

2019

**ACTI  
VITY** and  
**SUSTAIN  
ABIL  
ITY**  
Report

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**Design and layout:**

David León Quintero / [www.bigonedesign.es](http://www.bigonedesign.es)

**Photographs:**

Photo file of COFIDES

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ES-1580/200

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## Letter from the Chairman



Dear friends,

I'm drafting this letter against the backdrop of a major public health crisis that has a considerable portion of the world's population, both in developed and developing countries, in shutdown and facing the future with fear. The covid-19 pandemic is creating havoc irrespective of nations' wealth, with a virulence that makes no distinction among social groups. Barely any of the statistics on the evolution of the pandemic inspire optimism. And although anticipating its possible long-term effects is no easy task, the next few years may be expected to be hard on the world economy, perhaps inflicting greater hardship than any other event since World War II. With our infrastructure intact, we must now turn our efforts to recovering a beleaguered global economy, stricken by millions of unemployed and rampant poverty.

As it spreads around the planet the health crisis is successively inducing social, fiscal, financial, debt and political crises. The severity of the side effects and their

**"COFIDES has always prided itself on standing by its clients even in the most trying of times"**

implications by country, industry and population have yet to be quantified. The devastation inflicted will depend on the duration of the pandemic, on when science can find an effective treatment or vaccination and on whether health care systems can contain the disease and its lethality. It will also depend, however, and most prominently, on whether countries and multilateral organisations are able to cooperate in designing and implementing measures to prevent worldwide economic collapse and provide a moderately soft landing as we exit the various crises without leaving too many population groups or businesses by the wayside. Such exit measures should lead to a future "new normal" in which certain global trends that had been emerging in prior years will more than likely deepen: global leadership crisis and questioning of a rules-based multilateral model; back-tracking in globalisation and regionalisation of value chains and digitisation; and consolidation of non-liberal tendencies, among others.

Although the immediate future is not overly optimistic, COFIDES has always prided itself on standing by its clients even in the most trying of times. The FIEX and FONPYME funds were created in the late twentieth century to help investors shoulder the risks inherent in the early stages of internationalisation. Company support in consolidating the foreign sector during the 2008 crisis proved to be providential for the Spain's recent economic expansion. In the present crisis, COFIDES is also working and will continue to work with companies and entrepreneurs to offer personalised solutions to re-gear their internationalisation strategies.

The Company has adopted extraordinary short-term measures to provide its client companies and their projects abroad with efficient and immediate assistance to successfully confront the liquidity strictures generated. COFIDES has expedited procedures to ease debt payment terms to which a number of companies have subscribed. And in the medium and long term the Company, with its own assets and those managed on behalf of third parties, will continue to stand by the private sector and share

the business risk involved in future internationalisation projects in an environment in which, as I noted above, new challenges will have to be successfully confronted.

The pandemic has revealed the vulnerability of our economic system. In developed countries we have come to realise that our generally enviable institutions and welfare states are vulnerable when faced with extraordinary events. At the same time the speed at which the virus has spread has confirmed that in the world of the future our circumstances will depend increasingly not only on the state of affairs in neighbouring countries, but also in regions with much lower levels of development. COFIDES is actively helping to fuel the Spanish Government's international development agenda, both with its own investments and by supporting the efforts of Spanish development cooperation institutions in priority target countries.

That situation attests to the distinct need to steer our efforts toward Africa, a continent with hosts of investment opportunities where the support of the international community and the private sector is instrumental in ensuring that recent improvements in the standard of living of its residents are not reversed. More imperative than ever, our investments must continue to flow and our financial cooperation instruments must be strengthened to mitigate the socioeconomic effects of the pandemic. That ongoing presence in our neighbouring continent should come in addition to COFIDES's more consolidated experience in Latin America, a marketplace favoured by Spanish investors that accounts for a considerable proportion of the Company's portfolio.

In all its endeavours, COFIDES purposes to be a loyal and pro-positive partner compliant with the Sustainable Development Goals (SDGs). In particular, it pursues the goal calling for collaboration with third parties committed to the same objectives, especially the initiatives undertaken by the European Union and the other members of the EDFI (Association of bilateral European Development Finance Institutions). In such a scenario the future urges us to rebuild the global economy based, on the one hand, on financing viable projects that combine public, private and philanthropic resources with different demands and risk tolerance (known in industry jargon as blended finance), and on the other, on including demanding economic, social and environmental sustainability criteria in those projects. All those efforts must, however, be governed by the conviction that recovery from the effects of the covid-19 pandemic cannot come at the expense of the Agenda 2030 goals.

## 2019-2021 Strategic Plan

For COFIDES 2019 was a very productive year. Implementation of our 2019-2021 Strategic Plan with its

## "The Company will continue to stand by the private sector and share the business risk involved in future internationalisation projects"

two pivotal strategies, internationalisation and development, integrating sustainability management as an overarching theme, defined the Company's future profile. The year's excellent results can be attributed to the efficacy of the strategy laid down in the Plan. Assets under management rose by 2.5 % over the preceding year to M€1080, the largest portfolio on record. Total investments committed also hit an all-time high at M€1311, up 4 % over 2018.

One significant commitment assumed by COFIDES in its Strategic Plan is to back renewable energy projects to tackle climate change and its effects. In 2019 the Company successfully rose to the challenge, comfortably meeting the Plan's quantitative objectives with projects that will generate over 832 MW. That historic record exceeded the total formalised in the preceding 7 years, setting the stage for our aspirations in the years to come.

The Company also made an active contribution to the COP25 UN Climate Change Conference hosted by Spain at the end of the year. Together with the European Investment Bank, Inter-American Development Bank (IDB), Green Climate Fund, KfW, BBVA, ICO, Iberdrola and Indra, COFIDES participated in panels on experience in financing SDGs and the importance of the private sector in the struggle against climate change and its implications. COFIDES headed the first round table on climate financing with participants from the world's most prominent multilateral development finance banks and financial institutions. In a similar vein, in 2019 the Company signed the UN Green Climate Fund's Accreditation Master Agreement to become the first Spanish organisation to be certified by that body. That new status enabled COFIDES to improve its climate financing instruments and strengthen its commitment to climate change mitigation and adaptation goals.

In addition to its achievements around the global warming challenge, the Company reached other singular milestones in 2019. In line with its resolve to provide creative and innovative solutions adapted to companies' real financing needs, COFIDES participated for the first time in two bond

issues, one international with Grupo Sampil and the other a "green bond" with Grenergy Renovables. The Company also formalised its participation in a venture capital fund, Fondo Adara Ventures III, through which it will invest in Spanish growth businesses developing high technology products for the domestic and international markets.

The first European Union blended finance project under COFIDES leadership was likewise formalised in 2019. The target, Huruma Fund, engages in what is known as "impact investment" designed to facilitate access to credit for small Latin America, Caribbean, Sub-Saharan African and Asian farmers. Another first was the materialisation of a project whereby Inbonis Rating, the first Spanish credit rating agency dealing exclusively with SMEs, opened an office in France.

In 2019 COFIDES continued to provide FONPRODE management with support by drafting 11 financial standing profiles and 10 proposals for operations and formalising two operations. The company monitored 100 % (59 operations) of the FONPRODE portfolio and participated in 20 missions on the fund's behalf.

In addition to these milestones, the Company is helping society face its most pressing challenges by furthering sustainability as an integrative element that inspires all its endeavours. Hence COFIDES: (1) subscribed to 'Investing for Impact: Operating Principles for Impact Management', developed by the World Bank's International Finance Corporation as an international standard designed to earn not only a risk-adjusted return on investments but positive, quantifiable and transparent social, economic or environmental impact; and (2) strengthened its engagement with the United Nations' SDGs for 2030, folding the 10 Global Compact principles into its business strategy.

But what I find particularly significant is that, together, Company employees were able to define (as a pilot experience over the year) a series of sustainability goals for the organisation as a whole that in future will form part of the Company's corporate goals and as such will affect the variable portion of our salaries. I consequently take this opportunity to congratulate COFIDES's employees for their dedication.

As I noted earlier, COFIDES reinforced its active collaboration with the Association of bilateral European Development Finance Institutions (EDFI). Our shared mission is to favour sustainable economic growth in less developed countries while backing the private sector as a key to job creation, transparency and environmental and social responsibility. At year-end 2019 COFIDES and FLEX were participating through the European Financing Partners (EFP) system in 29 projects in 12 countries, 10



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## "The Company also made an active contribution to the COP25 UN Climate Change Conference hosted by Spain"

in Sub-Saharan Africa, worth a total of M€18. Likewise by year-end 2019, COFIDES had committed a total of M€15.5 to 35 Interact Climate Change Facility (ICCF) operations contributing to mitigate climate change and furthering energy efficiency in 19 less developed countries hosting official development assistance.

In conjunction with EDFI, COFIDES hosted and organised the Sustainability Week, providing a venue for first-time meetings among development finance institution task forces on environmental and social questions, development and corporate governance and HIPSQ, a World Bank-led initiative to harmonise impact indicators for private sector operations.

In the more strictly corporate domain, I should highlight some of the measures adopted that have contributed to improving the company's working atmosphere. One of the first that merits mention is the success of the home-officing pilot project instituted in 2019. Thanks to that measure, the Company has been in a position to adapt to the distance

working imposed in the wake of the covid-19 pandemic and prepared it to render its services with the accustomed quality and efficiency despite shutdown measures. I wish to acknowledge the effort made by all my colleagues, the information technologies team in particular, for their patience and dedication in assisting all of us in what was an abrupt immersion in telecommuting.

COFIDES also adopted a firm position in favour of inclusion and respect for everyone's freedom and rights with its approval of an LGBTI policy covering workplace measures to ensure real and effective equality of opportunities.

I must also thank all those whose efforts are geared to maintaining an optimal working atmosphere. My acknowledgement goes to the devotion and spirit of cooperation and improvement displayed by all, in particular the Works Committee members, during the constant formal and informal meetings and relationships established since its inception in 2018. Their opinions, which are always to be respected, are taken into consideration whenever within the Company's means.

Lastly, for all our achievements in 2019 and all the challenges to which we will need to rise in the years to come, I wish to express my sincere gratitude to the

# 832 MW

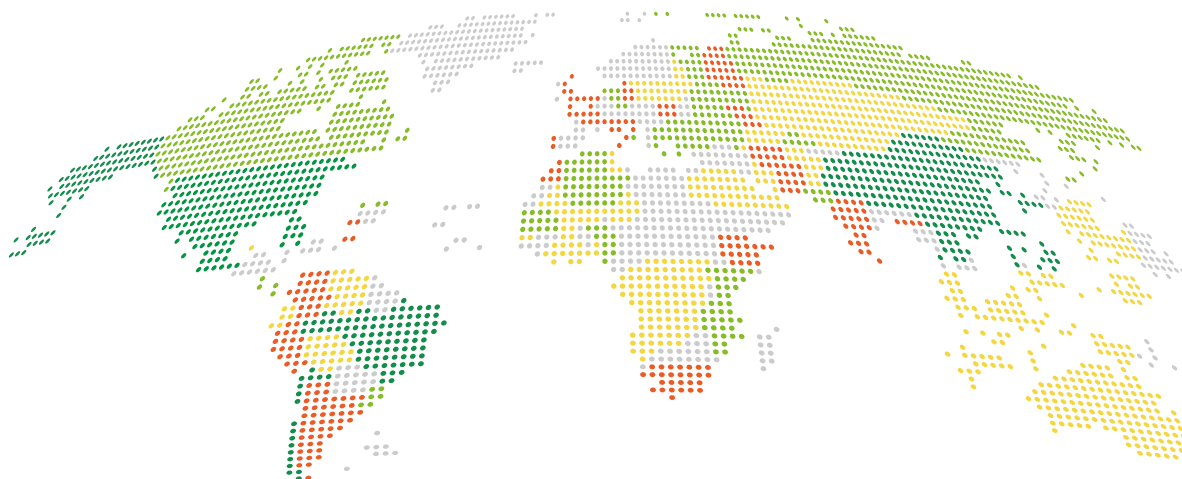
**Historical maximum of installed capacity of the projects formalized in 2019**

Secretariat of State and our shareholders for their unfaltering support; to Spain's International Cooperation for Development Agency AECID for confiding in COFIDES to manage FONPRODE; to COFIDES's employees for their dedication and involvement; and to our clients for their ongoing trust, the driving force that inspires us to rise successfully to each new challenge. In closing, I would ask all to accept my wishes for personal health and happiness, extensive to loved ones. And in response to such loyal support, I can only reiterate our resolve to comply with our mandates to support internationalisation and sustainable development to the very highest standards.

*José Luis Curbelo*  
**COFIDES Chairman and Chief Executive Officer**

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**"I reiterate our resolve to comply with our mandates to support internationalisation and sustainable development to the very highest standards"**





# Milestones



## Management milestones

- COFIDES designs the 2019-2021 Strategic Plan, defining internationalisation and development as the Company's pivotal strategies fully integrated with active sustainability management as an overarching theme.
- Adherence to "Investing for Impact: Operating principles for Impact Management", an initiative of the World Bank Group's International Finance Corporation that describes the essential principles of financial management with a view to contributing to positive and quantifiable social, economic or environmental impacts, in addition to financial returns.
- COFIDES signs the Accreditation Master Agreement with the Green Climate Fund, a United Nations mechanism that pursues mitigation of and adaptation to climate change.



*Accreditation Master Agreement signing ceremony, crowning COFIDES's Green Climate Fund accreditation*



*Ceremony sealing COFIDES's adherence to the Operating Principles for Impact Management, an ICF initiative*



## Activity milestones

- Record M€1080 in assets under management.
- Record M€1311 assets committed.
- Record M€266 formalised<sup>1</sup>: with no detriment to portfolio credit rating.
- Year-end default rate for COFIDES's portfolio, 3.91%; for FIEX's, 4.30%; and for FONPYME's, 10.55%.
- Historic revenues (M€25.7) and profits (M€15.5) in recurring operations.
- Project formalisations in 2019 to generate a historic 832 MW, compared to 123 MW in 2014-2018.

1. The historic series excludes the Spain-Oman Private Equity Fund.



## Corporate milestones

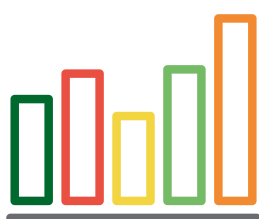
- Creation of an Auditing and Risks Committee at COFIDES as part of its commitment to good corporate governance.
- Inclusion of a set of sustainability targets in COFIDES's corporate goals for 31 December 2019.
- Sustainability Week meetings of a series of development finance institutions' task forces organised by COFIDES and organised at its headquarters.
- First report to the OECD on mobilisation of private assets associated with COFIDES-financed projects in countries hosting official development assistance.
- Participation in and organisation of panels and round tables on the occasion of the COP25 UN Climate Change Conference.
- Approval of an LGBTI policy aligned with the UN's LGBTI Standards of Conduct for Business specifying the workplace measures implemented by COFIDES to guarantee genuine and effective equal opportunities for LGBTI people.
- Implementation of a pilot home-officing project in COFIDES.



*COFIDES participated in a panel organised by the Green Climate Fund during the United Nations Framework Convention on Climate Change (COP25)*



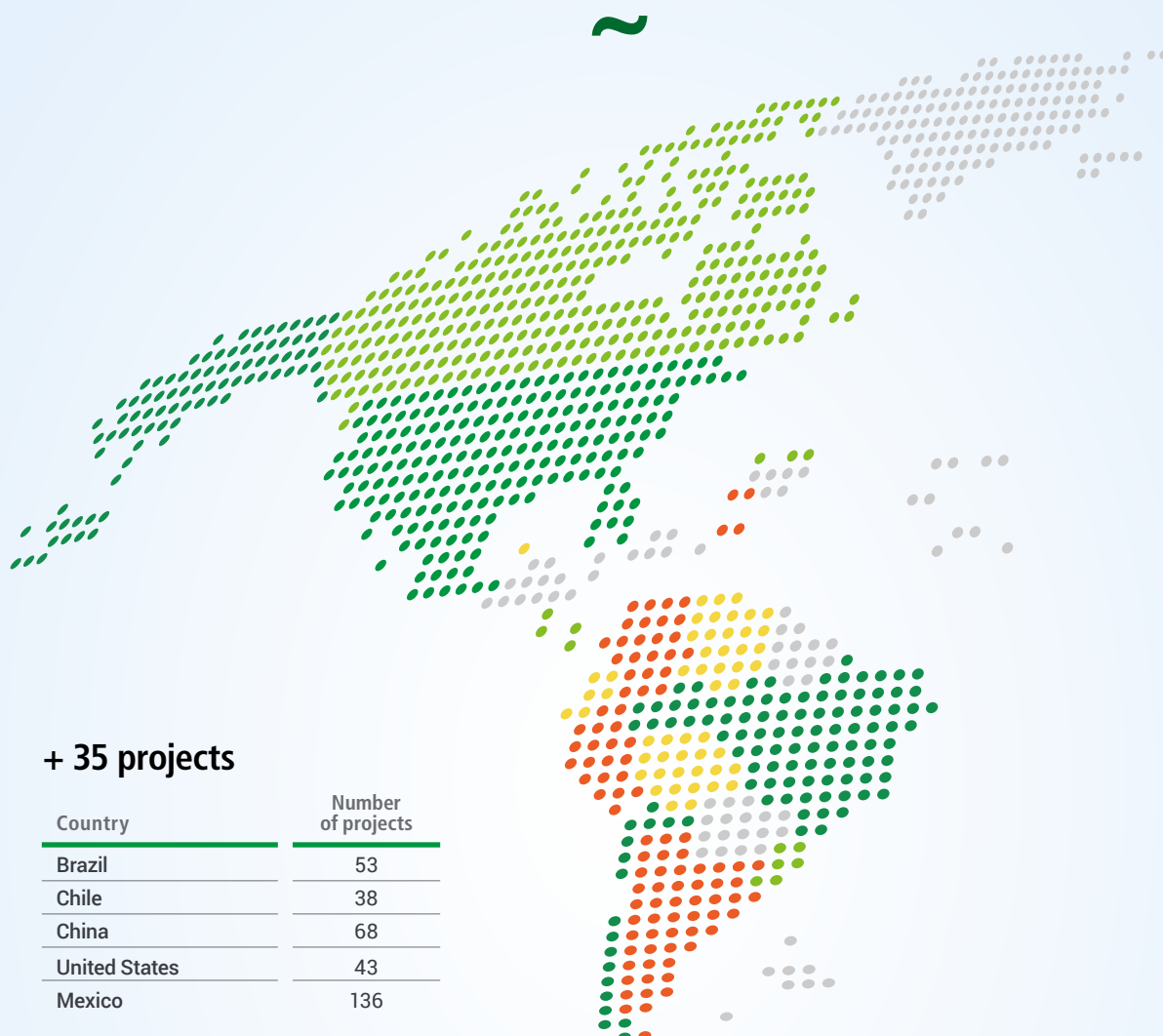
*COFIDES hosted the Sustainability Week, which brought together working groups of several development finance institutions*



## Operating milestones

- In the context of the European Union's (EU) blended finance, formalisation of the first project headed by COFIDES, the Huruma Fund, an impact investment fund designed to improve access to financing for small farmers in Latin America and the Caribbean, Sub-Saharan Africa and Asia.
- Company debut in international (Grupo Sampol) and green (Grenergy Renovables) debt issues.
- First-ever formalisation of participation in a venture capital fund, Fondo Adara Ventures III, for investment in Spanish growth companies developing high technology products for the domestic and international markets.
- Formalisation of a project for the establishment of Inbonis, a Spanish company, in France, the first to link the price of the operation to a sustainability variable.

# COFIDES Business History Map



## + 35 projects

Country	Number of projects
Brazil	53
Chile	38
China	68
United States	43
Mexico	136

## Countries with 10 - 35 projects

Country	Number of projects
Argentina	35
Colombia	27
France	10
India	30
Italy	10
Kenya	10
Morocco	25
Peru	21
Poland	20
Portugal	13
United Kingdom	13
Dominican Republic	12
Czech Republic	14
Romania	20
South Africa	10

## Countries with 5 - 9 projects

Country	Number of projects
Germany	7
Algeria	6
Canada	5
Cuba	5
El Salvador	6
Hungary	9
Nigeria	5
The Netherlands	6
Panama	9
Russia	7
Senegal	5
Tanzania	5
Turkey	9
Uruguay	5





## Countries with 1-4 projects

Country	Number of projects	Country	Number of projects	Country	Number of projects
Angola	3	Guinea Bissau	1	Namibia	2
Saudi Arabia	1	Honduras	4	Nicaragua	4
Australia	3	Indonesia	1	Nigeria	1
Austria	1	Iran	1	Oman	1
Belgium	3	Jamaica	1	Pakistan	1
Benin	1	Jordania	2	Paraguay	3
Belarus	1	Kazakhstan	1	Qatar	1
Bulgaria	2	Kuwait	1	D.R. Congo	1
South Korea	1	Latvia	2	Switzerland	1
Ivory Cost	2	Lithuania	1	Thailand	3
Ecuador	4	Malaysia	1	Togo	1
Egypt	1	Mali	1	Tunisia	2
U.A.E.	3	Mauritius	3	Ucrania	3
Slovakia	4	Mauritania	1	Uganda	2
Slovenia	1	Mongolia	1	Venezuela	2
The Philippines	1	Montenegro	1	Vietnam	1
Ghana	2	Mozambique	1	Zambia	1

# Strategy and Adaptation



With the formulation, approval and implementation of its 2019-2021 Strategic Plan, COFIDES seeks an avant-garde position in the internationalisation of Spain's economy and development in the countries hosting its investments. That dual goal, set out in its by-laws, is supplemented by a company hallmark, the social and environmental standards demanded of investments that should gradually merge with the UN's Agenda 2030 Sustainable Development Goals.

More than a mere amendment to the Company's mission and vision, the commitment to sustainability should serve as inspiration in each and every one of its niches. Further to Strategic Plan precepts, in 2019 COFIDES adopted a number of measures designed to change its corporate culture. Particularly prominent in that respect was its organisation of the Sustainability Week, where over 30 development institutions and banks, as well as the UN, shared their best practices.

The change in corporate culture that has enabled one hundred per cent of the staff to become involved in sustainability has generated a new system of remuneration that links bonus payments to compliance with impact targets, particularly those related to job creation and climate action.

That change has irreversibly entailed revisiting the Company's business model, which in addition to seeking return on equity and additionality now calls for impact investments in support of sustainable development. By way of proof of the change in model, in 2019 projects were approved for renewable energy-fired electric power plants with a total installed capacity of 832 MW, compared to a total of 123 MW over the 5 years from 2014 to 2018.

Under the conviction that impact investment can strengthen business, COFIDES is drawing from its strengths as a source of comparative advantage. Most prominently, those strongpoints include specialised management and counsel for foreign investment-gearred State Funds, human capital characterised by highly experienced multidisciplinary teams, comprehensive risk management systems and an extensive network of strategic alliances.

The pivotal strategies for the period 2019-21 have borne fruit. The efforts to bolster business development have translated into over one thousand new commercial contacts, substantial co-investments with European partners and adherence to the Green Climate Fund convention. The redefinition of the financial offering has given rise to operations of a kind never before seen in COFIDES's history, such as the subscription of three (one green) debt issues in the MARF [Mercado Alternativo de Renta Fija: Spain's specialised debt securities market] and investments in venture capital funds to wed innovation to internationalisation. Lastly, the efforts to adapt and prepare the Company to meet Strategic Plan aims have driven the launch of a pilot home-officing project, which has proven crucial to success in switching to teleworking during the pandemic. Significant reforms in corporate governance have also been introduced, such as the creation of an Auditing

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**"The change in corporate culture has enabled 100% of the staff to become involved in sustainability"**

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**"The redefinition of the financial offering has given rise to operations of a kind never before seen in COFIDES's history, such as the subscription of three (one green) debt issues in the MARF"**

and Risks Committee under the auspices of the Board of Directors. The reward has been the highest turnover in the Company's 31-year history, with no detriment to the credit rating of its portfolio, further to Strategic Plan tenets.

That planning indisputably builds on past experience is a precept fully assumed and mirrored in the Plan but one that has been overwhelmed by events. Political ups and downs,

resulting in the absence of new National Budgets since 2018, have prevented the necessary allocation of the State assets managed by COFIDES. The identification of new resources will be crucial to enable the expansion of the business.

In addition, the global onset of covid-19 in late 2019 has caused a regretful wave of deaths and a considerable setback to the world economy.

Corporate expertise consists not only in achieving the results envisaged in a detailed strategic programme but also in the ability to respond to unexpected circumstances perimeteric to its planning. The lines set out in the Strategic Plan are inalienable to the extent that they are imperative for the future of Spanish companies and sustainable economic development both in Spain and abroad. But these lines should also inspire new and imaginative solutions with which to confront the public health emergency and the economic crisis bequeathed by the year 2020. In the final analysis, strategy is not incompatible with adaptability to contingency.

*Rodrigo Madrazo*  
**COFIDES Director-General**



*Image of the Klingele Embalajes Canarias company, which received COFIDES support for its growth in Mauritania*

# Our Actions and Our Impact



## Impact and sustainability

Impact investment is hard-wired into COFIDES's genes. In 2019 the Company continued to strengthen its role in the mobilisation of public and private assets by adhering to the Operating Principles for Impact Management<sup>2</sup>, an International Finance Corporation (IFC) initiative. The Company was one of the first 60 subscriber institutions and organisations.

Impact investment, including its methods and monitoring, is one of the Company's primary tools for meeting the shared goals laid down in Agenda 2030. Where project impact is deemed part of investment, strategy guidelines for shared action can be established to generate positive and measurable social and environmental benefits, in addition to suitable returns on equity.

### Positive impact as the centre of COFIDES's activities

The Operating Principles for Impact Management constitute the structure needed for investors to ensure that full account is taken of the implications of the financing awarded across the life of an investment. That approach has helped chart COFIDES's track record of responsible financing in which

growth, profitability and defence of natural and social environments are mutually compatible in the context of Spanish company internationalisation. COFIDES's protocols include environmental and social assessment procedures as part and parcel of the due diligence assessment conducted for each operation, from initial analysis and approval through conclusion of financial support.

The Principles rest on the most significant initiatives introduced by the impact investor community, most prominently: the Global Impact Investing Network (GIIN)<sup>3</sup> and the Impact Management Project (IMP)<sup>4</sup> convention for management and measurement, as well as other tools, standards and indicators such as IRIS+<sup>5</sup>, GIIRS<sup>6</sup>, GRI<sup>7</sup>, SASB<sup>8</sup> and HIPSP<sup>9</sup>. COFIDES participates in some of these initiatives, in addition to routinely using their tools.

#### Strategic Intent

1. Define strategic impact objective(s) consistent with the investment strategy.
2. Manage strategic impact and financial returns at portfolio level.

#### Origination and Structuring

3. Establish the investor's contribution to the achievement of impact.
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage the potential risk of negative effects of each investment.

#### Portfolio Management

6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

#### Impact and Exit

7. Conduct exit, considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

### Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the extent of alignment.

2. [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/development+impact/principles/opim](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles/opim)  
 3. <https://thegiin.org/>  
 4. <https://impactmanagementproject.com/>  
 5. <https://iris.thegiin.org/>  
 6. <https://b-analytics.net/giirs-funds>  
 7. <https://www.globalreporting.org>  
 8. <https://www.sasb.org/>  
 9. <https://indicators.ifipartnership.org/>





**Diane C. Damskey**  
*Head of Secretariat, Operating Principles for Impact Management*  
IFC- International Finance Corporation  
World Bank Group

## Impact investment for the rebuilding of the economy

**"Independent verification is key to instilling discipline in impact investing and the avoidance of impact washing"**

### **How do you assess this first year of life of the Principles for Impact Management?**

The Impact Principles have achieved tremendous acceptance by asset owners and asset managers globally. Launched with 58 Signatories, we recognized 93 Signatories on the anniversary, and the momentum continues. The Impact Principles provided a much needed framework to ensure greater transparency and discipline in the impact investing market, with the goal to mobilize more capital for impact. As we see the impact of COVID-19, impact investing will likely play an important role as we rebuild economies globally.

### **Why is it so important for financial institutions to apply the Principles?**

Among the most important aspects of the Impact Principles are the establishment of a much-needed framework for investors to ensure that they incorporate impact at each stage of an investment. This will help to clarify impact investing from ESG-aligned investing and other types of "investing for good". They also reduce the potential for impact washing (like green washing in the green bond market).

### **How does independent verification affect the whole circle of impact investment?**

Independent verification is key to instilling discipline in impact investing and the avoidance of impact washing. Each Signatory must provide an annual Disclosure Statement describing how their impact management systems and processes align with the Impact Principles. However, it is not enough that they state they are aligned—this must be independently verified. Both the disclosures and verification are publicly posted, bringing greater transparency to the impact investing market for all investors and stakeholders.

### **How are the Principles changing to the concept of impact investment?**

The Impact Principles have helped distinguish impact from other types of investing. Impact investing requires intentionality, contribution (how your capital affects the achievement of impact) and measurement. ESG is the foundation of impact. ESG-alignment focuses on taking into effect the potential negative effects of an investment; impact investing intentionally targets a positive, measurable impact on society or the environment. Both are critical in the achievement of the SDGs.

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**"As we see the impact of COVID-19, impact investing will likely play an important role as we rebuild economies globally"**



**Daniel Lozano**  
*Investor Relations and  
Communication Manager*  
**Grenergy Renovables**

## We support renewable energy power generation

**“Society is increasingly aware that we have only one planet and cannot afford to continue to deplete its resources”**

Target year 2019 saw COFIDES's first-time participation in a green bond, issued by Grenergy Renovables. The Company purchased up to 20 % of the issue for M€4.3. The project purposed to finance Grenergy Renovables's national and international business expansion in renewable, primarily solar photovoltaic- and wind-fuelled, power plants.

Grenergy Renovables was the first company to issue green debt on the Mercado Alternativo de Renta Fija [Spain's specialised debt securities market] For Daniel Lozano, pioneering the launch of such products in Spain was a highly satisfactory experience "that afforded us more visibility on capital markets, introducing us to institutional investors that also acquired company equity when it listed on the continuous market".

The company will invest the debt in photovoltaic and wind projects generating 100 % clean power. "At this time we have three wind farms under construction in Argentina and Peru, as well as over 200 MW photovoltaic projects in Chile", Mr Lozano explains.

For this executive, aligning Grenergy's green bonds with the Green Bond Principles enhances "investment strength and value" because the Principles "not only contribute to improving our surrounds, but reduce risks that would not otherwise be envisaged".

Green bonds have consolidated their status as a financing alternative in recent years. They are a very promising option for broaching climate-related and sustainable projects. Mr Lozano adds that the "bonds" green credentials attract ESG investors and the greater the demand the lower the cost, for they explicitly ensure financing for sustainable projects that would otherwise go unattended".

According to Grenergy Renovables' executive, such growing interest can be attributed to society's increasing awareness "that we have only one planet and cannot afford to continue to deplete its resources. Fortunately, we have an inexhaustible supply of energy, solar photovoltaic, which happens to be today's most competitive source, so it will make no sense in the medium term to go on burning fossil fuels".

At year-end 2019 Grenergy Renovables had a headcount of 150 employees. "Oddly, we have fewer employees in Spain than in Latin America, where our activity is particularly intense." Nonetheless, "the company headquarters is in Spain and we will begin to grow as we commission future plants".

In a couple of years Grenergy Renovables will be generating 1.5 GW, sufficient to power one million households with green energy.

Grenergy Renovables' goal is to have 1.3 GW of green installed capacity, equivalent to the power consumed by one million households, up and running in a couple of years. "We're naturally working on raising that figure", Mr Lozano says.

As company strategy is to become a significant actor in all the markets where it operates, "we study entering new markets very thoroughly from the perspective of a medium term engagement. This year we plan to take steps in that direction".

### Related SDGs





## Towards clean energies

**Yolanda Gómez de Segura**  
**COFIDES** *Head of Unit, Investment Division*

In an environment where companies are increasingly aware of the need to encourage sustainability, green bonds are one of the financial instruments most widely used to channel capital flows toward the green economy. Clean energy development is imperative to transitioning to a low carbon economy, one of the keys to tackling climate change.

The struggle against climate change is a strategic priority for COFIDES. We provide financing for projects that lower greenhouse gas emissions, raise resource efficiency and support mitigation of and adaptation to climate change. Since October 2012 we have financed 51 mitigation and adaptation operations, to which we have committed over 240 million euros.



### What are green bonds?

They are debt securities issued to finance or re-finance environmental or climate change-related projects.

Green bond trading is a growth market, for it offers opportunities to mobilise capital on a large scale to finance solutions geared to a low carbon, climate-resilient economy.

According to the Climate Bond Initiative, investment in green bonds reached \$257 billion in 2019, and the projected volume for 2020 is \$350 billion.



## Added impact

COFIDES's mission embraces two complementary, inter-related aims: development in countries hosting investment and the internationalisation of Spain's economy and businesses. If conducted suitably and responsibly, Spanish company internationalisation will contribute to socioeconomic growth in the investee nations as well as in Spain itself. Both aims ultimately favour implementation of the universally applicable 2030 Agenda.

### ... In host countries

Economic growth in the investment targets forms part of COFIDES's mission. The internationalisation of Spanish companies constitutes an economic growth vector for those countries by diversifying their production and modernisation.

## In 2019 the portfolio of projects financed entailed:

Tax revenues

M€ **100.96**

**19%**

Structural  
and market  
impact

Rise in national income

M€ **1,349.68**



**55%**

Technology and know-how  
transfer

The creation and maintenance of:

**26,780**

Direct jobs



**66%**

Employee training

M€ **415.25**

Overall in wages and salaries

**40,170**

Indirect jobs



**32%**

Local manager training

**46,865**

Induced jobs



# Alignment of **15 projects** with the



**G7 initiative geared to encourage and raise women's participation**



## ... And in Spain:

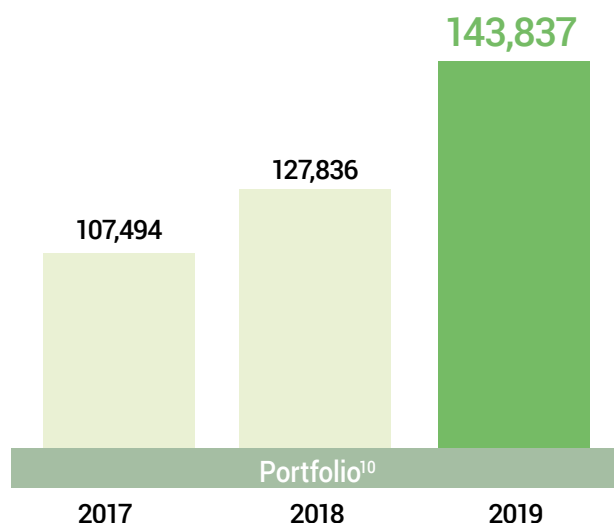
Spanish private sector internationalisation has significant implications for the national economy. Spanish companies benefiting from COFIDES financing keep and create jobs on national soil.

## Additionality and flexibility in COFIDES financing

In keeping with Company strategy, COFIDES's financial product offering is based on the additionality principle, which entails financial solutions that supplement those provided by the private sector.

FIEX and FONPYME aim to provide financial support for companies' internationalisation strategies. With a view to new market entry, COFIDES has directly financed operations in targets with idiosyncratic characteristics such as Cuba, Nicaragua, Mauritania, Egypt, Nigeria, Tanzania, Vietnam and Indonesia. COFIDES, in conjunction with other European development institutions, also participates in a number of facilities focusing on investment project financing in less advantaged countries in Africa, the Caribbean and the Pacific. Financial operations with longer terms and grace periods than prevailing on the market has expedited Spanish company internationalisation. Financing for Spanish companies' initial production abroad also grew. COFIDES's support in the first stages of internationalisation has proven to be one of the factors most highly valued by companies that have consolidated their presence in a number of markets.

## Employment in Spain in companies financed



10. Data collected from 66.89 % (2017), 72.78 % (2018) and 60.54 % (2019) of companies financed



## We empower Spanish companies' innovation and competitiveness



*Adara Ventures staff. (Alberto Gómez fifth from left)*

In mid-2019 COFIDES launched its new venture capital line to support technology companies' foreign investment. With a yearly allocation of M€20 (enlargeable as required by the market), it participates in companies with global products and strategies on the brink of internationalisation. It consequently supports venture capital companies with acknowledged asset management capacity and solvency.

COFIDES undertook its venture capital business by investing M€6 in Fondo para Inversiones en el Exterior [Spain's foreign investment fund] assets in Adara III, a vehicle created to invest in early-stage, deep tech information technology companies furnishing digitisation support for medium and large enterprises.

Alberto Gómez, one of the Adara Ventures partners, explains that the category includes sectors such as cybersecurity, applied artificial intelligence, cloud infrastructure, vertical applications and similar. "All are companies focusing on B2B markets that may cover several industries or specialise in just one, such as banking, insurance, retail or publicity."

Given that for Adara market opportunity entails the ability to scale globally, "we only invest in companies with a clear and sound growth and internationalisation plan".

Adara engages with the companies in which it participates, but does not interfere with routine operations, which are deemed a management responsibility. "We attempt to support them and assist in key decisions, their organisational development, the establishment of high value priorities and targets, strategy definition, additional fund-raising rounds and internationalisation", says Alberto Gómez.

Technology and digital start-ups are increasingly prone to international growth and today any technology company views the market globally, identifying competitors the world over and drafting a long-term international development plan. "It's a must for all funds investing in technology, for we're required to "monetise" our investment, which is practically impossible if a company fails to acquire a global position." Furthermore, in over 80 % of global software company purchases the buyer is a Silicon Valley company. Adara successes such as the sale of AlienVault to AT&T and Playgiga to Facebook "could never have happened without a globalised business, for otherwise those Spanish companies would have lain underneath their possible buyers' radar".

The mean entry ticket size ranges from €300 000 to €500 000 for seed and M€1 to M€2.5 for Series A fund-raising. A much larger sum is reserved for future rounds which



**Alberto Gómez**  
*Partner*  
**Adara Ventures**

## **“In addition to digitalisation, opportunities are to be had in the tourist, health and large infrastructure industries”**

these companies may need to undertake as they develop. In addition to COFIDES, other institutional investors in Adara III include the European Investment Fund and Fond-ICO Global, which also participated as the most prominent references in the first two funds. Red Eléctrica de España, Prosegur and Bankinter are other significant corporate investors “with which we have strategic relations”, according to Mr. Gómez. “That helps us both assess opportunities jointly and add to investee company value.” Adara also has a host of private investors and family offices, many of which have re-invested in Adara III after having participated in the earlier funds.

Adara III will follow the same investment line as its predecessors. Although digitisation embraces nearly the entire economy, outside the traditional sectors (such as banking, insurance and telecoms) penetration is low and growth potential consequently high. The company sees opportunities in the tourist, health and infrastructure, as well as in critical industries “where specific solutions may have a huge impact with greater penetration of the use of the cloud and mobility”.

### **Related SDGs**



### **The technology industry in Spain**

In Alberto Gómez’s opinion, the industry has developed extremely well in recent years in terms of new investment volume (50 % higher in 2019 than in 2018), divestment (record volumes in 2018 and 2019) and internationalisation (growing participation of international investors in fund-raising rounds). “The quality of the investment proposals we’re analysing now is much higher than 5 or 10 years ago. Even so, much has yet to be done”.

“Large hubs (Madrid and Barcelona) will have to be further supported and new ones fostered. Both approaches are warranted in light of Spain’s entrepreneurial talent, technical quality and (corporate and end consumer) market”.



## Support for SMEs



### International expansion-driven growth

**Alvaro Hernández** - COFIDES Head of Unit. Investment Division -

SMEs are a key actor in Spain's economy. Given their substantial contribution to GDP, job creation and innovation, the future of the country's economy depends largely on their growth and competitiveness.

Competitiveness is among the primary challenges they face in a global economy. International expansion is consequently a determinant for company growth, consolidation, access to

new technologies and improvement of staff qualifications. Supporting them in their investment projects abroad and witnessing their growth into large companies is a source of satisfaction for COFIDES.

## Favouring SME growth

SMEs employ 70 % of the Spanish workforce and play a pivotal role in economic development both globally, generating over 50 % of GDP, and nationally, accounting for 99.98 % of all companies.

COFIDES strengthened its support for these companies in 2019 to contribute to their expansion and heighten their strengths. The Company invested M€27.22 in SME projects, M€3.75 of which with its own assets and the remainder charged to the Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa [Spanish initials, FONPYME: fund for SME foreign investment operations]. That figure, up 39 % over the approvals in 2018, consolidated the climb in assets for SME financing observed in recent years.

Providing SMEs with resources and solutions is essential to empowering their expansion and growth. COFIDES has multiplied its contacts and follow-ups with SMEs, to which it devotes 63 % of its interaction with companies.

Greater SME presence in the Company's portfolio is a result not only of its offering of standard financial products, but also of its commitment to innovation. In 2019 COFIDES acquired debt

issued by Atrys Health, the first bond purchased with FONPYME assets. With that transaction, COFIDES made good on its 2019-2021 Strategic Plan mandate to innovate, introducing new ways to meet entrepreneurial needs.

The Company aims to enhance its support for SMEs able to contribute to attaining the Sustainable Development Goals (SDGs). Their role is imperative to territorial prosperity, job creation, improved training and the eradication of inequalities. Aware of that role, the United Nations included specific allusion to SMEs in ten of the 17 SDGs.



**Since the inception of the FONPYME, COFIDES has financed 221 SME projects for a total of M€170.94**



## Better services for stable growth

The family company Boix Maquinaria has been exporting their in-house designed and manufactured box-building machinery for the food and farming industries to the United States for over 30 years.

In 2019 Boix Maquinaria decided to locate its production in the US and expand there into personalised technical customer service, including repair, revision and preventive maintenance.

COFIDES awarded Boix Maquinaria USA LLC, the project company, a M€2.5 joint venture loan charged to the Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa [Spanish initials, FONPYME; fund for SME foreign investment operations]. The loan was used to cover the purchase of the property and construction and preparation of the building to house a showroom, offices, warehouse and workshop. Boix Maquinaria's total investment amounted to M€3.6.

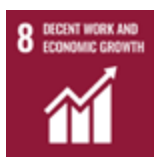
By expanding its operations, Boix Maquinaria will strengthen its commercial relations with medium-sized packaging manufacturers and broaden its area of business influence in the US as well as in Canada. Juan Antonio Boix Sebastián stresses the effort deployed by the company "to improve our international network, stabilise growth, consolidate our presence in different marketplaces and contribute to job creation".



**Juan Antonio Boix  
Sebastián**  
*Manager*  
**Boix Maquinaria**

**By expanding its operations,  
Boix Maquinaria will strengthen  
its commercial relations with  
medium-sized packaging  
manufacturers and broaden its  
area of business influence**

### Related SDGs



*Boix Maquinaria facilities in Spain*

## Consolidation in emerging markets

A consolidated presence in emerging markets is a major challenge for Spanish SMEs with experience in internationalising their business. Since 2006, in addition to its five production plants in the Basque Country, NBI Bearings Europe, a company operating out of the Spanish province of Álava, has charted a distinctive course in China, an important country for technologically sophisticated bearings and metal parts. In 2019 this SME decided to enhance its presence in another market essential to the metal machinery industry: India.

NBI Bearings Financial Director Javier Raya asserts that “consolidating our position in India is an important move to enlarge our product range and strengthen our sales in that country”. As in China, demand is growing fast in India in the wake of rising infrastructure investment.

COFIDES supported NBI Bearings Europe’s purchase of 51 % of a supplier that manufactures and commercialises bearings in that Asian country. Of the M€3.5 joint venture loan, 50 % was sourced from FONPYME and 50 % from COFIDES’s own assets. NBI’s total investment in the project came to M€5.

“We believe that taking a stake in an established business partner with expertise in the Indian bearings industry may serve as optimal enhancement to our specialisation.” concludes the NBI Group Financial Director.



**Javier Raya**  
*Finance Director*  
**NBI Bearings Europe**

**"Taking a stake in an established businesspartner with expertise in the Indian bearings industry may serve as optimal enhancement to our specialisation"**



*NBI Bearings facilities in Spain*

### Related SDGs



## Contributing to improved connections in Tanzania

SMEs play an essential role in contributing to development in less-advantaged countries.

That role is even more instrumental where engineering firms are concerned, for they partner with many public and private institutions and organisations to undertake large-scale projects. TEC CUATRO, a case in point, has signed agreements with the consortium that will build an international gauge railway crossing Tanzania from east to west.

COFIDES furnished €165 000 to finance the Tanzanian branch's expenses in 2019 in the form of a joint venture loan to the investor, 75 % from the Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa [Spanish initials, FONPYME; fund for SME foreign investment operations] and 25 % from the Company's own assets. The total invested in the project by the firm amounts to €236,000.

TEC CUATRO CEO Fernando Casanovas highlights the "opportunity" afforded by "accessing a market such as Tanzania's, where we're collaborating in large-scale engineering projects such as the 1200-km railway between Dar es Salaam and Mwanza". This SME is presently designing bridges, flyovers and stations for a 400-km section of railway.

The route has the potential to significantly improve the country's communications and facilitate trade and access to adjacent non-coastal territories.



**Fernando Casanovas**  
CEO  
TEC CUATRO

**This was the first time  
COFIDES invested in Tanzania  
directly by supporting a  
Spanish company**



*TEC CUATRO engineering works underway in Tanzania*

### Related SDGs





## Furnishing SME credit ratings

Inbonis Rating, a Spanish fintech, is implementing an innovative project that combines talent, financial regulation and technology to afford SMEs efficient access to financing in an increasingly demanding marketplace.

With a view to lowering funding uncertainties and costs for SMEs, the firm has earned European Securities and Markets Authority (ESMA) accreditation to become the first European credit rating agency specialising in SMEs. The ability to determine real small company risk objectively and transparently and to standardised criteria is its primary accomplishment.

"Inbonis Rating democratises credit verification by bringing SME ratings to market at a competitive price and with guaranteed objectivity", explains agency CEO Alberto Sánchez Navalpotro. "We're presently operating in Spain and France, although we can conduct business in any European Union country, for which COFIDES's support in establishing a branch in France has been providential", adds Mr Sánchez Navalpotro.

COFIDES put up €125 000 to complete this process via a joint venture loan to the investor, charged to the Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa [Spanish initials, FONPYME; Fund for SME Foreign Investment Operations]. The total project investment amounts to €179 000.

With this investment COFIDES introduced a variable component, making its terms contingent upon agency retention of B Corp company status in the years to come.

Certified B Corp companies comply with SEG business criteria and report the impact of their activity on employees, the surrounding community and the environment. They introduce sustainability items in their environmental, social protection, transparency and legal accountability standards to contribute to a socially-oriented and inclusive economy.

### Related SDGs



**Alberto Sánchez Navalpotro,**  
**CEO**  
**Inbonis Rating**

**With this investment COFIDES introduced a variable component, making its terms contingent upon agency retention of B Corp company status in the years to come**



*Members of Inbonis Rating team*





## Agriculture and microfinancing

### We help small farmers access financing

Huruma Fund is the first blended finance project headed by COFIDES. It combines European Union (first losses) and Spanish cooperation (through the Fondo para la Promoción del Desarrollo, Spanish initials, FONPRODE; development furtherance fund) assets with private investor equity capital. It includes a line for technical assistance with European Union funding that will help strengthen the host entities and enhance the fund's potential impact. COFIDES contributes M€1 to this project, which aims to raise M€120, M€90 from private investors, M€20 from FONPRODE and M€10 from the EU.

Huruma Fund is a venture capital fund managed by Gawa Capital, a leading Spanish impact investment company that presently counsels three other similar funds.

#### **Which investments will be made by the Huruma Fund, COFIDES's first impact investment fund?**

*Luca Torre:* Huruma Fund's investment strategy is designed to solve a severe problem: farmers in developing countries are often unable to improve their productivity or rise out of poverty for want of financing to buy good inputs and the tools needed to work their fields. Even though this is a promising market segment, microfinanciers and banks are lacking the instruments and know-how required to service it.

Huruma Fund will consequently invest in microfinancing institutions that wish to begin to offer quality financial services to farmers. For our investment to have a genuine transformational effect, in addition to financial support, microfinanciers will receive technical assistance to adapt their risk control systems, launch our financial products and train their staff.

Our investments aim to transform the financial system and adapt it to serving farmers sustainably in the long term, beyond the life of the investment.

#### **Where will Huruma Fund invest?**

*Agustín Vitórica:* The fund will invest in three geographic areas: Latin America, where we expect to invest 55 % to 60 % of the portfolio; Asia, where our target is 30 %; and Africa, where we trust we will be able to invest 10 % to 15 % of the portfolio. We're presently eyeing opportunities in Colombia, Ecuador, Panama and Peru in Latin America, India and Myanmar in Asia and Kenya and Ghana in Africa.

#### **Have you identified possible beneficiaries?**

*Luca Torre:* We have over 20 companies in the pipeline, including for instance a successful value-chain lender in Ecuador, a foundation that wants to work with us to



GAWA Capital team



## Impact Investment: Huruma Fund

Agustín Vitorica & Luca Torre - Joint CEOs - Gawa Capital

add new chains to its custom. We're also in talks with a microfinancing institution in Myanmar that views Huruma as a strategic partner in a new line of business geared to farming. Millions of Myanmar farmers need access to quality financial services to raise their productivity.

### Is priority accorded to investment projects headed by women or in any specific geographic area?

*Agustín Vitórica:* Latin America is Huruma's primary investment target. Most of the clients of the organisations hosting our investments tend to be women. For us, SDG 5 on gender equality is very important and empowering women as breadwinners is particularly crucial from the standpoint of social impact, for women devote most of their earnings to their children's well-being.

### Assessing effects is of utmost importance in impact investment: how will that be done in Huruma Fund?

*Luca Torre:* Assessment will focus on three key items: scope or the number and characteristics of beneficiaries and the products involved; outcome, i.e., how beneficiaries' lives change, how much their productivity and income grow (and although we won't be able to measure that in all our investments for we depend on each microfinancing institution's methodology, we'll do everything in our power to gather as much information as possible); and agricultural transformation, i.e., how microfinancing institutions change their modus operandi to offer farmers better services. Improvement is measured in terms of the offering of specific farming products, adaptation of risk systems and staff training in financing agriculture. As at Huruma assessment is meant as a tool to manage and maximise social impact, it is conducted throughout project duration and not only upon conclusion.

### Do you believe sustainable investment is profitable?

*Agustín Vitórica:* Empirical studies show that sustainable investments are as profitable as the traditional kind. In impact investment, we find a correlation between economically sound organisations and those offering their customers better service, socially speaking. Across our 10 years of experience with Huruma, we've found that

financial institutions providing small farmers suitable service with well adapted products, staff and processes acquire a sustainable competitive advantage over time that drives organic growth characterised by less competition, greater customer loyalty and higher returns.

### In your 10-year itinerary, what manner of social impact has GAWA Capital generated, how have your investments contributed to improving the standard of living of society's least favoured groups?

*Agustín Vitórica:* In its 10-year history the firm has improved the lives of over 215 000 people. Most are women and most live in excluded, primarily rural areas. Practically the total investment has gone to finance productive activities that enable the beneficiary to maintain their household income over time.

Through the institutions that actively measure their clients' poverty levels we've observed rises of over 20 % in household income over 5 years and we've also seen continued growth in microenterprise profits and headcount. Also, thanks to our impact management system we've established a series of social improvements in the institutions hosting our investments, such as the introduction of poverty measurement systems, the reduction of interest rates for new clients and the implementation of environmental policies.



*Farmer in a rice field*

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**“SDG 5 on gender equality is very important and empowering women as breadwinners is particularly crucial from the standpoint of social impact”**

## “Blended finance instruments are essential to achieving the Sustainable Development Goals”

### What sort of investors have sourced GAWA Capital funding over these 10 years?

*Luca Torre:* The investor base has evolved. In the first fund the vast majority were private banking clients and a few Spanish family offices. Beginning with the second we received very instrumental support from FONPRODE and foreign institutional investors such as large foundations. With Huruma Fund, FONPRODE and European Union support has proved essential to continue to raise substantial funding from private, including global institutional, investors. Blended finance instruments are imperative to achieving the Sustainable Development Goals: a minimum of public money suffices to raise the private funding needed to fill financing gaps and meet our targets. Another significant consideration is that most of these investors had never before engaged in impact investment.

### What is impact investment?

Social impact investment is investment in social institutions or companies whose business models are designed to solve “market failures” that exclude hundreds of millions of people in developing countries. Any impact investment must start off with a “theory of change” that attempts to solve a specific social problem. The effects of impact investments must be actively managed over time, monitoring how the market failure is solved in terms of the variation in relevant social metrics. At Huruma we attempt to improve small farmers’ access to financial services. According to scientific evidence, if small farmers attain better access to bespoke financial services they can purchase more inputs, raise their productivity and increase household earnings.

### Related SDGs



## An impact milestone

**José Carlos Villena** - **COFIDES** Head of Division. Partnerships for Development Division -

Huruma Fund constitutes an important milestone for COFIDES, for it culminates its long pursuit of the chance to prove its mettle as an active EU budget manager. It is an emblematic project for COFIDES both for its first-time status and the very nature of the impact fund, its sectoral focus and its capacity to mobilise private sector funding (over M€60). That capacity is critical to COFIDES’s strategy of supporting Agenda 2030 and attaining the SDGs. At COFIDES we firmly believe in the need to engage private investors in this type of

structures, creating such platforms in Spain, and at the same time establishing an ecosystem of opportunities for both managers and host companies.

Huruma Fund is also the first COFIDES-AECID joint venture implemented under the umbrella of FONPRODE, further strengthening an already close and fruitful relationship and laying firm foundations for the EU’s new multi-yearly financial framework that will come into effect in 2021.



## Management Activities



Our activities and impact are the outcome of a management endeavour that pursues ongoing improvement and aspires to the very highest standards of responsibility and alignment with pioneering international benchmark practices available on the market.

Such practices are applied at COFIDES in the direct management of its own assets and of those of the FIEX and FONPYME State funds, in its support for FONPRODE fund management and in its capacity to co-finance and mobilise bi- and multilateral assets through mechanisms such as Interact Climate Change Facility (ICCF), European Financing Partners (EFP), EU blended finance facilities and the United Nations' Green Climate Fund.

Our annual satisfaction survey reveals high levels of satisfaction with the services rendered, with a score of four-plus (over five), the result of our efforts to offer the very best services and financing. Clients, particularly appreciative of COFIDES staff courtesy and the fulfilment of their expectations, reciprocate with a high loyalty rate, while continuing to suggest that documentary requirements should be further simplified.



# 4.44/5

**Overall client satisfaction  
(2018: 4.43/5)**



*Members of COFIDES's Investment team*

## Functional and management capacity

### Role / Source

### Most prominent data



**Management**  
**COFIDES**  
**assets**

- **Equity, 31.12.2019:** M€141.55
- **Approvals, 2019:** 27 projects for M€ 36,50
- **Formalisations, 2019:** 23 projects for M€28.30
- **Portfolio committed, 31.12.2019:** 153 projects for M€112.58



**Management**  
**FIEX**

Exclusive management of the Fondo para Inversiones en el Exterior [Spanish initials, FIEX; Foreign Investment Fund] on behalf of the Ministry of Industry, Trade and Tourism's Secretariat of State for Trade.

- **Equity, 31.12.2019:** M€915.67
- **Approvals, 2019:** 27 projects for M€231.57
- **Formalisations, 2019:** 26 projects for M€213.12
- **Cumulative revolving commitments:** 283 projects for M€2421.61
- **Portfolio committed, 31.12.2019:** 135 projects for M€1114.05



**Management**  
**FONPYME**

Exclusive management of the Fondo para Operaciones de Inversión en el Exterior de la Pequeña y Mediana Empresa [Spanish initials, FONPYME; fund for SME Foreign Investment Operations] on behalf of the Ministry of Industry, Trade and Tourism's Secretariat of State for Trade.

- **Equity, 31.12.2019:** M€77.71
- **Approvals, 2019:** 21 projects for M€27.22
- **Formalisations, 2019:** 17 projects for M€24.53
- **Cumulative revolving commitments:** 221 projects for M€170.94
- **Portfolio committed, 31.12.2019:** 109 projects for M€84.46



A letter of intentions was signed with the Banco de Desenvolvimento de Minas Gerais on the occasion of COP25



*SEMI Group and ENERLAND Group. Construction of photovoltaic plants in El Salvador. FONPRODE financing through the Latin Renewables Infrastructure Fund (LRIF)*

## Role / Source



**Support for  
management**  
**FONPRODE**

## Most prominent data

- One of Spain's major cooperation for development financial instruments whose primary goal is to contribute to eradicating poverty.
- Managed by the Agencia Española de Cooperación Internacional para el Desarrollo [Spanish initials, AECID; Spanish International Cooperation for Development Agency].
- COFIDES, collaboration with AECID, initiated in October 2015, limited to cooperation in reimbursable development operations.
- **COFIDES' functions in the framework of its management support:**
  - i) reimbursable action planning
  - ii) identification of operations eligible for financing
  - iii) financial, legal, environmental, social and development due diligence analyses
  - iv) support for operation formalisation
  - v) economic-financial and portfolio performance monitoring



**Mobilisation  
of multi- and  
bilateral assets**  
**EFP**

- **EFP - European Financing Partners** financing scheme sponsored by the European Investment Bank (EIB) and COFIDES's sister bilateral European Development Finance Institutions (EDFIs).
- **Assets committed by EFP, 31.12.2019:** M€550.49 for 42 projects in 14 countries.
- **COFIDES and FIEX participation in EFP assets, 31.12.2019:** M€18.06 for 29 operations in 12 countries.



Role / Source

Most prominent data



**Mobilisation  
of multi- and  
bilateral assets**  
ICCF

**ICCF - Interact Climate Change Facility:** investment facility created by the Agence Française de Développement (AFD. French development agency), the European Investment Bank (EIB) and the Association of bilateral Development Financial Institutions (EDFI) to finance viable private investment projects that contribute to mitigating climate change and further energy efficiency in countries hosting official development assistance.

- **Assets committed by ICCF, 31.12.2019:** M€538.20 for 35 projects in 19 countries
- **COFIDES and FIEX participation in ICCF, 31.12.2019:** M€15.54 for 35 operations in 19 countries



**Mobilisation  
of multi- and  
bilateral assets**  
EDFI · AgriFi

**AgriFi:** Blended financing facility financed by the EU and managed by the EDFI's management company to support value-chain investments focusing on the inclusion of small and medium farmers and/or agricultural MSMEs.

- Founded in 2018, AgriFi has a portfolio of three projects, one each in Senegal, Nigeria and Myanmar.
- COFIDES is involved in the initiative and has one member on the Investment Committee.



Members of COFIDES's Business Development team participating in the Intergune Fair in 2019

## Role / Source



**Multi- and  
bilateral assets**  
**Blended finance**

## Most prominent data

- The first project headed by COFIDES was formalised with the EU in 2019. Huruma Fund is an impact investment fund designed to improve access to financing for small or excluded farmers in Latin America and the Caribbean, Sub-Saharan Africa and Asia.
- Under the European External Investment Plan, COFIDES continues to work with the EU in defining the guarantee programme submitted jointly with AECID to support off-grid renewable energy projects in rural areas of Sub-Saharan Africa.
- The Company still actively identifies operations in fluent communication with the European Commission to ascertain its interest in potential projects during the preliminary stages.
- In 2019 it extended its involvement in the negotiations around the new Multiannual Financial Framework for 2021-2027, which will be a determinant in establishing the EU's geographic and sectoral priorities over the next 7 years. One of the most prominent innovations proposed is to roll the fairly broad spectrum of cooperation for development financial instruments into a single product.



**Multi- and  
bilateral assets**  
**Green Climate  
Fund**

- In 2018 COFIDES was accredited as a Green Climate Fund institution and is presently the only Spanish institution so certified. The proceedings to sign the Accreditation Master Agreement (AMA) were concluded in 2019, enabling COFIDES to mobilise fund assets to co-finance public or private projects intended to help developing countries mitigate or adapt to climate change.
- The GCF aspires to become one of the key multilateral mechanisms for financing climate-related activities in developing countries, favouring a change of paradigm to low-carbon, climate-resilient development.
- In 2019 COFIDES sought to identify potential projects by launching an explicit invitation for proposals.



Minister of Industry, Trade and Tourism Reyes Maroto welcomed participants to a panel organised by the United Nations' Green Climate Fund and COFIDES during COP25



## Approvals, formalisations, outlays

### COFIDES, FIEX, FONPYME - 2019

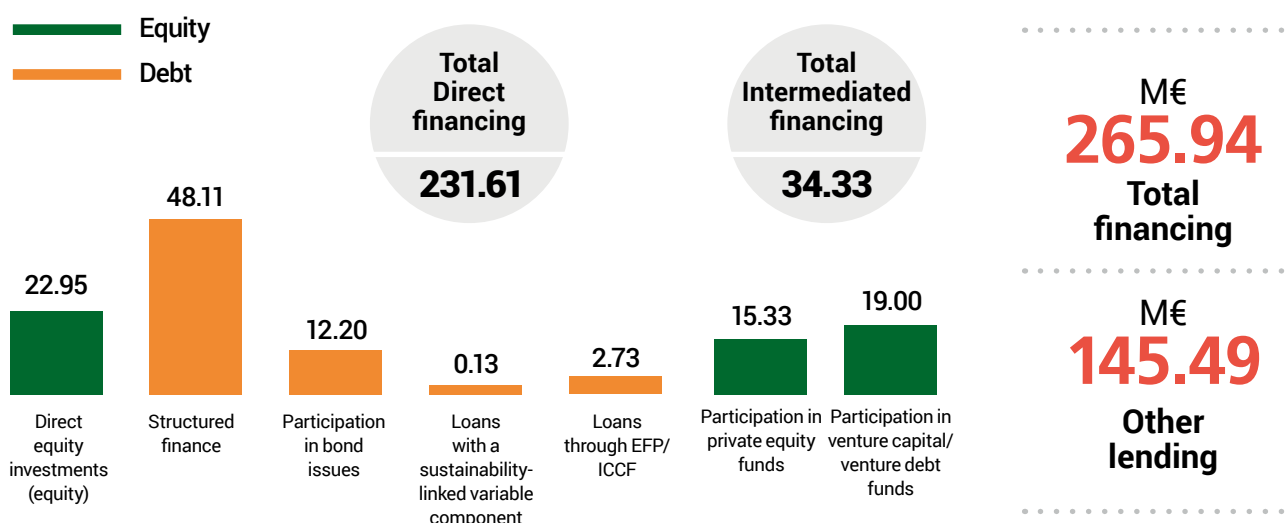
	No. projects	M€
Approvals	58	295.29
Formalisations	50	265.94
Outlays	54	199.87

### FONPRODE management support lent by COFIDES - 2019

	No. projects	M€
Profiles	11	71.71
Proposals	10	119.35
Council of Ministers approvals	5	115.11
Formalisations	2	23.35

### FORMALISATIONS BY PRODUCT IN 2019 COFIDES/FIEX/FONPYME

(M€)



## Geographic and sectoral portfolio

Total portfolio

M€ **1,080.39**

Committed portfolio

M€ **1,311.10**



**Portfolio  
committed**

=



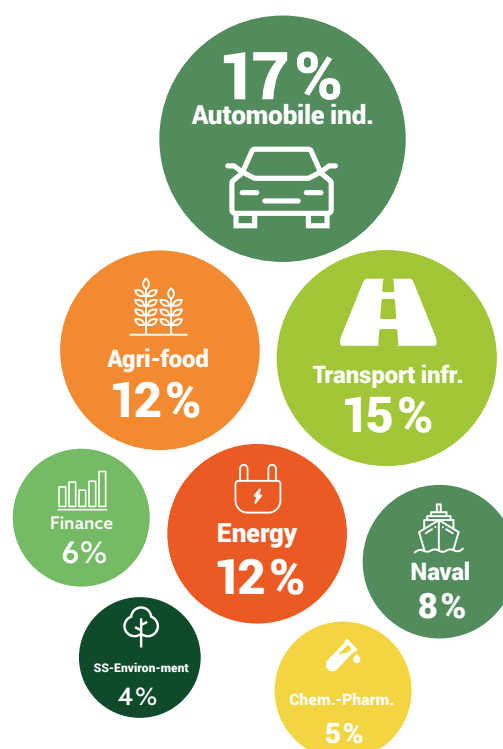
**289**  
No.  
projects



**61**  
Countries

Country <sup>11</sup>	% (total investment)
International <sup>12</sup>	16
USA	14
Chile	9
Mexico	8
China	7
United Kingdom	7
Peru	4
Russia	4
Poland	3
Brazil	3
Panama	3
Colombia	3
Indonesia	2
Nicaragua	1
Algeria	1
Ecuador	1
Other	14

### COFIDES's sectoral portfolio



**21 % other industries**

11. The full map with COFIDES historic activities is reproduced in the section headed "COFIDES Business History Map".

12. Operations pursuing sponsoring company internationalisation via direct financing in Spain.

M€ **2,147.6**  
**Assets under management<sup>13</sup>**



#### Geographic distribution of FONPRODE portfolio <sup>14</sup>



Sub-Saharan Africa	37.5 %
Latin America and Caribbean	34.5 %
Eastern Asia and Pacific	13.3 %
Mediterranean and Arab world	11.6 %
Eastern Europe and Middle East	3.1 %

#### Analysis of non-financial business risks

COFIDES conducts financial and non-financial analyses of its operations, an exercise essential to favouring long-term sustainability upon conclusion of the Company's temporary investment involvement.



**Additional information is available on  
International Financing, Development and  
Non-Financial Risks - [Handbook for companies  
financed by COFIDES]**

13. COFIDES provides the Fondo para la Promoción del Desarrollo [Spanish initials, FONPRODE; development furtherance fund] with support for fund management. FONPRODE equity in 2018. FIEX, FONPYME and COFIDES equity in 2019.

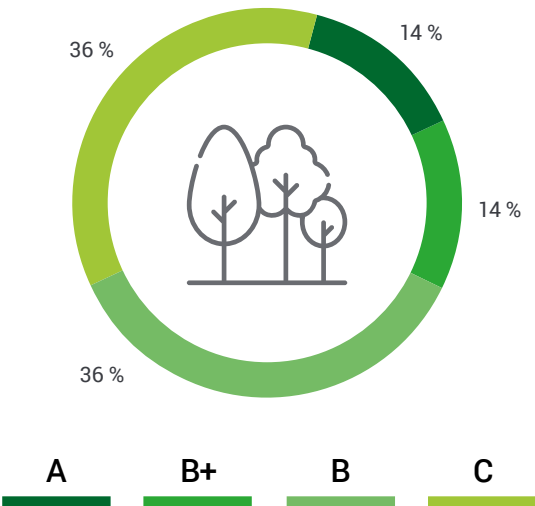
14. In 2018, COFIDES provides the Fondo para la Promoción del Desarrollo with support for fund management.

### Social and environmental factors

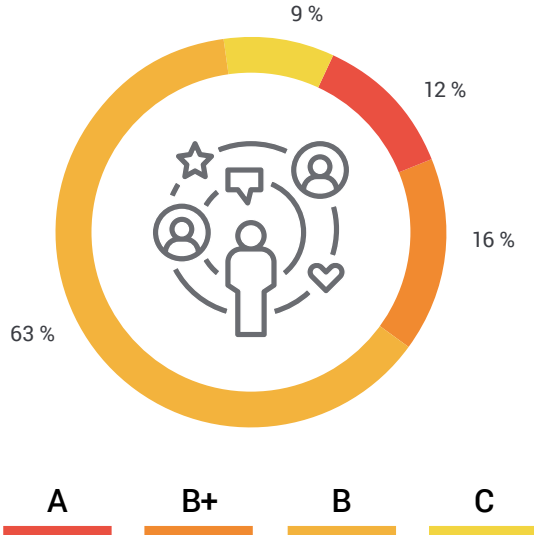
In keeping with Company social and environmental policy, projects are assigned a rating based on potential risk or

environmental and social impact for classification and subsequent monitoring. The Report Parameters section contains a description of the four rating categories.

#### Environmental Rating



#### Social Rating



Socio-environmental specialist training guarantees up-to-date analyses. In 2019 it focused on gender and diversity, responsible forestry management, climate change and the World Bank's new socio-environmental framework.

### The Global Compact Network Spain selected COFIDES's good practice on gender equality



**Additional information is available on**  
**Gender in financing for Spanish foreign investment**



Sustainability Week



### Good practice is set out on

#### Delving into human rights evaluation in the financing of investment

COFIDES is among the institutions sitting on the National Enterprise and Human Rights Action Plan's task force on a Strategic Plan for Internationalising the Spanish Economy. The group, which met three times in 2019, was created to encourage the inclusion of human rights in internationalisation proceedings. COFIDES committed to broadening the scope of human rights due diligence.

### Harmonisation of indicators

The EDFI created a Task Force on Harmonisation Agenda whose terms of reference are to harmonise methods for measuring the impact of investments in the central SDGs: work, climate change, gender and inequality.



*COFIDES participated in Foromic 2019, hosted by the Dominican Republic*



## Analysis of decent work in projects financed



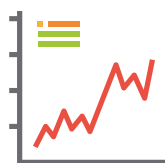
### Framework

- UN Global Compact (2005)
- EDFI Principles for Responsible Financing of Sustainable Development (2009, updated in 2019)
- Joint International Finance Institutions Communiqué: Contributing to Creating More and Better Jobs (2013)
- IFC Operating Principles for Impact Management (2019)



### Policy

- Environmental and social policy in investments (2001, updated in 2015)
- Gender policy in investments (2015)



### Analysis

- Fundamental human rights: child and forced labour, non-discrimination and freedom of association
- Health and safety: occupational risk plan and in-house management, audits and specialised areas
- Decent working conditions: description of working hours, migrant worker hiring, remuneration, social protection, management systems, certification and security personnel
- Potential impact on supply chain
- Potential impact on local communities
- Risk and social impact rating



### Contract

- OECD Guidelines for Multinational Companies
- Global Compact
- ILO conventions: Fundamental + Decent work + Migrant Workers + indigenous peoples
- UN Conventions: Childhood and Women
- Request for mechanisms for raising complaints and suggestions
- Information on severe incidents



### Portfolio indicators

**26,780**

No. of direct jobs

**€42.48**

Mean daily wage

**17%**

Female employment

**14%**

Sponsors adhering to Global Compact

### Corporate governance

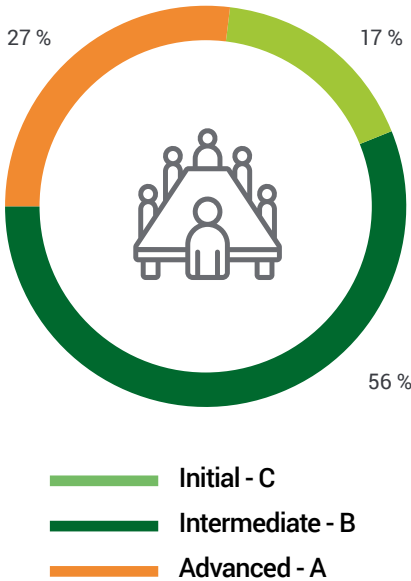
COFIDES is aware of the importance of good corporate governance in the parent companies it supports financially, whose practice in that respect was analysed in 2019 using the same parameters as in the preceding year.



\* Scale 0-10

Further to that assessment, companies' corporate governance was rated as initial, intermediate or advanced.

### Corporate Governance Rating 2019



The goals set for 2020 include: updating corporate governance questionnaires; extending analysis to a selection of portfolio companies; and furthering the assimilation by parent companies of good governance-related statements and guarantees via inclusion in the new financing and investment agreements.



COFIDES Chairman José Luis Curbelo and IFC Vice-Chairman and Treasurer John Gandolfo during the welcoming ceremony at the IFC's Global Debt Mobilization Conference held in Madrid

## Commercial and institutional action

### Type of Action.

#### Institution involved



**Institutional  
action**

**EDFI**

### Description

- In 2019 COFIDES continued to form part of the Association of bilateral European Development Finance Institutions' (EDFI) Board of Directors.
- In 2019 the Company participated in the following EDFI networking groups and task forces with a view to harmonising member institution practice for readier joint financing of operations: Corporate Governance, Technical Assistance, Interact Lawyer Meeting, Development Effectiveness, Environmental and Social, Communication Strategy, Human Resources, Harmonisation, as well as in the EFPs' and ICCF's investment committees and the Gender Finance Collaborative. COFIDES also takes part in the association's Annual General Meeting.
- In 2019 COFIDES organised and hosted the Sustainability Week at Company headquarters, providing the opportunity for a first-time encounter at the same venue, Madrid in this case, of four development finance institution networking groups: environment and social standards, development effects, corporate governance and HIPSO, an IFC initiative to harmonise private sector impact indicators.



**Institutional  
action**

**International  
finance  
institutions**

- In September 2019 COFIDES sponsored the Global Debt Mobilisation Conference organised in Madrid by the International Finance Corporation, a private sector arm of the World Bank, under the slogan "Creating Sustainable Investment Opportunities in Emerging Markets".
- Data on the mobilisation of private assets associated with COFIDES-financed projects in countries hosting official development assistance were reported to the OECD for the first time in 2019, using TOSSD (*Total Official Support for Sustainable Development*) methodology.



**Institutional  
action**

**Conclusion  
of partnering  
agreements**

Strategic alliances with development finance institutions and Spanish regional bodies were consolidated in 2019 to mobilise financial resources available for co-financing Spanish company projects.

International alliances/encounters:

- Participation in the World Bank general meeting, annual meeting of ALIDE (Latin American Association of Development Financing Institutions), mission to the African Development Bank's investment forum and participation in COP 25, Madrid, among others.

National alliances/agreements:

- Co-financing agreement with Basque Trade & Investment (SPRI Group), an initiative for the future creation of a new joint financial instrument to support Basque companies' production and trade endeavours abroad with M€50 in funding from Basque Government institutions and a further M€50 from COFIDES.



**Commercial  
action**

**COFIDES's  
commercial  
activity**

#### Direct commercial contacts with potential clients:

- Historic record: 1010 contacts with potential clients engaging in internationalisation projects (up 11.4 % over 2018).
- More productive identification of target companies, 70 % (vs 63 % in 2018) .
- Sixty-three per cent of contacts with SMEs.
- A total of 390 meetings with potential clients in 2019.

#### Dissemination and promotion in:

- Business symposia and seminars held under agreements concluded with regional agencies: ACCIÓ, Instituto Català de Finances, Instituto Vasco de Finanzas, Basque Trade & Investment, INFO...
- Collaboration with: Banco Sabadell (Exportar para Crecer), Club de Exportadores, Spanish Chamber of Commerce, CEOE and CEPYME and other employers' associations (such as AMEC, ASCRI, FEIQUE and TECNIBERIA).
- Intensified relations with multi- and bilateral development organisations and institutions: BID, CAF, IFC, EDFI, FINDEV (Canada), ALIDE, BCIE and institutions fostering entrepreneurship such as Procolombia, Pro Ecuador, Exim Bank (India) and Kotra (Korea) as well as the Canadian, United Kingdom, French and Belgian embassies.

# Our Organisation



## Board of Directors and Management Team



### Board of Directors

#### **Chairman and Chief Executive Officer** **Mr. José Luis Curbelo Ranero**

Mr. Antonio Bandrés Cajal  
Head of International Financing and EU Affairs  
Instituto de Crédito Oficial (ICO)

Mr. Alfonso Noriega Gómez  
Head of the Chairman's Office  
Instituto de Crédito Oficial (ICO)

Mr. José Corral Vallespín  
Chief Risk Officer  
Banco Santander España, S.A.

Mr. Javier Estévez Zurita  
Director of Solutions and Business Transformation  
Banco Bilbao Vizcaya Argentaria, S.A.

Mr. Pablo López Tallada  
Director of Global Trade Finance  
Banco Bilbao Vizcaya Argentaria, S.A.

Mr. Juan Ignacio Moratinos Alonso  
Deputy General Director for Programme Management and Execution, Directorate General for Industry and SME  
Ministry of Industry, Trade and Tourism

Mr. David Noguera Ballús  
Assistant General Manager  
Banco de Sabadell, S.A.

Mr. Fernando Jiménez-Ontiveros Diego  
General Manager of Fondo para la Promoción del Desarrollo (FONPRODE)  
AECID

Ms. María Aparici González  
Deputy General Director, International Trade in Services and E-commerce  
Ministry of Industry, Trade and Tourism

Mr. Pablo de la Torre Rodríguez  
Commercial Head of International Business  
Banco Santander España S.A.

Mr. Jaime Uscola Lapiedra  
Head of International Business  
Banco Santander España S.A.

SECRETARY, NON-MEMBER AND LEGAL COUNSEL  
Ms. Ana Victoria Fernández Sáinz de la Maza

## Management Team

### Chairman and Chief Executive Officer

Mr. José Luis Curbelo Ranero

### Director-General

Mr. Rodrigo Madrazo García de Lomana

### General Counsel

Ms. Ana Victoria Fernández Sáinz de la Maza

### Head of Talent and IT Division

Mr. Fernando Aceña Moreno

### Head of Business Development Division

Ms. Ana Cebrián Parrondo

### Head of Risk Division

Ms. Consuelo Díaz Martínez

### Head of Investment Division

Mr. Miguel Ángel Ladero Santos

### Head of Internal Control Division

Ms. María Victoria de Luis Durán

### Head of Finance Division

Mr. Héctor Turiel Valdés

### Head of Partnerships for Development Division

Mr. José Carlos Villena Pérez

## Staff

COFIDES deems its human resources to constitute its primary competitive advantage. Its efforts consequently focus on ongoing improvement in staff experience, know-how, capacities and skills to ensure consistent optimality in a number of dimensions: training, motivation, remuneration, flexibility, adaptation, innovation and engagement, among others. All are determinants in meeting independently set or mandated achievements and goals. Staff data in the target year were stable, although long-term employment and mean investment in training per employee rose.

**11.78** Average  
seniority

**44.55** Mean  
age



**10**  
Members  
Steering Committee  
40 % are women

**Total 84**  
**Women 59.52 %**

**21**



**Senior and  
technical  
managers**

**47.62 % are women**

**52**



**Technical  
staff**

**59.62 % are women**

**11**



**Support  
staff**

**81.82 % are women**





## Level of schooling %

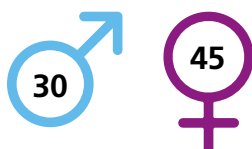
PhDs .....	8.43
MScs/MBAs .....	56.63
Five-year university degrees .....	75.90
Four-year university degrees .....	6.02
Other specialised courses .....	13.25



## Contract type

**89.29 %**

Permanent, full-time



**10.71 %**

Temporary, full-time



## Training



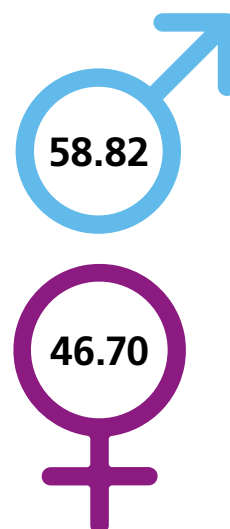
**€1,927.71**

Investment  
(mean per employee)

**98.8 %**

Employees participating  
in training

Mean hours  
by sex



Average hours per employee

Senior managers: .....	33
Technical managers and staff: .....	55.64
Support staff: .....	28.64



In 2019 COFIDES adhered to the UN's Standards of Conduct for Business Tackling Discrimination against LGBTI People



## #Dónde están ellas?

In 2019 COFIDES adhered to the #Dónde están ellas? [where are the women?] initiative headed by European Parliament's office in Spain. That manifesto furthers gender equality through female employees' active participation in outside events. At COFIDES, 58 % of speakers at such events were women.



*Meeting with stakeholders at COFIDES headquarters*

## Stakeholder relations

The national and international private and public sectors are progressively joining forces with academia and the third sector to rise to the world challenges identified in Agenda 2030. COFIDES, aligned with that trend, maintains working relations with a number of organisations in those realms.

COFIDES's 2019-21 Strategic Plan was formulated with the joint participation of the Company's stakeholders: Ministry of Industry, Trade and Tourism, ICEX, ASCRI, Club de Exportadores, AMEC, CEOE Internacional, Grupo Ortiz, ELECNOR, BOIX Maquinaria Spain, ALANTRA, AURICA, OXFAM Intermón, IS Global, CIECODE, Pacto Mundial Red Española, BBV Fundación Microfinanzas, Alto Comisionado Agenda 2030, AECID and Complutense University of Madrid.

## Stakeholder relations

Category	Stakeholder	Type of relationship	Frequency
Shareholders	Public and private shareholders	General Shareholders' Meeting	Half-yearly
		Board of Directors	Monthly
		Collaborative work meetings	Ad hoc
General State Administration	Secretariat of State for Trade Directorate-General International Trade and Investment	Executive Committees FIEX and FONPYME	Monthly
		Institutional thematic meetings	Ad hoc
	Secretariat of State for International Cooperation and for Ibero-America and the Caribbean AECID	Executive Committee FONPRODE	Quarterly
		Bilateral meetings	Periodic
	Ministry of Finance	IGAE audits	Annual
	Court of Auditors	Audit Reports	Ad hoc
	Business and internationalization process collaborators	Businesses	Negotiation
Integrated analysis			
Business meetings, investment forums and seminars			Ad hoc
Satisfaction surveys			Annual
National Government public entities		Meetings at different levels	Ad hoc
Other public bodies		Seminars and forums	
Private associations			
Regional agencies		Collaboration Agreements	Periodic
EDFI		Board of Directors	
		Annual General Meeting	Annual
		Investment Committees EFP / ICCF	Periodic
		Thematic working groups	
European Commission (DG DEVCO)		Blending Meetings	Ad hoc
UN (Green Climate Fund)		Meetings	Ad hoc
Other multilateral organizations	Meetings	Ad hoc	
	Seminars and forums		
Think tanks	Academicians	Reports	Ad hoc
	Foundations and Associations		

Category	Stakeholder	Type of relationship	Frequency
Third sector	NGO	Seminars and conferences	Ad hoc
Staff	Employees	Internal meetings	Periodic
		Steering Committee Notes	Weekly
		Works Council	Monthly
		Orientation	Ad hoc
		Proposal mailbox	Permanent
		Anonymous suggestion box	
		Press clippings	Ad hoc
The media	National, regional newspapers. Specialised journals	Social networks	Permanent
		Advertising	Ad hoc

# Financial Statements





**Annual Accounts Audit Report issued by an independent auditor**

Informe de Auditoría de Cuentas Anuales  
emitido por un Auditor Independiente

COMPAÑÍA ESPAÑOLA DE FINANCIACIÓN DEL DESARROLLO,  
COFIDES, S.A., S.M.E.  
Cuentas Anuales e Informe de Gestión  
correspondientes al ejercicio anual terminado  
el 31 de diciembre de 2019





Ernst & Young, S.L.  
Calle de Raimundo Fernández Villaverde, 65  
28003 Madrid

Tel: 902 365 456  
Fax: 915 727 238  
ey.com

## INFORME DE AUDITORÍA DE CUENTAS ANUALES EMITIDO POR UN AUDITOR INDEPENDIENTE

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

### Opinión

Hemos auditado las cuentas anuales de Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (la Sociedad), que comprenden el balance a 31 de diciembre de 2019, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio anual terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de la Sociedad a 31 de diciembre de 2019, así como de sus resultados y flujos de efectivo correspondientes al ejercicio anual terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la Nota 2 de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

### Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes de la Sociedad de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.



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### Aspectos más relevantes de la auditoría

Los aspectos más relevantes de la auditoría son aquellos que, según nuestro juicio profesional, han sido considerados como los riesgos de incorrección material más significativos en nuestra auditoría de las cuentas anuales del periodo actual. Estos riesgos han sido tratados en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esos riesgos.

#### *Estimación de las pérdidas por deterioro por riesgos de crédito de la cartera de préstamos y partidas a cobrar*

---

**Descripción** La estimación de las pérdidas por deterioro por riesgo de crédito es una de las áreas más significativas y complejas en el proceso de elaboración de la información financiera de la Sociedad. En la Nota 4.6.6 de la memoria adjunta, se detallan los principios y criterios relevantes aplicados por la Sociedad.

El proceso de estimación de las pérdidas por deterioro por riesgo de crédito se basa en el análisis singularizado de cada una de las operaciones cuyas conclusiones se concretan en la asignación individualizada de un determinado nivel de rating interno, salvo en el caso de las operaciones dudosas por morosidad en las que la variable a considerar es la antigüedad de la deuda. Las estimaciones de estas pérdidas tiene en consideración, fundamentalmente y, entre otros factores, la identificación y clasificación de exposiciones deterioradas, la estimación de las evoluciones futuras de los negocios de los deudores (descuento de flujos de efectivo futuros) y, en su caso, la estimación del valor realizable de las garantías asociadas.

Por todo ello, la estimación de las pérdidas por deterioro por riesgo de crédito de la cartera de préstamos y partidas a cobrar ha sido considerada como una cuestión clave de nuestra auditoría.

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#### Nuestra respuesta

Entre los procedimientos de auditoría que hemos realizado en esta área, hemos evaluado y comprobado el control interno y llevado a cabo pruebas sustantivas tanto sobre las pérdidas por deterioro calculadas en base al rating interno asignado de forma individual como a los deudores, así como sobre las operaciones dudosas por morosidad.

Respecto al sistema de control interno, nuestras pruebas se han centrado en:

- ▶ La verificación de la adecuación de las distintas políticas y procedimientos establecidos por la Sociedad, así como su aplicación efectiva.
- ▶ Comprobación de la fiabilidad y coherencia de las fuentes de datos utilizadas en los cálculos.
- ▶ La revisión, en el proceso de concesión, de los procedimientos establecidos por la Sociedad para evaluar el cobro de las operaciones en base al análisis de flujos de caja futuros e información financiera del acreditado.
- ▶ La evaluación de que el proceso de revisión periódico de expedientes de acreditados para la actualización de su rating interno (seguimiento de su clasificación) se realiza de forma adecuada.
- ▶ La comprobación de los criterios de clasificación de las exposiciones en función de la antigüedad de los impagos, condiciones de la operación, incluyendo refinanciaciones o reestructuraciones, así como de los controles de seguimiento establecidos.



- ▶ La evaluación del diseño de los controles relevantes establecidos para la gestión y valoración de las garantías asociadas a las operaciones crediticias.

Adicionalmente, hemos realizado procedimientos consistentes principalmente, en:

- ▶ Evaluar las hipótesis utilizadas por la Sociedad para identificar y cuantificar las pérdidas por deterioro, seleccionando una muestra de expedientes para evaluar la adecuación del deterioro registrado.
- ▶ Evaluar la segmentación y correcta clasificación de los préstamos, así como el valor realizable de las garantías, verificando el cálculo.
- ▶ Evaluar los procedimientos de contraste que realiza la Sociedad como parte del proceso de estimación de las pérdidas por deterioro por riesgo de crédito, mediante la comparación de los riesgos asignados por la misma en base a su política con la experiencia en el sector bancario español.

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#### **Párrafo de énfasis**

Llamamos la atención sobre el hecho posterior incluido en la nota 23 de la memoria adjunta, que describe los efectos que la situación de crisis del COVID-19 podría llegar a producir en las operaciones futuras de la Sociedad. Nuestra opinión no ha sido modificada en relación con esta cuestión

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#### **Otra información: Informe de gestión**

La otra información comprende exclusivamente el informe de gestión del ejercicio 2019, cuya formulación es responsabilidad de los administradores de la Sociedad y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre el informe de gestión, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en evaluar e informar sobre la concordancia del informe de gestión con las cuentas anuales, a partir del conocimiento de la entidad obtenido en la realización de la auditoría de las citadas cuentas y sin incluir información distinta de la obtenida como evidencia durante la misma. Asimismo, nuestra responsabilidad consiste en evaluar e informar de si el contenido y presentación del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2019 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

---

#### **Responsabilidad de los administradores en relación con las cuentas anuales**

Los administradores son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados de la Sociedad, de conformidad con el marco normativo de información financiera aplicable a la entidad en España, que se identifica en la Nota 2 de la memoria adjunta, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.



En la preparación de las cuentas anuales, los administradores son responsables de la valoración de la capacidad de la Sociedad para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar la Sociedad o de cesar sus operaciones, o bien no exista otra alternativa realista.

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#### **Responsabilidades del auditor en relación con la auditoría de las cuentas anuales**

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- ▶ Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- ▶ Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno de la entidad.
- ▶ Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.
- ▶ Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad de la Sociedad para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que la Sociedad deje de ser una empresa en funcionamiento.
- ▶ Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.



## New dividend distribution 2019



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Nos comunicamos con los administradores de la entidad en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

Entre los riesgos significativos que han sido objeto de comunicación a los administradores de la Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E., determinamos los que han sido de la mayor significatividad en la auditoría de las cuentas anuales del ejercicio 2019 y que son, en consecuencia, los riesgos considerados más significativos.

Describimos esos riesgos en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Este informe se corresponde con el  
sello distintivo nº 01/20/04191  
emitido por el Instituto de Censores  
Jurados de Cuentas de España

ERNST & YOUNG, S.L.  
(Inscrita en el Registro Oficial de Auditores  
de Cuentas con el N° S0530)



José Luis Ruiz  
(Inscrito en el Registro Oficial de Auditores  
de Cuentas con el N° 5217)

7 de abril de 2020



Ernst & Young, S.L.  
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ey.com

**Compañía Española de Financiación  
del Desarrollo, COFIDES, S.A., S.M.E.**  
Paseo de la Castellana, 278  
28046, Madrid

6 de mayo de 2020

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

Muy señores nuestros:

El Consejo de Administración de Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (COFIDES) en su reunión de fecha 29 de abril de 2020 acordó la siguiente propuesta de aplicación del resultado:

	2019
Bases de reparto	Euros
Beneficios del ejercicio	10.189.480,33
Distribución	
Reparto de Dividendos	4.588.500,00
Reserva Legal	-
Reserva de capitalización	771.701,83
Reserva voluntaria	4.829.278,50
<b>TOTAL</b>	<b>10.189.480,33</b>

Dicha propuesta figura, asimismo, en la nota 3 de la memoria de las cuentas anuales correspondientes al ejercicio anual terminado el 31 de diciembre de 2019 que fueron formuladas por el Consejo de Administración en la citada reunión y sobre las que emitimos con fecha 7 de abril de 2020 nuestro informe de auditoría en el que se expresaba una opinión favorable.

Tal y como figura en la documentación adjunta, el Consejo de Administración de COFIDES en su reunión de fecha 22 de abril de 2020 ha tomado la decisión de sustituir la propuesta de aplicación de resultados inicialmente acordada, por la siguiente propuesta:

	2019
Bases de reparto	Euros
Beneficios del ejercicio	10.189.480,33
Distribución	
Reparto de Dividendos	1.638.750,00
Reserva Legal	-
Reserva de capitalización	771.701,83
Reserva voluntaria	7.779.028,50
<b>TOTAL</b>	<b>10.189.480,33</b>



6 de mayo de 2020  
Página 2

En este contexto, les confirmamos que esta decisión del Consejo de Administración de COFIDES no habría modificado nuestra opinión de auditoría de fecha 7 de abril de 2020 emitida sobre las cuentas anuales de COFIDES correspondientes al ejercicio anual terminado el 31 de diciembre de 2019, si se hubiera conocido en el momento de su firma la nueva propuesta.

Este escrito se refiere exclusivamente a la decisión de modificar la propuesta que será sometida a la aprobación de la Junta General de Accionistas en relación con la aplicación del resultado. Desde el 7 de abril de 2020, fecha de emisión de nuestro informe de auditoría, no hemos realizado procedimiento de auditoría alguno sobre otras cuestiones ni sobre los hechos posteriores que hayan podido suceder desde dicha fecha.

La presente carta se emite a petición del Consejo de Administración de COFIDES, a efectos de informar a la Junta General de Accionistas de COFIDES de acuerdo con los requerimientos contenidos en el artículo 40.6.bis del Real Decreto-ley 8/2020 y no podrá ser utilizada para ninguna otra finalidad.

ERNST & YOUNG, S.L.

A handwritten signature in blue ink, appearing to read 'José Luis Ruiz', is written over a horizontal line.

José Luis Ruiz  
Socio

## Balance on 31 December 2019

(in thousands of euros)

ASSETS	Notes	2019	2018
<b>NON-CURRENT ASSETS</b>		<b>79,143</b>	<b>79,657</b>
<b>Intangible assets</b>	<b>5</b>	<b>141</b>	<b>54</b>
Software applications		141	54
<b>Tangible assets</b>	<b>6</b>	<b>703</b>	<b>822</b>
Other facilities		476	556
Furnishings		163	185
Computer hardware		63	80
Transport items		1	1
<b>Long-term financial investments</b>		<b>78,299</b>	<b>78,781</b>
Equity instruments	10	2,433	2,334
Loans to companies	11	65,809	65,717
Other financial assets	11	115	115
Accounts receivable, Funds	11	9,942	10,615
<b>CURRENT ASSETS</b>		<b>66,190</b>	<b>57,281</b>
<b>Non-current assets held for sale</b>	<b>7</b>	<b>475</b>	<b>475</b>
<b>Trade and other receivables</b>	<b>11</b>	<b>10,325</b>	<b>9,523</b>
Accounts receivable		1,997	2,270
Accounts receivable, Funds		8,328	7,253
<b>Short-term financial investments</b>	<b>11</b>	<b>18,164</b>	<b>14,220</b>
Loans to companies		12,823	13,886
Interest outstanding on loans to companies		338	334
Other financial assets		5,003	-
<b>Short-term accruals</b>		<b>15</b>	<b>7</b>
<b>Cash and other equivalent liquid assets</b>	<b>12</b>	<b>37,211</b>	<b>33,056</b>
Treasury		25,431	22,556
Other equivalent liquid assets		11,780	10,500
<b>TOTAL ASSETS</b>		<b>145,333</b>	<b>136,938</b>

## Balance on 31 December 2019

(in thousands of euros)

EQUITY AND LIABILITIES	Notes	2019	2018
<b>EQUITY</b>		<b>141,555</b>	<b>132,840</b>
Issued capital	13	39,396	39,396
Reserves		91,969	84,252
Legal and statutory		7,879	7,879
Other reserves		84,090	76,373
Profit for the year	3	10,190	9,192
<b>CURRENT LIABILITIES</b>		<b>3,778</b>	<b>4,098</b>
Liabilities linked to non-current assets held for sale	7	613	613
Trade and other payables		1,715	2,127
Sundry payables	15	573	489
Staff (remunerations outstanding)	15	375	250
Current tax liabilities	17	380	347
Other public administration debts	17	387	369
Other financial liabilities	15	-	672
Short-term accruals	16	1,450	1,358
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>145,333</b>	<b>136,938</b>



## Profit and Loss Account for the financial year ending 31 December 2019

(in thousands of euros)

ONGOING OPERATIONS	Notes	2019	2018
<b>Net turnover</b>	<b>19.1</b>	<b>25,453</b>	<b>25,876</b>
<b>Personnel expenses</b>	<b>19.2</b>	<b>(6,294)</b>	<b>(5,856)</b>
Salaries and similar		(4,746)	(4,463)
Welfare contributions		(1,548)	(1,393)
<b>Other operating expenses</b>		<b>(5,609)</b>	<b>(6,712)</b>
External services	19.3	(3,787)	(3,829)
Taxes	19.3	(108)	(111)
Losses, impairment and variations in provisions for trade operations	11.1 & 11.2	(1,714)	(2,772)
<b>Depreciation of fixed assets</b>	<b>5, 6</b>	<b>(190)</b>	<b>(186)</b>
<b>Impairment and result of disposal of equity instruments</b>		<b>-</b>	<b>(16)</b>
Impairment of equity instruments	10	-	(43)
Results of disposals	10	-	27
<b>Impairment and results of disposals of fixed assets</b>	<b>5, 6 &amp; 7</b>	<b>-</b>	<b>(249)</b>
Impairments and losses		-	-
Results of disposals and others		-	(249)
<b>Other results</b>		<b>175</b>	<b>246</b>
<b>OPERATING RESULTS</b>		<b>13,535</b>	<b>13,103</b>
<b>Financial revenues</b>	<b>19.4</b>	<b>35</b>	<b>6</b>
From tradeable securities and other financial instruments			
From third parties		35	6
<b>Financial expenses</b>		<b>(103)</b>	<b>(116)</b>
Notes payable to credit institutions		-	(1)
Other notes payable		(103)	(115)
<b>Exchange rate differences</b>		<b>149</b>	<b>34</b>
<b>FINANCIAL RESULTS</b>		<b>81</b>	<b>(76)</b>
<b>RESULTS BEFORE TAX</b>		<b>13,616</b>	<b>13,027</b>
Taxes on profits	17	(3,426)	(3,835)
<b>RESULTS FOR THE FINANCIAL YEAR</b>	<b>3</b>	<b>10,190</b>	<b>9,192</b>

## Statement of Changes in Equity for the financial year ending 31 December 2019

(in thousands of euros)

A) Statement of Recognised Income and Expenditure for the year ending 31 December 2019

	Notes	2019	2018
Profit and loss account results	3	10,190	9,192
<b>TOTAL RECOGNISED INCOME AND EXPENSE</b>		<b>10,190</b>	<b>9,192</b>

B) Statement of Total Changes in Equity for the year ending 31 December 2019

	Issued capital (Note 13.1)	Legal reserve (Note 13.2)	Voluntary reserves (Note 13.3)	Results for the year (Note 3)	Dividends (Note 3.1)	Total
<b>BALANCE ON 31 DECEMBER 2017</b>	<b>39,396</b>	<b>7,879</b>	<b>68,878</b>	<b>8,806</b>	<b>-</b>	<b>124,959</b>
Total recognised income and expenditure in 2018	-	-	-	<b>9,192</b>	-	9,192
Distribution of 2017 profit:						-
Reserves	-	-	7,495	(7,495)	(1,311)	(1,311)
Dividends	-	-		(1,311)	1,311	-
<b>BALANCE ON 31 DECEMBER 2018</b>	<b>39,396</b>	<b>7,879</b>	<b>76,373</b>	<b>9,192</b>	<b>-</b>	<b>132,840</b>
Total recognised income and expenditure in 2019	-	-	-	<b>10,190</b>	-	10,190
Distribution of 2018 profit:						-
Reserves	-	-	7,717	(7,717)	(1,475)	(1,475)
Dividends	-	-		(1,475)	1,475	-
<b>BALANCE ON 31 DECEMBER 2019</b>	<b>39,396</b>	<b>7,879</b>	<b>84,090</b>	<b>10,190</b>	<b>-</b>	<b>141,555</b>

## Cash Flow Statement for the financial year ending 31 December 2019

(in thousands of euros)

	Notes	2019	2018
<b>OPERATING CASH FLOW</b>			
<b>Results for the year before tax</b>		<b>13,616</b>	<b>13,027</b>
<b>Adjustments to the results</b>		<b>1,972</b>	<b>3,848</b>
Amortisation of fixed assets (+)	5, 6	190	186
Valuation adjustments due to impairment (+/-)	10	-	(43)
Variation in provisions (+/-)	11.1 & 11.2	1,714	2,772
Results of retirements and disposals of fixed assets (+/-)		-	250
Financial revenues (-)		(35)	(6)
Financial expenses (+)		103	116
Other revenues and expenses (-/+)		-	573
<b>Change in working capital</b>		<b>(6,323)</b>	<b>(8,476)</b>
(Increase)/Decrease in debtors and other accounts receivable		(802)	2,494
(Increase)/Decrease in other current assets		(8,664)	(721)
Increase/(Decrease) in creditors and other accounts payable		(452)	842
Increase/(Decrease) in other current liabilities		92	(573)
Other non-current assets (+/-)		3,503	(10,518)
<b>Other cash flows from operating activities</b>		<b>(3,454)</b>	<b>(4,076)</b>
Interest paid (-)		(103)	(116)
Interest received (+)		35	6
Income tax receipts (payments) (+/-)		(3,386)	(3,966)
<b>Cash flows from operating activities</b>		<b>5,811</b>	<b>4,323</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
<b>Investment payments (-)</b>		<b>(158)</b>	<b>(69)</b>
Intangible assets	5	(128)	(27)
Tangible assets	6	(30)	(42)
<b>Divestment charges (+)</b>		<b>126</b>	<b>-</b>
Other financial assets		126	-
<b>Cash flows from investment activities</b>		<b>(32)</b>	<b>(69)</b>

## Cash Flow Statement for the financial year ending 31 December 2019

(in thousands of euros)

	Notes	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts and payments for financial liability instruments		-	(216)
Return and amortisation of		-	(216)
Debts with credit institutions (-)		-	(216)
Dividend payments and payments on other equity instruments	3.1	(1,475)	(1,311)
Dividends		(1,475)	(1,311)
Cash flows from financing activities		(1,475)	(1,527)
EFFECT OF EXCHANGE RATE VARIATIONS		(149)	(34)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>4,155</b>	<b>2,693</b>
Cash or cash equivalents at the beginning of the year	12	33,056	30,363
Cash or cash equivalents at year end	12	37,211	33,056

## 1 Nature of Company, Business Activity and Group Composition

Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (hereinafter the Company or COFIDES), is a state-owned company whose corporate purpose is to further, with break-even criteria, the economic and social development of emerging and developing countries, mainly through the granting of financing to private projects with Spanish involvement in those countries.

In order to comply with its corporate purpose, in addition to its own resources the Company also manages third party public and multilateral resources.

Spanish Law 66/1997, of 30 December 1997, designated COFIDES as manager of the Fund for Foreign Investment (hereinafter FIEX, the Spanish acronym) and of the Fund for SME for Foreign Investment Operations (hereinafter FONPYME, the Spanish acronym), on its own behalf and on behalf of these Funds. In addition, the activities and operation of these funds are regulated by Spanish Royal Decree 1226/2006 of 27 October, which repealed the previous Royal Decree 2815/1998 and which in turn was amended by Royal Decree 862/2010 of 2 July, Royal Decree 321/2015 of 24 April and Royal Decree 72/2016 of 19 February. These funds are provided annually from the Spanish State General Budget and have as their purpose to pursue the internationalisation of Spanish companies and the Spanish economy in general, through syndicated financial instruments, under co-financing arrangements with the company sponsoring the project.

Spanish Law 14/2013, concerning support for companies and their internationalisation, in addition to amending Spanish Law 66/1997 which created FIEX and FONPYME, incorporated COFIDES' authority to collaborate in the identification and analysis of investment projects eligible for financing under the Business Internationalisation Fund (hereinafter FIEM, the Spanish acronym), managed by the Secretary of State for Trade of the Ministry of Industry, Trade and Tourism.

The second final provision of Spanish Law 8/2014 of 22 April, concerning State coverage of the risks of the internationalisation of the Spanish economy, provides that the management of the Development Promotion Fund (hereinafter FONPRODE, the Spanish acronym), including the study, planning, negotiation and monitoring of the aid it gives, is the responsibility of the Ministry of Foreign Affairs and International Cooperation, through the Secretary of State responsible for international development cooperation and the Spanish Agency for International Development Cooperation, with the support of COFIDES.

The passing of Spanish Law 8/2014 meant new recognition of COFIDES as a Spanish Development Finance Institute, in addition to its membership in the European Development Finance Institutions Association (hereinafter EDFI). The role of COFIDES in supporting the management of FONPRODE is regulated by Article 8 of Royal Decree 597/2015 of 3 July, which approved the Fund's Regulations.

Since May 2016, COFIDES has been accredited by the European Commission (hereinafter EC), permitting it to manage





## Since May 2016, COFIDES has been accredited by the European Commission, permitting it to manage community budget funds indirectly

community budget funds indirectly. COFIDES can assume the role of main co-financier in *blending* operations, a European Union financing instrument which combines European Union subsidies with financing from accredited public and private financial institutions.

In October 2018, COFIDES was designated an accredited entity by the Green Climate Fund (hereinafter the GCF), the United Nations Framework Convention on Climate Change fund which was created at the end of 2010. Accreditation by the GCF permits COFIDES to mobilise resources from the Fund in order to finance public or private climate change mitigation and/or adaptation projects in developing countries. COFIDES can structure projects worth up to \$250 million USD and with any level of environmental and social risk (including category A). GCF resources, combined with loans from accredited entities, can be utilised in the form of concessional loans, equity holdings, securities and donations.

The Company's registered office for business and tax purposes is located at Paseo de la Castellana, 278, planta 3, Madrid, Spain.

## 2 Criteria for Presenting Statements

The financial statements have been prepared in accordance with the General Accounting Plan approved by Spanish Royal Decree 1514/2007, of 16 November, which was amended in 2016 by Spanish Royal Decree 602/2016, of 2 December, as well as with other business legislation currently in force.

The financial statements have been prepared by the company directors for submission to the shareholders at the Annual General Meeting, and it is considered that they will be approved with no amendments whatsoever.

The figures included in the annual accounts are expressed in thousands of euros, unless otherwise stated.

### 2.1 True and fair view

The financial statements were prepared based on COFIDES' accounting records. The financial statements for 2019 were prepared pursuant to existing commercial legislation and the standards established in the Spanish National Chart of Accounts, in order to present a true and fair view of the Company's equity and financial position on 31 December 2019 and the results of its operations, the changes in its equity and its cash flows during the financial year ending on that date.

The Company's directors deem that the 2019 financial statements will be approved by the General Meeting of Shareholders with no amendments whatsoever.

### 2.2 Comparison of information

For the purposes of comparison, the financial statements present, for each of the balance sheet items, the profit and loss account, the statement of changes in equity, the cash flow statement and the report, in addition to the figures for 2019, those for the previous financial year, which formed part of the financial statements for 2018, approved by the General Meeting of Shareholders on 24 April 2019.

### 2.3 Critical aspects of the appraisal and estimation of significant uncertainties and discretion in the application of accounting policies

The preparation of the financial statements requires the application of significant accounting estimates and the use of discretion, estimates and assumptions in the process of applying the company's accounting policies. The following is a summary of the aspects which have involved greatest discretion or complexity, or in which the assumptions and estimates are significant for the preparation of the financial statements.

#### *Valuation adjustments due to impairment*

The Company has an Investment Division and a Risk Division, whose specific tasks include supervision and risk management of its commercial financial operations and analysis of the impairment of these financial assets during the year (see Note 4.6.7).

### 2.4 Functional and reporting currency

The financial statements are presented in thousands of euros, rounded to the nearest thousand, which is the Company's functional and reporting currency.

## 3 Distribution of Earnings

### 3.1 Distribution of earnings

The distribution of earnings for the year ending on 31 December 2018, proposed by the directors and approved by the General Meeting of Shareholders on 24 April 2019, was as itemised below:

	2018
<b>Basis for distribution</b>	<b>Euros</b>
Profits for the year	9,191,893.30
<b>Distribution</b>	
Distribution of dividends	1,474,875.00
Legal reserve	-
Capitalisation reserve (*)	677,518.67
Voluntary reserve	7,039,499.63
<b>Total</b>	<b>9,191,893.30</b>

The proposal for distribution of the earnings for the year ending 31 December 2019, proposed by the directors and pending approval by the General Meeting of Shareholders, consists of:

	2019
<b>Basis for distribution</b>	<b>Euros</b>
Profits for the year	10,189,480.33
<b>Distribution</b>	
Distribution of dividends	4,588,500.00
Legal reserve	
Capitalisation reserve (*)	771,701.83
Voluntary reserve	4,829,278.50
<b>Total</b>	<b>10,189,480.33</b>

(\*) In compliance with the requirements of Article 25 of Spanish Law 27/2014, of 27 November, regarding corporation tax, in relation to the capitalisation reserve it is proposed that, as part of the distribution of earnings for 2019, an amount of 771,701.83 euros (677,518.67 euros in 2018) from the earnings for the year be used for the capitalisation reserve (see Note 17).

### 3.2 Limitations on dividend payments

The Company is required to transfer 10 % of its earnings for the year to the legal reserve until the balance of this reserve reaches at least 20 % of share capital. Unless this reserve exceeds 20 % of share capital, it cannot be distributed among shareholders (see Note 13).

## The Company has an Investment Division and a Risk Division, whose specific tasks include supervision and risk management of its commercial financial operations

Once the sums specified by law or the by-laws are covered, dividends may only be distributed against the year's profit or freely available reserves providing the net equity, as a result of the proposed dividend payment, does not slide below the share capital. For these purposes, the profit directly posted as net equity may not be directly or indirectly used for dividend payments. If previous years' losses lowered the company's net equity to less than the value of its share capital, any profit must be used to offset such losses.

## 4 Accounting and Valuation Criteria

The main accounting and valuation criteria used by the Company in the preparation of these financial statements are as follows:

### 4.1 Intangible assets

Intangible assets are initially valued at their acquisition price or production cost.

After the initial valuation, intangible assets are valued at cost, minus accumulated amortisation and, if appropriate, any accumulated losses due to impairment.

Each intangible asset is analysed to determine whether its service life is finite or indefinite.

#### 4.1.1 Industrial property

This item includes the activation of the amount corresponding to the registered Company name.

#### 4.1.2 Software

Software is recorded at its acquisition price. Maintenance expenses are booked when incurred.

#### 4.1.3 Service life and amortisations

Intangible assets are amortised by distributing the sum subject to amortisation evenly across the service life of the asset, pursuant to the following criteria:

	Amortisation method	Estimated service life in years
Industrial property	Straight-line	10
Software	Straight-line	4

For these purposes, the sum subject to amortisation is understood to be the acquisition cost minus, if applicable, the residual value.

The Company revises the residual value, service life and amortisation method for intangible assets at least yearly, at the end of the financial year. Any amendments to the criteria initially established are recorded as changes in the estimate.

#### 4.1.4 Impairment of fixed assets

The Company evaluates and determines the valuation corrections for impairment and the reversal of losses due to impairment of intangible assets in accordance with the criteria set out in Note 4.3.

### 4.2 Tangible assets

#### 4.2.1 Initial valuation

The assets included as tangible assets are booked at their acquisition price or production cost and listed in the balance sheet at that value minus amortisation and, if appropriate, any accumulated impairment losses.

#### 4.2.2 Amortisations

Tangible assets are amortised by distributing the amortisable amount evenly over their service lives. For this purpose, the amortisable amount is understood as the acquisition cost minus its residual value. The Company determines the amortisation costs for each intangible asset.

Amortisation of tangible assets is determined by applying the following criteria:

	Amortisation method	Estimated service life in years
Other facilities	Straight-line	10
Furnishings	Straight-line	10
Computer hardware	Straight-line	4
Transport items	Straight-line	10

The Company revises the residual value, service life and amortisation method for intangible assets at the end of each financial year. Any amendments to the criteria initially established are recorded as changes in the estimate.

#### 4.2.3 Subsequent costs

Subsequent to the initial recognition of an asset, only costs which entail an increase in capacity, productivity or service life are capitalised. Costs involved in the daily maintenance of tangible assets are thus recorded as expenses as incurred.

#### 4.2.4 Impairment of asset value

The Company assesses and determines the valuation corrections for impairment and the reversal of losses due to impairment of the value of tangible assets in accordance with the criteria set out in Note 4.3.

### 4.3 Value impairment of non-financial assets subject to amortisation or depreciation

The Company follows the criteria to evaluate whether there is any indication that non-financial assets subject to depreciation or amortisation may be impaired, in order to ascertain whether the carrying value of such assets exceeds their recoverable value, which is taken to be the higher of fair value, minus costs of sale, and their value in use.

Once the impairment loss or its reversal has been recorded, the amortisation for the following years is adjusted based on the new carrying value.

Notwithstanding the above, if the specific circumstances of the assets reveal an irreversible loss, the loss is recorded directly in losses from fixed assets in the profit and loss account.

Impairment losses are recorded in the profit and loss account.

### 4.4 Non-current assets held for sale

The Company classifies under "Non-current assets held for sale" those assets whose carrying value will be recovered mainly through their sale, rather than through continuing use, when they meet the following requirements:

- They are available in their present condition for immediate sale, subject to the usual and customary terms for the sale of such assets.
- Their sale is highly likely.

Non-current assets held for sale are valued as the lower of their carrying value and their fair value minus cost of sale, except for deferred tax assets. These assets do not amortise and, if necessary, the appropriate valuation adjustments are made so that the carrying value is not higher than the fair value minus cost of sale.

Related liabilities are classified under "Liabilities related to non-current assets held for sale".

## 4.5 Leases

Leases where the contract essentially transfers all risks and rewards inherent in ownership of the assets are regarded as finance leases, with others regarded as operating leases.

### 4.5.1 Lessor accounting

Income from operating leases is recorded in the profit and loss account upon accrual. Direct costs attributable to the contract are included as an increase in the value of the leased asset and are recorded as an expense over the term of the contract, applying the same criteria used to record income from the lease.

### 4.5.2 Lessee accounting

The Company has operating lease contracts with third parties for the premises where it conducts its usual business (headquarters and branch office), as well as a vehicle which is used by personnel.

Payments for operating leases, net of incentives received, are recorded as expenses on a straight-line basis over the term of the lease.

## 4.6 Financial instruments

### *Classification and separation of financial instruments*

When initially recorded, financial instruments are classified as a financial asset, financial liability or equity instrument, in accordance with the substance of the contractual agreement and the definition of a financial asset, financial liability or equity instrument.

The Company classifies financial instruments into different categories for the purposes of valuation, based on their characteristics and the instructions of management at the time they are initially recorded.

### 4.6.1 Loans and accounts receivable

Loans and accounts receivable consist of trade and non-trade receivables with fixed or determinable payments which are not quoted in an active market.

These assets are initially recorded at fair value, including transaction costs incurred, and are subsequently valued at amortised cost, using the effective interest rate method.

However, financial assets which do not have a fixed interest rate, which mature in no more than one year or for which payment is expected to be received in the short term and the effect of not updating them is not significant, are valued at their nominal value.

### 4.6.2 Financial assets held for trading

These include financial assets originated or acquired with the objective of obtaining short-term profits. When they are initially recorded in the balance sheet, they are recorded at fair value, which, unless there is evidence to the contrary, is the price of the transaction. Transaction costs directly attributable to these are recorded in the profit and loss account. For equity instruments, the initial value includes the amount of the preferential subscription rights and similar rights which have been acquired.

After they are initially recorded, financial assets held for trading are valued at their fair value, without deducting any transaction costs which might be incurred upon disposal. Changes in fair value are recorded in the profit and loss account.

### 4.6.3 Other financial assets at fair value

Investments in companies are initially recorded at cost, which is equivalent to the fair value of the consideration given, including the transaction costs incurred, and are subsequently valued at cost minus any accumulated impairment losses.

Although the Company has shareholdings of over 20 % in some firms, these are not consolidated as they are support investments for which there are agreed repurchase deadlines and they are therefore not considered to be permanent investments and are not subject to fully integrated management as part of the Company's strategy.

### 4.6.4 Investments held through maturity

Investments held through maturity are debt securities with a set maturity date, involving fixed or determinable sums and traded

on an active market, which the Company fully intends and has sufficient capacity to hold through their maturity date, unlike securities classified under other categories. The valuation criteria applicable to financial instruments classified in this category are the same as those applied to loans and accounts receivable.

#### 4.6.5 Interest

Interest is recorded using the effective interest rate method, and dividends when the right to receive them is declared.

#### 4.6.6 Retirement of financial assets

Financial assets are retired when the right to receive cash flows related to them expire or are transferred and the company has substantially transferred all the risks and rewards of ownership.

The retirement of a financial asset in its entirety entails recording the results for the difference between its carrying value and the sum of the consideration received, net of transaction costs, including assets obtained or liabilities assumed and any deferred loss or gain in income and expenses recorded in equity.

#### 4.6.7 Impairment of financial assets

A financial asset or group of financial assets is impaired and a loss from impairment has occurred if there is objective evidence of impairment as a result of one or more events which occurred after the asset was initially recorded, and the event or events which caused the loss have an impact on the estimated future cash flows of the financial asset or group of assets which can be reliably estimated.

On 28 June 2017, the Board of Directors approved an update of the risk coverage policy due to portfolio impairment, using the Banco de España's guidelines regarding this matter as a reference. The application of this new policy has entailed the following lines of action:

- The Policy on impairment provisions for operations is applicable to all of them with the sole exception of open-price equity transactions for which, in accordance with the Accounting Plan, the impairment of these transactions is determined by the difference between the acquisition cost and the value of the holding which, in the absence of a reliable market value, will be assimilated to the theoretical carrying value of the investee company.
- This Policy is based on an individualised risk analysis for each operation, which results in the assignment of a certain in-house rating, except in the case of doubtful debts due to late payment in which the variable to be considered is the age of

the debt. Once classified, in general the decline in value (DV) is estimated collectively for each in-house rating category - the in-house rating of the operation before securities are taken into account - and is presented in a grid which assigns a certain DV for each rating category.

Risk coverage due to impairment of value in doubtful debts is generally classified as follows: debts of 3 to 6 months, 6 to 9 months, 9 to 12 months, 12 to 15 months, 15 to 18 months and over 18 months, and the percentages applied to the categories are 30 %, 70 %, 80 %, and 90 %, 95 % and 100 % respectively. In the case of operations with country risk, the DV corresponding to its solvency is maintained as long as it is equal to or greater than the country risk.

- The Policy also provides for the possibility of estimating the amount of DV on an individual basis (individual risk estimation) for portfolio operations classified as watch list loans or doubtful debts. In this case the applicable impairment is determined based on a specific report issued by the Investment Division and/or the General Secretary which underpins this.
- In cases where collateral is provided, provided that its valuation and enforceability are considered acceptable, the applicable provision is the amount of the risk less the value of the security.

Rating	Percentage
A	0.20 %
B+	0.20 %
B	0.20 %
B-	0.20 %
C+	4 %
C	10 %
C-	20 %
DM3	30 %
DM6	70 %
DM9	80 %
DM12	90 %
DM15	95 %
DM18	100 %

Loss or reversal of the impairment is recorded in the profit and loss account.

### 4.7 Financial liabilities

#### 4.7.1 Debits and accounts payable

These include financial liabilities arising from the purchase of goods and services in the course of the Company's business and debits arising from non-commercial operations other than derivatives.



They are recorded on the balance sheet at fair value, which, barring evidence to the contrary, is the price of the transaction, equivalent to the fair value of the consideration received adjusted for any transaction costs directly attributable thereto.

After they are initially recorded, these financial liabilities are valued at their amortised cost. Accrued interest is entered into the profit and loss account, applying the effective interest method.

That notwithstanding, commercial operation debits with a maturity of no more than one year which have no contractual interest rate, as well as payouts demanded by third parties on holdings, whose sum is expected to be paid in the short term, are valued at their nominal value when the effect of failure to update cash flows is not significant.

#### 4.7.2 Security deposits

Security deposits included in lease contracts are valued in accordance with the criteria described for financial instruments.

#### 4.7.3 Retirement and modification of financial liabilities

The Company retires a financial liability or part of it when it has fulfilled the obligation contained in the liability or is legally released from the fundamental responsibility contained in the liability either by virtue of legal proceedings or by the creditor.

The Company recognises the difference between the book value of the financial liability or of a part of it that is written off or assigned to a third party and the compensation paid, including any assigned asset different from the cash or liability assumed, with a charge or credit to the profit and loss account.

### 4.8 Foreign exchange transactions, balances and flows

Foreign exchange transactions were converted to euros at the exchange rate in effect on the date of the transaction.

Monetary and non-monetary assets and liabilities denominated in foreign currencies were converted to euros at the exchange rate in effect at year end.

Non-monetary assets valued at fair value were converted to euros at the exchange rate in effect at year end.

In the cash flow statement, flows from foreign exchange transactions were converted to euros at the cash exchange rate in effect on the date of the transaction.

The positive and negative differences arising from foreign currency transaction settlements and from the conversion to euros of monetary assets and liabilities denominated in foreign currency are recorded in results.

Exchange rate losses or gains on non-monetary financial assets and liabilities valued at fair value are recorded together with the variation in the fair value. Nevertheless, the exchange rate variation component of non-monetary financial assets denominated in foreign currency is recorded in results when the assets are classified as saleable and fair value hedging is in place for said component. The rest of the variation in fair value is recorded as described in Note 4.6 (Financial instruments).

### 4.9 Cash and other equivalent liquid assets

This heading includes cash at hand and in current accounts and deposits, as well as temporary acquisitions of assets, which meet all the following requirements:

- They can be converted to cash.
- Their maturity when acquired was no more than three months.
- They are subject to no significant risk of change in value.
- They form part of the Company's normal cash management policy.

For the purposes of cash flow, the occasional overdrafts which form part of the company's cash management policy are included as minus cash and other equivalent liquid assets.

### 4.10 Short-term remuneration for employees

The Company records the expected cost of short-term remuneration as the employees render the services which entitle them to such remuneration.

The Company records the expected cost of employee profit-sharing or incentive plans when a present obligation, legal or implicit, exists as a result of past events and the value of the obligation can be reliably estimated.

### 4.11 Severance payments

Severance payments are recorded as soon as a detailed formal plan is in place and the personnel affected have a valid expectation that the employment relationship will be terminated, either because the plan is underway or because its principal characteristics have been announced.

In accordance with existing labour legislation, the Company is obligated to pay severance, under certain circumstances, to employees whose employment it terminates. Severance pay which can be reliably quantified is recorded as an expense in the year in which the Company has created a valid expectation in respect of the parties concerned.

#### 4.12 Provisions

Provisions are recorded when the Company has a present obligation, be it legal, contractual, implicit or tacit, as a result of a past event; when an outlay of resources from future earnings is likely to be needed to meet such obligation; and when the sum of the obligation can be reliably estimated.

The financial effects of such provisions are recorded in the profit and loss account as financial expenses.

The provisions do not include either the fiscal effects or expected earnings from the sale or abandonment of assets.

Provisions are reversed against results when it becomes unlikely that an outlay of resources will be required in order to cancel the obligation.

#### 4.13 Tax on earnings

Expenses or revenues from tax on earnings include both current and deferred taxes.

Assets or liabilities due to current profit tax are valued at the amounts expected to be paid or recuperated from the tax authorities, using the regulations and tax rates in force or approved and pending publication on the closing date of the financial year.

Current or deferred profit tax is recognised in results, unless it arises from a transaction or economic event that has been recognised in the same or a different financial year, against net equity or of a business combination.

Timing adjustments are recorded in all cases except for the exceptions established by existing legislation, while deductible timing adjustments are recorded whenever they are likely to be offset by future positive taxable income.

Deductible timing adjustments are recorded whenever they are likely to be offset by future positive taxable income.

Deferred tax assets and liabilities are valued at the tax rates which will be applicable in the years when the assets are expected to be refunded or the liabilities to be paid.

Deferred tax assets and liabilities are recorded on the balance sheet as non-current assets or liabilities, regardless of the expected refund or payment date.

#### 4.14 Classification of current and non-current assets and liabilities

The Company classifies assets and liabilities as current when they are expected to be refunded or paid in the normal operating cycle of the company. They are maintained primarily for business purposes and their expected date of settlement is within twelve months of closing.

Financial liabilities are classified as current when they must be settled within twelve months of closing, even if the original tenor is for a period of more than twelve months, and when long-term refinancing or payment restructuring arrangements are in place which expired after the end-date but before the financial statements are prepared.

#### 4.15 Revenues and expenses

Revenues and expenses resulting from increases or decreases in the company's resources are recorded on an accrual basis in the period referred to in the financial statements, providing the sum thereof can be reliably determined.

Ordinary management revenues are recorded at the fair value of the consideration received or to be received, in proportion to the fraction of the service provided by the end of the financial year.

The Company records the ordinary revenues and costs associated with the operations in which it acts as mere manager, collecting the sums involved on behalf of the funds managed. In these operations, only the fees earned are recorded as ordinary revenues. Likewise, it records ordinary revenues and associated costs of its own loans granted, including both fees and interest.

#### 4.16 Related party transactions

Related party transactions are recorded in accordance with the valuation standards outlined above.

Since the prices of related party operations are suitably accommodated, the Company's directors deem that they entail no risk of losses which would generate significant tax liabilities.

## 5 Intangible Assets

The details and movements of the various items comprising intangible assets are as follows:

Thousands of euros

2019

	Industrial property	Software	Advances on software	Total
<b>Cost on 1 January 2019</b>	-	907	-	907
Acquisitions	-	128	-	128
Retirements	-	-	-	-
Transfers	-	-	-	-
<b>Cost on 31 December 2019</b>	-	1,035	-	1,035
<b>Accumulated amortisation on 1 January 2019</b>	-	(853)	-	(853)
Acquisitions	-	(41)	-	(41)
Retirements	-	-	-	-
Transfers	-	-	-	-
<b>Accumulated amortisation on 31 December 2019</b>	-	(894)	-	(894)
<b>Net carrying value on 31 December 2019</b>	-	141	-	141

Thousands of euros

2018

	Industrial property	Software	Advances on software	Total
<b>Cost on 1 January 2018</b>	-	851	30	881
Acquisitions	-	27	-	27
Retirements	-	(1)	-	(1)
Transfers	-	30	(30)	-
<b>Cost on 31 December 2018</b>	-	907	-	907
<b>Accumulated amortisation on 1 January 2018</b>	-	(823)	-	(823)
Acquisitions	-	(31)	-	(31)
Retirements	-	1	-	1
Transfers	-	-	-	-
<b>Accumulated amortisation on December 31 2018</b>	-	(853)	-	(853)
<b>Net carrying value on 31 December 2018</b>	-	54	-	54

## 5.1 Fully amortised assets

The cost of fully amortised intangible assets still in use on 31 December is as follows:

Thousands of euros	2019	2018
Industrial property	-	-
Software	851	764
<b>TOTAL</b>	<b>851</b>	<b>764</b>

## 5.2 Insurance

The Company has taken out a number of insurance policies to cover the risks to its intangible assets. The cover provided by these policies is regarded as sufficient.

## 5.3 Other information

No purchase or sale transactions involving non-current assets were concluded with group companies.

On 31 December 2019, there were no purchase commitments relating to intangible assets, nor were there any on 31 December 2018.

## 6 Tangible Assets

The details and movements of the various items which make up the tangible assets are as follows:



**The Company has taken out a number of insurance policies to cover the risks to its intangible assets**

### Thousands of euros

2019

	Other facilities	Furnishings	Computer hardware	Transport items	Total
<b>Cost on 1 January 2019</b>	<b>832</b>	<b>367</b>	<b>265</b>	<b>2</b>	<b>1,466</b>
Acquisitions	-	10	20	-	30
Retirements	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Cost on 31 December 2019</b>	<b>832</b>	<b>377</b>	<b>285</b>	<b>2</b>	<b>1,496</b>
<b>Accumulated amortisation on 1 January 2019</b>	<b>(276)</b>	<b>(182)</b>	<b>(185)</b>	<b>(1)</b>	<b>(644)</b>
Acquisitions	(80)	(32)	(37)	-	(149)
Retirements	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Accumulated amortisation on 31 December 2019</b>	<b>(356)</b>	<b>(214)</b>	<b>(222)</b>	<b>(1)</b>	<b>(793)</b>
<b>Net carrying value on 31 December 2019</b>	<b>476</b>	<b>163</b>	<b>63</b>	<b>1</b>	<b>703</b>

Thousands of euros

2018

	Other facilities	Furnishings	Computer hardware	Transport items	Total
<b>Cost on 1 January 2018</b>	<b>821</b>	<b>353</b>	<b>262</b>	<b>2</b>	<b>1,438</b>
Acquisitions	11	14	16	-	41
Retirements	-	-	(13)	-	(13)
Transfers	-	-	-	-	-
<b>Cost on 31 December 2018</b>	<b>832</b>	<b>367</b>	<b>265</b>	<b>2</b>	<b>1,466</b>
<b>Accumulated amortisation on January 1 2017</b>	<b>(197)</b>	<b>(153)</b>	<b>(152)</b>	<b>(1)</b>	<b>(503)</b>
Acquisitions	(79)	(30)	(46)	-	(155)
Retirements	-	1	13	-	14
Transfers	-	-	-	-	-
<b>Accumulated amortisation on December 31 2018</b>	<b>(276)</b>	<b>(182)</b>	<b>(185)</b>	<b>(1)</b>	<b>(644)</b>
<b>Net carrying value on 31 December 2018</b>	<b>556</b>	<b>185</b>	<b>80</b>	<b>1</b>	<b>822</b>

## 6.1 Fully amortised assets

The cost of totally amortised tangible assets still in use on 31 December is as follows:

Thousands of euros	2019	2018
Other facilities	33	33
Furnishings	66	66
Computer hardware	175	114
<b>TOTAL</b>	<b>274</b>	<b>213</b>

## 6.2 Insurance

The Company has taken out a number of insurance policies to cover the risks to its tangible assets. The cover provided by these policies is regarded as sufficient.

## 6.3 Other information

No purchase or sale transactions involving non-current assets were concluded with group companies.

On both 31 December 2019 and 2018 the Company had no commitments to purchase tangible assets.

## 7 Non-Current Assets Held for Sale

On 28 February 2012, Bilbao Commercial Court No.2 awarded the Company a property located in the municipality of Munguia, Vizcaya, in mortgage foreclosure proceedings as repayment of a loan. The award value of said property was 1,327 thousand euros. The property was not under lease to third parties.

On 19 April 2012, the Company was granted possession of said property by means of a deed registered in the Gernika-Lumo property register. The property was recorded at its fair value (1,356 thousand euros) on that date.

Given that Company management is actively pursuing the sale of the property, it was recorded under the heading "Non-current assets held for sale", and remains under that heading on 31 December 2019.

The estimated costs related to the sale of this asset are recorded under the heading "Liabilities associated with non-current assets held for sale", with the amount of 613 thousand euros on 31 December 2019 (613 thousand euros in 2018).

On 31 December 2015, the Company considered, as a result of a new appraisal commissioned from a specialised company, that the valuation of the property had been reduced to 725 thousand euros.

On 31 December 2018, the Company considered making a new valuation adjustment to the property to a fair value of 475 thousand euros, as a result of a new appraisal carried out at the beginning of 2019.

## 8 Risk Policy and Management

### 8.1 Financial risk factors

The Company's business is exposed to various financial risks: foreign exchange risks, credit risks, liquidity risks and cash flow interest rate risks. Global risk management focuses on the uncertainty of the economic environment and attempts to minimise potentially adverse effects on the Company's financial profitability.

Active risk management falls under the scope of both the Company's Investment and Risk Divisions, in accordance with the policies approved by its Board of Directors and, more specifically, with the Company's recently revised operational performance criteria, under which financial risk control, information and supervision mechanisms have been significantly reinforced. The Investment Division identifies, evaluates and itemises the financial risk involved in proposals for new operations submitted to the Company and also manages financial risks in connection with live operations in order to anticipate future contingencies. The Risk Division, in turn, manages the risk of the portfolio as a whole and enforces the Company's in-house risk criteria, at both the individual and global levels. All of this is conducted, for accounting purposes, in accordance with the provisions of Section 4.6.7.

#### 8.1.1 Credit risk

In keeping with the provisions of its operating criteria, the Company does not have any significant concentration of credit risk. The Company has policies in place in order to accurately evaluate its financing operations and ensure that all of its clients have an appropriate credit history.

Corrections in valuations due to client insolvency entail a fair amount of discretion on the part of management, as well as a revision of individual balances based on client credit ratings, current market trends and a historical analysis of pooled insolvencies. In order to determine the country-specific component in corrections of individual valuations, the country's credit rating is considered, based on information provided by external agencies. In relation to corrections in valuations deriving from an aggregate analysis of default history, a reduction in the size of the balance implies a reduction in valuation corrections, and vice-versa.

#### 8.1.2 Foreign exchange risk

Since the Company operates internationally, a number of its operations are exposed to foreign exchange risk, specifically as regards the U.S. dollar. Foreign exchange risk is incurred in forward trade transactions, recorded assets and liabilities, and net investments in business abroad.

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## Global risk management focuses on the uncertainty of the economic environment and attempts to minimise potentially adverse effects on the Company's financial profitability and the impact of investments

### 8.1.3 Liquidity risk

The Company conducts prudent liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of financing for a sufficient sum under credit facility commitments, and sufficient capacity to unwind market positions.

### 8.2 Operational risk factors

Operational risk is that which can lead to losses due to human error, inadequate or faulty internal processes, system failures and as a result of external events. This definition includes legal risk and excludes strategic and/or business risk and risk to the Company's reputation.

Operational risk is inherent to all activities, products, systems and processes, and its origins vary hugely (processes, internal and external fraud, technology, human resources, business practices, providers). Operational risk management is integrated into the Company's global risk management structure.

In this regard, the Company has an integrated internal control methodology with policies covering personnel management and training, investment in information technologies and policies for monitoring credit operations, a methodology developed by the different divisions of the Company with the support of the Control, Internal Audit and Quality Division and the Chairman's Office, to which it reports. This division carries out periodic monitoring and internal audits of these established policies and processes. It also ensures compliance with regulations and the adoption of good compliance practices, mainly in collaboration with the General Secretariat, which oversees the legal aspects of the Company.



## 9 Operational Leases - Lessee

The Company has operational lease contracts with third parties for the premises where it conducts its usual business, as well as a vehicle which is used by members of the institution.

The amounts of rent paid under operating leases and recorded as expenses are shown below:

Thousands of euros	2019	2018
Buildings	900	854
Vehicles	8	8
Other	17	12
<b>TOTAL</b>	<b>925</b>	<b>874</b>

The minimum future payments in euros for non-cancellable operating leases are given below:

Thousands of euros	2019	2018
Up to one year	687	687
Between one and five years	1,374	2,061
More than five years	-	-
<b>TOTAL</b>	<b>2,061</b>	<b>2,748</b>

## 10 Investments in Equity Instruments

The breakdown of investments in equity instruments and classified as "Other financial assets at fair value" is as follows:

### Thousands of euros

2019

Company	Country	Activity	% Holding	Cost	Impairment	Net carrying value of holding
European Financing Partners	Luxembourg	(i)	15.38	6	-	6
Interact Climate Change Facility, S.A.	Luxembourg	(ii)	7.69	6	-	6
AURICA III FCR	Spain	(iii)	1.875	1,562	(94)	1,468
AUTOPISTA DEL NORDESTE, S.A.S.	Colombia	(v)	0.07	205	(22)	183
OMAN FUND-INTERNACIONAL-K1	Oman	(vi)	0.49	264	-	264
ORTIZ-COLOMBIA-SISGA-K1	Colombia	(vii)	3.75	506	-	506
<b>Total</b>				<b>2,549</b>	<b>(116)</b>	<b>2,433</b>

### Thousands of euros

2018

Company	Country	Activity	% Holding	Cost	Impairment	Net carrying value of holding
European Financing Partners	Luxembourg	(i)	15.38	6	-	6
Interact Climate Change Facility, S.A.	Luxembourg	(ii)	7.69	6	-	6
AURICA III FCR	Spain	(iii)	3.14	1,562	(94)	1,468
SOCIEDAD MERCANTIL ESTATAL COFIDES Capital Riesgo SGEIC, S.A	Spain	(iv)	100	150	-	150
AUTOPISTA DEL NORDESTE, S.A.S.	Colombia	(v)	0.07	205	(22)	183
SPAIN OMAN PRIVATE EQUITY FUND I.L.P.	Oman	(vi)	0.5	15	-	15
CONCESION TRASVERSAL DEL SISGA, S.A.S.	Colombia	(vii)	0.075	506	-	506
<b>Total</b>				<b>2,450</b>	<b>(116)</b>	<b>2,334</b>

- (i) Financial intermediation to countries in Asia, the Caribbean and the Pacific
- (ii) Financial intermediation for environmental projects to countries in Asia, the Caribbean and the Pacific
- (iii) Financial intermediation for projects oriented towards international expansion
- (iv) Management of investments of one or more venture capital enterprises
- (v) Infrastructure, transport
- (vi) Management of investments of one or more entities
- (vii) Infrastructure, transport

The equity instruments indicated in the foregoing tables for 2019 and 2018, for which the fair value cannot be reliably estimated, are valued at cost minus, where appropriate, the accumulated amount of any corrections made to adjust for impairment of their value.

Moreover, all equity capital operations are subject to a minimum divestment charge, established in the agreement with the respective shareholders. In foreign holdings, the functional currency is the currency of the country where the Company has its headquarters. Furthermore, the net investment in holdings matches the carrying value of the investment.

### **EUROPEAN FINANCING PARTNERS, S.A. (EFP)**

With the initial goal of financing private sector projects in ACP countries, the European Financing Partners (EFP) funding scheme has to date had six rounds of financing, the last of which was signed in 2016 for an additional 201 million euros. In the sixth round of funding, EFP expanded its geographical scope of activity to finance projects in countries on the OECD's DAC list of Official Development Assistance recipients. Until that date, EFP had only financed projects in ACP (African, Caribbean, Pacific) countries.

The EFP financing scheme, promoted jointly by the European Investment Bank (EIB) and COFIDES' counterpart bilateral European Development Finance Institutions, had committed a total of 550.49 million euros to 42 projects in 14 different countries on 31 December 2019. The participation of COFIDES and FIEX resources in those projects at the end of 2019 translated into a commitment volume of 18.06 million euros in 29 operations located in 12 different countries, 10 of them in sub-Saharan Africa.

### **INTERACT CLIMATE CHANGE FACILITY, S.A. (ICCF)**

The Interact Climate Change Facility (ICCF) was established by the French Development Agency (Agence Française de Développement), the European Investment Bank (EIB) and the Association of Bilateral European Development Finance Institutions (EDFI) with the aim of financing viable private investment projects which contribute to climate change mitigation and encourage energy efficiency in countries receiving Official Development Assistance. By December 31 2019 it had committed 538.20 million euros in 35 projects located in 19 different countries. By the end of 2019, COFIDES had committed a total of 15.54 million euros to ICCF projects in 35 operations located in 19 different countries, all of them ODA recipient countries.

The EDFI Management Company manages, among others, the AgriFI initiative. This is an EU-funded blended financing facility

that supports value chain oriented investments focused on the inclusion of medium and small farmers and/or agricultural SMEs. Launched in 2018, AgriFI currently has a portfolio that includes three projects in three countries (Senegal, Nigeria and Myanmar). COFIDES is involved in the initiative and has appointed one of the members of AgriFI's Investment Committee.

### **AURICA III FCR**

Investment in a fund aimed at providing financing through capital operations to Spanish companies with a profile oriented towards international expansion. The duration of the fund is 10 years and the investment amounts will be between 10 and 30 million euros. Between 6 and 8 investments in total are expected to be made. The target return is 20 %.

The fund was launched by Aurica Capital, a subsidiary of Banco de Sabadell, which also participates as an investor.

Total paid-in capital at year-end amounted to 52 % of committed capital.

### **COFIDES CAPITAL RIESGO SGEIC, S.A.**

A limited company named COFIDES CAPITAL RIESGO (COFIDES CAPITAL RISK), SGEIC, S.A., has been formed in Spain.

The company's main corporate purpose is to manage the investments of one or more venture capital enterprises (VCEs), as well as to control and manage their risks. In addition, the company will carry out the functions described in Article 42.4 of the LECR (Spanish Law regarding venture capital enterprises). As a complementary activity, it may carry out advisory tasks for non-financial companies defined in accordance with Article 7 of said Law.

This company has a share capital of 150,000 euros, the result of an initial contribution of 125,000 euros and a subsequent capital increase of 25,000 euros.

In 2019, the State and Private-Owned Company COFIDES Capital Riesgo SGEIC, S.A. was wound up and removed from the balance sheet, with a loss of 23 thousand euros being recorded in the income statement for that year.

### **AUTOPISTA DEL NORDESTE, S.A.S.**

Ortiz Construcciones y Proyectos is the parent company of a multinational business group whose activity is focused on the construction sector (including civil engineering works, construction, EPC energy), although in recent years it has followed a strategic process based on the internationalisation and diversification of its business mix.

## The Spain Oman Private Equity Fund was established as a result of COFIDES' agreement with State General Reserve Fund (SGRF)

Concession contract awarded in 2014 as part of the bidding process for the first wave of the fourth generation of 4G road concessions in Colombia (4G Program).

The concession term is 25 years, extendable by 4 more years if the income volume expected and stipulated in the concession contract is not reached. The construction term is 5-6 years.

This concession was awarded in December 2014 to a consortium formed by Ortiz Construcciones y Proyectos (25 %), KMA (25 %), Valorcon (25 %) and Equipo Universal (25 %).

The operation consists of providing financial support to the Ortiz Group through the contribution of funds to the concession company Autopistas del Noreste in the form of capital, subordinated debt and counter guarantees for capital and subordinated debt.

COFIDES/FIEX became shareholders of the concession company in July 2017, when the shares were purchased and paid for.

### SPAIN OMAN PRIVATE EQUITY FUND. I.L.P

Fund established as a result of COFIDES' agreement with SGRF to set up the Spain Oman Private Equity Fund.

Management was entrusted to a private management company, selected through an open procurement procedure in the first half of 2018, within the framework of the public sector contract regulations applicable to COFIDES for service contracts, specifically in compliance with the principles of disclosure, competition, transparency, confidentiality, equality and non-discrimination set forth in Article 192 of the revised text of the Spanish Public Sector Contracts Act, in force at the beginning of the contracting process.

MCH PRIVATE EQUITY INVESTMENTS, SGEIC, S.A. was of the fund management service. It is one of the most prestigious managers in the Spanish venture capital sector.

The CNMV (Spanish National Securities Market Commission) registered the fund in its Register of Venture Capital Funds on 13 July 2018. The fund is earmarked for investment in minority shareholdings in subsidiaries of Spanish groups or in the Spanish parent company with the aim of supporting

their international development. It has a duration of 10 years with two 1-year extensions, and the investment period is 3 years with a 1-year extension. 12-15 investments will be made for amounts of EUR 7 million – EUR 30 million per operation.

The size of the fund is EUR 200 million. FIEX contributed an investment of EUR 99 million and COFIDES with an investment of EUR 1 million. The rest was contributed by the State General Reserve Fund (SGRF), which was founded in 1980 with the aim of obtaining sustainable results from investments made from the surplus generated by oil sales after meeting the government's budgetary requirements, in order to secure funds for future generations. The SGRF manages and invests these funds in a diversified portfolio in more than 25 countries around the world. It is supervised by the Ministry of Economy and Energy.

### CONCESION TRASVERSAL DEL SIGLA, S.A.S.

This consists of financing the construction, restoration, operation and maintenance of the existing Transversal del Sigla highway corridor (137 km), with almost all the improvement work being done via three instruments: equity, subordinated debt and counter-guarantees (capital and subordinated debt).

COFIDES/FIEX's financial support consisted of acquiring a shareholding of up to 15 % in the Ortiz Group (with FIEX and COFIDES funds) and a similar percentage of the concession company's subordinated debt, up to a maximum of EUR 14 million (85 % FIEX).

The project was formalised on 30 December 2016, although the investment was subject to the fulfillment of certain conditions precedent (mainly financial closing). The overall financing for the project will reach the equivalent in COP (Colombian peso) of a maximum of EUR 25 million (between the previous operation and the extension). The financial closing of the concession took place in May 2018 and the conditions precedent of FIEX's disbursement were met in October 2018.



The movements in the valuation adjustments for impairment of equity transactions on 31 December are as follows:

Thousands of euros	2019	2018
Cost	2,549	2,450
Net impairment	(116)	(116)
<b>Net carrying value</b>	<b>2,433</b>	<b>2,334</b>
<b>Impairment variation</b>	<b>-</b>	<b>(43)</b>

Thousands of euros	2019 Non-current	2018 Non-current
<b>Impairment on 1 January</b>	<b>(116)</b>	<b>(73)</b>
Net decreases	-	(43)
<b>Accumulated impairment on 31 December</b>	<b>(116)</b>	<b>(116)</b>

## 11 Financial Assets

The composition of financial assets on 31 December is as follows:

Thousands of euros	Equity instruments (Note 10)		Debt securities		Loans, derivatives and others		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
<b>Financial year 2019:</b>								
Loans and accounts receivable	1,744	-	65,809	12,823	10,057	22,443	77,610	35,266
Assets at fair value with changes in profit and loss	-	-	-	-	-	5,003	-	5,003
Available-for-sale assets - valued at cost	689	-	-	-	-	-	689	-
<b>Total</b>	<b>2,433</b>	<b>-</b>	<b>65,809</b>	<b>12,823</b>	<b>10,057</b>	<b>27,446</b>	<b>78,299</b>	<b>40,269</b>
<b>Financial year 2018:</b>								
Loans and accounts receivable	1,645	-	65,717	13,886	10,730	20,357	78,092	34,243
Assets at fair value with changes in profit and loss	-	-	-	-	-	-	-	-
Available-for-sale assets - valued at cost	689	-	-	-	-	-	689	-
<b>Total</b>	<b>2,334</b>	<b>-</b>	<b>65,717</b>	<b>13,886</b>	<b>10,730</b>	<b>20,357</b>	<b>78,781</b>	<b>34,243</b>

These amounts are broken down in the balance sheet as follows:

Thousands of euros	Equity instruments (Note 10)		Debt securities		Loans, derivatives and others		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
<b>Financial year 2019:</b>								
<b>Long-term financial investments</b>								
Equity instruments	2,433	-	-	-	-	-	2,433	-
Loans to companies	-	-	65,809	-	-	-	65,809	-
Other financial assets	-	-	-	-	115	-	115	-
Accounts receivable, Funds	-	-	-	-	9,942	-	9,942	-
<b>Trade and other receivables</b>								
Accounts receivable	-	-	-	-	-	1,997	-	1,997
Accounts receivable, Funds	-	-	-	-	-	8,328	-	8,328
<b>Short-term financial investments</b>								
Loans to companies	-	-	-	12,823	-	-	-	12,823
Accrual of interest on loans to enterprises	-	-	-	-	-	338	-	338
Other financial assets	-	-	-	-	-	16,783	-	16,783
Accrual of interest on other financial assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,433</b>	<b>-</b>	<b>65,809</b>	<b>12,823</b>	<b>10,057</b>	<b>27,446</b>	<b>78,299</b>	<b>40,269</b>

Thousands of euros	Equity instruments (Note 10)		Debt securities		Loans, derivatives and others		Total	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
<b>Financial year 2018:</b>								
<b>Long-term financial investments</b>								
Equity instruments	2,334	-	-	-	-	-	2,334	-
Loans to companies	-	-	65,717	-	-	-	65,717	-
Other financial assets	-	-	-	-	115	-	115	-
Accounts receivable, Funds	-	-	-	-	10,616	-	10,615	-
<b>Trade and other receivables</b>								
Accounts receivable	-	-	-	-	-	2,270	-	2,270
Accounts receivable, Funds	-	-	-	-	-	7,253	-	7,253
<b>Short-term financial investments</b>								
Loans to companies	-	-	-	13,886	-	-	-	13,886
Accrual of interest on loans to companies	-	-	-	-	-	334	-	377
Other financial assets	-	-	-	-	-	10,500	-	10,500
Accrual of interest on other financial assets	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,334</b>	<b>-</b>	<b>65,717</b>	<b>13,886</b>	<b>10,731</b>	<b>20,357</b>	<b>78,781</b>	<b>34,243</b>

## 11.1 Debt securities:

### 11.1.1 Loans and accounts receivable:

Loans are granted under financing agreements concluded with third parties to promote private projects involving Spanish interest carried out in developing countries. In addition to using its own resources, the company may grant these loans through financing agreements with other public financial institutions.

Conditions regarding the term of these loans as well as the interest rate and any security required are individually stipulated in the contract signed for each loan. The variations in the loan figures in the financial year are listed below:

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
<b>Cost on January 1</b>	<b>72,923</b>	<b>14,637</b>	<b>65,195</b>	<b>15,537</b>
Increases	18,794	-	24,115	-
Decreases	(8,419)	(14,637)	(1,750)	(15,537)
Short-term transfers	(13,335)	13,335	(14,637)	14,637
<b>Cost on 31 December</b>	<b>69,963</b>	<b>13,335</b>	<b>72,923</b>	<b>14,637</b>
<b>Accumulated impairment on 31 December</b>	<b>(4,154)</b>	<b>(512)</b>	<b>(7,206)</b>	<b>(751)</b>
<b>Net carrying value on December 31</b>	<b>65,809</b>	<b>12,823</b>	<b>65,717</b>	<b>13,886</b>

At 2019 year-end, granted and outstanding loans amounted to 15,734 thousand euros, not including EFP/ICCF granted and fully outstanding loans (32,704 thousand euros at 2018 year-end).

Some of these debt instruments are formalised through the acquisition of shares in the companies financed by COFIDES; this notwithstanding, given the repurchase conditions established, these transactions are considered to be debt instruments and not equity instruments. The detail of the loans formalised under this heading is as follows:

Thousands of euros		2019				
Company	Country	Activity	% Holding	Cost	Impairment	Net carrying value of holding
Electrón Investment S.A.	Panama	(i)	2.30 %	3,720	(149)	3,571
Globalvia Chile SPA	Chile	(iii)	8.17 %	5,406	(216)	5,190
<b>TOTAL</b>				<b>9,126</b>	<b>(365)</b>	<b>8,761</b>

Thousands of euros		2018				
Company	Country	Activity	% Holding	Cost	Impairment	Net carrying value of holding
Electrón Investment S.A.	Panama	(i)	2.67 %	3,637	(145)	3,492
South East U.P. Power Transmission Company Ltd.	India	(ii)	2.59 %	4,237	(4,025)	212
Globalvia Chile SPA	Chile	(iii)	8.17 %	5,213	(209)	5,004
<b>TOTAL</b>				<b>13,087</b>	<b>(4,379)</b>	<b>8,708</b>

- (i) Construction, operation and maintenance of two power plants  
(ii) Civil construction works  
(iii) Infrastructure, transport



The detail of the annual maturities of the loans is as follows:

Thousands of euros	2019	2018
2019	-	14,637
2020	13,335	15,740
2021	10,991	10,754
2022	16,525	16,336
2023 and subsequent years (for 2018)	8,839	30,093
2024 and subsequent years	33,608	-
<b>Total</b>	<b>83,298</b>	<b>87,560</b>

As a general rule, the loans granted by COFIDES are secured by real or personal collateral, depending on the case, to mitigate the risk assumed.

The financial income and accrued interest pending generated by these loans during the years 2019 and 2018 are as follows:

Thousands of euros	2019	2018
Accrued financial income (Note 19.1)	2,359	2,324
Accrued interest pending (Note 11.2)	338	334

The movements in the amount of impairment losses on loans on 31 December are as follows:

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
<b>Impairment on 1 January</b>	<b>(7,206)</b>	<b>(751)</b>	<b>(7,186)</b>	<b>(568)</b>
Net increases	3,052	239	(20)	(183)
Net decreases	-	-	-	-
Pay offs	-	-	-	-
Transfers	-	-	-	-
Discontinuation of provisions	-	-	-	-
Short term/long term transfers	-	-	-	-
<b>Accumulated impairment on 31 December</b>	<b>(4,154)</b>	<b>(512)</b>	<b>(7,206)</b>	<b>(751)</b>

The valuation corrections listed in the above table were calculated using the methodology applicable to each operation as described in Note 4.6.7.

## 11.2 Loans, derivatives and other - Loans and accounts receivable

The items under this heading on 31 December were as follows:

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
<b>Trade accounts receivable</b>	<b>9,942</b>	<b>10,325</b>	<b>10,615</b>	<b>9,523</b>
<b>Other financial investments:</b>				
Interest accrued on loans to companies (Note 11.1.1)	-	338	-	334
Other financial assets	115	16,783	115	10,500
Accrual of interest on other financial assets	-	-	-	-
<b>Total</b>	<b>10,057</b>	<b>27,446</b>	<b>10,730</b>	<b>20,357</b>

### 11.2.1 Trade accounts receivable

The breakdown for trade accounts receivable is given below:

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
Accounts receivable	-	11,001	-	6,269
Accounts receivable, Funds	12,376	8,328	13,019	7,253
Other accounts receivable	-	1,053	-	1,938
<b>Total</b>	<b>12,376</b>	<b>20,382</b>	<b>13,019</b>	<b>15,460</b>
Impairment of trade accounts receivable	(2,434)	(10,057)	(2,404)	(5,937)
<b>Total trade accounts receivable</b>	<b>9,942</b>	<b>10,325</b>	<b>10,615</b>	<b>9,523</b>

The entries in the 2019 and 2018 financial years under "Impairment of trade accounts receivable" are detailed below:

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
<b>Balance on January 1</b>	<b>(2,404)</b>	<b>(5,937)</b>	<b>(1,487)</b>	<b>(5,297)</b>
Net allocations	(30)	(4,951)	(917)	(1,651)
Transfers	-	-	-	-
Discontinuation of provisions	-	831	-	1,011
Applications	-	-	-	-
<b>Balance on December 31</b>	<b>(2,434)</b>	<b>(10,057)</b>	<b>(2,404)</b>	<b>(5,937)</b>

"Accounts receivable" refers primarily to the sums due and pending payment of third party loans, in connection with the operations specified in Note 11.1.1 above.

"Accounts receivable, Funds" includes the amount of commissions accrued and pending for management and other services connected with the FONPYME and FIEX funds.

### 11.2.2 Other financial assets

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
<b>Other financial assets</b>				
Securities	115	-	115	-
Deposits	-	16,783	-	10,500
<b>Total</b>	<b>115</b>	<b>16,783</b>	<b>115</b>	<b>10,500</b>

#### Non-current:

"Other (non-current) financial assets" included 115 thousand euros at year-end 2019 (115 thousand euros at year-end 2018), consisting primarily of deposited securities in connection with the company's leases, as specified in Note 9.

### Current:

The list of certificates of deposits with a term of less than one year at the end of 2019 is as follows:

Type	Annual interest rate	Date formalised	Maturity date	Term deposits (Thousands of euros)	Interest accrued and outstanding (Thousands of euros)
<b>Financial year 2019</b>					
Term deposits with Banco Sabadell \$	1.82 %	25/11/2019	04/01/2020	1,780	-
Term deposits with Banco Sabadell	0.00 %	18/10/2019	18/11/2020	10,000	-
<b>Totals</b>				<b>11,780</b>	<b>-</b>

At the end of 2018 the detail of same was as follows:

Type	Annual interest rate	Date formalised	Maturity date	Term deposits (Thousands of euros)	Interest accrued and outstanding (Thousands of euros)
<b>Financial year 2018</b>					
Term deposits with Banco Sabadell	0.03 %	15/06/2018	15/06/2019	5,000	-
Term deposits with Banco Sabadell	0.02 %	13/09/2018	13/09/2019	5,500	-
<b>Totales</b>				<b>10,500</b>	<b>-</b>

### 11.3 Financial assets at fair with changes in profit and loss Held for trading

The acquisition cost and the fair value of financial assets classified in this category on 31 December were as follows:

Thousands of euros	2019		2018	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Quoted shares	5,000	5,003	-	-

The fair value was calculated based on the quoted value.

In 2019, 5,000 thousand euros of shares were purchased, no shares were sold and the fair value of the shares increased by 3 thousand euros.

## 11.4 Sums denominated in foreign currency

The breakdown of monetary financial instruments denominated in foreign currency (U.S. dollars) is as shown below:

Thousands of euros	2019	2018
Long-term financial investments: Loans to companies	6,294	5,561
<b>Total non-current assets</b>	<b>6,294</b>	<b>5,561</b>
Short-term trade and other accounts receivable: Accounts receivable	616	493
Short-term financial investments: Loans to companies	405	620
Interest accrued on loans to companies	35	33
Cash and other cash equivalent liquid assets Cash in bank	1,139	7
Other equivalent liquid assets	1,780	
<b>Total current assets</b>	<b>3,975</b>	<b>1,153</b>
<b>Total financial assets in foreign currency</b>	<b>10,269</b>	<b>6,714</b>

The EUR/USD exchange rate used at year-end 2019 and 2018 was:

	2019	2018
<b>Exchange rate</b>	<b>1,1234</b>	<b>1,145</b>

## 12 Cash and Other Cash Equivalent Liquid Assets

The amounts under the heading "Cash and cash-equivalent liquid assets" on 31 December are itemised as follows:

Thousands of euros	2019	2018
Cash and banks	25,431	22,556
Highly liquid short-term investments	11,780	10,500
<b>Total</b>	<b>37,211</b>	<b>33,056</b>

## 13 Equity

The composition and movement of equity are presented in the statement of changes in equity.

### 13.1 Capital

The Company's share capital on 31 December 2019 and 2018 consisted of 6,555 registered, subscribed and paid-up shares with a face value of 6,010.12 euros each. All shares have the same political and economic rights.

The shares are freely transferable.

The companies with direct holdings in the share capital are listed below:

Shareholder	% Holding	Amount
ICEX España Exportación e Inversiones	25.74 %	10,139
Instituto de Crédito Oficial	20.31 %	7,999
Banco Santander, S.A.	20.17 %	7,952
Banco Bilbao Vizcaya Argentaria, S.A.	16.68 %	6,569
Banco Sabadell, S.A.	8.33 %	3,281
Empresa Nacional de Innovación, S.A.	7.63 %	3,005
Corporación Andina de Fomento	1.14 %	451
<b>Total</b>	<b>100 %</b>	<b>39,396</b>

### 13.2 Legal reserve

Pursuant to Article 274 of the Spanish Corporate Enterprises Act, 10 % of companies' yearly profit must be earmarked for the legal reserve, until the funds provisioned amount to at least 20 % of the share capital.

Such funds may not be distributed and if used to offset losses, in the event that other reserves are insufficient to cover this item, they must be replenished with future profits.

On 31 December 2019, the Company had funded this reserve to the maximum amount established by law and, therefore, the distribution of 2019 income proposed by the directors (see Note 3) does not assign it for distribution to the legal reserve.

### 13.3 Voluntary reserves

Voluntary reserves are freely available.

### 13.4 Capitalisation reserve

On 31 December 2019 the Company had a capitalisation reserve of 2,972 thousand euros (2,295 thousand euros in 2018), the increase of 677 thousand euros is detailed in Note 3 of this report.

**The Company's share capital on 31 December 2019 and 2018 consisted of 6,555 registered, subscribed and paid-up shares with a face value of 6,010.12 euros each**

### 13.5 Information regarding shareholders' right to withdraw due to failure to distribute dividends (Article 348 bis of the revised text of the Spanish Corporate Enterprises Act)

During the last five years, dividends have been distributed for an amount between 15 % and 20 % of profits, except in 2011 when there was no distribution. In addition, for 2019, the Company has proposed a dividend distribution of 4,588 thousand euros (Note 3).

At the ordinary general meeting of shareholders held on 24 April 2019, which approved the proposal for the distribution of the 2018 result, no shareholder voted against the proposal.

## 14 Contingent Assets and Liabilities

The Company, in conjunction with its legal advisors, has rated the probability of success in a series of proceedings lodged primarily to claim sums outstanding receipt as likely or possible. It has consequently recorded a provision for such sums pending receipt on 31 December 2019 and 2018 under impairment of accounts receivable.

## 15 Financial Liabilities

The composition of financial liabilities on 31 December was as follows:

Thousands of euros	Debts with credit institutions		Derivatives and others		Total	
	Non-current	Current	Non-current	Current	Non-current	Current
<b>Financial year 2019:</b>						
Loans and accounts receivable	-	-	-	948	-	948
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948</b>	<b>-</b>	<b>948</b>
<b>Financial year 2018:</b>						
Loans and accounts receivable	-	-	-	1,411	-	1,411
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,411</b>	<b>-</b>	<b>1,411</b>

### 15.1 Debts with credit institutions

On 31 December 2019 and 2018 there were no outstanding balances with credit institutions.

### Amounts denominated in foreign currency

On 31 December 2019 and 2018, there were no financial liabilities denominated in foreign currency.

### 15.2 Derivatives and others - Loans and accounts payable

Thousands of euros	2019		2018	
	Non-current	Current	Non-current	Current
Sundry payables	-	573	-	489
Personnel (remunerations outstanding)	-	375	-	250
Other financial liabilities	-	-	-	672
<b>Total</b>	<b>-</b>	<b>948</b>	<b>-</b>	<b>1,411</b>



### 15.3 Information on the average period of payment to providers

The average period of payment to providers during the year was 26.37 days (29.14 days in 2018).

### 15.4 Classification by maturity date

The classification of financial liabilities by maturity date is as follows:

Thousands of euros

2019

	2020	2021	2022	2023	Subsequent years	Total
Debts with credit institutions	-	-	-	-	-	-
Trade accounts payable	573	-	-	-	-	573
Personnel	375	-	-	-	-	375
Other financial liabilities	-	-	-	-	-	-
<b>Total</b>	<b>948</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>948</b>

Thousands of euros

2018

	2019	2020	2021	2022	Subsequent years	Total
Debts with credit institutions	-	-	-	-	-	-
Trade accounts payable	489	-	-	-	-	489
Personnel	250	-	-	-	-	250
Other financial liabilities	672	-	-	-	-	672
<b>Total</b>	<b>1,411</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,411</b>

## 16 Short-term Accruals

The heading "Current liabilities" includes an entry for both 31 December 2019 and 2018 for the regularisation of consultant fees charged to the Fund for Foreign Investment (FIEX) billed but not regarded as accruing during the year, in accordance with Provision 2 of the Order issued by H.E. the Minister of Economy and Finance of 28 July 1999<sup>1</sup>, also known as the FIEX Rule.

for the respective consultant fees laid down in Paragraph 1.a above, fifty (50) per cent of this difference will be held in the fund manager's account and used to pay fees accruing in subsequent financial years. The fund manager may receive no further sums for this item until such surplus has been fully expended".

<sup>1</sup>"...If at the end of each financial year, the expenses incurred by the Fund for Foreign Investment's fund manager in the study and tendering phase specified above amount to less than seventy five (75) per cent of the sums accruing thereto

## 17 Tax Matters

The detail of balances payable to public authorities on 31 December is as follows:

	2019		2018	
Thousands of euros	Non-current	Current	Non-current	Current
<b>Assets</b>				
Current tax assets	-	-	-	-
Withholdings and payments on account	-	-	-	-
Value Added Tax	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Current tax liabilities	-	380	-	347
Social security	-	117	-	95
Value Added Tax	-	165	-	160
Withholdings	-	105	-	114
<b>Total</b>	<b>-</b>	<b>767</b>	<b>-</b>	<b>716</b>

According to existing legislation, tax settlements cannot be regarded as conclusive until audited by the tax authorities or until the obligation period has elapsed, currently established as four years. The company's books for the last four years are open to audit by tax authorities in respect of all the taxes for which it is liable. It is the opinion of the company and of its tax advisors that no fiscal exposures for significant amounts exist which may, in the event of an audit, induce conflicting interpretations of the provisions of tax law applicable to the company's operations.

As a result of, among other things, the different possible interpretations of current tax legislation, additional liabilities could arise as a result of an inspection. In any event, based on

the information available, the analytical methodology applied and the specific advice received, the company deems that such liabilities, should they arise, would not significantly affect the financial statements.

### 17.1 Tax on earnings

The reconciliation between the year's revenue and expenses and the tax base (fiscal earnings) for corporation tax is shown below:

Thousands of euros	2019	2018
Earnings for the year	10,190	9,192
Corporation tax	3,426	3,835
Earnings before tax	13,616	13,027
Permanent differences	-	-
Temporary differences treated as permanent, due to limitation of amortisation for the year (70 %)	-	-
Capitalisation reserve	(772)	(677)
Temporary differences treated as permanent, related to losses, impairment and variations in provisions for trade operations	858	2,992
Tax base (fiscal earnings)	13,702	15,342
25 % tax	3,426	3,835
Adjustments to previous years		
Expenses due to taxes paid on earnings abroad	7	6
Deductions for the current year	(7)	(6)
<b>Expenses due to tax on earnings</b>	<b>3,426</b>	<b>3,835</b>

(\*) In compliance with the requirements of Article 25 of Spanish Law 27/2014, of 27 November, regarding corporation tax, in relation to the capitalisation reserve it is proposed that, as part of the distribution of earnings for 2019, an amount of 771,701.83 euros (677,518.67 euros in 2018) from the earnings for the year be used for the capitalisation reserve (see Note 17).

The estimated corporation tax payable is as follows:

Thousands of euros	2019	2018
Tax base (fiscal earnings)	13,702	15,338
Corporation tax at 25 %	3,426	3,835
Deductions	(7)	(6)
Payments on account	(2,878)	(3,301)
Withholdings	(161)	(181)
Taxes paid abroad	-	-
<b>Corporation tax payable</b>	<b>380</b>	<b>347</b>

## 18 Environmental Information

No significant assets were earmarked for environmental protection or improvement on 31 December 2019, nor were any relevant expenses related to this incurred during the year.

No environment-related subsidies were received in 2019 or 2018.

It also includes fees earned as a result of the Company managing FIEX and FONPYME funds, and multilateral organisations' development programmes and funds (Note 1). Also included are revenues from the management of FONPRODE and from the analysis and presentation of operations to the FIEM.

## 19 Revenues and Expenses

### 19.1 Ordinary and ancillary management revenues

This heading covers financial revenues and fees earned by the Company related to activities carried out on its own behalf.

The itemised list of the aforementioned interest and fees earned on the Company's own behalf and the fees computed for FIEX and FONPYME based on the provisions of the Order issued by H.E. the Minister of Economy and Finance on 28 July 1999 is given in the table below:

		Thousands of euros	
Item	Basis for calculation	2019	2018
COFIDES interest	Revenues from interest on loans to businesses	2,359	2,324
	<b>Total interest</b>	<b>2,359</b>	<b>2,324</b>
Consultancy fees	1.65 % of the investment proposal submitted to FIEX.	2,566	2,128
Formalisation fees	1 % on investments drawn from FIEX and 1.5 % on FONPYME-financed investments.	1,971	2,633
Outlay fees	1 % of the sums actually paid out by FONPYME.	116	149
Management fees	1.25 % of the value of FIEX's live investment portfolio.	10,145	9,245
Performance fees	20 % of dividends and other returns actually received by the funds.	3,492	5,384
Settlement fees	1.5 % of the value of investments paid out and actually settled with FIEX.	1,916	1,176
Other COFIDES fees	Fees other than FIEX and FONPYME fund management fees.	2,888	2,837
	<b>Total fees</b>	<b>23,094</b>	<b>23,552</b>
	<b>Total</b>	<b>25,453</b>	<b>25,876</b>

In order to facilitate comprehension of the particulars of its activity and to optimise the analysis of its financial asset management, the Company distinguishes between two types of revenue not explicitly addressed in the standard legal format for presenting accounts: so-called recurring and non-recurring revenues.

Recurring revenues derive from the automatic application of financing agreements concluded; consequently, exogenous factors bear only minimally on their generation.

In the case of non-recurring revenues, by contrast, exogenous factors play a significant role not only in their generation but also because the final decision depends not on the company but on a third party.

As such, Company revenues classified under this system are distributed as follows:

Thousands of euros		
Item	2019	2018
Recurring fees	23,361	22,600
Financial revenues from interest on loans to companies	2,359	2,324
<b>TOTAL RECURRING REVENUES</b>	<b>25,720</b>	<b>24,924</b>
Non-recurring fees (*)	-267	952
<b>TOTAL NON-RECURRING AND ADVANCE REVENUES</b>	<b>-267</b>	<b>952</b>
<b>TOTAL REVENUES</b>	<b>25,453</b>	<b>25,876</b>

(\*) During the financial year 2019, and in application of the corresponding accounting standards, there were a series of reversions in this non-recurring fee item due to the classification of various transactions as failed.

## 19.2 Personnel expenses

Personnel expenses, in thousands of euros, are itemised below:

Thousands of euros	2019	2018
Wages and salaries	4,656	4,365
Board of Directors' per diem payments	90	99
Company social security payments	1,104	972
Other personnel expenses	444	420
<b>TOTAL</b>	<b>6,294</b>	<b>5,856</b>

### 19.3 External services and other taxes

The "External services" and "Other taxes" accounts are itemised below:

Thousands of euros	2019	2018
Publicity, advertising and public relations	175	166
Leases	925	874
Repairs and upkeep	173	173
Independent professional services	1,468	1,727
Insurance premiums	41	37
Training expenses	160	112
Travel expenses	502	440
Other expenses	343	300
<b>TOTAL</b>	<b>3,787</b>	<b>3,829</b>
Taxes	108	111
<b>TOTAL</b>	<b>108</b>	<b>111</b>
<b>TOTAL</b>	<b>3,895</b>	<b>3,940</b>

"Independent professional services" primarily covers external consultant fees associated with projects implemented by the Company in 2019 and 2018.

### 19.4 Financial revenues

This account primarily covers sums accruing in 2019 and 2018 as yields on sums held in the Company's current accounts and other investments maintained as other financial assets in term deposits.

## 20 Operations with Related Parties

The related parties with which the Company conducted business in 2019 and 2018 and the nature thereof are listed below:

### Financial year 2019

	Nature of the relationship
FIEX	Fund managed by the Company
FONPYME	Fund managed by the Company
Instituto de Crédito Oficial	Company shareholder
ICEX	Company shareholder
Senior management:	Board members
	Chairperson
	General Manager

### Financial year 2018

	Nature of the relationship
FIEX	Fund managed by the Company
FONPYME	Fund managed by the Company
Instituto de Crédito Oficial	Company shareholder
ICEX	Company shareholder
Senior management:	Board members
	Chairperson
	General Manager

## 20.1 Related institutions

The balances in the accounts with related institutions are shown below:

2019			
Thousands of euros	FIEX	FONPYME	Total
<b>ASSETS:</b>			
<b>Long-term financial investments</b>			
Accounts receivable, Funds (Note 11.2.1)	11,924	453	12,377
<b>Trade and other receivables</b>			
Accounts receivable, Funds	7,940	387	8,327
<b>LIABILITIES:</b>			
<b>Long-term accounts payable</b>			
<b>Short-term accounts payable</b>			
Payable to financial institutions (Note 15.1)	-	-	

2018			
Thousands of euros	FIEX	FONPYME	Total
<b>ASSETS:</b>			
<b>Long-term financial investments</b>			
Accounts receivable, Funds (Note 11.2.1)	12,680	373	13,053
<b>Trade and other receivables</b>			
Accounts receivable, Funds	7,042	211	7,253
<b>LIABILITIES:</b>			
<b>Long-term accounts payable</b>			
<b>Short-term accounts payable</b>			
Accounts payable to financial institutions (Note 15.1)	-	-	



Operations with related institutions are itemised below:

2019				
Thousands of euros	Instituto de Crédito Oficial (ICO)	FIEX	FONPYME	Total
Net turnover	-	19,403	803	20,206
Financial expenses				
Accounts payable to credit institutions	-	-	-	
		19,403	803	20,206

2018				
Thousands of euros	Instituto de Crédito Oficial (ICO)	FIEX	FONPYME	Total
Net turnover	-	19,963	753	20,716
Financial expenses				
Accounts payable to credit institutions	(1)	-	-	(1)
	(1)	19,963	753	20,715

## 20.2 Directors and senior management

During the year ending on 31 December 2019, the Company's directors received remuneration in the form of per diems for a total of 90 thousand euros (99 thousand in 2018).

For the purposes of information in these financial statements report only, the following table lists the total remuneration received by the Company's senior management, with the exception of the directors mentioned in the preceding paragraph:

Thousands of euros	Salaries		Other remunerations	
	Fixed	Variable	Bonuses	Other
2019	227	61	-	-
2018	221	60	-	-

The books showed no advances or loans to any Company directors or managers on 31 December 2019 or 2018, nor had any obligations been assumed as security on their behalf. Moreover, the Company has undertaken no pension or life insurance obligations for any of its present or former directors.

The members of the COFIDES Board of Directors attest to their compliance with the provisions of Article 229 of the Spanish Corporate Enterprises Act. Details on their shareholdings, positions and duties, carried out on their own or third party behalf, in companies engaging in the same business as COFIDES are given in the attached Annex I.

## 21 Employee Information

The number of employees and directors of the Company in the last two years, broken down by category, is as follows:

	2019	2018
Directors	12	12
Senior + Technical Management	21	21
Technical Team	52	50
Support Staff	11	10
<b>Total</b>	<b>96</b>	<b>93</b>

\*In 2019, the new employee hiring process was conducted under the protection of Additional Provision 29 of Spanish Law 6/2018, of 3 July, concerning the General State Budget, extended for the year 2019. On the one hand, employees hired temporarily, those necessitated by exceptional cases in order to cover urgent and non-deferrable needs or to temporarily cover the loss of employees on temporary contracts, and, on the other hand, both employees given permanent contracts with a limit of 100 percent of the replacement rate, and hires necessitated due to movement to other positions, were conducted in accordance with the stipulations of said additional provision. In all cases, prior authorisation was obtained from the Ministry of Finance and the Ministry of Territorial Policy and Civil Service, through the Secretaries of State for Budgets and Expenditure and for Civil Service, as well as from the majority shareholder, as is set out in the aforementioned additional provision.

The distribution by gender of Company personnel and of the directors at the end of the year is as follows:

2019				
	Women	Men	Total	Average number of people with disabilities >33 %
Directors	1	11	12	-
Senior + Technical Management	10	11	21	-
Technical Team	31	21	52	1
Support Staff	9	2	11	-
<b>Total</b>	<b>51</b>	<b>45</b>	<b>96</b>	<b>1</b>

2018				
	Women	Men	Total	Average number of people with disabilities >33 %
Directors	1	11	12	-
Senior + Technical Management	11	10	21	-
Technical Team	31	19	50	1
Support Staff	8	2	10	-
<b>Total</b>	<b>51</b>	<b>42</b>	<b>93</b>	<b>1</b>

## 22 Auditors' fees

The fees paid for auditing services amounted to:

Thousands of euros	2019	2018
Auditing	28.10	27.70
Other services	-	-
<b>Total</b>	<b>28.10</b>	<b>27.70</b>

## 23 Events After the Reporting Period

On 11 March 2020, the World Health Organization elevated the public health emergency caused by the coronavirus (COVID-19) outbreak to the status of international pandemic. The rapid evolution of the situation, both nationally and internationally, represents an unprecedented health crisis, which will impact on the macroeconomic environment and on business development. To address this situation, among other measures, the Spanish government declared a state of alert in Royal Decree 463/2020 of 14 March and approved a series of extraordinary urgent measures to address the economic and social impact of COVID-19, in Royal Decree-Law 8/2020 of 17 March.

The Company considers that these events do not necessitate any adjustment to the financial statements for the year ended 31 December 2019.

Given the complexity of the situation and its rapid evolution, it is not possible at this time to make a reliable quantified estimate of its potential impact on the Company, although the Company's directors consider that it will not have a significant impact on operations nor, therefore, on future results and cash flows. Any impact will be recorded prospectively in the 2020 financial statements.

The Company is taking the appropriate steps to address the situation and minimise its impact, and therefore, considering (i) that according to the most recent estimates this situation is circumstantial, (ii) the Company's current high cash position (over 20 % of assets), and (iii) its current solvency ratio (over 95 % of assets), it is deemed that the application of the going concern principle is in no way compromised as far as the Company is concerned.

### Details of Company Directors' Shareholdings and Positions in other Companies on 31 December 2019

Directors	Company	Number of shares	Percentage holding	Position and duties
Mr. José Luis Curbelo Ranero				
Ms. María Aparici González	BBVA Banco Santander		<0.001 % <0.001 %	
Mr. Antonio Bandrés Cajal	Axis Participaciones Empresariales	-	-	Director/Investment Committee Fond-ICO Infraestructuras
	ICO	-	-	Head of International Financing and EU Affairs
	Fondo Marguerite I	-	-	Management Board member
	Fondo Marguerite II	-	-	Management Board member
	Executive Committee FLEX FONPYME	-	-	Board member
Mr. José Corral Vallespín	Banco Santander, S.A.	-	Direct and indirect >0.005 %	Executive Vice-President
	Banco Santander, S.A.	-	Through stock options and performance shares, <0.005 %	Chief Risk Officer Santander España
	Banco Santander, S.A.	-	On behalf of my associates, directly and indirectly, <0.005 %	-
Mr. Javier Estévez Zurita		-	-	-
Mr. Pablo López Tallada	BBVA	-	-	Director of Global Trade Finance
Mr. David Noguera Ballús	Banco Sabadell	-	<0.005 %	Deputy Director. Structured Financing Director
	Sabadell Corporate Finance, S.L.	-	On behalf of my associates, <0.005 %	Chairman
Mr. Alfonso Noriega Gómez	-	-	-	Head of the ICO Chairman's Office

**Details of Company Directors' Shareholdings and Positions in other Companies  
on 31 December 2019**

Directors	Company	Number of shares	Percentage holding	Position and duties
Mr. Pablo de la Torre Rodríguez	Banco Santander S.A.	-	Less than 0.01 %	Commercial Head of International Business Santander España
Mr. Fernando Jiménez-Ontiveros Diego	-	-	-	-
Mr. Juan Ignacio Moratinos Alonso	-	-	-	-
Mr. Jaime Uscola Lapiedra	Banco Santander S.A.	-	-	-

**Details of Company Directors' Shareholdings and Positions in other Companies  
on 31 December 2018**

Directors	Company	Number of shares	Percentage holding	Position and duties
Mr. José Luis Curbelo Ranero				
Mr. Mario Buisán García	ICO			Head of the Chairman's Office
Mr. Antonio Bandrés Cajal	ICO	-		Head of International Financing and EU Affairs
	Banco Santander, S.A.	-	<0.005 %	Executive Vice-President-
Mr. José Corral Vallespín	Banco Santander, S.A.	-	<0.005 %	Director of Risk Santander España
Mr. Javier Estévez Zurita	BBVA			Business Execution Head
Mr. Pablo López Tallada	BBVA	-	-	Director of Global Trade Finance
	Banco Sabadell	72,128	<0.005 %	Deputy Director General. Structured Financing Director
Mr. David Noguera Ballús	Sabadell Corporate Finance, S.L.	-	-	Chairman
Mr. Pablo de la Torre Rodríguez	Banco Santander S.A.	-	-	Commercial Head International Business Director Santander España
Mr. Fernando Jiménez- Ontiveros Diego		-	-	-
Mr. Juan Ignacio Moratinos Alonso		-	-	-
Ms. Cristina Teijelo Casanova				-
Mr. Jaime Uscola Lapiedra	Banco Santander, S.A.	-	-	-

# Supplementary Information



## Report parameters

The timeframe covered in this Activity / Sustainability Report is fiscal period 2019. The reports for earlier years are available on the COFIDES website. COFIDES's response to the items in the 2019 Progress Report are shown below, in the section on the Principles of the UN Global Compact.

This report has been prepared in accordance with the GRI Standards<sup>12</sup>: Core option, and submitted to AENOR (Spanish standardisation and certification agency) for external assurance.

## Material topic analysis. Report content processing and definition

The contents attempt to address the information preferences identified by stakeholders consulted in preceding years. The 2019 analysis of material topics was contrasted with the results of the consultations with stakeholders on the occasion of the design of the Strategic Plan.

Key area	Material topics	Dimension <sup>1</sup>	Response - GRI <sup>2</sup> Standards. Additional information
COFIDES corporate governance:	COFIDES corporate governance	ID	102-18
- Governance structure			102-18
- Control systems			CGR – Section 5.2: Control systems
- Risk management			CGR – Sections 5.1, 5.2.3, 5.2.6 and 5.2.7
- Compliance scheme	Socioeconomic compliance	ID	419-1
	Customer privacy	ED	418-1
	Anti-corruption	ID & ED	205-2; 205-3
COFIDES's values, principles, standards and norms of behaviour	COFIDES's values, principles, standards and norms of behaviour	ID & ED	102-16
Comprehensive due diligence (with special emphasis on social and environmental issues)	Policies and procedures to evaluate socioenvironmental risks	ED	Management approach: Portfolio of products FS6
COFIDES financing: additionality in the Spanish financial sector	Indirect economic impacts	ED	203-2
Impact on countries hosting investments	Indirect economic impact	ED	Management focus: Significant indirect economic impacts 203-2
Tackling climate change	Risks and opportunities due to climate change	ED	201-2
SDG implications	Indirect economic impacts	ED	203-2
Consolidation of Spanish companies financed	Indirect economic impacts	ED	203-2
Staff information	Training and education	ID	Management focus: Training and education 404-1

<sup>1</sup> ID: internal/ ED: external.

<sup>2</sup> The Global Reporting Initiative (GRI) is an international standard used to report an organisation's performance and its economic, environmental and social impact.

## Dimension

Dimension	Impact on sustainability	COFIDES' influence	Thoroughness of information
INTERNAL	Low	High	Low
EXTERNAL: Asset investment	High	Medium	Medium
EXTERNAL: Lending	High	Medium	High
EXTERNAL: Investment in equity	High	High	High

The data and qualitative information in this Report refer to the national and international socio-economic context.

### Report dimension, scope and limitations

In its external dimension, this Report includes information on the project financing conducted by COFIDES and more specifically on the management and impact of that business. It also addresses in-house (internal) data deemed to be relevant to understanding Company management. The impact of COFIDES's business activities is synthesised in the table below.

The Report includes information on the projects analysed in 2019 as well as on the live project portfolio as of 31 December of that year. At this time, the indicators obtained by COFIDES on the non-financial aspects of projects are based essentially on information provided by project sponsors on the occasion of due diligence proceedings. Although project analysts specialising in different areas are responsible for verifying the information received, non-financial information is not presently as reliable as the financial information on projects, which is audited.

With its consistent focus not only on the financial aspects of projects but also on others that ensure their sustainability, COFIDES seeks to systematise information with which to attribute greater weight to these matters in both the companies internationalised and in the Company itself. The information on external effects excludes data from earlier years, for the portfolio varies annually with new investments and divestments. The data on impact are necessarily confined to direct investment and the respective projects and consequently excludes international financing and other funds' assets managed by COFIDES. The measurement tool is being updated in 2020 to include those funds.

As noted, the data on projects and companies financed are based on the information furnished by the latter. No sampling techniques are deployed nor are any assumptions made. Efforts focus on obtaining the largest possible number of replies for subsequent compilation and linear pooling. The internal dimension indicators are compiled by the respective areas and pooled linearly.

Further to its commitment to respect the environment, in 2020 COFIDES plans to implement a carbon-neutral office project that will broaden the scope of the environmental management system presently in effect in its offices.

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**The data and qualitative information in this report refer to the national and international socio-economic context**



## Additional information

The four risk *rating* categories listed in the section "Social and environmental factors" are defined in the table below.





The number of indirect jobs listed on page 20 was calculated on the general assumption that every direct job generates one to two indirect jobs at businesses supplying the goods and services needed for production. Induced jobs, in turn, are generated by the higher demand associated with employees' new earnings. Although the criterion for estimating the number varies, one job is generally deemed

to be induced for every two direct or indirect jobs. EDFI members have been developing a platform in 2019-20 that will calculate the number of indirect jobs more precisely by industry and host country.

COFIDES looks forward to receiving stakeholder remarks and suggestions on this Report. Further information on any item hereunder may be requested from: [lola.vazquez@cofides.es](mailto:lola.vazquez@cofides.es)

Risk/impact	Description
A: High	Risks and/or potential, severe, widespread, generally irreversible or unprecedented adverse impacts of varying nature.
B+: Medium - high	Risks and/or potential, moderate and primarily local and reversible adverse impacts characterised by specific features that may lead to risks or impacts of greater magnitude and scope.
B: Medium	Risks and/or potential, moderate, local and reversible adverse impacts that can be effectively mitigated with well-known methods of proven efficacy.
C: Low	Scantly significant or non-existent risks and/or potential impacts.

## Global Compact principles®

Area	Principle	COFIDES
 Human Rights	1.- Businesses should support and respect the protection of internationally proclaimed human rights.	Due diligence in investments.
	2.- Businesses should make sure that they are not complicit in human right abuses.	Inclusion of international standards on decent work in the financing agreement.
 Labour Rights	3.- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Inclusion of ILO Fundamental Conventions 87 on freedom of association and the right to organise and 98 on collective bargaining in the financing agreement.
	4.- Businesses should support the elimination of all forms of forced and compulsory labour.	Inclusion of ILO Fundamental Conventions 29 and 105 on the abolition of forced labour in the financing agreement.
	5.- Businesses should support the effective abolition of child labour.	Inclusion of ILO Fundamental Conventions 138 and 182 defining the minimum working age and abolition of the worst forms of child labour in the financing agreement.
	6.- Businesses should support the elimination of discrimination in respect of employment and occupation.	Inclusion of ILO Fundamental Conventions 100 and 111 on the abolition of employment and occupation discrimination in the financing agreement.
 Environment	7.- Businesses should support a precautionary approach to environmental challenges.	Due diligence in investment.
	8.- Businesses should undertake initiatives to promote greater environmental responsibility.	Due diligence in investment. Climate finance.
	9.- Businesses should encourage the development and diffusion of environmentally friendly technologies.	Climate finance.
 Anti-Corruption	10.- Businesses should work against corruption in all its forms, including extortion and bribery.	Compliance with anti-corruption precepts. Inclusion of the OECD's Anti-bribery Convention in the financing agreement.

## GRI table of contents

GRI standard	Contents	Page numbers	Comments
General contents			
GRI 102: General content 2016	Profile of the organisation		
	102-1 Name of the organization	CGR 4	Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E.
	102-2 Activities, brands, products and services	16-31; 33-36	<a href="https://www.cofides.es/en/financing">https://www.cofides.es/en/financing</a>
	102-3 Location of the headquarters	CGR 4	Paseo de la Castellana 278. 28046 Madrid
	102-4 Location of operations	12-13; 38-39	
	102-5 Ownership and legal form	CGR 5	
	102-6 Markets served	16-31; 38-39; 44	<a href="https://www.cofides.es/en/financing">https://www.cofides.es/en/financing</a>
	102-7 Scale of the organization	10-11; 32-37; 45-50; 60-63 CGR 5-6	
	102-8 Information on employees and other workers	46-47; 97	
	102-9 Supply chain	94	COFIDES hires consultancy services in connection with its financing business. It also purchases products and services for Company headquarters.
	102-10 Significant changes in the organization and its supply chain	CGR 6	Neither organisation size nor structure has changed significantly. Under 'Other operating expenses', outsourced consultancy service costs rose by 30 % due to the huge volume of projects approved during the year and the stepped-up pace of company operations relative to ordinary business activity under comparable conditions.
	102-11 Precautionary principle or approach	6-9; 14-15; 40-42	The prudent person principle is applied in comprehensive risk management in financing.

Key:  
 ID: Internal dimension  
 ED: External dimension  
 CGR: Corporate Governance Report  
 SR: Sustainability Report

GRI standard	Contents	Page numbers	Comments
GRI102: General content 2016	General contents		
	Profile of the organisation		
	102-12 External initiatives		<a href="https://www.cofides.es/en/biblioteca-de-documentos/corporate-governance-approach-statement">https://www.cofides.es/en/biblioteca-de-documentos/corporate-governance-approach-statement</a> <a href="https://www.cofides.es/biblioteca-de-documentos/declaracion-principios-financiacion-responsable-desarrollo-sostenible">https://www.cofides.es/biblioteca-de-documentos/declaracion-principios-financiacion-responsable-desarrollo-sostenible</a> <a href="https://www.cofides.es/en/biblioteca-de-documentos/contributing-creating-more-and-better-jobs-statement">https://www.cofides.es/en/biblioteca-de-documentos/contributing-creating-more-and-better-jobs-statement</a>
	102-13 Membership of associations		ALIDE, ASCRI, Club de Exportadores e Inversores, EDFI, Instituto de Auditores Internos and Global Compact Spanish Network.
	Strategy		
	102-14 Statement from senior decision-making	6-9; 14-15	
	Ethics and integrity		
	102-16 Values, principles, standards and norms of conduct	CGR 17	Code of Ethics: <a href="https://www.cofides.es/en/about-us/governance">https://www.cofides.es/en/about-us/governance</a> <a href="https://www.cofides.es/en/about-us/mission-vision-and-values">https://www.cofides.es/en/about-us/mission-vision-and-values</a>
	Governance		
	102-18 Governance structure	CGR 7-16 45-46	
	Stakeholder participation		
	102-40 List of stakeholder groups	49-50	COFIDES's business stakeholders include its client companies.
	102-41 Collective bargaining agreements		COFIDES's entire staff (100 %) is covered by the Region of Madrid's Office Worker Agreement.
	102-42 Identification and selecting stakeholders		Stakeholders were identified by COFIDES's Sustainability staff on the occasion of the drafting of prior Sustainability Reports and ratified by the area management and COFIDES's Chairman-CEO.
	102-43 Approach to stakeholder engagement	48-50	
	102-44 Key topics and concerns raised	SR 2017 pp. 30-32 ( <a href="https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2017-english.pdf">https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2017-english.pdf</a> ) SR 2018 pp. 24-25 ( <a href="https://www.cofides.es/sites/default/files/biblioteca/2019-07/sustainability-report-cofides-2018-english-pagina.pdf">https://www.cofides.es/sites/default/files/biblioteca/2019-07/sustainability-report-cofides-2018-english-pagina.pdf</a> ) 32; 48-50; 100	<a href="https://www.cofides.es/sites/default/files/adjuntos/2019-11/presentacion-plan-estrategico-cofides-2019-2021.pdf">https://www.cofides.es/sites/default/files/adjuntos/2019-11/presentacion-plan-estrategico-cofides-2019-2021.pdf</a>

GRI standard	Contents	Page numbers	Comments
GRI 102: General content 2016	Reporting practice		
	102-45 Entities included in the consolidated financial statements		Not applicable
	102-46 Defining of report contents and topic boundaries	4-5; 14-15; 48-50; 100-101; 104-108	
	102-47 List of material topics	SR 2017 pp. 30-32 ( <a href="https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2017-english.pdf">https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2017-english.pdf</a> ) SR 2018 pp. 24-25 ( <a href="https://www.cofides.es/sites/default/files/biblioteca/2019-07/sustainability-report-cofides-2018-english-pagina.pdf">https://www.cofides.es/sites/default/files/biblioteca/2019-07/sustainability-report-cofides-2018-english-pagina.pdf</a> ) 100	
	102-48 Restatement of information		The 2019 Activity / Sustainability Report is the first to address both areas in one and the same document.
	102-49 Changes in reporting		No significant changes
	102-50 Reporting period		01/01/19 - 31/12/19
	102-51 Date of most recent report		2018 Sustainability Report
	102-52 Reporting cycle		Yearly
	102-53 Contact point for questions regarding the report		<a href="mailto:lola.vazquez@cofides.es">lola.vazquez@cofides.es</a>
	102-54 Claims of reporting in accordance with the GRI Standards	100	
	102-55 GRI Content Index	104-108	
	102-56 External assurance	109	External assurance was awarded in accordance with internal procedures, subject to the Act on Public Procurement. AENOR certifies the Quality Management System. Senior management approved the request for external assurance of the Activity / Sustainability Report.

GRI standard	Contents	Page numbers	Comments
Material issues			
<b>CORPORATE GOVERNANCE</b>			
Control systems			
GRI 103: 2016 management approach		CGR 17-19	
	Control systems	CGR 17-19	
Risk Management			
GRI 103: 2016 management approach		CGR 17-19	
	Risk Management	CGR 17-19	
<b>FINANCIAL SECTOR</b>			
Portfolio of products			
GRI 103: 2016 management approach		14-15; 39-42 SR 2015 p. 7 ( <a href="https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2015-english.pdf">https://www.cofides.es/sites/default/files/biblioteca/2019-01/sustainability-report-cofides-2015-english.pdf</a> )	<a href="https://www.cofides.es/en/our-work/sustainable-investments">https://www.cofides.es/en/our-work/sustainable-investments</a>
FS6	Percentage of the portfolio for business lines by region, size and sector	38-39	SMEs in portfolio: 48 %
<b>ECONOMIC DIMENSION</b>			
Economic performance			
GRI 103: 2016 management approach		ID: 45-47 ED: 16-31	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	ID: 37; 46-47; 60-63 ED: 16-31	
	201-2 Financial implications and other risks and opportunities due to climate change	ED: 10-11; 14-15; 18-19; 33-36	
Indirect economic impact			
GRI 103: 2016 management approach		ED: 6-9; 14-15; 16-31	
GRI 203: Indirect economic impact 2016	203-2: Significant indirect economic impacts	ED: 6-9; 14-15; 16-31; 44; 48-50; 100	



GRI standard	Contents	Page numbers	Comments
Material issues			
ECONOMIC DIMENSION			
Anti-corruption			
GRI 103: 2016 management approach		ID & ED: CGR 17-18 103	
GRI 205: Anti-corruption 2016	205-2 Communication and training on anti-corruption policies and procedures	ID & ED: CGR 17-18	<a href="https://www.cofides.es/en/about-us/governance">https://www.cofides.es/en/about-us/governance</a>
	205-3 Confirmed incidents of corruption and actions taken	ID & ED: CGR 18	
SOCIAL DIMENSION			
Training and learning			
GRI 103: 2016 management approach		ID: 46	
GRI 404: Training and learning 2016	404-1 Average training hours per year per employee	ID: 47	
Human rights assessment			
GRI 103: 2016 management approach		ED: 39-42; 103	
GRI 412: Human rights assessment 2016	412-2 Employee training on human rights policies and procedures		ED: 58 hours. 2 employees
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	ED: 40-42	
Customer privacy			
GRI 103: 2016 management approach			ID: COFIDES has procedures in place to comply with the legal provisions on personal data processing.
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		ID: No such complaints were received in 2019.
Socioeconomic compliance			
GRI 103: 2016 management approach		ID: CGR 17-18	
GRI 419: Socioeconomic compliance	419-1 Non-compliance with laws and regulations in the social and economic area		No indication of non-compliance of this nature was forthcoming in 2019.





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