



Santiago Principles Self-Assessment

Compañía Española de Financiación del Desarrollo

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Pillar 1

Legal framework, objectives, and coordination with macroeconomic policies

Principle 1 Description:

1. The legal framework for the SWF should be sound and support its effective operation and the achievement of its stated objective(s).

1.1. The legal framework for the SWF should ensure legal soundness of the SWF and its transactions.

1.2. The key features of the SWF's legal basis and structure, as well as the legal relationship between the SWF and other state bodies, should be publicly disclosed.

Principle 1 Implementation:

This self-assessment refers to the three Spanish SWFs managed by Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E. (hereinafter "COFIDES"): Fund for Foreign Investments (Fondo para Inversiones en el Exterior, F.C.P.J. -hereinafter ("FIEX"), Fund for Foreign Investment Operations of Small and Medium Enterprises (Fondo para Inversiones en el Exterior, F.C.P.J. -hereinafter "FONPYME") and Fund for the recapitalization of companies affected by Covid-19, F.C.P.J. (Fondo de recapitalización de empresas afectadas por la Covid-19, F.C.P.J – hereinafter "FONREC" (the three of them

FIEX, FONPYME and FONREC hereinafter referred as the “Funds” or “SWF”):

The Funds were created and are regulated by statute of the following Spanish legal framework:

FIEX and FONPYME were created by article 114 Law 66/1997, of 30 December, Administrative Fiscal Measures and Social Order, and FONPYME by article 115 of said law (hereinafter “Law 66/1997”).

Law 66/1997 provides for the main features of the Funds. Additional and as development of such act, Funds’ activities and operation are in more detail regulated by the Spanish Royal Decree 1226/2006 of October 27 (hereinafter “Regulation 1226/2006”)

The owner of the Funds is the Spanish State, as the only contributor. Consequently, as Spanish State wholly-owned funds, for public law purposes Funds belong to the Spanish public sector. Specifically, Funds are assigned to the Secretary of State for Trade (“Secretaría de Estado de Comercio” -hereinafter “SEC”), which currently belongs to the Ministry of Industry, Trade and Tourism.

From a legal standpoint, Funds are established as fund without legal personality (“fondo carente de personalidad jurídica”), therefore not as a corporation, company or any sort of separate legal entity, but rather established as a separate pool of assets (“patrimonio separado”).

As per article 116 Law 66/1997, (i) governing body of each SWF corresponds to its respective Executive Committee (“Comité Ejecutivo”), whose composition and key features are provided by the Development Regulation; (ii) COFIDES is designated as Fund Manager for the Funds, acting for such purposes in its own name and on behalf of the Funds.

See referred legal framework at (Spanish language only available):

<https://www.boe.es/buscar/act.php?id=BOE-A-1997-28053>

<https://www.boe.es/buscar/act.php?lang=en&id=BOE-A-2006-19827&tn=&p=> ^[4]

FONREC was created by article 17 Spanish Royal Decree 5/2021, of 12 March, extraordinary measures to support corporate solvency in response to the Covid-19 pandemic (hereinafter “Regulation 5/2021”).

Regulation 5/2021 provides for the main features of the Fund. Additional and as development of such regulation, Fund’s activities and operation are in more detail regulated by the Resolution of June 15, 2021, of the Secretary of State for Trade, publishing the Agreement of the Council of Ministers of June 15, 2021 (“CM 15/6/2021”).

See referred legal framework at (Spanish language only available):

<https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946> ^[5]

<https://www.boe.es/buscar/doc.php?id=BOE-A-2021-20880> [6]

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From a legal standpoint, Funds are established as fund without legal personality (“fondo carente de personalidad jurídica”), therefore not as a corporation, company or any sort of separate legal entity, but rather established as a separate pool of assets (“patrimonio separado”).

As per article 116 Law 66/1997, (i) governing body of FIEEX and FONPYME SWF corresponds to its respective Executive Committee (“Comité Ejecutivo”), whose composition and key features are provided by the Development Regulation; while Regulation 5/2021, (ii) governing body of FONREC SWF corresponds to Technical Investment Committee of the Fund, hereinafter referred to as the “Technical Investment Committee or TIC”; (iii) COFIDES is designated as Fund Manager for the Funds, acting for such purposes in its own name and on behalf of the Funds.

COFIDES ownership is:

56.68% public held by ICEX (Spanish Institute for Foreign Trade), ICO (state-owned bank, attached to the Ministry of Economy) and ENISA (public institute to finance start up).

46.32% private capital held by Banco Santander, BBVA and Bank Sabadell.

1.14% held by CAF-Corporación Andina de Fomento (Development Latin-American Bank)

Principle 2 Description:

The policy purpose of the SWF should be clearly defined and publicly disclosed.

Principle 2 Implementation:

FIEEX: In accordance with the provisions of section one of article 114 of Law 66/1997 this Fund aims to promote the internationalization of Spanish enterprises, and, in general, of the Spanish economy, through temporary and minority equity investments in Spanish companies, their affiliates located abroad or through other any participative financial instruments.

FONPYME: In accordance with the provisions of section one of article 115 of Law 66/1997, this Fund has the same mandate as FIEEX in relation exclusively to the internationalization of the activity of small and medium Spanish enterprises, and, in general, of the Spanish economy.

FONREC: In accordance with the provisions of section two of article 17 of Regulation

5/2021 this Fund will provide temporary public support under criteria of profitability, risk and impact on sustainable development, in order to strengthen the solvency of companies headquartered in Spain that are experiencing temporary hardship as a result of the Covid-19 pandemic.

See referred legal framework at (Spanish language only available):

<https://www.boe.es/buscar/act.php?id=BOE-A-1997-28053> ^[7]

<https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946> ^[5]

Principle 3 Description:

3. Where the SWF's activities have significant direct domestic macroeconomic implications, those activities should be closely coordinated with the domestic fiscal and monetary authorities, so as to ensure consistency with the overall macroeconomic policies.

Principle 3 Implementation:

The industries, geographical scope and different instruments invested by FIEX and FONPYME are directed by the Executive Committee (hereinafter "EC"), formed by public servants from different Spanish ministries. As Funds are assigned to the SEC, EC decisions are aligned with the general Spanish trade policy in force from time to time. Daily management of the Funds are driven by the Operational Guidelines approved by the EF (see section 18). In particular, members of the EC check the financial support from different public entities received by a particular project.

FONREC has been invested in industries affected by Covid-19

Assets of FIEX, FONPYME and FONREC funds managed by COFIDES are not significant within the general macroeconomic policy instruments.

Principle 4 Description:

4. There should be clear and publicly disclosed policies, rules, procedures, or arrangements in relation to the SWF's general approach to funding, withdrawal, and spending operations.

4.1. The source of SWF funding should be publicly disclosed.

4.2. The general approach to withdrawals from the SWF and spending on behalf of the government should be publicly disclosed.

Principle 4 Implementation:

FIEX and FONPYME Funds' source of funding is the yearly General State Budget (ex. Article 20 Regulation 1226/2006). The General State Budget is prepared by the Spanish central government to be approved yearly as an act by the Spanish Parliament and is publicly disclosed at the Spanish Official Gazette ("Boletín Oficial del Estado").

The proposal for new funding each year is made by COFIDES, to be passed by the corresponding EC, based on financial needs in accordance with FIEX and FONPYME Funds' business forecasts. This proposal is studied by the Spanish Central Government for its inclusion in the corresponding Budget. The FIEX and FONPYME Funds have always been funded by annual Budget.

All the Funds' investment income is reinvested. (ex. Article 18.2 Development Regulation).

FONREC has been endowed in its constitution according to the Regulation 5/2021. No additional endows are foreseen.

The funds' assets are consolidated within the Spanish General Budget. Each account is reported within its classification (financial assets, participations or cash).

Figures are publicly disclosed in an aggregated manner for the Spanish public budget and are not identifiable for each Fund.

Principle 5 Description:

5. The relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets.

Principle 5 Implementation:

The Funds report the following statistical data both to the OECD via the Ministry of International Affairs and yearly to the State via the Secretary of Trade.

Investments abroad

Number of employees of investee companies

Investments per country

Investments per industry

Total investments of the year

Total divestments of the year

Assets Under Management

The Funds' transactions, as mainly addressed to foreign entities, are reported for statistical purposes to the Spanish Central Bank (cross-border financing) and the Ministry of Industry, Trade and Tourism (foreign equity investments).

Institutional Framework and Governance Structure

Principle 6 Description:

6. The governance framework for the SWF should be sound and establish a clear and effective division of roles and responsibilities in order to facilitate accountability and operational independence in the management of the SWF to pursue its objectives.

Principle 6 Implementation:

As generally described in section I.1 in fine, Funds are administrated by its respective EC/TIC and managed by COFIDES (“Manager”).

The division of roles and responsibilities are clearly stablished by the Regulation 1226/2006 (see sections 8 and 9) for FIEX and FONPYME.

In general terms, the EC is responsible for the final decision on investments and disinvestments, the review of the portfolio, the approval of the Funds Annual Accounts and Report, and the oversight over Manager’s activity. EC meetings are held on a monthly basis.

For FONREC the division of roles and responsibilities are clearly stablished by the Regulation 5/2021 which says that a TIC is created as a collegiate inter-ministerial body attached to the Ministry of Industry, Commerce and Tourism, whose composition, operation and competences will be regulated by an Agreement of the Council of Ministers. The TIC will be the control and monitoring body of the operations carried out by the COFIDES.

The CM 15/6/2021 Annex IV describes the composition (section 2) and responsibilities (section 3) of TIC.

Those are generally to approve investment, divestments, review of the portfolio and oversight of COFIDES activity.

COFIDES, as the Funds’ Manager, is responsible for the day-to-day running of the portfolio, including inter alia the execution of investments/disinvestments approved by EC /Technical Investment Committee, monitoring of portfolio companies, accounting, depositary and other related administration tasks.

Principle 7 Description:

7. The owner should set the objectives of the SWF, appoint the members of its governing body(ies) in accordance with clearly defined procedures, and exercise oversight over the SWF’s operations.

Principle 7 Implementation:

The objective of the Funds has been set by Law 66/1997 (see Section 2) and, therefore, it cannot be changed save as by means of a change of said law for FIEX and FONPYME;

and Regulation 5/2021 for FONREC

Oversight by the Funds' owner (i.e. Spanish Central Government/State) is developed by the state agencies that audit public sector (IGAE and Tribunal de Cuentas -see Section 12).

Likewise, structural changes in the Funds can be made by means of new regulations enacted by the owner, amending therefore the Development Regulation.

For FIEEX and FONPYME, the composition of the EC is directly set up by the Development Regulation. They are formed by:

A president, who by legal provision is the Secretary of State for Commerce.

A first vice president, who is, by legal provision, the general director of International Trade and Investments.

A second vice president, who by legal provision is the president of COFIDES.

Twelve additional committee members:

Five representatives of the General Directorate of International Trade and Investments

One representative of the General Directorate of Industry and of the Small and Medium Enterprises.

Two representatives of ICEX Spain Export and Investment.

One representative of the General Secretariat of the Treasury and Financial Policy

One representative of the State Secretariat for Budgets and Expenditures.

One representative of the Official Credit Institute, ICO

One representative of the General Secretary of the Industry and of the Small and Medium Enterprises.

A secretary, without voice or vote.

Except for the president and first and second vice-presidents, whose appointment as members of the Committees is automatic because of their position in government, the remaining members must be appointed by the Minister of Industry, Trade and Tourism, at the proposal of the Secretary of State for Commerce.

The mandate of the members of the Committees, except for those who are due to their position (president and vice-presidents), is renewable every two years.

One of the functions of the EC is the reporting to the Spanish Central Government, on the following items:

Annual Accounts and Report of the Fund.

Proposal on Fund's allocation to be included in the Annual State Budget.

From time to time, proposal on any change deemed necessary in the Fund's regulation.

For FONREC, the TIC is formed by nine members.

The Presidency will be held by the person in charge of the State Secretariat of Commerce, of the Ministry of Industry, Commerce and Tourism. The meetings of the TIC shall always be chaired by the Chairperson or the person who deputizes for her/him.

The person in charge of the Directorate General for Trade Policy, of the Secretariat of State for Trade, who shall be the First Vice-Chairman of the TIC.

The person in charge of the General Directorate of International Trade and Investments, of the Secretariat of State for Trade.

The General Director of Industry and Small and Medium Enterprises, of the General Secretariat of Industry and Small and Medium Enterprises.

Two representatives of the Secretariat of State of Economy and Support to the Company.

A representative of the Secretariat of State of Tourism.

A representative of the SEPI

The President of COFIDES.

Principle 8 Description:

8. The governing body(ies) should act in the best interests of the SWF, and have a clear mandate and adequate authority and competency to carry out its functions.

Principle 8 Implementation:

The governing body of the Funds are the EC (one for each, but with the same members for both bodies), as per article 116.1 Law 66/1997 for FIEX and FONPYME.

Role and responsibilities of the EC are defined in articles 3 (FIEX) and 11 (FONPYME) of the Development Regulation, including a list of administration functions:

Evaluate and approve or deny the operations proposed by the Manager.

Analyze and assess the evolution of the portfolio investments and approve, if required, the measures considered appropriate to ensure the smooth running of said operations to fulfil the objective of the Funds.

Propose to the Government, through the Secretary of State for Commerce, any proposals deemed necessary to ensure the proper functioning of the Fund

Approve and send to the Minister of Industry, Trade and Tourism and to the General Intervention of the State Administration (IGAE) the annual accounts of the Fund, as well as the annual report.

Establish a financing limit per operation under operational criteria and to avoid excessive concentration of risks, based on the annual increase in the Fund's endowment, as well as any other operational limits deemed necessary to establish, to ensure the proper functioning of the Fund and risk monitoring.

Evaluate and approve the collaboration agreements.

Approve the preliminary draft annual budgets of the Fund for submission to the Minister of industry, Trade and Tourism in accordance with the provisions of article 33 of Law 47/2003, of November 26, General Budget.

Verify the adequacy of the Manager's remuneration set by Law 66/1997.

Approve due diligence cost.

Request the Manager any information necessary to assess the risks assumed by the State as well as determine the economic-financial information that must be sent specifically or periodically to the EC.

Establish the eligibility criteria for investments.

Any other inherent in the administration of the Fund.

Role and responsibilities of the TIC are defined in articles 3 of CM 15/6/2021, including a list of administration functions.

Approve investments

Evaluate the evolution of the portfolio and take measures appropriate to ensure the smooth running of the Fund and compliance with its objectives

Approve execution of certain actions, including but not limited to divestments, reductions and waivers, accession to creditors' agreements, refinancing, restructuring, renegotiations, acknowledgments of debt or judicial or extrajudicial transactions

Approve submission to arbitration or other means of conflict resolution of disputes, the abandonment of legal actions already initiated or the temporary waiver of the exercise of legal actions

Propose to the Government, through the Directorate General for Commercial Policy, any actions that may be considered necessary for the purpose of ensuring the correct operation of the Fund.

Establish a risk appetite framework

Verify the correct application of the criteria for calculating the Manager's remuneration, as well as to ratify the payment of such remuneration.

In general, to carry out the control and monitoring of the transactions carried out by the Manager with charge to the Fund, as well as to exercise any other powers deriving from the provisions of the Royal Decree-Law.

The ECs/TIC approve the respective Operational Guidelines, which is a compendium of investment and divestment procedures, including eligible investments, operating issues and reporting activities.

Principle 9 Description:

9. The operational management of the SWF should implement the SWF's strategies in an independent manner and in accordance with clearly defined responsibilities.

Principle 9 Implementation:

For FIEX and FONPYME, Law 66/1997, in number 2 of its article 116, the designation of COFIDES as manager of the Funds, in its own name and on behalf of the Funds. And For FONREC Regulation 5/2021, article 17.

Operational management role and responsibilities of COFIDES, as Fund manager, are listed in articles 5 (FIEX) and 13 (FONPYME) of the Development Regulation, including inter alia:

Evaluate investment proposals

Submit to the EC/TIC such proposals

Perform legal and financial closing

Monitor portfolio investments

Represent the Funds in the decision-making bodies of portfolio companies

Monitor the activity of capital expansion funds or private equity funds participated by the Funds and participate in their decision-making or administration bodies, if this does not entail that COFIDES assumes direct management of the companies in which the fund invests. Act as depositary of the financial documentation of investments.

Do administration tasks with the strictest principles of financial prudence.

Propose to the EC/TIC divestments

Act legally in the interest and on behalf of the Funds

Sign collaboration agreements that may take place with other investors who wish to participate in the activities of the Funds

To propose to the EC/TIC a limit of assumption of risk per investment, as well as any other operational limits that are considered necessary to establish, to ensure the proper functioning of the Funds and risk monitoring.

Act as Secretary of the EC/TIC

Undertake differentiated and independent accounting for each Fund.

Prepare the annual budgets of the Funds

In general, the Manager will carry out all those actions and initiatives that are necessary for the proper functioning of the Funds and will provide the EC/TIC with all the information and documentation it requests.

For the execution of these management activity, COFIDES structure includes:

Chairman /CEO, General Manager and General Secretary, usual roles for the positions.

Business development: identification of new investment opportunities

Investment and Portfolio management: analysis of investment opportunities, negotiation of investment terms and conditions, legal and financial closing of investments, monitoring throw out the investment life and divestment

Risk management: second opinion on every investment decision, monitoring and divestment; portfolio review to direct the business development effort (i.e. countries, industries, size of investee companies)

Impact and Sustainability: review of impact, environment and social risk of invested companies.

Finance department: accounting and treasury management

Department for internal controlling, auditing and quality: compliance usual roles.

COFIDES Board of Directors, set up by representatives of its shareholders (with the Spanish public State with a majority stake).

COFIDES Steering Committee is composed by its chairman /CEO of COFIDES, the general director and the deputy directors of each area.

It is the responsibility of the Steering Committee to analyze and approve/deny all those

issues that must be presented to the EC of the Funds and those that are strategic, routine or specific that are relevant for the proper functioning of the Funds, among which are:

Documents and reports that must be submitted to the instances referred to in the previous paragraph or to other instances. By way of example and not limitation, the following should be noted:

Proposals for investment operations, divestment, refinancing, and other in the portfolio companies.

Proposal for a Strategic Plan, Commercial Plan, portfolio companies monitoring, E&S monitoring plan.

Economic-financial information - Activity Reports, Financial Statements, budgets, other accounting and management documents.

Other matters such as Country Reports, four-monthly updates of the price grid, project reports with judicial proceedings in progress.

Corporate management issues: Objectives and monitoring of Objectives, HR, IT, legal compliance matters, Internal Control and quality including updates of Operating Procedures, Internal and external audits, authorization of contracting of suppliers

Any other issues, initiatives or weekly priorities deemed appropriate to address the proper functioning of the company.

Each deputy director is responsible for implementing in its department the decisions taken by the EC and the Steering Committee.

COFIDES Steering Committee task and responsibilities are set in the internal management regulations of COFIDES and publicly disclosed for all COFIDES employees.

Principle 10 Description:

10. The accountability framework for the SWF's operations should be clearly defined in the relevant legislation, charter, other constitutive documents, or management agreement.

Principle 10 Implementation:

As mentioned in sections 6 to 9, accountability framework is defined in the Law 66/1997 and Development Regulation for FIEX and FONPYE and Regulation 5/2021 for FONREC.

Therefore, no other incorporation/constitutive legal documents or management agreements exist.

Principle 11 Description:

11. An annual report and accompanying financial statements on the SWF's operations and performance should be prepared in a timely fashion and in accordance with recognized international or national accounting standards in a consistent manner.

Principle 11 Implementation:

The Funds annual report and financial statements include in its management report, a brief monitoring of the portfolio companies only disclosed to the EC/TIC and the IGAE (general intervention of the state administration, which is the auditing entity of public companies and entities - see section 12).

The Funds' financial statements are prepared under Spanish GAAP for funds.

The financial statements include information about contingent liabilities and off-balance sheet items.

Principle 12 Description:

12. The SWF's operations and financial statements should be audited annually in accordance with recognized international or national auditing standards in a consistent manner.

Principle 12 Implementation:

The financial statements are subject to yearly auditing procedure of IGAE. Those statements including the auditing report are public for review.

The General Comptroller of the State Administration (IGAE) is the internal supervisory agency of the state public sector, and the direction and management centre for public accounts.

As a supervisory agency, the IGAE is responsible for verifying, through previous monitoring of legality, continuous financial control, public audits, and financial control of subsidies that the state public sector's economic and financial activity complies with the principles of legality, economy, efficiency and effectiveness.

As a centre for the management of public accounts, it is responsible for providing reliable, complete, professional and independent accounting information about public management. In this regard, it is responsible for drafting the public sector's financial accounts according to the methodology of the European System of National Accounts, the most specific result of which is the determination of the public deficit, which is essential to the nation's economic life. It calculates the deficit for both the General Government and each of its sub-sectors.

<http://www.igae.pap.hacienda.gob.es/sitios/igae/en-gb/Paginas/Inicio.aspx> ^[8]

Additionally, on demand, the Court of Auditors (Tribunal de Cuentas) audits the operational activity of the Funds.

The Court of Auditors is the external audit body recognized by the Spanish Constitution, which is configured as the supreme audit body of the accounts and the financial management of the public sector, without prejudice to its judicial function focused on the prosecution of accounting liability incurred by those who are responsible for the

management of public funds.

<https://www.tcu.es/tribunal-de-cuentas/en/> [9]

Principle 13 Description:

13. Professional and ethical standards should be clearly defined and made known to the members of the SWF's governing body(ies), management, and staff.

Principle 13 Implementation:

EC/TIC members are subject to the general liability regime for Spanish civil servants, which include the submission to the Code of Conduct provided by Chapter VI Title III of Law 5/2015. Additionally, EC/TIC president and vice-presidents, due to its condition as most senior official of the central administration ("alto cargo"), are subject to special duties of care in the exercise of their public activity, as provided by Law 3/2015. Specifically, EC/TIC members must refrain from participating in any decisions in case of conflict of interest.

Most EC/TIC members are career top civil servants. Under the Spanish public system, civil servants accede via competitive process and career to become in a top civil servant is based on knowledge and professional merits. As mentioned in point 7 above, the composition of the EC/TIC is directly set up by the Development Regulation.

EC/TIC members are subject to the general liability regime for Spanish civil servants. In particular, they must refrain from participating in any decision in case of conflict of interest.

COFIDES staff (not civil servants) is largely recruited from private sector selected by a competitive process.

The recruitment and recruitment processes are regulated by internal procedures and guarantee compliance with the criteria of transparency, publicity, concurrence, equality, capacity and merit.

Members of the Steering Committee are usually selected from among senior staff when the necessity arises and based on experience, capacity and seniority.

COFIDES has a Code of Ethics applicable to all employees, the Code of Ethics is part of the policies of good governance, regulatory compliance, criminal prevention and corporate responsibility of COFIDES.

The Code includes both the conduct that COFIDES expects from its professionals and the Company's actions towards its stakeholders. The objective is to serve as a deontological guide establishing the values and commitments that will guide the professional activity in the Company:

<https://www.cofides.es/en/about-us/governance> [10]

Members of the EC/TIC and Steering Committee are covered by insurance

Principle 14 Description:

14. Dealing with third parties for the purpose of the SWF's operational management should be based on economic and financial grounds, and follow clear rules and procedures.

Principle 14 Implementation:

COFIDES has internal procedures to deal with third parties with regard:

Suppliers and services providers hiring manual, based on the principles of publicity, concurrence, transparency, confidentiality, equality and non-discrimination, in accordance with Law 9/2017 on Public Sector Contracts.

Money laundering prevention manual

Anti-corruption manual

Confidentiality manual

Principle 15 Description:

15. SWF operations and activities in host countries should be conducted in compliance with all applicable regulatory and disclosure requirements of the countries in which they operate.

Principle 15 Implementation:

The Funds' investments are conducted in compliance with eventual and applicable regulatory and reporting requirement in host countries.

FIEX's and FONPYME's investments are linked to internalization of Spanish companies, and mandatorily minority investments, so in principle do not affect host countries from a strategical or macroeconomic point of view.

FONREC investments are purely domestic, with no activity outside Spain

Principle 16 Description:

16. The governance framework and objectives, as well as the manner in which the SWF's management is operationally independent from the owner, should be publicly disclosed.

Principle 16 Implementation:

For FIEX and FONPYME, governance framework is based on Law 66/1997 and Development Regulation, which are legal provisions of public domain.

For FONREC, governance framework is based on Regulation 5/2021 and CM 15/6/2021, which are legal provisions of public domain.

In the same sense, independent operation of the Funds by COFIDES is public as set up in

such legal framework.

See referred legal framework at (Spanish language only available):

<https://www.boe.es/buscar/act.php?id=BOE-A-1997-28053>

<https://www.boe.es/buscar/act.php?lang=en&id=BOE-A-2006-19827&tn=&p=> [4]

<https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946> [11]

<https://www.boe.es/buscar/doc.php?id=BOE-A-2021-20880> [6]

Principle 17 Description:

17. Relevant financial information regarding the SWF should be publicly disclosed to demonstrate its economic and financial orientation, so as to contribute to stability in international financial markets and enhance trust in recipient countries.

Principle 17 Implementation:

Funds financial statements are public in COFIDES web page (only in Spanish):

<https://www.cofides.es/biblioteca-de-documentos/cuentas-fiex-2020> [12]

<https://www.cofides.es/biblioteca-de-documentos/cuentas-fonpyme-2020> [13]

In COFIDES web page success stories are also published with non-sensitive data.

<https://www.cofides.es/en/our-work/success-stories> [14]

Pillar 3

Investment and Risk Management Framework

Principle 18 Description:

18. The SWF's investment policy should be clear and consistent with its defined objectives, risk tolerance, and investment strategy, as set by the owner or the governing body(ies), and be based on sound portfolio management principles.

18.1. The investment policy should guide the SWF's financial risk exposures and the possible use of leverage.

18.2. The investment policy should address the extent to which internal and/or external investment managers are used, the range of their activities and authority, and the process by which they are selected and their performance monitored.

18.3. A description of the investment policy of the SWF should be publicly disclosed.

Principle 18 Implementation:

The Funds investment policy is included in the Operational Guidelines.

For FIEEX and FONPYME, the Operational Guideline is approved by the EC and was initially established in 2005. Since then, it was reviewed in 2011, 2015, 2017, 2019 and 2021.

The Operational Guidelines states that FIEEX and FONPYME can invest in:

Viable private investment projects or commercial implementation abroad promoted by Spanish private companies.

Viable private investment projects abroad promoted by private companies from other countries, provided there is "Spanish interest".

Viable projects of private investment abroad that the Spanish Trade Administration deems appropriate in response to reasons of general interest.

Support to Spanish companies for internationalization, which can be linked to the fulfillment of an internationalization objective. Such compliance may be verified through the systematic observation of an internationalization variable, such as maintaining a certain amount of international equity or obtaining a certain international EBITDA.

Investment in expansion capital funds that promote the internationalization of the company or the Spanish economy.

For FIEEX and FONPYME the investment policy adjusts tight to the objective of the fund contemplated in the Law (66/1997):

Promote the internationalization of the activity of companies, and, in general, of the Spanish economy, through temporary and minority direct participations in the social capital of Spanish companies for their internationalization or of companies located abroad, and, in general, through participations in the own funds of the aforementioned companies and through any participatory instruments. Temporary and minority direct participations may also be taken in vehicles such as expansion capital funds that promote the internationalization of the company or the Spanish economy.

Risk matrix is included in the same Operational Guidelines (see section 22).

For FONREC the Operational Guideline was approved by the TIC and was established in 2021.

The Operational Guidelines states that FONREC can invest in:

The purpose of this Fund is to strengthen and recover, in an agile and efficient manner, the solvency of medium-sized non-financial companies in any sector with a net turnover of between 15 and 400 million euros at the consolidated level and which, not having had viability problems prior to the Covid-19 crisis and being viable at

medium and long term, the effects of the pandemic on their balance sheets and markets

are affecting them.

Strengthening solvency will also help to secure jobs, maintain and strengthen the productive net and promote the competitiveness of the Spanish economy.

The Fund will provide temporary public support under criteria of profitability, risk and sustainable development impact.

The Funds do not use any kind of leverage or speculative derivatives.

The Funds, through COFIDES, have never used external investment managers. External Due Diligence is requested following market standards.

A description of the Funds investment policy and how to apply to receive financial support is publicly disclosed in the COFIDES web page:

<https://www.cofides.es/en/financing/internacionalization> ^[15]

<https://www.cofides.es/en/node/5039> ^[16]

Principle 19 Description:

19. The SWF's investment decisions should aim to maximize risk-adjusted financial returns in a manner consistent with its investment policy, and based on economic and financial grounds.

19.1. If investment decisions are subject to other than economic and financial considerations, these should be clearly set out in the investment policy and be publicly disclosed.

19.2. The management of an SWF's assets should be consistent with what is generally accepted as sound asset management principles.

Principle 19 Implementation:

FIEX and FONPYME objective is to foster the internationalization of Spanish companies and Spanish economy and such main objective is set in the COFIDES web page. Together with the main strategic objective of the Funds, the Operational Guidelines set a financial and profitability objective disclosed as:

Given that the FIEX and FONPYME investment returns are reinvested, to maximize the potential of the Funds, investments must be carried out in viable projects with a medium- and long-term profitability objective. The investment proposals shall have an adequate risk return profitability.

Investment and divestment proposals, as well as portfolio monitoring, are undertaken by the investment department and reviewed by the risk management department. No proposal can be submitted for approval, without the countercheck of the risk management department. The review includes a risk return analysis.

FONREC investments are supported by credit report from an external credit rating agency

approved by ESMA (European Securities and Markets Authority). Its credit rating report serves as main basis for TIC decision making.

On top of it the Compliance Department carry out periodical performance reviews.

Principle 20 Description:

20. The SWF should not seek or take advantage of privileged information or inappropriate influence by the broader government in competing with private entities.

Principle 20 Implementation:

COFIDES, on behalf of the Funds act always following the additionality principal, by which the offer of the Funds must be additional to the private financial sector and there is thus no concurrence with it.

Principle 21 Description:

21. SWFs view shareholder ownership rights as a fundamental element of their equity investments' value. If an SWF chooses to exercise its ownership rights, it should do so in a manner that is consistent with its investment policy and protects the financial value of its investments. The SWF should publicly disclose its general approach to voting securities of listed entities, including the key factors guiding its exercise of ownership rights.

Principle 21 Implementation:

COFIDES exercise always its ownership rights and in a manner that is consistent with its investment policy to protect the financial value of the Funds' investments.

The Funds do not invest in public listed companies, do not held majority investments and cannot, following their incorporation Law, manage the investee companies.

Thus, ownership rights are limited to the main corporate governance issues to protect its minority position, such as approval of financial statements, appointment of auditors, change of business, etc.

Voting rights are delegated to COFIDES, and usually a senior analyst of the investment department represents COFIDES in the investee's board of directors.

The vote is either issued directly or by a proxy.

As the Funds do not invest in listed entities, they do not public the general approach of ownerships rights.

Principle 22 Description:

22. The SWF should have a framework that identifies, assesses, and manages the risks of its operations.

22.1. The risk management framework should include reliable information and timely reporting systems, which should enable the adequate monitoring and management of

relevant risks within acceptable parameters and levels, control and incentive mechanisms, codes of conduct, business continuity planning, and an independent audit function.

22.2. The general approach to the SWF's risk management framework should be publicly disclosed.

Principle 22 Implementation:

The Operational Guidelines include the risk matrix to be reviewed for each investment proposal. Main risks to be considered and reported to the EC are: Market risk, political and regulatory risk, technology risk, development and construction risk, environmental and social risk, exchange rate risk, reputational risk, holding company credit risk.

The same Operational Guidelines include diversification limits as well. Those are: industry diversification limit max. of 35% of committed amount; country limit max. 25%; company or group of companies limit max. 10%; exchange risk max. 30% global and 7,5% per currency.

In 2021, COFIDES acquired an Standard and Poor's Financial Rating tool and hired the corresponding support service. Each investment is thus assigned a rating that is linked to the probability of default and leads to a portfolio value adjustment. This rating is assigned prior to the investment and is reviewed at least yearly during the life of the investment. Additionally, an internally developed Impact, environmental and social, and governance ratings are done.

COFIDES reports the risks associated with a particular investment opportunity and its mitigating factors to the EC/TIC, as part of the documentation for approval.

Every portfolio company is reviewed at least once a year and a comprehensive follow up report is submitted to the steering committee (after having been review by the risk department) for approval and to the EC/TIC for information. In case of special situations COFIDES perform monitoring reports oftener (half-yearly to monthly).

The Funds approach to risk management is internally available to COFIDES employees as set in the Operational Guidelines, the Rating Guide, the Divestment Guide and the Private Equity Funds Guide. As the investment of the Funds is analyzed case by case and financing is structured tailor made (including collateral), a general case cannot be made public.

Principle 23 Description:

23. The assets and investment performance (absolute and relative to benchmarks, if any) of the SWF should be measured and reported to the owner according to clearly defined principles or standards.

Principle 23 Implementation:

There is a permanent review of investments in the portfolio and a review of the portfolio metrics.

Each investment is reviewed at least once a year and a check of the main financial, Impact E&S and any other risk is performed. Those risk are valued in the Rating tool and a new rating and scoring is assigned.

In case of special situations COFIDES carry out monitoring reports oftener (half-yearly to monthly).

Portfolio reports with key indicators are displayed to the Steering Committee on a monthly basis and to the EC/TIC quarterly.

Key indicators are new investment and divestment of current year, portfolio average rating, diversification by country, industry, ticket amount and investment product.

An abstract of the main key indicators is included in the annual report and published in the COFIDES web page (Spanish language).

<https://www.cofides.es/en/node/3955> [17]

Principle 24 Description:

24. A process of regular review of the implementation of the GAPP should be engaged in by or on behalf of the SWF.

Principle 24 Implementation:

Preparation and implementation of the GAPP is led by the General Manager.

A review of the implementation of the GAPPs will be done as required.

Source URL (modified on 2023-02-21 10:58):<https://www.ifswf.org/assessment/cofidess-2022-self-assessment-2022>

Links

[1] <https://www.ifswf.org/node/2636> [2] <https://www.cofides.es/en> [3] <https://www.ifswf.org/assessments>
[4] <https://www.boe.es/buscar/act.php?id=BOE-A-1997-28053>
<https://www.boe.es/buscar/act.php?lang=en&id=BOE-A-2006-19827&tn=&p=>
[5] <https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946> [6]
<https://www.boe.es/buscar/doc.php?id=BOE-A-2021-20880> [7]
<https://www.boe.es/buscar/act.php?id=BOE-A-1997-28053>
[8] <http://www.igae.pap.hacienda.gob.es/sitios/igae/en-gb/Paginas/Inicio.aspx> [9]
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[11] <http://https://www.boe.es/buscar/act.php?id=BOE-A-2021-3946> [12] <https://www.cofides.es/biblioteca-de-documentos/cuentas-fiex-2020> [13] <https://www.cofides.es/biblioteca-de-documentos/cuentas-fonpyme-2020> [14] <https://www.cofides.es/en/our-work/success-stories>
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