



International Finance and Sustainability

MANUAL FOR COFIDES-FINANCED COMPANIES

COFIDES 
Investment and development



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INTRODUCTION

This manual has been designed for companies receiving COFIDES funding. Its main objective is to provide information about the scope of the Company's socio-environmental policy and the reasons behind its content and application. This third edition expands on some of the contents in the light of international developments in the field and COFIDES requirements. The national and international regulatory flurry in recent years and a growing expectation from investors and shareholders has placed sustainability at the core of the agenda of institutions and companies.

COFIDES promotes the development of the Spanish and international private sector by financing investments that make economic growth and returns compatible with protection of the social and natural environment.

This manual is a highly practical document with a main section on the legal framework, human rights at work, occupational health and safety, environment, anti-corruption and relations with the local community. Each can be read independently. The appendices contain a list of the main international declarations and additional resources, which can be used as an aid to further study this area, as well as a summary of the Sustainable Development Goals.

COFIDES is a development finance institution and founding member of the Association of European Development Finance Institutions (EDFI) and adheres to the international standards of the international development finance institutions (DFIs). It is a signatory to the Corporate Governance Approach Statement by Development Finance Institutions (2007), the EDFI Statement of Principles for Responsible Financing of Sustainable Development (2009) and the 2019 update, the Contributing to Creating More and Better Jobs release by DFIs (2013) as well as of the Memorandum Regarding IFIs Harmonized Development Results Indicators (2013).

COFIDES is a signatory to the international initiatives of the United Nations Global Compact (2005) and the Operating Principles for Impact Management, promoted by IFC (2019). In 2021 it joined SPAINSIF, an association that fosters socially responsible investment through the integration of environmental, social and good governance criteria, all of which leads to a proactive attitude of continuous improvement in the integration of considerations that are not strictly financial in the Company's management. It has had an environmental and social policy since 2001 and a gender policy since 2015.

In 2022, with the aim of supporting companies in strengthening their capacities and the socio-environmental management of their projects, COFIDES launched COFIDES IMPACT, a programme to promote investments with positive impact, included in the Recovery, Transformation and Resilience Plan and financed within the framework of Next Generation EU. This programme consists of two components: price subsidies for financial instruments and technical assistance, linked to the achievement of certain sustainability KPIs. COFIDES publishes an annual Activity and Sustainability Report in which it reports on its progress in integrating ESG issues.

Implementing business strategies that take into account the expectations generated in society is key to the benefit of the Company itself. These expectations have in many cases already been taken up by internationally agreed regulatory instruments.

The international agenda is gradually coalescing around the fact that a company's relationship with society will be measured primarily through its contribution to the United Nations Sustainable Development Goals, approved in September 2015, as well as to climate change mitigation and adaptation, under the Paris Agreement signed in December 2015. A company will contribute to sustainable development by implementing corporate strategies that promote inclusive economic growth, social progress and environmental protection

SOCIAL AND ENVIRONMENTAL CONSIDERATIONS

LEGAL FRAMEWORK



Managing the environmental and social issues of any internationally developed investment project must take into account local regulations as well as international standards.

The UN Global Compact and the OECD Guidelines for Multinational Enterprises are the reference framework for the actions of funded companies, which must always respect the Universal Declaration of Human Rights, ILO conventions, UN conventions and other international standards included throughout this manual.

FORMALITIES

Identify and comply with local legislation

A company set up abroad to develop a COFIDES-financed project, hereinafter referred to as a project company, must identify and comply with local legislation, including international treaties ratified by the country, even in places with poorly developed law enforcement mechanisms. The ILO and UN websites provide information on treaty ratification by country. Among others, the project company has to secure all the necessary permits and licences to carry out its activity.

Apply international standards

Depending on the nature and relevance of the risks and impacts detected, COFIDES fosters the adoption of standards considered appropriate at international level. The standards applied are determined on a project-by-project and issue-by-issue basis.

International standards include EU regulations and recommendations, guidelines and standards set by bodies such as the United Nations (UN), the International Labour Organization (ILO), the Organisation for Economic Co-operation and Development (OECD) and the International Finance Corporation (IFC) of the World Bank (WB) Group.

Certain projects will require the implementation of sector standards such as FSC, MSC, RSPO, and FLO or certifications such as ISO 14001, ISO 45001 and SA 8000, among others. Additional information on these standards and certifications is included in the appendix.

Prepare a plan of action if necessary

COFIDES is aware that the implementation of certain standards can involve significant efforts for companies. Accordingly, it considers it necessary to set requirements in line with the risks and impacts detected, so as to promote the adoption of these standards without negatively affecting the competitiveness of the companies financed.

This may lead to the preparation of an action plan in cooperation with the project company. The plan will set out a schedule of actions aimed at implementing good environmental and/or social practices. The timeframe for the implementation of the action plan will depend mainly on the nature and magnitude of the risks and impacts identified.

Comply with tax obligations

The project company must comply with the tax legislation of the places where it carries on its business activities. Appropriate tax and budgetary policies will enable the financing of essential public goods and services for the local population (schools, hospitals, infrastructure and social security), helping to expand opportunities for all and reduce inequality among its inhabitants. Businesses can highlight the value of this contribution through their communication channels. COFIDES is a member of the EDFI Principles for Responsible Tax initiative.

Address supply chain risks

The project company may be complicit in activities that violate the human rights, labour or environmental standards of another organisation with which it has a contractual relationship. The risk can be minimised by identifying critical partners that may exist in all the links of the value chain and not only among the closest ones.

It would be advisable for the project company to have a code of conduct that includes the requirements to be met by its suppliers as well as the consequences of non-compliance.

Ending a business relationship is often not the best way to contribute to the overall goal of ensuring compliance with human and labour rights and reducing environmental impacts. It may be more advisable to continue the collaboration and try to improve the situation. In cases where the supplier is not trusted to have the commitment or capacity

to improve, the consequence may be to terminate the relationship.

Funds

COFIDES requires the fund manager to convey to its portfolio companies the obligation to comply with local environmental, labour and occupational health and safety legislation. If this legal framework is not sufficiently developed, the OECD Guidelines and the IFC Performance Standards should be taken into account. In addition, the manager should implement a socio-environmental management system with respect to its investments that enables proper management of risks and impacts. Lastly, COFIDES must be informed if it becomes aware of any environmental, labour or occupational health and safety issues.

RECOMMENDATIONS

Include a grievance mechanism

Companies should include a mechanism for receiving and handling possible grievances from workers or communities as well as clear information on how to file a grievance and the procedure to address it. Moreover, companies must ensure access to redress if a negative impact has occurred.

COFIDES has a integrity channel on its website available to any stakeholder wishing to make a suggestion or complaint or to report if they believe they have been harmed by a project financed or planned by the Company. This is a confidential channel managed by an external company.

Be aware of regulatory updates

The project company should be aware of local and international sector-based best practice updates, particularly those linked to human rights and environmental protection. In this regard, the implementation of a compliance management system is recommended.

Report on sustainability

The publication of information on socio-environmental and governance management and impacts is a growing practice and may even be a legal requirement. A new directive on corporate socio-environmental reporting for large companies was adopted in 2022, introducing more detailed

obligations on environmental, human rights and social impacts.

For funds, the directive on sustainability-related disclosures in the financial services sector sets out disclosure requirements with regard to the integration of sustainability risks and financial products which promote socio-environmental characteristics or which pursue sustainability objectives.

The project company can always count on the support and advice of COFIDES to carry out the action plan.

Socio-environmental requirements are not only risk management tools, but also offer opportunities to improve economic performance and stakeholder relations

HUMAN RIGHTS AT WORK



In carrying out their activities, companies must be mindful of respect for internationally recognised human rights. The potential impact on compliance will depend primarily on the sector and context of the activity.

The International Bill of Human Rights¹ is the chief point of reference. The ILO Declaration on Fundamental Principles and Rights provides the framework for decent work and decent working conditions. The UN Guiding Principles on Business and Human Rights clarify the responsibility of businesses to respect and the duty of states to protect internationally recognised human rights. The OECD Guidelines for Multinational Enterprises include a chapter on human rights in line with the Guiding Principles.

FORMALITIES

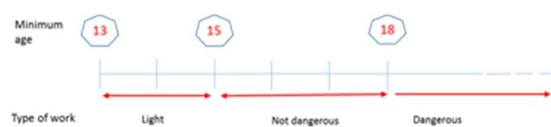
Establish appropriate policies and procedures

The project company should identify the potential negative human rights impacts of its decisions and activities with the aim of avoiding or mitigating them. The complexity of such a process will be commensurate with the size of the company, the nature and context of its operations, and the risk of severe human rights impacts. This analysis should take into account the impact of its own activities as well as the impact of companies in its value chain.

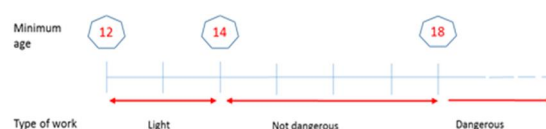
In certain projects with high social risk, COFIDES requires companies to carry out a human rights due diligence process aligned with the UN Guiding Principles on Business and Human Rights. It is a process that aims to identify, prevent and mitigate negative human rights impacts and focuses on the impact on people. The OECD has published Due Diligence Guidance for Responsible Business Conduct which can support this process.

Contribute to the effective abolition of child labour

Children have the right to an education and must be protected from working until they complete compulsory education. ILO standards set a general minimum working age, which varies based on the type of work:



The ILO Minimum Age Convention states that countries whose economy and educational facilities are insufficiently developed may adopt a transitional model:



COFIDES does not finance projects involving exploitative and/or harmful forms of child labour (see Exclusion List). In addition, COFIDES requires compliance with ILO Conventions 138 and 182 on child labour, as well as the UN Convention on the Rights of the Child. If during the life of the project a company becomes aware that it has recruited workers below the minimum age, it must resolve the situation immediately. Since poverty and lack of social services are the main causes of child labour, simply dismissing workers under the minimum age can be harmful and damaging to their lives. Instead, the project company should make efforts to include them in an educational programme and help them make the transition between work and school.

Not be involved in or related to forced labour

COFIDES does not finance projects involving exploitative and harmful forms of forced labour (see Exclusion List). In addition, COFIDES requires compliance with ILO Conventions 29 and 105 on forced labour. The project company must ensure that it does not use forced labour that is performed involuntarily or under threat of punishment. The company may be indirectly linked to forced labour through labour agencies or suppliers and, accordingly, it must ensure that it is not complicit in forced labour and decide to not collaborate with partners who use forced labour and in no way benefit from its use.

¹ This includes the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.

Ensure freedom of association, collective bargaining and open channels of communication

COFIDES requires compliance with ILO Conventions 87 and 98 on freedom of association and the right to organise and collective bargaining. In some countries, state legislation prevents freedom of association and collective bargaining or allows only state-controlled unions. In these circumstances, the project company also has an obligation to respect the rights of its workers to assemble and must provide alternative measures such as open channels of communication and negotiation between management and employees regarding labour issues. It must not terminate contracts or discriminate against those who engage in trade union activities. The International Trade Union Confederation (ITUC) provides a country-by-country index on the status of compliance with these rights.

Avoid discrimination

The project company should ensure that its policies and practices promote equal opportunities and avoid discrimination. Discrimination may be based on ethnic origin, skin colour, gender, disability, sexual orientation, language, national extraction or social origin, age, economic status, religion, political opinion or any other circumstance. COFIDES requires compliance with ILO Convention 111 on discrimination in access to employment and working conditions. The project company should apply objective criteria when assessing training, experience and skills and use consistent procedures in all decisions that promote greater equality of employment opportunities. Diversity in teams can be seen as an asset that enriches the work climate.

In terms of discrimination applied to the workplace, there are international standards (ILO Conventions and UN Conventions) specific to various groups. Given the type of projects, where appropriate, COFIDES includes in the contract standards relating to business policies on women, migrant workers and indigenous peoples.

As to migrant workers, the treatment applied should always be the same as for nationals in all matters relating to working conditions. COFIDES requires compliance with ILO Convention 97.

Gender equality and women's empowerment

Discrimination against women is particularly relevant as women represent more than half of the population and no country has yet achieved full gender equality. Women suffer discrimination in many areas of life, including in the workplace, and do not enjoy their rights on equal terms with men, which places them in a situation of greater vulnerability and even social exclusion. There are a number of international standards aimed at eliminating this discrimination. COFIDES requires compliance with the ILO Conventions 100 on equal remuneration and Conventions 103 and 183 on maternity protection, in addition to the UN Convention on the Elimination of All Forms of Discrimination against Women.

COFIDES has a Gender Policy with a twofold objective: to prevent or mitigate risks and negative impacts on women and to promote women's empowerment. In projects with a high risk due to their location, low percentage of women, prevalence of gender-based violence or highly male-dominated sector, a sexual and/or gender-based harassment prevention protocol will be requested. Companies must also inform COFIDES whenever this type of harassment occurs.

In addition, COFIDES uses the criteria of the 2X Challenge initiative to collect information on gender equality and women's empowerment in projects. The criteria relate to the presence of women as founders, owners, board members, managers and employees and the existence of initiatives to support women workers as well as products or services geared towards women.

Set reasonable limits on working hours to allow time for rest and leisure

COFIDES requires compliance with the ILO Conventions 1 and 30 on hours of work as well as ILO Conventions 14 and 106 on weekly rest. Pursuant to these conventions, working hours should not exceed 48 hours per week, except in exceptional cases. All workers should have at least 24 consecutive hours of rest per week. The project company will make the schedule, days and hours of rest known by means of visible notices. Regarding overtime, there are guidelines on how to deal with this issue in the ILO helpdesk.

Provide reasonable wages considering the cost of living

The project company will disclose the salary conditions prior to taking up employment and whenever changes occur. Also, employers may not restrict workers' freedom to dispose of their wage and salary deductions outside legal bounds. In the event of bankruptcy, workers are preferential creditors in relation to salaries. COFIDES requires compliance with ILO Convention 95 on the protection of wages.

Minimum wages have often been set by law in the country receiving the investment, but have not been updated for years, leaving a gap with respect to a living wage based on a more realistic assessment of the cost of living. When workers are paid a minimum wage that is not commensurate with the local standard of living, they may be forced to work excessive overtime and face occupational health and safety risks. COFIDES supports the project company setting a wage, whether nominal or piecework, that at least meets these essential needs of workers and their families. There are agencies that provide additional information on living wages as well as country-specific information (e.g. Global Living Wage Coalition and The Sustainable Trade Initiative).

Ensure that all workers have an employment contract and understand its contents

COFIDES supports the fact that the employment contract should specify the terms of employment, i.e. job content, salary, working hours, overtime, holidays, rest periods, maternity/paternity leave, training, health and safety committee, insurance, social benefits and termination conditions. It should also be written in a language that workers are familiar with and that can be understood by all workers. For workers who do not have primary education, it will be necessary to ensure that they have understood all the issues covered.

Ensure adequate accommodation and living conditions for posted workers

In specific cases, with workers posted for the construction or operation of a project, COFIDES may require the project company to provide accommodation which must have adequate

conditions including basic facilities and services such as dormitories, toilets, recreation areas, access to medical service, food and drinking water. Where women and/or families are accommodated, appropriate mechanisms must be put in place to ensure their safety and privacy. As a reference standard, COFIDES uses the document Workers' Accommodation: Processes and Standards by the IFC and the European Bank for Reconstruction and Development (EBRD).

Implement private security policies for facilities that safeguard the human rights of workers and third parties

In cases where the investment requires personnel specialised in the protection and private security of the facilities, COFIDES may require the project company to design policies and procedures of conduct and to provide training to such personnel so that security actions safeguard the human rights of workers and third parties and do not involve abuse of authority and force.

IFC Performance Standard 4 contains a section on security personnel for reference. In addition, the Voluntary Principles on Security and Human Rights initiative, which brings together governments, international NGOs and companies, promotes the adoption of a set of principles to guide companies in providing security for their operations while respecting human rights.

Respect the rights of indigenous peoples

A project company operating in an area where there are indigenous peoples or whose activity may have an impact on indigenous peoples is obliged to comply with ILO Convention 169 on Indigenous and Tribal Peoples. No discriminatory measures in access and working conditions may be applied to any indigenous workers.

Land and resource rights are of fundamental importance to indigenous peoples for many reasons, such as the religious significance of land, self-determination, identity and economic factors. Land is a key economic asset. The security and permanence of control and use of natural resources is actually more important to most indigenous peoples than direct land ownership. The demand for ownership actually derives from the need to secure access to these resources, so it is

key to examine how each country's legislation addresses this issue. It should be kept in mind that indigenous societies exist on every continent. Detailed information on how to address these issues can be found in ILO Convention 169, Performance Standard 7 and the American Declaration on the Rights of Indigenous Peoples.

regulatory charter of digital rights. The European Commission² also launched a declaration on digital rights and principles in 2022. It is important to know and respect the digital rights framework in each context, especially for projects with a significant digital component.

RECOMMENDATIONS

Implement improvements in working conditions

Improved working conditions influence worker motivation and productivity, so it is advisable to develop a human resources policy that, taking into account the characteristics of the company and its team, studies the progressive implementation of such issues. ILO standards recommend reducing working hours to 40 hours per week, providing paid sick leave and paid annual leave of at least three weeks. The project company should also consider offering social benefits to its employees beyond the law (e.g. health care or insurance, childcare and transport).

Contribute to generating public debate

Companies interact at different levels with the authorities of the country in which they are performing the project. As such, they have the right and responsibility to express their views on issues affecting their business, their employees and the communities of which they are a part.

Preserve rights in the digital sphere as well

Digital rights are understood as the extension to the digital sphere of the rights set out in the UN Universal Declaration of Human Rights so as to promote a model of digital transformation that reinforces human values, guaranteeing access to information and participation, freedom of expression, non-discrimination, ethical use and protection of data, privacy, cybersecurity and digital disconnection in the workplace. At present, there is no universal standard for these rights, although countries are creating their own non-

² European Declaration on Digital Rights and Principles for the Digital Decade (EC, 2022).

OCCUPATIONAL HEALTH AND SAFETY



In general, the management of a company must incorporate respect for occupational health and safety considerations. The rules for a healthy and safe working environment are especially addressed in the IFC General Environment, Health and Safety Guidelines. They are standards that provide the framework for companies to create safe and healthy working conditions and to take the necessary precautions to protect employees from the occupational hazards to which they are exposed. COFIDES requires compliance with ILO Convention 155 on occupational health and safety.

In 2022 the ILO extended the fundamental conventions to include two on occupational safety and health, namely no. 155 on occupational safety and health and no. 187 on the promotional framework for occupational safety and health..

FORMALITIES

Establish a safe and healthy work environment with a focus on prevention

Occupational health and safety activities should aim to effectively prevent and protect employees from both physical risks and psychosocial factors that may affect their work. Companies should take national and sector-based standards into consideration when designing and implementing such measures, as well as the levels of knowledge and awareness of local communities in this area. Companies must also ensure that they have identified and take into account the specific risks for pregnant women or risks that may affect their reproductive health, as well as those relating to people with disabilities.

In certain projects, COFIDES may require the preparation of health and safety plans, occupational risk prevention plans and/or emergency plans, as well as request the appointment of a person responsible in this connection.

Provide employees with information and training

All employees must be made aware of the risks to which they are exposed and be trained to perform their tasks safely before starting work. This initial training should be followed up by regular training courses. The training will be conducted in a language they understand.

Provide access and request the use of protective equipment

The project company must provide workers with all necessary personal protective equipment at no cost to the workforce. The equipment required depends on the nature of the work but could

include special clothing, gloves, helmet, goggles, harnesses, etc. It should be noted that collective protective measures should be prioritised over personal protective equipment (PPE). The latter will be used when collective protection measures are insufficient to ensure the safe performance of work. Project companies should ensure that they provide appropriate PPE to women workers.

Involve employees in safe work procedures

Workers should be involved in safe work procedures and, where deemed necessary by the company, through a safety and health committee that includes representatives from management and relevant employee groups. The committee should be responsible for responding to health and safety complaints, monitoring accident statistics and preventing recurrence. If a worker detects a situation involving imminent and serious danger to his or her life or health, he or she will not be required to resume work until the necessary corrective measures are put in place.

Ensure that subcontracted personnel work under appropriate conditions

COFIDES supports the project company taking measures to ensure that the personnel subcontracted or under its direct supervision work under adequate health and safety conditions and that they receive the necessary training and information to do so. Specific projects may require specific actions in this area such as supplier codes or audits.

Log accidents and implement corrective measures

The risk of accidents should be eliminated and, if not technically or economically feasible, minimised

through technical, training and organisational measures. If an event with serious consequences for the health or safety of workers occurs, the project company must carry out an investigation to determine the causes of the event and the corrective measures to be implemented to prevent it from happening again. It will also inform COFIDES of the details of the event and the measures implemented.

RECOMMENDATIONS

Set measurable goals

A safety and health plan should establish clearly measurable objectives and at least an annual review of their relevance should be conducted. It is particularly advisable to have an accident log that records the nature of the accident and its causes and to have an annually reviewed reduction target.

Ensure that there is no harassment at work

Every person has the right to be treated with dignity and respect. Harassment in any manifestation is an attack on the dignity of an individual, and the project company must provide an environment free of workplace harassment, sexual harassment and gender-based harassment. It should have mechanisms in place to prevent and, where appropriate, deal with such situations, provide training for staff and prohibit retaliation against whistleblowers. In many countries, national regulation already requires the existence of mechanisms to prevent such conduct.

ENVIRONMENT AND CLIMATE CHANGE



An environmental analysis must take into account a wide range of direct and indirect, local or global impacts on the natural environment. The reference for assessing environmental issues can be found in Performance Standards 1, 3 and 6, the IFC General Environment, Health, and Safety Guidelines, the IFC and EBRD sectoral guidelines, the OECD guidelines and the relevant international conventions (see Appendix).

Among other objectives, COFIDES also seeks to promote investments that enable adaptation to climate change and mitigation of the effects of climate change, reduce greenhouse gas emissions, promote energy efficiency and help preserve the quality of the environment through the efficient use of resources.

COFIDES is committed to the Paris Agreement on Climate Change through the Declaration on International Public Support for the Clean Energy Transition adopted at COP26 in Glasgow in November 2021, along with other commitments at multilateral and EU level. It is also a signatory to the EDFI Harmonised Fossil Fuel Exclusion List and the EDFI Statement on Climate and Energy Finance. At the same time, COFIDES does not finance projects related to fossil fuels in any of its value chain segments.

COFIDES has also committed to earmarking 30% of the volume of formalisations to climate action and environmental sustainability projects over the 2022–2024 period, in accordance with the technical principles of the Sustainable Finance Taxonomy and the Common Principles for Climate Finance developed by a group of multilateral development banks and the International Development Finance Club.

FORMALITIES

Establish environmental procedures aimed at preventing pollution

The project company's environmental activities must be aimed at preventing pollution in all areas (water, air, soil, organisms and resources) through the use of the cleanest possible technology, protecting the surrounding environment as well as reducing and properly managing the waste generated, especially hazardous products. They should also reduce the likelihood of accidents through sound risk management and appropriate preventive and mitigation measures. Activities must comply with national and international industry standards.

Ensure environmental training and awareness among employees

Employees must be trained to handle resources—raw materials, water and energy—as well as waste appropriately and to protect the environment in connection with their tasks. All employees must have access to work instructions and environmental information in a language they understand so that they can perform their tasks properly.

Protect biodiversity and ecosystem health

COFIDES does not finance wildlife trade projects regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) or projects involving the destruction of areas of high conservation value (see Exclusion List). The project company will ensure that impacts on ecosystems and their biodiversity are kept to a minimum. In addition, if the activities take place in areas close to natural or critical habitats, an environmental impact assessment must be carried out.

RECOMMENDATIONS

Implement an environmental management system

The existence of an environmental management system helps to systematise and integrate environmental consideration into activities and to promote environmental protection and pollution prevention. It will also optimise resource and waste management and reduce negative impacts and the possibility of accidents, all of which can result in economic savings and increased productivity.

Focus efforts on sustainable and circular production

The project company should reduce as far as possible the consumption of the resources, especially natural resources, required to carry on its activity and opt for those that generate less impact and pressure on the environment. Measures to achieve this goal could include:

- efficient use of renewable resources
- minimisation of waste generation
- reuse and recycling of waste
- substitution of hazardous substances
- circularity and durability strategies: reuse, repairability, repurposing, recycling.
- use of the best available technology
- exploring nature-based solutions

Any initiative that aims to maintain the value of products, materials and resources in the economy for as long as possible in a way that reduces waste generation and the footprint of activities on the natural environment, i.e. that contributes to a circular economy, is beneficial both for the company itself and for society as a whole.

Focus on the company's contribution to mitigating global warming and its vulnerabilities

The project company should take the necessary measures to control the energy consumption of its processes and activities with the aim of reducing potential climate impacts, e.g. by reducing the consumption of fossil fuels, applying best practices in the sector or aiming to become a carbon-neutral company. Measures to contribute to this objective include:

- reducing the consumption of fossil fuels by using clean, low-carbon energy sources such as renewables
- establishing energy saving and energy efficiency strategies
- integrating clean combustion technologies, or CO₂ and methane capture and/or revalorisation technologies

- offsetting projects through carbon credits for those hard-to-reduce emissions
- developing mitigation and adaptation plans
- setting targets for the transition to climate neutrality

Calculate the carbon footprint

The company could quantify the amount of greenhouse gases generated in both the construction and operation phases in order to estimate the project's impact on global warming. The Ministry for Ecological Transition and the Demographic Challenge has developed a set of tools to facilitate this calculation.

COFIDES calculates and offsets the carbon footprint of its office (scopes 1 and 2) on an annual basis. In 2022, it also measured the carbon footprint of all the companies in its portfolio, using the PCAF methodology,³ to improve risk management and identify opportunities, with the ultimate goal of achieving a carbon neutral portfolio.

Take a regenerative approach

It is recommended that project companies go beyond pollution prevention and address the restoration and regeneration of ecosystems damaged by pollution caused by their activities, in particular through nature-based solutions.

Consider international initiatives

In 2015 the Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) with the main objective for companies to integrate and report on the impact of climate change on their business, considering the Paris Agreement's goal of limiting global warming to less than 2°C. In 2017, the TCFD published a raft of recommendations to properly manage and communicate climate-related risks. The initiative has garnered widespread support from public and private companies, investors, governments and other international bodies.

In addition, in June 2020, the European Commission published the Sustainable Finance Taxonomy, under which an economic activity is

³ Methodology developed by the Partnership for Carbon Accounting Financials (PCAF).

sustainable if it contributes substantially to any of the following objectives: climate change mitigation, adaptation to climate change, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and biodiversity protection and restoration. Among its main objectives is to avoid greenwashing as it will be necessary to report on how the criteria of the initiative have been used. We recommend that companies structure their operations according to this taxonomy in order to make their projects sustainable.

ANTICORRUPTION



Corruption and bribery are recognised as some of the world's greatest challenges. They are a major barrier to development with a disproportionate impact on the most disadvantaged communities. The OECD Convention on Combating Bribery of Foreign Public Officials (also known as the Anti-Bribery Convention) as well as the UN Convention against Corruption both require combating corruption and bribery.

COFIDES does not accept corruption. The Company includes a copy of the OECD Anti-Bribery Convention in all contracts, as well as a compliance clause.

In 2011, together with the Global Compact Network Spain, the Company co-sponsored the Guide to Combating Corruption and Promoting Transparency. This guide aims to make it easier for companies, especially SMEs, to understand the scope of the concept of corruption and the risks it entails for their business.

FORMALITIES

Develop and adopt internal control programmes and mechanisms

Through the Anti-Bribery Convention and the OECD Guidelines, COFIDES supports the project company in creating, communicating and maintaining a culture within the organisation in which corruption is neither directly nor indirectly tolerated. It is also advisable to identify and assess the potential risks of being involved in corruption in any part of the operations and to prepare a policy to guide employees with external contacts including, among other issues, the prohibition of offering or accepting a bribe or other forms of extortion in any part of the payment of a contract, e.g. gifts, sponsorship, personal advantages and the collection of kickbacks.

Train employees in anti-corruption practices

Training all employees on internal control policies and mechanisms is a key issue in preventing or dealing with corruption. Accordingly, employees will be aware of the possible dilemmas that may arise and how to deal with them.

Avoid facilitating payments

Facilitating payments are payments to secure or expedite the completion of formalities that the company has to carry out with the public authorities. Such payments are prohibited in most countries as they are considered a form of bribery. The project company should always try to avoid them and therefore train its employees on how to reject them.

RECOMMENDATIONS

Make the anti-corruption mechanisms known to partners, contractors and suppliers

The project company should make its anti-corruption practices known to key suppliers and other relevant partners. It should also monitor its most important partners and be entitled to terminating the relationship if a partner is proven to have paid bribes.

The activities of companies have an impact to a greater or lesser degree on society and the environment of the place where they are located. A good relationship with the local community benefits both the community itself and the project company and, accordingly, it is necessary to assess the impacts and establish adequate communication.

The OECD Guidelines for Multinational Enterprises as well as the IFC Performance Standard 4 on Community Health and Safety provide the framework for assessing impacts on and relationships with the local community.

FORMALITIES

Assess impacts on local communities, especially the most vulnerable ones

Especially in international projects, it is important that the project company identifies the potential impacts that its activity may have on the local community and plans on how to avoid or mitigate negative impacts and enhance positive ones, paying special attention to impacts on marginalised and vulnerable communities (national or ethnic, religious and linguistic minorities, persons with disabilities, migrant workers and indigenous people).

In certain projects with high social risk, COFIDES requires companies to carry out a human rights due diligence process aligned with the UN Guiding Principles on Business and Human Rights. It is a process that aims to identify, prevent and mitigate negative human rights impacts and focuses on the impact on people. The OECD has published Due Diligence Guidance for Responsible Business Conduct.

Establish transparent communication and adequate consultation

Clear, complete and accessible information contributes to the understanding of the company's activities, especially in the case of activities with potentially significant environmental, health and safety impacts. It can also serve as an expression of its commitment to socially responsible practices. For certain projects, it is also necessary to establish and maintain an ongoing relationship with the affected communities, based on consultation and participation.

Not participate in forced evictions and adequately compensate for relocation

Forced evictions can only be carried out by governments. However, companies are advised to cooperate with the authorities to ensure that such evictions are carried out with as little harm as possible.

In the event of voluntary relocation, the project company must ensure that there is free and informed

consent from the local community affected by the project. An action plan should also be prepared by setting out the activities necessary for the affected community to obtain the same or better living conditions.

RECOMMENDATIONS

Contribute to improved local capacities

It is advisable to hire local staff as a significant portion of the workforce, including middle management, and to ensure their training to improve their qualifications, while ensuring equal opportunities for women and other vulnerable groups. The company can also influence the technological and managerial capabilities of its subsidiaries and subcontractors, ultimately contributing to raising the local population's standard of living.

Actively participate in the local community

The project company should establish relationships with the local community that contribute to building trust and reducing reputational risks. Activities such as purchasing local products and services, collaborating in education programmes, supporting civic institutions and community networks that often invite private companies to get involved, making donations and performing volunteer work also contribute to developing beneficial relationships between companies and the communities in which they operate.

Improve public health conditions

Health is a human right and the project company should think about how to promote it among its employees. This can be done through access to medical services, vaccinations or promoting a healthy lifestyle.

In regions where chronic diseases are a widespread problem, the project company should make an active contribution to preventing their spread. The company could provide training for employees to avoid

contracting the disease, consider offering regular health check-ups, ensure the availability of free contraception and organise information campaigns.

In some countries, domestic violence is a widespread problem and government support is insufficient. A company that becomes aware that its employees are being subjected to this type of violence should help them to establish contact with victim support centres or similar initiatives that offer professional help.

Safeguard cultural heritage

The project company should also consider the potential impact of its activities on cultural and intangible heritage, especially in areas where this is of high value to the local community or world heritage, because of its link to particularly sensitive historical, religious or social values or heritage.

APPENDICES

INTERNATIONAL CONVENTIONS AND DECLARATIONS

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

INTERNATIONAL CONVENTIONS AND DECLARATIONS

General scope:

IFC (WORLD BANK): Performance Standards (PS)

PS1: Assessment and management of environmental and social risks and impacts

- (a) Identify funding proposal's environmental and social risks and impacts;
- (b) Adopt mitigation hierarchy: anticipate, avoid; minimize; compensate or offset;
- (c) Improve performance through an environmental and social management system;
- (d) Engagement with affected communities or other stakeholders throughout funding proposal cycle. This includes communications and grievance mechanisms.

PS2: Labour and working conditions

- (a) Fair treatment, non-discrimination, equal opportunity;
- (b) Good worker–management relationship;
- (c) Comply with national employment and labour laws;
- (d) Protect workers, in particular those in vulnerable categories;
- (e) Promote safety and health;
- (f) Avoid use of forced labour or child labour.

PS3: Resource efficiency and pollution prevention

- (a) Avoid, minimize or reduce project-related pollution;
- (b) More sustainable use of resources, including energy and water;
- (c) Reduced project-related greenhouse gas emissions.

PS4: Community health, safety and security

- (a) To anticipate and avoid adverse impacts on the health and safety of the affected community;
- (b) To safeguard personnel and property in accordance with relevant human rights principles.

PS5: Land acquisition and involuntary resettlement

- (a) Avoid/minimize adverse social and economic impacts from land acquisition or restrictions on land use:
 - i. Avoid/minimize displacement;
 - ii. Provide alternative project designs;
 - iii. Avoid forced eviction.
- (b) Improve or restore livelihoods and standards of living;
- (c) Improve living conditions among displaced persons by providing:
 - i. Adequate housing;
 - ii. Security of tenure.

PS6: Biodiversity conservation and sustainable management of living natural resources

- (a) Protection and conservation of biodiversity;
- (b) Maintenance of benefits from ecosystem services;
- (c) Promotion of sustainable management of living natural resources;
- (d) Integration of conservation needs and development priorities.

PS7: Indigenous people

- (a) Ensure full respect for indigenous peoples;
 - i. Human rights, dignity, aspirations;
 - ii. Livelihoods;
 - iii. Culture, knowledge, practices;
- (b) Avoid/minimize adverse impacts;
- (c) Sustainable and culturally appropriate development benefits and opportunities;
- (d) Free, prior and informed consent in certain circumstances.

PS8: Cultural heritage

- (a) Protection and preservation of cultural heritage;
- (b) Promotion of equitable sharing of cultural heritage benefits.

IFC (WORLD BANK): Environmental, Health and Safety Guidelines

OECD: Guidelines for Multinational Companies

ILO: Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy

UN: Global Compact

Sectoral:

1. OECD: [Sector specific due diligence](#)
2. [Forest Stewardship Council \(FSC\)](#)
3. [Marine Stewardship Council \(MSC\)](#)
4. [Roundtable on Sustainable Palm Oil \(RSPO\)](#)

Certifications

1. ISO 14001 management system
2. ISO 45001 occupational health and safety
3. SA 8000 on working conditions

Human Rights:

UN: International Bill of Human Rights: Universal Declaration of Human Rights (1948). International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights (1966)

UN: Guiding Principles on Business and Human Rights: Implementation of the UN Framework “protect, respect and remedy” (UN, 2011)

Spanish Government: National Plan for Businesses and Human Rights (2017)

European Commission: Guide to human rights for SMEs

IFC – World Bank: Security Personnel (Performance Standard 4)

Working conditions:

ILO: Declaration on Fundamental Principles and Rights at Work

ILO Conventions:

Core:

Convention 29 on Forced Labour (1930). 2014 Protocol. 2014 Recommendation

Convention 105 on the abolition of forced labour (1957)

Convention 87 on freedom of association and protection of the right to organise (1948)

Convention 98 on the right to organise and collective bargaining (1949)

Convention 100 on equal remuneration (1951)

Convention 111 on discrimination (employment and occupation) (1958)

Convention 138 on minimum age (1973)

Convention 182 on worst forms of child labour (1999)

Convention 155 on occupational safety and health(1981)

Convention 187 on the promotional framework for occupational safety and health..

Others:

Convention 1 on hours of work (industry) (1919) and 30 (commerce and offices) (1930)

Convention 14 on weekly rest (industry) (1921) and 106 (commerce and offices) (1957)

Convention 95 on protection of wages (1949)

Convention 97 on migration for employment (1949)

Convention 169 on indigenous and tribal people (1989)

Convention 183 on maternity protection (2000)

UN Conventions:

Conventions on the Rights of the Child (1989)

Convention on the Elimination of all the forms of discrimination against women (CEDAW) (1979)

Environment:

Declaration of RIO+20 on environment and development (UN, 1012)

Paris Agreement on climate change (UN, 2015)

Montreal Protocol on substances that deplete the ozone layer (UNEP, UNDP, UNIDO, WORLD BANK, 1987)

Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (UNEP, 1992)

Convention on biological diversity (UNEP, 1993)

Stockholm Convention on persistent organic pollutants (UNEP, 2004)

Rotterdam Convention on certain hazardous chemicals and pesticides in international trade (UNEP, FAO, 2004)

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) (IUCN, 1973)

EU Taxonomy:

https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en

Sustainable Finance Disclosure Regulation:

https://finance.ec.europa.eu/sustainable-finance/disclosures/corporate-disclosure-climate-related-information_en

European Green Deal: https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Anti-corruption:

UN Convention against corruption (2005)

OECD: Convention on combating bribery of foreign public officials in international business transactions (2011)

SUSTAINABLE DEVELOPMENT GOALS

Grouped under 17 broad goals, the SDGs comprise 169 targets to be met by 2030. These goals are at the core of the new post-2015 Development Agenda, which revolves around the "5 Ps": "Planet", "People", "Prosperity", "Peace" and "Partnerships".

The SDGs seek more ambitious targets than the MDGs, particularly on three issues. Firstly, they understand development as a universal concept, pursuing a paradigm shift towards a socially, economically and environmentally sustainable development model on a global scale. Secondly, they seek to address the biggest problems of the population with a clear goal: ending poverty. And finally, they include a strong environmental component, which makes caring for the planet the basis for development and economic prosperity.

The UN Global Compact, the Global Reporting Initiative and the World Business Council for Sustainable Development have developed a tool called SDG Compass which helps to align business strategies with the SDGs and to measure and manage their contribution to the SDGs.

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy living and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
10. Reduce inequalities within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its effects (taking note of the agreements adopted in the forum of the United Nations Framework Convention on Climate Change)
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development





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