



# Operating Principles for Impact Management

## Disclosure Statement

**COFIDES**   
Investment and development



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

18 June 2024

COFIDES (Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E.) is a founding signatory to the Operating Principles for Impact Management (the Impact Principles)<sup>1</sup>. The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. They draw on emerging best practices from a range of asset managers, asset owners, asset allocators, and development finance institutions.

This Disclosure Statement affirms that COFIDES's investment services and processes are managed in alignment with the Impact Principles. Total Committed Portfolio in alignment with the Impact Principles is EUR 1,515.46 million<sup>2</sup> as of December 31st, 2023.



José Luis Curbelo  
Chairman and Chief Executive Officer  
18 June 2024

<sup>1</sup> The information contained in this Disclosure Statement has not been verified or endorsed by the Global Impact Investing Network ("the GIIN") or the Secretariat or Advisory Board. All statements and/or opinions expressed in these materials are solely the responsibility of the person or entity providing such materials and do not reflect the opinion of the GIIN. The GIIN shall not be responsible for any loss, claim or liability that the person or entity publishing this Disclosure Statement or its investors, Affiliates (as defined below), advisers, employees or agents, or any other third party, may suffer or incur in relation to this Disclosure Statement or the impact investing principles to which it relates. For purposes hereof, "Affiliate" shall mean any individual, entity or other enterprise or organization controlling, controlled by, or under common control with the Signatory.

<sup>2</sup> This sum is equivalent to USD 1,674.58 million on 31.12.2023 and corresponds to:

- o EUR 1,206.07 million (USD 1,332.71 million committed in (a) direct finalist investment projects and (b) investment funds through (i) COFIDES' own resources and (ii) third-party fund resources managed exclusively by COFIDES and,
- o EUR 297.56 million (USD 328.81 million) committed to (a) microfinancing projects, (b) other financial institutions and (c) investment funds through (iii) third-party fund resources to which COFIDES provides management advice.
- o EUR 11.82 million (USD 13.06 million) committed in blended finance (blended finance resources applied to investment projects) through (iv) resources from EU delegated cooperation and from Next Generation EU.

Specifically,

- Total committed portfolio is calculated as the total portfolio plus the sums committed but pending outlay.
- Total portfolio reflects, for formalized operations, the balance between the amounts actually disbursed and those reimbursed.
- The committed portfolio includes only projects identified by COFIDES, and/or in which COFIDES leads project monitoring and assessment.

EUR/USD 1.1050 on December 29th, 2023 (European Central Bank).

*The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.*

## Principle 1

**Define strategic impact objective(s), consistent with the investment strategy**

- COFIDES, Compañía Española de Financiación del Desarrollo, is a state-owned company created in 1988. It provides medium and long-term financing for viable investment private projects that contribute, based on profitability criteria, both to the development of the countries receiving the investments and to internationalization of the Spanish economy and companies.
- COFIDES' vision is to become a public-private reference for funds management and financial consulting, promoting direct/indirect investment, mobilising private finance, and financing sustainable development to contribute to the transition to a prosperous, inclusive, resilient and carbon-neutral economy. COFIDES' corporate values are based on (i) market additionality, (ii) catalytic effect for private investment, (iii) economic feasibility of investments, (iv) sustainability and impact -commitment to SDGs-, and (v) good governance.
- COFIDES is an economic player with different activity roles: (i) finance institution that operates with its own resources, (ii) public fund manager, (iii) advisory entity for fund management, (iv) delegate entity to manage other budgets and funds, and (v) bilateral development finance institution.
- The main SDGs steering COFIDES in the performance of its activities are the following: (i) Impact SDGs: Gender Equality (SDG 5), Decent work and economic growth (SDG 8); Industry, innovation and infrastructure (SDG 9), Affordable and Clean Energy (SDG 7); Climate action (SDG 13) and (ii) Operating SDGs: Reduced inequalities (SDG 10); Partnerships for the goals (SDG 17).

*Figure 1.  
The seven SDGs that inspire COFIDES's business endeavour*



- COFIDES' [Strategic Plan 2022-2024](#), publicly available on its website, establishes the following pillars: (i) trust and business, (ii) sustainability and impact, (iii) institutional consolidation, and (iv) strategic alliances. The Strategic Plan also includes a commitment to earmark 30% of the volume of formalisations in the internationalisation portfolio to climate action and environmental sustainability projects during the 2022-2024 period.

*The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.*

## Principle 2

### *Manage strategic impact on a portfolio basis*

- COFIDES has included sustainability as a value in its Code of Ethics for application across its business as a whole.
- COFIDES sets annual sustainability targets in alignment to SDGs that are material to COFIDES's activity and related to supporting employment, responsible industry, social infrastructure, and climate change mitigation, as well as capital flows to emerging and developing countries.
- The incentive system is aligned to the achievement of outcomes related to the above-mentioned sustainability targets. Beginning in 2019, COFIDES defines annual corporate impact targets for all new investments, to which employee incentive bonuses are linked.
- For FYE 2023 those targets represented a weight of 25% in the corporate objectives overall.
- For each new investment, COFIDES performs an ex-ante assessment of (i) the effects on development that the project is expected to generate and (ii) the environmental and social risk associated with that project. COFIDES monitors these aspects, both at project level and portfolio level.
- The aggregated impact results of the portfolio are monitored by COFIDES on an annual basis. The corporate impact objectives are set annually on new investments, which contribute to gradually generating a portfolio with better performance in terms of impact.
- The COFIDES' Sustainability Committee, established in 2023 within the Board of Directors, is responsible for advising the Board of Directors and overseeing COFIDES' strategy regarding Impact and ESG.

*The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels. The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

## Principle 3

### ***Establish the Manager's contribution to the achievement of impact***

- In addition to host country development, COFIDES pursues value creation and the generation of lasting benefits in the projects financed with funds under its management.
- COFIDES financing features elements, such as long-term structures, grace periods, repayment schemes adapted to cash flow, equity products in addition to those available on emerging and developing country markets, financial support for SMEs.
- With such support, COFIDES also seeks to enhance project compliance with the environmental, social and good governance standards in place in international practice, which is also embedded in the financing requirements.
- COFIDES manages delegated financing from the European Commission and the Green Climate Fund (UNFCCC) in combination with its own resources and third-party fund resources managed by COFIDES or to which COFIDES provides management advice.
- COFIDES mobilizes non-reimbursable resources (through blended finance) to facilitate the structuring of specific projects addressed to the most vulnerable sectors, making it possible the implementation and success of these projects, not only from a financial perspective, but also in terms of results, development, and sustainability.
- COFIDES develops value creation initiatives, that include financial incentives to achieve predetermined sustainability performance objectives, and technical assistance to develop and implement social and environmental management procedures, financial deepening, green finance, or institutional strengthening.
- Besides the above-mentioned financial and non-financial channels, COFIDES aims to weave a network of partnerships with all its stakeholders, both nationally and internationally, to foster sustainable investing, raise awareness, and boost changes in investment processes among the investment community, public administration, companies and civil society. As part of the EDFI association, it cooperates with EDFI member institutions in various fields and working groups.
- COFIDES became signatory to the United Nations' Global Compact initiative in 2005. Additionally, COFIDES is a founding member of the Spanish Global Compact Network (UN) and reports yearly on its own progress in effectively complying with the [Ten Principles](#).
- Evidence for the expected development contributions of projects is captured through the impact analysis tool used by COFIDES and through the monitoring of annual sustainability targets.

## Principle 4

### *Assess the expected impact of each investment, based on a systematic approach*

*For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant<sup>4</sup> risk factors that could result in the impact varying from ex-ante expectations.*

*In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards and follow best practice.*

- Measurement of project impact involves an ex-ante assessment, to analyse the estimated impact of a project and how significant said impact is prior to making the investment effective.
- In keeping with one of COFIDES's priorities, namely the institution of impact indicators aligned with international standards and initiatives, it took active part in for a such as the EDFI's task force that supervised the 'Harmonisation Initiative on Impact Measurement and Responsible Financing'<sup>3</sup>.
- Since 2006, and in order to assess the expected development effects of financed projects, COFIDES has used the Operations Impact Rating (RIO) based on the GPR<sup>®</sup> tool<sup>4</sup>. Among other issues, the rating includes economic, social, and environmental indicators and classifies the projects according to the relevance of the expected development impact results.

<sup>3</sup> COFIDES and EDFI members work under the Harmonisation Initiative to adopt common approaches to E&S assessments and the measurement of economic impact and social impact (indicator definitions aligned with HIPSO -among other initiatives-, reporting standards, as well as other matters related to these objectives).

<sup>4</sup> [International Financing, Development and Non Financial Risks - Handbook for companies financed by COFIDES'](#)

*For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

## Principle 5

***Assess, address, monitor, and manage potential negative impacts of each investment***

- COFIDES considers that sustainable development is essential to achieve sound business management. COFIDES assesses ESG risks and manages negative impacts during the entire lifecycle.
- Since 2001 COFIDES has had an [Environmental and Social Policy](#) that has been periodically updated, which establishes (i) principles of responsibility in this matter<sup>5</sup>, and (ii) the procedure for environmental and social assessment that is part of the due diligence of operations.
- In 2015 COFIDES instituted a gender policy to assess issues specific to women and award investment projects a gender rating on those grounds. The policy also defines preventive measures to ensure non-discrimination against women. This Policy was reviewed in 2021 and the criteria of the 2X Challenge Initiative were adopted to assess the impact on gender equality.
- Environmental and social evaluation procedures, posted on [COFIDES' corporate website](#) and in the booklet '[International Financing, Development and Non Financial Risks - Handbook for companies financed by COFIDES](#)'
- Procedures include an exclusion list, which defines the type of activities in which COFIDES does not invest. Environmental and social risk assessment is conducted to establish risk mitigation measures through contractual clauses, in collaboration with the client. The exclusion list was extended and from 2023 COFIDES no longer makes new investments in fossil fuel activities all along the value chain.
- In certain projects -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.
- Regarding Corporate Governance, since 2018 COFIDES applies an analysis methodology aligned with EDFI, which classifies its clients as (i) Advanced Stage, (ii) Intermediate Stage or (iii) Initial Stage. The elements assessed by the investment analysts are: (i) commitment to Corporate Governance, (ii) structure and functioning of its board, (iii) process control, (iv) transparency and disclosure, and (v) shareholders.

<sup>5</sup> These Principles include compliance with the social and environmental legislation of the country receiving the investment, as well as with recognized international standards in these areas, should application of local regulations not be enough to ensure adequate socio-environmental management. COFIDES applies Fundamental Social Rights and Principles to its operations, as well as standards, such as:

- UN Universal Declaration of Human Rights
- International Labour Organization (ILO) Conventions
- OECD Guidelines for Multinational Enterprises
- EDFI Principles for Responsible Financing
- UN Global Compact Principles
- Client Protection as part of the SPTF Universal Standards for Social Performance Management

*The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action. The Manager shall also seek to use the results framework to capture investment outcomes.*

## Principle 6

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


- Information on investees is collected by COFIDES project managers to monitor project performance by using the ex-post phase of the impact analysis tool, named Operations Impact Rating (RIO)<sup>6</sup> and based on the GPR<sup>®</sup> tool.
- The ex-post phase of the impact analysis tool was reviewed in 2023 to include new impact indicators, especially those related to job quality (which were previously harmonised by EDFI members based on work done by IRIS+ and HIPSO).
- The monitoring of the projects is conducted on an annual basis. The results of the environmental and social performance are monitored according to the E&S risk assessment and submitted to the internal Project Advisory Committee and to the decision-making bodies of the managed resources.
- In terms of social and environmental risk management, COFIDES monitors adequate progress of the project and verify compliance with the contractual requirements established to adopt any relevant actions in the event of non-compliance, which may even include cancellation of the project, although the aim is to redirect management of the operation.
- COFIDES started using the Joint Impact Model (JIM)<sup>7</sup> in 2022. The tool is used to capture the indirect and induced effects of investments, especially in terms of employment, which allows estimating and reporting on impact in a consistent and comparable way.
- COFIDES measures and calculates the carbon footprint of its Internationalisation portfolio using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF) and following the Greenhouse Gas Protocol (GHG Protocol), with the objectives of obtaining a better picture of the impact its investments have on climate change, easily monitor both their attributed emissions and the effectiveness of future decarbonisation measures and begin to engage all its assets in reducing emissions<sup>8</sup>.

<sup>6</sup> ['International Financing, Development and Non Financial Risks - Handbook for companies financed by COFIDES'](#)

<sup>7</sup> In January 2021, a group of IFIs launched the Joint Impact Model (JIM) in collaboration with specialist consultancy Steward Redqueen (<https://www.jointimpactmodel.org/>).

<sup>8</sup> <https://www.cofides.es/en/noticias/notas-de-prensa/cofides-strengthens-its-sustainability-strategy-measuring-first-time-its>





*When conducting an exit, the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.*

## **Principle 7**

### ***Conduct exits considering the effect on sustained impact***

- For equity investments, exit is carried out taking into account the future outlook of the business and its durability.
- Most projects financed with debt mature automatically with no exit decisions. However, long-term investment horizons allow including good practices in the projects to ensure their sustainability beyond the financing period.
- A feature of project financing is that it includes flexible mechanisms. The financial novation and refinancing processes are subject to prior environmental and social evaluations before said refinancing is extended.

*The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.*

- COFIDES compiles and furnishes information on the environmental and social impacts of its business and on corporate governance in its annual [Activity and Sustainability Reports](#), which are publicly available in its website.

## Principle 8

***Review, document, and improve decisions and processes based on the achievement of impact and lessons learned***

- On occasion, COFIDES also publishes specific impact reports for selected projects and industries and shares the findings with the academic and business communities as well as with society at large.
- For specific projects, the evaluation of impact results is conducted by an external team, both in an interim and final stage, by assessing both outcomes and contribution and identifying lessons learned.

Figure 2.

*Over 15 years of progress in procedures to document environmental and social performance and corporate governance*



*The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.*

## Principle 9

***Publicly disclose alignment with the Principles and provide regular independent verification of the alignment***

- This Disclosure Statement re-affirms the alignment of COFIDES's procedures with the Impact Principles, and it will be updated annually.
- The last independent verification of COFIDES's Disclosure Statement took place in June 2024 [[Verification Summary](#)]. The alignment of the impact management system with the Operating Principles for Impact Management was internally verified by COFIDES's Internal Control Division (team made up of 4 auditors).
- COFIDES's Internal Control Division is independent from operation and investment management decisions in the Company [[COFIDES organisation chart](#)]. Internal Control, a division under the aegis of the Chairman's Office, reports to the Auditing and Risks Committee created by the Board of Directors in 2019.
- The next planned review of COFIDES's Disclosure Statement is in June 2025 and the next independent verification will take place in June 2026.