data on COFIDES' approvals

COFIDES therefore furthers the internationalisation of Spanish enterprise by concentrating its efforts primarily on financing investment in emerging and developing countries in regions with high growth potential.

3.2.2. Effects on development

The contribution to host country development consists essentially of (i) revenue for the State and for local suppliers of goods and services; (ii) technology and know-how transfer; (iii) jobs; (iv) implementation of suitable environmental and social practices; and (v) beneficial effects on the host country's infrastructure.

Since 2006, the company has used its RIO, based on the German development finance institution, DEG's Corporate-Policy Project Rating (GPR) tool, to estimate how projects supported by COFIDES, FIEEX and FONPYME affect development. The RIO addresses economic, social and environmental indicators, among others, and classifies projects in accordance with their impact on development. The RIO presently in use, designed in 2010, is a revised version of the original.



In 2010, 70% of the projects approved showed potentially beneficial effects on the host countries.

Indicators of the effects on development generated by foreign direct investment projects approved by COFIDES, FIEEX and FONPYME in 2010 are given in the table below.

Projects approved in 2010: potential effects on development

Indicator	Result	Remarks
Net employment generated in host country	<i>4,198 direct jobs</i>	- Nearly all these jobs will be filled by locals. - The projects will also generate indirect and induced jobs whose number is difficult to estimate.
Women's jobs	<i>14% of the direct jobs</i>	
Wages and salaries in host country	<i>79.8 million euros</i>	- Total mean yearly wages and salaries paid by projects in host country.
Contribution to host country revenues	<i>21.8 million euros yearly</i>	- In taxes and levies.
Market structural effects	<i>33% of the projects</i>	- Directly beneficial effects on market operation and diversification of the product offered.

Indicator	Result	Remarks
Effects on infrastructure	<p>22% of the projects have a directly beneficial impact on infrastructure.</p> <p>62.9 million euros in such projects</p>	<ul style="list-style-type: none"> - Enhanced traffic safety thanks to the modernisation of existing roads and new signing systems. - Shorter travel times and improved inter-city connections. - Drinking water treatment. - Access to health services.
Technology and know-how transfer	<p>Employees will be trained in 100% of the projects.</p> <p>In 66.6% of the investment projects the hosts benefit from technology transfer.</p>	<ul style="list-style-type: none"> - In projects where a local investor partners with the Spanish company in the project, technology transfer is particularly beneficial and bidirectional.
Human and labour rights	Forced labour: 0%	<ul style="list-style-type: none"> - The list of activities and industries excluded rules out financing for activities involving exploitation or forced labour. - Compliance with International Labour Organisation (ILO) Conventions 29 and 105 on the elimination of forced or compulsory labour is required.
	Child labour: 0%	<ul style="list-style-type: none"> - No project employs youths under the age of 15. - The list of activities and industries excluded rules out financing for activities involving exploitation and child labour. - Compliance with ILO Fundamental Conventions 138 and 182 on the abolition of child labour is required.
	Discrimination: 0%	<ul style="list-style-type: none"> - All companies declared that race, gender, social class, nationality, sexual orientation and political affiliation were not criteria for hiring project personnel. - Compliance with ILO Fundamental Conventions numbers 100 and 111 on the elimination of discrimination in employment and occupation is required, providing they do not conflict with applicable local legislation.
	Collective bargaining and right of association	<ul style="list-style-type: none"> - Compliance with ILO Fundamental Conventions numbers 87 and 98 on freedom of association and collective bargaining is required in all projects, providing they do not conflict with applicable legislation. - 22% of the projects approved by COFIDES are in countries where none of these conventions has been ratified.
CSR initiatives	60% of the projects	<ul style="list-style-type: none"> - Adoption of good practice in environmental, labour, transparency and the fight against bribery and money laundering.

In 2011, COFIDES will participate as coordinator of the Global Compact Network Spain's Theme Group on Millennium Development Goals, whose primary purpose is to heighten the awareness of these United Nations objectives amongst the Spanish private sector.

4. SUPPLEMENTARY INFORMATION

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4. SUPPLEMENTARY INFORMATION

4.1 REPORT PARAMETERS

This report refers essentially to financial year 2010. The data for the years 2006 to 2009 can be found in the Communication on Progress prepared yearly by COFIDES as signatory of the United Nations' Global Compact and published on the company's website.

This is the first time, however, that the company has drafted its report further to the recommendations and principles set out in the third version of the Global Reporting Initiative's "Sustainability Reporting Guidelines", including the indicators in the Financial Services Sector Supplement. It also contains the information specified in the document entitled "Making the connections", thereby constituting the Communication on Progress for 2010 regarding compliance with Global Compact principles.

COFIDES has self-declared its report to be Application level C, listing a total of 46 GRI indicators and providing information on what it regard to be the most relevant objectives (10).

Further to the approach adopted by Swedfund, COFIDES' Swedish counterpart, the company's impact can be synthesised as shown in the table below.

Scope	Impact on sustainability	COFIDES' influence
INTERNAL DIMENSION COFIDES' headquarters (office)	Low	High
EXTERNAL DIMENSION Indirect investments (participation in funds)	High	Low
EXTERNAL DIMENSION Direct investments - loans	High	Medium
EXTERNAL DIMENSION Direct investments - equity capital	High	High

The data under the heading Impact of COFIDES' business refer to financing approved by COFIDES and the funds it manages.

A few relevant remarks on these data follow.

- The item covering the impact on the internationalisation of Spanish enterprise includes investments in developed countries that are not included in the measurement of the effects on development in host countries. The latter focus specifically on the results in developing countries.

- This report furnishes data on the effects on development in the operation approval phase only. Portfolio data are not furnished. While portfolio data began to be compiled and analysed to measure these effects in 2009, the sample is still insufficiently representative.

- At this time, most of the indicators obtained by COFIDES on the non-financial aspects of projects are based on information provided by project sponsors during the various phases of the due diligence procedure. Although the project analysts who specialise in different areas are responsible for contrasting the information received, non-financial information cannot at this time be regarded to entail the same guarantee of reliability as financial information on projects, which is audited. The fact that COFIDES pays systematic and ongoing attention not only to the financial aspects of the projects financed, but also of others that ensure their sustainability (environmental, social, corporate governance, effects on development) may very likely contribute to the emergence and consolidation of such matters on both its own agenda and the agendas of the projects financed.

- The very nature of the business entails investing in new projects every year and divesting others. The resulting constant change in the portfolio renders year-to-year comparisons difficult. This first report contains no comparative analysis. A methodology whereby the portfolio can be compared from one year to the next will be addressed in future reports.

- Lastly, further to the methodology used in item 3.2.1 (Impact on the internationalisation of Spanish enterprise), the geographic concentration index (GCI) for the investments approved by COFIDES in 2010 in each host region is the result of two ratios:

on the one hand, the percentage of COFIDES-approved investments for each region over the total approved by COFIDES in 2010;

and on the other, the percentage of Spanish FDI targeting each region over the Spanish economy's total FDI outflows in 2010.

$$GCI_{C/E\ 2010} = \frac{\left(FDI_{C/j\ 2010} / FDI_{C/T\ 2010} \right)}{\left(FDI_{E/j\ 2010} / FDI_{E/T\ 2010} \right)}$$

GCI C/E 2010: Geographic concentration index for the investment approved by COFIDES in region (j) in 2010

FDI C/j 2010 = investment approved by COFIDES in region (j) in 2010

FDI C/T 2010 = total investment approved by COFIDES in all regions in 2010

FDI E/j 2010 = FDI flowing out of Spain to region (j) in 2010*

FDI E/T 2010 = FDI flowing out of Spain to all regions in 2010*

*Further to data on Spanish gross foreign investment (excluding foreign securities holding companies) in 2010 furnished by DataInvex, Statistics on Spanish investment abroad, Ministry of Industry, Tourism and Trade.

**Extracts from COFIDES' Code of Ethics are quoted throughout the report.
The full version is published on the company's website: www.cofides.es**

4.2 COFIDES AND THE UNITED NATIONS GLOBAL COMPACT

Area	Principle	GRI Indicators
Human rights	1.- Businesses should support and respect the protection of internationally proclaimed human rights.	LA4, LA7, LA13, HR1-HR7, HR9, SO5, PR8
	2.- Businesses should make sure they are not complicit in human rights abuses.	HR1 - HR7, HR9, SO5
Labour rights	3.- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4, HR1 - HR3, HR5, SO5
	4.- Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1 - HR3, HR7, SO5
	5.- Businesses should uphold the effective abolition of child labour.	HR1 - HR3, HR6, SO5
	6.- Businesses should uphold the elimination of discrimination in respect of employment and occupation.	LA2, LA13, HR1 - HR4, SO5
Environment	7.- Businesses should support a precautionary approach to environmental challenges.	EN18, EN26, SO5
	8.- Businesses should undertake initiatives to promote greater environmental responsibility.	EN18, EN19, EN26, EN28, SO5, PR3
	9.- Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN18, EN26, SO5
Fight against corruption	10.- Businesses should work against corruption in all its forms, including extortion and bribery.	SO2, SO4, SO5, SO6



4.3 GRI CONTENT INDEX

Profile	Description	ID	ED	TYPE	LOCATION	Remarks
1. Strategy and analysis						
1.1	Statement from the most senior decision-maker	X			5	
1.2	Description of key impacts, risks, and opportunities	X			7, 21-22	
2. Organisational profile						
2.1	Name of organisation	X			Cover	
2.2	Primary brands, products, and/or services	X			AR 5	www.cofides.es
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	X			9-11	
2.4	Location of organisation's headquarters	X			Edition data	
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	X			AR 12-19; 35	
2.6	Nature of ownership and legal form	X			9-10	
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	X			AR 34	
2.8	Scale of the reporting organisation	X			FS 4-6	
2.9	Significant changes during the reporting period regarding size, structure or ownership	X				No significant change in 2010.
2.10	Awards received in the reporting period	X				No awards in 2010.
3. Report parameters						
3.1	Reporting period	X				01/01/10 - 31/12/10.
3.2	Date of most recent previous report (if any)	X				Communication on Progress for 2006, 2007, 2008 and 2009.
3.3	Reporting cycle (annual, biennial, etc.)	X				Yearly.
3.4	Contact point for questions regarding the report or its contents	X				Deputy Manager, Corporate Social Development. cofides@cofides.es
3.5	Process for defining report content	X			35-36	
3.6	Boundary of the report	X			35-36	
3.7	State any specific limitations on the scope or boundary of the report.	X			35-36	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	X				Not applicable.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports and the reasons for such re-statement	X				This report is subject to Communication on Progress requirements.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	X				Not applicable.
3.12	Table identifying the location of the standard disclosures in the report	X			38	
4. Governance, commitments and engagement						
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks such as setting strategy or organisational oversight	X			10-11	
4.2	Indicate whether the chair of the highest governance body is also an executive officer	X				She is executive chairwoman.
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non- executive members	X				None of the members except the chair has executive duties. The board has no independent members.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	X			10, 18	
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	X				The chairwoman is subject to the provisions of Act 5/2006 on Regulation of Conflicts of Interest Among Members of the Government and Senior Central Government Officials.
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	X			AR 4-5; 9 and 23	Mission, vision and values. Code of Ethics. Social and environmental policy.
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	X				Board of Directors operating procedure PO 0702-02.

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Profile	Description	ID	ED	TYPE	LOCATION	Remarks
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	X			21-28	
4.12	Externally developed social, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	X				EDFI Principles for Responsible Financing Corporate Governance Approach Statement.
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations supported by the organisation	X				EDFI. Global Compact Network Spain. ASCRI (Spanish association of venture capital institutions)
4.14	List of stakeholder groups engaged by the organisation	X			14	
4.15	Basis for selection of stakeholders with whom to engage	X			14-15	
FINANCE INDUSTRY INDICATORS						
FS1	Policies with specific environmental and social components applied to business lines	X		M		COFIDES' Social and environmental policy. EDFI harmonised social and environmental policy.
FS2	Procedures for assessing and screening environmental and social risks in business lines	X		M	23-25	
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	X		M	25	
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	X		M		RIO (revised version) training for all employees.
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	X		M		EDFI working groups.
Product portfolio						
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	X		M	23	
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	X	X	M		100 % have a dual social effect: on the host country and the Spanish sponsoring organisation.
Audit						
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	X		M		No audit is in place to explicitly evaluate the implementation of environmental and social policies and procedures. Nonetheless, the yearly external quality audit covers the project cycle review, which includes the assessment of social and environmental risks.
Active ownership						
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues		X	M	25	
FS11	Percentage of assets subject to positive and negative environmental or social screening	X		M		Not applicable.
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting	X		M		Operating procedure: PO 0704-04: COFIDES representation to investee companies.
FS15	Policies for the fair design and sale of financial products	X		M		Audited under ISO 9001:2008: financial support and services through implementation and management of financing with its own or managed funds for private projects with Spanish interest in developing, emerging or developed countries.
ECONOMIC						
Economic performance						
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	X		M	FS 4-6	
EC4	Significant financial assistance received from government	X	N/A	M		COFIDES receives no Government assistance. COFIDES is 61% owned by the Spanish State.
Indirect economic impact						
EC9	Understanding and describing significant economic impacts, including the extent of impacts.	N/A	X	A	30-33	

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Profile	Description	ID	ED	TYPE	LOCATION	Remarks
ENVIRONMENTAL						
Emissions, effluents and waste						
EN18	Initiatives to reduce greenhouse gas emissions	X	X	A	26	ID: Conduct a preliminary study of CO2 emission as part of the company's travel policy. ED: FINER (financing for investment in renewable energy, approved in 2010) and FINCARBONO (financing for investments generating CO2 emission rights) facilities. ICCF.
EN19	Emissions of ozone-depleting substances by weight		X	M		COFIDES does not finance projects that destroy the ozone layer (exclusion list).
Products and services						
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation		X	M		All investments are subject to the company's social and environmental policy.
Compliance						
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	X		M		No fines or sanctions imposed in 2010.
SOCIAL: Labour practice and decent working conditions						
Employment						
LA1	Total workforce by employment type, contract and region, broken down by gender	X	X	M	18, 32	
LA2	Total number and rate of new employee hires and employee turnover by age groups, gender and region	X		M	18	
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees	X		A	17	All employees: life insurance, health insurance by major operations and per diem. Part-time employees: same benefits, but with per diem pro rata. Temporary employees: per diem.
Labour/management relations						
LA4	Percentage of employees covered by collective bargaining agreements	X		M	18	
Occupational health and safety						
LA7	Rates of injury, occupational disease, lost days and absenteeism and number of work-related fatalities by region	X		M	18	
Training and education						
LA10	Average hours of training per year per employee by employee category	X	X	M	17, 33	
Diversity and equal opportunity						
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	X		M	FS 33; 18	
SOCIAL: Human rights						
Investment and procurement practices						
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening		X	M		External dimension: 100%.
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening and actions taken	X		M	19	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	X		A		No training was delivered in 2010. Periodic in-house communications on this subject are planned, along with specific training for the Business Strategy and Development Department.
Non-discrimination						
HR4	Total number of incidents of discrimination and corrective actions taken	X		M		No such incidents arose in 2010.
Freedom of association and collective bargaining						
HR5	Operations and significant suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights		X	M	33	

Profile	Description	ID	ED	TYPE	LOCATION	Remarks
Child labour						
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour		X	M	33	
Forced and compulsory labour						
HR7	Operations identified as having significant risk for incidents of forced and compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour		X	M	33	
Indigenous rights						
HR9	Total number of incidents of violations involving rights of indigenous peoples and action taken		X	A		No incidents occurred in 2010.
SOCIAL: Society						
Local community						
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	N/A	X	M	32-33	
Corruption						
SO2	Percentage and total number of business units analysed for risks related to corruption	X	X	M	13-14	
SO4	Actions taken in response to incidents of corruption	X		M		No incidents were recorded in 2010.
Public policy						
SO5	Public policy positions and participation in public policy development and lobbying	X		M		COFIDES is a State financial agency that conducts no lobbying.
SO6	Total value of financial and in-kind contributions to political parties, politician and related institutions by country	X		A		COFIDES makes no donations / "Political donations are explicitly prohibited" (Code of Ethics).
Compliance						
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	X		M		No fines or sanctions were imposed in 2010.
SOCIAL: Product responsibility						
Product and service labelling						
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	X		M		The characteristics of the company's financial products and instruments are described on its website.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	X		A	16	
Marketing communications						
PR6	Programmes for adherence to laws, standards or voluntary codes related to marketing communications, including advertising, promotion and sponsorships	X		M		COFIDES website: Business principles. Antibribery Convention. Sponsorship of Anti-corruption Guidelines.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of customers	X		A		No such incidents in 2010.
Customer privacy						
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	X		A		No claims of this nature were lodged in 2010.
Compliance						
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	X		M		No fines were imposed in 2010.
LEGEND						
ID: INTERNAL DIMENSION / ED: EXTERNAL DIMENSION M: Main indicator / A: Additional indicator / AR: Annual Report / FS: Financial Statements / N/A: Not applicable						

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Photographs page 29:

- 1.- Project in South America. Photographer: Pelayo Menéndez, COFIDES.
- 2 and 3.- Project in Middle East. Photographer: José Carlos Villena, COFIDES.
- 4.- Project in Asia. Photographer: José Carlos Villena, COFIDES.

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